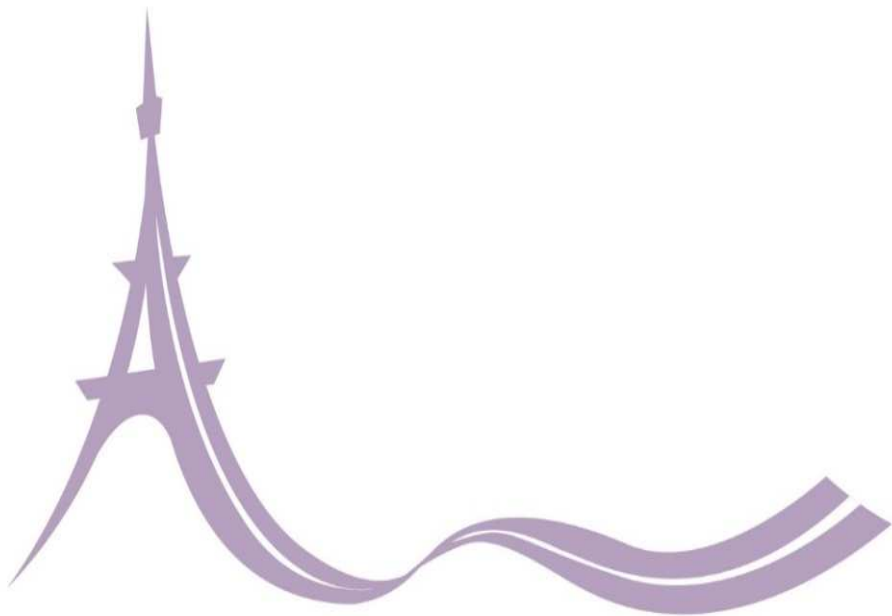


Long term contracts

Latest news from the UK



PAVEMENT PRESERVATION & RECYCLING SUMMIT

PPRS PARIS 2015
FEBRUARY 22-25

Yann

LEFEUVRE

Highways Term

Maintenance Association



ECONOMICS AND
INFRASTRUCTURE
BACKGROUND

| 1

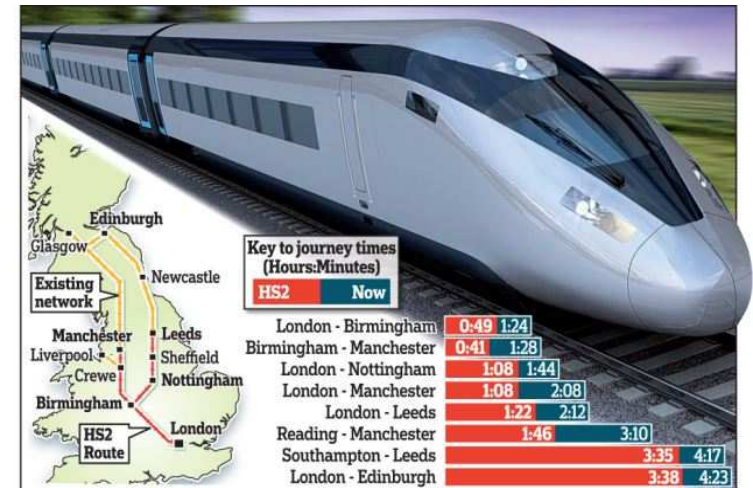
Budget cuts vs. Infrastructure investment needs

Subprime mortgage crisis in 2008

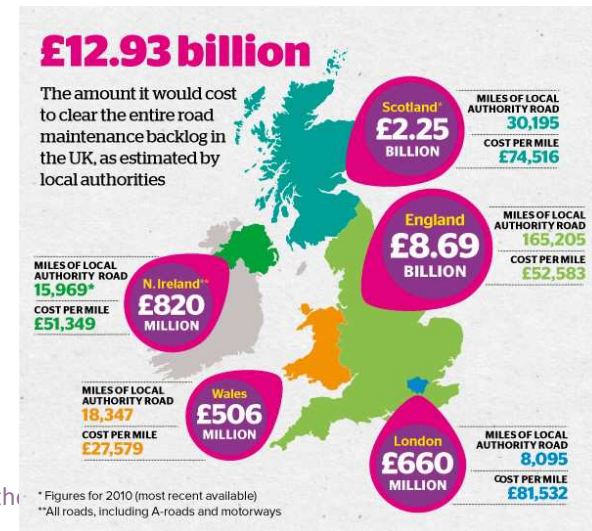


VS.

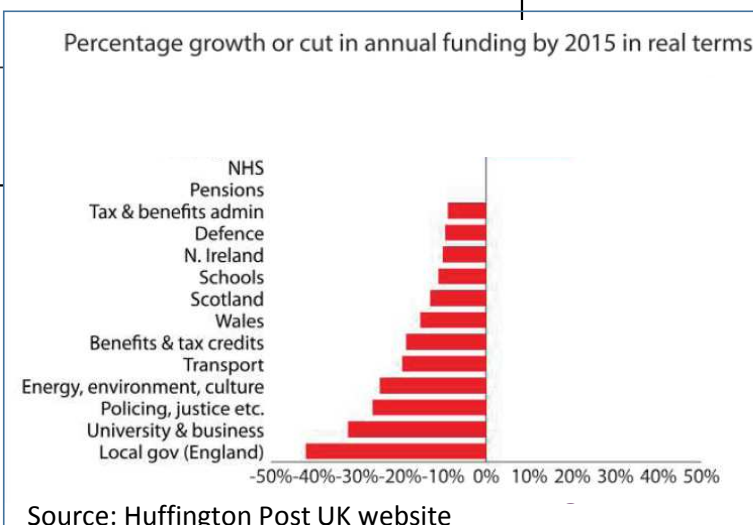
Construction of HS2



Backlog in road maintenance



SPENDI



ROAD NETWORK AND LONG TERM CONTRACTS | 2

Road network and long term contracts

- › For example in England, most of the network is owned by:
 - Local Authorities (LA), solely or grouped
 - Highways Agency (HA)

