



26-29 NOVEMBER 2018
Dubai World Trade Center
11:00 - 19:00 Daily

The Problem of Non-payment in the Construction Industry in the UAE

M.J.Lawrence



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Contents

- How to avoid payment problems
- What to do if you have payment problems
- How can things change in the UAE





Contractor's face tough times in the UAE

Published on September 23, 2016 [Edit article](#) | [View stats](#)



Michael J. Lawrence
Director at Insite
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16,187 | 908 | 88 | 257

Contractors across the UAE are facing tough market conditions, with cash flow constraints and greater competition for fewer contracts placing a squeeze on margins. Expo 2020 is just around the corner now but much of the anticipated bonanza from Expo and related projects has yet to kick off. The region however still offers decent long-term fundamentals for companies prepared to ride out the current slowdown in the market.

In addition to the current slow down, contractors still face pressure on cash-flow from trying to close out legacy projects, and be paid for projects delivered back in 2008-10. Many contractors are finding that market conditions in 2016 are tougher than in the previous year and most have witnessed an increase in construction disputes.





Crisis for Gulf Construction Companies?

Published on June 19, 2017 [Edit article](#) | [View stats](#)

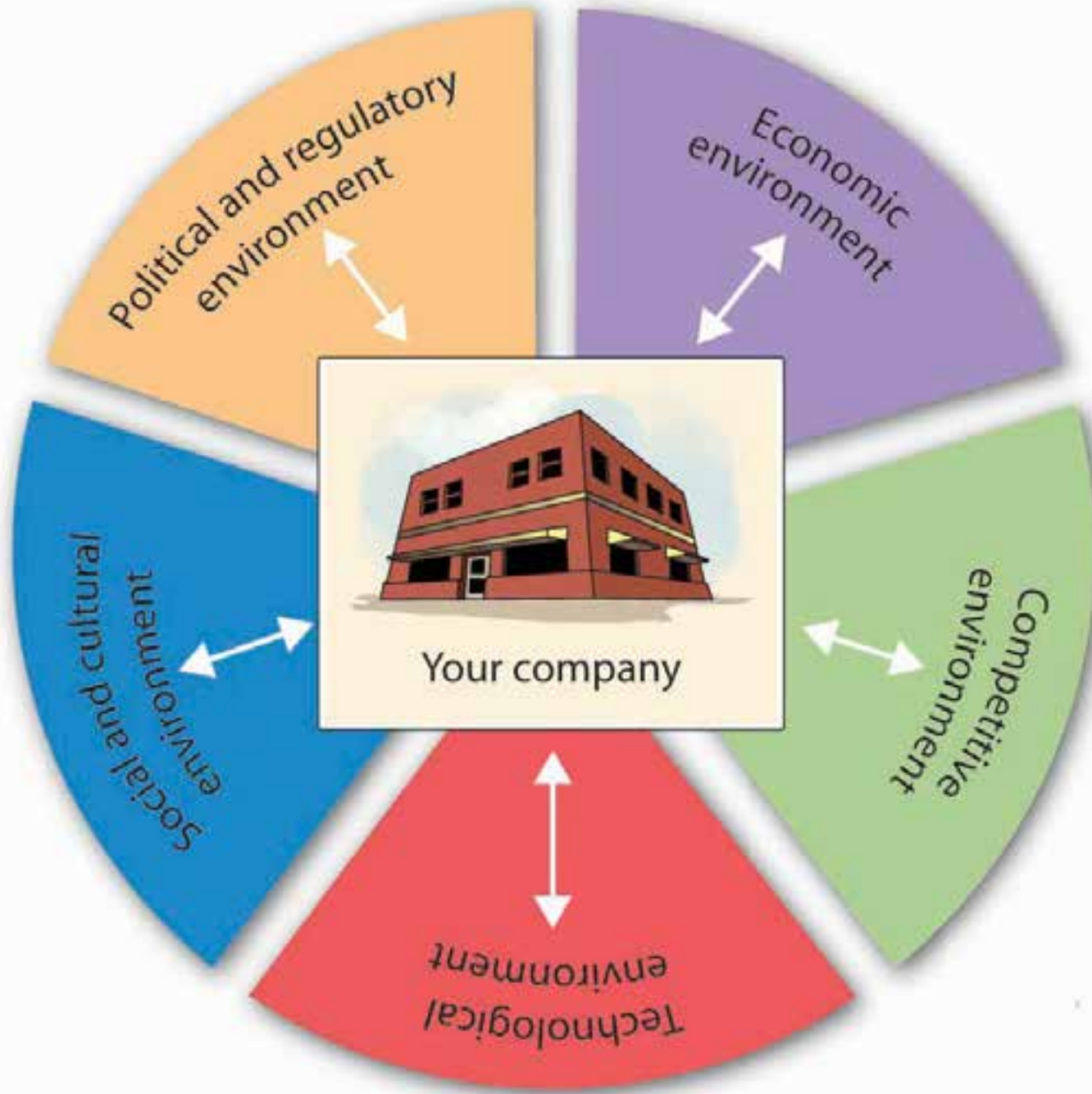


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31,789 1,924 218 508

Drake & Skull announced plans for a major restructuring after suffering losses in 2016 of AED 787M, an improvement on 2015 when they lost AED 939M. A few days back 8,000 employees of the 40 year old company Saudi Oger received letters announcing that 31st July 2017 will be their last day at work. The company apparently owes \$3.5Bn to Saudi banks. Arabtec too needed a cash injection early this year after announcing losses for 2016 of AED 3.4Bn. In 2015 the losses were reported at AED 2.35Bn. In March last year Al Jaber missed a debt repayment of AED16.2Bn which had been put in place in 2014 to restructure the company and in August they announced the sale of their share in ALEC and the Shangri-la Hotel Abu Dhabi to finance yet another restructuring exercise. Then there's the fall out between Al Habtoor and Leighton, the list goes on... This is just the tip of the iceberg. The small subcontractors, sub-subcontractors and suppliers don't make news in the financial







