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## Security of Payment is an Important Issue

Slow and non-payment in the contract chain is a problem for all tiers of the building industry including builders and subcontractors, according to the Master Builders Association.

Master Builders Executive Director Michael McLean said security of payment is an important issue.

“Commerce Minister Bill Johnston has said the Government will establish an industry advisory group early next year to look at protecting subcontractor payments,” Mr McLean said.

“Master Builders supports this move, though it should not be confined simply to payments to subbies. Slow payment and non-payment affects builders and suppliers too, and the trickledown effect obviously has an impact on other links in the payment chain.”

Mr McLean’s comments came in the wake of subcontractor group Subcontractors WA saying it was launching a campaign to shame the Labor Government into enacting election policies.

“It looks like attention seeking and we don’t support that position,” Mr McLean said. “The Minister’s approach in setting up the advisory group is a positive and constructive step. The group will be able to get some insights from the Queensland experience where the state government had to back away from some pretty radical changes it proposed. The group also will have the benefit of the Murray Report.”

Building industry insider John Murray has been conducting a review of security of payment laws across Australia. His report to the Federal Government is due this month.

Mr McLean said Master Builders was keen to participate on Minister Johnston’s advisory group. The Association represented both builders and subcontractors and had wide knowledge and experience of industry practices.

“WA’s Construction Contracts Act bars payment terms of more than 42 days, that is, six weeks,” Mr McLean said. “That allows for head contract claims, including subcontractors’ claims, to be compiled, and for the client to assess the work, approve the claim as appropriate, and then make payment.”

Mr McLean said the Australian Standard contract used for many State Government projects has builders making monthly claims. This was followed by a maximum four-week turnaround for client approval and payment.

“That means subbies putting in their claims earlier in the month, the head contractor submitting the total claim for assessment and approval at the end of the month and payment towards the end of the next month,” Mr McLean said.

“That’s how the total of six weeks can arise, but 42 days is the absolute maximum and many contracts operate on much shorter terms.”

Mr McLean said the suggestion that eastern states laws provide for payments within 10-15 days was somewhat misleading. Different jurisdictions had different periods including 30 days, 20 business days and 10-15 business days.

“The different laws accept that claims sometimes will be partly or wholly disputed. Procedures are in place to quickly resolve payment disputes. WA’s Act has a process of rapid adjudication of payment disputes and is generally working well,” Mr McLean said.

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