

Response To: The Enterprise and Business Committee Task and Finish Group

From: The North Wales Construction Forum

Subject: The request for comments on the procedures that are followed by public sector organisations when awarding contracts for certain goods, services or works.

Date: 31st October 2011

I write on behalf of the North Wales Construction Forum to highlight our concerns in terms of the procurement procedures that are followed by public sector organisations when awarding construction contracts.

The increasing burden and costs associated with pre-qualification processes have emanated from EU procurement legislation/directives and a whole new industry has grown on the back of this legislation.

The general view of our members is that the total absence of a coherent procurement strategy here in North Wales, results in costs, amounting to millions of pounds annually to both the construction industry and public sector, in unnecessary procurement exercises.

Firstly, local authorities seem unable to differentiate between what is required under the procurement regulations in terms of the PQQ thresholds - £3,927,260 (ex VAT). We find ourselves completing PQQ's for values as little as £250,000!

Secondly, more often than not, these PQQ's bear no value in the tender evaluation process, and authorities are still opting for "lowest price". Where tenders are a combination of price and quality usually a 70/30 split, the weighting is still in favor of lowest price submitted.

Thirdly, pre-qualification exercises generally protract the procurement process and in 75% of cases, this results in reduced tender periods for contractors, who are forced into delivering mediocrity to ensure compliance with regulation at the expense of creativity, excellence and best value.

Furthermore, such pre-qualification exercises, coupled with the need for Public Bodies to satisfy WAG funding requirements, result in the delay to commencement of projects. This again forces reduced time frames upon contractors for delivery, thereby reducing quality and opportunities to create greater value for money.

The recent appointment under a framework agreement, by Powys and Ceredigion County Councils and Gwynedd Council of 6 non-Welsh national construction companies to deliver property construction works of a value of £2m - £100m highlights the current failures in Welsh Assembly Government's procurement strategy. Although some of these non-Welsh companies claim to be Wales based, they merely have satellite offices here in Wales for the sole purpose of gaining places on frameworks. Effectively this means that a number of prominent Welsh construction companies, including Forum member companies, who have previously successfully delivered such schemes, are now locked out of the delivery of these

services for the foreseeable future. This has dealt the indigenous Welsh construction industry another enormous blow.

When these large non-Welsh framework contractors “pack up” and leave there will be no sustainable legacy in terms of training and long term employment. Yet public procurement bodies here in Wales are failing to “wake up” to this fact. Little wonder that this leads to further redundancies/job losses.

Whilst we acknowledge the work being undertaken on the SQuID by Value Wales, there is a risk that this will follow the same route as Constructionline and will not be universally adopted by Welsh Public Sector organisations. At present, SQuID has no direct relationship to the current procurement strategies of local authorities here in North Wales where a number of contracts are “bundled” into one. In order for SQuID to succeed, it needs to be mandatory for Welsh Public Sector organisations to adopt it.

“Bundling” is inhibiting the engagement and success of Small and Medium Enterprises and unless it is halted and the large frameworks re-examined for what they are really worth in terms of “Best Value”, the long term signal emerging out of this economic downturn is that the current procurement strategy will have a negative irrecoverable effect on the local Welsh Construction Sector and on the Welsh economy in favour of non-Welsh companies.

Our perception as a Forum is that value for money is not on the whole achieved, as the cost in terms of process, lost opportunity for creativity and excellence, loss of grant opportunities, delays and abortive work would suggest that we are missing opportunities to create greater value for money.

Compared to England and other European Union countries, we in Wales seem to “gold-plate” procurement directives making the burden unnecessarily hard and costly for both public and private sector alike.

In summary, we need a procurement strategy here in Wales which is less complicated and one which favours the wider social aims of procurers and communities rather than create a barrier between the two.



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