

## Top 3 priorities for the new Government: Construction and Infrastructure

The UK construction and infrastructure industry is critical to the economy. It contributes c.7% of GDP to the national economy and employs 3 million people – c.10% of the workforce<sup>1</sup>. It also builds and maintains the infrastructure we all rely on, from roads and railways to schools, hospitals, houses, power stations and flood defences and will play a central role in addressing some of the key challenges the nation faces, from moving to a clean energy low carbon future to the housing crisis.

If the sector is to continue to drive growth and prosperity across the country, it is our view that the following, pressing – and interrelated - issues should be included in the Government's agenda for change:

### 1. A clear commitment to and guaranteed funding for infrastructure investment

In addition to a climate of uncertainty, the UK construction and infrastructure industry, and indeed the wider economy, has also suffered from piecemeal and short-term policy-making. 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.

Investment in infrastructure is widely acknowledged as being one of the best ways of stimulating the economy and driving employment and other social value benefits, from training and employing the long-term unemployed and previous offenders, to boosting local small, medium and micro businesses. Infrastructure investment delivers benefits which far outweigh the initial investment: every £1 spent generates at least £2.84 in total economic activity<sup>2</sup>. For these reasons, investment in high-quality infrastructure has been proven to be the foundation for economic growth.

High-quality infrastructure is also core to ensuring the UK remains competitive and open for business and investment. Transformative schemes including Northern Powerhouse Rail, Heathrow expansion and HS2 should be prioritised in order to ensure that the UK remains connected at a national and a global level. These

schemes are also major opportunities for the UK to showcase its design, engineering and construction skills and expertise to the rest of the world, helping to make our infrastructure industry exportable. We urge that the further review of HS2 be undertaken swiftly and that firm commitment to this and other schemes which have been delayed be made with all possible speed.

### 2. Skills

The construction and infrastructure industry relies on being able to hire, retain and train the talented and often highly-skilled people it needs at the right time, in the right locations. We know that we must continue to build our skills and capability and as a company, Balfour Beatty has a proud history of doing so. However, the sector is facing skills challenges including the UK's aging engineering base and widening skills gaps across a range of disciplines as young people choose other sectors.

Apprenticeships are central to the solution given how increasingly structured and accessible they are, offering opportunities for people from all backgrounds in a wide range of disciplines.

Infrastructure is a key employer of apprentices. In the transport sector alone, around 2,000 new apprentices have been taken on each year since 2016, with this annual figure set to rise as high as 5,000-8,000 by 2022<sup>3</sup>.

Unfortunately, as it is currently designed, the Apprenticeship Levy does not deliver for the construction and infrastructure industry. We believe that the new Government should fully review the Levy, as the Government under Mrs May committed to doing. The Levy must be changed to ensure that it is fit for purpose and delivering the skilled workforce the economy 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. Our recommendations on how the Levy should be amended are set out in our paper *Building the Future: Reshaping the Apprenticeship Levy*<sup>4</sup>.

The industry also needs an immigration system which delivers for the construction and infrastructure sector. That immigration system 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.

<sup>1</sup> BES

<sup>2</sup> LEK Consulting

<sup>3</sup> The Strategic Transport Apprenticeship Taskforce

We welcome the fact that the Government will consult on the £30,000 minimum salary threshold proposed in the Immigration White Paper. In our view, there must be greater flexibility than the White Paper suggests: there must be an approach which allows the construction industry to access the skilled workers it cannot source domestically.

We also encourage the Government to consider extending the length of the proposed temporary visas. 12 months is not long enough to offer meaningful assistance with the delivery of large-scale infrastructure. It would mean losing people who have developed specific knowledge and skills relating to a bespoke scheme, and having to then begin again with new people. We propose extending the visas to at least 2 years.

Ensuring that these issues are addressed is vital if, as a nation, we are to deliver the homes and infrastructure we need to prosper and grow.

### 3. Modernising the construction industry

Balfour Beatty believes that the Government has two key roles in supporting the industry as it modernises:

- Adopt a more realistic position of what a viable risk-reward profile is for the industry, and ensure more collaborative, value-driven procurement processes in order to enable the sector to make a reasonable margin which it can use to invest in innovation, skills and new equipment. We believe this is essential in order to ensure the UK has a resilient domestic construction and infrastructure industry;
- Use its position as the sector's key customer to help speed up the pace of technological change such as automation and increasing offsite capacity, thereby simultaneously helping improve its productivity. This includes support for investment in new technology and methods of construction and creating an environment that rewards innovation and new ways of thinking.

### Conclusion

The next five years will be a defining period for the construction and infrastructure industry. We believe the sector has significant potential to support the Government in important areas, including securing its position in the global economy, social mobility, and local economic growth.

The changes in the Ministerial team offer an opportunity for the Government and the industry to work together to address these challenges together with renewed vigour.

