The Committee of Public Accounts

The Committee of Public Accounts is appointed by the House of Commons to examine “the accounts showing the appropriation of the sums granted by Parliament to meet the public expenditure, and of such other accounts laid before Parliament as the committee may think fit” (Standing Order No 148).

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Angela Eagle MP (Labour, Wallasey)
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Powers

Powers of the Committee of Public Accounts are set out in House of Commons Standing Orders, principally in SO No 148. These are available on the Internet via www.parliament.uk.

Publication

The Reports and evidence of the Committee are published by The Stationery Office by Order of the House. All publications of the Committee (including press notices) are on the Internet at http://www.parliament.uk/pac. A list of Reports of the Committee in the present Session is at the back of this volume.

Committee staff

The current staff of the Committee is Sian Woodward (Clerk), Emily Gregory (Senior Committee Assistant), Pam Morris and Jane Lauder (Committee Assistants) and Alex Paterson (Media Officer).

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Summary

In many respects, the Agency’s letting and management of maintenance contracts, known as ‘Managing Agent Contractor’ (MAC) contracts, is not a bad story. The contract largely follows best practice and offers the potential to secure value for money and, since its introduction, there has been greater certainty over delivery of maintenance schemes within budgets and to timescales. Journey time reliability on the strategic road network has steadily improved since summer 2007 and the timing suggests that Agency interventions have contributed to the improvement. There are still some serious shortcomings, however, which put value for money at risk. In particular, the Agency lacks basic facts about what it gets in return for taxpayers’ money and by how much the costs of some items such as road resurfacing have increased. It has failed to exploit cost information to benchmark prices and drive efficiency improvements, and has lacked the quantity surveying and commercial skills required to manage the contracts effectively. These shortcomings are especially worrying given overall increases in costs and the wide variability of costs between areas.

While recent indications are that the market for road maintenance contracts is becoming more competitive, there is a risk that the Agency is too reliant on the procurement stage to deliver performance improvements rather than through the proactive management of contractors during the term of the contract.

The Agency’s principal value for money objective is to minimise the whole life cost of maintaining the network. It does not appear, however, to pursue minimum whole life cost as strongly as it might. Only 20% by value of the schemes entering the Agency’s renewals programme are subjected to formal whole life cost appraisal and, even where whole life costing is used, it does not appear to drive programme design.

Despite Agency initiatives to improve safety on its road network in recent years, safety at road works for both road users and road workers has not changed much in recent years. We are concerned that the latest year for which statistics on road worker injuries were available was 2006.

On the basis of a report by the Comptroller and Auditor General,¹ we examined the extent to which the Agency is an informed customer and is challenging contractors to deliver value for money and better outcomes for road users and for those who work on the network.

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Conclusions and recommendations

1. While the Agency has good access to detailed information on contractors’ costs, it is only now beginning to exploit its access to this data. As a priority, the Agency needs to benchmark the unit costs of routine and planned maintenance between contractors and areas in order to assess their relative performance and drive efficiency improvements over time.

2. We are concerned at the wide variation in unit costs of jobs between different Agency Areas. The Agency should establish the reasons for the variations, determine whether the differences are justified and challenge prices for jobs more effectively.

3. Costs for both fixed cost activities and work where the contractor reclaims actual costs have increased during the lifetime of MAC contracts. The Agency should monitor expenditure more closely on these types of work to ensure that costs are properly charged and to limit cost increases.

4. The Agency relies too much on the competitive procurement stage to deliver performance improvements. While the procurement stage offers a good opportunity to market test prices and rates, it occurs only once over the term of a contract. The Agency must proactively manage contractors, challenge their costings and establish benchmarks for continuous improvement during the term of each contract.

5. It is disturbing that the Agency has an incomplete understanding of its overall costs and lacks basic facts, such as how much the costs of road resurfacing have increased. The Agency should use its improved access to cost information to better understand its costs so that it can identify how much is spent on individual activities and establish trends over time.

6. The Agency’s Directorate responsible for highways maintenance lost over 50 qualified engineering staff since 2004 and until recently had only four quantity surveyors. The Agency now has 12 quantity surveyors and should seek to deploy as many in the field as it needs to make the best possible use of their commercial skills. The Agency should also make a clear assessment of the level of skills it needs and should put in place a strategy to maintain its skill base at this level in future.

7. Whole life costing is applied to some of the Agency’s schemes, but we remain concerned that whole life costings are not driving the Agency’s planned maintenance programme as strongly as they should. The Agency should refine and extend the use of whole life costing in assessing proposals for planned maintenance, and should use the results to determine the content of its maintenance programme.

8. We are concerned that statistics on road worker casualties are not available beyond 2006. The Agency should demonstrate that it is taking the issue of road worker safety seriously by updating and routinely collecting road worker casualty data to inform its road safety strategy.
Becoming a more informed customer

1. While the Agency’s management information systems enable it to examine spending on planned maintenance schemes on a job-by-job basis, there are significant gaps in its knowledge about what it gets across its whole network in return for our money. For example, while it knows that spending on planned maintenance represents 17% of its budget, it does not know with any certainty how much is spent on resurfacing across the network and what area has been treated for this amount. Worryingly, it is therefore unable to explain why the cost of road renewals per square metre resurfaced, has increased at a rate in excess of general price inflation and by how much.²

2. The Agency has access to information which it could use to get a better understanding of costs and to drive them down, but acknowledged that the degree and pace with which it has picked up on that information was disappointing.³ Prior to 2007, it knew how much it was spending on each project, but it was only in 2007 that it made it a contractual requirement for contractors to break down the costs by each activity.⁴ The Agency acknowledged that it needs to better understand each contractor’s costs base and plans to use the information at its disposal to set challenging and demanding target costs, to estimate costs for its bid propositions and more generally to have better control of the numbers.⁵

3. One way in which the Agency could make more effective use of management information is to use it to assess the performance of different contractors and to drive down costs in the areas where they are higher. The Committee were concerned by the wide variations between Highways Agency Areas in the unit costs of particular types of job. For example, the average costs of resurfacing ranged from £17–£35 per square metre, and the cost of thin surfacing materials ranged from £63–£101 per tonne (September 2008 prices).⁶ The Agency said that some differences can be explained, for example the higher cost in resurfacing in the south east of England, may be because it is much further from the sources of the materials used than other Areas and the cost of haulage makes up a significant proportion of the total cost.⁷ The Agency acknowledged however, that having unit cost information available would help it to identify and challenge contractor’s costs where they were higher than expected.⁸

4. The Agency took the view that procurement competitions and the prospect of a contract extension after five years are the key tools for driving costs down and delivering performance improvements, but while the current economic climate appears to be working in the Agency’s favour, we do not believe that relying on these tools alone is enough.⁹ Since

² Qq 1–3
³ Q 21
⁴ Qq 1–3 and 8–9
⁵ Qq 6, 22 and 24
⁶ C&AG’s Report, paras 3.5 and 3.6, Figures 14–17
⁷ Qq 4, 25 and 26
⁸ Q 27
⁹ Qq 13 and 16
2001, the number of suppliers reaching the price competition stage of procurement has reduced and the supplier base for MAC contracts is becoming smaller.\(^{10}\)

5. The Agency reports that, more recently the market for MAC contracts has become more competitive and, for the competitions in progress in November 2009, more bidders were meeting the quality threshold, and the prices bid were keener than had been offered in the past, with a 15\% reduction in prices last year. Early indications from the current round of procurement suggest further reductions in price.\(^{11}\) This is encouraging, but the market will change again and so the Agency needs to encourage contractors to drive down costs.

6. Evidence in the C&AG’s report of costs rising within contracts is therefore worrying. In four out of five Highways Agency Areas visited by the National Audit Office, the amount paid for cost reimbursable activities had increased significantly since the first year of the contract.\(^{12}\) Variations in requirements after tender award have also added significantly to the costs of routine maintenance paid for by lump sum, which are, in theory, fixed at the time of tender.\(^{13}\)
Managing contractors to deliver value for money and better outcomes for road users

7. The Agency needs skilled and knowledgeable staff to manage contractors robustly. The Agency’s directorate responsible for maintenance had only four quantity surveyors in early 2009 and had lost over 50 qualified engineering staff since 2004. Despite the importance of their skills in managing MAC contracts, the Agency was confident that there was sufficient engineering capacity across its business to supervise properly highways maintenance. Where it had fallen short, however, was on having the right people in post to manage the commercial aspects of MAC contracts. The Agency has now increased the number of quantity surveyors it employs in the Directorate responsible for maintenance to 12. These surveyors will be deployed to the Agency’s regional offices and to staff a central headquarters team. Again the current economic climate appears to be working in the Agency’s favour, but it is essential that the Agency maintains this skill base in the long term.

8. In November 2008 the Secretary of State announced £400 million of ‘fiscal stimulus’ funding to support the Agency’s 2009–10 budget, some of which would be available for maintenance. To help ensure that this additional money does not put a strain on its area teams, the Agency has sought to allocate the funding equitably across its Highways Agency Areas.

