

Friday the 13th – Nightmare on London Streets

Angus Leslie Melville

13/04/2018

Like all best horror stories, this one is set in the near future – in this case a mere six months hence – a half-year since the C Virus ravaged the market, slashing value from listed infra funds and reducing managers to husks of their former selves.

Picture the gruesome scene, listed infra fund managers infected by the C Virus limping from darkened doorway to darkened doorway across the City of London, polluting all they touch having been contaminated through no fault of their own.

The C Virus is rampant and those most susceptible are the listed infrastructure funds... but they're not alone. Cross contamination is rife and few are left untouched by this hideous wasting disease.

Squiggly screen. Back to today. The source of the market malady that is soon to sweep the UK infrastructure scene (and indeed much further afield) is fed by two super strains of individually potent viruses... Carillion and Corbyn.

Alone they debilitate. Together they destroy.

And for listed infra funds – and let's be fair, they're not alone in being impacted by this toxic environment – are stuck with share prices trading below NAV, making it tough to raise capital right now. The impact of this is that in around six months' time they won't be able to buy anything.

The Carillion Virus

A quick update on the [Carillion Virus](#) – for anyone who's been living under a rock for the past year – the UK construction company went into liquidation mid-January with PwC appointed special manager for its affairs, business and property.

Performing triage on the infected Carillion has not left PwC without scars. It has been roundly savaged by the mass media for racking up £20.4 million in fees for the first eight weeks (15 January to 21 March).

This has been widely covered in the likes of *The Guardian* where champagne socialists gasp in horror at the evil of the Big 4 while their own paymaster's private equity arm sweats assets relentlessly (apologies for going off-piste... used to work at Emap which was 50% owned by Guardian Media Group).

Guardian hacks will doubtless suffer a mass fit of the vapours in June when PwC submits its final bill.

With up to three months more of billing before the Carillion job is done... that's enough to send the title's staff scurrying to their Hoxton homes for a lie-down after dismissing the zero-hour contract nanny.

And all this because of Carillion – whose slogan (amusingly) is “making tomorrow a better place” – collapsed into liquidation earlier this year owing some £2 billion to its 30,000 suppliers.

With so much of its business focused on the UK PPP sector – not forgetting its flagship role alongside Keir and Eiffage on the £1.4 billion HS2 – and its demise that brings back chilling memories of Jarvis in 2005, the reputational damage to infrastructure investments in the UK is awe inspiring.

The Carillion Virus alone is enough to rattle the market, but the double whammy of it being released on the market in conjunction with the Corbyn Virus... combined they form the C Virus from which there is no known cure.

The Corbyn Virus

Before moving on to the second C Virus element – Labour Party leader Jeremy Corbyn MP – it's essential to point out that the following is written without political bias. *IJGlobal* holds no political viewpoint and the next few paragraphs merely reflect views of the market and key participants.

Corbyn – leader of the opposition since 2015 and a card-carrying revolutionary Marxist – is strongly opposed to private sector involvement in the delivery and operation of public infrastructure.

Even worse, he has repeatedly stated that he's in favour of renationalisation (sharp intake of breath).

Checking out what the pundits say, one week ago the Conservatives (the party one wrongly imagines supports PPP) had a 1% lead on Labour (the party actually responsible for delivering the vast majority of UK's PPP projects) sitting almost neck-and-neck at 42:41%.

But then, as has been proven repeatedly, the pundits often get this sort of thing badly wrong... unless it's a horse race or a football match.

Cast your mind back to the US general election that saw Donald Trump sweep to power against their predictions, and then there's Brexit... could they have got it any more wrong?

Whatever the case, a 1% lead is a lot closer a margin than political creatures would like to see between the two leading UK political parties... and with the next general election scheduled for May 2022, it's hardly a pressing matter (for now).

To be even handed, neither party – or political leader – has done much to endear themselves to the infrastructure community.

Theresa May could very well be riding the wave of popularity for not having said an awful lot of late (always an improvement); while Corbyn has been embroiled in incendiary debates that range in extremities from anti-Semitism to his views on Russia.

On the infra scene, Corbyn has been quoted in *The Guardian* – yes, them again – describing PPP as an “outsourcing racket”, hinting that they would scrap projects and return them to the public sector to deliver/run.

The horror story...

Scientists across the land are working feverishly in bunkers (steady drip in the background, flickering neon lights, air seals secure... for now) to manufacture a cure for this compound virus – but, deep down, they know there isn't one.

If the UK PPP market is to survive the C Virus, the two antivirals need to be delivered in the hope that they will work together to fight the combined malady.

This, of course, also needs to be viewed in the light of the UK PPP scene having been in a pretty shoddy condition since long before Carillion and Corbyn reared their ugly heads.

There are only three greenfield projects in the system in England:

- [Silvertown Tunnel](#)
- [A303](#) – Stonehenge bypass
- [Lower Thames Crossing](#)

With the Skanska/Strabag team having pulled out last month leaving just two bidders in play – Cintra against Hochtief/ACS/John Laing – lack of any movement in the procurement gives it the hallmarks of a project that is about to be spiked. The first reference *IJGlobal* has on this project dates to 2014 and looks no closer to closing right now than it did this time last year.

As for the A303 – the 2.9m twin-bore tunnel under Stonehenge – *IJ* started tracking this project last summer (2017) when the decision was made for it to be [privately financed](#), and legal advisers were announced in January. More activity, but just sense the apathy.

The Lower Thames Crossing cropped up at the same time as the A303 and are being run in tandem. However, the enthusiasm for this project seems to be matched by that demonstrated for the other two.

But for recovery, we will need to move on from the experience of Carillion and witness a shift in cross-party political support.

It's down to PwC to achieve damage limitation on Carillion (off to a great start then). As for Corbyn, the gentleman is not for turning.

The aftermath...

The sun rises on a new day, full of hope and free of the C Virus. Now to re-build society, learning from this horrific experience.

The prospect of PPP ever making it back on to the agenda in the UK – well, England to be fair – in any meaningful scale in the near future remains limited.

But we live in hope.

Those of us graced with enough grey hair to remember just how awful the public sector was at delivering infrastructure shudder at the thought of its return – but that's a story for another Friday The 13th.

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