

Balfour Beatty



Analysts Day

1 November 2005



Ian Tyler

Chief Executive, Balfour Beatty plc

Balfour Beatty

Working in partnership
to deliver first-class
services to the public

Balfour Beatty

Balfour Beatty in Yorkshire

North Yorkshire County Council

Yorkshire Link

Yorkshire Water

Rotherham Schools PFI

Pinderfields and Pontefract Hospital PFI

Calderdale Schools

York College

Crystal Peaks

Today's programme

Delivering high-quality highway services

- Brian Osborne - Group MD, Balfour Beatty plc
- David Bowe - Assistant Director Highways, North Yorkshire, County Council
- Lawrence Ireland - Contract Director, RCS
- Andy Beauchamp - Director of Operations, Connect Roads

Optimising the efficiency of water delivery

- Phil Brookes - MD, Balfour Beatty Utilities
- Richard Flint - Director Water Business Unit, Yorkshire Water
- Vincent O'Connor - Supply Chain Director
- Brent Mitchell - Support Services Director

Today's programme

Providing outstanding learning environments

- Mike Hudson - Chief Executive, Transform Schools
- Graham Sinclair - Acting Strategic Leader, Rotherham Metropolitan Borough Council
- Richard Benfield - Project Director, Rotherham Schools
- David Donaldson - Managing Director, BB Construction, North

Balfour Beatty and services

	£m revenues	Services*
Building	1,800	25%
Engineering	1,900	40%
Rail	750	30%
All contracting	4,450	33%

** By Balfour Beatty definition*

Working in partnership
to deliver high quality
highway services

Balfour Beatty

Brian Osborne

Group Managing Director,
Balfour Beatty plc

Balfour Beatty

RCS – network management and highway maintenance

- Established 1996
- Over 1700 employees
- National operations
- 2005 Turnover over £200m
- Public and private sector clients



RCS Vision

To be the UK's leading operator and term maintenance provider renowned for customer service, respect for people, protecting the environment and providing best value



