



# ISSUE SPOTLIGHT: COLLAPSE OF CARILLION

# INTRODUCTION

On 15 January, the construction and outsourcing firm Carillion entered liquidation. Carillion was a major Government contractor and a significant employer, with half of its 43,000 staff based in the UK. Figures compiled by the Institute for Government illustrate the scale of the Government and Carillion's interdependence: private finance companies in which Carillion had a stake have been paid £1.4bn, with future payments to these companies predicted to be £6.3bn.

Unsurprisingly, Carillion's collapse drew in a wide range of stakeholders:

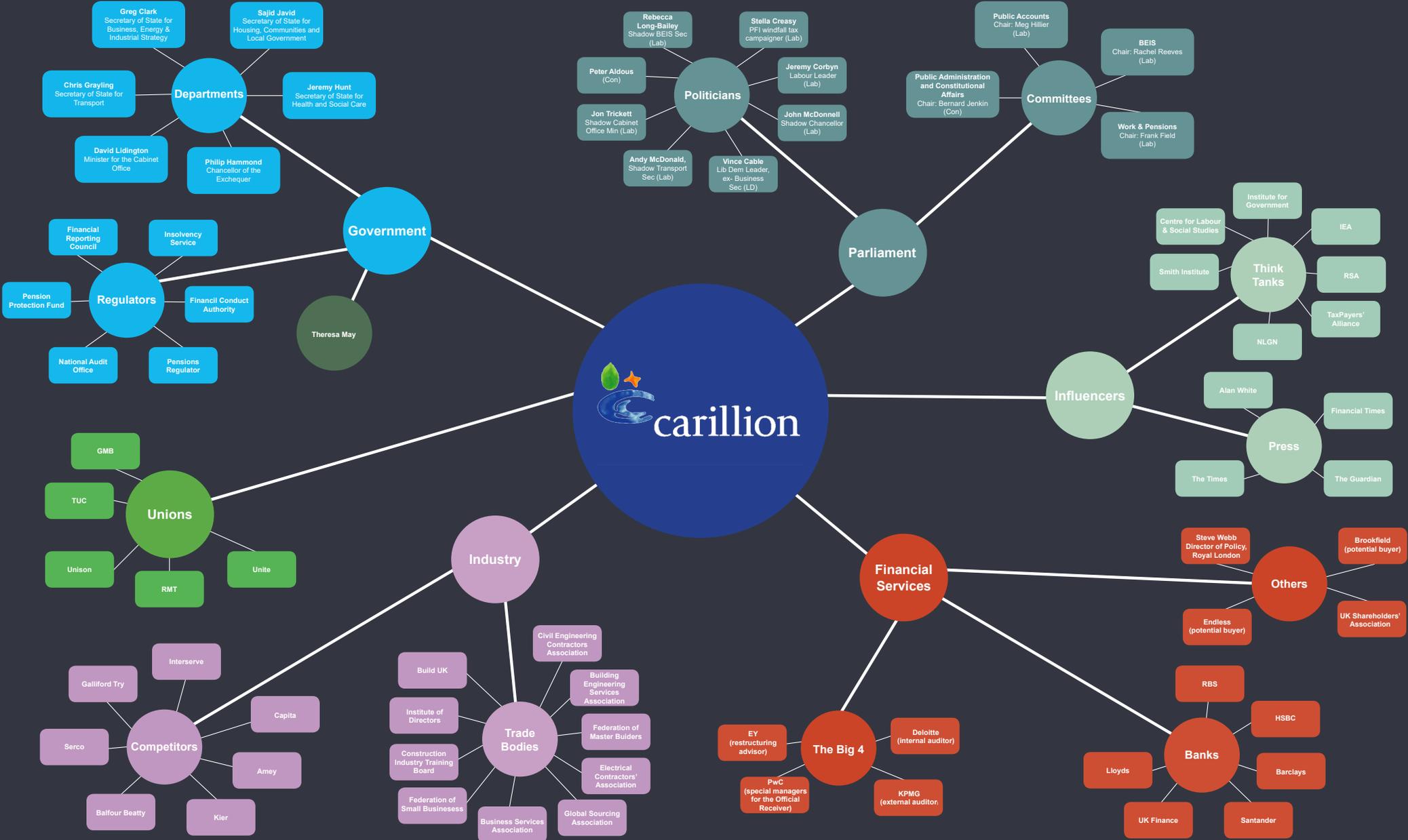
- The Government had to step in to pick up the pieces, and to investigate what went on. It also found itself having to defend its policies against charges that they had contributed to the collapse.
- Opposition politicians spotted an opportunity to profit at the Government's expense, and fit it into a wider narrative.
- Unions stepped forward to protect Carillion's staff.
- Trade bodies tried to defend their members' interests, with many sub-contractors owed money by the firm.
- Questions have been asked about the role of the firm's auditors, with some suggestion of conflicts of interest.
- Attention also turned to Carillion's rivals: did the collapse reflect industry-wide problems?

