



Northern Ireland
Assembly

**COMMITTEE
FOR THE OFFICE OF THE
FIRST MINISTER AND DEPUTY
FIRST MINISTER**

**OFFICIAL REPORT
(Hansard)**

CBI Presentation

4 November 2009

NORTHERN IRELAND ASSEMBLY

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DEPUTY FIRST MINISTER**

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Members present for all or part of the proceedings:

Mr Danny Kennedy (Chairperson)
Mrs Naomi Long (Deputy Chairperson)
Ms Martina Anderson
Mr Tom Elliott
Mr Barry McElduff
Mr Stephen Moutray
Mr George Robinson
Mr Jim Shannon

Witnesses:

Mr Gerry Cawley) Confederation of British Industry
Mr Nigel Smyth) Confederation of British Industry

The Chairperson (Mr Kennedy):

We will now hear evidence from the director of the Confederation of British Industry (CBI) in Northern Ireland, Nigel Smyth; and from Gerry Cawley, director of the Lagan Construction Group, on the review of the Strategic Investment Board (SIB). Members have received a copy of the CBI submission on that review and a copy of the response from the Department, which provides further information on the terms of reference of the review.

Good afternoon, gentlemen; you are very welcome. Thank you for your attendance; I apologise for the slight delay. You are here to brief us on your views on the review of the Strategic Investment Board, and you have provided some of those views to us in advance, which is very helpful. You may wish to make a short opening statement after which members will ask you questions. The session will be recorded by Hansard for future consideration.

Mr Gerry Cawley (Confederation of British Industry):

Thank you. I apologise in advance; I have a slight cough, but it is not swine flu.

The Chairperson:

As long as you stay a suitable distance from us.

Mr Nigel Smyth (Confederation of British Industry):

Thank you very much. I am Nigel Smyth, the director of CBI Northern Ireland. I welcome the opportunity to appear before the Committee today along with my colleague Gerry Cawley, the managing director of Lagan Projects, which is part of the Lagan Group. I will spend a few minutes on some of the key points in our paper and will be glad to answer members' questions.

Significant progress has been made in developing and implementing the investment strategy. There is greater uncertainty, particularly on public expenditure and the threats of cuts. Despite the efforts of the SIB there also remains a lack of visibility on future projects, which undermines confidence in the investment strategy. That is unhelpful to an industry in crisis because of a downturn in housing and in commercial and industrial work.

We believe that the SIB has played an important and valuable role in helping to develop the investment strategy for Northern Ireland (ISNI) 1 and ISNI 2, and has brought much needed skills, expertise and experience to large procurement, particularly in relation to public-private partnerships. However, the SIB's effectiveness has been constrained by its having an influencing role only. The lack of transparency in roles and responsibility has blurred the picture, and the lack of political will and consensus on some matters has affected projects in the investment strategy.

The view of the CBI is that the SIB's lack of authority constrains its ability to deliver. We have suggested several specific actions to improve accountability and, ultimately, to improve

delivery to benefit the citizens of Northern Ireland. There is a need for an urgent review of the investment strategy in light of prevailing economic conditions and financial constraints. At the moment, the industry does not believe that plans for spending £2 billion next year are realistic; it is looking for an honest and realistic picture.

We also believe that there is a need to create a fixed-term development plan with firm ministerial commitments to specify projects, milestones and timescales. Without such a plan it is difficult to hold Ministers accountable for delivery. The SIB helped to develop the implementation delivery plans, which were supposed to be in place in March 2008. They go some way, but they are insufficient; indeed, in some Departments they do not exist. There should be more transparency about who is responsible for doing what. The SIB has an important role to play, and we said at the outset that it should have a role here for another 10 to 12 years. Over that period we hope that those skills and expertise will transfer. The final part of our paper highlights some medium-term structural changes that we believe will be beneficial to delivering major procurement projects in Northern Ireland.

Gerry and I will be delighted, to the best of our abilities, to answer any questions that the Committee may have.

The Chairperson:

Thank you for that very concise presentation.

What objectives would emerge from an urgent review that would help to deal with our problems?

Mr Smyth:

In reviewing the ISNI, we need a realistic assessment of how much money is available. We are all conscious that receipts have come in significantly under what was forecast two or three years ago. We need to get the numbers right. We need to look at labour- and employment-intensive projects that support the economy and which will underpin its productivity. That should be the focus of any review.

