



## PROMPT PAYMENT IN ALBERTA

### *Background and Request for Feedback*

#### ***What is Prompt Payment?***

Prompt payment legislation seeks to ensure workers and businesses are paid on time for their work and that payment disputes are addressed quickly. This would apply to all construction companies regardless of size, scope of project or owner. It includes implementing an adjudication process in the case of discrepancy between either party.

Prompt payment legislation has been implemented or is being considered in a number of provinces across Canada. Ontario recently implemented legislation though there has not been enough time to assess its effectiveness or the administrative impacts on businesses. Legislation in other provinces include:

- Owners are required to pay the general contractor within 28 days of receiving an approved invoice.
- General contractors are required to pay the subcontractors within 7 days after receipt of payment from the owner.
- Any non-payment notice issued by an owner must be provided to the affected parties within 14 days of the owner receiving the invoice along with reasons for non-payment.
- If an amount is not paid when it is due, interest shall be paid on the outstanding balance at the prejudgment interest rate.
- All owners, contractors and subcontractors are required to holdback 10% of the cost of the services or materials they supply on a project.
- An adjudication process is created to help resolve payment disputes outside of litigation.
- Further protection to general contractors is provided through lengthened lien periods (90 to 150 days).

#### ***History and Status of Prompt Payment in Alberta***

Discussions surrounding prompt payment were initiated by the NDP Government in late-2018. The current government has decided to continue development of prompt payment legislation due to a growing number of complaints related to late payments on construction projects. Advocacy from other associations indicates time between issuing invoices and receiving payment has increased significantly in recent years.

Service Alberta's goal is to formalize recommendations and potentially legislation over the next three months.

## **Feedback To-Date**

In early 2019, BILD Alberta members completed a survey. More than half of the respondents identified issues with delayed payments. Many indicated they experienced demand for payment terms outside of the 45-day lien period as part of their contracts.

Other members indicated that a 28-day pay period does not work with standard invoicing / payment cycles. They identified concerns with a shorter payment period increasing administrative burden and posing a challenge in dealing with lenders.

## **Next Steps**

BILD Alberta is assessing legislative alternatives and communicating with CHBA – British Columbia and the Ontario Home Builders Association to better understand the potential benefits and impacts of prompt payment. With this information, feedback from members and direction of the Board of Directors, BILD Alberta will establish a formal advocacy position. Member communication will remain a crucial part through the entire process.

## **Let Us Know Your Thoughts**

***If you would like to provide feedback, please provide responses to [Erin Devlin](#).***

1. Do you support prompt payment legislation?
2. Would prompt payment legislation result in additional administrative work or costs? Please provide details.
3. What are the implications of a 28-day pay period on regular payment and invoicing cycles?
4. Would alternatives such as lengthening the lien period (currently 45 days) be enough to address the issues associated with late payments?
5. Do you have suggestions on alternative solutions that would address payment issues without adding new administrative processes?