

Balfour Beatty

Support Services Analyst Day

NATIONAL OPERATIONS CENTRE, MANCHESTER

15 June 2011



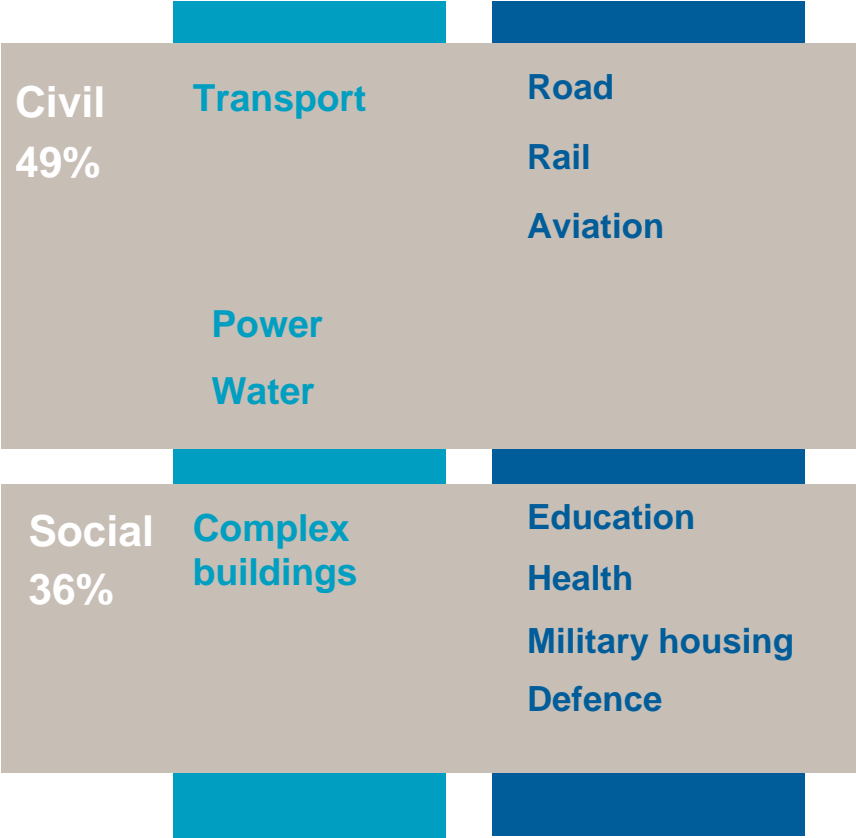
Ian Tyler

Chief Executive

Agenda

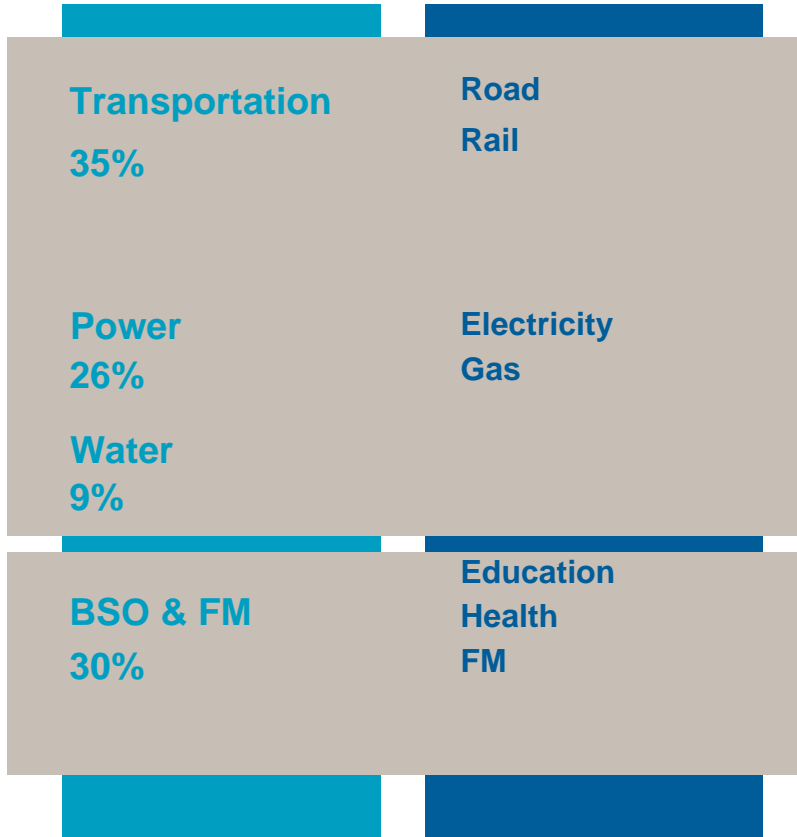
- Introduction Ian Tyler
- Balfour Beatty Services Kevin Craven
- Highway maintenance Nigel Russell
- Local authority marketplace Terry Woodhouse
- Opportunities in power Kevin Craven
- Discussion with our customer Tim Cavanagh
- Break for tea
- National Operations Centre James Janion
- Delivering efficiencies Duncan Magrath
- Wrap-up Kevin Craven
- Q & A

Infrastructure is at the core



Percentages indicate share in 2010 Group revenue

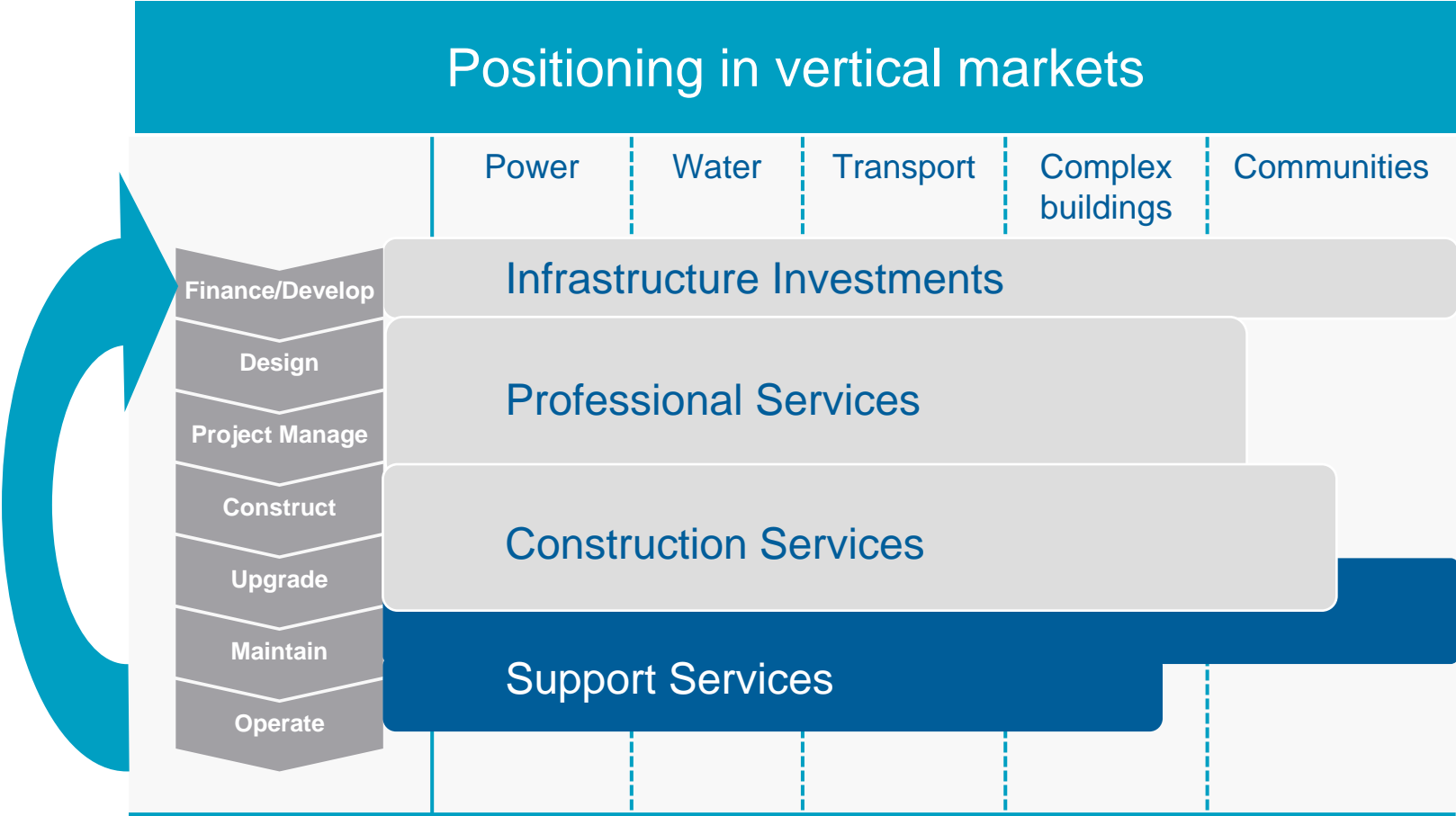
Support Services borne out of infrastructure



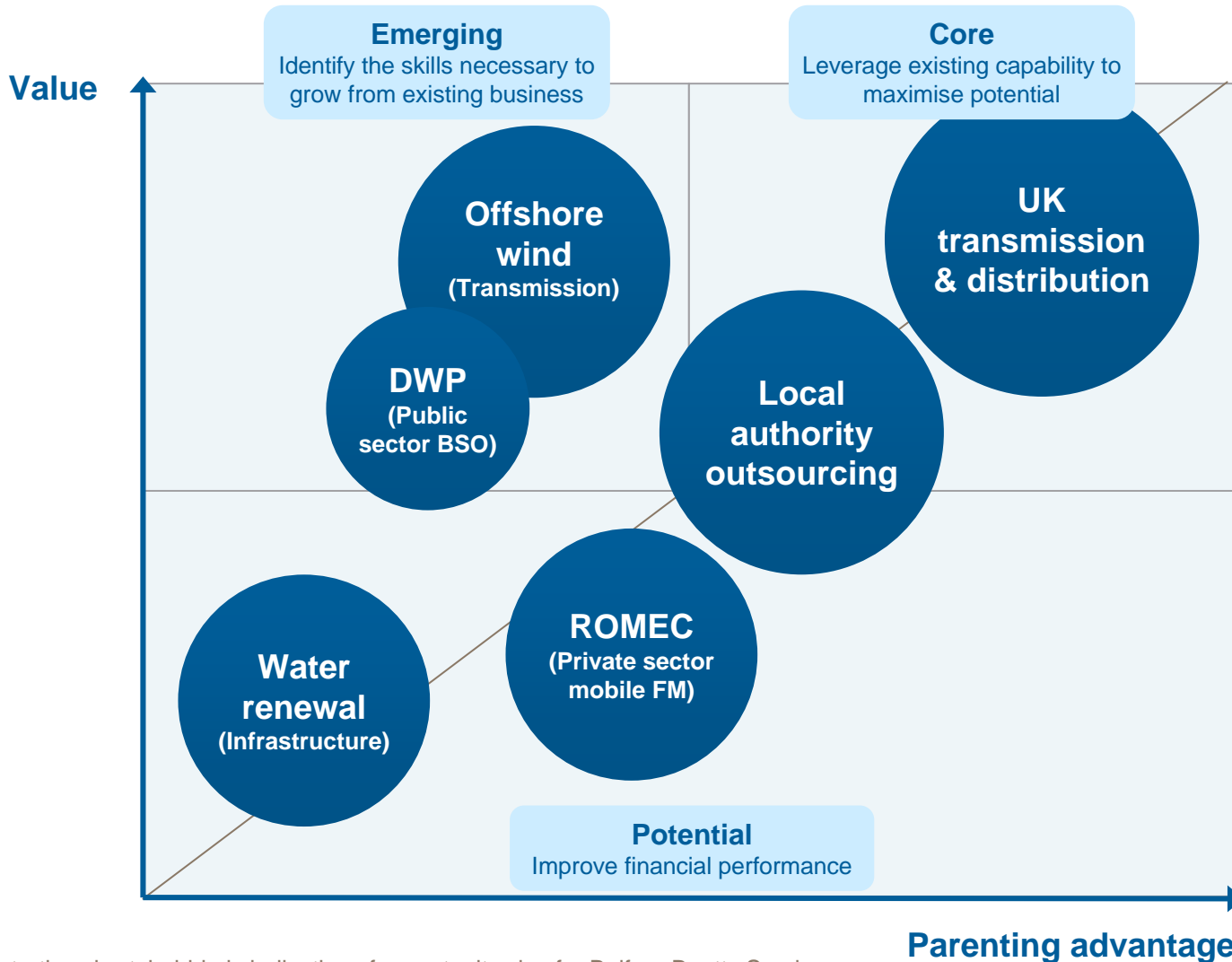
Percentages indicate share in 2010 Support Services revenue



Differentiation - asset knowledge



Maximising value through parenting advantage



Illustrative chart; bubble is indicative of opportunity size for Balfour Beatty Services

An integral part of the Group's future

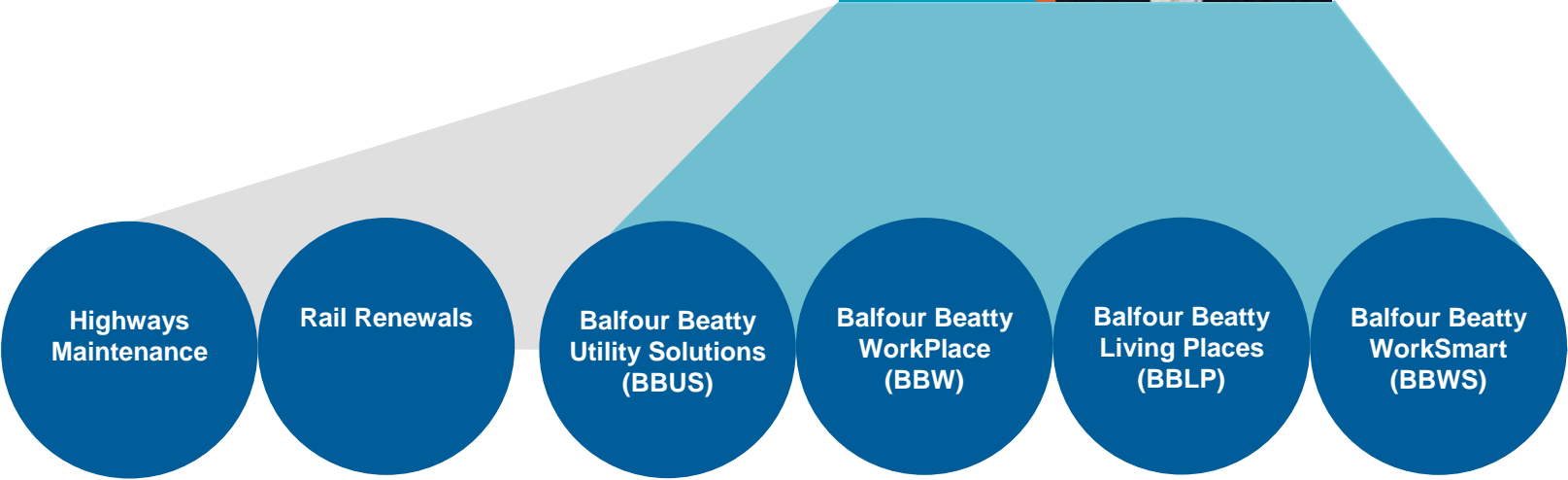
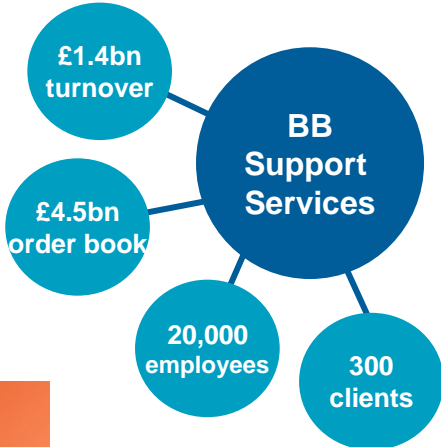
	5-year profit growth prospects		Margin* effects	Direction of margin* movement over 5 years	Share in Group in 5 years
	Organic	Acquisition			
Professional Services	++	++	+ utilisation + collaboration + EPC contracting	Increase to 6% to 7%	30%
Construction Services	+	+	+ cost effectiveness +/- operational delivery +/- mix effect	Stable	45%
Support Services	+++	+	+ scale benefits/ cost effectiveness + scope of services - mobilisation costs - margin pressure	Increase to 4% to 4.5%	15%

* Margin % is profit from operations before exceptional items and amortisation as a percentage of revenue including JVs and associates