This explosion of activity generated over 18,000 articles online.

With all these voices attempting to be heard, it can be difficult to get a grasp of the issues involved. In this white paper, Vuelio identifies the main stakeholders involved in the collapse and the arguments they've made.



# COLLAPSE OF CARILLION: STAKEHOLDERS

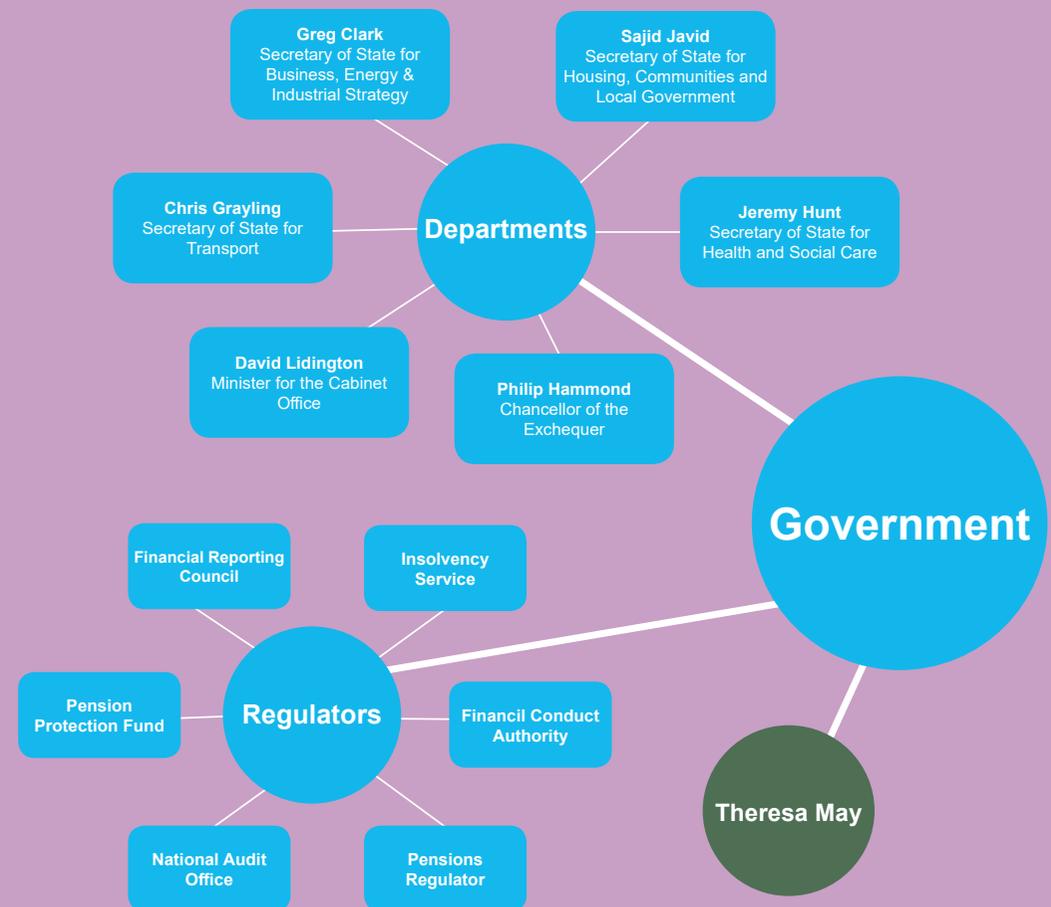


# GOVERNMENT

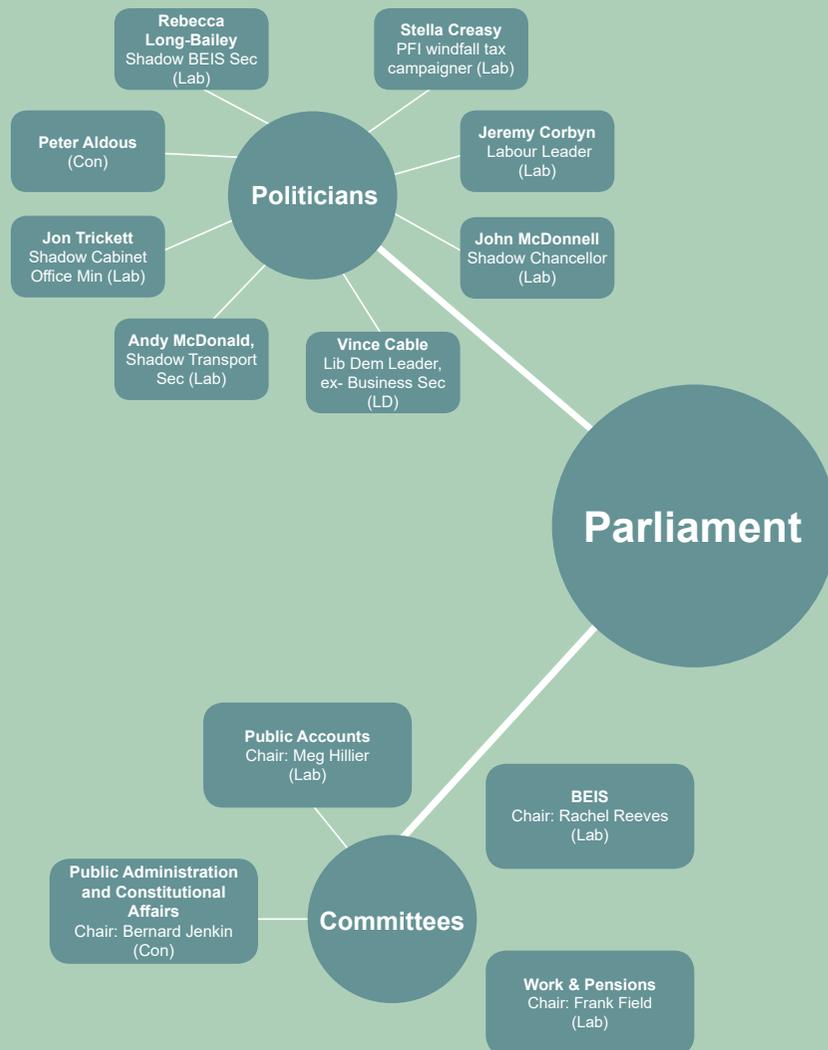
The fallout from the Carillion collapse has drawn in a wide range of stakeholders, each of whom has either sought to get their voice heard above the fray, or has been called upon to account for their role in the scandal.

Government plays a dual role in the Carillion saga: both client and regulator. Ministers, including Transport Secretary Chris Grayling, have faced questions about why they continued to award the firm work when it was experiencing problems.

