



## Submission to the Business, Energy and Industrial Strategy Committee on:

### Post-pandemic economic growth - July 2020

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**the Edge** is a voluntary built and natural environment think tank and network. It is multi-disciplinary in a landscape remarkable for its abundance of single-discipline institutions. We stand for being:

- **Interdisciplinary:** bringing built environmental professionals together, inclusively along with others who share their concerns.
- **Open and creative:** working across all disciplines with competitors and collaborators.
- **Strategic in approach:** encouraging accessible and shared knowledge and seeking to connect place, practice, policy and research.
- **Visionary:** in identifying the issues and in promoting effective and urgent responses to both local and global challenges.
- **Professional:** developing a broad-based ethic of responsibility to social and environmental demands based on an equitable global framework.
- **Business-like:** furthering the skills and capacity of the UK construction industry to promote prosperity and deliver a better built environment.

#### Summary position

The Corona virus has hit the construction industry and its supporting service sectors hard. Almost UK 5,400 jobs have been cut since March 2020<sup>i</sup> by contractors and consultants in the industry and although some projects have continued to operate many others have been postponed or cancelled. In response the Construction Leadership Council has published its 'Construction Roadmap to Recovery Plan', setting the industry on 'a sustainable path towards recovery'<sup>ii</sup>.

However while the UK construction industry has a world-leading top layer that can compete with the best; the rest, despite multiple studies, reports and recommendations, from Constructing the Team (Latham) of 1994 to Modernise or Die (Farmer) of 2016, is in poor shape, outmoded and inefficient and urgently needs to be incentivised to overhaul itself.

Finally the UK has committed to becoming a net-zero economy by 2050. This will require that the built environment itself operates to a net-zero standard using energy if at all in a very different from the present and to a far high performance standard.

The Prime Minister has announced a Build, Build, Build strategy for fuelling economic recovery that will 'build back greener'<sup>iii</sup>

the Edge believes that while it is important that the construction industry returns to maximum health it is important to use the opportunity of the recovery to achieve two important and long-standing goals:

- Becoming an efficient, safer and more productive industry and, in particular, embracing the potential of the digital revolution to order to achieve this.
- Meeting the target of net-zero carbon emissions from the UK's built environment by 2050 as an essential component of the UK's commitment under the Climate Change Act.

These goals are in full accordance with the Government's Construction Industry Strategy, Construction 2025, for achieving a 33% reduction in cost, 50% reduction in project time, 50% reduction in carbon emissions and a 50% reduction in the trade gap by 2025<sup>iv</sup>. However what is needed is a clear plan to use the leverage of any recovery programme to get there. What is not required is more of the same.

Such a plans will enable the UK to demonstrate at the Climate Summit, COP26, in Glasgow in November 2021 that it is already making progress to achieve the net-zero target and means business.

### **Proposal**

the Edge, following discussions across the industry and in collaboration with multiple other organisations and companies in the industry has proposed a hard hitting plan for kickstarting such a purposeful recovery. Such a plan will:

- Stimulate the economy at all levels from SMEs to major companies across the UK.
- Allow new entrants from other industries.
- Introduce a focused retraining/upskilling programme, creating a fit for purpose workforce.
- Improve productivity and efficiency in a sector that is lagging.
- Provide high immediate economics multipliers.
- Enhance system resilience.
- Increase export potential.
- Improve life quality.
- Meet progressive carbon targets.

In particular the Edge has followed the recommendations of a group of leading economists, including Nicholas Stern and Joseph Stiglitz in a paper for publication in the Oxford Review of Economic Policy 36(\$1)<sup>v</sup>, which clearly indicates the benefit of retrofit programmes for achieving higher economic benefits in comparison to other stimuli.

The proposal can usefully be split into three streams, albeit interconnected and overlapping ones.

