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CHAIRMAN'S ADDRESS



Welcome to the first newsletter in 2013. The New Year brings the opportunity for a new start and at the SCAF AGM

last year I became the SCAF Chairman for the first time; the combination of these two events provided me with the chance to reflect. I'm very pleased that Arthur Griffiths has agreed to support me as Deputy Chairman and Newsletter editor with Dave Hedley and Neil Morrill continuing as treasurer and secretary respectively. The remaining committee members (Paul Baguley, Paul Wood, Karen Sparks, Andy Nicholls and Mark Wright) are activity supporting me as I delegate more work to the committee. Following a reorganisation at Cost Assurance and Analysis Service (CAAS) Mark Wright has requested that Paul Moseley replace him on the committee as a more appropriate representative. We all respected Mark's request, thanked him for all his support and we welcome Paul. As always, more volunteers are welcome to join us if you have an interest in the society.

2012 was a good year for SCAF with four events and the summer reception being organised. In addition, it

was a busy year supporting complementary estimating organisations. We provided marketing and sponsorship to the International Society of Parametric Analysts (ISPA) conference in Brussels and some of our members benefited from listening to papers and learning from

international speakers regarding their experience of parametrics. SCAF supported the Association of Cost Engineering (ACostE) at their annual conference in Coventry and took the new SCAF banner stand to the event to prompt our cause.

All of these events were well attended and the membership of the society is generally increasing. It is my belief that in these years of austerity we have more to offer as a society than many organisations. Cost forecasting and analysis needs to be at the forefront of all project decisions and we need to support our members through the improvement and dissemination of knowledge of cost analysis and forecasting methods.

For those members who know SCAF history they will recall that SCAF was the initiative of the UK members of ISPA with the support of specialist cost groups of the Ministry of Defence (MoD) and the Royal Aeronautical Society (RAeS).

Recently ISPA and SCEA have become the International Cost Estimating and Analysis Association (ICEAA). This new joint venture has been rumoured for many years and has now become reality. The last ISPA Parametric World journal has been published with a number of articles mentioning SCAF and our UK members. ICEAA will have three permanent directors from Europe including UK, France and Germany to ensure that they maintain an international element. The SCAF committee wishes them great success in their new structure and look forward to continuing our close relationship.

Looking ahead to this year your committee has organised four great events including of the return of the SCAF Challenge in April, a workshop in Preston and a vendor day in November. I know that these will all be great events with stimulating discussion and the opportunity to disseminate knowledge.





Tuesday 23rd April 2013

“Practical Applications of Cost Estimating and Analysis”: The SCAF 2013 Cost Estimating Challenge, BAWA Centre, Filton, Bristol.

Details of all of these events, together with our past presentations, are now available on a new SCAF website (www.scaf.org.uk). This has been revised to make it easier for users to search and find their way around.

We look forward to seeing you all at the workshops throughout the year.

Dale Sherman

SCAF Chairman



Tuesday 4th June 2013

“Quantitative Cost and Risk Analysis”: Ashton & Lea Golf Club, Preston, Lancashire.



Tuesday 17th September 2013

SCAF Annual Conference: “Cost Matters”: BAWA Centre, Filton, Bristol

Tuesday 19th November 2013

“Vendor Day”: BAWA Centre, Filton, Bristol

Next SCAF Workshop

Practical Examples of Cost Estimating & Analysis

The SCAF 2013 Cost Estimating Challenge

Tuesday 23rd April 2013
The BAWA Centre, Filton, Bristol

Following the success of the SCAF Challenge last year we are pleased to announce the SCAF 2013 Challenge and Training Workshop. The aim of this workshop is to provide an interactive training session in cost estimating through the presentation of case studies that have been conducted by professional teams from academia, industry and consultants with the added benefit of top-level critique by senior figures in the profession. The programme will be instructive, entertaining and suitable for a wide interest audience (estimators as well as managers). The workshop ethos will be:

- Presentations will be conducted in a non-hostile atmosphere
- All observations will be focused on the methodology and approach rather than the absolute cost accuracy
- This is a learning exercise for the Teams and the audience

There is no pass or fail and certainly no “right answer.” We strive to keep the estimating spirit alive and to present a good cross-section demonstration of how world-class estimators approach the issue of analyzing data and producing parametric cost estimating relationships, uncertainty analysis and decision making.

The Senior Review Panel will review each oral presentation, ask questions for clarification, and compile an overview, which will be interesting and informative to the general conference audience in the final session of the workshop. The critique will focus on methodology, processes, presentation style and some lessons learned for others to emulate and not on the accuracy of the cost estimate.

Participating Teams Include:

ATKINS

BMT Group
“Where will our knowledge take you?”