Mr Cawley:

The market is very different from what it was when ISNI 2 was published. ISNI 2 relied heavily

on asset realisation, and we know now in what direction the property market has gone since then. Therefore, ISNI 2 must be looked at again urgently and its commitments reprioritised. That can be turned into confidence in the industry on what will be done and when. We could then say when the investment strategy will be delivered and who will have responsibility for it.

The CBI advocates the creation of a plan. At the moment, the investment strategy is aspirational; it is a 10-year view of what we would like to do. ISNI is commendable, in that it has identified what we would all like to do to improve society and infrastructure. However, we need to determine a plan to decide which projects are to be delivered urgently. That will help to focus our attention on finances and on the industry's resources, and it will provide certainty to an industry in turmoil.

The Chairperson:

The last bullet point in your executive summary recommends ensuring that the SIB retain a tight focus on its core objectives. What do you mean by that?

Mr Smyth:

The SIB has been given a remit for three things: to develop the investment strategy; to help to deliver projects and skills; and, broadly, to support reform. However, it is not absolutely clear what we mean by reform. Under delivery, the SIB's focus should be on major projects and making sure that they are delivered and brought to market. There is tension between the SIB and the Departments, so the SIB's role needs to be clarified. However, the main focus has to be on major projects.

The SIB is also working on regeneration, and some of our members believe that the SIB is out there looking for work, which should not necessarily be the case. There is no doubt that the SIB has skills to bring to regeneration. However, we would like more clarity on what it intends to do and how its expertise will help to bring projects forward.

Mr McElduff:

Welcome, Nigel and Gerry.

Is there not sufficient room in the year-to-year budgetary process and monitoring rounds for reprioritisation, reallocation and innovation, rather than going the whole hog with a review of the

investment strategy?

Mr Smyth:

I would like to think that there might be; however, I see no signs of it. We do not want to spend months developing a new investment strategy. The pot of money is significantly less than we had expected; therefore we need to spend two to three weeks looking at that.

I have been a member of the cross-sector advisory forum, which is one of the sub-groups responsible for procurement, and there is still a reluctance to move away from the budgetary process. Two billion pounds has been pencilled in for next year in the budget; unfortunately, however, no one in the industry believes that the sum will be anywhere near £2 billion, and that undermines faith in the budget.

We do not need a major consultation that will take months. We need a short consultation to look at our resources; consider how they should be prioritised; assess what will have the greatest economic benefit; and consider what will have the greatest impact on jobs and employment in the anticipated economic environment.

Mr Cawley:

The investment strategy is a collection of projects that will be carried out over 10 years. The industry is looking for deal flow: consistency across the piece to enable us to see projects ahead of time to plan and deliver them. Dealing within a year-to-year budgeting requirement creates a see-saw effect. We do not know what will happen down the line; a project might arrive at the last minute, leaving us fumbling about trying to get resources.

There will not be major expenditure in road infrastructure for another two years. That means that the industry will go flat for several years, and it will have to boost up again in two to three years' time. We are looking for an exercise that can be conducted quickly to prioritise some of the key projects in the investment strategy, push out some of the projects that can be done in the longer term and look at our budgeting with a view to delivering those over a set period. There will always be a bit of toing and froing in the monitoring rounds, but that has to be contained and more certainty needs to be created.

Mr Elliott:

Thank you for your interesting presentation. Barry McElduff mentioned the redistribution of finance. I would like to know what you think about that; I do not think that it is happening to the best degree. For instance, in the first two monitoring rounds of the year, the finance that was available this year for the Maze/Long Kesh site and the Crumlin Road site was put back into DFP. That was construction money, but it was taken out of the construction sector. How could that have been better managed in the Executive and the Departments?

Mr Smyth:

I am not aware of the detail of how that was decided. It would be disappointing if money that had been allocated for the construction sector went elsewhere. At the beginning of the year, the Committee for Enterprise, Trade and Investment considered what the Executive could be doing, and stress was laid on the importance of ensuring that money was spent. We have had reassurances through the year that a significant amount was spent in the previous year, and our understanding is that that remains a priority. I would be disappointed if that money has disappeared, but it will be spent on something. The CBI believes that the focus should be on labour-intensive projects. However, I am not aware of the details of the Maze/Long Kesh or Crumlin Road cases.

