

September 2019

Briefing Note: CECA NW

Political & Economic Report, September 2019

The following document is to provide a briefing on the political and economic environment of the North West, and its impact upon CECA members. It covers:

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1. CECA: Time for Government To Get A Grip Of Frameworks

Civils contractors are calling on the UK Government to establish a 'clearing house' for frameworks to check they are fair and do not overlap. CECA has said that recent years have seen a proliferation of frameworks on a national, regional and local level, bringing increased costs for contractors and ultimately the UK taxpayer.

<https://www.ceca.co.uk/ceca-time-for-government-to-get-a-grip-of-frameworks/>

2. CECA: Industry Warns 'No Deal' Brexit Could Cost UK Economy £12 Billion

CECA has joined with the Association for Consultancy and Engineering (ACE), Build UK, the Construction Products Association and the Federation of Master Builders in writing to the Prime Minister to warn that a 'no deal' exit from the European Union could cost the UK economy as much as £12 billion.

The letter states that "Our 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. Leaving in an unplanned way with a No Deal Brexit however 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."

<https://www.ceca.co.uk/wp-content/uploads/2019/08/ACE-BuildUK-CECA-CPA-FMB-release-Brexit-Preparations-final-12Aug19.pdf>

3. CECA: Committee Funding Recommendations Vital for Local Roads Survival

Civil engineering contractors have welcomed the publication of the Transport Committee's report Local roads funding and maintenance: filling the gap which addresses once and for all the extreme state of disrepair of the English local road network. The report focused on four key themes: the deterioration of local roads; their safety; funding; and the reporting of road conditions. The report noted that local government revenue funding had fallen by about 25% since 2010. This lack of funding certainty has caused many councils to take short-term, reactive decisions on road maintenance, which is less effective than proactive maintenance and undermines local economic performance.

To this end, the Committee recommended that the Department for Transport work with the Ministry of Housing, Communities and Local Government to propose a front-loaded, long-term five year funding settlement to the Treasury as part of the forthcoming Spending Review to enable local authorities to address their long term road maintenance backlog and plan confidently for the future.

<https://www.ceca.co.uk/ceca-committee-funding-recommendations-vital-for-local-roads-survival/>
<https://publications.parliament.uk/pa/cm201719/cmselect/cmtrans/1486/report-files/148602.htm>

4. Johnson: Infrastructure investment proposals

Boris Johnson has made his first speech to Parliament as prime minister and set out what his government will be aiming to achieve. A theme running through the prime minister's speech was a pledge to deliver a new Golden Age that, by 2050, would make the UK "the greatest and most prosperous economy in Europe".

Investment in road and rail, broadband and 5G, Mr Johnson said, would see the UK "boast the most formidable transport and technological connectivity on the planet. We will announce investment in vital infrastructure, fibre rollout, transport and housing that can improve people's quality of life, fuel economic growth and provide opportunity."

In response to a question from Conservative MP Andrew Percy asking the prime minister to quickly commit to the Northern Powerhouse Rail plan, Mr Johnson said it was "truly exciting" and "we should definitely be doing it". However, the prime minister deflected questions about high-speed rail and Heathrow's third runway. Asked by Mr Percy if he would "commit quickly" to HS3, the proposed east-west line connecting cities in the north of England, the prime minister responded: "I have asked Doug Oakervee, the former chairman of Crossrail, to conduct a brief six-week study of profiling of the spend on HS2, to discover whether such a proposal might have merit."

Similarly, in answer to Green MP Caroline Lucas, Mr Johnson said he would "study the outcome of the court cases" relating to Heathrow expansion "with a lively interest".

5. and pledges to fund Northern Powerhouse Rail between Manchester and Leeds

Prime minister Boris Johnson has committed to delivering the TransPennine rail link between Manchester and Leeds. In a speech in Manchester, Mr Johnson said that one of his top priorities is investment in improving connectivity throughout the country. The new prime minister said that he would ensure the TransPennine rail route, which is a key section of the Northern Powerhouse Rail project-designed to provide better rail connections in Northern England, would go ahead.

