



The tragedy of Grenfell appears to have surprised an industry that has been trying to get its act together
JUSTIN TALLIS/GETTY IMAGES

CONSTRUCTION AFTER GRENFELL

Toxic and dysfunctional industry in race to the bottom

In the first of a three-part series, The Times highlights the serious challenges facing the construction sector

Robert Lea, Industrial Editor
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It is not as if several decades of official reports, now gathering dust in Whitehall, had not given fair warning.

The construction industry is in a dysfunctional state. Bad practices are embedded deep, with an unsustainably long and poorly configured supply chain of subcontractors failing to survive on razor-thin margins. Payments are perpetually delayed and there are also cosy relationships, poorly procured

tenders, shoddy work and corners cut. In general, there is a race to the bottom in quality and standards.

Those are the views of the sector itself. Yet if the [collapse of Carillion](#) was a disaster waiting to happen in a sector only too aware of its shortcomings, the tragedy of Grenfell appears to have surprised an industry that has been trying to get its act together.

While companies have been winning the war on construction site fatalities and have grappled with issues of environmental awareness, poor management and a lack of workforce diversity, it has been assumed that the priority of Britain's developers and contractors is to produce buildings that would be safe for their inhabitants. Grenfell is witness to that lie.

Within the industry there is no more brutal assessment than that of Graham Watts, chief executive of the Construction Industry Council which represents the sector's professional bodies and business associations.

Watts cites report after report — published, shelved, sometimes acted upon — in the 40 years that he has been in the industry and represented it.

“During my time I have been to thousands of meetings,” he says. “We talked about health and safety, sustainability, diversity, inclusion. Until Grenfell no one talked about making buildings safe. It was taken for granted but, to our shame, it was not the priority.

“Grenfell has exposed those shameful truths. The industry is getting a battering yet an awful lot of people in the industry did not know how bad it was.

“The Hackitt review [initial findings into Grenfell] has called for independent construction inspection as it found the industry isn’t fit for purpose.

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“The largest of the many problems in the industry is the broken business model that promotes a race to the bottom in standards. Taken together that is a toxic equation.”



Carillion was the highest profile failure when it collapsed in 2018
DANIEL SORABJI/GETTY IMAGES

That business model, he says, is a lengthy and often unmanageable supply chain in which at the top is a tier 1 main contractor which effectively ends up only managing the project. Work is subcontracted down various tiers of contractors all the way to very specialist contractors who can sometimes be just one-man bands.

On top of that is the fact that project contracts are let on tiny margins of about 2 per cent. With every tier of contractor needing to make a margin that, he says, “leads to the driving down of costs and quality issues and eventually to what we saw in the great tragedy of Grenfell”.

Overlaying that again are “retentions”, money held back to ensure work is finished, leading to delayed payments all the way down the chain to contractors who need the liquidity and cashflows to get on with the next job.

That, says Watts, played a central role in the collapse of Carillion, the highest profile of the many companies that have come financially unstuck.

In his book *Bandit Capitalism* on the collapse of Carillion, Bob Wylie chronicles what from the outside might have been forgiven as “aggressive accounting” but was in fact hiding the financial truth.



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Ayo Abbas is a freelance marketing professional to the construction industry and offers insider knowledge with an outsider’s perspective.

The nature of the industry and its tendering processes means it is rife with lowball bidding verging on reckless gambling fuelled by the people who run these contractors.

Carillion, Abbas says, is the exemplar of why the industry is reputationally bust. “Many construction companies are run by people who have come up through the ranks with a traditional view of success being the winning of trophy projects and generating higher revenue,” she adds.



Ayo Abbas, a marketing specialist, has called for greater diversity on the boards of big construction firms to tackle “good old male bravado”

DONNA FORD

“In many respects it’s a case of good old male bravado. That they want to win the biggest most prestigious project regardless of cost is still prevalent. There needs to be more diversity in the boardroom. People drawn from diverse backgrounds and sectors who are empowered to ask the right questions.

“Boards often comprise a raft of people cut from the same cloth with the same views and ideals.”

Suzannah Nichol, chief executive at the construction trade body Build UK, says: “The business model is not fit for purpose, there is no one in the industry who will tell you otherwise. We are asked, why don’t we change? For the industry to change it needs to recognise that it has a problem.



Construction of arenas and the athletes’ village for the London 2012 Olympic Games was a rare highlight for the industry, and an standard-bearer for community engagement, legacy and site safety

ELSA/GETTY IMAGES

“The industry does recognise that. Initiatives like the construction playbook [new procurement standards set by the government’s Cabinet Office] are a recognition that how the public sector buys and how contractors sell, is flawed but also that both are prepared to change.

“Initiatives like Build UK’s league table on payment terms is holding people to account and has driven change in the culture of payments.”

Watts’s conclusion is that nothing short of a revolution is needed, though some of the failings can be directed at government. “From 1979 onwards each government irrespective of whether they were Conservative, Labour or coalition, was totally obsessed with deregulation,” he says.