- › Examples of long term contracts:
 - On LA's network:
 - Framework contracts (fixed rates, risk with LA)
 - Term Maintenance Contracts (3-5 yrs, fixed rates, risk with LA)
 - Private Finance Initiative (25-30 yrs, risk with Service Provider)
 - On HA's network:
 - Framework contracts
 - Managing Agent Contractor (MAC) and Asset Support Contract (ASC)
 - 5+ yrs, shared risk (mix of lump sum & fixed rate activities)

THE MEANS TO
MANAGE LONG TERM
CONTRACTS | 3

Latest changes and government led incentive actions

- › Towards LA's, e.g. the Highways Maintenance Efficiency Programme (HMEP) for:
 - Providing guidance documents and tools to support stakeholders on their « journey to transform highway services »
 - Reducing the backlog of maintenance works
 - Helping the sector « deliver 15% savings by 2015 and 30% or more by 2020, transforming delivery so that roads and services are improved »

Latest changes and government led incentive actions

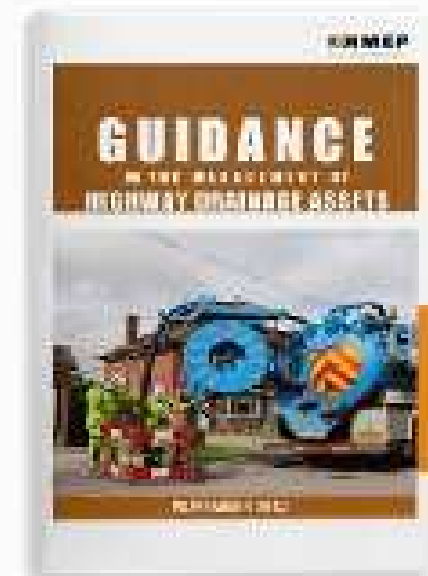
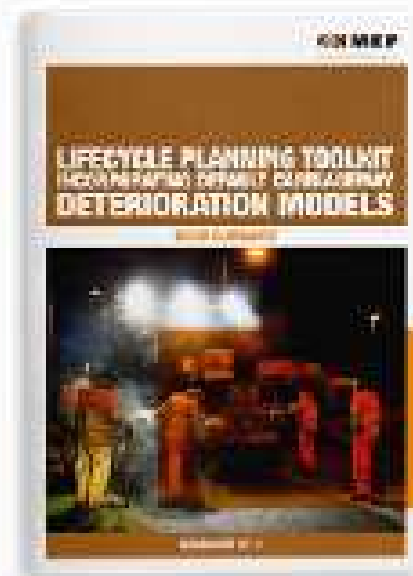
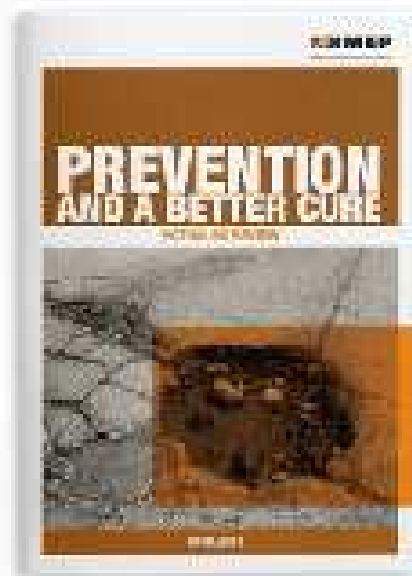
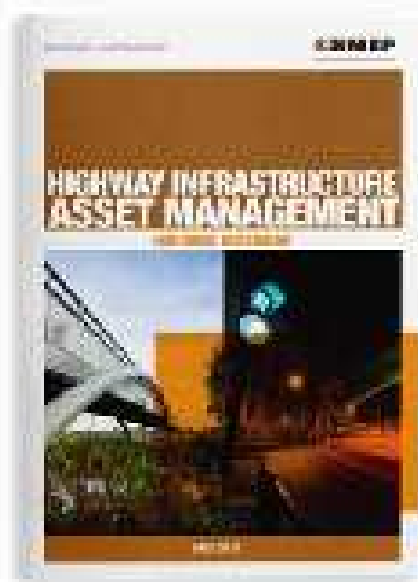
- › Towards the HA, i.e. change of status, means and scope:
 - To be transformed into Highways England in April 2015, a Government-Owned company
 - To establish a « road investment strategy » over the next 5 yrs
 - 2010-2021 investment in strategic roads worth £24bn
 - Expected outcomes in 10 yrs:
 - Road network upgrade
 - Savings up to £2.6bn

Context change in road management

- › Dept for Transport strong incentive to use asset management and whole life costing approaches
- › Key driver: demonstrating value for money over the long term
- › Current favourable 'environment' of guidance & standards, e.g.:
 - PAS 55 – UK guidance for asset mgt processes
 - ISO 55000 – standard for AM processes
 - BS 11000 – standard for Collaborative Working
 - UK guidance docs for Whole Life Costing methods
 - Highways Maintenance Efficiency Programme docs
 - Latest important development in PMS and road survey devices/equipment

Context change in road management

e.g. suite of HMEP documents & software:



