

Performance Measurement

With an Integrated Management Solution, Veolia ES Industrial provides its clients with a comprehensive approach to improving administrative and operating efficiency. In many cases, Veolia ES Industrial provides its service delivery system from an On-Site location within the client's facility. Synergies are gained by managing multiple service disciplines with one focused management group which enables the client to benefit from lower overhead cost, enhanced craft productivity, and improved equipment resource allocation. The client further lowers its business transaction costs by reducing the number of vendors administered. Veolia ES dedicates a National Account manager and clerical staff to administrate the PMT process. The fee for this service will be negotiated.

Service Delivery

Veolia ES Industrial has more than fifty site - based operations from which it provides a managed service approach. Using the clients' site as the service platform, Veolia ES Industrial becomes integrated as a Team member of the client organization. This integration enables Veolia ES Industrial's project management to become an integral component of the maintenance and turnaround planning processes. Equipment and personnel resources reside at the facility to facilitate the service process. Cross-trained personnel are deployed across the multi-craft service lines to improve productivity and efficiency. Information systems document day-to-day business activities, and identify trends in operating performance.

Performance Measurement Tool

Performance Measurement "PMT" is the combination of an operating methodology and various information systems components designed to reduce the client's service costs. The operating methodology is focused on process improvement initiatives designed to standardize work tasks, eliminate delays, and facilitates craft productivity.

When PMT is operated at the client's site under normal working conditions, Supplier receives notification of work request via electronic mail. This method results in more timely and accurate communications, quicker response times, more effective scheduling of resources, and the tracking of work for daily benchmarking of activities.

The methodology underlying the Performance Measurement Tool incorporates multiple, integrated processes designed to:

- Identify key categories of information; and
- Provide mechanisms for focus efforts to improve operations

In Site-Based managed service operations, VEOLIA ES approaches cost reduction opportunities by focusing on three separate sources of cost reductions, each being achieved from different activities and in different manners. The three sources are:

- Immediate Cost Reductions
- Short-Term Cost Reductions
- Long-Term Cost Reductions

Immediate Cost Reductions

Our customers' benefit from an immediate reduction in the hourly and unit rates charged for people and equipment. This reduction comes from VEOLIA ES being capable of driving cost out of the process through increased utilization of people and equipment. The increased utilization rates are the result of operating a site-based, sole-source operation. The important point is having the appropriate revenue level to rationalize a site-based operation. These cost reductions typically range from 5% to 10% of the contract value.

Short-Term Cost Reductions

Our customers begin to recognize the short-term cost reductions associated with process optimization of the site-based operation within ninety days of operation start-up and continue for the duration of the contract. Process optimization is achieved through right-sizing the operation, reducing cycle times through task familiarity and repetition, formalized planning and performance tracking and reporting.

VEOLIA ES proposes to address three areas to improve our efficiencies. They are developing task repeatability, providing consistent performance, and participating in planning and scheduling.

The first area is developing repeatability through the tracking of daily job information. Job information is entered into the PMT software and documented on an on-going basis. Accessing historical information, the dispatcher can review details of prior task cleanings, identify performance gaps, then "right-size" each job with personnel and equipment.

We address the second area of providing consistent performance in two ways. First, VEOLIA ES proposes to develop a Standard Operating Procedure (SOP) for each major piece of equipment or each repeating task or job performed within an operating unit. We will utilize a dedicated team of cross-trained personnel. Utilizing this dedicated team gives us a technically broad, yet small crew base. The SOP's are located and updated through the PMT process in our database. SOP's also become a part of the job packet printed and distributed to the supervisor for each job. As new Best Practices are developed, appropriate SOP'S are updated, thus assuring consistent performance across all facilities.

The first two items can be implemented without direct customer involvement. However, planning and scheduling requires routine and frequent direct participation with the customer to improve VEOLIA ES efficiencies. When the customer begins to prioritize, VEOLIA ES can better plan, schedule and dispatch resources, thus balancing all and minimizing required resources. Crews will be dispatched with a Job Packet, which includes the job specific work order, a delay/activity log sheet, the job SOP and Job Safety Analysis. This packet assures repeatability, consistency and; when we track the delays recorded on the job, another focus for improvement. Cost savings typically range from 10 to 15 percent.