BAE SYSTEMS

de&s

THALES

QinetiQ

The expert review team members include:

- **Dr Spencer Woodford**, Managing Director, Burchelli Consulting Ltd
 - **Dr Linda Newnes**, Head of Costing Research, University of Bath
 - **Alan Jones**, Chief Estimator, Professional Development & Continuous Improvement, BAE Systems
 - **David Davison**, Principal Technical Scrutineer Sea, Director Financial Planning & Scrutiny, MoD
 - **Phil Wardle**, Consultant Engineer, AIG Synergies Ltd
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Registration and Costs

Registration and coffee will be available from 09.00. The workshop will commence at 09.40 am. This workshop is FREE to members of the Society. Non-members are welcome to attend at a cost of £80.00 per delegate. A 10% discount is available for group booking of more than 4 delegates and a 15% discount is available for group bookings of more than 10 delegates. These costs include all refreshments, a buffet lunch and FREE attendance to all future SCAF events until August 2013.

To register, please contact Neil Morrill by email: ndmorrill@dstl.gov.uk or call 023 9253 7271

www.scaf.org.uk

Economics and Forecasting

SCAF Workshop

Tuesday 5th February 2013

Royal Institution of Naval Architects, London

The first workshop of 2013 saw a very well attended event in London that provided an enthusiastic, fascinating and informative start to the year. The event was opened by **Andrew Morrison**, Chief Economist, Ministry of Defence who gave a valuable insight on the impact of the government's spending review showing big cuts for local government and communities, confirmed that defence inflation was increasing beyond that expected and that the further 1% cut recently announced amounted to 4% in real terms. In his presentation Andrew used recent case studies to illustrate inter-generational cost growth and its effect on defence inflation and finished by discussing some of the key reasons behind the government's cancellation of the West Coast Mainline Franchise contract.

Joe Perkins, Audit Manager, National Audit Office (NAO) explained the role of the organisation in providing independent information, assurance and advice to parliament. Joe was a prize fellow in economics at All Souls College in Oxford, and still lectures on microeconomics at St Catherine's College in Oxford. Joe's presentation discussed the importance of accurate costing in government and how it had become particularly urgent in an environment of austerity. However it is an area that the NAO has found weaknesses in the past. The NAO's Ministry of Defence Major Projects Report 2011 assessed the MOD's 15 largest projects of 2011. It found that the forecast costs had risen by £466m. £176m of this was due to changes in exchange rates, the second biggest reason for cost increases after central planning decisions. The wider issues concerning economics and forecasting were discussed and it was intended that the report on "The Impact of Poor Costing in Government" would be published by the middle of the year.



Dr Dave Exelby, Managing Consultant, Decision Analysis Services Ltd (DAS) gave a presentation entitled "A Macro-Economic Approach to Understand the Affordability of a Nation's Defence Budget". This was a review of work that had been conducted by DAS and Martin Turner, Chief Economist, Manchester Economic Forecasting, Manchester Metropolitan University that provided insights for defence companies as well as supporting parts of the Ministry of Defence. The challenge was to develop a framework to create scenarios for UK total defence spending beyond CSR (e.g. to 2020 and beyond) reflecting UK's public spending needs". Dave gave an example of a type of model that sought to represent global economies as a system of systems and explained that these types of models were used by OECD, IMF, European Commission, US Fed as well as economics consulting houses. The model they had developed (MGEM) has provided global forecast inputs to a number of scenario projects and had been used recently by the Economist Intelligence Unit. This was a fascinating talk and explanation on how and why clients needed to get an independent view on the affordability of defence spending.



Lunch provided an opportunity for networking and debate

The first presentation after lunch was given by **David Bangert**, Managing Director, Polaris Consulting; **Neil Davies**, Managing Director, Davies Economic Consulting and **John Walls**, Defence Economics Ltd. The topic of the presentation was “Estimating Future Energy Prices – Geopolitics, Economics and Vulnerability”. This was a fantastic topic and, although it was the result of a study conducted for the Ministry of Defence it showed effects that would affect every household in the future. Polaris and Defence Economics were commissioned by Dstl to assess the energy supply challenges to the Ministry of Defence and assess: How vulnerable is the MoD to interruptions in energy supply?; What is the likely long term price of oil and gas out to 2040? And, How are short to medium terms ‘shocks’ likely to affect the price of oil and gas? An excellent presentation explaining posture in terms of global supply and demand, pricing mitigations and resilience.



Dr Mark Gilmour, QinetiQ provided a few inspirational insights with his presentation on “Behavioral Estimating”. He explained that it was well known that a credible and justifiable cost estimate or forecast cannot be created in a vacuum. It requires the interaction with stakeholders and those with a vested interest. When people interact with an estimate there is inevitably a psychological implication. Mark also discussed some of the human characteristics observed during estimating and determined what psychology can teach us about these observations. We did enjoy his term ‘Homo Estimatus’ to describe the ideal cost estimator and the differences between the ideal and real behavioral influences.

Don Brown, Cost Assurance and Analysis Service (CAAS), Ministry of Defence spoke on the topic of Weapons Integration Cost Modelling. Don has recently been appointed as one of the CAAS Cost Forecasting apprentice masters with responsibility for supporting professional development of cost forecasters within the Weapons & Land domains. He is an ICEAA Certified Cost Estimator, Systems Analyst and an IBC Certified Management Consultant. The presentation focussed on the work of the Weapons Integration Study to: Identify & quantify non recurring integration cost & timescale drivers, Identify opportunities for reducing costs & improving timescales, establish a means of estimating integration costs and enable targets to be set for improvement opportunities. The intent now is to roll out the approach and framework across wider MoD projects.

