

# Balfour Beatty 1909 – 2009

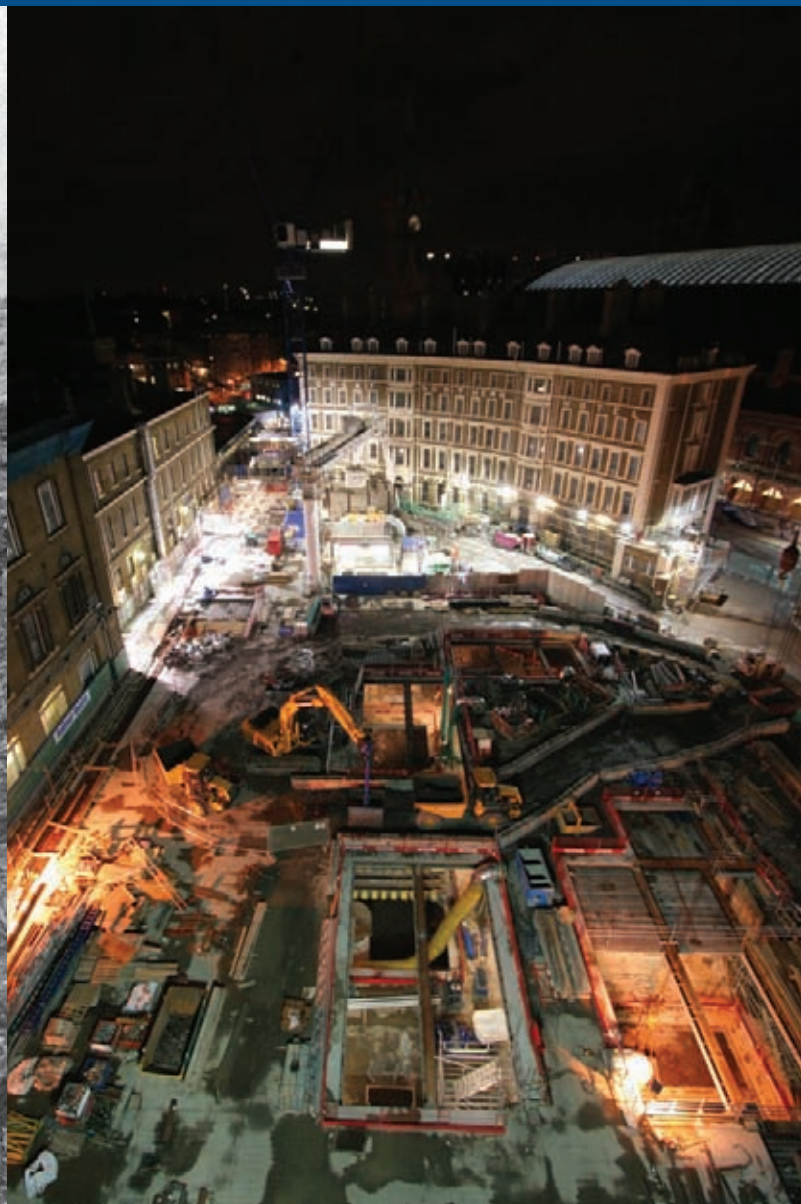
## The first 100 years

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How Balfour Beatty developed from its beginnings in 1909 as an electricity supply company to a giant worldwide infrastructure business in 2009.



# Balfour Beatty

# Balfour Beatty

# 100



**Britain's biggest contractor Balfour Beatty has been celebrating its 100th anniversary all year and the presents have kept arriving in the shape, for instance, of a win on the M25 DBFO in May and the purchase of Parsons Brinckerhoff in October. But what is in store for the future? Jackie Whitelaw talks to chief operating officer Andrew McNaughton to find out.**

**“Take the UK as an example. Depending on what energy policy is agreed – whether it is nuclear, microgeneration, wind, local community power or a combination, it will all have a huge impact on the national grid.”**  
Andrew McNaughton, Balfour Beatty chief operating officer

“It’s amazing how it’s all coming back to power and energy,” says Balfour Beatty chief operating officer Andrew McNaughton. One hundred years after George Balfour and Andrew Beatty set up the company to bring electric light and power to the homes, businesses and transport networks of the UK and the world, McNaughton is looking at a future where creating the next generation of electricity supply and delivery is once again likely to form a big part of his workload.

In the next decade, he points out, governments in the developed world will have to come to terms with the need to replace life expired power stations with lower carbon generating options that offer security of supply, while at the same time the developing world is crying out for new sources of electricity. And there’s more.

“Take the UK as an example. Depending on what energy policy is agreed – whether it is nuclear,

microgeneration, wind, local community power or a combination, it will all have a huge impact on the national grid. At the moment it is predominantly based around electricity created at power stations near coalfields. So if the future is offshore wind, the grid is wrong; if we opt for a tidal barrage, the grid needs redistributing. There are huge decisions to be made that will have an impact for generations.”

In a nice piece of symmetry McNaughton, like Mr Balfour, is an engineer (though of the civils rather than Balfour’s mechanical and electrical variety), and his chief executive Ian Tyler, like Mr Beatty is an accountant.

