

OLYMPIC CONSTRUCTION - LEARNING THE LESSONS OF WEMBLEY

Will the Wembley Stadium problems be repeated on Olympics 2012?

The news earlier in the year that Wembley would not be ready for the 2006 Cup Final was a disappointment to football fans everywhere. But it also sparked public anxiety about the ability of the UK construction industry to deliver the Olympic construction projects on time and within budget. The problems that bedevilled the Wembley project - adversarial contracts, unfair risk allocation, payment disputes, insolvencies, adjudications and litigation - must not be repeated on Olympic construction projects when they get underway in 2007-2008.

Best practice in procurement and delivery must be applied to all Olympic projects. Unfortunately, out-dated practices, particularly with respect to payment, have become embedded in the construction industry over generations and, consequently, have become extremely difficult to dislodge.

We must ensure that Olympic construction projects are delivered by **integrated teams** of consultants, managers, specialist contractors and key manufacturers working closely together in an atmosphere of trust and openness.

There is one specific measure that can be taken to facilitate this - **A PROJECT BANK ACCOUNT**.

Every Olympic project should be set up with a project bank account that would ensure that payments for all members of the delivery team - particularly small and medium-sized enterprises (SMEs) within the supply chain - are protected.

This is what the National Audit Office (NAO) said in its report last March, **Improving Public Services through better construction**:

*"...specialist small and medium sized suppliers [require] greater certainty that they will be paid on time to re-enforce the trust that should exist between all parties for collaborative working to operate effectively. If this trust does not exist in the supply chain then specialist suppliers, who can significantly influence the value for money obtained on a project, will have little incentive to innovate. Considerable losses can also be incurred over payment disputes which will ultimately feed their way back into the costs for the client. **The use of a single project bank account is one way to provide greater certainty of payment to specialist contractors and suppliers further down the supply chain from the main contractor.**"*

The Specialist Engineering Contractors' (SEC) Group fully endorses the NAO's position that payments for the project delivery team should be protected and secure, which would, in turn, significantly reduce disputes and, more importantly, will encourage closer working relationships between all parties.

WE INVITE ALL MEMBERS OF PARLIAMENT TO RAISE THIS ISSUE WHENEVER THERE IS AN OPPORTUNITY TO DISCUSS OR DEBATE BEST PRACTICE PROCUREMENT FOR THE LONDON 2012 OLYMPICS.

HAVE YOU SIGNED EARLY DAY MOTION NUMBER 1941

The following is the text of EDM 1941 sponsored by members of the All-Party Construction Skills and Training Group.

That this House believes that security of payment in the construction industry especially for small and medium sized businesses is a prerequisite to achieving trust and collaboration in the industry; therefore, urges the Secretary of State for Trade and Industry to use the opportunity presented by the current review of Part II of the Housing Grants, Construction and Regeneration Act 1996, initiated by the Chancellor of the Exchequer, to amend the Act to ensure that there is a statutory mechanism for defining the amount to be paid at the date for payment, that all conditional payment provisions and cross contract set-off are outlawed, that progress payments start from commencement of contract and that the Act provides effective protection for firms in the supply chain from 'upstream' insolvencies. That this House believes that payment security will be a major factor in the successful delivery of the construction projects for the 2012 London Olympics.

The DTI will be consulting the construction industry on specific amendments to Part II of the Housing Grants, Construction and Regeneration Act to help promote payment security in the construction industry. The industry's concern is that the changes currently proposed by the DTI amount to tinkering with the Act.

We should ensure that the weaknesses in this legislation are remedied so that firms in the construction industry have certainty on how much they are paid and when.

Following a consultation carried out last year by the DTI, it is now established that there is consensus within the industry for some major surgery to the Act to make it more effective in ensuring payment certainty.

UNLESS THE NECESSARY CHANGES ARE MADE TO THIS LEGISLATION, THE CONSTRUCTION INDUSTRY WILL CONTINUE TO BE BEDEVILLED BY PAYMENT DELAYS AND ABUSE.

If you have any comments or views on the content of this **Parliamentary Newsletter**, please contact John Nelson, Executive Secretary of the SEC Group at contact@secgroup.org.uk or 020 7313 4819.

Previous issues of the newsletter can be downloaded from our website - www.secgroup.org.uk

The SEC Group is an umbrella representative body in the construction industry. Its membership consists of the industry's six premier trade associations: Association of Plumbing and Heating Contractors (APHC), British Constructional Steelwork Association (BCSA), Electrical Contractors' Association (ECA), Heating and Ventilating Contractors' Association (HVCA), Lift and Escalator Industry Association (LEIA) and SELECT (Electrical Contractors' Association of Scotland). Together these bodies represent a sector comprising 60,000 firms and a workforce of more than 300,000.



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