

## **Security of Payment Act-Speech by Er. Ong Ser Huan, IES Chairman QEC & ME RE/RTO Registries**

### **Security of Payment Act - Adjudication**

Now I wish to touch on a very important development concerning the building industry. Perhaps you may have heard of the Security of Payment Act; they call SOPA. In our building industry, usually, the developer awards the contract to the main contractor. The Main Contractor receives the monthly payment from the upper stream, the developer, and he pays to the downstream, his subcontractors. The subcon will then pay to the sub-sub, and so on. However, if anyone at the upper stream is to delay the progress payment or even reduce too much of the payment, all in the downstream will be affected.

When the payment is deferred and accumulated to an intolerable amount, due to shortage of cash flow, (ie short of cash) the project quite often will come to a standstill, with the closing shops of the contractors and the suppliers.

This is a common problem in the building industry not only in Singapore. It happens in most parts of the world, including even UK, Australia and New Zealand.

In Singapore, this has caused serious delays in many important projects. Even the HDB upgrading projects are not spared. The Building & Construction Authority therefore came out with this SOPA to speed up the cash flow in the building industry. Under this Act, any contractor, subcon, subsub or even consultant who is owed (kana OTANG) for payment can refer to the Singapore Mediation Centre situated in the Supreme Court Building to appoint an Adjudicator.

The Adjudicator will give a determination within 2-3 weeks. The owing party, who is named the Respondent, is required to pay up usually within 7 days.

Even if he wishes to appeal, he still has to first pay up. This is what they call, pay first talk later. Nowadays, many subcontractors, contractors and even consultants are already quite familiar with this SOPA and have referred to SMC for Adjudication.

If the claim is genuine and correctly applied, quite often they will get some interim payment to ease their tight cashflow. So now we can go SOPA instead of going bust. Likewise, we can be SOPA if we do not pay up promptly.

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