



IMPROVING PAYMENT SECURITY FOR CONSTRUCTION SMES IN WALES

THE SEC GROUP: THE REPRESENTATIVE BODY FOR ENGINEERING CONTRACTORS IN WALES

The Specialist Engineering Contractors (SEC) Group is an umbrella body comprising the construction industry's premier trade associations which represent steelwork, construction, lift installation, electrical and mechanical engineering services, including plumbing. The trade associations are listed overleaf.

The specialist engineering sector in Wales accounts for almost one third of Welsh construction output.

THE WAG SETS UP STRATEGIC FORUM FOR THE BUILT ENVIRONMENT

SEC Group welcomes the announcement by Andrew Davies - Minister for Enterprise, Innovation and Networks - of a new Strategic Forum for the Built Environment. This will develop a co-ordinated construction strategy for Wales.

SECURITY OF PAYMENT

The overriding concern for Small and Medium-sized Enterprises (SMEs) in Welsh construction is security of payment. An opportunity to improve matters now exists. This is the Review of the Construction Act, currently being undertaken jointly by the WAG and the DTI in London.

The DTI, following a consultation last year, published proposals for amending the Act. These are unlikely to have much impact upon improving payment; the WAG has simply gone along with these and has not made any significant input on behalf of Welsh SMEs.

AMs are invited to sign the *Statement of Opinion* laid by Kirsty Williams AM, to encourage the WAG to intercede with DTI to ensure that effective changes are made to the Act.

Statement of Opinion No. OPIN-2006-0038

This Assembly believes that security of payment in the Welsh construction industry is essential in achieving the aim of a vibrant and profitable SME sector:

This Assembly calls on the Secretary of State for Trade and Industry to amend the Housing Grants, Construction and Regeneration Act 1996, so that:

- **there is a statutory mechanism for defining the amount to be paid at the date for payment**
- **all conditional payment provisions and cross contract set-off are outlawed**
- **progress payments start from commencement of contract**
- **the Act provides effective protection for firms in the supply chain from 'upstream' insolvencies**

UNLESS THE NECESSARY CHANGES ARE MADE TO THE CONSTRUCTION ACT, SMES IN WALES WILL CONTINUE TO BE BEDEVILLED BY PAYMENT DELAYS AND ABUSE

A STRATEGY FOR PUBLIC SECTOR CONSTRUCTION PROCUREMENT IN WALES

Almost 70 per cent of construction business in Wales is procured by the public sector. Therefore, public sector clients can have an immense impact on promoting best practice in the procurement and delivery of design and construction works. The key objective must be to ensure that the supply chain is fully engaged in the delivery process and there is equality of treatment within the delivery team.

SEC Group believes that a strategy for public sector construction procurement must embrace the following:

- ***The lowest price culture is displaced by selection based on ability to deliver quality, manage risk - especially health and safety risk - and ability to deliver sustainable solutions (as well as price).***
- ***All construction firms engaged in public sector works should be in membership of reputable industry qualification schemes that audit their ability to deliver quality and manage health and safety risk.***
- ***All parties involved in the design process - consultants, specialist contractors, key manufacturers - should be appointed at the outset of the design process to resolve all design issues and, most importantly, to own the design.***
- ***Contractors should be paid fees for their design work in the same way as consultants.***
- ***The suite of contracts adopted by the client should be used by the entire supply chain, provided they represent a fair allocation of risk and promote collaborative ways of working.***
- ***For all projects coming on stream, project bank accounts should be established to ensure security of payment for all members of the delivery team.***
- ***The outdated and iniquitous practice of retentions to be eradicated by 2007 for all Welsh public sector projects and their use to be outlawed throughout the supply chain. (Now that the Welsh Development Agency has been merged with the WAG it is to be hoped that the WDA's previous insistence on retentions will no longer apply.)***
- ***Project insurance should be piloted on new projects.***

The priority must be to improve payment practices in Welsh public sector construction to develop the necessary trust that will, inevitably, lead to greater collaboration and teamworking. This will, in turn, allow firms - especially SMEs - to concentrate on training and investment in resources such as IT, which will significantly improve the quality of the end product.

WHAT CAN I DO?

We invite all Assembly Members to raise the issues in this Newsletter whenever there is an opportunity to discuss or debate construction matters in the Assembly.

Also, you can write in support of any of the issues to Andrew Davies, the Minister for Economic Development & Transport.

SEC Group will be happy to provide more detailed briefings for AMs.

The membership of SEC Group:

- ***Association of Plumbing and Heating Contractors***
- ***British Constructional Steelwork Association***
- ***Electrical Contractors' Association***
- ***Heating and Ventilating Contractors' Association***
- ***Lift and Escalator Industry Association***
- ***SELECT (Electrical Contractors' Association of Scotland)***

If you have any comments or views on the contents of this Newsletter please contact:

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