Tyler, along with previous chief executive Mike Welton and a board replete with accountants, economists and now McNaughton, have charted the company on an astonishing path of growth over the last 10 years. Turnover has rocketed from £2bn in 2000 to close to £10bn and the business is valued at £1.7bn now, four times what it was worth in 2000. In the course of that time the company has changed from being a major projects contractor to a firm that not only builds infrastructure but finances, operates, designs and manages it.

The trigger for the change was the decision by Balfour Beatty to split from its owner for nearly 30 years BICC in 1999. In fact, Balfour Beatty sold its parent, and with the £200M dowry it acquired as part of that process, set out on an expansion plan founded on acquisition and investment in asset ownership.

Why becomes clear when McNaughton unveils a graph of growth on a flip chart. “I’ve gone back to steam power for presentations, you get more

engagement particularly with a small audience,” he says, by way of explanation for the move away from Powerpoint.

BICC had been quite content for Balfour Beatty, as a heavily civil engineering project led company, to be a cash generator for the wider business. Profit from contracting was virtually non-existent. It was an unsustainable model for the future.

Organic growth was possible but would not produce a fast enough return, so the company set about buying businesses which would enhance its existing skills and propel each of its operating companies into becoming market leaders in their individual fields. Mansell, Birse, Dean & Dyball were all added, among many, to the Balfour Beatty portfolio and have more than returned their initial purchase price. “Mansell is a perfect example. We bought it, encouraged the business to grow and now it’s contributing £1bn a year to our revenues,” McNaughton says.

But the real big ticket successes he says, have come from Balfour Beatty’s ability to “identify the next business stream and be the first to market”. Fast feet and long vision got the company into design and build and early contractor involvement contracts.

Design and build led directly into private finance which has made a huge contribution to the company’s growth. “As design and build moved on and became commoditised, the market opened up in PFI. We had the financial strength and someone as bright as Anthony Rabin [the group’s deputy chief executive] in the business, and we’ve been very successful.

“We had revenue from asset ownership in the 90s – from Barking Power Station and Devonport [which

Written by Margo Cole and Jackie Whitelaw. Designed by James McCarthy and Peter Grundy.

Cover photos: Kinlochleven 1917, King’s Cross Underground Northern Ticket Hall 2008



Two years ago Balfour Beatty's target was by 2022 to build the business in the rest of the world to 19% of total revenue, with the US amounting to 32% and UK 49%. Existing US growth and the acquisition of Parsons Brinckerhoff mean those splits already stand at 12% rest of the world, 35% US and 53% UK. And it is a long way to 2022.

**Andrew McNaughton,**  
Balfour Beatty chief operating officer

### Changing roles of the modern contractor



**MICHAEL DAVIES**  
Safety, health & environment  
manager on the East London  
Line project

The introduction of the company's "Zero Harm" initiative, which is designed to change our thinking about safety, is having an effect at all levels of the business," says Davies.

"There is a stronger willingness to intervene if something is thought to be a hazard and to resolve the problem, rather than expecting someone else to do it."



**ANDY MOORE**  
Senior site agent on the £176M  
Carlisle Northern Development  
Route

Moore has seen some changes in the site agent's role since he first joined the company 11 years ago. "The role is becoming more of a management role of both resources and the project as opposed to the hands on role it used to be," he says. "It has also become more technologically based over the past few years in terms of computers on site, GPS systems, etc."



**IAN WHYTE**  
Community relations manager  
on the A3 Hindhead project in  
Surrey

"Over the last few years the industry has moved from the position of tolerating community relations to realising that the role is essential to the successful completion of any project," says Whyte. "The importance of the role has allowed community relations to become an active part of the construction team, equal in importance to any other discipline."

**"We had revenue from asset ownership in the 90s – from Barking Power Station and Devonport. Now investment in asset ownership represents around 30% of the value of the group"**

professional services business, we weren't what professional services people wanted on their CVs. We had to look at another model. We were in joint venture with PB so the next step was to buy them. And where we had been buying additions to our operating companies in the past, this time we bought an operating company and are adding our existing management business to it.

"Parsons Brinckerhoff is a world class professional services business and it will lead all of us into new markets."

McNaughton says Balfour Beatty's big strength for the future is the interconnectivity of the four services it offers. "Parsons Brinckerhoff is the entry point for new markets in the rest of the world. And from there we can finance, manage and maintain infrastructure, but not necessarily build it." McNaughton believes a £20bn business offering stronger returns for Balfour Beatty's shareholders is not beyond the realm of possibility. If a couple of entrepreneurs 100 years ago could create a business that has grown to be the giant Balfour Beatty now is, who is to say that ambition may even be on the cautious side.

the firm has since sold]. Now investments and asset ownership represent around 30% of the value of the group." Recent investments include the purchase of Exeter and Blackpool airports. The group's profits now stand at £250M in the last financial year.

Balfour Beatty's 40% stake in the £6.2bn M25 DBFO, which is now underway, is crucial to its future in private finance. "It's important we won this; and it's important we do it right," McNaughton says.

