



Q2 2012

Introduction

Founded in 1895, the Scottish Building Federation (SBF) is the lead voice of the construction industry in Scotland, an industry which contributes around £10 billion (c.10%) to Scotland's GDP and employs more than 200,000 people. The overall aim of the organisation is to ensure that the important contribution of the Scottish construction industry to Scotland's economy and society is recognised and valued and that industry standards are raised. It does this through joint working with industry, government and the media.

The Scottish Construction Monitor is a quarterly business confidence survey of the membership of the Scottish Building Federation, encompassing more than 700 construction firms from Orkney to the Borders.

The Monitor continues to be a vital tool in our work to raise the profile of the Federation and our industry. By focusing on a wide range of issues affecting the construction industry, it consistently generates widespread interest and media coverage, providing an important platform to highlight to policy makers and journalists the key concerns of our members and the building industry more generally. It is now widely viewed as an important barometer of confidence within the Scottish construction sector.

The survey consists of 3 standard tick box questions together with a question on a topical issue of the day.

The Scottish Government has recently made commitments to deliver a root and branch reform of construction procurement in Scotland and has just published a public consultation on proposals for the introduction of a Procurement Reform Bill.

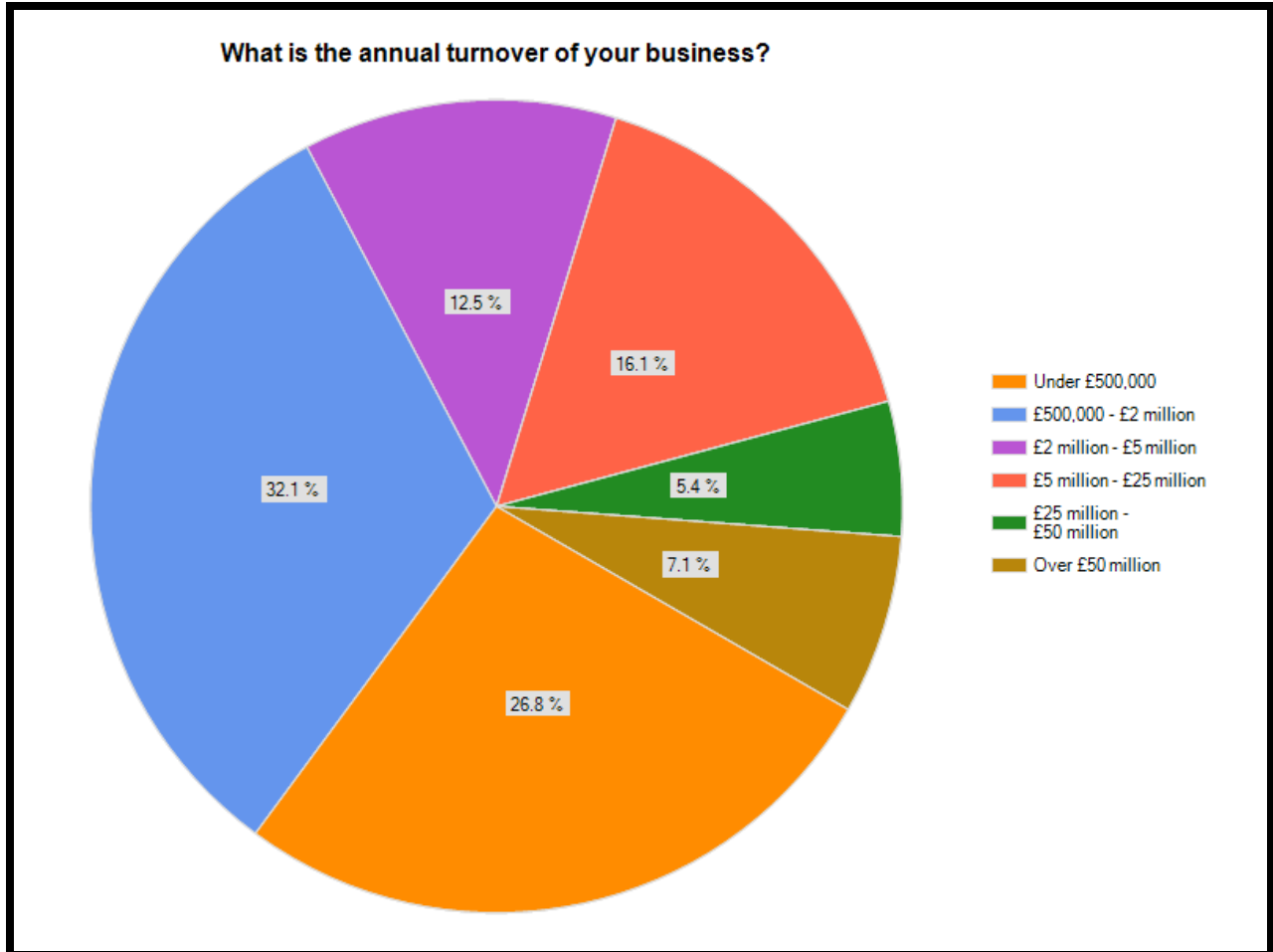
With this in mind, the latest edition of the survey focuses on the issue of public procurement and asks SBF members a series of questions about their own experience of participating in public procurement processes and the associated costs.

