

# **Construction Is Destroying Itself And until somebody gets this, nothing will change!**

To paraphrase Churchill: *'Never in the field of UK business was so much owed to so many by so few.'*

If one of the major Contractors went bust tomorrow everyone would notice.

Thousands of businesses would suffer. The banks would take a massive hit, and even the general public might sit up and take notice. And what would it say about our fragile economy, or a government that continues to let work to the big players despite their precarious financial position?

The fact that none of those big players has gone to the wall yet is something of a conundrum given their painfully thin margins, the rash of profit warnings and their creaking balance sheets. You may have seen that earlier this year big players posted warnings including; Bouygues £78million, Interserve £160million provision, and the daddy of them all Carillion, announced half year losses of £1.15 billion!

Yet month-after-month, year-after-year, the powers that be trot out the same mantra, that everything is fine; Construction is a world class business; the pride of Britain. 'We are restructuring, we have nearly finished the "legacy" contracts' etc. Oh please, that last one makes me cringe. They didn't inherit those jobs from their late aunt Maud! They bought them at a stupid price!

## **What Are Contractors Bringing To The Party?**

A quick look at many Contractors finances will show you that they aren't bringing any real money to the party, and judging by the number of disputes we deal with, and the shambolic state of many construction projects, they aren't bringing any great amount of management skill either.

The impact of all of these factors is felt most by the Specialist Contractors and Suppliers. The thousands of different Specialist Contractors that actually do the work. Unless you have been living on Mars for the last 20 years, you will know that the Contractor does not do any actual work. It is simply the conduit between the paying Client and the Subbies - those who actually do invest their cash, employ the workforce, buy the materials and skilfully put buildings together.

## **It's A Proven Fact**

It's a fact that construction is gradually destroying the very companies that actually get the job done! The highest number of company insolvencies in 2016 (bar a personal services companies blip caused by tax changes), was in the construction sector with 2,554 new company insolvencies in the 12 months ending Q4 2016, which was an increase of 4.5% compared to the 12 months ending Q3 2016.

And a new and statistically significant academic survey carried out in the summer of 2017 across a sample of 506 Employers, Contractors, Specialist Contractors and some Suppliers paints a very bleak picture.

Disputes continue to loom large, with 55.9% of those surveyed saying disputes 'occur frequently', and 37.75% saying that they 'occur occasionally'. Which means that almost the entire industry is affected by disputes!

It's a fact that Contractors work on wafer thin margins. It's also a fact that construction is a risky business and it doesn't take much to go wrong before those wafer thin margins become huge financial chasms instead. And the most common way for some unscrupulous Contractors to claw that money back is to take it from the Specialist Contractors. Rest assured that the Specialist Contractors foot the bill, through no fault of their own, other than being vulnerable to such ruthless treatment.

**We need to put a stop to poor contractual practices before even more businesses and lives are ruined!**

It's no surprise that a massive 82% said that payment is the main cause of disputes.

And even on public sector contracts where payment should be made within 30 days that simply isn't happening. And it won't change without regulation because 47% of those surveyed said that they were not in a position to challenge payment terms that are longer than 30 days. So much for the idea that Contractors and Specialist Contractors sitting around the same table for the last two years has resolved this problem!

Many respondents expressed concerns along the lines of “a ‘new breed’ of commercially aggressive quantity surveyors, who are motivated to ‘maximise profit’ and seemingly on a bonus to claw back cash”. And as a consultant that has spent the last 27 years resolving disputes for subbies I can tell you that these aggressive QS’s have no moral compass. It’s just a game, they are paid to do a job, and that job is to screw the subbies!

### **It’s Destroying Lives**

It may suit the Contractors if they don’t pay, but it causes major impact on the Specialist Contractor’s business, leaving them with little capital to run their business, let alone invest in training or the future of the industry.

The hypocrisy of some Contractors is staggering. Whilst they publicly support initiatives to address the impact of stress and mental health issues, their QS’s are potentially one of the root causes! What impact do they think not getting paid has on the the state-of-mind of Specialist Contractors? And it affects everyone; the company, the management, the employees and their families. When a Specialist Contractor goes bust – and thousands have - then it affects the supply chain as a whole, the merchants and the local economy, even the community where people live and shop.

### **The Existing Remedies Don’t Work**

Some will say that there are plenty of remedies already, but the fact of the matter is that they simply do not work.

Yes, the subbies can suspend work and charge interest on late payments, and 42.93% do so ‘sometimes, depending on the main contractor’. However, 70.50% of those surveyed think that charging interest, or suspending works on site due to late payment, would ‘damage the relationship with the Contractor’.

Construction is gradually destroying itself because certain Contractors don’t care about another Subbie going to the wall. They relish it, because they get to keep their cash! And because no one dares to make the link between this ruthless treatment and people’s lives, and the overall state of the industry, then the vicious circle of destruction continues unabated.

## **Stop Before It's Too Late**

Payment abuse is destroying the UK construction industry, and over 95% of respondents think that neither the trade associations nor the government are doing enough to solve the problem. So, the time has come for Specialist Contractors to take a stand. The time has come to;

- drop their 'victim' mentality
- refuse to work for poor or negative margins
- believe in themselves as the backbone of the industry
- say "No" to the Contractor's onerous terms
- stand together as never before at grass roots level
- demand a better fairer and sustainable future
- get behind the #buildgate campaign

StreetwiseSubbie's #buildgate campaign is aimed at encouraging all parties to help Specialist Contractors to find a way to solve their contractual, payment and a myriad of other problems. Streetwise wants to hear from everyone who wants to get behind a campaign for effective action to fix the problem once and for all, such as making our Fair Treatment Charter legislation, or adopting all of the other recommendations of the All Party Inquiry Into Late Payments conducted by Debbie Abrahams MP in 2013.

I'm happy to talk to any of the interested parties to see how we can help.

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*1,196 words For more Information or to add your voice #Buildgate*

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