Context change in road management

Carriageway Lifecycle Planning Toolkit



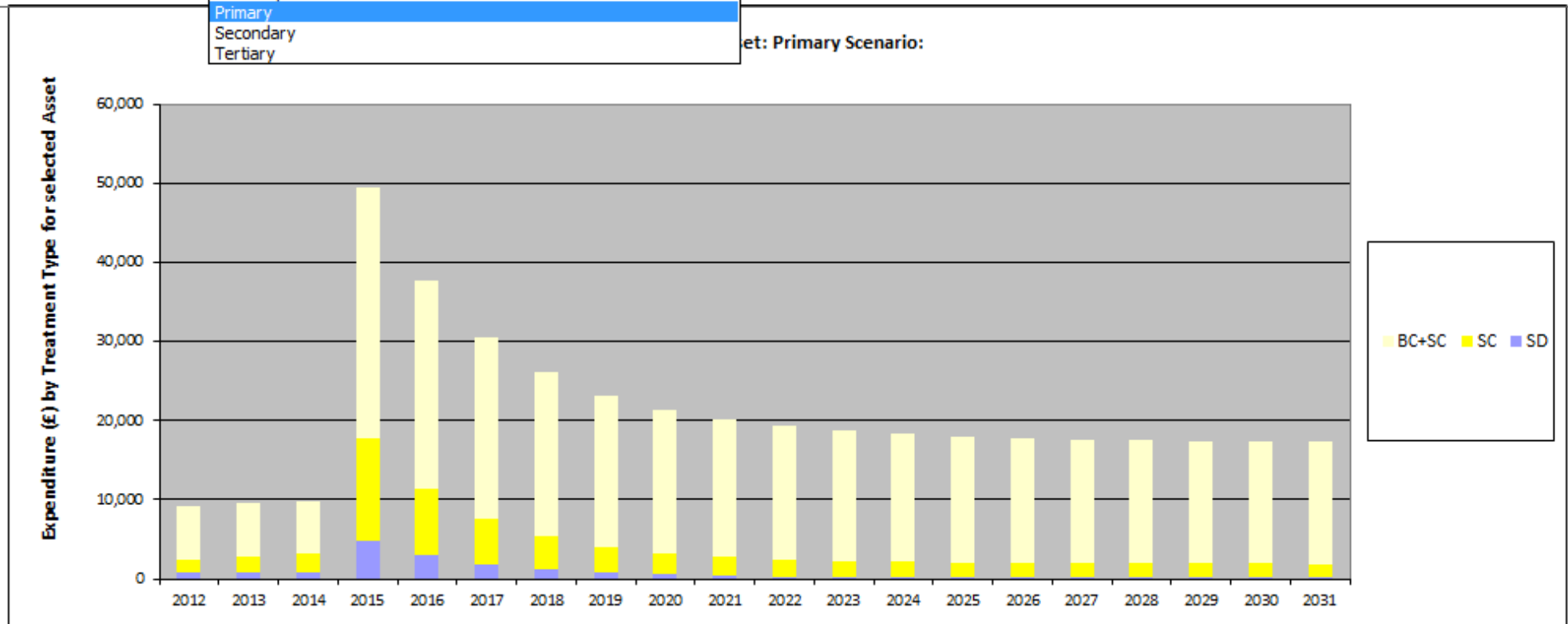
EXPENDITURE BY TREATMENT GRAPH



Select Asset Group: Primary
 Total Expenditure
 Primary
 Secondary
 Tertiary

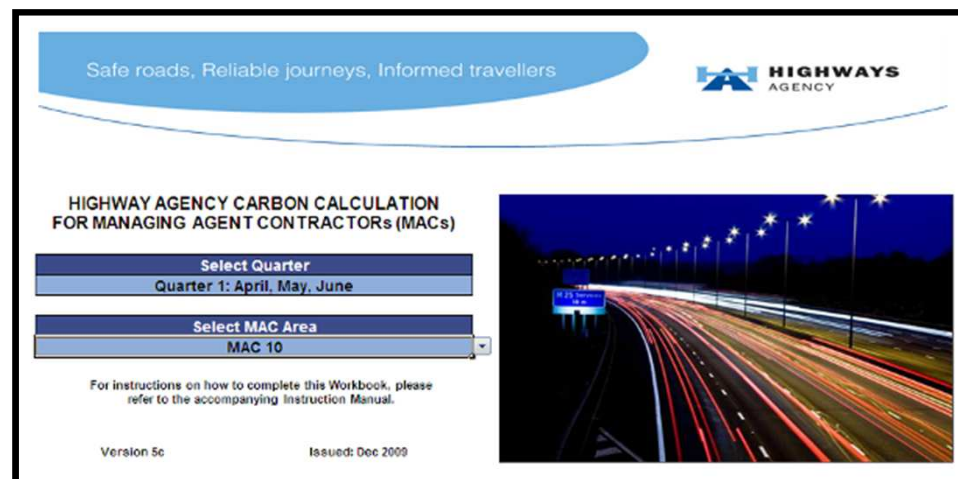
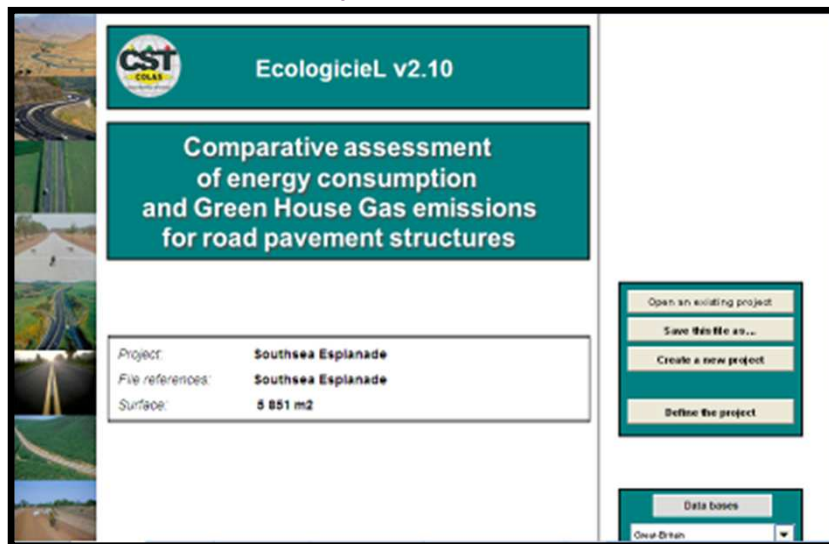
Treatment: All Treatments

Asset: Primary Scenario:



Context change in road management

Carbon footprint calculators

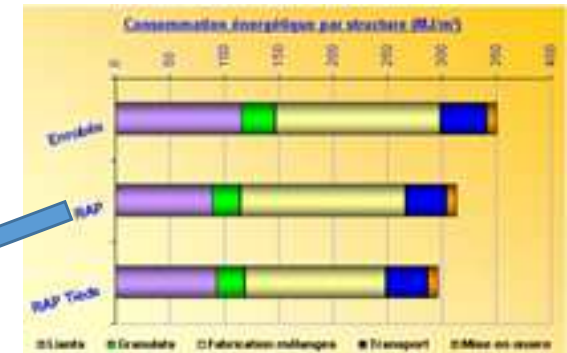


Context change in road management

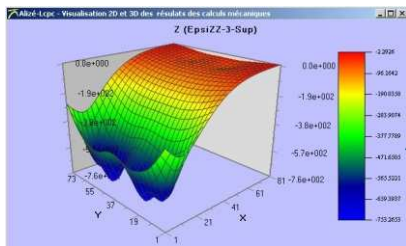
Innovative products



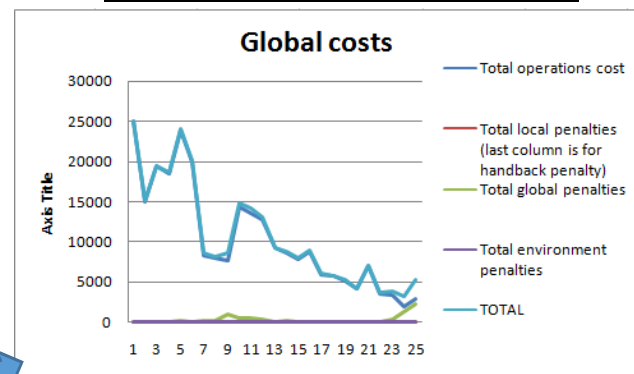
Environmental impact



Modelling



Best Value Coordination



Measures and data collection on the assets



GIS



Socio-economic criteria

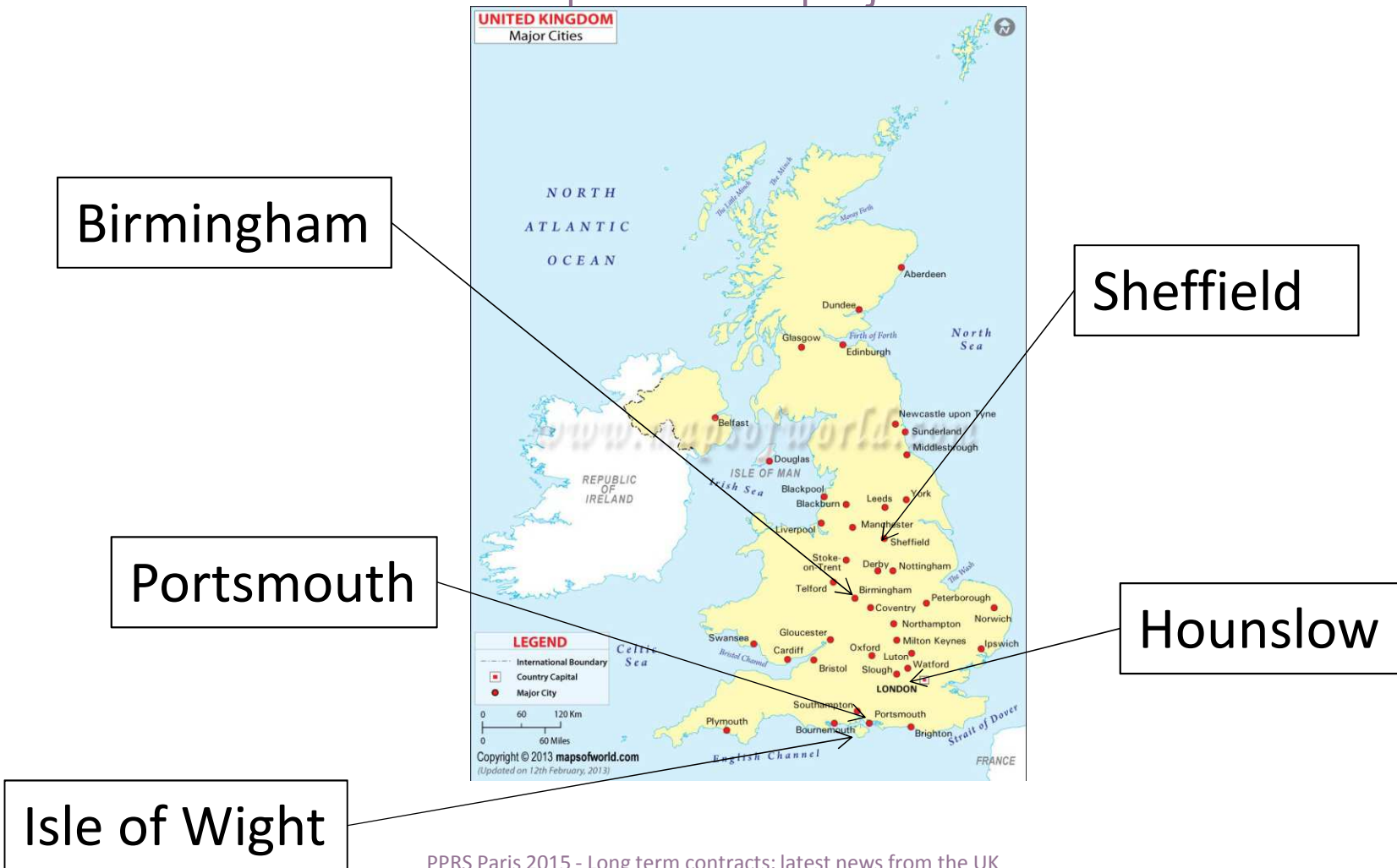


LONG TERM CONTRACTS
IN PRACTICE

| 4

Private Finance Initiative (PFI)

