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It is a great pleasure to be with you all today, and particularly under your Chairmanship, David. You and I addressed a number of seminars together for Trent Concrete some years ago. It was fun, and by the end I think I could have recited your speech and you mine! It is very good to be back at a CCS event. The last time that I spoke to your members was at the Conference in Aldershot in 1995. I remember the event well, and indeed I often recall a question which a member asked me, and my reply on that occasion. I shall return to that in a few minutes.

Of course, that Conference was also arranged and run by John Huxtable, whom I saw from time to time in other capacities, of which the last was a Christian Conference at Ridley Hall, Cambridge, a few years ago. The topic was ethical dilemmas in construction, and John played a prominent part in the excellent discussion. It was indeed a tragedy, not only for Elizabeth but for us all, when he was taken from us so young. The evidence which he gave to my Review 10 years ago, and particularly the CSS contract documents which he sent me based on fair dealing, made a considerable impression on me and influenced my report. He is much missed, and our thoughts go out to Elizabeth in her sad loss.

I come before you as Chairman of CITB-ConstructionSkills and Deputy Chairman of a large main contractor, Willmott Dixon Ltd. But I also have strong links with the specialist contracting sector. I am President of the Flat Roofing Alliance and hold three separate positions as Chairman of organisations involving the Electrical Contractors Association and the Heating and Ventilating Contractors Association. I attach great importance to my work with the specialist sector, and have always seen them, since I did my Review ten years ago, not only as a vital part of the whole supply side team, but as the principal deliverers of value on site.

Let me give you an example of this. As it happens, I will use a mechanical and electrical illustration, but it could equally well be any specialist sector which is involved in detailed design, including your own company, Mr Chairman.

I devoted a whole chapter of my report in 1994 to detailed specialist design. Most projects in the building sector are still procured on a traditional basis. The client is 'lay', 'amateur', in that construction is not its core business. Let's imagine a medium sized, family owned and privately run manufacturing company. They are doing well. Trade is brisk and their old fashioned, nineteenth century factory is too small. They have a choice either to expand on the existing site in the centre of the city or move to an industrial estate and a new, purpose built factory on the edge of town. The directors meet together as a Board. They decide to go for a new building. They choose an architect. The architect will do a conceptual design and will choose a consulting engineer who will advise on the structure and perhaps also the mechanical and electrical systems, and do conceptual designs. Some other consultants such as landscape architects may be involved. After the design and the brief have been agreed, at least initially, between client and architect, tenders are sought from main contractors. They in their turn seek tenders from specialist contractors, and both sets of tenders are usually sought too quickly. Only after the team has been put together, frequently on an adversarial basis with prices which are too low, will the successful specialist M & E contractor be able to see the full picture of how the conceptual design and practical buildability will fit together. Often they do not fit, and then the M & E has to be reworked. Sometimes that rework will take place before going onto the site, but all too often it will only happen when the project is already underway. The result is added cost, claims, delays, and possible litigation. It is certainly frustration for the client.

All that could and should have been avoided. Effective partnering would have involved the M & E specialist, and others involved with design such as roofing, cladding or piling, being chosen on a quality first basis at the first stage. If a

competitive route had to be followed, it would be best if it was a two stage tender system, with price only coming in at the second stage, preferably with the contractor being the only bid under consideration by that stage. It is then possible for the conceptual designers, the main contractor, the cost consultants and any other team members to work with the specialists to get the design right the first time. This is the essential stage for effective value management when the whole team uses its collective expertise to design out wasteful or non-value adding elements. That does not mean just substituting cheaper M & E kit, though sometimes there may be savings to be made in purchasing policy. What it does mean is producing a design which can be implemented effectively and professionally, with all parties to the project valuing the whole project and not just their part of it.

The best results will be achieved by partnering. It is not a procurement route of itself. It is almost an attitude of mind, a cultural approach which sees the team as a seamless robe of client and the whole of the supply side. It must, by definition, include the consultants and the specialist contractors and suppliers. A partnering relationship between client and main contractor is useful, but is not complete. Best Practice demands a supply side assembled together on a best value basis, initially involving competitive interview based on quality, but not price, followed by building up the design and the price on an open book basis which allows the most effective value management. Repeat clients will then wish to keep such teams together for future work, while periodically ensuring that best value remains <u>best</u> value by interviewing other potential team members. Such an approach will ensure:

1) The client has a team which is specifically signed up to the client's own goals.

2) Proper attention is given to quality, by involving the designer at the earliest stage.

3) Equally, that the buildability of the scheme proceeds concurrently with the design, and allows for the maximum

amount of value management, directed towards stripping out all non value added costs without at the same time simply attacking quality or appropriate specification.

4) The client's financial advisors become part of the team as well, not there to provide person-on-person marking but to build up the costs on an open book basis with the whole of the supply side.

The team will then work in an integrated fashion. There will be no hierarchies, in that all have skills which are essential to the project. The conceptual design is crucial to quality and to client satisfaction, as well as that of the wider environment and posterity as a whole. But so is the specialist design, in all its forms. An ugly and inconvenient building is unwelcome and undesirable. But a beautiful and harmonious structure which does not work will enrage the client and all the occupants.