Going forward, long term investment in infrastructure is a key

part of the company's strategy. "We are changing the business model again," McNaughton says. Five years ago 85% of the company's revenues were from the UK, 10% from the US and 5% from the rest of the world. In 2007 several scenarios for 2022 were considered.

"Continued major growth in the UK would have meant swallowing everyone and was not a sensible option. So we looked at increasing the geographical mix."

The purchase of contractor Centex in the US acted as a spur to developing Balfour Beatty in the

States where the company has been incredibly successful in recent years. But the group was still looking for a way into markets in the rest of the world. One trigger for the solution was actually losing a big Crossrail contract. Balfour Beatty, via its Balfour Beatty Management arm created in 2004, bid for the highly desirable project delivery role in joint venture with Parsons Brinckerhoff. They lost out to Bechtel.

"What that spurred us to realise was that we can't always leverage the business as Balfour Beatty. Though we were a strong

# FIRST 5 YEARS

- 1909
- 1912 Titanic sinks
- 1914 – 1918 First World War
- 1919
- 1922 Power Securities launched
- 1926 National Grid established
- 1929

## Memories are made of this

**Balfour Beatty's first half century is a tale of how politics and two world wars turned a company that started out with the intention of being operators and managers of electric infrastructure into a mainstream contractor.**

George Balfour and Andrew Beatty formed the company on 12 January 1909 having met while working for an electric tramway business JG White. They saw that tramways which were generating their own electricity supplies for their trams were also the key to making local electricity supply viable for the whole population.

The plan was to provide financial and technical management to burgeoning undertakings and their first commission for £5,000 was to take over the operation of tramways at Dartford in Kent and Luton in Bedfordshire. It was a short step to extending a tramway in Dunfermline on a contract worth £141,450. However Balfour and Beatty did not divert from their original plan and stuck mainly to finance and management so that by 1912 they had set up the huge Midlands electricity supply group as well as a series of tramways.

War in 1914 checked the development of electrical undertakings, staff left to join the army but contracting experience proved highly valuable. Balfour Beatty built army camps, including a vast one at Ripon, and was then called in to construct a 8km long pipeline aqueduct to bring water to boost

hydro power to the British Aluminium Company's works at Kinlochleven. It was a first step into heavy civil engineering.

In 1926, this was followed by a huge £2.5M commission to manage the construction of a scheme to supply hydro power to a new BAC development on Loch Linne at Fort William. Water had to be carried from Loch Treig to Loch Linnhe which involved driving a 24km long, 5m diameter hand drilled rock tunnel as well as laying 2m diameter pipes down the sides of Ben Nevis. Three thousand men were at work on what was known as the Lochaber water power scheme, which required 12 labour camps and a

**3,000 men worked on Lochaber. A mail train left at 8am to visit the work camps**

30 mile private railway to supply the workforce.

At this point Balfour Beatty become even further involved in the development of Scottish hydropower. Back in 1922 the business had set up a very early private finance arm called Power Securities to fund power projects. The company helped Grampian Electricity Supply company raise money for hydro electric works to provide electricity to the Highlands.

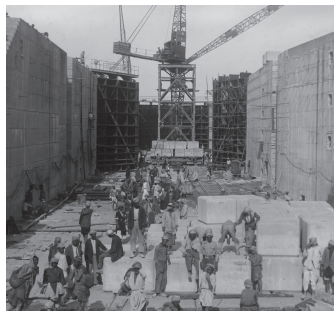
While this was going on the company was also building its power holdings around the UK and was exploring overseas, supplying



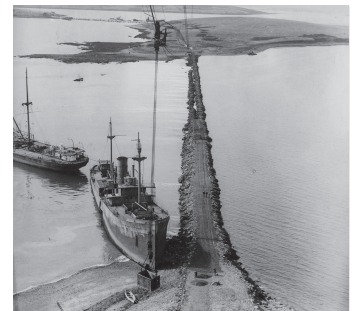
George Balfour



Andrew Beatty



● 1938 The Kut barrage works



● 1940s Churchill Barriers



● 1957 Work starts for the new Berkeley nuclear power station



**F** In 1941 a direct hit by a bomb destroyed the roof of Bank Underground station in London and the road above collapsed into an enormous crater. The Royal Engineers threw a Bailey bridge across the crater in 48 hours. But to effect permanent repairs the London Passenger Transport Board called in Balfour Beatty's "underground mob" as they were affectionately known and in little more than a year they rebuilt the Bank to a new design and kept the railway and the roads above open the entire time.



1934 Kut barrage inaugurated

1939 War

1944 Churchill Barriers completed

1948 Electricity nationalisation

1949

1957 Start of work on Berkeley nuclear power station



● 1930s Early railways in Bermuda



● Lochaber Underwater blast helps tunnel breakthrough

electricity to Jerusalem and Bethlehem, building tramways in Buenos Aires and most notably building the enormous Kut barrage irrigation scheme in Iraq to control the waters of the Tigris and Euphrates.