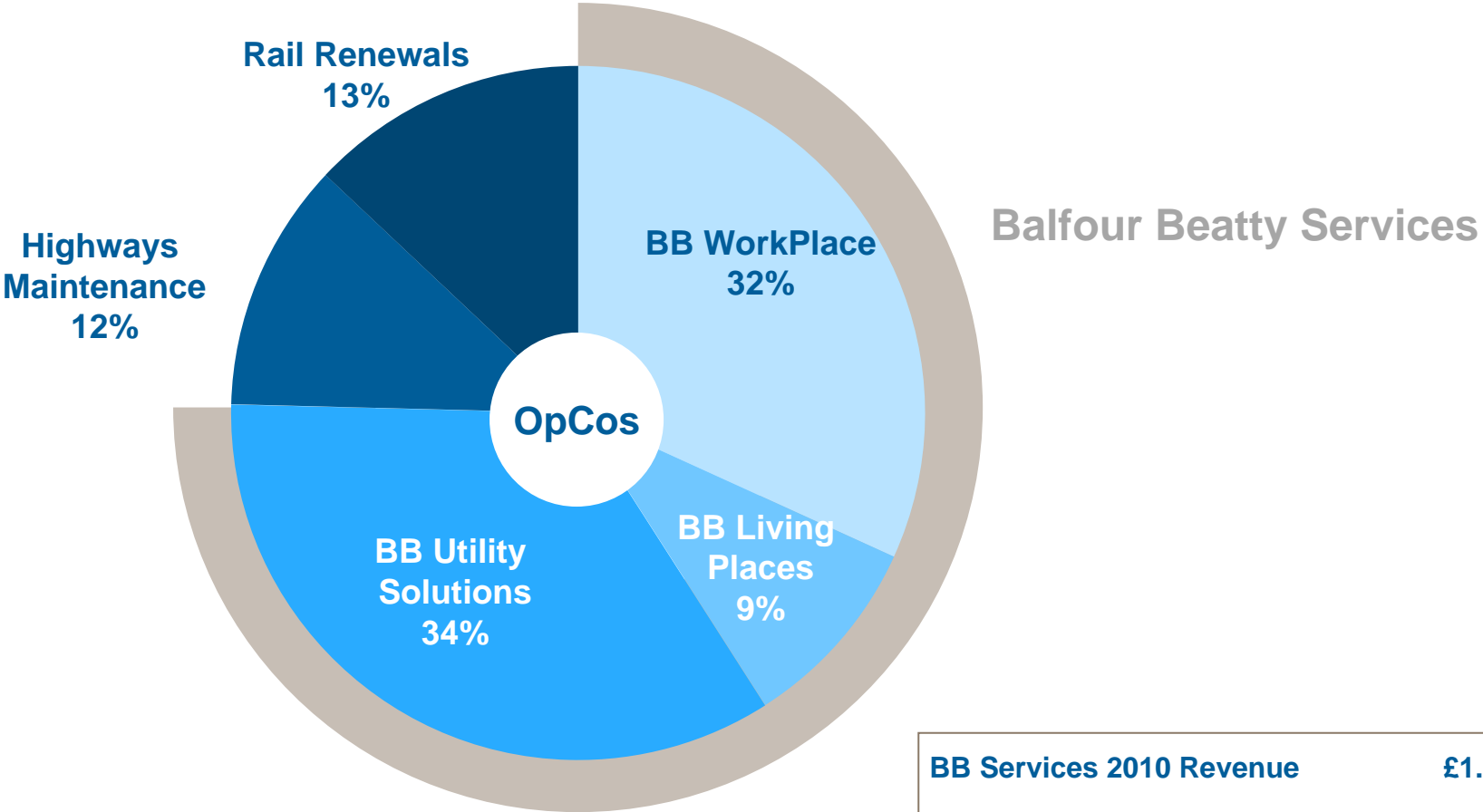
Kevin Craven

CEO, Balfour Beatty Services

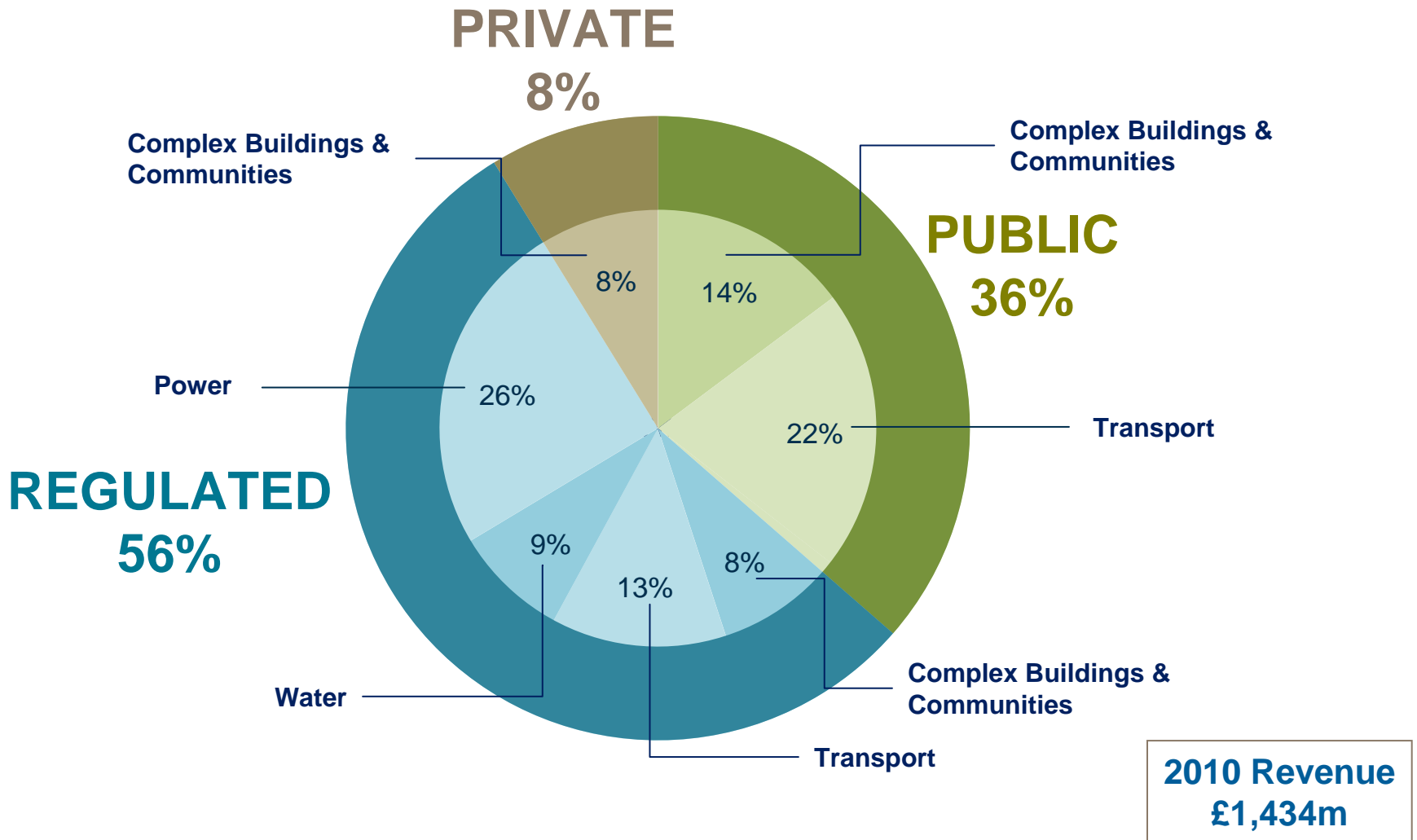
Organisational structure



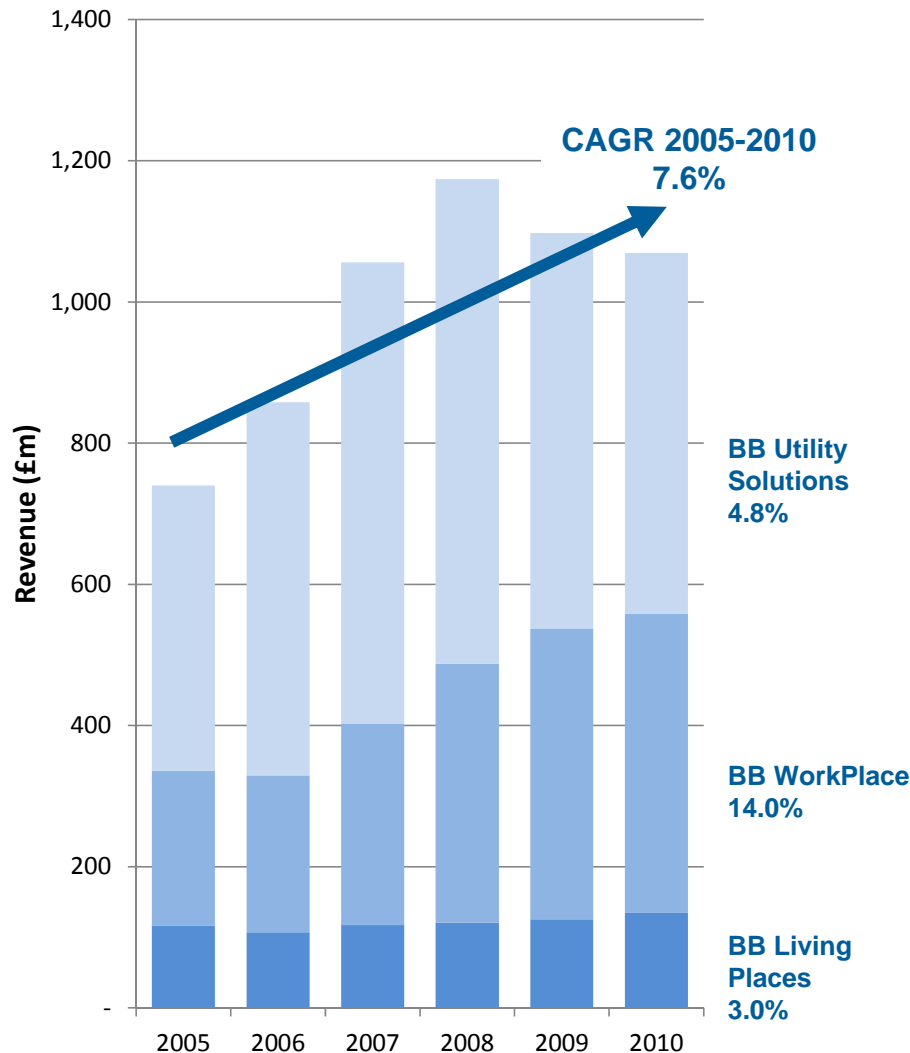
Support Services revenue breakdown



Revenue by market vertical

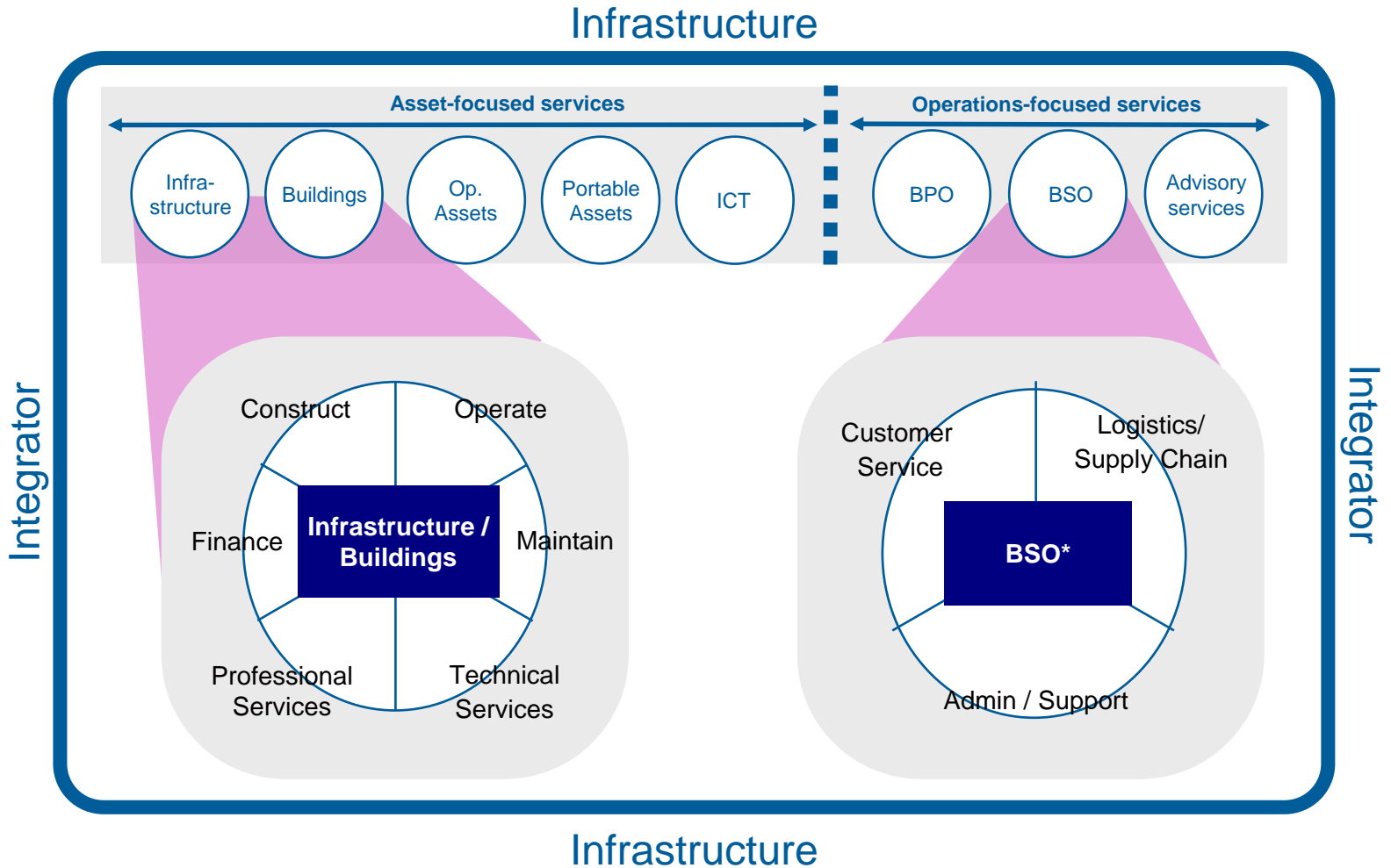


Balfour Beatty Services financial performance



- Strong organic growth for the period 2005 – 2010
- Revenue CAGR of 8%
- Operating profit growing significantly faster than revenue
- Notably a strong performance from WorkPlace
- Utility Solutions performance shows the cyclical nature of the utilities marketplace
- Living Places relatively flat over the period but has had significant recent contract wins

Spectrum view of infrastructure lifecycle



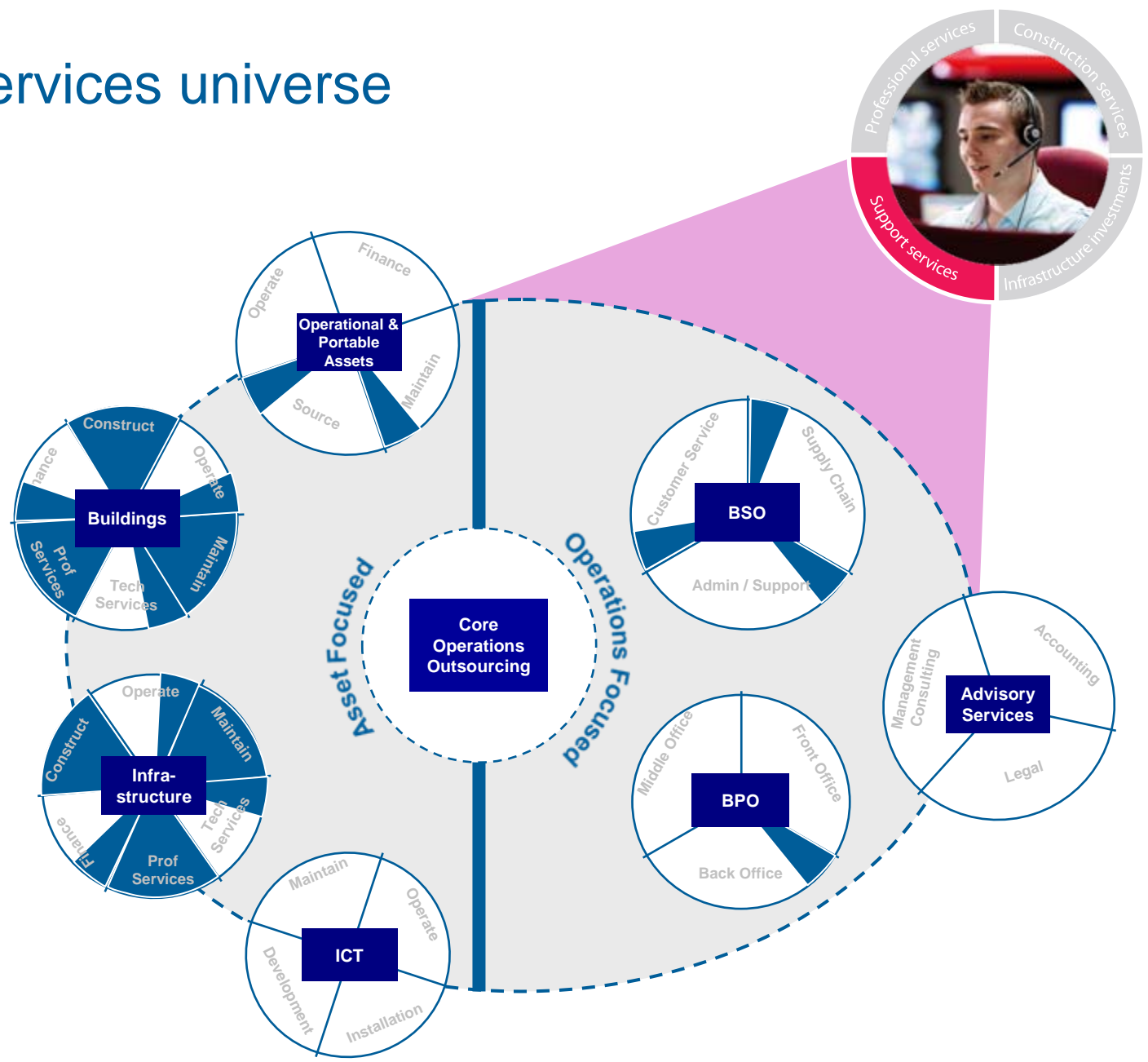
Support services universe

Support services common requirements

- Continuous service improvement
- Service line expertise
- Workforce/ direct labour management
- Cost reduction
- Term contracts & on-going relationships
- On-going organic growth

