

## News Release

### **SMALLER FIRMS “SQUEEZED OUT” BY PUBLIC SECTOR, SAYS NFB**

***Report reveals a quarter of small and medium sized (SME) construction firms have been forced to shed jobs after missing out on public sector work despite Government attempts to champion SMEs.***

Building contractors are being increasingly marginalised by the public sector despite Government pledges to improve access to work, according to latest findings from the National Federation of Builders (NFB).

The survey, which generated over 600 responses from SME contractors, found that over a third of businesses (36%) had been less successful at winning public sector tenders over the last two years.

Publicly funded work, as a percentage of each firm's turnover, had fallen 32 per cent over the last five.

The survey was open to members of the NFB, the Federation of Master Builders (FMB), the National Specialist Contractors Council (NSCC) and the Electrical Contractors' Association (ECA).

Just over a half of respondents said that they had won less public sector work due to changing practices in public sector procurement, which the NFB says is simply unacceptable at a time when the Government is apparently championing the 'small is beautiful' philosophy.

Its chief executive Julia Evans, said: “Despite all the rhetoric from politicians and the development of policies as embodied in the *The Glover Report*, it is actually harder for small and medium sized contractors to win work than it was in 2007.

“What concerns us most is that, at a time when private sector development and house building remain in the doldrums, smaller contractors are being shut out from what little available work there is.

“As an industry construction employs two million people and contributes eight per cent to the UK's economic output, and the overwhelming majority of contractors are SME businesses.”

Respondents to the research cited demanding admin processes and procurement frameworks – where a local authority or group of neighbouring public sector bodies ring fence their contracts for a small group of successful bidders - as major barriers to securing work.

Over 60 per cent of firms said they had failed to win a place on a procurement framework while almost a fifth (16 %) of businesses claim that local authorities and other publicly funded bodies fail to advertise their tenders properly.

Since its last report in 2007, the Federation has campaigned the Government to improve procurement conditions for SMEs who often lack the dedicated backroom functions of larger contractors to cope with the rigours of pre-qualification, creating an uneven market place.

More than a quarter of contractors failed at the pre-qualification questionnaire (PQQ) stage of the tender process, the first hurdle for winning most work from the public sector.

The same proportion of respondents said they spent between £1,000 and £5,000 registering on a variety of PQQ schemes used by different clients while over a fifth said they spent four weeks a year completing the necessary admin tasks PQQs demand.

Julia added: “Locally-based, smaller contractors can often provide much better value for money than larger firms through their lower operating costs

“The public sector has the potential to deliver enormous economic benefit as SMEs employ local people and used locally based supply chains. As our latest survey shows, this opportunity is being missed.”

David Pollock, group CEO of the Electrical Contractors’ Association (ECA) comments: “The public sector remains a treasure trove of opportunity for contractors, but there needs to be much better communication throughout the tendering process. The report suggests that there are many firms out there who just do not understand the tender process, with a sharp rise in the number of companies who list the pre-qualification process itself as a difficulty.”

Other important findings from the survey included:

- A significant majority (70 per cent) of contractors fail at the second stage of the tender process for public sector work.
- In the past two years, a quarter of firms had seen their work on public housing decrease despite huge Government investment in building new homes.
- Work from the education sector was also revealed to be in decline, with 30 per cent of respondents doing less contracts for schools in spite of spending programs such as Building Schools for the Future.

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**Notes to editors:**

The National Federation of Builders (NFB) represents some 1,500 builders and contractors across England and Wales. In addition to providing specialist advice and business services, the federation, with a network of eight regional offices, lobbies local, national and European government on a range of issues to sustain positive trading conditions for members.

**Electrical Contractors' Association (ECA)** represents the interests of 3,000 member companies involved in electrical installation work. Collectively, the member companies have an annual turnover of more than £5 billion, employ over 30,000 operatives and support 8,000 apprentices in craft training. The role of the ECA is to provide a focus for the electrical industry in terms of safety, training, qualification, technological development and industry performance. For more information, see: [www.eca.co.uk](http://www.eca.co.uk).

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**Additional Notes:**

**Press Releases have been featured in the Assistant Editors introduction in the 5/2/10 issue, plus a double page spread in Building, again same issue, which features the survey, with input from NFB members:**

**John Maddock, Lockwood Construction (on paperwork and bundling)**

**Marek Whittaker, ER Hemmings (on forming alliances)**

**The final format of the survey is currently in draft format and will be available shortly.**