Partnering must be here to stay, since it makes so much more commercial sense for everyone than adversarial approaches, particularly for the client. But there is still a long way to go before the message is really spread throughout the supply side process and understood by clients themselves. I am frequently asked at seminars on partnering what can be done to get the message to more clients that they should move away from the lowest tender approaches. I reply that the industry and the Government need to take every possible step to put that message forward as widely as possible and support it with examples of successful partnering which have benefited clients. Real partnering, entered into willingly by all participants and enthusiastically led by the client, delivers real benefits in time, cost and quality. It is not a panacea. Things will go wrong. The difference that real partnering makes is that it enables all in the process to share the problems and engage collectively in their resolution.

And that brings me to the other issue which I imagine Elizabeth wanted me to share with you, how to have a first class and well trained workforce, whatever one's construction discipline.

Our industry has changed a great deal in the past few decades, from the time I first became involved with it in the late '60s. The structure of the industry has changed; and the degree of technological advance could scarcely have been predicted thirty years ago. But one thing has endured is the special emphasis which our industry places on the acquisition and practice of skills, some of which have been handed down over many generations. The tools may have changed, the ways of working have certainly moved on, but the dedication of expert practitioners has not. As a country, we can still take great pride in the quality of our craftsmanship.

We are beginning to see something of a revival in interest in practical skills generally and manual skills in particular. The announcement by Charles Clarke and Gordon Brown last week of new pathways into Modern Apprenticeships is a welcome signal of this. Similarly, the latest attempt to wrestle with the age-old problem of the status of vocational education, which Mike Tomlinson is conducting, looks as if it may well produce some concrete recommendations which stand a chance of raising the esteem in which vocational qualifications are held. So there are grounds for optimism.

It's a strange paradox that an industry which employs around two million people, around 7% of the economically active population, can at times seem quite parochial and introverted. And to the outsider, we can sometimes appear more focused on strange distinctions between craftspeople and professionals, contractors and sub-contractors, those 'in CITB scope' and those who are not, than on projecting a positive image of our industry to potential clients, to government and regulators and to the public at large.

How is this training best delivered? At CITB-ConstructionSkills we need to work within the limits of what Parliament laid down for us in 1964 and 1982, but also debates every year. I know that the concept of a compulsory levy is

not everyone's idea of the best way to fund training – though the tide may be turning. Whereas once the question was whether all the remaining levies should be scrapped, now we're beginning to see pressure to bring some back, for example in the film industry. In construction the 40 year old system of levy and grant underpins the training regime. The new Sector Skills Council, ConstructionSkills, which I chair, can now influence how significant amounts – some £300 million – of taxpayers' money is to be spent. Less than 60% of CITB's income is levy. Much comes from other sources. And the purpose of the levy is to share the cost of training and give grant to those who do train.

We are responsible for disbursing around £86million of grants this year. Over the past year or so, we've taken steps to try to make the process of claiming grant (and paying the levy) more straightforward. We're always looking for new ways of recognising the diversity of the industry, both in terms of specialist roles as well as size and ways of working, so that grant gets to where it can do most good.

If people say, as they sometimes do, "I'm not getting my grant", we talk to them to see how we can help. If you pay the levy and you don't currently apply for or receive grant, we want to hear from you. We have to pay out grant in such a way that we can account for it to Parliament, but within the legal limits we want to be flexible. We don't collect levy in order to hoard it in the bank. In fact, in 2002, for every £1.00 of levy received, 93p was paid out directly in training grants, allowances and college fees. But the industry actually received £1.61 in total benefits of various kinds.

The industry needs to demonstrate that it is serious about training and the qualification and certification systems that come with it. At the health and safety level, that is particularly vital. We want to see a fully qualified workforce by 2010, and a workforce that can prove it is qualified, too.

Our industry now stands on the brink of a period of unprecedented opportunity. We have more stable economic conditions than for a very long time. There is a great deal of business out there to be done, not least from

the big public sector programmes – the schools, the hospitals, the roads and the major urban regeneration programmes. But it is also a more competitive scene, with overseas firms competing strongly in the UK market.

If British firms are to remain competitive, whether they are multinationals, large domestic or regional builders, or small or even micro businesses; and whether they are general builders or specialist firms or individual craftspeople, they must invest in their employees and in continuously upgrading their skills.

Staff, in a mobile workforce, need to feel some ownership of their employers' goals; firms need to work harder to meet customers' rising expectations; management needs to be tighter, productivity increased.

The better the performance of individual firms within it, the better the overall reputation of the industry will be. It will be easier to recruit high-calibre people into the industry; quality standards will increase still further; clients will pay for and receive better quality; and we will be in a virtuous circle of improvement.

That's my vision of the industry over the next few years. I am greatly encouraged by the progress we've already made.

Lastly, I promised to share with you the exchange which I had with one of your members in Aldershot nine years ago.
(Then describe)

Ours is a seamless industry. We need to work together to deliver best practice. That is what I believe in. I am sure that you do too. So lets take forward this great industry, knowing that what we build will outlive us and perhaps also generations still unborn.