



currentelectrical
construction company

February 28, 2013

Dear Senators:

In support of Senate Bill 405-2

My name is Dan O'Brien and I have been in the Electrical Contracting business as an employee and an employer for the past 30 plus years. The issue of retention and prompt payment are near and dear to my heart I am representing the Independent Electrical Contractors of Oregon on this issue. Senate Bill 405-2 addresses one of those issues.

The construction industry is unlike any other industry when it comes to process.

Where else can you

- Complete up to 60 days of work on a project before you can expect payment.
- Allow another party to hold 5 to 10% of the billing amount until up to 6 months after project completion
- Finance up to 7% of your completed construction project for the duration of the project.

Based on Construction Financial Management Association (CFMA) surveys the average electrical contractor makes 3%, (2-5%) net profit on a construction project. The average retention held under our private and public contracts today is 17% of receivables which is a significantly over the amount you actually make on the projects.

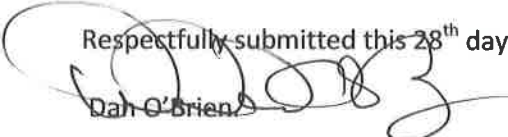
When evaluating a contractor's financial capabilities banks remove the amount of retention being held from a contractor's financial statement

In reality the Specialty Contractor under a sub contract with an owner or General Contractor is financing a significant portion of its installed work for in some cases up to a year before he/she is finally paid and profits, if any, are realized.

We have completed a couple of good months and have \$534,489 in receivables and \$125,560 (23.5%) of that amount is held as retention. This bill will improve our cash flow by \$62,780 would help us expand, buy some new equipment and hire more people.

Retention is regressive, punitive and subject to the whim of the individual owner. We support Senate Bill 405-2 which will lower the cost of the construction process.

Respectfully submitted this 28th day of February 2013.


Dan O'Brien