Summary of results

Main findings of the latest survey are as follows:

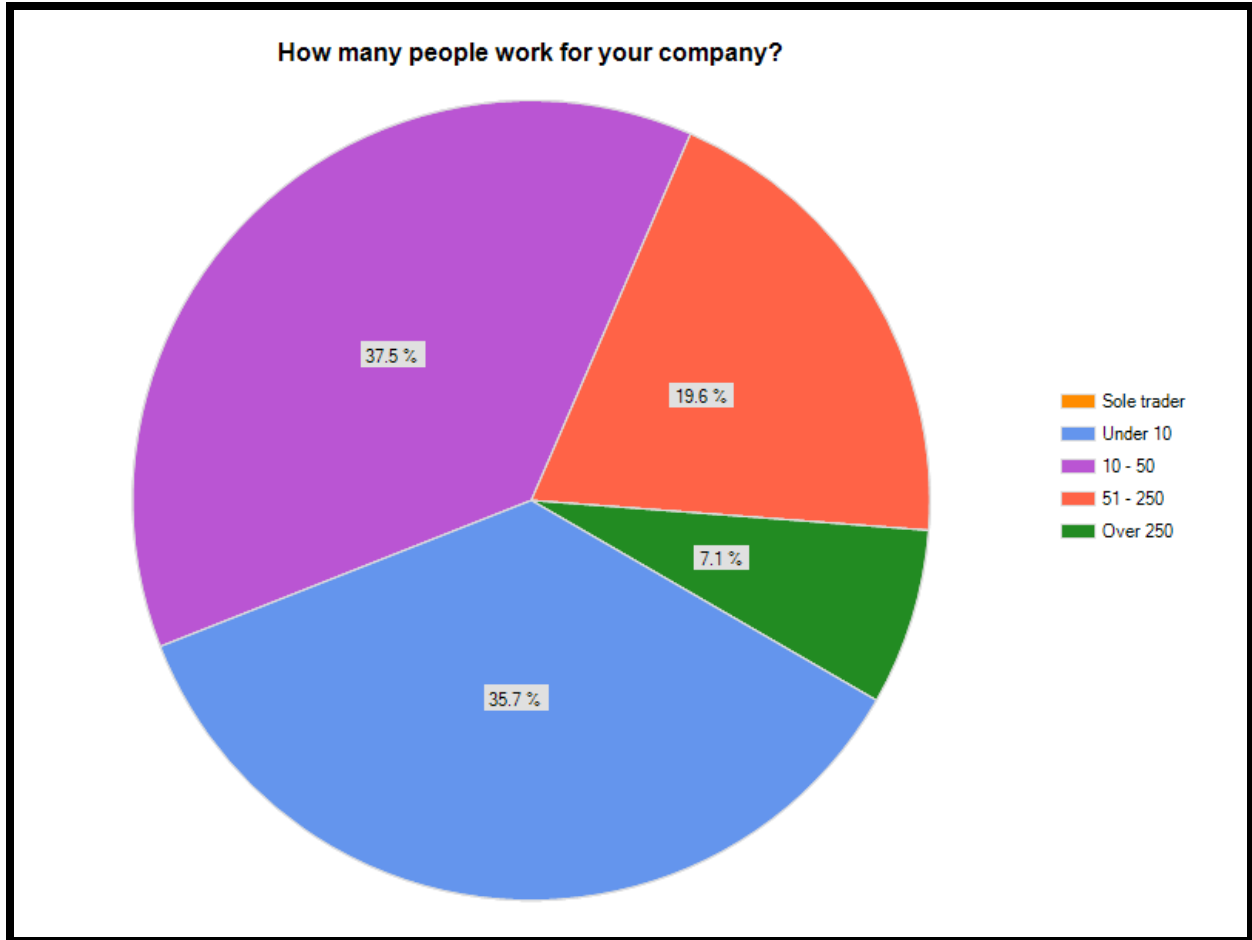
- Industry confidence continues to fall and has dropped a further 12 points since the previous quarter, having now reached MINUS 40;
- The industry's confidence rating now stands three points below where it was in the third quarter of 2010, when the impact of the previous recession was at its height;
- The percentage of respondents who are more confident about their prospects for the next 12 months compared to the past year has slumped from 15.2% in the previous quarter to 5.4% this quarter, while the percentage of respondents less confident about their firm's future prospects has risen from 55.7% in Q1 2012 to 67.9% this quarter;
- 63% of construction firms with a turnover less than £2 million say they have submitted no PQQs for public procurement in the past three years;
- A number of small firms responding to the survey submitted supplementary comments to the effect that they were dissuaded from participating in public procurement due to prohibitively high associated costs;
- The average construction firm has to submit 36 pre-qualification questionnaires for every successfully secured public contract, an average success rate of 3%;
- On average, less than one in four PQQs completed results in a company getting through to the tender shortlist;
- On average, one out of every eight procurement processes where the company is shortlisted finally results in that company being successfully selected to carry out the work, an average success rate from shortlist to successful tender of 12.5%.