9. The Agency’s principal objective in value for money terms is to maintain the network in a safe and serviceable condition at minimum cost. The Agency asserted that, while the incentives contained in MAC contracts were not explicitly aligned to minimising whole life costs, it was in the interests of managing agent contractors to spend more up front, in order to lower subsequent maintenance costs.

10. The Agency uses an appraisal process to decide which planned maintenance schemes should be taken forward. Within this process only pavement renewal proposals are subject to formal whole life cost analysis. The C&AG’s report found that 58% by value of the schemes entering the 2008–09 renewals programme had gone through the appraisal process, but only 22% by value had been subject to formal whole life costing. The Agency believed that this was due to some schemes, such as the replacement of safety fencing with

14 Q 34
15 Qq 10, 37–43
16 Qq 11, 37 and 38
17 Qq 38 and 44
18 Q 74; C&AG’s Report, para 1.2
19 Qq 78 and 79
20 C&AG’s Report, para 9
21 Q 32
22 Q 82; C&AG’s Report, para 2.4
concrete barriers, having had their whole life costs assessed at the standard-setting stage rather than on a project by project basis. It also believed that its data recording systems were under-reporting the number of schemes which had gone through the appraisal process.\(^2\) The Agency believes that its Integrated Asset Management system will allow it to capture costs and lifetimes of different treatments for different types of asset and should allow wider application of whole life costing.\(^3\)

11. The design of the MAC form of contract focuses on the outputs required rather than itemising the jobs to be performed. This allows the Agency to stand back from the detail of specification of individual jobs.\(^4\) The Agency does not, in the normal course of its business, recommend new maintenance technology or methods to the contractor community but it anticipates that the MAC contract, by focusing on outcomes, creates an environment that encourages innovation from contractors.\(^5\)

12. Since the C&AG last reported on highways maintenance in 2002–03, the overall condition of the road network has remained the same. In March 2009, the Agency assessed the percentage of the road network maintained in good condition to be 96.2%. This assessment was based on surveys of the road surface condition of the road network.\(^6\) The Agency has only recently begun surveying the sub-surface condition of the network but contended that keeping the surface in good condition assured the condition of the substructure.\(^7\)

13. Despite journey time reliability on the strategic road network—measured as delay seconds on the worst 10% of routes—improving in recent years, more road users are reporting delays and around 40% of these are attributing these delays to road works.\(^8\) The Agency said that minimising congestion and delay attributable to road works is a key priority and is built into the management of planned maintenance schemes and the MAC form of contract.\(^9\) The Agency said that it is acutely aware that signage providing warnings about approaching road works is sometimes unhelpful and can be confusing to motorists. It is an area that it intends to address in the future.\(^10\)

14. The Agency said it takes safety on its road network very seriously and, in recent years, has launched a number of initiatives to improve safety at road works for both road users and workers. Initiatives have included a Safety Action Plan for road workers and the use of average speed cameras at road works.\(^11\) The Agency said there was some evidence suggesting that average speed cameras had a beneficial effect on speed limit compliance and congestion, but the number of accidents was not enough to support statistical analysis

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\(^2\) Qq 83–84  
\(^3\) Q 36; C&AG’s Report, para 2.3  
\(^4\) Q 19; C&AG’s Report, para 1.14  
\(^5\) Qq 18 and 19  
\(^6\) Q 23; C&AG’s Report, paras 3.7 and 3.9, Figure 18  
\(^7\) Qq 28, 29 and 34  
\(^8\) C&AG’s Report, paras 3.14 and 3.15  
\(^9\) Qq 58–61  
\(^10\) Qq 61–63  
\(^11\) Qq 96 and 97; C&AG’s Report, para 3.16
of their safety benefits.\textsuperscript{33} Despite the Agency’s initiatives, safety at road works for both road users and workers has not changed much in recent years.\textsuperscript{34} Between 2003 and 2006, the total number of road workers injured at road works, as reported by the Agency’s service providers, fell from 61 to 47, and within that the number of killed and seriously injured remained stable at just under 20.\textsuperscript{35} The Agency’s 2006 figures for accidents to road workers were the latest it had available.\textsuperscript{36}

\textsuperscript{33} Q 105
\textsuperscript{34} Qq 94 and 95
\textsuperscript{35} C&AG’s Report, para 3.17
\textsuperscript{36} Qq 113 and 114
Formal Minutes

Monday 14 December 2009

Members present:

Mr Edward Leigh, in the Chair

Mr Richard Bacon  Rt Hon Keith Hill
Angela Browning  Mr Austin Mitchell
Mr Douglas Carswell  Dr John Pugh
Mr Ian Davidson  Rt Hon Don Touhig
Nigel Griffiths  Rt Hon Alan Williams

Draft Report (Highways Agency: Contracting for Highways Maintenance), proposed by the Chairman, brought up and read.

Ordered, That the draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 14 read and agreed to.

Conclusions and recommendations 1 to 8 read and agreed to.

Summary read and agreed to.

Resolved, That the Report be the Fourth Report of the Committee to the House.

Ordered, That the Chairman make the Report to the House.

Ordered, That embargoed copies of the Report be made available, in accordance with the provisions of Standing Order No. 134.

[Adjourned till Monday 11 January at 4.30 pm]
Witnesses

Monday 2 November 2009

Mr Graham Dalton, Chief Executive, Mr Stephen Dauncey, Director of Finance and Mr Derek Turner, Director of Network Operations, Highways Agency

List of written evidence

Highways Agency
List of Reports from the Committee of Public Accounts 2009–10

| First Report                                      | A second progress update on the administration of the Single Payments Scheme by the Rural Payments Agency | HC 98 |
| Second Report                                     | HM Revenue and Customs: Improving the Processing and Collection of Tax: Income Tax, Corporation Tax, Stamp Duty Land Tax and Tax Credits | HC 97 |
| Third Report                                      | Financial Management in the Foreign and Commonwealth Office | HC 164 |
| Fourth Report                                     | Highways Agency: Contracting for Highways Maintenance | HC 188 |
Oral evidence

Taken before the Committee of Public Accounts

on Monday 2 November 2009

Members present:

Mr Edward Leigh, in the Chair
Mr Douglas Carswell
Mr David Curry
Mr Ian Davidson
Nigel Griffiths
Mr Amyas Morse, Comptroller and Auditor General, Mr Rob Prideaux, Director Parliamentary Relations, and Ms Geraldine Barker, Director, National Audit Office, gave evidence.
Mr Marius Gallaher, Treasury Officer of Accounts, HM Treasury, was in attendance.

REPORT BY THE COMPTROLLER AND AUDITOR GENERAL

Contracting for Highways Maintenance (HC 959)

Witnesses: Mr Graham Dalton, Chief Executive, Mr Stephen Dauncey, Director of Finance and Mr Derek Turner, Director of Network Operations, The Highways Agency, gave evidence.

Q1 Chairman: Good afternoon. Welcome to the Committee of Public Accounts. Today we are considering the Comptroller and Auditor General’s Report on Contracting for Highways Maintenance and we welcome to our Committee Graham Dalton, who is the chief executive of the Highways Agency, Derek Turner, who is director of Network Operations and Stephen Dauncey, who is the Agency’s finance director. In many ways this is not a bad report. The condition of roads remains steady, as does the safety of workers and road users. More projects are being delivered on time and on budget but when we read this report, Mr Dalton, we see there are still some shortcomings in the management of information not so much available to you but how you use it so I might press you a bit on this. Perhaps I could start by asking a couple of questions on how you can become a better informed customer. This is an important issue, by the way, because we are spending about £1 billion a year on the maintenance of our roads, so if we can get better deals that is good for the taxpayer. If we look at paragraph 3.2, we see at the bottom of the paragraph on page 27: “After allowing for this, the Agency estimates that the costs of resurfacing per square metre treated increased by 17% . . .”. The National Audit Office say that there are problems with this estimate, as for example it does not take account of schemes which have a mix of resurfacing and other work. I was surprised at this. Do you know in detail how much is being spent on different types of maintenance work?

Mr Dalton: I welcome the recognition that this is not a bad report. The point you have drawn us to is an area which is looking at one particular part of the spend and that is 17% of the Agency’s spend each year. Do we know how much we are spending on what type of work? Yes, we do. The ability we had to arrive at the inflation figure of 17% was because we were able to go down literally the list of each project and each job that had been done, which we now have available using an Oracle based finance system that has been in place since 2004–05. That is why we were able to go back there. We did not have such control beforehand but a decent finance system is in place there now. Yes, we do know what we spend.

Q2 Chairman: You now know in detail what your spend is for instance on resurfacing, do you?