6. New construction minister announced

Nadhim Zahawi has been appointed as the new construction minister, taking on the role from Andrew Stephenson, who was appointed as construction minister on 5 April but was moved out as part of Boris Johnson's cabinet reshuffle. The Conservative MP for Stratford-on-Avon, elected in May 2010, had previously been a junior minister in the Department for Education since January last year.

7. Grant Shapps appointed transport secretary, Theresa Villiers environment secretary

Theresa Villiers is the new environment secretary, while former housing minister Grant Shapps is now Secretary of State for Transport in Boris Johnson's government, with Paul Maynard as Under Secretary of State for Transport. Esther McVey has been appointed housing minister by Johnson while Robert Jenrick becomes Housing and Communities Secretary.

8. Labour: to renationalise rail in first term, says shadow transport secretary

Labour will aim to take back all rail franchises into public ownership in the first term of a future Labour government, said shadow transport secretary Andy McDonald, speaking at a fringe meeting at Labour's annual conference in Brighton. McDonald highlighted his party's plans to return rail to public hands during a wide-ranging discussion in which he pledged Labour's support for electrification, praised Crossrail, stressed his qualified support for HS2 and argued for a joined-up approach to solving regional rail connectivity challenges.

9. Labour: backing Green New Deal proposals to decarbonise Britain by 2030

The Labour Party has become the first major political party to back the Green New Deal after delegates at its party conference in Brighton voted for a commitment to a net zero carbon date of 2030. The Conservatives have pledged to do so by 2050 and the Liberal Democrats by 2045.

10. NIC unveils framework to help guide better decision-making on future procurement

The procurement of infrastructure projects risks being constrained by lack of evidence on long-term investment outcomes and could have strategic implications for the UK's ability to meet growing demand for infrastructure services and its net zero emissions targets, according to a new report by the National Infrastructure Commission (NIC).

The NIC says the lack of a strong evidence base on infrastructure procurements has led to the focus on a single measure of performance, usually short-run cost. As a result, it claims that future procurement decisions risk being made on the basis of opinion and judgement, limiting the scope for lessons to be learned to improve future practice.

Launching a framework to assess private financing and traditional procurement, the NIC said the public sector must do more to understand the benefits and downsides of different procurement options and improve its project data management. Doing so, they say, will also address existing concerns about transparency and public accountability and improve the public sector's chances of securing the private financing UK infrastructure will need up to 2050.

<https://www.nic.org.uk/wp-content/uploads/Evaluating-the-Performance-of-Private-Financing-and-Traditional-Procurement-July-2019.pdf>

11. Latest ONS figures show 1.3% decline in construction output

The figures show a decline of 1.3% in Quarter 2 (Apr to June), which Scape's chief executive Mark Robinson described as continuing the "biggest quarter-on-quarter decline from the public sector since records began two decades ago," and that "the economy continues to be affected by infighting in Westminster." The main points of the ONS report show that:

Construction output decreased by 1.3% in Quarter 2 (Apr to June) 2019, largely reversing the increase of 1.4% in Quarter 1 (Jan to Mar) 2019;

- The decrease was driven by a fall of 2.6% in repair and maintenance in Quarter 2 2019, which was due largely to the 6.0% decline in private housing repair and maintenance, with a smaller contribution from the 0.9% fall in non-housing repair and maintenance;
- In new work, the decrease of 0.5% in Quarter 2 2019 was driven by declines in public other new work and private new housing, with public other new work seeing its largest quarter-on-quarter decline since quarterly records began, with a fall of 10.9%;
- Construction output decreased by 0.7% in the month-on-month all work series in June 2019; this was due to a 2.0% decline in repair and maintenance along with flat growth (0.0%) in new work.

