

## Economic impact analysis **Construction payment delays: An impact exceeding \$1 billion**

**Montreal, April 24, 2015** – Each year, construction industry businesses experience payment delays totaling more than \$7.2 billion, or roughly 15% of all annual construction spending in Quebec. The problem has gotten worse in recent years and is becoming more and more critical.

This revenue shortfall has a negative impact of more than a billion dollars on businesses, most of them smaller companies. Above all, it undermines the competitiveness of the construction industry as a whole, concludes an analysis by Raymond Chabot Grant Thornton (RCGT) conducted on behalf of Coalition contre les retards de paiement dans la construction (the broad-based coalition fighting construction payment delays).

“More than three-quarters of construction businesses declined to bid on at least one contract in 2013 due to possible payment delays,” said Coalition spokesperson Marc Bilodeau. “Studies show that reduced competition and fewer bidders drive up bid prices.”

According to the Coalition, each payment delay puts added pressure on the cash assets of industry businesses, since current expenses like payments to suppliers, salaries, taxes, and contributions must be honored in the short term. The average payment time in the industry is currently 80 days and has been increasing in recent years. The economic impact analysis shows that in Canada, the gap between the average payment time in the construction industry and in non-financial industries as a whole has almost doubled in the past decade.

Overall, the RCGT analysis indicates that each year due to late payments, construction businesses face

- \$709 million in potential annual performance losses on non-current assets in client accounts
- \$137 million in financing costs of all sorts, such as interest charges arising from accounts receivable over 30 days
- \$132 million in lost productivity related to late payment collection

And nearly \$25 million in additional costs are folded into tender prices per year, according to the analysis.

The Coalition suggests a number of ways to reduce payment times for non-residential contracts over \$25,000. It wants to develop clear guidelines for all



players, for example, a specific, organized timeline for monthly payment requests and holdbacks for each requestor level. It would also set strict deadlines for request approval and payment.

The RCGT analysis also indicates that the Coalition's proposed measures could have a positive impact of over \$448 million. "Addressing the problem through clear measures has become a matter of survival for many companies and their workers," said Bilodeau. "Several countries, like the United States and the United Kingdom, have already adopted legislation to regulate payment in the construction industry, with positive results. Quebec can benefit from this too."

### **About Coalition contre les retards de paiement dans la construction**

The Coalition represents many construction industry stakeholders. Together, they want to put an end to the unjustified increase in construction payment times. Coalition members represent businesses of all sizes involved in all stages of construction.

Coalition members:

- Association de la construction du Québec (ACQ)
- Corporation des maîtres électriciens du Québec (CMEQ)
- Corporation des maîtres mécaniciens en tuyauterie du Québec (CMMTQ)
- Corporation des entrepreneurs généraux du Québec (CEGO)
- Association des constructeurs de routes et grands travaux du Québec (ACRGTO)
- Association des professionnels de la construction et de l'habitation du Québec (APCHQ)
- Fédération québécoise des associations d'entrepreneurs spécialisés en construction (FQAESC), consisting of the following organizations:
  - Association de vitrerie et fenestration du Québec (AVFQ)
  - Association d'isolation du Québec (AIQ)
  - Association provinciale des entrepreneurs en systèmes intérieurs du Québec (APESIQ)
  - Association des entrepreneurs en maçonnerie du Québec (AEMQ)
  - Corporation des entreprises de traitement de l'air et du froid (CETAF)
  - Association des maîtres peintres du Québec (AMPO)
  - Association des entrepreneurs en revêtements métalliques du Québec (AERMQ)
- Regroupement des corporations et associations d'entrepreneurs spécialisés de l'industrie de la construction du Québec (RCAESICQ), consisting of the following organizations:
  - Institut d'acier d'armature du Québec (IAAQ)
  - Corporation des maîtres entrepreneurs en installations contre l'incendie (CMEICI)



- Regroupement des entrepreneurs en coffrage du Québec (RECO)
- Association Québécoise des Entrepreneurs en Infrastructure (AQEI)
- Association des maîtres couvreurs du Québec (AMCQ)

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### **Information and interview requests**

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