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Department of Jobs and Small Business
Small Business Policy Section
Canberra, Australia
Via paymenttimes@jobs.gov.au

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Dear Madam/Sir

Submission regarding Payment Times Reporting Framework discussion paper

Thank you for the opportunity to provide feedback on the Payment Times Reporting Framework (the proposed framework) discussion paper. Alcoa is supportive of cooperation and improved productivity between big and small businesses and is proactive on these issues. However, Alcoa maintains the proposed framework is likely to complicate this policy space and must be reconciled with existing policies. On this basis, we oppose the proposed framework and question whether it will drive additional value for small business.

Alcoa's preference is for regulatory oversight which encourages good faith reporting by businesses which only triggers action where partial or non-compliance is suspected, over an expensive and interventionist regulatory role. Any new requirements must be balanced against cost, compliance and administrative burden considerations. We would be concerned to see the implementation of an overly burdensome framework which has the unintended consequence of rendering commercial arrangements with small businesses more difficult.

Alcoa adheres to internal and industry-wide small business payment policies. Alcoa was one of the first Australian companies to sign up to the Australian Supplier Payment Code (ASPC), a voluntary, industry-led initiative launched by the Business Council of Australia in May 2017. This affirmed our commitment to prompt and on-time payment to small business suppliers.

By committing to the ASPC, Alcoa extended our 30-day payment terms for businesses located near our operations (established under our Local Community Policy) to eligible small businesses with an annual turnover of less than \$10 million regardless of their location in Australia. Alcoa acknowledges that improving consistency in payment of invoices helps ease the stress for small business owners and continues to work with suppliers to improve invoicing practices in that regards.

If the proposed framework proceeds, the ASPC should be considered a useful guide to avoid duplication and drive adoption and adherence to existing policies.

Background

Alcoa has operated in Australia since 1963. Our operations represent one of the world's largest integrated bauxite mining, alumina refining and aluminium smelting systems. Our two bauxite mines and three alumina refineries in Western Australia produce almost 45 per cent of Australia's alumina. Alcoa Portland Aluminium Smelter in Victoria produces approximately 13 per cent of the nation's aluminium.

Alcoa has been investing in Australia for more than 55 years. We have 4,275 permanent employees, most of whom live in regional Western Australia and Victoria. Annually we contribute AU\$654 million annual wages and benefits and pay \$400 million to local, state and federal governments in the form of taxes and royalties.

Alcoa has a long history of adding value to the communities in which we operate by using local suppliers, helping local suppliers to do business with us and by encouraging suppliers to employ local labour. Within our guidelines of safe, ethical and competitive business practices, we:

- invite capable local business to bid on locally supplied or manufactured goods or services;
- give preference to local business in a competitive situation;
- work with local business interest groups to identify and utilise local suppliers; and
- where possible, structure bids to enable local supplier participation.

It is important that Alcoa has a secure, sustainable, innovative and globally competitive supply chain. Our core values - *Act with Integrity, Operate with Excellence, Care for People* - govern the way we act, operate and interact with our suppliers, customers, community and each other. Alcoa has a [dedicated section](#) on our website which covers our supplier code and relevant payment terms documents for more information.

What is the preferred scope of reporting; in particular, should reporting be limited to payment practices for small business? If so, how should small business be defined?

Alcoa recommends reporting on a defined class of “small business” rather than all suppliers. This will provide insight into rights and experiences of smaller businesses when dealing with large businesses, without creating burdensome obligations to report on interactions with all suppliers. Insight gathered in relation to “small business” is likely to be relevant to smaller scale businesses and will provide sought-after information regarding broader supply chains.

In that context, Alcoa strongly urges the Federal Government to publish a list of “small businesses”, identified by company name and ABN, which could be used as a reference by large businesses in verifying the status of a smaller business supplier. This would remove inconsistencies in how the ASPC is being applied to small business and lessen the administrative burden on businesses which must otherwise verify or validate, respectively, for each commercial arrangement.

In order to compile this list, the Federal Government could use the turnover definition of “small business” from the ASPC, which refers to small businesses on the basis of less than \$10 million turnover regardless of their location in Australia.

Alcoa does not think the framework should apply to international suppliers given the expense in verifying the information provided by those suppliers and the questionable benefit of that information. We further query what access would be given to international suppliers to information provided under the framework and how this would operate consistently with Australian law.

Who should be obligated to report under the framework? What reporting approach for related entities is going to be most useful for small business?

Alcoa recommends reporting at a group level by incorporated entities with an annual turnover exceeding \$100 million.

Under Western Australia State Agreements, Alcoa is required to report on its implementation of requirements to use labour available within Western Australia and give preference to local manufacturers and contractors in the placement of orders for works, materials, plant equipment and supplies. This involves ensuring that local manufacturers and suppliers are given an opportunity to tender, quote or be considered for works, materials, plant equipment and supplies. Alcoa is keen to avoid duplication of its reporting requirements under its State Agreements and would encourage consideration of this, and similar circumstances, as part of the discussion.

What payment information should be reported under the framework? What information is going to be most useful for small business (e.g. standard terms, payment times)?

Alcoa is deeply concerned by any requirement to provide detailed information, including contract terms, average payment days, number of disputes, by contract or category, electronic or paper invoices etc., given the administrative cost to business in compiling that information and the highly sensitive commercial nature of those transactions. We are unsure of the value to small businesses of such detailed data collection.

Alcoa is concerned that detailed information of this nature has potential to disrupt commercial relationships and negatively impact on market competition. A simple and transparent framework will enhance existing frameworks where, on the other hand, detailed requirements will complicate business dealings. Alcoa does not support the inclusion of commercially sensitive information, including specific data relating to individual suppliers or contracts.

Alcoa's strong preference is for high-level reporting that reflects aggregated data in relation to small businesses only. This information could, however, include the proportion of overall suppliers considered "small businesses".

How should information be reported? In what situations will small business access the information?

Any reporting should be annual, standardised and should allow for reporting within three months after the end of the relevant reporting period. Alcoa recommends the development of a centralised web-based model for data input, in a format consistent with the commercial nature of the arrangements covered by the framework and other privacy and copyright considerations. We would require assurance that the information provided is electronically secured and that no third-party access is given to the database for secondary use.

How should the framework be administered? What is the preferred balance between regulatory certainty (through legislation and administrator powers) and flexibility (through standards and self-regulation)?

A mix of legislation and non-binding instruments, including industry codes, will produce a constructive mix of certainty for ongoing business arrangements and flexibility for the requirements to change over time. Alcoa does not oppose powers to compel the provision of information, publish information, monitor and assure data collected under the framework, provided that these powers do not require more detailed information than already collected in the ordinary course of reporting. While we support the power to enforce compliance with the framework in principle, we note concerns that a power to accept complaints and investigate or resolve disputes will fragment existing avenues for dispute resolution between commercial parties.

I appreciate the opportunity to engage with government in the formulation of this framework and welcome the chance to discuss further.

Kind regards



Joanna McKenzie,
Vice President of Government Affairs, Asia Pacific