Mr Dalton: We know job by job what we are doing. As you will see, there was some discussion and time spent. What we do not have is a metric that says pounds per square metre of roads renewal. We have a budget line talking about roads renewal but it covers lots of different types of job. Some of those things are being done—for example, straight resurfacing. You literally score square metres of road surface and treat them as part of the measure. That is recorded. Some of the things we do are not. They are still drawn out of the same budget. If we are replacing a central reservation barrier or if we are improving drainage, if we are doing lighting, we are still spending money from that budget. We are tracking it. We know where we are spending it, but it is not recorded square metreage. There is an indicator there that is sensitive, not just for the unit price of doing the work but an indicator that is sensitive to what the split or proportion of work is between the different types.

Q3 Chairman: Mr Dauncey, why do I read in 2.18, “The Agency is only now beginning to tap into this wealth of cost information . . .” in all these contracts which are made available to you? “The only analysis of unit costs which it had performed prior to 2007–08 was a survey of Managing Agents to establish the extent to which they believed their cost
base had increased . . .”. Surely you should not only have access to this information but you should be using it to drive down costs, should you not?

Mr Dauncey: Prior to that time we again knew how much we were spending in detail on each project but in 2007 we changed our contract structure to include the costs so we could break down by activity rather than the project itself. As Graham has already explained, some of our projects will cover road surfacing but maybe concrete barriers or lighting, because we look at the best value of the intervention at the time so we do not do just one activity. What we now have through the contract structure from 2007 onwards and each renewal we do is a contractual obligation to break down the costs into each activity. We did not have that before.

Q4 Chairman: If we look at page 31, figure 15, “Average cost per tonne of thin surface material . . .”, this is not a very complicated product. We can see there is a huge variation here. Mr Dalton between £60 per tonne and £100 per tonne. This suggests to me that somebody in your organisation is not saying to the contractors who are charging £100 a tonne, “Why are you charging so much?” Perhaps they are not saying that because up to now you have not had a clear idea of what you are spending on what. It seems pretty basic to me.

Mr Dalton: There will always be quite a wide variation in unit costs, especially cost of material. This is excluding laying. This is material that is highly dependent upon haulage distances. It is material where haulage is quite a significant part of the cost. Stone used in the south east, has to come a lot further than that used in other parts of the country.

Q5 Chairman: As much as £40 a tonne difference?

Mr Dalton: Potentially. What Mr Dauncey has described is the cost capture system that we now have. He is quite right. We went through this stage and it was in the early part of this decade, getting expenditure control and frankly getting good, modern accounting systems in place. We know where the money goes. We can manage the money and the contract. We now have cost capture. It takes time to build up the information. Contracts change so we can put the clauses in obliging the contractors to disclose information. What they are disclosing to us is not just their tendered rates. They will always compete for rates and there will be variation in rates. They will load some rates and not others, depending on what they think the work will be. We are now able to take from them details of what it costs them, what they have to spend on subcontractors and suppliers. As we build up that knowledge, that helps us to take an informed basis on the building up detailed costs—

Q6 Chairman: You have to have a real handle on your contractors’ cost base; otherwise they can run rings round you, can they not?

Mr Dalton: It is right we should have a handle on it and we need to do more to have a handle on it.

Q7 Chairman: It is only once the NAO started looking at this and getting the sort of figures that we have in figures 14, 15 and 16 that you started doing this, is it not?

Mr Dalton: There is always value when the NAO do come and look at something, as in any other audit, but we—

Q8 Chairman: When you are spending £1 billion a year of taxpayers’ money, one would have thought you would know exactly how much, especially as this information is available to you.

Mr Dalton: We put the variation clauses into the group of contracts that were bid in 2006. Before then there was no obligation on contractors to give us that information. Indeed, there are a lot of reasons why they might not want to.

Q9 Chairman: Why was there no obligation on contractors to give you that sort of information?

Mr Dalton: Because in those earlier forms of contract the obligation was not there. We wrote it in there in 2006 for contracts that went live in 2007. From 2007, the other contractors who were not obliged could see that was the way the game was being played.

Mr Morse: Mr Dalton, you said it is 17% of the spend. Perhaps I am getting confused. I thought you told us that the 17% was 17% increase in costs over the period of time. Have I got that wrong? Is it the same number? Are they both 17%?

Mr Dalton: Coincidentally, it is. £493 million on planned maintenance is 17% of the Agency’s overall budget.

Mr Morse: They both happen to be 17%?

Mr Dalton: It is one of those quirks of fate.

Q10 Chairman: Mr Turner, if we look at paragraph 2.8, we read, “The Agency has few quantity surveyors however, and its engineering capability has diminished. Between 2002 and 2007, it employed only seven quantity surveyors and that number reduced to six thereafter, with only four in the Network Operations Directorate at the time.” I know you have increased the number but do you have enough?

Mr Turner: We think we have enough.

Q11 Chairman: How many do you have at the moment?

Mr Turner: We have 12 and that is enough to have one allocated to each of the seven regions and we have a central team as well to deal with specialist work. We also have qualified engineers at all the senior levels within the regions to enable us to deal with engineering commercial challenge to these contracts. I do accept that we have had difficulty initially recruiting quantity surveyors because of the pressures in the construction market, but I believe that 12 now is sufficient.

Q12 Chairman: If 12 is the right number, four was too few, was it not?

Mr Turner: We were not able to recruit initially and I do think four was too few, yes.
Q13 Chairman: I just want to press you on being more robust with your managing contractors, Mr Dalton. If we look at 2.18, we see, “The Agency is only now beginning to tap into this wealth of cost information.” I want to ask you again why you rely on them. They say here that there was a survey of managing agents to establish the extent to which they believed their cost base had increased. Why are you relying on them? Why are you not pushing them further? You have this information. You should be suggesting to them how they could reduce their cost base, should you not?

Mr Dalton: The main way of suggesting to them how they can reduce their cost base is through competition and tendering. These contracts run for five years. There is the option to extend for a further two. Running that competition is where the real tackle on cost base comes. The last tranche and the tranche we are just going through at the moment are showing the real benefits of that competition.

Q14 Nigel Griffiths: First of all, I am very reassured to see that both you, Mr Dalton, and you, Mr Turner, are civil engineers which is something worth noting. It gives me some confidence. When I was Construction Minister five years ago, I went up and down the country visiting a number of firms who were dealing with various aspects of highway maintenance, one in the north west where they were monitoring through software the maintenance of motorway and other signs and able to note the faults, group the faults and tackle them fairly quickly and cost effectively. I would be interested to know whether that has been rolled out across the country but rather than trip you up with a question like that are you aware of such firms and how do you harness them?

Mr Dalton: Are you talking about remote monitoring? Are you talking about electronic equipment?

Q15 Nigel Griffiths: It was electronic equipment monitoring whether a sign in a windy area for instance, subject to wind, was out of action right down to their HQ. They were able to tackle that and make sure that the one up the road which was faulty was tackled at the same time.

Mr Dalton: I was up in our control centre in the north west about a month ago and we had wind speed indicators located on exposed areas of road such as the Thelwall Viaduct. As well as the Managing Agent Contractor (MAC), we also have technical maintenance contractors who are able to monitor that kind of kit.

Q16 Nigel Griffiths: I would like to know that the department took the experience of a firm like that and did a paper and that practical paper then informed the tender process. One thing I do not share is your confidence, as you said earlier, in competition and tendering as the key drivers to cutting costs. I am not convinced that that gives total value for money.

Mr Dalton: I am not certain on the background of how we might have picked up anything from any paper that was done at the time.

Mr Turner: What you are talking about is outside of this Report but I can assure the Committee that we do have remote monitoring of our technology and it does come back to our control centres. It also goes to our maintenance contractors for the technology, enabling us to respond in I think quite a satisfactory and fast way.

Q17 Nigel Griffiths: Let me widen it out with another example. Another firm I saw was doing very close monitoring of keeping the drains clear on motorways and A roads and discovered that the blockages occurred, from memory, in about 5% and that the old idea—I am sure still practised—of routine maintenance and cleaning was a massive waste of money because most of them were clear anyway. Is the idea of a lorry going along and sucking them out generally accepted as a waste of effort?

Mr Turner: What the MAC contractor has is a block lump sum of money for the maintenance of the drainage system. It is much more related to known problem areas rather than just going through and rodding out drains which are clear. Drainage is a particularly important area for us now because of the climate change and the increased tendency towards flooding. We are very much aware of trying to optimise our maintenance of the drainage system.

Q18 Nigel Griffiths: How do you make sure that the old practice of rodding out automatically is not being done and that the new, latest techniques are being used in Cornwall as in Scotland and elsewhere?

Mr Turner: That is covered in a lump sum of money. It is at their risk effectively in terms of routine maintenance. There is a set sum of money so they have to maintain the drainage system. Obviously in exceptional circumstances we would pay additionally for clearing an exceptional blockage.

