

Government Construction Supplier Conference

19 January 2012

BIS Conference Centre, 1 Victoria Street, London

Programme

8.45 – 9.15	Coffee/tea on arrival	
9.15 – 9.30	Paul Morrell, Government Chief Construction Adviser	Welcome and update on progress re Construction Strategy
9.30 – 9.45	Stephen Dance, Head of Public Sector Markets, Infrastructure UK	Update on National Infrastructure Plan 2
9.45 – 10.00	Q&A re the above	
10.00 – 10.30	John Frankiewicz, Chief Executive, Willmott Dixon Capital Works	Developing the supply chain
10.30 – 11.00	Refreshment break	
11.00 – 11.30	Chris Slezakowski, Strategic Sales Director, SIG plc Wendy Frampton, Technical Sales and Omega Manager, Armstrong World Industries	Supply chain development – the supplier's role
11.30 – 12.15	Table discussions	On theme of supply chain development
12.15 – 12.55	Feedback to plenary	
12.55 – 1.00	Paul Morrell	Closing remarks
13.00 – 13.45	Sandwich lunch	



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Infrastructure UK

National Infrastructure Plan

Construction Supplier Conference 19 January 2012

Stephen Dance
Infrastructure UK





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Outline

1. A vision for the UK's infrastructure
 - a) Extensive performance and cost analysis
 - b) Long-term ambitions for each sector
2. Funding and financing infrastructure investment
 - a) New approach to private investment
 - b) New investment worth £2.7bn
3. Focusing on delivery
 - a) Prioritising major projects through a new Cabinet Committee
 - b) Bringing down costs in planning and through the Infrastructure Cost Review





1a. The vision – performance and cost analysis

Sector	Evolution of performance since 2005	Evolution of cost since 2005
Major roads	↑	↑
Rail	↑	→
Airports	↓	↑
Ports	↑	↑
Electricity	↑	↑
Gas	↑	↑
Communications	↑	↓
Water and sewerage	↑	↑
Waste	↑	↑
Flood risk management	↑	↓

	Capacity access and availability	Asset or capacity utilisation	Service quality and reliability	Asset condition
Major roads	→	→	↑	↑
Rail	↑	↓	↑	↑
Airports	↓	--	↓	--
Ports	→	↓	↑	--
Electricity	↑	↑	↑	↓
Gas	↑	↑	↓	→
Communications	↑	--	↑	--
Water and sewerage	↑	↑	↑	↑
Waste	↑	↑	↑	--
Flood risk management	↑	--	--	↑



Source: HM Treasury analysis.



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Transport



Energy



Communications



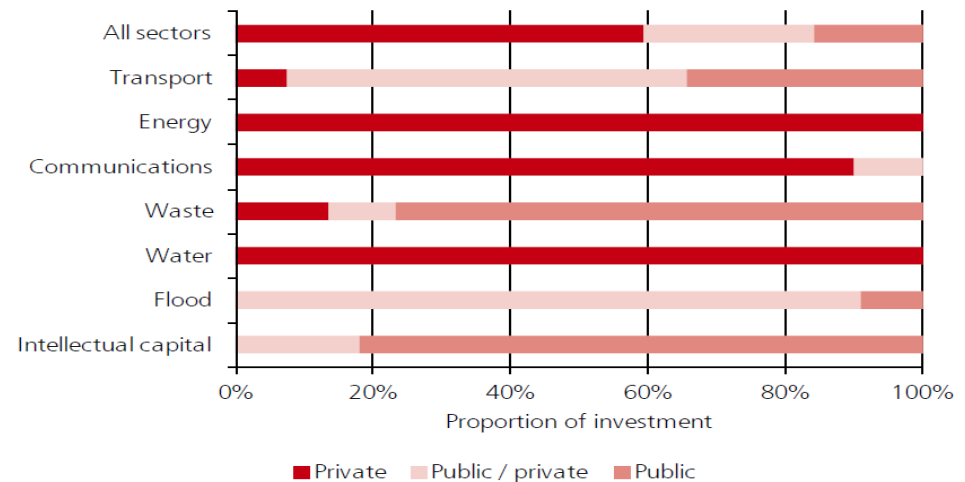
Environmental networks





2a. A new approach to private investment

Most UK infrastructure investment is already funded by the private sector



The Government is taking a new strategic approach to mobilise further private finance

- new investors
- new sources of revenue
- more flexibility for local authorities
- using guarantees



Source: HM Treasury analysis.