Long-Term Cost Reductions

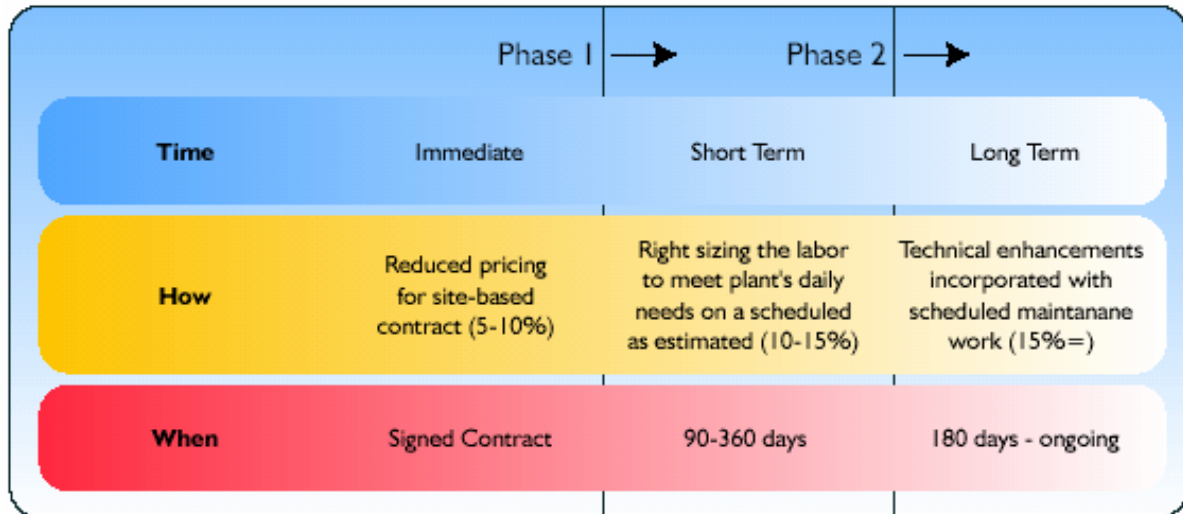
Within 180 days of operation start-up, our customers begin to recognize the benefits of long-term cost reductions and increased productivity. These benefits are associated with the development and implementation of technological, process and procedure Measurements that create a "sea change" in the manner in which tasks are performed. The changes produce a very positive impact on operating cost and production rates. These benefits begin to accrue as early as 180 days after operations start-up and continue for the duration of the contract.

VEOLIA ES approaches the aforementioned short-term cost reductions through improved efficiencies. Conversely, VEOLIA ES approaches the long-term cost reductions through effectiveness. The PMT addresses the effectiveness with which VEOLIA ES performs its services.

Our approach requires a paradigm shift in systems thinking, where the customer and the VEOLIA ES employee are encouraged and empowered to "think outside the box". This begins with a discovery process. The modules listed in the VEOLIA ES PMT assist in this shift to higher performance through benchmarking. VEOLIA ES has developed a comprehensive database to track job cleaning criteria for our customer's process equipment. This data covers everything from job duration to specific production equipment performance specifications and actual performance. Using this data, Veolia ES will identify performance gaps and focus on developing corrective action or modifying procedures to remedy the gap, improve performance and quantify any resultant reductions in operating cost.

Our PMT process is more than a database; although the database is key to tracking, reporting and analyzing the data gathered. For customer specified equipment, a Best Practice is developed so that each cleaning can

reflect improvement. Through this process, the customer not only sees direct invoice savings, but also operational savings which include longer process runtimes and discounts due to schedule coding which Veolia ES uses for balancing site resources.



VEOLIA ES is using the principles of the American Productivity and Quality Center to develop these process improvements. The overall program is reflected in the Joint Process Improvement Map. Through this constant evaluation and re-evaluation our customers cost are continuously dropping.

