

Carl Arntzen Remarks for the CPA Autumn Lunch

02 November 2017

The Brewery, London UK

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Ladies and Gentlemen, Distinguished Guests and Colleagues:

It's a pleasure to see you all here on another beautiful autumnal day in this great venue.

As I thought about what I would say to you today, I reflected on listening to our previous chairman, John Sinfield of Knauf, holding forth at this event. I recall him saying that “timing is everything”, and that is so true.

If I take you back to November 2015 – such a short time ago - the market was firming up, our business plans looked pretty positive and the UK looked a good place to invest. We had just had a general election, so it looked like we had a clear path to growth for the next five years. And that's in part why I agreed to take this job; to preside over some good times and enjoy a few good lunches.

But as they say, there is no such thing as a free lunch. So I've had to revise my expectations, which have been bought most sharply into focus by the CPA's latest forecast for the UK construction industry.

On the surface, and borne out by my manufacturing and distribution colleagues at our council meeting a couple of weeks ago, activity remains at historically high levels. Infrastructure and private housing continue to drive growth and the North-West especially is vibrant and growing.

However, the rest of the market is less buoyant, which means the forecast anticipates nominal growth overall this year and no growth next year. Without housing and infrastructure though we'd see output flat this year and then fall marginally over the next year.

In my business I recognise such forecasts are part of the usual ups and downs of the market. We all like a challenge and despite what the economy does each of us will be focussed in our own sectors on ensuring our businesses prosper.

What interests me more here today, however, is something that the forecasts can only hint at, and that is the idea of “change”. More specifically, the kinds of systemic changes we're facing across the UK construction industry, and the challenge to our leadership in addressing those changes.

In 2017 I would say that the biggest catalyst for change has been brought about by the terrible loss of life in the Grenfell Tower fire.

Poor risk management, poor procurement, poor quality, poor building management. Not to mention complex regulations and controls. All amidst a culture of cheap, fast delivery and little vested interest in the finished product and end-users.

I doubt any corner of the UK construction industry will remain unchanged by Grenfell. And it will require leadership from the people in this room to take the industry forward.

But leadership will be required to address the other forces taking shape around us such as labour and skills shortages, resource constraints, climate change; to name but a few. However I would say that it is technological changes, which are rapidly breaking down barriers that is making the old ways of doing things uneconomic and untenable.

In political circles we have heard the mood music changing too. From the opposition, worryingly, there are suggestions of domestic energy price caps – and all that might mean for other energy users and indeed energy efficiency. There's even mention of nationalisation in parts of our sector.

More encouraging are the changing signals from the government. Its Clean Growth Strategy is well worth watching, as it aims to put low carbon at the heart of the economy, delivering increased economic growth whilst decreasing emissions.

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The Each Home Counts review demonstrates a genuine commitment to developing standards and enforcement for UK home energy efficiency and renewable energy measures.

And remarkably, there's even talk from the conservative government about directly funding house building.

Over-hanging all of this of course is the challenge of shaping Brexit to benefit not just our industry but an entire country.

Taken together, the UK's construction sector is being forced to change.

I believe we are past the point of no return. I also believe that construction products are, and should continue to be, leading from the front.

- Already, we are creating smarter, more innovative products and methods of construction. And by using digitally-enabled, collaborative ways of working we help deliver better, more certain outcomes and avoid smart products being installed into dumb, poorly constructed buildings.

- I see our member companies improving quality, safety, performance and sustainability throughout our businesses and our products, and this feeds through to the projects themselves.
- And in manufacturing and distribution we already have highly skilled people who we invest in throughout their careers with us. We have active apprenticeship schemes allowing us to develop the future workforce to meets the needs of our 21st century industry.

We now need to help support such changes in the supply chain. If we succeed, there is potential for massive rewards in boosting growth, improving construction productivity and through this spur investment by our companies to increase capacity in UK manufacturing and wider construction.

