

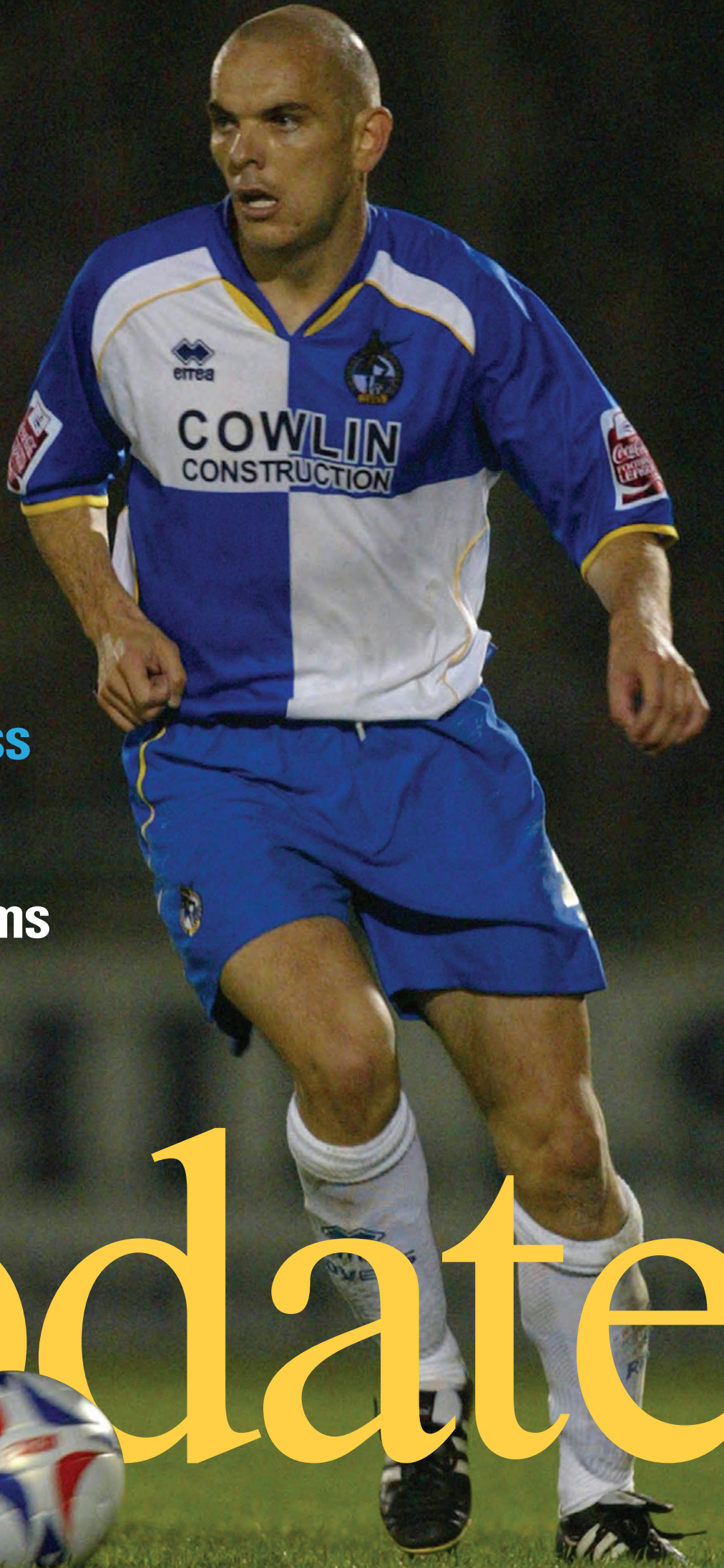
Balfour Beatty

**Cowlin joins
the premier
league**

Putting safety first

**Building on success
in California**

Helping flood victims



Update

The international news magazine for Balfour Beatty ♦ October 2007



©Getty Images

Cover picture: David Pipe, new signing for Bristol Rovers, who Cowlin Group sponsor

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Cowlin acquisition boosts opportunities for further growth

Balfour Beatty has completed the acquisition of the Cowlin Group, one of the UK's leading regional construction businesses, for £52 million.

The move is part of Balfour Beatty's strategy of extending its regional building and civil engineering operations, and will give the Group a strong presence in the South and South-West of England and in Wales.

"The UK construction and building markets are growing significantly, underpinned by government spending on infrastructure and by buoyant private sector investment," said Chief Executive Ian Tyler.

"With its strong relationships with both public and private sector customers, Cowlin is well positioned to take advantage of this growth, as are Balfour Beatty's other regional construction and infrastructure businesses."

He said that Cowlin was well established in regional design and build, construction and refurbishment markets, and had a strong management team that had made "excellent progress" in growing the business in recent years.

"Cowlin will provide a strong, established presence in an area where the Group currently has only limited coverage," he added.

"Given these factors, Cowlin is an excellent fit with Balfour Beatty Construction and Mansell. Cowlin is a well-respected brand with a quality reputation and a large secured order book, and its experienced management has a strong record of successful growth."

Cowlin at a glance

- The Cowlin Group is based in Bristol and trades as Cowlin Construction.
- It operates through regional offices in Bristol, Cardiff, Plymouth and Yeovil, and has wide sector coverage, with particular expertise in education, healthcare, leisure, residential, commercial and industrial property. Much of the business is done through long-term frameworks and partnership agreements.
- In healthcare, it constructs general hospitals, special care units and research and teaching facilities. In education, it has an extensive portfolio of work for local education authorities and universities.
- In commercial and industrial property, Cowlin is active in office developments, business parks, industrial units and headquarters buildings. It has over 50 years' experience in the luxury residential market.
- The company has around 300 staff and 150 directly-employed operatives. In the financial year ended 30 September 2006, Cowlin had a turnover of £185 million and pre-tax profits of £5.3 million.
- Confirmed orders for the current year are worth more than £200 million.



Heritage Centre, Chippenham



Children's Hospice, Wraxall



Capricorn Quay luxury apartments in Bristol



Filton Sports Academy, Bristol

A long and proud history of achievement

Cowlin Construction is one of the oldest construction companies in continuous operation within the UK, having been formed by William Cowlin in 1834.

Under the leadership of the following generations of the Cowlin family the business grew significantly and was formed into a limited company in 1924. A management buy out in 1989 brought an end to the family's involvement in the business.

As one of the largest contractors in the South West and Southern England and Wales, the company operates across a broad spectrum of market sectors including education, health, commercial, leisure and residential for both public and private sector clients.

Recent and current projects range from a £30m secondary school in Bristol; the £30m student accommodation and teaching facility in Plymouth; a £30m student accommodation project in Bangor; a £22m hospital in Rhondda; office developments in Swansea and Newport for the Welsh Assembly Government; £20m of residential care and nursing homes in Hampshire at Sway, Romsey and South Newton; a £9m children's hospice near Bristol; a framework contractor for the University of Plymouth; a £9m heritage centre in Chippenham; a series of projects at Bristol International Airport, and

waterfront apartments in Plymouth and Bristol.

Cowlin Construction has grown significantly during the past 10 years from a turnover in 1997 of £30m to £185m in 2006. Projected turnover for the current year is anticipated to be in the region of £210m. Much of this increase in turnover has been achieved by improving the company's market share in its traditional areas of operation, but also by expanding its geographical coverage.

In the past four years the company has developed its business in Devon and Cornwall with offices in Plymouth, Exeter and Truro and has expanded along the South Coast through its Southampton office.

The company's success has been recognised through a number of awards. For the past two years it has been a finalist in the West of England Business Awards and this year it was a finalist in the Building Awards in the category of Contractor of the Year.

Key to Cowlin Construction's success has been the strength of its management teams and staff.

Individuals have been recognised both on a regional and national level in the CIOB Site Manager of the Year Awards. The company has also been recognised by awards of four consecutive Gold Medals by RoSPA and holds ISO 9001, ISO 14001 and OHSAS 18001 Accreditation.

Merger creates UK's largest utilities provider

Balfour Beatty will create the UK's largest utilities provider by merging the businesses of Balfour Beatty Power Networks (BBPN) and Balfour Beatty Utilities (BBUL).

Balfour Beatty Utility Solutions will be formed following a review of operations to respond to fast-changing market conditions and customer requirements. Headed by Phil Brookes, the new business is expected to be established by the end of the year, and will have three business units.

Power Solutions will include the existing EHV Transmission and Cabling operations, and also encompass the National Grid Overhead Lines Alliance. The manufacturing arm, Painter Brothers, remains as a stand-alone business, servicing internal and external customers.

The unit will be headed by Tony Scott, who has had responsibility for Cabling activities within BBPN. Simon Pankhurst remains responsible for operations delivery and core existing UK and overseas transmission through Power Solutions.

In addition, as Head of Overseas Development, he will be responsible for the strategic development of the overseas business with the aim of growing it substantially.

Network Solutions includes the majority of Regional Water and LV/MV Electricity activities, where significant opportunities exist through geographical synergies between the two operations.

Colin Kelly, formerly Operations Director for BBUL, will head the unit, which also includes the former Distribution Services Division.

Integrated Solutions, headed by Jeff Lang of BBUL, will include existing contracts with United Utilities – AX4 programme and the Northern Gasworks Partnership – as well as the North-West Gas Alliance for National Grid.

The three business units will share the central support of a wide range of services provided from Derby and Sheffield.

As part of the operational review, it has also been agreed that street-lighting operations should transfer to Balfour Beatty Infrastructure Services (BBIS).

BBIS carries out highway maintenance throughout the UK. There is a growing demand for suppliers who can offer services in related fields and it is felt that the Group will benefit from combining these businesses as soon as possible.

Balfour Beatty
Utility Solutions



Phil Brookes

Chris is new legal adviser

Former joint head of the legal department at SAB Miller Chris Vaughan, (pictured), has joined the Balfour Beatty Group in the new position of General Counsel, reporting to Group Chief Executive Ian Tyler.

His role will be to help determine and direct strategy in the increasingly complex and demanding legal and regulatory environment in which the Group now operates.

Chris began his career with Freshfields Bruckhaus Deringer before undertaking senior legal and commercial roles with Six Continents, formerly Bass.



New business wins hit £200m

Gammon Construction, the Hong Kong construction group in which Balfour Beatty has a 50 per cent interest, and Balfour Beatty Rail (BBR) have secured £200 million of major new project work in Hong Kong, Singapore, Macau and China.

In Singapore, Gammon has been awarded a contract to design, construct and commission the new Chinatown Interchange Station. The £55 million project involves new station construction, crossing over the existing Chinatown Station, overrun tunnels and connecting tunnels to the adjoining Cross Street Station.

Part of Stage 1 of the new Downtown Line development, it is due for completion in 2013.

A similar-value project in Macau has seen Gammon awarded the contract for a retail podium and 42-storey, 2,000-room hotel tower for Venetian Orient.

Due for completion in the summer of 2008, it follows Gammon's successful delivery of the £230 million Venetian Macau Resort Hotel which opened in August.

Work has begun on a £33 million project to design and build four service reservoirs, a link bridge and a range of civil engineering work for the University of Hong Kong, due to be completed by September 2009.

In China BBR has been awarded a £35 million contract to design, supply, supervise and commission the catenary system for a new high-speed passenger line between Wuhan and Guangzhou by the Chinese Ministry of Railways.

The 968-kilometre double-track line will operate with speeds up to 300km/h, and will be completed by the end of 2009.

BBR has now been responsible for more than 5,000km of rail electrification work in China since 1999, and is currently working on the Tianjin-Shenyang electrification project.

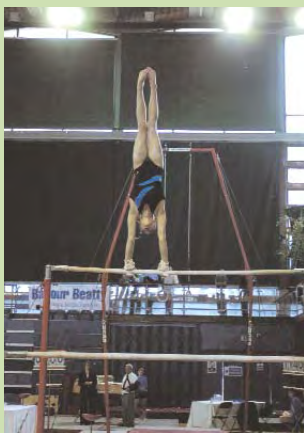


Venetian Macau resort hotel

More Youth Games for London

Following the success of its support of the London Youth Games in 2006 and 2007, Balfour Beatty has agreed to become the major title sponsor of this event for the next four years leading up to the 2012 Olympics in London.

London Youth Games was inaugurated in 1977 as part of The Queen's Silver Jubilee Celebrations. Now entering its 31st year, it provides competitive sporting opportunities for young Londoners representing the London Borough where they live or go to school and offers the company an excellent opportunity to strengthen its relationship with key decision makers throughout the capital.



Lighting is streets ahead



The streets of Derby are expected to become safer following a PFI lighting contract worth £36 million (see picture above). The 25-year concession was awarded to Balfour Beatty Power Networks (BBPN), by the city council. It is the Group's third street lighting concession. Meanwhile Balfour Beatty Infrastructure Services has been awarded a £5 million three-year street lighting maintenance contract by Wiltshire County Council.

Ross is top student

The Balfour Beatty Award for the Best Civil Engineering Student in the UK has been won by Ross McAdam from Oxford University for The Design, Build and Test of a Horizontal Axis Marine Turbine. Stephen Tarr, Managing Director, Major Projects Division, Balfour Beatty Civil Engineering, is pictured (right), presenting Stephen with the award at the Science, Engineering and Technology Awards dinner recently. The award is made by the Institution of Civil Engineers.



Devonport sales away

Balfour Beatty has completed the sale of its 24.5 per cent stake in Devonport Management (DML) to Babcock International for £86 million.

DML was established in 1987 to run the Devonport Royal Dockyard, which it acquired in 1997.

£136m hospital deal finalised

Consort Healthcare, the group's specialist healthcare concession company, and HSBC Infrastructure Fund Management have reached financial close on the £136 million Salford Royal NHS Foundation Trust PFI project in Greater Manchester.

The project is part of the "Northern Batch" scheme, which comprises both Salford Royal and a hospital for the Tameside and Glossop Acute NHS Trust, which has also reached financial close.

The development comprises 36,000 square metres of new accommodation and refurbishment of existing buildings, providing improved facilities for patients, visitors and staff.

In Salford, Consort will redevelop and provide new buildings on the existing hospital site under a 35-year PFI concession contract. It will procure the design, construction, operation and maintenance of a new acute hospital building, an education building and multi-storey car park, in all cases using group companies.

Close relationships

Construction will be carried out by BB Construction, Haden Young will perform all electrical and mechanical systems work and Haden Building Management will supply a range of facilities management services.

The facilities will include an education centre, emergency assessment unit, critical care unit and high dependency unit, and overall completion is planned for 2012.

Project Director Ken Clark said: "I'm looking forward to maintaining and building on the close working relationships we've developed with both hospital trusts."

See page 27 for more details of the Group's PPP projects.

Rail win worth £90m a year

Balfour Beatty Rail (BBR) has completed a major business win by being confirmed as one of Network Rail's four retained renewals contractors with two of the six losing their contracts going forward. The company will continue to be responsible for plain line and switches and crossings renewals across the South-East, under existing contractual arrangements that run until April 2009.

BBR has been responsible for these activities since 2004 under a contract worth around £90 million a year.

Peter Henderson, Network Rail's Group Infrastructure Director said: "By making these changes, Network Rail aims to achieve significant improvements in the delivery of our track renewals programme.

"By aligning plain-line track renewals and switches and crossings renewals and by working closely with our suppliers, we can deliver much improved quality, safety and efficiency.