1. An immediate and in-depth digital assessment and record of existing assets and properties in public ownership
2. A substantial up-skilling and retraining programme designed to equip workers from a range of industries faced with a sustained period of underemployment with skills in digital and low carbon construction techniques, the use of modern means of construction and Design for Manufacture and Assembly (DfMA).
3. An energy retrofit and decarbonising programme working through key government owned assets of buildings and infrastructure with the aim that a re-focused industry should learn the skills and develop the capacity to rapidly cascade the programme through all sectors

In order to achieve this stimulus funds for the construction sector should be directly linked to productivity and progressive decarbonising targets with the spend focused enhancing and retrofitting Government-owned assets at speed and in cycles that allow learning and knowledge transfer, ie: fixing what you have before building new. This has the advantage of:

- A fast learning cycle.
- The ability to deploy engineers and surveyors to apply digital technology to keep existing assets (underway in places but can be significantly accelerated creating immediate economic activity this year).
- Providing a financial pull to the push coming from the Transforming Construction Industrial Challenge.
- Embracing the re-skilling initiatives BEIS currently have with ACE.

- Avoiding the inefficient acceleration of existing capital programmes. Whilst having shovel ready projects has a significant appeal, such acceleration has rarely given significant immediate stimulus and tends to smother innovation or productivity gains due to the need to get projects out of the door!
- Supporting a re-invigorated industry capable of improving and performing with roll-out from retrofitting schools then to other public assets, social housing and ultimately the private sector.

The intention is to sufficiently disrupt the construction industry to prevent it returning to its bad old ways and, instead, put it on the equivalent of a wartime footing to tackle and solve, through intensive R&D, the pressing problems we face. The construction industry must be fit for purpose by January 2025 at the latest if it is to deliver on the goals already set for it by Government. An equivalent and parallel approach will be needed to simultaneously upgrade the privatised utilities.

### **Responses to Key issues**

- a) What core/guiding principles should the Government adopt/prioritise in its recovery package, and why?
  - Funding three core areas before any others: digitisation, skills and retrofit
- b) How can the Government borrow and/or invest to help the UK deliver on these principles?
  - The programme needs to be large enough to make a real and perceived economic difference with a committed forward flow of work to encourage Industry investment in innovation and long term commitment from Government to ensure the effort is sustained.
  - Borrowing should be for projects that will save the UK in the longer-term, i.e. initially through improvements and enhancements to the public estate, to improve social justice through levelling up and to increase the overall economic performance of the UK.
  - Investment should be focused on improvements required to ensure carbon reduction to Net Zero as soon as practicable since every house or school not built to zero carbon will require retrofitting in 10 years' time. See the recommendations for the Retrofit Grand Challenge from the Green Construction Board<sup>vi</sup>.
- c) What measures and support will businesses need to rebuild consumer confidence and stimulate growth that is sustainable, both economically and environmentally?
  - visible changes to amenities in all areas and localities in the country. A schools refurbishment programme, a necessary programme in any event, is ideal for this. It will show how a well considered set of interventions can make a real difference, providing local and visitable exemplars of best practice and good learning opportunities for pupils, parents and wider communities that can be rapidly replicated on other facilities.
- d) Whether the government should give a higher priority to environmental goals in future support?
  - The Government has already committed to achieving net-zero carbon emissions in the UK by 2050. This requires 7% reductions in emissions each and every year without let up. By making the 2050 target a legal obligation and having committed to the delivery of the UN Sustainable Development Goals by 2030 the government has no option than to give environmental goals a high priority.