Key Industry Participants



Arthur Griffiths, Past Chairman, SCAF and now an Associate with Decision Analysis Services presented the results of studies in evaluating strategic trends in defence inflation. His discussion provided a view on the challenges for defining and measuring defence inflation. He gave a view on defining a framework that could be utilised for measurement and also discussed the impact of social trends. Arthur concluded by showing how a classical economic model can be used to describe and assess trade off between national security and other needs.

Our thanks to all the speakers for making this an excellent and informative day. We appreciate that we all still struggle to get away from the day job!!



SCAF Workshop
Tuesday 4th June 2013
Ashton & Lea Golf Club
Preston, Lancashire

CALL FOR PAPERS

Theme: Quantitative Cost and Risk Analysis

With frequent headlines on the overspend and overrun of major projects, it is critical that budgets are set and reviewed using robust models and that rich analysis information is provided to decision makers.

Decision makers will normally approve a project, or a bid, at a certain (risk-adjusted) confidence level in line with organisation policy and procedures and with information provided by their analysts on the so-called 'risk pot' incorporated at that confidence level. Sound financial decision making therefore needs to be informed by a good understanding of the impact of risk on both schedule and cost. However, analysts are faced with a number of challenges:

- Quantitative modelling is often conducted independently on schedule and cost
- Mixed sources of data are in use at differing maturities, ranging from estimates to firm prices already incorporating at least some risk
- Differing use of terminology for 'risk', 'uncertainty' and 'variability'
- A lack of statistical knowledge in decision makers and in stakeholders providing the input data to the quantitative modelling

Are analysts using the best or most appropriate modelling techniques? Are the decision makers well informed?

Papers are invited on the topic of drawing together schedule, risk and cost and presenting the information to decision makers, including:

- **Pitfalls to avoid and good practice**
 - **How to capture the right data and how to use it to inform better modelling techniques**
 - **Modelling approaches to the incorporation of uncertainty and risk in schedule and cost estimates**
 - **How to present unambiguous and easily understood information to decision makers**
-

Deadline

Please let us know if you plan on submitting a paper and what your planned topic will be no later **than 2nd April 2013**. Forward details to:

Neil Morrill at ndmorrill@dstl.gov.uk or call 02392-53-7271.

Future Events

SCAF Workshops and Seminars for 2013

- 23 Apr 2013** “**Learning from Experience: The 2013 SCAF Estimating Challenge**”, BAWA Centre, Bristol. We strive to keep the estimating spirit alive and to present a good cross-section demonstration of how world-class estimators approach the issue of analyzing data and producing parametric cost estimating relationships, uncertainty analysis and decision making. The Senior Review Panel will review each oral presentation, ask questions for clarification, and compile an overview, which will be interesting and informative to the general conference audience in the final session of the workshop. The critique will focus on methodology, processes, presentation style and some lessons learned for others to emulate and not on the accuracy of the cost estimate.
- 04 Jun 2013** “**Quantitative Cost and Risk Analysis**”, Ashton & Lea Golf Club, Preston, Lancashire. An opportunity to participate and debate on current costing issues. *Please see Call for Papers on page 7.*
- 17 Sep 2013** **SCAF Annual Conference: “Cost Matters”**, BAWA Centre, Filton, Bristol. *Papers invited.*
- 19 Nov 2013** “**Vendor Day**”, BAWA Centre, Bristol. Consultants and Tool Vendors are invited to showcase their products and services to an open forum event organised by SCAF. This is the only event in the UK that provides this opportunity to share knowledge and promote business. *Companies invited to participate*

Other Related Events

- 18-21 Jun 2013** **ICEAA Professional Development & Training Workshop**, Sheraton New Orleans, New Orleans, LA. Further details www.iceaaonline.org

Networking
for the Cost
Estimating
and Analysis
Community

SCAF is not responsible for the content of any external websites published in this Newsletter



Society for Cost Analysis and Forecasting

www.scaf.org.uk



Bridging relationships in cost estimating

For over 20 years the Society has sought to illuminate key issues in the analysis and forecasting of project costs—and to promote best practice within the cost forecasting community.

The Society provides a single point of contact for advice to those wishing to address key issues in the analysis and forecasting of costs and timescales of complex programmes.

Workshops and seminars are held at regular intervals throughout the year. A newsletter is published electronically 3 times a year.

Collaborative links with other societies has always been maintained and a library of relevant papers are available. A single annual payment at the Annual Conference entitles members to attend all the years' programme of SCAF events at no further cost. The Summer Reception is also provided free to SCAF members and their guests.

SCAF is committed to providing Continuing Professional Development (CPD) through the provision of its skills workshops and its support to Professional Development courses.

The Society therefore continues to provide members with exceptional value for money.

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