Map of the PFI projects

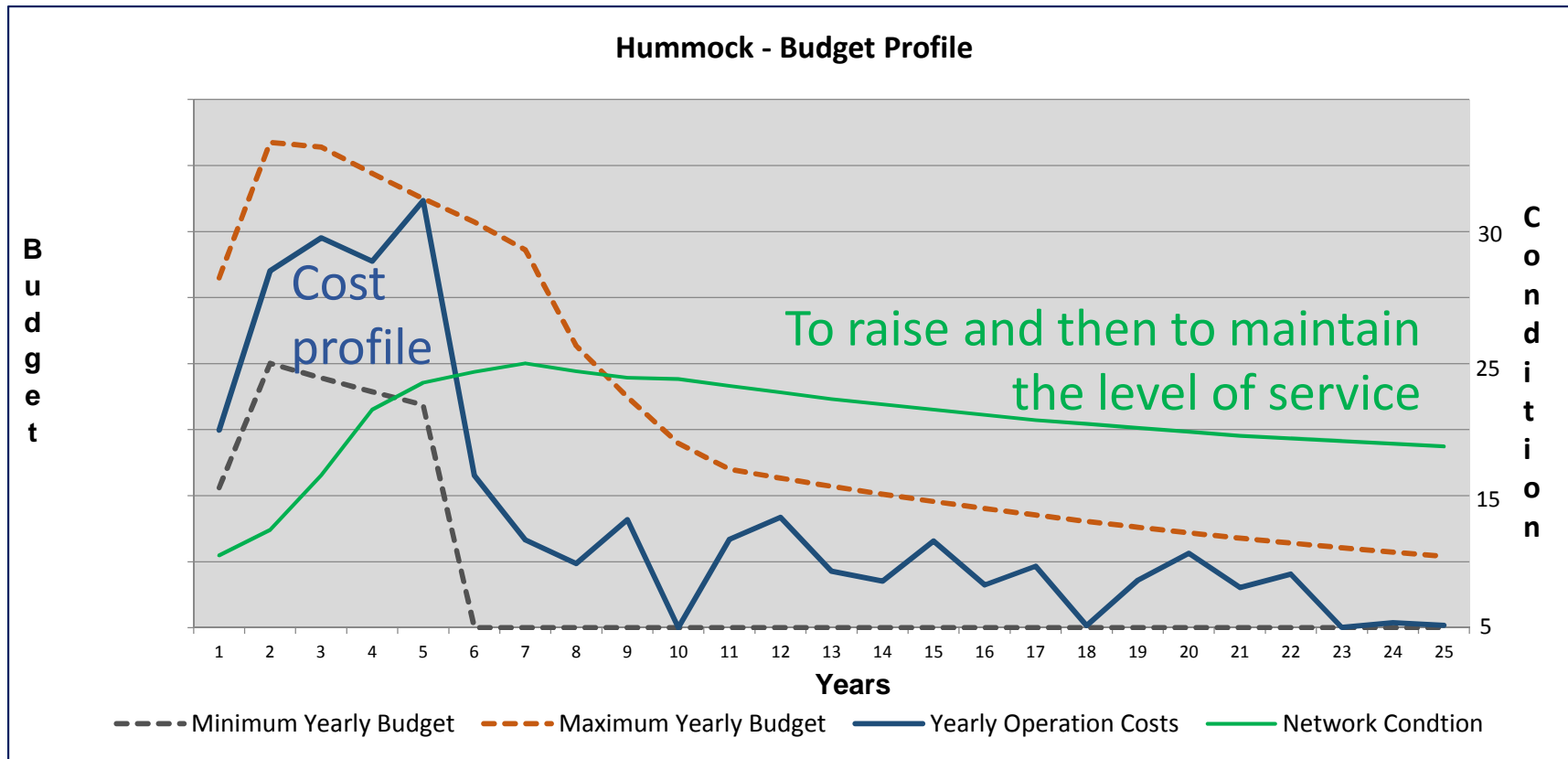


An example, the Portsmouth PFI

- › Duration = 25 years
- › Principle: risk mostly with the service provider under a regime of fixed annual payment and possible penalties
- › In charge of all assets in the public realm, i.e. within the fence-to-fence area (e.g. street cleansing, street lighting, road works, works emergency call centre, winter maintenance)
- › 480km of road network
- › Street lighting network comprised of 20,000 units
- › Contractual carriageway indicators based on pavement structural remaining life, skid resistance and visual assessment

An example, the Portsmouth PFI

To forecast, optimise and anticipate the cost of works and the associated impact on the level of service



Transport for London – LoHAC



- › TfL commercial strategy, mission and vision:
 - Vision: ‘To be the informed client of choice within the UK infrastructure sector’
 - Mission: ‘To shape the requirements of the business and the appetite of the supply chain to deliver the best commercial outcome for TfL’