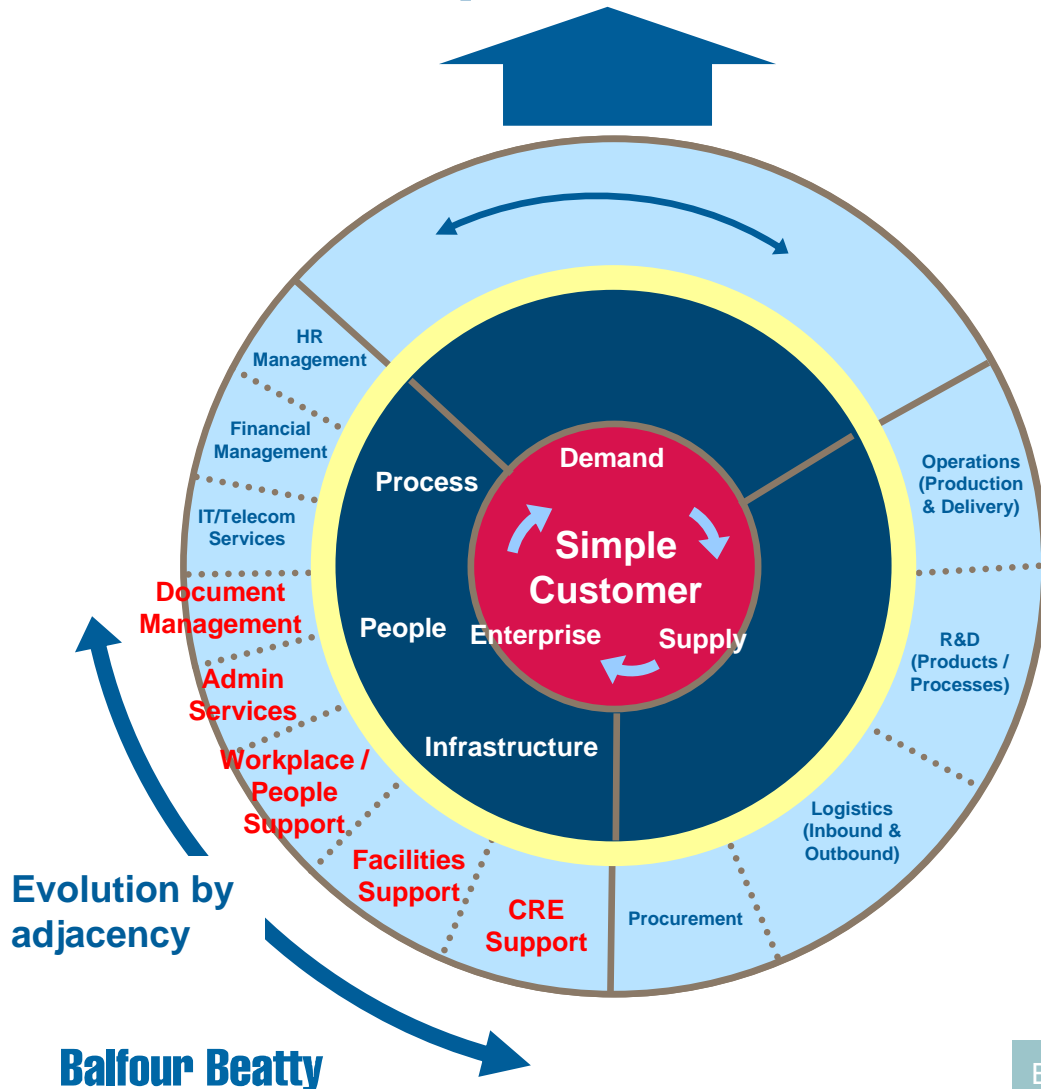
■ = BB presence*

* Indicative of spread of activity not financial performance



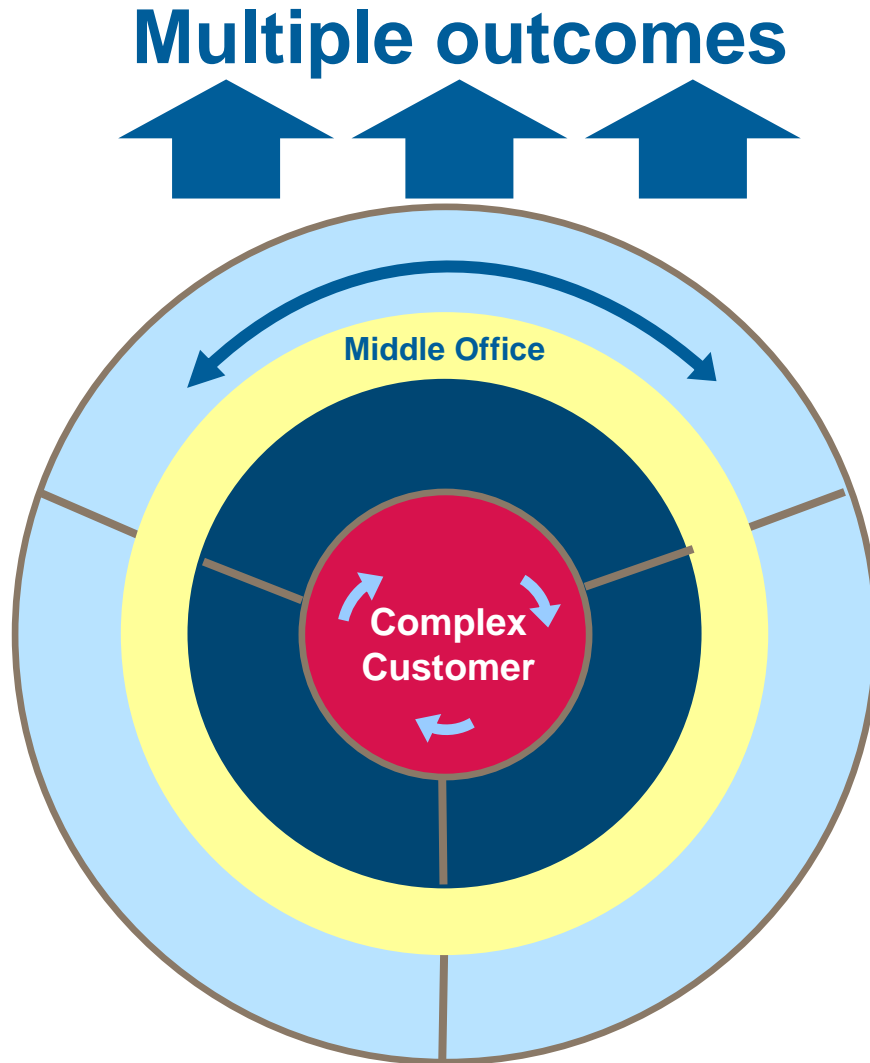
Client centric universe

Simple outcome



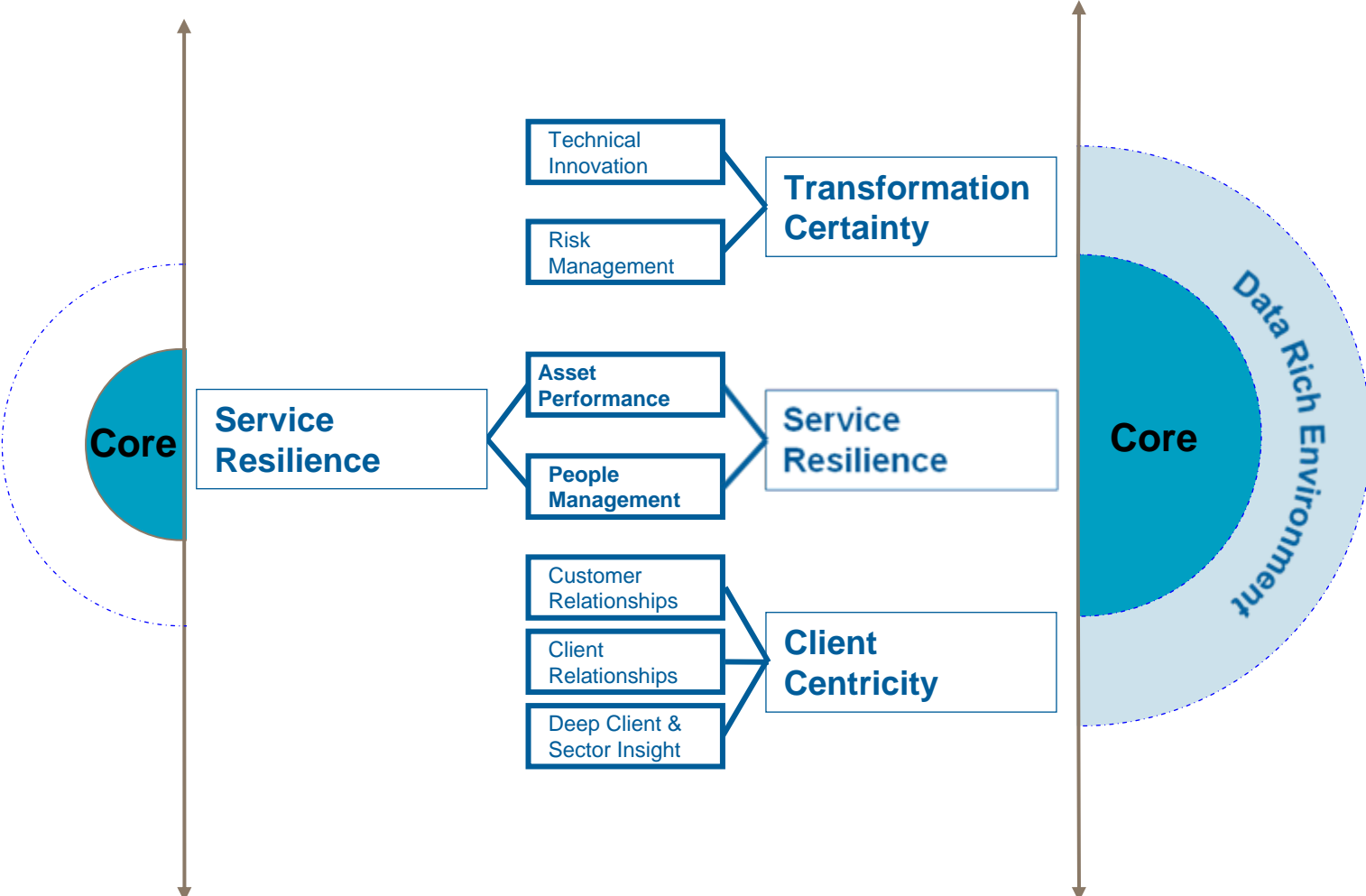
- All customers have similar outsourcing requirements
- Balfour Beatty Services focuses on the highlighted areas
- Specific customer characteristics drive contract scope expansion
- Excellence in service lines lead to credibility and trust
- DWP contract has grown from a small base in 1992 to over £50m pa currently

Client centric universe

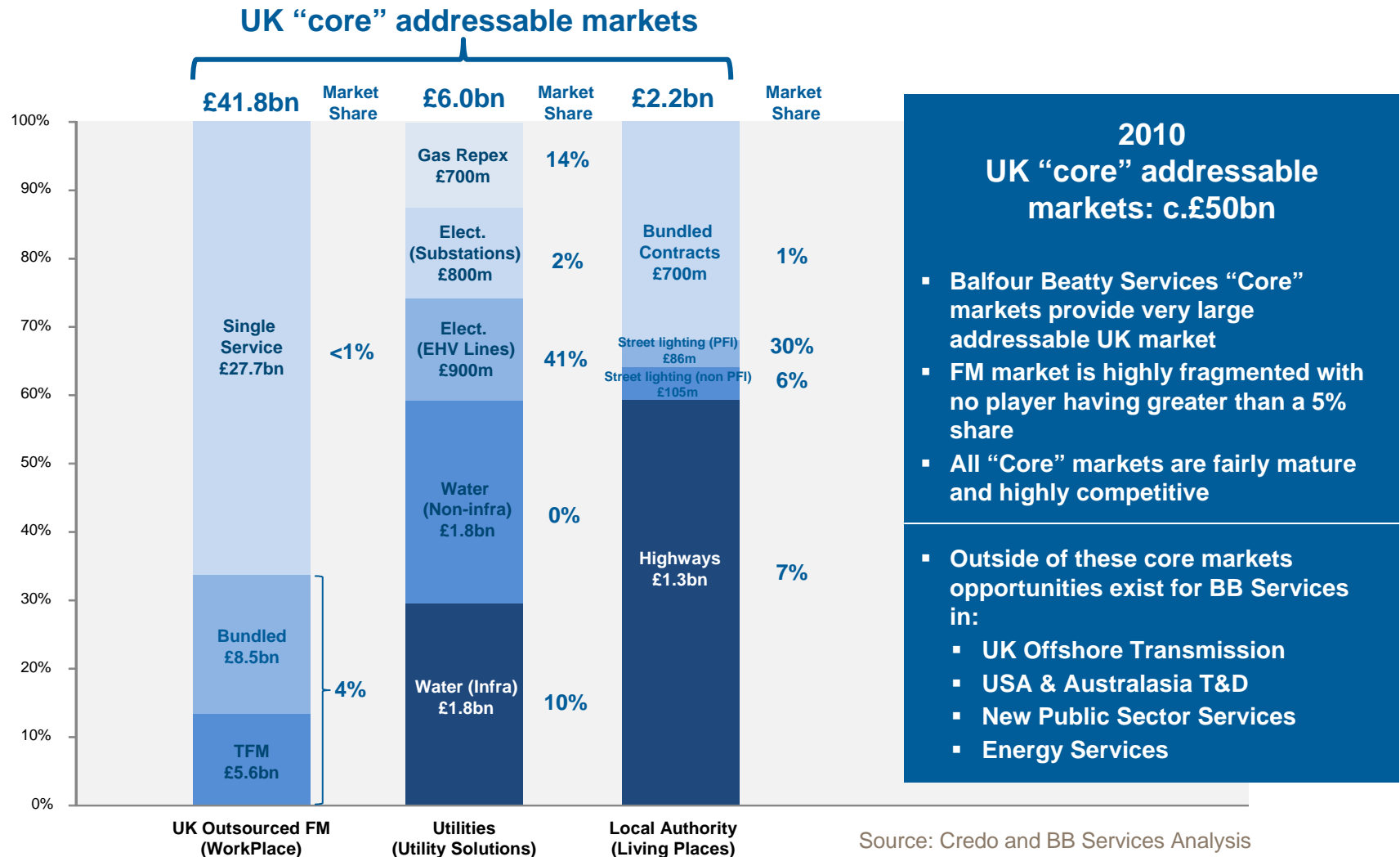


- **Complex customer is one where a number of outputs or outcomes are required which are simultaneous or interdependent**
- **Excellence in service resilience and asset knowledge drives transformational changes**
- **EDF – then British Energy – has moved from a bundled contract to a focus on extending the life of the nuclear fleet of eight stations which almost doubled the size of the contract**

