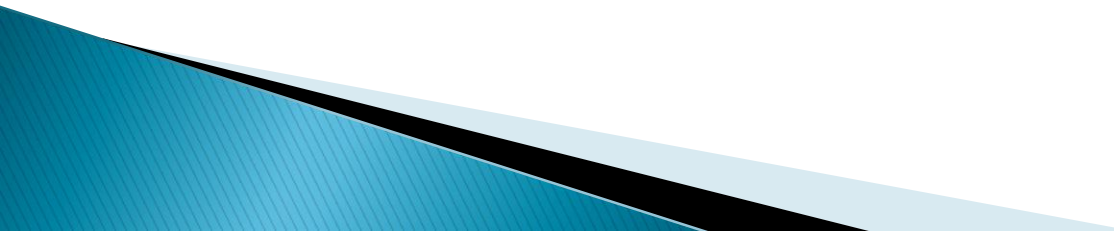


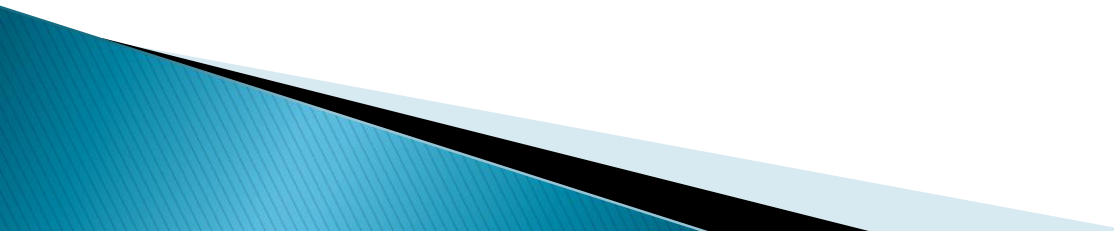
Prompt Payment Legislation

Getting Paid for work completed

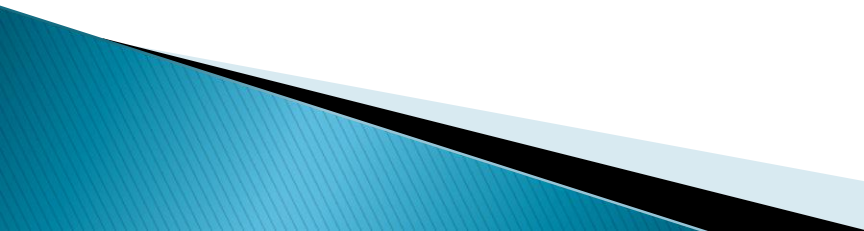
What is it?

- ▶ Provincial legislation that assists and ensures that participants in the construction chain receive payment for goods delivered and services rendered, so that no individual or group of service providers carry an unfair burden of the construction risk and costs.
 - ▶ Legislation that removes unnecessary impediments to delayed payment.
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Why is it Needed?

- ▶ Construction is a high risk business conducted through a hierarchy of supervision and pay-masters.
 - ▶ Owners and developers are at the top and usually contract with a prime or general contractor, who in turn sub-contract with a series of specialist trade contractors who also may sub-sub-contract with even more specialized trades, all working in concert to deliver a built structure.
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Why is it Needed? (continued)

- ▶ As work to complete a structure progresses, so too it is intended, payment for the work will progress.
 - ▶ Many standard form contract agreements indicate payment terms within 30 days of billing, meaning 30 days after work of the previous 30 days has been completed and for which payments have been made by trade contractors for wages and materials for the work completed.
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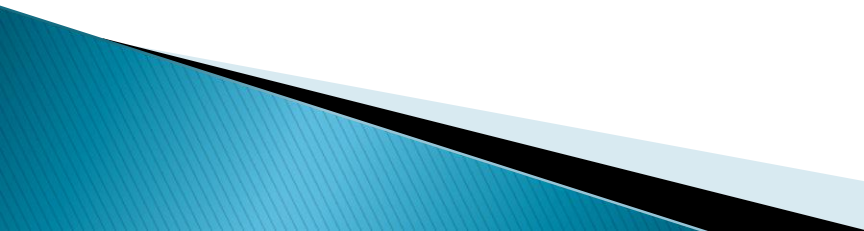
Why is it Needed? (continued)

