



Cynulliad Cenedlaethol Cymru
Pwyllgor yr Economi, Seilwaith a
Sgiliau
Caffael cyhoeddus yn yr economi
sylfaenol
EIS(5)PFE(04)
Ymateb gan Builders Merchants
Federation

National Assembly for Wales
Economy, Infrastructure and Skills
Committee
Procurement in the foundational
economy
Evidence from Builders Merchants
Federation

Public sector procurement in Wales consultation

Response from the Builders Merchants Federation Wales - September 13, 2019

BMF Wales -

The Builders Merchants Federation (BMF) in Wales is the only trade association for businesses in the building materials supply chain operating throughout the UK and Ireland. For more than 110 years we have represented builders, plumbers, roofers, decorators and timber merchants and manufacturers who make and distribute building materials, home improvement products and renewable energy systems.

In Wales BMF members operate some 200 branches, employing more than 3,000 people, generating a turnover of £2.8 billion and offer vital support to the construction industry which represents six per cent of the Welsh economy, and provides 88,000 jobs.

BMF Wales members are the most efficient route-to-market in moving materials and products from quarries, sawmills, brickworks and factories to where they are used by customers. Merchants are a long-standing established source of non-bank lending for SME's seeking credit.

BMF Wales's view of public sector procurement as it impacts SMEs -

There is long-held dissatisfaction regarding the procurement process and framework agreements, which merchants claim do not offer a level playing field to regional SME builders merchants and they feel the process does not consistently drive forward local economies.

The picture is not entirely bleak - there are examples in west Wales and south east Wales of medium- sized independent merchants who have been successful in the tender process but, particularly in north and mid-Wales, the picture is less encouraging. This is accentuated by the divide between north and south Wales, especially the southern belt of towns and cities versus the smaller market towns in the rest of Wales.

The largest independent merchant in the UK - a Welsh company - Huws Gray, whose headquarters are in Llangefni, has had poor experiences with the tendering process and no longer participates. A number of other merchants have also walked away from the process.



The complaints range from too cumbersome a process, requiring an excessive amount of documentation to support or validate tender bids; a believe that it is biased towards large corporates; there are suggestions that regional SMEs are encouraged to participate simply for Welsh Government to tick a box to say they have been given the opportunity to take part.

2.

SME merchants notice that when large corporate businesses win contracts – they generally set up a supply depot in the region but many of the key jobs will be retained at their head office and not in the region. Exporting decisions, jobs and profit to England is not helpful to the Welsh economy.

If the aim is to revitalise the regional economy it's not delivering and there is strong evidence that it is not providing value for money for the client or indeed the Welsh taxpayer. The price of a bag of cement is used by one merchant in north Wales as an example - a bag of cement will generally sell for around £3, sometimes £2.75 depending on volume but under the current procurement system merchants claim cement is retailing at £3.25 and BMF members have seen other invoices to clients which they say would make 'your eyes water'.

The insistence of Welsh Government that framework agreements are the best way to procure does not stack up if the goal is to create additional better paid employment within a local community. Basic economics dictate that the 'added value' jobs are what we're missing; too often it is the local tradesman who is knocking the nail, fitting the slate or plastering the wall, but all the added value roles are being exported to England due to a warped prequalification questionnaire (PQQ) or framework requirement.

A number of merchants have in the main stopped wasting time and resource on many of these public sector procurement exercises, i.e. being there to be ticked in and out as having been included in the process so that Welsh Government officials can report back that local business has been "given the opportunity" to participate.

In 2017 as part of a Wales Construction Federation Alliance delegation, BMF Wales took these issues to Mark Drakeford AM, the then Finance and Local Government Minister, who listened to our views and set up a meeting with Value Wales's lead on procurement policy.

From that meeting BMF members attended workshops on navigating the Sell2 Wales website and were involved in the consultation process for the recent amalgamation of two frameworks. The success of this new 'general building materials' framework is too early to comment on but we have had already had some negative feedback that the framework still requires excessive amounts of supporting information and takes far too long to complete.

The merchant's stand-point was well summed-up by Mr Mike Jones, managing director of C.L. Jones, who said: "We are not looking for favours; we're looking for a level playing field. If we lose out on price, availability or service we don't have a problem with that."

It is suggested that the need for contracts to include community benefits favours the larger multi-national companies, who have the man-power to support community projects. Our SME members welcome the opportunity to support community projects but felt that the principal drivers in winning contracts should always be price, availability and quality.



3.

We understand that under the new 'general building materials' framework community benefit will not carry as much weight when awarding contracts but the issue is still a concern to BMF members.

The inconsistencies in the way local authorities purchase goods was highlighted, particularly in north Wales where a number of authorities favoured managed supply contracts, which again presented a barrier to SMEs, did not encourage competitive pricing and did not focus on 'green miles' through the collection or delivery of materials. We believe chasing cheaper contracts is a false economy if it means transporting goods over long distances. It causes traffic congestion and adds to both CO² emissions and NO_x emissions which are detrimental for air quality and global warming.