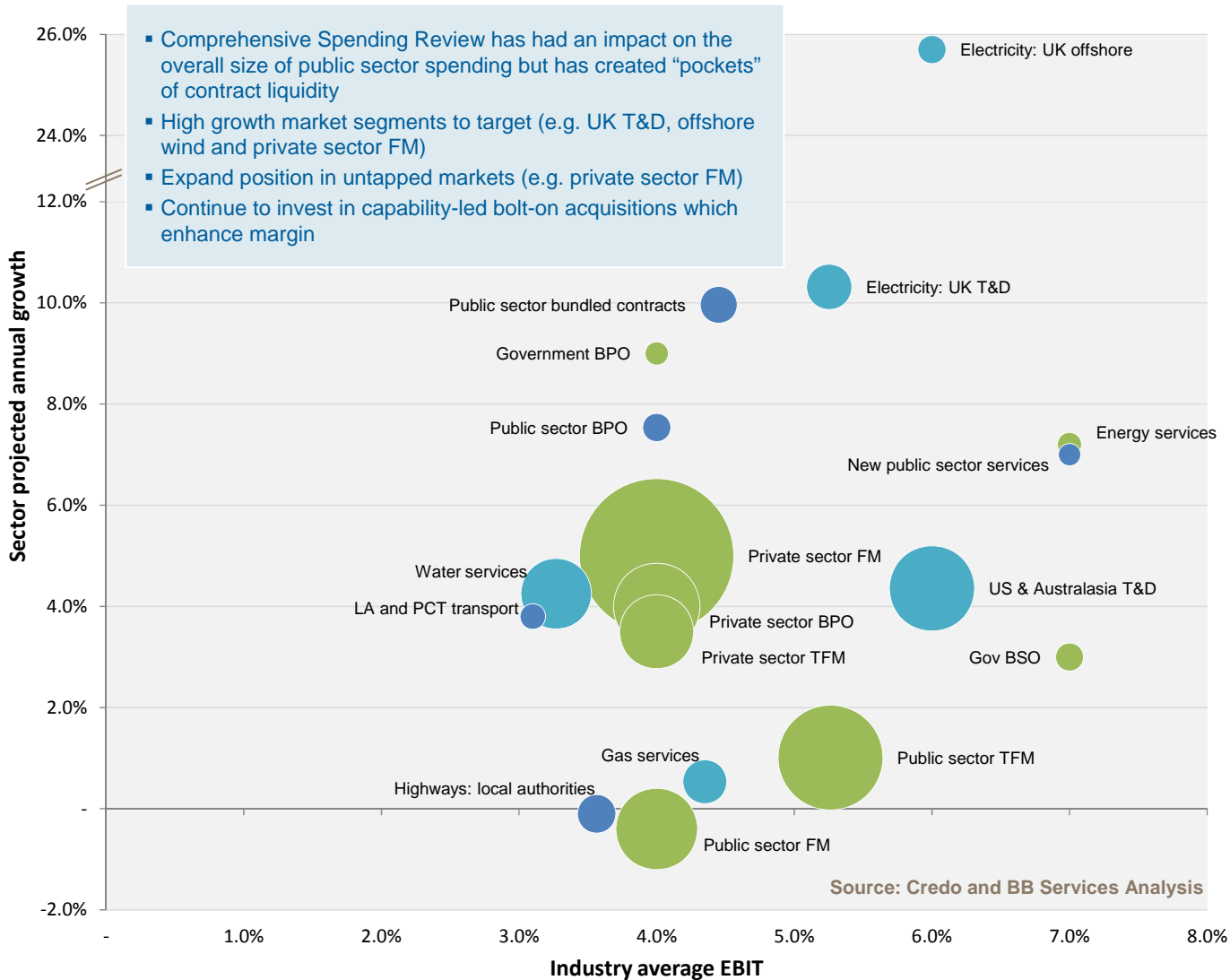
Defining core capability



“Core” support services markets



Balfour Beatty Services target markets



BBW markets:
Size £56.4bn
Growth 3.3%
BBW share 0.8%

BBLP markets
Size £4.8bn
Growth 5.3%
BBLP share 2.8%

BBUS markets:
Size £17.1bn
Growth 5.6%
BBUS share 3.4%

BB Services markets:
Size £78.3bn
Growth 3.9%
BBS share 1.5%

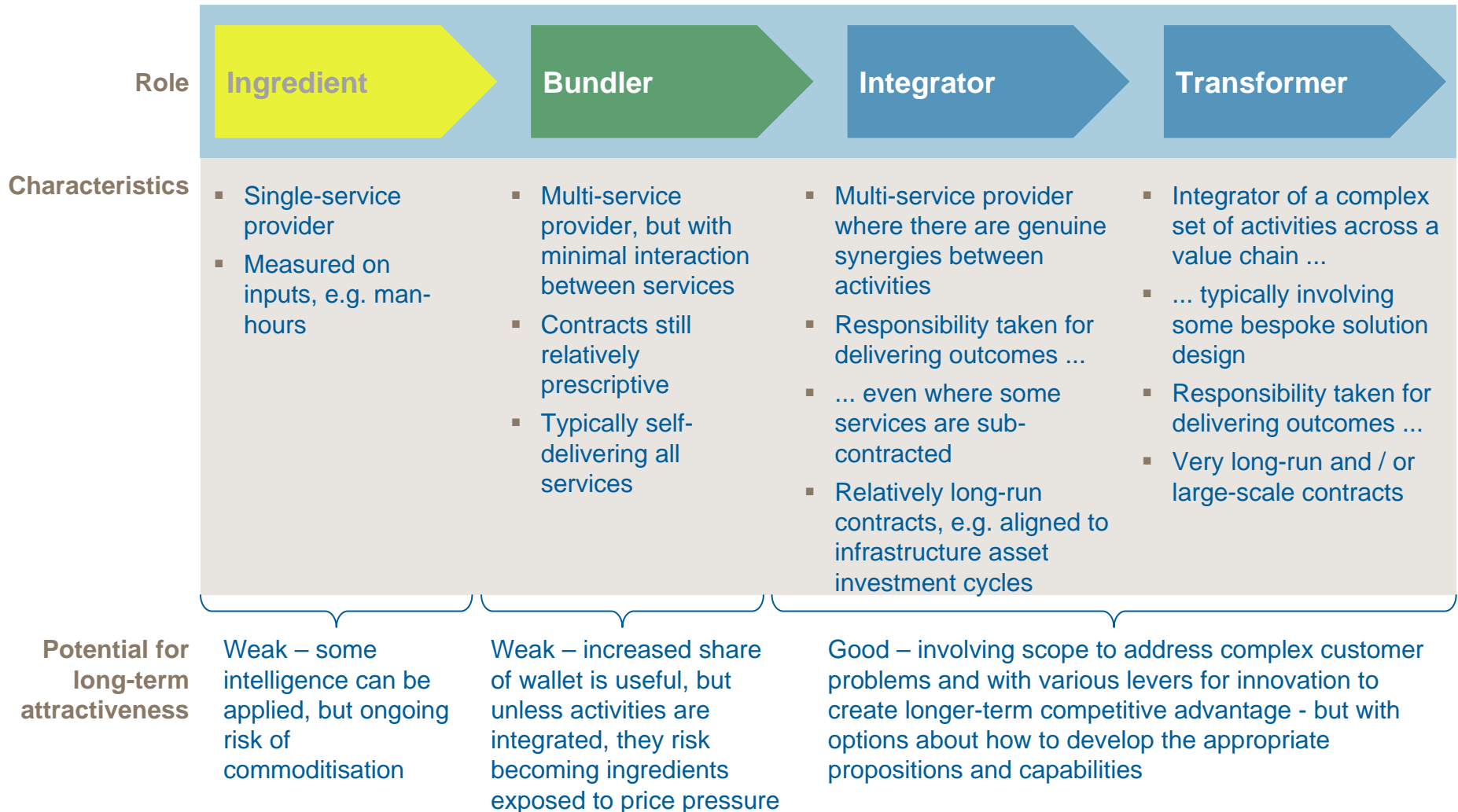
Note: Market size estimated based on 2009 / 2010 data, project growth rate 2010 – 2015 and industry average EBIT % based on BB Services management estimates.

Overview of existing competitors

Utilities Services (Market size £6bn)	Outsourced FM (Market size £42bn)	Local Authority (Market size £2bn)
<p>BB Utility Solutions Babcock Amec Enterprise Morrison US Morgan Sindall Skanska Carillion</p>	<p>Carillion MITIE Sodexo Interserve Johnson Controls BB WorkPlace Serco</p>	<p>Amey Ringway BB Living Places May Gurney Enterprise Atkins Carillion</p>
<ul style="list-style-type: none"> BBUS is the leading player in the UK EHV market. Other key players looking to enhance capability are Morgan Sindall, Amec / Babcock JV and Enterprise, following the Bethell acquisition 	<ul style="list-style-type: none"> Larger players have continued to outgrow the market and are consolidating through M&A (e.g. MITIE/Dalkia) 	<ul style="list-style-type: none"> In integrated contracts there is a split between partnership delivery models (e.g. Ringway / Jacobs, May Gurney / WSP, Enterprise / Mouchel) and self delivery (e.g. Amey, Atkins) Local Authority market is changing shape as more bundled contracts are coming to market

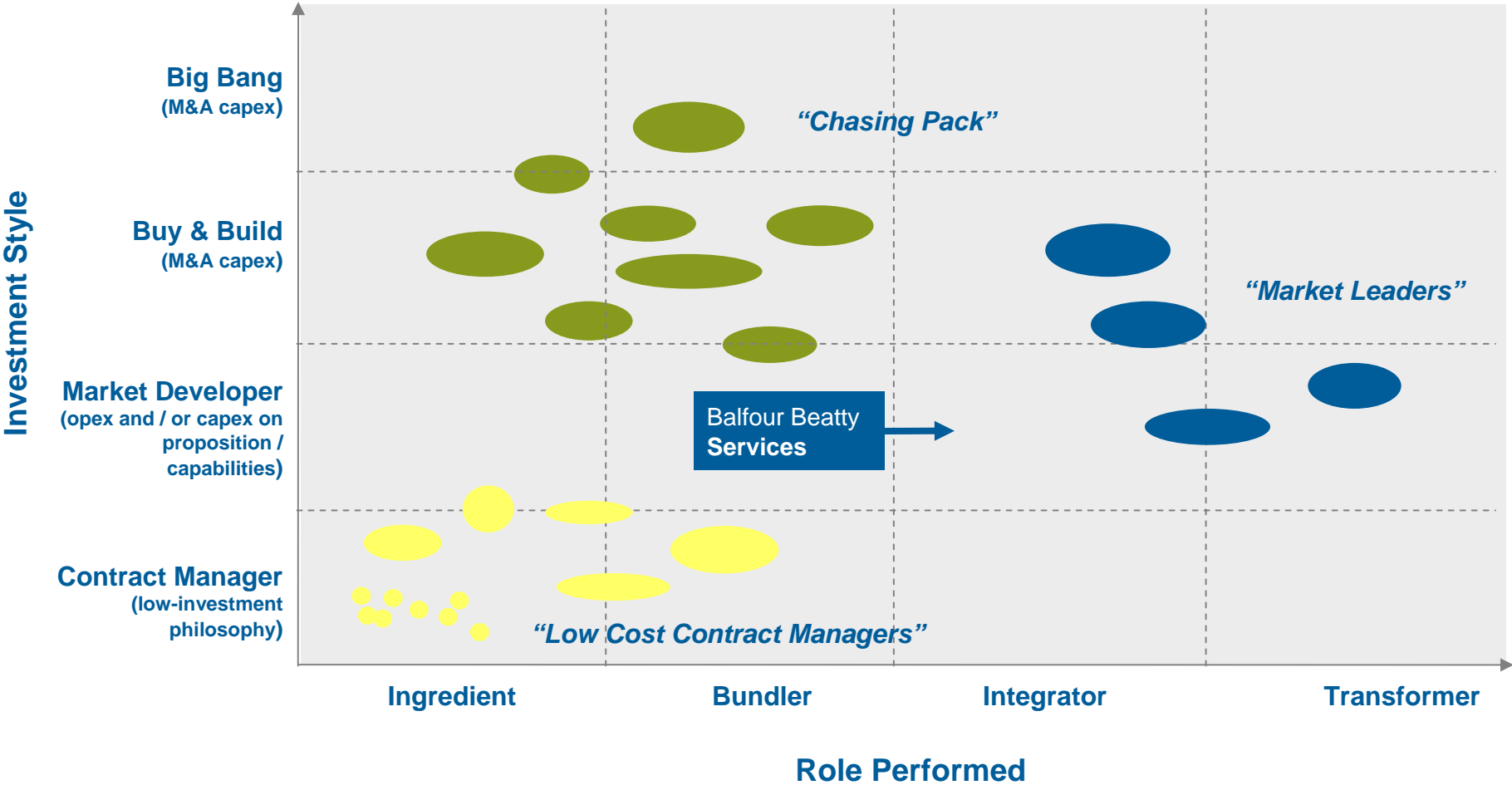
Note: Competitors are listed in order of market share in respective markets.
 Source: Credo and BB Services Analysis

Moving toward the “Integrator” position



Source: OC&C Strategy Consultants

Moving toward the “Integrator” position



Source: OC&C Strategy Consultants

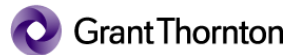
Selected clients & JV partners



**Balfour Beatty
Services**

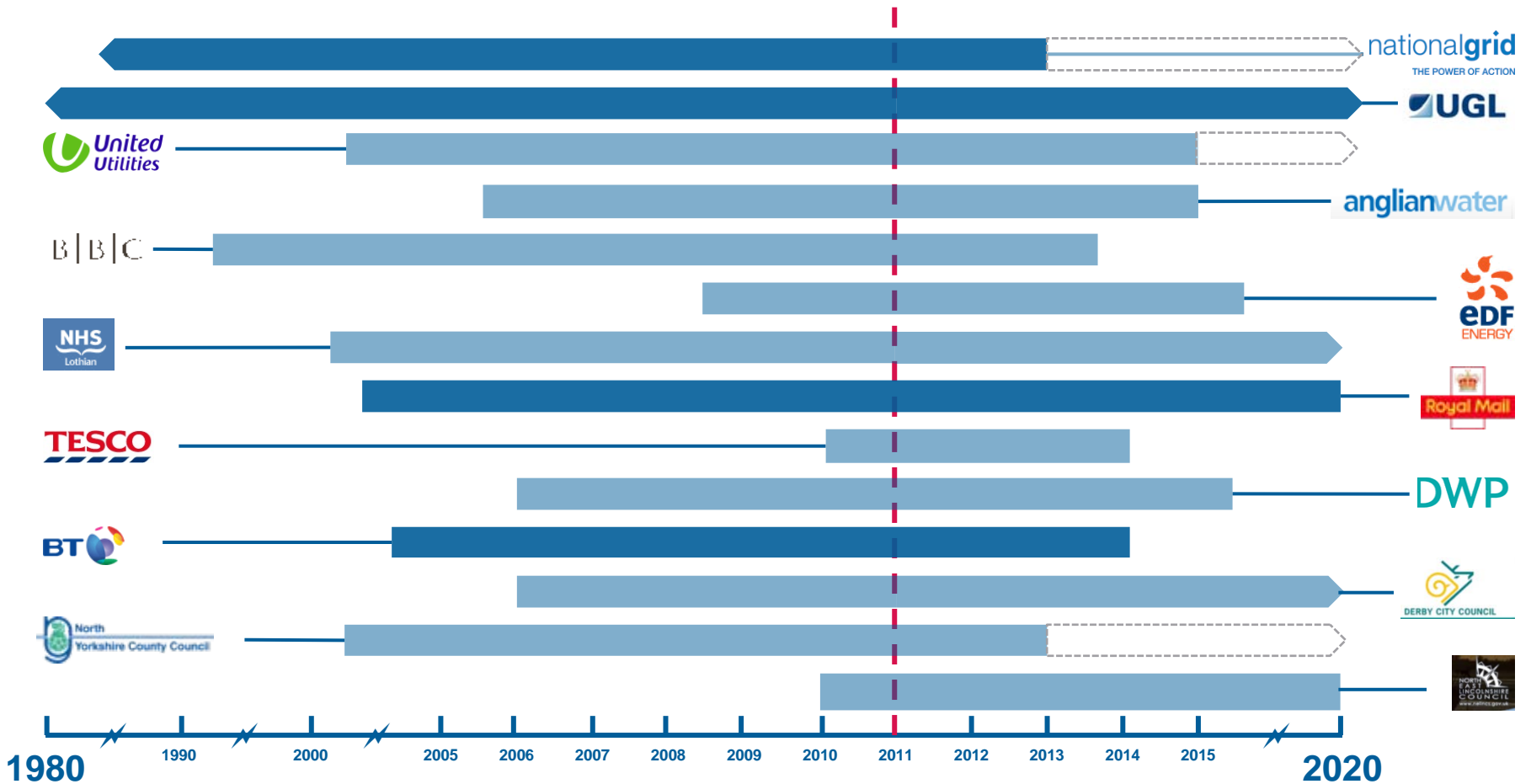
£1.0bn
Order book
additions 2011*



£4.5bn
Order book at
Dec 2010



* Represents value of contract added to the order book (£450m Royal Mail, £200m Local Authority & £300m Beaulieu Denny)

Long-term relationships



 Indicates a Joint Venture / Alliance
 Indicates potential contract extensions

Strategic partnering



BB WorkPlace

Royal Mail

9 years

Length of existing client relationship

£1.8bn

Contract value over 10 years

2,200+

Sites served

8-15%

Cost saving commitment within 3 years



BB Utility Solutions

National Grid Alliances

10+ years

Length of existing client relationship

£1.85bn

Total value over contract periods (5-8 years). Three capital delivery alliances – two in the UK, one in the US

20% +

Cost reduction delivered in the first 3 years



Power Efficiency

Canary Wharf Group

7+ years

Length of existing client relationship

£6.3m

Saved in first 4 years

460+

Meters across Canary Wharf Estate

3 years

Protection of energy budget



Balfour Beatty Services summary

- Delivering the maintenance aspects of the Group's infrastructure offering
- Focus on infrastructure and intelligent use of asset data differentiate us from the competition
- Customer centricity and ability to deliver transformational solutions makes us best placed to win
- The business will be driven by organic growth opportunities with targeted acquisitions to add capability where necessary
 - Our core infrastructure-focused market is worth c. £50bn in the UK
 - Outside these core markets, opportunities exist in UK offshore transmission, International T&D, New Public Sector Services & Energy Services

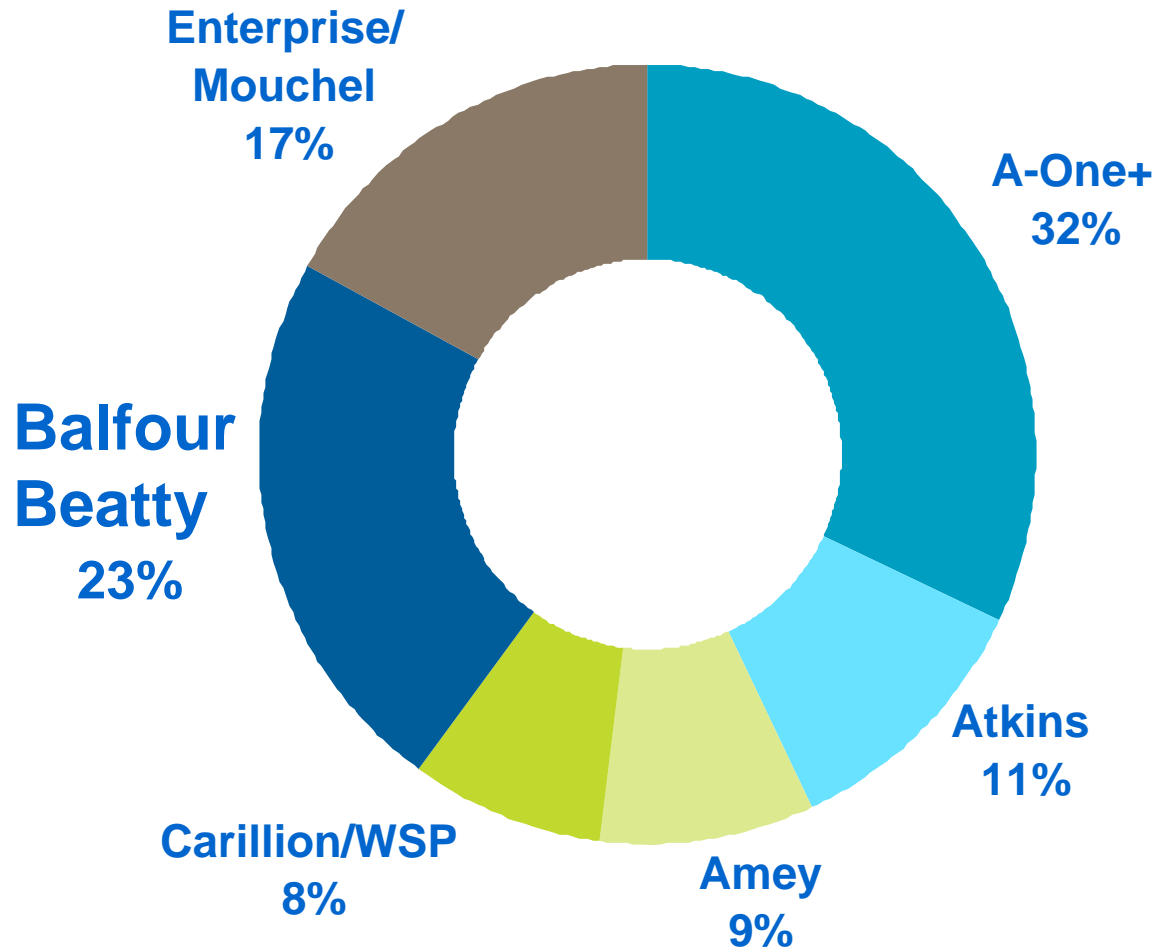
Nigel Russell

MD, Connect Plus Services

Balfour Beatty involvement in Highways Maintenance



Market share



Balfour Beatty includes share of Connect Plus Services

Highway Service's capability



Highways Agency Area 5 (M25 DBFO)

This is a 30 year project to provide network management, operations and maintenance, of the M25 Orbital and a series of major feeder roads, and the Dartford Crossing.



