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ASA President's Letter-March 2015



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Dear ASA Member:

Timeliness of payments from general contractors to their subcontractors and suppliers is a topic of great importance to ASA members. ASA representatives recently met with Textura, a provider of productivity technology tools for the construction industry, about its product, Early Payment Program™. I want to keep you informed about the discussions that ASA has had with Textura and want to ask for your input about the process of collaborating with industry partners about products that may significantly impact our business.

In mid-January ASA's Executive and Finance Committees met with senior level executives from Textura and Greensill Capital, including each company's CEO. During the meeting, discussions included how the software operates, Textura's vision of how the software will change the GC payment process, and the schedule for its public release.

Textura stated that "EPP combines Textura's Construction Payment Management (CPM) technology platform with Greensill Capital's supply chain financing expertise and Morgan Stanley's capital markets presence to deliver an opportunity for general contractors to accelerate payment to subcontractors on commercial construction projects on a global basis." Textura further stated, "EPP will solve that longstanding structural problem in the way construction projects are funded, by allowing general contractors to pay their subcontractors about five days after invoice approval, on average about 45 days earlier than normal payment timing." Turner Construction, one of the largest general building contractors in North America, plans to be the first general contractor utilizing EPP. Textura stated that the EPP product will be available to all general contractors starting in April 2015.

Several ASA members have had personal experiences with Textura's software products and share positive experiences. Members have shared that Textura's products are welcome technology in

construction payment methodology and that these products when used correctly by the GC can expedite the pay requisition, lien release, and other paperwork cycles. With respect to the introduction of the EPP, however, concerns were raised about the fees that subcontractors incur when selecting to opt into the EPP, the shift of the GC overhead burden to the subcontractor/supplier via the fees levied to use the EPP, the actual timeliness of payments from contractors using the EPP, and the real return on investment to the subcontractor/supplier who opts into the EPP. As members pointed out, EPP facilitates early payment of an approved invoice, but EPP does not improve the approval timeline by the GC of a submitted subcontractor/supplier invoice. Depending upon the contractor, the approval process may be the greater cause for payment delay. The return on investment to subcontractors/suppliers opting into the EPP is not yet clear and may vary depending upon the GC.

An item of interest may be the impact of EPP on contingent payment clauses. Textura noted that if a general contractor offers EPP on a project and a subcontractor elects to participate, any contingent-payment clause in the subcontractor's contract would likely be rendered inapplicable since the accelerated payment to the subcontractor will be non-recourse. I know that having the contingent-payment clause rendered inapplicable would be an advantage for subcontractors and suppliers.

During SUBExcel 2015 in Seattle, you will have the opportunity to learn and ask direct questions about Textura's EPP product during the general session, "Better, Faster, Stronger — How Technology Can

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Empower Growth,” from 4:30 p.m. to 5:45 p.m. on Friday, March 29. I encourage you to attend, so you can become part of the dialogue about EPP.

ASA will continue to collaborate with Textura and other industry partners who may have products that can improve our business operations including cash flow; however, collaboration should not be construed as endorsement of a specific product. I hope that you concur that ASA’s collaboration with Textura and other industry partners whose products impact our industry is valuable. I would like to hear your feedback on ASA’s collaboration efforts. Please share your thoughts with me at bjohnson@asa-hq.com.


Most sincerely,

Brian Johnson
2014-15 ASA President

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