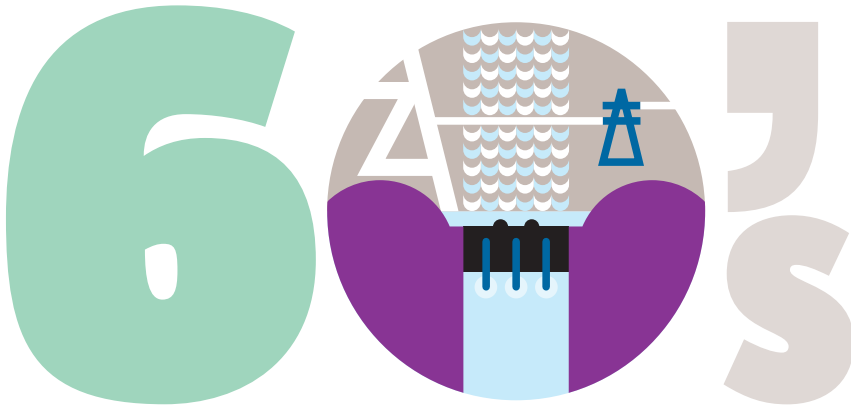
World War II curtailed everything. All activity was focused on the war effort. Balfour Beatty's largest task was the astonishing Churchill Barriers – the 2.3km series of causeways between Orkney and Ronaldsay that closed off the vital strategic harbour of Scapa Flow to enemy attack. Gabions full of broken rock were dropped from overhead cableways into deep fast flowing water and then covered with 66,000, up to 10t locally cast concrete blocks. The firm also built two of the Mulberries for Mulberry Harbour.

After the war and into the 1950s politics seriously intervened in the Balfour Beatty business plan. The new Labour government nationalised the electricity industry and the company's compensation was very slight as it owned very few assets of its own. All around the world political upheaval meant the business was having to retrench – from Palestine, from Iraq where there were revolutions, from South America following the coup that overthrew Juan Peron in 1955. Nationalisation of power supply in East Africa and Canada, where the company had interests, also affected Balfour Beatty's growth.

The new strategy was to become a major contractor in power and civil engineering and Balfour Beatty started to build its success. Staythorpe B power station and the Berkeley nuclear power station on the Severn estuary were part of its construction portfolio and a jumping off point for the developments of the 1960s.



● 31 December 1917 Final pipe in the Kinlochleven hydro scheme is placed in position



1960

1961 Francis Chichester sails solo across the Atlantic

1961 Bay of Pigs invasion, Cuba

1962

1963 Marilyn Monroe dies

1963 Profumo scandal

1963 President Kennedy assassinated

1964

## Power to the people

At the start of the 1960s Balfour Beatty had two main businesses – civil engineering and power – that were pretty much independent of each other.

For the power business the decade got off to a great start with the contract to upgrade a major portion of the national electricity “supergrid” from 275kV to 400kV. The project took most of the decade, and was responsible for the arrival of the massive steel

During the supergrid upgrade cartoonist Giles conducted a campaign against the pylons.

pylons that are now a familiar sight throughout our landscape.

Meanwhile the civils business was learning to operate in a changed market. Nationalisation of infrastructure and utilities gave the company less chance to exercise the entrepreneurial spirit that had characterised the pre-war years, forcing it to compete in new areas.

Power station construction was still a mainstay, and in the 60s Balfour Beatty worked on facilities at Drax, Tilbury, Cogenzie and Dungeness – the first power station in the UK to incorporate an advanced gas-cooled reactor. But power stations alone would not sustain the business, and

the company looked further afield, tackling increasingly complex projects, including a section of the London Underground at Elephant & Castle, and the second bore of the Blackwall Tunnel, also in London. Both involved working under compressed air in difficult ground conditions.

South of the border Balfour Beatty’s biggest successes were in specialist construction, but in Scotland the company managed to develop a thriving heavy civils business that landed big road jobs like the M73 – Scotland’s largest motorway contract – and dams including Kielder and Blackwater.

Overseas the firm continued, mainly, to follow UK government and World Bank money to former colonies, building hydro-electric, power transmission, road and dock projects in places like Pakistan, Tanzania, Kenya and Malaysia. One of the largest projects at the time was the £72M Kainji dam in Nigeria, a project that generated 600 engineering drawings and led to the creation of an independent design consultancy within Balfour Beatty. The dam was opened to a “21-gun salute” of gelignite charges.

