

Foreign Affairs Defence and Trade References Committee

Impact of Defence Training Activities and Facilities on Rural and
Regional Communities - Katherine – 23 August 2017

ANSWER TO QUESTION ON NOTICE

Department of Defence

Topic: Payment of Small Business

Question reference number: 2

Senator: McKenzie

Type of question: Written

Date set by the committee for the return of answer: 22 September 2017

Question:

Government has changed its payment terms for small business (the Supplier pay on time or pay interest policy).

- (a) How has Defence reflected this change in its contractual arrangements?
- (b) Please provide data on both the number and percentages of small businesses paid within government timelines across Tier 1 projects.

Answer:

(a) Defence contracting templates have long reflected relevant legislation and policy in relation to on-time payment terms for contractors.

In relation to non-construction contracting templates Defence has reflected the recent changes to payment to contractors, contained in Resource Management Guide 417 *Supplier Pay On-Time or Pay Interest Policy*, in the clauses of its Australian Standard for Defence Contracting contracting templates. These templates are used by Defence to enter into contractual arrangements with Small to Medium Enterprises as well as larger entities.

As allowed by Resource Management Guide 417, Defence construction templates incorporate relevant state/territory payment legislation (for example, *Building and Construction Industry Security of Payment*). These templates are used by Defence to enter into construction contracts with Small to Medium Enterprises as well as larger entities.

(b) Defence is not certain what the Senator defines as Tier 1 projects. In 2016-17, Defence paid 99%, (2,386,393 numbers of invoices) on time.