

**From:** [Eric Hooimeyer](#)  
**To:** [Employment - Payment Times](#)  
**Subject:** Payment Times Reporting Framework Stage 2 response  
**Date:** Monday, 2 December 2019 2:35:02 PM  
**Attachments:** [image001.jpg](#)

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Please find below response to the series of questions on reporting methods. I am pleased to see that this is being reviewed and hope that we can see improvements in cash flow throughout industry.

1. *Are these the correct reporting areas for the PTRF to provide transparency of practices while minimising the reporting burden?*  
The reporting areas for the PTRF cover the range of data required to identify good and bad corporate citizens
2. *Should large businesses report on their small business invoices as a total dollar value or as a proportion of their total procurement?*  
Dollar value will have more transparency as % will be lost in decimal places quickly.
3. *What information should be included on payment terms in the PTRF? For example, could we consider an approach similar to the UK model?*  
The case study items will provide sufficient information.
4. *What are the positive and negative effects of identifying small business? If there are negative effects, how could they be mitigated?*  
I agree with the statements made in the consultation report regarding adverse impacts to a small business. These are mitigated by not singling Small Business out. I believe the PTRF should be applicable for all suppliers starting at the big end of town and not just small business. If a big business is not being paid appropriately, they pass on the delays to the next person who then keeps passing it down the supply chain. Nobody should suffer from poor payment terms or slow payers.
5. *Which approach/es do you favour for small business identification, and why?*
  - a. *Large business identifying their small business suppliers*
  - b. *developing a public small business register*
  - c. *using an expenditure threshold*
  - d. *confidentially identifying small business suppliers using government or third-party data*Expenditure thresholds are my preferred method. This can be implemented through gates in accounting where a business automatically changes terms as the volume of invoices increases. I work on this method with one client and it gives fair terms for low and high-volume suppliers. The effort to correctly identify a small business is onerous on the finance teams of business. Registers do not allow for growth of a business and will require significant maintenance. Expenditure threshold allows for self-regulating terms which will be different from one client to the next based on strength of relationship.
6. *If we were to use an expenditure threshold would \$1Million annual spend with a supplier be a reasonable value for the expenditure threshold?*  
I believe a good threshold model would be:  
<\$100,000 – 14 days  
<\$1,000,000 – 30 days  
>\$10,000,000 – 45 days  
I currently have some clients paying me over 60 days on small amounts which is completely unreasonable.
7. *What are the advantages and disadvantages of reporting at a group or entity level?*  
If you have an ABN, you should be reporting. If you set a dollar limit when reporting commences you will find there will be a growing number of ABN's with revenue just less than \$100M appearing. Accounting software today can quite readily report on invoices received and do the data sort based on the criteria set.
8. *What are the advantages and disadvantages of providing large business with a choice?*  
If you give large business a choice nothing will change. There needs to be a benefit to reporting and a consequence of not reporting otherwise it is a waste of time. This should be mandatory reporting and should be done as part of regular reporting such as BAS or tax return.
9. *What types of information should be collected by the PTRF on supply chain finance?*  
I do not agree that the supplier should be taking out the finance loan to fund the supply and then bear the costs of this facility. Where supply chain finance is to be used, this should be arranged by the

purchaser as it is an indication the purchaser does not have sufficient funds to pay for the product. Information to be collected on supply chain finance will be the same as if there is no finance. Late payments by a purchaser to supply finance eventually has the same impact as late payment direct to the supplier. I have an example of this practice affecting suppliers. I have a client who is using supply chain finance for a large infrastructure project in Sydney. His client has repeatedly paid late which results in his limits being reached and he is unable to then receive further moneys to pay his suppliers. We have more than one tier of supply to consider.

10. *Are there other issues the Department will need to consider in the implementation phase of the PTRF?*  
There are currently security of payment acts in each state for the building and construction industry. These are quite poorly policed and loosely followed. Most of this is a fear by suppliers to speak up as this is sure to lose a client. Under these acts, a head contractor is to be typically paid 15 days after a claim is made. This allows subcontractors to then be paid 30 days allowing the cashflow to occur. A contractor has 10 days to counter a claim or it is deemed to be accepted.
11. *Should the PTRF central publication portal include information on trends over time or provide information to allow comparisons by industry and location?*  
Feedback becomes key to success. If we do not see any result of this additional reporting, it will be seen as red tape wasting time.
12. *What timeframes would be required for your business to implement a CSV format based or automated reporting system*  
We use Xero which can set up reporting in a short timeframe. The required fields will need to be defined.
13. *Are there other issues the Department needs to be aware of in developing the reporting IT interface for the PTRF?*  
Records of quantity invoices rejected should also be captured. This would then show if there is a strategy to avoid paying on time by regularly rejecting an invoice. This would then drop an invoice off the reporting profile giving a false understanding of the performance of a client.
14. *Should the PTRF allow companies to use their financial year as a basis for reporting or should it be based on a calendar year?*  
What is wrong with including this reporting with BAS reporting. At this time the incomings and outgoings need to be reviewed to identify the GST liability of a company. These are related to each other.
15. *What are your views on the above categories of expenditure?*  
Do not water this down by setting up categories of exemptions. This will make the process a waste of time. Currently all payments in and out are recorded to do GST reporting. These just need to be categorised as Cash up front or on payment terms. Credit card payments fall into the cash up front category.
16. *What are your views on the two option to determine the start of the payment period? Are there others?*  
The date of invoice should be the date it is received which is date stamped by the sending of the invoice by email. This date must be a business day and be in business hours or it should be then defined as the next business day when lodged outside of business hours.  
For a payment claim method, which pre-empts an invoice, the date of the claim is the payment claim date. This does allow for the purchaser to state they did not receive the invoice, but proof is regularly provided as invoices from accounting systems are sent via email.  
Using the issue date on the invoice allows for suppliers to predate an invoice as I have seen too often. Allowing the day to change when the finance unit receives it, opens up to current practices where the finance unit claim they are not in receipt of an invoice weeks later – a common delay tactic.
17. *How do you think we should measure payment dates when supply chain finance is used to avoid this practice being used to provide an artificial picture of payment times performance?*  
Supply chain financiers should report on payment times performance. Where this form of payment control is being used the penalties for late payments should be prompt and more severe.

Regards,

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