Mr Elliott:

I asked that question because you said that you wanted more money to be made available for labour- and employment-intensive projects. Finance in those two cases was crucial; money went back into the central pot in the first two monitoring rounds, not to be redistributed.

Paragraph 9 of your paper refers to the capital assets realisation task force. The last line of the paragraph says that:

“The previous values achieved will not be realised for a significant time — this should not be a constraint on proceeding with asset sales.”

Will you expand on that?

Mr Smyth:

We should not wait until next year or the year after because we think that values will bounce back again; that could take several years, perhaps even a decade. We wait to see what happens to the national asset management agency and how it releases assets into Northern Ireland. Our point is

that the assets are worth what they are worth now. They will look negative because they are, perhaps, worth 50% less than what they were a few years ago. However, since the marketplace is competitive we will get more construction value for our expenditure.

We should not have fire sales, but we should go ahead with asset sales. Asset sales were disproportionate and unrealistic, and it will be a long time before they get back to high levels.

Mr Cawley:

Property values were artificially inflated due to short-term demand, and it is unlikely that that will happen again for a very long time. There is a temptation to hang on to assets in the hope that their value will increase again; however, we need money to meet infrastructure demands now. We are not calling for a fire sale; however, projects must be brought to the market soon and at a realistic value. We cannot sit on assets in the hope that they might rise in future, because it is likely to be years before the property market reaches such values again.

Mr Elliott:

What is the estimated reduction in construction costs? What is the percentage difference between today's costs and those of 18 months or two years ago?

Mr Cawley:

It is difficult to put a percentage on it. However, the next 18 months will be very difficult for the construction industry; it is on its knees at the moment — that is coming from the industry itself. There is very little work available.

Mr Elliott:

That is not the same as saying that construction costs are reducing.

Mr Cawley:

I believe that construction prices will go down. Given that a significant number of competitors and new entrants, predominantly from the Republic of Ireland — and we all know what happened down there — have entered the Northern Ireland market, construction prices will drop. I guess that prices might drop by at least 10% to 20% or even 30%, but do not hold me to that. I add a caveat because a drop in price and increased competition will always be regarded as good value for money.

However, if prices reduce significantly, quality or even health and safety may suffer. Therefore, although it looks like a good deal on paper, we need to be wary that we do not promote an industry that has reduced quality, health and safety provision and skilled resources.

Ms Anderson:

I thank Gerry and Nigel for their presentation. My question centres on the effective use of public money, given that there will be public expenditure cuts. There is an issue about prioritising capital spends in ministerial budgets. Should including the long-term unemployed be part of European contracts for the North? That would ensure that apprenticeships and help for the long-term unemployed flowed from projects.

Gerry, you spoke about the need to plan ahead and to know what is coming. In areas with a low skills base, local infrastructure can be put in place — it is already in place in Derry — to build in training. That would benefit the people in those areas who have suffered the longest not just in the recession but from years of neglect. My area of Derry has the highest unemployment, and there are other areas that have been particularly badly hit by the recession and which have suffered for years.

What is your commitment to using public money to buy and build and for social justice? Including such specifications in tendering for contracts would ensure that when a developer gets a contract, he or she — mainly he — would have to deliver on social justice commitments. Other Programme for Government commitments include tackling regional disparities, and that should be reflected in your call for an urgent review.

Mr Smyth:

The Finance Committee is looking into such initiatives, and we have given evidence to it about incorporating social and environmental requirements into contracts. We absolutely support that, particularly when it is relevant to the nature of the contract.

We need value for money, but Departments must be cleverer when specifying and developing those requirements, and the best value will be obtained by thinking about the project at the outset. It is too late to do so on down the line. If asked to do so, companies will provide 10% apprenticeships; the issue is whether that is value for money and the best way of using

Government funds.

It is complex and can be a legal minefield. There is an argument that it would be much more difficult to include add-ons to smaller contracts than to bigger ones, although it has been piloted quite successfully with some of the larger construction contracts. The Equality Commission, the CBI and the trades unions agreed to a significant policy statement a year ago, which has not been rolled out as fully as it should have been.

A great deal of work is under way. We have nothing against such specifications; indeed, much of them are sensible, particularly when they are relevant and can be tied into the core contract.

