

Grasping the Opportunity Driving Change

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Safe roads, Reliable journeys, Informed travellers



Grasping the Opportunity - Driving Change

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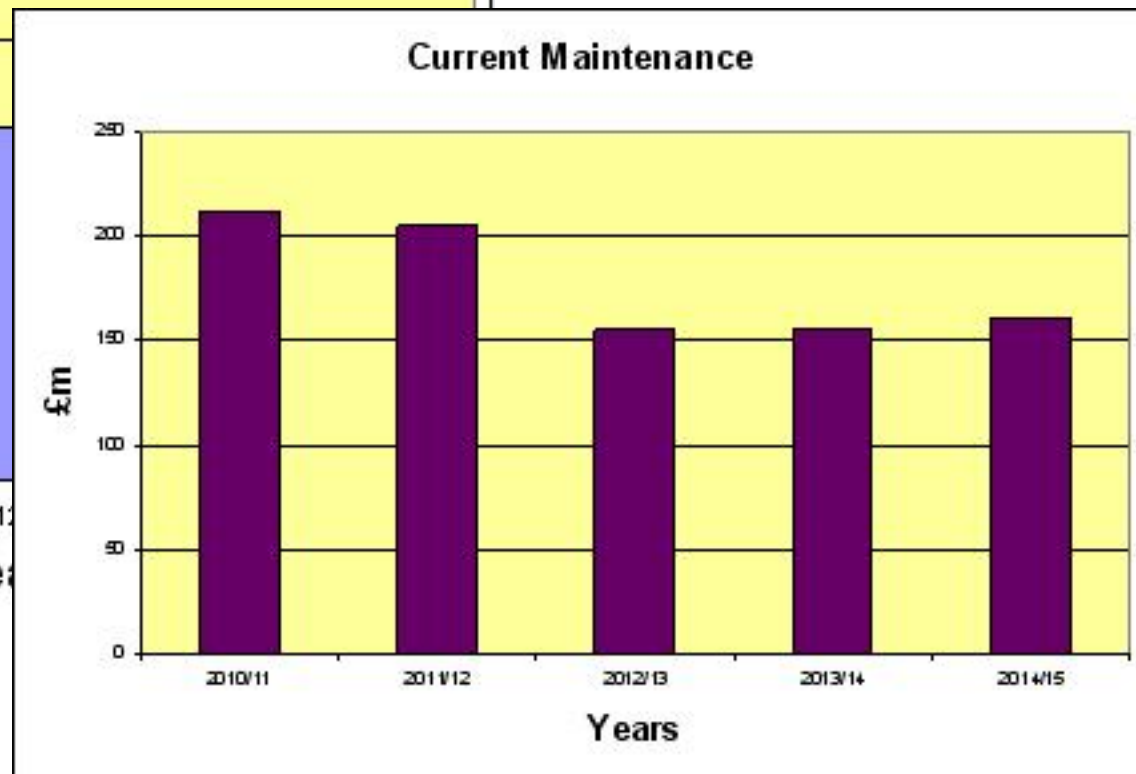
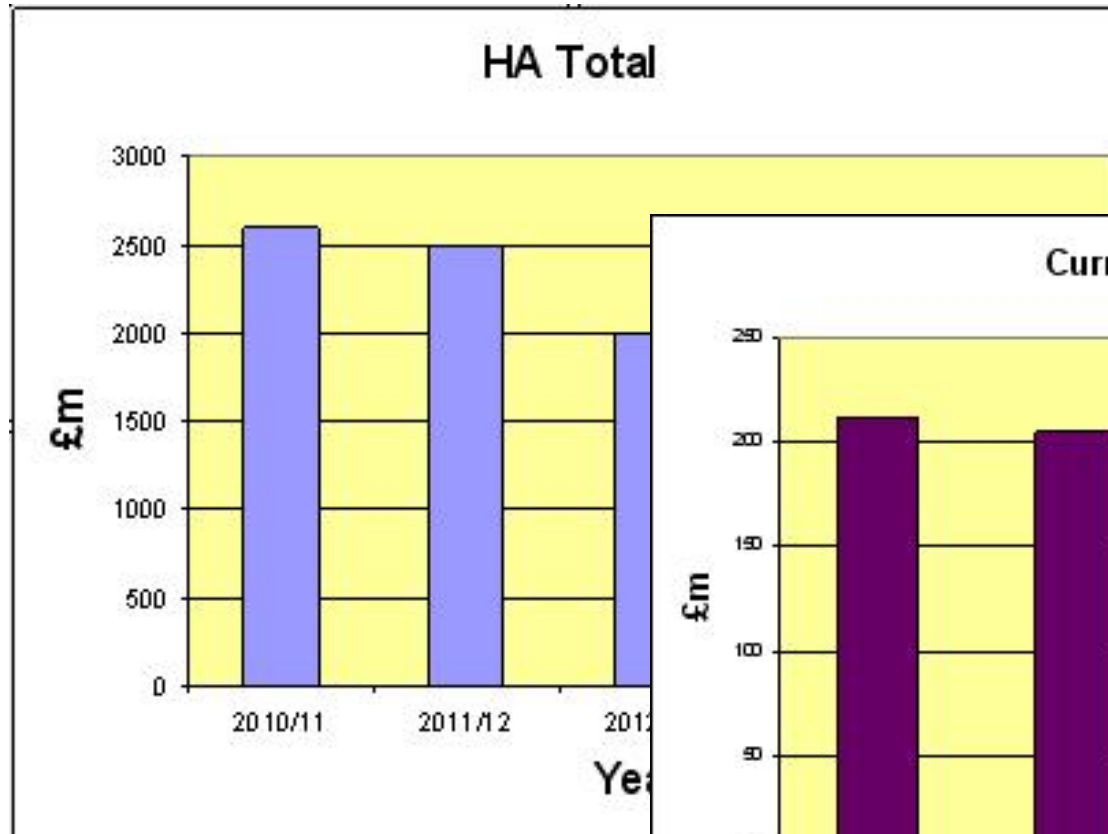
Contracting for Maintenance