Business profile: Annual turnover



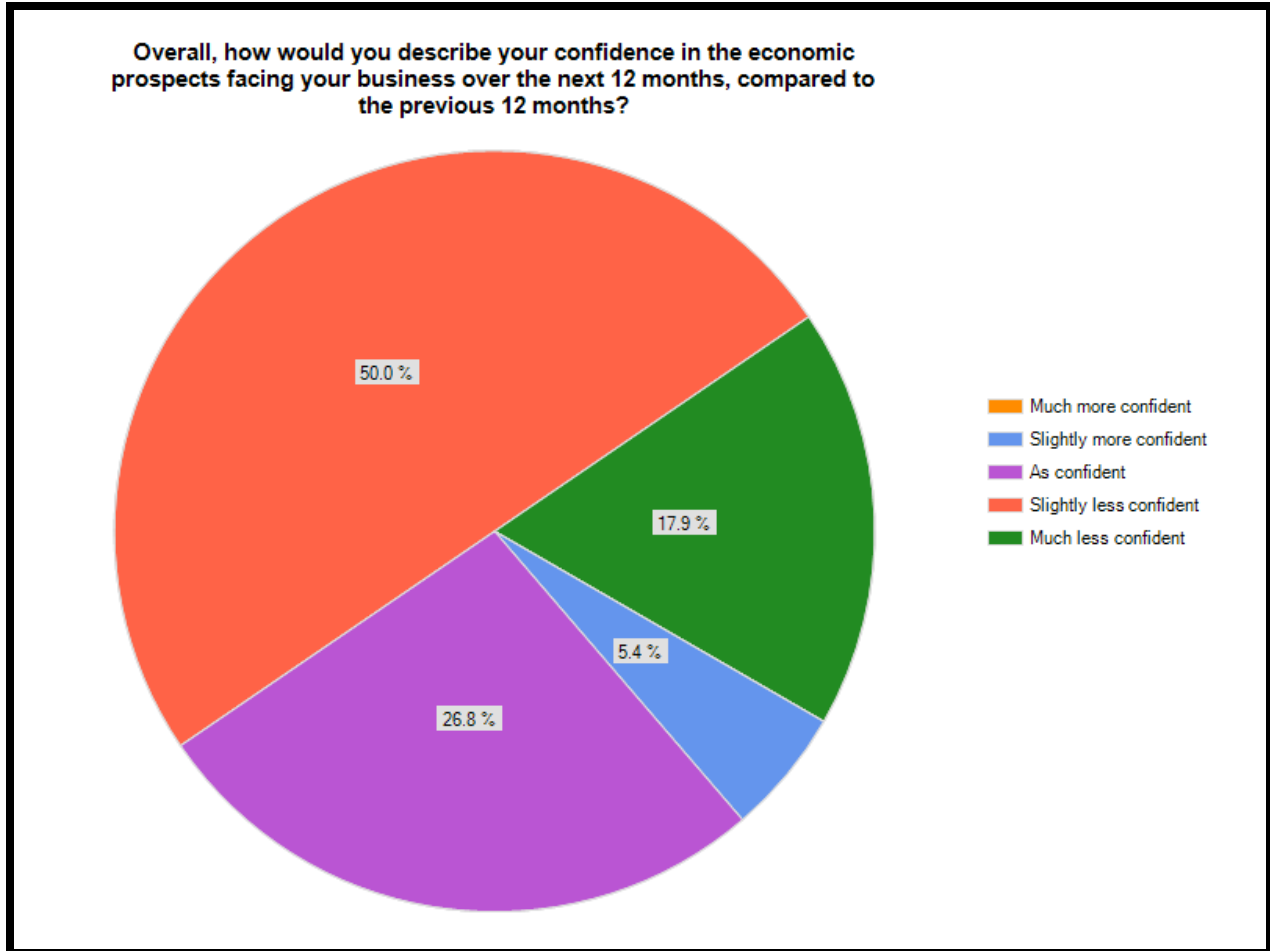
- 57 Scottish construction firms completed the survey online or by post between the 1st July and the 10th August 2012.
- Businesses were categorised in terms of size (no. of employees and turnover).
- 27% of respondents were small businesses, having an annual turnover below £500,000, broadly the same proportion as responded to the previous survey in Q1 2012.
- 45% of all respondents could be described as medium-sized businesses, having a turnover between £500,000 and £5 million (a reduction on the percentage from this category that responded to the previous survey).
- The remaining 29% of firms responding to the survey represent very large businesses with a turnover of £5 million or more (an increase on the percentage of larger firms that responded to the previous survey).

Business profile: Number of employees



- Similar to previous surveys, a little over one third of respondents to the latest survey are small companies, having a workforce of less than 10 people.
- More than one quarter of firms responding have a large workforce, employing in excess of 50 people.
- The balance of respondents (38%) are medium-sized firms employing between 10 and 50 people.

Q2 2011: Scottish Construction Confidence Rating



The Scottish Construction Monitor is calculated from the responses to the following:

“Overall, how would you describe your confidence in the economic prospects facing your business over the next 12 months, compared to the previous 12 months?”