Highways Agency Area 4 MAC

Network management, operations and maintenance, are provided for over 900 km of road network in the Southeast of England, including the M2, M20 and M23



Highways Agency Area 2 EMAC

Network management, operations and maintenance, technology maintenance (Areas 1 & 2) are provided for over 1250 km of road network in the southwest of England, including the M4, M5 and Severn Crossing

Highway Service's capability



DBFO projects

Network management, operations and maintenance contracts for individual DBFO contracts including the A30/A35, A50 and M1-A1



Professional services

Our in-house specialist technical services group supporting our various highways contracts



Chris Britton Consultancy

Offer a unique approach to asset management lifecycle services and is one of the world's leading providers of strategic asset and pavement management consultancy

Case study Area 5 – M25 DBFO

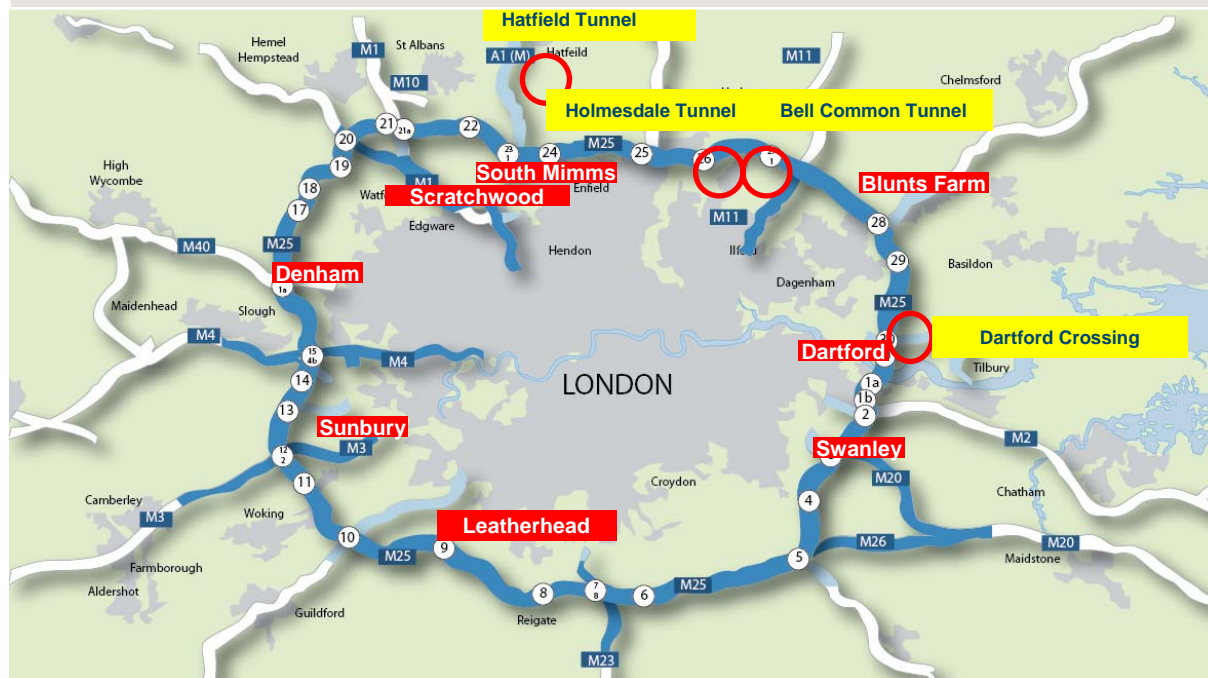
1025 km of motorway/trunk road

8 depots

1893 structures including
56 strategic structures and the QEII bridge

5 tunnels

26 arterial road links into London



Services provided

Network management

- Routine maintenance
- Incident/emergency response
- Winter service
- Defect management



Services provided

Asset management – including

- 1, 5 and 30-year plans
- £1.3 billion investment in renewals
- Landscape management
- Climate change adaptation
- Sustainability
- PAS 55 accreditation

Asset inspection – including

- Complete asset inventory
- General and principal inspections
- Condition survey
- Baseline for hand-back



Services provided

Unique to Area 5

- Dartford charging
 - Dart tag management
- Tunnel management
- Energy management
- Olympic preparedness



M1/Deansbrook viaduct, 15 April 2011



“... The Highways Agency and Connect Plus did a fantastic job. It is sad that there was so much disruption, but they did the work as fast as they could...”

Mike Penning – Minister for Transport
5 May - Hansard

Balfour Beatty Highway Service summary

- Demonstrable capability in transportation across the Group
- We operate and manage a large portion of the UK's road networks
- Through our experience in operating long-term assets, we can manage lifecycle risk
- We have the ability to manage complex networks e.g. Dartford Crossing
- We will win by adapting to the evolution of the Highways Agency's business model

Terry Woodhouse

MD, Balfour Beatty Living Places

Distinct Local Authority market strategy

Differentiate

- Balfour Beatty brand
- Lean delivery and operational transformation
- Robust delivery
- Customer centricity

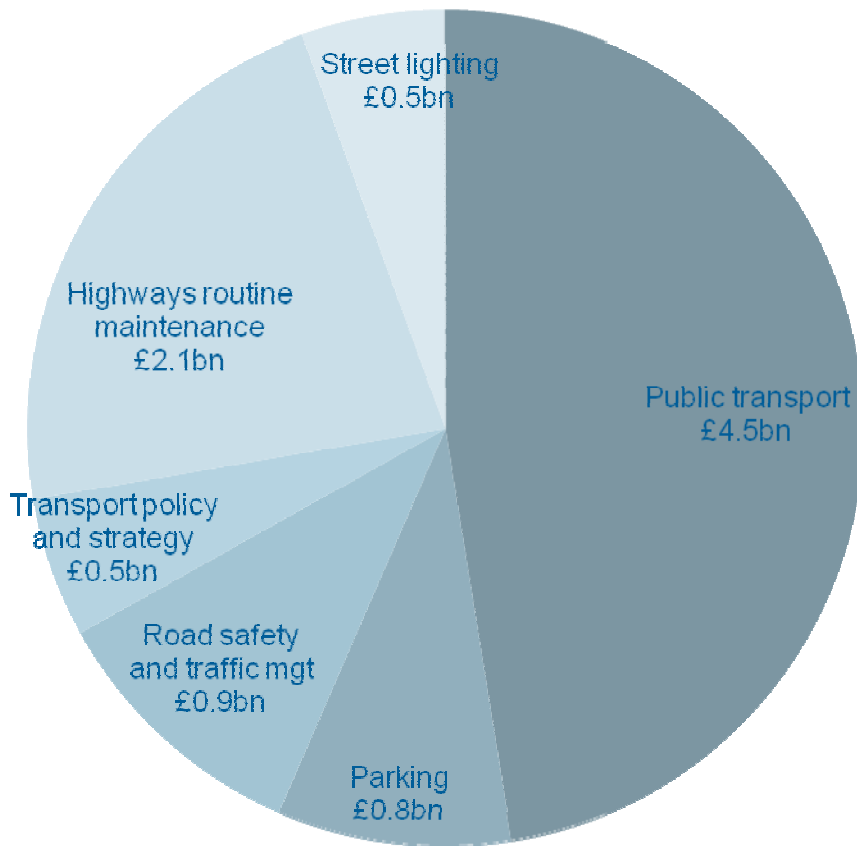
Consolidate the core

- Market leadership in local authority highways
- Grow contract margins
- Leverage new capabilities to local public sector bodies

Expand the core

- Low-risk diversification through integrated contracts
- Leverage new capabilities to expand market opportunity
- Leverage regional footprint with other public sector bodies

Highways and Transportation (H&T) market progression

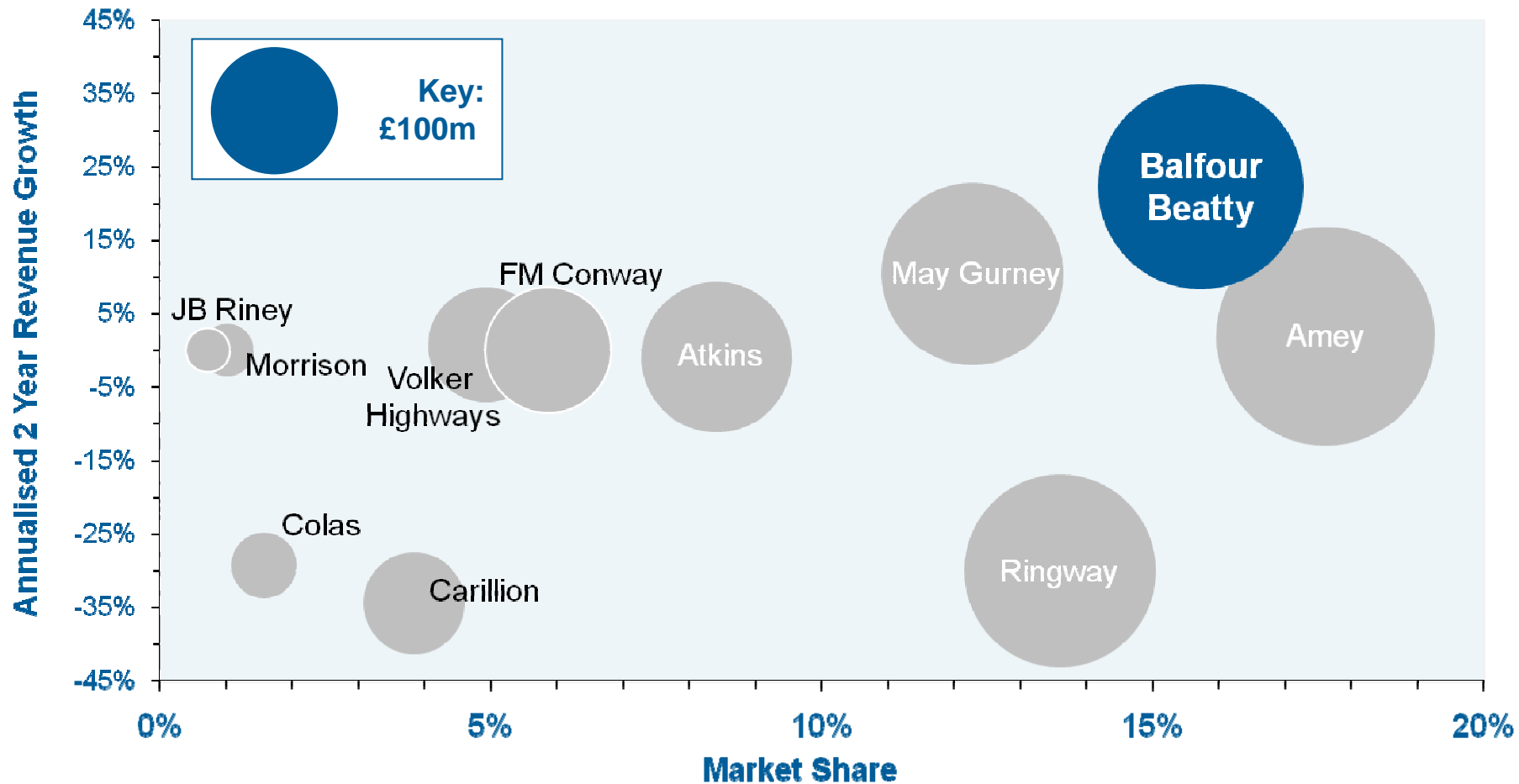


Highways Maintenance	£m
In-house resource	330
Minor works and materials	479
Outsourced contracts	1,300
Total	2,109

- Increased highways market share from 7.5% in 2009 to 11.7% in 2011E
- Fastest growing street lighting provider
- Fastest growing highways provider
- Diversified into on/off street parking enforcement
- General trend towards outsourcing more of the H&T expenditure, through larger integrated contracts
- Some local authorities outsourcing for the first time
- 2011 active H&T bids have £1.8bn contract value

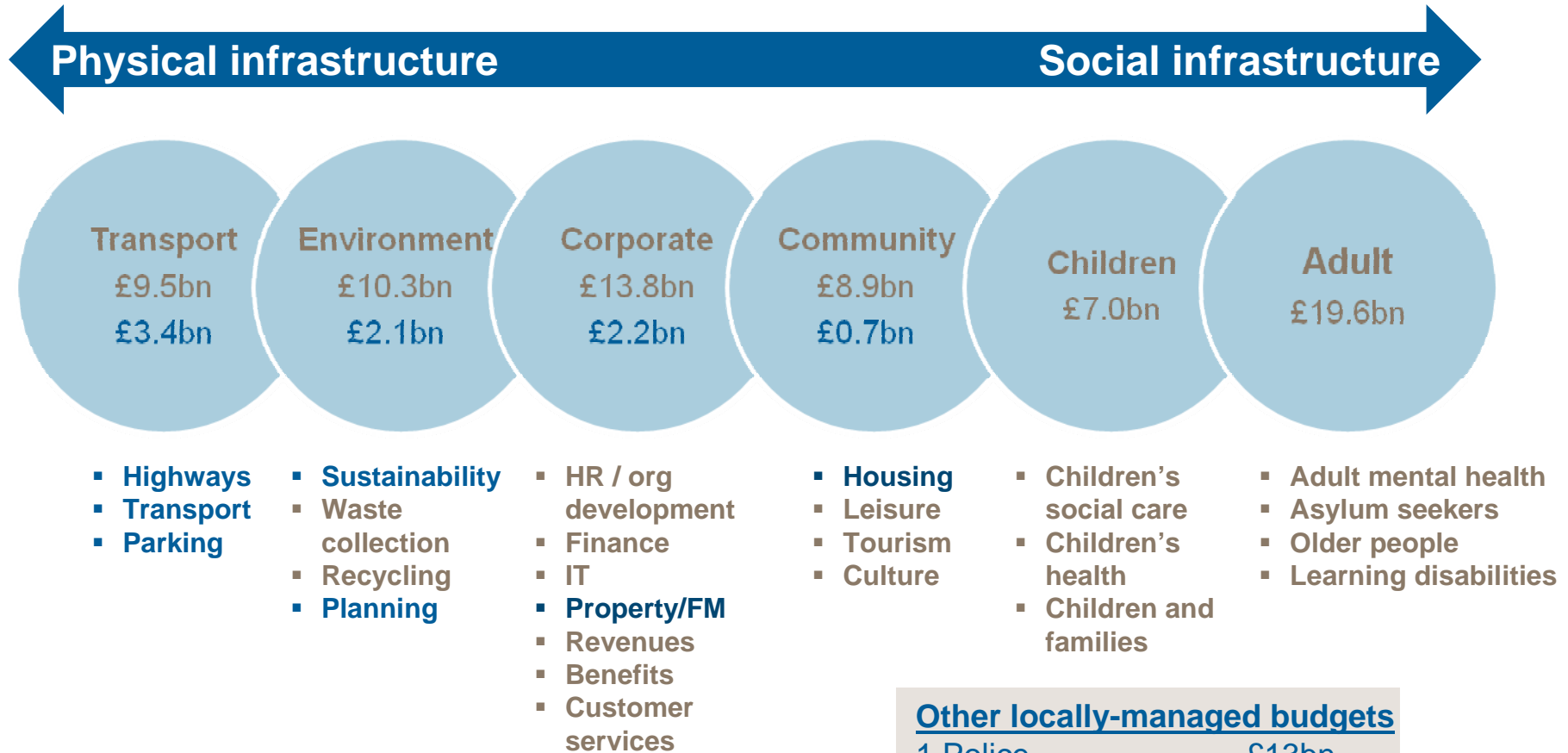
English Local Authority H&T revenue expenditure 2009/10
Department for Communities and Local Government (DCLG) figures

Combined highways and street lighting market analysis



Source: Internal analysis from publically available data: OJEU notices, customer and competition announcements. The information shown includes all highways TMC, highways MAC, street lighting TMC and street lighting PFI figures

Local Authority gross expenditure



Balfour Beatty addressable markets in blue

Source: DCLG

Other locally-managed budgets	
1. Police	£13bn
2. Fire	£2bn
3. Schools	£49bn
4. Health	£110bn

