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Statutory Review of the Payment Times Reporting Act 2020 Consultation Paper

The Australian Credit Forum (**ACF**) welcomes the opportunity to make a submission to the Australian Government in respect of the review of the Payment Times Reporting Act 2020 Consultation Paper.

The ACF was established in the early 1970's by a group of senior credit professionals. The group recognised the need to develop an association where members could meet on a regular basis to exchange thoughts and ideas to strengthen their own knowledge but also the standards of the industry.

The association meets on a regular basis to discuss and review existing and proposed changes to the Federal and State Governments legislation that might have an impact on their company's credit policies and practices in their day-to-role as credit professionals.

The members of the ACF are drawn from all areas of the credit profession across a range of industry groups including but not limited to senior credit managers, members of the legal profession, insolvency practitioners, credit insurance underwriters and brokers, mercantile agents and credit reporting agencies. The depth and diversity in experience of the members ensures that a broad cross section of the credit industry considers the impact of all relevant legislation.

Members of the ACF have worked closely with the members of the Australian Institute of Credit Management (**AICM**) in preparing these submissions. The ACF supports the views of the AICM and the submissions contained therein. It is noted a number of the matters raised are very similar due to the close collaboration between the two bodies.

It is apparent that the ACF's submission supports the majority of proposals, however it must be noted that an overhaul the culture of payment proposal in Australia must occur to promote lasting change which can only be achieved when considering the whole picture, not just the interplay between small and big business.

Similar to the that of the AICM, ACF members manage some of the largest accounts receivable ledgers in the country meeting the reporting criteria i.e. well over \$100m revenue.

ACF members are concerned with the review period not being set for another 5 years as it is expected that there will be an increase in poor practices.

These poor practices include mandated payment times of 90 days and more, onerous administrative processes, poor complaints/dispute handling and limited to no ability to contact accounts payable staff. It is not uncommon for big business to dictate to big business around payment terms, which the ACF believe may only become a broader if not regularly reviewed.

An increase in payment times and poor practices between large businesses is likely to have the following impacts:

- reduce the ability of prompt payers to maintain or improve their payment times.
- result in large organisations reducing their terms with customers including small businesses; and
- require additional financing costs or pressure to reduce expenses such as staffing.

It is trite that poor payment practices will reduce growth and the future success of all Australian business as trade and cash injected into businesses is crippled by cause and effect.

By incorporating payment times to all businesses into the schemes, ACF members believe their will be benefit to all Australian businesses.

Review to the objects of the act

ACF members support the revised objects with the exception of the exclusion of “to make information publicly available to enable small businesses to make more informed decisions about potential customers”.

Whilst acknowledging the complexity and difficulty of achieving this object and the review recommending “amending this object to clarify that the purpose of the reported information should, instead, be to put reputational pressure on large businesses to improve their payment terms, times and practices.” ACF members encourage maintaining this object as promoting the use of the register by small businesses when engaging new large organisations as customers is a proactive step the government can take to encourage good business practices and mitigate risks of insolvencies as a result of unplanned for cashflow pressures of organisations with longer payment times but not a credit risk.

Research and analysis to be published

ACF members strongly support the detailed analysis and publishing of research leveraging the reported data and external sources.

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Ministerial Direction - Slow Small Business Payers

The members of ACF support the new power for the Minister to require an entity, that is found to be amongst the slowest payers of small businesses, to publish on their website and other documentation that they are a slow small business payer. However wishes to draw attention to the impact that the that the required two reporting periods may have on a small business during this slow paying period. Therefore consideration should be given to how much awareness can be provide to small business regarding this slow payment.

Payment times reporting requirements

ACF members like that of AICM raise concerns that there is a requirement for entities in an insolvency process (Administration, Deed of Company Arrangement, Receivership and Liquidation) are still required to report, although with the regulator able to reduce the reporting requirements.

The key areas of concern are

- The reporting of payment information is futile as the entity is unlikely to emerge from the process in a similar form to what it entered therefore making any past payment behaviour irrelevant to the register or users.

- Users of the register should be alerted to the insolvency rather than any payment practices. Specifically the Regulator should be required to update reporting entities profiles on commencement of an insolvency process to alert users of the insolvency. This could be systematically achieved through linkages with ABR and ASIC registers.
- Reporting will be an additional burden on the Insolvency Professional running the process which will result in costs born by creditors and/or distraction from their core objectives, with no benefit.

Independent review after 5 years

In conjunction with the AICM's recommendations to expand the register to incorporate payment times to all entities. ACF members recommend a review earlier than 5 years. Alternatively, as separate inquiry into payment practices generally and the economic benefits that could be achieved.

The ACF and its members are happy to meet separately to discuss any of the matters raised above.



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