"Long-term security for the successful contractors will enable us to create an environment where all involved can plan with confidence, promote innovation and invest in equipment and people."

Peter Anderson, Managing Director of BB Rail Infrastructure Services (BBRIS), said: "We are looking forward to working with Network Rail in delivering value for money and a top-quality product." See page 26 for an interview with Peter Anderson.



Back on track: Upgrading a line for Network Rail. Inset: Peter Henderson

Terminal 5 on track as projects near completion

Heathrow's new fifth terminal was successfully handed over to BAA, the airport's operator, bang on schedule on September 17.

This major milestone at Terminal 5 was achieved as a result of the successful relationships with key suppliers, such as Balfour Beatty, forming integrated delivery teams.

Balfour Beatty, working closely with BAA, has been involved with T5 for almost six years, drawing upon the Group's capabilities and expertise in design, management and delivery to ensure the successful completion of key elements of the project's infrastructure.

Group companies were responsible for the safe management and delivery of £450 million works at T5, including the direct delivery of £250 million of work.

The contract to provide rail and tube connections to T5 has gone well. The Underground project is nearing completion and is on schedule. It is the first extension to the London Underground network since the lengthening of the Jubilee Line in 1999.

The Piccadilly Line extension was handed over to London Underground in July 2007 and the Heathrow Express extension was on target for handover at the end of September.

As *Update* went to press Balfour Beatty was also on target to complete work at T5's new underground station, serving both the Piccadilly line and Heathrow Express.

T5 is due to open to the public on March 27 next year. Trials of both Underground and Heathrow Express services will take place until then to ensure all aspects run safely and reliably when passenger operations begin.

The Mayor of London, Ken Livingstone, described the handing over of the Piccadilly Line extension as "a major milestone" pointing out that passengers would benefit from faster and more frequent services.

Trial operations

"We have been playing an essential role in the completion of T5 and, in particular, the rail infrastructure," said Balfour Beatty's T5 Project Director Peter Leach.

"It was critical that we completed our work on time for T5 to be handed over for trial operations, which is the final phase before the official opening to the public."

In addition to the rail related works at T5 Balfour Beatty, through its specialist airport division of Mansell, has been responsible for the management and delivery of 100 toilets suites in both the main and satellite terminals, along with the construction of the links and nodes (FLaN's), from the terminal buildings to the aircraft stands.

Metronet in administration

In July, Metronet, the London Underground (LUL) Public Private Partnership concession in which Balfour Beatty had a 20 per cent interest, entered administration. The financial impact on the Group has been fully accounted for in the 2007 first half year accounts.

Although disappointing, this development does not affect Balfour Beatty's strong financial position nor its ability to grow in the future. Balfour Beatty's relationship with LUL remains good and the company is continuing to work for LUL through the administrator on the rail maintenance and renewal programme and on other specific aspects, most notably the project management of King's Cross Underground station.

Balfour Beatty remains committed to creating a world-class mass transit system for London and will continue to work with Metronet's successor and LUL as requested and required.



End of the line: Terminal 5

How Mansell helped Glasgow

Terror attack leads to rush repairs to terminal entrance

When terrorists struck at Glasgow Airport on the 30th June shocking pictures of a blazing vehicle rammed into the passenger entrance were flashed all over the world – as were images of one of the alleged attackers in flames.

When the fires had been doused and the crime scene team had gone, the airport had to get back to ‘business as usual’ – fast, and Mansell was called in to make that happen.

Update talked to Graham Ogilvie, Specialist Works Manager for the project, to ask him about the work that was required.

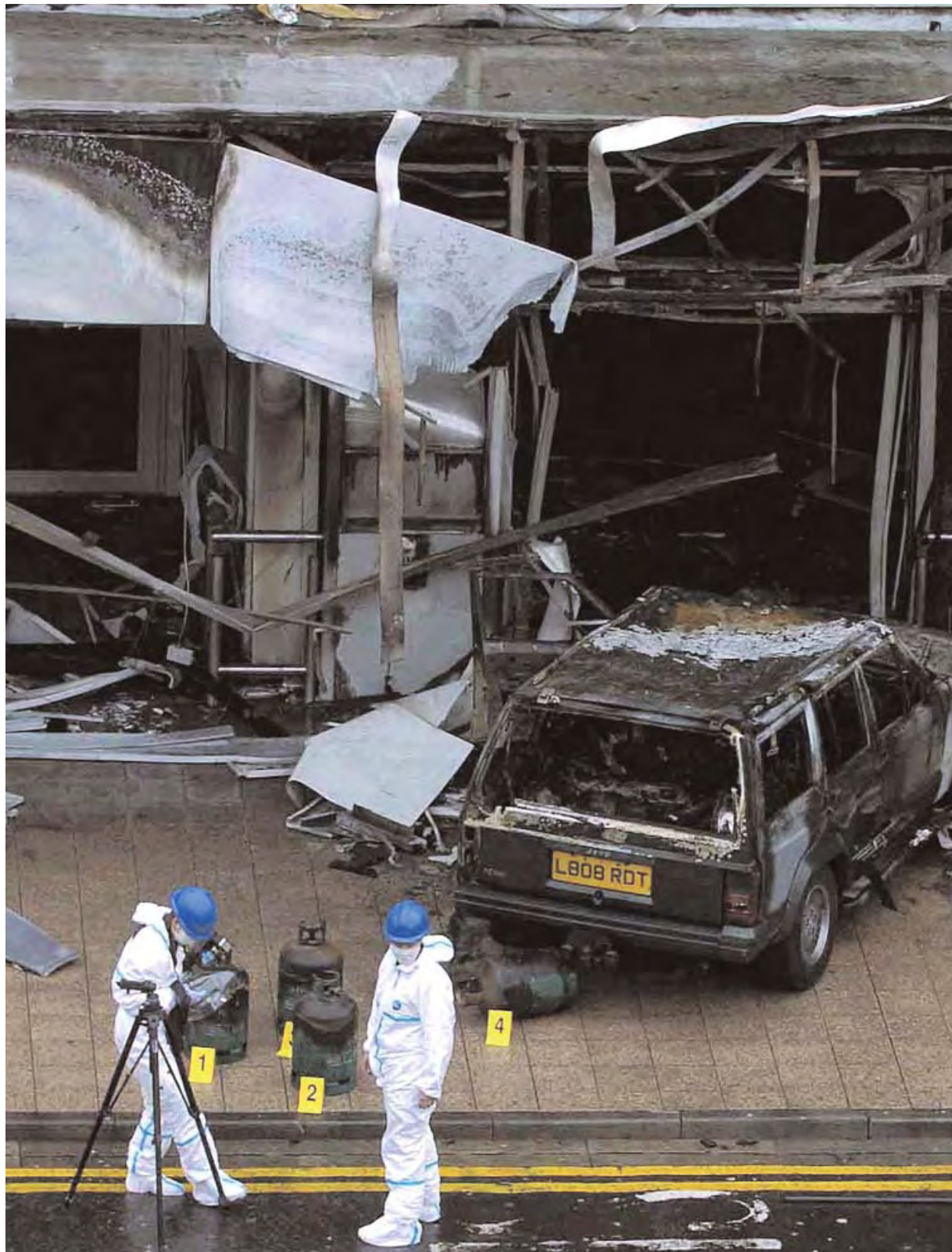
“Our first meeting was on the 4th July,” Graham said. “That was four days after the attack took place; the area was a crime scene prior to that point. The attack hit the left hand side of the double doors. The right hand side was mostly smoke damage. The airport maintenance team fixed that. We couldn’t get started until they were out of the way.

“The blaze did a lot of damage”

“The structural damage was not dangerous,” Graham continued, “the main structure of the terminal does not seem to have been affected. The fire cladding did its job. You can see from the pictures that the blaze did a lot of damage to the blast-proof walling and the secondary steelwork that basically supports the blast-proof wall.”

The gas cylinders in the car were filled with explosive, but, luckily, did not explode. Spectacular as the TV footage looked, it could have been far worse.

Graham continued, “The vehicle did a lot of damage to services, the fire fused a lot of them together. The only really significant damage was to the draught lobby, which is what these sorts of entrances are called. The difference between this and, say, a ram raid was probably the intensity of the heat. The attackers had fuel on board and one was splashing it around to create even more damage.”



BAA win helps Raynesway hit record turnover

Raynesway Construction has beaten off intense competition to win a ten-year framework contract with BAA, worth around £35 million, to handle all arising civil engineering maintenance and minor contracts at all three of BAA’s Scottish airports, Edinburgh, Glasgow and Aberdeen.

The company is predicting record turnover this year as it celebrates its 25th anniversary.

It has come a long way since it



Keith Moorhead

was founded in 1982. Then, the company specialised in targeting contracts of £1 million and under. Today, Raynesway’s ceiling for targeted projects has been raised to £5 million.

The rationale for creating the company was clear. Everyone associates Balfour Beatty with major projects, valued in the tens or hundreds of millions. To address the smaller end of the market, it made sense to set up a specialist

organisation which would build a brand in its own right.

In 1982, the company turned over just £1 million. By 1995, turnover had grown to £13 million. This year the company expects to break the £50 million mark.

Although Raynesway made its name largely in the public sector during its first decade - about 80 per cent of its work - the reverse is now the case.



airport take off again



Above: The blazing vehicle minutes after the attack.
Left: Forensic experts examine the scene

Given that a principal objective was to cause maximum damage, the attempt clearly did not succeed. Disruption was kept to a minimum. Mansell achieved a great deal in a very short space of time to ensure a swift and smooth return to normality at an especially busy time.

"We have replaced all the damaged steel work and we have taken away all the damaged curtain walling and formed a temporary access through to the terminal," Graham said. "This is to keep the airport running throughout the summer period. We are also involved in the more permanent repairs. This work is currently in design stage.

"It is going to be a very intense programme. It started at the end of summer and will be due to finish just before

“We finished four days earlier than planned”

Christmas. The work will be squeezed into about six or seven weeks. Lots of work will have to be done during night shifts. But the work on the outside, such as the curtain walling, will probably have to be done during the day. So it will almost be a 24 hour job."

Beyond the damage that needed to be repaired, Mansell had to be quick on its feet in terms of response and efficient and timely in its management of the project. As Graham Ogilvie points out, Mansell achieved all of these requirements.

"From our first contact on the 4th July, we were physically on site from the 9th," Graham said.

"We finished it all on the 27th, four days earlier than planned, and within that time we had to take on and motivate 11 different sub-contractors. We also had to source materials, such as tiles from Italy to replace the damaged paving tiles, the structural steelwork, the fireproofing and the stainless steel. At the moment it looks pretty good with everything working and we look forward to starting the second stage."

Today, more than 70 per cent of contracts won by the company are with private clients, such as the supermarket chain ASDA. Much is repeat business from large private sector clients with whom it has built up a long-standing relationship.

Motivated

Raynesway has a unique identity within the Balfour Beatty Group. While it is one of four regional businesses in Balfour Beatty Regional Civil Engineering Northern Division, it is the only one to operate under its own name and brand.

Keith Moorhead, Raynesway's Managing Director, believes the company's success over

the years has come from a combination of factors, but says: "People have undoubtedly been central to our success, and continue to be. Raynesway is fortunate to have a superb team of enthusiastic and motivated staff who run the projects and provide a professional management approach.

"This, coupled with strong financial controls and the company's ability to understand and deliver on clients' needs, has enabled us to continue to grow over the years."

The staff team are complemented by a workforce of 170 directly employed operatives and skilled trades people, who are seen as a tremendous asset to the company.

Birse integration going well as companies win business

A year after the acquisition, it has been a case of **A**so far, so good in the process to integrate the activities of the Birse Group into those of Balfour Beatty.

According to Marshall Scott, who was appointed Managing Director of Balfour Beatty Regional Civil Engineering (BBRCE) in April and who is leading the integration, there have been no unforeseen hitches and progress has been smooth.

It is a process that entails integrating not just people and their activities, but a corporate culture as well. Before the acquisition in 2006, Birse had devolved much of its business into smaller limited companies, many of which were competing against each other in the open market.

A major part of the process has been bringing these companies back together, with any that can't be totally integrated operating as agency companies.

Marshall has a goal of creating a Civil Engineering whole from the Balfour Beatty and Birse components that is greater than the sum of its parts.

Culture

"The signs are very encouraging," he says. "What we thought at the outset would be a good fit is proving to be so. We are sharing ideas and best practice and winning new work."

Birse was an attractive candidate for acquisition, Marshall says, because the "culture is very closely aligned to that of Balfour Beatty in terms of how people view what they have to do. It's also a very good geographical fit and is helping us towards our vision of achieving a ten per cent share of the market nationwide."

He adds that while there was inevitably some initial apprehension, former Birse staff have quickly taken to the new management.

It is intended to maintain the Birse name for the foreseeable future – "it's a good brand," says Marshall – and on some contracts, such as the East Luton Corridor Improvement Scheme, Birse Civils signs have replaced those of Balfour Beatty. Only the corporate colour has changed to Balfour Beatty blue.

Success

But there is no possibility of the two parts of the business competing against each other.

"We have challenged the marketing people to go and look at the white spaces where neither business has had a significant presence and to win new work in those areas," said Marshall.

"When we first acquired Birse, we looked at all the tenders on the radar and decided whether Balfour Beatty or Birse would go for them. We made it clear to our clients that they had to choose one or the other.

"So far it has been a success. Both Birse people and all those who worked for Balfour Beatty before the acquisition have taken to the new situation very well."

How help flooded in to assist victims of torrential rain



© Environment Agency

Waltham electricity sub station at the height of the emergency

Everyone, it is said, has the capacity to become a hero or to perform services beyond “the call of duty” for others. People from across Balfour Beatty demonstrated this when torrential rain swept the west of England in July causing widespread and, in some cases, unprecedented flooding.

All those involved would probably say they were just doing their job but they responded at extremely short notice when calls for help came in from clients, local authorities and government agencies. And they cheerfully “went the extra mile” to help.

Balfour Beatty Infrastructure Services (BBIS) was praised for its concerted relief efforts as flooding brought chaos to roads across the region, while a team from Balfour Beatty Utilities (BBUL) helped limit damage to one of the locations that featured most prominently in news reports, the Mythe water treatment works near Gloucester.

Mythe, on the banks of the Severn, supplies water to some 250,000 people in Gloucester and Tewkesbury. The latter was one of the towns worst-affected by flooding.

John Cooper, Contracts Services Manager on the BBUL Severn Trent Water (STW), AMP4 contract, was nominated as the point of contact through which Severn Trent Water would make any requests for assistance.

One such request was raised on the afternoon of

Friday 27 July, leading to John’s participation in an early morning conference call the following day between BBUL regional managers nationwide.

Together with his colleagues he then had just two hours to coordinate responses from throughout the country and draw up a list of personnel who could

Balfour Beatty people win praise for playing a major role in preventing flooding of key infrastructure and providing drinking water to thousands of people

quickly make their way to Severn Trent’s Mythe Water Treatment Works to help erect flood defences.

Although by this time the works had already been swamped and forced to stop pumping drinking water to local inhabitants, Severn Trent was anxious that no further inundation should hinder the work of restoring services.

By late morning, 20 BBUL personnel were en route from as far away as London and Manchester.

The men, under site supervisor Colin Paxton, threw themselves into helping erect 1km of barriers whose construction involved 2,400 tonnes of stone material, 1,000 metres of flood defence barriers, 6,000m of sheet polythene and thousands of sandbags.