The Government has also led the response to the collapse, with Business, Energy and Industrial Strategy Secretary Greg Clark establishing a taskforce to manage the fallout. Other agencies, including the Financial Conduct Authority and the Financial Reporting Council have launched inquiries.

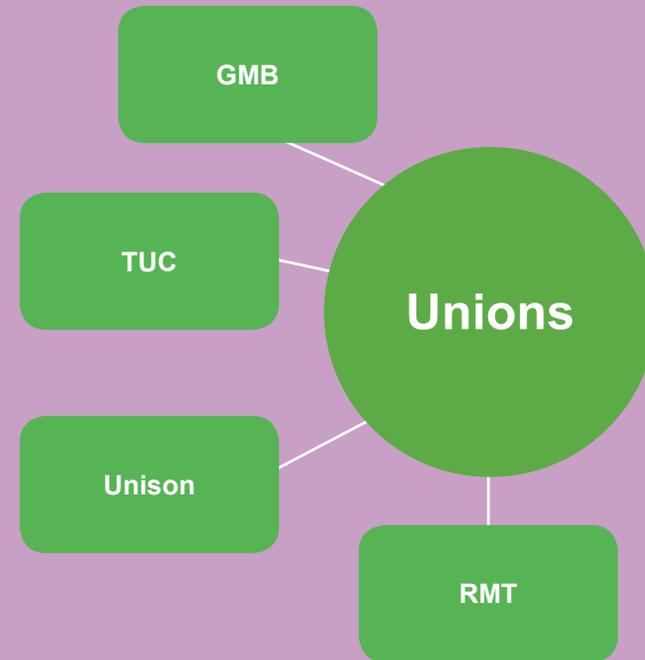


# PARLIAMENT



In Parliament, the Opposition has sought to capitalise on the firm's implosion. Jeremy Corbyn attacked what he called a 'broken system', while Shadow Cabinet Office Minister Jon Trickett unveiled plans to strip 'rogue suppliers' of contracts. The Public Administration and Constitutional Affairs Committee, the Business, Energy and Industrial Strategy Committee and the Work and Pensions Committee have all launched inquiries. Other MPs, such as Stella Creasy and Peter Aldous, have seen an opportunity to link the collapse to existing campaigns about the sector.

