

# GOING INTO EUROPE

There is no Common Market yet. There are, however, six separate countries in Europe, linked by a common external tariff, but each different from one another and each presenting quite separate trading problems. This was one of the main conclusions to emerge from the one-day conference on 26 October on 'The Common Market and Construction' sponsored by 'Building.' It was attended by more than 300 senior representatives from British building firms, manufacturers and suppliers, the professions, research establishments and government departments. Together with several visitors from overseas, they listened to the most searching discussions yet held on this subject.

The Minister of Housing and Construction, Julian Amery, acknowledged the significance of the conference in the context of the Great Debate when opening the proceedings. The historical perspective was vital, he suggested. Britain had existed very comfortably, first on nineteenth-century free trade, then on the Empire Preference system until the 1950s, then more precariously on the dollar-founded free trade world of the '70s. The latter was now disappearing to be replaced by major regional world groupings and 'if we go into a regional grouping I don't see one for us except Europe.' The EEC offered, with Britain in, a market for general expansion in which 250 million people would require more than £30 000 million of construction work. But entry would not 'like Joshua's trumpet, bring down the walls so that we can simply step in to pick up the pieces.' The first steps involved gathering and analysing the facts, as at this conference. Government was contributing by studying relevant legislation, including the most recent commission directives to free competition for European public works projects costing over £425 000. Expansion of British construction as a result of Market membership might also provide a base for a move into third markets, particularly in the developing countries.

## Impact on construction

Introducing the first of the panel of speakers, the conference chairman, Peter Trench, reminded the audience that, whether we went into the Common Market or not, it was certainly time that the industry realised there was a market in Europe. This theme was continued by speaker David Cochlin, director, Building Management and Marketing Consultants Ltd., but he suggested that, if British firms appeared to have done too little of the necessary homework, continental firms had done even less. He was reporting the findings of a survey of 120 companies here and abroad as part of a study of the likely impact of the Common Market on construction, a survey carried out by BMMC for DOE.

In Europe, no contracting firms or their federations thought that membership had

increased inter-European competition significantly. The growth in business was thought to result from domestic expansion, not Market membership. Cost effects were difficult to calculate, being influenced by relative living standards, internal cost pressures, impending VAT duties and so on. Certainly no massive influx of foreign labour was likely, and in Europe the Italians were returning home in large numbers.

Competition might become noticeable in materials and components, however, since our own tariffs were currently higher than the EEC's. DOE statistics also showed a great increase in intra-European trade in materials and components, even though firms had told the BMMC survey that demand had expanded so much that competition from other countries was not important. The exception was the Italian ceramic industry, which had made great inroads into the Benelux countries and, to a lesser extent, into France and Germany. Italy was regarded by some as the EEC's Japan.

Competition might yet show itself in an unusual way by more continental firms seeking British construction managers. There was widespread respect for UK firms, who were thought to make profits on a lower turnover and in a poorer social climate than in Europe, while executive salaries were higher in Europe. A separate study by BMMC had shown that many British contractors did not see their future expansion coming from national economic growth, about which they were broadly pessimistic. Yet their EEC counterparts were growth-indoctrinated. For British builders, therefore, the EEC growth rate was a plus factor. So were factors like the 'image' of British contractors, the acknowledged expertise in property development, linked to an unrivalled finance and capital market in the City, and the impending opening up of the public works sector to intra-European competition. Rising labour costs could bring benefits to our industrialised systems for schools in particular. Regulations and standards were not seen as a major obstacle.

Individually, Germany has great potential, especially for schools and high rise building methods; Belgium and Holland might present some design-and-build opportunities, notably in warehousing, transport and major industrial developments, despite the local expertise available; Italy was much more problematic, though there was an obvious social need for schools, housing and possibly new towns.

In the subsequent discussion, A. Short, of BRS, commented, as this year's president of the Comité Européen de Beton (CEB), that too little notice had been taken in Britain of CEB-agreed principles which were now influencing national codes of practice. Russel Jones (J. M. Jones and Sons) suggested that contractors might be more interested to enter

the Market in the first instance as property developers rather than as contractors. Mr. Cochlin replied that some firms might simply be awaiting the 'public work' liberalisation. Also, the size of project would probably grow in the EEC, and joint ventures with continental firms might become more attractive, especially in view of the plant problem.

To a question about sheer communication in other languages, Mr. Cochlin instanced the case of a small specialist firm in Italy who moved into Frankfurt. When it came to working drawings and architect's variations, they had been obliged to take on a German national (in this case as project architect) but had not found this a problem. S. B. Tietz, a consulting engineer whose firm has done much work in Europe, recalled that there was often less difference between our building regulations and legal requirements and those of EEC countries than there was between member-countries of the Community. Yet it took time to understand what was meant 'between the lines.'