12. Barbour ABI/CPA: Construction activity in Northern Powerhouse down 24% in 2018

Figures from 2018 reveal the value of construction contracts awarded in the Northern Powerhouse totalled £13.2bn, a decrease of 24% on the previous year. The 'Regional Construction Hotspots in Great Britain' is an annual report from Barbour ABI and the Construction Products Association (CPA) which provides a regional analysis of construction contracts awarded in 2018, accounting for local trends and particularities that aren't always reflected at a national level. In terms of overall contract awards in the Northern Powerhouse, Durham, North & North East Lincolnshire, and Conwy & Denbighshire were 'hotspots', whilst Sheffield, Blackburn with Darwen, East Lancashire, and Chorley & West Lancashire were 'coldspots'. Infrastructure contract awards totalled £2.1bn in 2018, a 59.3% decrease from 2017, which included the country's largest contract award in Leeds (the TransPennine Rail route upgrade).

13. but North West beats London as most active for construction contracts

According to Barbour ABI's latest Economic & Construction Market Review, 36.6% of construction contracts awarded in June were to sites across the North West, beating London as the most active region in the country. The North West's position was bolstered by £1.5bn of works being awarded as part of the Sellafield decommissioning scheme. Overall, £5.2bn worth of contracts were awarded across the UK in June, with 37.2% in infrastructure, 33.1% in residential, and 9% in education. This was a 5.5% increase on May. London came second with 13.7%, marking a 22.6% difference between the two regions. <https://www.barbour-abi.com/economic-and-construction-market-review/>

14. CPA: Infrastructure uncertainty 'to hit construction output'

The Construction Products Association (CPA) has downgraded its forecast for UK construction over concerns about the delivery of major infrastructure projects. In its latest forecast report, the group that represents the manufacturers and distributors of construction products and materials said overall construction industry output was anticipated to grow by 1 per cent in 2020 and 1.4 per cent in 2021. This would follow a 0.3 per cent decline in output this year, according to the CPA.

15. UK construction output declines for third consecutive month

Brexit and political uncertainty are continuing to hit confidence in the construction industry, as the latest PMI figures show the longest period of decline since 2016. The latest IHS Markit/CIPS UK Construction Purchasing Managers' Index rose to 45.3 in July, up from June's 10-year low of 43.1, but still below the 50.0 no-change value for the fifth time in six months. The worst performing category was commercial construction, closely followed by civil engineering activity. Risk aversion among clients in response to Brexit uncertainty continued to hold back work on commercial projects, according to anecdotal evidence.

16. Burnham: Our Network

Mayor of Greater Manchester, Andy Burnham, has launched Our Network, his 10-year plan to create an integrated, modern and accessible public transport system. The Mayor outlined the projects and policies he intends to implement to create a world-class public transport system for the people of Greater Manchester, accompanied by an animated map that shows how public transport connections across the city-region will grow and develop in four phases over the next decade. Our Network will be an integrated, simple and convenient London-style transport system; allowing people to change easily between different modes of transport; with simple affordable ticketing and an aspiration to have a London-style cap across all modes; with orbital routes that allow people to travel around the city region, as well as in and out of the city centre. Cycling, walking and buses will be accessible and convenient for short journeys, with interchanges and transport hubs enabling people to easily transfer to tram or train for longer journeys.

<https://www.greatermanchester-ca.gov.uk/what-we-do/transport/our-network/>

17. Power Up The North campaign

Collaborating with 33 newspapers and websites, the Manchester Evening News is calling for action to narrow the north-south divide. We call on leaders to:

- Deliver a fundamental shift in decision-making out of London, giving devolved powers and self-determination to people in the north
- Commit funding immediately to make Northern Powerhouse Rail a national priority
- Overhaul the region's road and rail network as a part of a wider environmental plan, with devolved funding and powers
- Put full weight behind a bespoke Industrial Strategy for the north of England to enable every sector of the economy, from manufacturing to farming, to flourish
- Make additional investment available for the north's schools, colleges and universities to boost skills training
- Set out a programme to build a new generation of social housing and affordable homes
- Accelerate investment in the north's digital infrastructure, particularly in rural areas, and support creative industries
- Commit that the government's 'shared prosperity fund', intended to replace EU structural funding, be fully devolved in long-term tranches to enable strategic decisions of scale rather than areas having to bid in for smaller amounts, piecemeal.
- We also call on the next PM to elevate the post of Northern Powerhouse minister to cabinet status, with full powers, as a clear signal that they intend to take this region seriously.