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£2.7 billion of new investment:

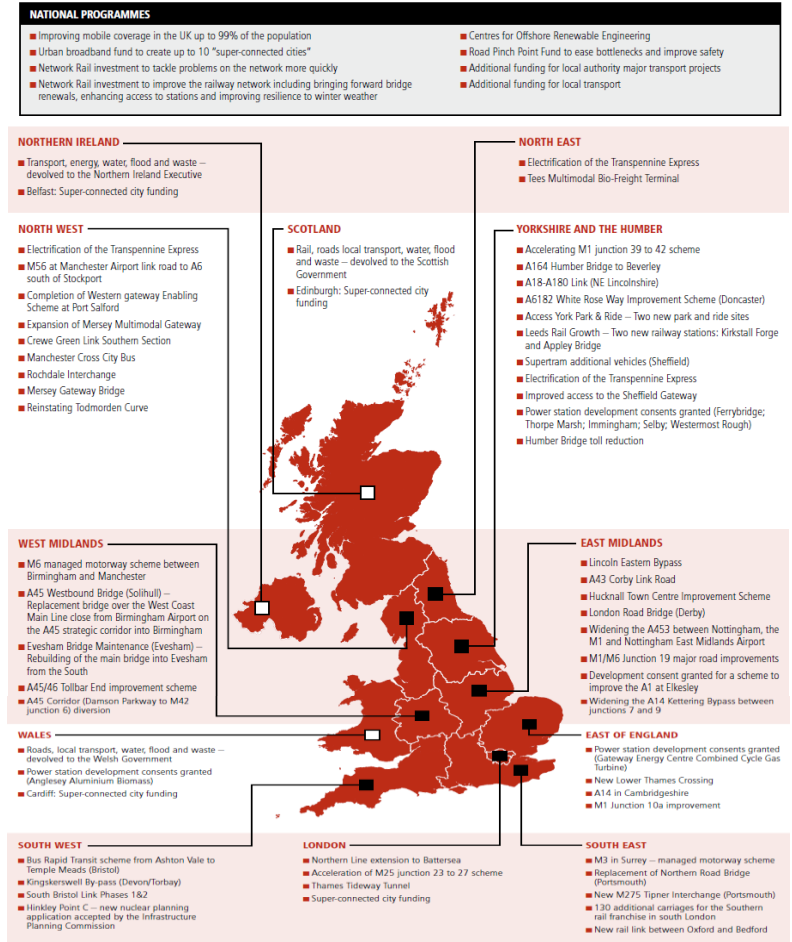
£1 billion on roads

£1.4 billion on rail

£170 million on local transport

£100 million on broadband

Note: around £1 billion of the investment in railways is funded by Network Rail.





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40 priority projects and programmes

New Cabinet Committee to focus on delivery

Address poor coordination and planning and regulatory hold ups, and focus commercial expertise

Transport	
Roads	
Highways Agency programme in construction – pre-2010 Spending Review	New Lower Thames crossing
Highways Agency managed motorways programme – Spending Review projects	Mersey Gateway Bridge
Highways Agency trunk road improvements programme – 2010 Spending Review projects	Local transport projects – funded at or before 2010 Spending Review
Highways Agency – Autumn Statement package	Local authority major transport schemes – development pool projects
Alternative approaches to resolving issues along the A14 corridor	
Public transport	
Crossrail	Reading upgrade programme
Thameslink	High Speed Two (subject to consultation)
Rail infrastructure and rolling stock enhancement	Northern rail connectivity (Liverpool-Newcastle including Northern Hub)
East Coast Main Line	Intercity Express Programme
Great Western Electrification	London Underground investment programme
Kings Cross Station improvements	Northern Line Extension to Battersea
Airports	
Gatwick capital investment programme	Heathrow capital investment programme
Ports	
Ports – container terminal projects	Ports – renewable energy projects
Local infrastructure funding programmes	
Growing Places Fund	Regional Growth Fund
Energy	
Electricity generation – new nuclear investment	Electricity generation – wind energy investment
Carbon Capture and Storage investment	Electricity and gas transmission and distribution investment
Electricity generation – gas investment (CCGT)	Smart meters
Electricity generation – biomass investment	
Communications	
4G mobile auction and rollout	Fixed broadband investment – private and public
Rural mobile coverage	Urban broadband fund
Water and sewerage and flood risk management	
Thames Tideway Tunnel	Flood and coastal erosion risk management programme (including Thames Estuary 2100)



