



3 March 2020

Payment Times Reporting Framework Team
Department of Industry, Science, Energy and Resources
GPO Box 2013
Canberra ACT 2601

To: The Payment Times Framework Team

**Re: Payment Times Framework Team Consultation Paper
Draft Payment Times Reporting Bill and associated Minister's Rules**

1. Introduction

1.1 The Motor Trades Association Queensland (the MTA Queensland or the Association) submits views on the Payment Times Framework Consultation Paper (the Framework), Draft Payment Times Reporting Bill (the Bill) and associated Minister's Rules for consideration by the Payment Times Framework Team.

1.2 The comments contained in this submission are confined to the views and issues from the perspective of the MTA Queensland small business members who are suppliers to large businesses.

1.3 The Association observes the draft definition of a small business expressed in the Minister's Rules – Rule 1: *'A Small business will be a business with turnover of less than \$10 million that is not part of a larger entity or grouping of entities.'*

1.4 The framework obligates large businesses (reporting entity) to periodically report information in a format that publishes their business payment times and practices. The Framework is intended to cover Australia's approximately 2,500 largest businesses and includes foreign companies and government corporate entities that fall within this category.

1.5 The framework's overall goal is to improve payment outcomes for Australia's small businesses underpinned by three objectives:

- Improve the collection of information about the payment practices of large businesses and government agencies towards small business.
- Make information about payment practices visible and easily accessible to small businesses and other interested stakeholders.
- Limit the compliance and administrative burden associated with the reporting framework.

Motor Trades Association Queensland

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2. Overview

2.1 The MTA Queensland supports the introduction of a national payment times framework, draft payment times reporting Bill, and associated Minister's Rules intended to improve payment outcomes for Australia's small businesses. We acknowledge the research referenced in the consultation paper in relation to the incidence and cost burdens arising as a result of delayed payments from large to small businesses based on the recent study by accounting software firm, Xero. This study confirms the importance of addressing the issue of late payments from large to small businesses to address the considerable adverse costs that this practice confers on small business.

2.2 The findings of the study are based on empirical research:

- 'looking at over 10 million invoices from 83,000 small and medium businesses, the analysis found the estimated value of late payments to these businesses was \$115 billion over the 2017-18 financial year. If these payments were made on time it would be the equivalent of transferring \$7 billion in working capital from large to small and medium business.
- Late payments are the biggest risk to cash flow for small businesses. Close to 40 percent of small businesses report significant cash flow pressures where customers are paying late. To compound this issue, approximately half of all invoices issued by small business to large businesses are paid late, totalling \$115 billion year.'

2.3 The Association is of the view that the proposed administrative arrangements framework, supported by the Bill and the Minister's Rules will provide the 3.4 million small businesses with greater confidence in their financial relations with large business by delivering enhanced certainty to payment terms. These statutory obligations should improve the 'systematic problem' of late payments from large business transactions that are a cause of uncertainty for small businesses.

3. Submission

Timelines

3.1 The MTA Queensland has small business members who have experienced the 'systematic problem' of delayed payments from large businesses that impact cash flows, increase credit costs and restrain growth. Specifically, one national corporate entity with a turnover of near seven billion dollars (2019), in the last 12 months on average took 75 days from invoice to pay for parts and service. It is pleasing to note that in this case the timeliness of recent invoice payments has improved substantially and are now usually made within to 32 days from the date of issue

3.2 Anecdotally, a number of members have iterated similar experiences of late payments of invoices by large businesses, resulting in small businesses having to fund operations from additional borrowings or curtailing operations or restraining procurements. This contrasts with large businesses reactions to late payments with threats to supply; discontinuing credit if accounts are not settled on time; and future business terms changed to cash on delivery (CoD). For small businesses there is limited remedial actions.

3.3 The Association notes recent reports, that ‘nationally late payment times improved by 7 per cent from 11 days to 10 days in the December quarter’ due to ‘improved trading conditions and industry and government pressure to cut payment times.’ This improvement is expected to be ‘short-lived’ with the outbreak of the coronavirus and the aftermath of the bushfires impacting payment times’ (Lynch J, Evans N: Slower supplier payments likely as virus takes its toll’, The Australian, 2 March 2020). We encourage industry and government to maintain the pressure on large businesses to cut payment times until the commencement of reporting from 1 January 2021 or 1 July 2021 depending the passage of the Bill through the Parliament.

Compliance obligations

3.3 The Association notes that the Bill introduces new legislative compliance obligations for reporting entities. Generally, the Association is of the view that ‘red tape’ by all levels of government is excessive and are a burden and an unnecessary cost of ‘doing business.’ In the instance of this Bill, the Association recognises the new policy places the onus of statutory obligations on big business which is better able to carry such costs while commending the absence of reporting requirements on small business.

Small business definition

3.4 We draw attention to the Australian Small Business and Family Enterprise Ombudsman’s (the Ombudsman) strong advocacy for the Payment Times Reporting Framework which includes adopting the Australian Taxation Office definition of a small business being one which has a turnover of less than \$10 million dollars, The Association would prefer that for the purposes of this legislation small businesses be defined as those having a turnover less than \$20 million. The Ombudsman has advised in a submission to you that ‘it is important to note that 99 percent of Australian small business will fall into the definition.’

4. Background

4.1 The MTA Queensland is the peak organisation in the State representing the specific interests of businesses in the retail, repair and service sector of Queensland’s automotive industry located in the State. There are some 15,500 automotive value chain businesses employing approximately 88,500 persons generating in excess of \$20 billion annually. It is an industrial association of employers incorporated pursuant to the *Fair Work Act* 2009. The Association represents and promotes issues of relevance to the automotive industries to all levels of Government and within Queensland’s economic structure.

4.2 Australia’s first automotive hub, the MTAiQ, has been established in specially prepared space at the corporate office. The hub is an eco-system that supports innovation for the automotive industry.

4.3 The Association is the leading automotive training provider in Queensland offering nationally recognised training, covering technical, retail and the aftermarket phases of the motor trades industry through the MTA Institute. It is the largest automotive apprentice trainer in Queensland employing trainers geographically dispersed from Cairns to the Gold Coast and Toowoomba and Emerald.

Thank you for your deliberation.

Yours sincerely

A handwritten signature in black ink, appearing to read "Brett Dale". The signature is stylized and cursive.

Dr Brett Dale DBA
Group Chief Executive
MTA Queensland