

## Foster Yeoman

**Long term relationships with customers and competitors are at the core of Foster Yeoman's business strategy of supplying high value services for public and private sector clients.**

# Strategy focuses on business alliances

**A**lliances are vital for the pursuit of greater quality and value for clients, according to Foster Yeoman. Close working relationships, the company believes, are essential for allowing specialist skills of different companies to be applied to best effect in the construction process.

Foster Yeoman has developed its business strategy around this belief at a time of flux and adversity for the construction industry. Some quarrying firms have been acquired by others in the face of reduced road building and falling sales volumes during the past decade.

But Foster Yeoman has taken a different approach to improving its position and service to clients. A number of key alliances with its customers and competitors are producing greater efficiency and value for Foster Yeoman and the construction industry, the firm claims.

Alliances were an important recommendation of the Construction Task Force, which was

commissioned by the Department of the Environment, Transport and the Regions (DETR) to investigate scope for improving quality and efficiency in UK construction in 1997.

"Creation of long term relationships or alliances throughout the supply chain is an essential ingredient in the delivery of radical performance improvements," says the task force's 1998 Rethinking Construction report.

Foster Yeoman had already established alliances with a number of its customers and competitors at this time and the company has pursued further strategic initiatives since.

Its latest alliance was formed with Raynesway Construction Southern (RCS), a subsidiary of Balfour Beatty Group, in August 2000. RCS is a highway term maintenance contractor currently running five county council contracts and two of the Highways Agency's Super Agency contracts.

Foster Yeoman has teamed up with RCS to provide road surfacing and materials supply for the HA's Area 3 Super Agency and the county council contracts of Hampshire and Surrey. In the case of the Hampshire contract Foster Yeoman is also jointly managing and operating the council owned asphalt plant at Micheldever near Winchester with RCS.

"This alliance is allowing us to provide our specialist technical and materials management skills and enabling RCS to concentrate on managing its highway maintenance operations," says Foster Yeoman Production Director David Smith.

"We can combine the abilities of Foster Yeoman Contracting with our experience of running coating plants to produce significant gains in efficiency in surfacing. We are also using the Micheldever site to supply our high value specialist surfacing products."

RCS began working for Hampshire County Council and developing a partnering – or alliance – style arrangement with its client in 1996. This was based on a set of Key Performance Indicators and a statement of understanding committing both parties to striving towards improving the service.

The Rethinking Construction report gives the RCS/Hampshire contract as an example of how quality and efficiency of service can be increased

*"We are looking to provide more quality and efficiency benefits ... in alliance."*

**David Smith**

via partnering relationships. Turnover had increased by 20%, costs were down by 10% and accidents had decreased by 60% during the two years preceding 1998.

The contract has since become a demonstration project for the DETR's Movement for Innovation (M4I), which was established on the Construction Task Force's recommendation in 1998.

"The construction industry is changing with much more emphasis on provision of an overall service by multi-disciplinary teams rather than a group of separate contracts, which do not necessarily pull in the same direction," says Smith.

"We are looking to provide more quality and efficiency benefits for Hampshire County Council in alliance with RCS and we will be supporting our alliance partner's submission when the term maintenance contract is retendered in 2002."

Foster Yeoman formed the Mendip Rail joint venture with Hanson Aggregates in 1993, also to exploit opportunities for reducing costs and improving value of service.

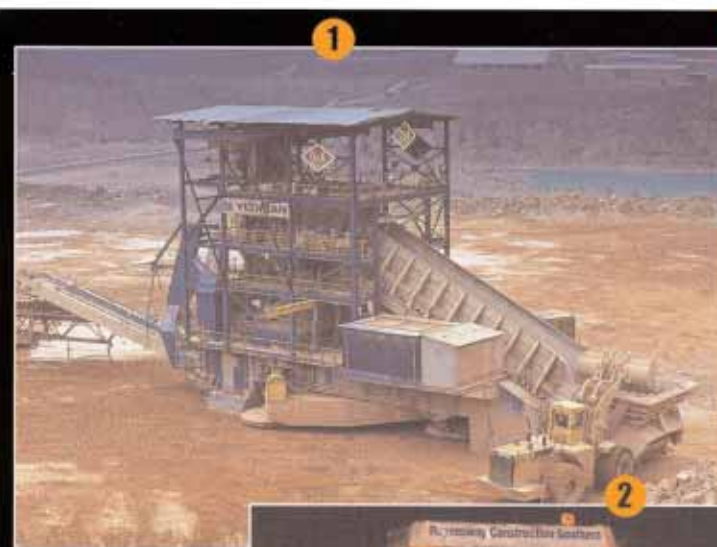
Both companies operate quarries in the Mendips and in 1993 their separate rail freight operations were combined to supply limestone to depots in the South East for manufacture of asphalt and other products.