Trade unions have been drawn into the public debate, both to protect their members' interests, and to make wider political points. The TUC successfully called for a taskforce to coordinate the response, the GMB asked for security for private sector workers, and RMT found that 88% of their members who worked for Carillion had not been contacted by the liquidator. Unite has demanded a public inquiry into the collapse, and UNISON has called for outsourced jobs to be brought back into the public sector.



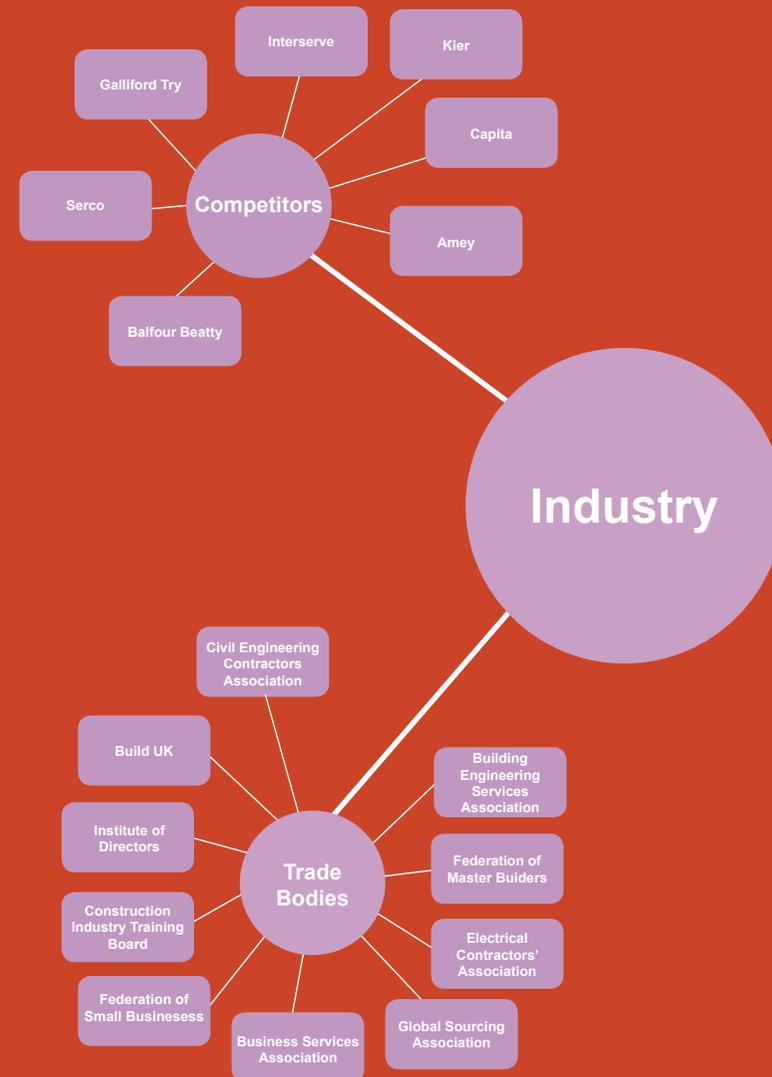
# FINANCIAL SERVICES



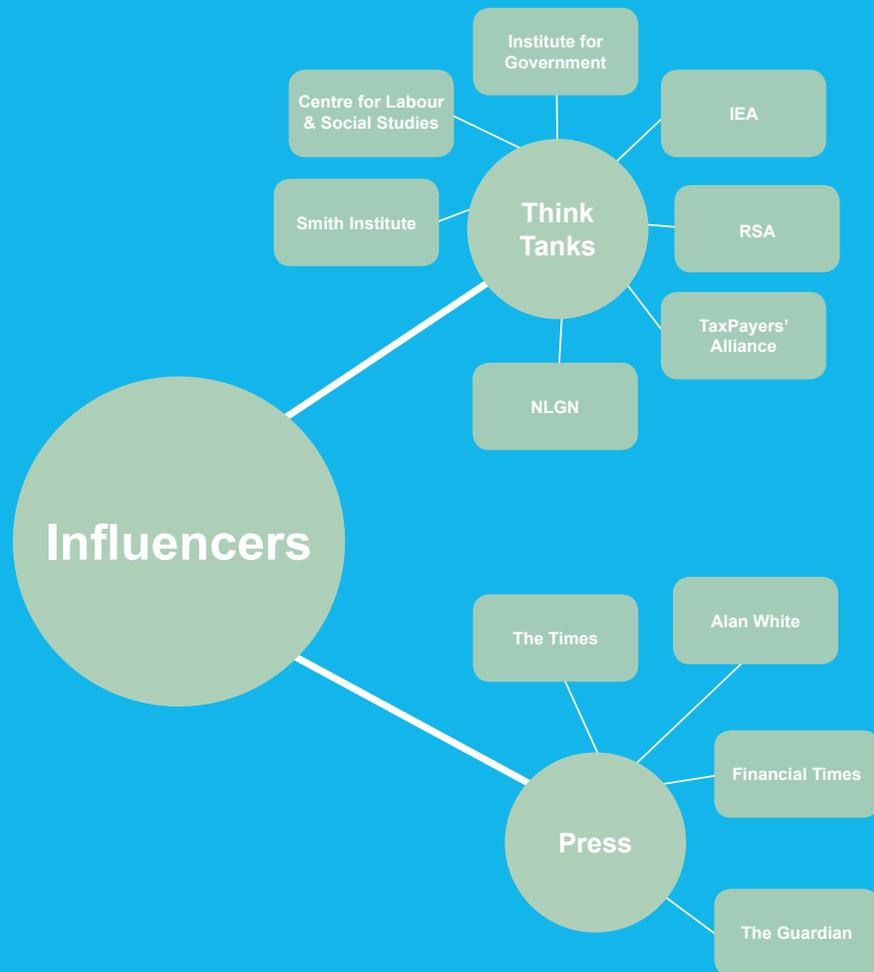
Questions are also being asked about the role of the financial sector in the collapse. The 'big four' accounting firms all have connections to Carillion: KPMG and Deloitte as auditors, EY as restructuring advisors. PwC have been criticised for an apparent conflict of interest: they are 'special managers' of the liquidation, advisors to Carillion's pension trustees, PFI contractors, have regularly reported on the value for money in PFI, and helped the Cabinet Office when it became clear Carillion might collapse. The UK Shareholders' Association and Royal London's Head of Policy (and former Pensions Minister) Steve Webb have also joined the list of critical voices. UK Finance has announced support from its members for affected customers, while the UK's major banks played a role in deciding that the firm could not continue. Media attention has also focused on potential purchasers of elements of the business, with both Brookfield and Endless tipped as contenders.

