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Media Release

Security of Payment recommendations good news for electrical contractors

The Federal Government's report on the Review of Security of Payment Laws is good news for electrical contractors who are frequently the last in a long chain to receive payment and so carry the most risk should a company fall into receivership during the project.

"The report findings address the feedback we've been receiving from our members for many years and we welcome the recommendations," said Suresh Manickam, CEO National Electrical and Communications Association (NECA).

"NECA has long been calling for measures to reduce the risk of non-payment due to insolvency. Late payments and unfair contract terms that operate to prevent payment are a major issue for electrical contractors.

"As the majority of electrical contractors are small to medium enterprises, family owned and run businesses, they are particularly susceptible to cash flow issues and non-payment can be devastating," said Manickam.

Current legislation around Security of Payments is complex and inconsistent across the different states and territories delaying payments and making it difficult for contractors to lodge claims. The recommendations in the Review will simplify the process and guarantee prompt payment for all those involved in the project.

The recommendation to adopt a single legislative model – based on the East Coast Model of Security of Payment Laws – and the establishment of a system of statutory trusts to apply throughout the payment chain, is a win for our sector providing much greater protection and security for small businesses and sub-contractors.

The Government has taken on board several of NECA's submissions in their recommendations including:

- A single approach to claims, not the two-tier approach currently in use in Queensland
- Prohibiting pay-when-paid clauses in construction contracts
- A period of 10 days for the default payment period
- Making it an offence to use coercive or threatening conduct to discourage claims.

As a finishing trade, electrical contractors are often the last in the line of credit to receive payment for work completed. They arguably provide the highest value inputs of all sub-contractors by way of fixtures, fittings and labour. This makes them the most vulnerable with

respect to payments in the event of receivership. In other words, electrical contractors are at a greater potential disadvantage than any other sub-contractor.

NECA strongly encourages all state and territory governments to move quickly to harmonise their legislation in this area and looks forward to working with the Government to progress the recommendations and increase the protection for individuals and small businesses.

-ENDS-

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Notes for editors

- 1. NECA is the peak industry body representing the interests of electrical and communications contractors Australia-wide.*
- 2. Membership comprises over 5,000 contracting companies with over 50,000 employees.*
- 3. NECA wholly-owns Registered Training Organisations and Group Training Organisations in NSW, VIC & WA, the EcoSmart Electricians initiative, ACRS (a national cabling registrar) and has a joint venture with NESS Super in NSW.*
- 4. NECA employs around 2,000 apprentice electricians, training a further 2,000.*