To a question about the transfer of money across borders, it was suggested that delays might be encountered due to different degrees of exchange control, but there was no prohibition. Dutch firms sometimes had to wait two years to get their payments out of France. Germany was easier. What of profit margins? It was reported that some UK firms operating in the EEC found that both margins and return on capital for property development and housebuilding were much higher there than in the UK.

## Non-discrimination the goal

The next speaker, one of the so-called Brussels bureaucrats, was Dr. Ulrich Bruns-Wüstefeld, a member of the EEC Commission and a man of patent tolerance and good humour. The regulations he described were the Directives of the Commission which established the framework for non-discriminatory competition across borders. These now covered the unrestricted movement of workers (there were now about 3½ million 'foreign' workers in the EEC countries as a whole, he said) and the right to set up business and to supply services in member countries. There was no means of compelling non-discrimination in private building projects, but public projects were now being liberalised. From July this year, countries would have one year to comply with the latest directive for opening public works valued at over 1m US dollars to competition by non-national firms. However, nationalised railways, nuclear installations and extractive industries were excluded. Similarly, in the associated directive to harmonise methods of awarding public works contracts, transport and water or energy distribution were specifically excluded. Negotiated tenders were permitted, as were selected lists, but the purpose was to prevent discrimination by having standard invi-

ation and selection procedures. Italy, for example, would have to abandon the 'sealed envelope' system after mid-1972, which might end the 'clairvoyance' of one contractor who had been found on six occasions miraculously to have quoted exactly what was computed by the authorities in the 'sealed' envelope. A significant point was raised by M. Latham, of James Latham Ltd. One of the directives apparently prohibited the naming of a product in a specification. What of the British practice of stating 'Messrs. XYZ product or similar'? The question brought no conclusive reply. When it was raised again nearer the day's end the consensus answer was that a product could be mentioned in a specification if it was unique or of a specific kind (e.g. Portland stone) or was not adequately covered by a performance standard. To a subsequent question from James Nisbet (James Nisbet and Partners) it was pointed out that each country had a different system of description. In Germany, for instance, 'quantities' usually meant a bill of approximate quantities, with 'fixed prices' which were in reality firm unit rates to be applied to the final measurement of work.

## The economic potential

The statistical framework was then sketched by Henry Palca of the DOE. Despite the currency revaluations since 1968, he said, the income per head of population showed the UK, at 2000 US dollars equivalent, now lying behind all the main EEC countries except Italy, which produced only \$1500 per head of population. The figures must be compared, however, with that for the United States itself, which was \$4000 per head. There was therefore still great potential, because with the accession of Britain there would be a group with 25% more population than the US but with only 60% of its GNP per head.

At present, the EEC population was 3½ times that of the UK but its gross construction output was five times greater. It built 1 000 000 houses a year; we built an average of 370 000 a year. Construction output between 1964-69 had grown by 90% in Holland, 35% in France, 30% in Italy, 23% in Germany, 22% in Belgium. In the UK it grew by only 19% and actually fell back from this level in 1970, although a big upsurge was expected in 1971-72. During latter years, also, employment in construction in the UK had actually fallen. If the EEC Six became the Ten, it would be larger in population size than the United States or the USSR. A large and expanding construction market was being created, in which at present the EEC countries exported £300m a year of materials and components and imported £100m. The 'deficit' countries in this respect were France and Holland, the net exporters Italy, Germany and Belgium.

## The professional situation

M. Jean Claude Pick, of Omnium Technique, Paris, then described the professional situation, which he said varied from country to country. However, the trend in most countries post-war had been towards integrated offices, sometimes led by engineers, sometimes by architects. The greatest difference with

Peter Trench, educated at London and Cambridge Universities, spent his early career with Bovis Ltd., joining as a management trainee. He was to become managing director—from 1954 to 1959—before accepting the post of director of the NFBTE. This he held until 1964 when he formed his own private consultancy, Peter Trench Associates Ltd. His principal current appointments in the industry are: deputy chairman, Y. J. Lovell (Holdings) Ltd., director, Nationwide Building Society, research adviser, Housing Research Foundation (NHBRC), consultant, ICI Ltd., chairman, Building Management & Marketing Consultants Ltd., director, The Builder Group, director, Crendon Concrete Ltd. He is also chairman of the Building Centre Council and vice-president of the Modular Society.

David Cochlin is an economist and marketing consultant who studied at the London School of Economics. His early career included financial journalism and research work for the National Institute of Economic and Social Research—on the economics of industrial factory relocation in development areas. He then spent several years as forward planning officer and later as an export manager, with Black & Decker International. In 1959 he joined The Industrial and Commercial Finance Corporation in the City, as marketing adviser, and did several detailed economic and marketing studies of construction industry clients—contractors, material and component suppliers. From 1963-1968 he was a director of The International Building Exhibition. In October 1968 he joined Building Management & Marketing Consultants Ltd. as an executive director. He is also currently preparing books on the construction industry of the EEC; and on marketing for contractors.