# INDUSTRY

In the industry, many of Carillion's joint-venture partners, such as Kier and Amey, have had to take on Carillion's work, employees and reassure their shareholders. The Financial Times revealed that Interserve was being monitored by the Cabinet Office because of concerns about its future, while Capita has issued a profit warning and announced that it needs to raise up to £700m. Serco's Chief Executive, Rupert Soames, has argued that the Government needs to reform the sector. Build UK and the Civil Engineering Contractors Association proposed a four-point plan, and the Construction Industry Training Board is providing support for apprentices. Outsourcing associations, such as the Global Sourcing Association and the Business Services Association, have been quieter.



# INFLUENCERS



Think-tanks form an integral part of the British political landscape, seeking to shape Government policy. As the Carillion debate has broadened to cover wider issues surrounding outsourcing and PFI deals, many think-tanks and campaign groups have sought to influence the discussions on these issues, often by linking the issue to their existing work.

Both the Institute for Economic Affairs and the TaxPayers' Alliance have defended the concepts underlying PFI and outsourcing, whilst the Centre for Labour and Social Studies has advocated the opposite and called on the Government to 'take back control'. Other organisations have published more nuanced commentary, including the Institute for Government which linked the collapse to its ongoing work on infrastructure financing, arguing that a greater evidence base was needed on the use of public versus private finance. This position was echoed in a fortuitously-timed report by the Smith Institute, which suggested a 'root and branch review of all outsourcing and PFI deals'. However, the New Local Government Network suggested that the collapse is simply a 'distraction' from broader issues around the funding and operation of public services.

