

Mouchel moves on

Mouchel, the international infrastructure and business services group, has been through a major turnaround. Editor Alec Peachey speaks to the man responsible, chief executive Grant Rumbles



When Mouchel announced its annual results in September last year Grant Rumbles described 2013 as “a year of transformation” for the company.

He said: “We over-achieved on all of our targets in our business plan. We reduced our cost base by £21 million rather than the planned £18 million and we have a strong order book today in excess of £2 billion.”

The company achieved revenue of £555.3m and an underlying operating profit of £28.1m for the year ended 30 September 2013. Underlying cash generated (used) in operations was £39.3m.

Speaking to me over coffee in London, Rumbles told *Highways Magazine* about the key measures the firm has taken to get into its strongest position in years.

“We organised the business itself in terms of how it was being run. That was about clearly putting all our infrastructure services businesses together,” he says. “We have around 4,000 engineers who all sit in a business grouping we call infrastructure services. We also have our back office business that makes up about a quarter of our revenue.

“We changed the teams so that we now have a senior leadership team in the company that numbers around 70 people. This was about creating strong teams of people right across the business. That’s been a key part of the

success. Very simply it was about putting the right person in the right chair. About half our leadership team has changed in the past two years. They haven’t all left the business, but they’ve moved roles.

“The other thing is that we spent too much money within the group. I’d go further than that and say I think we wasted an awful lot of money. We made a plan to remove £18m of cost out of the business. About half of that came through property. Where the business had grown in the past through acquisition it acquired a range of properties. If you walked around one of our offices in the old days a lot were less than half full. We put all of our people together and got rid of the properties – not complicated.”

Mouchel also de-listed from the London Stock Exchange in an effort to make savings.

All of the above took just over a year to complete with the whole process brought to a close in March last year.

“Since then we have been growing our business,” notes Rumbles. “The order book today is the highest it has ever been. At the end of September it was £1.7bn. Since then we have won another £300m. So it is sitting at just over £2bn today.”

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Grant Rumbles

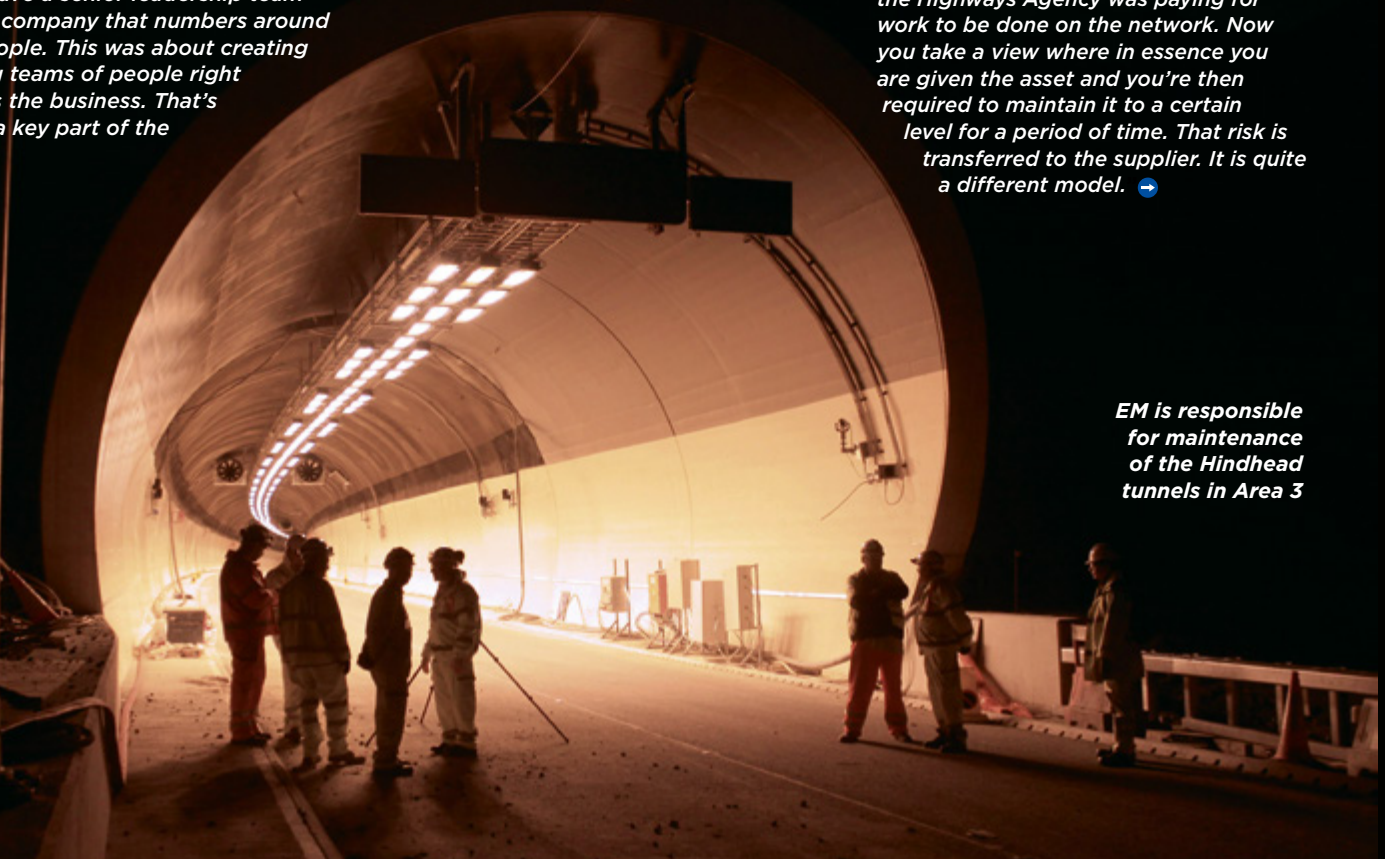
Contract wins

Rumbles joined the Mouchel board as chief executive in 2011. He acknowledges that major contract wins in the area of highways have helped turnaround the company’s fortunes. These include a five-year contract worth up to £700m to operate and maintain the motorway and trunk roads in Area 3 in southern England for the Highways Agency.

