

# Balfour Beatty



## Analysts Day

1 November 2005



Working in partnership  
to optimise the  
efficiency of water  
delivery

**Balfour Beatty**

# Phil Brookes

Managing Director,  
Balfour Beatty Utilities

**Balfour Beatty**

# Balfour Beatty Utilities

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Essential underground gas, water and wastewater infrastructure

- Repair
- Maintain
- Replace
- Upgrade
- Install
- Connect to customer

# Balfour Beatty Utilities

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Responsible for:

- 334,400 km of water mains
- 257,000 km of gas mains

An asset rich market

# BB Utilities – our activity mix

		Average job value	Frequency
Water infrastructure	39%	£136,000	2 / day
Water maintenance	15%	£410	270 / day
Wastewater infrastructure	16%	£170,000	1 / day
Wastewater maintenance	6%	£320	148 / day
Gas mains infrastructure	21%	£72,000	2 / day

# Balfour Beatty Utilities

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## History – acquisition

John Kennedy acquired	October 2001	£43m
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Kenton Utilities acquired	March 2002	£28m
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**£130m Sales**

**£400m Order Book**

**Strategically positioned to benefit from  
changing / growing market**

# Balfour Beatty Utilities

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## History – market dynamics

- AMP3 / AMP4 transition 2004 / 2005
- NGT contract strategy
- Consolidation of markets