# MEDIA COVERAGE

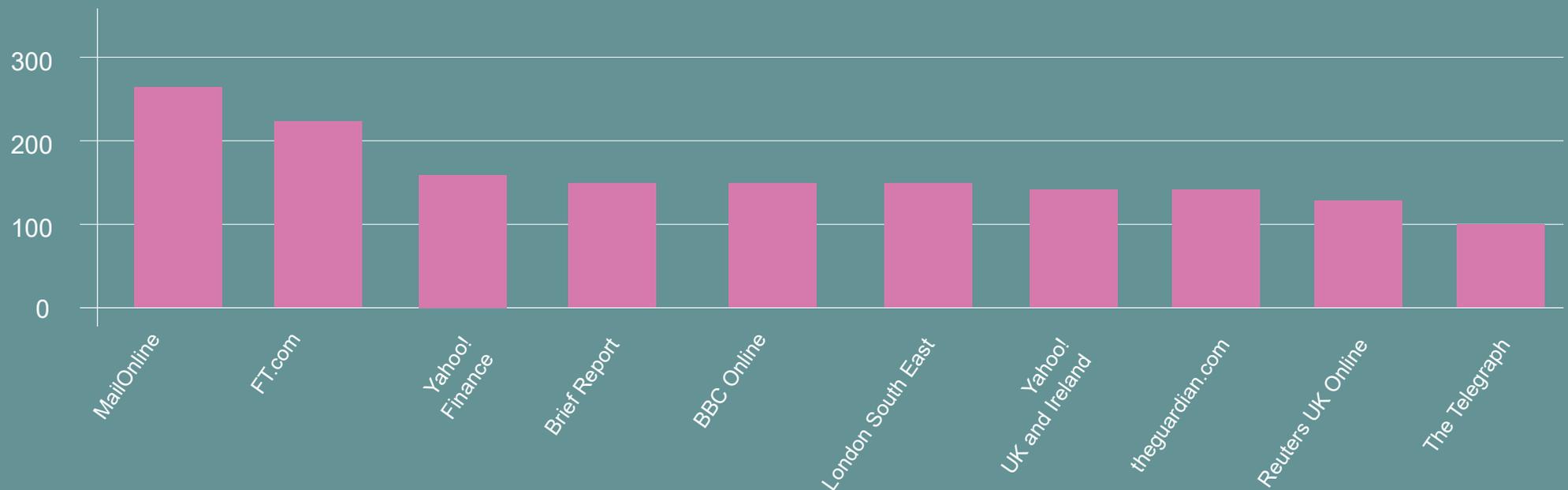


The media coverage since Carillion went in to liquidation has been extraordinarily diverse. Since 16 January, just one day after the company collapsed, Vuelio Media Monitoring has tracked over 18,000 stories – and that’s just online.

The MailOnline is responsible for the most coverage, which is perhaps unsurprising for a website that produces nearly one story a minute. It is closely followed by the Financial Times, which alongside The Times, has been highlighting Carillion’s status as the most-shorted share since 2015, and also broke the news that the Government was preparing for Carillion’s collapse.

The outlets are based both nationally and locally, with the volume of coverage in London South East, Lancashire Telegraph and Surrey Comet, rivalling that of The Telegraph, Mirror Online and MSN UK.

