

Balfour Beatty

Update

The international news magazine for Balfour Beatty ♦ April 2004

Confidence in Group's long-term success

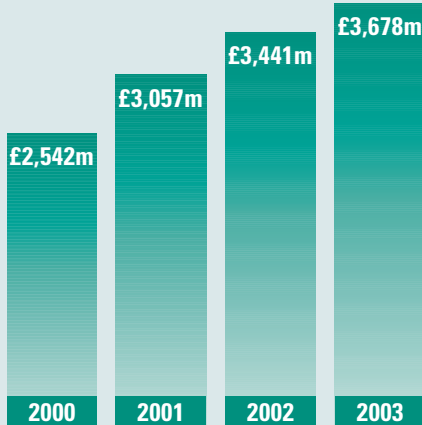
Annual Review – pages 2-5

Biggest power project handed over – page 22

Analysis of financial results

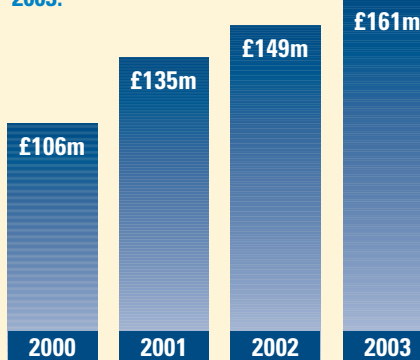
TURNOVER[†]

Sales of the continuing businesses rose by 7% in 2003.



OPERATING PROFITS^{*†}

Operating profits increased by 8% during the year. After taking account of increased pension charges all reporting segments improved their performance in 2003.



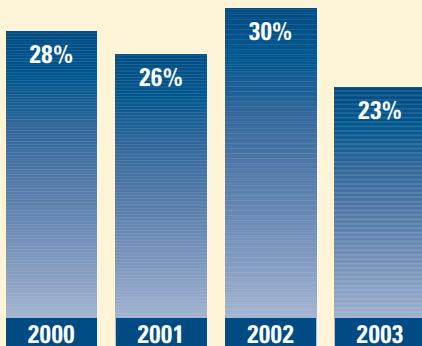
INTEREST

Interest paid on the group's corporate and non-recourse debt remained static for the year.



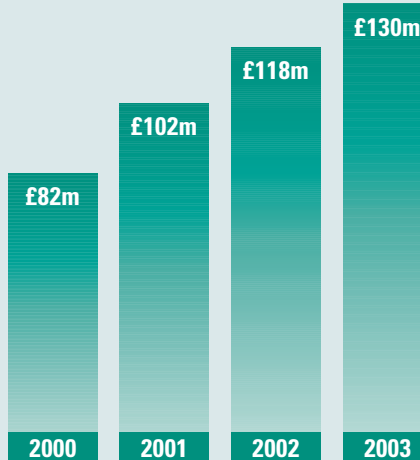
TAXATION

The group's tax charge was significantly reduced as a result of recognising Advance Corporation Tax credits.



PRE-TAX PROFITS*

Pre-tax profits rose by 10%.

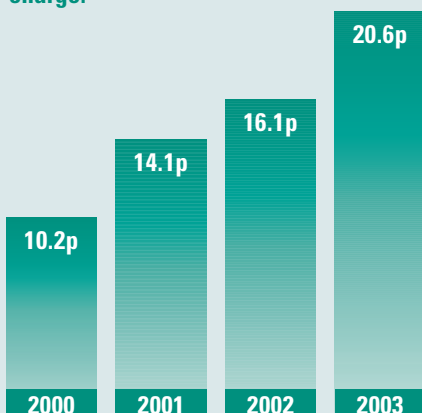


EXCEPTIONAL ITEMS

In 2003, we had a net exceptional profit of £5m against a loss of £9m in 2002. This arose as the result of a number of one off items including profit from the sale of a rail depot and provisions arising from Network Rail's decision to take maintenance in house.

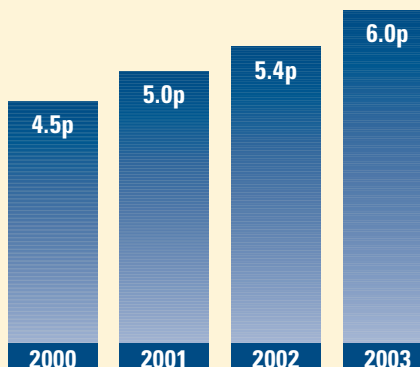
EARNINGS*

Earnings per share rose by 28% during the year, helped by the reduced tax charge.



DIVIDENDS

The Board has recommended an increase in the final dividend of 3.4p per share, making a full year dividend of 6.0p per share, an increase of 11% in total.



NET CASH

Our year end net cash position improved to £124m, in spite of the costs of acquiring Mansell. To our opening position, we added £170m of operating cashflow and received useful contributions of £11m from JVs and associates. This enhanced cash position has strengthened our ability to make appropriate acquisitions and investments in the future.



*Before goodwill amortisation and exceptional items

[†]Turnover and operating profits are for continuing businesses only

Confidence in Group's long-term success

Chief Executive, Mike Welton, answers questions put by *Update* following the announcement of the Group's 2003 results

How do you view the Group's performance in 2003?

I think we can regard 2003 profits and earnings as being satisfactory, particularly as we had £9m more in pension charges to pay in 2003 than we did in 2002. Even more pleasing was a further improvement in our cash position. Strong positive cash flow means that the City can be confident in our numbers and that we can continue to invest and acquire to make the business even stronger in the future.

We also did a lot to promote the Group's continuing long-term success with a review of our strategy and further strengthening of our organisation and management teams. All in all, I think we had a good year.

What were the highlights of the year?

After over three years of hard work and a lot of complexity, finally securing the two London Underground Public Private Partnership concessions in April was a major milestone. It has brought us £1.2bn of new contracting work and a share in what we hope will be a good generator of long-term investment income.

We also converted four other PPP concessions to contract – Blackburn Hospital, Rotherham Schools, the M77 in Scotland and Sunderland Street Lighting, which has put us even further ahead at the top of the league table of contractors who have successfully gone into the private finance market.

Winning preferred bidder status for the £521m Birmingham Hospital in January of this year showed that we can expect to continue to grow in this sector.

I was also very pleased that we successfully completed the acquisition of Mansell. This will add significantly to our capability and presence in the building sector and I am sure Mike Peasland will do a good job there in his new role.

I was also particularly pleased to see our Group-wide accident frequency rate come down. Keeping our people safe is a top priority.

What about the disappointments?

We were sorry to learn in October that Network Rail had decided to take all maintenance contracts in-house, including not only Wessex, which was being handed over already, but also the Kent and Anglia contracts. We were also very disappointed to have our Rail Infrastructure Services business and two of its former employees charged with manslaughter in connection with the tragic Hatfield rail accident of October 2000. We see no justification for these changes and Rail Infrastructure



Announcing the results: Chief Executive Mike Welton and Finance Director Anthony Rabin.

The results at a glance

	2003	2002
Turnover	£3,678m	£3,441m
Operating Profit	£161m	£149m
Pre-tax Profit	£130m	£118m
Earnings per share	20.6p	16.1p
Dividend	6.0p	5.4p
Net cash	£124m	£67m
Order book	£5.8bn	£5.1bn

Services will firmly defend itself against these charges and fully support its former employees.

We have to accept that being involved in public infrastructure brings challenges and difficulties as well as great opportunities.

What came out of your 2003 strategic review?

We do the majority of our work in the United Kingdom. Our biggest market outside the UK is the US, with about \$1bn of current work. Of the remaining 13%, the largest part is in Europe through our rail power systems business, although we do have over £100m in Asia, principally Hong Kong.

These main markets are currently encouraging. There is no let up in the flow of new PPP building projects coming through in the health and education

fields and we can also expect more growth in complex mechanical and electrical engineering. There are good long-term prospects in roads. We are confident that there will be increasing demand for our whole-life asset management skills and we have established a new company, Balfour Beatty Management, to offer project and programme management where we feel there was a clear market opportunity.

Our strategy will involve further growth in these key markets where we are already strong. We will also enhance our internationally transportable technology and specialist skills such as in railway electrification where appropriate. We are determined to continue to improve the performance and scope of our existing portfolio, but we also plan to carefully expand our US presence and to build on our successful businesses based in Hong Kong and Germany.

As part of this overall strategy, we plan to dispose of non-core businesses. We have already sold our interests in Turkey and the Philippines.

What are the key objectives for 2004?

An important part of our future plans is the continuing availability of high-quality people at every level in the organisation. We see management development, management succession and getting the right people into the business at every level as key objectives.

We have to integrate our latest acquisition, Mansell, and develop the advantages that its presence in the Group confers.

We must also make sure we hand over UK rail maintenance to Network Rail properly. We are working with them to ensure that is done sensibly and safely. I wish those employees who will be transferring across with the contracts well and would like to thank them for their contribution while they have been part of Balfour Beatty.

We will continue the gradual and progressive introduction of better information technology systems across the Group.

We will also, doubtless, make more PFI investments and will probably grow by acquisition during the year, but it is too early to say anything about how and where.

What are your hopes for 2004?

I want to see the momentum in profit and earnings growth, which we have maintained for some time now, continue. I would like to see the businesses which have had problems recently – most notably in US civil engineering and in UK utilities contracting – continuing to improve as they had begun to do in late 2003. And I would like to see our order book growing further with good quality work.

Above all, I want to see us continuing our safety improvements and providing a challenging, stimulating and rewarding environment for all of our people to work in.

Building, Building Management and Services

International specialists in the design, construction, equipping, maintaining and management of buildings and selected aspects of their internal management

Turnover – £1,198m

Profits down by 2% at £45m (2002: £46m)

◆ All the UK businesses have responded successfully to the increasing market demand for bigger, more complex projects, and forward order books have risen significantly.

◆ Performance was steady in UK building construction and building services and in US construction and programme management.

◆ Profits from facilities management also improved but were offset by the impact of a slow first half for the building



management and security controls market in the US.

COMPANIES

Andover Controls
Balfour Beatty Construction

Balfour Kilpatrick
Haden Building Management
Haden Young
Heery International
Mansell

The Waverleygate project in Edinburgh involves the largest facade retention scheme in Europe.

Rail Engineering and Services

An international leader in the design, construction, equipping, maintenance, management and renewal of rail assets and systems

Turnover – £873m

Profits increased by 11% to £41m (2002 £37m)

◆ Particularly strong second half with continuing good performance from the Group's German-based rail power systems business particularly in Italy.

◆ Good performances in UK maintenance, track renewals and systems, plant and major projects and some successful settlements on UK projects.

◆ Preferred bidder status was secured on both major UK track renewals work and the Southern Region power upgrade project, while the sector order book increased substantially as



New track was installed under the World Trade Centre in New York in 2003 by Balfour Beatty Rail Inc.

a result of the award of the £500m contract for the new trackwork for Metronet under the London Underground PPPs.

