



## Dar Al Riyadh Insight #55

### Capital Efficiency - Lever #4 - Plant Availability; Lever #5 – Inventories

*Dar Al Riyadh Insights reflect the knowledge and experience of our Board, executives and staff in leading and providing PMC, design and construction management services. Dar Al Riyadh believes in the importance of broadly sharing knowledge with our clients and staff to improve project outcomes for the benefit of the Kingdom of Saudi Arabia.*

The fourth and fifth levers that a PMC can pull to improve capital efficiency address plant availability and inventories.

#### **Lever #4 - Plant Availability**

This is addressed primarily through the O&MBOD described in the previous section but may also include potential “life cycle” (PPP type) offerings. Other influencers may include:

- decisions on the number of equipment or process trains,
- operating practices with respect to “in-service” maintenance activities, and
- influence of multi-plant economic dispatch business models with these last two more squarely within the owner’s domain.

#### **Lever #5 – Inventories**

Inventory requirements can impact overall capital efficiency and are influenced by design and supply chain decisions that address inventory requirements for efficient operations.

More significant will be the potential benefits leveraged from alternative supply chain relationships and contracting strategies.

Inventory levels are also significantly influenced by the degree of standardization incorporated in the capital asset.

#### **Why Capital Efficiency is Key to Project Execution**

Focusing on capital efficiency and the value it can bring drives alignment across all participants in a capital assets life cycle. This includes the owner’s project development organization, his PMC, contracts and legal, operations and finance. Within the PMC organization it drives a fundamental shift in what is designed, how it is designed and the sequence and packaging of design. Through frameworks such as the expanded basis of design, BOD<sup>x</sup>, we inculcate not only capital efficiency considerations but support a culture of innovation and continuous improvement.