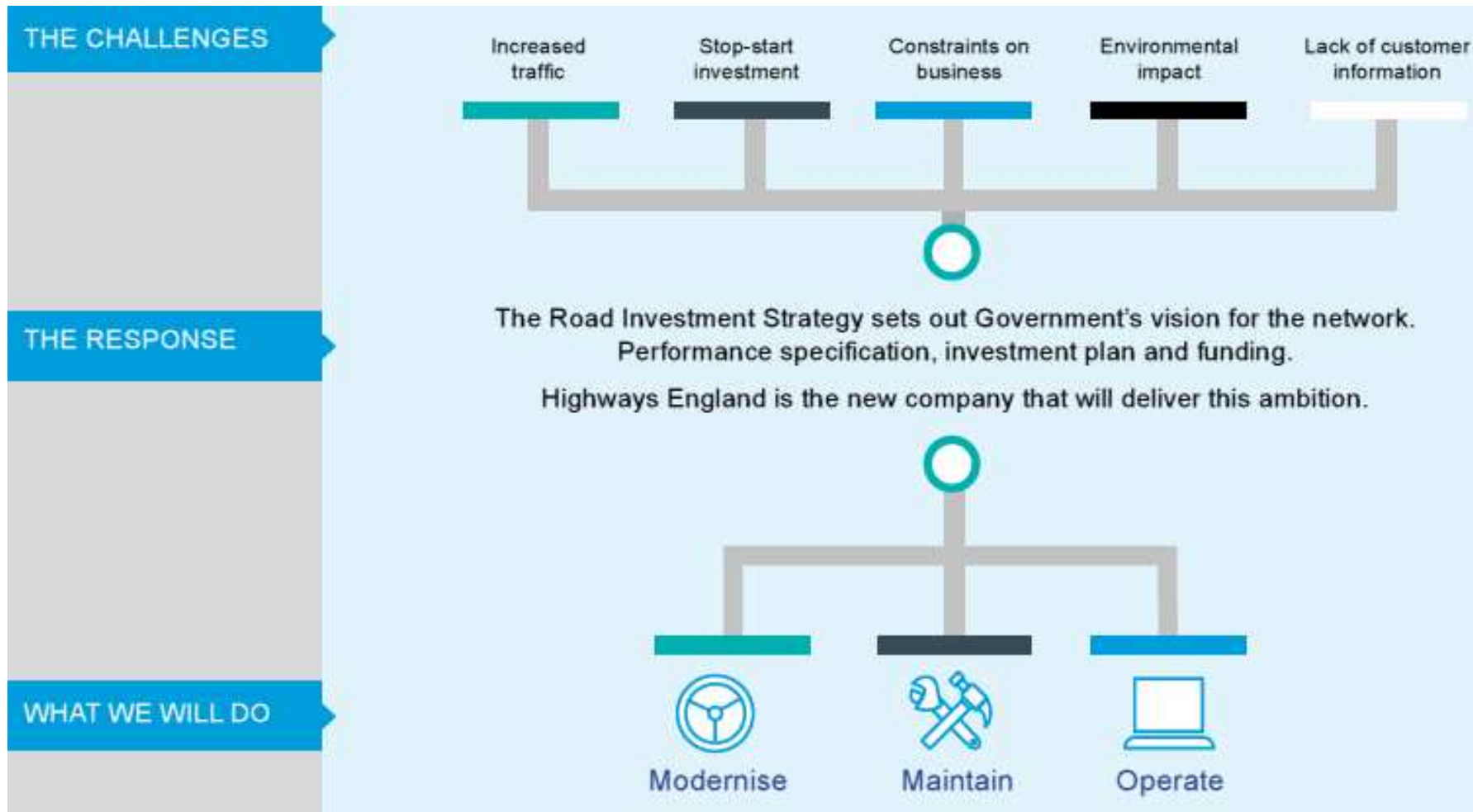
- › Key pillars of the contract:
 - Customer focused service delivery
 - Financial savings & efficiencies
 - Collaborative working
 - Environmental benefits
 - Employment & economy

Transport for London – LoHAC

- › A single framework collaborative contract for use by both TfL and London Boroughs
- › Four service providers covering the whole of London, with each London Borough forming its own call-off contract
- › 8 year term – rolling forward plan
- › Open book accounting & target cost
- › Highly flexible & evolving contract
- › Financial & non-financial benefits:
 - 15 to 30% savings
 - Local jobs and apprentices

