



THE CHARTERED INSTITUTE OF BUILDING

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Ms Kate Davies
Head of Construction Development
Office for National Statistics
Government Buildings
Cardiff Road
Newport
South Wales
NP10 8XG

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Dear Ms Davies,

I am writing to you on behalf of the Chartered Institute of Building (CIOB), the world's largest and most influential body for construction management and leadership. We accredit university degrees, educational courses and training and have approximately 45,000 members worldwide who work in the development, conservation and restoration of the built environment.

We wish to commend the ONS for consulting on demands for Construction Price Statistics and the way that they are measured. As recent ONS data indicates, construction has a profound impact on the British economy, contributing in recent years approximately 6% to 7% of GDP and supporting over 2.2 million jobs. Upon discussions with our members, many of whom work as clients, consultants and contractors at both large and small firms, there is a real need for high quality, accurate and accessible construction data. In an industry that is typically driven by slim profit margins and suffers greatly during the 'boom and bust' cycles, many firms use ONS data – directly or indirectly through analysts and the media – to forecast output and tender prices and make decisions on whether to invest or retain money, and in what part of their business. We are not necessarily in a position to comment on the specifics of the Construction Price Statistics, but we note the ONS intention for a long-term solution to the issue and have therefore outlined the below points to link with this.

One of our primary concerns is that the official classification of construction is too narrow and underestimates the importance of the wider industry. We understand that construction is defined, for the purposes of its contribution to the economy, as the activities of businesses working on construction sites. This however excludes a large part of the value added in creating the built environment, such as material and components produced offsite and the work of professional services, such as architects, engineers, quantity surveyors and other consultancies. To most people in the industry this seems anomalous to the work they do.

We recommend that UK construction output data include materials used and better reflect the scale of construction. However, the GVA measure, which points to construction being 6% to 7% of economic output, does not. Our report released in October 2014 entitled, [*The Real Face of Construction*](#), sought to highlight this point. It carried a suggestion by a leading academic that the "greater construction industry" may represent more than 15% of the nation's economic output.

Our concern is not simply that the industry's economic impact is underplayed and its political voice potentially lessened, though this is likely and unfortunate. Our greater concern is the potential for data being misinterpreted, which can lead to poor policy decisions. This has been brought home to us recently, as the CIOB is currently producing a report on productivity in the construction industry. The official data, based on the GVA measure, suggest low productivity growth. This is a common across most developed nations. However, much emphasis among those seeking to increase construction productivity is placed on offsite activities, at the design stage or in materials assembly. These would mostly fall outside of construction as defined.

Indeed the result of pursuing these productivity improvements could be to reduce skills on site and potentially reduce the measured productivity, despite being holistically more productive.

This potential paradoxical outcome illustrates the need for a measure of construction that encompasses the wider industry in a way that might enhance more joined-up policy making in delivering a better built environment.

We understand that the ONS has to work within internationally accepted industry definitions in compiling the National Accounts. However, we do note that the ONS produces satellite accounts for the tourism industry, where the disparate elements of tourism are consolidated. Such an approach to the construction industry would be of profound importance to the construction sector. It would help policy makers better track the holistic impact of the policies they introduce and provide a clearer appreciation of the worth of the wider construction industry.

We are keen to offer our support to the ONS in reviewing its data collection and delivery methods in the future. For your information, we also run a Chartered Building Company and Chartered Building Consultancy scheme and actively work with these companies to improve the wellbeing of the industry.

If you need any more information please do not hesitate to contact me on etuttle@ciob.org.uk or 01344 630 711. I look forward to hearing from you in due course.

Yours sincerely



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