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**Small Business
Commissioner**
SOUTH AUSTRALIA

Mr Alan Raine
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Dear Mr Raine

**Payment Times Reporting Bill 2020 and Payment Times Reporting
(Consequential Amendments Bill 2020)**

Thank you for the invitation to make a submission to the Education and Employment Legislation Committee on the provisions of the Payment Times Reporting Bill 2020 and the Payment Times Reporting (Consequential Amendments Bill 2020).

Cash flow is pivotal to business success, yet small businesses continue to suffer at the hands of their larger counterparts in terms of delays in payment for goods and services provided. It is clearly time for a legislative approach that forces big businesses to report on their performance in order to improve payment times.

I note the astounding findings of the study undertaken by economics consulting firm AlphaBeta in 2019 that if all large businesses in Australia paid small businesses in 30 days, it would be the equivalent of transferring an estimated \$7 billion in working capital from large to small businesses. There is no doubt that the Payment Times Reporting Scheme (the Scheme) as contemplated by the Payment Times Reporting Bill 2020 (the Bill) will have a net benefit for both the Australian economy and for small businesses.

I fully support the Objects of the Act as set out in clause 3 of the Bill, in particular, making payment terms and practices of large businesses publicly available to enable small businesses to make more informed decisions about potential customers, as well as to provide greater transparency in order to bring about cultural change to improve payment times.



I agree that there should be civil penalties for failure to report or to give the Regulator a false and misleading report as addressed in Part 2 of the Bill. In my view this provides a serious incentive for compliance.

I note that the Regulatory Impact Statement for the Scheme concludes that marked improvement is unlikely without government action. I agree with this conclusion based on the fact that the voluntary payment code implemented by the Business Council of Australia had a lukewarm take up by its members.

I will use the example of the Gupta Family Group (GFG) Alliance to illustrate the importance of this Bill. There remain ongoing payment issues with the GFG group of companies which own the Whyalla Steelworks and associated iron ore mines. I continue to deal with complaints about non-payment of accounts from suppliers and contractors rendered to GFG on a regular basis.

In early 2020, I wrote to the Executive Chairman of GFG, Mr Sanjeev Gupta, seeking clarification and explanation of a number of financial matters and was provided with a fulsome response. However, in May 2020, I had to again correspond with Mr Gupta due to continued concerns about late payments of South Australian suppliers and contractors. Mr Gupta's subsequent response committed that extra funding had been secured to ensure payments would be made. However, despite my request to GFG that payment terms be reduced from a standard 62 days to 30 days to assist small businesses, this has not been agreed to.

As part of the purchase of the former Arrium businesses by GFG, the South Australian Government made a commitment to provide \$50 million of funding as part of a transformation package. I have formally raised my concerns that this funding should not be provided until there is a clear and cast-iron commitment by GFG that it will substantially improve its payment times.

In my view, public exposure of long and late payments by large businesses is crucial to the future of small business in Australia.

I commend the Federal Government on the introduction of this Bill, and I fully support the Scheme. It is pleasing to see that the Federal Government is proceeding with a plan to legislate to ensure that Australia's largest businesses must be transparent and report on their payment performance.

I would welcome the opportunity to elaborate on the information provided in this submission.

Yours sincerely

John Chapman
SMALL BUSINESS COMMISSIONER

6th July 2020