Publius Flavius Vegetius Renatus

“Si vis pacem, para bellum”

“If you want peace, prepare for war”



Your Company - Avoidance

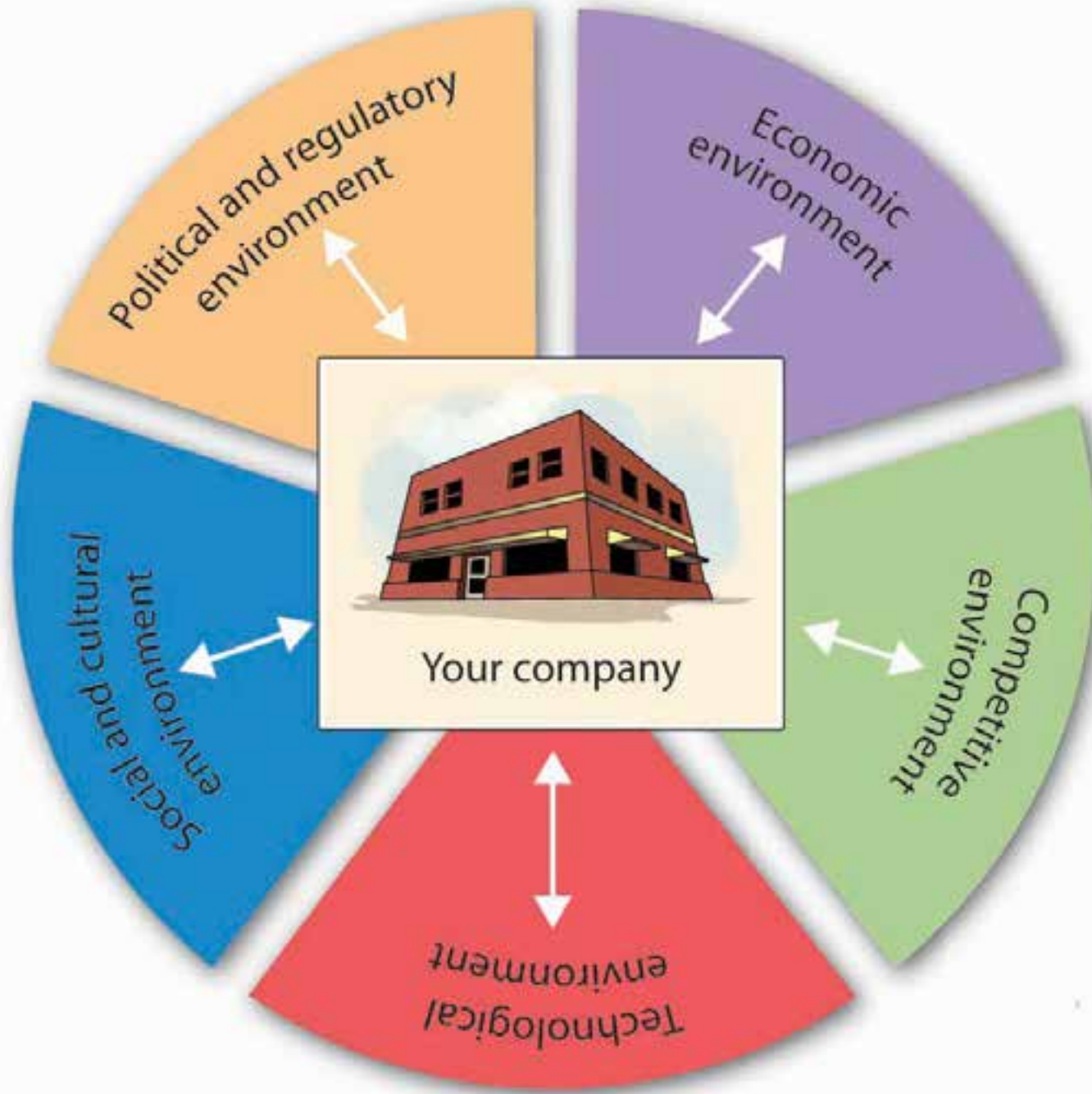
- Records, records records.
- Do you have a contract?
- Know your contract.
- Communicate constantly.
- Don't kick the can down the road.
- Do you need help?



Your Company – Remedies?

- Get good legal advice.
- What does your contract say?
- Suspension? (Art. 247 Civil Code)
- Termination? Usually **not** a good idea.
- Precautionary Attachment Order.
- Order for Payment.







United Kingdom

- “Reaching for the skies” 1934
- Simon Report 1944
- Banwell Report 1967
- Latham Report 1994
- “Rethinking Construction” 1998





“Constructing the Team” Sir Michael Latham 1994

Described the industry as ‘ineffective’,
‘adversarial’, ‘fragmented’ and ‘incapable
of delivering for its customers’.





United Kingdom

- Statutory Adjudication
- Abolish “Pay when Paid”
- Use of the NEC Form of Contract
- Beyond Partnering to Alliances



Other Measures

- Use of DRB's or DAB's
- Insurance
- Escrow payment provisions
- Elimination of 'On demand bonds'
- Project Bank Accounts



Can Technology Save Us?

- Construction sector very conservative.
- Integrated design and construction is encouraged through BIM.
- It helps but its not the solution.





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