“We re-secured the Area 3 contract with the Highways Agency,” remarked Rumbles. “We transitioned that contract over the last few months and on 1 November 2013 it went from a managing agent contract (MAC) to an asset support contract (ASC). Whilst we were doing that we actually topped the Highways Agency’s league table for all the 12 areas they have. We came out on top even though we were going through the transformation process.

“When you look at the old MAC contract, the Highways Agency was paying for work to be done on the network. Now you take a view where in essence you are given the asset and you’re then required to maintain it to a certain level for a period of time. That risk is transferred to the supplier. It is quite a different model. →

EM is responsible for maintenance of the Hindhead tunnels in Area 3



EM Highway Services, a division within Mouchel, recently won the Area 9 contract that includes the Birmingham box

EM Highway Services, a division within the group, recently added the Area 9 asset support contract for west central England to those of Areas 1, 3 and 13.

"The Highways Agency is one of our largest clients and we do a whole range of different work for them. Whether it is around our intelligent transport business, highways design business, asset maintenance business or indeed our environmental business," added Rumbles.

"Similarly, one of the other innovative contracts we have is with Transport for London (TfL), which is another key client of ours. About a year ago we secured the LoHAC south contract. I think what TfL have been doing there is very innovative - to award contracts and look after the TfL network - but then to allow the various London boroughs to be able to buy into that without having to go through all the difficulties of procurement. On the back of the work that we do for the Highways Agency we've been able to take that model and export it to Australia."

Going Down Under

Last year, roads maintenance service provider DownerMouchel (DM), a 50:50 joint venture between Australia-based contractor Downer and Mouchel, was awarded the Stewardship Maintenance Contract (SMC) for the maintenance of Roads and Maritime Services (RMS) roads in Western Sydney.

The contract, awarded by RMS, covers approximately 2,200km of roads in Western Sydney. It will go live at the end of this month (31 March 2014) and is valued at approximately AUS\$100m (£60m) per year.

For Mouchel, this builds on its service provision on the east coast of Australia and the three ISA contracts in western Australia. The new SMC contract has a duration of seven years, with an option for extension to 10 years.

Back in the UK, Mouchel has welcomed a number of recent announcements made by the government.

Firstly, the government committed £10bn of investment in road repairs between 2015-16 and 2020-21. Transport secretary Patrick McLoughlin then outlined details of a new policy paper entitled 'Action for roads: a network for the 21st century'. This details new arrangements for the Highways Agency and commits to providing funding for roads.

"To have the Highways Agency now as a government go-co (publicly owned) is really good news for the country," comments Rumbles. *"It allows them to have a proper five-year investment strategy. This means they can make longer-term decisions than they've been able to in the past. That's good news for them, the UK and for suppliers."*

Rumbles would like to see closer cooperation between the Highways Agency and local highway authorities, but acknowledges that councils are facing increased budget cuts.

"The travelling public want good infrastructure. Where it's coming from is immaterial to them," he notes.

"There needs to be a joined up approach that probably isn't there today. How is it that we are able to join up the strategic road network with the local authorities better than it has been done in the past? There's a debate here that we still don't know the answer to. Are we better making decisions locally despite the political pressures that local authorities have or are we better making them nationally?"

"There are pros and cons to both answers. There isn't actually a right or wrong answer. Local authorities have other pressures like adult social care or emptying people's bins. Where do roads fit in?"

"However, I do think people on the ground locally know what's needed. Although they may have budgetary pressures you would expect that they would make the right decision. There isn't a nirvana to say let's make all the decisions locally and some centrally."

The future

The former Exova chief executive feels that improvements to the road network will help drive economic growth in the UK.

"One of the opening lines in 'Action for Roads: a network for the 21st century' states that the road network is vital to our economy and to our way of life."

"That's what the government has said and I agree. Whether you like it or not people are using the roads. In large parts of this country there is no other choice but to use them. The fact that the government now recognise this and is investing in them is good news for us."

So what are his hopes for the future of the highways industry? For Rumbles investment in infrastructure and people is key.

Mouchel recently hosted a series of drop in events with the company aiming to recruit 600 engineers and consultants by the end of 2014. Prospective recruits were given an opportunity to speak with staff about career opportunities on offer.

"What we would like to see is a continuation of what has happened over the last year. For there to be increasing long-term investment made within infrastructure. That allows us as a business to make long term plans," Rumbles points out. *"At the moment we are recruiting 600 engineers, but if I knew that I might need to recruit 1,000 or 1,200 in the future it would make my life a lot easier because I'd already be aware of what's going on. If I know in two or three years time that I'm going to need X amount of people I can take it all the way back to how many graduates I need to recruit. A lot of people have come out of the industry because there was so little spend going on. We need to recreate a lot of that workforce again. The longer-term view the better. I think we've made a good start, but I'd like to see it continue,"* he concludes. ➔