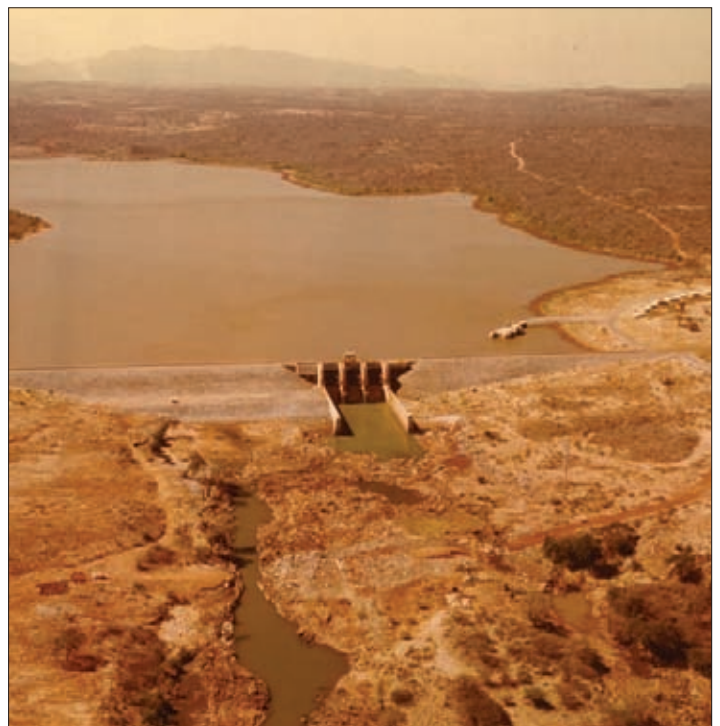
Balfour Beatty’s biggest rival in the power sector at the time was BICC. Between them they carried out two thirds of the UK supergrid upgrade. But when that work came to an end both firms started to feel the pinch, and joining forces – in the form of a takeover by BICC – seemed a logical next step. It was a decision that shaped the direction of the business for the next 30 years.



● Electricity supply Power lines, Kenya



● Highways Kainji roads, Nigeria



● Gitaru One of three dams built for the Seven Forks hydro scheme in Kenya



**F** Prior to World War II things were different, with more room for entrepreneurial activities and promoting schemes. In the early 60s the market toughened up and became a whole lot more competitive. A lot more players came on the scene and we struggled to get into roads. Power was pretty successful through that period, and it was the power business that BICC wanted to get hold of, not the civil engineering business” Alistair Wivell, group managing director 2002-2005



**1964** Beatles on Ed Sullivan Show  
**1965** Construction of Dungeness nuclear power station begins

**1966**

● **1966** England wins the World Cup  
 ● **1967** Summer of Love

**1967** Second Blackwall Tunnel opens  
**1968**

● **1968** UK's 400kv supergrid completed



● **Blackwall Tunnel** Construction of the £5.3M second bore was completed in 1967



● **Kenya** Kindaruma power station



● **Hong Kong** Transmission lines



● **Power** The lines for Cowley, Oxford to Severn Springs, Cheltenham



● **Kainji** The £7.2M dam in Nigeria was designed by Balfour Beatty



## Anarchy in the UK

**The early 1970s were a game of two halves on many levels for Balfour Beatty.**

The transmission teams were rocking round the world in the pioneering spirit of the era, flying men and equipment high up into the Zagros mountains of Iran or erecting the longest high voltage lines in the western hemisphere in the pampas of Argentina.

“That was made possible by radio communication – a far cry from the old days of flags and whistles,” says then general manager of the Power Transmission division and later company

**The first people into the Zagros mountains in Iran for the transmission line carried out initial surveys using mules. Working at 8000ft meant men and everything else went in and came out by helicopter.**

managing director Don Holland.

Meanwhile UK civil engineering was struggling in a country riven by industrial unrest, three day weeks and power cuts. However, even with that to contend with, work in the north and Scotland was going well.

The group had broken into major road construction and was working on Glasgow inner ring road and

M73 among other major schemes. The business was in joint venture with Anglo Dutch Offshore Concrete (ANDOC) at the start of the North Sea oil boom building a concrete oil platform. And a foray into commercial building work introduced the company to airport construction projects, with a new terminal at Dyce Airport, Aberdeen. Kielder Dam and Peterhead power station were also on the books.

But in the south there were problems. Three significant contracts were in trouble – the Dartford Tunnel second bore, Great Billing sewage works in Northampton and the M1/South Mimms junction were haemorrhaging money. The boys in the north and Scotland came south to sort it out. Senior directors were sent out to work on site to turn the schemes round so they didn't irreparably damage the whole business.

To crown a tough first five years for contracting, the excitement of starting work on the greatest project of the age – the Channel Tunnel – as part of the Cross Channel Contractors Group – was dashed when the project was cancelled by the new Labour government in January 1975 just as the tunnel boring machine was about to start up.

But then in 1976 came a big breakthrough – the business won the £350M contract for the 66 berth Mina Jebel Ali port in Dubai. The job involved over 14km of quays, needed 5,500 men and was completed a year ahead of schedule. It was opened by HM The Queen who sailed in to the dock in Britannia in February 1979. Balfour Beatty was set fair for the 1980s.



● **Jebel Ali** Port control tower



● **Departures** Dyce Airport, Aberdeen



● **Tricky** Tunnelling at Dartford



● **1973** Balfour Beatty wins the contract to erect transmission lines in Iraq





**F** Winning Jebel Ali port was hugely important to Balfour Beatty. When I started we were minnows in the contracting world. But Jebel Ali, a deal done on a handshake between the Sheikh and [managing director] Don Holland as the story goes in company history, was a landmark. It was worth £350M to the company and we had to construct 14km of quay” Andy Rose, group managing director (engineering and safety).



