

Late payment continues to hit subbies, NSCC survey reveals

Work levels nosedive in a 'brutal' market

WORK levels being undertaken by flooring and other specialist contractors have plunged to their lowest level on record, the latest National Specialist Contractors Council (NSCC) state of trade survey reveals.



The survey, covering the second quarter of 2009, was conducted among the NSCC's 7,000 specialist contractors by the School of the Built Environment at Northumbria University. The Contract Flooring Association is one of 29 specialist trade organisations affiliated to NSCC.

One respondent, a member of the Association of Interior Specialists, summed up the view of many: 'It is difficult to trade in what is a brutal market'.

Late payment continues to be felt widely with a CFA member stating that 'the sooner specialist trades have security over payment the better'.

■ **Workloads:** Those working at over 75% capacity has fallen to 46%, down from 54% in Q1 2009. And those reporting over 90% capacity utilisation is significantly down to 16%, even lower than Q1 2009 (28%) which was the lowest since 1998 Q2.

Those expecting more work is up from 22% to 31%, whereas fewer anticipate less work, down from 43% to 33%, which although still significantly more than the 18% recorded in 2008 Q1 may indicate a turn in the market.

■ **Payment:** Only 9% are paid within 30 days. This compares with 5% in Q1 2009. A substantial number (71%) receive payment between 30 and 60 days compared with 72% in Q1 2009. Those paid in over 60 days remains constant at around 20%.

■ **Labour availability:** Those finding greater difficulty in recruiting skilled labour is up from 3% to 5%, with fewer finding it less difficult down from 51% to 41%, a balance of -36% compared with -48% in Q1 2009. When asked how total employment levels were expected to change over the next quarter, 10% expected a rise, 28% expected a fall, and 62% expected no change.

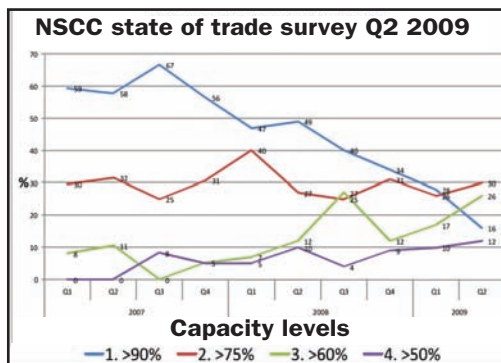
The low number of skilled applicants and the lack of the required experience are cited as the major causes of recruitment difficulty by 72%. The percentage unable to bid for work because of skills shortages is 4%, the same level as a year ago.

■ **Tender prices:** Just 5% report higher tender prices and this represents a consistent trend over the last three quarters. Those seeing lower tender prices is down only slightly to 80% from 81%, compared with 37% a year ago. This maintains a significant negative balance of -75%.

■ **Supplier prices:** This shows a wide variation with 35% saying prices were up and 33% reporting that they were down.

■ **Margins:** Only 4% anticipate improved margins, a consistent level seen throughout most of 2008, whereas 68% anticipate falling margins compared with 77% in Q1 2009.

■ **Enquiries:** The figure of 32% reporting an increase in enquiries continues the improvement



shown in Q1 2009. However, 43% still find fewer enquiries, although this is down from the 49% reported in Q1 2009. While this may show some improvement in the market, the balance is still -11% compared to the last positive balance of +1% reported in 2008 Q1.

■ **Orders:** More respondents (18%) report an increase in orders than in Q1 2009 when the figure was 13%, which again may indicate some bottoming out of the market. A decline in the number of orders is reported by 64%, which is less than the 69% reported in Q1 2009. Critically, however, the balance of -46% is still well below the last positive balance of +2% recorded in 2008 Q1.

■ **Contract abuse:** Late payment and under valuation were seen to have the most significant effects on business. Other abuses included retentions, bid peddling, dutch auction, pay when paid/certified, and set-off.

■ **Retentions:** A massive 80% of respondents have monies withheld against them in retentions with an average of £158,000 each. Of the monies withheld, an average of £59,670 each is overdue for release. This equates to 37% of retention monies withheld from specialist contractors being overdue for release, up 4% from Q1 2009.

■ **Procurement:** Some 72% of contracts continue to be obtained by tender with 15% by appointment, 5% specified and 8% by nomination which continues to challenge the notion of integrated working within the sector. Surprisingly, 15% do not receive their contract documentation until after they have started work.

■ **Employees:** The average number of direct employees remained static at 50, and on average just 1% of these employees are apprentices. However, the future looks more optimistic with 23% of respondents reporting that they are planning to take on at least one new apprentice over the next year.

■ **CSCS cards:** A total of 65% of the workforce possess CSCS cards.

■ **The future:** The number of businesses planning expansion is up slightly from 9% to 11% but compares unfavourably with the 2007 figure. Those expecting to downsize has declined from 46% to 30%.

Planning horizons again show most looking ahead less than three months (51%). Market demand, availability of finance and material costs are the most important factors in these plans. **CFJ**

Business in brief

Hopes for recovery

Mohawk Industries says it is looking to emerge stronger when the economy recovers despite a 27% decline in second quarter sales. Turnover at its Unilin subsidiary fell 24% with reports that Unilin's laminate flooring plant in Mouscron, Belgium, is to close.

Carpetright sales up

Britain's biggest flooring retailer, Carpetright says its sales rose 1.4% in the 13 weeks to August 1. This follows the news reported in **CFJ** last month that its major rival Allied Carpets had been placed in administration.

Topps Tiles revenue falls

Topps Tiles, which has 312 stores in the UK, reports its revenue down by 9.9% in the 18 weeks ended August 1. However, a management statement says the group is on track to meet expectations for the year.

Businesses up for grabs

One in six flooring companies could change ownership as a result of the recession, says Plimsoll. It claims a 'surprising number' of cash-rich competitors.

Lower costs expected

The year-on-year costs of building materials and labour are set to fall for the first time since records began 39 years ago, according to research by Davis Langdon.

Credit squeeze bites

The construction industry has reportedly been among the worst hit by a credit squeeze on business with lending down by £2.1bn (3.5%) between April and June.

Tender prices still low

Tender prices remain depressed as UK construction workloads continue to fall, says the latest Tender Price Index from the Building Cost Information Service. It predicts tender prices could fall 14.9% from the peak before recovering in 2011.

Downturn is slowing

The UK construction industry declined in July more slowly than at any time in the last 16 months, according to the Chartered Institute of Purchasing and Supply.

BASF sales down 23.3%

BASF, which operates worldwide including its UK construction chemicals business, saw its sales fall 23.3% in the second quarter of 2009, but it forecasts stability returning to its business.