Early Involvement of the Supply Chain

BiS 1 Victoria Street

19th January 2012





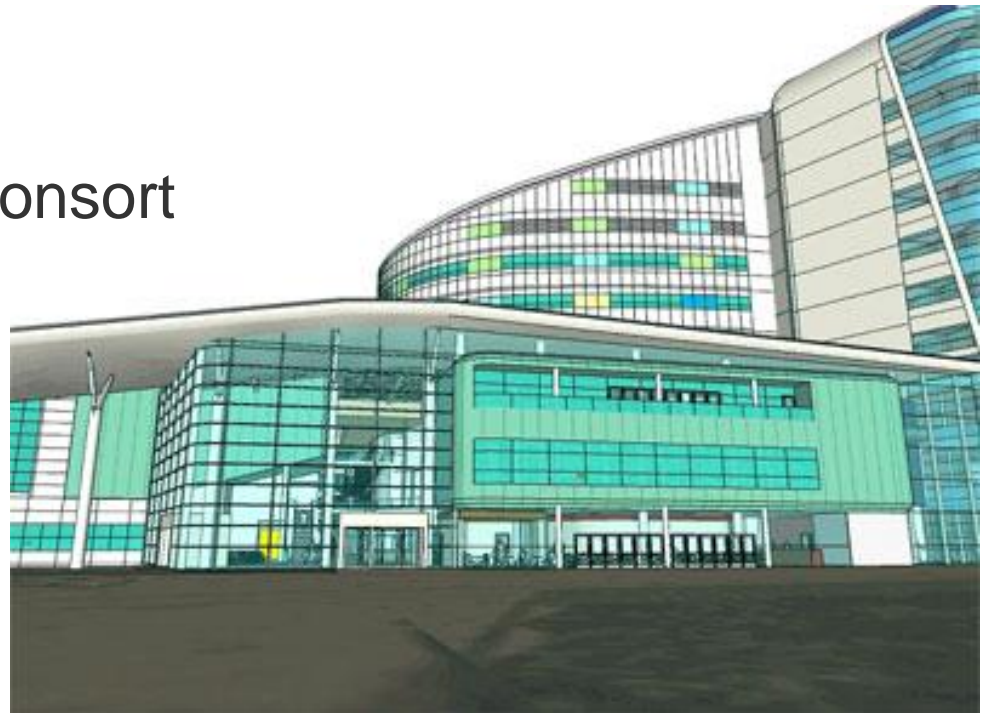
Working as a team

Experiences supplying **University Hospital Birmingham**

University Hospital Birmingham

- Replacement teaching hospital on existing site
- PFI project £545million build cost
- Awarded to Balfour Beatty in 2006
- M&E by Haden Young
- Five year, six phase build
- Thirty years hard FM by Consort

Balfour Beatty



Scale of project

- Largest acute new build facility outside London
- Three mental health buildings
- Handover to start 2008
- 40 phases
- Residential neighbourhood
- Facility to remain operational throughout



SIG Group locations in the Birmingham area



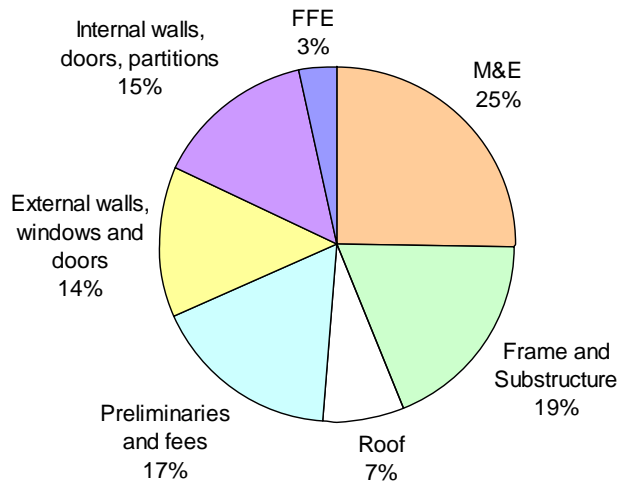
Key considerations

SIG able to provide

- Multiple product ranges
- Delivery service
- Credit facilities to installation contractors (typically SMEs)
- Scale; financial security, **compliance** and continuity
- Specialist knowledge
- Agile, local response
- Major project expertise



