

WRITTEN SUBMISSION FOR THE PRE-BUDGET  
CONSULTATIONS IN ADVANCE OF THE 2019 BUDGET

BY: THE NATIONAL TRADE CONTRACTORS COALITION OF  
CANADA (NTCCC)

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## **LIST OF RECOMMENDATIONS**

1. NTCCC recommends that the federal government introduce and pass federal prompt payment legislation to make construction more efficient on federal projects, more affordable for taxpayers, and to show leadership that will make Canada's entire construction sector more competitive.

## **INTRODUCTION**

The 2019 Federal Budget presents the government with an opportunity to make Canada's construction sector more efficient and show leadership with provincial partners that will make our economy as a whole more competitive. Passing federal prompt payment legislation will increase employment, increase apprenticeships, reduce federal government construction costs, increase the bidding pool for projects, and increase investments in new capital goods like machinery and equipment. These changes will increase productivity, encourage modernization of the sector and improve competitiveness over the long-term.

The government of Ontario passed amendments to its *Construction and Lien Act* in early December, 2017, becoming the first province to put prompt payment in the construction sector into law. Other provinces are following Ontario's lead, but federal leadership is needed to address payment delays in the major portion of construction work done in Canada that falls under federal jurisdiction.

In Canada's construction 80% of total work is completed by trade contractors. The National Trade Contractors Coalition of Canada represents the ten largest national trade contractor associations and has been championing the adoption of nationwide prompt payments for over a decade. Our members are predominantly small and medium-sized enterprises. Over 1.5 million Canadians work in Canada's construction sector. These Canadian businesses, tradespeople, and their families will be better off if payment delays are addressed.

## **WHY PROMPT PAYMENT LEGISLATION?**

Canada lags behind other developed countries in implementing prompt payment. The United States, United Kingdom, Australia, New Zealand, Ireland, and 49-of-50 American States all have prompt payment systems in place. In 2010, Canada's construction industries accounted for 6% of our GDP, a significant contribution to our overall economy. Ensuring this sector is following similar payment rules to other jurisdictions will enhance our global competitiveness and make Canada a more attractive place to do business for companies seeking to invest here.

The federal government has undertaken extensive consultation of the construction sector with expert input from Bruce Reynold's and Sharon Vogel. These trusted professionals developed the plan to move forward in Ontario with input from all segments of the construction sector. They secured buy-in and were ideally suited to advise the federal government on its next steps. We anticipate their forthcoming report but know that it will provide a framework for legislation that will work for everyone affected by the construction sector, consumers most importantly.

To become more competitive, Canada needs to find efficiencies in leading sectors like construction. By passing prompt payment legislation, the federal government will eliminate the number one barrier to efficiency in Canada's construction sector. Passing a prompt payment bill will have a stimulus effect in our industry at no cost to government. Not only is it good policy, but it is the right thing to do for small businesses and workers.

## **IN OUR CURRENT SYSTEM**

1. Employment is lower because trade contractors assume significant risk of delayed payment or non-payment
2. Trade contractors resort to layoffs or delayed payments to their own suppliers to meet other payment obligations, many report contemplating bankruptcy
3. Fewer apprenticeships are created and supported due to long-term challenges that make it difficult to recoup on the investment in training
4. Trade contractors make fewer investments in new machinery and tools, which keeps Canada's construction sector less productive and competitive
5. Costs to the federal government—and taxpayers in turn—are higher because there are fewer bids, and trade contractors are forced to incorporate the cost of late payment into their bids, which drives prices up. Further, fewer businesses can operate sustainably which results in less than optimal competition.
6. Disputes about payment often end up in court, putting negative pressure on Canada's justice system

Between 2007 and 2012 the average duration of a receivable in Canada's construction sector increased from 62.8 days to 71.1 days. In most industries 30 days is the accepted norm. Decreasing the duration of receivables will increase cash flow and make our system more competitive.

## **WHO WILL PROMPT PAYMENT LEGISLATION HELP?**

They key beneficiaries of prompt payment legislation will be:

- Small and medium-sized businesses (both trade contractors and suppliers)
- Tradespeople
- Apprentices
- Taxpayers
- Growing businesses that need affordable new builds in a timely manner
- Families that depend on income from the construction sector

## **WHY DO THEY BENEFIT?**

- Prompt payment legislation will ensure the timely flow of cash throughout the construction chain.
- More competitive bids on projects, because trade contractors will not have to assume all the risk for delayed payment like they do now.
- Fewer project delays, faster completion times
- Fewer court cases for disagreements between trade contractors and general contractors
- More tradespeople can be hired on projects, fewer layoffs due to project delays
- More capital equipment purchased by trade contractors
- More apprentices can be brought on to projects

While this is not a request for government funding, prompt payment legislation could be included in the government's budget implementation act which would ensure it is passed as quickly as possible, which is exactly what Canada's construction industry needs.