BMF has examples of small amounts of materials being transported in excess of 70 miles within an authority area, when SME depots would have offered a much more sustainable option. Spending locally would allow SME merchants to invest in their branches, their vehicle fleet, as well as more staff training to provide improved customer service.

BMF Wales makes the following points -

The community benefits element would be fairer to SMEs if contracts stipulated specific tasks or undertakings outlined in the tender process so all were truly quoting on a level playing field.

We believe that 'green miles' and the distance materials have to travel to satisfy orders should be an important element of any contract, thus helping to reduce emission and congestion.

Does local government reform in Wales offer the opportunity to tighten-up the procurement process? BMF Wales is disappointed that not all public bodies in Wales take part in the Welsh Government's procurement process. Why is it not mandatory for all public bodies to engage in the process - it is public money that is being spent? Our view is that if public money is being spent it should be mandatory through the Welsh Government's procurement process to ensure proper scrutiny and public confidence.

Should Wales be given more devolved power, BMF would recommend Welsh Government setting up its own procurement process rather than be governed by European regulations. For example a 'No-Deal Brexit' could well mean an end to having to advertise contracts of certain size in the EU's Official Journal. UK Government is expected to introduce a UK-specific e-notification service for all contract opportunities. This has the potential to allow a return to a 'Made in Wales' presumption because EU state aid rules will not apply after a 'No- Deal Brexit.'

4.

Local SME suppliers offer much more flexibility to public sector buyers; not forgetting that local authorities also have responsibilities for economic development in their region. Local authorities can be slow to recognise wider public benefits from awarding tenders to local



independents. Money spent with smaller firms is more likely to be kept in local economies - thus boosting output, employment and prosperity.

National and large independent merchants have trained bid-writers with experience of contracts and tendering policy and procedures. SME merchants are not geared to have dedicated teams who understand the complicated tender process. If the process was so simple why are there workshops on writing tenders?

BMF Wales believes it is worth hearing the experiences of merchants and we set out three examples -

Example 1

Experience of a north Wales merchant - In our area, all local authority housing was passed to a newly formed housing association with a result that was rather predictable from a materials supply view point, a national supplier picked up the contract; we were excluded by the PQQ minimum turnover requirement, despite owning and operating five branches. The supplier who picked up the contract set up a local depot and appointed all staff up to branch manager. Were a local provider awarded the contract, instead of the highest salary being capped at circa £40k for the branch manager role and the remaining jobs based at a corporate HQ, a local supplier could have added some higher paid roles, possibly a director/ senior manager and additional admin and procurement roles, net result circa five extra local jobs lost to the local economy and circa potentially £225k; plus the prospect of hiring vehicles and other services from a local supplier. I think this is a very short sighted approach; had the net profit been retained locally this would most likely have been reinvested / possibly spent locally.

Example 2

The view of another merchant, again in north Wales - at the moment we have given up. We have registered with Sell2Wales and Proactis but the systems are terrible, I could possibly live with them being poor but now we have to pay to receive the irrelevant junk - I do take issue with it being so bad. We have filtered so that we should only receive contracts for the counties of Denbighshire & Conwy but still receive details for the whole of Wales which takes a ridiculous amount of time and effort to sift through. We used to supply local colleges and housing associations but now look for new business elsewhere.

Example 3

According to The Welsh Assembly Government the Welsh economy is driven by SME's. We employ 25 people and carry out our business within a confined geographical area, Neath Port Talbot CBC and The City and County of Swansea. To secure business via the consortium requires providing a service across South Wales. As with most single- branch

5.

BMF members, we cannot undertake this commitment; fundamentally, the system appears to be stacked against small locally- based independent builder's merchants in favour of larger independent and national merchants. The income generated by this company stays in the local community. Our staff all live within Neath Port Talbot and The City and County of



Swansea, we pay our business rates to Neath Port Talbot CBC, nevertheless, the system of supplying both authorities appears to disadvantage us.

Questions posed by this consultation -

What do you think is the current position regarding the proportion of public sector contracts in Wales that go to Welsh suppliers ? **BMF Wales is not qualified to answer this.**

To what extent could increasing local procurement by the public sector create strong local supply chains and build wealth in the communities across Wales?

A more local procurement policy, involving more SMEs would further stimulate regional economies. BMF Wales members would invest in branches, their vehicle fleet, particularly with clean air vehicles in mind, and provide more staff training to give better customer service. As stated earlier in our response it would not be helpful to the Welsh economy if decisions, jobs and profits continued to be exported to England or elsewhere.

What is your view of Welsh Government's intended approach to increasing local procurement.

BMF Wales cautiously welcomes this new approach but we have heard these good intentions before, which have subsequently come to nothing. But we are hopeful Welsh Government will get it right this time.

In what ways can local spend and collaborative procurement amongst SMEs be increased and sustained while working within the EU framework

The EU framework is much too rigid to allow any serious expansion of local SME procurement , and is also shackled by the EU's strict state aid rules.

Can you give examples of similar public procurement initiatives elsewhere in the UK and EU - **BMF is not qualified to answer this.**

BMF Wales
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