Q19 Nigel Griffiths: If you will forgive me, that answer is following a classic problem with Whitehall. That is: we just give you a lump of money and you have to manage it. Instead, I would like to see the Agency give a better lead, to learn from the lessons of the National Audit Office and be out there, be proactive and say to companies, “Look, this is how we want you to do it” or at least, “There are two good models in parts of the country. Why do you not follow them?” Why do you not do that?

Mr Dalton: There is a lump sum which is not just us giving it to the contractors. What we are saying to the maintenance contractors is, “Your job is to make sure the drains flow.” They then have to work out, if that means going and rodding them every year, if that is what they think they need to do, they need to do it and price it in. They probably will not win the contract on that basis but that does get the contractors incentivised to use monitoring technology and use detectors if they have areas that might be susceptible to flooding. The biggest thing
that causes flooding at this time of year is things like leaves blocking gulleys and culverts under the road. They include a programme that targets when they think they are likely to have a problem.

Q20 Nigel Griffiths: Give me an example of what you think are fairly exciting, cost effective developments now that you hope everyone in the industry, in whatever sector, is taking up in the areas you are responsible for.

Mr Dalton: The sorts of developments are in how we are able to use the network and get more out of it. It is things like the work we have been doing on the Severn Bridge over the past couple of years, which picks up from the experience the Scots had on the first Forth crossing with corrosion in the cables. We have been able to put ultrasonic detectors in there and sample examinations so detectors can tell us anywhere along that bridge where corrosion is causing one of the strands to fail. That is using a relatively low cost technique and monitoring to monitor the condition of that structure and keep it going for a much longer time. It is something that otherwise traditionally would have involved just going out to replace the main hanging cables, which would have been extreme.

Q21 Nigel Griffiths: It is not a bad example, close to my home. In terms of the Report itself, on which aspect of the Report do you find your performance or the performance of the Agency was the most disappointing and how have you addressed that to reverse it?

Mr Dalton: I think it is about the degree and pace that we have put on to picking up the information that we are now drawing from contractors. The Comptroller and Auditor General says that we have formed a contract that has all the levers and controls we need to manage the risk and to manage performance and efficiency. It does take some time to migrate a critical mass of contracts onto the new form, so that was not just a switch in 2007. It takes time once the contractors are mobilised to start putting the data in there, but really it would have been nice if it had happened earlier and we certainly need to be putting a pace on it now.

Q22 Mr Mitchell: You have increased the amount of costs information which is available to you. Why do you not use it to assess different performance of different contractors?

Mr Dalton: We are assessing the performance of the contractors to make sure that they do the job they do for us, which is to keep the road maintained in a steady state and condition and increasingly to help us keep traffic moving. We then compete these to get the best price we can. We are increasingly using the material on this database of costs and in the more detailed tenders that they have to put in now to then set the target costs for when we are doing the target costs for this type of work.

Q23 Mr Mitchell: The Report says at paragraph 2.18 that the only information you had available prior to 2007–08 was a survey of managing agents to establish the extent to which they believed their cost base had increased to inform the Agency’s bid for funding under the 2007 Comprehensive Spending Review. “The Agency did not directly interrogate the cost information itself.” Why not?

Mr Dalton: I am not sure of the details of why not at the time. I do know spending review submissions do tend to be drawn together. From a bottom up assessment it came out with a very large number to improve the condition of the network. There is something about getting a balance between everything you need to do. We know that we are keeping the network in a steady state condition at the moment. We know what it is costing us to do at the moment. We are just trying to drive some more efficiency off this.

Q24 Mr Mitchell: Now you have all this information, are you going to use it to analyse the data and establish a clearer performance index?

Mr Dalton: Yes. The real value is in setting the target costs for the planned maintenance work and to really make sure that we are setting challenging and demanding target costs. It will also help us with our estimating when we are doing bid propositions and to just have better control of the numbers. Ultimately though the numbers will be driven by what the market bids.

Q25 Mr Mitchell: That is costs in construction. When it comes to routine maintenance you have had detailed costings for a number of areas but you appear not to have tapped into them too thoroughly. Paragraph 3.6 says, “Costs for specific components of maintenance work also vary significantly between Areas.” Why can you not use the average cost of thin surface materials information to drive costs down across the areas?

Mr Dalton: Figure 14 is relating to the thin surfacing and that varies between areas. It is not the same thing that you buy at the same price in the same part of the country. In that table there are different thicknesses so the graph shows that it is 91mm of thickness going down, which is over twice some of the thinnest layers going on. That clearly affects the cost not just of the volume of material but laying costs and so on as well. On stone and aggregate availability, there are parts of the country with the right stone and aggregate. It has to be shipped to other parts. Working in London and the south east there is a high element of transport costs to bringing them in. Haulage is another cost driver.

Q26 Mr Mitchell: The Chairman referred to figures 14, 15 and 16, average costs per hour of traffic management, average cost per tonne of thin surface material and the cost of resurfacing per square metre. Accurate use of that information must give you the ability to drive costs down in the areas they are higher, the consistent pattern of which area is higher. There is the information there to give you better control of costs and drive them down.

Mr Dalton: It gives information but when the main tender goes in the contract comes in with a lump sum for doing the routine maintenance. It then comes in
Q27 Mr Mitchell: You must also have information about best practice, even though some variations are inevitable.

Mr Dalton: This certainly helps. It helps us when we are doing either jobs out of the ordinary or where we are referring to setting target prices and target costing. Now we have the cost data being captured. Now we can draw it into MACs and it will become easier for our area managers to sit down with a contractor and say, “That is all very well but £48 per square metre is just too much. I am getting it at near half that somewhere else.”

Q28 Mr Mitchell: Why have you only recently begun to conduct surveys of the subsurface condition of the roads? There is a lot of eloquent information here about rutting which, as an agricultural enthusiast, I read with great interest. Why have you only recently begun to conduct surveys of those subsurface conditions?

Mr Dalton: It is the wearing surface, the top course, that is the most critical and the one that is most likely to break down. The subsurface generally stays in better condition.

Q29 Mr Mitchell: Long term it must be the subsurface condition.

Mr Turner: Absolutely right. That is one of the reasons why we are so keen to maintain the top surface in good condition. If the top surface is in good condition, the structure of the road is well maintained. One of the problems with the techniques up until fairly recently about surveying the subsurfaces is that they are very intrusive in that you can only do it at walking speed. It involves lane closures which causes a lot of disruption. Fortunately, we are involved with TRL Ltd, the Transport Road Research Laboratory, in developing some new techniques. We will now be able to test surveying the subsurfaces at driving speed. You are right in the analysis but by maintaining the top surface in good condition we avoid the deterioration in the bottom surface. We will be able to carry out fast surveys of the subsurface in terms of disruption to traffic very shortly.

Q30 Mr Mitchell: I see that competition in price terms is becoming more limited because fewer bidders pass your quality test. Why is that? You have presumably been employing the same series of contractors for years. Why are more of them failing to pass your test?

Mr Dalton: One can ask them and there is no immediate, obvious reason. My hypothesis is that the infrastructure market and the engineering market certainly in 2007 and 2008 have remained sellers’ markets. There has been a lot of work out there. Where commercial building and property had dropped off, the infrastructure kept going fairly strongly. That has changed and particularly that is being seen by bidders as likely to change in the next two or three years quite seriously. I think they had not been trying as hard to make sure that they really were meeting the quality threshold. It was not quite as business critical—

Q31 Mr Mitchell: One would assume that the competition would get more intense now with the recession.

Mr Dalton: Now, I quite agree. Since the Report was done—in fact, in the last few days—I have been getting some figures back on the assessment. We are reletting three areas at the moment. We have had some preliminary figures back on two of them and certainly the indication thus far is that the success rate in getting past the quality threshold and indeed the degree by which they get past it is a lot better. We are looking closer towards the sort of figure that we had in tranche three, back in 2002. The indications are that we are getting a much better success rate now. This is good work for contractors. It is a five year contract with the option for two further years. It is nice work to have.

Q32 Mr Mitchell: I see from paragraph 4.11 that you do not give your contractors enough direct incentives to minimise whole life costs. I would have thought that would be extremely important and in fact a dominant consideration.

Mr Dalton: I am not sure. Do we explicitly have this incentive: this incentivises whole life costs? No, we do not. On the whole, whole life cost translates into spending more up front on a better product and then lower maintenance costs subsequently. The contractors themselves are therefore incentivised. If there is a better solution it is probably going to put more work through their books in current contracts. I think there are some incentives intrinsically there anyway.

Q33 Chairman: Could I ask the Comptroller and Auditor General to resolve this because your Report seems to suggest that Mr Dalton is not using information to manage contractors during the contract. He seems to say that he is. What is it?

Ms Barker: There’s been a lot of emphasis on the competition and driving costs down during that and through the extension of the contract but if Members look at figures eight and nine in the Report which are about changes in reimbursable costs over the life of the contract and changes in lump sum costs that is evidence that more could be done to manage costs down during the life of the current MAC contracts. We think the access that the Agency
has to the contractors’ information should give it further levers to drive costs down during the course of the contracts, and not just waiting for the procurements.