**1975** Channel Tunnel cancelled. Offshore oil production starts

**1976**

**1975** Balfour Beatty wins Jebel Ali port contract

**1976** Queen sends her first email

**1978**

**1978** First test tube baby born in Oldham

**1979** Margaret Thatcher elected



● **High up in the Zagros mountains** All equipment had to come in by helicopter



● **Glasgow inner ring road** A key win for contracting



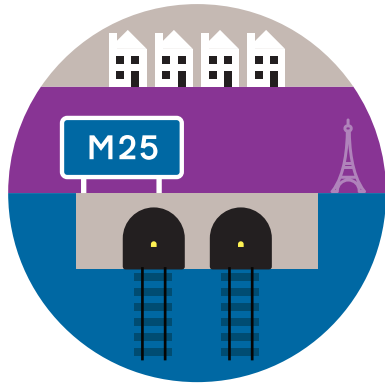
● **Offshore** Oil platform construction



● **1979** Concreting at RAF Cottesmore



● **Dartford** Ready for the opening in 1980



**1980**

1980 Construction begins on Victoria Dam, Sri Lanka

July 1981 Wedding of Prince Charles and Lady Diana Spencer

**1982**

1982 Argentina invades the Falkland Islands

1983 Margaret Thatcher elected for second time as Prime Minister

**1984**

1984 THORP contract

## Take a chance on me...

The 1980s saw a revival of Balfour Beatty's entrepreneurial spirit, as the firm captured the "can do" attitude of the decade by diversifying into new markets.

The building division that had started in the 70s in Scotland expanded dramatically both sides of the border, including ventures into refurbishment, housebuilding and property development. By 1989 the firm had built more than 800 homes and had a property portfolio worth over £100M.

The decade also saw the acquisition

**In 1987 turnover was £1.19bn. The firm had 6,000 staff and took on 106 graduates. The highest paid director earned £132,781.**

of building services company Haden and a 50% stake in US construction management firm Heery International, (now wholly owned by Balfour Beatty).

By 1987 Balfour Beatty had moved significantly from its core business, describing itself as a "broadly based and well balanced construction, engineering and development company". The firm had a £1bn turnover and a portfolio that boasted some of the biggest and most significant projects of the day.

In the UK these included the THORP nuclear reprocessing facility, sections

of the M25, subsea cables between England and France, and electrification of the East Coast Main Line. Overseas the massive Victoria Dam in Sri Lanka was completed, work started on the Cairo wastewater system and the firm built thousands of km of new roads in Oman and Tanzania, as well as Dubai Airport.

The 80s consolidated Balfour Beatty's position as a major league player, but, with the firm landing one big project after another – culminating in 1986 with the deal to build the Channel Tunnel, as part of Transmanche Link.

In addition to winning many high profile contracts under traditional procurement methods, the company was also one of the first contractors to see the potential of design/build contracts, landing a £58M contract to build the BBC's new HQ at White City in 1988 and, soon after, the M8 St James Interchange west of Glasgow – the largest D&B contract let in the UK at the time. It was during the 80s that the company also started to acquire assets – something that continues today through its PFI activity. In 1987 it took a 30% stake in Devonport dockyard to run for seven years, and one year later, formed a joint venture to own, finance, build and operate power stations, starting with Barking Reach in east London.

The crash that was to follow the 1980s boom put paid to many of the company's non-core activities, but many new ventures instigated during the decade set the scene for the way the business is run now.



● **M25/M1** The final section of the M25 was completed in 1986



● **Mrica** Hydropower in Indonesia



● **Oman** Road project at Mughsayl



**F** In the late 70s we started to do building work – largely in Scotland. On the back of that we thought we should be doing it in England as well, so Balfour Beatty Building was born. Driven by that, we went into housing and then property development. We converted a lot of civil engineering people to be housebuilders and property developers.” Mike Peasland, group managing director.

**1985** Balfour Beatty takes stake in US construction manager Heery

**1985** Live Aid concert in London and Philadelphia

**1986**

**1986** Chernobyl nuclear disaster

**1986** Balfour Beatty turnover hits £1bn

**1987** Margaret Thatcher's third term as Prime Minister begins

**1988**

**1988** Pan Am flight 103 explodes over Lockerbie

**1989** Fall of the Berlin Wall



● **Cairo** New wastewater system



● **THORP** Nuclear reprocessing



● **Docklands Light Railway** Bridge roll-out at Limehouse in East London



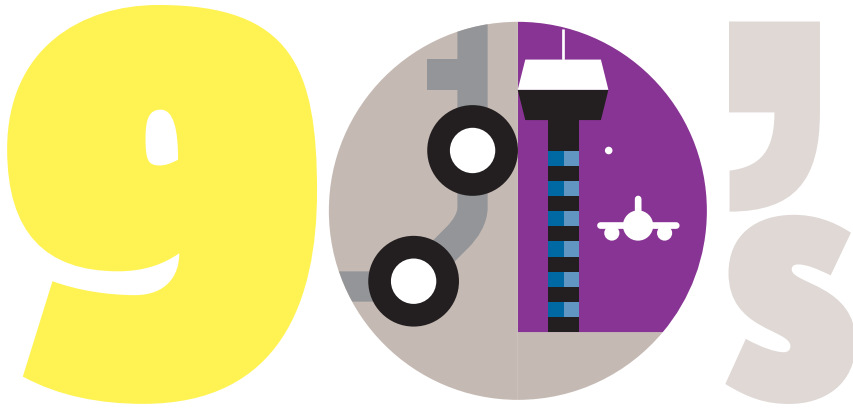
● **Shakespeare Cliff** Work starts on the Channel Tunnel