Mr Cawley:

The industry will respond to such initiatives. Ultimately, the bigger picture includes regeneration, social responsibility and sustainability, and that could involve prioritising ISNI in areas of long-term deprivation that need to be regenerated. In awarding or prioritising projects for certain areas and putting the onus on contractors to develop skills and require them to take on board the long-term unemployed there must also be a follow on. It cannot be simply a one-off project.

Many in the construction industry tell us that they will work to the remit of a project; however that must be done very early so that everyone knows what is being dealt with and provided. More important, however, is the long-term sustainability of such a project.

We could, for example, say that we will undertake a construction project in an area of Derry that will generate x number of jobs. Since most construction projects last two years, a view must be taken on what happens after those two years. Some of the long-term unemployed who are taken off the register will be trained and skilled and able to enter local industry. However, unless there are other projects off the back of the initiative others of the long-term unemployed will no longer be employed in the area. As I say, long-term sustainability must be looked at as well.

In our present value-for-money restraints there will be a premium to be paid for such initiatives. Hence, when including social responsibility in a project, we must also be aware of sustainability and the price tag. However, to be fair, the price is worth paying in many areas to get economies going again.

Ms Anderson:

As regards value for money, is the CBI talking about what is most economically advantageous rather than addressing the issue in purely monetary terms?

Mr Cawley:

For much of the time the criterion is value for money: what will it cost? However, we should evaluate a project over broader parameters, such as sustainability, its effect on the local economy and on the long-term unemployed. That changes the remit from just a bottom-line assessment.

For a long time the lowest price has tended to be the decider. We have moved on a bit; now we have quality and price. Perhaps the next leg, which has been talked about, is quality, price, sustainability and the effect on local infrastructure.

Mr Shannon:

In answer to a question from Tom Elliot there was reference to part of the submission that states that there:

“should not be a constraint on proceeding with asset sales.”

Is the CBI telling the Committee that we should sell the “family jewels” at cut price rather than hold on to them for a few years to get better value?

Mr Cawley:

I qualified that remark by saying that we should sell when the time is right. We need a good assessment in the market to take advantage of such a sale. There is no point in hanging on to the family jewels for a lifetime and not receiving any value for them; they must be released at some stage if nothing else is available. We need to use the money wisely to get the best possible value, but we should be able to release and utilise it if necessary.

Mr Shannon:

Are you not telling us to sell in the next couple of years?

Mr Smyth:

Assets will not regain their value of three or four years ago for a long time — if ever. At the same time, we should not have fire sales and give assets away. We need a sensible process to

consider what assets to sell over the coming years.

Mr Shannon:

That clarifies the matter. The Assembly will probably consider its assets and when is the best time to sell. I agree with Nigel: I doubt that we will ever return to where we were. We need a timescale in which to determine the best time to take advantage of the market.

Gerry said earlier that the construction industry is at its lowest ebb ever. Construction in the area that I represent has shown signs of recovery. Is that happening elsewhere? By the way, I represent Strangford; I am sure that people do not know that. The woman from Strabane, Claire McGill, mentioned Strabane seven times during a debate yesterday. She says that she takes her example from my approach to Strangford.

The Chairperson:

We have done the local plug; let us move on.

Mr Cawley:

My personal view is that we are still sliding and that the situation will worsen in the next 12 to 18 months. Some smaller builders are doing well in localised areas, but the construction industry as a whole is struggling because not much capital work is planned over the next 18 months to two years. That will have a significant impact.

Mr Shannon:

Single dwellings are providing work for smaller companies.

Mr Cawley:

That will continue, but it is only a small amount. However, the construction industry as a whole is struggling and will continue to struggle.

Mr Shannon:

Paragraph 13 of the report refers to the lack of transparency on roles and responsibilities and contains a comment about the “lack of political will”. Will you elaborate on that remark? This Committee has a clear political will to make things happen.

Mr Smyth:

The Maze/Long Kesh site is an example of an unclear situation; it features high on the priority lists, yet we could not reach a consensus on it. Moreover, there is no visibility on what is happening and on what is in the pipeline on the health estate. That is a worry. The investment strategy is supposed to deliver £2 billion next year, although £1.6 billion or £1.7 billion is more likely. However, there is no visibility. Companies must decide now whether to lay off staff or to hold on to them in the hope that the situation will improve.