The Process

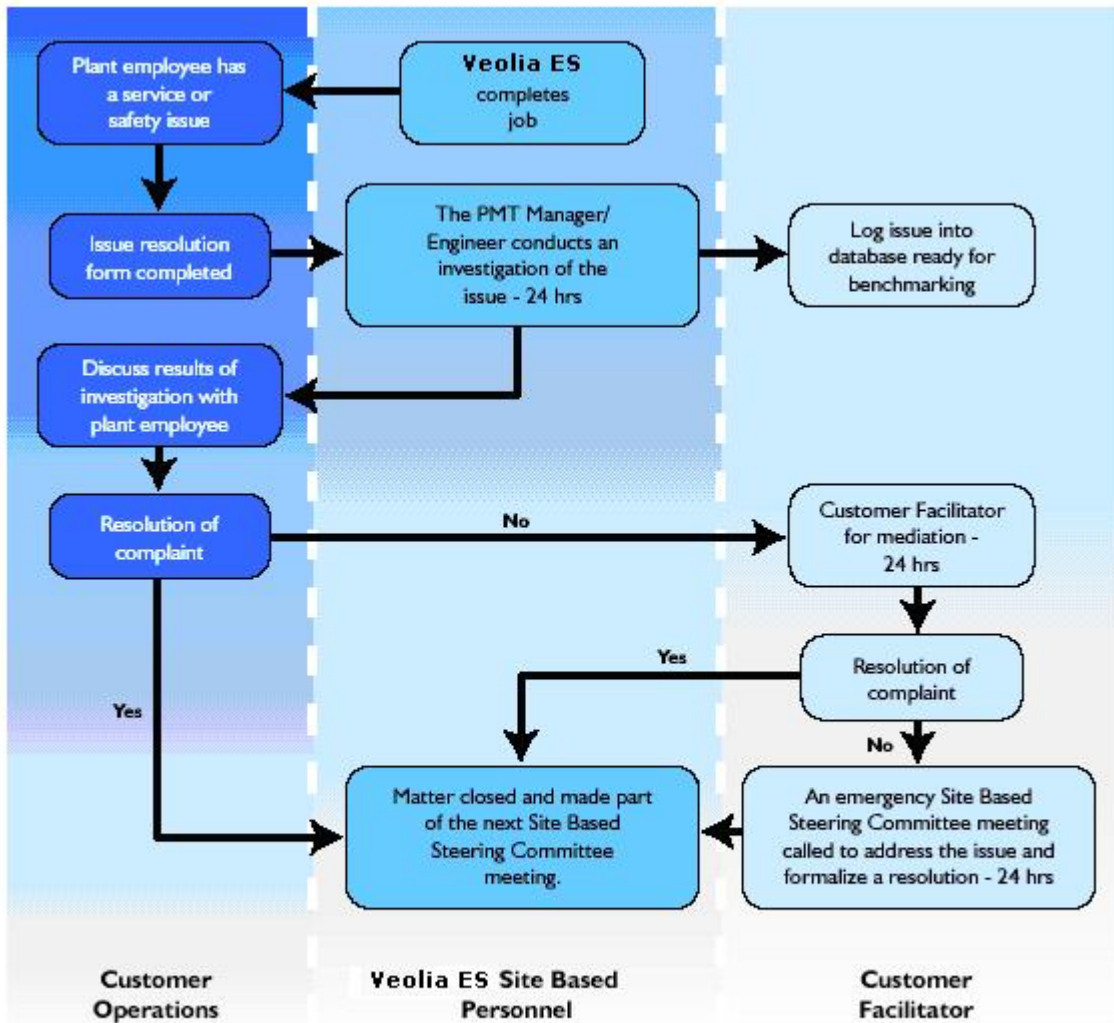
The objective of VEOLIA ES's Performance Measurement Tool (PMT) is to drive process improvements that reduce operating cost. VEOLIA ES accomplishes this by increasing our internal efficiencies and the effectiveness of our applications and performance.

Benchmarking Process

VEOLIA ES utilizes the process of benchmarking to continuously measure and evaluate key performance indicators (KPI's). The analysis of this information creates opportunities for improved processes and reduced operating cost. VEOLIA ES uses benchmarking to spot trends in job performance, such as cost, delays, job scheduling and many more. This trend analysis ultimately leads to the development of Best Practices that are incorporated into our Standard Operating Procedure "SOP" database. Benchmarking is the primary discipline utilized while implementing the PMT. Jointly, Supplier and Client designate the items; equipment and jobs to be monitored within the plant, develop SOPs, and collaborate on the processes necessary to track performance.