Scope of Works

Network and Asset Management

Winter Maintenance

Emergency Response

Signs

Gully Cleansing

Road Marking

Specialist Surfacing

Traffic Management

Routine Maintenance

Street Lighting

Civil Engineering & Schemes

OffTrack Rail



UK Road Maintenance



UK road maintenance



UK road maintenance



UK road maintenance

Highways Departments



UK road management and maintenance

Private Sector

Design &
Management

Contractor
RCS

Design &
Management

Contractor
RCS



UK road management and maintenance



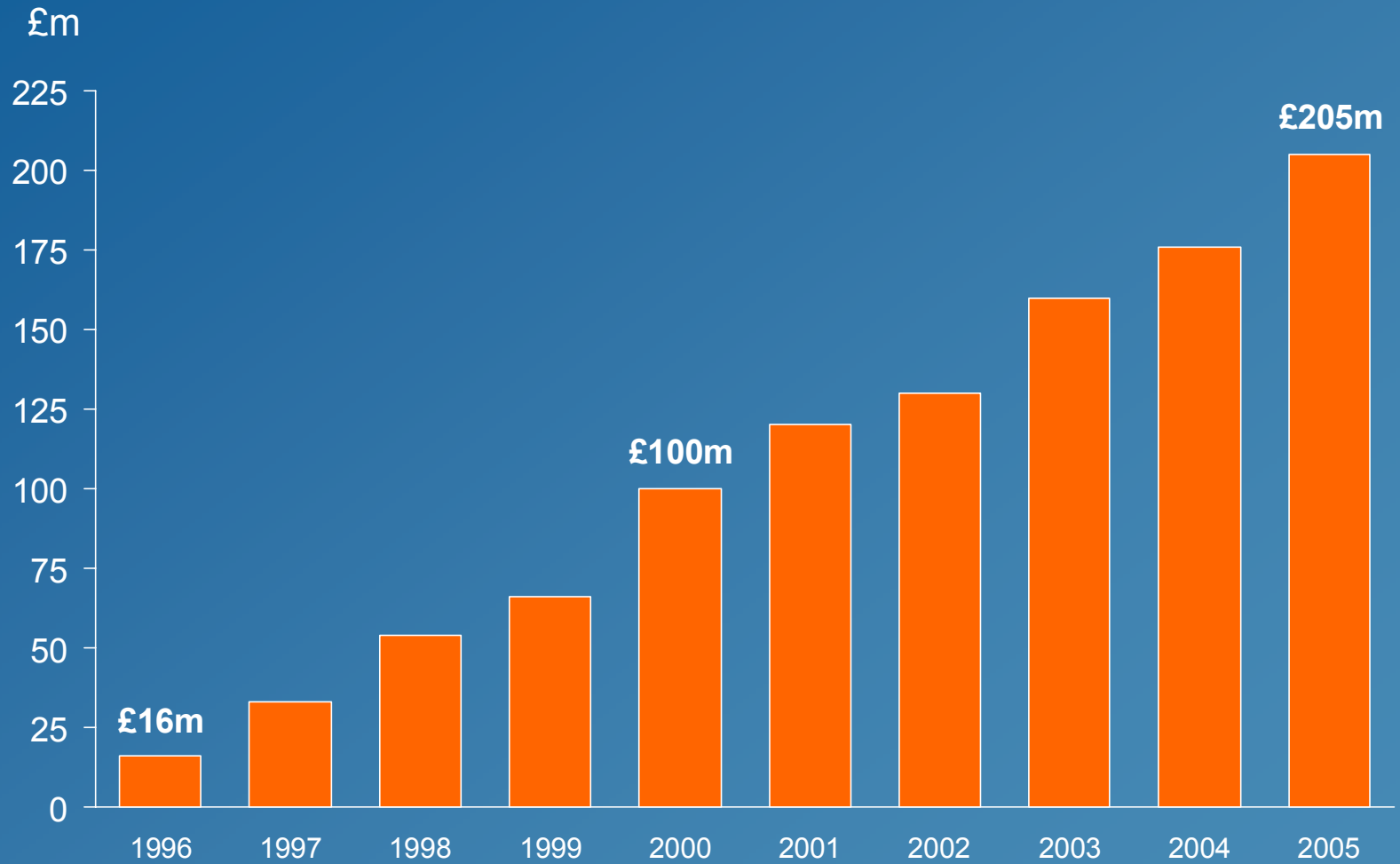
RCS

- Strategic Roads – Highways Agency
- Local Authority Maintenance
- Other Business (BSR Metro)

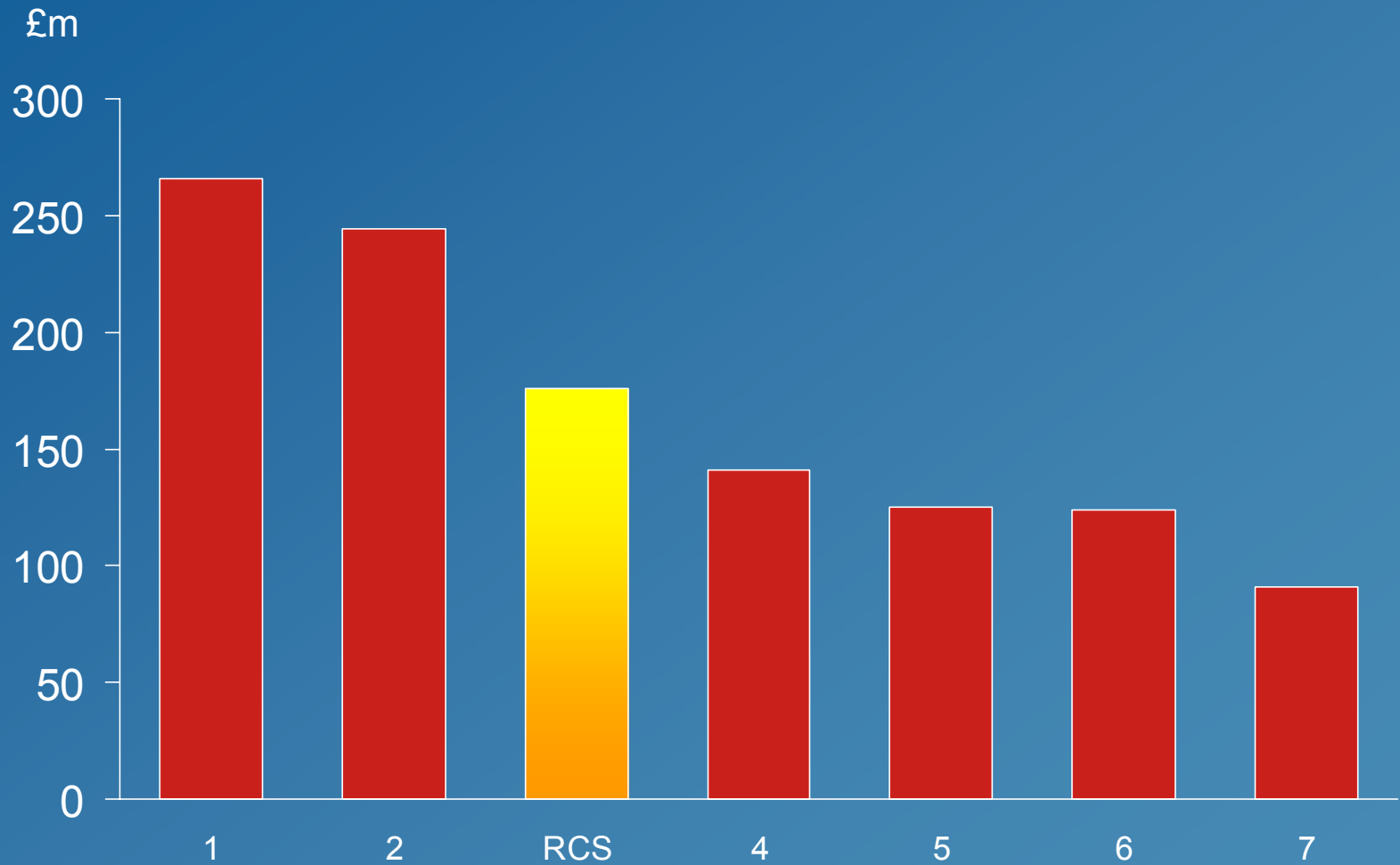
Market characteristics

- Long term contracts
- Direct employment
- Public sector client base
- Geographically widespread
- Rapid growth