So much material was required for the work that police closed the A38 road so it could be used as an impromptu storage area.

After working through the night, the team headed for some well-earned sleep at a hotel. Ready for a new bout of overnight work on Sunday, they were then told that the job had been completed so successfully that their services would not be needed.

However, that was by no means the extent of Balfour Beatty’s efforts to alleviate the crisis.

The company had already received calls from Severn Trent Water (STW) to send as many men and vehicles as could be spared to help keep emergency water supplies flowing to the hundreds of thousands of people ironically left without drinking water in the midst of the flooded landscape.

“Some of our local lads from our Redditch Office went to Cheltenham racecourse, which had been turned into a supply centre,” explained John. “Bottled water was delivered in bulk on pallets and was then deployed from there on to smaller vehicles. Other teams assisted in a ‘bowser watch’ on the



© Environment Agency

Sandbags on the banks of the Thames in Oxford

many tanks of drinking water that had been positioned around the area. They made regular rounds of the bowzers, many throughout the night, phoning in to a control centre when they found any to be empty for refilling to be planned whilst the traffic was at its lightest.”

Another major operation, this time based in the Stratford-upon-Avon area, ran in parallel and was managed on site by Paul O’Leary, BBUL’s Construction Operations Engineer from the Northwest Gas Alliance contract.

Stricken

The operation planned and organised overnight the mobilisation of 34 teams from Redditch, Manchester, London, Rugby and Peterborough regional offices, with their vehicles delivering supplies of bottled water to where they were needed.

Summing up BBUL’s activities during the emergency, John commented: “We are extremely proud to have helped in this operation, assisting the many residents in the Gloucester area who needed help in overcoming all the hardships and difficulties they were experiencing due to the shortage of drinking water. It was even more poignant to us that some of our staff in the Redditch office lived in the affected area.”

Elsewhere around the stricken area, BBIS people monitored the situation on the roads.

InterRoute ran a 24-hour ‘flood desk’ throughout the emergency, to help deal with the changing conditions on the network. The Bamfurlong depot lost its water supply immediately after the worst of the

flooding, but stayed operational to manage and maintain the network, and to help the emergency services.

InterRoute Area 2 was instrumental in returning the Highways Agency’s network to a safe state and in helping Gloucestershire Highways and other stakeholders, preventing the Walham electricity sub-station from flooding. This meant that critical power supplies were maintained to hundreds of thousands of Gloucestershire residents.

Highways Agency Chief Executive Archie Robertson visited Area 2 to see the devastation for himself, and met front-line staff at Bamfurlong, witnessing at first-hand the scale of the task they had faced.

He told them: “Congratulations on an incredible effort. I am very proud of what you have achieved.”

In Hampshire, BBIS distributed a large number of sandbags, particularly from Hook, after flooding affected the Yateley area on Friday 20 July. The same weekend, there was a call for help from West Berkshire Council for sandbags to help deal with a predicted rise in levels of the River Thames.

Staff from the Wokingham contract worked round the clock over the weekend to fill and place 13,000 sandbags, while keeping another 5,000 in its stores. The workforce was also involved in closing roads and pumping out water from houses, with staff operating on a 24-hour standby rota.

Praising their efforts, Steve Potts, Senior Highway Operations Engineer at Wokingham Borough Council said: “The Balfour Beatty Infrastructure Services team was excellent and dealt with a series of evolving problems over four days. I would like to thank all those involved.”

Staff from the same contract also helped the neighbouring Royal Borough of Windsor and Maidenhead’s direct labour force to fill sandbags.

Ron Godden of Hampshire County Council’s Emergency Planning Unit wrote after the crisis passed: “I was extremely impressed with your team, and their positive and helpful response.”

Abandoned

In North Yorkshire, the county council commended local staff’s efforts following a flood in Filey, which left two feet of water in many places. Personnel shut all roads into the town, put diversions in place, and filled and delivered sandbags.

Elsewhere in the north, Balfour Beatty Power Networks was also involved in emergency relief work to restore electricity in homes left without power after the floods hit.

The company’s Distribution Services team worked alongside the emergency services, re-directing all its resources from current operating contracts and co-ordinating resources from other Balfour Beatty companies, to urban areas such as Sheffield, Barnsley, Doncaster and Hull.

Teams from Distribution Services, supported by CE Electric, were mobilised the moment the water levels started to recede.

They faced the challenge of replacing and restoring electrical services in homes whilst moving plant and equipment around abandoned cars and accessing deserted houses as many residents fled to temporary accommodation. At times they had to pump out water from house cellars to allow them to work safely in this environment.

Distribution Services, helped by BBUL, restored electricity in more than 1,200 homes within a four-week period.

Operations Manager Robert Burns commented: “There was dedication, commitment and teamwork involved in overcoming this vast challenge to support communities badly hit by the devastating floods in the north. It was very rewarding to be involved in helping people get back to normal.”



© Environment Agency

Mythe water treatment works which had to be shut down

Project Liverpool

As the legendary city marks its 800th anniversary *Update* profiles five Balfour Beatty projects which have made it worth celebrating



The QE2 docked at the new terminal

Liverpool has just celebrated its 800th anniversary, a major milestone for any city – particularly one with such a long and proud history.

Balfour Beatty is also establishing a proud history in Liverpool. With five major projects currently underway in the city it was only right that the company should join the fun.

Three huge tower cranes at the massive £100 million retail-led Paradise Project which involves five Balfour Beatty companies, launched celebrations by hoisting a Happy Birthday Liverpool banner. It was appropriate that the Lord Mayor of Liverpool should start the celebrations on the site which resonates with the history of Liverpool and, in particular, its seafaring tradition.

Terminal advance

The world's most famous passenger ship, the QE2, docked in Liverpool in late September, the first major liner to use the city's new £19 million terminal. It was the culmination of two years' work for Balfour Beatty Civil Engineering (BBCEL) and is expected to mean a return to Liverpool for the world's biggest ocean-going liners.

The development includes a 350-metre extension to the Princes Dock landing stage, with the Pier Head footbridge being relocated to make way for a 75-metre vehicle bridge capable of handling passenger coaches and emergency vehicles.

The terminal was towed into place in sections from the Cammell Laird dry dock at Birkenhead, where tests that had originally been planned to take place in the water had been carried out.

"Apart from some slight snags, which meant the tests on some of the pontoons

couldn't be carried out in the water, and the issue of how soon we would be able to get fire and safety certificates, everything went to schedule," said BBCEL Project Manager Paul Brown.

"People here worked very hard to ensure that everything was ready for this milestone for Liverpool, the visit of the QE2."

Liverpool City Council believes that more than 25 cruise liners a year will tie up at the new facilities by 2009, generating 90 new jobs for the city. Up to now, large liners have had to berth in the centre of the Mersey and use ferries to take passengers to shore.

The QE2 was visiting Liverpool during a round-Britain cruise to celebrate the 40th anniversary of its launch, while Carnival, the world's leading cruise company, has announced that the Grand Princess, which carries 3,000 passengers, will call at the port four times in 2008.



Building Paradise

Work has begun on Liverpool's Paradise Project, a massive retail-led development that involves five Balfour Beatty companies in contracts worth more than £100 million.

The £920 million multi-use development, next to Paradise Street in the heart of the city centre, forms a major part of international property group Grosvenor's 42-acre regeneration programme.

It is due to be completed by November 2008, during Liverpool's term as European Capital of Culture.

Balfour Beatty Construction is acting as main contractor for the eastern part of the project, comprising 15 buildings including over 50 shops, 160 flats, commercial buildings and parking for 550 cars.

Balfour Kilpatrick's West Region has been

Birthday banners hang from tower cranes on the Paradise Project. Inset: artist's impression

awarded two contracts worth a total of £10 million for the supply and installation of HVAC, electrical and plumbing services on the eastern side.

Project Manager Michael Sheehan said that the work comprised the installation of mechanical and electrical services, including LV distribution, lighting, small power, ventilation, domestic services and smoke extract.

"Balfour Kilpatrick is also providing the site-wide electronic systems, including fire alarms, BMS, CCTV and security systems," he added.

Other group companies involved in the Paradise Project are Mansell, Balfour Beatty Civil Engineering and Stent Foundations.

Going green at the Capital of Culture

One of the cornerstones of Liverpool's preparations for its year as European Capital of Culture in 2008 is receiving significant "green" input from Haden Young, a Balfour Beatty company.

The Arena and Convention Centre (pictured), will be a major addition to the city's already famous waterfront skyline, a world-class venue that includes a 16,000-seat arena linked to a purpose-built conference centre.

Opening next year, it will be flexible enough



to accommodate events from rock concerts to ice shows and international sporting events, as well as a wide range of meetings.

According to Sir Joe Dwyer, Chair of Liverpool Vision, the body responsible for regenerating the city centre, the development of the Arena and Convention Centre is "a decisive step in transforming Liverpool's national and international status."

Haden Young's building services contract includes the responsibility for equipping the complex with green technology.

"We will be installing a system to make use of recycled rainwater for flushing toilets," said Marketing Manager Tim Waldram.

"Other features Haden Young is installing include a sophisticated energy saving lighting control system, low energy lighting and presence detectors which mean that empty rooms won't be illuminated.

"This is a very large facility and a significant part of the Year of Culture programme."

Tropic of Merseyside for Haden Young

With its extensive links with UN organisations, national governments and non governmental organisations (NGOs), Liverpool's School of Tropical Medicine has a worldwide reputation for excellence in the fight against disease.

The first centre of its kind in the world (it was founded in 1898), it welcomes 500 students a year from more than 70 countries, including doctors, nurses, health managers and scientists.

Now it is building a new Centre for Tropical and Infectious Diseases, and Haden Young, as building services contractor, is responsible for all mechanical and engineering services.

Haden Young started on the £5.25 million education and training facility in the summer of 2006 and is expected to finish work later this year.

The company is building category 3 laboratories – facilities working on infectious diseases are categorised according to the level of isolation necessary, category 1 being the lowest level – as well as fitting out the labs to the highest specifications.

"The new laboratories link into the existing facilities, and we have to work without interfering with the work that's going on in there," said Marketing Manager Tim Waldram.

The school's mission is to promote improved health, particularly among the people of the least developed countries, and it recently received a \$50 million grant from Bill and Melissa Gates specifically to help research into malaria.



New centre takes shape

Training by degrees

Haden Young has had a partnership with the Liverpool Community College for the past 14 years with the college training the company's students, in a jointly developed course, towards their foundation degree in engineering.

The qualification enables them to study for an honours degree course at the city's John Moores University.

The company also contributed to the college's facilities when it designed and installed services for new laboratory and lecture room facilities to the Service Industry's Training Centre, which was built in 2003.

New business wins total \$1.7bn

The Group's US subsidiaries – Balfour Beatty Construction (US), (BBC), Balfour Beatty Infrastructure Inc (BBII), and Heery International – have secured new work with a total value of more than \$1.7 billion.

The largest are BBC's contract to construct a \$300 million plus office and hotel complex for Bank of America in downtown Charlotte, North Carolina and Heery's project to design and build a new \$230 million correctional institution at Berlin, New Hampshire, for the Federal Bureau of Prisons. This is one of the largest public works projects ever undertaken in the state.

Heery has also completed the acquisition of Miami-based design and architectural project management company Sequeira & Gavarrete, who have programme management responsibilities for the \$2.6 billion North Terminal Development and are the architects for the \$300 million intermodal car rental facility at Miami International Airport.

BBC has been awarded three other major contracts, totalling \$444 million, under the \$30 billion Base Realignment and Closure (BRAC) programme. Under BRAC, the US Army Corps

of Engineers has awarded the National Geospatial Intelligence Agency New Campus East to a joint venture of BBC and Clark Construction. The \$334 million Integrated Design-Bid-Build contract is for the construction integration phases services and construction of the site, the central utility plant and a data center. When all options to the contract are exercised by the government, the total contract will exceed one billion dollars.

Disney contract

Elsewhere, BBC has won a \$140 million contract for housing at the major US Army recruitment and training centre at Fort Jackson, South Carolina, and a \$160 million extension of Disney's Animal Kingdom, in Orlando, Florida.

BBII has secured new highways projects near Austin and Houston in Texas and near Los Angeles, together worth more than \$200 million. The largest is a 10-mile four-lane stretch of highway linking US183 and Interstate 35 near Austin. The \$93 million Folsom canal project started on the Sacramento river in northern California in July.



Building a dam for a drinking water project on the Sacramento river at Folsom



Built with pride: the innovative healing centre in Pensacola

Unique medical facility nears completion in Florida

A unique new medical facility that will be used by both serving and retired military personnel is nearing completion in Florida – despite the best efforts of Hurricane Katrina to thwart it.

The Joint Ambulatory Care Clinic, designed and built by joint venture partners Heery International and Project Managers Consultants, is being built at the US Navy's Corry Station, Pensacola, and is scheduled to open at the end of October.

The 205,000 sq ft two-storey facility includes a 39,000 sq ft primary care clinic and a 10,000 sq ft physical medicine and rehabilitation centre, as well as a pharmacy and dental clinic.

Resources, which are close to an existing naval hospital, will be shared by the US Departments of Defense and Veterans Affairs.

"We've deliberately avoided designing for specific personalities and instead designed for functional flexibility," said Heery Vice-President Mike Tomy. "This allows departments literally to change overnight should the need arise."

One of the most striking design features is the photo murals that portray national pride and pride in the armed forces.

"Photos are being selected that suggest freedom, patriotism and teamwork as a way of inspiring patients," said Mike. "Given what so many of the vets have experienced, we realise how

important it is to create a healing environment."

The facility has also been designed in a way that will allow it easily to be extended. Departments with high growth probability, such as radiology and physical therapy, are on ground floors or have roofs that will allow vertical expansion.

Hurricane Katrina, which hit the south-eastern states of the USA two years ago, caused major headaches for the project.

"The storm caused the price of drywall, steel and concrete to skyrocket," said Mike. "We put in a tremendous effort to maintain the integrity of the budget – and I'm happy to say we succeeded."

Building on success in California

California Dreamin is back at the top of the charts, this time at Balfour Beatty Infrastructure Inc (BBII), as the company seeks to play a key role in tackling the state's growing water and highway infrastructure needs.

It is predicted that the population of California, already the most populated state in the United States, will grow by almost a quarter over the next 20 years, and the current infrastructure will not be able to cope under that sort of pressure.

The two biggest problems, according to a report by the University of California's Institute of Governmental Studies, are water resources and the roads. There is not enough fresh water and not enough water treatment facilities, while the roads, pounded by the most congested traffic in the country, are crumbling into disrepair.

BBII has seen it coming, and over the past 10 years it has switched the focus of its operations in California from the declining bridge and seismic retrofit activities in the San Francisco Bay area to the water market in Northern California and highways projects in the south of the state.

It has won four of the past seven bids for water projects in the area, including the City of Roseville's \$32 million Granite Bay water treatment plant

We want to be ready when new opportunities arise

expansion, which was due to be completed in October, three months ahead of schedule, and Roseville's \$33 million Dry Creek wastewater treatment plant.

The other two – the \$121 million Freeport water intake facility and the \$93 million Folsom south canal connection project, where work has recently begun – are both being carried out for the Freeport Regional Water Authority (FRWA).

