

Senate Economics Legislation Committee
ANSWERS TO QUESTIONS ON NOTICE
Industry, Tourism and Resources Portfolio
Budget Estimates 2006-2007, 29 May 2006

AGENCY/DEPARTMENT: DEPARTMENT OF INDUSTRY, TOURISM AND RESOURCES
TOPIC: GOVERNMENT PAYMENTS TO SMALL BUSINESSES
REFERENCE: WRITTEN QUESTIONS

QUESTION No.BI-81

Senator Sherry asked:

What is the Government policy of payment for products or services to private business?

ANSWER

Government policy requires that *Financial Management and Accountability Act 1997* (FMA Act) agencies adopt maximum payment terms 'not exceeding 30 days' from the date of receipt of the correct products or services and a correctly rendered invoice when contracting with small businesses. The mandatory payment policy applies to departmental payments valued up to and including \$5 million (including GST).

QUESTION No.BI-82

Senator Sherry asked:

Does the Office of Small Business monitor the payment relationship between government departments and small business?

ANSWER

Yes. The Office of Small Business has conducted surveys of Australia Government FMA Act agencies' payment performance to monitor compliance with the 30 day payment policy.

QUESTION No.BI-83

Senator Sherry asked:

What is the average length of time government departments have taken to make payments in 2004-05 and 2005-06?

ANSWER

The survey conducted by the Office of Small Business examines the average percentage of invoices paid by number, rather than the average length of time taken to make payments. The following table provides the average percentage of invoices paid in 2004 and 2005. Data for 2006 are not yet available.

Period	Paid within 30 days	Paid within 31-44 days	Paid after 44 days
Jan – Jun 2004	92.8%	3.9%	3.3%
Jul – Dec 2004	93.9%	3.4%	2.7%
Jan – Jun 2005	93.7%	3.7%	2.6%
Jul – Dec 2005	94.9%	3.0%	2.1%

QUESTION No.BI-84

Senator Sherry asked:

Can you provide a breakdown of the average length of time each government department has taken over these years to make payments?

ANSWER

As noted in response to question BI-83, the survey conducted by the Office of Small Business does not examine the average length of time for payments. Individual departments and agencies may be able to provide this information.

QUESTION No.BI-85

Senator Sherry asked:

How many businesses haven't been paid within the time-limit in 2004-05 and 2005-06?

ANSWER

Invoices in scope for the survey conducted by the Office of Small Business are all correctly rendered invoices for goods and services to specification received for departmental payments up to and including \$5 million. Payments to Government are excluded from the scope of the survey. Individual businesses are not separately identified in the survey, and many invoices will be separate payments to the same business.

The table below provides data on payment performance in relation to numbers of relevant invoices paid for 2004 and 2005. Data for 2006 are not yet available.

Period	Paid within 30 days	Paid within 31-44 days	Paid after 44 days
Jan – Jun 2004	673,332	43,692	35,176
Jul – Dec 2004	785,686	46,913	33,685
Jan – Jun 2005	768,437	48,368	39,531
Jul – Dec 2005	785,005	45,203	39,288

QUESTION No.BI-86

Senator Sherry asked:

What is being done to get government departments to pay their bills within the time-limit?

ANSWER

The Australian Government has a mandated payment policy that requires FMA Act agencies to adopt maximum payment terms not exceeding 30 days from the date of receipt of correct products or services and a correctly rendered invoice when contracting with small business. Departments and material agencies are required to provide information to the Office of Small Business survey of payment performance. If a department or agency fails to pay at least 90 per cent of invoices from small businesses within 30 days, they are asked to explain the reasons for the underperformance and provide an action plan on how they will improve payment performance.

QUESTION No.BI-87

Senator Sherry asked:

Is interest charged on these payments if they are not made within the time-limit?

ANSWER

Late payment penalty clauses are not mandatory but a number of departments include them in their contracts with small businesses. The Department of Finance and Administration's Procurement Guidance on the 30 Day Payment Policy for Small Business states:

'Agencies should consider the inclusion of late payment interest clauses in contracts with small businesses on a case-by-case basis. If such a clause is included, it must provide for the calculation of late payment interest using the General Interest Charge (GIC) rate.'

Sample late payment interest clauses are provided in the Procurement Guidance to assist agencies in developing their own contract clauses.