

## Farmer Review - Recognises Unfair Payment Practices for Specialist Contractors!

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The well-received Farmer Review of the UK Construction Labour Model, has identified many unjust payment practices that specialist contractors are unfairly subjected to and must contend with whilst contracting as part of a supply chain:

- "...multiple on-costing, downward and often inappropriate risk transfer" (p.17)
- "...Clients tend to fixate on lowest initial tendered price and this is often perpetuated by their advisors, who, in a traditional procurement model, are implicitly employed (at least partly) to manage a fixed and adversarial transactional interface between clients and industry" (p.24)
- "...The multiple and tiered sub-contracting interfaces within the industry and between industry and its clients has generated a further non-value add process whereby some businesses higher up the supply chain will use other businesses' money lower down to temporarily support and enhance their own cash flow." (p. 24). I guess this may be the answer to why the Robertson Group are predicting the rebalancing of margins if project bank accounts become commonplace:

Construction Enquirer 6/10/2016. *"Stirling-based Robertson Group is predicting main contractors will have to rebalance margins as project bank accounts become commonplace on public sector work in Scotland...Indeed, in construction, if the intended project bank account process promoted by the public sector is pursued across the industry, the additional profit element required to operate such a scheme will require a rebalancing of margins within the industry."*

- *"Many consulted as part of this review referred to the payment practices within industry as poor, with a tendency to rely on extended payment terms. There is also often an imperative to maximise the final differential between internal and external value, not just the cash flow differential between what is received and what is paid out. This drives a culture of set off, counter claim and dispute"...Accepted industry traditions include such measures as payment retentions and liquidated damages are also often abused to drive adversarial positions that lead to cash flow strangulation between clients and industry and the further cascading of issues down the industry supply chain..." (p.24)*

Will the report instigate change within the construction industry, so that specialist contractors can enjoy fair and equitable payment terms? Well, we at the Confederation of Construction Specialists are always optimistic so let's hope it will! However, the past is filled with the hope that specialist contractors will receive a fairer deal and we are still hoping. So, the answer is NO, the report won't make the slightest difference regarding fair payment terms for specialist contractors.

For over 30 years the Confederation of Construction Specialists has been supporting construction specialist companies. By providing up-to date relevant contract training courses, professional advice and contractual guidance, the Confederation of Construction Specialists enables specialist

companies to optimise the ways in which they operate contractual arrangements when dealing with main contractors or clients.

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