Potential to Supply



Source: CPA/NSCC/Miller Nov 2006

Ignore prelims and external works

	%	Value	% Materials	Value mats	SIG as % to value	EG packages	SIG value
Substructure	6.52%	£1,832,120	40%	£732,848	2%	Slab components	£36,642
Frame and upper floors	10.65%	£2,992,650	40%	£1,197,060	10%	F/P £320k; colour	£299,265
Roof	7.22%	£2,028,820	40%	£811,528	20%	Single ply £400k	£405,764
Stairs	1.66%	£466,460	40%	£186,584	10%	Architectural glas	£46,646
External walls, windows and doors	13.56%	£3,810,360	40%	£1,524,144	2%		£76,207
Internal Walls and partitioning	4.43%	£1,244,430	40%	£497,772	30%		£373,449
Internal doors	2.32%	£650,920	35%	£227,822	65%		£423,748
Wall finishes	2.13%	£596,330	40%	£238,532	15%		£89,780
Floor finishes	3.93%	£1,104,330	40%	£441,732	10%	Screed £80k, RA	£110,433
Ceiling finishes	1.84%	£517,040	40%	£206,816	40%		£206,816
Furniture and fittings	3.46%	£975,220	35%	£341,327	10%	Reception furn £	£97,226
Sanitary appliances	0.0%	£0	0%	£0	0%		£0
Services installation	1.10%	£309,100	40%	£123,640	0%		£0
Disposal installations	0.60%	£168,600	40%	£67,440	0%		£0
Hot and cold water installations	1.07%	£300,670	30%	£90,201	0%		£0
Space heating air treatment and venti	6.2%	£1,746,320	40%	£698,528	5%		£94,416
Electrical installation	5.1%	£1,431,600	40%	£572,640	0%		£0
Gas installation	0.11%	£30,910	40%	£12,364	0%		£0
Lift installations	2.52%	£708,120	80%	£566,496	2%		£14,162
Protective installations	0.18%	£50,180	49%	£24,579	0%		£0
Communications installations	2.87%	£806,470	40%	£322,588	0%		£0
Specialist installations (BMS)	1.24%	£348,440	40%	£139,376	0%		£0
Builders work in connection	1.74%	£488,940	20%	£97,788	0%		£0
Total	82.89%	£23,292,090	43%	£10,062,329	23%		£2,274,555

23% of Total material cost from SIG

	% of building cost	% of materials
SIL/CPD	3.2%	7.3%
SCP	0.6%	1.3%
SIGRGS	1.7%	4.0%
LS	1.8%	4.2%
CPD	1.2%	2.9%
KOMFORT	1.2%	2.8%
Total	9.8%	22.6%



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CEILING SYSTEMS

Between us, ideas become reality®

Queen Elizabeth University Hospital, Birmingham

The Key to Supply Chain – the Supplier's Role
The Manufacturer



Armstrong World
Industries Ltd

Partners

Challenges/Solutions

Outcome

Moving Forward

- Manufacturer of suspended ceiling systems
- Plants in the U.K., on the Continent and Worldwide
- Comprehensive product portfolio
- Specialist products for health environments
- New to supply chain in 2006 - Balfour Beatty one of the first
- Commitment to recycling
- Partnership with SIG for supply
- Omega sub contractor programme
 - Recent introduction of Green Omega
- 2 Recent awards
- Now for the case study



Between us, ideas become reality®



Ceiling Manufacturer:
Armstrong World Industries



Architect:
Building Design Partnership (BDP)



Main Contractor:
Balfour Beatty Construction Ltd



Ceiling Distributor:
CPD Distribution part of the SIG Group



Specialist Ceiling Contractor:
Titan Ceilings Ltd



- Project size – 120,000m² ceilings
 - Early & ongoing communication between parties, managing capacity
- Time scale
 - Communication between parties, just in time deliveries
- Budget constraints
 - Clear & agreed material cost strategy formed very early
- Service & fittings integration
 - Lighting, curtain track systems, partitions etc
- Performance requirements
 - Anti-microbial paint finish, ISO 5 Clean Room, acoustic comfort
- Recycling of off-cuts
 - Balfour Beatty's commitment for ceilings realised

