

## Re-visiting the past ...

In a series of articles in early 2018, we reported on the fallout from the liquidation of Carillion plc, the UK's second largest construction company at that time. We raised the question as to whether any systemic failure in the construction industry contributed to Carillion's demise and what actions, or inactions, may have contributed to the situation.

Now some six and a half years later, another significant player in the UK construction industry has fallen to its knees. As the UK's sixth largest construction company by turnover and an employer of in excess of 2,000 people in the UK, a number of subsidiaries of ISG Ltd. applied to go into administration in late September 2024 in the UK.

Similar to Carillion plc, the subsidiaries of ISG Ltd. were involved with numerous UK government projects, said to be in excess of £1 billion, with initial reports suggesting that legacy issues arising from loss-making projects which had been secured in previous years, exacerbated by the COVID-19 pandemic, had impacted its liquidity.

Like Carillion plc, the fall-out of ISG Ltd's administration will have a huge impact on the construction supply chain in the UK and beyond and it remains to be seen if there are any similarities with the demise of Carillion plc and what, if anything, can be done to prevent a re-occurrence.

As we touched on in our previous article on Carillion plc, cost escalations and delays in projects do not arise all of a sudden, but tend to manifest over periods of time and it is likely that multiple projects have contributed to ISG Ltd's financial woes over a number of years. As construction professionals a key role on each Project is to ensure the proactive management of Risks (and Opportunities) and importantly, the prompt accurate reporting of the project status to executive management. It remains to be seen whether alternative forms of Contract improve the situation on Projects, but it is imperative that problems on projects are not suppressed to make the bottom line look good, eventually all will manifest itself.

It is evident from recent construction data, that the Hong Kong construction industry continues to face lean times, driven in part by the property market. Let's take this issue as another wake-up call for the construction industry in Hong Kong, to ensure the same doesn't happen here.

## PROJECT NEWS

**Build King - Richwell Civil Joint Venture** have been awarded a HK\$3.57 billion contract by CEDD for carrying out the Fanling North New Development Area, Remaining Phase: Site Formation and Infrastructure Works (East). The works comprise of site formation of lands and ground investigation; construction of at-grade roads connecting FLN NDA to Fanling Highway and associated junction/road improvements; construction of noise barriers and low noise road surfacing; construction of common utility enclosure and associated works; and ancillary works including footbridges, footpaths, cycle tracks, lighting, traffic aids, sewage pumping stations, drainage, sewerage, water mains, landscaping works, slope works and electrical and mechanical works. Work commenced in August 2024 and will take about 66 months to complete.

**China State -STEC Joint Venture** have been awarded a HK\$4.83 billion contract by CEDD for carrying out improvement works of Fanling Highway (Kwu Tung Portion) and associated works for Remaining Phase development of Kwu Tung North New Development Area. The works comprise of site clearance and formation works, widening of Fanling Highway, modification of Castle Peak Road, construction of footbridges, construction of the Kwu Tung Interchange, modification of Kwu Tung Road and construction of associated works. The works commenced in August 2024 and will take about 71 months to complete.

## HONG KONG CONSTRUCTION INDUSTRY STATISTICS

Census & Statistics Department's construction output statistics for the second quarter of 2024 ('Q2') show:

- The gross value of construction works performed by main contractors in Q2 of 2024 increased by 2.3% from a year earlier to HK\$68.3 billion. In real terms there was a 2.3% increase for Q2 of 2024 after removing the effect of price changes.
- Private sector sites were down 2.4% for Q2 of 2024 from a year earlier at HK\$21.4 billion.
- Public sector sites increased by 22.6% for Q2 of 2024 to HK\$26.2 billion.
- Gross value of construction works at locations other than construction sites (maintenance, decoration, repair, electrical installations, etc.) was down by 11.9% for Q2 of 2024 at HK\$20.7 billion.
- Residential Building projects accounted for the largest share in gross value for Q2 of 2024 at HK\$20.5 billion (up by 18.4%) with transport projects coming in second at HK\$9.2 billion, up 20.2% from Q2 of 2023.

## STAFF NEWS

We are pleased to welcome Yam Sun, Anson Chan, YK Lam and Kevin Wong to the Team. All of our new staff are experienced Project QS who have joined us to provide contracts administration and quantity surveying services at the Hong Kong International Airport on the Third Runway System project.

Welcome ALL!!