

Construction Sector Review (C-070) - Response to Draft Findings from Andium Homes
(received May 2025)

Andium Homes Response

To the

**Jersey Competition Regulation Authority
Construction Sector Review**



Response Context

Andium Homes Limited is a wholly-owned affordable housing company limited by Guarantee to the States of Jersey and is a public authority. Andium houses approximately 10,000 or 10% of the Island's population in 4,900 homes and as such is Jersey's largest landlord. Since incorporation in 2014, Andium quickly reached 100% Decent Homes and Rent Safe compliance through significant investment in our housing stock and have developed over 1,000 new homes in our first 10 years, with another 700 homes in build or under contract for development in the next three years.

As a public authority, Andium follows the Nolan Principles of Public Life and this response is provided in accordance with the principle of Openness and is therefore not confidential.

Summary

The JCRA review is to be welcomed as it provides a spotlight on some key issues facing the construction industry.

However, the timing of the survey, capturing the period after Storm Ciaran will have distorted the consumer sentiment observed significantly, which is regrettable.

The analysis and assessment are generally reasonable, however the findings are potentially not productive for regulation in that they fail to emphasise in a balanced way the many positive contributions of the industry to life in Jersey.

The findings risk undermining public confidence in the industry for issues that are largely beyond the control of many of the professional, skilled and highly competent workforce we have in Jersey. A more balanced summation would serve the island better and help identify the best regulatory interventions going forward.

Question 1 Do you agree with the Authority's analysis and assessment of the construction sector?

Analysis (Powerpoint Presentation)

Construction demand

Slide 4 Table 1 appears to understate the New and Repair and Maintenance Public Housing total in 2023 from our own data, even allowing for rounding – for example Andium invested £74 million in major capital contract spending in 2023.

Construction Supply

Slide 5 By including the examples shown this gives a misleading impression of the range of “construction” companies covered by the report. There are tens of developers, hundreds of small firms doing construction and distribution that are effectively captured in the consumer sentiment survey, for example.

This risks giving an unfair focus on the companies shown given the report’s findings. It is not Dandara, Rok, Ashbe, Hacquoil and Cook or Legendre who will be pricing someone’s bathroom replacement or who are causing the cost inflation or economic impacts therein.

The observations indicated about “Developers” and “Constructers” (sic) are too generalised to be fairly applied to the examples. For example, the construction market is not fragmented across the piece in our experience – there are excellent contractors, undertaking small to very large construction projects. And there are a huge number of excellent small companies providing repair, refurbishment and newbuild services in Jersey.

For “Services”, the conclusion that other services are often sourced off island really only applies to high end or very large projects to our knowledge. Again, there are a range of excellent service providers who can deal with everything needed on Island.

A greater differentiation of “construct” into maintain, repair, refurbish and build might provide a more meaningful summary.

Economic fundamentals

The statement that on island contractors engage in multiple projects and that this contributes to delays, budget overruns and inefficiencies is not our experience, which instead is that working on multiple projects offers opportunity for efficiencies, learning and pipeline certainty with reduced risk.

All of Andium’s projects – currently delivering nearly 700 homes - run to programme and on or under budget – mainly because Andium has embraced good practice (UK Government Construction Playbook principles) and Modern Methods of Construction.

Our experience of the new planning process for major projects – the Planning Performance Agreement – is that this has radically improved certainty and timings and so is no longer impacting significantly on market outcomes for major projects that follow this path.

The role of Government

To avoid the risk of confusing the uninformed reader, it is worth being clear about the Island Construction and Engineering programme future cost estimations – the figures quoted have a low level of certainty and should clearly be badged as such.

Employment and Productivity

Guernsey adopts a counter-cyclical investment construction strategy as a deliberate approach to cost management and this is both a reflection and cause of their smaller industry.

Some local Jersey companies are currently working or seeking work in Guernsey reportedly because of the lack of certainty on the pipeline of public construction projects in Jersey.

It is worth noting that the impact of Government interventions are more significant to the construction sector given its relative size and therefore are more important in the Jersey context to overall economic success.

Construction costs

It is worth noting that Andium is one of the few local companies that provide cost data to the BCIS Channel Island cost index – there is such an index. If all Government (Jersey and Guernsey) and Arms-Length bodies provided data this might become a wider useful price indicator.

A high proportion of UK imported goods are also manufactured in Europe – up to 80%. As a result, and as observed during Brexit, issues affecting both UK and European construction supply chain impact economically in Jersey. This is not captured in the assessment.

Given the lack of comparable benchmark data used in the report, the assumptions in cost within Table 3 are almost certainly guestimates and so risk being self-fulfilling.

Consumer research

It is queried whether the quantitative research methodology for “Views on the Sector” was sufficiently neutral and that asking about general feeling rather than actual experience, inevitably resulted in a higher level of negative findings, and therefore should not be used as a primary basis for regulatory interventions.

The key point that the consumer research was not extended to larger projects or corporates has not been made sufficiently clear in the findings – i.e. everyone has been tarred with the same brush and suffered reputational damage unnecessarily as a result in subsequent media coverage.