Despite the SIB's best efforts to use delivery-tracking systems and so on, Departments have not fully filled in such systems. I am not sure who to blame. However, it is ultimately Ministers' responsibility to decide whether to play ball. It is unhelpful to the industry, and it is undermining confidence in the sector. Of course, work might emerge quickly; however, that could be unhelpful to the sector, which needs time to prepare, to train people and to retain resources. Some regeneration projects seemed to drift in one or two Departments, although some Departments offer great visibility.

Mr Cawley:

The first investment strategy identified a number of projects that were going to go ahead, and that buoyed the market. However, those projects either were delayed or decisions were not made on them. Nigel mentioned the Maze stadium project, and we all know how that ended up. Representatives from the SIB went to most of the big cities in Europe to attract investment to develop the health sector, which resulted in plans for four major hospital projects. However, that was at least five years ago. A lot of the interest was shown by external contractors, but only the Enniskillen hospital project was realised. The other projects have faded away quietly. They have not fallen off the map; they will be developed in different forms and shapes.

As I said, the industry wants to see deal flow. It wants projects to be identified, and it wants a commitment on their delivery so that we can gear up to deliver them. At present, there is no guarantee that any of the ISNI projects will be delivered, because of their aspirational nature. Is that a fair statement, Nigel?

Mr Smyth:

Yes.

Mr Shannon:

Paragraph 16 of your written submission refers to the SIB's efforts to attract more multinationals. Is the SIB doing that because it is not focussed on what it should be doing? Is it correct to look elsewhere?

Mr Smyth:

That is the view of some of our members, but not others. A number of multinationals have been involved, but, in most cases — if not all — they are working with indigenous companies. Some of our smaller companies questioned efforts by the SIB to attract companies from Spain, France or GB when there are lots of local companies. That sentiment is most prominent when workloads begin to fall: people ask why foreign companies have been brought in when there is not enough work for local companies. However, in many cases, the big international companies are working closely with indigenous companies, which are developing as a result.

Mr Cawley:

Some of our members feel that there are sufficient resources here, so we do not need to look elsewhere. Others feel that we need to bring in skills from outside to help us to deliver projects. Ultimately, most of the construction industry here would say that we have sufficient resources, skills and expertise to deliver a project of any size.

The Chairperson:

Mr Cawley, did you make your assessment of the current situation as a representative of Lagan Construction, or is it one that is shared by the CBI?

Mr Smyth:

It is an assessment that is shared by the CBI. Over the past couple of months, I have been out meeting a number of larger contractors and have been quite surprised by the downbeat attitude and the threat of further redundancies in the sector. We spent £1.7 billion last year and will probably spend a similar amount this year, so things do not add up. We are supposed to be spending £1.7 billion to £2 billion next year, so where is the work?

One or two little projects from the Department of Education have come through in the past couple of weeks, but there is a lack of confidence and a lack of visibility despite best efforts.

There are lists and lists of projects for the education sector, but there are no tender dates for various aspects of them, and nobody knows when they will begin. Experience has shown that a lot of the projects will be delayed.

There is no information on forthcoming projects from the Department of Health, Social Services and Public Safety. That is unhelpful to the sector and explains why the sector is particularly downbeat. If the sector could see what projects are due to begin in the next quarter, a bit more confidence would be instilled. There is a downbeat attitude.

The Chairperson:

That is food for thought.

Mrs Long:

On various occasions, in the Chamber, we have heard a number of Ministers say that there has been more investment in capital projects in the tenure of the current Administration than in any previous period. If that is accurate, why is there such a downbeat attitude?

Mr Smyth:

It is factually accurate. Five or six years ago, we were spending between £600 million and £700 million a year. In early July, the Finance Minister said that we spent about £1.7 billion in 2008-09. We have asked for a breakdown of that spend, because the industry is struggling to understand that figure.

Not all of that money was spent on construction. Much of it was spent on consultancy work, ICT projects, and so on. A certain element was spent on construction, and a certain amount was spent on land purchase. We have asked for a breakdown of the key components of that spending in order to have greater clarity, which is important going forward. In 2008, in particular, one or two of the big PPP projects came to fruition. When they are signed off, a lump sum can be seen. We are struggling to get clarity.

