

Outsourcing





Outsourcing – The way of the future

Environmental challenges facing organisations today have increased significantly over the past several decades.

Today the obligations imposed on the management and Boards of entities by the increasingly complex legislative and regulatory requirements means that many organisations struggle to keep pace with what needs to be done.

The risks to an entity of not complying with its environmental obligations can result in significant rectification costs or in some instances prosecution and substantial penalties.

This situation in many instances is further complicated by the fact that the range of skills companies must have available to them to comply with the reporting and monitoring commitments imposed on them is causing them to have to hire additional staff with specialist skills or consultants to help them manage the peak loads.

Whilst the use of consultants and contractors can provide management with the skills needed, often this approach is not always cost effective.

Often the short duration of involvement of a consultant carries with it the complications of managing environmental programmes that may span several years.

Employing in-house full-time permanent staff addresses the limitations of using consultants for long term projects but comes at a significant cost, as often it becomes difficult to get the full utilisation of these in-house environmental experts.

Companies have and will continue to face pressure to increase their financial performance, while maintaining their evolving corporate responsibilities.

In today's economic pressures or with the rapid growth of many companies, it is clear that systems to manage the ongoing corporate responsibilities need to be continually instituted and appropriately managed.

One area of exposure and risk, for many companies both legislatively and as viewed by stakeholders, is in the area of meeting present and future environmental obligations

These obligations extend all the way to the Board.

According to Corporations Law (s 299(1) (f) Corporations Act), Directors must annually report the performance of their company in relation to environmental regulation.

There are numerous alternatives being used by organizations to meet their environmental requirements.

The most common are:

- Using individual contractors.
- Utilising casual labour hire organisations.
- Engaging consultants;
- Developing a “partnering” process with a company that has specific experience in the need areas you have and outsourcing to them.

Each of these approaches, whilst valid, comes with both advantages and disadvantages.

Individual Contractors:

This alternative is usually only attractive when the number of people needed is low.

The main disadvantages of this approach are:

- The probability that individual contractors may not be available when required.
- The increase in internal management load needed to coordinate numerous independent individual contractors.
- The onsite space & utilities required to support these contractors.

Casual labour hire organisations:

This can be a viable alternative in some instances. There are, however, inherent problems such as:

- The possible inability to access, on a regular basis, casuals that are experienced with the customer's requirements & procedures.
- Variable quality / experience of the contractors provided.
- Repetitive induction costs.

- Availability of suitable contractors when required.
- The onsite space & utilities required to support these contractors.
- Still require a level of internal management time for supervision.

Consultants

This can also be a viable alternative depending on the required duration of the engagement.

Some limitations of relying on consultants are:

- As the duration of the engagement increase costs can build very quickly.
- Often operate at a higher level so have to sub-contract physical tasks to other companies.
- Experience levels can vary with availability of qualified consultants often being limited.
- The onsite space & utilities required to support these consultants.
- Will require access to management which can create time demands.



Partnering with a specialist provider

While this approach may take a little longer to implement than the other alternatives, it is generally accepted that this alternative delivers the optimum in savings & efficiency because;

- A true partnering approach identifies the customer's needs & specific requirements resulting in the development of procedures & structures to satisfy them.
- Generally provides staff who have specific knowledge of the customer's requirements.
- Will, if managed well by both parties, develop into a long term relationship that is beneficial to all.
- The service provider will be able to cope more easily with fluctuations in demand from the customer as they will have a larger pool of labour resources to satisfy the fluctuations.
- The customer's requirement for on site management, office space & other utilities will be virtually eliminated.
- Human resource & industrial relations responsibilities become the responsibility of the service provider.
- The costs of recruitment & termination are no longer the responsibility of the customer.
- The labour force provided by the service provider will gain additional skills & experience through exposure to a wider range of industries & environmental experiences.

This can often be an added advantage to the customer.

- Provides improved cost certainty as charging is scope and outcomes based and not solely dependent on a traditional time & materials approach.
- Can provide a turnkey approach to managing a company's environmental obligations freeing internal management to focus on the business.
- Allows for a "smooth" transition of staff (contract & permanent) from the customer to the service provider that minimises any negative reaction from those being transferred.
- Succession planning for outsourced activities can be achieved.

Value exists on a number of levels for OTEK clients under a true partnering outsourcing approach.

Outsourcing allows for both OTEK and its client to identify the client's needs & specific requirements, resulting in the development of procedures & structures to satisfy the client, without diluting client's management input.