Issue Resolution Process

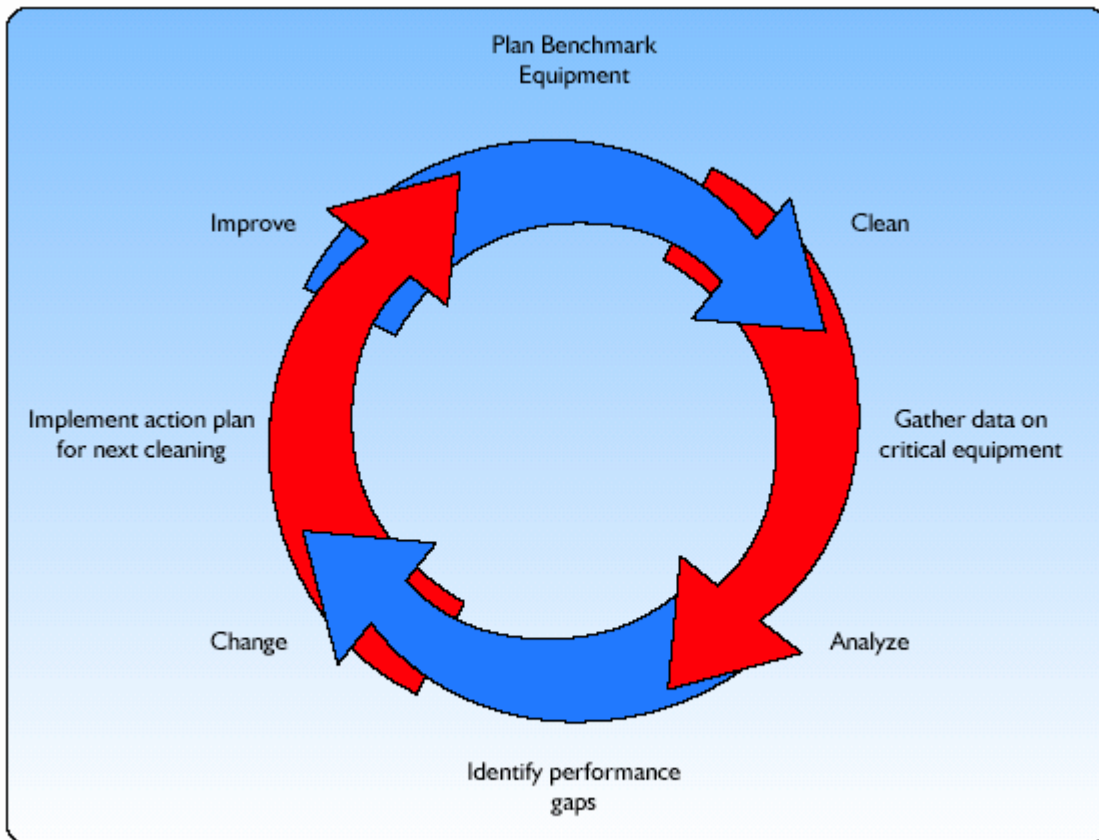
The Issue Resolution Process provides all employees an avenue to have concerns addressed. This process creates an exploratory environment conducive to seeking improvements to systems and processes. It provides continuous improvement and eliminates "finger-pointing". The resultant corrective actions are incorporated into the SOPs and the performance database for immediate availability to everyone system-wide.



