

**CONSULTATIVE COMMITTEE ON  
CONSTRUCTION INDUSTRY STATISTICS**

**Minutes of the meeting of 13 June 2011**

**Present**

Keith Folwell	BIS (Chair)
Geoffrey Reed	BIS
Tony Wilkins	BIS (Minutes)
Graham Sharp	ONS
Siobhan Carey	ONS
Tony Crook	ONS
Elizabeth Birt	ONS
Pete Brodie	ONS
Caron Walker	ONS
Luke Croydon	ONS
Richard Field	DCLG
Allan Wilen	Glenigan
Robert Davis	Glenigan
Noble Francis	CPA
Jerry McLaughlin	MPA
Paul Jackson	ECA
Ian Pegg	BCIS
Joe Martin	BCIS
Julia Evans	NFB
Lee Bryer	Construction Skills
James Hastings	Experian
Stephen	Westminster
Gruneberg	University
John Stewart	HBF

**Apologies**

Yi Zhang	BIS
Ian Murdoch	NSCC
Peter Rumble	BCIS
Jonathan De Souza	Constructing Excellence

**1. Preliminaries**

**1.1** First meeting for Elizabeth Birt, Pete Brodie, Luke Croydon and Caron Walker from the ONS. Tony Crook was thanked for all his input to the committee as he is moving from the Construction team to National Accounts.

**1.2** Introductions were made and minutes from previous meeting were agreed, with one change, making it clear that ONS New Orders do not cover Northern Ireland but do cover refurbishments.

**1.3** Following on from the information Graham Sharp distributed to the committee about the classification of off-shore wind farms in National Accounts, Jerry McLaughlin asked about the classification of deep water turbines. Graham Sharp responded that the production (near the shore) of the gravity base should count towards construction (if recorded correctly) but that

the construction of the turbine should not. Keith Folwell suggested that there might be lessons we could learn from the oil industry.

## **2. ONS Output Figures**

**2.01** Noble Francis suggested that from his experience of talking to CPA members and from state of trade surveys he felt that the 2010 Output figures should be higher than 2009 figures. He expected them to be better than previously thought, but not as high as those given by the ONS Output figures 7.5% increase compared to 2009 (6% real increase taking into account deflation).

**2.02** There were concerns that January figures were lower than December figures. Because of the bad weather and Christmas/New Years, two weeks production time was lost, and so he expected the December figures to be lower. This could be explained by a lag in the data due to the information respondents use to fill out their returns. These possible lags are more apparent because the series is now monthly rather than quarterly.

**2.03** Siobhan Carey announced that the ONS would be holding a press briefing on Thursday 16<sup>th</sup> June to discuss the Output figures and outline the analysis they have been doing. This might also help to correct some inaccuracies that the press have been reporting. The news release from this press briefing can be found at:  
<http://www.statistics.gov.uk/statbase/Product.asp?vlnk=725>

**2.04** Graham Sharp and Tony Crook reminded the Committee of the changes made to the Output series, pointing out that no change had been made to the variable used to input towards GDP (despite what had been reported in the media). The GDP estimate is now believed to be more accurate as it is based on 2 full months and about 40% of returns for the third month rather than forecasts.

**2.05** The questionnaire was redesigned and now includes a breakdown of new work by type of work. Analysis is being done to improve parts of the new questionnaire to aid understanding, for example making clear that allied trades should be included and considering the different interpretations of the word "estimate".

**2.06** The Output survey is designed to always select large companies (over 100 employees or over £60 million turnover), and select smaller companies on a random basis. This way over 50% of turnover and 37% of employment is covered by the Output survey.

**2.07** Stephen Gruneberg pointed out that as output includes figures for materials there might be an element of double counting for figures in National Accounts. Tony Crook said that the figures are approximated using returns then updated with GVA figures, and that the assumption has been consistent over time.

**2.08** The ONS showed comparisons they had made with other surveys including the RICS UK Construction Market Survey, the CIPS PMI's, the MPA

survey and CPA survey. These other surveys have much smaller sample sizes, and are possibly biased towards SME's. The respondents are generally asked if their output is going up, staying the same, or going down.

**2.09** ONS found that using output returns for Q4 2010 and Q1 2011, there was a net balance of +5% of large (100+ employees) companies increasing output, but the total value of output for the same companies fell by 2.9%, suggesting that State of Trade surveys may not be completely at odds with Output figures.

**2.10** ONS outlined planned improvements, including plans to rebase to 2005 with the Q2 Output release on the 12<sup>th</sup> August 2011 as well as applying new deflators back to Q3 2002. This will have the effect of revising growth rates.

**2.11** Julia Evans suggested that many small businesses feel that the Output figures do not reflect what is happening to them, and so could lose confidence in the process. She suggested that the ONS make their statements more meaningful to individual businesses. This will help businesses feel that filling in returns is purposeful and that processes are robust.

**2.12** A discussion was had about media coverage of construction figures, including whether the headline PMI figures garner raised levels of attention as they are released first. CCCIS Members said that quotes in the media from individual companies could be somewhat misleading, as they had come across cases where the companies were saying one thing, but returns were telling another story and that not all firms move in the same direction at the same time.

**2.13** Keith Folwell brought up the topic of the newly published BIS Business Population Estimates, which suggested that there were many more firms in the construction industry than were covered by the Output survey. Many of these firms could be self-employed contractors and may not use PAYE or pay VAT and, if so, would not be picked up by the Output survey. Estimates of unrecorded output used to account for up to £20 Billion (the majority of which was repair and maintenance) although this figure is variable and hard to estimate.

### **3. Changes to the BCIS Tender Price Indices**

**3.1** Ian Pegg and Joe Martin outlined changes made to the BCIS TPI's since 2010. The Private Industrial and the Infrastructure indices were changed at the start of the year. Changes were needed as the sample of Bills of Quantities (BQ's) was diminishing.

**3.2** The previous Infrastructure Index was made up of 3 weighted indices (ROADCON, PUBSEC and Private Industrial TPI), the new index is composed of ROADCON and 2 new indices covering Rail tender prices and Water & Sewerage tender prices as this is felt to be more representative. The two new indices are calculated from input costs for the sector adjusted by market conditions from analogous sectors.

**3.3** The Office of Rail Regulation was helpful in providing research studies into the cost drivers in the industry for BCIS to use for modelling. In the absence of similar information for the Water and Sewerage sector the model was based on the analysis of typical projects.

#### **4. Update from BIS**

**4.1** Keith Folwell updated the group on the progress of the UKSA Assessment of the Construction Price and Cost Indices. BIS are on track to report back to the UKSA by July on improvements that have been made, with the hope of re-badging the statistics as National Statistics.

**4.2** Following the Review into the Monthly Statistics of Building Materials and Components, BIS hired the ONS Methodology Advisory Service to look into new grossing methods for correcting for non-response.

**4.3** BIS asked the group if they had any feelings about making the Slate and the Sand and Gravel surveys statutory in order to increase response rates. Noble Frances said that it would be beneficial to consult with CPA members before making any changes.

#### **5. AOB**

**5.1** John Stewart made the group aware of 2 upcoming events:

29<sup>th</sup> June – Glenigan Breakfast Briefing

7<sup>th</sup> July – Launch of the Construction Key Performance Indicators

**5.2** Jerry McLaughlin and James Hastings were concerned about the regional output figures. ONS explained that regional new work is modelled on New Orders data but that regional repair and maintenance is collected through the output survey, using the companies registered address. Jerry and James will send any particular concerns to ONS.

#### **6. Date of the Next Meeting**

**6.1** The next meeting will be held in November, further details will be sent nearer the date.