



Legal protection sought for NZ's subcontractors	
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A prominent member of the Crane Association of NZ is calling for the introduction of legislation to protect subcontractors financially when either end property owner, clients or contractors' default on payments.

Albert Smith helps lead the Smithbridge Group that includes Universal Cranes, Auckland Cranes, Gold Coast Cranes and Smith Crane & Construction.

He's also the brother of long-serving MP, Hon Nick Smith.

Now, Albert wants government to introduce a version of America's Miller Act, and reintroduce the Liens Act that the Labour Government removed from the Statute Books in 1987.

He said both pieces of legislation would provide much-needed financial protection for subcontractors in the event of either the client or the main contractor suffering financial problems.

The Miller Act protects industry members when the end client is a government entity that employs a contractor that subsequently defaults, leaving subbies in the lurch.

The Liens Act operates similarly when the client is a private individual who defaults.

In both cases the contracting company - or the person hiring the contractor in the case of, say, a new home build – pays a premium to a bonding company – an insurance company willing to provide cover for the subbies in the event of a main contractor financial default.

The premium paid by the contractor is, on average, about one per cent of the value of the contract, but that can vary depending on the financial stability of the main contractor.

Should a default occur, the insurance company pays the subbies who are registered on the job, meaning they are not left out of pocket or forced to put a lien over the house they have been building or working on for a private homeowner.

Albert acknowledges the introduction of these forms of legislation may increase construction costs, both in the public and private sectors, as contractors seek to cover their premiums, but he says the financial safety of sub-contractors is paramount.

“Too many contractors leave subbies in the lurch,” he says, “and the effects can be devastating on their business and on their families.

“Plenty of subbies have gone bankrupt and seen their families break up under the financial pressure while the main contractor, who’s caused all the grief, continues relatively unscathed.

“We need to put a stop to this with legislation that protects the subbies.”

The Crane Association of New Zealand agrees with Albert. Chief Executive, Sally Dunbar, says the Association and its members concur wholeheartedly with Albert’s call for the introduction of these legislation vehicles.

“You don’t have to look far in the New Zealand construction sector to see the damage that’s done when contractors go under – and we do seem to suffer a disproportionate number of these cases - so anything that protects the sub-contractors financially has to be good.”

Albert has a detailed presentation on the problem and the rationale for the introduction of the Miller and Liens Acts. He’s happy to share that with any interested parties.

Albert Smith
Group Managing Director
Smithbridge, Universal Cranes, Auckland Cranes and Smith Cranes

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