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Basics:

Some of the basics of outsourcing include providing OTEK staff that has specific knowledge of the client's requirements.

A well managed outsourcing arrangement can develop a long term relationship that is beneficial to all.

Partnership approach:

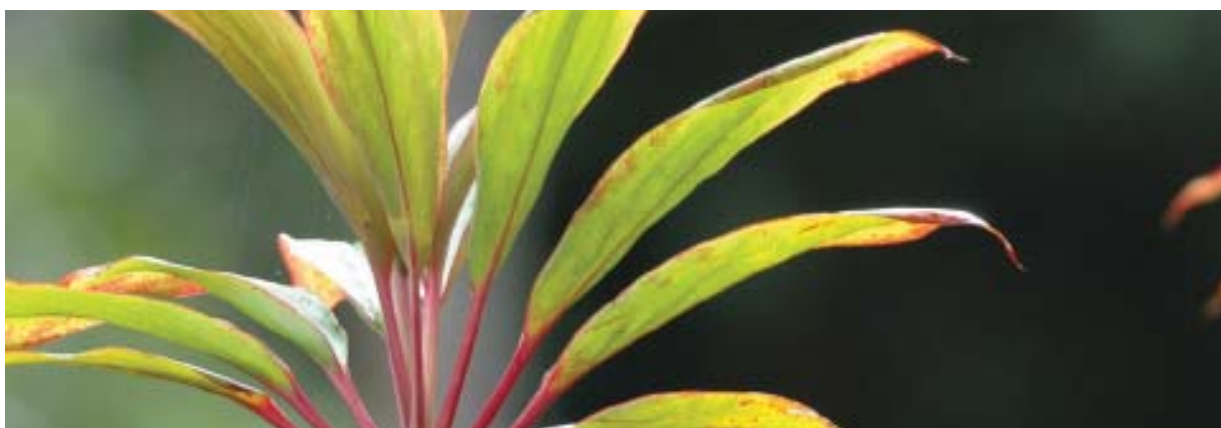
- Comprehensive knowledge - A continual focus on understanding of clients present and changing requirements/needs.
- Consistent works - Dedicated expertise allowing for consistency in the Environmental and Engineering works being conducted for the client.
- Solid Communication - Streamlined communications through a nominated OTEK Account Manager.
- Experience Transfers - The service providers experience in a variety of industries & situations can be utilised by the client

- KPIs - Mutually agreed & monitored KPIs will improve efficiency & provide "what the customer really wants".
- Access to Senior Management - The customer has direct access to Senior Management & a 24 hour emergency response / advice facility.
- Professional Documented Works - Professionally conducted works systemised to ISO9001 certification.
- Managed Resources - Availability of OTEK qualified personnel to perform the works required, in the time required.

Case Studies

OTEK has undertaken major work for an Australian Government services organization, in effect providing comprehensive environmental services capability:

- Full Services Program – Geotechnical Surveys / EPBC Act review / Site Environmental Management Plans / Tower Upgrade Program
- Aboriginal, flora and fauna heritage works
- Environmental Training Program
- Environmental Management System Audit
- Environmental Impact Studies
- Review of Contracts / Development of Legal Environmental Clause
- Multiple Engineered Services upgrades – Emergency power, Waste discharge controls
- Environmental Advice – Groundwater Contamination



Outsourcing



Monetary Value Adds:

Efficiencies achieved through:

- Cost to client reduced in relation to OTEK understanding the job and doing it correctly the first time.
- Accounts processes simplified through cooperative internal client/OTEK payment/processing systems.
- Reduced costs - Associated with supplier management, administration & repetitive tendering.
- Preferential Rates. - The client shares efficiency savings through preferential rates & enhanced service levels.
- Outsourcing - The potential exists for the client to outsource non core activities thus reducing overheads.
- Risk Protection - Professional Indemnity and Public Liability Insurance protection to our client.

Services provided:

Management / Auditing / Compliance

- Due Diligence Audits - OTEK 'due diligence' audits provide a thorough review and consolidation of detailed data to qualify/quantify environmental & equipment assets/liabilities for organisations proposed or potential acquisitions.
- Environmental Management Systems (EMS) - OTEK designs and facilitates implementation of EMS systems for range of industries.

Our auditors have qualified over 100 systems to ensure they fulfill the ongoing requirements for certification under the ISO14000 series.

- Statutory Auditors - OTEK' statutory auditors are certified with various State and Territory regulatory authorities.

