



Building for success

The construction industry survived the recession and is upbeat about the future. **Simon Jack** reports on the moves logistics players are taking to manage the upturn.

After suffering so badly during the recession, the construction industry is returning to growth. Those involved in providing logistics services are now having to think about how they can manage the upturn rather than continuing to shrink their operations.

The Construction Products Association predicts that output will rise by 3.4% this year and 5.2% in 2015. It will then continue increasing until 2017 at least. All parts of the sector are improving. Private housing starts rose 24% in 2013 and will be followed by increases of 16% in 2014 and 10% in 2015. The association is also optimistic about output from infrastructure projects, which it says will rise 39.7% by 2017.

Positive outlook

The largest part of the construction sector is private commercial work, which decreased by a third in the five years to 2012. But a series of major office projects led to a growth of 2.4%

in 2013, to be followed by a 2.7% rise in 2014.

The Mineral Products Association, which represents the interests of those in aggregates, asphalt, cement and concrete, also has a positive outlook. It expects volumes in its part of the sector to increase by approximately 4% a year in both 2014 and 2015.

Construction suppliers and logistics firms take a similar view. John Spottiswood, head of construction logistics integration at a facility run by Wilson James near Heathrow, says: "We have had false dawns before, but this time the industry is genuinely on the up. There is a sense that the brakes are off."

Jamie Pickles, enterprise risk manager at building materials firm Cemex, adds: "We detect real renewed optimism and every month there are more positive signs."

He believes that it will take "five years or even more" for construction to get back to where it was, but is happy with a gentle recovery. "We welcome slow and steady growth rather than more cyclical patterns," he says.

Despite the new feel-good factor, 2013 proved to be a mixed year for the sector. According to the Office for National Statistics, overall construction output rose by 1.3% during the year, to £113bn. However, this is still 12.2% below its peak in 2007 and some parts of the market fared better than others. New housing output rose by 10.4%, whereas public spending on construction fell by 4%.

Extra resources

With growth so widely expected, construction suppliers and logistics companies are putting in place extra resources to cope, while squeezing the most out of existing assets.

Cemex, for example, decided at the end of last year to acquire 100 new vehicles to replace some of its older models and expand its fleet of around 400 vehicles by 15%. It is also trialling two telematics systems and increasing its use of out-of-hours deliveries both to external customers and between its own sites.

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logistics Craig Williamson says: "It's about getting the right mix to provide service and capacity as well as getting a good return on investment."

Network coverage

Cemex also uses 600 franchisee owner-drivers, mainly in its ready-mix business, along with a range of hauliers, from independent operators up to major 3PLs. Williamson believes that one of the advantages of using 3PLs is their network coverage and the ability it gives Cemex to plan its overall fleet utilisation efficiently.

Hanson, which supplies materials and construction products, also uses a mixture of in-house transport and franchised drivers. It says its market increased 5% to 6% last year and it has ordered 104 new vehicles, made up of mixers, tippers and artics. It has invested in IT to ensure that trucks are in the right place at the right time and KPIs are being analysed to identify best practice within different parts of the UK business. Lessons are also learned from elsewhere in the parent group HeidelbergCement, including from the US and Germany.

Head of communications David Weeks says: "Transport and distribution is a key project for the group and for the UK in particular."

Logistics companies are also gearing themselves up for expansion. Wincanton business unit director for construction Ben Young says

the company began to see an upturn last Easter and has experienced continuous growth ever since. He says that during the recession Wincanton continued to invest in its 400-strong construction fleet, which is made up of specialist vehicles such as mechanical off-load units and more standard curtain-sided vehicles. It advertised recently for sub-contractors and extra capacity can also be sourced from within the group.

Call on curtainsiders

For example, curtainsiders used in other sectors can be temporarily called upon during peaks. In addition, Wincanton works with its container division which carries construction products on otherwise empty journeys back to the ports. "The critical mass we have in Wincanton gives us the agility to bring in resources when we need to," Young explains.

Wincanton has introduced a number of efficiency initiatives, including reducing the stem mileage for off-load vehicles by transshipping products close to the delivery point. "Large radial movements are made using standard vehicles, with the final mile delivery carried out using the specialist equipment," he says.

IT can play a major part in improving efficiency. Wilson James has developed a system called Fulcrum which provides real-time detailed reports about a project. It can also be used to

plan exactly when particular materials need to be delivered to a site. "It enables the right resources to be allocated from the start," Spottiswood says.

One potential problem for the construction sector is a shortage of resources after a long period of contraction. Paul Hayes, director of Norbert Dentressangle's KeyPL division, which offers 4PL services to clients such as Aggregate Industries and Tata Steel, comments: "There will be undoubtedly a resource issue in the construction marketplace. We may see it this summer but we certainly will see it in 2015."

Accessing resources

However, he believes the way the KeyPL division operates puts it in a good position to access resources. Rather than using hauliers in an ad-hoc fashion, it uses a wide range of partners, from owner-drivers to large regional family firms, on a contracted basis. Although currently it does not use any Norbert Dentressangle transport, it also has that option if needed.

Hayes believes that, in general, construction hauliers are good at delivering products on time. However, they can sometimes be resistant to innovation. "That can make change a bit slower-paced than it should be," he says.

The 4PL model is also being used by FF&W, a joint venture set up by North West hauliers Farralls Transport and Fagan & Whalley, to run a contract with insulation products supplier Knauf. The operation experiences huge peaks and troughs, and vehicles from both firms are supplemented by a range of other hauliers.

FF&W contracts manager Paul Vanhees says: "Volumes are sporadic and seasonal in insulation. One firm could cope in the quieter periods, but at peak you would struggle."

The different approaches used by construction suppliers, logistics firms and hauliers reflect the varied nature of the market. But all will have to adapt quickly from famine to feast if they are to meet the needs of their customers. ■

FURTHER INFORMATION

Building Products Association:

constructionproducts.org.uk/news/press-releases

ONS: ons.gov.uk/ons/publications/index.html

Vehicle standard: tfl.gov.uk/microsites/freight/documents/standard-for-construction-logistics-lr.pdf

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