Sharp falls in ● enquiries ● orders ● anticipated workload ● margins

Flooring contractors feeling the downturn

THE key indicators have fallen sharply in the latest National Specialist Contractors Council (NSCC) state of trade survey among its 7,000 specialist contractor members, including those in the **Contract Flooring Association**.

NSCC represents 29 specialist trade organisations within the construction industry, including the **CFA**. Conducted for the NSCC by the School of the Built Environment at Northumbria University, the survey shows a steep fall in the balances reporting on **enquiries** and **orders**, down by 33% and 32% respectively.

A negative balance of 59% of specialist contractors anticipates reduced **margins**. The balance expecting an increase in **workload** has fallen from 28% to minus 29% and down from 52% the same time last year. Respondents expect less workload to come.

Material costs continue to rise with 88% of respondents reporting rising supplier prices throughout the supply chain which is having an impact upon margins in the specialist sector particularly with the price reductions being demanded by the house building sector.

Cashflow is also a significant concern with 72% of respondents receiving payment between 30 and 60 days. However, those receiving payment over 60 days has significantly fallen from 42% to 20%. Despite that, **late payment** is reported to be the most important factor affecting specialist contractors' business.

■ **Recruitment:** The balance reporting difficulty in recruiting skilled labour has fallen from 16% to -14%, the first time a negative balance has been reported in 11 years. This quarter again, the low number of skilled applicants (89%) is cited as the major cause of recruitment difficulty. However, the percentage unable to bid for work because of shortages has fallen from 12% to 4%. This compares with 40% for 2007Q2.

'The misuse of bankruptcy loopholes should be stamped out to create a much more transparent less fraudulent use. This has happened to our company twice in two years with the alleged bankrupt re-trading almost at once' – Member of the Contract Flooring Association

■ **Capacity and workload:** The percentage reporting working at over 90% capacity has risen from 47% to 49%, compared with 67% in the same quarter in 2007. The percentage working at over 75% capacity (but less than 90%) has fallen from 40% to 27%.

The average number of employees of these specialists was 45, ranging from 3 to over 350. Some 32 firms employed apprentices, the largest number in any one firm being 32. About half of these contractors reported 100% of their workforce having CSCS cards compared to the overall average of 76%.

Other revelations in the survey include:

■ Some 22% of specialist contractors do not receive their contract documentation until after they have started the work, while 48% use amended contract forms such as JCT sub-contract and DOM 1 / DOM 2) but the largest percentage (28%) use main contractors' own forms.

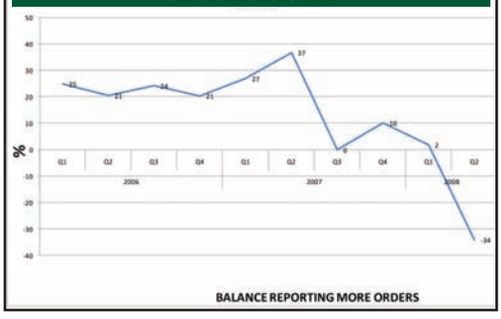
■ Late payment and retention abuse continue to be seen as having the most significant effects on specialist contractors' business.

The average amount held in retentions for these reporting specialist contractors is £116,000.

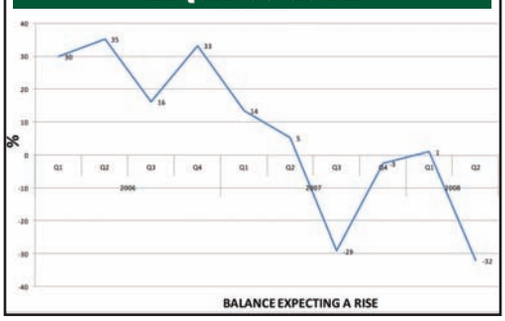
Join the NSCC Fair Payment Campaign:

■ **www.fairpaymentcampaign.co.uk**

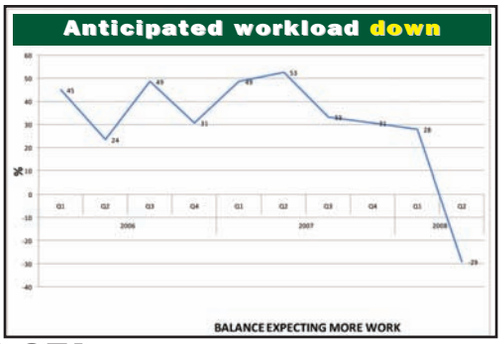
Orders down



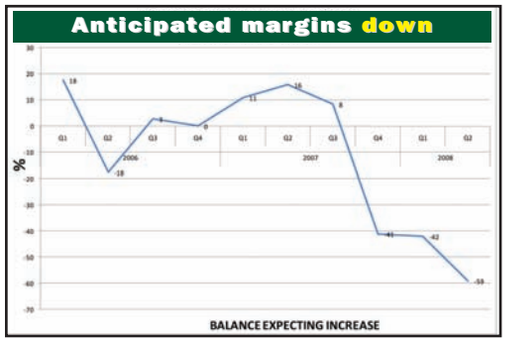
Enquiries down



Anticipated workload down



Anticipated margins down



Companies in administration

THE weak economy has struck two leading flooring companies:

Floors-2-Go

Major UK flooring retailer Floors-2-Go, which includes a contract division with a fitting arm, has called in the administrators. Efforts are being made to sell the business as a going concern. However, over 40 of its 132 stores have closed and around 100 of its 450 staff made redundant. Customers concerned about current orders are advised to contact the administrator, Kroll. T: 0121 380 5015

Town & Country

Flooring contractor Town & Country Flooring, which had an expanding network of branches mainly in the south east, has been placed in administration. The company, which has been established over 25 years, is a member of the CFA.

Business in brief

More firms go bust

The number of business failures in England and Wales in the second quarter of 2008 was more than 63% up on the same period last year, according to the Insolvency Service. Between April and June 1,246 firms went bust.

Retailer bucks the trend

United Carpets, the UK's third largest carpet and flooring retailer, saw its sales and profits rise for the year ending March 31. Despite the downturn in the housing market and consumer confidence, the company reports a 7.8% increase in sales to the middle of 2008.

Carpetright sales rise

Multiple retailer Carpetright achieved a 9.6% hike in revenue (to £521.5m) in the year to May 3, 2008, but its pre-tax profit fell by 11.2% to £59.5m.

QUOTE:

'Smaller businesses lose thousands of pounds per year just through materials errors, skills shortages and on-site accidents – that's why training is a must for employers of any size'

– Douglas Matthew, head of finance at ConstructionSkills