



24 May 2018

Andrew Griffiths MP
Secretary of State for Business, Energy and Industrial Strategy
House of Commons
London
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Dear Andrew

Payment Practices in Construction

Thank you for your time on 3 May to discuss payment practices and in particular the use of retentions within the construction industry, which followed on from the discussions at recent Carillion Taskforce meetings.

Whilst these are not circumstances we ever wanted to find ourselves in, recent events offer a catalyst for change within construction which requires all of us to play our role. There is now an opportunity to drive different behaviours that will lead to better projects delivered more effectively, improve the return to the taxpayer from the investment in infrastructure, and deliver a positive effect on the economy.

Retentions

Build UK and the Civil Engineering Contractors Association (CECA), supported by the Construction Products Association (CPA), submitted a joint response to the recent Government consultation on the Practice of Cash Retention. This confirmed our full support for the abolition of retention by no later than 2025, which is endorsed by the Construction Leadership Council and set out in the Construction Supply Chain Payment Charter.

We all believe that Government and industry should work together on a joint approach of legislation to abolish retention supported by an industry-led roadmap with milestones that would not only demonstrate real progress is being made but would tackle the reasons why retentions exist in the first place.

You asked for clarification of our position in relation to the 'Aldous' Bill ahead of its second reading in Parliament on 15 June. Whilst there is unanimous support for the abolition of retention we have not reached a consensus on a retention deposit scheme.

For this reason, the following organisations are not able to support the Bill:

- Build UK
- Civil Engineering Contractors Association (CECA)
- Chartered Institute of Credit Management (CICM)
- Construction Products Association (CPA).

The benefits of zero retention are clear: increasing capital within the supply chain will drive innovation, investment and productivity and transform the way we operate. In order to successfully address this issue for the long term, it is vital that we take the right action now and we can do that by Government and industry working together in the way that we have set out.

Fair Payment

We very much welcome the Government's commitment to 30-day payment terms on public sector construction contracts.

It would send a strong message if you were to reinforce that commitment and require public sector contracts that are implementing those terms to demonstrate it by displaying them prominently on the relevant project for all to see. As far as we are aware, this would not require any change in policy and would support our shared ambitions of better payment practices and a more productive and efficient industry.

There are further discussions to be had to on the issue of payment; however, the priority is to demonstrate to the industry that the lessons from Carillion will be learnt, there will be clear action from Government, and payment practices will improve as a result.

Yours sincerely



Suzannah Nichol MBE
Chief Executive