CIOM Industry Response

CIOM response to the AtkinsRéalis Interim Report

Review of the Impact of Rising Construction Costs on Brownfield Regeneration

Introduction

Construction Isle of Man (CIOM) welcomes the publication of the AtkinsRéalis interim report and supports its central conclusion that construction inflation, an uncertain project pipeline, planning delays, infrastructure constraints and the abnormal costs associated with brownfield development are materially affecting project viability.

The report correctly identifies several structural challenges facing the Island, including the cost of imported materials, freight exposure, limited specialist capacity, delays in public-sector decision-making and the need for a credible, long-term programme of development. It also makes useful observations regarding flexible land transactions, targeted financial intervention and the importance of greater certainty for developers, consultants and contractors.

However, CIOM is concerned that a number of statements about the competence, productivity and quality of the local construction industry are not supported by objective evidence. Some appear to rely principally on unattributed stakeholder commentary, with no disclosed sample size, methodology, project comparisons or performance data.

These assumptions should not form the basis of Government policy, procurement strategy or decisions concerning the future structure of the Island's construction market without further evidence and proper engagement with the industry.

1. Evidence base and methodology

The report states that it was informed by discussions with developers and construction experts and that questionnaires were used to structure those discussions. However, it does not identify:

- how many contractors, consultants, developers and clients were consulted;
- the balance between local and off-Island participants;
- the size, experience or sector interests of those participants;
- how differing views were tested or weighted;
- whether statements about capability, productivity and quality were independently verified; or

- what completed projects, tender returns, defect records or programme data were reviewed.

This is particularly important because the report's terms of reference required commentary on local market capacity, document and data review, benchmarking and a comparison with other jurisdictions. The published interim report contains limited empirical analysis of the capacity and performance of Manx firms and no substantive review of completed local projects.

CIOM therefore recommends that the final report clearly distinguish between:

1. independently verified evidence;
2. quantitative analysis;
3. stakeholder perception; and
4. the consultant's own interpretation.

Unverified commentary should not be presented as an established market fact.

2. Local contractor and consultant capacity

The report suggests that reductions in the number of people employed by local contractors and consultants have resulted in a loss of experience and a diminished ability to deliver projects.

This conclusion is not adequately evidenced. No data is provided on the number, qualifications, experience, project history, current workload or available supply chains of local firms. A reduction in permanent headcount does not necessarily represent a proportionate reduction in capability.

Many Island businesses have adjusted their fixed overheads in response to an inconsistent and unreliable workload. They may nevertheless retain experienced directors, senior managers and technical staff, together with established relationships with specialist subcontractors and professional advisers.

A more balanced conclusion would recognise that contraction may be a rational response to a lack of pipeline certainty rather than evidence that local competence has been lost. Government should first examine how its own procurement, planning, funding and project approval practices have influenced market structure.

3. Direct employee numbers are not a measure of capability

The report places considerable emphasis on the limited number of contractors employing more than approximately a dozen people.

Direct employee numbers are not, by themselves, a reliable measure of construction capability. Modern construction projects are commonly delivered through specialist subcontract packages. This is standard practice throughout the UK industry and is equally applicable to Tier 1 and Tier 2 contractors.

A major off-Island contractor appointed to deliver work on the Isle of Man would also subcontract a substantial proportion of the physical construction activity. Its direct workforce would typically focus on management, commercial control, planning, health and safety, design coordination and supply-chain management.

Contractor capability should therefore be assessed using appropriate criteria, including:

- relevant project experience;
- competence of key personnel;
- financial standing and annualised contract exposure;
- quality and safety management systems;
- programme and commercial controls;
- access to a suitable specialist supply chain;
- performance on comparable projects; and
- capacity at the proposed time of delivery.

Using direct headcount as a proxy risks misrepresenting the normal structure of the industry.

4. Subcontracting is not evidence of weakness

The report appears to treat reliance on subcontractors as evidence of fragmentation or reduced capability.

