

# Press Release

7 October 2010

## **Spending in construction 'stays at home'**

The National Federation of Builders opened the doors to debate about the role of construction in rebuilding the economy, at its first fringe event at the Conservative Party Conference in Birmingham on Wednesday 6 October.

The panel included three Conservative MPs who are making their mark in the areas of housing and planning, and was chaired by the Editor of Construction News, Nick Edwards. Another notable figure at the table for Steve Vickers, Managing Director of Urban Design at Birmingham City Council, who put the local authority view forward. The MPs on the panel highlighted the importance of local enterprise partnerships and stressed the need for business to get involved on these.

Speaking at the event, Julia Evans, chief executive of the NFB, stressed the important contribution made by construction to both the UK's GDP and employment.

"The construction industry has low levels of imports, so any spending in the sector stays at home. For every £1 spent on construction, £2.84 returns to the economy." She said.

Evans called on the government to "resist any policy which stifles SMEs", arguing that they are at the heart of the economic recovery and commented "The health of SMEs are the health of the nation, and we ignore them at our peril".

Evans highlighted the impact of the cancellation of the Building Schools for the Future (BSF) programme, the continuing uncertainty over the future of regional spatial strategies, and the impact this had on housebuilding.

Robert Buckland, MP for South Swindon called on banks to do more to start lending to homeowners. He acknowledged that the scrapping of Regional Spatial Strategies had created concern in the industry, but argued that 'we can do better'. Under the coalition's plans, local authorities would come up with more realistic targets and the planning appeals system would be reformed, he explained. He also called on local authorities to stop 'making a fast buck' on pre-negotiation and spoke of the frustration felt by SMEs when they were overlooked when bidding for contracts. He called on banks to do more to start lending to homeowners

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Mark Pawsey, MP for Rugby, noted that the construction sector was highly fragmented meaning that it was hard to see the impact on unemployment as the numbers in work rose or fell. The sector was also highly innovative, he said.

The role of public sector contracts would decline in the coming years, Pawsey said. He predicted that there would be more refurbishment of existing buildings rather than demolition and replacement. The cancellation of building schools for the future could be addressed by making better use of the existing stock through modernisation, he said.

Pawsey acknowledged that there was an anxiety that local authorities would become 'nimbys', but noted that his local authority was still planning to build over 10,000 homes in coming years. Local enterprise partnerships brought local authorities together and construction companies should engage with these, he stated.

Anne-Marie Morris, MP for Newton Abbot, recognised the role played by the construction industry as the "backbone" of the UK economy, and the severity with which the recession had hit the sector.

However, she said that in the future the industry could not rely on public spending to the same degree. Morris predicted that there would be much greater partnership between the public and private sectors.

Steve Vickers, managing director for urban design at Birmingham City Council, explained that Birmingham had entered into long-term partnerships with construction firms – including SMEs – which had improved the quality and price of programmes and boosted training.

"These frameworks could be used to support SMEs and give them the certainty they need to invest," he said.

Addressing the role of the small and medium-sized firms which made up the bulk of the industry, Evans said that these are "well-embedded" in their communities, employing local people and using local materials.

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"The government could help by reforming procurement methods, in particular reviewing the use of pre-qualification questionnaires (PQQs)," she said.

In response to the cancellation of BSF, Evans called on the government to not only "look at the upfront costs of building projects", but to consider the value returned to the community.

Mark Pawsey, MP for Rugby, said the cancellation of Building Schools for the Future could be addressed by "making better use of the existing stock through modernisation".

Julia Evans said that even large construction firms were quite small in the economy as a whole and needed to work hard to get themselves heard. She determined that members would be given help and guidance on dealing with their local MP and procurement agencies in the new regime.

**ENDS**

For further information please contact Sonia Allen, Marketing Manager on 01293 586664