## Number of stories about Carillion by Outlet



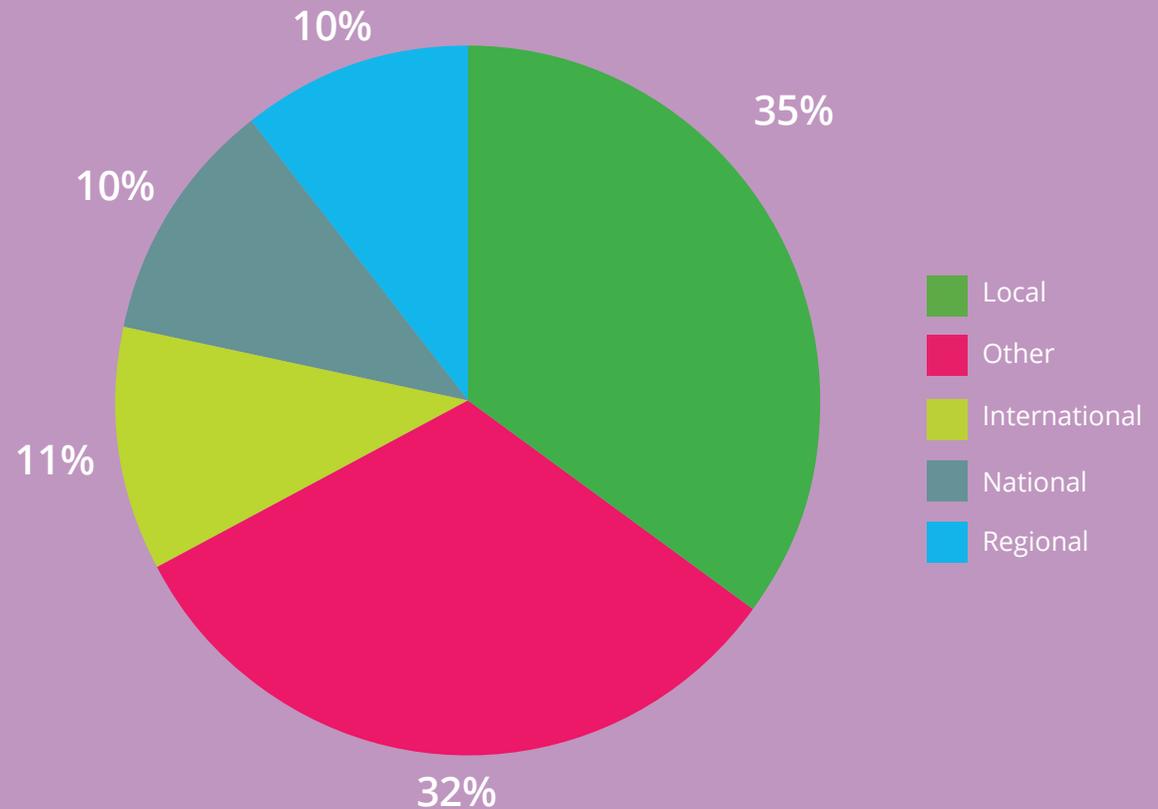
# MEDIA COVERAGE

Local news makes up a third of all coverage since the collapse, outstripping international, national and regional news. Carillion, while a huge national organisation, had stakeholders – including employees – across the country and its liquidation has particularly resonated with local communities.

If we take one story – ‘WTF’ is Government doing in response to Carillion collapse, asks Labour – we can see it has been rolled out across nearly all of Newsquest’s titles (from Oldham to Halstead), even though it seems like a national comment about the state of Carillion nationally.

In fact, Jon Trickett MP’s ‘WTF’ comment is a good example of how Labour has dominated the story – it generated over 200 news items across the country. Labour’s grassroots approach and strong ties to unions – while also having the ‘advantage’ of not being in government when Carillion collapsed – is clear, as is its departure from the ‘New Labour’ policies (which encouraged PFI contracts) of the party’s recent past. Labour managed to achieve mentions in over a third of all Carillion coverage.

Titles by Geographical Coverage



# MEDIA COVERAGE

That compares with the Conservatives, who have achieved fewer than 2,000 mentions in all stories. Theresa May has far more mentions, separately from the party, suggesting her role as Prime Minister is drawing attention away from the Conservative Party (which is perhaps a preferred situation for the party).

While the Conservatives are currently in government, and therefore responsibility for the Carillion collapse is falling on their shoulders, New Labour and Tony Blair's government are also accountable for expanding PFI contracts. Tony Blair is mentioned nearly 700 times in relation to Carillion, usually in features exploring the wider issues with PFI, in light of the liquidation.

Oh, and for those interested in the AVE of all this Carillion coverage – it's in excess of £20m.



# SOCIAL MEDIA



The top ten MPs tweeting about Carillion are all, as you might expect, from the Labour Party. Many have shadow portfolios directly affected by the collapse, reflecting the variety of sectors and the range of people and organisations affected by the firm's collapse.

Government ministers are absent from the list – the Secretary of State for Business, Energy and Industrial Strategy Greg Clark has tweeted about Carillion just three times and the Minister for the Cabinet Office David Lidington has avoided the subject altogether. This has left the field clear for Labour's criticisms of the Government to dominate discussion, with Conservative MPs seemingly reluctant to engage on the issue. This may be because they can see no reputational benefit in mentioning Carillion, but also reflects recent research by ConservativeHome, which found that Conservative MPs were less likely than Labour MPs to have an account on Twitter, and were less likely to tweet even if they did.

Robert Halfon was the Conservative MP who mentioned Carillion the most times, using his role as Chair of the Education Select Committee to ask about the effect of the collapse on schools and apprentices.

## Top Ten Tweeting MPs

# of Tweets	# of Followers	MP	Role
39	31,400	Andrew Gwynne	Shadow Secretary of State for Communities and Local Government
35	14,700	Bill Esterson	Shadow Business and International Trade Minister
35	4,800	Mike Amesbury	PPS to Debbie Abrahams
32	22,700	Karl Turner	Shadow Transport Minister
31	16,400	Anna Turley	Member of the Business, Energy and Industrial Strategy Committee
30	10,100	Imran Hussain	Shadow Justice Minister
29	80,000	Angela Rayner	Shadow Secretary of State for Education
21	33,400	Debbie Abrahams	Shadow Secretary of State for Work and Pensions
21	6,700	Gordon Marsden	Shadow Education Minister
20	17,400	Jon Trickett	Shadow Minister for the Cabinet Office

The top tweeting peers are dominated by two individuals with considerable experience relevant to the Carillion collapse. Labour peer Lord Adonis was, until recently, Chair of the National Infrastructure Commission, and has previously been Secretary of State for Transport and Head of the Number 10 Policy Unit. Drawing on this, he used Twitter to attack the Secretary of State for Transport, Chris Grayling, for continuing to award Carillion contracts while it was in financial difficulty, and questioned the conduct of the firm's directors.