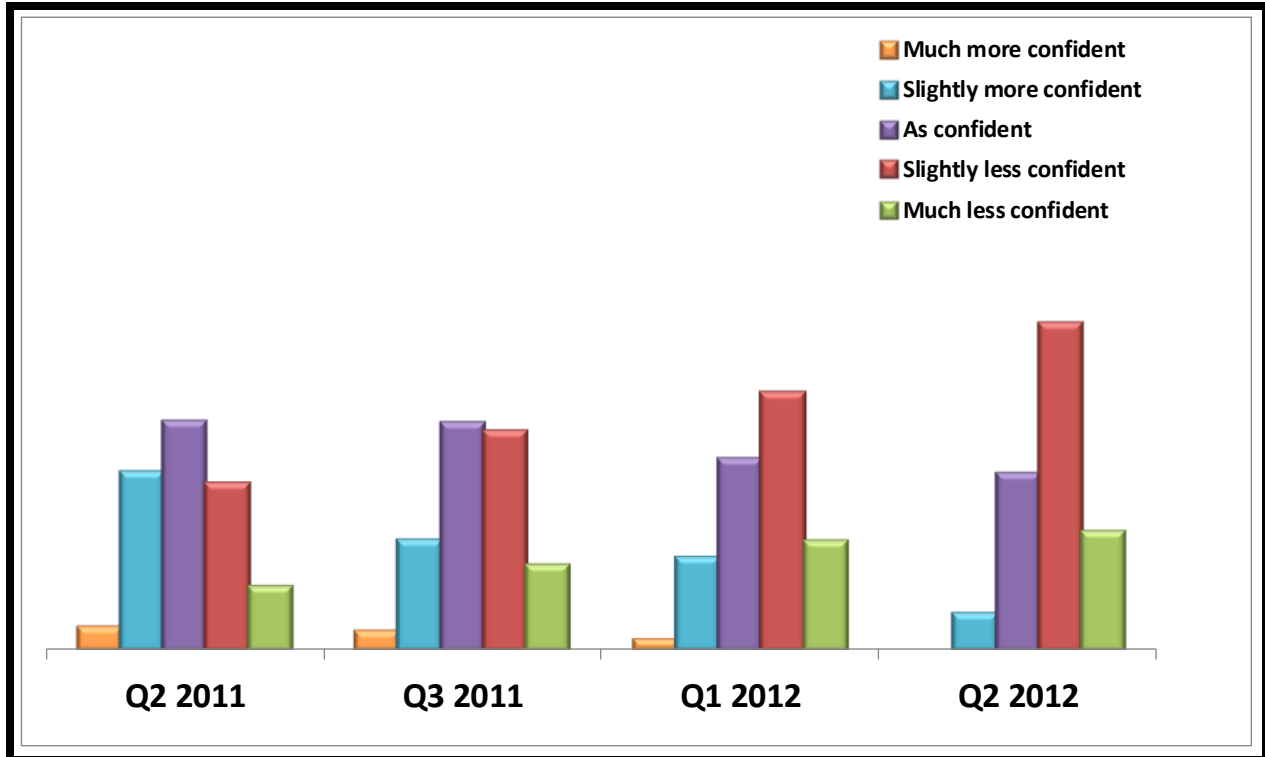
A score is applied to each response as shown below, and an average score calculated:

- Variable Score
- Much more confident +100
- Slightly more confident +50
- As confident 0
- Slightly less confident -50
- Much less confident -100

Using this method, a Confidence Index of +100 would indicate that all survey respondents were much more confident about future prospects, while -100 would indicate that all survey respondents were much less confident about future prospects.

