

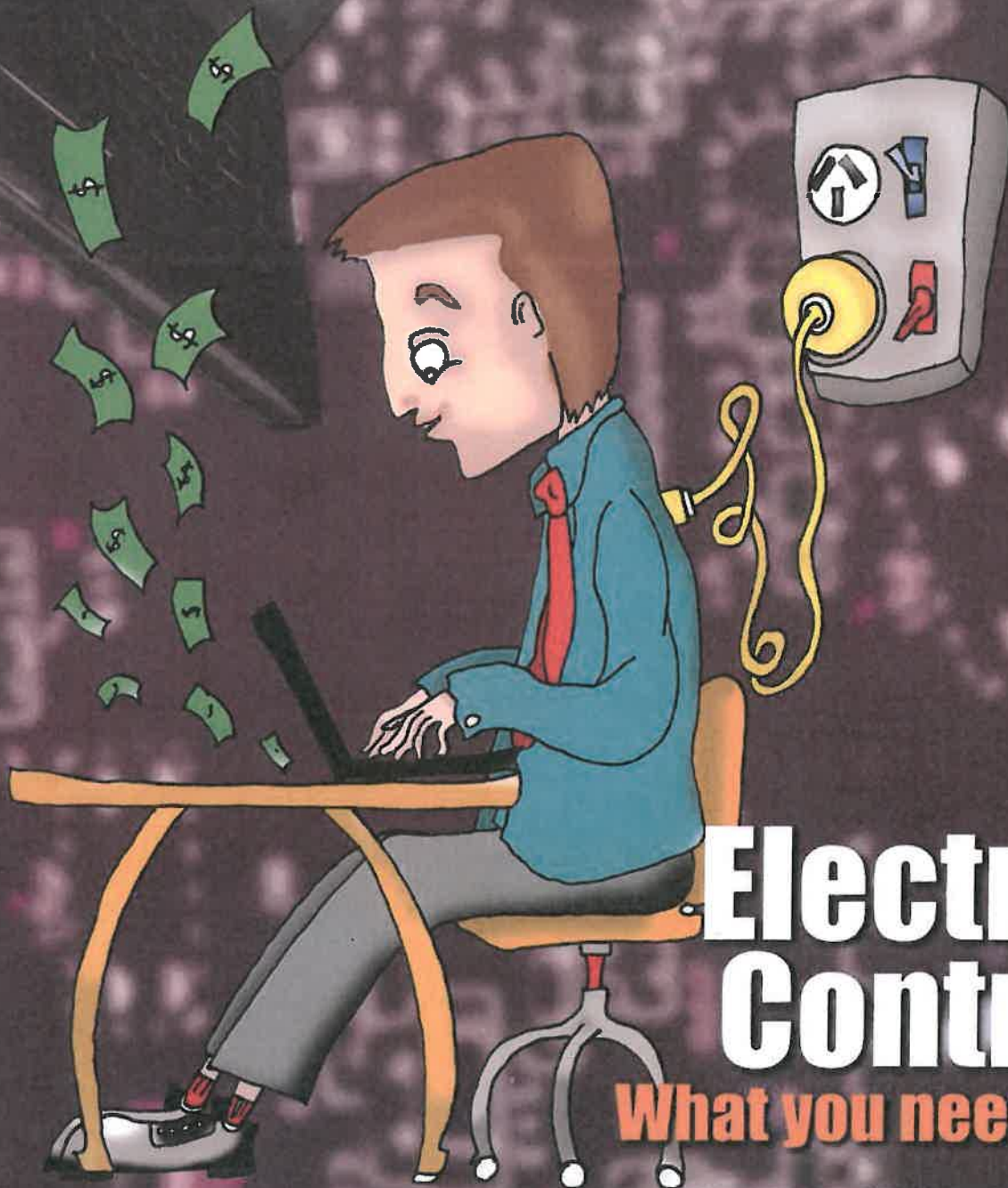
BUSINESS

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## Electronic Contracts

What you need to Know

- CONSTRUCTION CONTRACTS ACT
- UNSUBSTANTIATED REPRESENTATIONS
- MUST YOUR OPINION BE REASONABLE?
- DYNAMISM IS THE NEW BOTTOM LINE FOR BUSINESS
- CULTIVATING A PROFESSIONAL IMAGE
- RETIREMENT VILLAGE OPTION
- INVESTING IN PIEs

# 6 Vital Things you Must Know About the Construction Contracts Act

**T**his Act came into force on 1 April 2003 and it affects almost all construction contracts (with some exceptions for residential construction).

1. **Progress Payments:** Unless agreed otherwise, the new Act gives contractors the right to receive monthly progress payments whether or not these are stipulated in the contract.
2. **Pay When Paid Clauses:** Progress payments may not now be subject to a condition that these are only payable if and when the head contractor is paid. "Pay when paid" and "pay if paid" clauses are no longer permitted, and if included in a contract are now invalid.
3. **Claims for Payment:** Payment claims may be served on the owner or head contractor at the end of each month unless the contract specifies a different period. The payer must then within 20 working days pay either the amount claimed, or such other amount as the payer sets out in a Payment Schedule (which must explain the reasons for any difference between the claimed amount and the schedule amount). If the payer does neither the contractor may:
  1. Give notice of intention to suspend work; and/or

2. Recover the money due as a debt.

4. **Suspension of Work:** Contractors are now legally entitled to suspend work if they have not been paid. Any provision in a contract attempting to prohibit this action is invalid.
5. **Charging Orders:** A contractor can now apply for a Charging Order against a construction site owned by the employer under a construction contract or an "associated person" to the employer.
6. **Disputes Resolution:** A new dispute resolution procedure called "adjudication" is established by the Act. This is intended to offer a quick and cheap method of settling differences between the parties, as an alternative to arbitration or court proceedings.

Although a number of these provisions do not apply to residential contracts, they will affect contractors and sub-contractors throughout the building industry.

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## SMILE WITH FBA

### EXECUTIVE DECISION MAKING

A large firm had just hired Henry as their new CEO. The previous CEO held a private meeting with him and presented him with three numbered envelopes: #1, #2, and #3. "Should you encounter a problem you feel you're not capable of solving, open these," instructed the departing CEO.

Things went along pretty smoothly, but six months later, sales took a downturn, and Henry was really catching a lot of heat. About at his wit's end, he remembered the envelopes. He went to his drawer and took out the first envelope. The message read, "Blame your predecessor." Henry called a press conference and tactfully laid the

blame at the feet of the previous CEO. Satisfied with his comments, the press responded positively and so did the stock exchange. Sales began to pick up again and the problem was soon behind him.

Approximately one year later, the company was again experiencing a slight dip in sales, combined with serious product problems. Having learned from his previous experience, the CEO quickly opened the second envelope. The message read, "Reorganise." This he did, and the company quickly rebounded once more.

After several consecutive profitable quarters, the company again fell on difficult times. Henry went to his office, closed the door and opened the third envelope.

The message read:

"Prepare three envelopes!"

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