Q34 Keith Hill: I would like to ask some questions first of all about your knowledge of the condition of your assets and secondly, if we have time, to test if you have the skills properly to cost and monitor the contracts. Let me just pick up on the questioning from Austin Mitchell about the subsurface work that you have undertaken quite recently. Can I ask what these surveys have found so far? Perhaps this is one for my old chum, Mr Turner.

Mr Turner: The subsurface is substantially in good condition and it is because we have maintained the running surface within the tolerance that we have set out, which is related to the rutting, which is where the wheel tracks run, as you will see particularly on lane one of a motorway. We have maintained that in a fairly tight tolerance so that it avoids deterioration of the subsurface levels of the construction of the road.

Q35 Keith Hill: That is reassuring. Road surface conditions seem to be broadly similar across all regions. Is the same true of bridges and other assets?

Mr Turner: Yes. We have a system in terms of bridges, in terms of routine maintenance for bridges and prioritising reconstruction works to bridges. Our bridge stock, as is shown in the report, is in a fairly reasonable condition.

Q36 Keith Hill: When are you going to start using data on the condition of road and roadside assets to drive the maintenance budget for each region?

Mr Turner: We are introducing a system called integrated asset management which will take these pieces of information from the cost capture which has occurred from 2007 and enable us to identify them across each individual region. During 2010, we will have the other types of roadside asset like street furniture and drainage put on an asset condition database and we will use the cost capture information that we are getting from the contracts to look at a consistent approach across the regions and drive those costs against the individual contracts.

Q37 Keith Hill: The Chairman asked you about the number of quantity surveyors working in the network operations directorate and your answer was 12. Is that 12 now working in the operations directorate?

Mr Turner: 12 from today. The 12th one arrived today.

Q38 Keith Hill: What has been the history on this? When did you begin going up from four to 12?

Mr Turner: We had a problem in recruiting over a period. Probably now the real success started in about March time this year which corresponded with the downturn in the construction economy. Prior to that, attempting to get quantity surveyors was really like extracting hens’ teeth.

Q39 Keith Hill: For quite a long time you probably did not have a sufficient number of quantity surveyors. What was the effect of that absence of a proper number of quantity surveyors in terms of the quality of supervision and control that you could exercise over the contracts?

Mr Turner: I was reasonably happy with the level of supervision because the engineering staff below—my regional directors, my area performance directors and my construction directors—were very much all qualified engineers with one or two exceptions. It was the commercial edge which is what we are now being able to bring through (a) the quantity surveyors and (b) we have this cost capture and (c) the integrated asset management system that we are developing will enable us to further improve the value from these contracts.

Q40 Keith Hill: You mention engineers but you have lost quite a lot of skilled engineers over the recent period, have you not? It has gone down by 50, I seem to recall.

Mr Turner: That is correct but that is over a staffing in my directorate of about 800 in terms of the engineering staff. Six of the seven regional directors who report to me are qualified engineers. Of the regional performance managers who manage the MAC contracts, six out of seven of those are qualified engineers. For the area performance managers, who are responsible for the contract management and are named in the contracts, it is 12 out of 13 and seven out of seven of the construction managers. In terms of engineering staff at the top end of the organisation who actually manage the contractors, I think the quality of work can be assured.

Q41 Keith Hill: If you have lost 50, is it 50 out of 800 engineers or out of 200 engineers? I thought the table we were looking at suggested 200 engineers.

Mr Turner: It is 200 engineering staff but the people who are managing the contracts remain qualified engineers.

Q42 Keith Hill: Has the organisation suffered at all from the loss of 50 engineers over a four year period?

Mr Turner: I would rather have kept the 50 engineers, yes.

Q43 Keith Hill: You are reasonably confident it has not affected your ability to supervise the contracts?

Mr Turner: To supervise the contracts to date, I do not think so. With the increased emphasis that we are making in terms of our commercial management, I would welcome more engineering staff.

Q44 Keith Hill: Do you have a longer term objective of boosting the number of both your quantity surveyors and your skilled engineers?

Mr Turner: Skilled engineering staff are growing and the organisation is intending to upskill in terms of the number of qualified engineers in the organisation. I believe at present that 12 quantity surveyors is sufficient.
Q45 Keith Hill: The long and short of your answer to my questions is that generally speaking you think you have a good understanding of the conditions of your asset and therefore are unlikely, in the course of the contracts that you set, to have surprises unveiled as they begin to carry out their work?

Mr Turner: With an asset of this value and size there will always be the occasional surprises but I believe that we have the asset in good hands and under good stewardship.

Q46 Keith Hill: You also feel reasonably confident that you are able to keep a close eye on the performance and the outturn of the work carried out by the contractors?

Mr Turner: Yes.

Q47 Keith Hill: You would say that, would you not?

Mr Turner: Yes.

Q48 Mr Curry: Mr Dalton, what is the life expectancy of a motorway?

Mr Dalton: The life expectancy of the different parts of the motorway? Something like a bridge? We tend to think 125 years.

Q49 Mr Curry: Let me give you a specific example. As you know, you have had a programme of removing roundabouts from the A1. You can now go up the A1 and you do not hit a roundabout. There were three roundabouts in south Yorkshire which were removed in short order. What would be the life expectancy of the road which replaces the roundabout?

Mr Dalton: If you put bridges in, they tend to be—

Q50 Mr Curry: No. There are no bridges.

Mr Dalton: Road straight through?

Q51 Mr Curry: Wearing course is 20 to 25 years. That is the main component. If it is steel barriers or—

Q52 Mr Curry: Can you remember when work was completed on the last of those roundabouts on the A1?

Mr Dalton: Not offhand.

Q53 Mr Curry: How many months ago was it?

Mr Dalton: We are talking north of Peterborough?

Q54 Mr Curry: Well north of Peterborough. We are talking round about Doncaster.

Mr Dalton: I am afraid I do not know.

Q55 Mr Curry: That was less than a year ago. Why is the road now under repair? Why, less than a year after opening? Are your specs so poor that we just build bad roads or are your contractors incompetent so they cannot build good roads? Do you not give them enough money to do a decent job? I never find this when I am on a French motorway. I am just astonished. I go up and down the A1 constantly because I have a huge constituency and it is not practical to go by any other means. I am just astonished. Thank God the roundabouts are out of the way and literally, within five minutes, you have road repairs and I just cannot understand why.

Mr Dalton: I do not know particularly on this site. We do sometimes have to go back in after a period of time if there has been for some reason some defective work or if there have been materials which have not behaved as we expected or there has been something in the design that has not worked quite rightly. We have to go in and put that right.

Q56 Mr Curry: By now you have built a lot of roads, have you not, so you would not expect those things to happen?

Mr Dalton: No, and generally they do not.

Q57 Mr Curry: It would be the contractors’ responsibility if they had happened?

Mr Dalton: If there is a defect found, then it would be the contractors’ responsibility. If it is something in the design then we will take that up with the designers, whether it is the contractors’ designer or, if it is a larger scheme, then it will be one of the others.

Q58 Mr Curry: When you award contracts, do you specify any rules about how they should treat the customer? In other words, about the minimisation of the inconvenience to the motorist or is this bottom of the list of priorities?

Mr Dalton: It certainly is not the bottom of the list. There are clear guidelines on how roadworks and traffic management with cones and lane closures should be done. We set very clear criteria on what lane closures may be taken and when.

Q59 Mr Curry: For example, how much of the road may be coned off on either side of the roadworks actually taking place?

Mr Dalton: Yes.

Q60 Mr Curry: How many miles is that?

Mr Dalton: If I can use the example of the M25 widening that is going on at the moment, the north west section of the M25 that is being done, the contract is to go from junction 16 at the M40 right the way round to junction 23. The contractor is strictly limited on the length it can take, which is about a third of that at any one time. He cannot go onto the second section until the first section is clear.

Q61 Mr Curry: The M25 happily (a) is not in my constituency and (b) is not a good subject of productive conversation because that is exactly the section of the road I have to go through to get to one of my daughters. As my last journey took me three and three quarter hours in first gear, that would not be a productive conversation. I think, if I may say so at the moment. You would expect your contractors to have as one of their priorities minimising the inconveniences this causes to the motorist?

Mr Dalton: Commensurate with getting the job done.
Mr Curry: Could I come back to one of my old complaints which is the signage you have to warn you when there are roadworks? Could I suggest that a sign which says, “Road closed after A59 or A93” is about the most useless piece of information you can give me unless you want me to fish in the back of the car while I am travelling, reach for my Atlas and try and work out where the A59 is?
Chairman: We have to be very careful about this because we are all driven mad by cones and signs and we could go on all afternoon because we are all motorists. Do ask the question because it is fascinating stuff. It is not strictly relevant. This is of more interest to middle aged men.