Health spend represents NHS Spend in 2010

Local Authority – market trends

Negatives

- CSR 10 will likely reduce 25% of like-for-like expenditure over four years

Positives

- Compensatory 2011/12 central government grants
- Tender activity continues to increase
- New authorities are tendering for the first time
- Integrated contracts are bringing new services to the market
- Contract terms are increasing, thus creating opportunity to build order books

Net impact

- Substantial growth opportunity over the next 3 years

Living Places order book progression



* Current secured order book plus contracts at preferred bidder stage

- High volumes of tender activity
- Selective bidding – ‘no-bids’ in >50% of cases
- Win rates better than 1 in 2
- Recent 100% track record in securing contract extensions
- Increasing role of integrated contracts

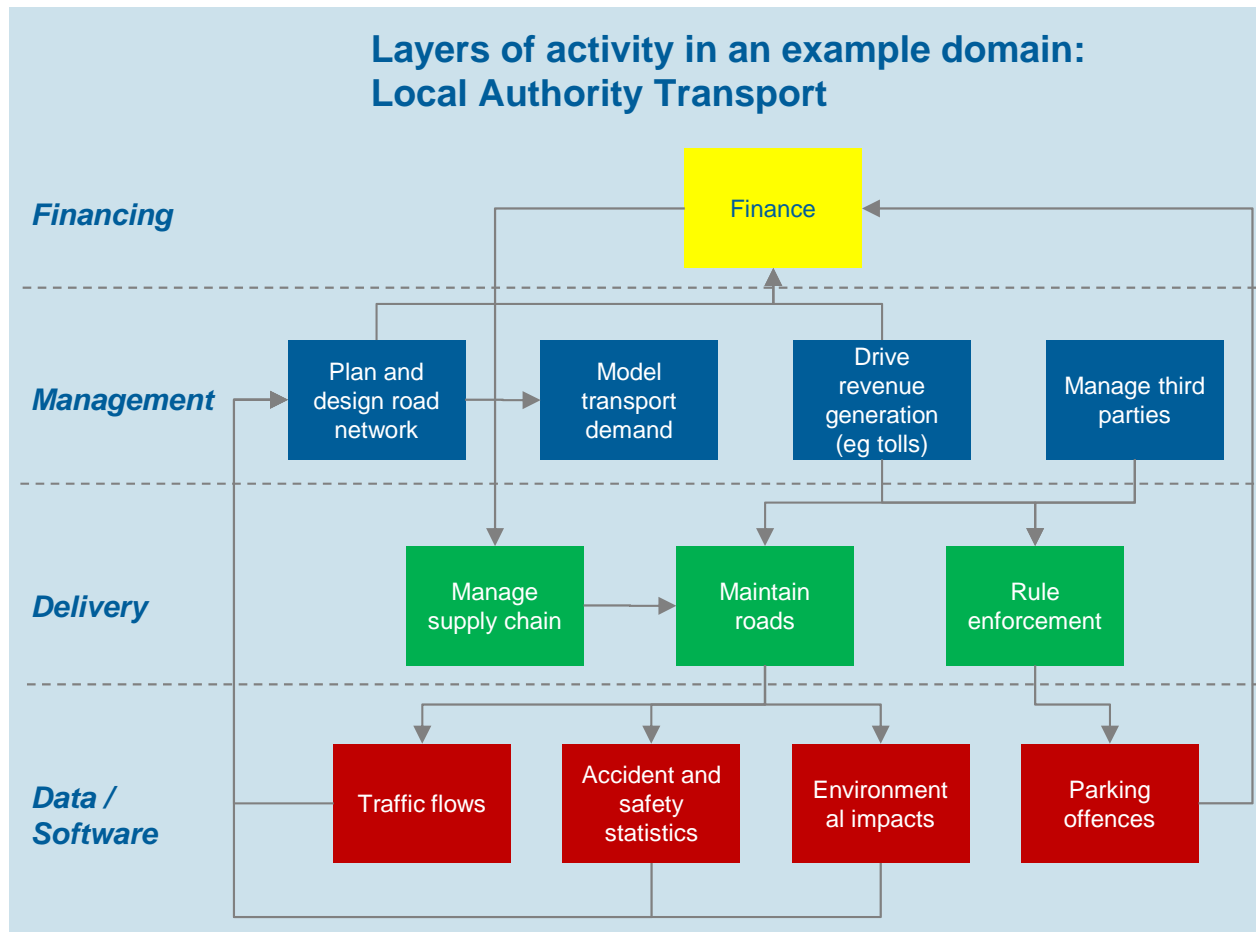
Integrator roles are increasingly required

Emerging opportunities for integrator roles

	LA Property	Healthcare	LA Transport
Buyer needs	<ul style="list-style-type: none"> ▪ Sufficient stock of well-maintained social housing ▪ Facilities for council staff ▪ Revenue generation 	<ul style="list-style-type: none"> ▪ Efficient use of resources to deliver diagnosis & treatment ▪ Accurate monitoring & management of clinical activity 	<ul style="list-style-type: none"> ▪ Well-maintained network ▪ Road safety ▪ Reduced congestion ▪ Reduced environmental impact
Drivers of change in contract scope	<ul style="list-style-type: none"> ▪ CSR-driven budget cuts ▪ Diverse estate not well suited to current purposes ▪ Capital tied up in buildings 	<ul style="list-style-type: none"> ▪ Major drive to save money ▪ Significant structural change to NHS service delivery ▪ Ageing property 	<ul style="list-style-type: none"> ▪ CSR-driven budget cuts ▪ Backlog of improvement work / roads in poor condition ▪ Tough environmental targets
Possible integrator role	<p>Re-think of asset management approach leading to co-ordination of new build and refurbishment programmes</p>	<p>Support for hospital management in whole-life asset management including commissioning, scheduling, procurement, environmental impact and efficiency</p>	<p>Delivery of core maintenance activities combined with planning and design work, monitoring and decisions about road network management</p>

Source: OC&C Strategy Consultants

Integrator roles are increasingly required



Integrator Role – LA Transport

- The Integrator model builds an intelligent data management and implementation infrastructure that can solve for multiple client outcomes, in a world of numerous interdependencies
- The operational infrastructure needs to be responsive to dynamic changes
 - Real-time (as traffic flows change with accidents or congestion)
 - Funding and legislative changes
 - Technological change

Source: OC&C Strategy Consultants

Integrated contracts – market trends

Integrated Highways/Transportation

- Slight increase in tender activity, projected 2-3 new tenders per annum.
- Contract terms c. 10 years
- Contract values £400m +
- Bundling of blue/white collar services
- Aggregation of previously distributed contracted services.
- Trend towards outcome risk, e.g. asset condition, or KSI statistics
- Transformation led – e.g. substantial restructuring and investment

Integrated Property/FM

- Total addressable market c. £2.2bn pa
- Local authorities increasingly aggregating spend to create large single contracts
- 4 new tenders so far in 2011, average £25m pa and to 10 year terms
- Portfolio restructuring, asset management and energy management key capabilities
- Nascent local public sector consolidation opportunities emerging
- Opportunity to leverage broader group construction capabilities

North East Lincolnshire – initial £150m contract

Capabilities acquired through integrated contracts provide access to new markets

Embedded integrated highways contract creates new market capabilities and referencability for future bids

HIGHWAYS AND TRANSPORT

- **Car Parking, Collections, Resident Parking Permits, Traffic Wardens and Enforcement**
- **Management of Highways, including Traffic Management**
- **Highways Repairs and Maintenance**

Parking enforcement creates new market opportunity and potentially key component in integrated contracts

Embedded integrated property contract creates new market capabilities and referencability for future bids.

FACILITIES & ASSET MANAGEMENT

- **Asset Management and Building Surveying**
- **Estates and Valuation (including Markets and Licenses)**
- **Facilities Management to PCT**
- **Facilities Management and Services to 93 Schools**

ECONOMIC AND PHYSICAL REGENERATION AND PLANNING

- **Economic Development and Regeneration**
- **Housing Improvement, Private Sector Housing and Leasing**
- **Town Planning**

Key enabling service for physical regeneration projects

Balfour Beatty Living Places summary

- Balfour Beatty has developed a differentiated strategy to achieve rapid growth in the Local Authority market
- The strategy has led to considerable success with Local Authority Services contracts
 - Strongly growing order book
 - Increasing market share
- Market conditions are favourable to continue this progress
- Integrated contracts will become increasingly important over time, and we are already well-positioned in that market
- Our immediately addressable Local Authority markets provide substantial growth opportunity
- There is further scope to expand our core offerings in time, which should enable us to continue our progress into the future

Kevin Craven

CEO, Balfour Beatty Services

Power - an attractive infrastructure services market



Power in the UK

- Transmission & Distribution
- Substations
- Offshore Wind

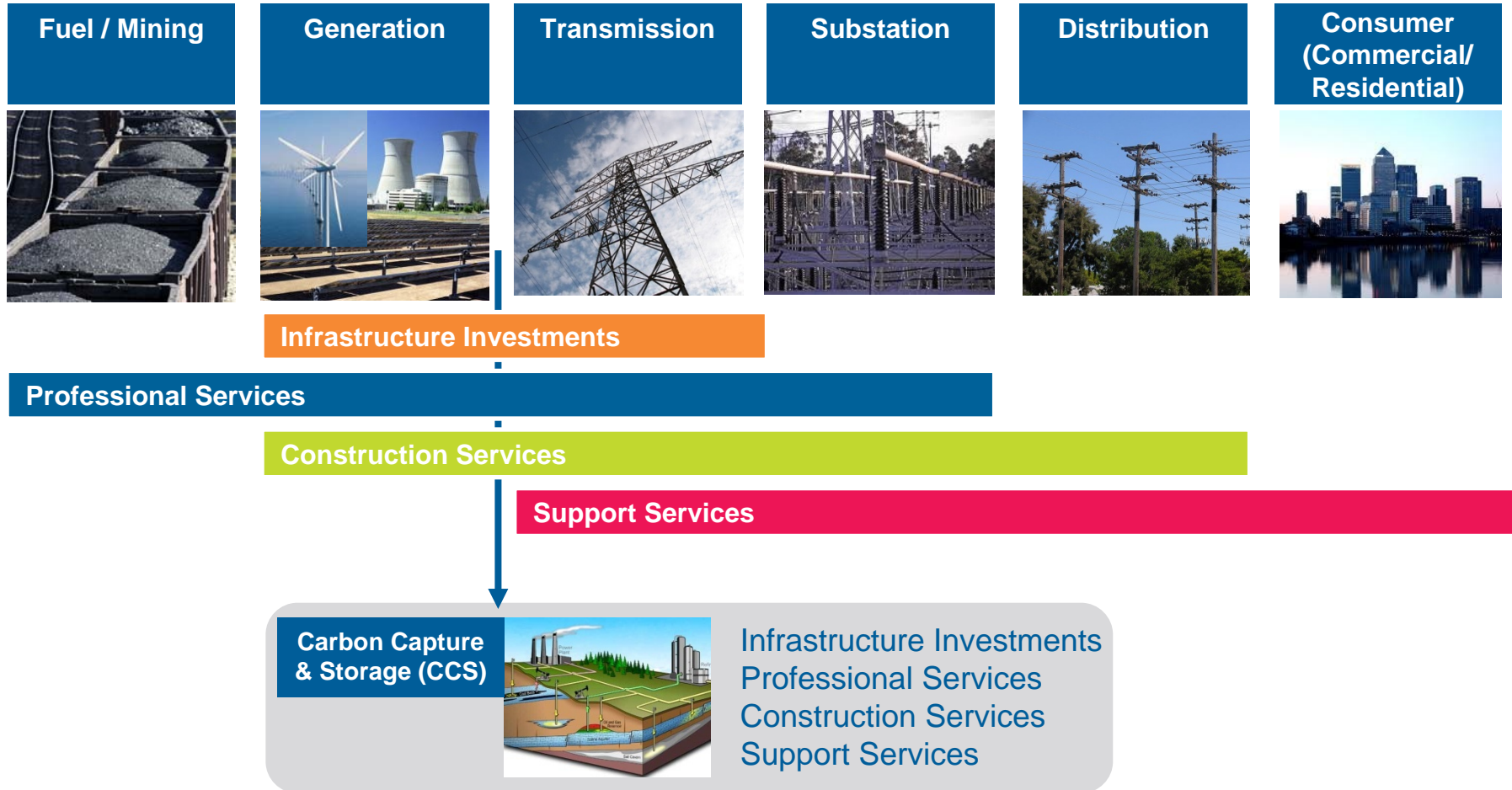
International Power

- Transmission & Distribution

Demand side energy efficiency

- Power Efficiency

Power supply chain – Balfour Beatty focus areas



Power in the UK – Offshore wind

- Opportunity of c. £150bn over 10 to 15 years
- Significant political support as Government seeks to secure power supply and meet carbon targets
- Market pull for competent, credible, game-changing players
- Biggest investor in the OFTO regime with two assets (Greater Gabbard and Thanet)
- Active in the maintenance of offshore wind assets
- Currently evaluating opportunities to expand capabilities in the transmission and cable-laying market



International power – Transmission & Distribution

- 2010-35 global market c. \$85bn p.a. in transmission and c. \$190bn p.a. in distribution, with increasing levels of outsourcing
- Balfour Beatty is a leading provider
 - PB have international capability in power in general, and transmission in particular
 - BBUS is a leading international and skilled transmission engineering and construction player
- Market drivers
 - Economic growth in emerging markets
 - Ongoing infrastructure spend in developed markets
 - Green agenda and renewables
 - Natural mineral resources
- Global shortage of skilled resource
- Barriers to entry relatively high resulting in above-average margins



Demand side energy efficiency

Leading player in the energy management space with integrated procurement and carbon service offering with two core product lines

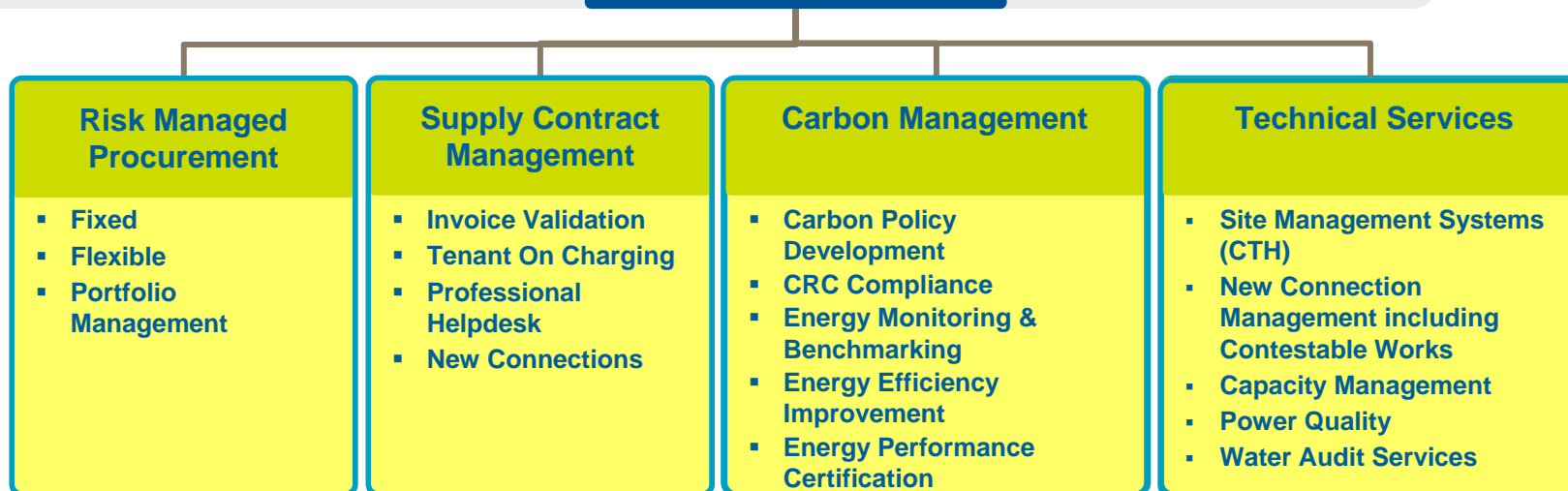
- Risk-managed energy procurement and invoice validation
- Carbon management and technical services

Largest provider of energy services to the property management sector due to differentiated business model