Subcontracting is the prevailing operating model across the construction industry. Tier 1 and Tier 2 contractors routinely procure structural work, mechanical and electrical services, roofing, cladding, finishing trades and many other activities through specialist subcontractors.

The relevant question is not whether subcontracting occurs, but whether the principal contractor has the systems and experience needed to manage design interfaces, programme, quality, safety, cost and supply-chain performance.

Government policy should not characterise local firms as inherently weaker because they use the same delivery model as major UK contractors.

5. Characterisation of small local businesses

The description of local sole traders and small firms as "man and a van" tradespeople primarily suited to domestic household projects is inappropriate and dismissive.

Many Manx SMEs and self-employed tradespeople undertake both domestic and commercial work. Some have decades of experience and provide highly skilled services to principal contractors, developers, public bodies and private clients.

Small firms can form a highly effective specialist supply chain where projects are:

- properly designed;
- appropriately programmed;
- divided into manageable work packages;

- supported by prompt decision-making;
- procured on fair contractual terms; and
- competently coordinated.

The final report should use neutral and professional terminology and should recognise the economic and practical contribution made by local SMEs.

6. Transferability of domestic construction skills

The report states that the local workforce is based on domestic construction and that "domestic skills do not transfer" to larger commercial or brownfield schemes.

This is too absolute and should be corrected.

Core construction skills such as bricklaying, carpentry, roofing, plastering, groundworks, electrical installation, plumbing, decorating and joinery are transferable across domestic, commercial and public-sector projects.

Larger and more complex projects may require:

- stronger principal-contractor management;
- more detailed design coordination;
- enhanced quality assurance;
- specialist engineering input;
- greater reporting and compliance capacity; and
- particular specialist trades.

Those requirements do not demonstrate that local trades are incapable of undertaking the work. The final report should distinguish clearly between:

1. trade competence;
2. specialist trade availability;
3. professional and technical capacity; and
4. principal-contractor management capability.

Conflating these issues creates a misleading picture of the local workforce.

7. Claims concerning productivity

The report states that commentary suggested UK tradespeople have a higher output than some local tradespeople.

No productivity analysis, sample size, measurement methodology or like-for-like project comparison is supplied. Productivity is affected by numerous factors, including:

- design completeness;
- frequency of design change;
- site logistics;

- supervision;
- availability of materials;
- sequencing;
- weather;
- access constraints;
- late client decisions;
- planning conditions;
- project management; and
- the performance of preceding trades.

It cannot reasonably be attributed to whether a worker is local or from the UK.

No conclusion regarding relative productivity should be included in the final report unless supported by independently verifiable, like-for-like evidence.

8. Claims concerning quality

The statement that the standard of work delivered by UK contractors is better than that of local contractors is the least defensible conclusion in the interim report.

No quality audits, defect records, completion data, client satisfaction results, warranty claims or other objective evidence are provided. The statement is also internally inconsistent with the report's suggestion that an off-Island main contractor would use local businesses as subcontractors.

Quality varies between firms, management teams, projects and work packages. Location is not a measure of competence.

Procurement should evaluate demonstrable quality, experience and past performance irrespective of where a business is based. The unsupported comparison between UK and Manx contractors should be withdrawn from the final report unless robust evidence is produced.

9. Delivery of larger and more complex projects

The report concludes that the Island's market structure limits its ability to deliver larger or more complex schemes efficiently. However, it does not assess the historic delivery record of Manx contractors and consultants or review completed projects.

The Isle of Man has delivered schools, healthcare facilities, care homes, hotels, housing developments, infrastructure and substantial commercial projects using local contractors, consultants and supply chains, supplemented where necessary by genuinely specialist off-Island expertise.

Before drawing conclusions about the upper limit of local capability, the final report should include a structured review of:

- major projects completed on the Island;
- the role performed by local firms;

- contract values and project duration;
- programme and cost performance;
- quality outcomes;
- specialist input imported from outside the Island; and
- lessons learned.