Q62 Mr Curry: I am grateful for my rejuvenation. I note the threat to accountability and the strictures about the procedures of the Committee. If you just said, “Road closed after Peterborough”, would it not be so much easier? I would know where it was closed. “Road closed after Doncaster turn off”. Then I would know where I am. Can you not give information which is useful?
Mr Dalton: Sometimes we put up the junction number and people say, “Can you not put up a name?” When we put up a name, some people want a number.

Q63 Mr Curry: Put both.
Mr Dalton: What we can fit on many of the signs is pretty restricted. We are acutely aware of the sensitivity.

Q64 Mr Curry: Who are your top five contractors? If you gave me a list of the top five contractors by value of work, who would they be?
Mr Dalton: I do not have a list with me but I would come up with names such as Carillion and Balfour Beatty.

Q65 Mr Curry: Would it be possible to have a list, say, of each of the last five years?
Mr Dalton: I am sure we could do that.

Q66 Mr Curry: Would you find they are tentatively the same people in the same order? Are they the sort of Manchester United, Chelsea and Arsenal of the contracting business?
Mr Dalton: No.

Q67 Mr Curry: There are no Manchester Cities?
Mr Dalton: There tend to be some familiar names. There has been a certain amount of consolidation in the market with the likes of Mowlem and Alfred McAlpine being bought by Carillion for example or Birse bought by Balfour Beatty, so that changes it. We do get quite a shift over time.

Q68 Mr Curry: I am not implying there is a problem. I am just interested in the information, to know whether in fact there are some big numbers who are constantly in this field, who tend to stand the best chance of winning the competition, apart from experience.

Mr Dalton: There is a group. They target the market. They target the work we do. It is valuable work to them and they certainly try and make sure they have a proportion. When they drop down to having maybe only one contract left, certainly that is when they get very exercised in making sure that the quality and price of the bid goes—

Q69 Mr Curry: You keep them on their toes?
Mr Dalton: Yes. I think we should.

Q70 Mr Curry: How much road did you hand over to local authorities when we detrunked?
Mr Dalton: Off the top of my head, it was something like 5,000 lane kilometres.²

Q71 Mr Curry: Have you any information about what happened to the repair history of those roads?
Mr Dalton: No, and there is no reason why we would collect it.

Q72 Mr Curry: You will not be surprised to learn that the repair rate was probably lower than it had been when you had them because local authorities do not have the cash, do they? Highways always get squeezed when there is a problem.
Mr Dalton: I have no evidence to know how much they may or may not have spent. I do know that when detrunking is being talked about the local authorities certainly make sure that any significant work has been done before it is transferred over.

Q73 Mr Curry: I take it you are not responsible for the Rotherhithe Tunnel?
Mr Dalton: I am not responsible for the Rotherhithe Tunnel.
Mr Curry: That saves me from risking the Chairman’s anger yet again on the subject of closures at ten o’clock at night. Thank you very much indeed.

Q74 Mr Williams: Part of the credit crunch proposal is to bring forward road projects. How far and to what extent are you bringing forward programmes as a result of this?
Mr Dalton: The budget in this financial year is £400 million higher than it would otherwise have been against the base line.

Q75 Mr Williams: Is that starting?
Mr Dalton: No. That is money being delivered in this financial year. £100 million of that is on the A46 between Newark and Widmerpool, where that job is now on site. We accelerated getting that project started. That has been brought forward two years, from my recollection. We are doing a substantial amount of work. We have surveyed and used ground penetrating radar and other surveys on the hard shoulder where we are proposing to put in a

¹ Ev 13
² Note by witness: We are happy with the “off the top of my head” figure but for completeness we have checked the true figure which is 3,083 route kilometres.
managed motorway, which means hard shoulder running. We are doing quite a volume of reconstruction of hard shoulder so that is ready for managed motorway technology to be installed. We are getting ready there and we are doing a number of renewals that would have been in the plan over the next couple of years and we have brought some of those forward as well.

**Q76 Mr Williams:** Looking to the immediate future programme, what is the amount envisaged that you are aiming for or have been asked to aim for?

**Mr Dalton:** I am expecting—at the moment we are half way through the year—that we will spend the money on schemes that will use the budget available to us, or very nearly.

**Q77 Mr Williams:** What I am asking is: for the slightly further forward future, obviously it is not only going to be one short lived burst. Is there a medium term?

**Mr Dalton:** The brief that I have at the moment is it this year. There is no additional budget identified for fiscal stimulus next financial year.

**Q78 Mr Williams:** How much has this put a strain on your resources? One gets the impression that you are not over-endowed with resources; otherwise you would be doing many things you are not already doing. I do not mean that nastily, because it is still an impressive report.

**Mr Dalton:** It has been quite important that we did have a reasonable geographic spread so we were not overloading individual area teams. It has been a big ask on the area teams and on my major projects teams.

**Q79 Mr Williams:** That is one of the things I was going to ask. How far are you consciously looking for a regional spread? Have you a target for each area? Is it about equitable between the areas and regions?

**Mr Dalton:** Broadly equitable. There are defined schemes. We are not looking for things to spend money on. We have been able to bring forward other renewals in connection with the managed motorways programme and parts of the routes that are identified.

**Q80 Mr Williams:** One of your problems has been a shortage of contractors. All right, it is a bad time for the industry but will there be adequate supply of extra contracting capability available?

**Mr Dalton:** The work is being done now. For many parts of the construction industry, they had seen the drop off. Talking to one of the big quarry stone provider firms—they also do the basic civil engineering in road construction—their market had dropped 25% or more before this financial year because of the drop in the commercial side, so what we are doing really is taking advantage of that capacity.

**Q81 Mr Williams:** That is what I was going to ask next. Has the situation led to any identical reduction in tender prices?

**Mr Dalton:** We are getting competition on quality coming in the next round of MAC contracts. I confirm that certainly last year we were seeing around 15% reduction in price. The first indication we are getting for the latest round is that or more, so we are getting some pretty sharp prices coming in at the moment. A big issue for us is making sure that those are deliverable, so getting our skills up, making sure we have the people skilled to manage where contractors are going to have to be working a bit harder.

**Q82 Mr Williams:** We are told that only around a fifth by value of the schemes entered into in 2008–09, entering the renewals programme, have been subject to formal whole life cost appraisal. Why is that? That is a rather low percentage, is it not?

**Mr Dalton:** It appears as such and certainly was a bit of a concern to me when I saw those figures. We believe it is rather more than that.

**Q83 Mr Williams:** Has this been a point of difference between you and the NAO?

**Mr Dalton:** No. Some of the whole life costing is achieved just by setting the design standard or the standard solution. On heavy trafficked motorways, we now do not replace steel barrier in the central reservation with steel barrier, which has a life at best of 25 years and requires regular replacement. We use a concrete barrier. The concrete barrier is more expensive to install. It is about 40% more expensive to put in, but it is almost unheard of for that to need maintenance. It is almost unheard of for a vehicle to break through, so that gives you safety benefits. It gives you disruption benefits. If you do get a serious incident, it is only one carriageway that is disrupted, not both.

**Q84 Mr Williams:** In that case, why was the figure so low previously? This information must have been apparent to you.

**Mr Dalton:** It is slightly embarrassing. I think there is something about how we record as well. I believe the NAO quite reasonably looked at the column in our Oracle report, the column that has a value management assessment being done. For many of those, about 80%, there was no record there. When we have gone back into the areas, we believe there are more but this is certainly something Mr Turner and I will be driving rather hard because I want to be able to demonstrate that we are doing 100%.

**Q85 Mr Williams:** You have raised your threshold for these whole life costs from some £100,000 to £250,000, an increase of 150%.

**Mr Dalton:** Yes.

**Q86 Mr Williams:** Why was the original figure so low there as well?
Mr Dalton: The £100,000 was set back in 1999, so there is a degree of catching up over time. More and more things were getting caught above this threshold as inflation, especially construction price inflation, has driven costs.

Q87 Mr Williams: How did you arrive at the £250,000? It looks—
Mr Dalton: It looks a remarkably round number.

Q88 Mr Williams: It is a suitably impressive round figure but rather peculiarly precise.
Mr Dauncey: We analysed the volume of schemes over and above that level and that is a sort of a sensible 80/20 level. It was a good increase. Our contractors may have wanted to go further but I thought that was the right balance to take on the 80/20.

Q89 Mr Williams: What about regional differentials in terms of attitude to the application of the lowest whole life cost option? How far are you comparing and looking to spur on some of the regions as opposed to the best performing regions?
Mr Dalton: I do not think we particularly have difference in either appetite for whole life costing or in performance.

Q90 Mr Williams: We are specifically told that areas often do not choose the lowest whole life cost option.
Mr Dalton: That is around figure two, is it?

Q91 Mr Williams: Paragraph 2.5 is where the question arises.
Mr Dalton: Figure two just below it takes us through the proportion of schemes that go ahead at different levels. It is figure two that shows that, of those with a low value management score, around half of them go ahead at 47%.

