



NEWS

New System to Boost Cash Flow in the Building Industry

12 May 2004

A new system of rapid adjudication to fast track payment disputes in the building and construction industry will take effect from 1 October 2004 today announced the Minister for Public Works, Housing and Racing, Robert Swarten.

Mr Swarten said the Building and Construction Industry Payments Act 2004 was unanimously supported by Queensland Parliament to establish a new system to help contractors secure payment.

We have listened to the industry, particularly subcontractors, and have developed a system that gives contractors a faster and cheaper alternative to the courts, he said.

While this applies to all subcontractors and other trades in the building and construction industry including electricians, architects, engineers and plumbers, the Act will not impact upon Mum's and Dad's building or renovating their dream residential home.

Mr Swarten said cash flow was the lifeblood of the building and construction industry.

This system will improve cash flow due to an independent adjudicator's ability to make an interim decision over payment disputes, in a fast and efficient manner with quick turnaround times, he said.

The failure in the contractual chain by one party to honour its obligations can cause a domino effect on other contractors resulting in restricted cash flow, and in some cases, insolvency.

Under the Act, contractors and subcontractors will be able to obtain a prompt interim payment for work they carry out and for the goods and services they supply without having to enter the court system.

Mr Swarten said the rapid adjudication system would not extinguish a contractor's ordinary contractual rights to obtain a final determination of a payment dispute by a court or tribunal of competent jurisdiction.

The significance of an adjudicator's decision, however, is that pending final determination of the payment dispute, the party with the most commendable case, as determined by the adjudicator, retains the monies in dispute, he said.

This represents a significant shift from the current system where responsibility for enforcing payment has ordinarily been left to the building contractor or supplier of the related goods or services.

Mr Swarten said an independent adjudicator with relevant expertise and registered to hear disputes would be contracted by authorised nominating authorities.

As in other States it is proposed private adjudicators conduct the adjudication on a user pays basis, he said.

The adjudicator must make a decision on the dispute within 10 business days from either receiving the respondent's adjudication response or the expiry of the specified timeframe for receiving an adjudication response.

An adjudicator must provide to both parties reasons for a decision including the adjudicated amount and the payment date.

Mr Schwarten said the Building Services Authority (BSA) will conduct a series of road shows across the state throughout August to inform industry about the application of the Act.

It is important for anyone within the contractual chain, be it the person who engages the other entities to carry out or supply goods and services, or person/s who carry out or supply the goods and services, be they consultants, suppliers, contractors or subcontractors - anyone who signs a construction contract, to be fully aware of how the legislation will be applied.

Mr Schwarten said the Act complements the reforms already introduced by the Beattie government since 1998 specifically designed to improve the prospects of contractors and subcontractors obtaining rightful payment for work.