“As an exact result of deregulation by the time of the tragedy of Grenfell you could house the number of civil servants overseeing the construction industry in a Whitehall broom cupboard.”



Celebrations at the Channel Tunnel construction but it was among a number of key projects that have been dogged by delays and gone over budget
PIERRE VERDY/GETTY IMAGES

A national industry-centralising oversight function as proposed with the government’s new building safety regulator is the right start, he says, and that body will also need to set new higher accredited standards and license levels of competence for contractors.

However, he concedes that regulation is not enough. There needs to be cultural change. “Our industry splits into two: those who are very responsible and who are doing the right thing, and those who are irresponsible and who only care about profit and executive bonuses,” he says.

“I have some faith that change can be effected,” he says, citing the near elimination of construction site fatalities over the last two decades.

“The industry was challenged on that and now has an exemplary record. That can be extended to the cultural shift that is needed to change this industry.”

Legacy of repeated failures

1994 Channel Tunnel. Opened a year late and 80 per cent over budget, dogged by safety troubles and the death of ten workers, environmental issues and financial disagreements.

1994 The Latham report. Identified a systemically adversarial and fragmented sector, incapable of delivering for its clients and lacking respect for its employees.

1995 The Levene report. Called for Whitehall to be more commercial and better trained in procurement.

1998 The Egan report. Called for better industry leadership and integration, a focus on the client and commitment to the workforce.

1999 Millennium Stadium, Cardiff. A financial disaster which almost bankrupted both the main contractor Laing and the Welsh Rugby Union.

2001 National Audit Office report on modernising construction. Concluded the industry’s problems had been repeatedly identified and “now no excuse for not getting it right”.

2002 Fairclough report. Found construction costs, delays and defects could be cut by a “quality-driven agenda”.

2004 Scottish Parliament building at Holyrood. Three years late and 700 per cent over budget blamed on “scope creep” of ever-changing specification, poor communication and legal disputes.

2007 Wembley Stadium. Opened four years late and nearly three times over budget, plagued by multiple disputes between contractors.

2011 National Audit Office report into construction PFI. Concluded that government needed to be “a more demanding, intelligent and tougher customer”.

2012 Olympic Stadium. Hailed as a success for industry openness, realism, collaboration and site safety and for its community legacy.

2014 Edge report. Called for a code of shared knowledge, research, best practice and collaboration.

2016 Farmer report. Subtitled “modernise or die”, the report called for an industry leadership council and training board to be reformed.

2017 Grenfell disaster. The death of 72 in the tower fire exposed shoddy contracting, safety and maintenance neglect, and failure of regulatory oversight.

2018 Collapse of Carillion. Over-borrowed construction group imploded with failures at Birmingham and Liverpool hospitals and Aberdeen road projects and the Qatar Fifa 2022 World Cup development.

2018 Parliamentary report into Carillion said its collapse exposed systemic, potentially repeatable flaws in corporate and governmental accountability.

2018 Hackitt report. Commissioned after the Grenfell fire, it found building and safety regulations too complex and unclear, and poor clarity in roles and responsibilities.

2021 Crossrail. Expected to be four years late and £3 billion over budget, hobbled by overoptimism and complacency in marrying complex construction and rail technology.

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Sally Ann Shelley Maddocks
4 HOURS AGO

Many years ago I worked for a privately owned building company and was delighted when I was appointed to the board of directors. At the first board meeting I attended our external accountants gave their report which was basically that the owner would be much better off putting his wealth in the bank for the interest and forgettin all about the building industry.

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H

Hammers
15 HOURS AGO

Great article and comments. As many have said below, the issue is we pay peanuts and we get monkeys. I pay my hairdresser more per hour than a technical director on the £800m Queensferry Crossing! In the rest of Europe, architects and engineers (and I assume but don't know) contractors are paid well in recognition it takes longer to become a chartered engineer or architect than a surgeon. Public procurement is a race to the bottom and clients in private sector are just as bad. Public procurement is also a farce and too expensive and pointless. Civil servants won't change this as it's like asking turkeys to vote for Christmas. The Construction Playbook is waffle. Another Boris/Dom hollow solution. Because we don't actually value the skills we pay poorly and we can't expect quality. In Scandinavia they pay engineers and architects well, they

standardise Gov contracts with low limits of liability, and they have a professional body that provides a co-operative insurance scheme so claims are rare. As a result huge amounts are not spent on professional indemnity insurance and lawyers. This year PI insurers left the market in droves and those that stayed cleaned up like vultures with 60% price hikes. They took our money for years and when the claims made claims looked like landing, they ran away. Deregulation caused Grenfell and yet the Gov will push blame down the supply chain. There is a huge resourcing crisis in the sector which Brexit did not help.

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Hammers > Hammers

15 HOURS AGO

Continued from above..