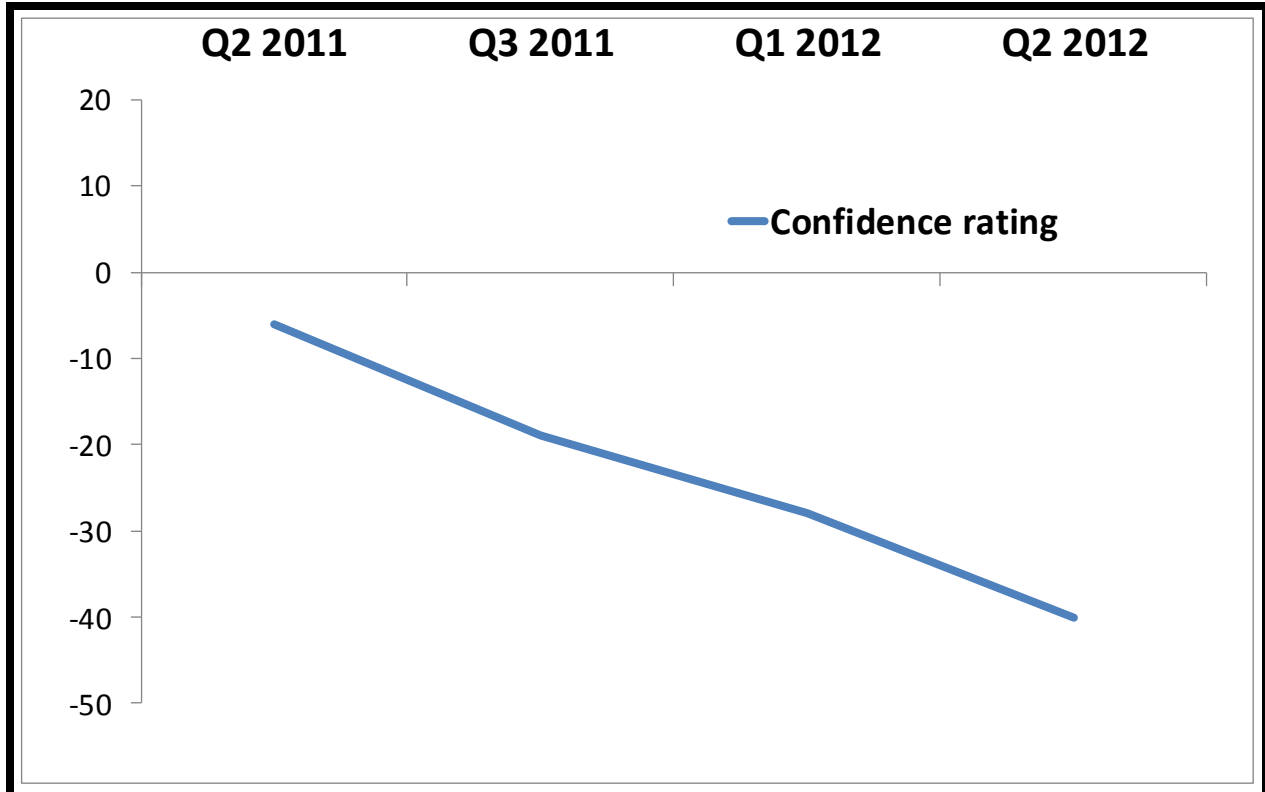
On this basis, the overall confidence rating this quarter is **MINUS 40**.