- e) Whether the Government should prioritise certain sectors within its recovery package, and if so, what criteria should it use when making such decisions? What conditions, if any, should it attach to future support?
- The government should prioritise the improvement of existing assets either within its direct ownership or under its control. The skills developed to achieve this will rapidly cascade out into other sectors of the built environment and beyond that into the wider economy.
  - It is recommended that work begins in the primary and secondary education sectors, which has the advantage of a recently carried out asset management register, a presence in every community in the country and a direct link into educational programmes
  - In parallel with a retrofit programme it is important that a full digital asset survey is commenced with the aim of ultimately establishing a full digital record of all assets in the government estate. This will be necessary to achieve efficiency savings in the years and decades ahead
- f) How can the Government best retain key skills and reskill and upskill the UK workforce to support the recovery and sustainable growth?
- It is vital that during a potential decline in employment the opportunity is taken to upskill and retrain the workforce in digital construction and decarbonisation capabilities
  - The construction workforce is already facing a retirement challenge from its rapidly ageing workforce and an even more immediate shortfall in workers from Eastern Europe post-Brexit. It urgently needs to attract and train a new cohort of workers into a changed industry
- g) Is the Industrial Strategy still a relevant and appropriate vehicle through which to deliver post pandemic growth?
- The Construction Industry Strategy provides a useful set of targets, but it does not set out an immediate plan (especially in the face of post-Covid 19 recovery and imminent departure from the EU) to build a successful and net-zero carbon economy
- h) How should regional and local government in England, (including the role of powerhouses, LEPs and growth hubs, mayoralities, and councils) be reformed and better equipped to deliver growth locally?
- Action needs to be taken at a local level, involving local firms willing to take up the challenge of organisational change and delivery. Local Authorities in co-ordination with LEPs, growth hubs and other community-led organisations should lead on identifying projects, starting with the school estate, that can act as exemplars and pathfinders in their areas.
- i) What opportunities does this provide to reset the economy to drive forward progress on broader Government priorities, including (but not limited to) Net Zero, the UK outside of the EU and the 'levelling up' agenda? What should the Government do to ensure that delivering on these priorities does not exacerbate the vulnerability of businesses, consumers and communities/workers that have been impacted by COVID-19?
- The government needs to be clear on its objectives and use the recovery programme to do more than just delivery a return to approximate economic normality. Goals should include a much more efficient and effective construction industry, using and benefitting from the latest digital tools and resources as well as a rapid transition to a fairer net-zero carbon emission economy.

- j) What lessons should the Government learn from the pandemic about actions required to improve the UK's resilience to future external shocks (including – but not limited to – health, financial, domestic and global supply chains and climate crises)?
- The need to invest in the future, successfully anticipating and preparing for both good and bad circumstances and outcomes is one of the clearest lessons that must be drawn from the pandemic. Planning forward should only improve outcomes. The UK now urgently needs to do this for other potential outcomes, some clearly at a high risk of occurring, including economic recession and global heating, but also others with a lower risk probability but high potential for harm. Black swans will happen and necessary preparation with related associated and immediate benefits should be an essential part of good governance.
- k) What opportunities exist for the UK economy post Brexit and the pandemic for export growth?
- Developing the skills and capacity for transforming the built environment and protecting and enhancing the natural environment will stand the UK in very good stead across the world, providing both reputational soft power but also a high level of export potential for the sector.
- l) What role might Government play as a shareholder or investor in businesses post-pandemic and how this should be governed, actioned and held to account?
- The government should provide the groundwork, especially in the training and development of skills for the private sector to deliver.
  - The direct investment in projects should be focused on its own estate, which is already in desperate need of improvement if it is going to meet the standards already set out by government.

the Edge, July 2020

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<sup>i</sup> '5,397 Confirmed job cuts to date', Building 02/07/20

<sup>ii</sup> CLC, <https://www.constructionleadershipcouncil.co.uk/news/construction-roadmap-to-recovery-plan-published/>

<sup>iii</sup> PM: A New Deal for Britain 30/6/20, <https://www.gov.uk/government/news/pm-a-new-deal-for-britain>

<sup>iv</sup> Construction 2025, July 2013, <https://www.constructionleadershipcouncil.co.uk/wp-content/uploads/2016/10/bis-13-955-construction-2025-industrial-strategy.pdf>

<sup>v</sup> Hepburn, C., O'Callaghan, B., Stern, N., Stiglitz, J., and Zenghelis, D. (2020), 'Will COVID-19 fiscal recovery packages accelerate or retard progress on climate change?', Smith School Working Paper 20-02. <https://www.smithschool.ox.ac.uk/publications/wpapers/workingpaper20-02.pdf>

<sup>vi</sup> Green Construction Board, Buildings Energy Taskgroup, <https://www.constructionleadershipcouncil.co.uk/wp-content/uploads/2020/05/GCB-Buildings-Mission-Retrofit-Recommendations-May-2020.pdf>