"Mendip Rail was formed to make better use of the Foster Yeoman and Hanson rail freight facilities and fleets for more effective use of the rail network and greater efficiency," says Smith.

"Mendip Rail has become a freight operating company on Railtrack's network since the rail industry was privatised and the alliance is currently transporting around 6Mt of aggregate, which equates to some 5000 train movements, each year."

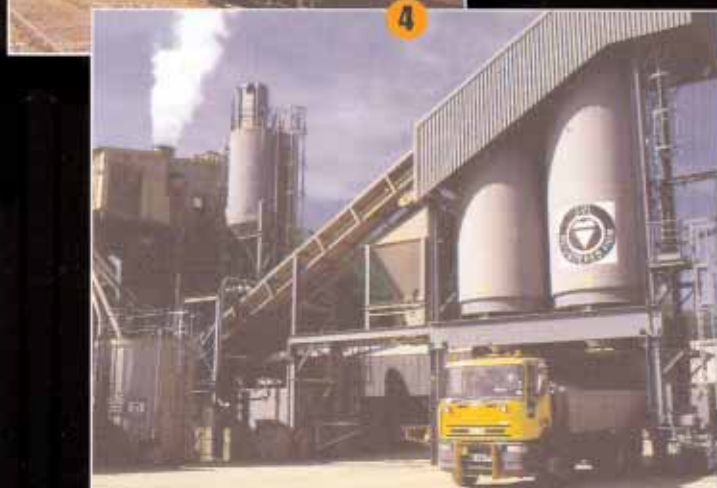
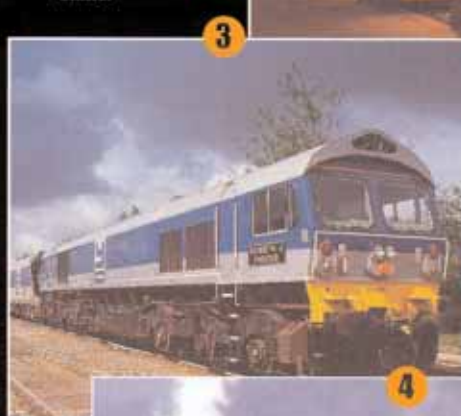
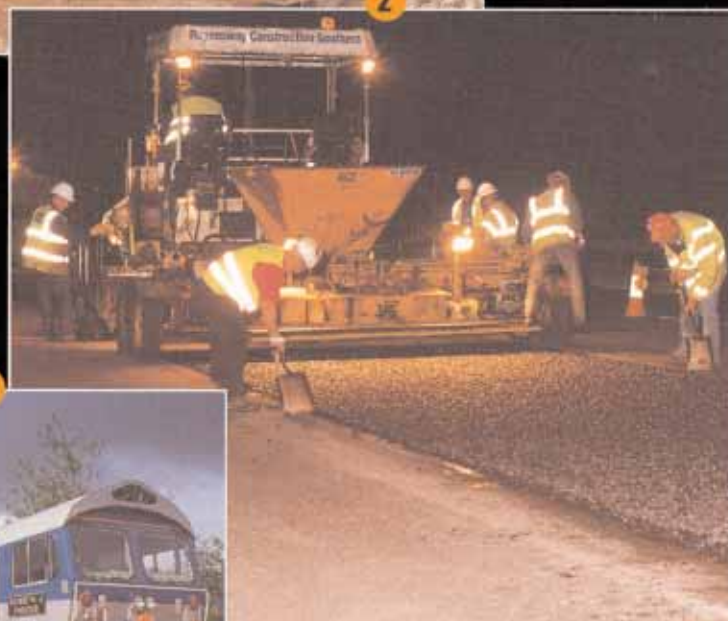
Foster Yeoman currently has further alliancing agreements aimed at ensuring supply of high quality materials and specialist products. One such has been established with Mobil BP for marketing the Foamix cold lay asphalt. The product is manufactured with a BP foamed bitumen and carries potential for inclusion of a high proportion of recycled material including road planings, furnace ash, sewage sludge and crushed glass.

Also, joint ventures with Tarmac, Blue Pennant Stone and Amec have been established to provide high Polished Stone Value (PSV) aggregates from Ireland, South Wales and Norway. High PSV stone is an essential ingredient of thin wearing courses, which have become the staple surfacing material on trunk roads in England.



**1. Foster Yeoman believes its core skills as a producer and distributor of roadstone products are being applied to best effect through alliances.**

**2. Hampshire County Council is benefiting from Foster Yeoman's asphalt expertise allied with RCS's highway maintenance skills.**



**3. Mendip Rail was formed in 1993 to make more efficient use of the rail network and the combined facilities of Foster Yeoman and Hanson Aggregates.**

**4. The Micheldever asphalt plant in Hampshire is being managed jointly by RCS and Foster Yeoman.**