COMPANIES

Balfour Beatty Rail
Infrastructure Services
Projects
Power Systems
Track Systems
Plant
Technologies

Balfour Beatty Rail Inc
Balfour Beatty Rail
Maintenance Inc
Balfour Beatty Rail Systems
Inc
Marta Track Constructors
Inc
Metroplex Corporation

Civil and Specialist Engineering and Services

A leading provider of civil and other specialist engineering, design and management services, principally in transport, energy and water

Turnover – £1,393m

Profits improved by 24% to £21m (2002: £17m)

◆ Performance in UK major projects, regional civil engineering, power engineering, road maintenance and in Devonport Management was good.

◆ Progress was also made in improving performance in UK utility contracts and reducing the losses in US civil engineering.

COMPANIES

Balfour Beatty Civil Engineering
Balfour Beatty Construction Inc
Balfour Beatty International
Balfour Beatty Management
Balfour Beatty Power Networks



Balfour Beatty Utilities
Lonsdale Electric
RCS

Stent Foundations
Devonport Management Ltd
(24.5% owned)

Stent completed the complex ground engineering and foundation work at Wembley Stadium.

Investments and Developments

Promotes and invests in privately funded infrastructure projects and developments in selected sectors

Turnover – £216m

Profits improved by 10% to £54m (2002: £49m)

◆ Continued growth in existing concession income was augmented by a first contribution in line with budget from the Group's investment, through Metronet in the London Underground PPPs.

COMPANIES

Balfour Beatty Capital Projects
Aberdeen Environmental Services (45%)
Connect (roads)
Consort (healthcare) (50%)
Durham, Blackburn: 42.5%
ERI)
Health Management (UCLH) (33%)



Metronet (rail) (20%)
Seeboard Powerlink (10%)
PADCO (25%) (electricity)
SBB Street Lighting

Transform schools (50%)
Yorkshire Link (roads) (50%)
Balfour Beatty Property
Barking Power Ltd (25.5%)

The Metronet consortium, of which Balfour Beatty is a 20% owner, began work in 2003 to upgrade London's underground system.

One of the most promising growth platforms for the Balfour Beatty Group is the United States. The sheer market size as well as the expected robust market growth rates creates an imperative to grow the Group's position in this region. However, many European companies have tried the same and not succeeded.

That is why Dave Wathen has been hired as President and CEO of Balfour Beatty Inc. In short, Balfour Beatty faces a growth challenge in the US, and it is Dave Wathen's job to solve it. In the end, the Group aims to create a business there that will be regarded as "domestic" – a company as familiar, as well... apple pie. In the US they want the name Balfour Beatty to have the same cachet as it does in the UK.

The existing growth platform in the US is substantial as it consists of a whole clutch of eminently respectable and successful companies, whose names people, the right people, are familiar with: Heery, Andover, Knox Kershaw, Marta, Metroplex and of course Balfour Beatty itself. All have the sort of reputations, experience and known skills with which one wants to be associated. Yet historically, they have remained separate in operations and people.

"In the US we are projecting six to eight per cent growth over the next two to three years," says Wathen. "My challenge is to work out how best to exceed that growth, both through managing existing businesses and through acquisitions."

Some may assume it would be easy to march in with a broad corporate brush and obliterate that variety with a single stroke, subsuming all the separate identities instantly within the Balfour Beatty brand. But that would risk damaging or, in some cases, losing both external and internal loyalties.

Instead, they are embarking on a process that Wathen calls "commonality" – the identification of aspects of each business that can be brought together and supported centrally. Things such as information systems, health benefits, purchasing contracts, and corporate governance are examples. It's not a forced marriage, but rather an enhancing of each business in the same, Balfour Beatty way. By converting these elements of the business to improve efficiency and costs, operations can then focus upon growth and profits, and providing a platform for the next stage.

Solid foundation

"What we have in the US is a solid foundation ready for future growth, with each of the businesses having great prospects for the future," he says. "So what we have to do is maximize performance of existing OpCos and implement a strategy that drives growth in the US to two or three times its current size over next few years."

"Our approach is to establish a role at Balfour Beatty's US centre, looking at what strengths and capabilities our existing companies have and what we can add centrally to those."

"Common operating procedures are one example of steps that we can take to make it easier for us to bring multiple OpCos together on a single contract. And we're not just looking within the US companies. We're borrowing good practice from the UK where appropriate."

"I'm helped by the fact that Balfour Beatty is so



In the US, the aim is for the name Balfour Beatty to have the same cachet as it does in the UK.

We're on track for expansion



"I'm convinced that the US economy has turned upwards, and that we're going to earn more than our fair share of that upturn!"

– Dave Wathen

committed to North America and the US and is willing to seriously consider significant investments in the OpCos and acquisitions. As a result we are actively seeking large businesses that serve market areas in which we're not yet active. We are carefully deciding which areas we want to enter and which we don't and what parts of the value chain we would like to grow.

"An example is the short line business. In the US there are a great many short rail lines owned by individual industries to move freight from mines and mills and the like to join main rail lines. As those industries move to outsourcing we are trying to build a business in the area, based on the fact that we are specialists."

"Because of the way we've grown, our businesses are strong in some regions and not in others. So we are expanding region by region. And the approach is paying off – for example, Balfour Beatty Construction is now active in Pennsylvania, a state where we didn't have a presence a year ago."

Health and education

"In parallel to this we are expanding in the health and education sectors and developing new product lines. Andover Controls, for instance, is moving into supplying high volume OEM hotel room air conditioning equipment. On the railways we are adding chemical vegetation treatment to supplement the mechanical methods we've utilised in the past."

"There has been a bunch of legacies from the past to deal with, but they're mostly done with now. I feel really good about the way the company is looking. At our recent annual management meeting I sensed really strongly that we were now all looking forward."

"I'm convinced that the US economy has turned upwards, and that we're going to earn more than our fair share of that upturn!"

International teamwork powers record-breaker

All that the average Eurostar passenger might notice is the almost mesmerising blurred flicker of stanchions as they whip past outside the carriage window. Yet that corner-of-the-eye flicker is the rhythm of power, one that accompanies each train as it races through Kent to and from the Channel Tunnel, slipping beneath the overhead power lines.

We tend to forget the invisible force that powered the very visible Eurostar train which sped towards the UK rail speed record it set last summer.

In July 2003 there were celebrations on all sides after that Eurostar pushed the UK rail speed record up to 208 mph in Kent's Nashenden Valley. But two Balfour Beatty Rail Power Systems (BBRPS) engineers felt especially proud that day: Rob Maxfield and Ian Ross had both been Project Managers for Balfour Beatty's involvement in the Channel Tunnel Rail Link.

On the day of the record their contribution and that of the teams they managed had been easy to overlook in the hullabaloo. But as Rob said: "It made me feel good to think that someone was sitting in the control rooms we'd built, making sure that the train had enough power to reach the record." In fact, the point should be made that on that day, the people in the feeder station control room ensuring delivery of the power were members of the Balfour Beatty project team.

Stage 1 of the Channel Tunnel Rail Link (CTRL) runs from the tunnel mouth to Fawkham Junction, in North Kent, a distance of 74km and now shortens the journey time by some 20 minutes. To power the system, BBRPS was contacted to construct two feeder stations and 13 substations.

Maze of steel

When Rob arrived, the feeder stations at Sellindge and Singlewell consisted merely of rafts of graded gravel ("The size of two football pitches," added Ian.). A couple of years later the feeder stations, based on technology not used before in the UK, looked to the uneducated eye to be mazes of steel columns, cables and ceramic insulators. By the time the line was powered up, the feeder stations were taking 400,000 volts from the national grid, stabilising it and, controlled by a buzz bar switching system, delivering 25,000 volts to the substations that distribute power every 5km along the railway.

One of the major challenges that Rob and Ian faced was the international mix of technologies and engineers involved in the design and construction of



Left: Stage one of the Channel Tunnel Rail Link opened in 2003.

Above: Balfour Beatty Rail undertook CTRL blockade enabling works on Thameslink lines south of King's Cross station at the beginning of 2004.



the project. With much of the design carried out in Frankfurt, they found that the German engineers were accustomed to having a significant amount of final work carried out on site, what Rob called "intelligent installation". The UK installers, however, were more used to following detailed instructions.

The dozen-strong engineering team included staff from Spain, Finland, Sweden, the UK and

Germany, backed by up to 50 staff on site.

By the time Rob handed over to Ian, he felt satisfied that he'd achieved his goals. "On the whole we achieved what we wanted to. All the testing went well – integration testing, the catenary and control systems. Since trains began regular services in October there have been no power supply failures.

Ian took over project management for the final year." I still spend a day each week at CTRL, tying up a few loose ends.

"I felt that the speed record was very fitting," Ian concluded. "At last we showed the UK railway industry had caught up. After all, Britain was the birthplace of railways, but recently other countries had gone ahead of us. This project showed that we are now again up amongst the best in the world."

Both managers now work at the Terminal 5 project at Heathrow Airport. "It's a phenomenal project," said Rob.

Experience of decades backs up healthcare partnerships

Balfour Beatty is delivering first class health-care facilities as part of the revitalisation of the National Health Service. Its latest win has seen its PPP healthcare vehicle, Consort Healthcare, named preferred bidder for the £521m Birmingham Acute and Adult Psychiatric Hospitals PPP project by the University Hospital Birmingham Trust and the Birmingham & Solihull Mental Health Trust.

However, the story is far bigger than that. Balfour Beatty is also heavily involved in two other significant health care initiatives, NHS LIFT and ProCure 21.

LIFT stands for Local Improvement Finance Trust and is aimed at dramatically improving the provision of primary health care facilities – GPs' surgeries, day centres and similar institutions – with the initial focus in the London area.

NHS LIFT is a major new initiative for the Department of Health. The Department and Partnerships UK has formed a national joint venture company – Partnerships for Health – to develop and encourage a new market for investment in primary care and community-based facilities.

Balfour Beatty is already at work as part of this scheme and its initial involvement has come through the new £4.9m Primary Care One-Stop-Shop in East London. The Church Road Primary Care Centre is part of a £34.1m investment, the biggest investment in doctors surgeries, clinics and health centres ever witnessed in East London.

£1bn transformation

Across England 41 other schemes are shaping up to deliver more premises and enhanced integrated services. It is the beginning of a £1bn investment that will help transform primary care.

East London was chosen as one of the first pilot areas for LIFT in February 2001 because of its high levels of deprivation. The area also has a disproportionately high number of sub-standard premises.

ProCure 21 has emerged from its pilot phase and is being rolled out nationally. The programme places considerable responsibility on the various

parties by imposing strict limits on expenditure. At its most basic, if a new scheme cannot be carried out within a set budget, it will not be done.

ProCure21 is the NHS Estates construction procurement initiative developed in response to the Egan report *Rethinking Construction* and the HM Treasury's report *Achieving Excellence*. Based on partnering principles, ProCure21 aims to improve quality, time and value for money in the delivery of healthcare facilities.