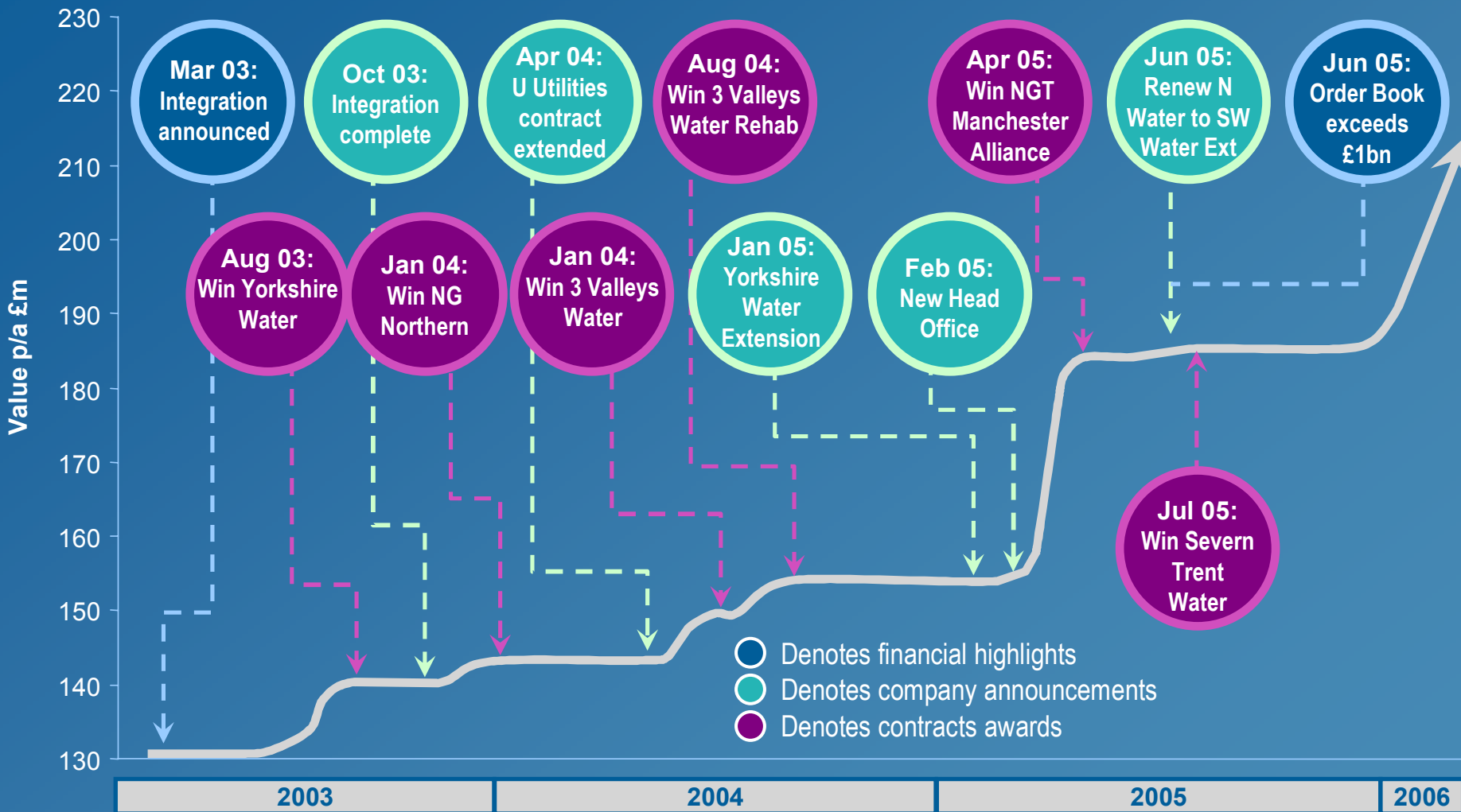
# Balfour Beatty Utilities

## History – Transition / Integration

### Transition to Balfour Beatty Utilities



# BB Utilities – key milestones



# Balfour Beatty Utilities

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## Current situation

- Sales - £230m pa by 2007
- Order book - £1bn
- Employees – 2,300
- 8-13 year NGT Alliance, initial value, £380m
- 2 major new customers – Anglian, Severn Trent (5-10 year contracts, initial value, £210m)
- 1 of 2 integrated water / wastewater / electrical alliances – United Utilities (5-10 year contracts, initial value, £300m)