Q2 2011 – Q2 2012: Scottish Construction Confidence



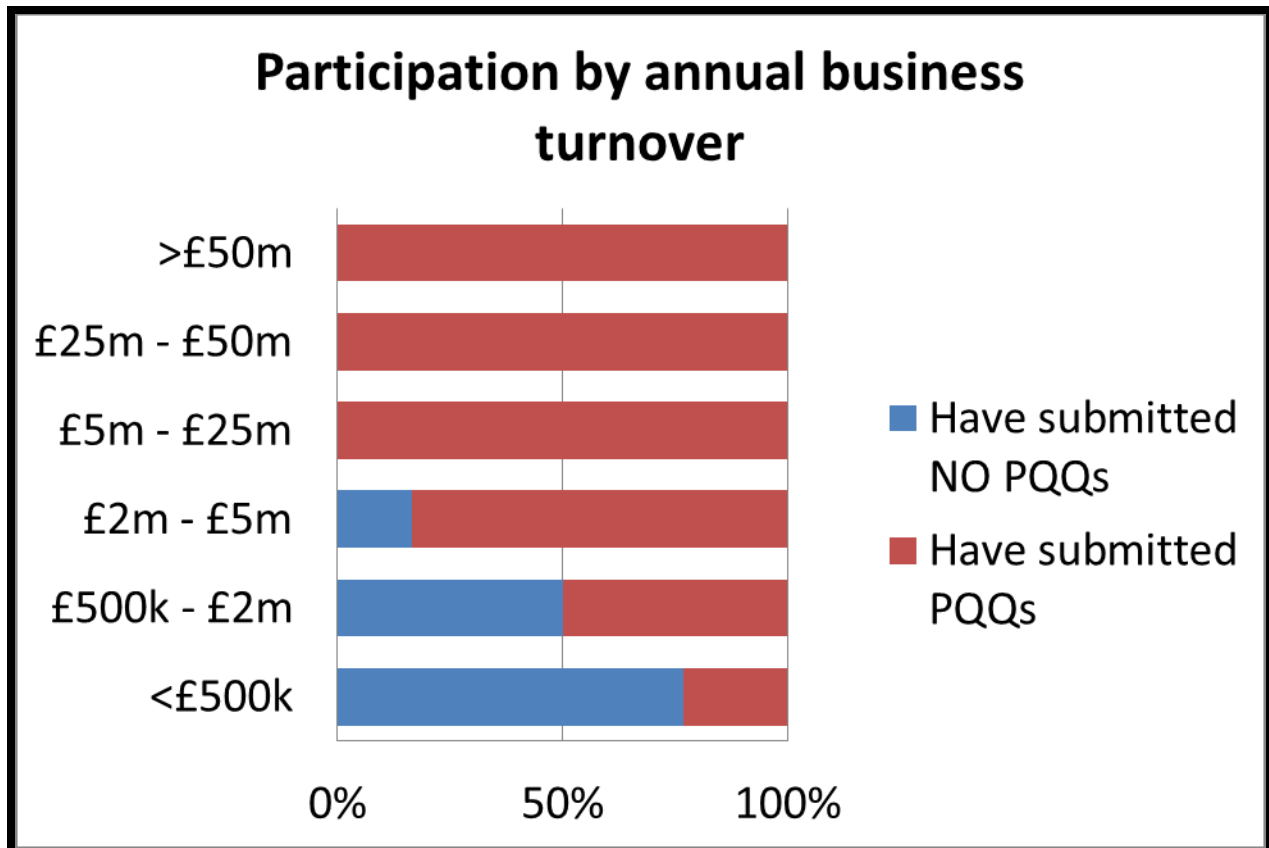
- The percentage of respondents who are more confident about their prospects for the next 12 months compared to the past year has slumped from 15.2% in the previous quarter to 5.4% this quarter;
- Conversely, the percentage of respondents less confident about their firm's future prospects has risen from 55.7% in Q1 2012 to 67.9% this quarter;
- The proportion of respondents who are neither more nor less confident about the future prospects for their business has also dropped marginally compared to the previous quarter, down from 29.1% to 26.8%.