It is correct to say that there is now a different scale of expenditure. I can certainly confirm what Gerry said, having spoken to a number of different players during the past several months who have asked where the workload is. Those companies have scaled up to get ready for a continuing workload, which they just do not see at present. Perhaps they will be pleasantly

surprised when work emerges in the next three to six months.

Mr Cawley:

The figure of £1.7 billion has been mentioned regularly as the amount that was spent in 2008. The industry wants to know the breakdown of that. Most of our members, particularly in the construction industry, have not seen £1.7 billion go into construction. They would argue that much less money has gone in.

In fairness, although there has been much development in infrastructure, to be honest, much more needs to be done to get the Province up to speed and to make it competitive economically. If we look at what the industry has done, it has responded to ISNI: it has built up accordingly. The industry was also built up by the property bubble. However, that bubble has burst, and spend on capital projects has gone down. The industry, which had geared up, has, suddenly, had to deal with a fall. The problem with the fall is that, potentially, over time, we could lose a lot of key resources, which will go elsewhere.

Mrs Long:

I am interested in what you have said because I wonder how much of the problem is due to the property bubble having burst, and how much is due to the lack of deal flow that comes from the Executive. When you get the breakdown that you have requested, it will be interesting to see how that balances out.

The other aspect that you mentioned is that much of that money was spent on consultancy. That is always going to be part and parcel of the construction industry because you must go through a number of stages before you can actually put diggers on site. Spend on consultancy cannot be avoided if you ever want to complete the project.

You mentioned a few other issues. The first was the drop in the value of property. You said that there should still be a strategic method for controlled disposal of assets in order to free up cash and make investment. You also mentioned that there had been a drop in construction costs and that, therefore, it is an opportune moment to develop projects. I have heard and, indeed, used the same argument that, for example, it might be a good time for the Department for Social Development to purchase sites in which it has an interest, if it has the cash to do so.

You mentioned the percentage drop in sites' value and drops in construction costs. Have you any comparators for those percentages? My sense is that construction costs have not gone down as significantly as property values. Therefore, the opportune time to dispose of assets is when the cost of construction has dipped to the same degree as property prices — when the two have balanced out — and you are, essentially, getting the same pound-for-pound value. Surely, you are looking for that balance point?

Mr Smyth:

Much of the construction costs will be for labour and various other resources. In some cases, property prices have dropped by 40% or 50%. Construction costs throughout the entire supply chain will not drop by anything close to that. Gerry suggested a drop of around 20%. It very much depends on the nature of projects. I have certainly heard people say that costs have dropped by 5% to 15%. Clearly, it could get worse because there is much competition.

It is not just about demand: there are more players who are trying to feed off the situation. Some people are coming in below cost, for example. That raises serious questions about sustainability and the drive to lower cost rather than to actually provide a value product. Therefore, I do not expect construction costs to come down to the same extent. Land value might be part of the construction cost. Gerry is closer to that than I am.

Mr Cawley:

They will never be in step. Land value can dramatically increase and decrease, depending on demand. Construction costs are for labour and materials. You have no influence over some of those costs; for example, steel and fuel prices, which are completely beyond our control. Therefore, I do not believe that you will ever get that nice scientific chart that will tell you that now is the time to act.

Ultimately, when you have assets on the table, you have to look at the opportunity that you can derive from the value of that asset. Someone could sit and wait until they get the best price, but the question is how they could best use the money. Perhaps they could use money for a social regeneration project that they would not have tackled otherwise. Maybe they could start that project now, if they were to sell the asset now and get the value. It is really about using one's assets to generate things that one would not have thought of previously.

It would be nice to be able to wait until all the figures fall into a nice little line and then go for it. However, if I could predict that, I would be a millionaire by now.

Mrs Long:

To be clear, I am not suggesting that there would ever be a point at which they would completely balance, but surely you seek maximum convergence?

Mr Cawley:

Absolutely.

Mrs Long:

People would want to wait until their construction costs were at their lowest point if they had to sell off their assets at a fairly low base. That is when they would want to make that decision, because that is when they would want to make the investment.

I am interested in how you go about that, because I am conscious that part of the reason for not disposing of assets quickly is probably the sense that there would be massive criticism if they were to be disposed of this year at a low rate and were then found to be worth a lot more in a year's time. As far as I am concerned, that cannot be avoided. In the same way, if they were sold off and their value plummeted afterwards, one would be congratulated for having made a good decision.