Turnover



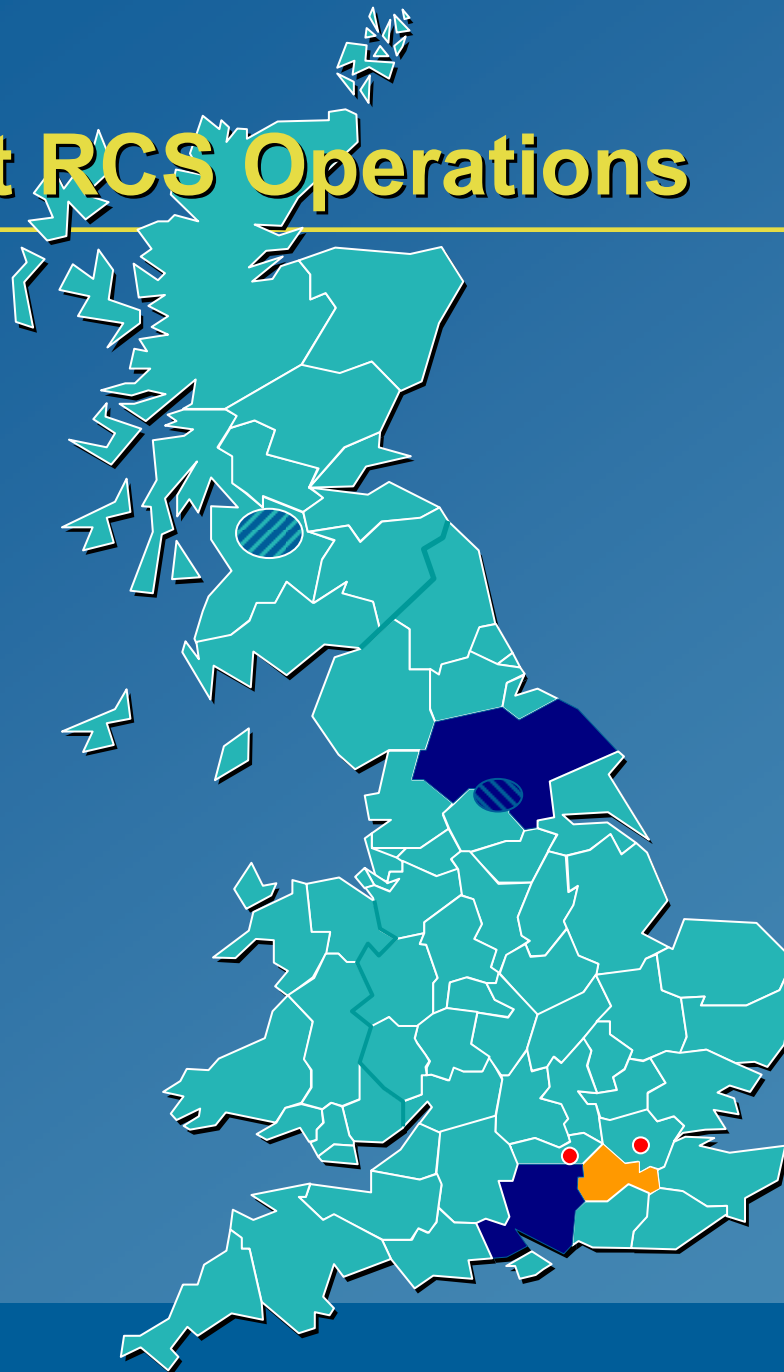
RCS market position, 2004



Current RCS Operations

Key:

- County Roads
- Street Lighting

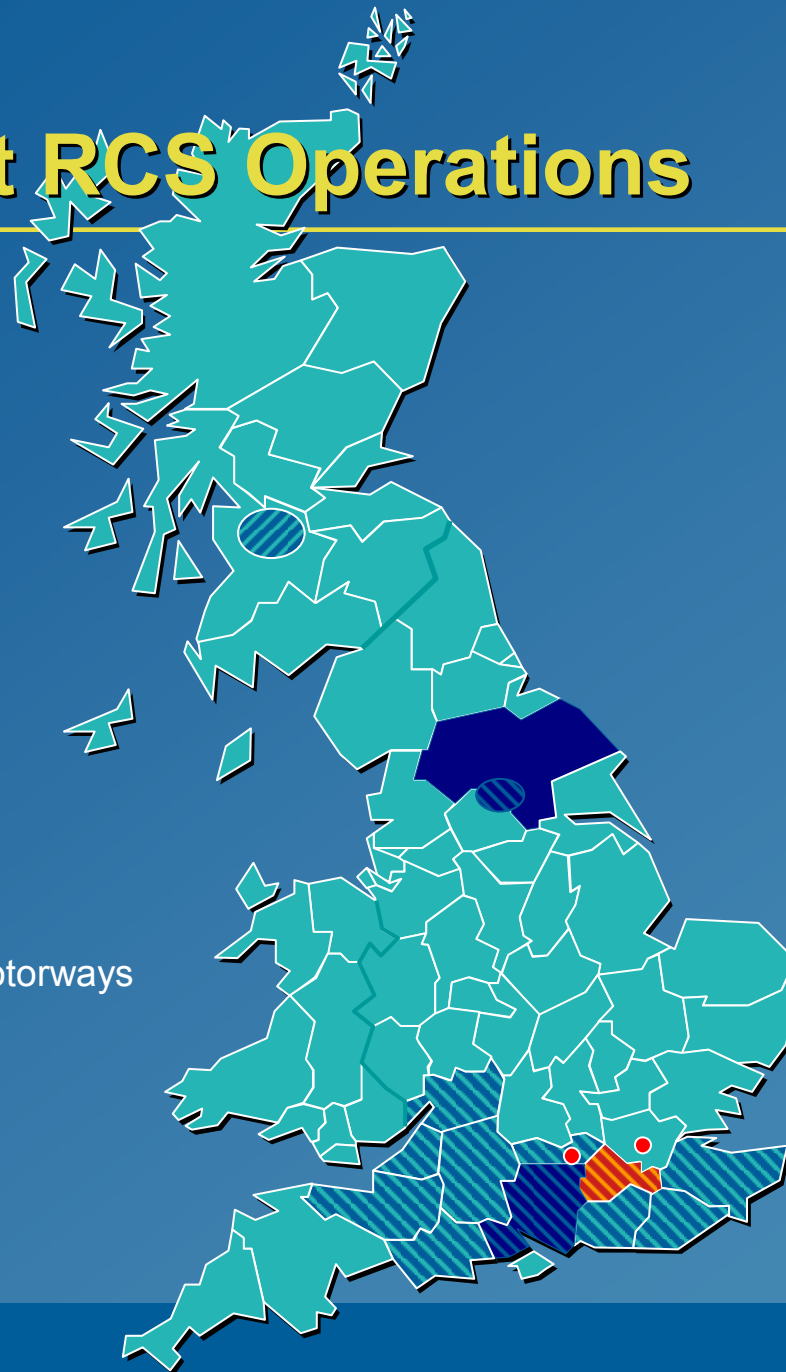


- Hampshire
- North Yorkshire
- Surrey (Street Lighting)
- Westminster
- Wokingham

Current RCS Operations

Key:

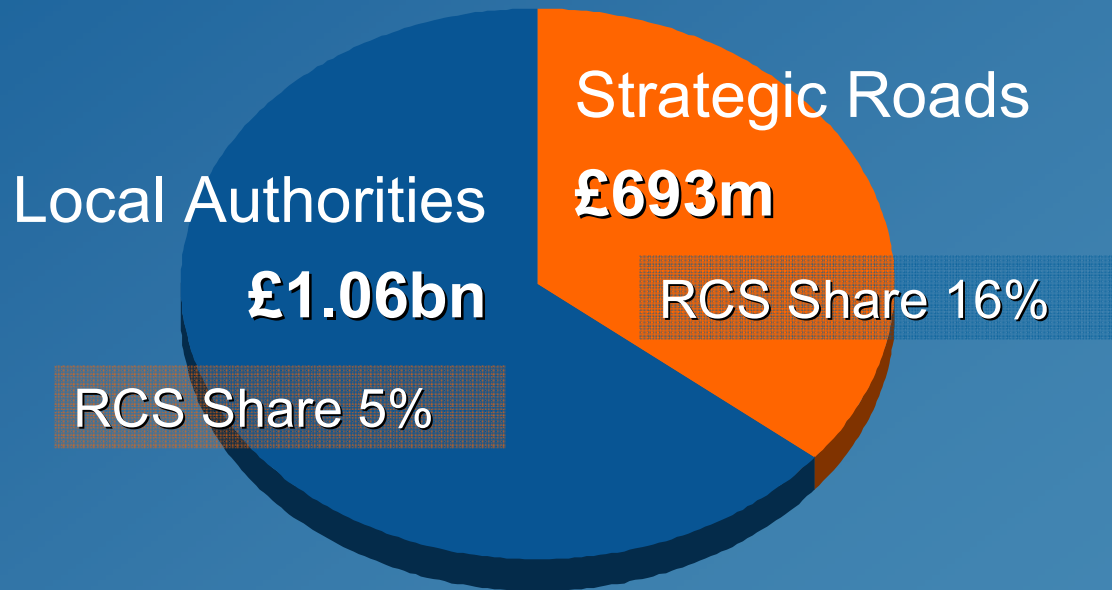
- County Roads
- Street Lighting
- Trunk Roads & Motorways



- Hampshire
- North Yorkshire
- Surrey (Street Lighting)
- Westminster
- Wokingham

Road maintenance market size - 2005

Total : £1.76m



Total Market Share 10%

Major Opportunities in 2006 / 07

Key:

- County Roads
- ▨ Highways Agency
- Unitaries & Others



Market Trends

- Integrated contracts
- Strategic partnerships and alliances
- PFI / DBFO
- Whole life planning
- Gershon
- Longer term contracts

Business Philosophy

- A service provider not a contractor
- Understanding client needs
- Exceeding client expectations
- Innovation & Added Value
- Commitment to Quality, Health & Safety
- First class employee conditions and relations
- Environmental responsibility, sustainability



