

Position Paper

January 2020

The impact of Brexit on the construction and infrastructure industry

Introduction

Although the General Election of December 2019 has provided greater certainty in relation to some elements of Brexit, the process overall has resulted in unprecedented levels of uncertainty, both across the economy, but specifically for the construction and infrastructure industry. This includes delayed decisions on key schemes, which have impacted investment and workforce retention.

Balfour Beatty has been planning for all possible Brexit outcomes in order to provide continuity for our customers and to insulate our UK business from potential impacts. This note sets out some of those points.

Steps we are taking to prepare for Brexit

In 2016, we established a Brexit steering group. Overseen by the Executive Committee, its role is to ensure that Balfour Beatty is appropriately preparing for Brexit.

Balfour Beatty is being proactive in its preparations for Brexit and we are encouraging our supply chain to take the same approach. Since the result of the EU Referendum was announced, our Brexit Steering Committee has been actively monitoring the potential impacts and advising the Executive Committee and wider organisation.

Across Balfour Beatty, we have been planning for all outcomes as we enter the transition period and will continue this activity as we look to the end of this period. We have contingency plans in place to ensure we can continue to deliver on our current and future work commitments.

Measures we have put in place include:

- We have implemented a process which means that teams are required to consider and document Brexit related risks for all new projects and these are considered by Senior Management as part of their reviews. Specific risks and related mitigating action are monitored and are being managed by individual strategic business units and kept under review by the Executive Committee.

- We have also reviewed our existing project portfolio. Where we have identified materials, for example, which may be impacted by Brexit, we are ensuring that we have enough to see us through a possible period of delays at borders.
- Balfour Beatty has brought in a “Brexit clause” in our contracts, which we have negotiated with our customers. This means that contracts take into account the fact that Brexit could cause delays, which could have a financial impact on our business. We are clear that we are not liable for any financial consequences associated with Brexit-related delays.
- We are encouraging EU or EEA nationals in our workforce to apply for settled status¹.
- We are speaking to our strategic supply chain partners to ensure they are prepared for potential impacts such as the availability of labour and increases in commodity prices.
- At a national level, our senior team are engaging with Government both about the challenges facing the sector and about how Government can ensure the construction and infrastructure industry is able to thrive post-Brexit and make the most of opportunities which arise.

Post-Brexit

We are hopeful that post-Brexit, there might be a renewed focus on tackling the issues which have had a negative impact on the construction and infrastructure industry but which have not received the attention they deserve in the run up to Brexit. Issues including:

- **Long-term certainty and policy consistency:** There may be growth opportunities for the construction and infrastructure industry given the significant planned public and private investment outlined in the National Infrastructure and Construction Pipeline (NICP) and the potential for investment in new and upgraded infrastructure in order to stimulate the economy post-Brexit. However, infrastructure policy must be able to provide long-term certainty to allow the industry to plan and commit investment to be in a position to capitalise on these plans. What a strong economy needs, in our view, is long-term certainty and policy consistency as demonstrated by economies such as Germany. This is something we believe should be addressed to ensure UK businesses are able to thrive and compete effectively and invest with confidence in essential skills, technology and modernising innovation. Infrastructure decisions must be made efficiently and firmly.
- **An Apprenticeship Levy which is fit-for-purpose:** Linked to the need for a long-term strategy, we are also calling for changes to the Apprenticeship Levy to ensure it delivers the home-grown skills the construction and infrastructure industry needs. A Levy that fails to deliver the apprentices key industries such as construction and infrastructure urgently need is essentially holding back both the economy and vital progress in social mobility to unify our country. We believe that the new Government

¹ <https://www.gov.uk/settled-status-eu-citizens-families/applying-for-settled-status>

should fully review and consult on the Levy, as the Government under Mrs May committed to doing.

- **The industry also needs an immigration system which delivers** for the construction and infrastructure sector. That immigration system must be clear and workable. It must be flexible enough to allow the industry to access the skilled workers it needs to build these hugely complex, challenging schemes where there is a shortfall of UK workers – which there will be; and agile enough to respond to changing needs.

We welcome the Migration Advisory Committee's (MAC) advice² that the salary threshold for the general 'high-skilled' visa be lowered from £30k to £25.6k, as well as the expansion of the Tier 2 visa route to include more 'medium-skilled' construction roles. We encourage the Government to accept the MAC's advice, as this will help the industry plug skills gaps until the domestic workforce is trained and ready.

Balfour Beatty still has some remaining concerns, for example, that 'low-skilled' roles were not considered as part of the review. The construction industry, particularly the construction supply chain, has skills shortages across all levels. Some of the definitions and restrictions remain, in our view, unhelpful.

Finally, it is also our view that the Shortage Occupation List should be reviewed as soon as possible, and that those roles which feature on the list should have lower salary thresholds to ensure that we are able to attract people to fill the roles where there are shortages. There must be open lines of communication between the Government and industry to ensure the right jobs are included on the Shortage Occupation List and that the list can be amended with ease to respond to changing requirements.

- **Addressing the sector's structural issues:** In particular, we are keen to see progress on tackling the culture of aggressive risk transfer and accepting the lowest price as best value. We welcome signs that those commissioning infrastructure are beginning to recognise the increasing concern regarding risk transfer and the unwillingness of contractors to engage in contracts that may ultimately damage their businesses and the industry's long-term resilience.

About Balfour Beatty

Balfour Beatty is a leading international infrastructure group. Our main geographies are the UK, US and Hong Kong. Over the last 100 years we have created iconic buildings and infrastructure all over the world including the London Olympics' Aquatic Centre, Hong Kong's first Zero Carbon building, the National Museum of the Marine Corps in the US and the Channel Tunnel Rail Link.

With 26,000 employees - 15,000 of them based across the UK - Balfour Beatty finances, develops, delivers and maintains the increasingly complex infrastructure that underpins the

² A Points-Based System and Salary Thresholds for Immigration, The Migration Advisory Committee, 28 January 2020

UK's daily life, with projects across transportation, power and utility systems, social and commercial buildings. We also have significant experience and understanding of the links between infrastructure investment and regeneration and economic growth.

Balfour Beatty employs over 150 apprentices each year in the UK in addition to the 320 currently under training in a diverse range of roles across the business. We employ around 700 more young people on graduate and part-time higher education / degree schemes. Balfour Beatty is also a long standing member of The 5% Club, an employer led organization set up by our Chief Executive, Leo Quinn in 2013, aiming to address the skills gap by getting more young people into earn to learn opportunities, encourage businesses to take the lead on training and promote apprenticeships as a positive career decision.

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