<https://www.manchestereveningnews.co.uk/news/greater-manchester-news/power-up-north-its-time-16402124>

18. Network Rail awards £215m CP6 contracts

The minor signalling frameworks are split into 17 route-based lots, with two framework contractors for seven of the routes and three framework contractors for the Western route.

Minor signalling framework (values by lot):

Western	£25m - £75m	Amey, Balfour Beatty, Linbrooke
LNE/EM	£30m - £40m	Volker Rail, Balfour Beatty
Wessex	£20m - £40m	Amey, Balfour Beatty
Wales	£2m - £10m	Amey, AMCO Giffen
South East	£5m - £10m	Amaro, AMCO Giffen
Anglia	£5m - £10m	Volker Rail, Linbrooke
Scotland	£2.5m - £10m	OSL, AMCO Giffen
LNW	£10m - £20m	Volker Rail, Linbrooke

19. The Williams Rail Review

The Williams Rail Review was established in September 2018 to look at the structure of the whole rail industry and the way passenger rail services are delivered. The review will make recommendations for reform that prioritise passengers' and taxpayers' interests. The review's findings and recommendations will be published in a government white paper in autumn 2019. Reform will begin in 2020.

<https://www.gov.uk/government/collections/the-williams-rail-review>

20. HS2: The Oakervee review

The Government publishes terms of reference for an independent review, chaired by Douglas Oakervee, into whether and how to proceed with the High Speed 2 project.

<https://www.gov.uk/government/news/government-announces-independent-review-into-hs2-programme>

21. Department of Transport to invest £53m in North West roads

The Department of Transport have revealed that some £53m is set to be invested in the North West's roads, with Lancashire to receive the fourth-highest amount of funding per 1,000 people in the region. Following the announcement of the Budget, drivers and cyclists will be encouraged to see that the extra £53m from the DfT will be committed to road repairs across the North West.

22. Department for Transport: 18 new roads move a step closer to completion

A first wave of funding announced has been which will enable 18 new road schemes to move on to the next stage of development. They include £31 million for the Preston western distributor scheme: a new dual carriageway link between the M55 and the A583 is designed to improve travel between the enterprise zone at Warton and the Springfields nuclear facility at Salwick, as well as reduce congestion in Preston and directly lead to the creation of 3,575 houses and the creation of over 500 jobs. Through the Lancashire County Council funded link road, a further 1,745 houses will also be built.

<https://www.gov.uk/government/news/18-new-roads-move-a-step-closer-to-completion>

23. Highways England: 26 schemes to start this year

Highways England has confirmed plans to start 26 schemes this year in what will be one of the biggest years of starts in the present Road Investment Strategy (RIS). Around 26 projects are planned to start construction although several projects have been pushed back into RIS 2. The A19 Downhill Lane junction improvement has slipped, and the A5036 Princess Way - access to Port of Liverpool has been delayed a year because of a legal challenge. Two schemes on the A69, which were proposed as a result of the Northern Transpennine Strategic Study, are currently under review. Between 2015-2020 Highways England originally planned to start 112 major schemes. After agreeing on changes with the Department for Transport, 70 projects will have been started in RIS1 in their current form.

24. TfN: £700m funding bid for 16 northern road projects

Transport for the North has submitted a bid for a £700m investment in the region's roads over the next five years. The schemes are:

Major Road Network schemes

- A595 Improvement Scheme (Bothel) - Cumbria County Council
- A1079 Improvement Scheme - East Riding Council
- A582 Dualling - Lancashire County Council
- Blyth Relief Road - North of Tyne Combined Authority/North East Combined Authority
- Durham Northern Relief Road - North of Tyne Combined Authority/NECA
- Sunderland Transport Corridor - North of Tyne Combined Authority/NECA
- Tyne Bridge & Central M'way - North of Tyne Combined Authority/NECA
- Shalesmoor Gateway - Sheffield City Region
- A689 Corridor Improvements - Tees Valley Combined Authority
- A34 Cheadle - Greater Manchester Combined Authority