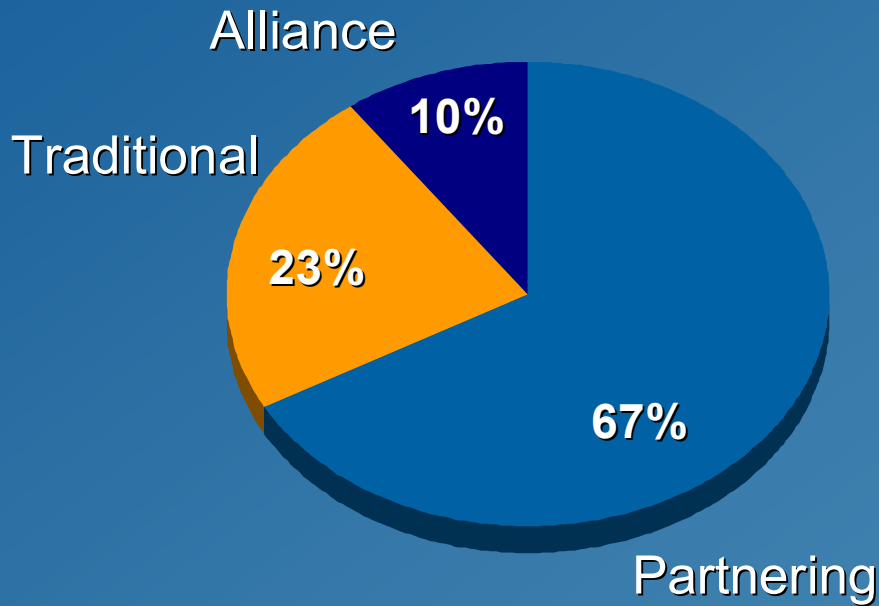
# BB Utilities – where we are in 2005



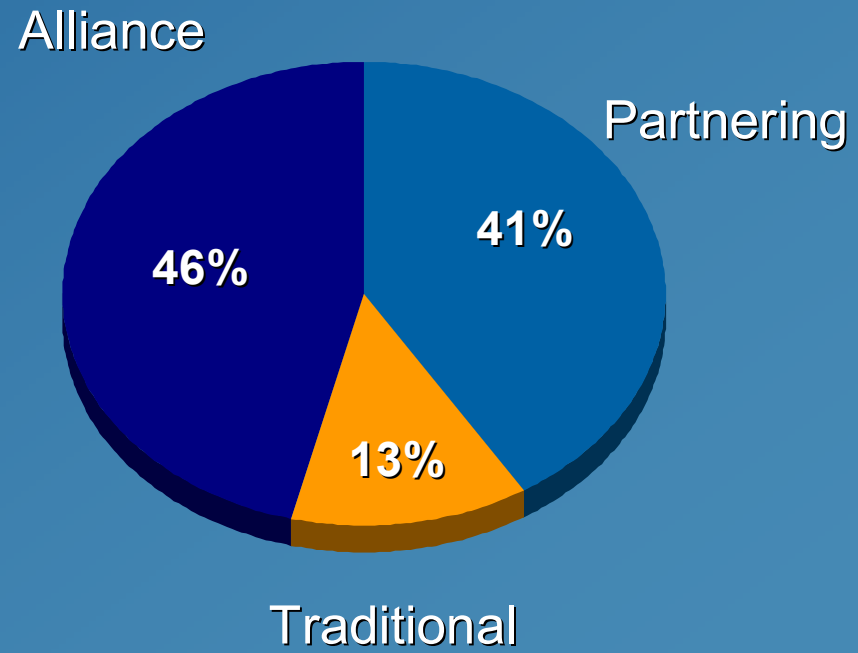
# BB Utilities changing contract arrangements

