



## ***What is Prompt Payment Legislation?***

- Provincial legislation that ensures participants in the construction chain receive timely 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.

## ***Why is it needed?***

- Construction is a high risk business conducted through a hierarchy of pay-masters with owners and developers at the top usually contracting prime or general contractors, who sub-contract with a series of specialist trade contractors who also may sub-contract with even more specialized trades, all working in concert to deliver a built structure.
- As building progresses, payment for the work should progress but too often payments are unnecessarily delayed.
- Industry trends over the past have produced changes to standard payment terms, resulting in 'Pay When Paid' clauses.
- 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.*

## ***Industry Experience:***

- 86% of companies surveyed in 2014 in Alberta said late payments were a *moderate or serious* problem, with the *average* number of days in accounts receivable was *78.60 days*; the average bad debt reported was \$17,018.55; and the average amount outstanding for accounts overdue 60 days or more was \$223,819.92.
- Of 15,250 firms identified by Worksafe BC operating in the BC Industrial-Commercial-Institutional construction marketplace, 11,250 registered employers with report payrolls between \$100,000 and \$500,000 (1 to 7 employees) means predominantly small businesses bear the brunt of delayed payment.



## ***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 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 employers are reluctant or unable 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 raises 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. Fewer bidders equal higher prices.
- Delayed payment ***creates an external cost to labour, and labour relations*** in trying to recover wages and benefits.

Help British Columbia and Canada secure Prompt Payment Legislation – Act Today!

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