

Housebuilding in UK advances

Yesterday the construction figures came out . They showed total output up 1.6% over the last year (3 months on 3 months average) . Within that total private sector housebuilding was well ahead. Private commercial work was down. Overall construction output was 27.6% higher than in January 2013, the five year low point. Those who point out the three month on previous three month figure was down are giving a misleading impression, as there is always a seasonal impact during the winter.

Persimmon, a leading housebuilder, on Tuesday announced it had increased its forward sales of homes by 10% in December, rounding off a year of growth. Other UK housebuilders too have reported increased build rates and sales. Persimmon's completions for the year were up 6% at 16043 new homes. The long recovery from the pre banking crash levels is now well advanced.

At the same time as the building industry steps up its output there needs to be increased capacity for building materials. The UK is importing too much, when these products have high transport costs and can be well made nearer the point of use. Persimmon has just put in a new brick plant at Harworth to produce 80 m bricks a year. Ibstock, one of the UK's leading brick makers, has also built a new factory to make 100m bricks a year and is expanding the output at its Lodge Lane facility in Cannock as well. These investments will expand UK brick output by around 10%.

There are import substitution and growing market opportunities in concrete blocks, cement, prefabricated timber sections and roof tiles, as well as in the interior fitting out with kitchen and bathroom units, plumbing and electrical systems. The strength of the underlying market to buy a new home can underpin a wider recovery in the building industry.

Are reshuffles a good idea?

Good management in companies works hard on succession planning, mentoring, supporting people in jobs, offering training, and talking to employees about their career development. There are regular appraisals which provide a chance for senior managers to explain again what they are looking for and for employees to comment on the workplace, support and direction. If an employee does need removing from post it should not come as a surprise, as it will follow a process of warnings, reviews and attempts to sort out the issues that worry the management.

Governments of all persuasions have handled Ministerial jobs rather differently. Ministers may not have not been told whether they are doing well or badly. They have often not been offered support, training,

guidance or mentoring on how to carry out difficult and complex roles. When it comes to reshuffle time quite a lot of Ministers stay near a phone with no idea of whether they are likely to be left where they are, promoted, moved sideways or fired.

There is plenty of talent in the Commons, and plenty of get up and go by individual MPs who want to make a contribution or take a special interest in a cause, department or area of work. Somehow governments need to find a better system of mapping the talent, understanding the knowledge and enthusiasms of those who are elected, and deploying it in the right places within government and the wider public space. Of course the high degree of accountability and public engagement required of a Minister makes it a bit different from senior management positions in many businesses, but there are still things to learn from the higher professional standards now being expected of those in the better companies. Meanwhile the private sector can learn from the public sector more about the need to listen carefully and respond well to the public who are the ultimate paymasters and judges of both sectors.

What happened to the railway industry when fully nationalised?

The railways were nationalised shortly after the war and stayed in public ownership until the 1990s under John Major. The track, stations and signals, the bulk of the assets, were renationalised by Labour early this century.

In 1950 BR employed 606,000 employees. They looked after a route network of 19,471 miles of track with 8487 stations. By 1967 owing to the sharp decline in rail travel and changing patterns of housing and population growth the network was down to 13 172 track miles with 3498 stations. The number of employees nearly halved over the 17 year period, to 318,000. Train travel which was more than fifth of land travel after the war slumped to 9.5% of the total by 1967.

Post 1968 the decline continued in staff numbers and in travel. The long fall in train travel as a proportion of total travel only altered following privatisation in the 1990s. Today there are 10,261 route miles and 190,000 employees, with 2500 stations.

There was no shortage of investment for much of the period. The railways were encouraged to shift from coal and steam power to diesel and electric. There was plenty of subsidy. Despite this, season ticket prices rose every year in real terms, as the railway struggled to get enough revenue to keep up with its fast growing costs. The railway dumped lots of cheap seats on the market for off peak and unpopular routes, whilst charging very high prices for peak offerings on well travelled routes.

The railway failed to keep many of its former passengers, and did not make a compelling case to potential new customers. The nationalised railway failed , for example, to put in a short rail link from Heathrow, one of the world's busiest airports, to the mainline into London that passed nearby. It watched as London Transport put in a tube line extension instead, leaving passengers to use a route with many stops into the centre and with inadequate space for cases. The freight railway stopped competing for single wagon business, and failed to put in branch lines to the many new industrial estates which came to be located close to the motorway network instead.

There were many rounds of redundancies and job losses, many fare rises, and a permanent failure to reverse the decline of rail use for both passengers and freight. The advent of a more positive industry under the early years of privatisation reversed the downwards trend in travel and market share.

[Visit to Unilink in Spencers Wood](#)

I was invited to visit Acante Solutions, a member of the Unilink Group, on the Heron Industrial Estate on Friday 5th January.

This local business has grown well over the 23 years since its foundation. It assembles kiosks and terminals that allow people an electronic means of ordering meals, managing payments and organising their time and visits. It has been adopted widely by the Prisons service but can also be used in other contexts like a student campus, an immigration and visa centre or shopping centre.

The company has grown to employ 80 people, and exports to Australia and New Zealand where there are similar needs and systems. It is currently seeking 6 more people to help assemble the kiosks.



What happened to the nationalised steel industry?

Labour nationalised steel after the war, only for the Conservatives to denationalise it when they came to office in 1951. Labour renationalised it

in 1967 and ran a grand investment strategy through to the end of the 1970s when it had to be abandoned because it created massive overcapacity. The Conservatives bought into the Labour investment led approach for their period in office of 1970-74.

In 1950 the nationalised industry produced 16 million tonnes of steel. By 1965 the competitive private sector industry restored by the Conservatives had got output up to 27 million tonnes. The Labour government on nationalising it decided to build an industry capable of 35 million tonnes of output. They signed off on a bold plan to put in five major integrated works at Redcar, Scunthorpe, Ravenscraig, Llanwern and Port Talbot. and to develop in Sheffield.

By 1978-9 the industry was only selling 17.3m tonnes, 10m less than the privatised industry had managed on a much smaller capital base a decade earlier. It had however received a whopping £2674 million in interest free capital from the taxpayer and £350 m of write offs, to allow it build five large integrated works despite their inability to sell the steel they could make.

This ushered in a long period of agonising decisions to close each of the works or parts of each of the works in turn as they struggled to get costs and output down to match the poor levels of demand . Large numbers of redundancies followed and the complete withdrawal of the industry from places like Corby and Ravenscraig.

The tragic story of nationalised steel leads a commentator to ask how could state planning get their forecasts for demand so wrong? Why did the costs of putting in the extra capacity escalate so badly, making the steel even more uncompetitive? Why did Labour end up closing so much down and making so many redundant? The strategy was bold, well financed and well intentioned. The result was an industry unable to compete with German steel, and later with Asian product, that spent years agonising over cuts and closures. The taxpayer lost large sums.