

DON'T BECOME A VICTIM OF
THE CONSTRUCTION "RACE TO THE BOTTOM".

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Despite the highest number in over a decade of Construction Companies failing in 2023 and with no sign of insolvencies slowing in 2024 the situation is exacerbated by a culture of a 'race to the bottom' tendering in the UK construction industry, where both Main Contractors and Subcontractors compete to offer the lowest price possible to win a contract without considering risks, rework, price rises, or payment terms.

Unsurprisingly the end result is extremely tight margins and profit loss across the construction sector with the upward spiral of failing companies continuing to leave behind a trail of unpaid suppliers and subcontractors and many responsible well run businesses facing an uncertain future.

The 'race to the bottom' continues through Employers and Main Contractors prioritising price over other factors such as quality, value for money, life cycle cost analysis, net zero, and personal service.

Every tender document states that the successful tenderer will be evaluated on many issues and the lowest tender may not be accepted. Yet the procurement and tender evaluation process continues to favour price and leave bidders with no option but to provide the lowest price possible to secure a project or "walk away".

This invariable results in:-

- Cheap poor quality materials and overall construction projects
- Cheap or unskilled labour resulting in poor workmanship.
- Lack of professional project management leading to delays and financial overspend
- Mistrust leading to disputes.
- Lack of investment in new technology and ways of working
- Compromise with site conditions, safety and employee wellbeing
- Onerous and Unfavourable payment terms for subcontractors
- Pricing that significantly differs from actual cost.
- All leading to failed businesses.

Until there is a fundamental culture change away from "lowest cost wins" and quality, experience, life cycle costs and financial stability are valued and prioritised Construction Companies will unsurprisingly continue to fail leaving a trail of unpaid and exposed suppliers and subcontractors.

In the meantime, subcontractors need to ensure they are not exposed to low margins, and the onerous and unfavourable terms and payment profiles for failing Main Contractors.

It is better to walk away from a project than become a 2024 victim of the Construction Industry's "Race to The Bottom".

If you need help, guidance and advice in negotiating construction contracts and payment terms contact **FRESH JCT** for a no obligation chat on 07563 246975 or e-mail alan@freshjct.co.uk

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