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Payment Times Reporting Act Review Secretariat
Small and Family Business Division, Treasury
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Submitted via email: PaymentTimesReview@treasury.gov.au

Woolworths Group Submission Statutory Review of the Payment Times Reporting Act 2020

Woolworths Group Limited (**Woolworths**) welcomes the opportunity to make a submission to the Statutory Review of the Payment Times Reporting Act 2020 (the **Review**) and looks forward to reading Dr Craig Emerson's report.

We understand prompt and reliable payments are important to the economic health and prosperity of the small businesses we partner with across Australia. Building mutually beneficial supply partnerships is not just the right thing to do, but also key to our ability to meet the needs of our customers.

Our ambition is to be the preferred trading partner to small suppliers and we continue to work on ways to make doing business with us easier. Recognising this, we have updated our payment terms for small suppliers and invested heavily in new technology and processes to improve the payment experience for them over recent years.

We are supporters of the spirit and intent of the Payment Times Reporting Scheme (**PTRS**) and believe transparency in this area is critically important for small suppliers and the broader community.

Introduction – Woolworths, Small Suppliers and Payment Terms

Woolworths footprint

Woolworths operates in all states and territories. Our 1,270 stores in Australia are comprised of 1,093 Woolworths Supermarkets and Metro Food Stores and 177 BIG W stores. We directly employ more than 185,000 team members in our stores, distribution centres and support offices in Australia.

Small supplier engagement and impact

Woolworths partners with 18,000 suppliers, including 5,000 (27%) who meet the PTRS definition of a small supplier. We started working to improve payment terms and payment practices for small suppliers a few years before the introduction of the PTRS.

In 2017, Woolworths Supermarkets started offering small trade suppliers the option of 14 day terms from the receipt of goods. More than 2,000 suppliers, including many in the fresh food sector, took this up. Woolworths Supermarkets has made more than \$900m in payments under these terms since they were introduced.

In 2018, Woolworths Group broadened its approach and became a signatory to the [Business Council of Australia's Australian Supplier Payment Code \(BCA Code\)](#). Following this, we published our Group Small Supplier Payments Policy, which provided small suppliers with an annual turnover of less than \$10 million the opportunity to request 30 day payment terms. With the introduction of the PTRS in 2021 - and the release of the Government's [Small Business Identification Tool](#) - we contacted all suppliers categorised as small under the PTRS definition to proactively update their payment terms to 30 days¹. This improved payment terms by an average of 20 days for some 1,800 suppliers.

Over the last year, we have paid \$1.78b across more than four million invoices to small suppliers in 30 days or less.

¹ Small Woolworths Supermarket trade suppliers on 14 day payment terms retained those.

Feedback on Consultation Paper

Reasonable payment terms

As signatories of the BCA Code, we have clearly expressed our belief that it is appropriate and reasonable to pay Australian small business suppliers on time and within 30 days of receiving a correct invoice. Woolworths works hard to meet its commitments under the BCA Code and has significantly improved its performance since 2018.

Operation of the Act

Effectiveness of the Payment Times Reporting Scheme

Woolworths understands the significance of prompt payments to small businesses and recognises the broader economic benefits that arise from healthy cashflows in the sector. We believe the introduction of the PTRS has been a positive development for Australian small businesses and is showing good signs of early progress after a relatively short period of operation.

The reporting regime is providing small suppliers and the broader community with welcome transparency on payment terms and practices. This has provided a strong incentive for improvement across the economy, particularly among Australia's largest businesses.

In Woolworths' case, 30 day on time payment performance for small suppliers has lifted from 73% to 98% (measured by volume) between the first reporting period in the first half of 2021 and the six months ending December 2022². We will continue to work with our suppliers to further improve payment practices. However, inaccurate invoices, human error in processing, and the ongoing preference to use paper-based invoicing among some of our suppliers will continue to make it difficult to achieve 100% performance at our scale.

Our multi-year investment in the roll-out of electronic invoicing (**eInvoicing**) was integral to the improvement in our performance through this period. The public accountability and transparency encouraged by the PTRS provided further impetus and momentum to this program of work.

There is evidence of a similar effect across corporate Australia. Our analysis shows that 94% of the ASX50 companies that have reported under the PTRS have materially improved their performance since the first reports were released in 2021.

While we cannot speak for the motivations of other companies, we believe the growing importance of reputation and social licence is a big part of the progress. There is a reasonable expectation among customers, investors, policymakers, industry groups and other stakeholders that large companies will treat small suppliers fairly. Paying small suppliers reliably and accurately within 30 days is one of the key ways large companies can demonstrate their commitment to meeting these expectations and, in turn, positively impact the small business economy in Australia.

Beyond social licence, there is also a growing commercial incentive for more businesses to act. As Australia's largest businesses – collectively paying billions of dollars to small suppliers each year – continue to improve payment terms and payment practices, they naturally become more attractive trading partners. This drives competition in the marketplace, which should help small suppliers, particularly in highly specialised and in-demand sectors, to negotiate better payment terms with an even larger cohort of companies.

