Australia: Major construction firm Clough collapses, placing thousands of jobs in jeopardy

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Administrators are scrambling to contain the fallout from the sudden collapse of Perth-based construction and civil engineering company Clough. The firm was placed in the hands of administrators Deloitte at the beginning of December, owing at least $66.6 million to trade creditors and $12.2 million in workers' accrued entitlements.

The company is yet another casualty of the deepening crisis engulfing Australia's construction industry, which has seen a plethora of building firms go to the wall over the past year, destroying many thousands of jobs.

Clough, which specialises in major energy, resources and infrastructure projects, was founded in Western Australia in 1919 and acquired by South African contractor Murray & Roberts in 2013. At the time of its collapse, Clough had 12 companies under its umbrella that together employed 1,250 workers in Australia and a further 1,250 in Papua New Guinea, the United Kingdom and the United States.

The company's demise was sealed after a deal it had reached with Italian construction company Webuild fell through. Webuild had agreed in November to buy the financially struggling company for $350 million and to provide a further $30 million loan to keep the operation afloat until the sale process was completed, with the aim of making Clough its main operating business in Australia.

Through a joint entity known as Future Generation, Clough and Webuild were collaborating on major infrastructure projects including the Snowy 2.0 renewable energy scheme and a key section of the Inland Rail project in Queensland. Webuild has now signed a deal with the Deloitte administrators, to be finalised by December 21, agreeing to pay $17.6 million for full control of the two federal government funded projects.

Webuild may also have the option to extend the scope of the deal to include other Clough projects, but this outcome is far from certain. Deloitte restructuring partner Jason Tracy said only that the administrators had been trying to arrange "interim funding for Clough's biggest projects by value."

These include the $2.3 billion EnergyConnect electricity interconnector between South Australia and New South Wales (NSW) and EnergyAustralia's $300 million Tallawarra B gas power plant in the Illawarra region of NSW. Tallawarra B, a joint venture between Clough and General Electric (GE), is scheduled to start generating power by the summer of 2023-24 to help replace output lost with the closure of AGL's Liddell coal-fired power plant, set for April next year.

Clough's four major secured creditors, HSBC Bank Australia, Liberty Specialty Markets, Assetinsure and AA1, have first call on any funds derived from administration, meaning there is no guarantee that what is owed to trade creditors or the company's workforce will be paid.

Clough had apparently been struggling financially for an extended period, posting a $375.3 million loss and a $304 million working capital deficit in the last financial year. Like other builders, it was heavily impacted by the COVID-19 pandemic. Supply chain problems and labour shortages resulting from widespread infection contributed to increases in the cost of building materials and caused deadlines to blow out.

The ongoing pandemic is the direct result of the "let it rip" policies adopted by all governments, Labor and

Liberal-National alike. This proceeded with the full support of the construction unions, which at the outset of the pandemic joined with employers to lobby federal and state governments for the building sector to be exempted from lockdowns in order to keep company revenues flowing.

Delays and the failure to meet deadlines set back the collection of progress payments, causing serious cash flow problems for construction companies. In order to secure jobs in a competitive bidding process, Clough had agreed to fixed-term contracts, preventing it from passing on cost increases to clients.

The company experienced serious cost blow-outs on major projects, including the “Traveler” petrochemical plant in Texas and the Waitsia Stage 2 gas project in Western Australia (WA). Future Generation unsuccessfully sought a payment from Snowy Hydro of almost $1 billion to cover additional costs on the Snowy 2.0 project.

The Clough collapse impacts the federal Labor government, which faces cost increases on major projects that will adversely affect budget projections. It also means the prospect of further delays on a raft of projects essential to the government’s “clean energy” transition program.

Moreover, delays in construction of alternative energy resources intended to replace coal-fired power stations slated to close create the potential for widespread power shortages and blackouts as well as even greater increases in electricity prices.

Clearly shaken by Clough’s demise, federal Minister for Energy and Emissions Reduction Chris Bowen declared in the immediate aftermath that he had been receiving urgent briefings on the situation. Bowen failed, however, to offer any concrete proposal on how to resolve the broader consequences of the collapse or the mounting crisis in the construction sector as a whole.

The construction unions are virtually silent on the major collapse. What little they have said makes clear they will do nothing to mobilise workers but are instead promoting illusions that jobs will be protected if major builders simply put up their prices. A union official on the WA Construction Forestry Mining and Energy Union Facebook page appealed to big construction companies to “take better care of their own bottom line and make sure they’re maintaining appropriate profit margins.”

The collapse of yet another major building entity is a clear expression of the irrationality of the capitalist system. Workers are made jobless and skills and resources squandered amid a desperate need for the construction of vital social infrastructure.

The ongoing crisis in construction places before the working class as a whole the urgent need to undertake a fight to establish workers’ governments to enact socialist policies, including placing construction and other critical sectors under public ownership and democratic workers’ control. Only in this way can the economy be reorganised to meet social need rather than serve the profit interests of the capitalist class.