Facing highways challenges together

Guest editor Ben Mullard of Beale & Company sees a challenging future for Highways England – and its supply chain – as the newly formed organisation introduces new procurement routes. Much hope is being pinned on the Collaborative Delivery Framework, but is it up to the task?

The highways industry is going through a period of great change, presenting both challenges and opportunity for all involved. Following the enactment of the Infrastructure Act 2015, in April this year, Highways England replaced the Highways Agency as the authority responsible for the country’s strategic road network, setting out a range of ambitious targets for itself and the wider industry. Under the Infrastructure Act 2015, Highways England will have greater access to long-term funding and accountability.

What’s new?
Highways England’s Delivery Plan was published in March 2015 and sets out plans for transforming both Highways England and the wider roads sector. The Delivery Plan sets a five year budget of £11bn to invest in modernising and maintaining the strategic road network. Highlights from the Delivery Plan include:

- Five strategic outcomes as outlined in the Executive Summary: supporting economic growth; and delivering a safe and serviceable network; a more free-flowing network; an improved environment; and an accessible and integrated network.
- Delivery of 112 major road improvement schemes, including 15 smart motorways and 280 miles of additional capacity; and
- A promise to generate £4 in long term economy benefit for every £1 invested.

The progress of Highways England will be regulated by the Highways Monitor (part of the renamed Office of Rail and Road), with the power to impose fines for non-delivery. A separate body, the rebranded Transport Focus, will have the role of watchdog.

Facing the challenges together
Highways England promise a radically more commercial organisation offering a refreshed approach to procurement. Highways England face two major challenges in putting their Delivery Plan into action; managing substantial change within the organisation while also changing the manner in which highways services are planned, procured and managed. They face the significant challenge of transforming from an historically civil service focused organisation into a much more commercial entity.

This is a significant behavioural change and Highways England are clear that they will need support from the industry if they are to be successful. At the same time, Highways England are seeking significant efficiency savings from the supply chain, as set out in the Delivery Plan, identifying increased collaboration is key to delivering these savings.

However, collaboration must be a ‘two way street’ and requires real input from Highway England, as well as from suppliers. Progress is already being made (for example, we understand from those involved that suppliers make up 50 per cent of the senior leadership team for the current Smart Motorways programme), but Highways England will need to allow for greater involvement from its suppliers on many more projects, including to identify and programme work at an early stage.

The Public Contracts Regulations 2015, SI 2015/102 came into force in February 2015 and encourage (amongst other things) preliminary market consultations, commercial opportunities and innovation. The new Regulations therefore provide an environment for a stronger relationship between authorities and suppliers.
A speed limit on procurement?
Following the creation of Highways England there is potential for a slow down in the award of new work. Although Highways England is working hard to ensure ‘business as usual’, significant contractual and cultural changes can often lead to a slowdown in procurement at the outset. There is already a slow down resulting from the significant secondary tendering under the new Collaborative Delivery Framework and the recent change in government; the industry requires careful management if it is to make a strong start to this new era.

Doing more with less
In order to deliver the savings required, Highways England needs the supply chain to ‘do more with less’. Whilst funding is increasing, the delivery targets are also moving and the industry is being challenged to deliver five times as much work.

As part of its plans, Highways England is seeking large scale efficiency savings from its suppliers, totalling £2.6 billion over ten years, with £1.2 billion to be delivered in the first five years. Delivering these efficiency targets is likely to be a real challenge for suppliers, particularly if places on existing frameworks, including the Collaborative Delivery Framework, have already been partly won on price. The relationship between Highways England and its suppliers and the manner in which work is procured will need to change, on both sides, in order to deliver these savings.

Can things be done differently?
It is not yet clear whether the Collaborative Delivery Framework will provide an environment to realise increased collaboration and the associated efficiency savings. The procurement of the framework has not been straightforward and the form of contract itself is particularly complicated (although the Public Contract Regulations 2015 will allow more flexibility when dealing with complex contracts).

In addition, early indications suggest that there is likely to be significant secondary competition for work on offer under the framework with little evidence to date of collaboration in practice. As a result, there is a risk that the Collaborative Delivery Framework could represent a missed opportunity, rather than heralding a new era of efficient procurement and collaboration.

In our experience, secondary tendering is not popular with suppliers, who often see it as a way to further squeeze them on price. How can suppliers make the further efficiency gains now required by Highways England while remaining profitable? Forcing further price reductions post-tender is unlikely to be conducive to good working relationships, collaboration or efficient delivery.

Suppliers are convinced that there are better ways of doing things (including early contractor involvement and long term frameworks with more certain workloads); part of the challenge will be to ensure that Highways England are open to other ways of working. Increased trust and cooperation between the supply chain and the new, more commercial, Highways England is likely to be key to diffusing these tensions.

Long term certainty
Providing suppliers with longer term certainty of workload, rather than further secondary competition under existing frameworks, will mean that suppliers can invest in delivery and innovation, rather than in repeated tendering. The ‘innovation partnership’ procedure under the Public Contracts Regulations 2015 may go some way in achieving this.

Certainty of workload helps ease the commercial pressures which can otherwise limit collaboration when suppliers are encouraged to share best practice, but need to retain their commercial advantage in order to win further work. Experience on other frameworks, such as the National Roads Telecommunications Network framework, shows that providing greater certainty can lead to real collaboration and efficiency savings.

Resources can be planned (and hired, trained and retained) on the basis of secure workloads, rather than reacting to short term needs. Increasing workloads over the next five to ten years highlight the already serious resource shortage in the industry. It will also be important for the industry to sell itself to those in schools and universities to ensure future generations take up the challenges and make the most of the significant opportunities on offer.

The future
Highways England has great ambitions, both in terms of delivering more for less and in working more effectively with its supply chain. However, all involved will need to address the challenges arising if these aims are to be realised. CL