Baroness Altmann, runner-up to Lord Adonis, has used Twitter to highlight issues relating to her area of expertise – pensions. As a long-standing pensions campaigner and former pensions minister, Altmann used the site to raise important questions relating to Carillion's pensions fund, and the relevance of the collapse to wider pension issues.

## Top Five Tweeting Peers

# of Tweets	# of Followers	Peer
39	53,900	Lord Adonis
21	18,600	Baroness Altmann
11	7,100	Baroness Brinton
7	18,500	Lord Wood of Anfield
6	1,500	Lord Lucas

# UPCOMING EVENTS



## Tuesday 6th February

9.15am

House of Commons Select Committee Session  
Work and Pensions and Business, Energy and Industrial  
Strategy Committee

Joint Committee oral evidence session into Carillion

Attendees:

Keith Cochrane, Interim Chief Executive, Carillion  
Zafar Khan, former Finance Director, Carillion  
Emma Mercer, Finance Director, Carillion  
Richard Adam, former Finance Director, Carillion  
Phillip Green CBE, Chairman, Carillion  
Alison Horner, Chair of Remuneration Committee, Carillion  
Richard Howson, former Chief Executive, Carillion

## Wednesday 7th February

4.30pm

House of Commons Select Committee Session  
Liaison Committee oral evidence session into the cross-  
government response to the collapse of Carillion

Attendees:

Sir Amyas Morse KCB, Comptroller and Auditor General,  
National Audit Office  
The Rt Hon David Lidington CBE MP, Minister for the Cabinet  
Office and Chancellor of the Duchy of Lancaster  
John Manzoni, Chief Executive of the Civil Service and  
Permanent Secretary, Cabinet Office  
Gareth Rhys Williams, Government Chief Commercial Officer



# Reviewing comms software?

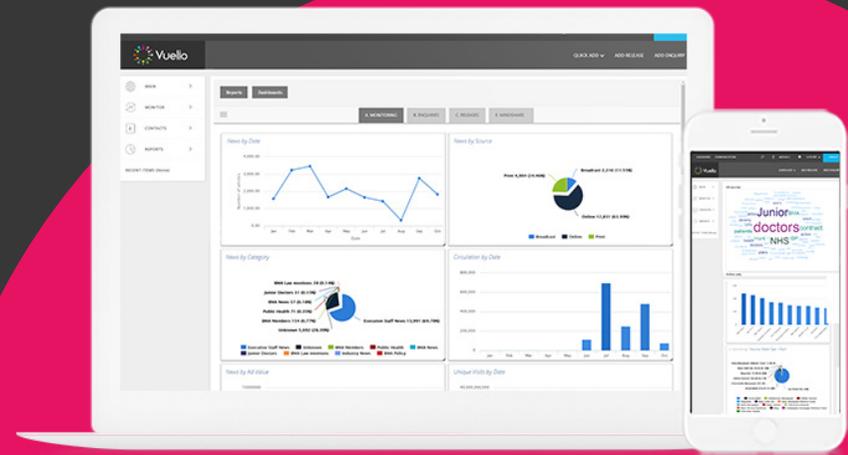
## CONTROL YOUR COMMUNICATIONS WITH VUELIO

Make all your communications and data GDPR compliant with the Vuelio Integrated Communications Suite.

Vuelio helps you to maintain strong, consistent and effective relationships with your key stakeholders. Developed specifically for communications teams seeking to monitor, measure and manage relationships across the entirety of an organisation, the software helps you keep track of what's happening through logging all the key interactions across your business in a fully searchable central repository.

## VUELIO INTEGRATED COMMS SOFTWARE ALLOWS YOU TO:

- Centralise all your engagements and stakeholder data to log, share and report stakeholder engagement activities, ensuring consistent communications that help maintain and improve crucial relationships and GDPR compliance
- Access the largest UK database of journalists, editors, bloggers and other media contacts, full of the information you need to succeed: names, numbers, profiles, pitching preferences, and pet hates - all in a GDPR compliant database
- Listen to what people are saying about your brand across millions of social, broadcast, print and online sources and track all of those conversations in one place



GET FREE DEMO

Or call us on

020 3426 4125