

PAYMENT TIMES REPORTING FRAMEWORK CONSULTATION

SUBMISSION TO THE DEPARTMENT OF INDUSTRY, SCIENCE, ENERGY AND
RESOURCES

6 March 2020

INTRODUCTION

1. ANZ thanks the Department of Industry, Science, Energy and Resources (the **Department**) for the opportunity to comment on the Payment Times Reporting Framework (the **Framework**) Consultation Paper.
2. With 500,000 small business customers, ANZ understands that small businesses are often more cash flow dependent than larger businesses. ANZ's standard payment terms for its suppliers are 30 days from receipt of a correctly rendered invoice. We work with our small business suppliers to help them provide us with the information required to expedite payment.
3. In 2018-19 ANZ paid its small business suppliers on time in 99.6% of cases. As reported in the ANZ 2019 Environment, Social and Governance Supplement, on average, we pay an eligible Australian small business supplier in around 16 days from receipt of the invoice.¹
4. This submission provides comments regarding both the draft Payment Times Reporting Bill (the **Bill**) and the draft Minister's Rules (the **Rules**) and Consultation Paper.
5. Our comments are primarily directed at the implementation of the Framework. The introduction of the Framework comes at a time of significant regulatory change for many of the entities which will be required to report under it, and when many entities already have significant technology and system changes underway. The Framework's commencement date could be adjusted to make it easier for reporting entities to be able to implement upgrades to technology and procurement systems prior to the start of the first reporting period.
6. ANZ believes some minor changes to the Bill and Rules will enable the Framework to be established as intended and create community confidence in the reporting from the beginning. We would welcome any questions the Department has about our comments.

COMMENTS ON THE DRAFT BILL

Commencement

7. The Bill provides that reporting under the Framework will commence from a fixed date of 1 January 2021, provided that the Bill passes the Parliament and receives Royal Assent prior to that date.

¹ ANZ 2019 Environment, Social and Governance Supplement, p34
<https://www.anz.com.au/content/dam/anzcom/shareholder/ANZ-2019-ESG-Supplement.pdf>

8. The timing of the Bill's passage through Parliament is unknown. Under the current commencement provisions, the time period between passage and commencement of the Framework could be as little as four weeks.
9. The Framework will require most, if not all, reporting entities to undertake upgrades to technology and procurement systems. The introduction of specific fields which entities will report against will require new systems to be developed, introduced and tested. Entities will also have to undertake additional implementation steps including a scoping study, design and build, and compliance review, all requiring resourcing and budgeting.
10. We believe that the technology and system upgrades required to implement the Framework are unlikely to be completed in less than six months. The current fixed date commencement of the Bill is unlikely to allow for entities to be ready to implement reporting on 1 January 2021.
11. To allow entities to prepare for the changes, the Department should consider changing the commencement date so that the Act would instead commence after a certain period of time from Royal Assent. Alternatively, the first reporting period could instead commence after a certain period of time from Royal Assent. For example, the Act, or the first reporting period, could commence on the first 1 July to occur after Royal Assent, provided that 1 July date is no less than six months following Royal Assent.

COMMENTS ON THE DRAFT RULES AND CONSULTATION PAPER

Rule 1 – Definition of a small business supplier

12. ANZ welcomes the definition in Rule 1 that a small business is a business with turnover of less than \$10 million. It is consistent with the small business definition applied by a number of other Commonwealth laws.

The Small Business Identification Tool

13. ANZ welcomes the proposed introduction of a Small Business Identification Tool to assist reporting entities to identify the small businesses against which they must report.
14. It is not clear from the Consultation Paper exactly how the tool will operate, but in ANZ's view such a tool would have the most utility if it were able to provide a reporting entity with a list which can then be entered into and checked against (or 'washed' through) the reporting entity's system. An Application Programming Interface (API) would facilitate such a process. A manual 'look-up' tool would introduce the prospect of human error, which would reduce the quality and accuracy of the entity's report, and create a significant compliance burden for reporting entities.

15. The tool should be designed in such a way that it does not require an entity to identify confidential supplier information when using it. For example, an entity's contract with a supplier may not allow for either party to discuss the existence of an arrangement.

Rule 4 – Content requirements for a report

General comments regarding implementation of Rule 4

16. ANZ welcomes the intention to have reporting entities report their small business payment information to a central web portal.
17. The specific content fields and the process in which the reports would be uploaded to the central web portal is an important consideration for reporting entities. The introduction of specific content fields which entities will report against will require new systems to be developed, introduced and tested.
18. Until the Bill receives Royal Assent, the Minister will not be able to make the Framework's Rules. Given that the Rules contain the information against which entities will have to report, entities will have limited scope to implement the necessary technology changes required until the Rules confirm the content entities must report against.
19. We believe there should be an appropriate sequencing of legislation and Minister's Rules. It is important that the Minister has the appropriate time to consider and make the Rules, and that once the Minister's Rules are made the entities have sufficient time to put in place the required technology. The appropriate sequencing of the legislation and Minister's Rules will ensure the Framework can be achieved as intended and provide the community confidence in the reporting from the beginning.

Specific content requirements of Rule 4

20. The second element of the content which must be reported by a reporting entity states: "*Entity's ABN (and, if relevant, the name of the controlling corporation)*". ANZ believes this should instead be drafted as: "*Entity's ABN (and, if relevant, the **ABN** of the controlling corporation)*", as the name of the relevant controlling corporation would already be reported under the first element of the rule.

ENDS