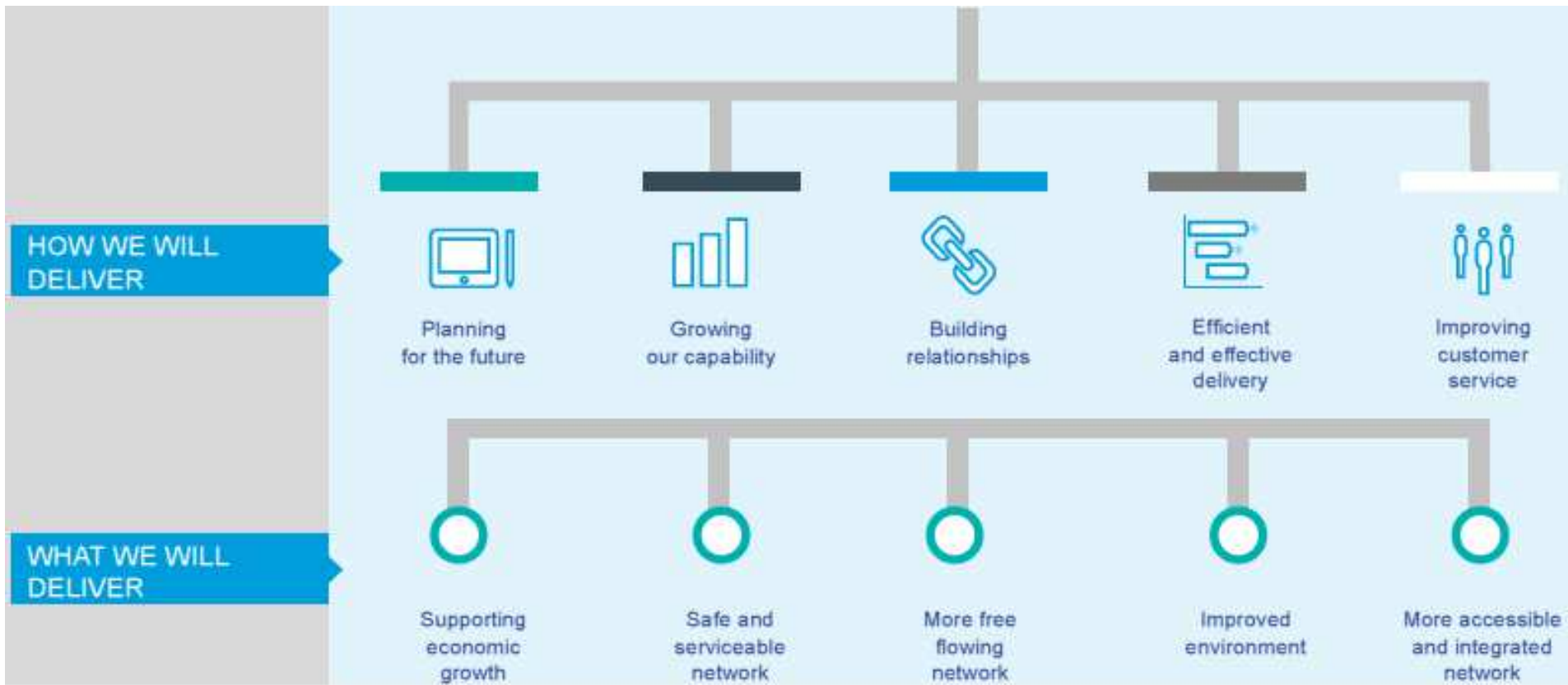


HA's transformation: Highways England



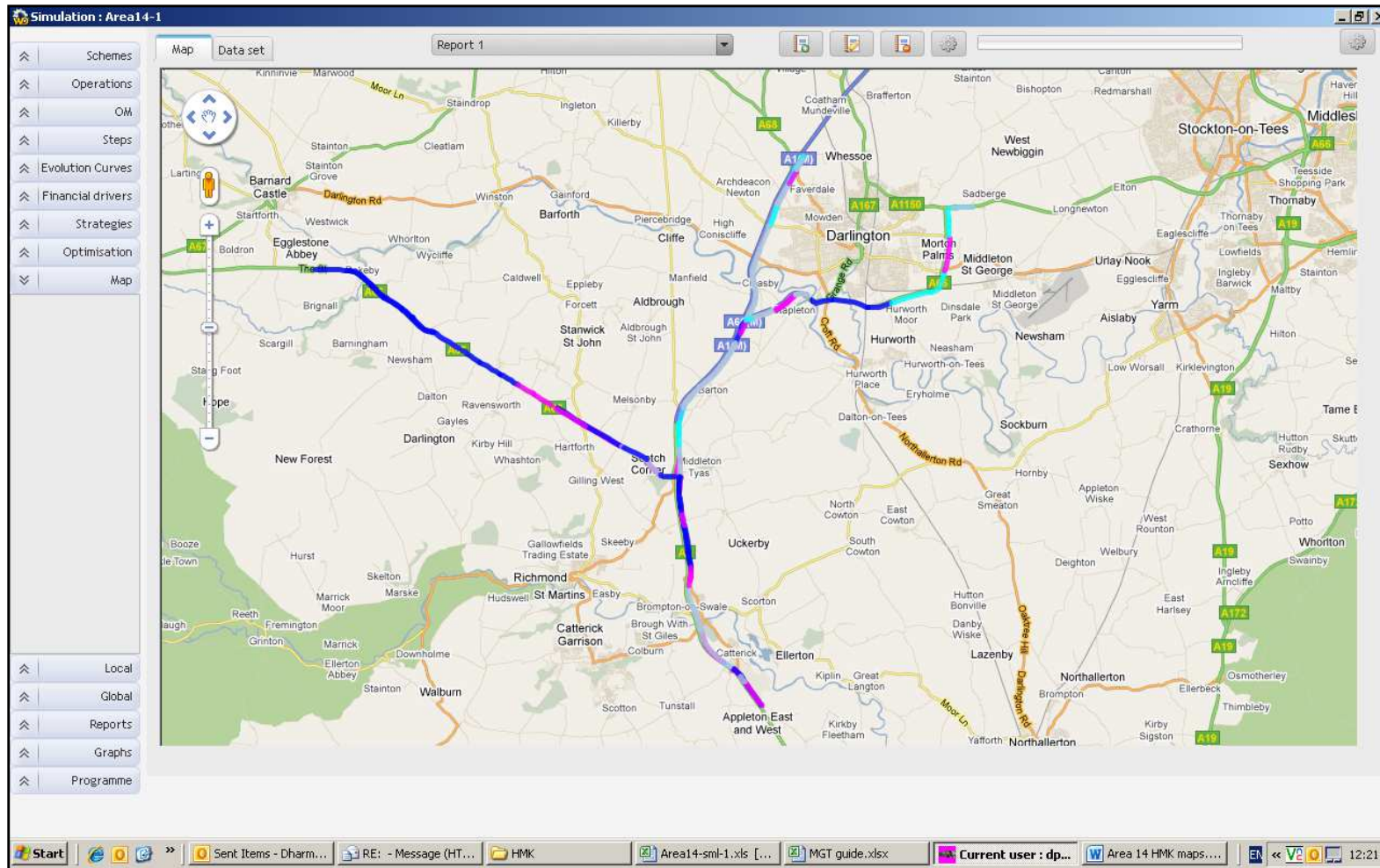
Source: 'Highways England strategic plan overview 2015-2020', Highways Agency website

HA's transformation: Highways England



Source: 'Highways England strategic plan overview 2015-2020', Highways Agency website

HA's transformation: new approach trials



HA's transformation: new approach trials

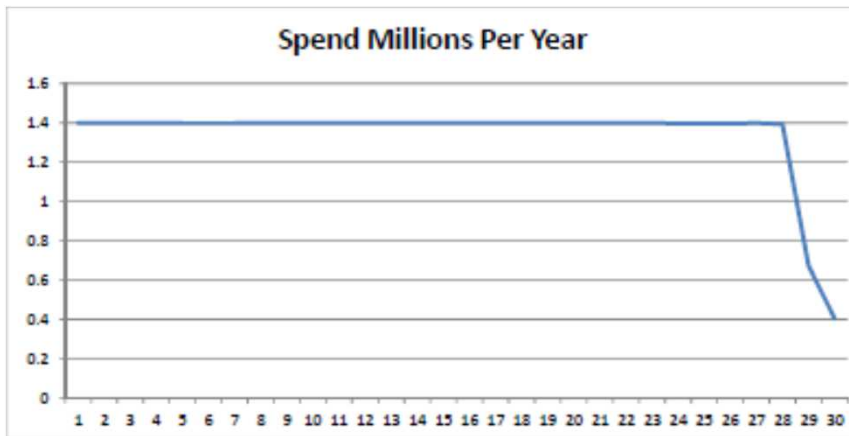


Figure XV. Do Something (High Spend) Spend Profile

To test various scenarios of investment locally and for the entire network as a whole

