

Late pay by state still a big problem

Roy Cokayne

LATE PAYMENTS by government entities to the construction sector remain a significant problem and are threatening the sustainability of some companies, particularly small and emerging contractors.

Public Works Minister Thulas Nxesi confirmed this week that late payments by government entities were "still a big issue".

However, Nxesi said some firms were "jumping onto the bandwagon" because they knew their payments were not late, but were "disputed payments".

"Some have not submitted any documents, some have inflated the invoices."

"The problem is that before we pay, we must be able to trace each and every document and some of those transactions are very old. You won't believe that we are still receiving transactions that are as old as 2004 and then we ask the question: 'Where were they all along?'" he said.

National Treasury has issued a directive to government entities to pay all invoices within 30 days.

However, a 2015 survey of contractors conducted by the Construction Industry Development Board revealed there was a noticeable deterioration in prompt payment practices between 2012 and 2015.

40%
**The amount of
payments to
contractors made
within 30 days**

The survey found that 40 percent of payments to contractors were made within 30 days of invoicing, 49 percent between 30 to 90 days and 11 percent in more than 90 days.

The latest Consulting Engineers South Africa (Cesa) bi-annual economic and capacity survey for the six months to June last year said payment remained a serious issue.

"After having shown some improvement in the December 2015 survey, the percentage of fees outstanding for longer than 90 days as a percentage of total estimated income (including late payments) deteriorated to an average of 25 percent from 23 percent and 24.5 percent in the two previous surveys."

"At 25 percent, this is the highest recorded level since 1999," it said.

Cesa estimated that about R6.3bn in earnings was outstanding after the 90-day period.

Foreign clients represented 62 percent of earnings outstanding for longer than 90 days and the private sector 27 percent, with local authorities accounting for 6.4 percent, provincial government 2.2 percent, state-owned enterprises 1.6 percent and central government less than 1 percent.

Chris Campbell, the chief executive of Cesa, confirmed he was aware of "some really tragic circumstances" where a small practitioner businesses almost went under because of late payment.

Roy Mnisi, the executive director of Master Builders South Africa, confirmed some members were complaining about late payments from government.

Nxesi said this week a process had been started as part of the turnaround of his department to review all of their legislation, and legislation affecting the builders' environment had been made a priority.