TELSTRA CORPORATION LIMITED

Submission in response to the Payment Times Reporting Framework Exposure Legislation Consultation Paper

6 March 2020

Introduction

Telstra recently announced new arrangements under which suppliers with invoices of up to $2 million annually will receive twenty-day payment terms. Under these new arrangements, which will be in place before the end of this financial year, over 85 per cent of our suppliers will have their invoices paid within twenty days of Telstra receiving a validly submitted invoice.[1]

Telstra's comments on the exposure draft legislation are set out below. We otherwise have no specific concerns with the draft legislation, although we are generally concerned to ensure that the need for a payment times reporting framework and the cost-benefit trade-offs for all participants have been carefully considered before any legislation is finalised.

A Regulation Impact Statement must be completed before any legislation is finalised

It is a vitally important principle of public policy making that the costs as well as the benefits of regulation are taken into account when new regulations are being considered. The Australian Government delivers on this principle though the production of Regulation Impact Statements (RISs).[2] It is therefore critical that a RIS is produced and published before any legislation resulting from this consultation is finalised. It is concerning that no RIS has been published alongside the exposure draft legislation.

The framework must apply to validly submitted invoices

Reporting under the regulations must be of payment times for validly submitted invoices. Ensuring suppliers are submitting complete and accurate invoices is an important part of delivering improved timeframes for payment. There can be many reasons which may delay the payment of an invoice, for example where invoices are missing detail necessary to process them. The payment time period for reporting under the regulations should not start until a valid invoice has been received as set out in the contract with the supplier. The use of online channels to make this process more streamlined is beneficial. We continue to work with our suppliers to help them submit accurate and complete invoices.

Reports should not need to be signed off by the CEO and Board

It should be sufficient that the executive management of the entity's division responsible for payment of suppliers approves the reporting submitted to the regulator. For smaller businesses this may be the CEO and Board of Directors, but for larger entities including Telstra it may be less efficient to require the Board of Directors to approve reporting. Given that reported performance against payment times will be published, there is no less incentive to ensure reporting is accurate and payment times and practices are a priority for the entity.

The regulator must play a central role in identifying small businesses for the purpose of the framework

A key challenge for entities such as Telstra is identifying which suppliers meet the definition of a small business (defined as *a business with a turnover of less than $10 million that is not part of a larger entity or grouping of entities*). The new regulator must be responsible for maintaining a current list of the ABNs of suppliers that meet the definition (via information available from the Australian Taxation Office) and making this list available in real time in an efficient way to entities subject to the reporting requirement.

[1] https://exchange.telstra.com.au/were-improving-our-payment-terms-to-make-doing-business-better/
[2] https://www.pmc.gov.au/regulation