- HA Focus – safety, reliability & information
- Drivers of Change:
 - PAC Review
 - Spend Review 2010
- Focus now on **best service at lowest cost**

Public Accounts Committee

- In 2010, PAC concluded MAC largely follows best practice. But action needed to get best value;
- PAC recommended the HA:
 - ‘review the standards documents underpinning MAC contracts to ensure they are outcome based as far as possible’

Spending Review 2010



What do the Cuts Mean in Everyday Terms ?

- Sweating the asset more.
- Moving to a more 'affordable level of service' - value not premium range
- Leaving some cosmetic and minor defects until most cost effective time.
- Limited small improvements.
- BUT not short termism

Strategy for Change

- Salami slicing not an option.
- Review of MAC contract & standards.
 - BUT manage asset value
- New outcome based requirements via the Asset Maintenance Operational Requirements (AMOR)
- Radical solution to address financial & performance challenge – the ASC.

Supply Chain Liaison

- Maintenance Community Liaison to share views on improvements.
- Two key questions posed:
 - What Contract will deliver well maintained network at minimum cost?
 - How can we align HA objectives with Contract incentives for supply chain?
- Explored opportunities to move to outcome based requirements.

Key Features of ASC

- Routine Maintenance outcome based:
 - Less Prescriptive
 - “Affordable Level of Service”
- Higher threshold for scheme delivery (£5m)
- Higher threshold for network damage recovery (£10k)
- Includes Technology Improvements plus management of Routine contract.