Of the “Challenges” noted:

Any jurisdiction suffering a significant hurricane would expect to experience shortages in key trades, delays in insurance payments and cost increases as a result. This has been our experience, but is not surprising and perhaps suggests that the timing of the consumer survey may still be unduly influenced by this key event.

More context is necessary as to the concern re transparency or over-pricing. Many of those surveyed (38%) did not appear to obtain competitive quotes for example, and therefore their views on competition can only be viewed in that context.

It is agreed that a form of customer awareness raising in procuring repair, refurbishment or capital works in Jersey might better control unrealistic expectations as to cost and timescales and how best to procure with value for money (such information is widely and freely available on the internet already for those who wish to find it).

Promotion of little known products like the JCT Home Buyers Contract might also encourage greater transparency on medium sized projects over £100k, as might a recognition as to what cost is being quoted and when, i.e. the consumer needs to be clear is it a fixed amount or subject to fluctuation and if so what risk is the consumer holding in this regard and so what contingency would be appropriate.

It should be recognised that any regulation, for example consumer standards, will increase costs of delivery in what is already a heavily challenging market. Other more informative regulatory interventions may be preferable to competition advocacy and market surveillance in the first instance, particularly if carried out in partnership with the local construction industry.

It is also noteworthy that most (88%) participants managed to get work done in the last 3 years despite the perceived challenges.

Question 2 Do you agree with the Authority's draft findings and do the draft findings capture all the competition issues in the construction sector?

Summary Findings

1. *"From the consumer perspective, it is evident that competition is a key concern"*

Whilst this might be the case from the methodology followed, it is important for the JCRA to distinguish in detail what are the key consumer concerns.

These appear to relate to a widespread lack of consumer knowledge as to how to best procure repair and refurbishment services, rather than a widespread concern about the broader industry.

In Andium's case, we do not have a concern about competition for our projects. We have three major project Tier-1 companies and two new entrant developers at Tier-2 level keen to work for us at Tier-1 level, and competition is fierce for our work and partnership.

Competition is not the key construction issue for Andium – instead the wider demand for homes caused by recent migration off island itself driven by cost of living challenges; the cost of housing, starting with the economic turmoil in late 2022 which drove up interest rates; and the risk to our development partners from the resulting uncertainty of a forward pipeline of public construction projects to go with diminishing private work, are the key risks we observe.

Where competition is an increasing concern in the wider industry is in the "Supply Chain" side where one company delivers most construction products to the Island, there are limited freight logistic providers and in the "Produce" side where two companies dominate local aggregate supply and there is very limited inert waste disposal on island.

It is therefore important for the JCRA to draw out more clearly what consumer confidence issues relate to precisely and make clear what they don't to avoid reputational collateral damage and to target any regulatory intervention proportionally and appropriately so as solve and not to cause further issues for the industry.

For example, productivity is lower than in some jurisdictions, but probably not those mentioned in the report in our experience and this relates largely to scale and a lack of a pipeline of work for investments to be made privately or publicly.

2. *“Analysis and stakeholder feedback indicates that prices of materials and inputs are higher than in other jurisdictions”*

It is agreed that this is likely to be the case in the round, but the analysis is not sufficiently robust to confirm what this is and what to do about it. Andium believes that the JCRA should consider a recommendation for all public bodies in Jersey to report cost outturns confidentially to the BCIS Channel Islands Index so this can become a meaningful measure to prices on island. This would also enable any improvements resulting from regulatory intervention to be tracked.

3. *“The construction sector in Jersey also faces several market constraints including logistics, transport costs, planning and geopolitical challenges.”*

This is agreed, but it is less clear what, if anything, the JCRA study has done to investigate the most appropriate regulatory interventions in this area, whether it is desirable to intervene, and, if so, more work is probably needed to enable this to be a meaningful and productive finding.

Question 3 Do you have any other input or comments on any of the matters raised in the Authority’s construction sector review

It is important to emphasise that the proportion of spending on “construction” - which is taken here to include the much wider asset maintenance, refurbishment and repairs - is usually underestimated by the uninformed customer, wherever in the world this is surveyed, until key critical success factors are deployed – see Othman “An International Index for Customer Satisfaction in the Construction Industry”.

In the UK for example, TrustMark has been in place since 2005, with 18,000 business registered, but still suffers low consumer recognition, and such intervention hasn’t prevented recent retrofit scandals there.

In Jersey, this inherent dissatisfaction is further exacerbated by the Island factor – everything in Jersey costs slightly higher than larger nations for the reasons explained well in the JCRA report. There needs to be a realistic understanding of expected costs of assets and repairs in Jersey as well as other critical consumer success factors for this to be addressed.

The absence of this leads to the findings in the consumer insight report, where customers perceive there must be something wrong rather than the wider practical construction and economic realities being at play.

The reality is that we have a cost-of-living crisis in Jersey that informs all areas of life – it has the most significance in the housing and construction sector as these are the largest investments people ever have to make.

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