Q2 2011 – Q2 2012: Scottish Construction Confidence Rating



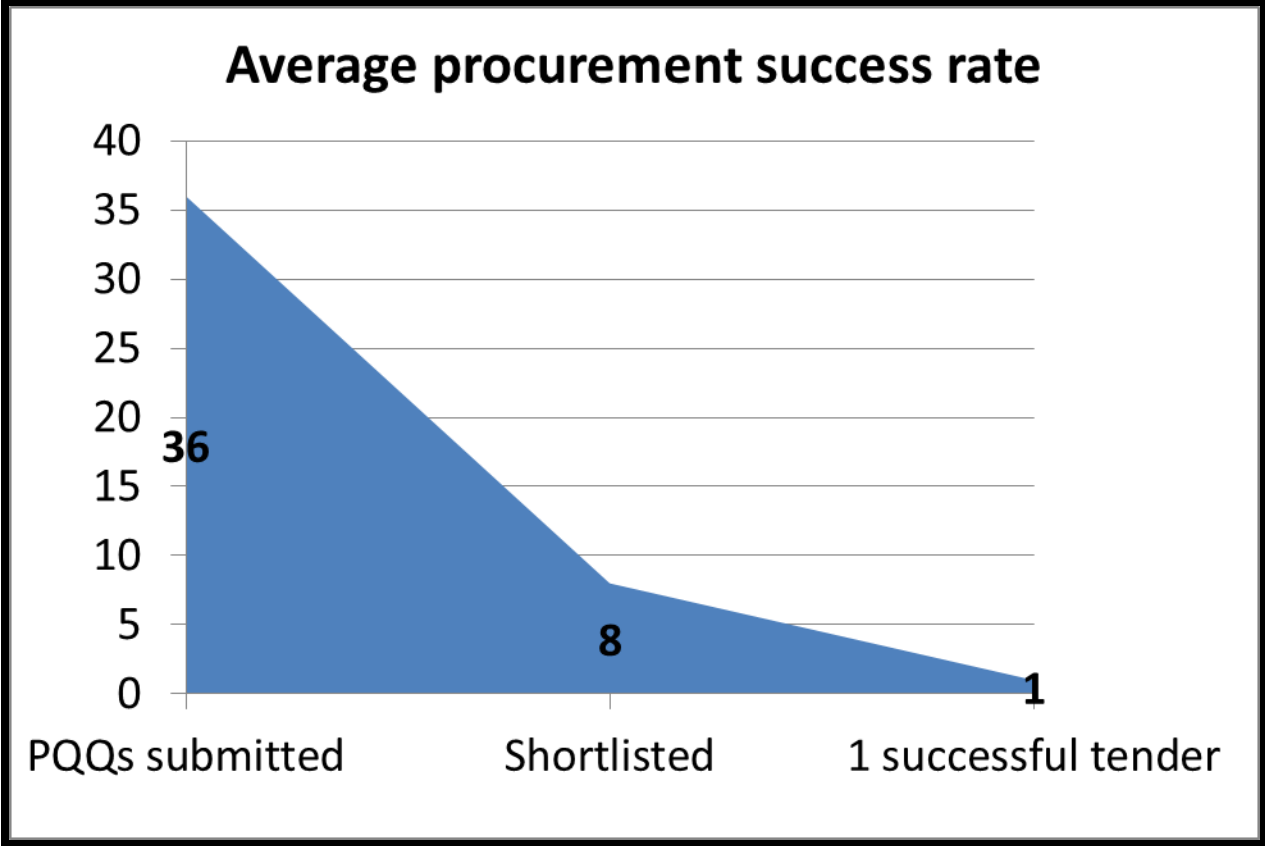
- Confidence has dropped by 12 points this quarter;
- This is the fourth consecutive survey period where a drop in industry confidence has been recorded;
- Industry confidence has now fallen by 34 points since the second quarter of 2011;
- The industry's confidence rating now stands three points below where it was in the third quarter of 2010, when the impact of the previous recession was at its height.

Public procurement: Participation by business size



- 63% of construction firms with a turnover less than £2 million say they have submitted no PQQs for public procurement in the past three years;
- A number of small firms responding to the survey submitted supplementary comments to the effect that they were dissuaded from participating in public procurement due to prohibitively high associated costs;
- By contrast, all firms completing the survey with a turnover above £5 million have participated in public procurement over the past three years.

Public procurement: Average success rate



- The average construction firm has to submit 36 pre-qualification questionnaires for every successfully secured public contract, an average success rate of 3%;
- On average, less than one in four PQQs completed results in a company getting through to the tender shortlist;
- On average, one out of every eight procurement processes where the company is shortlisted finally results in that company being successfully selected to carry out the work, an average success rate from shortlist to successful tender of 12.5%.

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Report prepared on behalf of the Scottish Building Federation by Orbit Communications



Scottish Building Federation
Crichton House
4 Crichton's Close
Holyrood, Edinburgh EH8 8DT
0131 556 8866
www.scottish-building.co.uk



Orbit Communications
Belgrave Business Centre
45 Frederick Street
Edinburgh
EH2 1EP
0131 257 4232
www.orbit-comms.co.uk