Post the last recession I went to a dinner where the Chief Economist at the Bank of England spoke about how to restart the economy. One was to save as he felt there was too much credit around which like toxic assets in US would never be repaid and the other was to act urgently (2008) to solve a looming resource crisis in construction sector. He said countries like France and Germany had thrived as a result of an investment in technical colleges where skills are valued. In Britain we are snobs and we value financial services and intangible jobs more than tangible construction skills. So in short pay more, regulate building control and materials testing, simplify procurement, create an industry insurance pot and reduce claims culture and standardise Gov contracts. Lots of progress on H&S and sustainability and the architects and engineers will be the ones to save humanity by reducing the 40% of carbon emissions in the built environment so pay them well!!!

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Oakley

17 HOURS AGO

I worked around this industry and my observation of the level of sub sub sub sub sub contractors left me shaking my head wondering "how on earth is that supposed to work?". Badly was the usual answer

[Reply](#) ☆ [Recommend \(3\)](#)



David Nicholls

17 HOURS AGO

You can be a tier one contractor and still build quality
It depends if you are private or subject to share holders and a fund
I work for a family firm who turn over £1.5 bl WDC
They still passionate about quality, cost time , longevity....
relationships... the infinite (that's another story)
Remember back in the day , mr wikes who built my parents house

also made coffins 📭

Margin is the only way to survive 150 years (not my parents but my employer business !)

Every deal is successful if both parties are happy with the outcome
x

When we don't recognise that we are doomed

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D David Rosemont > David Nicholls

8 HOURS AGO

Without mentioning names when I was studying architecture I worked every holiday to earn money to keep me during terms. I got a temporary job with a Kent based firm that was established in the 16th century. I knew the family that owned it for numerous generations. They had some superb people working for them and I used them once or twice on projects in London. The quality was second to none. I read in the press a little while back that they got into financial problems on one largish job and I understood that they have had to be rescued in some way. Meanwhile many Johnnies come lately get into the industry and clients and developers demand cheaper and cheaper prices.

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K K Purcell

18 HOURS AGO

We have HS2 to look forward to.

[Reply](#) [☆ Recommend](#)

J john farrell

18 HOURS AGO

when building inspection is reinstated at a strict level builders will conform.

govt appointed inspectors, paid by client. *(Edited)*

[Reply](#) [☆ Recommend \(2\)](#)

D Dr Quinn

18 HOURS AGO

I like the fact the journalist asked someone from a marketing department to quote on this article, perhaps next time Bill and Ben the flowerpot men .

[Reply](#) [☆ Recommend \(3\)](#)

S seenmostthings

20 HOURS AGO

I echo the comments of many others- having spent many years in the construction industry- shocking cheap and nasty work is common. This situation is not helped by the public sector with their ridiculous tendering system - always going to the lowest quote regardless of the complexity of the project and past record of the

tenderers. They are often put out and evaluated by staff with no relevant qualifications, or experience. *(Edited)*

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Susan Cochrane > seenmostthings

17 HOURS AGO

You are 100% correct re the Publix Sector procurement. Heaven forbid that anyone with any actual knowledge be involved as we might not judge the tenders in an objective manner !!

[Reply](#) [☆ Recommend \(1\)](#)



Stan63

21 HOURS AGO

The house building industry which effects most ordinary people is very very poor and is distinctly different to the major buildings contracting industry. The big house builders are client and constructor and this is where the rich FTSE companies in particular have engineered the cheapest and smallest product for the highest price while bottom fishing the lowest tenders from sub-sub-and sometimes sub again contractors. My experience with new houses since retiring from major and successful construction projects has been appalling and worrying. The poor quality builders and their unqualified trades subcontractor staff are a disgrace in many instances and are aided and abetted by cover from the NHBC is a most unequal form of insurance. The builder is in line for 2 years , after that he is scot free whatever is hidden under floors and in walls and roofs, whatever quality fraud has taken place. Additionally parts of the work may be excluded by NHBC as well leaving the buyer with no recourse at all. . Then NHBC takes over and strips away cover progressively when in the last few years of the 10 the only cover is structural failure. It is just unacceptable and do keep chasing this Times !

[Reply](#) [☆ Recommend \(3\)](#)



Burkey > Stan63

20 HOURS AGO

I have a couple of friends who refuse to buy new houses because of practices like this. The quality of house in the last 20 years or so seems to have declined considerably

[Reply](#) [☆ Recommend \(4\)](#)




Ayo Abbas

21 HOURS AGO

Thanks for including my comments in this piece. The original comments I wrote about the construction model being broken were on the back of Carillion going under. The fact that many of the systemic flaws in the current model are still at play three years later shows that we as an industry still have a lot to do. You can read the full blog on my website abbasmarketing.com The Grenfall tragedy and the subsequent trial highlight many of the failings in the current model that really must be addressed quickly - it's not just one part - it's the entire model and system.

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Charles G

Ayo Abbas

16 HOURS AGO

What do you mean by ‘model’, Ayo? Can you be more specific?


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