

Disquiet over management contracting problems

Widespread concern among specialist contractors over management contracting is revealed in a survey carried out by Gardiner & Theobald. Some 60% expressed unhappiness over various aspects of the system. Top of the list of concerns is the increased risk that the trade contractor is exposed to. This emanates from the need to

undertake unfamiliar work, the greater prospect of conflict, and the 'biased' nature of the package contracts.

Another significant grievance was the expectation that subcontractors should coordinate their own work, involving a higher level of supervision. Package contractors also find themselves faced with unexpected contra

charges that arise from obscure terms in their contracts. In addition they are frequently expected to provide their own plant, storage and site attendance such as unloading and distribution of materials.

Inexperienced management contractors, the survey finds, sometimes fail to provide the necessary coordination of activities.

But the specialists' experience of management contracting varied from firm to firm and even job to job. It was felt by some that too many main contractors had jumped on the management bandwagon with insufficient know-how.

Other complaints were later payments, incomplete design data at tender stage and the acceptance of design responsibility.

In defence of the system, several specialists conceded that it was often the best method for large complex projects, particularly those in confined city locations and involving unusual construction techniques.

Water levy costs housebuilders £100M

A new water infrastructure levy could cost the housebuilding industry as much as £100M annually. Investigation by a Gleeds' research unit discovered that individual boards are setting the levy, brought in on 1 April, at markedly different levels. The cheapest is Northumbrian Water at £351, the most expensive is Wessex at £1 534. On average the cost will be around £890 per home.

The charge, says Gleeds, is in addition to the existing connection charge. "Many developers haven't realised the new charges are coming and haven't taken them into account in their costings.

"In a tight housing market the new levy will consume a large slice of the developer's profit. And ultimately it will be the consumer who will pay", says the practice's water industry spokesman Geoff Stevenson.

The new levy applies to the conversion of existing buildings into more than one unit (in future all the flats created will have to pay the water infrastructure levy). Services provided for non-domestic purposes will be subject to specific charges related directly to the cost.

Guidance notes have been issued by all the water boards on the new levy.

BUSINESS MONTH

Gillian Bloomfield looks at April's results.

A busy time for the City this past month with a large number of results being released for either the September year end companies which report late or for the December year ends. Some evidence too – since it's spring time – of chickens (coming home to roost) and a few rabbits (being pulled out of hats).

The rabbit category first:

- Pretax profits at Tilbury group rose slightly above the predicted level of £27M made at the time of the bid from Lilley. The company achieved an 87% increase to £27.46M, largely as a result of property disposals, a stronger Scottish housing market and a pension fund holiday.
- Wilson (Connolly) Holdings continued its fifteen year record of unbroken profit increases with pretax for the full year ended December up to £54.24M from £52.97M last time. This was, according to the chairman, Lynn Wilson, the worst year for housing since the group was floated 25 years ago. Numbers of houses sold declined by 14% to 1800 accompanied by severe price reductions in some locations.
- Ossory Estates continued to make strong progress during the

half year to December and turned in a 49% increase to £6.58M.

- Estates and General improved its full year total for calendar 1989 by 19% to £3.65M.
- Steetley, the building materials group, managed to wring an extra 27% profits out of its full year as a consequence of astute investments in France and Spain. International profits accounted for more than half the total £11M recorded for the year.
- Close competitor Redland did slightly less well by improving its full year pretax by 13% to £250M. In Redland's case 60% of its pretax was earned outside the UK. Domestic profits were held back by reduced demand for tiles and bricks from housebuilders.
- Plant hire group Hewden Stuart saw a strong advance of 28% in its pretax profits for the year ended 31 January 1990. Trading conditions for the group were good in the North and Scotland throughout the period but there had been weakening of demand in the South and East from June onwards. The group's increasing emphasis on very large projects – power stations, chemical plants and the like – was paying benefits because of the large number of such schemes operating or out to tender.
- Higgs and Hill produced profits in line with its forecast of £27M made at the time of the defence

against a hostile bid from Y J Lovell. Property was the principal contributing division and house sales – although exactly in line with the forecast made – experienced a virtual halving from the 550 sold last year to 276 to the end of December.

- Blackwood Hodge is half rabbit half chicken. The company produced profits up 18% to £18M but slipped into loss on its domestic activities as a consequence of delays in starting opencast mining contracts and a downturn in demand from the construction industry.
- No doubts about AMEC – strictly all rabbit. Profits for the year ended December jumped 48% to £91.3M with a substantial benefit coming from the first year contribution of Matthew Hall. Profits from mechanical engineering activities more than doubled to £28.8M while building and civil engineering profits rose from £18M to £38.7M.
- Strong growth was also recorded at RMC Group where European profit growth helped secure a 20% rise in profits. The overall improvement disguised a fall in the operating profits of the UK operations during the second half of the year. This decline was even stronger than it appeared since the normal balance of profit is weighted strongly towards the second half of the year in UK