Another song in the BBII repertoire could be *(Southern) California Here We Come*. Because the aim during the next 12 months is to replicate its successes in Northern California to the Los Angeles and San Diego areas of Southern California.

That involves boosting the company's local estimating capabilities and project resource base in the San Diego and Los Angeles areas. "We want to be ready when new opportunities arise," explained Bill Ogle, Western Region Senior Vice President.

Several high profile highway and bridge projects are currently being carried out in the Los Angeles area, including two adjoining ones totalling \$160 million in Inglewood and Culver City on I-405 near Los Angeles airport. Work has also begun on a \$20 million I-10 bridge rehabilitation project near downtown.

In addition, BBII has entered into several successful joint ventures with FCI Constructors, the California-based subsidiary of Flatiron Construction Corp, for projects above \$100 million. The companies are working together on the \$200 million I-5 Buena Park highway project in Los Angeles, while two adjoining managed lane highway projects worth \$160 million on I-15 north of San Diego in Rancho Bernardo are nearing completion.

Bill Corn, BBII's Area Manager in Southern California, commented: "As we build up a strong project resource base in the area I'd like to raise our sights on winning stand-alone projects in the \$150 to \$175 million range."

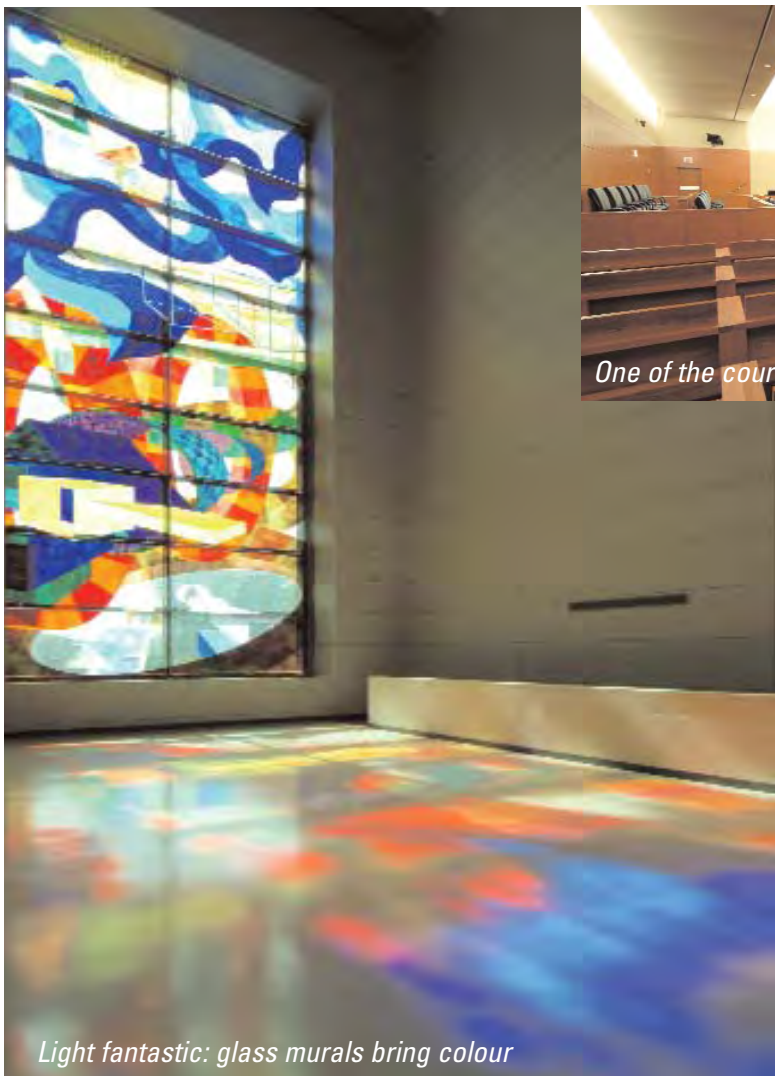
1-10 bridge rehabilitation project in Los Angeles



Heery courts success in Orlando



Judged a success: Orlando's new courthouse



One of the courtrooms

Light fantastic: glass murals bring colour

The growth of Orlando may be good for those involved in the Florida tourist industry but it has proved something of a headache for the city's legal framework.

The Middle District of Florida is one of the busiest federal court districts in the whole of the USA; in 2006 it dealt with more than 8,700 civil and criminal cases. The case load per judge is around 20 per cent above the national average.

But help is at hand, with a new 300,000 sq ft courthouse just opened next-door to the existing facility by Supreme Court Judge Clarence Thomas.

The new courthouse has been designed and built by Heery International, which recently secured the

design and build contract for a new \$230 million federal prison at Berlin, New Hampshire.

"A great deal of attention was given to the fact that the courthouse site would border both our burgeoning downtown and a low-income neighbourhood," said Project Manager Robert Egleston.

"It would have been easy to build a skyscraper, but that would have dwarfed the community and angered residents. The goal was to create a facility that helped transition the downtown corridor to the smaller-scale neighbourhood."

The building incorporates a five-storey atrium topped by a calibrated metal sunscreen, as well as a massive glass window mural created by the abstract painter Al Held and five smaller glass murals.

"The cherry louvres framing each individual glass piece not only add richness to the atrium, but function as the facility's smoke evacuation system as well," said Robert.

The project has been completed on time and within budget, despite challenges that included determining solutions to soil contamination and designing sound-proofing systems.

"We've also had to deal with four separate hurricanes," said Construction Administrator Julie Newberry. "The worst, Hurricane Charlie, undermined the building's foundations.

"But we were able to take action immediately and minimise construction delays."

This Oracle has all the answers for delivering efficiency across the Group

How unifying computer programmes is streamlining operations

Oracle ERP may not mean anything to many readers but it is already helping to transform Balfour Beatty's operating efficiency and is bringing benefits to everyone who works for the company.

A new team of Information Technology (IT) and business experts has been appointed to manage the business change programme and a key element includes integrating the computer programme Oracle ERP (Enterprise Resource Planning) across the whole Group.

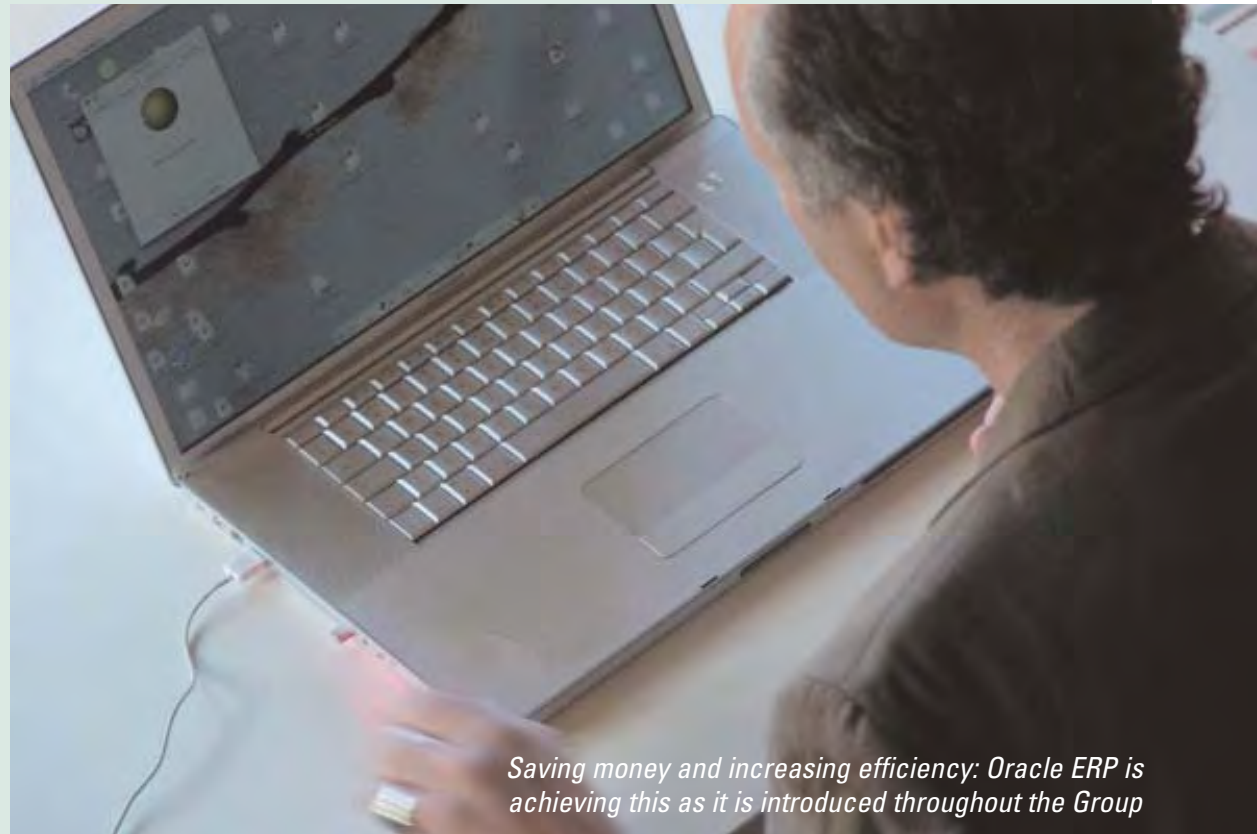
Reporting to Darryn Warner, our acting Chief Information Officer, Marc von Weber is Programme Director for the Oracle ERP Programme and Jason Savage is Programme Management Officer.

Challenge

Oracle ERP is an integrated suite, designed to replace all disjointed systems and to introduce efficiency returns, including a reduction in repeating data input. It comprises many systems such as financial ledger, payroll, plant hire and human resources.

For example, there's a recruitment server which means that external candidates can see vacancies, apply for them and their CVs are automatically matched and if appropriate, sent to the human resources department. *(See Recruitment feature on pages 28-29 for more details).*

As Marc von Weber explains, the programme saves money through efficiency. "For example, if one of our smaller operating companies has 10,000 invoices a year – it might cost in the region of £40 to £60 to process each invoice. With ERP, we can automatically



Saving money and increasing efficiency: Oracle ERP is achieving this as it is introduced throughout the Group

match and process invoices, bringing the cost down to, say £10 an invoice – that's a saving of between £3m and £5m.

"Our challenge is to make sure that the ERP solution realises these efficiency and accuracy savings while also delivering additional benefits in terms of management information and reduced time to

business. For example, in the rapid set-up of joint venture businesses. In addition, we have to make sure that the new system scales-up such that performance remains constant as we add more and more operating companies in the years to come."

Oracle ERP is already live in six operating companies – Balfour Beatty Construction (BBCL), Balfour Beatty Civil Engineering (BBCEL), Balfour Beatty Infrastructure Services (BBISL), Balfour Beatty Ground Engineering (BBGE), Balfour Beatty Utilities (BBUL) and Balfour Beatty Power Networks (BBPNL) and a number of joint ventures.

Deliver

The project, like all significant change programmes which have an impact on technical and organisational arrangements, has not progressed without its fair share of problems.

The new team will review the entire operation and structure it so that the remaining operating companies and new acquisitions can join the system, without any performance impact, in the coming years.

Marc von Weber says: "The current system has a number of issues that must be resolved so we can deliver the solution across the Group. We have a system used by nearly 3,000 people that has been developed for three years. We have to make sure we don't do anything to disrupt the current users."

Meet the team managing the programme



Darryn Warner is acting Chief Information Officer. He joins Balfour Beatty on secondment from Pricewaterhouse Coopers and will report to the Group Finance Director, Anthony Rabin. Darryn will work with the senior management of the group to develop the group-wide IT strategy, while governing the Oracle ERP Programme activities headed up by Marc von Weber.



Marc von Weber is Programme Director specifically for the Oracle ERP Programme. He is an independent senior programme consultant with ten years' consultancy in extensive business and IT change programmes including two implementations of the world's largest database systems of their type.



Jason Savage is Programme Management Officer. He joins from Balfour Beatty Management and previously Balfour Beatty Rail, where he worked most recently as the Change Manager for Balfour Beatty Rail Infrastructure Services. He also worked on the Network Rail-led national improvement team, tasked with delivering Network Rail's Track Renewals efficiency programme.

Profits up to £76m and

In the first half of the year, the Group's pre-tax profits, before exceptional items, were up by 36 per cent to £76 million. The Group's order book benefited from the addition of Balfour Beatty Construction US but suffered a reduction in work from Metronet, leading to an overall increase of 20 per cent since June 2006.

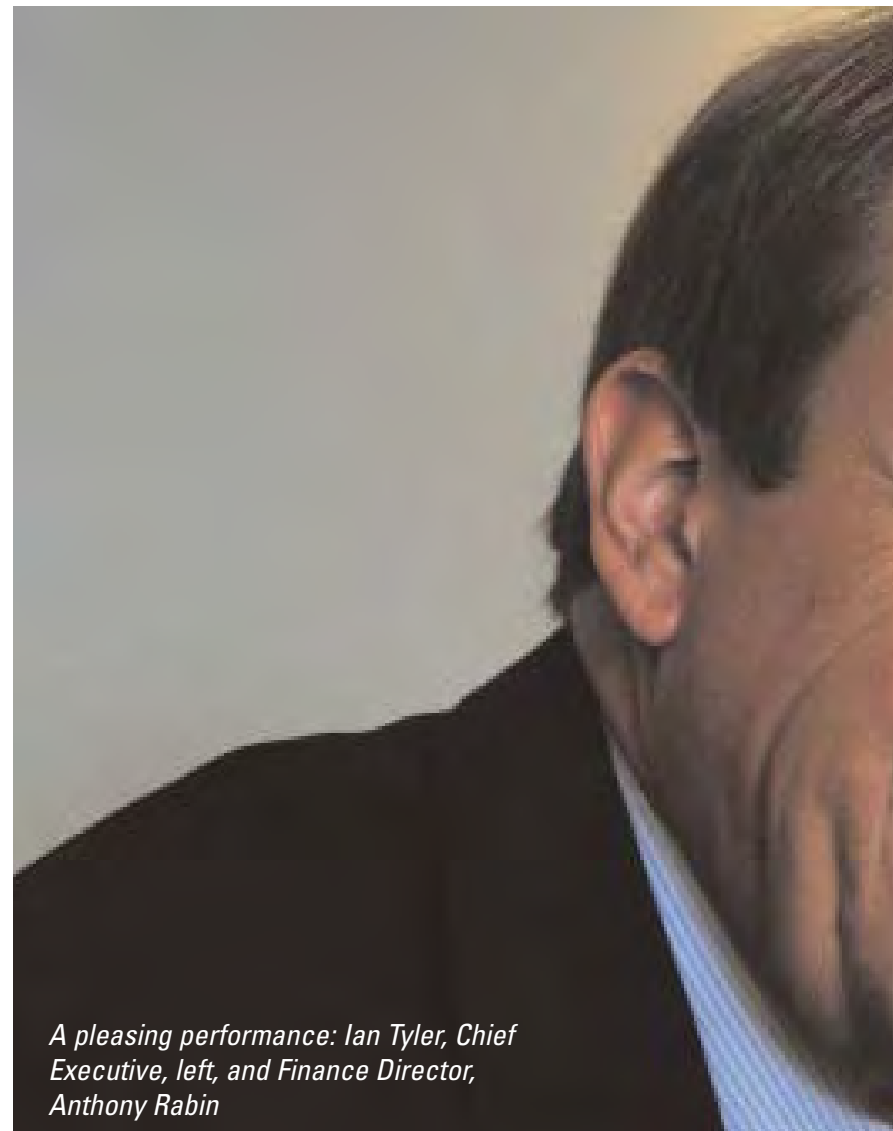
In their statement to shareholders, Chairman Sir David John and Chief Executive Ian Tyler, wrote:

"It is pleasing to report a first half year of particularly strong profit and earnings growth, coupled with a further significant strengthening of our cash position and growth in our order book.