Q92 Mr Williams: We can see the proportions. We do not see why and that is what I am asking you. We see the differences. We are asking why the differences.
Mr Dalton: Because there will be other criteria.

Q93 Mr Williams: Such as?
Mr Dalton: It is whether there is the time and road space to go and build something. Something on a very good whole life cost will be a very high initial capital cost as well and quite simply not affordable.

Q94 Mr Davidson: I wonder if I could pick up a point that has not been touched on before and that is the question of safety, which has a mention in the final paragraph. It says here that safety at roadworks for both road users and workers has not changed much.
Mr Dalton: At roadworks.

Q95 Mr Davidson: Not according to this. If you look at 3.17 it says that safety at roadworks for both road users and workers has not changed much.
Mr Dalton: It is too early to know whether the most recent campaign has made a difference. It just needs a relentless campaign on awareness. We try a lot of things, things like average speed cameras through roadworks, just to keep vehicle speeds consistent and steady.

Q96 Mr Davidson: That is what I am asking about, yes.
Mr Dalton: It is something we take very seriously. In 2005 we launched a specific campaign on road worker safety and you may even have seen some television or cinema film recently on respecting our road workers.

Q97 Mr Davidson: Why is it not working?
Mr Dalton: It is too early to know whether the most recent campaign has made a difference. It just needs a relentless campaign on awareness. We try a lot of things, things like average speed cameras through roadworks, just to keep vehicle speeds consistent and steady.

Q98 Mr Davidson: If they are working, we can expect to see a drastic drop in the number of accidents at roadworks.
Mr Dalton: I would like to see—

Q99 Mr Davidson: I think we would all like to see it but I am asking you whether—
Mr Dalton: If they are not working, we will try something else and we will try more.

Q100 Mr Davidson: I sometimes drive down from Glasgow and my experience is that there is a substantial number of people who do not pay the slightest bit of attention to the hazard notices or anything else at roadworks. If anything, they seem to accelerate because everyone else slows down. The closer they get to London the worse it seems to be. There seems to be a sort of London lunacy. The closer you get, the worse you drive, particularly at roadworks. In terms of the pattern across the country of accidents at roadworks, do you have statistics? Is the north east worse than the south west? Is there a pattern?
Mr Dalton: We record all the incidents. Fortunately the number of injuries of road workers is still small. I do not know if there is enough to be statistically significant so that we could say one region or area is worse than another. It is more likely to be a trend in a contractor, if some of them do not have the same ethos.

Q101 Mr Davidson: Which contractor is worst?
Mr Dalton: I do not have numbers on particular contractors.

Q102 Mr Davidson: Maybe you could give us a note.3 If some contractors are less good than others, maybe you can give us a note indicating a league table, as it were?
Mr Dalton: I could give you a note, saying which ones have had particular incidents in the recent past.

3 Ev 13
Q103 Mr Davidson: No, not particular incidents. Mr Dalton: A number of them have not.

Q104 Mr Davidson: What we want to see is whether or not there is a pattern at all. I find this a cause for concern. Can I just ask the NAO whether or not, if you adjust for volumes of traffic, presumably volumes of traffic will affect the number of accidents just on a random basis? Also, in a number of locations, there will have been more roadworks and in others fewer. Is there any statistical information that comes out of any of that that is of interest here? Ms Barker: We only looked at the overall figures, so I would not be able to answer in detail.

Q105 Mr Davidson: Is there any evidence that new average speed cameras do actually have an effect? Mr Turner: With compliance and congestion the average speed cameras are beneficial. The number of accidents within roadworks is of course a concern naturally but they are still very small numbers to get statistically reliable information, which is why it is difficult to provide you with clear answers to some of these questions.

Q106 Mr Davidson: There is quite a number of people killed here, is there not? 20 a year is a fair number. Just to have it expressed as being not statistically relevant worries me a little. Mr Turner: I did not say it was not statistically relevant. I said it is difficult to draw statistical conclusions and I did say that the number of accidents within roadworks is cause for concern. The difficulty is that if you get drivers who are exceeding the speed limit there is a limited amount that we can do during those roadworks. We have errant drivers that are driving through roadworks and it is very difficult to do anything about that, short of carrying out all of the roadworks by closing the road off and that would bring a huge economic cost.

Q107 Mr Davidson: I understand. What percentage of roadworks do have average speed cameras or anything else that would monitor driver behaviour? Mr Turner: On long term roadworks, we are now installing average speed cameras as a matter of course because we have found it necessary to do so. The blanket 40 mile an hour speed limit which used to occur we raised to 50 miles an hour as a result of journey time reliability. To maintain that we have used average speed cameras for long term roadworks and it has been extremely successful in terms of controlling the speed and achieving reliable journey times through those roadworks.

Q108 Mr Davidson: I am not pursuing at the moment the question of raising the speed limit in order to allow better times through roadworks. I am pursuing what might be a contrary point, which is the question of the safety of the people working there. It is interesting that you seem to be more interested in maintaining average speeds than in the safety of the workforce. I think we have noted that.

Mr Turner: Can I just respond? There was no increase in casualties as a result of increasing the speed limit through the roadworks.

Q109 Mr Davidson: Have you pursued the question of adjustable penalties on roadworks? One of my colleagues gave me a note indicating that they believe that the fines for speeding double if it is through roadworks. Mr Dalton: Enforcement of the law is a matter for the police.

Q110 Mr Davidson: I understand. I did not ask about enforcement. I asked whether or not you had been pursuing the question of changing the legislation, which is slightly different. A recommendation from yourselves would obviously carry some weight, would it not? Mr Dalton: As the Highways Agency—

Q111 Mr Davidson: That is a no. Okay. Mr Dalton: Just for clarification, you referred to 20. For the avoidance of doubt, that is not 20 fatalities of road workers in any of those years. Unfortunately there was one fatality last year.

Q112 Mr Davidson: People with major injuries? Mr Dalton: Yes. The majority were major, which is still bad.

Q113 Mr Davidson: The statistics that you have for fatal and serious casualties in general run up to 2008 but for road workers it is only up to 2006. Why is that? Mr Dalton: There is a question of when data is available and validated as well.

Q114 Mr Davidson: Sorry? Say that again. Mr Dalton: It is just a question of the last year for which data has been—

Q115 Mr Davidson: Why is there two years’ difference between the date for which data is available for road workers and for motorists? I just do not understand that. Ms Barker: We believe that the first figure is from national statistics and the second figure is from the Agency’s data.

Q116 Mr Davidson: The Agency does not keep figures for the number of road workers that are killed or injured, but it keeps statistics for the number of accidents? Ms Barker: The first one is about casualties from accidents at roadworks. The second series is by the service providers.

Q117 Mr Mitchell: Speaking as someone for whom the high point of my meteoric career was as shadow spokesman on the cones hotline, self-appointed I may add, I would like to say to the Chairman how much I agreed with David Curry’s line of questioning. I would like to go local and follow it because we have been campaigning for ages in both east Lincolnshire and north Lincolnshire about the...
resurfacing of the A180, which is a concrete surface and very noisy. It is also crumbling and deeply rutted particularly badly. Part of it has been resurfaced and we were told that was done—we said, “Why not resurface the whole of it since you have the machinery in the area. Do the lot; it is in a very similar condition.”—that it would be no dearer to resurface part of it, send all the machinery away again somewhere else and then bring it back and do the rest on a later contract. That seems daft to me.

Mr Dalton: I believe there had been an undertaking some time ago to resurface all concrete roads and that was revisited.

Q118 Mr Mitchell: You have done great chunks of the A180.

Mr Dalton: It was revisited by ministers and by Parliament. I believe, in 2003, when it was determined that we should only be resurfacing concrete roads when they were physically in need of resurfacing, rather than just to do with noise. If there is a concrete road there that is worse than Derek’s criteria—

Q119 Mr Mitchell: Was it surveyed, because it seemed to me to be all in an equally bad state and certainly all equally noisy.

Mr Dalton: Noise has not been a criterion for resurfacing in its own right.

Q120 Mr Mitchell: It was, was it not, once?

Mr Dalton: There was an undertaking to Parliament and that was changed in about 2003 when the priority was to target a list of sites. From recollection, it was about 90–95 sites, known as the Hansard sites, that were listed as sites that would be tackled specifically for noise. That can be through noise screening, bunding or other things and we have got most of the way through that programme now.

Mr Mitchell: I hope you will go away and think about why you have not completed the programme on the A180.

Q121 Nigel Griffiths: I am told that some contractors, from the moment they put cones on the road, are able to draw down money for their contracts. Some of them just leave the cones but do not actually start the contract and it can be left for days and sometimes even longer than that. Are you aware of that practice and, if it is a practice that some contractors adopt, are steps being taken to ensure that when the cones go down they actually start the work?

Mr Dalton: I am not aware of that practice. I would be very surprised if there was payment just for putting cones out and not doing anything. To try and manage road space, we have a schedule of roadworks that allocates space and it tracks the time when people are out there. If I find out that that is happening, certainly my regional directors will be quite aware that that is not how we should be doing it.

