

Creating a Stronger Construction Industry Post-Brexit

Build UK is the leading representative organisation for the UK construction industry. By bringing together Clients, Main Contractors, Trade Associations representing Specialist Contractors, Professional Services and others committed to industry collaboration, Build UK represents in excess of 40% of UK construction.

Introduction

Prior to March 2019 Build UK members identified their four main areas of concern for the industry in leaving the EU as:

1. Secure **Project Pipelines**
2. Future access to **Skills**
3. Impact on material and product **Imports and Exports**
4. Changes to the **Regulatory Regime**

As we approached the March Brexit deadline it became apparent that the impact on material and product imports and exports became a priority, due to concerns over port capacity and the immediate effect on projects across the UK if materials and products were delayed, or their cost increased.

Current Position

We are approaching the 31 October Brexit deadline with the Prime Minister stating his intention to leave the EU with or without a deal.

Industry forecasts show that with a deal in place and a smooth Brexit, construction output would rise by over £1.2 billion by the end of 2020. However, leaving in an unplanned way with a No Deal Brexit could lead to a fall of £10.5 billion over the same period, with the greatest impacts felt on the house building and commercial sectors.

In addition to the financial impact of leaving the EU, leaving **without** a Deal creates uncertainty and substantial disruption throughout the supply chain. Businesses can prepare to a certain extent but without knowing the future arrangements for trading outside the UK it is almost impossible to understand, evaluate and mitigate the impact of Brexit.

This updated position paper sets out the challenges that remain following concerted industry and Government action.

1. Secure Project Pipelines

Current Situation

- There remains a lack of certainty around the public and private sector investment in construction and project pipelines.
- Slow and inconsistent planning and approval process for major infrastructure and local construction projects has already limited the output of construction.
- The European Investment Bank and Investment Fund had invested around €7.8 billion in UK infrastructure attracting private sector investment and acted as a multiplier. There is no confidence that investment on this scale will continue.

Challenges

- Reduced investor confidence in the UK.
- Reduced demand for construction projects from the private sector.
- Reduced levels of public investment due to pressure on public finances.

Desired Outcome

An agreed construction pipeline covering the full range of social and economic infrastructure and commitments for private development.

Industry is

- Presenting a joined-up view of construction showing the integration and indisputable link between the delivery of 'new homes', modern day workplaces and infrastructure that keeps the UK moving.
- Continuing to make the evidence-based case for the economic benefits of investment in construction.
- Demonstrating the return on investment in construction projects.
- Demonstrating efficient delivery of construction projects and its potential to increase and deliver prosperity for the UK.

Government should

- Agree a construction and infrastructure investment plan which meets the needs of the UK population including social and economic infrastructure and private development.
- Confirm its spending plans for the next 5 years.
- Clarify access to national and international infrastructure investment and funding programmes.

2. Future Access to Skills

Current Situation

- Construction continues to experience difficulties in recruiting appropriate skills at all levels.
- Around 10% of the construction workforce are non-UK nationals and in areas such as London, migrant labour can make up to 50% of the workforce.
- Build UK's Training & Skills Survey for Q2 2019 showed that 45% of contractors reported wage inflation due to a shortage of skilled staff and 49% reported this preventing business growth.

Challenges

- An education system that is proving 'not fit for purpose' in providing the next generation with the appropriate skills and capabilities.
- A complex and confusing training system.
- Instability and uncertainty over existing EU workers' rights to stay in the UK.
- A lack of clarity on the future immigration system for both graduate and non-graduate labour from within the EU.

Desired Outcome

Ensuring the construction sector has access to a pool of labour to meet its skills needs.

Industry is

- Reforming the Construction Industry Training Board (CITB).
- Identifying the occupations most at risk from changes to immigration policy.
- Developing clear and consistent routes of entry to construction occupations and careers.
- Creating a more effective training, qualification and skills structure.

Government should

- Ensure the education system is fit for purpose.
- Agree a position on the status of EU nationals currently in the UK.
- Set out an immigration policy that:
 - Recognises the need to recruit non-UK skills for both high and lower skilled roles
 - Enables industry sectors to recruit outside of the UK as necessary.

3. Impact on material and product imports and exports

Current Situation

- Construction is not a major exporter of goods or services.
- The UK imports £4.9 billion more building materials and components from the EU than it exports.
- Around 15% of all manufactured construction products consumed in the UK are imported from the EU and currency fluctuations have a significant impact on project costs.
- Projects operate on a 'just in time' delivery system.

Challenges

- It is not always possible to source construction materials, components and products from inside the UK so non-barrier access to trading with the EU is important.
- Tariff and non-tariff barriers including additional licensing requirements are unknown.
- Port capacity for delayed goods and increased bureaucracy is unknown and their potential impact unquantifiable.

Desired Outcome

An open trading relationship with Europe, and the rest of the world, that does not significantly increase costs or delay.

Industry is

- Identifying which construction materials, components and products are imported.
- Identifying opportunities for the construction industry to source materials and products from manufacturers and suppliers within the UK.

Government should

- Prioritise the negotiation of a new UK-EU relationship over a deal with any other market.
- Seek a trading relationship with the EU which does not significantly increase costs for the importation of construction goods and materials.
- Pursue Free Trade Agreements with non-EU countries with minimal tariff and non-tariff barriers.
- Clarify the tariff and non-tariff barriers on exports and imports.
- Confirm the capacity and process for each port of entry and exit within the UK.

4. Changes to the regulatory regime

Current Situation

EU legislation covers a wide range of areas affecting the construction industry including:

- Employment
- Environment and climate
- Health and Safety
- Public Procurement

Build UK members have identified construction specific EU regulations or directives, and those which apply to all businesses, which particularly impact the sector.

Challenges

- Loss of standardised and harmonised standards across Europe risking application of inconsistent standards across businesses and an inappropriate lowering of standards.
- Uncertainty and confusion as a result of changes to a myriad of legislation at the same time.

Desired Outcome

A regulatory landscape that maintains effective standards and quality whilst also minimising bureaucracy.

Industry is

- Seeking a greater involvement in influencing EU legislation.
- Considering regulatory or legislative changes which could have a positive impact on the industry.

Government should

- Continue to transfer all relevant EU statutory instruments into UK statute.
- Ensure construction products are fit for purpose and high quality by using the UK Conformity Assessed (UKCA) marking.
- Engage closely with industry to identify the opportunities for simplifying, updating or abolishing regulation.