- ▶ Trends in industry over the past 2 decades, have seen many changes to standard payment terms, the most onerous of which has been the introduction and use of 'Pay When Paid' clauses, which means payment may be arbitrarily delayed by each party in the hierarchy who withholds payment to sub-trades until that party actually receives payment from the party above. Trade contractors inherit such terms from the 'head contract' but remain obliged to pay employees and suppliers regularly on time. The trade contractor is effectively financing the construction project.

What Does Delayed payment look like?

- ▶ A survey conducted in 2014 among Alberta trade contractors showed:
- ▶ 86% of companies surveyed said late payments were a *moderate or serious* problem.
- ▶ For 2014, the *average* number of days in accounts receivable was 78.60 days, the average amount of bad debt reported was \$17,018.55, and the average amount outstanding for accounts 60 days or more overdue was \$223,819.92 (predominantly from private accounts).

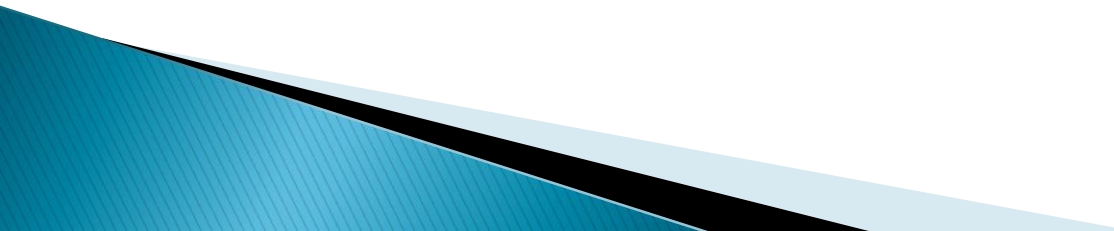
Who Is affected by Delayed Payment?

- ▶ Worksafe BC identifies some 15, 250 firms in the BC Industrial–Commercial–Institutional marketplace.
 - ▶ 11,250 Worksafe registered employers report payrolls between \$100,000 and \$500,000; in today's world extrapolated to mean companies with 1 to 7 employees.
 - ▶ A further 4,000 companies have payrolls of \$500,000 or more annually.
 - ▶ BC's stats report a current construction workforce of 226,000 or in excess of 9% of labour force.
 - ▶ Predominantly Small businesses bear the brunt of delayed payment.
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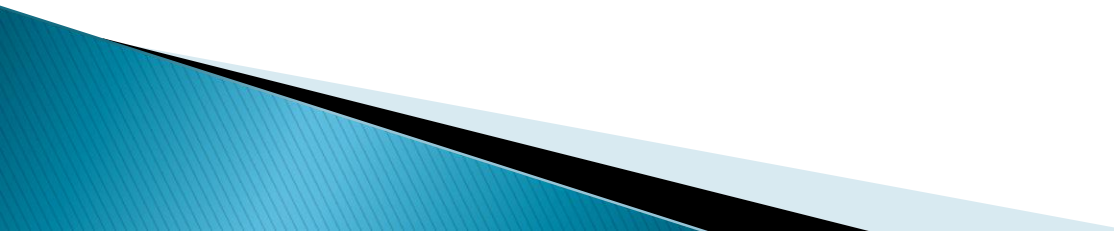
What are the effects of delayed payment?

- ▶ ***Employment is lower*** because the amount of operating expenses that a trade contractor can support has been reduced by the increased in payment risk.
- ▶ Some trade contractors have resorted to ***off-loading payroll risk*** by increasing the number of self-employed, independent operators in their workforce.
- ▶ ***Fewer apprenticeships*** are created because of lacking willingness to make long-term employment commitments that are required to recoup the investment in training.
- ▶ Increased payment risk leads trade contractors to make ***fewer investments in new machinery and equipment, reducing the long-term productivity*** in construction and raising costs overall.
- ▶ All Construction ***costs***, both government and private, ***are higher because trade contractors have incorporated the risk of late payment*** by general contractors into their bids, driving prices higher.
- ▶ All government costs – provincial, school board, and municipal – are also higher because ***increased risk reduces the amount of work trade contractors can afford to take on, thus reducing the bidding pool*** for projects.

