

6th August 2018

Committee Secretary
Standing Committee on Industry, Innovation, Science and Resources
PO Box 6021
Parliament House
Canberra ACT 2600

(Via Website Submission)

Dear Sir or Madam,

Re: Submission to the Federal Government Inquiry into: How the mining sector can support businesses in regional economies

In particular I would like to provide feedback to the committee on the continuing issues resources industry services business such as ours have with the extended payment terms required by many of our clients. It seems to be the case that a minimum of 60-day payment terms have been adopted by many of our industries major clients. The issues caused by this increasingly common strategy are:

- A vast majority of businesses in our sector have a high labour component. Pay cycles are commonly weekly leading to huge cash shortfalls when clients enforce a minimum of 60-day terms
- Often these payment days are arbitrarily extended by clients own failed internal commercial processes exacerbating an already serious cash flow issue
- The services businesses most often need to have debt facilities to cover these cash flow issues at significant nil benefit expense to their businesses.
- The extended payment terms, and the interest expense caused by them, significantly affect the service businesses profitability. This means an inability to reinvest in new staff, new equipment, innovation in new product design or product offering and severely affects business growth.
- This lack of cash flow and reduction in working capital starves local and often regional economies of activity as the key engine rooms of industry, SME's, do not have the cash to invest in growth and therefore grow job opportunities

During the last industry downturn the major resources companies not only asked services businesses to significantly reduce profit margins but they also increased payment term days. Now in the upswing market cycle with these businesses enjoying renewed profitability we would expect that they would recognize the sacrifice made by their vital supply chain partners and revert to what have always been seen as standard industry payment terms, 30 days.

Thank you for the opportunity to make this submission to this important government inquiry.

Yours sincerely,