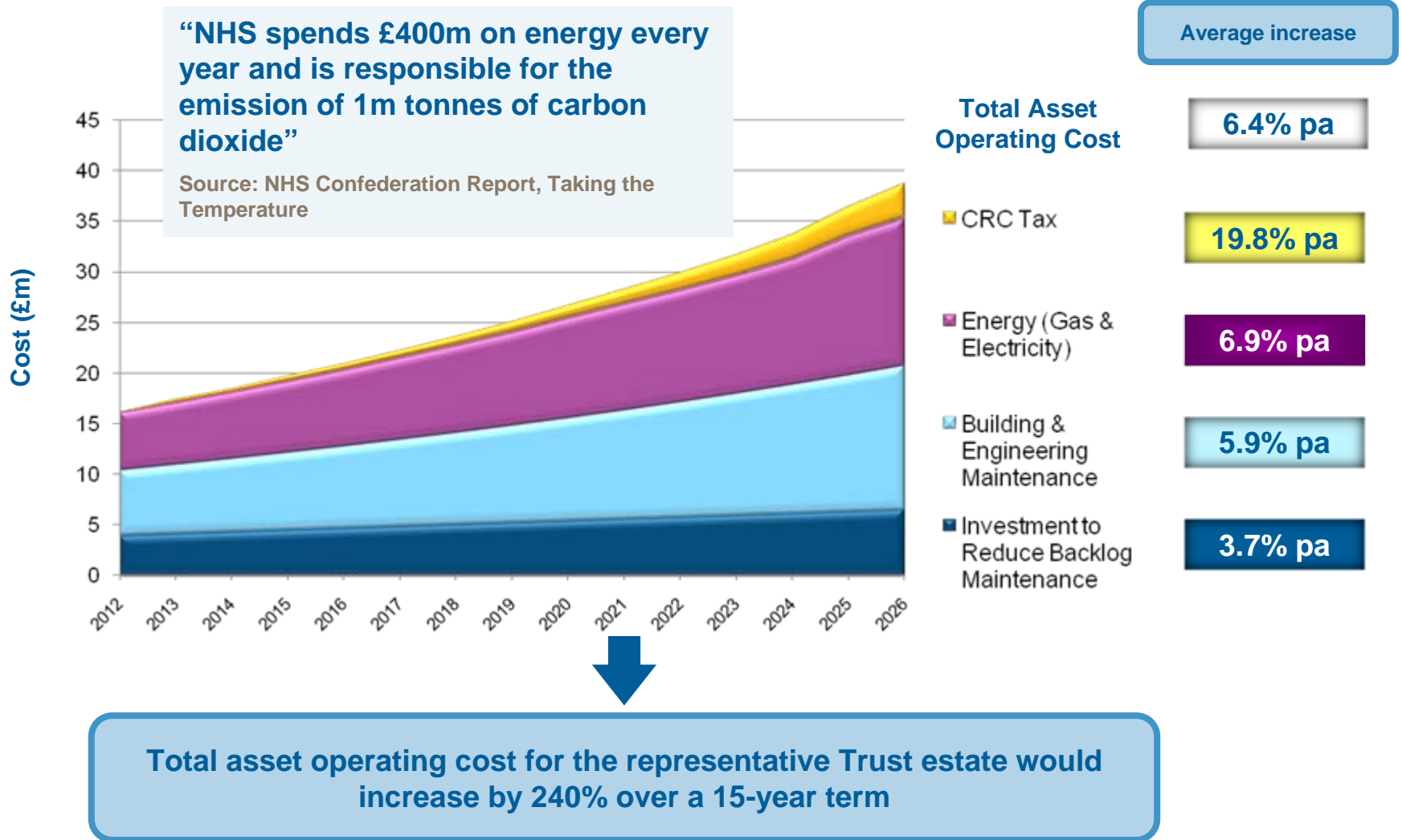
- 60% of Canary Wharf Estate
- 6 out of top 10 property agents

Business established 1999

Power Efficiency Overview of Services



Managing costs in the public sector



Source: Estates Returns and Information Collection (ERIC) 2009/10 data

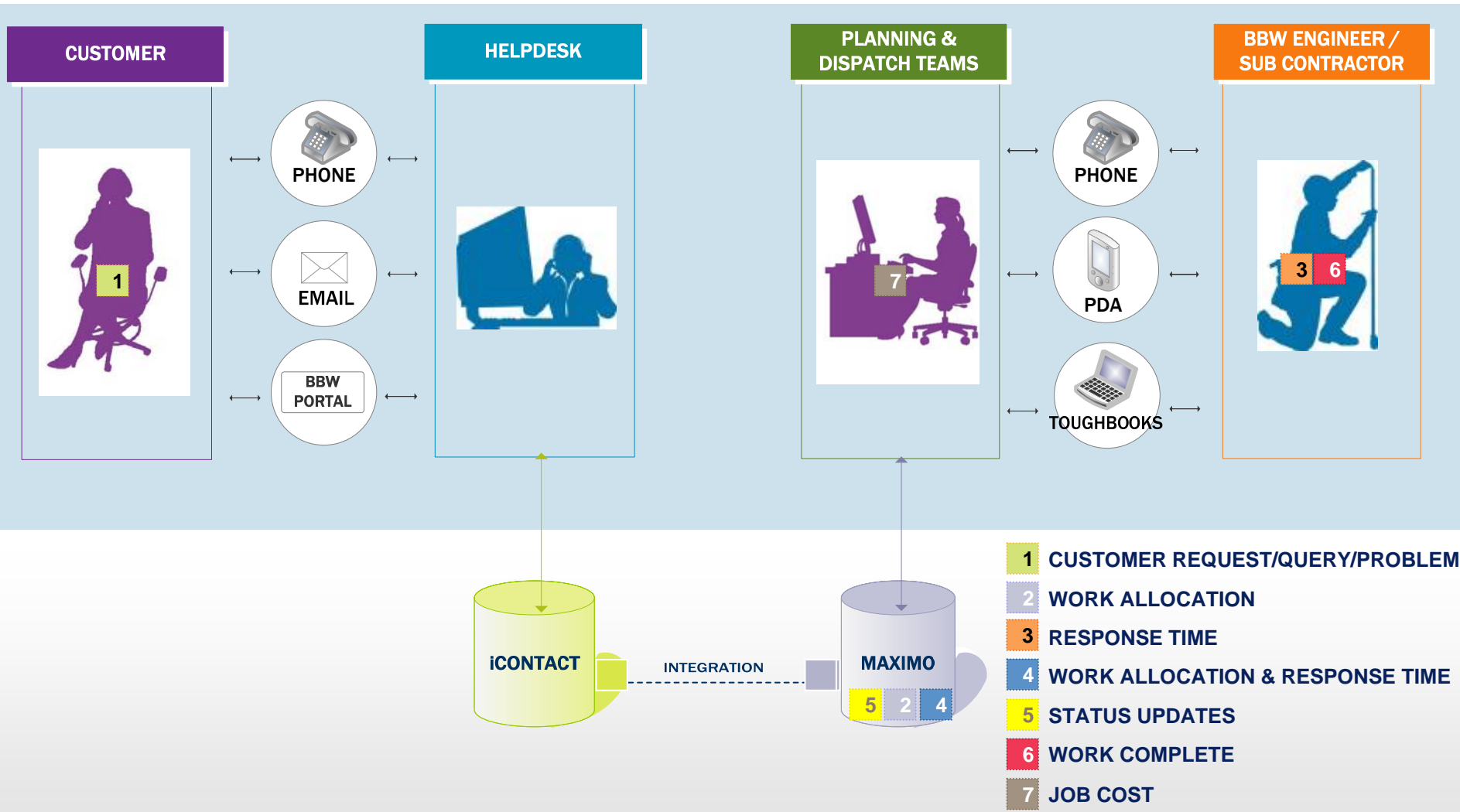
Balfour Beatty Power and Energy summary

- Power is a large global infrastructure market that plays to the skills and capabilities of the Balfour Beatty Group
 - Capabilities across the entire power value chain
 - Highly-skilled resources in extra-high voltage transmission
 - Developing innovative cabling solutions (e.g. tunnel cabling)
 - Training centres in the UK and Philippines
- Power already accounts for a quarter of support services revenue
- Opportunities focus on
 - UK Transmission & Distribution
 - UK Offshore Transmission
 - International Transmission
 - Energy Services

James Janion

Operations Director, N.O.C.

Operating model



IT-enabled workflow for effective communication across all stakeholders

Supporting continuity of service

Scalable

- 110 members of staff
- Capacity 200
- Core operating process

Resilient

- 24/7
- Disaster recovery

Technology

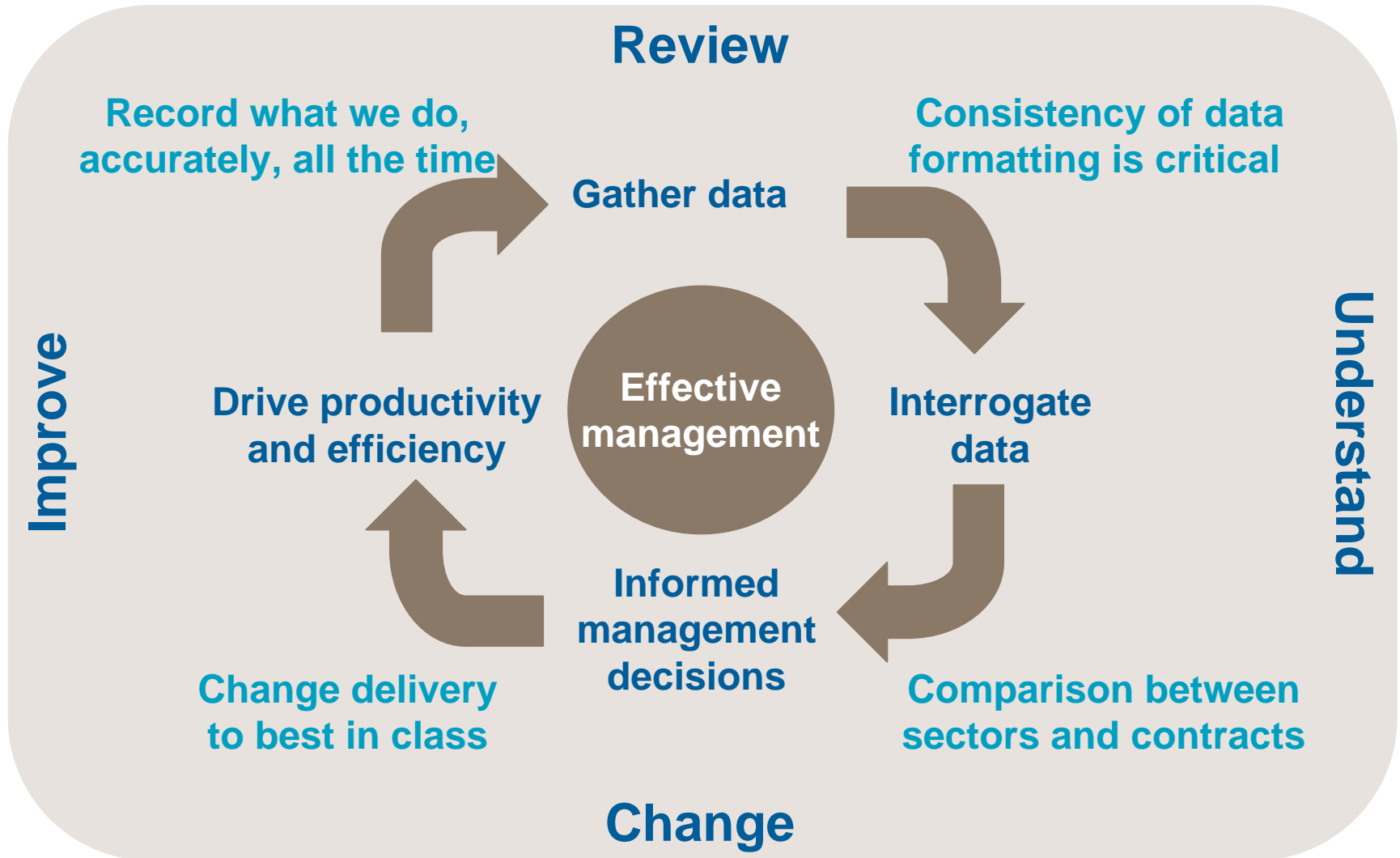
- Telephony
- Asset management
- Handheld devices

Functional support

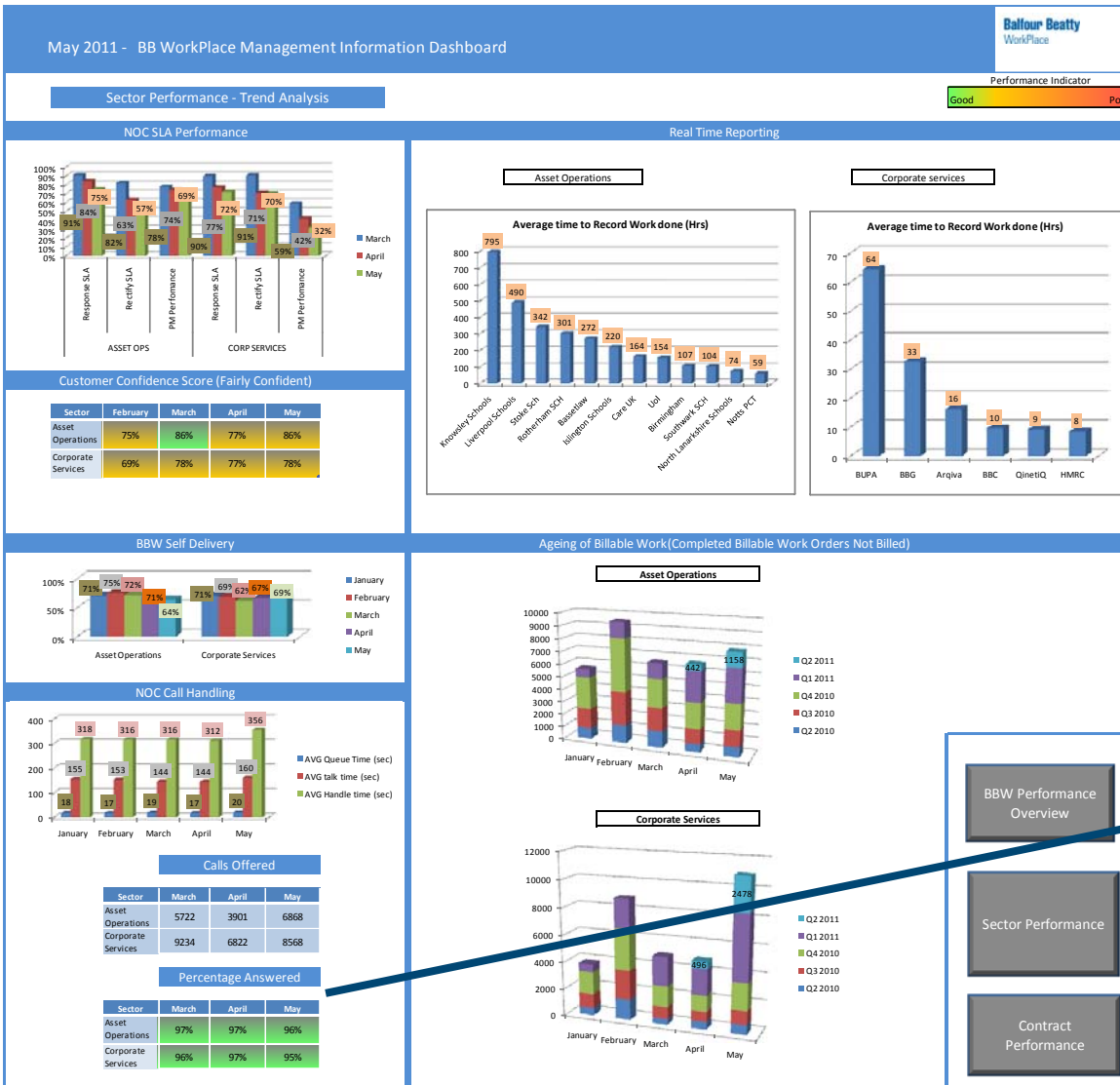
- IT helpdesk
- Incident hotline



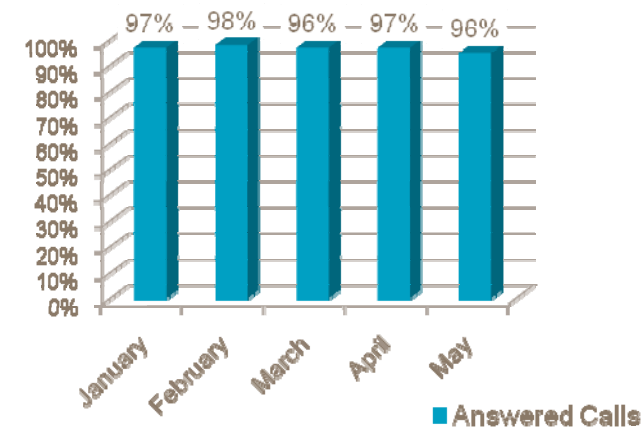
Supporting consistency and rich asset data



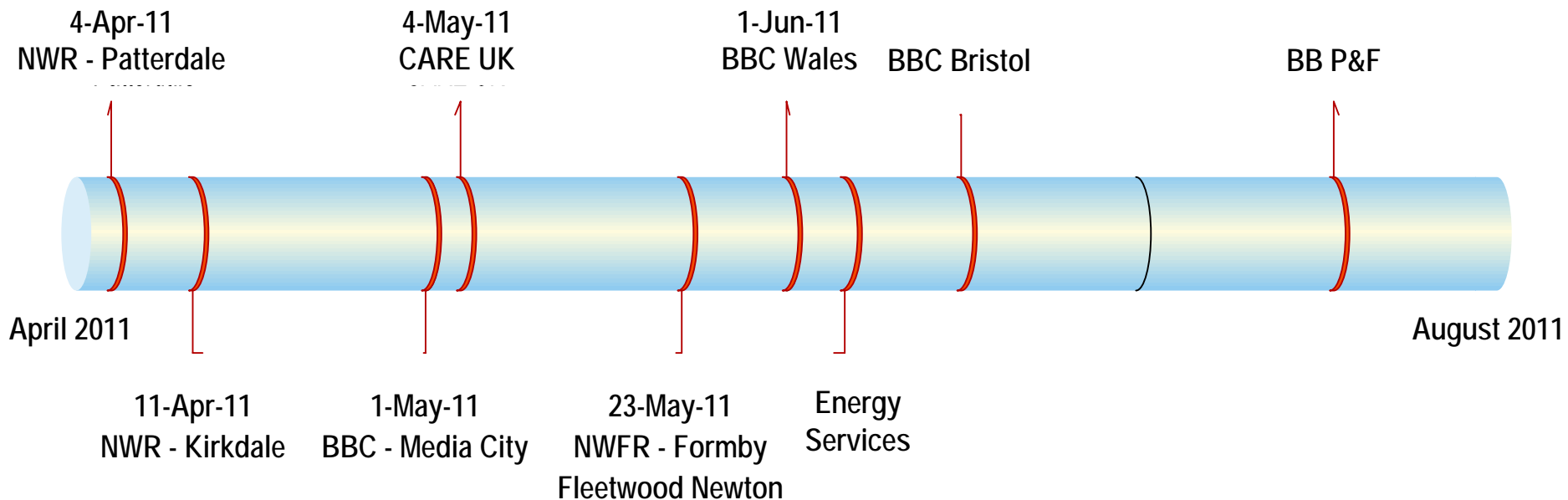
Management information dashboards



- ✓ Call handling
- ✓ Customer feedback
- ✓ SLA performance
- ✓ Process adherence
- ✓ Labour efficiency
- ✓ Billing
- ✓ Trend Analysis