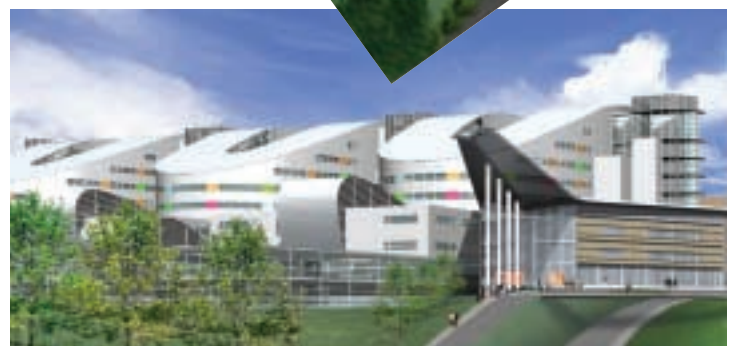
Spending on capital projects for the National Health Service under ProCure 21 is forecast to be at least £1.4bn a year for each of the next five years, spread across the 12 principal supply chain partners, of which Balfour Beatty is one.

The Birmingham project, meanwhile, lies within the more familiar Public Private Partnership (PPP) area. The 35-year concession will see the building of the first new general hospital in Britain's second city for 70 years. It is central to the reconfiguration of hospital services and the improvement of clinical facilities. The scheme will deliver:

- ◆ a new 1,249-bed acute inpatient facility,
- ◆ a 137-bed specialist psychiatric hospital and teaching facility,
- ◆ separate 45-bedded and 21-bedded mental health locality facilities in the Sparkbrook and Stirchley areas of the city.

Balfour Beatty will invest between £15m and £20m in the project and Balfour Beatty Group companies will be responsible for the majority of the construction and all of the building services and physical facilities management.

Balfour Beatty Chief Executive Mike Welton said: "We are delighted to be successful in bidding this very substantial and important project. When complete, the project will bring most of South Birmingham's key medical facilities on to a single,

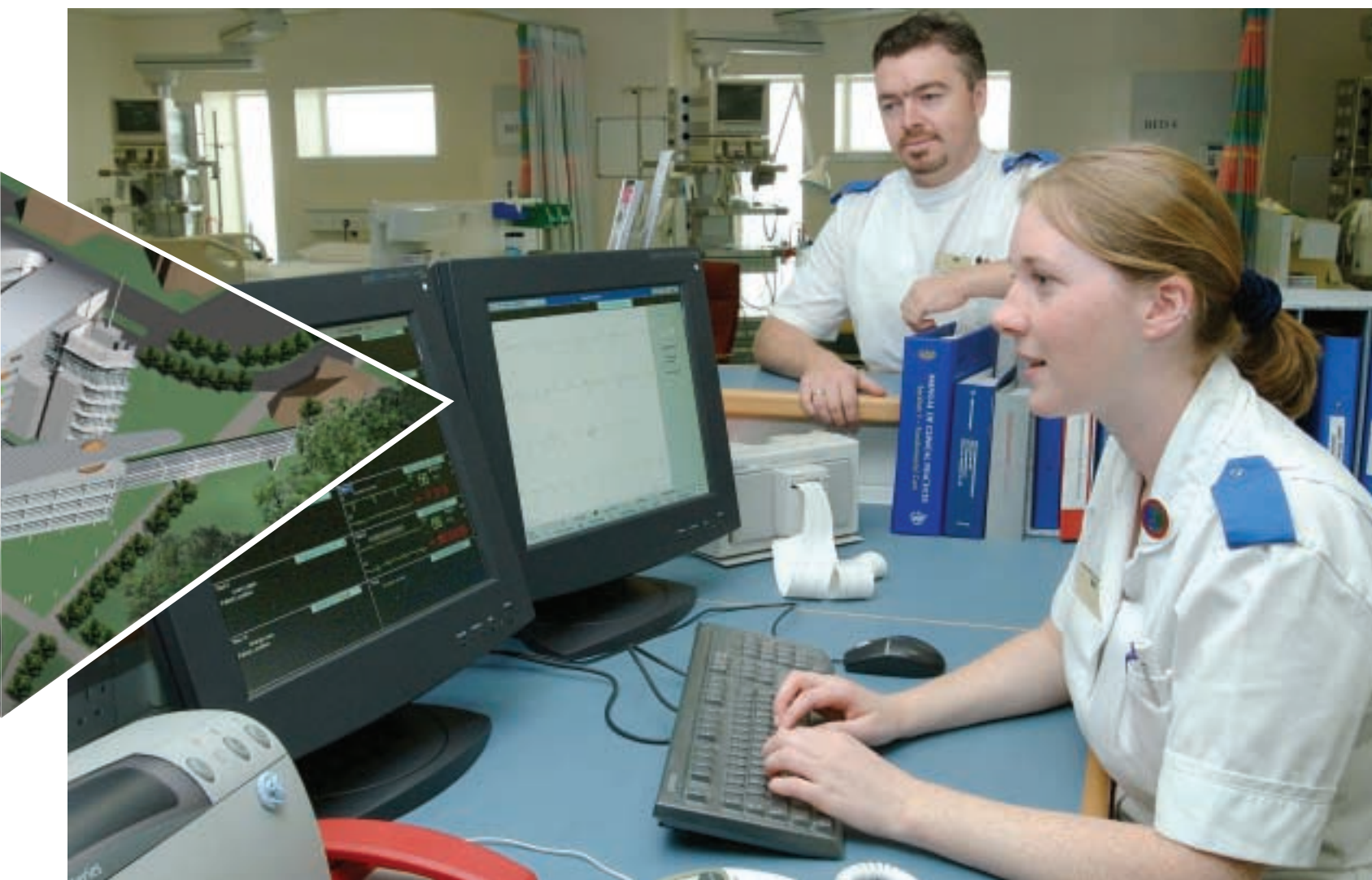


Top and above: artist's impressions of the Birmingham Acute and Adult Psychiatric Hospitals project.

Top right: Edinburgh Royal Infirmary is now fully operational.

Right: Artist's impression of the Blackburn Hospital, and below, Foreign Secretary Jack Straw, MP for Blackburn (fifth from left), cut the first piece of ground in July 2003.





state-of-the-art site and address the Trust's ambitions for greater efficiency, more space and improved patient care.

"Balfour Beatty is bringing many decades of experience in working as a key contractor in the healthcare sector and the benefits of its expertise in planning, constructing and operating four other large PPP hospitals to the task."

John Charlton, Chairman of University Hospital Birmingham NHS Trust, said: "When we open in 2008 we will have the most up-to-date hospital facilities in Europe, if not the world."

Joint ventures

Consort Healthcare (Birmingham) is a joint venture between Balfour Beatty, the Royal Bank of Scotland, HSBC and AWG. The construction work will be carried out by a joint venture between Balfour Beatty Construction Ltd, Haden Young and AWG Construction Services Ltd.

Haden Building Management Ltd, another Balfour Beatty subsidiary, will provide facilities management for the hard services under an arrangement that could yield over £300m of long-term service revenue.

Consort Healthcare is the PPP concession company for three major hospitals.

- ◆ The North Durham Hospital opened in 2001.

- ◆ The Edinburgh Royal Infirmary became fully operational in early 2003.

- ◆ Construction work for the new Blackburn Hospital began last July.

Balfour Beatty is also a partner in Health Management Group, the concession company for the new University College London Hospital, and in the joint venture engaged in its construction.

Heart unit contract

Balfour Kilpatrick's Central Region Nottingham Office has won a £4.68m contract to install the complete mechanical and electrical services at the new specialist Coronary Heart Disease Unit at City Hospital, Nottingham.

The £21m centre for cardiology and cardiac surgery patients opens next year. The four-storey building has three floors of operating theatres. The top floor houses the plant room. An additional overhead link-bridge will connect the unit to the existing hospital.

Work began in December and the company is working for main contractors Shepherd Construction. The Senior Project Manager is Vic Plant, supported by Electrical Engineer John Radford and Mechanical Engineer Neil Clennell.

Hitting new heights



Work on the East Hall at Hong Kong International Airport was completed ahead of schedule despite the challenge of working around the large number of passengers.

Balfour Beatty Civil Engineering has won a hat-trick of E&M tenders in Hong Kong worth a total of HK\$600m (£47m). The largest is on the new Eagle's Nest and Shatin Heights tunnels, where the company is acting as a subcontractor to the Leighton-Kumagai Joint Venture. The E&M work includes the tunnel ventilation, electrical distribution system and the building services in the tunnels, portal building and administration buildings.

The second contract, awarded by China Light Power, is the Transmission Tower Line Refurbishment on the 132 kV transmission lines originally built by Balfour Beatty in the 1970s. Here Civil Engineering will work as internal joint venture with Balfour Beatty Power Networks.

The scope of the contract includes dismantling and replacing towers, replacing insulators and fittings, tower painting and steel member replacement. Civil Engineering and Power Networks join forces on the third contract – the refurbishment of 132kV transmission lines for Hong Kong Electric.

A number of key projects drew to a successful conclusion in 2003. Work on the East Hall at Hong Kong International Airport was completed three months ahead of schedule and within budget –

much to the delight of the Airport Authority.

The project involved construction of two extension buildings off the departures hall and the reconfiguration of the existing area to increase dining and retail space and passenger circulation and comfort within the busy airport.

One of the biggest challenges was working around the large number of passengers passing through the airport each day. Much of the construction activity had to be done at night to minimise disturbance. The final retail units were finished in plenty of time to prepare for opening ahead of the Chinese New Year.

Televised opening

December also saw the opening ceremony of KCRC's West Rail, a high profile event deemed significant enough to televise live!

The West Rail runs from Tuen Mun in the west, through main population centres to Nam Cheong Station, one of the most prestigious stations on the route.

Balfour Beatty, which constructed the station in joint venture with local partner Zen Pacific, brought in the expertise of both its civil and E&M in-house companies. With all trades working jointly, follow-

on works were able to start much earlier. In addition, the company was able to make substantial cost savings by submitting an alternative design.

The hard work and lessons learnt by the staff on this project, resulted in Balfour Beatty in joint venture with Lam Construction being awarded the Lok Ma Chau Terminus contract by KCRC in October 2002. The Project valued at £100m is due for completion in 2006. The work involves the complete construction of a reinforced concrete station including foundations, immigration and customs halls, building services and architectural finishes. Work is now well under way.

The company's first partnering project in Hong Kong was also completed in 2003. Kumagai Gumi appointed Balfour Beatty as building services subcontractor at Mei Foo Station MTRC, where a new passenger interchange was built between the MTRC and KCRC West Rail Systems.

The work included the refurbishment of building services including new lighting throughout the existing MTRC concourse and platforms and building services in the new passenger interchange subway. The project team achieved all the goals set out in the Partnering Charter and a claim free final account was settled within three months of completion.



Mansell brings to Balfour Beatty specialisms that range from national heritage (including restoration at the Houses of Parliament) to new housing.

Perfect match offers something special

The acquisition by Balfour Beatty in December 2003 of specialist construction company Mansell offers exceptional benefits to both organisations. Just four years shy of its centenary, Mansell plc is one of the most successful construction and construction services companies in the UK and has an enviable growth record.

Mansell employs approximately 2,500 people and operates from 29 locations throughout the UK.

