

# Wait for payment gets even longer!

THE percentage of flooring and other specialist contractors being paid within 30 days has halved from 8% down to 4%, according to the latest State of Trade report for the last quarter of 2007 produced for the National Specialist Contractors Council (NSCC) by Northumbria University.

The survey has another alarming statistic - the number of specialist contractors reporting a payment period of 60-90 days has risen sharply from 33% to 42% and up from the 14% reported in the same quarter a year earlier.

These disclosures are particularly shocking in the wake of the **NSCC Fair Payment Campaign**. It underlines the need for flooring contractors to follow the advice in the campaign, which aims to achieve payment within 30 days.

The continuing decline in the number of orders, revealed in the report, remains a matter for concern. There is further gloom caused by rising supplier prices reported by a massive 90% of respondents to the survey.

Meanwhile, a balance of 14% report increasing tender prices. And a significant number of specialist contractors (a negative balance of 42%) anticipate a further squeeze on their margins.

There has been a significant fall in the percentage of respondents reporting working at over 90% capacity, from 56% to 47%. For 2007Q1 (the same quarter of last year) this figure was 59%, suggesting reduced capacity utilisation.

**Labour availability and changes:** Difficulty in recruiting skilled labour has risen from a balance of 12% to 16%, which is the same as for 2007Q1.

Sealant applicators is the skill reported to be the most difficult to recruit with 75% of respondents saying that there are 'virtually none available at all.' The low number of skilled applicants (80%) is cited again this quarter as the major cause of recruitment difficulty.

The percentage of specialist contractors unable to bid for work because of skills shortages has risen from 21% to 12%. This compares with 20% for 2007Q1.

## Shock finding in trade survey

**Labour, capacity and workload planning:** The percentage working at over 90% capacity is down from 56% to 47%, compared with 59% in 2007Q1.

However, the number working at over 75% capacity is up from 31% to 40%. About half of these contractors say over 95% of their workforce have CSCS cards compared with the overall average of 78%. About half again did not employ self-employed workers.

The balance of anticipating an increase in workload has fallen from 31% to 28% and down from 49% in 2007Q1. This may reflect the wider forecast of an economic downturn. However, the balance of planning expansion has risen from 21% to 27%, but still down from the 41% in 2007 Q1.

**Prices and margin analysis:** Those reporting tender price

**A quarter of specialist contractors do not receive their contract documentation until they have started work**

## The average amount held in retentions is £184,402.

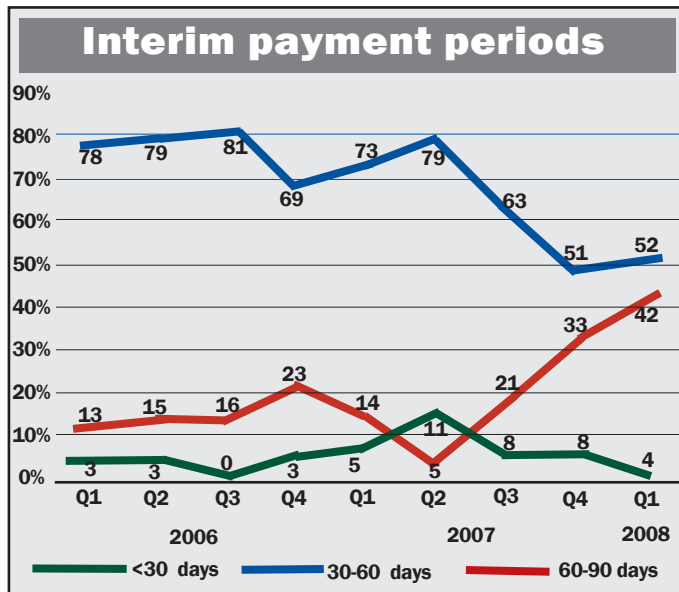
increases now show a balance of 16% compared with 5% last quarter and 22% for 2007Q1. This may be a return to the trend over the earlier part of last year of tender price inflation. A balance of 90% report increased suppliers prices compared with 87% last quarter and 62% for 2007Q1.

The outlook for margins remains dire with those anticipating a rise falling from -41% to -42%, compared to +11% in 2007Q1.

Procurement, payments and contract abuse procurement 77% of contracts continue to be obtained by tender with only 3% by appointment, 10% specified and 10% by nomination which may prompt questions about the extent of integrated working within the sector.

Further some 25% do not receive their contract documentation until after they have started the work. This response is similar to that by this survey in advance of Sir Michael Latham's 1994 report!

**Contract abuse:** Late payment, retention abuse and Dutch auction are reported to have the most significant effects on specialist contractors' business. Further, the average amount held in retentions for these reporting specialist contractors is £184,402.



## Business in brief

### Armstrong axe rumour

One or more of Armstrong's five resilient flooring factories in Europe are under threat of closure, a US source claims. Armstrong has two plants in the UK, two in Germany and one in Sweden.

### Lafarge rakes it in

Lafarge, manufacturer of Gyvlon anhydrite screeds, saw its earnings in the first quarter of 2008 rise by 49% (excluding 2007 capital gains), largely thanks to contributions from emerging markets and cost reductions. Group sales rose 8% to 4,000m Euros (£2,940m).

### BASF sales soar

BASF of Germany, whose products include construction chemicals, has reported a 9% rise in sales to 15.9bn Euro (£12.5bn) in the first three months of 2008. Its income from operations rose by 11% to 2.4bn Euros (£1.9bn).

### Construction chemicals

The UK market for construction chemicals is worth around £250m, according to a new report by AMA Research. It forecasts 2-5% growth in this sector from 2008 to 2012. The top 10 companies control 60% of the market. T: 01242 235724

### A-Plant invests £30m

Tool hire company A-Plant has ordered £30m worth of new equipment for its hire fleet.

### Toolstation backing

Travis Perkins has invested £12m in Toolstation, backing a quicker roll-out of its sales counters.

### BCT exports to US

British Ceramic Tile has delivered its first order to America, £28,000 of its Dartmoor Naturals and Elgin Marbles wall and floor tiles to the flooring distributor, Bennett's Carpets of Kentucky.

## QUOTE:

**'UK industry must remain competitive across the world to stop jobs moving to countries with lower environmental standards. The government must reduce the burden of tax and regulation to ensure the UK remains a place where international companies want to invest'**

- Adrian Barden, newly elected chairman of the Construction Products Association