There is an opportunity for the Payment Times Regulator (the **Regulator**) to play a bigger role in accelerating system-wide improvement through a more proactive and robust approach to public and industry communication on payment practices. For example, the Regulator could publish reports to highlight the best and worst performers in particular sectors. This would offer a powerful incentive for more reporting entities to lift their performance.

² Woolworths' second half 2022 report is to be filed with the PTRS shortly.

Additionally, there is significant scope to improve the useability and accessibility of the data set provided by the PTRS for the benefit of small businesses. The current design makes it difficult for users to quickly and simply compare the performance of reporting entities to make informed choices on who they partner with.

Woolworths Recommendations

- Ensure the Payment Times Reporting Regulator has sufficient resourcing and capability in communications and industry engagement to drive improved public transparency and accountability on payment practices.
- Provide stronger incentives for businesses to improve their payment practices by spotlighting the best and worst performers in each sector on a biannual or annual basis.
- Improve the useability and accessibility of the PTRS dashboard to make it easier for small suppliers, researchers, investors and media outlets to compare and scrutinise payment times performance.

Efficiency of the Payment Times Reporting Scheme

Woolworths has invested a significant amount of time, effort and money to meet its reporting obligations under the Payment Times Reporting Act (**the Act**). Following that initial investment, the ongoing cost of compliance is not overly onerous, particularly given the benefits it offers to small businesses.

There are, however, opportunities to streamline reporting requirements without diminishing the effectiveness of the PTRS. This includes moving to annual reporting and providing entities with the option of aggregating performance at the control group rather than the entity level. Woolworths Group is currently required to provide six different reports under separate entities and would welcome changes to consolidate the reporting requirements.

The Small Business Identification Tool's underlying data is not as reliable as it could be. We are aware of multiple businesses listed on the register that turnover more than \$10m in trade with our business alone. This has the potential to distort the data as it is not a true representation of small businesses as intended under the Act.

Woolworths Recommendations

- Allow companies to aggregate the performance of all controlled reporting entities into one report to reduce the administrative burden.
- Move to annual rather than biannual reporting to align with broader corporate reporting obligations.

Effect of related Government policies / Other opportunities to improve payment terms and practices

There is currently limited alignment between the Federal Government's eInvoicing strategy and the operations of the PTRS. We believe more can be done by the Federal Government to promote the benefits of eInvoicing to small suppliers. We also recognise there is a bigger role for large businesses to play in helping small suppliers adopt the technology.

Woolworths' multi-year investment in eInvoicing has materially improved its payment performance to suppliers. We now process around 11 million invoices electronically each year, representing around 90% of all invoices. In the six months ending 31 December 2022, Woolworths paid 98% of small supplier invoices (by volume) on time – a 25% improvement from the numbers first reported to the PTRS in the first half of 2021³. This level of performance would not have been possible if we had not invested more than \$500,000 in onboarding 9,000 suppliers to our Electronic Data Interchange (EDI) to enable eInvoicing, with the Peppol model also now a core offering in our eInvoicing suite.

³ Woolworths' second half 2022 report is to be filed with the PTRS shortly.

We recognise there are challenges with the mass adoption of eInvoicing among small suppliers, who are often very busy running their businesses and are apprehensive about the risk of disruption in changing systems. In our experience, the best way to drive greater uptake is through a dedicated onboarding team, who can guide suppliers through the process and help ensure a smooth transition from paper-based invoicing.

Woolworths Recommendations

- The PTRS reporting framework should allow reporting entities to list their Peppol/eInvoicing capabilities in their reports.
- The PTRS dashboard should allow small businesses to easily search or filter reporting entities offering eInvoicing to help inform their decision-making.
- The Payment Times Reporting Regulator should consider reporting on the results of reporting entities that use eInvoicing against those who do not as a means to compare performance and encourage uptake.
- The Federal Government should consider incentives for small businesses to adopt eInvoicing technologies.

Mandated maximum payment periods

Woolworths believes there are better measures available to continue to improve payment terms to small businesses as outlined in our recommendations above. In any consideration of a proposal for mandated maximum payment terms, the Review should carefully consider the workability and viability of fairly and expeditiously adjudicating payment disputes. Additionally, it is worth carefully assessing whether mandated maximum payment requirements might inadvertently disadvantage smaller suppliers over larger suppliers in procurement processes, and, in some cases, actually worsen outcomes for small suppliers if entities lengthen terms to match the mandated levels.

Conclusion

The establishment of the PTRS has sent a strong signal to large businesses and government entities on the importance of prompt payments to small businesses. The Act has only been in operation for a relatively short period of time, yet there is strong evidence that the largest companies in Australia are responding to the scheme. This bodes well for broader system-wide improvement as prompt and reliable 30 day payments to small businesses become the norm.

In our view, the Payment Times Reporting Regulator is uniquely placed to help accelerate the change already underway if it is given the appropriate resourcing to drive greater levels of transparency and public accountability for reporting entities. Enhanced public advocacy, together with a renewed focus on improving eInvoicing adoption among small and larger suppliers alike, will go a long way in delivering the economy-wide benefits the Review seeks to unlock.

If you would like to discuss any aspect of this written submission, please contact Mike Scott, Woolworths Group Head of Public Policy (mikescott@woolworths.com.au / 0437 743 001). We look forward to participating in subsequent stages of consultation.