In the year ended December 2002, Mansell had sales of £511m and operating profits of £10m. In 2003, while parts of the construction market were under stress and against a background of increasingly aggressive tendering, the company's turnover exceeded £535m.

The company has followed a clear strategy aimed at sustainable growth and focused on discrete market sectors, developing a stable business through framework and partnering contracts.

Announcing the rationale behind the proposed deal in December last year, Mike Welton said: "This acquisition offers Balfour Beatty a tremendous opportunity to take a substantial position in sections of the UK building market in which we currently do not operate. It also brings a wide range of blue-chip customer relationships."

Philip Cleaver, who assumed the role of Mansell Chief Executive in January 2001, said: "Mansell's growth was being hampered by share-

‘There is an almost perfect fit between Mansell and Balfour Beatty’

*– Mike Peasland,
Mansell's new
Managing Director*



holders' reluctance to further invest and it was clear that new ownership was needed to keep the company's momentum going."

A Stock Market flotation was considered but in the end the offer by Balfour Beatty provided the shareholders with the best opportunity to realise the value of their investment and gave Mansell an excellent environment in which to flourish with the greater capital resources of the enlarged Group.

"Our primary focus during my time in charge was to reposition the business to make it more attractive, to increase value and to provide liquidity to shareholders," explains Cleaver. "Unlike our competitors, who are primarily

generalists, we're specialists. We've been innovative in the way the business is organised and I believe Balfour Beatty recognised that Mansell had something special to offer."

With the acquisition now complete and Mansell bedded down in the Balfour Beatty Group, it has been announced that Mike Peasland, who has been Managing Director of Balfour Kilpatrick for the last five years, will be taking over from Philip Cleaver this month. During Peasland's time at Balfour Kilpatrick, the business has been rebased to better service its chosen markets and its profit performance has shown radical improvement.

Said Philip Cleaver: "It has been a privilege to lead Mansell through a very exciting period and I owe great thanks to everyone whose work enabled us to achieve our objectives." He added that he was impressed at the way the Balfour Beatty senior team had managed the acquisition and the early transition period, making everyone feel very welcome.

By focusing on discrete products Mansell has successfully differentiated itself from its competitors.

The restructuring process began in 2000 following a thorough analysis of the business and the industry. Unusually for the construction industry, the company has product groups, product development and product directors. The

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whole business is structured around developing these specialist products.

At the same time, Mansell began to address its need for more sustainable business to ensure future growth. This led to securing more long-term relationships with customers by offering the market framework and partnering contracts.

In just over two years, on-going work from current framework agreements amounts to more than £1bn and some 89 per cent of Mansell's business comes from existing customers.

It's been a highly successful approach for Mansell, which lists BAA, BT, Ministry of Defence, Department of Work and Pensions, Unite and several major UK housing associations as clients.

Brand to be retained

Following the acquisition, the distinctive Mansell brand will be retained and the company will operate as a standalone business within the Building, Building Management and Services Division of Balfour Beatty alongside Balfour Beatty Construction, Balfour Kilpatrick and Haden Young.

"Overall I'm very pleased," said Cleaver. "This is an excellent result and is good news for all Mansell stakeholders – employees, customers and shareholders alike. Mansell staff now have greater opportunities to grow as individuals, our customers will benefit from the greater security offered by the Balfour Beatty Group and our shareholders have received a good price."

Commenting on his new role, Mike Peasland said: "There's an almost perfect fit between Mansell and Balfour Beatty with very little overlap. Undoubtedly Mansell will benefit from having the substantial resources and skills of Balfour Beatty behind it.

"For Mansell, 2004 is about continuing to deliver results and to meeting Balfour Beatty's expectations," said Peasland. "We have a very good order book and we're starting the year in a very strong position. I look forward to meeting as many Mansell people as quickly as possible and to continuing the successful development of the company."

The centurion g

Mansell is one of the UK's leading construction and property services providers. Here, we find out what makes the company tick and provide a brief overview of its specialist product groupings. Visit the company's website for more details: www.mansell.plc.uk.

Mansell's Roman centurion's head is one of the most distinctive logos in the UK construction industry. Devised by the company's founder, Robert Mansell, the centurion has watched the company grow and develop for almost 100 years.

Founded in 1908 in Addiscombe, near Croydon, where Mansell's headquarters are still based today, the company – then known as R Mansell Ltd – quickly expanded.

By the early 1980s turnover had reached £31m and the company employed more than 1,000 staff, including 50 trade apprentices. Organic growth continued and by the late 1980s satellite offices at Slough, Luton, Crawley and Ashford had been opened.

Further acquisitions followed and new offices opened in Andover, Birmingham and Frodsham in the North West in the early 1990s. By April 1997 R Mansell Ltd became Mansell plc.

Later that year, Mansell acquired the Hall & Tawse Group which operated in the South and Midlands, East Anglia, the north of England and Scotland. With a similar proud history to Mansell, the Hall & Tawse brand was retained for the company's specialist joinery manufacturing business based in Aberdeen.

Today, the Mansell Group incorporates Mansell Construction Services Ltd, Network Plant Ltd, Kirby MacLean Ltd and Hall & Tawse. The group's skill base encompasses refurbishment, fit-out, new construction, design and build, joinery, plant hire and contract decorating.



Value through partnering

Mansell's move towards long-term framework and partnering arrangements has led to 65 per cent of its business coming from this source and 89 per cent from existing clients across the public and private sectors. Key to its success is the sharing of knowledge and experience with customers and supply chain partners.

Agreements can vary from initial project partnering contracts, designed as a first stage in a long-term relationship, to formal contracts stretching over many years.

The increasing volume of partnering and framework agreements demonstrates a two-way commitment. The result is a service driven by best value with lower administrative costs, improved efficiency, greater predictability and faster delivery of projects. Partnering remains fundamental to Mansell's vision of the future.

A specialist business

The ability to think beyond price and build is one of the cornerstones of Mansell's business philosophy.



goes marching on

Mansell projects have included, from left, work at RAF Alconbury, the British Museum, Garston Library and Stansted Airport



The company is committed to seeking innovative and effective ways of delivering best value through each product group. It brings a range of skills such as development, consultancy, design, project management and communication to each project, which is tailored to suit each individual customer.

The main specialist product groups operating within Mansell are:

- ◆ Social housing
- ◆ Interior solutions
- ◆ Defence
- ◆ Airports
- ◆ Education
- ◆ Telecommunications
- ◆ Heritage
- ◆ Health.

Social housing

Mansell is a major player in this sector and the provision of low-cost housing represents almost 25 per cent of its business, valued last year at around £130m.

The Social Housing product group works with

many of the UK's leading housing associations and registered social landlords in many of the most difficult and deprived areas of the country delivering new build, refurbishment and mixed tenure solutions for both national and regional agendas.

Working collaboratively with partners and tenants, Mansell strives to add value to the process and give something back to the communities with which it works.

A good example of Mansell's community-based approach can be seen in the training, mentoring and employment opportunities being developed with Southern Housing Group in East London.

This two-year initiative involves providing six 15-year-old students from Homerton College with the opportunity to experience the industry. Further education and work placement will be available when the students leave school at the end of the project.

- ◆ Social Housing Clients include:
- ◆ Places for People
- ◆ Western Challenge Housing Association
- ◆ Perthshire Housing Association
- ◆ Helena Housing
- ◆ Prime Focus Regeneration Group.

Interior solutions

Mansell offers interior solutions for offices, retail and banking premises, ranging from new installation to complete refurbishment of services and finishes.

As well as minimising the impact and disruption of its fit-out solutions, Mansell works with its supply team partners to offer specialist design and space planning skills which complement its installation and refurbishment services.

A strong culture of collaboration has enabled Mansell to create, manage and work with integrated supply teams on major projects such as the national roll-out of Jobcentre Plus projects for the Department of Work and Pensions. Following an initial

agreement to deliver 36 projects around the country, valued at £20m, Mansell has been selected for a three-year programme which involves the roll-out of 750 additional Jobcentre Plus sites, representing around £45m of work.

Mansell is currently working on refurbishment and fit-out projects for LloydsTSB, Royal Bank of Scotland and HSBC plus £15m of fit-out work for Telereal under a BTP national framework agreement.

Defence

The Ministry of Defence is the company's single biggest client and one with whom the company has had a long and productive relationship – for example Mansell has worked on various schemes at RAF Marham in Norfolk for more than 50 years.

Work in this sector includes the provision and upkeep of quarters and accommodation for servicemen and women in the Royal Navy, British Army, Royal Air Force and the United States Forces (USF).

To-date, more than 12,000 family quarters in the form of new build and refurbished houses have been delivered by Mansell, representing 25 per cent of the Defence Housing Executive's entire estate.

Mansell is currently involved in a seven-year framework agreement worth £100m with Defence Estates for the upgrade of USF married families houses across the UK. During this time, some 1,400 units will be built or refurbished at bases in East Anglia, Northamptonshire and Gloucestershire.

Clever value engineering by the Mansell team during the design phase of the USF framework project has so far achieved cost savings of around 18 per cent.

Other key contracts include involvement in a consortium led by AMEC Turner to deliver the Regional Prime Contract in Scotland. The first regional contract to be let under the MOD's Prime

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Contracting initiative, it includes various schemes with a combined value of around £7m to Mansell.

Smaller contracts include the completion of a new hangar at the RAF Museum in Hendon, London.

Airports

Mansell has a long association with many of the UK's major airports and its work in this sector shows some of the most advanced product development in the group.

New regulations post 9/11 requiring airports to upgrade the fixed links to aircraft and separate incoming and outgoing passengers are changing the way people travel en route between aircraft and terminal and pose new challenges to construction companies.

As part of its £250m framework agreement with major client BAA, Mansell has jointly developed a system by which new segregated corridors can be assembled off-site, craned into position and connected to the existing structure with minimal disruption. Work has already been completed at Stansted, Gatwick and several Heathrow terminals.

The company continues to invest in both product development and off-site manufacturing to deliver a growing suite of products for the airline industry. Prefabrication of passenger link bridges, corridors and toilets have significantly reduced downtime and have provided time and cost savings of around 25 per cent.

Other recent airport work includes the fast-track extension to Liverpool's John Lennon Airport, which Mansell completed in just 15 weeks, as well as the £1.5m fit-out of Glasgow Airport's new car park.

Education

Mansell delivers high quality student accommodation, teaching and office facilities to the education sector nationwide.

The increased use of prefabricated components on projects illustrates the value of effective collaboration with customers and supply chain partners.

In East Anglia, two successful construction solutions were developed for schools for Norfolk County Council Education Department. One involved a prefabricated timber frame and the other

a steel frame with cladding, eliminating the need for traditional brickwork.

Mansell has successfully created partnering agreements with county councils and universities throughout the UK which have led to repeat business. Examples here include Dundee City Council for whom Mansell has secured seven successive projects and the University of Bradford which extended its initial two-year agreement for a further two years.

The company is also pursuing opportunities in Scotland with universities and public schools – such as St Andrews University and Gordonstoun School – which have previously been reluctant to procure work through partnering.

