

## **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:** Payment Times Reporting Act 2020  
**Reference:** Spoken p.12 (18 June 2021)  
**Senator:** Louise Pratt

#### **Question:**

Senator PRATT: No. Absolutely. We made amendments to that bill when it was debated last year—or sought to make amendments—around there being a trip mechanism for any company that had long payment times above a certain threshold. But that was the point in time that any penalty should take place. It wasn't mandating payment time, but if you were consistently outside the payment time, that's when any regulatory penalty would take place. Is that something you would be supportive of?

Mr Billson: I'd have to have a look at the detail. It was before my time, unless my colleagues are aware of it, but some elevation of those that aren't performing very well to encourage a change in behaviour would be a smart policy move.

Senator PRATT: Yes. Just so that you're clear, instead of mandating a payment time, under the reporting mechanism it would put it to you, so that it had a trip mechanism if you were consistently reported outside acceptable payment times. If you could take a look at that, we'd be very grateful. Thank you.

Mr Billson: Ms Hordern, is there anything to want to add to that?

Ms Hordern: Very briefly, we were aware of the fail-safe mechanism proposal. It's a very interesting proposal. The experience from the UK is that incremental changes to payment times reporting are helpful. So getting that initial visibility of what payment times are will be really helpful and will enable our office to work a bit more actively with some of those large companies that have longer payment times. We would need to assess, at a point in time, whether or not that was effective in reducing payment times across the industry.

Mr Billson: It wasn't in the agency's report, but my personal view is that for listed companies under the corporate governance framework I don't think it's unreasonable to disclose what your payment time performance is, just for governance.

#### **Answer:**

The Payment Times Reporting Act 2020 (the Act) as passed by both houses is an important step in ensuring small business payment times are transparent, and poor payers are able to be called out. Increasing transparency of payment times helps small businesses decide who to do business with and creates incentives for improved payment times and practices by large business.

The proposed 'failsafe mechanism' amendment may have provided additional incentives for large business creditors to reduce payment times across industries, while not going so far as to mandate payment terms. It is the view of this office that payment times as reported on the Payment Times Reporting Register should be monitored, and further action to reduce payment times considered should the reported times be consistently inconsistent with good industry practice.