2004 / 5 – major change in contractual basis

Contract Arrangements  
2004

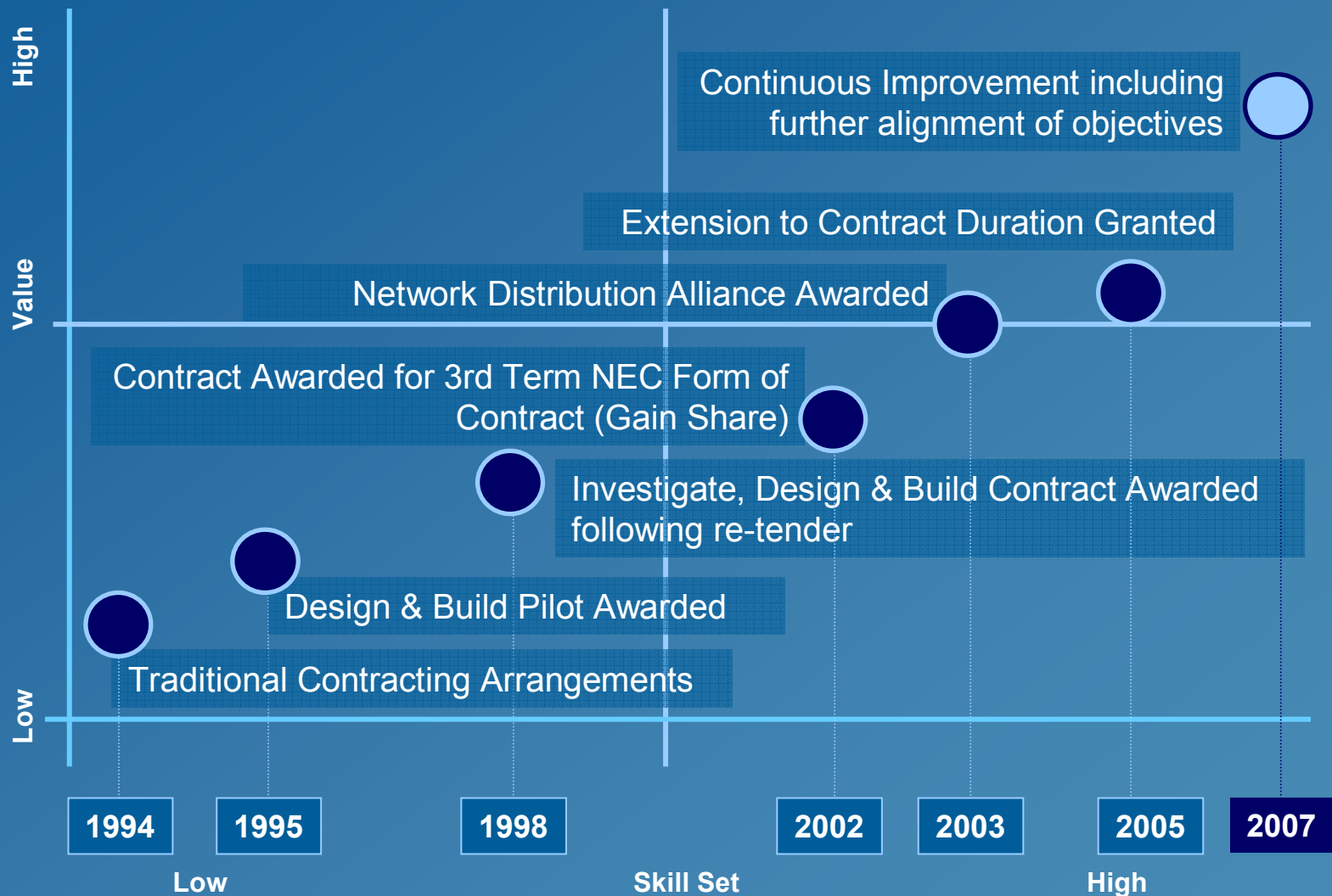


Contract Arrangements  
2005



# BB Utilities

## developing with our customers

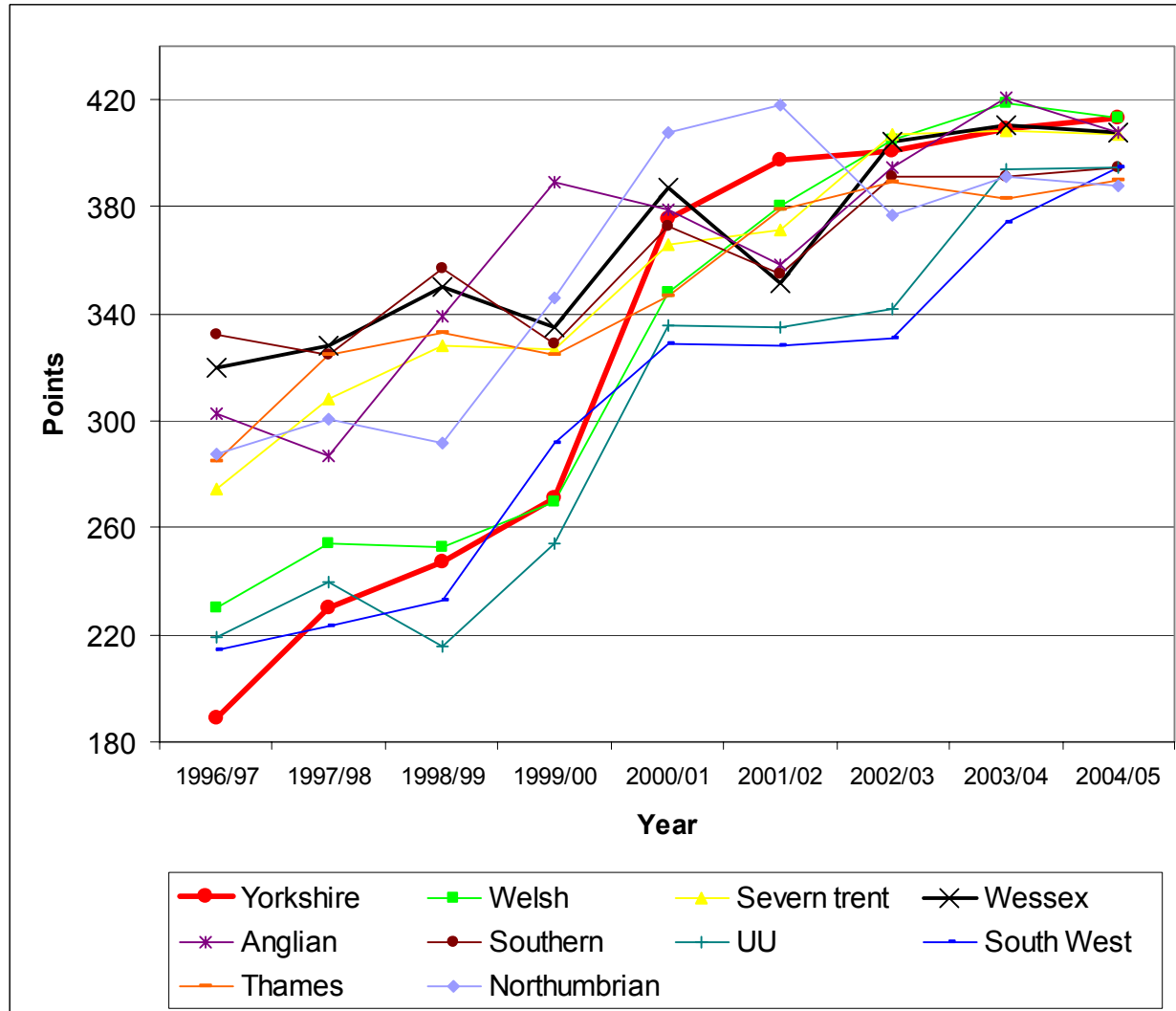


# Yorkshire Water

Richard Flint

Director – Water Business Unit

# Our Journey





# Our Vision



# YWS Perception of BBUL

## 2003

- Cost driven
- Quantity over quality
- Service as an after thought



## 2005

- Commercial professionals
- Service orientated
- Future focussed



# The Yorkshire Water Challenge to BBUL

Physical  Intellectual

Tradition  Innovation

Cost  Value

# No Holes

# The Opportunity

- Nationwide R&M Market £150 million
  - Mature
  - Traditional
  - Static

# Continued Focus

- Innovating the business fundamentals
- Maintaining commercial focus
- Excelling at client and customer service

# Confidence in BBUL

- Strength of management
- Willingness to challenge fundamentals
- Track record of delivery

# Phil Brookes

Managing Director,  
Balfour Beatty Utilities

**Balfour Beatty**



# Balfour Beatty Utilities - Delivery Model

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## Key Challenges – Where do we go from here?

- Internal improvements:
  - Asset Management
  - Asset Operation
- Opportunities:
  - Wastewater consolidation
  - Telecom markets
- Centralised Model:
  - Supply Chain
  - Support Services

# **Balfour Beatty Utilities Delivery Model**

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## **Logistics**

- 23 logistical stores
- 70 staff
- 4,750 product lines
- 107,000 material transactions
- 380,000 lines packed
- 3,500,000 items handled

# **Balfour Beatty Utilities Delivery Model**

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## **Support Services**

- Key issues
- Reporting
