

## Q & A: CONSTRUCTION, STATISTICS & THE ECONOMY

### How large is the infrastructure market?

It depends upon how you define and measure infrastructure.

#### **OK, please define infrastructure.**

Infrastructure includes roads, railways, water & sewerage, energy, waterways, flood defences & ports, communications and waste management.

#### **What about schools, hospitals etc.?**

Good point, they are often referred to as infrastructure, but they are not infrastructure (*infra* is Latin for under). They are part of the built environment.

#### **OK, so how do we measure the size of infrastructure?**

By viewing what companies and public bodies say they spend on new and existing infrastructure assets. Using this measure we estimate that expenditure on infrastructure amounted to £35 billion in 2011 (current prices).

#### **Right, but why your estimate - are there no official data?**

There are no official data concerning total infrastructure expenditure. We arrived at our total by summing what the various companies and public bodies say they spend on infrastructure.

#### **But what about ONS infrastructure construction output data, that's official.**

Yes it is and in 2011 infrastructure new work construction output was £15.3 billion. If we add to that ONS infrastructure repair and maintenance output of £7.8 billion, we get an infrastructure construction output total of £23.1 billion (current prices).

### Why is there a difference between the expenditure total of £35 billion and the construction output total of £23 billion?

Because, there is more to infrastructure than construction. The £35 billion refers to the value of capital and repair & maintenance expenditure, reported by the various public bodies and private companies. Some of this is not classed as construction, or indeed included in construction output data.

#### **Can you provide examples?**

Yes – in the energy sector the civil engineering element of a power station typically accounts for around 10-20% of the total investment cost. Thus if a new power station costs £500 million, the civil engineering contract, as reported by ONS construction output data, will typically be up to £100 million. Waste management is not included in infrastructure construction output data, neither is a large element of rail maintenance work undertaken by Network Rail and London Underground (at least £1.5 billion in total). Construction output data also exclude consultants' fees.

#### **Should we care about this?**

Given the current interest in infrastructure investment as a means of promoting economic growth – yes.

#### **So which measure of infrastructure is best for companies?**

That depends upon how you view your business. If your business provides traditional building and civil engineering services to infrastructure markets, then the infrastructure construction output data (£23 billion in 2011) are relevant. If your business provides construction *and/or* related services to infrastructure markets, then the total market data (£35 billion in 2011) are more relevant.

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