

30 April 2024

Via email: paymenttimesreformSMB@treasury.gov.au

Woolworths Group submission in response to the Payment Times Reporting Act 2020 primary legislation amendments consultation

Dear Sir/Madam,

Woolworths Group Limited (**Woolworths**) welcomes the opportunity to make a submission to the public consultation on the Payment Times Reporting Amendment Bill 2024 (the **Bill**).

Woolworths was founded in 1924 and has a proud history of serving Australian communities. We are one of Australia's largest retailers and private sector employers, with over 180,000 team members. We serve over 20 million customers each week nationwide across more than 1,250 Woolworths Supermarkets, Woolworths Metro and BIG W stores.

Woolworths also strives to be a partner of choice for our over 5,000¹ small suppliers. We were an early adopter and signatory of the BCA Supplier Payment Code in 2018. With the introduction of the *Payment Times Reporting Scheme (PTRS)* and *Small Business Identification Tool (SBIT)*, we proactively updated terms for 1,800 suppliers, improving payment terms by an average of 20 days. In the last 12 months, we have paid ~\$1.8 billion to PTRS aligned small suppliers in 30 days or less across 4 million invoices.

Summary of Woolworths' key feedback

We are committed to building strong long-term partnerships with our suppliers through fair and equitable dealings. We recognise that payment terms are an important component of the commercial arrangements with our suppliers that provide reliable cash flow, especially for small suppliers.

As such, we are strong supporters of the Payment Times Reporting model and its aim to uplift payment time performance for small businesses. With the introduction of the Government's Small Business Identification Tool², we have been able to identify small business suppliers for payment times reporting.

Noting we have minor comments on certain aspects of the Bill, we are supportive of a PTRS regime that provides certainty to small suppliers. The proposal to move details on reporting requirements from the Act to Rules is welcome. However, this means the design and content of the rules will be critical to how the future PTRS will operate. We would welcome the rules being released for consultation as soon as practicable.

¹ Over 5,000 Woolworths Group trade and non-trade suppliers meet the PTRS definition of a small supplier

² <https://paymenttimes.gov.au/how-report/how-to-identify-small-business-suppliers>

Specific feedback on individual proposals

Link with Peppol (Government eInvoicing Model)

Woolworths pays ~97 per cent of all small supplier invoices on time, a significant uplift from 73 per cent in the first half of 2021. This was above the Australian average of 76.9 per cent and the retail average of 64.9 per cent³. Core to this uplift in payment performance has been a multi million investment into new technologies, training, education and transition support to enable electronic invoicing across all sectors in which we operate. This has seen a material uplift in the electronic invoices we receive, with 97per cent of our invoices now on an electronic platform. Where a supplier does not have the capability to submit an invoice electronically, we provide them access to our web-forms solution, a free portal where suppliers can receive a product order electronically and send their invoices back in a secure and electronic manner.

We have also partnered with the Australian Tax Office as an industry leader in implementing the Federal Government endorsed⁴ international framework - PEPPOL. We would advocate for the inclusion of a PEPPOL indicator of large businesses in their PTRS submissions. This would assist in promoting the consistent implementation of eInvoicing across suppliers, removing the need for manual data entry, reducing processing times and speeding up payment times.

While we appreciate this may be challenging, it would also be worth considering some form of indicator in the SBIT, of those small suppliers that are eInvoice enabled further promoting the uptake for small and large business across the sector.

Woolworths Group Recommendation 1: Government include a PEPPOL indicator of large businesses on the PTRS submission portal.

Woolworths Group Recommendation 2: Embedding an indicator in the SBIT to allow small businesses to identify if they are eInvoice enabled.

Strengthen the Small Business Identification Tool

The accuracy of the SBIT is crucial in the effective management for large businesses and the Payment Times Reporting legislation. There continues to be inaccuracies in the suppliers deemed to be 'small' in the current Government dataset. As per Dr Emerson's recommendation in the 2023 Statutory Review of Payment Times report, we encourage the review and rectification of the inconsistencies in the SBIT prior to the introduction of enforcement notices.

As reporting in Australia is limited to the payment of small business suppliers and, under the Act, reporting entities must use only the SBIT to identify small business, no other method for identifying small business suppliers is permitted. Under current arrangements, if a reporting entity believes the SBIT incorrectly categorises a supplier as a small business, it cannot manually correct the output to remove suppliers identified by the tool. There can be time lags in the tool being updated since the Regulator must investigate each matter raised, meaning the Tool may not always be an accurate reflection of the small business supplier footprint of an organisation.

³ Industry averages for the reporting period 1st January 2023 to 30 June 2023

⁴ <https://www.ato.gov.au/businesses-and-organisations/einvoicing/peppol>

Introduction of Section 22A - Minister may give slow small business payer direction

We are supportive of this new clause, to provide the Minister powers to publicly disclose an entity as a slow small business paying entity with appropriate notice and opportunity to consult prior to the placement of the order.

Noting this, the criteria of a slow paying small business entity including two consecutive periods in the bottom 20 per cent of reporting entities in their industry group or non submission of reports could be problematic if general performance of the industry is high.

We support the intent of uplift for the entire economy on payment times, we caution that a blanket penalty applying to the lower 20 per cent may not be appropriate in the context where, for instance, the vast majority do lift above 90 per cent payment times. A floor may need to be considered in addition to protect against unwarranted penalties.

Woolworths Group Recommendation 3: Consider amendments to the provisions in the Bill to penalise underperformance to prevent high-performing organisations from being publicly disclosed as a slow paying entity if their payment rate is above 90 per cent (currently more than 20 per cent above the current industry average).

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We appreciate the time and effort the government has taken to review our submission on this important matter. We look forward to working with the Treasury on these reforms as we continue to strive to be a business partner of choice for our small and medium suppliers.

We look forward to working with the Department of Industry, Science and Resources on these reforms and look forward to continued engagement in subsequent stages of the policy development process.

If you would like to discuss any aspect of this written submission, please contact Ryan Mahon, Reputation and Public Policy Manager via rmahon1@woolworths.com.au