



**CIVIL CONTRACTORS  
FEDERATION**

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## Media Release – For immediate release

### CIVIL CONSTRUCTION VOICE CALLS FOR URGENT ACTION ON SECURITY OF PAYMENTS

The Civil Contractors Federation (CCF) has called on State, Territory and Federal Governments to act swiftly on regulatory reforms to address security of payments to subcontractors following the release by ASIC of its 'corporate insolvency' report this week for the 2017-2018 financial year.

The Civil Contractors Federation is disturbed that the construction sector represents 22% of the 5,380 alleged insolvency cases, the majority of which are small to medium size corporate insolvencies.

Chief Executive Officer of the Civil Contractors Federation (National) Chris Melham said that whilst the CCF has welcomed the Prime Minister's announcement to inject \$2 billion into the small business loan market, this initiative will not be maximised unless the 'root cause' of SME insolvencies is addressed. SME's will potentially access the fund to finance debt resulting from late payments and unfair contractual terms with their head contractor.

"Put simply, sub-contractors are struggling to pay civil and statutory debts because they are not being paid on time by the head contractor. Government's must address "*head contractor-subcontractor terms*", Melham said.

The Federal Government commissioned the National Review (i.e. the Murray Review) of Security of Payment Laws to examine ways to improve consistency in security of payment legislation and enhance protections to ensure subcontractors get paid on time for work they have done. "Creating this Fund treats the symptoms identified in the Murray Review and CCF now urges the government to develop policies to treat them", Melham said.

The major issues that were identified in the *Murray Review* that lead to delayed and disputed payments include:

1. Ineffective 'security' of payment where a party higher up the contractual chain becomes insolvent.
2. Complex and confusing 'security of payment legislation'.
3. An imbalance of bargaining power within the contractual chain resulting in unfair contract terms that operate to prevent payment to the party that has carried out construction work.
4. Intimidation and retributive conduct by head contractors discouraging subcontractors from pursuing their entitlements; and
5. Late payment which continues to be a major issue for the construction industry.

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#### **About the Civil Contractors Federation**

*The Civil Contractors Federation (CCF) is the peak employer body representing over 2,000 companies engaged in civil construction in every jurisdiction of Australia. CCF Members are responsible for the construction and maintenance of Australia's infrastructure, including roads, bridges, pipelines, drainage, ports and utilities. CCF members also play a vital role in the residential and commercial building construction industry by providing earthmoving and land development services including the provision of power, water, communications and gas.*

*Constructing Australia's Infrastructure*