

28 February 2019

Deregulation and Small Business Branch
Department of Jobs and Small Business
GPO Box 9880
Canberra ACT 2601

Via email: PaymentTimes@jobs.gov.au

Dear Mr Macintyre

Payment Times Reporting Framework

The Chamber of Minerals and Energy of Western Australia (CME) is the peak resources sector representative body in Western Australia (WA). CME is funded by its member companies who are responsible for most of the State's mineral and energy production and employment of the sector's workforce.

In 2017-18, the value of Western Australia's mineral and petroleum industry was \$115 billion. Iron ore is currently the State's most valuable commodity at \$61 billion. Petroleum products followed at \$26 billion, with gold at \$11 billion.

The sector is a major contributor to the State and Australian economy, with an estimated \$108 billion of Western Australian projects in the pipeline. The value of royalty revenue received from the sector totalled \$5.8 billion, accounting for 19 per cent of State Government revenue.

CME supports fairer, faster payment times and terms for small businesses. Currently, as part of commitments to corporate social responsibility and supply chain health, member companies are undertaking one or more of the following initiatives:

- Voluntary signatories to the Business Council of Australia's *Australian Supplier Payment Code*;
- Partners of the *C2FO* platform which offers early payment in exchange for a dynamically priced discount;
- Offering access to supply chain financing to better manage working capital;
- Encouraging e-invoicing to share efficiencies and fasten payment times;
- Implementing procurement and payment policies to support small, local and Indigenous businesses in regional Western Australia, with some member companies offering payment terms as low as seven days; and
- Providing dedicated advisory resources for capacity building of small, local and Indigenous businesses.

With the proposed payment times reporting framework, there is a high risk it will increase the regulatory burden imposed upon large businesses. When it comes to institutional burden of government regulation, Australia already ranks poorly in global

competitiveness.^{1 2} This framework will introduce new reporting requirements over and above existing mechanisms such as:

- Local industry participation under the *Australian Jobs Act 2013 (Cth)*, *Western Australian Jobs Act 2017 (WA)* and State Agreement Acts;
- Voluntary disclosures under the Australian Taxation Office's *Tax Transparency Code* on taxation compliance; and
- Voluntary disclosures under the globally recognised standard *Extractive Industries Transparency Initiative* on governance and revenues.

There is also the legal and practical implications to consider in reporting and making publicly available potentially sensitive commercial information, including:

- Some confidential contracts would not permit disclosure and as a result may create an incomplete and inaccurate representation of the company's actual payment performance;
- Majority of contracts in the resources sector are managed through large tier one, two or three contractors. Direct engagement and payment to small businesses is therefore typically out of scope. In these circumstances, applying a minimum \$100 million reporting threshold may not include these contractors and thus would not yield meaningful information; and
- Ease in developing business rules to query parameters that will constitute a "small business" definition, as well as administrative effort in extracting, anonymising and presenting payment data in a compliant format. There may be difficulty in establishing automated processing of average payment performance data from legacy systems.

Significant time and effort will need to be invested by both large businesses and government agencies involved to ensure the proposed reporting framework can produce useful and meaningful information, whilst reducing regulatory burden to encourage continued productivity and competitiveness of the Australian economy.

Prior to commencing drafting of legislative amendments, CME highly recommends the Department of Jobs and Small Business undertake further stakeholder consultation to consider these concerns. Additional consultation should also explore the possibility of alternatives, which may be more compatible with existing reporting mechanisms.

Should you have any questions regarding this letter, please contact Linh Nguyen, Policy Adviser, Economic Competitiveness on (08) 9220 8513 or l.nguyen@cmewa.com.

Yours sincerely



Paul Everingham
Chief Executive

¹ Competitiveness index rank 77 out of 140. World Economic Forum, *The global competitiveness report 2018*, insight report, October 2018.

² Changes in legislation and regulation is the highest risk to business in Australia. Allianz Global Corporate & Specialty, *Allianz risk barometer: Top business risks for 2019*, January 2019.