Telecommunications

Mansell has 10 years' experience in this sector, covering everything from networks and infrastructure to data centres and equipment manufacturing facilities.

In 2001 Mansell acquired an engineering and design team with more than 15 years' experience in cell sites, enabling the company to offer a value-added design and construction service to strategic partners at competitive rates.

The Mansell telecoms design team has seen more than 3,000 of its design proposals successfully

built and integrated into key leading UK network operators.

The company's expertise also includes the delivery of major switch centres for the leading broadband suppliers.

Long-term partnerships with companies such as Orange and Three have flourished, despite the slow-down in the telecoms market, thanks to Mansell's focused customer management. Last year the company completed Orange's 10,000th site in the UK.

By establishing centres of excellence at Croydon, Southampton, Stourbridge, Leeds and Glasgow Mansell has been able to deliver a consistent, high quality service.

Heritage

Mansell's heritage teams combine a high level of technical and craft skills with an understanding of planning requirements and the sensitivities of working with important conservation bodies such as English Heritage.

In England successful projects include restoration of three committee Rooms at the Houses of Parliament and the Grade 1 listed Kings Library at the British Museum.

North of the border Hall & Tawse are proud to retain the Royal Warrant as Building Contractors to Her Majesty the Queen and have worked in many royal residences, including the conversion of two historic buildings at Palace of Holyroodhouse, providing bespoke joinery for The Queen's Gallery.

Health

Mansell's outstanding performance in this sector spans four decades and has been achieved by developing key skills such as planning co-ordination, effective communication and strong, robust supply team relationships.

Expertise gained in providing accommodation in the education and social housing sectors has helped the company to add value to health sector clients, such as designing accommodation for keyworkers.

Successful partnerships have been completed with clients such as the Medical Research Council and many NHS Trusts nationwide.

One recent scheme was the provision of an eight-bed assessment unit and an A&E treatment area for St Mary's Hospital, part of the Isle of Wight Healthcare NHS Trust.



A new way of giving

A new charities and sponsorship policy for Balfour Beatty is currently under review. Designed to maximize the impact of donations made at both local and national level, the policy aims to establish a new framework for giving.

Balfour Beatty has a long and respected tradition of supporting charities throughout the UK. Yet historically, charitable giving by both Head Office (HO) and the Operating Companies (OpCos) has been fairly unstructured.

There's certainly no shortage of enthusiasm and commitment from Balfour Beatty employees who regularly give up their time to raise funds via marathons and fun runs, quiz nights and raffles. Causes supported range from local schools and hospices to major charities like Save the Children and Cancer Research.

HO and the OpCos have traditionally responded

‘We want each donation to really count, to make a substantial difference to the charity, and in the process make Balfour Beatty a significant donor’

to charities directly as well as contributing funds to match the sums that employees raise either as individuals or as groups.

In an effort to provide a more focused approach across the entire Balfour Beatty Group, representatives from around the company met recently to form a Charities' Committee with a constitution and remit to discuss and agree a new set of guidelines for charitable giving and to meet regularly to review and if necessary update them.

As Tim Sharp, Director of Corporate Communications, explains: “We are a large, devolved organisation with around 28,000 people and more than 20 OpCos. By aligning more closely what the OpCos and Head Office do by way of donations we hope to harness the enthusiasm and efforts of our people to make an even stronger impact on those charities we give to.”

At the meeting in February it was agreed that the bulk of donations could be channelled to a smaller group of selected charities. The remainder could be allocated to more local causes on a discretionary basis. “We want each donation to really count, to make a substantial difference to the charity, and in the process make Balfour Beatty a significant donor,” says Tim Sharp.

“Ideally the charities we choose will have some connection with the construction business as well as being able to help us maximize the internal and external PR benefit of each donation.”

A good example here is the recent donation of more than £20,000 to Headway, the brain injury association, with whom Balfour Beatty has built an effective partnership. Money raised in 2003 from a team of 15 Balfour Beatty London Marathon runners as well as from other fundraising events was used by Headway to establish five new centres around the UK. In 2004 funds will go towards setting up a freefone helpline.

Another project, involving Balfour Beatty Group Fleet Services, saw more than £10,000 donated last year to charities in local communities by workshop teams as a result of an innovative safety performance recognition scheme.

Making a selection

According to Company Secretary Chris Pearson charities will be selected for final approval by the CEO/Board by the new committee which will comprise himself, Tim Sharp, the Group Development and Training Manager, Jeff Keer, plus representatives from several OpCos.

“The idea is that the committee will agree on which key charities we will focus on and assess nominations and suggestions for donations from OpCos and individual employees,” says Chris Pearson. “Having clear rules on charitable giving will help us concentrate our efforts better both at an individual and corporate level. In fact we'd welcome feedback on this new approach to charitable giving.”

◆ Anyone wanting to give their viewpoint or perhaps to nominate a specific charity can email Corporate Communications Manager Lynn Harvey on: lynn.harvey@balfourbeatty.com or speak to their OpCo representative on the Charities' Committee.

Courageous Chris to tour Britain – walking two marathons a day!

Balfour Beatty's recent donation to Leonard Cheshire is being utilised in part to back the One Walk expedition by Chris Moon, who lost an arm and a leg while working for a mines clearance charity in Cambodia.

In June the former serviceman will set off from John o'Groats to Lands End to raise money for Leonard Cheshire, the largest charity provider of support services to disabled people in the UK.

The venture – one man, one foot, one thousand miles – will see Chris deviate from the usual route to take in major cities, including Edinburgh, Newcastle, Durham, Leeds, York, Manchester, Birmingham, London, Bristol and Exeter.

During the walk, he will:

- ◆ cover the equivalent of two marathons per day over 25 consecutive days
- ◆ average 2.75 miles per hour, walking for 18 hours a day
- ◆ add 410 miles to the usual route
- ◆ consume up to 6,000 calories daily.

Company Secretary Chris Pearson said:

“Balfour Beatty agreed that its donation to Leonard Cheshire could support Chris because his venture will cover the whole of the country and we are a nationwide firm. The cause he has chosen is excellent and the challenge for him is immense. Most of us would struggle to keep up the pace even for a single day with our two arms and legs.”

Balfour Beatty employees can get involved either by sponsoring Chris or joining him on the route. Please visit www.onewalk.org.uk for further information. For example, you can join the London stage for a celebrity-packed, carnival-style half-marathon on 22 June. Other venues and dates across the UK are listed on the One Walk site.



Environmental and social awareness: it makes sound business sense



Sustainable development is one of those concepts that virtually everyone agrees is a “good thing”. But as Sally Brearley, Balfour Beatty’s director of Safety, Health and Environment is quick to point out, without an action plan it’s all too easy for it to remain in the feel-good sphere along with “apple pie and motherhood”.

“We need to move sustainable development from the realm of theory into the realm of practical implementation,” she says. “And the scope for the construction industry to contribute to greater sustainability is considerable. Our building work and infrastructure projects have a profound effect on the character, function and appearance of the towns and countryside in which we live and work. They consume resources and energy and they generate waste, not just during the construction phase but throughout their life.”

For Balfour Beatty, sustainable development means doing business with integrity, Sally explains. “Increasingly, our various stakeholders are expecting us to take sustainable development issues into account when we plan and execute projects. We have the chance to contribute to sustainable development in a way that’s not open to many other business sectors because we can apply our engineering skills to the development of a sustainable basic infrastructure for society.”

Enhanced reputation

This approach to sustainable construction makes good business sense, too, because it enhances the company’s reputation and can help differentiate it from the competition, thereby providing an opportunity for winning more work. A reputation for an enlightened attitude to environmental and social issues can also make it easier for Balfour Beatty to recruit and retain high calibre staff.

But what actually is sustainable construction? “It’s not easy to come up with a hard and fast definition that everyone would subscribe to,” says Martin Brock, Quality and Environment Manager in Balfour Beatty Civil Engineering. “However, I think the definition in the DTI’s Sustainable Construction brief, published last July, hits most of the right buttons. Essentially it says there are three key



Martin Brock: ‘DTI report hit right buttons’.

strands to sustainable construction: environmental responsibility, social awareness and economic benefit.”

Martin then goes on to suggest what the construction industry should do in order to become more sustainable. It needs to:

- ◆ design for minimum waste
- ◆ adopt a ‘lean’ construction approach
- ◆ minimise energy in construction and use

Living on nature’s income

What is sustainable development? There is no single, universally agreed definition of what actually constitutes sustainable development.

Indeed, there seem to be almost as many definitions as there are experts on the subject. But all the definitions share the notion that it’s the kind of development which allows us to meet today’s needs without compromising the ability of future generations to meet their own needs.

Or, as Nobel physics laureate Murray Gell-Mann has put it, “Sustainable development means living on nature’s income rather than on its capital.”

- ◆ avoid pollution
- ◆ preserve and enhance biodiversity
- ◆ conserve water resources
- ◆ respect people and local environments
- ◆ set targets, then measure and report progress against them.

“These are general headings and obviously the scope for adopting them will vary from project to project,” he says. “But if we take account of them in



Sally Brearley: 'Continuing good progress'.

our work we shall be well on the road to more sustainable construction."

To help translate sustainable development theory into everyday operating practice Balfour Beatty has developed a systematic approach known as the 3P2R sustainability model. Its five components – Partnerships, Planning, Resources, Process and Reporting – flow through the life-cycle of each project.

The Channel Tunnel Rail Link 440 project had to consider environmental issues during construction.

Quite apart from the benefits that the systematic 3P2R approach yields both to the company and to the environment, there are other good reasons for Balfour Beatty to want to be able to demonstrate that it has solid sustainability credentials. As Patricia Hewitt, the UK's Secretary of State for Trade and Industry, reminded delegates at the Better Buildings Summit in London last October, the government buys 40 per cent of construction output in the UK.

"We are your single biggest customer and we are about to get greener," she said, adding that by the middle of 2004 the government would have laid down minimum sustainability standards for all public-sector procurement in the building sector. These would form part of a comprehensive set of standards covering all aspects of construction where government was the client. The same standards would apply to new leasehold and PFI projects, she said.

"Increasingly we are seeing schools, offices and housing estates powering themselves and sometimes feeding any excess power into the network. Buildings that are energy-, water- and waste-efficient save money over their lifetime," she went on. "This 'lifetime cost' is, for us, the new bottom line."

New report out soon

Sally Brearley and her colleagues are now in the process of compiling the data that will appear in the new edition of Balfour Beatty's *Safety, Environment and Social Report*, to be published shortly.

"Three years ago, sustainable development was pretty much below the horizon in Balfour Beatty – although it was on the radar of a few specialist individuals here and there," she says. "By contrast, last year's report showed that significant strides have now been made in incorporating it into the company's day-to-day activities. When our new report comes out in May, I'm sure it will show that we are continuing to make good progress."

Wide ranging study focuses on climate

There is surely no better test-bed anywhere in the Group for putting sustainable construction into practice than Balfour Beatty Capital Projects Limited (BBCPL), whose activities span the full life-cycle, from design and construction right through to 30-year operating contracts.