Key Features of ASC

- Scheme Target Costs
 - Schedule of Rates replaces Sample Schemes
 - Easier to use / Less 'non-standard' items
- Tendered Year on Year Reduction in Rates
 - Lump Sum & Schedule of Rates
- Design and Supervision
 - Tendered %age based on scheme type and value instead of Cost Reimbursable

Key Features of ASC

- Drives savings through innovation, efficiencies and continuous improvement
 - New clauses to simplify application & payment
 - Incentivise use as not exploited in MAC
- Introduces Category Management
 - Procurement of high volume / value subtier items at best cost.
 - Aligns with government policy on procurement.

Key Features of ASC

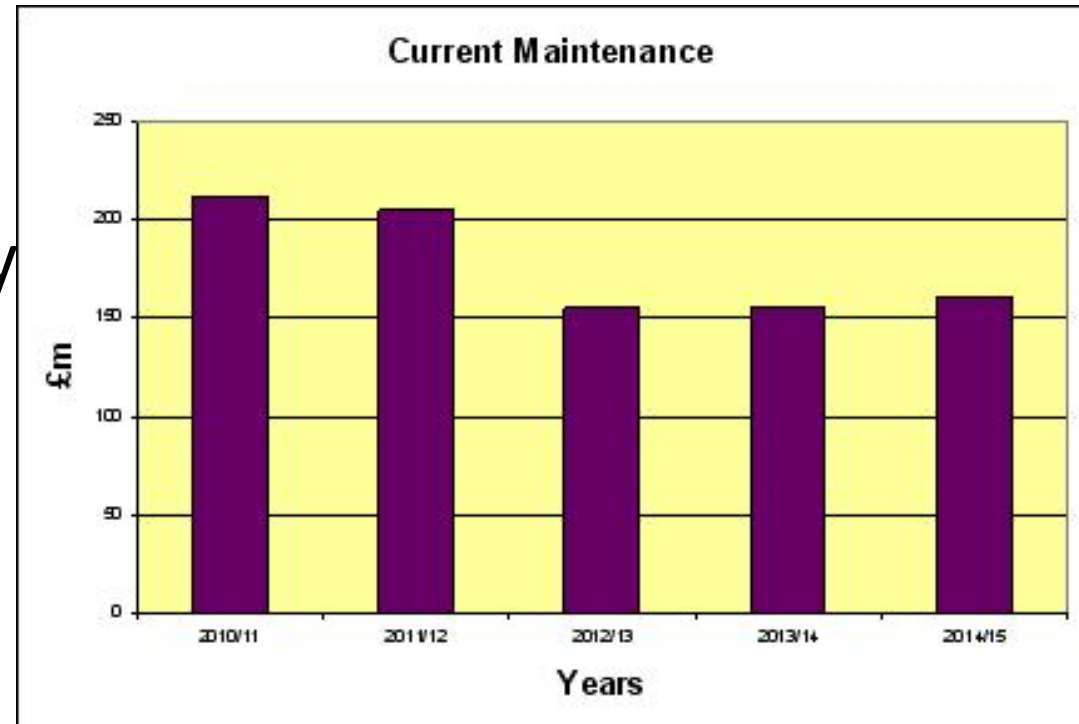
- Risk Management - aiming to put risk with those best placed to manage it
- Lump sum retained for routine work
- Incentives for accuracy between Target Cost and Actuals
- Opportunity for Extensions where performance merits
- Asset management - effective systems essential for SR10 challenges

ASC Key Messages

- New Contract, but...
- Preserves current best practice while addressing the concerns of PAC
- Responds to Maintenance Community input
- Makes use procurement and contracting framework to secure best value for the tax payer
- Provides basis for a healthy, sustainable and competitive supply chain.

But.....

- ASC roll out will not deliver savings quickly enough
- Area 2 starts July 2012



- Need to negotiate changes into existing MAC Contracts

Grasping the Opportunity

- Emphasis on asset repair, life extension and renewal at lowest initial cost
- BUT safety, service to users & asset management still key
- HA have listened & willing to be different
- Incentives for supplier performance
- Change for HA staff and suppliers
- Scope for wider co-operation

Next challenge -

Exploiting the Opportunity offered

Thank You