

Press Release

13 October 2010

Cost of procurement too high for builders, says NFB report

Small and medium sized (SME) construction companies are still facing crippling barriers when competing for public sector work due to the complex demands of government procurement policy, according to a report by the National Federation of Builders.

The NFB today urged the government to encourage public sector clients to use the common set of pre-qualification questions, PAS91, which would simplify the process and give fair access to a shrinking volume of public work, to companies of all sizes.

With the demise of public projects such as Building Schools for the Future, SME firms are feeling excluded from an ever more competitive bidding process for a reduced number of contracts.

The government is expected to cut further projects in the forthcoming comprehensive spending review - the NFB today urged it to focus on making savings on the cost of the bidding process rather than cutting the project itself.

The report of a major NFB survey into construction industry procurement, 'Procurement – the roadblocks to success' has pointed to an onerous, costly and inefficient bidding process:

- a quarter of respondents pay £1000 each year for pre-qualification accreditation.
- almost a quarter spend over four weeks each year on form filling.
- the overall administrative cost to respondents is £1.5 million each year.
- 49 per cent of respondents cited difficulties with tendering at the pre-qualification stage.
- 79 per cent of respondents reported worse success rates at winning public work compared with 2007.
- some respondents pay over £30,000 annually in registration costs
- investment in trainees has fallen while the need to employ specialist bidding staff has risen by 50 per cent.

Julia Evans, Chief Executive of the NFB, said: "The construction industry is key to the economic recovery. It has a flexible, local and regional workforce that is spread across the nation so economic advantage is not limited to only a few areas. It is an industry that represents incredible value for money. However, not all companies that are able to do the work are able to compete for that work.

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“Small and medium businesses cover a large range of companies and they are not restricted to the image that may come to mind of a family run business or a man and van. Many of these have built themselves into formidable enterprises turning over many millions of pounds, yet are still hampered when attempting to win work.”

The NFB has recommended that within the first two years of PAS 91's use, the Department for Business, Innovation and Skills (BIS) encourage the adoption of the standard set of questions provided by PAS 91 for all public construction tendering.

Since the 2007 survey, the landscape has become even more competitive: with public sector construction output in the period between the 2007 and 2009 surveys falling from £27.65 billion to £19.1 billion (1). SMEs are competing for contracts against larger contractors that had previously considered the value of those contracts too low.

Further recommendations include:

- Fair payment of subcontractors – as recommended in the Glover Report (1), the government should ensure that, through contract conditions, everyone in the supply chain benefits from prompt payment.
- Streamlined procurement – The Office of Government Commerce is currently reviewing how government spending departments can adopt a more streamlined and efficient approach to procurement. This should be pushed down to, and adopted at, the local government level.
- Reporting on SME engagement – the Glover Report recommends that all central government departments report annually on their spend with SMEs. This measure should be extended to include local government as SMEs are more likely to work for local, rather than central, government.

Julia Evans added: ‘Construction is so much more than bricks and mortar. It is a way of helping to develop their local communities. Our members have built schools, hospitals, homes. They have trained apprentices and invested locally. It is right that they, as with all sizes of company, should have a fair shot at accessing public sector work. The PAS91 is the answer to that, and I hope that the government adopts this as soon as possible.’

ENDS

Word count: 690

Notes to Editors:

1. Accelerating the SME economic engine through transparent, simple and strategic procurement. Anne Glover, November 2008.
2. Construction industry forecasts 2009-2013, Construction Products Association, 2009.

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3. SMEs drive economic growth. Over 99 per cent of the UK's one million construction companies are SMEs. Almost 85 per cent of employment is within SMEs and they are responsible for around 70 per cent of the industry's turnover.
4. The NFB is one of the UK's longest established trade federations for small to medium-sized (SME) builders, contractors and house builders across England and Wales. It was created 150 years ago to represent the building profession and to help create the conditions for its members to thrive and contribute to the economic success of the UK. Its members range from the sole trader to large, multi-million pound construction companies, with turnover ranging from below £500k to £500m plus. The NFB provides advice, training and business solutions to ensure members stay up to date.
5. The NFB campaigns on the issues that impact the construction industry such as procurement, utilities, sustainability and funding. It represents the industry at government and industry forums and is an active media commentator and policy influencer.
6. Respondents included members of the National Federation of Builders, The Electrical Contractors' Association, the Federation of Master Builders and the National Specialist Contractors' Council. There were 672 responses to the survey. A copy of the procurement report is attached.