

Case study - Carillion

Carillion plc is a British multinational construction and facilities management services company headquartered in Wolverhampton in the United Kingdom. Its shares are listed on the London Stock Exchange.

Carillion holds major contracts for prisons, the National Health Service (NHS) and the armed forces. Only in July last year (2016), it won major contracts to build the new High Speed 2 rail line to connect London with the north of the country – a project which will cost around £100 bn, and which could, in a way, be likened to the construction of the CPK – Poland’s Central Airport.

Carillion reported a loss of more than £1.4bn for the first half of its 2018 financial year and went into liquidation rather than administration as there were no assets to sell, so no administration was possible.

The mess resulted, among others, from a slowdown in many of its markets, bad management and pitching for contracts at any price.

However, if Carillion is allowed to collapse, the Government will still need to pay to maintain public services at NHS facilities (cleaning, maintenance, construction) and have construction and maintenance contracts for the army completed.

So is there a way for Carillion to survive?

Hold a meeting to discuss possible scenarios, ranging from outright liquidation to rescuing the company, bearing in mind that all options must comply with the law in place (inform yourself about either the Polish or English legal framework). The Meeting can either work out a rescue plan or come to the conclusion that in the light of existing regulations, the company cannot be saved from going under. Either outcome must arise from an in-depth analysis of the situation and consideration of potential options.

The participants must use the language of meetings – see the Meetings module, specifically the Language of meetings and agendas file and the Listening 1 gapped language of meetings file.

In this meeting you must draw on what you have learnt about insolvency/bankruptcy and also self-educate yourself to make a valuable contribution to the meeting. If you prove yourself, you will earn 15 points.

All participants will also benefit by using the suggestion contained in the resource below:

<https://www.linkedin.com/pulse/how-you-can-turn-your-company-from-brink-bankruptcy-business-petch>

Role cards

<p>Philip Green – Carillion’s chairman</p> <p>You are new to the company, but want to save it by offloading Carillion’s debt-generating contracts and restructuring the business. You want to focus on high value contracts. You are working on a timetable for the company’s</p>	<p>Paul/Paula Manilow – Santander, the main creditor’s chairperson and representative of major creditors</p> <p>You can agree to postpone loan repayment, i.e. restructure the debt,</p>	<p>Mat/Mathilda Blunt - Serco, outsourcing group’s President</p> <p>You agree to take over Carillion’ healthcare contracts within two months (you will renegotiate the contracts so as to make</p>	<p>John/Joanna Hammer – Head of Carillion’s trade union</p> <p>You are President of Unite, Carillion’s main trade union. You want to see the company continuing to pursue its business. If</p>
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<p>restructuring, and think that Carillion will need 18 months to break even.</p> <p>You intend to ask creditors to suspend charging interest on loans and debt for 6 months.</p> <p>You also want to press Serco to take over the unprofitable outsourced healthcare contracts within one month, to quickly trim the rising pile of debt generated by these contracts.</p> <p>You expect the Government to give you a 24-month protection from creditor demands and to extend emergency government credit to ensure short term liquidity, until you renegotiate your unprofitable contracts.</p>	<p>but on certain conditions.</p> <p>Alternatively, you can offer to refinance the debt. In effect, this means giving Carillion a new loan to pay off some/all existing debt and thereby spreading loan repayment over a longer time. Again if you agree to do that you expect something in exchange, e.g. a stake in Carillion (if so, how much) and how will the price be determined?</p> <p>Your dedicated team of Assets and Liabilities Committee (ALCO) members has developed a plan, which you will want to put on the table.</p>	<p>them generate revenue, and also benefit by expanding your market share in the outsourced services sector), but want Carillion to give away some of their profitable contracts as well.</p> <p>Additionally, you want to ask the main creditor to give you a grace period on the repayment of loans (remember that most of the Carillion contracts you are taking over generate losses and Carillion took loans against these contracts – these loans need to be paid off, and you do not intend Serco to deplete its capital reserves to repay the loans until renegotiated contracts start bringing in cash).</p>	<p>Carillion goes into liquidation, workers will lose jobs, company funded pension plans will stop receiving contributions and workers will lose their expected nest egg when they retire. Even you yourself will lose your plum job. After meetings with worker representatives you have permission to offer a freeze on workers' salary rises, and workers are even ready to accept a 7% salary cut over two years to help Carillion out.</p> <p>And strangely enough, you find the conservative Government an ally because it wants to help rescue Carillion.</p>
<p>Daniel/Daniella Hammond – Chancellor (UK's finance minister), also the meeting's chair</p> <p>The State has a vital interest in Carillion's survival because if the company goes down, the Government will be left without hospital and school operators and contractors for the military. Your Government however faces strong criticism from Parliamentary opposition blaming it for previous reckless privatization and doing too little, too late.</p> <p>Additionally, your party's backbenchers are very much against government intervention, so you must walk a narrow path to succeed without at the same time antagonizing them.</p> <p>To make matters worse, your party faces a general election in 12 months, so you need success on this front.</p> <p>Work out a plan of how to save Carillion and do so within the bounds of law.</p>	<p>Dominic/Dominica Brunt – Head of Legal Compliance and Company Restructuring Department at PwC, a professional services company</p> <p>You have been invited to this meeting because you have expertise in company restructuring and a knowledge of the legal environment.</p> <p>PwC will be offered the job of Carillion's restructuring. Such restructuring will involve renegotiation of Carillion's debt, offloading its unprofitable contracts and government assistance.</p> <p>Your major role is to ensure that the</p>		

<p>For possible solutions see https://www.oecd.org/coronavirus/policy-responses/supporting-businesses-in-financial-distress-to-avoid-insolvency-during-the-covid-19-crisis-b4154a8b/</p>	<p>arrangement which hopefully will be worked out complies with the law. You may consult Daniel/Daniella Hammond, who will chair the meeting as you have been given this job and will be paid your fee by the Government and do so before the meeting to possibly work out a solution.</p> <p>For reference , also see https://www.oecd.org/coronavirus/policy-responses/supporting-businesses-in-financial-distress-to-avoid-insolvency-during-the-covid-19-crisis-b4154a8b/</p>		
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