- A650 Tong Street - West Yorkshire Combined Authority
- Dawsons Corner Jct & Stanningley Bypass - West Yorkshire Combined Authority

Large Local Major schemes

- Kendal Northern Access Route - Cumbria County Council
- The Rocket Junction - Liverpool City Council
- Wigan East-West - Greater Manchester Combined Authority
- A1237 Dualling (Phase 2) - City of York Council

25. EA annual report: water industry must clean up its act

Water company efforts to protect the environment have been described as "simply unacceptable" by the Environment Agency (EA), with only one of the major water and sewage companies in England performing at the level expected. The EA say that overall water company performance has deteriorated, reversing the trend of gradual improvement in the sector since the rating system began in 2011. Serious pollution incidents increased in 2018 causing damage to the rivers and wildlife.

The EA's annual report rates each of the nine water and sewerage companies in England as either green, amber or red on a range of measures including serious pollution, pollution per km of sewer pipes, supply resilience, self-reporting of pollution and complying with permits - and also compares individual company performance to highlight the best and worst.

- Northumbrian Water was the only company achieving the highest four-star rating, showing that it is possible to bring in good environmental practices and limit the impact of operations on nature.
- The report highlighted the best and worst performance including:
- Northumbrian Water improved to gain the highest rating of 4 stars.
- Severn Trent Water, United Utilities and Wessex Water dropped from 4 stars to 3 stars, with Anglian Water and Thames Water remaining on 3 stars. Companies with 3 stars must improve their performance to reduce their impact on the environment.
- Southern Water, South West Water and Yorkshire Water were only given 2 stars and described as demonstrating an 'unacceptable level of performance.'
- Again this year South West Water is poor performing and has consistently demonstrated unacceptable performance and a red rating for pollution incidents. Most water companies look set to fail to meet 2020 pollution targets.
- Southern Water and Thames Water failed to demonstrate they have robust enough plans to maintain secure water supplies

26. EA: £220m marine and coastal defence framework

The Environment Agency has named the contractors it will use to deliver a £220m programme of marine and coastal flood defence work. Work has been split into two lots on the new framework, one covering major projects valued from £5m-£50m and the other smaller jobs worth less than £5m. The new arrangement will run until March 2023.

£5m-£50m projects (total value £185m over four years):

BAM New Wave Solutions JV, Van Oord UK, VBA (VolkerStevin/Boskalis Westminster/Atkins)

Projects up to £5m (total value £35m over 4 years):

JN Bentley, BAM Nuttall, Van Oord UK, VBA JV

27. Twelve renewable energy projects approved

The Government has agreed electricity supply deals for a dozen major renewable energy projects, including the world's largest wind farm off the Yorkshire coast. The projects will provide 6 gigawatts of electricity, enough to power over seven million homes. Schemes include major offshore wind, advanced waste to gas conversion technologies, and remote island onshore wind generation. Three new giant wind farms to be built on the Dogger Bank will involve erection of more than 630 turbines standing 190m high, each built by Siemens in Hull. Work is expected to start

in January with three schemes alone triggering £9bn of capital investment between 2020-26 into low carbon infrastructure.

<https://www.gov.uk/government/news/clean-energy-to-power-over-seven-million-homes-by-2025-at-record-low-prices>

28. Common Challenges, Shared Response: digital maturity in UK infrastructure sector

A new report by the Digital Transformation Task Group has been published, providing a data-driven snapshot of digital maturity from the UK's Infrastructure Client Group. Titled Common challenges, shared response, the report prepared by Mott MacDonald and sponsored by the Infrastructure Client Group and Institution of Civil Engineers, identifies best practice from the ICG and highlights areas where collective action is needed to remove blockers and accelerate progress across the energy, transport and water sector. <https://project13.mottmac.com/2019/>