"With our workloads continuing to increase, projects progressing well and a full six months' contribution from Balfour Beatty Construction US, we anticipate further good progress in the second half of the year."

While he agreed that developments at Metronet had been disappointing, the Chairman pointed out that future earnings growth has been considerably enhanced with the acquisition of Centex Construction, now renamed Balfour Beatty Construction US, Exeter airport and a number of other small but important niche acquisitions.

Speaking to *Update*, Ian Tyler gave us his view of the results and reflected on the first six months of 2007.



A pleasing performance: Ian Tyler, Chief Executive, left, and Finance Director, Anthony Rabin

Financial Highlights

	2007 first half	2006 first half	% change
Revenue including joint ventures and associates	£3,505m	£2,719m	29%
Pre-tax profit from continuing operations*	£76m	£56m	36%
Adjusted earnings per share*	14.2p	11.4p	25%
Interim dividend per share	4.6p	3.9p	18%
Net cash before PPP subsidiaries	£479m	£353m	26%
Order book	£10.6bn	£8.8bn	20%

* before exceptional items and amortisation of intangible assets

order book hits £10.6bn



our other US companies, offers plenty of scope for exploiting new opportunities.

And what about Cowlin?

IPT: Cowlin, which was acquired in August, is another top-quality building firm. As we have said before, we want our UK construction businesses to be strong in all the regions, and in building, we were very much under-represented in the South West of England and in Wales. Cowlin solves that problem for us and I am sure it will improve further and continue to grow as part of the Balfour Beatty Group.

You have sold our 24.5% interest in Devonport which was profitable, why?

IPT: Devonport Management has been a very good investment for us and we are pleased to have played a part in its success. However, it was not a core part of our strategy and we received an excellent price for it from Babcock, as part of the process of the UK defence supply industry becoming more consolidated.

You have more cash than ever despite acquisitions – what will you do with it all?

IPT: We continue to review acquisition and investment opportunities in a number of areas. Having cash in hand means we can move when it is right to do so and we can afford acquisitions which help improve the Group when we find the right opportunities.

It must have been a relief to retain our renewals work for Network Rail?

IPT: Yes, and to be given the same scope and range of work under the new arrangements going forward is also gratifying. I believe Network Rail see us as one of their strategic long-term suppliers for a range of services and we look forward to helping them implement their plans in the future.

How do you expect the rest of the year to turn out?

IPT: All the signs are that we will have a very good year overall. The order book has continued to grow, and there are further major opportunities, including a number of projects for the Olympics, which we are looking at.

Any last thoughts?

IPT: Yes. With all the excitement of growth and acquisition, none of us must lose sight of the daily requirement to perform to the highest standards, to go on delivering what our customers want and to attend to all our responsibilities in the most professional manner possible. I'm proud to be part of such a successful and well regarded company as Balfour Beatty and I hope everyone else in the company is as well. Even so, there are plenty of things we could improve and I will be looking for the business to become even better in the future.

Q&A

It seems to have been a somewhat mixed six months for the Group?

IPT: Actually, I believe it was a particularly successful period. Profits exceeded expectations, our cash position – already strong – improved even further, our order book grew to more than £10 billion and we made a very important step-change in our presence in the US, when we succeeded in buying Centex Construction.

Of course the news that Metronet, in which we had a 20% share, had to enter administration was very disappointing, but the financial impact is contained and we are continuing to work directly for London Underground, through the administrator, on a number of aspects of tube modernisation.

What went wrong with Metronet?

IPT: Clearly, Metronet has been a very

difficult project. A lot of people worked extremely hard to make it work but in the end the financial sums simply didn't add up. Metronet did not have the money it needed to carry out the massive upgrade programme that London Underground required.

I believe Metronet failed for two reasons. First, not enough was known about the state of the system assets and the scope of work required at the outset. Secondly, the task was monumentally difficult and the financial structure and the mechanisms created to handle the uncertainty about cost turned out simply not to be up to the task.

We have a number of lessons to learn from our involvement in Metronet and we will learn them. Meanwhile, we are hopeful that we will continue to carry out a role in modernising the network in the future.

What is the importance of the Centex acquisition?

IPT: In the long-term we want our US business to resemble our UK business in size and in the range of things which it does. With Centex we have become a leader in the US building market with a well-managed, high-quality company – which not only is first-class in its own right but also, in combination with

Towards an accident-free business

How the Group is building an award winning safety culture

*Wired for action – and safety.
Scaffolders on the Firth of Forth Bridge*

The construction industry can be an exciting and rewarding sector in which to work, but it also remains one of the most potentially hazardous.

In 2006-7, according to Britain's Health and Safety Executive, there were 77 fatal injuries in construction companies, a total of 3.7 deaths per 100,000 workers. This is an increase on the previous year's figures and bucks the trend of a gradual, but significant, decrease in fatalities in the industry over the past 15 years. But this decline has been slowing.

By comparison, Balfour Beatty is continuing to improve its Accident Frequency Rate (AFR) year on year reducing it by 24 per cent in 2006 and recording a 58 per cent reduction since 2002. However this is not good enough as far as Ian Tyler, Chief Executive, is concerned. In a lecture on safety he gave at the Institution of Civil Engineers he said: "I have to create a business which in 20 years – perhaps only 10 – operates without any serious accidents. I need to go even further. I have to create a business in which there is no realistic likelihood of a serious accident.

"That *has* to be the objective of every business involved with any hazardous activity. No worker should be any more likely to be involved in a serious accident than he or she would be in a non-hazardous environment – say an office."

Three of the elements which are helping the Group work towards this goal are:

- staff leadership for safety and behavioural approach
- designing for safety
- learning from incidents

Balfour Beatty believes that the most important factor in driving safety forward is the individual leadership and personal commitment demonstrated by all staff. This, together with worker engagement forms the basis of the company's behavioural approach to safety and means it is consistently able to outperform industry norms, with 96 per cent of its businesses certified to Occupational Safety and Health Administration (OHSAS), standards.

In order to reach Balfour Beatty's ultimate aim to be accident free overall, many operating companies have initiated step changes to deliver an improving record. *Update* spoke to the safety



Health and safety is paramount



Above: Forth Bridge – an outstanding achievement



Right: Breaking the mould – staff get the road safety message

professionals to hear how they are doing.

Take, for example, the safety system adopted for the M25 project (amongst others) that Balfour Beatty Civil Engineering (BBCEL) has rolled out.

The decision to adopt this system for the M25 and other selected projects was taken following a briefing on the Behaviour Based Safety (BBS) concept in which the goal is to get ‘buy in’ from the workforce. This complements a management leadership approach with a system which involves participation by all members of the workforce.

Throughout 2004, the BBCEL safety staff engaged in a series of briefings and training days in order to become fully conversant with the BBS process. This was developed into a programme, christened ‘Take Care’ and introduced in each selected region throughout 2005 by the safety advisers.

The initiative was the brainchild of Bobby Brown, head of safety for Balfour Beatty Regional Civil Engineering (BBRCE). He said: “The key has been involving the workforce in safety and getting them motivated.”

This approach is well demonstrated on the Forth Bridge refurbishment project which Bobby says “is an outstanding achievement based on the camaraderie amongst the workforce” and won the team a Quality in Construction Award for Project Safety, earlier this year.

The “Take Care” initiative is currently on the shortlist for the *Contract Journal* Silver Helmet

Safety Awards which were due to be announced as *Update* was being printed. Balfour Beatty is also on the shortlist for the journal’s Contractor of the Year award due to the success of the programme.

The Group’s long term commitment to safety involves a whole range of initiatives, from straightforward safety messages and newsletters, to site visits and accident reviews. Balfour Beatty Infrastructure Services (BBIS) achieved a zero AFR on its Westminster contract in the year to March 2007 and puts this down to its ‘Take Care’

“This will take safety to the next level”

programme and near miss reporting. While the Interroute Area 4 team note that they have achieved 500,000 working hours without any major injuries since January 2007.

Balfour Kilpatrick has more than 100 sites in operation at any one time during the year with zero AFR. More impressively, Balfour Kilpatrick Hunterston A and B sites have achieved 10 years working since their last reportable accident and the Terminal 5 site completed one million man hours worked with only one reportable accident.

Balfour Beatty Utilities (BBUL) has made driving a key priority. Working with Brake, a registered charity, there is an increased awareness

programme to promote safe driving throughout the business. This resulted in the company winning the Company Driver Safety Award which recognises dedication to improving road safety.

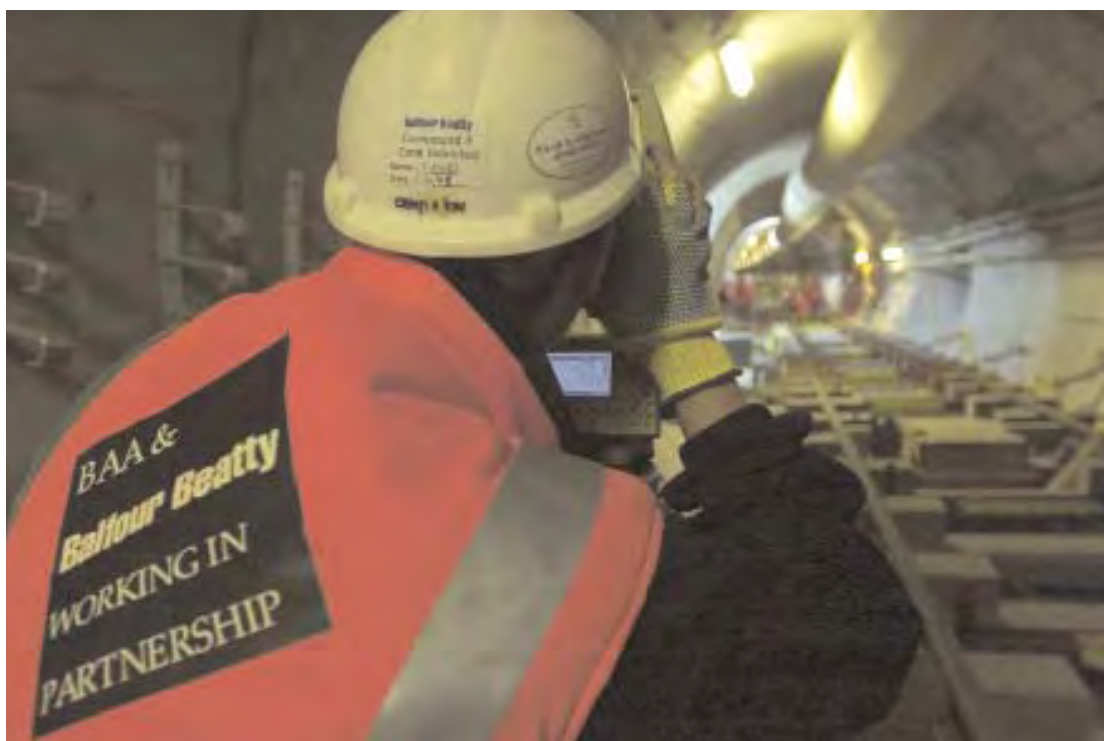
A leading children’s charity was able to benefit from an excellent Mansell safety record when its Northern team in Scotland, refurbishing ExxonMobil’s Aberdeen city centre offices, recording an accident-free period of three months. As an incentive to all those to continue to work safety, ExxonMobil give a cheque for £1,000 to Children 1st.

Fresh on the heels of its successful 10 hour Occupational Safety and Health Administration workshop, Heery in the US is getting ready to offer a 30 hour class.

“This will take safety to the next level,” says Corporate Director of Environmental Health and Safety, Darren Utecht. “We’re tailoring the class to fit our various disciplines.” It will be taught by Heery’s own safety professionals.

An “open approach” is taken to the training with project owners, town and city representatives and other project employees also taking part.

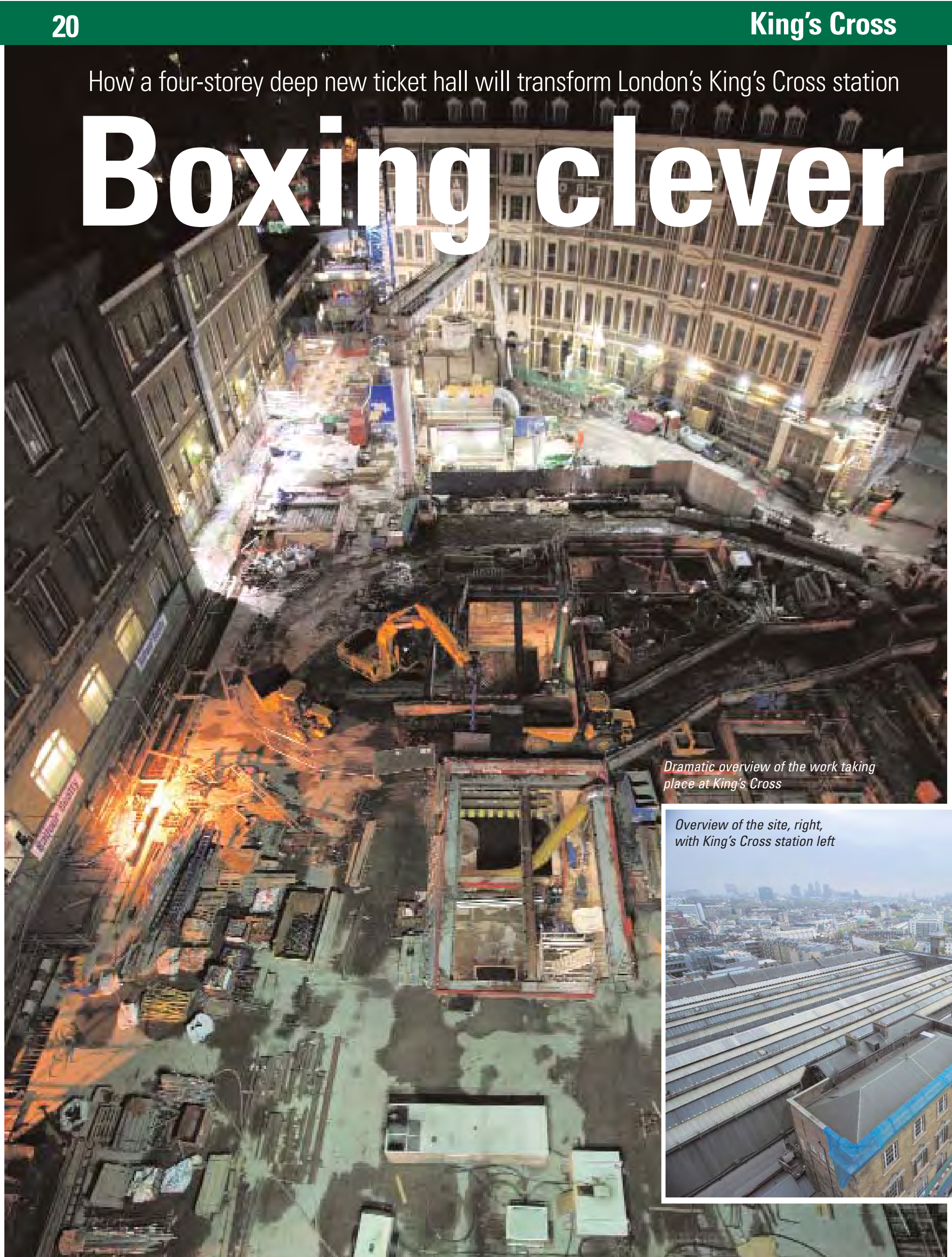
To attract and retain the best people, maintain its reputation, win bids and to successfully run and complete projects, a comprehensive approach to safety is critical. The Group will continue to encourage these and other innovative ways to deliver a safer and more successful place to work for its employees and the public.