RCS



Balfour Beatty

David Bowe

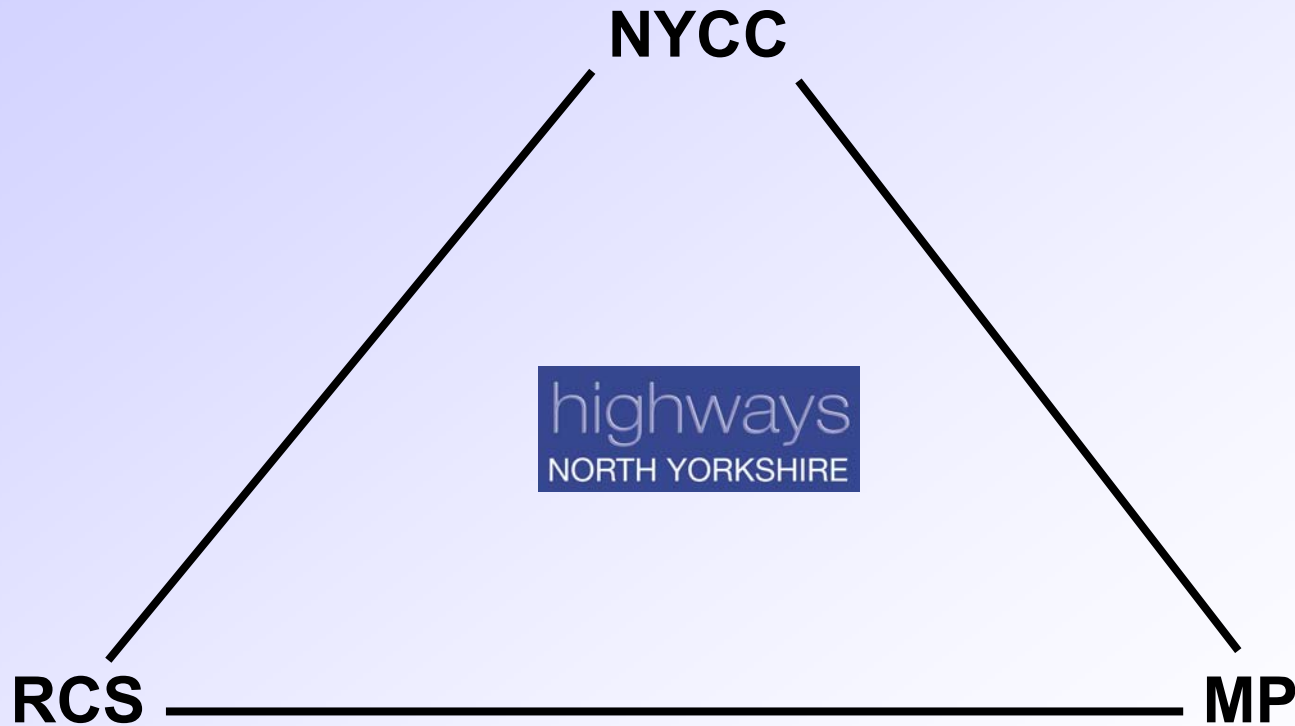
Assistant Director Highways,
North Yorkshire, County Council



North

Yorkshire County Council

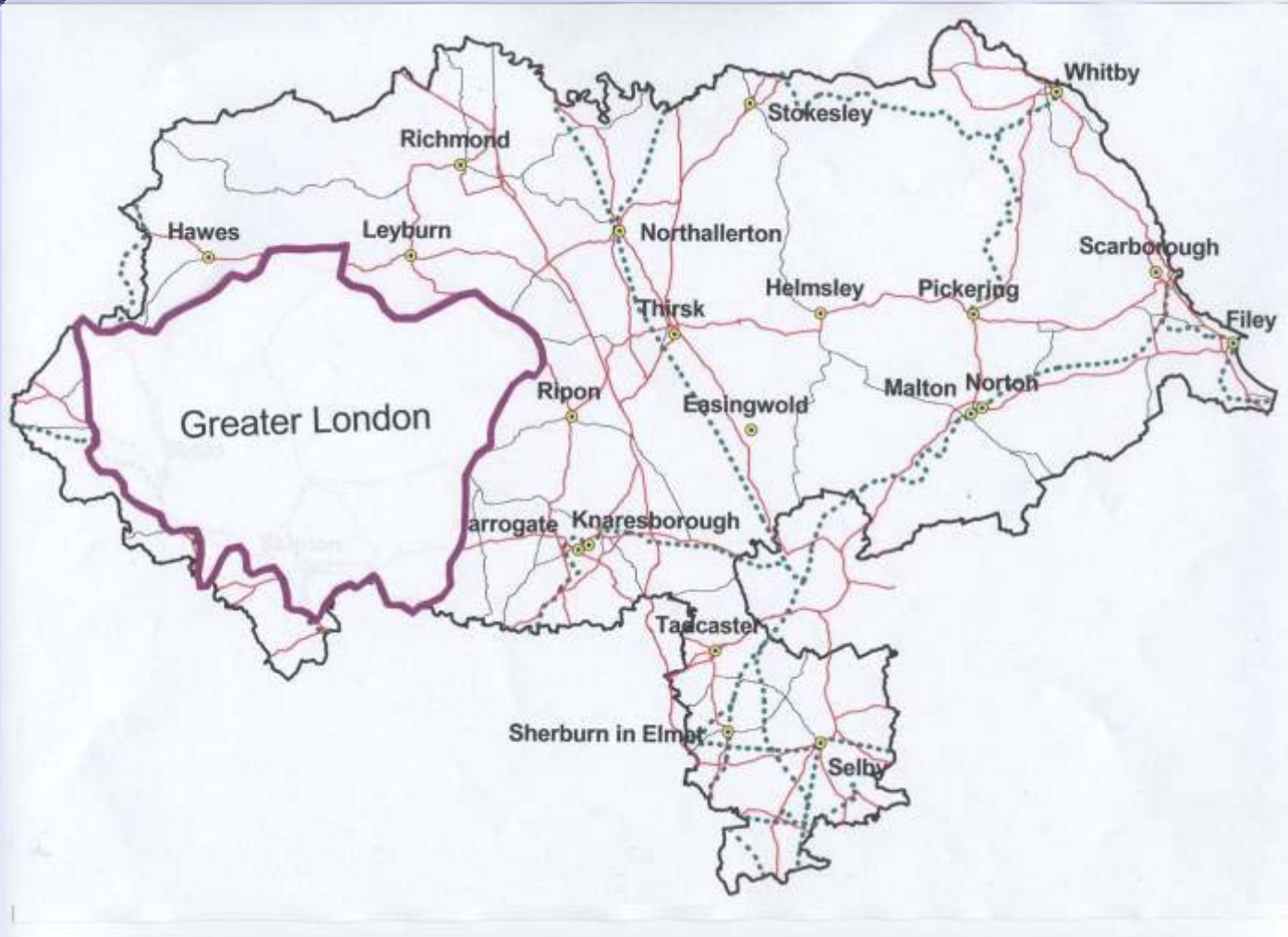
Highways North Yorkshire Partnership





North

Yorkshire County Council



What is a Partnership?