- Databases
- Management information
- Digital audit

# **Balfour Beatty Utilities Delivery Model**

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## **Maximising supply chain benefits**

- Sharing best practice
- Effect knowledge management
- Risk and supplier preferencing
- KPI's benchmarked
- Supplier relationship management
  - Leverage
  - Spot buy
  - Long-term partnership

# Vincent O'Connor

## Supply Chain Director

**Balfour Beatty**

# Supply Chain

## Why it is key to business success

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### Understanding what the business needs

- Manage an external spend c £100m pa
- Mixed Demand - high volume / low value by transaction
- Manage a supply base that can be both complex and unsophisticated
- Large direct work force / wide geographical spread / jobs many and fluid, many requestors
- Keeping teams operational and increasing the “production window” is key
- Ensuring compliance and social responsibilities
- Recognising suppliers are key to our continued success

# Supply Chain

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## How we deliver best value

- Supply Chain Director & established supply chain
- Resourced by supply chain professionals
- Reduced supplier base - / strategic agreements
- 9% supplier base represents 83% of spend
- Supplier relationship mgt – account mgt / 360 feedback
- “Identify best value & extract as much added value”
- Maverick purchasing eliminated
- Highly rationalised / standardised product range

# Supply Chain – Operational Model

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## BBUL operate a “Hybrid Supply Chain Model”

- Procurement call centre – centralised
- Logistics distribution business – decentralised
- Internal plant business (specialist, vehicle & plant workshops)



