

MEDIA RELEASE

20 July 2022

BIG BUSINESS NEEDS TO PAY UP

More than half of the nation's big businesses are missing their own deadlines for paying their small business suppliers, according to the latest data from the Payment Times Reporting Regulator.

While there has been a marginal improvement in stated payment ambitions, actual payment performance has slipped to the point where even the mediocre 30-day payment goal has not been met, says the Australian Small Business and Family Enterprise Ombudsman, Bruce Billson.

"This is an incredibly disappointing result," Mr Billson said.

"I call on the nation's big business to show leadership, respect and care for our small businesses and to pay their bills on time.

"Small businesses are not asking to be paid early, just to be paid on time. Put simply, good business pays."

The Payment Times Reporting Regulator has published its second report about the payment policies of 7000 businesses with an annual turnover of more than \$100 million.

According to the regulator's update: *"The majority of reports submitted for a second reporting period indicate that entities were not meeting their own payment terms offered to small business."*

The report finds:

- only 47% of big businesses paid more than 80% of their suppliers by their own agreed payment deadline.
- the average contract terms for payment marginally dropped to 36.2 days, from 36.6 days.
- only 31% big businesses paid more than 80% of their small business invoices within 30 days, which is the benchmark set by the Business Council of Australia.

"I applaud those companies that are paying on time and particularly those who pay their small business customers in far fewer than 30 days. But this report tells us that far too many big businesses are falling well short of paying on time," Mr Billson said.

"COVID-19 has made the problem worse. Payment disputes represent 40% of requests for assistance received by our office. Prior to COVID-19, this proportion was around 25%.

About one-in-four calls for assistance to the Ombudsman centred around construction businesses and 17.5% were in the transport, postal and warehousing sector.

MEDIA RELEASE

“Cash flow is king for small and family businesses and if they are paid on time, the benefits spread through the entire economy,” Mr Billson said. “We must not forget that two out of every five people with a private sector job work in a small business.”

“As COVID-19 infection rates play havoc with staffing illness and availability, more is being asked of small business and family enterprise owners and leaders as they seek to cover roster gaps and sick days amongst their teams just to keep their doors open to serve their communities and they should not be further disadvantaged by not being paid.”

The regulator’s report confirms a recent report by CreditorWatch which found the proportion of businesses with payments in arrears by 60 days or more had increased in almost every industry sector.

“Good payment practices by big business contributes significantly to the viability of the sector in which they operate and the small businesses upon which they rely,” Mr Billson said.

The Business Council of Australia has recognised the critical importance of being paid on time by creating its supplier payment code urging big businesses to sign a pledge to pay small business customers and suppliers within 30 days.

As the BCA itself says: *“Paying small business suppliers on time is critical to easing stress, supporting their ability to expand, keep healthy cashflows and employing more people.”*

Mr Billson said a great way to improve payment times is to adopt eInvoicing.

“It enables more timely payment, cuts the administrative burden and is more secure than posted or emailed invoices, so it reduces the chance of invoice fraud or scams,” he said.

About 1.2 billion invoices are exchanged in Australia every year but 20% are sent to the wrong person and 30% have incorrect information. It costs around \$30 to process a paper invoice while an e-invoice costs less than \$10.

MEDIA CONTACT: 0448 467 178