But as Angus Richmond, Operations Commercial Manager in BBCPL, concedes, "An environmental benchmarking exercise in 2002 showed that, compared with some other parts of the Group, we were less aware about sustainable construction issues. We therefore carried out a detailed study in 2003 to see how we might respond – profitably and creatively – to the challenge posed by sustainable development."

The study looked at a very wide range of issues, including climate change, biodiversity, energy security, pollution, and waste, and the availability of water, land and other resources, as well as considering the increasing social and regulatory scrutiny that businesses are under today. Among its conclusions was that "human-induced" climate change is a serious threat that is of particular relevance to BBCPL and its clients.

"Moving forward in planning and developing our projects we will need to take account of factors such as higher ambient temperatures, increased flood-risk, significant changes in soil moisture content, and the likelihood of higher wind speeds – all of them possible consequences

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Putting the model into practice: RCS and sustainable highways

A good example of how the 3P2R sustainability model works in the real world is provided by the Biodiversity Action Plan adopted by Raynesway Construction Southern (RCS).

RCS is one of the UK's leading highway maintenance contractors and takes seriously its environmental management responsibilities across a broad spectrum of activities extending from procurement right through to waste management.

In the biodiversity field, for example, RCS is well placed to contribute to the preservation and renewal of biodiversity in the corridors alongside the nation's trunk roads and motorways; and to help it fulfil its responsibilities in this area, RCS has formulated a Biodiversity Action Plan (BAP).

Partnerships

In developing and implementing the BAP, RCS worked closely with the Environment Agency and English Nature, drawing extensively on their knowledge and resources.

Links with a number of local Wildlife Trusts and other conservation organisations are now also being sought so that RCS can help them meet their biodiversity objectives. In parallel with this, RCS has formal partnering arrangements with its public sector clients such as local authorities and the Highways Agency and it is using these links to work with these bodies on implementing their own biodiversity initiatives.

Planning

The BAP itself is testimony to the value and outcome of the planning process. The first such plan in RCS, it will now serve as a benchmark that goes beyond a simple description of the company's approach by setting objectives and targets.



RCS uses jetpatchers on potholes significantly reducing waste and environmental impact.

Resources

Typical of RCS's approach to the sustainable use of resources are its highway maintenance waste-transfer stations. At these stations, steps are taken to avoid all unnecessary fuel consumption, thereby cutting CO₂ emissions; and biodegradable waste is sent for composting rather than being sent to landfills.

Process

RCS has been certified to ISO 14001 standard. In order to maintain compliance with this standard, the



management at each site considers the site's actual or potential impact on the local ecology, carefully evaluating any risks to rare flora or fauna, and assessing the danger of polluting water courses and of ground contamination. Each hazard is then accorded a risk-rating and appropriate measures are put in place to minimize the risk. Moreover, before any works take place, a risk assessment is always carried out.

Reporting

Each year, RCS publishes a Sustainability Report, recording the progress it has made on biodiversity in its site, depot and office operations as well as in educating and training employees and in briefing and informing partners and the wider public.

BBCPL expects benefits from a 'middle route'

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of global warming. And of course there is the whole question of the mandatory reduction in CO₂ emissions."

BBCPL needs to respond to these issues, Angus says. "We have to work alongside our clients, learning with them and helping them develop their sustainable development thinking in a mature way. We must bring specialists into the process in good time. We should also look at developing our knowledge-management of environmental and other sustainable development issues and use it to enhance our competitive bidding position. And we must become an 'intelligent client' on sustainability issues, constructively 'critiquing' contractors on key choices."

Implicit in all this is the question of how BBCPL should position itself vis-à-vis the outside world. "The task group considered three broad stances that BBCPL might adopt on managing sustainable development," he maintains.

"At one extreme, we could simply respond to

explicit customer requests and to legislation, doing enough to meet the basic requirements but not going beyond that. So, if a client specifically asked you to incorporate a sustainable element into a project, you would comply. But you wouldn't actually volunteer ideas or take any sustainability initiatives yourself. This is what we call the 'Just Enough' approach.

'Green warriors'

"At the other end of the spectrum, you might decide to become a 'green warrior', adopting an evangelical stance and seeking a position at the leading edge on all sustainable development issues. This position would be costly and could render our bids uncompetitive.

"The sensible position lies somewhere between these extremes," Angus argues. "And this is what we are proposing should be adopted in Capital Projects. It's not our place to persuade clients to go further than they would wish, but we believe that

our in-depth knowledge of sustainable development and risk management techniques mean we can have mature discussions with them about how best to respond to the challenges sustainable construction presents. Moreover, it leaves us well positioned when our clients do demand an active approach to the subject."

Among the many benefits of this middle route are that it works with clients rather than far ahead of them and that it leads to a mature sharing of those risks which cannot be addressed directly. It also allows the company to develop practical expertise incrementally, thereby accumulating an advantage over its competitors.

Plainly there are a host of strategic and practical issues still to be resolved before BBCPL can feel confident it has a comprehensive and viable policy in place on sustainable construction and is in a position to implement that policy. Nevertheless, it has made major strides in the past 12 months and its thinking could well provide a useful model for other parts of the Group.



Tremendous construction expertise joins best of consultancy know-how

It's formidable!

Balfour Beatty Management (BBM) was formed in autumn 2002 with the aim of capturing for the Group a significant slice of the UK market for programme and project management of major infrastructure. David James (above), who heads up the new business, talks to Update about BBM's progress and plans

In the late 80s and early 90s there was a view within the industry that with spiralling prices and the advent of privatisation the market was ripe for change. The traditional conflict between consultancy and contracting was leading to a lot of wasteful in-fighting with little benefit – least of all to the end-client.

What David James, and others like him, saw was that there was an opportunity to replace the old, adversarial approach with one in which both sides cooperated more harmoniously with one another. This had led to David working closely and fruitfully with Balfour Beatty in his consultancy capacity over a period of several years and the creation of new companies such as Connect, our highways management company and Metronet. Then, in 2002, after he left WS Atkins, he was approached by Balfour Beatty's chief executive, Mike Welton.

"He asked me if I would examine whether there was an opening for a major British player to compete against the leading international project management companies such as Bechtel for the management of major infrastructure and if so, what such a player would have to do in order to succeed," he says.

Scope and opportunity

Intrigued, David agreed to take on the study and some four months later he reported back, affirming that there did indeed appear to be scope and opportunity – for the right British company – to enter the field which, even in the UK, is primarily dominated by large, established American companies.

As a result, David joined the company in the autumn of 2002, at which time BBM had an establishment of one person – himself. Today, the fledgling company is approaching 150-strong and growing fast.

Many of BBM's key staff have been recruited from within the Group. "What we are endeavouring to do is to harness this tremendous construction expertise with the best of consultancy know-how

and in doing so, we're assembling a pretty unique and formidable team," he says.

Putting this into context, one of BBM's jobs at the moment is a major transport interchange project at King's Cross station in London. When we were called in to look at the project in January 2003, it was well behind programme and hugely over-budget. "Initially, we put in three key BBM people and recruited a further three from outside; that team managed to identify and arrest the problems and then acted as the catalyst to turn the whole thing round in the space of eight months," says David.

"We are now building up a good mix of staff from across the industry. Recruiting the right people has been crucial to whatever success we have had so far. What's more, we have been able to set up a new business here, at zero cost to the Group."

Despite BBM's rapid growth over the past year

term a more international dimension will be added to the company's portfolio. In fact, approaches have already been made to a number of European banks, and at the end of 2003 the company signed a consultancy agreement with the European Commission covering the interoperability of rail systems across Europe. More recently, BBM has bid for rail and communications business in Croatia under the auspices of the European Bank for Reconstruction and Development.

Although BBM will obviously benefit from being able to work with and draw on the strengths of the Balfour Beatty Group Companies, it will nevertheless have to stand on its own feet as a commercial venture. By the same token, the fact that BBM may have been appointed by a client to manage a given project will not necessarily mean that a Balfour Beatty company will handle the contracting side of the project. Indeed, one of the keys to the future success of BBM will be its ability, when necessary, to erect what David calls a "Chinese Wall" between itself and the other parts of the Group.

Not a design house

When news of the formation of BBM reached the consulting community in the UK some were concerned that they might lose their design commissions from Balfour Beatty's contracting arm. However, David makes it clear that BBM is about providing management services and technical expertise to a wide range of clients such as governments, banks, developers and institutions, and that there's no intention of its becoming a design house.

At present, most of BBM's work seems to fall into the troubleshooting category. In other words, the company has been called in to help turn round projects that for one reason or another have run into problems – whether budgetary, technical or managerial.

"It's encouraging that more and more clients are coming to recognise the value and experience we can bring to a project," he says. "But our long-term future in this business lies not just in being called in as a project doctor when the patient is sick but

rather in managing new, healthy, grass-roots projects. Also, most of our current work is transport-related. We want to broaden that base.

"Today, BBM's newness and small size inevitably mean that we are somewhat on the periphery, when looking at the Group as a whole," says David James. "However, I firmly believe that before too long Balfour Beatty Management will gradually occupy a more central position in the Balfour Beatty firmament. So, watch this space!"



The King's Cross project was turned around by a BBM team.

and a half, David is the first to admit that the new company is still a relatively small player in the marketplace. But he has ambitious plans. "We aim to be around 1,000-strong by 2006," he says, adding that this is not some arbitrary, empire-building number plucked out of the air but a genuine reflection of the staffing that will be needed to service the business BBM expects to win.

The primary focus of BBM's efforts will be the UK, at least in the early years, but in the longer

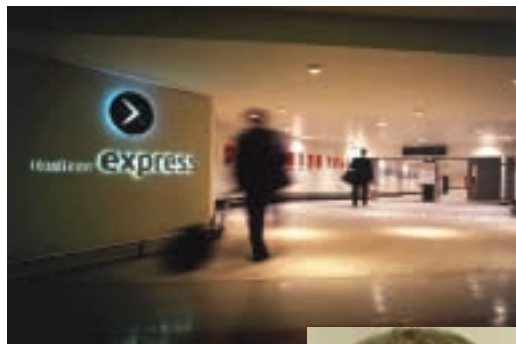
They are the next generation of managing directors – and Balfour Beatty invests huge sums in its training and development of graduates. For proof of the effectiveness of the scheme, look no further than main board director Alistair Wivell and Andy Rose, Chief Operating Officer of Balfour Beatty Rail who both originally joined the company as graduates.

The company has recruited over 500 graduates in the past five years alone. They come from a range of disciplines into a variety of roles though engineering graduates, for obvious reasons, tend to dominate.

Just what makes a good Balfour Beatty graduate is difficult to define, even for Group Training and Development Manager Jeff Keer.

"We certainly want bright, lively people with ideas and initiative," he said. "But we also know that first class degrees are not necessarily essential for a successful career with us. We like graduates who bring enthusiasm to their work and commitment to their own development, who look for a challenge and are keen to take responsibility early. They need a 'can do' attitude. And it goes without saying that they need to be a team player."