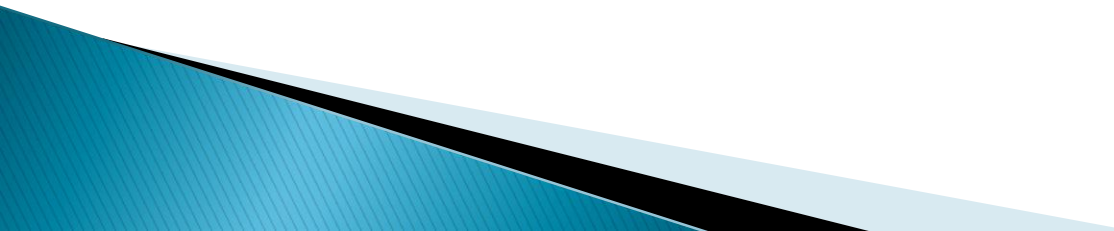
Where in the world is Prompt Payment?

- ▶ Currently, Canada is the only Western country that has not adopted some form of prompt payment legislation. Laws that ensure subcontractors get paid on time are already in place in Australia, Ireland, New Zealand, the United Kingdom, and the United States. Meanwhile, “the European Union has adopted a motion to require all EU members to enact prompt payment legislation,”
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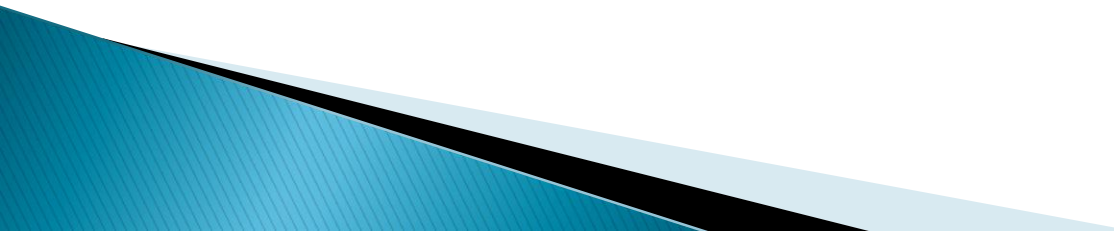
In Canada?

- ▶ S-224 passed the Senate in May and is before parliament
 - ▶ Bill 142 has passed 2nd reading in Ontario and will be back for 3rd reading in 3 weeks, and with all party support is expected to be law by January.
 - ▶ Alberta has revised government procurement payment rules to remove delays, and is reviewing legislation options.
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In Canada? (continued)

- ▶ Just last week we have word that the Saskatchewan government has accelerated its interest.
 - ▶ Quebec's Charbonneau Commission identified delayed payment as a contributor to corruption in the construction industry prompting the government to regulatory and legislative change.
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Who supports Prompt Payment Legislation?

- ▶ This presentation is sponsored by COCTA – the BC Council of Construction Trades Association, but others are adding their support.
 - ▶ Our model is Ontario where all of industry is on board.
 - ▶ Labour supports legislation that ensures workers get paid.
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In Closing

- ▶ Prompt payment is the best value for tax payers dollars, where today governments are paying more for infrastructure because subtrades are building in the costs of slow payment...
- ▶ Trade contractors are shouldering the risk; no access to prime contractor; puts contractors at risk;
- ▶ Slow payment creates an external cost to labour , and labour relations in trying to recover wages and benefits;
- ▶ Every other western jurisdiction has it having reached the same conclusion – the payment problems cannot be corrected through contract language;
- ▶ PP Legislation is a WIN for small businesses
- ▶ PP Legislation is a WIN for government