



The T5 Agreement

At a cost of £4 billion, Terminal 5 represents a huge programme of construction works. BAA recognised at the outset that the risk associated with such a huge infrastructure project coupled with the sheer complexity and scale of work involved, required a fresh approach to the way this project was to be managed if it was to be built on time and within budget. Its solution is the T5 Agreement.

The T5 Agreement is the legally binding contract between BAA and its key suppliers. Described as groundbreaking, it is unique in the construction industry. Through the agreement BAA accepts that it carries all of the risk for the construction project. With this burden removed from contractors and suppliers, it enables everyone working on T5 to:

- Focus on managing out the cause of problems, not the effects if they happen
- Work in truly integrated teams in a successful, if uncertain environment
- Focus on proactively managing risk rather than avoiding litigation

Research conducted by BAA into major construction projects highlighted two key areas that seemed to undermine progress: cultural confusion and the reluctance to acknowledge risk. The T5 Agreement tackles these areas by: defining an integrated approach to partnering and the management of risk; a succinct outline of the way in which teams work to develop Terminal 5 and method by which suppliers are managed.

In order to ensure integration and homogenous culture on T5, all those working on the project are fully assimilated. While teams may be comprised of individuals from a variety of different companies, all are united under the single banner of Terminal 5 with a shared sense of values.

BAA's pioneering decision to accept all risk has been integral in the development of the unique T5 culture. With the burden of

accountability lifted, those working on T5 can do so innovatively and positively. While traditional arrangements can result in a highly unproductive culture of blame and confrontation if something goes wrong, under the T5 Agreement a premium is placed on delivering solutions and results.

Many of the suppliers involved in Terminal 5 were brought on-board at the earliest stages of the planning process. This enabled completely integrated expert teams to work together to identify potential problems and issues before designs were finalised and fabrication and construction began. As a result the teams of suppliers and consultants are in a position to add value whilst designing safe solutions within the time, quality, cost and safety targets.

UK construction best practice performance on Terminal 5 is expected as a minimum standard. In light of this, the project has to ensure key milestones are met on time, on cost and to high quality and safety standards. An incentive scheme encourages teams to work together in order to find the most efficient way of achieving these milestones.

With 16 projects and around 147 sub-projects efficient management of suppliers is vital. As ever the simple route has proven the most effective. BAA only has a direct contractual relationship with 'First Tier' suppliers, of which there are around 60. It is the First Tier suppliers who are responsible for the appointment and management of 'Second Tier' suppliers or subcontractors. In doing so they too are expected to operate within the spirit of the T5 Agreement.

Although the results of this pioneering agreement won't be fully recognised until construction is completed, examples of its success are already visible. As well as increased efficiency, productivity and transparency for all those involved, Terminal 5 is on time and on budget.

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