

Parliamentary Joint Committee on Corporations and Financial Services

ANSWERS TO QUESTIONS ON NOTICE

Oversight of the Australian Securities and Investments Commission, the Takeovers Panel and the Corporations Legislation No. 1 of the 46th Parliament

Agency: Australian Small Business and Family Enterprise Ombudsman

Question No:

Topic: Increase in Payment Times

Reference: Spoken p.10 (18 June 2021)

Senator: Louise Pratt

Question:

Senator PRATT: In the context of a change in payment times sparking in April/May and becoming longer, that happens to coincide with the end of JobKeeper. Have you done an assessment of any links there?

Mr Billson: Not at this stage. We've only looked at the market data from Credit Watch and just identified those trends. I know with the briefing we had from Credit Watch that they had some assumptions around what they thought was going on, but it focused on the main three or four areas where things had blown out the most, and we had some discussion with their views on that. So, that's as far as we've gone on that one.

Senator PRATT: And what were their views?

Dr Latham: Sorry, I can just add on that as well. It's anecdotal because it's the cases that we actually see, but that spike seems to be coming off. It's still high and elevated, but it's coming back. We're hoping that it's a little bit of a wave that then dissipates rather than continues.

Mr Billson: In the building sector, you'd be aware of some supply material issues, the slowing of projects and the like, and there was a bit of an observation that the payment times were adjusting for that. Sadly, that's the anatomy of this problem, that—

Senator PRATT: But supply chain disruptions because of COVID would have been a part of that. What other reasons would there be?

Mr Billson: Also, in the building space, there's quite a contestability around materials at the moment. You might have seen reports around the availability of framing timber. There's some suggestion that for metal based products, such as steel and coated-surface products, there may be a price increase on the way there. That was one reason that was brought forward. A worrying delay was around health and community service payments for which no-one had a satisfactory explanation. They're really under pressure and a lot was going on in those spaces, but that one was called out as well. Do you remember any others, Ms Hordern?

Ms Hordern: Restaurants and hospitality: they're seeing some problems there.

Senator PRATT: Are they more associated with particular locations? The information that you're giving us now is quite telling in terms of the robustness of our supply chains in the context of things like manufacturing sectors and Chinese import versus things being made locally—or the extent to which things being made locally are able to get their imports. Have you noticed some of the impacts?

Mr Billson: The Credit Watch analyst that briefed us on their insights—and it might be something that the committee could think about getting directly—thought that with new lockdowns and hesitation the inference was that people were holding onto their cash a little bit longer, and that nervousness was one of the reasons why. It was across 16 of the 18 segments that they monitor, so it wasn't localised and quite specific; it was more generalised across the economy.

Senator PRATT: So the end of JobKeeper would have been one of the factors?

Mr Billson: Well, they didn't—

Senator PRATT: It's very good to be across the trends in the economy that demonstrate what lies behind these changes in payment times. So I can take it that one of them may have been the end in JobKeeper. The other is the short supply of materials.

Mr Billson: Yes and—

Senator PRATT: But you're not clear about what it might have been in community service and social—

Mr Billson: No, and we asked that question—

Senator PRATT: Health and services. Mr Billson: We asked that question of CreditorWatch, and they weren't able to give us any greater granularity in their explanation. They were talking about general confidence issues or hesitations around whether COVID may have impacted on businesses and people wanting to make sure they had money in their bank as long as they could. So that was the lens that was shared with us. But I don't know whether they have any deeper analysis. I could ask them for you, if you'd like, and see whether they've got any hypotheses that sit behind it, if that would be helpful.

Senator PRATT: I would be grateful for that.

Answer:

CreditorWatch advise that they are unable to provide additional granularity in respect of their payment times figures at this stage. We understand that CreditorWatch may have a new payment times per industry report in August or September, as well as a Business Risk Index, which will provide deeper insights currently available.