

## 'SFfC Chairman speaks out in House of Lords Debate on Government Procurement'

**Lord O'Neill of Clackmannan:** My Lords, I thank my noble friend Lord Sugar for securing this debate and doing us the courtesy of indicating in advance what he would talk about. I will not follow him today; I should like to discuss some of the procurement issues surrounding the construction industry. It is an industry that accounts for some 8 per cent of our GDP and involves 230,000-plus companies, the overwhelming majority of them very small. Forty per cent of the industry's budget is accounted for by government procurement, or certainly by public expenditure, be it through local authorities, health boards or central government itself. I declare my interest as chairman of the Strategic Forum for Construction, which seeks to advise the Government on certain aspects of the construction industry.

I realise that we are debating this subject some five days in advance of the autumn Statement. We have been advised in advance by Francis Maude that there will be a pipeline for construction projects so that the industry can prepare itself, either to bid or to do work, over the next three years. This is to be welcomed. One can only hope that the pipeline will be long and very wide. More often than not, it is to the construction industry that we look for economic stimulus and a pick-up in the economy. However, the other side of this coin is that the Government will be looking for a 20 per cent reduction in construction costs over the next three years. In the pit of a recession, the industry will have to get itself together in ways that will enable these savings to be made.

It is fair to say that there has been much improvement in the construction industry of late. Therefore, in some respects, the challenge of cost savings of the kind that have been indicated will not be quite as difficult to achieve as some people might have thought in the past. However, it would be criminal if these savings were to be achieved by scrimping on materials or through unnecessarily and potentially dangerous speeding up of construction times, both of which, although understandable, are not defensible and very often have serious implications for the lifetime costs of a project, which are rarely given adequate consideration by those who procure on behalf of us, the people whom we entrust with that task.

I also hope that, in this pursuit of cost reduction, we will not see some delaying of payment processes, because, as I said at the beginning of my remarks, the overwhelming majority of firms in the construction

industry employ fewer than 10 people. They live on order books which, in good times, can be 12 weeks and which, in times which are not bad, are about six. At the moment, some of them are surviving—those who do survive—on three-week programmes of work. These people depend on speedy payment. We had from the previous Government, and I think that it is the intention of this Government to sustain it, an undertaking that payments to firms through the public purse should be achieved within 30 days wherever possible. I would like to think that it would be

incumbent on major contractors who are in receipt of these payments to pass them down the food chain to the smaller players. It would be helpful to hear such a reassurance today.

There is no silver bullet to achieving greater savings or efficiencies-today's debate has indicated the shortcomings of so many aspects of this-but I would like to identify one source of what might greater efficiency in procurement in the construction industry: building information modelling, or BIM in the shorthand of the industry. The construction industry has come rather late in the day to what engineers would have called CAD/CAM in the past-the digitalisation of construction plans and the involvement of everybody in seeing three-dimensional pictures of what a building is going to look like and what its specific requirements will be. Hitherto, this has been the preserve of architects and the engineers. It is fair to say that, in a number of instances, architects and engineers have started to embrace it. In 2010, a McGraw-Hill survey suggested that some 35 per cent of these people are now using BIM techniques, but only 23 per cent of contractors, of whom only 7 per cent are employing them on 30 per cent of their projects. So we are talking still about a relatively small area of the construction industry. However, if you go abroad, to the United States and to North America generally, you will find that this is more than the order of the day. A few months ago, I had the opportunity to visit Japan to look at how they were building their nuclear power stations. All of it was done using three-dimensional, and in some instances four-dimensional, screen work.

BIM would mean that all the cards were no longer in the hands of architects, designers and engineers. The work could be accessed by people further down the supply chain, who could point out that, if they did not build something in quite the way prescribed, they would be able to insert the boilers, the pipework or the wiring systems far more easily. And so you would not have what is known as "emerging work" coming up, the cost overruns or the delays. It would mean that you got it right first time, that you took the time to plan it in such a way that you would not be desperate to cut the first sod but rather to do the work in a rigorous way.

There is no end of academic papers being produced on this subject at the moment, but the interesting point is this: to do this will require the client in the first instance to be far more rigorous and precise in the detailing of the specifications which the contract will have to include. It will also put the architects, the designers and the engineers on their mettle to make sure that they do it. If we could get that, we could get

the savings, we could get the extra work and we could get the stimulus that this country so desperately requires in its presently dire economic circumstances.