# Supply Chain – Operational Model

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## Supply chain focus

- To create a support service that truly offers best value to the internal customer and clients alike
- “A back office that adds real value” and allows the right specialist skills to be used in the right areas
- A complete procure to pay solution that clients have complete confidence and trust in
- To be the suppliers’ “customer of choice”

# BBUL Supply Chain

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## Management Information

BBUL supply chain endeavours to provide meaningful management information that encourages informed decision making and assists in managing cost base

- Spend analysis – commodities, contract, usage, recycling
- Vendor appraisal
- Telematics - (changing behaviours / new ways)
- Cost management – fuel, comms, materials
- Logistics / inventory management – stock turns, MRP, JIT

# BBUL Supply Chain

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## Summary / Key Benefits

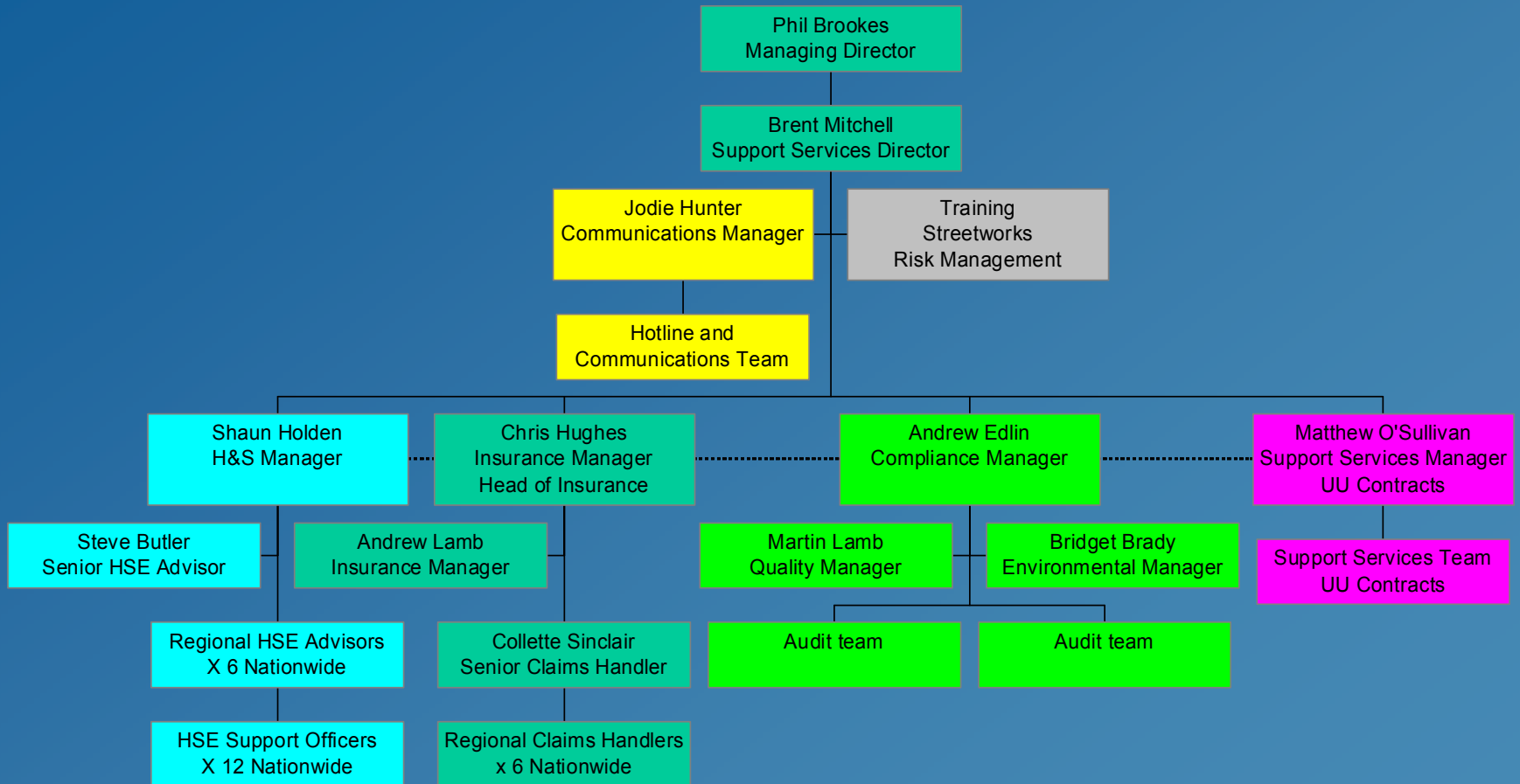
- All money out of the business is vetted
- Supply chain team that works closely with operations to deliver value add solutions
- Competitive advantage
- Managed and compliant supply base with robust vendor performance monitoring
- Positive tension to ensure sharpness and eliminate waste
- Giving clients the confidence to outsource all activities to BBUL