Recycling Challenges

- Finding the correct place and manner of storage on site
- Originally bags came back to the plant with non-ceiling waste
- Introduced a different screening system, on site and at Armstrong's plant in Team Valley



- No ceiling tile waste to landfill
- 42 tonnes of off-cut ceiling tile waste was recycled into new tiles.
- Tiles produced from the off-cuts used in designated "green rooms"

From an article on the project

The University Hospital, Birmingham construction joint venture was given an award by the Chartered Institute of Waste Management for outstanding site management of waste – a direct result and recognition of the hard work put in by all involved. It is certain that the practices that have been put in place will play a significant role in the future of waste management.

There is also the additional environmental benefit of specifying Armstrong Bioguard ceilings. At the end of their life the tiles at Birmingham hospital can be fully recycled back into the Armstrong “End of Life” recycling scheme!

Jim Duffy (Head of Environment and Quality), Balfour Beatty Construction Northern, anticipates that major building contractors and customers could soon make on-site recycling mandatory. He said,

“This major project identified ceiling tile cut offs as an item that would be unacceptable to send to landfill. The project pushed the boundaries with Armstrong and Titan and all three parties agreed to trial the recycling scheme. Having overcome some initial challenges in the first year, the trials success and failures have been reviewed and actions put in place to improve the volume of recycled material in the second year of the trial. Having the commitment to trial the scheme on a non contractual basis was a great step forward. Committing to improve the recycling process is a great testimony to all parties. The challenge for the future is making this the norm ”

Pinderfields – Pontefract – Tameside - Salford

Peterborough Hospital completed (featured on BBC Radio Cambridge)
Southern General in Glasgow underway
and now moving to schools too.

QE Hospital delivered

- On time
- Within budget
- Fit for purpose
- Minimum impact on the environment.

Key savings realised for the project

<u>Package</u>	<u>Package Estimate</u>	<u>Materials cost 1</u>	<u>Materials cost 2</u>	<u>Saving</u>	<u>%</u>
Doorsets	£5,000,000	£4,770,000	£4,200,000	£570,000	11.9%
Ceilings	£3,000,000	£1,780,000	£1,500,000	£280,000	15.7%
Komfort wards	£1,750,000	£1,180,000	£985,000	£195,000	16.5%
Komfort theatres	£1,000,000	£750,000	£505,000	£245,000	32.7%
M&E insulation	n/a	£315,000	£300,000	£15,000	4.8%
Dry Lining	£17,500,000	£6,930,000	£5,775,000	£1,155,000	16.7%
TOTAL	£28,250,000	£15,725,000	£13,265,000	£2,460,000	15.6%



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Outcome

Sales to UHB £15million+ over 3 years

- Project completed on time, with three phases 12 months ahead of schedule
- Balfour Beatty is a strong advocate of early involvement

Experience used to mutual advantage on other projects:

- Pontefract and Pindersfields PFI hospitals
- Northern Batch hospitals
- Derby and Stoke BSF waves
- A national agreement to supply products to all sites



Key messages

- Involve the supply chain as early as possible
- Consult with added value suppliers
- Commit to a plan or method of working
- Log key gains from collaborative activity
- Build gains by transport of learning to other projects



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Questions for table discussion

All tables to answer Q1 and Q6, plus one other (as allocated).

1. **All tables:** Should Primes (meaning main/tier 1 contractors, construction managers etc) be striving to build settled, collaborative supply chains, or is opportunistic tendering on a project by project basis still an attractive business model?
2. **Tables 1 and 5:** If the answer to Question 1 is "sometimes", what are the characteristics of a business, service or product that differentiate it from a commodity purchase and argue for a settled relationship?
3. **Tables 2 and 6:** What are the elements of a supplier's business (eg training, health and safety etc) that a Prime might/should show an interest in, and where does/might this lead to a shared development programme?
4. **Tables 3 and 7:** What are the barriers to developing a settled supply chain - eg caused by the structure of the industry, the requirements/procurement practices of clients, the instincts/skills of suppliers etc?
5. **Table 4:** How can suppliers share their ideas for cost reduction/value enhancement in an environment that protects their IP whilst maintaining some competitive pressure?
6. **All tables:** Should (public sector) clients get involved in this (and if so, how?), or should it be left to the Primes?