Joint Process Improvement

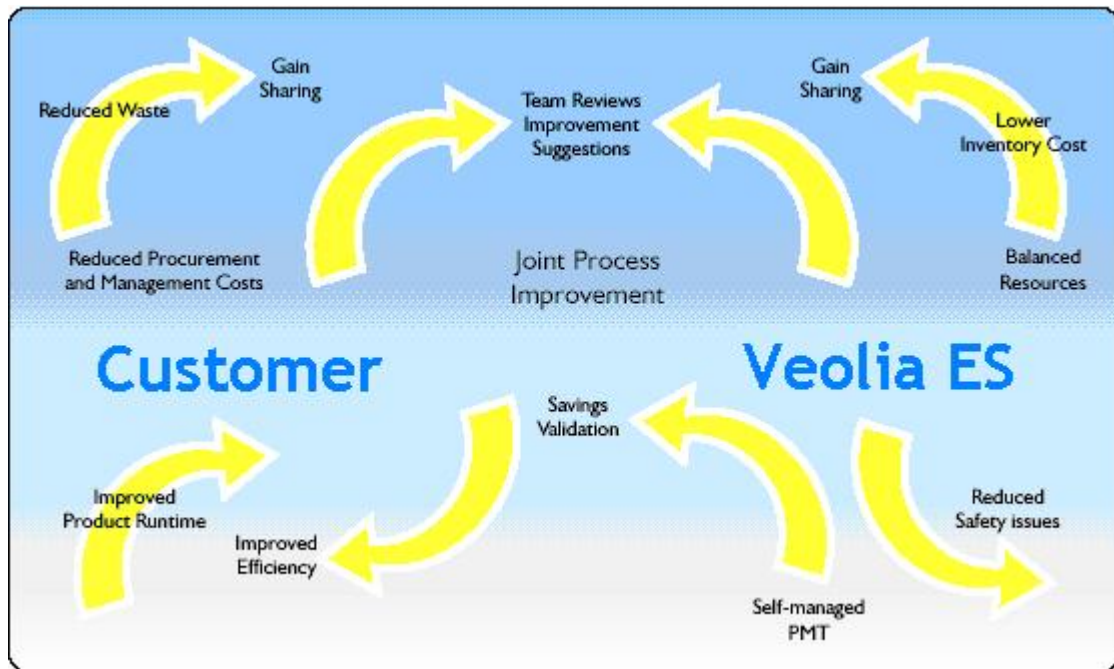
Joint Process Improvements brings the team concept to all areas of the relationship. Jointly, the customer's employees and the VEOLIA ES employees work together to detect areas of potential savings. These savings are derived from ideas and observations provided by all involved. Here are some examples of the possibilities that Joint Process Improvement brings to the client:

- Optimum Cleaning Cycles: These are derived from monitoring changes in flow and temperature differentials. Analysis of data not currently available may suggest a more efficient practice.
- Established and refined job procedures.
- Pre-Cleaning Procedures: Suggesting the introduction of a solvent into the process just prior to shutdown for cleaning to reduce hydroblasting time.
- Hardness and fouling data: Tracking the hardness and fouling factors for the equipment.
- Cleaning Criteria: Developing a definition of "what is clean."



