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Federal government inquiry into mining businesses support of regional economies

For and on behalf of Reay Services Group

History: Reay Services Group (RSG) was established in 2004 we are a PE Pipeline Contractor across the Bowen, Galilee and Surat Basins. Our main office is situated in the North Queensland township of Mackay. RSG works predominately within the mining, gas and mineral processing industries with our core being pipeline construction as we specialise in polyethylene gas and water pipelines.

Our customers are typically large public companies or government bodies, these include Anglo American, BHP Billiton, Rio Tinto, Santos, Murphy Pipe & Civil, Leighton's, SunWater and Local Government.

Brief: This brief is a general overview of the issue of larger businesses going from 30 day payments to 60 and 120 day terms and how it generally affects us as a small to medium company.

1. You pay up front to put forward a quote/tender
2. You note your payment terms
3. They agree with the quote/tender but say there terms are 60 days
4. If you have a problem with any invoice submissions – they don't care and this can then take the payment terms out to 120 days.
5. We have to find the funds for Payroll, Superannuation, PAYG, BAS which are mostly statutory payment and the Australian Tax Office does not give us 60 or even 120 days to pay penalty free so basically we are carrying big companies at our expense as small business mostly have overdrafts to cater to this shortfall but the cost of this is not reclaimed by those that cause the expense.
6. While bigger business hold onto our money they have the benefits whilst we are disadvantaged.
7. If you take the stand that the next tender will include these costs then we would likely price ourselves out of the market

In the civil area you have issues such as bank guarantees, practical completion and progress claims that don't seem to benefit the smaller companies as the outlay is always dependant on the bigger companies receiving their completion documents before releasing to the smaller operatives.