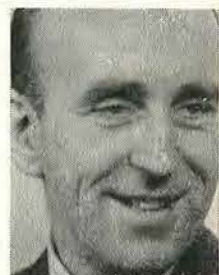
Henry Palca obtained his first degree at the University of Oxford and an MSc (Econ) degree in applied statistics at the University of London. He is at present chief statistician of the Statistics Construction Division of the Department of the Environment. He is responsible for the collecting and analysis of statistics relating to the UK building materials and construction industries, work which forms part of the Government Statistical Service. He is also a member of the standing consultative committee on construction statistics of the NCC for the building and civil engineering industries. Before joining DOE he had held posts in statistics, at the Ministry of Agriculture, the Egg Marketing Board and the Post Office.

Dr. Ulrich Bruns-Wüstefeld is a lawyer by training, who took his PhD in law at Heidelberg University. His career prior to joining the Commission was spent in Government. He joined the Commission in 1958. He is currently joint-head (with M. Jean-Pierre Cleenewerck de Crayencour) of the Rights of Establishment and Services Department of the Division of Harmonisation of Legislation and Internal Market Conditions of the Commission of the EEC.

Jean-Claude Pick is a consultant and is international vice-president of Omnium Technique OTH. As international vice-president he is the manager of OTH's activities abroad (sales policy, follow up of negotiations, finalisation of contracts, search for financing, supervision of branch offices' activities, etc.). Omnium Technique is a major French consulting group, with an international reputation and business, specialising in planning, design and civil engineering. M. Pick started his career as an engineer for COPIC (Compagnie Parisienne d'Ingenieurs Conseils). He then moved to the Urban and Transportation planning department of SEMA (Société d'Economie et de Mathématique Appliquées). He joined OTH in 1961 as director of the Urban Planning Department, which in 1968 became OTAM—the Urban Planning and Development Division of OTH.

Christopher George Tudor Pole was educated at the London School of Economics and speaks French, Italian and Arabic. After the war he played an important part in the work of BETRO (British Export Trade Research Organisation), an organisation which was sponsored by our major industrial companies and was concerned with the study of overseas markets and the export possibilities for British companies. In 1947 he joined Secomastic Ltd. and became managing director of that company in 1961. He was always keenly interested in the export field and it was mainly due to his effort that Secomastic Ltd. products became so well established in many countries of the world. Secomastic was subsequently merged with Expandite Ltd. and he became general manager of the Building Products Division of Expandite. He is now marketing co-ordinator of the International Division of the parent company, Burmah Industrial Products Ltd.

Hendrik Spierenburg is a civil engineer, who graduated at the Delft Technical University; and he is a member of the Royal Institute of Engineers (Holland). His early career included road design for The Hague Municipal Reconstruction and Development Department; design work on industrial expansion projects in Holland; and site progress and quality control for Badger Inc., the well-known consulting engineers. Between 1959 and 1965 he worked in the Middle East, and then in 1966 he was appointed head of Bredero Bau GmbH at Frankfurt. Bredero Bau is the German subsidiary of Bredero United, engaged on city reconstruction, new towns and shopping centres in Germany. At the beginning of 1969 he joined Nederhorst United, as a joint managing director of the Nederhorst Construction Co. Ltd., which is the civil engineering, building and foundation engineering division. The company regards North West Europe, rather than Holland, as its 'market.'



UK practice was the absence of a bill of quantities. In Italy, for instance, prices might be based on a preliminary design by an architect, while the client could choose another architect to supervise the project.

Legal protection for the private architects was a problem in most of the countries, he said, and soon anyone would be able to practise as a designer or engineer in France if he could claim sufficient experience. The Belgian Society of Architects had been formed only in 1959, and its Society of Engineers was being formed only this year. The President of the French Architects' Society had recently claimed that only 27% of the total building market in France now came under the supervision of architects, but perhaps this exaggerated the situation. However, the project manager was certainly a growing profession in that country. Another development was the new fee system for public works. Here, the fee was a percentage of a target price. If the target price was not reached, the professional received a bonus. If it was exceeded, he was penalised.

### The business background

Henrik Spierenburg of the giant Nederhorst Construction Company, from Holland, followed with a perceptive business appraisal of the Market. An integrated concern offering engineering design and construction, Nederhorst had grown from an annual turnover of £15m to £75m in six years, he said. The major expansion now must come from outside Holland, and British companies now faced the same decision which faced Nederhorst only six months ago.

The Common Market was not yet really formed, he said, but was a collection of quite individual countries. If there was a general link it was the need for urban redevelopment in most countries, for integrated transport and car parking programmes and for nuclear power plants. (Despite the 'protection' for the last category against outside competition, he felt that the right prices would gain the work).