Q122 Chairman: That concludes our hearing. Thank you very much. Years ago my children were asked where they lived and they said they lived on the A1. Half the country would like to have a chief executive of the Highways Agency in front of them to ask them questions about the great jams we have known. I think we have been very restrained this afternoon. It has been a good hearing and I think we have made progress. We want to make sure that you are going to seriously use the information that is now available to you to challenge contractors. I would like you to write to the Committee next February to tell us what more you have done in this field. It may be two or three years before the Committee returns to this so perhaps you could do that?

Mr Dalton: I would be very happy to do so.

Supplementary memoranda from Highways Agency

CONTRACTING FOR HIGHWAYS MAINTENANCE

I am pleased to enclose our comments on the transcript of the exchanges with the Committee of Public Accounts on 2 November 2009.

At the hearing I agreed to provide further information on the lead contractors by value of their maintenance work over the last five years and statistics on road worker injuries for maintenance activities by contractor. Please find these in the attached supplementary memorandum which I hope provides adequate information to the Committee. I also wrote to the Chairman of the Committee and to David Curry to give background information on some specific roadworks on the A1 that David Curry asked about. I enclose a copy of that letter for completeness.

I will write to the Committee again in February, as requested by the Chairman, Edward Leigh, about further work we have done in this area since the National Audit Office published their report.

Graham Dalton
Chief Executive

17 November 2009
Copy of letter from Highways Agency to Mr David Curry

HIGHWAYS MAINTENANCE

At yesterday’s hearing into road maintenance contracting David Curry asked me about the reason for roadworks on the A1 in the Doncaster area. I am sorry that I was not able to answer Mr Curry’s question at the hearing—primarily because I did not make the geographic link between the area described and our improvement project that stretches from Peterborough to Blyth. I am therefore writing to give the Committee an explanation of those roadworks.

The roundabout at Blyth was one of six that we have replaced with grade separated junctions over the last two years. Work at Blyth was completed approximately 18 months ago, and the whole scheme was completed and opened to traffic last month.

Unfortunately, on 18 August this year there was a road traffic accident at the Blyth junction which involved a tanker of turpentine. There was extensive leakage from the tanker, and then a fire. The outcomes of this incident was fire damage to the road surfacing, and more significantly, to the newly installed drainage system. The roadworks that David Curry has experienced are the extensive work necessary to replace that drainage system.

As highways authority, the Highways Agency pays for this work to be done. We then seek to recover the cost of the work in full from the insurers of the vehicles involved.

I hope that this adequately describes the background to the roadworks at Blyth. I will write to you in a few days with a further note covering leading maintenance contracts and contractor safety records.

Graham Dalton
Chief Executive
3 November 2009

Supplementary memorandum to the Public Accounts Committee following the Evidence Session on 2 November 2009 on contracting for highways maintenance

This memorandum responds to the requests for additional information to questions put to Graham Dalton, Chief Executive, Derek Turner, Director of Network Operations and Stephen Dauncey, Director of Finance on 2 November 2009.

Question 64 (Mr Curry): asked for our top five contractors by value of work over the last five years

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Notes:
1. Table shows for each year the top 5 suppliers by value of work undertaking maintenance work for the Highways Agency.
2. These figures for value of work are in-year figures—they have not been restated for the effects of inflation.
3. Individual suppliers may be represented in their own right and as part of Joint Ventures.
4. For the current year, 2009–10 Aone + are emerging as the highest ranked supplier by value of work.

Supplier Breakdown

- InterRoute — Joint Venture between Raynesway (since acquired by Balfour Beatty)/Mott MacDonald
- Amey Mouchel — Joint Venture between Amey and Mouchel
- Aone + — Joint Venture between Colas, Halcrow, Costain
- Amscott — Joint Venture between Alfred McAlpine, Scott Wilson
- Raynesway — Since acquired by Balfour Beatty
- Optima — Joint Venture between Atkins, Enterprise (previously Accord)

Question 102 (Mr Davidson): asked for a note on which contractors have had accidents at road works

The National Audit Office (NAO) report “Highways Agency: Contracting for Highways Maintenance” in para 3.17 states:

“Between 2003 and 2006 (the latest year for which data is available) the total number of road worker injuries, as reported by the Agency’s service providers, fell from 61 to 47, and within that the number of fatal and major injuries remained stable at just under 20.”
The source of the figures quoted by the NAO is a report commissioned by the Highways Agency and published in 2006 by Transport Research Laboratory (TRL), entitled “Safety Performance of Minor Road Works on Trunk Roads and Motorways”. This report included figures for Design, Build, Finance & Operate (DBFO) concession holders as well as the more conventional service providers running the Managing Agent Contractor (MAC), Managing Agent (MA) and Term Maintenance Contractor (TMC) contracts. The DBFO concession holders are included in the tables 1–6 to preserve consistency with the figures in the NAO report.

The attached tables (1 to 4) give a breakdown of the number of road worker injuries each service provider (contractor or consultant) reported for each of the four years quoted by the National Audit Office. Tables 5 and 6 give the same information for 2007 and 2008. This information brings the report used by NAO up to date. Against each service provider there is a description of which Highways Agency Maintenance Areas that service provider was involved with in each of those years.

As can be seen from the range of Agency Areas in which roadworker accidents occurred, there is no specific geographic pattern to the figures.

The service providers are listed in order according to the total number of injuries they have reported. There is no weighting given to the severity of the injuries unless any total figures are of equivalent value.

Recorded injuries are classified as fatal, major or minor. A major injury would be one requiring hospitalisation as an in-patient, or fractures, concussion, internal injuries, crushings, burns, major cuts, lacerations and general shock—whether or not they resulted in hospitalisation. A minor injury would include sprains, cuts and bruises which resulted in a three day or greater absence from work.

**Key to Agency Maintenance Areas**

- Areas 1, 2 Southwest
- Areas 3, 4, 5 Southeast
- Areas 6, 8 East
- Area 7 East Midlands
- Areas 9, 11 West Midlands
- Areas 10, 13 Northwest
- Areas 12, 14 Yorkshire and the Northeast

**Key to Suppliers**

- InterRoute Joint Venture between Raynesway (since acquired by Balfour Beatty)/Mott MacDonald
- Amey Mouchel Joint Venture between Amey and Mouchel
- Amscott Joint Venture between Alfred McAlpine, Scott Wilson
- Raynesway Since acquired by Balfour Beatty
- Optima Joint Venture between Atkins, Enterprise (previously Accord)
- AOne Joint Venture between Colas, Halcrow

**Table 1**

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Table 2
ROAD WORKER INJURIES IN ROADWORKS 2004

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Table 3
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Table 4
ROAD WORKER INJURIES IN ROADWORKS 2006

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* The total quoted for 2006 in the NAO report was 47. This figure only included accidents from 1 January 2006 to 7 November 2006. The total to the end of 2006 is 49.
### Table 5
**ROAD WORKER INJURIES IN ROADWORKS 2007**

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<td>InterRoute</td>
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<td>2</td>
<td>3</td>
</tr>
<tr>
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</tr>
<tr>
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<tr>
<td>Connect A1-M1 DBFO</td>
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<tr>
<td>RMS A1 DBFO</td>
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<tr>
<td><strong>Total</strong></td>
<td>0</td>
<td>8</td>
<td>22</td>
<td>30</td>
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</table>

**Areas involved in**

- 8, 12
- 9, 13
- 7
- 4
- M6 Toll
- SE
- YNE

### Table 6
**ROAD WORKER INJURIES IN ROADWORKS 2008**

<table>
<thead>
<tr>
<th>Contractor/Consultant</th>
<th>Fatal</th>
<th>Major</th>
<th>Minor</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amey Mouchel/Mouchel</td>
<td>0</td>
<td>3</td>
<td>8</td>
<td>11</td>
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<tr>
<td>Carillion</td>
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<tr>
<td>AM Scott</td>
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<td>0</td>
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<td>3</td>
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<tr>
<td>A-one</td>
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<td>4</td>
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<td>2</td>
</tr>
<tr>
<td>Midland Expressway</td>
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<td>2</td>
</tr>
<tr>
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<td>Autolink</td>
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<td>1</td>
</tr>
<tr>
<td>Enterprise Mouchel</td>
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<tr>
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<td>6</td>
<td>27</td>
<td>33</td>
</tr>
</tbody>
</table>

**Areas involved in**

- 5, 9, 13
- 12, 5
- 5, 7
- 14
- M6 Toll
- SE Tech Mac Contract
- A19 DBFO
- A1

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**Question 122 (Edward Leigh):** asked Graham Dalton to write to the Committee next February about what more has been done in this area.

Graham Dalton will write to the Committee again in February about what further work the Agency has done since the National Audit Office published their report on 16 October 2009.

*13 November 2009*