● **Electrification** Tyne and Wear Metro



● **Victoria Dam** The massive reservoir in Sri Lanka was impounded in 1984



1990

1990 Nelson Mandela freed after 27 years

1991 Operation Desert Storm begins

1992

1992 Maastricht Treaty signed

1992 Premier League formed

1993 Bill Clinton inaugurated as US President

1994

## I should be so lucky

**By the 1990s Balfour Beatty was describing itself as a worldwide infrastructure business.**

Its major projects list was a collection of the seminal schemes of the day including the Jubilee Line extension, Chek Lap Kok airport terminal in Hong Kong, Pergau hydroelectric dam in Malaysia, the Cardiff Bay Barrage and the Channel Tunnel.

But it was also struggling with difficult economic conditions. The early 90s slump in property forced it to bail out of the property sector and sell off the housebuilding activity that it had started so optimistically in the 1980s.

Meanwhile annual reports bemoaned the sluggishness of markets in water and electricity as they underwent their periodic reviews, in roads as the Department for Transport undertook a policy review, and in rail as British Rail went through the process of being privatised.

However Balfour Beatty came out of that privatisation having acquired two rail maintenance businesses and one track renewal company that formed the basis of what would be come a huge and thriving rail operation in the next decade.

It was also spotting and developing other new markets, always mindful to be first rather than late to the party. The design and build market that the company had embraced successfully in the 1980s gave it the confidence to chase early private finance deals winning three road schemes – the

M1/A1, A50 and A30/A35 and two hospital awards – the Royal Infirmary Edinburgh and Durham District General Hospital.

Its project management arm Heery was signed up for one of airport operator BAA's ground breaking framework partnering deals and the company was on the first list of Highways Agency superagency term maintenance contracts.

Meanwhile business was growing in the US, and the firm was developing local joint venture companies in other regions.

By the late 90s the company was turning over £2bn, employing over 15,000 people and was able to announce it was the UK's largest engineering contractor. It was time to free itself from BICC and between 1999 and 2000 Balfour Beatty sold off its parent and headed into the next decade as a free agent.

But despite all this activity it was the Heathrow Express collapse that was the abiding image of this decade for Balfour Beatty. As buildings disappeared into the huge cavern that opened up at Heathrow airport in 1994, the whole company, its client, its suppliers rolled up their sleeves and got stuck in to sort it out. The accident was a disaster but the recovery was a triumph and proved the concept of single team partnering more effectively than any trouble free job could ever have done. Though as Andy Rose, the man at the sharp end on this one remembers: "It was a good experience to have had, but I wouldn't wish it on anyone."



● **Power** Barking Power station, an early Balfour Beatty PFI scheme



● **1999** Cardiff Bay Barrage



● **1996** Atlanta Olympic Stadium



● **Roads** The A30/35 PFI project



**F** The 90s were a time when all our staff had to change their outlook and realise the risk now sat with them. Design and build and the private finance arrangements transferred all the risk to the contractors and if we had a problem then we had to sort it out ourselves. It was a big shift in the psyche of the industry, a change from confrontation to collaboration and it has led to a lot more job satisfaction." Brian Osborne, group managing director.



1995 Barking Power Station completed

1996

1996 Rail Privatisation

1997 Princess Diana dies

1998

1999 Balfour Beatty split from BICC

1999 Cardiff Bay Barrage opens



● 1998 Chek Lap Kok airport in Hong Kong opened. Balfour Beatty built the £830M terminal