Above or below ground safety procedures are a way of life for everyone within Balfour Beatty

How a four-storey deep new ticket hall will transform London's King's Cross station

Boxing clever



Dramatic overview of the work taking place at King's Cross

Overview of the site, right, with King's Cross station left



A steadily deepening excavation outside London's King's Cross Station is visible evidence that work is rapidly pushing ahead on the contract to construct the terminus's new Northern Ticket Hall.

The huge subterranean box will eventually be four storeys deep and, once fitted out with the new ticket hall, will increase King's Cross/St Pancras Underground Station's daily morning peak capacity by some 33 per cent. This will allow the Tube at King's Cross/St Pancras to handle nearly 100,000 passengers daily by 2011.

Work began in summer 2006 and is due to be completed in the second half of 2009.

However, partial completion next year will allow Network Rail, the owners of the mainline station, sufficient access to continue the overall redevelopment of the site.

Balfour Beatty Civil Engineering's Project Director, Duncan Thompson, rates the tight schedule as the project's biggest challenge. To meet it, work is going on around the clock.

This 24-hour working is possible because – remarkably, given the site's central London location – there are no residential properties within 250 metres of the site.

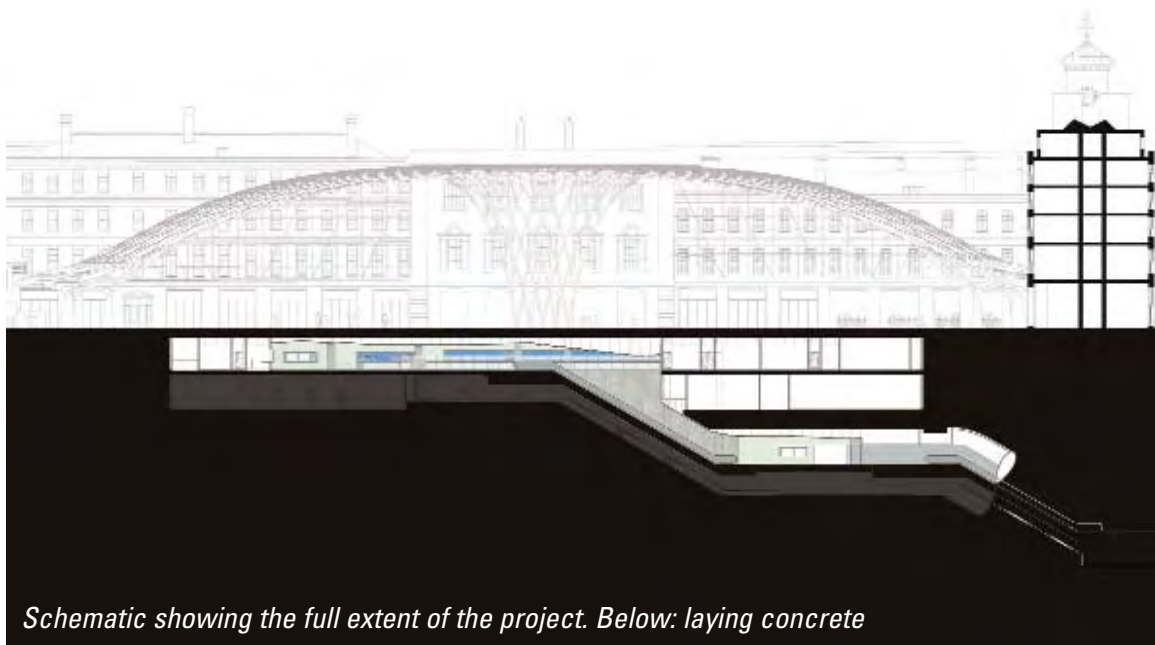
Scale of excavation

Neither does the noise issue pose particular problems for people working at the main line or underground station, says project Community Relations Manager Andrew Emmerson, as the excavation work is relatively quiet.

King's Cross' 'hole in the ground' lies immediately to the west of the existing mainline railway ticket hall on the site of an old parcels depot that was demolished some years ago. Ground conditions there are mixed.

The team has even come across old, disused railway tunnels below ground whose extent was not accurately reflected on plans of the area. That has meant bringing in heavy machinery to break them out.

The scale of the excavation means that it is not simply a case of digging a large hole, then building the four-storey structure from the bottom up; ground



Schematic showing the full extent of the project. Below: laying concrete



pressure would lead to the sides of the excavation collapsing and destabilising the foundations of the two adjacent stations.

So, the procedure is to dig down one level, create a slab of steel girders and pre-cast concrete planks in situ, then start digging beneath it, hollowing out another storey and repeating the process. The spoil is hauled to the surface, moved by dumper truck to the site's 'muck bin' holding area, then trucked away.

Tight timetable

The project is on-schedule, says Duncan, but the timetable is tight. In addition, there have been challenges caused by the very constrained nature of the site and considerable stakeholder involvement, which has led to multiple design changes.

Every square inch of the cramped site is being used and considerable care has to be taken to segregate people and traffic. At times, one truck is arriving every six minutes to haul away spoil or to deliver rebar and mixed concrete. To avoid obstacles and minimise traffic within the site, concrete is pumped from one side of the area to the other through a 52-metre 'elephant's trunk'.

All of this activity takes place against a background of operational Tube and mainline stations, whose workforces and passengers must be inconvenienced as little as possible.

For example, early enabling works required the relocation of an operational boiler plant room

underneath the western side of the station. The building above contained retail tenants, Network Rail and GNER train company offices. Switching off the boiler room's supplies to them was not an option.

This led to an intricately-planned procedure by the Balfour Beatty MCEL and Balfour Kilpatrick joint venture team, who used liquid nitrogen to freeze active water pipes in the boiler room while diversions were cut and plumbed in. Gas pipes were also capped and diverted.

New entrance

Anyone familiar with King's Cross will be aware that, for a major railway station, it has a surprisingly small forecourt and concourse. Indeed, this aspect of the station has not really altered since it opened in 1852.

But it will once Balfour Beatty has completed the structure of the underground box. Network Rail will move in on top of it and construct a major new entrance on the west side of the station under a curved glass roof that Andrew Emmerson describes as resembling "half the Millennium Dome".

Once that new entrance is in place, King's Cross will be able to play its full part in coping both with commuters and the crowds who are expected to throng the area as they make their way to St Pancras to catch the special 'Javelin' high-speed trains to the Olympic site in east London in 2012.

Quick facts

Balfour Beatty MCEL is leading the £115m project that will substantially increase the capacity of London Underground's operations at the famous old station.

The project team is constructing and fitting out a four-storey underground box, which will improve access to the Underground's Northern, Piccadilly and Victoria lines. It is also responsible for architectural finishes and a full range of building services.

The job involves removing 40,000m of clay, spoil and old building materials. The new structure that will sit in the excavated box will require some 2,000 tonnes of structural steel, 12,000m of concrete and 2,200 tonnes of reinforcement.



Focus on customer service has created a winning formula

How Balfour Beatty Construction (US) is defining itself by providing client satisfaction which is second to none

How do you continue to grow a successful business and take it to a higher level when there are so few significant factors to differentiate your business from the competition?

Simple, you identify what your customers really want and then make sure you deliver it – every time.

That's the formula for Balfour Beatty Construction (US)(BBC), formerly Centex Construction. By daring to be different, not in terms of the promises it makes, but in the experience it delivers for its clients, the company is building a bigger and more successful business.

As Robert Van Cleave, Chairman and Chief Executive Officer for the business explains, devising a methodology for being “different” and working out how to implement it took time.

“It's been an evolutionary process,” Robert said. “We have been implementing pieces of our differentiation model for a number of years, but packaging it as a whole and implementing it across our group as a holistic, overarching business approach is a comparatively recent development.”

Robert and his team had become frustrated that “whatever the high level of execution and effort was put into a project, we knew that when we went back to pitch for any new work, we would still be viewed as being technically even against the other top builders competing for the work.

“The assumption is that any top-tier builder will provide a similar level of capability,” explained Robert.

“So, when we looked back at our most successful projects and more importantly, our most successful client relationships (the ones where the client comes back to us time and again), we realized that the fundamental difference wasn't on technical expertise, but on the experience our clients have in dealing with us and the feelings they have along the way. This, then, became the bedrock for our differentiation model.”

It began with a vision

Taking this “experience” theory to heart, the company founded an internal motto which reads simply, but boldly of its vision, “To Differentiate Ourselves So Significantly That We Change the Industry.”

This statement became a catalyst for the company to evaluate every action, decision, or process against its philosophical prioritization on its people, customers, and the choices which set BBC apart from the competition.

“We set about doing multiple things to drive a



Daring to be different: Robert Van Cleave and Kenny Kwong

positive experience for our clients, moving from a contractor to a service provider mindset,” said Robert.

The unique nature of construction

One of the difficulties in terms of trying to create a methodology around client experience, however, is that every project, by its very nature, is unique. In addition, many of these projects take one, two or three years to complete.

“Plus, the stakes are so much higher. The project's value could be 20, 60 or hundreds of millions of dollars and the customer's reputation or job could be on the line if anything goes wrong.”

So, Robert and his team set about creating a company “Creed” that focuses everything the business does around a service/talent/choices approach. This became the litmus test now applied to every aspect of the company's business. The aim is to leave the client believing they have had the best construction experience they have ever had and to ensure this happens, “every time.”

Listening to clients

The challenge was how to implement company-wide consistency and rigour around the client experience model, while allowing each division the freedom it needed to operate in a local and decentralized manner.

“What we discovered,” said Robert, “was that, regardless of what and how our other departments do things, what really matters to the client is how our project teams perform in their day-to-day interaction with our customers. They determine what our customer thinks of us.”

This means the onsite project teams have to always get the equipment, talent, and support they need to ensure they can always more than meet our client's needs and expectations – helping them deliver on the company's brand promise.

But defining what that brand promise meant was critical to helping project teams consistently execute and deliver against it.



Setting the standard: Air Force Memorial at Arlington, Virginia

“We’re listening to clients . . . and showing continuous improvement”

So, early in 2006, Robert and his senior management team took the unusual step for a construction company of hiring a research expert who specializes in evaluating the customer “experience.” Thus Kenny Kwong was brought on board as their Experience Design Manager. Through his in-depth research and interviews with clients, architects, sub-contractors, and onsite operations teams, the company is better able to measure what client’s value, need, and want from their construction partner. The company has used this research to help build (or improve upon) existing processes within the company. From Kenny’s research, the company identified key customer requirements of predictability and certainty. This equates to the trust factor that Robert and his executive team believe is the core emotion at the heart of a strong brand.

Drawing the MAP

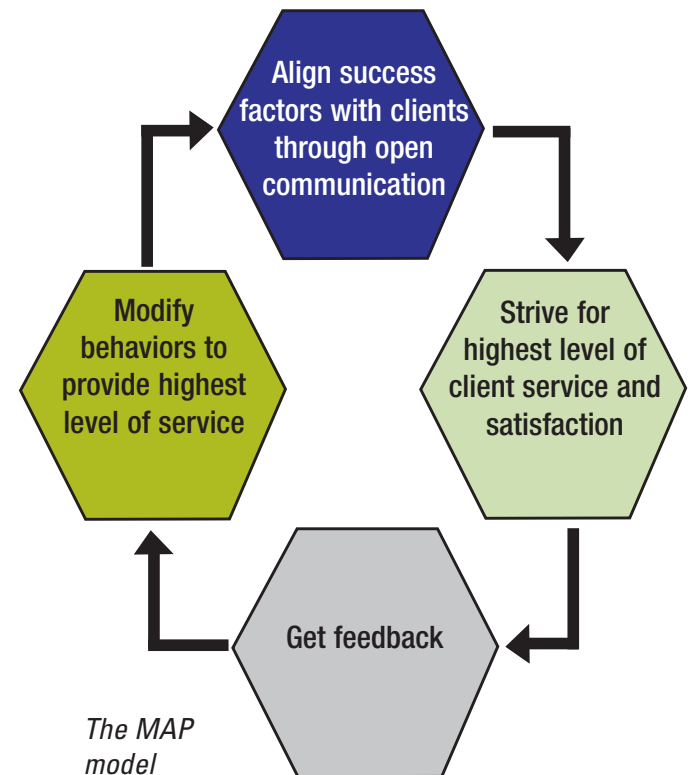
This led to the creation of a model to ensure that project teams fully engage at all times with the company’s aspirations of delivering on the brand promise – every time.

Towards this end, one of the tools the company created was the Mission Alignment Plan (MAP). And from the start, customers offered feedback that they’d never seen anything like it before. “It is definitely differentiating us,” said Robert.

With the MAP, BBC, finds out upfront (before a project begins) what the client needs, wants, and values most on their unique project and building programme. In addition to cost, schedule, and quality concerns, the company identifies what is really near and dear to their heart. “The answers can be surprising,” says Robert. Throughout the project, the company “checks back” with the client at regular milestones along the way.

“If we’re not hitting on expectations, we know it early and present an action plan to the client detailing how we will make it great,” said Robert.

The MAP score is built upon a five-point scale, with five being defined as “leading the



The MAP model

industry.” Living up to its bold differentiation vision, the company set a target score of 4.5. “This is a really high bar,” explains Robert, “and we did get some push back about it. But we said if we’re going to really differentiate ourselves in terms of the service experience, we have to strive to be the best and settle for nothing less.”

Of the 105 projects that participated in MAP last year, the company scored an impressive average of 4.3. But, even more impressive are the scores from the last 72 touch points with clients which delivered a 4.6 average.

“This showed us,” said Robert, “that MAP is working because our scores are improving over time.”

Robert is particularly encouraged about by the fact that “the two things our people now want to know when they visit a project are: who are the project team leaders and what’s their latest MAP score? We have really got buy-in across the organisation, which is terrific.”

The company also “put its money where its mouth is” and created an incentive (bonus) programme which is tied to how project teams perform on particular jobs. They have the opportunity to either increase or decrease their bonus by up to 10 per cent based on their MAP score.

And the measurement criterion doesn’t only apply to those onsite project teams. The MAP scores also affect bonus payments to business unit leaders through to senior executives in the company, further emphasising its prioritisation in every aspect of the business.

Being different, across the business

In addition to this focus on the project teams and their delivery onsite, the company continues to evaluate programmes across the business which support its model of differentiation.

Examples include the way in which it recruits, trains, and selects its people; the company’s focus on community involvement and charitable giving; and even the way it markets itself to clients and industry partners.

