

MEDIA STATEMENT

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Payment time review will identify Australia's worst payers

The Australian Small Business and Family Enterprise Ombudsman (ASBFEO), Kate Carnell today announced a review of payment times, to measure the effects of late or extended payment practices on the cash flow of small businesses and family enterprises in Australia.

This follows a written request by the Minister for Small and Family Business, Skills and Vocational Education, Michaelia Cash, for advice on the effect these payment practices are having on small and family businesses.

"In our 2017 *Payment Times and Practices Inquiry*, we found Australian payment times were the worst in the world, with invoices paid on average 26.4 days late," Ms Carnell said.

"We identified a growing trend for large Australian and multinational companies to delay and extend payments from 30 days to 45, 60, 90 or 120 days.

"More recent research involving 1600 businesses identified the biggest cause of business disputes is payments (44%), with either the full amount not being paid (26%) or not being paid on time (18%).

"Partial and late payments, seeking discounts to pay in 30 days, offering loans to cover extended terms, all place stress on the cash flow of small businesses. It forces the business to find ways to finance the short fall in their working capital."

ASBFEO has a five minute survey for small and family businesses to fill out so we can get a better idea of the state-of-play on payment times and practices in Australia.

The survey questions are straightforward: what payment times are in your contract?; do you have to provide a discount if you want to be paid in 30 days or less?; are you paid later than the contract states?

"We have also written to large corporations requesting a copy of their payment terms and conditions to suppliers," Ms Carnell said.

"Extended payment times for suppliers effectively uses the businesses in the supply chain as a cheap form of finance. Too many small and family businesses are being crippled by slow payments and the national economy suffers as a result.

"When a business experiencing extended payment times is also hit with late payments, it stresses the business further, which can easily put them out of business. Poor cash flow is the primary reason for insolvency in Australia."

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