We also need to get on and deliver for the UK as a whole. Construction after all underpins the UK's ability to grow and thrive and to create that 'equitable modern society' often spoken about but seemingly out of reach.

As I speak today as chair of your trade association, which by the way represents 85% of our whole sector by value, I want to give you an update on the progress we have made so far in addressing these challenges.

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- We are developing the modern, collaborative ways of working I mentioned earlier through our projects on BIM, LEXiCON and digital object indicators. In leading the market and providing these tools to our members we are aiming to make the digitisation of our sector product-led with consistent platforms.
- We offer crucial insight with our economic analyses and research into regulatory and policy risks. We don't always deliver good news in these areas but we know our advice helps you prepare your boards and shareholders for the forthcoming trading conditions.
- This year we have developed and promoted a tool to allow government procurement to simply implement its balanced scorecard approach to procurement. We are now working through BEIS to make this happen as we believe the approach will favour well run, respectable businesses like all of ours.
- We have made major contributions to government-sponsored reviews such as Each Home Counts, and Flood Resilience, as we believe both of these pieces of work once again need to be led by our sector, and will change the market and create new opportunities.

- Most recently, having been asked by DCLG to work with colleagues at Build UK and CIC, we are helping to mobilise and coordinate the construction industry's response to the Grenfell Tower fire.

The CPA has invested a great deal of time and resources over the past year into these projects. We've supported the groundwork necessary for government to commit to a sector strategy for construction. We believe this is our industry's best hope to help mitigate the volatility of the market and set it on a path of modernisation, growth and stability.

The government's vision for these sector deals is ambitious, and we're not alone in recognising its potential. The chance to help create a formalised policy framework and more certainty through which major investment decisions can be made with confidence, avoiding the typical subjective approach, is very welcome.

Manufacturing is an important element of the government's vision and indeed, any sector deal for construction. The manufacturers amongst us help make the UK the 8th largest manufacturing economy in the world and are part of an overall manufacturing base that accounts for

- 2.6 million jobs (which are, on average, better paid than Services jobs),
- 70% of business R&D

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- And productivity growth which is three times faster than the wider economy.

Keep in mind also that nearly 80% of all construction products used in the UK are made in the UK, reflecting an industry that supports every construction project in the country.

I am convinced that we as an industry can demonstrate the leadership required and seize this opportunity to help deliver such benefits across our entire economy. But we must work together and not be shy about showing others what we can do. As CPA's chair, I will also urge you to actively support your trade association through the work they are doing to bring this all together on your behalf.

Throughout my speech I have alluded to some of the great uncertainties facing us, some brought about by Brexit and what it will mean for the UK in the short to medium term. Our relationship with our trade partners in the EU and the negotiations themselves are very much front and centre of our daily lives.

Further afield, the rise of new parties and styles of governments, some very much more isolationist than their predecessors, is creating further uncertainty. And on the world stage we have the mercurial Donald Trump, an outlier in North Korea and a resurgent China.

So who better to provide us with some thoughts and insights into some of these events than Sir Christopher Meyer?

Sir Christopher Meyer served in the Diplomatic Service for almost four decades. He was posted to Washington as British Ambassador towards the end of the Clinton Presidency. His extended five year term made him the longest serving post-war British Ambassador to the US, incorporating events including the 9/11 attacks, wars in Kosovo and Afghanistan, and the preparation for the invasion of Iraq. Needless to say, he has an insider's view of the "special relationship".

Prior to his role in the US, Sir Christopher was posted to Moscow, Madrid and Brussels, and served as Ambassador to Germany. He was also press secretary to John Major and speechwriter to three Foreign Secretaries. After retiring from the Diplomatic Service he was Chair of the Press Complaints Commission for six years.

Now a well-acclaimed regular on TV, radio and in print, Sir Christopher does not shy away from controversy. I should also mention that he has a popular Twitter feed – under the name "SirSocks" – that's worth a look, as he debates everything from the meaning of democracy to the "ravings of Remainers and Leavers". I give you Sir Christopher Meyer.....

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