

The costs investigation is an opportunity for industry

The emergency budget put forward by the government in June was not a quiet affair for our industry. Attempts to tackle the budget deficit by cutting spending have dominated headlines. ACE's Michael Hall details some of the implications on page 22.

Since the budget further details have emerged with changes to the Building Schools for the Future programme and reassurances capital funding will still be available to schools.

The budget also launched an investigation into the cost of civil engineering works.

Be it ground works, pouring concrete or laying track, there is a perception that costs in the UK exceed costs across Europe. These concerns have been raised by a range of organisations in recent times. Some suggest civil engineering projects cost twice as much in Britain than on the continent.

As an industry we need a sound understanding of our cost base in order to offer best value to our clients. Whether or not costs in the UK really are as different as has been suggested, it is still legitimate to ask the question.

So I'm pleased to congratulate Terry Hill on his appointment to lead the investigation team. There are a great many issues that drive costs in major projects and many challenges to making comparisons. It is great news that Terry, a man with great depths of civil engineering experience, is to lead the way.

The investigation, we have been assured, is not set to focus on company margins. The reason for that is simple:

margins in our industry are simply not very high. This suggests that cost issues will likely be found elsewhere.

The potential reasons for cost differences are wide and various. A new railway in Britain will face different practical hurdles to those faced by a new railway in France. There might be different geological issues, regulatory structures and environmental priorities. Land values, employment costs, tax rates and professional fees could also be part of a complex picture of project costs.

With all of that said, I feel there are opportunities with this investigation. The planning system needs streamlining to make it more efficient. We have a chance to look at the history of constant stop-start development that pushes up risk and cost when a more consistent and planned programme of work would help bring costs down.

Procurement is a particular problem. Our industry has campaigned against inefficient procurement practices for years and this investigation may shine a light on the worst instances.

We have the opportunity to highlight the role of clients. Quite often the cost of projects is increased through inadequate programme management, lack of incentives to innovate, and re-specifying of projects part way through. Clients need to be supported to get the core project factors right, including the project scope, procurement strategy and commercial terms.

I also feel that this should be the time to make the case for a strategic approach to



critical national infrastructure. Too often decisions are taken piecemeal about major works and that makes it hard for the industry to plan. If we had 'strategic delivery organisations' in place they could schedule works over the long term and avoid different schemes competing for a limited supply of skills.

Hopefully the investigation will examine all of these issues. If it helps us to understand the way we do business, the potential for efficiency and improvement could be significant.

On a different note I have been invited to the Palace to be awarded an OBE. This is a huge and unexpected

honour. I'm pleased to say that I am among friends as well. ACE chair Michelle McDowell was awarded the MBE. This is extremely well deserved recognition of Michelle's passionate commitment to her profession and the work she has done to champion it. I would also like to congratulate Douglas Oakervee OBE, Jean Venables OBE and Scott Steedman on being awarded CBEs. Recognition of this sort shows that our industry, though not traditionally good at boasting of its successes, is recognised for the great work we do.