“the sharing of risks and rewards, of technology and innovation leading to a reduction in costs, improvements in delivery and quality and the creation of sustainable competitive advantage.” - Slack et al (1998)

“ A relationship between individuals or groups that is characterised by mutual co-operation and responsibility, all for the achievement of a specified goal.” - internet

Lawrence Ireland

North Yorkshire Contract Director
RCS

Balfour Beatty



NORTH YORKSHIRE CONTRACT – FACTS / FIGURES

Maintenance contract — Carriageways, footways, street lighting, drainage systems, winter maintenance, emergency response and structures.

Network facts — 7,950 Km of Highway
115,000 Drainage Gullies
28,000 Street Lights
1,500 Bridges

6 Year Contract — £180 million

2 + 2 extensions — £120 million



NORTH YORKSHIRE CONTRACT – FACTS / FIGURES

- Resources
 - 245 Production Staff
 - 74 Support Staff
 - Specialist Sub-Contractors

- Key Functions
 - 50,000 Tonne rock salt / year
 - 2,500,000m² surface dressing / year
 - 20,000 tonnes tarmacadam
 - 106 winter gritting routes.



What makes a good Long Term Highway Maintenance Partnership

Remembering we chose to be together!

Good times and successes.

Difficult times and failures.

But, we must always be committed to treating each other fairly, to vigorously preserving trust and to accepting that neither party is always right.

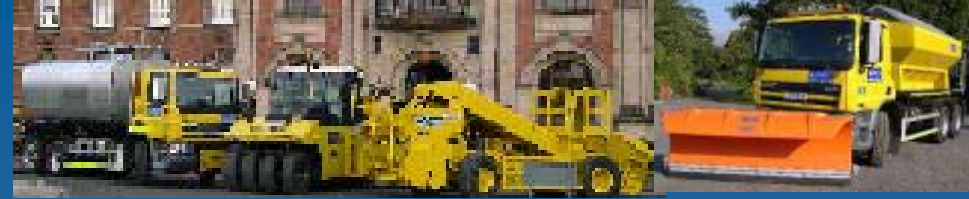
Sounds a bit like matrimony.



Key is Understanding

- Understanding
- Needs of each partner
 - Pressures “P” and “p”
 - Drivers
 - Absolute priority

- How is it Formed
- Listening
 - Listening
 - Listening



Our Model

P.S.G. —



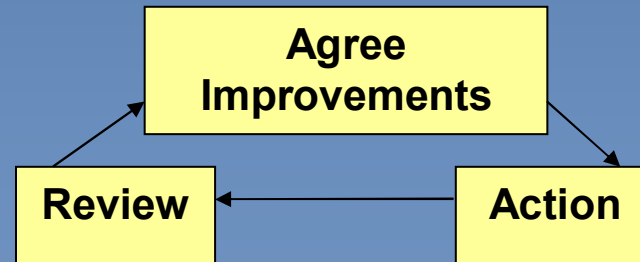
P.I.T. —

Turn Strategy to Action

C.M.G. —

Performance Management of service delivery

V.A.W's. —



Strategic Group : Operational Group
Area Teams



Progress So Far

RCS Perception

- Solid foundations
- Senior level objectives aligned
- Building trust
- Resolving contractual anomalies
- Achieved some major successes
- Acceptance of continuous improvement



Notable Successes

Organisational Structure

Satisfaction levels

- GMU's
- Grass cutting
- Winter services
- Emergency response
- Surface Dressing
- Hawes Scheme

