



construction industry reform

Fact Sheet No 1:

About the new construction contracts legislation

New legislation covering construction contracts will reduce payment delays for contractors and provide avenues for contractors to resolve payment disputes.

The *Construction Contracts (Security of Payments) Act*, expected to be passed in December 2004 and commenced by 1 July 2005, will promote good payment practices in the building and construction industry.

The legislation applies to:

- Most construction contracts entered into after the commencement of the legislation
- Related contracts for professional services associated with construction projects such as architects, engineers, quantity surveyors and surveyors
- Related contracts for the supply of goods and materials to construction sites.

Mining work such as drilling and shaft and pit construction is excluded.

How and why the legislation was developed

- Payments in the Territory construction industry have been protected to a limited extent by the *Workmen's Liens Act*, which is based on an 1893 South Australian statute.
- In August 2002 the government circulated a discussion paper on the issue to professional bodies, industry, individuals and companies. Many submissions were received and a reference group for various construction issues was established comprising representatives from industry and government departments. The reference group has considered the legislation.

Main elements of the legislation

- The legislation provides an effective and swift dispute resolution process with qualified experts registered to adjudicate disputes. The process will be simple, cheap and readily accessible.
- Under the legislation, contractual provisions that delay or stop the movement of funds down the contracting chain are prohibited.
- Where there is no written contract, the legislation prescribes fair and reasonable payment terms.