

WRITTEN EVIDENCE FROM CECA SCOTLAND

Thank you for the opportunity to comment on the Scottish Government's Draft Budget 2012-13.

CECA Scotland is the sole trade body representing the Scottish civil engineering sector and CECA members carry out the bulk of infrastructure work undertaken nationally and locally in Scotland. Scottish civil engineering has an estimated annual outturn of £1.9bn and the industry employs nearly 20,000 people across Scotland with many more in its supply chain. CECA represents about 80% of this outturn.

CECA carries out quarterly workload surveys in order to identify trends and highlight potential problem areas. From these surveys and regular dialogue with member companies it is estimated that the Scottish civil engineering sector has downsized in both workload and workforce by 15% since 2008 with the most significant drop being in groundworks for private sector developments including housing. Of equal concern, most civil engineering companies in Scotland are now operating at margins of 0 – 2%. There is strong evidence that in order to compete at this level companies have had to cut back on workforce training and plant replacement which, although these measures address short term cash flow issues, are not sustainable in the long term.

General Comments.

The Scottish civil engineering sector acknowledges that the Scottish Government has made investment in infrastructure a priority in order to fuel economic recovery and eventual growth. The industry believes that the key method of increasing investment is through the Scottish Government's borrowing powers and CECA has written to HM Treasury in support of accelerating the powers granted under the Scotland Act 2012.

In general, the sector welcomed the Draft Budget as a continuation of the Scottish Government's Infrastructure Investment Plan and the Scottish Futures Trust's Pipeline measures including the NPD projects and hubs. If these programmes are rolled out as planned and work as intended then they will certainly stabilise the Scottish civil engineering sector over the short to medium term and will hopefully provide sound foundations for longer term recovery. Obviously early successes in both NPD and hubs will also help to restore industry confidence which has been eroded extensively over the last four years.

Housing

Although other bodies such as Homes for Scotland and the Scottish Building Federation are better placed to comment on housing, any housing project has a civil engineering component. CECA therefore welcomes the additional £40M in the Draft Budget for affordable housing. However, this investment will be spread thin in addressing Scotland's housing shortfall and all other measures to increase housebuilding and improving the existing housing stock should continue to be explored.

Transport

Delivering and repairing transport infrastructure accounts for around 25% of Scottish civil engineering outturn and Transport Scotland is currently the sector's biggest single client. In general the Draft Budget provides a steady flow of work with a good range of project sizes. However, there is a large dependence on the NPD model to deliver the M8 Bundle and (subject to legal process) the Aberdeen Western Peripheral Route.

CECA welcomed the commitment in the Draft Budget to continue the EGIP but was hugely disappointed by the longer timescale for completion and the scaling down of the scope of the project particularly the loss of the electrification to Dunblane and Alloa and upgrade at Dalmeny.

It is also felt strongly that money spent on maintenance of existing roads and structures is the quickest way to deliver benefits and that this has not been recognised in the Draft Budget. Maintenance jobs are genuinely the most "shovel ready" work available and, although they are not as attractive as new build, they often deliver equally important improvements to driving conditions and safety. There is a recognised backlog of repairs required to Scotland's trunk and local road network of c£2bn and it is time that this was addressed before its fabric deteriorates further.

Scottish Water

Scottish Water is Scottish civil engineering's second largest client and currently provides c20% of the workload. CECA has written separately to the Scottish Government with suggestions on how the regulatory cycle can be altered to assist Scottish Water in delivering further capital efficiencies. It is noted that in the Draft Budget that Scottish Water's borrowing has been reduced but it is understood that Scottish Water will be able to use some of the capital it has saved through efficiencies to help fund its infrastructure investment programme. This is welcomed and is particularly important in the transition period between regulatory periods when workload has traditionally dipped with a detrimental impact on activity and jobs.

Procurement.

CECA has worked closely with the Scottish Government for several years on the introduction of the standard Prequalification Questionnaire (sPQQ) to simplify the prequalification process, cut out repetition and thereby reduce the burden and costs on both the contractor (supplier) and the client (buyer). CECA welcomes the forthcoming review of construction procurement in the Scottish public sector and the development of the Procurement Reform Bill. All of these measures are need urgently in order to cut procurement bureaucracy and save money and jobs.

Conclusion.

CECA is grateful for the opportunity to comment on the Draft Budget and would welcome the opportunity to assist the Committee with any further work.