They provide the highest-level review of contamination and industrial issues to assist our clients, complete their works throughout Australia

- Legal Services - OTEK conducts environmental legal compliance audits.

Through OTEK's Legal Support Department they provide an operational understanding of the companies environmental statutory obligations in relation to the business they conduct.

These audits assist Directors meet their important governance duty.



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Environmental / Cultural

- **Environmental Impact Studies (EIS)** - Environmental Impact Studies are mandatory under legislation for specific industrial developments to obtain planning or development approvals.
- The EIS provide an understanding of impacts to Flora, Fauna, and other parts of the local ecology.
- OTEK develops for clients a Site Environmental Management Plan (SEMP) to assist in managing any noted impact or ongoing obligation.

Aboriginal Affairs

- **Indigenous community consultation.** - OTEK has broad experience in Aboriginal Heritage legislation and dealings under the Native Title Act, and can assist our client to manage these risks in moving forward on a proposed development or in managing an ongoing issue.

Contaminated Land & Groundwater

- OTEK's has expertise in assessment and practical remediation of contamination.
- Over a decade of experience allows OTEK to use a risk approach in achieving a balanced result in managing a client's obligation with available resources.

Engineering / Project Management

- **Compliance / Management** - OTEK's accredited engineers conduct compliance auditing of dangerous goods systems/management pertaining to statutory requirements, industry best practice, Australian Standards, and statutory obligations.

- **Design - Fuel / Chemical Storage** systems & other - Designs provided by OTEK are based on client's performance requirements and statutory requirements, and are simplified to ensure ease in maintenance and management of pollution risks.
- **Storm water management** includes re- use / water recycling systems.
- **Decommissioning / Mothballing Facilities** - Engineering group's proficiency on project managing or performing decommissioning / mothballing works on industrial facilities. Includes development of specifications, tendering and evaluation, site supervision or completion of the works.

Carbon Consulting Services

OTEK's Carbon consulting services provides professional experience in:

- Carbon Footprint audits
- GreenStar building accreditation assistance
- NPI, EEO and NGER threshold determination / reporting
- Completion of Energy audits (AS 3598:2000).

Definitive skills exist in providing strategic advice on regulations, certification and policy.

Defining company specific carbon neutrality, carbon offsets and life cycle management, using a commercial business risk approach in specifying project identification, costing and payback analysis are just bsoj of the OTEK skills in this area,



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How does the partnership work?

- A Client determines the level of partnering that best suits its needs.
- OTEK then develops its partnering approach accordingly.
- In partnering, OTEK would act under contract as one of the major suppliers of environmental and engineering consultancy services.
- This would require OTEK to understand client's present and future requirements through a consultative process.

The following is a quick list of some aspects to consider in setting up and managing the process.

- Determining a clients present and future environmental and engineering work requirements / obligations.
- Calculating the current true cost to a client of the functions to be partnered.

- Developing a financial model to assess the savings to be incurred by client to provide to clients senior management for review.
- Determining the service levels required & the KPI's to monitor the agreed service levels.
- Defining the management structure & review process.
- Identifying the personnel / functions to be involved in partnering process.
- Finalising an action list and time line.
- Completing a contractual agreement.





National

OTEK, Level 1, 222 St Kilda Road, St Kilda, VIC 3182 **T:** (03) 9525 5155 **F:** (03) 9593 8555

Melbourne

OTEK, Level 1, 222 St Kilda Road, St Kilda, VIC 3182 **T:** (03) 9525 5155 **F:** (03) 9593 8555

Sydney

OTEK, Level 4, 384 Eastern Valley Way, Roseville NSW 2069 **T:** (02) 9417 4499 **F:** (02) 9417 2314

Brisbane

OTEK, Level 1, 9/44 Station Road, Yeerongpilly QLD 4105 **T:** (07) 3426 5200 **F:** (07) 3426 529

Perth

OTEK, Unit 2 Building A, 661 Newcastle Street, Leederville WA 6007 **T:** (08) 9227 9000 **F:** (08) 9227 9009

Adelaide

OTEK, Level 5, City Central, 121 King Street, SA 5000 **T:** (08) 8423 4480 **F:** (08) 8423 4500

Beijing

OTEK, Level 5 China Life Tower, 16 Chao Wai Street, Chaoyang District
Beijing PR China 100020 **T:** +86 10 5877 1970 **F:** +86 10 5877 1222