Carillion sparks ripple effect for suppliers

Fallout from Carillion’s insolvency has sent a ripple effect through the infrastructure supply chain and brought recognition of the need for change within the industry, says solicitor and Beale & Company partner Will Buckby MCIHT.

The UK construction giant collapsed in January owing an estimated £2Bn to its 30,000 suppliers, sub-contractors and other short term creditors.

“Since the announcement of the insolvency and still today lawyers have been busy advising supply chain consultants and contractors engaged in projects involving Carillion on a variety of issues, such as late or non-payment, new main contractors coming onto schemes, and project restructuring,” says Will.

Most major infrastructure projects where Carillion was working in joint ventures have suffered little delay because its joint venture partners have been able to continue the delivery of these projects. But Will says other schemes have faced setbacks, bringing further significant impacts on payment to the supply chain.

In addition, Will says there might be less ‘cash in the system’ currently than in recent years, and therefore suppliers are having to work a lot harder to get paid. “The Carillion insolvency has contributed to this,” he says “Consequently, we are now seeing consultants and sub-contractors being more cautious than they were previously and looking at risk and payment more carefully.”

He points to two current initiatives that could improve the situation for suppliers. The first is the recent Government consultation on improvements to the statutory payment regime in the Construction Act, and the second is the Construction (Retention Deposit Schemes) Bill due for its second reading the House of Commons in June.

“There is definitely a wish to see something positive and noteworthy come out of these initiatives, because clearly change is needed,” says Will.

He adds improvements to tendering and procurement practices are needed – for example better contracts that do not pass so much risk to the main contractor and then subsequently onto supply chain – but he believes change is less likely on this front.

“There needs to be real desire among public sector employers and the private sector to see change in relation to how projects are procured,” adds Will. “Until that happens, it is difficult to imagine a huge amount of change.”

Utilities headache solved for highways projects

Specialist utility infrastructure consultant Gattica Associates offers peace of mind for contractors and designers on major highway schemes by project managing arrangements for alterations to utility infrastructure.

The company provides an end to end solution for diversions and alterations to electric, gas, communication, drainage and water infrastructure, from consultation right through to delivery.

“A lot of consultancies and contractors are realising that utility infrastructure works offer unique challenges that they actually don’t want to have to manage. We can take away a major headache from them and offer guidance and solutions throughout the project,” says Gattica Associates managing director Mark Temple.

At project design stage the company advises clients of the feasibility and risk relating to diversion of existing utilities. Mark says: “Contractors often engage in projects without fully understanding what the implications of utility infrastructure are.”

He adds: “The earlier we are engaged the less stress there will be by the time the project commences on site.” The company also provides design facilities, procurement solutions and handles commercial management and legal issues throughout the delivery process.

Planned holistic growth has meant the company is now a UK-wide consultancy with a strong presence on the country’s major highways and smart motorway projects.

Gattica Associates has a strong working relationship with many of the UK’s leading clients, contractors and consultants.

Mark Temple says: “We are very specialised at what we do and have a dedicated and experienced team. Our commitment to our clients, their projects and their delivery has led to excellent collaborative working relationships and great results.”