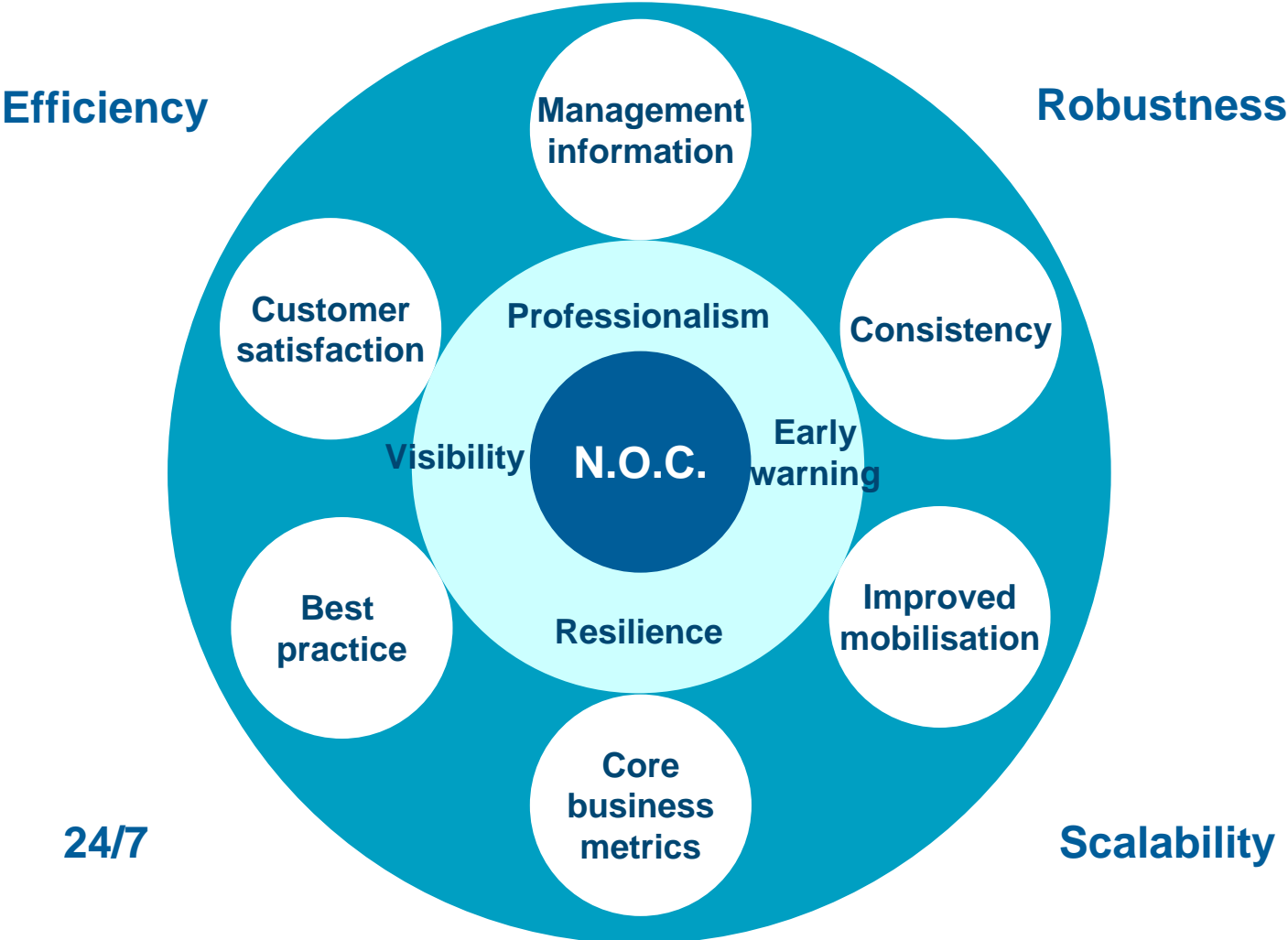
Supporting growth



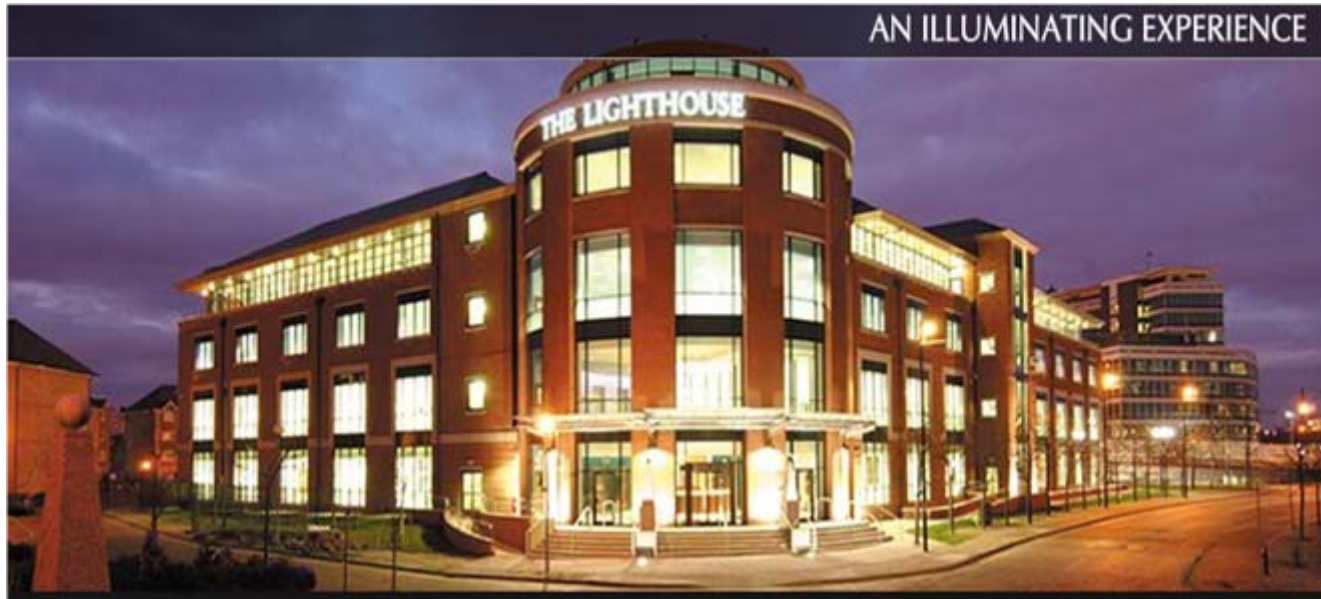
Looking Forward

- Energy Services Bureau to move to the N.O.C
- Plant & Fleet – Transition planned for mid-July 2011
- Asset Operations and Corporate Contracts

Supporting improved margin



National Operations Centre summary



Providing a centre of excellence for service experience

- ✓ Supporting existing business
- ✓ Supporting continuity of service to clients
- ✓ Supporting consistency and rich asset data
- ✓ Supporting growth
- ✓ Supporting improved margin

Duncan Magrath

Chief Financial Officer

Improving operational performance and cost-effectiveness

Five clear objectives

1. Develop our business further
2. Focus on markets with the greatest opportunities
3. Improve operational performance and cost-effectiveness
4. Continue to strengthen core skills
5. Continue to show leadership in values and behaviour

3. Improve operational performance and cost-effectiveness

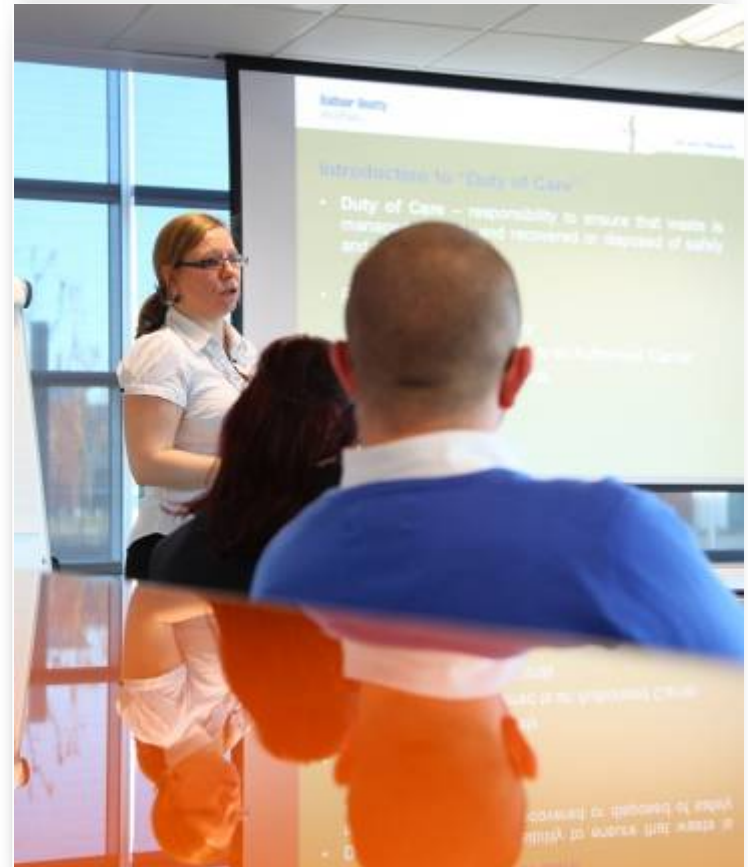
- Raising Professional Services performance
 - Improve staff utilisation
 - Collaboration with the rest of the Group
 - Leverage capabilities
- Potential for enhancing Support Services margins
 - Leveraging scale

- Underpin Construction Services margins
 - Implement cost efficiency programme (UK Shared Service Centre)
 - Procurement initiatives

Source: 2010 FY results presentation

An update on the UK Shared Service Centre

- Launched August 2010
- Newcastle facility fitted out by November 2010
- Good quality labour force, experienced in shared services, and effective labour rates
- 135 people currently employed, of which c.50% with previous service centre experience and 6 transferred internally
- Total capacity c. 470 employees
- First transactions processed in March '11
- Standalone operating company – Balfour Beatty WorkSmart



Benefits the UK operations



Scope

- Transactional accounting
- Payroll processes
- Supply chain management

Current status

- Payroll for 5,125 employees; 17,000 payslips per month
- Transactional processing for 48% of UK revenue in 2011
- Supply chain management for £68m spend p.a.
- Oracle R12 implementation Q4 2011

Costs & benefits

- Costs and benefits as previously announced
- One-off implementation cost of c. £25m, plus further IT investment of £10m
- Annual cost reduction to reach £30m by 2013
 - £20m impact to structural cost base
 - Underpins margins
 - Half to be realised in 2011
 - £10m to improve competitiveness at project level

Balfour Beatty WorkSmart – part of Support Services

- Essentially a BPO service
- Implementation approach akin to the transition of a Support Services contract, e.g. DWP
- External support in assessment and initial setup but now, centre and transitions wholly internally supported
- Primary focus to serve internal customers, but has potential to also serve external customers as part of a bundled service
- Similarities with the N.O.C.
 - Service mentality
 - Heavily data-centric
 - Process efficiency focused



Reporting change - Plant & Fleet Services

- Internal service-provider with £100m revenue of which 90% is generated from Group companies
- Plant with value £25m
- Fleet: 4,500 company cars, 4,000 commercial vehicles with value £75m
- Reported under Construction Services in 2010
- Internal reporting line moved to Balfour Beatty WorkPlace in Support Services on 1 January 2011
- Will be reported in Support Services in 2011 and prior years will be restated



Impact of the restatement

31 December 2010

(£m)

	Construction Services		Support Services	
	Restated	Previously reported	Restated	Previously reported
Revenue incl. share of joint ventures and associates	6,734	6,743	1,443	1,434
Share of revenue of joint ventures and associates	(616)	(616)	(131)	(131)
Group revenue	6,118	6,127	1,312	1,303
Group operating profit	170	181	57	46
Share of results of joint ventures and associates	31	31	5	5
Profit from operations before exceptionals and amortisation	201	212	62	51
Net assets/liabilities	(118)	(107)	44	33

- Internal reporting line moves to Balfour Beatty WorkPlace from 1 Jan 2011
- Restatement of segment results
- Revenue impact marginal as largely intercompany
- Bigger impact on profit from operations for 2010: £11m

Efficiency initiatives summary

- Good progress in our back office and procurement initiatives
- Costs and benefits as previously announced
- Balfour Beatty WorkSmart and Plant & Fleet an integral part of recently-formed Support Services division
- Minor segment restatement for change in reporting line for Plant & Fleet

Kevin Craven

CEO, Balfour Beatty Services

Opportunities



	Aspiration	Next steps
UK Public Sector	<ul style="list-style-type: none"> ▪ Create leading position in UK public sector delivering innovative solutions to ever increasing contract complexity 	<ul style="list-style-type: none"> ▪ Target specific market segments (e.g. Local Authority) where an integrated model delivers a solution
International	<ul style="list-style-type: none"> ▪ Leadership position in International Transmission & Distribution 	<ul style="list-style-type: none"> ▪ Investigate opportunities and synergies with group ▪ Leverage global footprint of Group to exploit other service opportunities
Energy	<ul style="list-style-type: none"> ▪ Create leading European Energy Services business 	<ul style="list-style-type: none"> ▪ Leverage new capability and cross sell to existing customer base ▪ Build scale and expand geographic footprint
Offshore	<ul style="list-style-type: none"> ▪ Leading position in the UK offshore transmission market 	<ul style="list-style-type: none"> ▪ Evaluate opportunities in cable-laying ▪ Explore other opportunities to complete transmission offering

Summary

- Well established as a leading provider of facilities management, utility infrastructure, rail renewals and highways management
- Supporting key customer groups in public sector and regulated industries
- Driven by continuous improvement, contract renewal and scope expansion
- Differentiated through infrastructure focus and asset knowledge
- Focused on organic growth opportunities with targeted acquisitions to add capability where necessary

Appendix

BB WorkPlace case study

Royal Mail (Project Enterprise)



9 years

Length of existing client relationship

£1.8bn

Contract value over 10 years

2,200+

Sites served

8-15%

Cost saving commitment within 3 years

The declining mail services market and need for the Royal Mail (RM) to modernise put our joint venture Romec at risk. Project Enterprise structured a deal that not only increased operating book value, but also deepened the relationship, providing solutions to challenges including energy, facilities management and the cost of change in a reducing estate

Key objectives

- Create a more strategic relationship through a wider service offer aligned to RM goals
- Guarantee cost reductions without compromising quality in the context of a tough market sector where revenues are declining
- Ensure any restructure is sensitive to a complex regulatory environment and potential privatisation
- Explore how Balfour Beatty can help RM achieve a 25%+ carbon reduction by 2015

Key features of the Enterprise Agreement

- £900m of core services with potential £900m of additional scope over the next 10 years
- 8-15% cost savings commitment
- Buy-out and transform Romec Services Limited into market leading mobile engineering and maintenance business – Balfour Beatty Technical Services
- Investing Balfour Beatty expertise to unlock energy and carbon value for Royal Mail
- Developing a platform for growth that provides employment opportunities for staff
- Investment in transformation and change management programme for 4,200 employees

BB Utility Solutions case study

National Grid Alliances



10+ years

Length of existing client relationship

£1.85bn

Total value over contract periods (5-8 years)

Three capital delivery alliances – two in the UK, one in the US

20% +

Cost reduction delivered in the first 3 years

Continuing to deliver year-on-year savings

Shared performance measures

Delivery and operation teams integrated with National Grid

National Grid works in long-term collaborative relationships with a select number of suppliers, selecting those with the right skills who are prepared to invest in the resources to deliver its capital programmes and long-term network maintenance. Balfour Beatty's partnership with National Grid is built on a legacy of collaborative delivery developed over more than ten years. Balfour Beatty has secured work in three integrated contracts with National Grid

National Grid - key objectives of the alliances

- Driving improvement in health and safety
- Using innovation to drive new ways of working and minimise outage windows
- Guaranteed cost reduction year on year
- Creation of an integrated delivery vehicle
- Addressing resource shortages in electricity and gas sector

Balfour Beatty - key achievements

- Introduced new ways of working designed to deliver cost and time efficiencies and improve safety performance. These include the hydraulic lifting and sagging machine in use on the Woodhead Tunnel project, and catenary support system which is being used across the UK.
- Significant cost removed from the delivery process, initially circa 13% in year one of the gas alliance, delivering similar achievements in initial years across the other two alliances
- Promoting shared best practice between other delivery partners and alliance contracts
- Investment in training resources through Balfour Beatty's UK training school

Power Efficiency case study

Canary Wharf Management Ltd

CANARY WHARF
GROUP PLC



7+ years

Length of existing client relationship

£6.3m

Saved in first 4 years

460+

Meters across Canary Wharf Estate

3 years

Protection of energy budget

A consortium of four leading companies in London Docklands, including Canary Wharf Management, renewed their electricity contracts annually. In total they were consuming around 350 million kWh each year. Power Efficiency's market projections indicated a forthcoming rise in prices

Key objectives

- To achieve a reduction in costs whilst reducing risk
- To put in place a more flexible procurement strategy
- To enable realistic energy prices to be budgeted even during periods of volatile energy pricing

Achievements

- Power Efficiency negotiated a supply contract with specific clauses to ensure the customer received the best prices available in the power wholesale market
- Wholesale contracts were purchased at average prices below the market price for the duration of virtually the whole contract
- This block purchasing allowed the customer to reduce its risk and costs and mitigated the costs of its purchase of Green Electricity
- Savings of £6.3 million were achieved

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