National recognition

- Ltp
- CPA

Innovation

Investment

- Fleet
- depots
- IT

VAW's

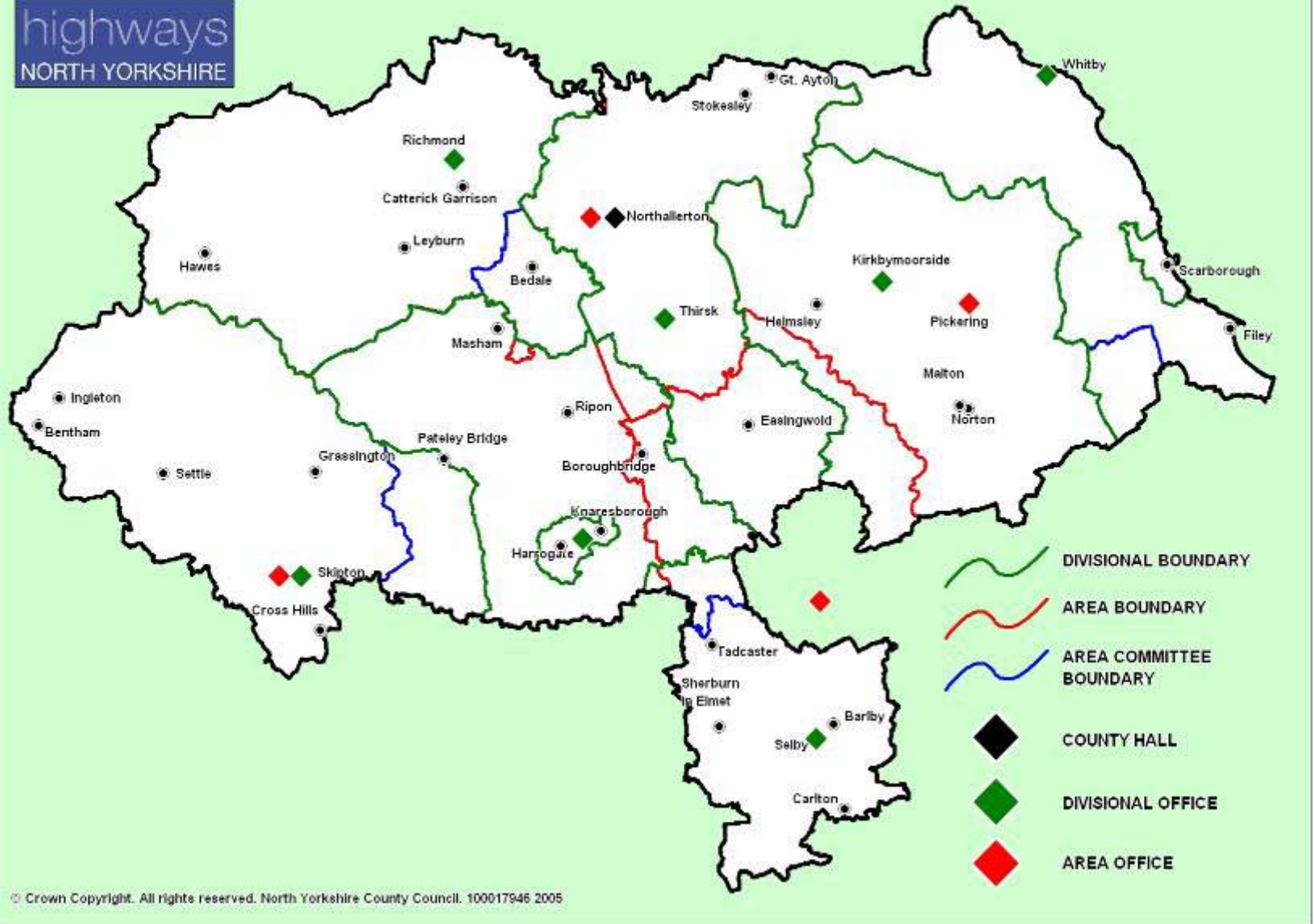


IN SUMMARY

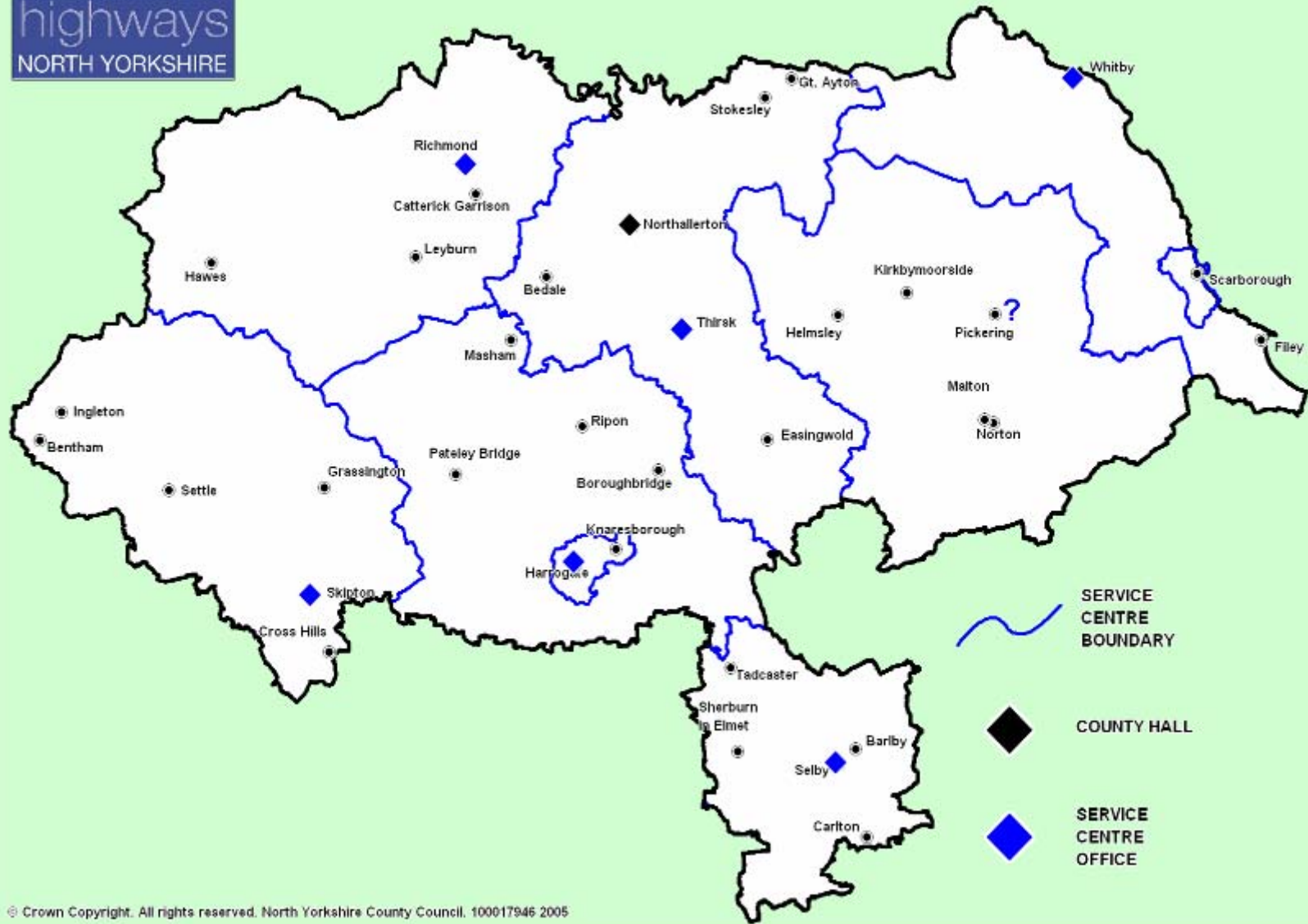
Honeymoon was safely negotiated.

