

Where has All the Money Gone?

Now that the Prime Minister himself has given the directive that all ministries and government agencies settle their bills within three weeks of receipt, will it work? Or do we need to resort to sterner measures, as is always the case.

THE PRIME MINISTER RECENTLY ANNOUNCED THAT ALL MINISTRIES AND GOVERNMENT AGENCIES MUST settle their bills within three weeks of receiving them.

For one, he hoped that it would resolve the problem of late payments to contractors and suppliers.

The fact that the order had to come from no less than the top man in the country indicates a growing frustration from the business community towards what they see as increasingly inefficient and corrupt government departments and staff.

We all know how 'delays' can occur when you send in your invoice for request of payment. There are cases where your invoices can mysteriously 'disappear' unless, of course, you happen to know someone in the payments section or are willing to pay to expedite payment. Sad, but true.

As any contractor will tell you, it can take months or even years if you don't have the right connections. And if you kick up a fuss, your company will, in all likelihood, be 'blacklisted' and you will suddenly find that life can be tough liaising with government departments.

The Prime Minister fully understands the plight of the contractors and sub-contractors who don't get paid. After all, there are 40,000 Class F contractors in the country and they are a force to be reckoned with.

The trickle-down effect of non-payment by government departments can be far reaching. Main contractors can't pay their sub-contractors, who, in turn, can't pay their workers and other suppliers and so on and so forth. Ultimately, the whole payment chain grinds to a halt, slowing down economic activity. Imagine the effects if this were to happen to other professions besides contractors.

But now that the Prime Minister has ordered the speedy settlement of dues, will things change dramatically?

Not likely.

This is because main contractors who get paid tend not to pay their sub-contractors. It's a longstanding problem that is becoming increasingly difficult to resolve. Which is why after much

consultation and feedback from the construction industry, the government has finally decided to offer some form of protection to beleaguered sub-contractors and suppliers through new legislation.

A law relating to payments and adjudication for the construction industry is soon to be presented in Parliament. Amongst others, it will address non-payment, late payment and other payment-related issues. More importantly, it will improve cash flow in the construction industry.

Last year, the Works Minister said such an Act would be tabled in Parliament this year. We hope he keeps to his word. And for good measure, an arbitration court is also being set up to resolve disputes.

What it essentially means is that the government can go ahead and pay sub-contractors in the event that the main contractor does not. Of course, some might argue that the government has no business taking up the role of paymaster. But sometimes, government intervention is needed to resolve a persistent problem.

With the number of sub-contracts in Malaysia numbering nearly 55,000 yearly, such legislation is long overdue. Countries such as Singapore, Australia, New Zealand and the United Kingdom have managed to use such laws to solve many of their problems, so there is no reason why we must delay any further.

In Malaysia's case, the problem does not arise so much from standardised contracts for main contracts and nominated subcontracts, but rather from domestic subcontracts where the main contractors choose their own subcontractors.

Let's face it. Our errant contractors need legal compulsion to comply. No amount of friendly advice, warnings or even threats from ministers has worked.

Often, main contractors take the money and squander it, leaving the sub-contractors high and dry. Blacklisting them doesn't help as they resurface in the industry using nominees and proxies.

It is a sad reflection on us that moral persuasion fails to get people to abide by the rules. Does it mean we have to resort to enacting a new law each time a problem arises? **mb**