Without that assessment, the report cannot fairly establish the extent of local capability.

10. Turnover and financial standing

The report suggests that contractors with turnover below £10 million may present a particular challenge when entering into contracts above that value.

Turnover is relevant to financial due diligence, but a simple comparison between total contract value and annual turnover is not a competence test.

The actual financial exposure depends on:

- project duration;
- annualised value;
- monthly cash flow;
- payment terms;
- retention;
- bonding requirements;
- risk allocation;
- insurance;
- subcontract structure; and
- the extent of design responsibility.

For example, a £12 million project delivered over three years does not create the same annual exposure as a £12 million project delivered within twelve months.

Financial standing should be assessed proportionately against the actual risk profile of the procurement rather than through an arbitrary turnover threshold that may unnecessarily exclude capable local bidders.

Government should also recognise that onerous payment terms, excessive risk transfer and delayed certification can themselves create financial instability within the supply chain.

11. Packaging projects for Tier 1 and Tier 2 contractors

CIOM strongly supports publishing a credible multi-year project pipeline. The industry needs visibility of projects that are funded, approved and realistically capable of proceeding.

With a consistent pipeline of work, the Island construction sector can return to its previous competitive market, reducing costs overall for Government and private investors.

However, programme visibility should not be confused with bundling projects into very large contracts or frameworks designed principally to attract a Tier 1 or Tier 2 Contractor.

The report assumes that packaging will improve efficiency, but does not demonstrate this. It also acknowledges that off-Island contractors may require:

- a five-to-ten-year pipeline;
- projects of sufficient scale;
- additional commercial incentives; and
- a premium estimated at 7–10%.

Trying to attract a Tier 1 or Tier 2 Contractor—which has already proved unsuccessful on the largest capital scheme ever undertaken on the Isle of Man—leads to a 7–10% cost premium with no added value for the Isle of Man Government or the construction sector. This premium would result in fewer capital schemes being undertaken by the Isle of Man Government, further reducing the capacity of Island resources and leaving the Government beholden to a single principal contractor.

Large-scale packaging could:

- reduce competition;
- exclude capable Manx businesses;
- concentrate delivery risk;
- transfer profit and management fees off-Island;
- create dependency on a single external contractor;
- make smaller schemes less responsive to local needs; and
- weaken the local principal-contractor market over time.

Government can publish and commit to a coordinated programme while continuing to procure individual projects or appropriately sized packages. This would give businesses visibility without creating artificial barriers to local participation.

Any packaging strategy should be subject to a transparent options appraisal comparing:

- separately procured projects;
- local frameworks;
- construction management;
- management contracting;
- joint ventures;

The assessment should consider whole-life cost, competition, local economic retention, resilience, payment performance and long-term market development—not simply initial delivery scale.

12. Assumed benefits of Tier 1 participation

The report suggests that a Tier 1 contractor could strengthen local firms by employing them as subcontractors and enabling them to reinvest.

That outcome is possible, but it is not guaranteed.

An external contractor may instead:

- import its established UK supply chain;
- impose substantial prequalification and compliance costs;
- require extensive unpaid tendering;
- transfer disproportionate design, programme and inflation risks;
- apply extended payment periods;
- extract margin from local work packages; or
- use local firms only for lower-value and higher-risk elements.

If Government elects to use an off-Island principal contractor, anticipated local benefits must be secured contractually. Requirements should include:

- measurable local-spend commitments;
- transparent subcontracting opportunities;
- prompt payment obligations;
- fair risk allocation;
- apprenticeships and training;
- knowledge transfer;
- use of local professional services where competent;
- reporting on local economic value; and
- enforceable consequences for non-compliance.

Local benefit should be a procurement requirement, not an assumed by-product.

13. Modern Methods of Construction

CIOM supports the proportionate consideration of Modern Methods of Construction where they provide demonstrable project benefits.