Germany was still booming, but the big construction areas were now the great ports like Hamburg and Wilhelmshaven. Bonn might become a main centre of activity if Germany was tacitly shelving plans to make Berlin the capital. Holland had the great river deltas, and the Benelux countries formed a natural hinge for an EEC operation. Roads and transport facilities in Belgium were following the concentration of industry around the deep water ports, but social housing was a priority, as in Holland, where additionally people wanted renovation of slum centres, not wholesale reconstruction. The Paris region would obviously dominate the French market, having 10-15% of the total population, but Marseilles, Le Havre and Dunkirk were growing industrial centres.

What was the competition? Germany had few general contractors, and their efficiency was limited by a certain conservatism. Banks often had an interest in the firms, which meant that a bank construction job was often 'spoken for' in advance. The same applied in France, where again specialisation, especially in engineering, was a feature of the larger firms. But though the Ecoles Polytechniques produced some of the best technical men in the world, the business flexibility,

especially with finance and advisory services, was often lacking.

Firms in Belgium were on the whole smaller and very much general contractors, but the wide private ownership often meant that the management manpower was just not there. Holland had shown most adaptability to the situation, and there were now four or five Dutch firms extending rapidly into the £50-£100m turnover category.

How should one enter this market? Nederhorst now preferred a prudent approach to the crash programme. There always seemed to be permutations of the same groups of names in German big city projects, so they hoped to gain medium-sized building projects first, then perhaps industrial contracts, then maybe development projects along the Rhine and branch out from there. Joint ventures needed to be carefully weighed. They should be devised project by project, not for a whole territory, nor with one single company necessarily. Certainly they were best arranged with public companies where policies would not be changed just to meet the owner's personal tax position. If expansion was to be pursued in a country, a local top man was a very high priority, but he was first taken into the organisation and trained to think as a Nederhorst man.

### Joint research?

Mr. Spierenburg then made a plea to British firms to join forces with European counterparts in research and development. 'Our competitors are not in Europe,' he said, 'they are in the US and Japan. Why should we be their water carriers? There are civil engineering groups in Japan now with £300m turnover a year and doing applied research of £3-£4m a year.'

British firms, with their experience of dealing with all kinds of people overseas could join with European firms to develop deep sea construction techniques, methods of tunnelling, housing systems, etc. During the discussion, it was explained that there was a trend in France to one-family houses, though the majority of social housing was still in apartments. Smaller developments were also increasingly favoured. Dr. T. W. Parker, Agrément Board, indicated that a trend away



Above, an informal grouping of speakers

Below, a section of the 300-strong audience



from the previous approvals system was now discernible in the Community regulations, and G. Atkinson, BRS, confirmed that the Avis de Technique was supplanting Agrément to indicate that advice rather than approval was intended. The Germans were also evolving an approvals system based on a general acceptance by type.

### Short-term troubles?

The final speaker was C. G. Tudor Pole, who is responsible for all overseas marketing promotion by Burmah Industrial Products Ltd. He, too, stressed the individuality of each member country and suggested that, since UK tariffs on building products were in fact higher than those of the EEC, the short term effect of British membership could be tough on some home-produced products. The benefits would come from the ending of uncertainty and the chance to plan, but only if there was a fundamental change of attitude by UK firms and European sales were given similar support and back up as home sales.

A Swedish friend had once said that the British were the Chinese of Europe, with an inscrutable politeness and a complete unpredictability. Being unpredictable about delivery dates was the cardinal sin. A reputation for absolute reliability was essential, as were prompt replies to urgent letters and cables.

On balance, suitable smaller firms, anxious to make a name, might prove better agents than larger established companies, and they merited top priority by back-up services and visits.

Germany seemed to him at the moment the most favourable single market, followed some way behind by France and then Benelux. If Denmark and Norway joined they might initially be easier to break into, but he confirmed that Italy posed special difficulties.

If one's product seemed to be generally well catered for in a particular market, then the marketing approach should concentrate on its distinctive nature, perhaps on some originality or novelty, possibly its outstanding value for money. If success should spread, then a subsidiary company might be the longer-term solution, with a local man in charge. One should then delegate responsibility and provide unstinted support, but only after the operation had been fully monitored in the early stages.

Few British building products were now kept out of Europe by tariff barriers, said Mr. Pole, so why wait for British accession to the Common Market? What was needed for success was dedication rather than brilliance, but it must be by the whole company, not by a small, probably undermanned, specialised department.

### Conclusion

It had, said Peter Trench, summing up been a fascinatingly informative conference. He had some doubts himself whether the language problem was as easily solved locally, as some had suggested. Neither did it follow that 'because they had growth, we will have it too.' Again, did the Commission directives mean that selective tendering as we knew it would be a thing of the past? There was much still to find out, but he was confident that the know-how and flexibility of the British construction industry would serve it well provided it was also prepared to learn.