“We still have to compete on price and all the other criteria,” says Robert, “but I believe we are making great inroads at differentiating ourselves in terms of the service we provide and that it is being reflected in the quality of our customers and our backlog.”



North Carolina State University, Wolf Village Complex in Raleigh, North Carolina

£90m Malaysia project nears completion



The largest rail contract ever undertaken by Balfour Beatty Rail (BBR) in Malaysia – the Rawang-Ipoh Electrification Project – is nearing completion. Work began on what is also BBR's largest turnkey electrification project in South-East Asia, in 2001 and is due for completion by the end of this year.

The contract, which is worth £90 million to Balfour Beatty, involves the installation of 180 km of double-track overhead catenary system, plus a traction supply system, and as many as 500 staff have been employed on the project.

BBR is undertaking the work in a consortium with Siemens. The consortium is sub-contracted to Mitsui, who have the overall rail systems and supply contract with the Malaysian government.

The project links Rawang, 30 km north of the Malaysian capital Kuala Lumpur, with the country's third largest city Ipoh, to the north. The electrified track is designed to allow trains to reach speeds of up to 160kph.

BBR Malaysia Managing Director John Kirton, who was previously Project Director, said that employees had worked around two million man-hours without a serious or reportable accident, and he singled out Safety Manager Santhira Krishnan and his department for special praise.

He said the major challenge of the contract had been Malaysia's tropical climate.

"All the equipment needs to be 'tropicalised' to prevent corrosion in high humidity and high temperatures," he added. "Electrical storms are very frequent, so the erection of conductors at high levels can be hazardous.

"We have been using lightning detectors in the cabs of each team, and also temporarily earthing the conductors at frequent intervals using electrical jumpers."

Future prospects for BBR in Malaysia are good, with a number of projects in the pipeline, including the continuation of the double-tracking from Ipoh to the Thai border, part of a long-term plan for a rail connection between Singapore and China.



Steaming ahead: Malaysia electrification project nears completion

Merger puts rail in a strong position in Scandinavia

Balfour Beatty has become one of the leading privately-owned railway contractors in Scandinavia following its acquisition of Carillion Rail in Sweden and Carillion Rail in Denmark.

The two companies employ around 260 people, bringing the total Balfour Beatty workforce in the region to 370.

Carillion's major contracts currently include:

The Fors-Mjölby multi-disciplinary project comprising track work installation for 23km of single track, 14 switches, catenary installation, signalling and telecommunications.

Torebo-Heberg (Westcoast Line) multi-disciplinary project, a double-track

extension comprising trackwork installation, catenary installation, power supply and signalling.

Multi-disciplinary build-only contract Citytunnelbanan (Citytunnel line – Malmö)

The contract comprises railway infrastructure installation and includes new trackwork, power supply and catenary installation from Hyllie station to the Öresund Line as well as connecting the track at Vintrie. This is the first contract for Citytunnelbanan.

Maintenance contracts include 280km a track at Mälarbana, 164km Malmö-Ystad and 170km Boden-Bastuträsk.

Balfour Beatty Rail Managing Director Magnus Jonasson, who has remained in charge of the new expanded operation, is in the process of appointing a new management team, project manager and assistant project managers. Lars Nihlén, former Managing Director of Carillion Rail Sverige AB is project manager for the integration team to merge the two companies.

Balfour Beatty and Carillion had complementary activities and experience with power supply from Balfour Beatty and Carillion's maintenance capability, Magnus said. Both are active in multi-disciplinary projects, and the merger will improve their ability to serve customers.

"Our long-term aim is sound growth and profitability in the Nordic market," he said. "We believe the acquisition will allow us to become a stable player in the railway market with excellent resources both in terms of people and machinery.

"We have exciting times ahead of us."

Balfour Beatty Rail AB Managing Director, Magnus Jonasson (left), and Lars Nihlén, former Managing Director of Carillion Rail, Sverige AB and Carillion Rail Denmark AS



Edgar Allen switches to new site

Edgar Allen, the manufacturer of switches, crossings and other rail products acquired by the group in 2006, is on the move.

The company is to leave the site in Bathgate, in Scotland, that it has occupied for 100 years for a new facility 15 miles away at South Queensferry – with spectacular views of the two Forth Bridges.

Edgar Allen has bought a 33-acre site formerly owned by the electronics company Motorola, almost twice the site of the Bathgate works, and will spend the next 18 months fitting it out as a world-class precision manufacturing facility.

“The new site is within travelling distance for most of our 160-strong workforce,” said Managing Director Bob Laird. “We have guaranteed to Network Rail that there will be no dip in production as we transfer, and for a time we will have both sites running in parallel.

“The South Queensferry facility is being built with safety in mind, and we are designing out any potential hazardous operations.” “From an environmental point of view, we will be introducing a number of energy-saving measures, including heat recovery and waste recycling.”

It is expected that the move will be completed by the end of 2008.

Pony Express delivers new track

This impressive piece of plant is known as the Pony Express and it's been breaking new records as it gallops its way up Australia's east coast.

It has been playing a vital role since making its debut on the Australian Rail Track Corporation's (ARTC) £87 million North Coast Improvement Programme, which involves upgrading the railway line between Sydney and Brisbane to allow 1,500m-long freight trains to use the line.

The work is being carried out by the Transport Express Joint Venture (TEJV), a joint operation between Balfour Beatty Rail Projects (BBRP), (trading as Balfour Beatty Australia) and Laing O'Rourke.

With more than 500,000 existing timber sleepers to be replaced with new concrete sleepers, the Concrete Sleeping Project (CSP) represents the biggest element of the overall project. By the end of July, more than 130,000 of the timber sleepers had been replaced along the 800km corridor.

More formally known as the Harsco Track Technologies Pony Express, the giant piece of plant has been given its nickname because of the speeds it reaches as it removes timber sleepers, levels and prepares the ballast, lays the new concrete sleepers and threads the rails back in place.

Julian Sharp, Concrete Sleeping Manager, BBRP, said: “During July, the Pony Express achieved some exceptional results. In 22 days, 46,878 sleepers were laid at an average of more than 2,100 a day, with one particular day seeing in excess of 2,700 sleepers laid, equating to 1.8km of track.

“The average lay rate for the project approached eight sleepers a minute, compared with the previous benchmark achieved by the Pony Express of six sleepers a minute.”

The second CSP, which took place between Wiangaree and Casino, was also completed on schedule at the end of July. The third CSP, which involves laying a further 108,000 sleepers between Bonville and Grafton, began in August.



How Rail beat 6-4 odds to win contract



Peter Anderson

In September, Balfour Beatty Rail was confirmed as one of Network Rail's four renewals contractors following a rationalisation programme that saw the number of contractors being reduced from six. (See page 5 story).

To many people, the expression Six-to-Four may have sounded like the odds being offered on a racehorse, but for Peter Anderson, it was a phrase that dominated his first six months as Managing Director of Balfour Beatty Rail Infrastructure Services (BBRIS).

His arrival at BBRIS from Balfour Beatty Civil Engineering in February coincided with the start of the Network Rail 6-4 rationalisation.

“I had to steer the business through that complex process and try to ensure we came out at the other end as one of the four track renewal contractors,” he said. “For me, it was quite a severe learning curve.

“I didn't know the client organisation, I didn't really know much about rail, since most of my previous experience with Balfour Beatty has been major infrastructure contracts with a leaning towards roads. But I have an established team here and that gave me confidence that we would be successful.”

Peter's confidence wasn't misplaced and in September BBRIS was named as one of the four.

“We were delighted when the news came,” he said. “It was a tribute to everyone's hard work, and now we're looking forward to working with Network Rail to create a world-class rail system in the UK.”

BBRIS, which has its headquarters at Russell Square, in London, employs about 1,000 people and has annual turnover of £110 million. It delivers track renewals for Network Rail in the Anglia and South-East regions.

And while the Network Rail contractor rationalisation overshadowed everything else the business did during the first half of 2007, planning for life after 6-4 was also of paramount importance.

“We also had to have a response to the outcome of not being one of the four,” said Peter. “Obviously, our aspiration was to be retained, but even then we had to prepare for being awarded a different operational territory.

“A lot of the new business strategies we've been working on were dependent on the result of 6-4, and I was always confident that we would succeed. We couldn't have done any more in that area.”

Peter said that everyone in BBRIS had worked “incredibly hard” week after week, and had responded “tremendously well” to the challenges.

Reorganisation in the UK Rail business has seen the creation of a new operating company, and a new business is being formed by the merger of BBRIS and the Balfour Beatty Rail Plant business.

“It's a great time to be in Rail,” said Peter. “We are beginning to build on the strategies we've been developing, improving efficiency and working towards providing more joined-up services.

“A great deal of investment is planned and our prospects for the future are excellent.”

Health and education provision benefit as PPP projects pick up speed



Building Hope: how the new Salford hospital will look

Several of Balfour Beatty's public/private partnership (PPP) schemes in the UK recently reached financial close as the Group becomes increasingly involved in the medical and educational fields.

The biggest advance has come on the Pinderfields and Pontefract Hospital Development contract in Yorkshire, where Consort Healthcare – a joint venture between Balfour Beatty and the Royal Bank of Scotland – reached financial close on the £300 million-plus deal in late June, more than two years after being named preferred bidder.

The reason for the lengthy period before completion was a request from clients The Mid Yorkshire Hospitals NHS Trust, to undertake a redesign of both projects.

The 35-year concession will deliver a new acute inpatient hospital in Wakefield on the existing Pinderfields Hospital site and a new Diagnostic and Treatment Centre in Pontefract. Pinderfields will be a four-storey, 633-bed establishment, while Pontefract will have 54 beds.

Demolished

Construction will be handled by Balfour Beatty Construction (BBCL) and Haden Young. Building got underway in March under early works agreements.

The new Pontefract hospital is due to open in 2009 and Pinderfields in 2010, although some buildings (a pathology lab at Pinderfields, and one housing facilities management teams at Pontefract), will become operational in 2008.

Facilities management for all estates and facilities services (including catering, cleaning, portering, security, linen and laundry), will be provided by Haden Building Management (HBML), another Balfour Beatty subsidiary, under an arrangement that could yield more than £400 million of long-term service revenue – the largest healthcare services contract secured to date by the Group.

Both are existing sites, with current buildings due to be demolished and replaced. The project teams



A lesson in cooperation: an artist's impression of one of the planned Islington schools



will have the added complexities of working on operational hospital sites and building the new facilities while not disrupting medical staff. As *Update* went to press, the team behind the Northern Batch Hospitals project were celebrating the financial close of its work, which will see the replacement of several Victorian-era buildings. (See page 4).

Salford Royal NHS Foundation Trust will receive an acute surgical block and an education block in a £136 million contract, while Tameside and Glossop Acute Services NHS Trust will receive a Diagnostic Treatment Centre and an Elderly Mental Illness Unit.

The new facilities will be operational in mid-2012 and the third quarter of 2011 respectively.

Achievement

On the educational front, in Knowsley, Merseyside, the Group is working closely with Knowsley Metropolitan Borough Council (KMBC) as work gets underway on its future education strategy, where the new buildings will be classed as 'learning centres'. Seven learning centres will be built over a three-year period.

An advance work agreement has been signed with the council that enabled mobilisation to start in July and allowed the teams to begin clearing the sites. All the locations house existing schools, which creates potential difficulties.

Helen Wills, Operations Director, Transform Schools, said: "This is a bond funded project rather than a partnership with a traditional bank. The difference is that the construction of the schools is important, but secondary to supporting KMBC in meeting the Future Learning Vision – a true integration of learning with the built environment to bring the benefits of high attainment and achievement to the whole community. It is likely Balfour Beatty Capital will invest resources to support the council in meeting its ambitious plans."

In Islington, Transform Schools has been named preferred bidder for a £140 million project to renew the London borough's school stock. Negotiations on financial close are now taking place, with conclusion anticipated around January 2008.

The bid team has achieved the major milestone of securing validated planning applications for the project, which will see the construction or refurbishment of eight schools, plus two pupil referral units, in three phases out to mid-2012.

The project is Transform Schools' first full Building Schools for the Future contract, which will see the company establishing a Local Education Partnership in joint venture with the borough. In addition, Transform will become responsible for the facilities management services and, with partner RM Education, will design and implement a sophisticated Information and Communications Technology service.

Just the job

From 'pools of talent' to an innovative internet solution – how the Group is meeting the recruitment challenge

The UK engineering and construction industry is experiencing significant growth which means the need to attract and retain skilled employees is a key business issue.

This has been a growing issue for some time, but it is further exacerbated by major projects such as the Olympics and large scale government initiatives such as boosting the number of houses, building hospitals and improving infrastructure, all guaranteed to put pressure on an industry already starting to become stretched.

The risk for these schemes is not that they will fail due to lack of money, but rather a skills blockage may make them impossible to achieve.

For a large company like Balfour Beatty, with its global reach and many operating companies in different fields, such a skills shortage is going to be felt in many sectors, yet the very scale of the company means that several different strategies can be adopted in an effort to overcome this problem.

One simple solution is to recruit from overseas to make up for skills shortages. This has a long tradition in British industry and membership of the European Union has allowed the UK to recruit readily in new member states such as Poland as well as more traditional overseas areas.

Looking further afield, Balfour Beatty Civil Engineering (BBCEL) was able to attract four young men from India to take up posts in May this year. More locally, Balfour Beatty Utilities launched its first ever Young Apprenticeship programme in September to encourage young people to join its ranks. Working in partnership with North West Gas Alliance and Energy and Utility Skills, the programme is aimed at giving students a taste of an alternative industry to those usually covered in the curriculum.

In an innovative approach, Balfour Beatty Capital has come up with the concept of combining interviews with 'speed dating'. Rather than a formal interview and application approach, candidates are invited to social events and chat with existing staff about their work within the company, opportunities and life in general in the company. This is followed by a more in depth interview by HR staff looking at the specific job. Balfour Beatty Capital say they can get the process of first contact to job offer down to as little as two weeks and claims success in recruiting a

Balfour Beatty Rail Projects (BBRP) sent a team to Gdansk University to talk to civil engineering students about opportunities for work with some reasonable results. Four graduates have been recruited to start in September 2007 and Alan Carr, HR Development Manager at BBRP says he is planning to repeat the exercise later this year and in 2008. A team will return to Gdansk and the search will be further expanded with attendance at a careers fair in Krakow for the first time.

number of people this way.

Mansell's Nottingham office has been active too, engaging the pupils from the city's Big Wood School and introducing them to a range of opportunities, both on and off site. The Eastern team also participated in the Employability Skills Open Day run by Nottingham City Council.

Mansell's western team was not idle either, attending an Industry Challenge Day at Tudor Grange School in Solihull. Mansell's continued efforts to engage with younger potential recruits was recognised when they won 'Excellence in Training and Development' at the South London Business Awards.

Incentives to introduce a friend to the workforce are also encouraged at a number of operating companies including Mansell.

Balfour Beatty Infrastructure Services (BBIS) is working with the Construction Youth Trust to recruit young women into apprenticeships and an initiative with Hampshire Children Services seeks to encourage young care leavers to consider road maintenance as a career.

Of course the best long-term option is retention of

The best long-term option is retention of new members of staff in the early stages of their career

new members of staff while they are at the early stages of their career. Because of its size, its reach and the massive array of skills required, Balfour Beatty offers a path for career progression that is very attractive for graduates and school leavers.