However, MMC should not be treated as a generic solution to labour constraints. While some systems may reduce particular site-based activities, they may also transfer design value, fabrication, employment and technical knowledge off-Island.

For an island jurisdiction, additional considerations include:

- freight and handling costs;
- dimensional shipping restrictions;
- lifting requirements;
- weather risk;
- programme dependency on sailings;
- damage during transit;
- access to replacement components;
- long-term maintenance;
- design flexibility;
- system warranties; and
- future adaptability.

MMC should be evaluated project by project using whole-life value, buildability, resilience, maintainability, carbon impact and local economic benefit. It should not be presumed to be cheaper or inherently more suitable than traditional or hybrid construction.

14. Factors requiring greater emphasis

CIOM considers that the report places disproportionate emphasis on the structure of the local industry while giving insufficient weight to factors within Government's direct influence.

These include:

- the reliability and timing of the capital programme;
- delays in planning validation and determination;
- changing requirements during the planning process;
- delays in land assembly, funding approval and client decision-making;
- incomplete design information at tender stage;
- inappropriate risk transfer;
- procurement timescales;
- delayed contract awards;
- payment and certification practices;
- infrastructure capacity;
- freight policy; and
- the effectiveness of training and apprenticeship support.

The report itself acknowledges that planning delays, inconsistent requirements and prolonged pre-construction periods increase contingencies and can erode viability before work starts. Those issues should form a central part of the final recommendations rather than being treated as secondary to perceived weaknesses in local firms.

15. CIOM recommendations

CIOM recommends that the Isle of Man Government and AtkinsRéalis take the following steps before the report is finalised:

1. **Correct or qualify unsupported statements** concerning the productivity, quality and transferability of skills within the local industry.
2. **Publish the stakeholder methodology**, including participant categories, sample size and the process used to verify competing views.
3. **Undertake a formal capability assessment** of local contractors and consultants based on experience, systems, financial standing, supply-chain access and delivery record.
4. **Review completed Manx projects** to establish an evidence-based picture of local delivery capability.
5. **Publish a funded and realistic multi-year pipeline**, identifying likely procurement dates, project values and delivery models.
6. **Avoid automatic aggregation into oversized contracts** and assess packaging options against competition, resilience, local economic benefit and whole-life value.
7. **Use proportionate financial criteria**, based on annualised exposure and actual contract risk rather than simple turnover thresholds.
8. **Introduce enforceable local-benefit requirements** where external principal contractors are appointed.
9. **Develop a procurement strategy that supports local market growth**, including early contractor engagement, fair payment, sensible risk allocation and accessible frameworks.
10. **Invest in apprenticeships, professional development and specialist training**, aligned with a credible future workload.
11. **Accelerate planning and public-sector decision-making**, with published performance standards and clear accountability.
12. **Assess MMC on a project-specific basis**, including freight, resilience, maintenance and local economic impact.

Conclusion

CIOM agrees that the Island faces serious construction-cost and brownfield-viability challenges. It also agrees that a stable project pipeline, improved planning performance, targeted intervention and investment in skills are required.

However, these challenges should not be addressed through unsupported generalisations about the competence or quality of the Manx construction industry.

The evidence presented in the interim report does not justify a conclusion that local firms are inherently less productive, deliver lower-quality work or are broadly incapable of delivering commercial and complex projects. Nor does it demonstrate that transferring work to Tier 1 contractors through larger project packages would necessarily produce better value, stronger delivery or a more resilient local market.

The final strategy should build the capacity of the Island's established industry, supplement it with specialist off-Island expertise where genuinely required, and ensure that public procurement supports competition, skills, investment and long-term economic resilience.

CIOM would welcome the opportunity to provide further evidence, participate in a structured industry capability review and work with Treasury, DfE, MDC and AtkinsRéalis before the final report and policy recommendations are submitted to Tynwald.