The adjustment period established a solid foundation.

We are enthusiastic about the future prospects.



Current



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Proposed



North

Yorkshire County Council

So is everything perfect?

NO

- We are currently providing a “Good” highways service and it must be “Excellent”
- We need to improve productivity and quality
- We need to improve customer perception of our service
- And we need to deliver savings under the Gershon agenda

Andrew Beauchamp

Director of Operations,
Connect Roads

Balfour Beatty

Connect Roads

- Formed in 1996
- Currently 6 Concessions
- 4 Roads
 - Connect M1-A1 Limited 1996
 - Connect A30 / A35 Limited 1996
 - Connect A50 Limited 1996
 - Connect M77 / GSO PLC 2003
- 2 Streetlighting schemes
 - Connect Roads Sunderland Limited 2003
 - Connect Roads South Tyneside Limited* 2005

*preferred bidder

M77 (Fenwick to Malletsheugh)/
Glasgow Southern Orbital
Connect M77/GSO PLC

Sunderland Streetlighting
Connect Roads Sunderland Limited

South Tyneside Streetlighting
Connect Roads South Tyneside Limited

M1-A1 Link Road, Yorkshire
Connect M1-A1 Limited

A50 / A564 Stoke-Derby Link
Connect A50 Limited

A30 / A35 Exeter to Bere Regis
Connect A30/A35 Limited

Revenue

- Early projects

- Shadow tolls
- Additional opportunities
 - Safety schemes
 - Additional works services
 - Potential additional works orders

- Later projects

- Availability based – with some demand
- Service shortfall deductions (largely self-policing)

How are we doing?

- Volumes of traffic in excess of forecast
- Good value management!
- Periodic Maintenance procured inside forecast
- Handled the Insurance cycle
- General Maintenance and Winter Maintenance fluctuates within acceptable range
- Delighted Communities
- Client respect

Connect A30 / A35 Limited

- 30 year contract
- Shareholder:
Balfour Beatty 100%
- Construction Cost:
c. £120 million
- Length: 102km
- Asset value:
c. £300 million



Connect A50 Limited

- 30 year contract
- Shareholder:
Balfour Beatty 100%
- Construction Cost:
c. £36 million
- Length: 57km
- Asset value:
c. £300 million



Connect M77 / GSO PLC

- 32 year contract
- Construction Cost:
c. £132 million
- Length: 25km
- Asset value:
c. £125 million



Connect Roads Sunderland Limited

- 25 year contract
- Shareholder:
Balfour Beatty 100%
- Construction Cost:
c. £30 million
- Asset value:
c. £35 million



Connect M1-A1 Limited

- Construction, Operation and Maintenance of the M1-A1 Link Road, improvement of the M62 east of junction 28 to the Lofthouse Interchange, the M1 from near to junction 42 to near Belle Isle, and the A1(M) from Hook Moor to Bramham
- Shareholders:
 - Balfour Beatty - 50%
 - Macquarie - 50%
- Construction Cost:
c. £250 million
- Length: 30km
- Asset value:
c. £275 million
- Term Maintenance Contractor:
Serco and RCS



M1-A1 Link Road

Operated by
Connect M1-A1 Limited



What does Operating a road like the M1-A1 entail?

- The aim is Service Provision
- 3 key elements of Operations
 - Investment
 - Network Management
 - Traffic Operations
 - Technical
 - Maintenance



Investment

- Initial £250m construction package
- 30km of M1, A1(M), M62 and M621
- Dual 3, 4 and 5 lane Motorway and Highway
- 48 bridges
- 85 information gantries
- Finished on time and to budget 1999
- Major renewals in future years
 - primarily resurfacing
 - informed by technical surveys



Network Management – Traffic Operations

- Keeping traffic flowing – “Congestion” management
 - Quick response times
 - Flexible/variable signage
 - Diversion route directions
 - Control Room
 - Traffic planning information
 - Night-time/off peak/
off season working
 - Replacement of signs
(clear and visible)
 - Refurbishment of white lines
 - Better use – realignments etc.
 - Replacement/renewal



Maintenance

- Winter Service
- Emergency response
- Lighting
- Communications
- Grass cutting
- Cleaning drains
- Gully emptying
- Sweeping and litter clearance
- Environmental management



Forward market

- M25 W
- New Tyne Crossing
- Carlisle Northern Development Route
- Derby Street Lighting
- Surrey Street Lighting
- Northern Ireland Roads
- Irish Road
- Thames Gateway Bridge

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