

# A Time to Rebuild

Falling into administration is often the kiss of death for many companies; however, St Hilliers has proven that commitment and determination can get a business through such adversity.

Images by Scott Ehler

**A**t the age of just 27, Tim Casey, proprietor and Executive Chairman of St Hilliers, established his business. He got his start in the construction industry through a cadetship after high school, which began as a site-based role and developed into a project management position. "I then went from the construction industry to the development industry, which was Hooker Corporation in those days. I had three and a half years there working on the commercial and industrial development side of that publicly listed business. At the same time, we also established our own internal construction business to deliver those projects.

"Hooker Corporation, like a lot of those companies in the late 80s,

hit the wall during the recession. Out of the fallout, and as Hooker Corporation had a number of projects under development in New South Wales, I was able to negotiate with the clients a new deal whereby I re-employed everyone and I had those projects up and running again, finishing them directly for the end owners. And that's how I started St Hilliers."

St Hilliers enjoyed years of growth and prosperity, becoming one of the highest-profile mid-tier builders and developers in the country. However, everything changed in May 2012 when St Hilliers Construction was placed in voluntary administration. "Essentially, we had a large PPP project for the Victorian Government. We were in a

joint-venture construction role there with a New Zealand-based company. It was a large project, in excess of \$220 million, at Ararat Prison. There were a number of factors that adversely impacted this project, including floods, a lot of design changes, and disagreements over scope. It was like a mini version of what Leightons had with the desalination plant PPP in Victoria, which was going on at the same time."

The company spent several months in negotiation with banks and the Victorian Government to ensure the project would be financially viable. "We actually thought, at the end of that period, that we had a deal agreed, but ultimately the Victorian Government decided not to go ahead with that proposal. As a result, our advice was that we >



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had to put that entity into administration. In essence, that was because, while it was a stand-alone joint-venture company between two construction companies, guarantees had been given by both parent companies. In our case, the guarantees supporting that contract had been given by St Hilliers Construction Pty Limited.

“The St Hilliers Group comprised a construction company—St Hilliers Construction Pty Limited—and a property and development company—St Hilliers Property Pty Limited—the former having been placed into voluntary administration. While in administration and negotiating a deed of company arrangement, which was agreed after seven months in November 2012, we were also able to restart and successfully complete 70 per cent of our projects. This was a really important achievement under the most trying of circumstances.

“The only reason that we could do that was because of the support of

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- Tim Casey

our clients, and because everyone was paid on our projects to their current payment cycle. There were no outstanding payments to tax or superannuation. There was no bank debt involved, so there was no bank appointment over the top of our administrators. Those two factors alone, with the goodwill of our clients, the unions, subcontractors, and suppliers and our relationships meant that we could continue to trade while we worked out the deed of company arrangement.”

It was a difficult period for Tim and the company, as he was juggling various issues and stakeholders simultaneously. “The first thing that I decided to do was front everything personally. I sat front and centre at the creditors meetings; I personally attended all the negotiations with the unions in the four different states that we’re represented in; I personally fronted all the clients. I had to be front and centre in the whole process. If I wasn’t

prepared to do that, I don’t think it would have happened.

“On top of that, the family made a conscious decision to sell assets, and I made the decision to sell a number of our property assets to raise enough cash to put back into the construction business to keep it all going. The family home was sold. The business went from 500-plus staff to fewer than 100 staff through that process. There was a lot of heartache, hardship, and a lot of hard work by a lot of people inside and outside the business, and an enormous amount of goodwill and faith on behalf of subcontractors, suppliers, and clients.

“With PPPs, particularly in Victoria, all of the risks are directed to the contractor. You have to take that risk at a very early stage, when design briefs aren’t necessarily 100 per cent resolved; but you have to try and encapsulate what’s not on paper and price that somehow, and at the same time manage the client

to those expectations rather than the client trying to enforce upon you scopes of work that you haven’t allowed for.

“From a personal point of view, I’m keeping a lot tighter control on the clients we will work for today and the profile projects that we’ll commit to. It’s no accident that most of our construction work now is either federal or state government work in the construction business. On the property side, that’s a much smaller business than it was, but I’m very focused on rebuilding our residential portfolio, which we sold off at the time to raise cash. So we’re in the process of rebuilding and also focusing on our commercial refurbishment and development business with projects like 155 Clarence Street, which we’re currently redeveloping into a \$120-million prime commercial office building.”

By and large, St Hilliers was able to continue delivering its projects. “That couldn’t have happened if our clients didn’t trust us and we weren’t transparent, and I believe we are very much both of those things in terms of the relationships we have with our clients. Clients that continued their projects with us at that time have since then given us more work. I think that speaks volumes about the degree of openness and trust that we have developed, and I think they saw that we were very genuine in wanting to keep the business going and continue to do great work.

“We weren’t walking away from what had happened or hiding from it; we tried to be very open and transparent about it. So that’s the client level. I think the same essentially goes for our subcontractors and suppliers that we continue to work with. The important fact there was that they were all paid up to date and they didn’t lose money on those projects that continued.”

It appears that the worst is over for St Hilliers and the company is heading towards a full recovery. The strength of its relationships with key clients, its people, partners, and leadership has helped



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keep the company afloat, despite the financial and structural difficulties it underwent. Tim believes the organisation still has more to do, and has initiated various measures to ensure another challenge like this won’t catch St Hilliers offguard. “I’ve got a lot of hard work to do to rebuild the company to the position we had in the marketplace before this happened.

“In doing that, I’m certainly not going to create a construction

business that is as big as the business we had prior to administration. We’ve talked about capping the size of that business for the next couple of years. The focus is going to continue to be on state and federal government clients, and clients that come to us and want to incorporate our property and design knowledge, who want that input early on in their projects, and also give us the opportunity to become investors in those projects as well as being the contractor.”

## The property industry moves in cycles but at Aver our client relationships remain strong

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