Update talks to four graduates and looks at the highlights to date of their progress up the management ladder.



James Barrows is a project production leader on the Heathrow Express Contract.

Variety is the spice of career development

James Barrows is now working as a project production leader on the Heathrow Express Contract. He joined Balfour Beatty Rail in 1997 after graduating with a BEng (Hons) in Civil Engineering at South Bank University. For him, one of the most appealing things was the variety of experience on offer.

"And so it has proved in practice," he said. "In my first six years I've had the chance to work with a very broad range of other engineering disciplines and I've also developed my management skills."

His first post was as a site engineer on the Croydon Tramlink Enabling works contract, which included the installation of new track work, traction power systems and signalling, as well as a variety of civil engineering work.

He then spent two years on the Dartford resig-



Where to study for a 'can do' degree in first class teamwork

nalling project in Kent, where he was responsible for monitoring the design and installation of a new heating system for rail points.

"This involved co-ordinating design and subsequently installation work with the client and the sub-contractor responsible for the work. I later took on a new role on the project as a design liaison engineer, co-ordinating the design work for the new concrete and piled signal foundations.

"Once construction of the foundations began, I was part of the site team responsible for checking the installation of the piles as well as for checking that the piling operation was carried out safely."

A 15-month stint on a project to upgrade the West Coast Main Line followed. He worked within the civil/structural engineering section responsible for evaluating the suitability of the existing structures and designing any new structures, foundations or support steelwork needed.

Since 2001, he has worked on the Heathrow Terminal 5 project, which is extending the existing Heathrow Express and Piccadilly Underground Line to the new terminal and his responsibilities have grown with the work.

He said: "To begin with I had responsibility for the delivery of a package of minor civil engineering infrastructure works. As well as this package of works, I had responsibility for the planning of access to Heathrow Express, London Underground and Heathrow Airport infrastructure.

"To meet the requirements of the role I had to develop a good working knowledge of the access and Health and Safety requirements of each of the organisations.

"In my current role as project production leader I manage the delivery of the design and construction solutions for the extension. I am fully involved in discussions with the various stakeholders such as Heathrow Express. I have to ensure that the six main disciplines involved in the work deliver their solutions to budget and programme.

"I am finding this role very challenging in particular the delivery of the new signal and signal control system for the new railway.

"In October 2002, I successfully sat my Institution of Civil Engineers Professional Review. From my time on the training scheme I have developed new skills and knowledge that has been utilised as my career and responsibility has developed."



Christine Allen gained valuable experience on the A120 project.

Experience on site leads to wider horizons

Christine Allen did not leave anything to chance when she opted for a career with Balfour Beatty. She got to know the company first by undertaking two vacation placements in 1999 and 2000 while at Nottingham University, and these helped change her perceptions.

"I did not think I would enjoy site work," said Christine, who has an MEng degree in Civil Engineering. "I really wanted to rule it out as a career option but in fact I found I really did enjoy it."

Following the second of these placements at the Channel Tunnel Rail Link, Balfour Beatty Civil Engineering offered her a job. It was far from the only offer on the table but the company's strong emphasis on training persuaded her to stick with it – and it is a decision that she has never regretted.

One of the key factors in her early days was having the chance to experience some practical training run by the Construction Industry Training Board. Although she would never claim to be a master steelfixer, getting some early hands-on experience certainly helped her on her way.

"You have to respect the fact that the people working with you as a graduate will be far more experienced and knowledgeable but at least you have some hands-on experience. It was also a good





Steven Duffy in the Energy Centre at the Royal Infirmary of Edinburgh

chance to meet other graduates including those from different disciplines such as quantity surveying.”

The first couple of years were spent on the A120 Stansted to Braintree project, mainly on drainage, fencing and roadworks. There she had the chance to work with the designers Atkins and the client's representative, Arup, and learned a lot from the experience. She also attended several on-site training courses.

The emphasis on regular training has been a feature of her time so far. “Graduates are all sent on certain courses anyway,” explained Christine, “but you can very much establish your specific needs and find the training that will help you achieve your goals. In my experience, managers tend to support people who have a clear idea of what they want to do. You cannot just expect to be spoon-fed.”

Christine is currently in her native Northern Ireland on a design placement – arranged through the personnel department to provide the breadth of experience needed for the Chartered Engineer qualification – with Ferguson McIlveen. There she is working on a £100m motorway improvement scheme for the M1 and M2, which run west and north from Belfast.

“One of the attractions of working for Balfour Beatty was its international reach. I would be very interested in looking to further my career abroad,” she added.

In at the deep end before joining Navy project

Steven Duffy is working within the Technical Services Department at the new Royal Infirmary of Edinburgh. He took a B Eng (Hons) in Computer-Aided Engineering & Design at Sheffield Hallam University and is an Associate Member of the Institution of Mechanical Engineers.

He joined the scheme in September 2002 and went straight in at the deep end. His first placement was in London, working for the company technical director on a six-month project analysing the risks of operating cooling towers and pressure systems. The work led to a Board presentation and approval to run a City & Guilds water treatment training

programme for controlling managers of cooling towers across the business.

Last April he moved to Portsmouth to be part of the new Project Emma mobilisation team of a prime contract based at HMS Nelson. The principal contractor is Balfour Beatty Construction Ltd, with Haden Building Management providing the full facilities management service, including M&E maintenance, cleaning, accommodation booking, a 24/7 helpdesk and laundry for four accommodation buildings for junior Naval ratings.

He says the sheer volume of work to be completed gave him the opportunity to learn about all the operational aspects of the contract.

He said: “I was responsible for mobilisation planning, the site filing records system, health & safety planning, quality and procurement of plant and equipment. I attended contractual design/progress meetings, representing Haden Building Management and commenting on building and construction issues when necessary.

“I set up the risk assessment procedure to ensure safe working practices on site and was involved in interviewing for engineering staff and in TUPE meetings. As part of the continual training regime on site, I presented toolbox talks to staff and planned training courses and competency assessments.”

One of his main roles at Project Emma was to set up the Maximo asset database to create the schedules for planned and reactive maintenance. That meant working closely with the engineering team, on-site management & IT business support to create the site-specific maintenance system.

Steven added: “Since joining Haden Building Management, I have changed considerably in the way I work, plan and manage myself. I have become more confident with my decisions, learned new skills and gained knowledge that can only benefit my future.”

Many more opportunities still to come

Edward Domville joined Balfour Beatty Construction after completing his degree in Quantity Surveying in 1997.

Now a senior quantity surveyor, he first became

involved with Balfour Beatty Construction as an industrial placement student from Leeds Metropolitan University working on a variety of projects at Sellafield Nuclear Reprocessing Plant in Cumbria.

That whetted his appetite for the job and created a hugely favourable impression of the company. He said: “It was a highly interesting place to work, I was involved with a number of projects including a £2m graphite storage building and a £3m foundation contract for tank removals in a radioactive area.

“Not many people on an industrial placement would have had the chance to do that and it gave me a great first step into Balfour Beatty Construction.”

The company then sponsored Edward for his final year at Leeds before he joined the graduate training scheme.

His first placement was in Yorkshire, working as the most junior member of the team on the £5m refurbishment of the headquarters building for the then Halifax Building Society, now Halifax Bank. Edward says he benefited greatly from being thrown in at the deep end on this project.

Of course much has changed since Edward joined Balfour Beatty Construction as a graduate. He believes that the company's growth means there will be varying and different opportunities for graduates to work within large teams on major contracts, and whilst they will not be by themselves, this will provide an ideal learning platform from which to advance their career.

As Edward's career has progressed, he has moved steadily westwards, from the white rose



Senior quantity surveyor Edward Domville.

county to the red rose county, where he worked on a number of projects in Manchester and now farther west again into Wales.

Edward is currently leading two small teams working on projects in North Wales. Both projects are worth around £12.5m. At the Ruthin PFI Pathfinder project, Balfour Beatty Construction is erecting civic buildings for Denbighshire County Council, while he is also assisting in the overseeing of a new HQ building for North Wales Police in St. Asaph.

Edward added: “I first chose to come to this company because it was one of the biggest in the sector. I thought it would offer me the chance of a wide range of work. Seven years on, I still feel there are many more opportunities to experience.”

Biggest power project handed over

It spent around ten years in the planning stage, faced considerable opposition, and was temporarily brought to a halt by foot and mouth disease, but on November 8, 2003 Balfour Beatty Power Networks' largest project in the UK to date was handed over to the National Grid Company (NGC).

Built primarily to provide a more robust power distribution system in the North East of England, the Lackenby-Picton-Shipton transmission line runs approximately 75km from Teesside down the Vale of York to Shipton. With the exception of a 5.7km section of underground cable, the 400kV line is overhead, supported by 216 pylons.

Originally, NGC planned to divide the line into sections, awarding them to each of its UK contractors. Tenders were sent out accordingly. However, the scheme had many objectors, including consenting authorities such as the County, District and Parish Councils. Delays in obtaining consent forced an extension of the tendering period. There was also a threat of significant protester action.

In 1999, NGC approached BBPNL with the proposal to take on the entire overhead line works, including the handling of sensitive security issues.

Bob Hayward was BBPNL Project Director, based at NGC's offices for the duration of the contract. He says, "Because of the relationship we had



built up with NGC over the last 30 years, they recognised that Balfour Beatty Power Networks could do the job and would provide the resources which were necessary. We also had experience of dealing with sensitive issues on road projects."

Consent was given in the summer of 2000 and the 18-month contract started in October, only to be stopped the following February for a period of eight months.

Quick reaction

"When foot and mouth broke out in the Vale of York, NGC and BBPNL reacted very quickly and in recognition of the sensitivity of the situation suspended all work on the project, even though we had legal access," explains Bob. "We introduced a

whole raft of foot and mouth precautions, including disinfectant procedures for personnel and plant."

Approximately 5,000t of steel went into the construction of the pylons, along with 100,000l of paint, 42,200 insulators and 910km of conductor. The project also included the pouring of around 11,000m³ of concrete, installation of 110km of access roads, a measure insisted upon by NGC to protect the land from construction impact, and the production of 2,050 drawings.

"NGC were very pleased with the performance of the team on site especially the way we adapted the programme to meet the changing requirements," says Bob. "This was a perfect example of the way a partnership contract should be done."

Widening work on Europe's busiest M-way

With narrower lanes, contraflow systems and a mandatory 40mph speed limit now in place, work is well under way on widening what is regarded as the busiest section of motorway in Europe.

Currently there are four lanes in each direction of the M25 between the M3 and M4 junctions. Over a 24-month period, which started in January this year, Balfour Beatty will be adding an extra lane in each direction from junction 12 to 14 (7km), and two lanes in each direction on the 3.5km section from junction 14 to 15.

The £148m contract also includes the construction of a spur road into the new Terminal 5 at Heathrow Airport, with a free-flow interchange at junction 14.

The widening work is split into four phases. First is the anticlockwise or southbound section from junction 14 to junction 12. This is scheduled for completion in the summer. The clockwise (northbound) section follows and will take the project through until the end of the year.