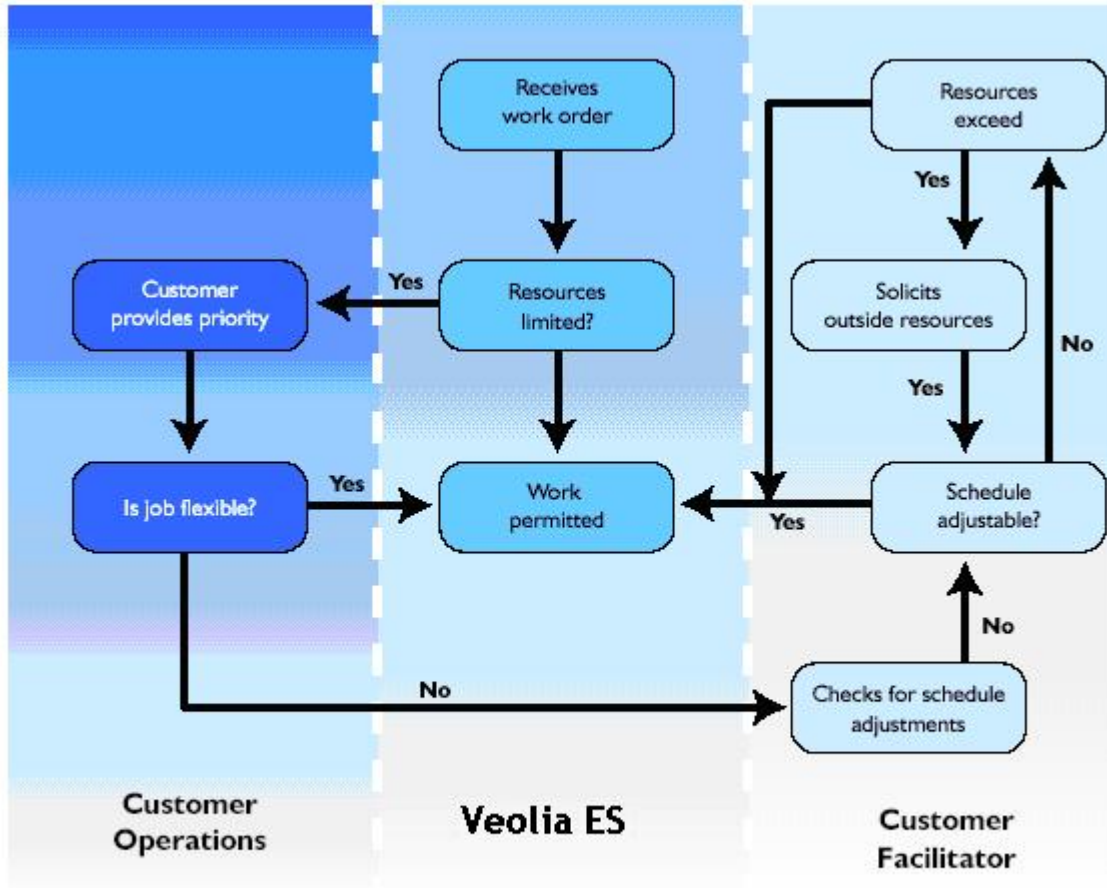
Co-management Process

During this process a focused business plan is jointly developed. This plan clearly defines the goals, objectives and expectations of the site based operation. Specific key performance indicators are identified, quantified and integrated into the benchmarking program for subsequent monitoring and evaluation.



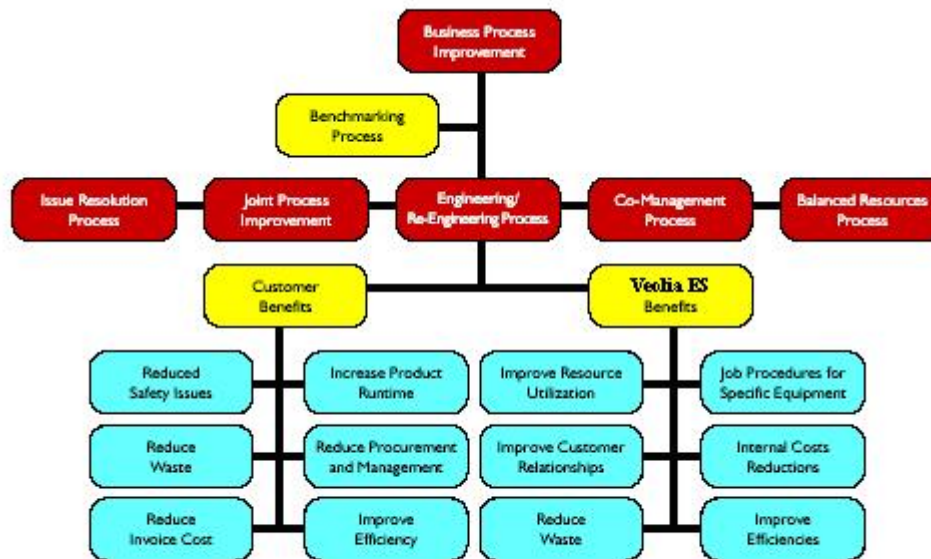
Balanced Resource Process

The Balanced Resource Process enables Supplier to efficiently staff the client's site with personnel and equipment. By minimizing the peaks and valleys of resource demands, the Supplier is able to maintain the lowest possible cost structure without compromising safety or service quality.



Benefits of the PMT

By being site based, VEOLIA ES receives notification of required work accurately and electronically. This benefit allows quicker response time, accurate communication, effective scheduling, and daily benchmarking of activities.



Multiple systems components are used within PMT. E-mail, knowledge bases, and operations and financial systems are combined to manage processes and resources. The operations management system is a relational database and allows the Client and Supplier to view certain information regarding job performance. The client and Supplier together can then leverage that information to improve process efficiency, which leads to cost savings. The operations management system contains basis data such as:

- Customer name, plant, unit, equipment and contact details;
- Supplier's equipment and personnel listings;
- Job details for each piece of customer equipment cleaned; and
- Work order timesheet data, including delay tracking, standard operating procedures and job safety analysis.

This data originates from multiple sources. Once the data has been entered, it can be analyzed through various forms and reports, for example.

- Dispatching
- Benchmarking
- Invoicing
- Payroll
- Inventory Management