# Brent Mitchell

Support Services Director

**Balfour Beatty**

# The Support Services Team



# BBUL Helpline

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- Reporting

- Centrally taking and logging communication
- Incidents, Near Misses & RTA's
- Gas / water leaks, strikes, insurance events
- Contacting BBUL / Client Operational staff
- Closing out all communications

- Resulting in

- Effective Data Capture & Escalation
- Increased business awareness

# Management Systems & Information

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- Support Services operate the following:
  - [Tr@ction](#) - all incidents
  - Insurance database – incidents with potential financial implications
  - Streetworks
  - Customer Care
  - Snowdrop
  - iAudit Digital Site Audit
  - Company Intranet

# Management Information

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- Standard reports are produced weekly and monthly
- Reports are produced using Business Objects, Standard Database queries and website search
- Trends are monitored formally with the BBUL Board monthly
- Full audit trail on all of the captured data
- Independent audits to verify the process



**Injured Persons** [X]


Please Enter Information for Injured/Affected Person 1.

**Number of People Injured:**

**First Name:**

**Middle Name:**

**Surname:**

**Date of Birth (DD/MM/YYYY):**  

**Home Address:**

**National Insurance/Id Number:**

**Gender:** Female

**Occupation/Trade:** - Needs Data -

**Years of Service In This Occupation:** - Needs Data -

**Service In This Workplace/Site:** - Needs Data -

**Skills Card/Qualification:**

**Induction Training Received?:** No

**Task Briefing Received?:** No

**Consecutive Days Worked:**

**Worker Type:** - Needs Data -

**Employer:** - Needs Data -

**Classification:** - Needs Data -

**Treatment:** - Needs Data -

**Type of Contact:** - Needs Data -

Body Part Affected	Nature of Injury	Relevant PPE being worn
- Needs Data - <input type="text"/>	- Needs Data - <input type="text"/>	<input type="checkbox"/>

Add Further Injury/Illness for Same Person

**Number of Days Away From Work:**

**Number of Days Restricted/Job Transfer:**

**Medic Name:**

**Medic Address:**

**Hospital Name and Address:**

Add Another Injured Person

**Severity Information** ✕

**ACTUAL Severity Matrix**  
Select one or more to describe the impact of the event

Severity Level	Health	Safety	Environment	Quality (Meeting Customer Requirements)	Reputation	Financial Cost	Legal Action
	A	B	C	D	E	F	G
5	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>
4	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
3	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
2	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
1	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

# Digital Site Audit Processes (iAudit)

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- iAudit

- Trial implemented in late 2003
- Full audit trail with massive success in 2004
- 50 hand held units in operation
- Web-site action close out launched Feb '05
- Drastically reduced paperwork
- Dramatically improved data capture / audit trail

# iAUDIT – Web Management & Reporting

**Origin SEARCH NON-CONFORMANCES**

**Audits**

- Non-Conformances
  - Search
  - Assign
  - Close
- Management Info
- Reports
- Logs
- Configuration
- Admin

**Search**

Audit:

Contract:

Auditor:

Date Raised:  To

Person/Item Audited:

Priority:

Section No:  Question No:

Address:

Status:  Open  Closed  Both

**Origin VIEW NON-CONFORMANCE**

**Audits**

- Non-Conformances
  - Search
  - Assign
  - Close
- Management Info
- Reports
- Logs
- Configuration
- Admin