The anticlockwise section from junction 15 to 14 starts early next year and continues until the summer. Then comes the clockwise section from junction 14 to junction 15.

Work on the spur road is being spread over the duration of the contract.

Apprentice's enthusiasm leads to award

The first ever Balfour Beatty Rail Infrastructure Services (BBRIS) Apprentice of the Year award has gone to Tom Hodden from Kent. Tom picked up the top award for achieving in all aspects of the apprenticeship scheme and for working with enthusiasm, diligence and thoroughness.

Others who excelled include Tim Dotchin (Anglia), who won the award for Academic Achiever, Emma Dawes (Track Renewals), award for Most Progress, and Matthew Adams (Kent), who was recognised for his hard work and excellent academic results at college.

Eric Prescott, BBRIS Managing Director, presented each winner with a certificate and a Red Letter Day entitling them to an experience of their choice.

He said: "BBRIS launched its Advanced Modern Apprenticeship scheme in 2002 with a major recruitment drive. As a result 24 students were welcomed on to the scheme in September of the same year. One year on, I have had great pleasure in recognising the success and achieve-



New two-year apprenticeship scheme is a success.

ments of all students and remain committed to this initiative."

The two-year scheme combines workplace and off the job structured company training with formal technical education during block release periods at Crawley College, Sussex. The apprentices study for a BTEC

National Certificate and an NVQ Level 3 in Engineering.

The scheme also includes a six-week work experience placement over the summer. This helps the apprentices to decide in which area of the business they want to specialise during the second year.

£171m contract on strategic link

Balfour Beatty Civil Engineering has won a £171m contract for improvements to the A46 in Nottinghamshire.

It has been awarded by the Highways Agency under an Early Contractor Involvement (ECI) design and build contract for a 17-mile dual carriageway between Newark and Widmerpool.

The scheme, which is expected to start in 2007 and take two years to complete, will complement the dualled stretch from Newark to Lincoln which opened last summer.

The A46 is a strategic link between the M1 and the A1 in the East Midlands. "This upgrade will improve safety, traffic flows and benefit the region's economy," says Highways Agency Chief Executive Archie Robertson.

It is the fourth ECI contract let to Balfour Beatty by the Highways Agency, one of the others being the A303 scheme at Stonehenge.

Exploring the world for market opportunities

Ian Negus joined Balfour Beatty in November 2003 to fill the newly created position of Commercial Director. Initially Ian's focus in this role is to look at a number of aspects of Balfour Beatty's business to review the extent to which it can expand its present capabilities into potential market opportunities in areas that the Group has not exploited yet or may not be as well equipped to tackle as it would like to be.

"Markets are evolving continually and Balfour Beatty continues to look ahead to position itself for future market opportunities," Ian says. "As such, initially, I am concentrating on two specific activities.

"The first relates to the fact that Balfour Beatty is a major, strong and experienced player in the PFI/PPP sector in the UK. My brief is to see how we can best take the skills and knowledge that we've acquired there into the international arena, to the extent that there is a relevant and appropriate demand for them.

"Given that there are now more than 200 countries on the world atlas, the first task is to narrow the field down to those countries whose political, economic, legal and social climate lends itself to the sort

of cooperation we have in mind. Also, Balfour Beatty's presence on the ground is another key consideration, which is why I am talking with the relevant operating companies.

"The second area that I am exploring currently is the provision of support services to clients. Here again, are there potentially fruitful market opportunities that Balfour Beatty could and should be pursuing but which are eluding us, for example, because of the way our organisation has evolved?

"I therefore want to look at the existing skills base with an almost forensic eye and, with the involvement of that skills base, try to answer questions such as: What is it that we are actually doing? What are the components of our work? What patterns of work and of usage of resources reveal themselves? Could these ingredients be shuffled, shared or repackaged to broaden our product range and better meet product demand from the market?"

In tackling his new job, Ian Negus will be able to draw not only on extensive experience of major capital projects in the UK and internationally but also as a Contractor and as an Investor/Developer.



Ian Negus: new role.

Website given a new look with more information

Balfour Beatty has redesigned its corporate website to provide more information and make navigation easier. One of the new features is an alerting service, which allows visitors to register to receive the latest financial information via e-mail or mobile phone text message.

Details of some of the current projects can be found in the *At Work with Balfour Beatty* section. This aims to give a flavour of the company's capabilities.

The site also includes improved search facilities for details of individual operating companies around the world, and the use of drop down menus means that visitors can go straight to the page they want from the home page.



Rail renewals contracts may top £500m

Rail renewals contracts that could be worth more than £500m over five years have been won by Balfour Beatty Rail Infrastructure Services.

The contracts, which were awarded by Network Rail in April, are for plain line and switches and crossing renewals across the Southern Region and in East and West Anglia, including London North East.

The contracts are worth an estimated £113m in the first year, with an option to be extended for a further five years.

Safety tracker set to work

Following successful trials last year, Balfour Beatty's new system for recording and monitoring safety, health and environmental (SHE) incidents has gone live throughout the rail business and will be rolled out to all other operating companies during 2004.

Tr@ction is a web-based system that provides secure access to a shared SHE database of accidents, incidents and associated actions from any internet-connected PC, anywhere in the world. It also manages actions arising from inspections, audits, risk assessments, HazOp and safety behaviour studies.

The easy-to-use system enables the Group to identify trends, share experience and identify future improvements. This will help to reduce operational risks, promote best practice and develop focused prevention programmes.

Rescue from a life of crime

Six inmates at a prison in the north of England are looking forward to the prospect of a job as soon as they get out, thanks to Balfour Beatty Utilities.

The company is running a 13-week training programme that will bring the inmates from Wymott Prison in Preston up to NVQ level 1 and NRSWA standards for working on gas distribution networks. Those who successfully complete the course will be offered work with National Grid Transco's major contractors, including Balfour Beatty Utilities.



Jude movie role

◆ Balfour Beatty Civil Engineering played a part in Jude Law's new movie.

The company got into the act during the filming of a remake of the classic 1960s film *Alfie*. Jude Law (third from left), who plays the part made famous by Michael Caine, is filmed riding his Vespa scooter to buy a bunch of flowers at a florists shop in New York.

The scene was shot on one of the streets of Liverpool, a stand-in for the Big Apple, where the company is renovating roads and pavements.

Top safety awards for rail work

The Balfour Beatty-Lam Joint Venture has picked up a prestigious award in recognition of its exemplary safety performance on the £106m Lok Ma Chau Terminus complex in Hong Kong.

The Kowloon-Canton Railway Corporation (KCRC) presented the award after the project team achieved the "Highest DNV Audit Score" over a six-month period from July to December 2003.

The International Safety Rating System of Det Norsk Veritas (DNV) is widely recognised in the industry as being one of the world's most demanding safety audit protocols.

The project team's level 7 rating is the highest possible under the KCRC scheme.

Project record

In the UK, the West Coast Main-line OLE Alliance team has also received a top safety award after establishing a new project record. Between July and December 2003, the team worked a total of one million site hours on Network Rail Controlled Infrastructure without a RIDDOR reportable accident.

For this outstanding achievement, the client awarded the project the Network Rail Route Safe Gold

Award. It is only the second such time the award has been presented on the West Coast Route Upgrade.

The achievement is particularly impressive because operations were frequently undertaken in the hours of darkness on short overnight track possessions or intense 24 hours/day blockades around Manchester.

Project Director John Dunwoodie said: "I am delighted with the success of the project's constant focus on ensuring safe working practices. Everyone on the project should feel proud of this achievement and their individual contributions in bringing it about – a real team effort!"

Success for innovative partnership

The North East region of Balfour Beatty Civil Engineering has entered the second year of a Strategic Alliance Agreement with Durham County Council in the north-east of England.

Balfour Beatty is the lead partner in a joint venture with Cumbrian Industrials, Ringway Highway Services and design partners, Capita and Babbie, to provide a multi-million pound civil engineering and environmental works and services programme over a period of five to seven years.

Its success has already attracted interest from other councils around the UK, who are looking to learn from the innovation and initiative shown by the alliance.

Chris Tunstall, the Council's

Director of Environment and Technical Services, said: "The County Council entered into this innovative partnering arrangement because of its commitment to Rethinking Construction following our experience of the types of problems associated with construction which Egan described in his report.

"This has meant a significant

change in the way that we approach our work but already we have seen a vast improvement in the delivery of the County Council's programmes. We are now focusing on maximising the benefits from integrated working throughout the whole supply chain and are beginning to realise the opportunities which this new approach is offering."



Kim Howells, UK Transport Minister (centre) opened Escomb Lane railway bridge when he visited the North East with Dereck Forster MP (left) and Councillor Ken Manton, Leader of Durham County Council.

Blackspot scheme speeds ahead

Kim Howells, UK Transport Minister, was presented with some good news when he visited a notorious accident blackspot in the north-east of England.

Balfour Beatty had made such good progress on the £5.6m A1 Stannington grade separated junction scheme that they were able to divert traffic off the A1 and onto a temporary, purpose-built two-lane diversion on the northbound and southbound carriageways ahead of schedule.

Following a briefing by the Highways Agency, the Minister took a walking tour of the southbound

carriageway works.

Stannington junction is an accident blackspot, because vehicles are able to cross the busy and fast flowing carriageways of the A1 via central reservation crossing points.

The improvements will see the construction of a motorway-style junction, with a cut and cover tunnel built under the existing road to provide access to and from Stannington village. When the junction is operational a number of central reserve crossing points will be closed.

The scheme is scheduled for completion in December 2004.

Linesmen's bravery is commended by Queen

Two Balfour Beatty overhead linesmen who risked their lives to pull three wheelchair-bound passengers from a burning ambulance on a motorway have received the Queen's Commendation for bravery.

John Balfe and Richard Testa were travelling along the M6 near Stoke in July 2002 when they noticed the private ambulance on the hard shoulder. Stopping to offer assistance, they discovered that three passengers were still on board.

With fire spreading rapidly through the fibreglass-bodied vehicle John and Richard climbed in and lifted each passenger to safety. The pair required oxygen afterwards, but were then able to continue on their journey.

For their action, John and Richard have also received commendation from Staffordshire's Chief Fire Officer and a Vodafone Lifesavers Award.

No plans to work in Iraq

Although there has been much speculation about Balfour Beatty's potential role in rebuilding Iraq, Balfour Beatty has no plans to pursue any construction business in the country.

"We decided last summer that we wouldn't pursue any construction work in the country," said Tim Sharp, Communications Director.

"Since then the security situation has remained volatile and the government and administration has yet to establish itself. Balfour Beatty is extremely busy elsewhere in the world and doesn't need to go into places on an opportunistic basis, especially places with such major uncertainties," he added.

In one interview, Paul Bremer, the US administrator of occupied Iraq, said it could cost up to \$100bn just to get Iraq up and running again. Some analysts estimate it will be five times that amount. The main contracts seem likely to go to US businesses, but many British companies are hoping to grab a share of the specialist subcontract work.

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Editorial Team:

Tim Sharp, Lynn Harvey and Marjorie Hooper
+44(0) 20 7216 6800

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