

Changes to Prompt Payment Regulations

**A position paper prepared by the
National Trade Contractors Coalition of Canada (NTCCC)**



2013

We Are the Ones Doing the Work!

The National Trade Contractors Coalition of Canada (NTCCC) is a partnership that brings together construction trade associations whose members are engaged in the Industrial, Commercial, Institutional and Residential sectors of Canada's construction industry. They are the trade contractors who hire the vast majority of skilled trade workers within our industry. They are also the trade contractors who, in many instances, are hired by General Contractors for specific parts of larger construction projects.



Late Payment and Canada's Construction Trades

During the normal course of business, a contractor bears a substantial amount of “upfront” costs to carry out a particular job. This includes equipment, materials, employee salaries, and maintaining the necessary insurance, amongst many other requirements. These costs can be substantial.

To a certain extent, all businesses are forced to carry some costs while they wait for payment for goods delivered or services performed. In most industries, payment is received when the goods or services are delivered or along some other predictable schedule. **In the construction industry, however, it is a “tolerated” practice where sometimes there are no strict timelines for payment.**

It is important to underline that this is often an issue when both parties are satisfied with services, not necessarily in situations of disputes. It is also not primarily a problem associated with General Contractors not being paid by owners, but rather General Contractors not paying subcontractors for services delivered. In some cases, the two may be related. To put this another way, the current payment establishment sees contractors do an honest day's work for an honest day's pay..... eventually.

Small businesses rely on predictable revenue streams to remain successful; construction trade contractors are no different.

The Status Quo!

Carrying these costs limits a business's cash flow. At a minimum, it means an added cost for business as they pay interest on broker operating capital. A much greater, and very real concern is that a cash flow crunch limits a trade contractors ability to carry out future business. They may be unable to purchase supplies or pay for expenses because money is tied up in outstanding payments for work performed.

Late payment, then, is a serious impediment to small business, making already trying economic situations even more difficult and, in some cases, forcing companies to lay off workers or go out of business altogether.

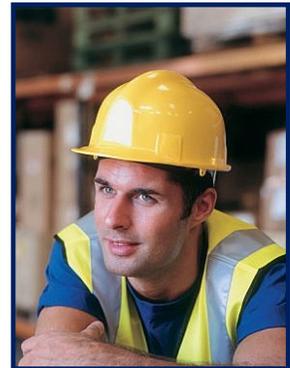
The payment status quo is not working! When payment is not being passed on to trade contractors promptly it can cause serious hardships, as outlined above. Moreover, the absence of a clear legal framework means that the collection of late payments is a difficult and expensive task for trade contractors. These small businesses simply do not have the resources, financial or otherwise, to consistently have to seek payment.

The Solution? Prompt Payment Regulatory Change!

In the past, the NTCCC proposed that the federal government could easily address this issue through introducing regulatory changes, as opposed to legislative (which is being addressed provincially through such bills as Bill 69 (enclosed) currently before the Ontario legislature) through a simple addition to the Federal Government contract form.

Currently, the payment clauses in the Federal Government contract form deals only with the relationship between the Government of Canada and the General Contractor. In Canada, unlike other countries such as the United States (**Federal Acquisition Regulations**), there is no trade (sub) contractor payment requirement mentioned, nor required, in the standard form.

NTCCC is seeking your support for fair payment provisions throughout the construction chain on all federal government projects and we look forward to discussing this matter with you further on Tuesday, December 10, 2013.



The NTCCC was established in 2004 to provide an organized forum for Canada's national trade organizations to share information, resources, and to collaborate on issues that are of common interest. It's membership is comprised of trade organizations including:

Mechanical Contractors Association of Canada
Canadian Electrical Contractors Association
Canadian Masonry Contractors Association
Canadian Automatic Sprinkler Association
Canadian Roofing Contractors Association
Heating, Refrigeration and Air Conditioning Contractors

Canadian Precast/Prestressed Concrete Institute
Thermal Insulation Association of Canada
Interior Systems Contractors Association of Ontario
Sheet Metal Contractors Association
Canadian Institute of Steel Construction
Terrazzo, Tile, Marble, Stone Guild



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