

PRESS RELEASE

19/07/2016



AMP6 – The Effects on the Supply Chain

As always at the start of any AMP period, the supply chain expectations are for the often promised “early start.” This feeling was further enhanced by the predicted industry spend, in excess of £44b. However, reality indicates that the norm is for a drive to reduce costs and this in itself raises many challenges. Of course cost savings can be achieved in many ways, for example by utilising new ideas such as BIM (Building Information Modelling) and Off Site Manufacturing and the potential exists for large savings to be achieved around main construction and large plant activities.

Despite the supply chain’s expectations, what we have seen is that the start of AMP6 has been the slowest of all the AMP periods with early engagement plans drifting. The knock on effect of these delays can and often does cause issues and effects to all those in the supply chain, from the Tier 1 Main Contractors, through to the Tier 3 Component Suppliers.

As would be expected for such an important period of investment for the UK Water Industry, the supply chain have built their short to medium term plans around the requirements of AMP6 and in order to deliver the planned works have invested in many areas of their businesses, including recruitment and

development of new working methods and solutions, all for the reduction of TOTEX costs.

In recent meetings with Tier 2 suppliers the conversation has very much been around the typical delay at the start of AMP periods but more so about the extremely late pick up of the current AMP period and how it has affected not only their ability to accurately forecast the number of personnel required but more importantly to manage the especially within the manufacturing process and where there is a requirement for built to order items such as MCC steelwork, Sewage Screens etc . This inability to forecast has a knock on effect throughout the supply chain of the Tier 2s and into the Tier 3s, as these companies also need to manage and co-ordinate their manufacturing processes or their stock holding profiles.

Delays of course are not uncommon and have been seen in previous AMP periods. There has been much debate about whether there is uncertainty around the possibility of “Brexit” and whether there might be a change in the regulatory requirements of the UK Water & Waste Water Companies. More likely is that it is just an extended delay in the start of projects as it was also very clear that there are many tenders being submitted for the works that are being undertaken in AMP6.

However this doesn’t detract from the issues that are currently affecting the entire supply chain. What is clear is that as the early start has not materialised and with the amount of orders being placed with the Tier 2 and Tier 3 suppliers being very low, the investment that has been undertaken by the supply chain appears to be a little premature. Many of the Tier 2 and Tier 3 suppliers are now considering the implications of the very late start to AMP6 and what it means to their businesses and more worryingly, if indeed the uncertainty in the investment schedule of the AMP periods makes the industry a viable one to continue to operate in. Is it time after five previous AMP periods to look at the possibility of changing the whole process?



PRESS RELEASE

19/07/2016



Is there a case for staggering the AMP periods across the various water companies so that the AMP periods do not all start and stop at the same time? Perhaps a system could be introduced where, for example, two Water and Waste companies and two Water companies could begin an AMP period and then continue this from the following year across the other companies on a one year rolling basis.

There might be many reasons why this may not work but revisiting the current situation with an open mind may deliver the benefits of taking the pressure away from OFWAT to deliver all required determinations in a very short period of time and more importantly, take the uncertainty out of the supply chain and remove the rollercoaster ride that is currently in place.

About Mitsubishi Electric

With over 90 years of experience in providing reliable, high-quality products to both corporate clients and general consumers all over the world, Mitsubishi Electric Corporation is a recognized world leader in the manufacture, marketing and sales of electrical and electronic equipment used in information processing and communications, space development and satellite communications, consumer electronics, industrial technology, as well as in products for the energy sector, water and waste water, transportation and building equipment.

With around 124.000 employees the company recorded consolidated group sales of 39.3 billion US Dollar* in the fiscal year ended March 31, 2014.

Our sales offices, research & development centres and manufacturing plants are located in over 30 countries.

Mitsubishi Electric Europe, Industrial Automation – UK Branch is located in Hatfield, United Kingdom. It is a part of the European Factory Automation Business Group based in Ratingen, Germany which in turn is part of Mitsubishi Electric Europe B.V., a wholly owned subsidiary of Mitsubishi Electric Corporation, Japan.

The role of Industrial Automation – UK Branch is to manage sales, service and support across its network of local branches and distributors throughout United

Kingdom.

Further Information:

Website: gb3a.mitsubishielectric.com/
Website: www.mitsubishielectric.com/
Email: automation@meuk.mee.com
Facebook: www.facebook.com/MEUKAutomation
Twitter: twitter.com/MEUKAutomation
YouTube: youtube.com/user/MitsubishiFAEU

Editor Contact

DMA Europa Ltd: Bob Dobson
Tel: +44 (0)1798 861677
Web: www.dmaeuropa.com

Email: bob@bobdobson.com

Reader Contact

Mitsubishi Electric Europe B.V. Automation Systems
Division: Chris Evans, Marketing & Operations Group
Manager
Tel: +44 (0) 1707 288769
Fax: +44 (0) 1707 278695
Web: gb3a.mitsubishielectric.com/
Email: automation@meuk.mee.com