● 1995 Sheffield supertram handover



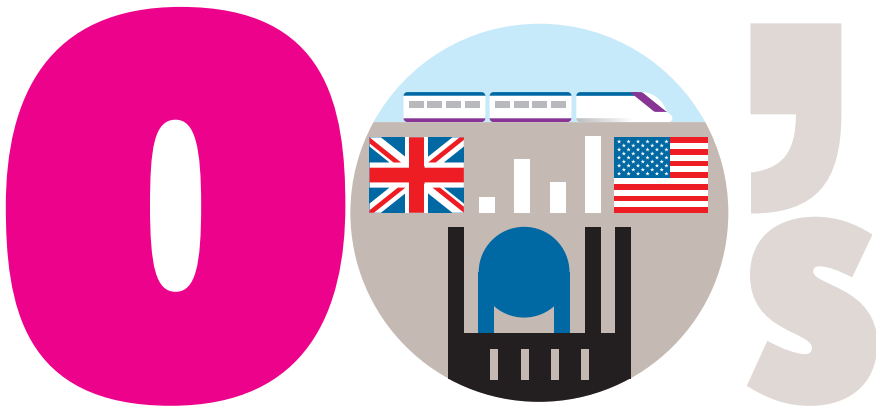
● Tunnelling Jubilee Line Extension



● Limehouse Link Eased traffic congestion in growing Docklands area of London



● Heathrow Express Triumph in partnering following the 1994 collapse



**2000**

2000 Balfour Beatty buys rail electrification and power business of Adtranz

2001 September 11 terrorist attacks

**2002**

2002 Edinburgh Royal Infirmary handed over

2003 Balfour Beatty acquires Mansell

**2004**

## Don't stop moving

**By 2000, its first year as a PLC, Balfour Beatty had sold the last parts of BICC and was turning over more than £2.6bn a year.**

It put a structure in place that reflected the four main areas of business: building, building management and services; civil and specialist engineering and services; rail engineering and services; and investments.

In the last decade the company has grown from 25,000 staff and a £2.3bn turnover to 52,000 staff and a turnover of around £10bn. Steady acquisition has seen UK companies like Mansell, Birse and Dean & Dyball incorporated into the group, together with overseas specialist companies including Centex and Barnhart in the US and Schreck-Mieves in Germany.

A massive area of growth during this period has been the rail sector, although the decade got off to a tragic start when four people died and 102 were injured in the Hatfield rail crash.

At the time Balfour Beatty was responsible for maintaining the track for infrastructure owner Railtrack. Among a number of failings by a number of parties, Balfour Beatty's management of the contract was found wanting. These issues were seriously addressed.

Since then Balfour Beatty has acquired judiciously in the rail market to expand its operations and capabilities both in the UK and overseas.

The acquisition of Adtranz's rail

electrification business in 2000 opened up new markets in Western Europe, Australia and the Far East, and subsequent purchases of design, signalling and rail construction companies have helped create a "full scope capability" for rail and a business worth over £1.1bn a year.

Recent UK projects include major remodelling on the West Coast Main Line and the East London Line, while overseas the company built the Porto Metro and the metro system in Santiago, Chile and is recognised as the world leader in high speed line electrification. It's a long way from the company's first rail job almost 100 years ago, electrifying tram lines in Edinburgh.

Equally important in the story of the 2000s for Balfour Beatty is its growth in the PFI sector.

Having taken what was perceived as a risk when it committed to the Edinburgh Royal Infirmary PFI in the late 90s, Balfour Beatty soon became a leading player, and by 2000 had 11 different concessions ranging from hospitals to roads and wastewater.

Although the Metronet PPP for London Underground – in which Balfour Beatty had a 20% stake – ultimately proved unviable. But the company has generally done well with PFI, and its portfolio includes the Stoke schools PFI, University College Hospital in London, and Birmingham Hospital, which in 2006 became the company's 20th PPP concession.

PFI might seem like a thoroughly modern way of procuring infrastructure and assets, but for Balfour Beatty it



● **Islington schools** An education PFI scheme



● **Birmingham hospital PFI**



● **Power** Upgrading the grid



After 1996 we decided we didn't want too much dependence on Railtrack and felt a need to expand into new markets. When we bought Adtranz in 2000 overnight we became an international business. Now we are a real specialist in high speed rail electrification. We've done 6,000 track kilometres in high speed electrification. I doubt there's anyone else in the world who's done that much" Manfred Leger, group managing director.



2004 preferred bidder for Birmingham schools PFI

2005 Hurricane Katrina hits New Orleans

2006

2006 Balfour Beatty acquires Birse

2007 Credit crunch triggers recession

2008

2008 Balfour Beatty acquires Dean & Dyball

2009 Balfour Beatty enters FTSE 100 for the first time



● **Exeter airport** A Balfour Beatty asset



● **Gotthard Base Tunnel** The world's longest rail tunnel

**In 2007, Regional and City Airports (RCA) – in which Balfour Beatty has a 60% stake - bought Exeter International Airport. The company also owns Blackpool Airport**

has a definite resonance with the early years, when the firm took the lead on financing the nation's infrastructure. This time, however, the company is not just financing but retaining a share in many of the assets, giving it a guaranteed revenue stream that helps when it comes to riding out downturns in traditional construction sectors.

Another important change over the decade has been the move into professional services, first with the launch of Balfour Beatty Management in 2004, and earlier this year with the announcement that it has acquired US-based consultant Parsons Brinckerhoff.

Balfour Beatty Management was launched to leverage the wide range of skills in the group and in acknowledgement that a lot of major infrastructure projects for clients like Network Rail, London Underground and National Grid would require project and programme management expertise.

The acquisition of Parsons Brinckerhoff enables Balfour Beatty to offer a full design, construct and maintain capability in a number of fields – especially power and rail – and meet its ambitious international growth targets.



● **I-10 Freeway Texas** Parsons Brinckerhoff was the engineer for this £310M reconstruction project

# Balfour Beatty



Proud of our past Passionate about our future

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