**View**

Audit:

Contract:

Auditor:

Audit Ref:

Date Raised/Closed:  /

Person/Item Audited:

Priority:

Address:

Status:

Section No:  Question No:

Question:

Non-Conformance Details:

Closure Details:

**Log Out**

**Origin NON-CONFORMANCES**

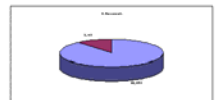
No Of Rows: 37

Date Raised	Auditor	Section No	Question No	Priority	Question	Details
21/04/2004 11:25:00	S. Hall	9	5	2	First aid	Training to be arranged
21/04/2004 11:26:00	S. Hall	9	30	3	Risk assessments	Training to be arranged
22/04/2004 13:30:42	J. Gentry	3	6	3	Is all excavated spoil stored at least 2 metres away from the trench edge?	Spill to be removed
20/04/2004 14:28:33	D. MASON	8	81	2	RISK ASSESSMENTS	Training to be arranged
24/04/2004 11:54:29	P. L. Boyle	8	4	3	Are oil containers and drums labeled and being stored in vehicles or drip trays?	Labels to be fixed
24/04/2004 13:54:27	P. L. Boyle	9	3	3	Are generators either on drip trays or do they have integral drip trays fitted?	Board to review
24/04/2004 15:20:06	T. Boddrell	0	2	3	Do staff know where the nearest sewerage spill kit is and what to do if there is an environmental incident?	Spill kit to be replaced
24/04/2004 15:20:06	T. Boddrell	9	5	3	First aid	First aid
24/04/2004 15:25:06	T. Boddrell	9	30	3	Risk assessments	First aid

**Log Out**

**CABLE LAYING Process Compliance: From 15/04/2005 to 22/04/2005**

	Compliance	Non Compliance
<b>1 Safety &amp; Chapter</b>		
1.1 Signing in accordance with Chapter 8	5	0
1.2 Guarding in accordance with Chapter 8	6	0
1.3 Pedestrian Management	4	0
1.4 Generic Risk Assessment	5	1
1.5 Site Specific Risk Assessment	6	0
1.6 Traffic Management	1	0
1.7 Courtesy board	4	1
<b>Overall</b>	31	2
<b>2 Accreditation &amp; Documentation</b>		
2.1 Work pack content (inc. Site Notices etc.)	6	0
2.2 Van pack content (inc. NUJ010, HSD47 etc.)	5	1
2.3 Utility records	6	0
2.4 Job specification	5	1
2.5 Compliance with instructions	6	0
2.6 Understanding of project	6	0
2.7 CCR/RII	5	1
2.8 Specialist equipment training	6	0
2.9 Other relevant training (eg. First Aid)	4	2
<b>Overall</b>	49	5
<b>3 Environmental</b>		
3.1 Waste management	4	0
3.2 General site tidiness	6	0
3.3 Oil spill kit	6	0
3.4 Noise and nuisance levels	6	0
3.5 Storage of materials	3	3
<b>Overall</b>	25	3
<b>4 PPE and General</b>		
4.1 General PPE (All team members)	6	0
4.2 Job specific PPE (All team members)	5	1
4.3 First Aid kit, inc. eye wash	6	0
4.4 Fire extinguisher	3	3
<b>Overall</b>	20	4



# Interface with Balfour Beatty Group

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- All Support Services have links back to Group
- Escalation procedure for incidents
- Standard Group periodic reporting requirements
- Tr@ction reporting accessed by Group
- Regular scheduled meetings for H+S, Environment, Insurance, Risk Management, Streetworks, Training
- Cross OpCo working parties have established on key issues
- Utility damage reduction
  - Vehicle damage reduction
  - Traffic Management
  - Reduction in CO<sub>2</sub> emissions
  - Forthcoming HSE changes in legislation

# Conclusion

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- Excellent improvements made
- Strong back office systems for HSEQ
- Excellent Management Information
- Strong Support Services Team
- Good opportunity to build on existing strengths
- Benefits of local team with strong central support

Working in partnership  
to optimise the  
efficiency of water  
delivery

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