

# Media Release

## Project bank accounts will raise building costs

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The McGowan Government's move to expand the use of project bank accounts has raised concerns for Master Builders WA.

"The Association fully supports the right of all businesses in the building industry contract chain to be paid in full on time," Master Builders' executive director John Gelavis said.

"However, the Government's move pre-empts the outcome of the Industry Advisory Group it set up to review security of payment for subcontractors. Finance Minister Bill Johnston already has the advisory group's report, prepared by the independent chairman, John Fiocco, and assistant chairman, Labor MLC, Matthew Swinbourn.

"Before embarking on more PBAs, the Government should be honouring its undertaking to produce a discussion paper based on Mr Fiocco's report."

Mr Gelavis said through the advisory group, Master Builders had argued for changes to existing legislation to ensure all contractors, regardless of position in the contract chain, promptly respond to payment claims, indicating if any amount is in dispute.

Failure to respond would see the claim become a statutory debt but, if a dispute was raised, it would be compulsory for the party making the claim to quickly apply for adjudication.

"The majority of builders don't have a problem making legitimate payments on time. Our proposals will call out the recalcitrants and ensure genuine payment disputes, throughout the industry, are resolved speedily," Mr Gelavis said.

"PBAs, on the other hand, only protect first-tier subcontractors and do little or nothing for others down the contract chain. Our members have carried out most of the Department of Finance PBA projects so far. When we surveyed those members, all but one said PBAs involve additional administration and add 1-2 percent to project costs."

Mr Gelavis said there might be merit in involving the Small Business Commissioner in payment practices but any powers should cover all in the payment chain, not simply be a witch-hunt against head contractors. Many head contractors were also small businesses and were not immune to slow and non-payment issues.

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