BBRP is a good example. Individuals can take advantage of sponsored HNC or HND courses for signalling; four-year long Modern Apprenticeships provided by the overhead line electrification team; sponsorships for Foundation Degrees in Railway Engineering and schemes to recruit both engineering and commercial graduates.

Haden Building Management (HBML) says its biggest challenge is filling key operational areas where it is difficult to take on staff with the right mix of skills, so much of its focus is upon developing existing staff so it has the right team to take on more senior roles as they become available. "Pools of Talent" is the name given to the cross Haden operational succession plan.

Innovative methods of attracting talent in the Group is not limited to the UK, In the US, Balfour Beatty Construction launched a boot camp in its Florida division last year. While this is more of an "onboarding" programme than a recruitment drive, Louise Poirier, Vice President, Human Resources says its a tremendous selling feature when talking to some young out-of-college students new to



A talent to recruit. Clockwise from top left: Balfour Beatty Capital, Mansell 'taster' session; Boris Carrera at Balfour Beatty Construction's Florida Boot Camp; 'speed dating' with Balfour Beatty Capital; Welcome to Balfour Beatty; Kathy Tiedge from Heery, US, leads a teach-in at a elementary school



practice across the group through a recruitment and retention forum. This forum is made up of a number of operating company HR directors who meet on a regular basis to discuss their recruitment challenges. The recruitment and retention forum played a key role in identifying the benefits that an i-recruit system would bring to the Group.”

“What we were finding was we had operating companies sitting in the same building recruiting the same type of people, and other operating companies doing a similar thing,” said Paul.

“There was no sharing of recruitment campaigns. If one operating company had a shortlist of five, appointed one but had two other good candidates there was no system of co-ordinating these across regions.

“The i-recruitment system will allow external candidates to apply for jobs within the Group as a whole. People from anywhere in the country, or anywhere in the world, will be able to go onto our

website and will be able to see all the vacancies that we have and can apply for them. This may be by discipline, job category, location or by operating company. Their application form is internet based and it goes straight to that operating company. We are also developing a similar system for internal applicants.”

This online approach is not meant to supersede the current system but rather to enhance and streamline it as well as provide an alternative method of applying for posts within the organisation as a whole. The aim is to have a pilot scheme operating in Balfour Beatty

Infrastructure Services (BBIS) by the end of this year, followed by an assessment and review period to see if the system works and what changes may be needed. If all this goes well, the target is for all UK operating companies within the Balfour Beatty Group to be interlinked through i-recruitment by early summer next year. This, it is hoped, will maximise the organisation’s ability to access candidates in the most efficient and dynamic way possible.

With all these initiatives underway, it is clear that Balfour Beatty, not only recognises the growing industry-wide problem of finding suitable new recruits, but is already doing something about it.

As Paul Raby says Balfour Beatty is a people business and we must continue to improve our methods of attracting and retaining our people if we are to be the employer of choice in our business sector.

worklife and perhaps a bit intimidated about getting started working with a new company. Heery organise teach-ins at local schools to give students an idea of working life.

To cope with skills shortages in the Far East, Gammon seeks to identify quality undergraduates prior to them entering the labour market and provide intensive on-the-job training during summer placements. Each student is assigned a mentor who plays a dual role during and after the placement to provide guidance and advice as well as evaluating their potential to be offered a permanent role.

These are only some examples. As an organisation Balfour Beatty companies are looking a multitude of innovative ways to encourage the growth of the skills pool available. But there is also another side: accessing the skills pool in order to encourage skilled people to join the company.

It is here that the new i-recruitment concept comes into play. According to Balfour Beatty’s HR Director, Paul Raby: “The recruitment and retention of people, particularly skilled and those with particular leadership qualities, is the biggest barrier to our growth potential as an organisation.

“We are operating in a very buoyant market which can lead to a shortage of skills. To overcome this we are starting to look at how we share best



Charity begins at work!

Big-hearted fund-raising efforts raise more than £90,000 for charities

Balfour Beatty staff worldwide have been walking, running, jumping, swimming and doing many other things in aid of those less fortunate than themselves. Here we highlight some of their big-hearted charitable deeds.

Balfour Beatty entered a corporate team in the UK's biggest fundraising event, the Flora London Marathon, raising more than £20,000 for NCH, the Children's Charity. Fourteen runners from all over the country joined thousands of others in the 26.2-mile race.

NCH acting director of fundraising Myles Bremner said: "The Balfour Beatty runners succeeded far beyond our expectations. We're proud of all the staff teams who took part."

And there were some impressive times. A number of runners broke the four-hour barrier, including Andrew Richardson of Balfour Beatty Civil Engineering (BBCEL) (3.45), Stephen Spall of Balfour Beatty Capital (3.48), Balfour Beatty Construction's (UK) Steve Buckley (3.49), Balfour Beatty Utilities' Jim Goodchild (3.55) and Mitch Pugh, of Balfour Beatty Rail (BBR) (3.59).

Each of the runners had their funds matched up to £500 by the Group as part of the initiative to support the Group's preferred charity, NCH.

Staff from Mansell's Croydon office took part in another run – the British Heart Foundation's Hearts Run in Lloyd Park – and broke their own fundraising record.

Between them, the ten runners raised £1,238, more than double the amount they collected last year.

NCH was also the recipient of a cheque for £250 raised by Balfour Beatty Rail Projects (BBRP) staff taking part in the 36th annual Wild Ways Walk, in the Peak District. SHEQ Advisor Ian Davis and Signalling Product Manager Mark Smith undertook the 20-mile hike.

More than 400 Gammon and Jardine staff took part in the Hong Kong-Shenzen Western Corridor "Walk for Millions" to raise money for children's and youth services.

The Hong Kong section of the Corridor was built by Gammon, and the 230 Gammon Walkers carried company banners along the seven-mile route. The total raised by sponsorship and donations was HK\$130,000.

Eleven cyclists from Heery, in the US, took part in the 157-mile Courage Classic, a three-day event to raise funds for the Denver Children's Hospital, Colorado.

Balfour Beatty Construction (US) also sponsored the Courage Classic event. Ten employees participated in the ride. More than \$70,000 was raised for the hospital.

Haden Building Management colleagues have also been pounding the streets for good causes. In Scotland, Area Manager Willie Campbell ran the Fresh 'n' Lo half-marathon for NCH, while fellow Bathgate staff Stuart Waddell, Gary Brian, Roy Campbell, Gary Campbell and Phil Millar joined Willie in the NCH Charity Cup at Murray Park in June.

Caroline O'Connor, Training Administrator in



A team from Balfour Beatty Utilities (BBUL) plunged 15,000ft from an aircraft in aid of the road safety charity Brake. The 18 members of staff who did the freefall parachute drop raised more than £7,000. "It was an amazing experience," said Terri Foster, a member of the team. "Everyone in the team had a really fantastic day, and we'd like to organise another charity event next year."



Birse Civils North-West Commercial Manager Geoff Hand went to the beautiful Italian city of Verona to take part in a marathon. He had previously chosen Children with Leukaemia as his nominated charity and was able to hand over a cheque for £1,471. Meanwhile, colleagues from the Salford Rethinking Construction Framework Project got a soaking but still raised £400 for CRASH, the Construction and Property Industry Charity for the Homeless. The team took part in the annual Dragon Boat Race in Salford – and were the first boat to capsize. And Georgina Lilley and Louise Massey took part in the Race for Life in Heaton Park and raised £565 for Cancer Research.

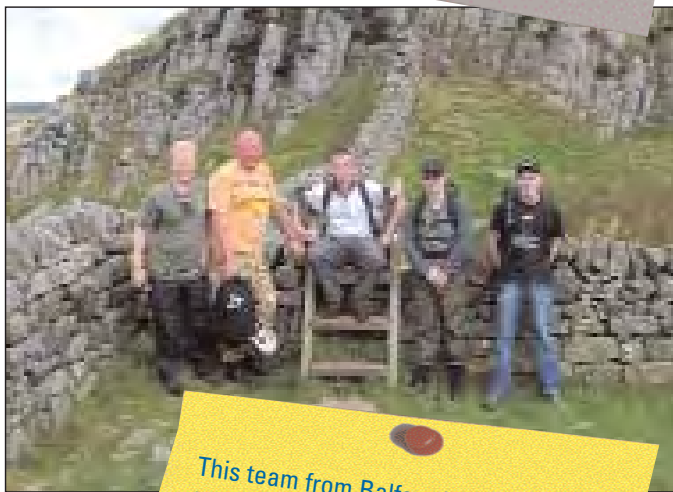




In July, BBCEL's Enrique Flores swam the English Channel in 13 hours 20 minutes to raise money for World Villages for Children and NCH. "It's certainly not for the fun of it," he replied, when asked why he had done it. "It's because of my admiration and support for people who dedicate their lives to bridging the gap separating a happy childhood from a less fortunate one."



In the US, Balfour Beatty Construction raised more than \$18,000 at their sixth annual fight night against cancer. Employees came together to raise money by taking part in arm-wrestling matches, raffles and a silent auction. This year's proceeds went to the Parkland Cancer Centre and Gilda's Club of North Texas.



This team from Balfour Beatty Power Networks (BBPN) Street Lighting PFI division, walked 85 miles along Hadrian's Wall in aid of NCH.



Celebrity guests helped raise an impressive £90,000 for NCH at the annual ball held at Henley Management College recently. Volunteers Claudine Reece from Balfour Beatty Management and Stuart Jackman, right, from BSR Metro are pictured with John Reavley

Bristol, braved the pouring rain to take part in the Race for Life in Cheltenham, and raised almost £400.

Haden Building Management's Adrian Sutcliffe, a scout leader in Luton, took part in a sponsored walk along Hadrian's Wall that raised more than £2,700, £1,000 of it for the Keech Children's Hospice.

The group, which also included Haden employee Helen Halsey, covered the 72-mile route in six days.

Teams from Mansell's Stourbridge and Croydon offices raised more than £8,000 by taking part in the Three Peaks Challenge – scaling Ben Nevis, Scafell Pike and Snowdon in less than 24 hours. A 17-member team from Balfour Beatty Construction (UK) Northern and Haden Young, currently working at Birmingham Hospital, also took part in the challenge in aid of NCH.

Stourbridge's efforts were in aid of the British Institute for the Deaf, the Mary Stevens Hospice and the Fire Service National Benevolent Fund, while Croydon supported NCH.

Highways Inspector Brian Pettit, of Balfour Beatty Infrastructure Services (BBIS), has since 1991 been raising funds through various activities in aid of the Kent Air Ambulance – and recently passed the impressive milestone of £40,000.

Balfour Beatty applauds all these efforts. If you have any queries about the Group's preferred charities, or how to apply for matched funding for NCH, contact Helen Baker, Corporate Communications Executive, on 020 7216 6911.



Check this out! Left to right: Brian Morrisroe of A J Morrisroe (left), Katie Ashton, Balfour Beatty Refurbishment, Rebecca Morek, from Marie Curie and Peter Clist, of Balfour Beatty Construction (UK), with cheques for £26,937 raised on behalf of cancer charities at a quiz night.

Why corporate citizenship makes good business sense

It is an article of faith within the Balfour Beatty Group that it aims to maintain high standards of ethical behaviour at all times throughout all of its operations. A new Business Conduct Guidelines booklet was launched at the beginning of last year and the company is introducing a programme to ensure all employees understand their responsibilities when they act in the name of Balfour Beatty.

The Victorians valued ethical behaviour highly. It was implicit in how they ran their businesses. The obvious examples are Rowntree, Cadbury and Lever Brothers. They believed their companies were very much part of the community and sought not only to make a profit, but to also improve the lives of their customers and employees.

But as businesses grew from family companies to multinational enterprises, the values of the founding fathers became lost behind the need to make a profit for investors and beat the competition for market share.

Fast-forward to today and improper business behaviour has become almost daily news, with the environmental and safety scandals of the 1980s, such as Exxon-Valdez, Chernobyl, Bhopal, Shell and Brent Spar; the financial scandals of the late 1990s and early 2000s, such as Enron, WorldCom, Barings Bank, and Martha Stewart; and human rights and supply chain issues earlier this decade: Nike and Gap being the most publicised.

From 2000-2002 press coverage of corporate responsibility increased more than 400 per cent.

The growth of the Socially Responsible Investment movement, the requirement of Pension Fund trustees to consider ethical issues and the launch of ethical indices such as FTSE4Good have all helped put ethics firmly on the business agenda.

Most importantly, to convince the cynics, doing business ethically also makes sound business sense. The IBE's publication *Does Business Ethics Pay?* revealed, for the first time in the UK, sound indicators that businesses which were run ethically performed better financially; clear evidence that an embedded ethics programme is the hallmark of a well-managed company.

We live in a fast-changing world in which companies are facing more and more complex dilemmas. The globalisation of business has highlighted the question of how a company can apply its ethical values to the different cultural societies in which it operates.

Equally, the dramatic growth and changes in



Bad people and bad business: protest against Enron

information and communication technology offers new dilemmas including human rights, data protection, and privacy. The global threat of terrorism stretches companies with regards to their duty of care of employees: how far must a company take its responsibility for the safety of its staff?

Environmental issues stretch companies more and more as they learn new ways to minimise their impacts upon the world in which they operate and on the resources on which they depend. As the media and public are now more aware of business ethics issues, organisations need to scrutinise all aspects of how they operate: from their relationships with their suppliers to encouraging diversity amongst their workforce; to how their business interacts with government through political donations and lobbying.

An IBE survey in 1988 shows that only 18 per cent of larger companies had codes of business ethics. This compares with a 2007 survey which showed at least 85 per cent of the FTSE100 and



In this guest column Philippa Foster Back, OBE, Director of the Institute of Business Ethics (IBE), explains the changes to corporate behaviour in recent years, the need for training and why behaving ethically makes good business sense.

60 per cent of the FTSE350 had ethics policies in place. However, even with companies starting to take ethics seriously, public trust in them continues to be low. Companies are finding that having a code of business ethics is not enough, in order for ethics policies to be effective, they need to embed their values deep within the organisation's DNA.

In recent research done at the IBE the question was posed: "why, despite growing numbers of companies having codes of ethics, does reported malpractice and poor corporate behaviour continue seemingly unabated?" There are two likely reasons for this paradox. The first relates to the corporate culture, and the tone set from the top; the second to ineffective ethics policies and programmes.

Leadership in setting the tone cannot be underestimated. Openness; courage; ability to listen; honesty; and fair mindedness are all attributes of an ethical leader. And leadership is not always just about those at the top. A determination to stamp out bad behaviour and a willingness to stand up and challenge the status quo is to be encouraged throughout organisations.

The most important feature in making an ethics policy effective is to assist employees through training, helping them to understand the company's policies and to 'live' them at work. That way companies can be confident that their employees understand that 'doing the right thing is the right thing to do'.

A benefit of being a responsible company manifests itself in the 'feel good' factor. Employees are able to feel proud of the company they work for, which in turn will lead to attracting quality staff, lower staff turnover and so forth. Suppliers and customers too, will want to align themselves on the basis that success breeds success. The company's reputation will be enhanced, usually feeding through to the share price, and lower costs of borrowing – all of which helps the bottom line.

Doing business ethically will make for better business. Companies recognising this are benefiting from a new level of engagement with all of their stakeholders.