



Is construction a sector to visit or should it be avoided?

The construction industry reminds me of that old argument about aliens from another planet, it goes something like this – there can't be any advanced aliens on other planets because they would have visited us by now. Ah, a reasonable hypothesis you may think. However, it can also be argued that being enlightened aliens they have listened to our radio broadcasts that have been broadcast out into the void of space since the 1930's and have concluded that Earth is a planet that is troubled and should be avoided. This could also be said of the construction industry; the sector is deeply troubled with; insanely low profit margins; worsening levels of insolvencies; a deepening skills crisis; a recruitment image problem; BREXIT uncertainty, rising costs of materials; continued poor payment practices and the unjustified situation of publicly funded contracts being awarded to a small number of debt-ridden contractors that seem to thrive on choking the very specialist supply chain that they depend on by altering standard forms of subcontract; insisting on onerous terms and conditions; collecting retentions and participating in systematic late payment practices. Thus, the question remains, is construction a sector to visit or should it be avoided?

A good start to make the construction sector worth a visit is to change the business model of Tier 1 contractors. Instead of tendering for contracts at ridiculously low profit margins and then relying on variation orders and the systematic squeezing of the supply chain in an effort to boost profit and mitigate risk, main contractors should be selective on the projects they proceed with and should substantially increase their margins on projects with increased risk and difficulty. Yes, the cost of construction may rise, however, in truth it already has. The increase is being borne out by main contractors who are more than likely carrying huge debts, making losses or entertaining small profit margins in comparison to the risk taken, and by the specialised supply chain who are relentlessly forced to endure bad payment practices, reduced margins and losses.

Turnover vanity has to end. If Tier 1 contractors fail to secure some projects due to lower tender prices by others then so be it, the focus should be on reasonable profit and treating the supply chain with actual respect. With more money in the system, main contractors will be able to work in a true respectful partnership with their supply chain. Increased profits for all will see money being

spent on training, increases in pay, better health & safety measures and working practices. An industry that is making profit and has a workforce that is content through better working conditions, training and pay is an industry that has an improving image and is attractive to new recruits.

Although, as a harmonious partnership between main contractors and their supply chains won't happen overnight, the supply chains needs to be equipped with up-to-date contractual knowledge to protect themselves from onerous contracts and terms and conditions.

According to the ARCADIS 2018 Global Construction Disputes Report, the main causes of contractual dispute are:

1st

A failure to properly administer the contract

2nd

Employer/Contractor/Subcontractor failing to understand and/or comply with its contractual obligations

3rd

Failure to serve the appropriate notice under the contract

And with 19% of subcontractors not thoroughly checking contracts before they sign them and 38% stating construction contracts are too complex to understand (Bibby financial Services Subcontracting Growth Report) it is not surprising that poor payment practices are prevalent in the industry and insolvencies are on the rise.

Contractual training is essential for subcontractors so that contracts can be administered properly to stop time consuming and costly disputes.

Since 1983 the confederation has been campaigning; providing legal and contractual advice; and developing and delivering professional contractual training to empower its members and the wider construction community to optimise contractual arrangements when dealing with main contractors and clients.

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