My last point was about the comments in paragraph 16 of your written submission, where you mentioned that you felt that the SIB was moving away from its core focus of ensuring the delivery of major infrastructure projects, and into:

“involvement in a wide range of regeneration projects.”

You stated that that was a distraction from its core business.

What sort of regeneration projects do you consider not to be major infrastructure projects, but which take up time with the SIB? I am trying to get a handle on that because, when I read that initially and thought of regeneration projects, I thought of projects such as Maze/Long Kesh, Titanic Quarter and Ilex. Those are also major infrastructure projects, so they tick both boxes because they will result in social regeneration and economic regeneration by creating jobs and so on. Where is the dividing line between the two categories?

Mr Smyth:

The projects that you highlighted are all significant. Our understanding is that the SIB is involved in those, and appropriately so. Below that, there is a layer of many more regeneration projects. The message in the paper is that we were not clear about whether the SIB had an important role in those. Many argue that there should be more transparency in that regard. If the SIB has such a role, it should be given more authority to take forward some of those projects. The concern of our members is that a limited pool of expertise is being dispersed around too many things, which may distract from the delivery of the main projects.

Mr Cawley:

The concern from the members was that the initial remit of the SIB was to produce the investment strategy and to support projects and reform. There seemed to be a concentration in community and social regeneration projects and asset realisation. Although that may be part of its remit, its exact roles were getting a bit blurred. People were concerned because they felt that it should concentrate on delivering the bigger projects, rather than going off to other areas that are potentially covered by other organisations.

Mr G Robinson:

On a general point, there seems to be quite a lot of doom and gloom, particularly about the construction industry. I appreciate that things are not going too well. However, are we any worse off than the rest of GB?

Mr Cawley:

I do not want to be a harbinger of doom and gloom. At the end of the day, the industry will recover. To be honest, the industry is currently looking for help. Perhaps some projects that are needed by the whole of the Province could be pulled forward. That could help the industry to stay on an even keel, rather than experience massive redundancy and a loss of skills. It is more about the industry receiving a helping hand going forward.

As to whether we are worse off than the rest of the UK, I suspect that there are a lot of drivers in the UK, such as the Olympics projects, and the cross-rail link, which are fairly significant projects that help the industry. It is struggling there, but not as much as it is here. Similarly, the industry is struggling in Scotland, but not as much as it is here. We are looking to see whether we

can put it on more of an even keel, rather than a see-saw. There is no doubt that we have suffered a little more. However, a lot of that is due to the property bubble, because it generated a lot of jobs, and then suddenly they were gone.

Ms Anderson:

I know that you want to focus on how much of last year's £1.7 billion spend has gone to construction. Given that the property bubble has burst, we, as MLAs, need to get an idea of how much the construction industry now depends on public expenditure. Previously, building was going on, and jobs were being created in the private sector before the property bubble. Therefore, the tension and pressure in the industry may be due to the fact that there is now only one source to depend on. It may be somewhat unfair to suggest that we could have an increase. Questions are being asked because people have not seen or do not believe that other sources have been cut off and that almost everyone is depending on the one pot. That could have an impact on the mindsets and concerns that you are talking about.

Mr Smyth:

There are some good figures. The construction index gives a breakdown. Do not quote me on the figures, but I think that public sector projects now comprise the majority of work in the construction industry; maybe it forms as much as 60%. We are all aware that house building has gone down. The normal commercial and industrial building has also dropped by around 20% to 25%. The public sector has become more important as a result of those drops. However, there is a good understanding of that in the marketplace.

The big issue that I pick up on is that, although one cannot complain about a proposed spend next year of £1.7 billion, which is a great sum of money, there are no obvious signs of where that money will come from, and that is the issue that I pick up on.

Mr Cawley:

The only thing that I can add is that the public sector has always been an important contributor to the construction industry in Northern Ireland. There was less of a reliance on that when the property bubble had an influence, but it has always been there. It has always been a core element for the bottom line of any construction company throughout Northern Ireland. It has provided a sustainable amount of work. We are now seeing that there is less of that work around and more people are trying to take part in it, and that has been driven by the overall recession. There are

more competitors and fewer jobs, and, therefore, that creates issues.

The Chairperson:

Thank you very much. That has been helpful. I look forward to further discussions with you.