

Rhoda Grant

Speech in the Scottish Parliament

22 April 2010

The economy

I am pleased to speak in this debate on the construction industry.

I declare an interest in that my husband is an electrician. I am as aware as anybody of the problems in the construction industry, both through my mailbag and through personal experience.

It is important that the Government provides the construction industry with a clear indication of the public work that will be available.

Without a level of stability and some knowledge of future public works programmes, companies cannot commit to taking on apprentices.

Ninety apprentices in the Highlands and Islands have lost their jobs in the past year.

That is a disaster not only for them but for the economy.

Not so long ago, we had a shortage of skilled tradespeople and we were unable to cope with the demand for workers. We need to learn that lesson and ensure that we have an adequately skilled workforce that is ready for the recovery.

The funding package for apprentices ended in March.

We need a further programme to replace it.

We also need new placements for those who have already lost their jobs.

In addition, there needs to be a clear picture of expected public procurement. The Scottish Government needs to use every means at its disposal to build schools, hospitals and affordable homes.

The Minister for Skills and Lifelong Learning (Keith Brown): I point out that the programme will continue. There will be 15,000 new apprenticeships this year—we had 20,000 last year. Will the member confirm what Andy Kerr said earlier: that the Labour Party now supports a guarantee to apprenticeships—a right to apprenticeships? That is a departure from what employers want and from the way that things have been done in Scotland for a long time and it is not sustainable.

Rhoda Grant: What we need is a guarantee to young people who want to take up an apprenticeship that they can get one.

It is important that that form of training remains in place and I am grateful to the minister for intervening to confirm that the programme will continue.

I am sure that many construction companies will be delighted by that news.

I have been pushing the Government for some time about housing association grant.

Cutting the grant when housing associations have difficulty borrowing stops them building.

That affects the availability of affordable homes and jobs.

I have been critical of the assumed rent that is imposed by the Government when housing associations need to apply for additional housing association grant.

Additional grant is often required for small projects in remote and rural areas where there are no economies of scale. In order to access the additional grant, housing associations have to use the assumed rent in their calculations.

The assumed rent does not take account of what people in the area can afford; many people in rural areas are on lower incomes and cannot afford the assumed rent.

Forcing housing associations to use a rental income figure that is not realistic in the local economy means that the housing projects do not stack up financially.

There is a funding gap for those projects, because housing associations can borrow only against actual rent.

If a different figure is used to calculate housing association grant, the figures simply do not stack up.

The Government has made funding available to councils to provide them with grant of up to £25,000 for each house that they build, but only certain councils are able to access that additional council house funding.

They have to bid for the funding and councils with large housing debt are not eligible to receive it.

In Highland Council, the SNP campaigned against stock transfer, under which the council's housing debt would have been written off.

The SNP Government is now penalising councils that have not had their debt written off. It needs to change that policy and provide for councils that cannot afford to build.

In addition to large cuts in the housing budget this year, the profile of funding and the cost stipulations put forward mean that it is impossible to build projects that do not enjoy economies of scale.

They also make it difficult for new homes to be environmentally sustainable and to incorporate renewables, so those houses will not assist the Government in reaching its carbon emissions targets.

It also means that the Government's policy has all but halted building in rural areas, some of which are still pressurised. Local people earning local wages are unable to buy. The Scottish Futures Trust is yet to build anything.

It appears that the only decision that the trust has taken is to create further bureaucracy in public procurement while doing nothing to maximise finance for public projects.

It has devised procurement hubs throughout Scotland and has sought bids for them from partners.

Only one construction company can be the main partner.

Although the company can subcontract, the current climate is such that that in effect shuts out other construction companies from public contracts for at least 10 years.

Only large companies can become part of that, because the pre-qualification process is time consuming and very expensive.

At a time when the Government is refusing to use public-private partnerships to lever in private finance, that will spell disaster for many companies that are already facing difficulties because of the downturn in the housing market. It also means that smaller companies that are involved in smaller projects will be unable to take part.

That is especially true in rural areas.

Although there is an opt-out for projects under £75,000, it is unlikely that that will happen if the hub procurement route is used for all public projects.

The Government's focus is bureaucracy and centralisation at a time when our companies need flexibility and opportunity.

The Government could helpfully provide guidance on best practice, such as on EU public procurement for councils, which would create efficiency and cut bureaucracy, but it is doing the opposite.

Our construction industry is fundamental to the Scottish economy.

Our young people are now losing out on training that will benefit them and our economy in the future.

The economic downturn means that people need affordable homes and jobs.

It is time for the Government to act.