

Why This Inquiry Matters to The CFMEU

- The CFMEU represent over 32,000 members working in large scale construction in Victoria - vast majority of our members are employed by subcontractors
- The union has a very close relationship with subcontractors - we work together to keep workers safe and jobs building
- We worked with hundreds of subcontractors to develop our submission



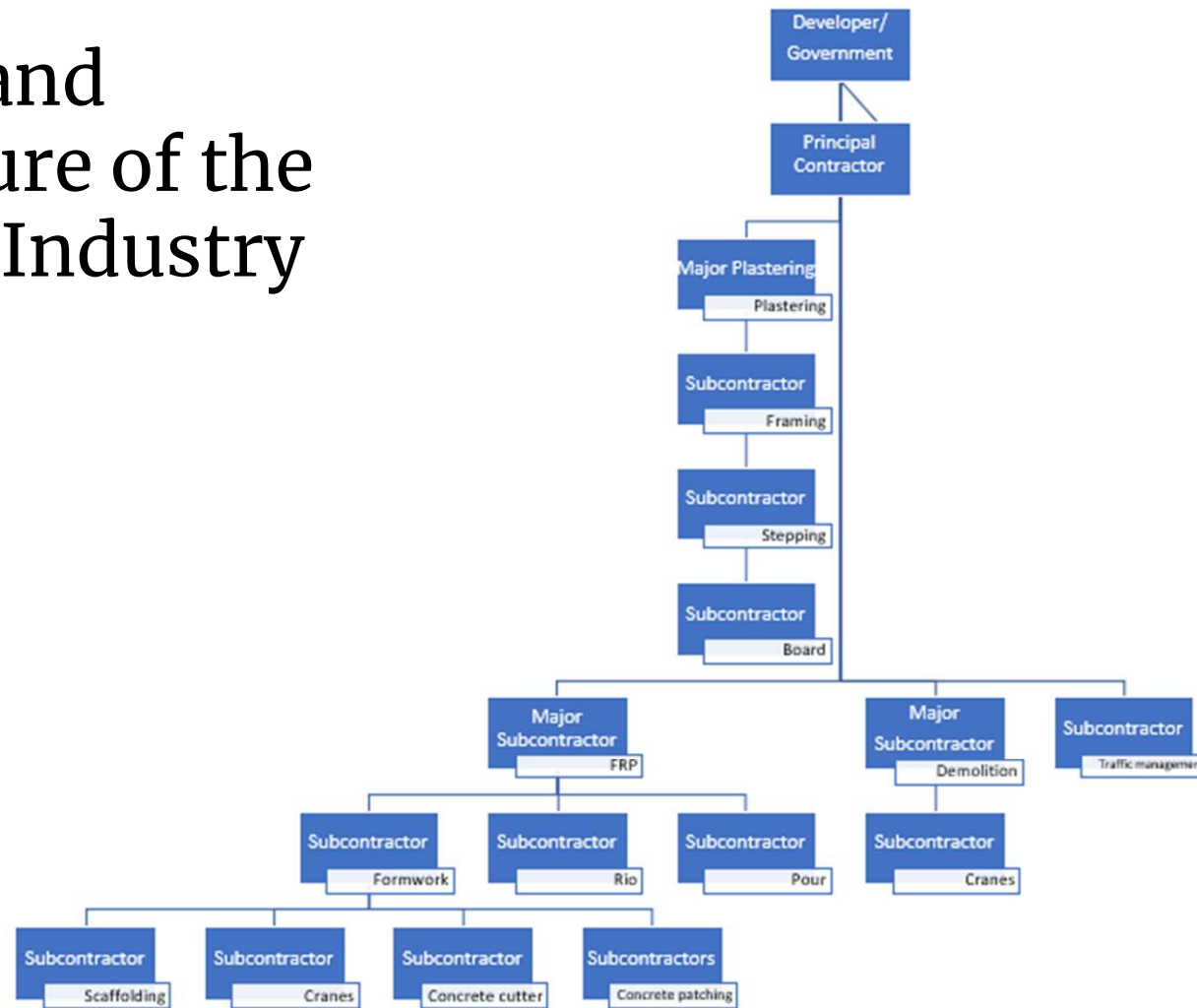
What Does a Typical Subcontractor Look Like?

- A large subcontractor will have 1000 employees
- Majority of subcontractors are small business
- Many are 'mum and dad' or family run businesses
- Ultimately, they are not well resourced with either cash or educated



Hierarchical and Complex Nature of the Construction Industry

example



What Do Non/Under Payments look like?

- Principal and head subcontractors maintain the capacity to delay the timely release of payments
- Subcontractors reported to us that invoices are almost never paid in full - on almost every invoice they are taking a 'haircut'
- Delayed payments are standard practice
- Disputed payments are also
- Reverse factoring is common practice



Case Study: CPB Practice of Reverse Factoring

- CPB Contractors, owned by massive multinational company CIMIC based in Spain,
- CPB have made reverse factoring a common business practice
- Reverse factoring involves offering subcontractors timely payment if they accept an unspecified discount on their invoices.
- Reflecting on the power imbalance between principal and sub-contractors as well as other factors, this arrangement exploits subcontractors and the nature of competition within the industry.
- This demonstrates how underpayments are common practice within the industry



Proposed Reform

- a) The implementation of a statutory staged progress payment system which requires a principal contractor to process and pay a progress payment request on behalf of a subcontractor within a stipulated period (we suggest a period of 21 days would be suitable);
- b) The implementation of statutory project bank accounts on all construction projects in Victoria, applicable to all entities engaging the services of another entity. Statutory staged progress payments, as indicated at a) above, shall be deducted from the relevant project bank account upon a statutory staged progress payment request by a subcontractor;
- c) If a statutory staged progress payment is disputed, the onus is on the principal contractor or head subcontractor to lodge a dispute. That dispute must be lodged via a payment schedule prior to the due date of the statutory staged payment request and must contain relevant particulars as to why the payment is disputed. Only these particulars can be used in the dispute to prohibit an amalgamation of claims. And
- d) The lodgement of a dispute does not affect future progress claims made by a subcontractor, which may be presented by a subcontractor pursuant to a construction contract for works undertaken.



Closing remarks

- The current system hurts business, families and workers
- We are well aware, perhaps more than any other, that the industry is under considerable pressure.
- However, Queensland's construction sector is doing very well and they have this system in place.