To derive the associated programme of works

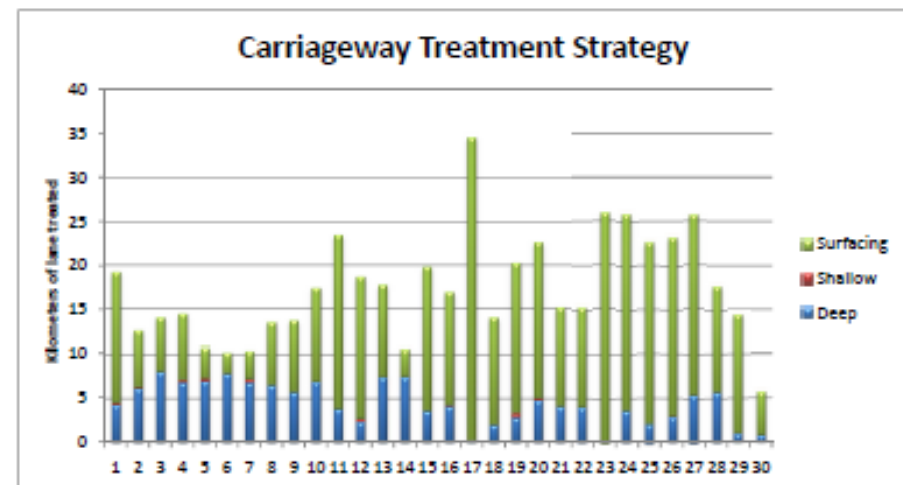


Figure XVI. Do Something (High Spend) length of carriageway lane treated and type of treatment deployed

HA's transformation: new approach trials

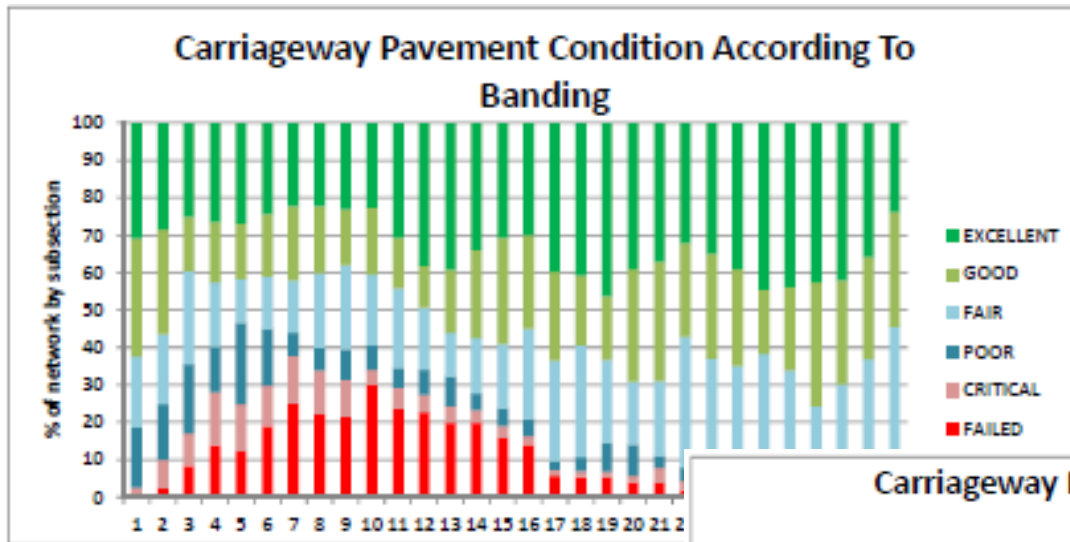


Figure XVIII. Do Something (High Spend) Evolution of SCI Banding

...and to evaluate the impact on selected key performance indicators

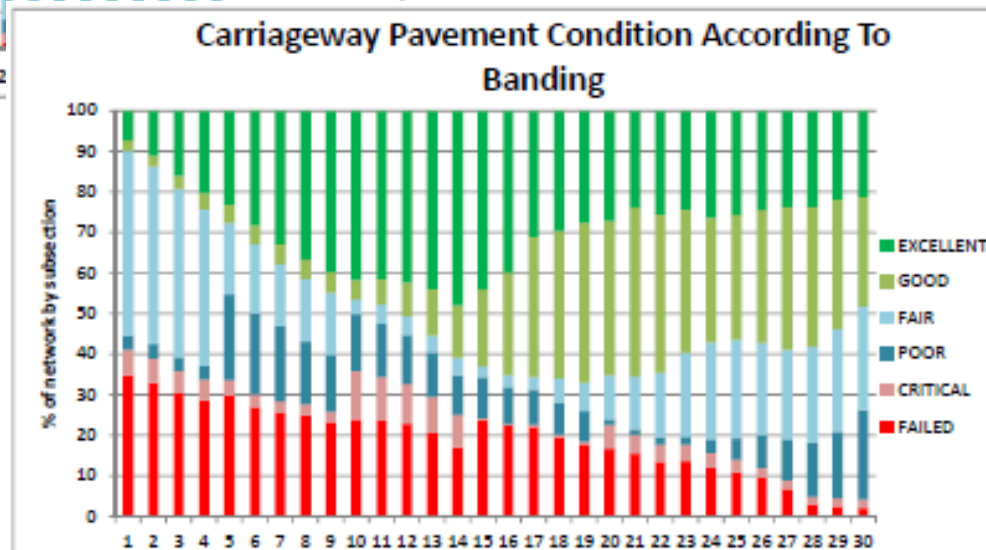


Figure XVII. Do Something (High Spend) Evolution of PCI Banding

CONCLUSION

- › Incentive and **support from the policy makers** for AM & WLC
- › Main objectives:
 - › **better level of service** for the community
 - › **value for money** over medium/long term
- › **Long term funding** secured
- › Wide range of software, equipment, guidance available
- › **PARTNERSHIP** between all stakeholders in national working groups and throughout the contract life
- › Next game changer is around the corner...