



CHAMBER OF COMMERCE AND INDUSTRY QUEENSLAND SUBMISSION

▼ *Issues Paper: Payment Times and Practices*

Australian Small Business and Family Enterprise Ombudsman

February 2017

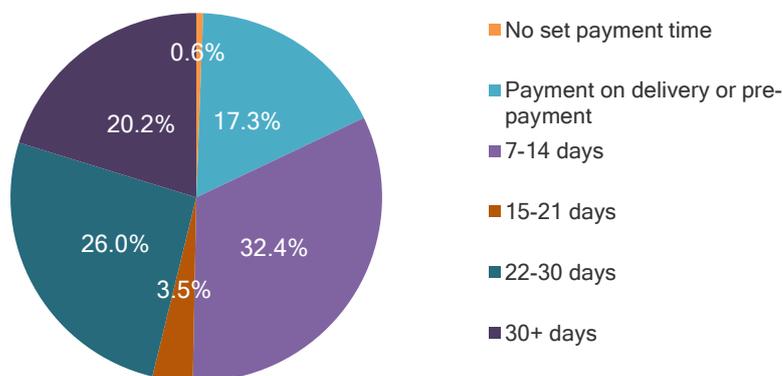
Introduction

1. The Chamber of Commerce and Industry Queensland (CCIQ) welcomes the opportunity to provide feedback to the Australian Small Business and Family Enterprise Ombudsman on the *Payment Times and Practices* issues paper.
2. Queensland's small business community has welcomed the inquiry which recognises that small business suppliers have long been placed at the bottom of the food chain for corporates. Late payments have become "normal" for small businesses, despite them often providing vital products or services to these larger companies.
3. As widely reported, Australia ranks very poorly in world terms on late payments with Australian companies rated the worst of 19 countries in the 2016 global study "The State of Late Payment" undertaken by peer-to-peer finance platform, marketinvoice.
4. CCIQ acknowledges the submission to be made by the Australian Chamber of Commerce and Industry (ACCI), and wishes to submit the following comments as supplementary to their views. CCIQ's submission provides a state-based analysis of late payments to small businesses.
5. In January 2017, CCIQ conducted its own survey canvassing over 250 businesses to understand the landscape around late payments and inform our commentary on the issue. These results are also to provide clarification on any discrepancies between the submissions of CCIQ and ACCI where required.

Findings

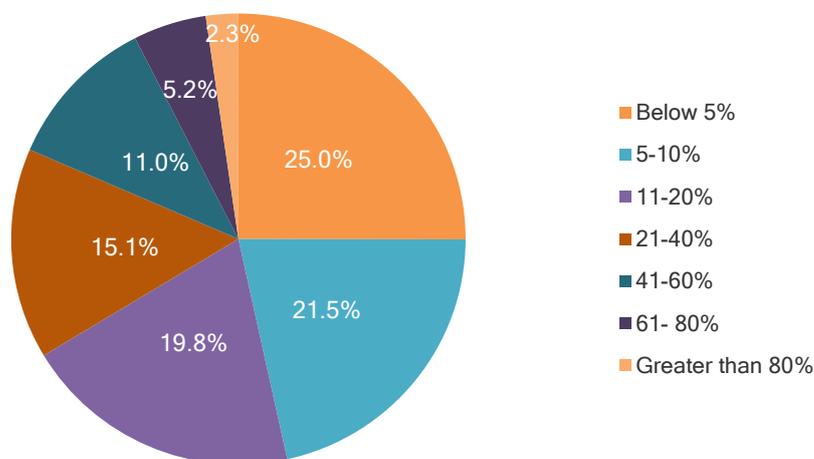
6. The survey found that 82 per cent of businesses relied on payments being made after the delivery of goods and services. Only 17 per cent of businesses who responded to the survey took payment on delivery or a pre-payment.
7. Almost one third of survey respondents had a standard payment time of 7-14 days for the majority of their sales/invoices. A total of 26% of businesses had a 22-30 day standard payment time, followed by 20% who set their standard payment time to 30 days or more.

Q1: What is the standard payment time you require for the majority of your sales/invoices?



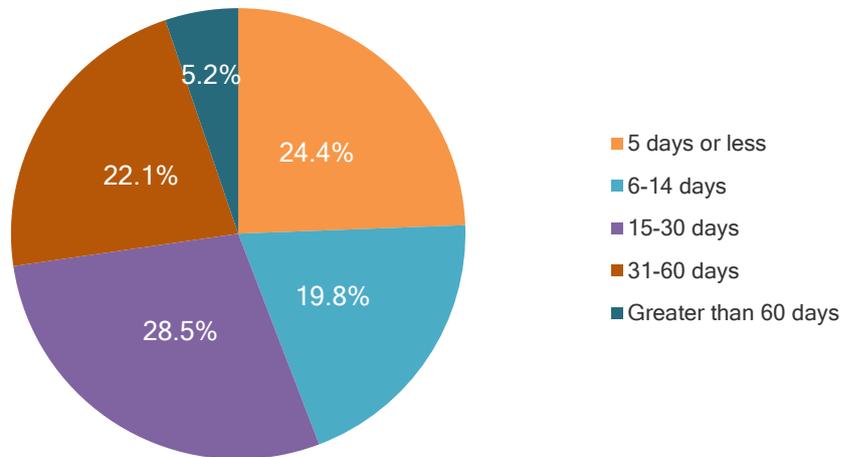
8. The extent of impact upon each business varies and largely depends on the percentage of invoices that are paid late. Businesses with a high number of late payments are more likely to experience hardship not only due to the accumulative amount but also in the time it takes to chase up each individual account.
9. Concerningly, one third of businesses surveyed had more than 20 per cent of their invoices paid late. Nearly half of businesses surveyed (46 per cent) however generally do not see more than 10 per cent of their invoices being paid late.

Q2: In the last financial year 2015-16, what proportion of your invoices were paid late?



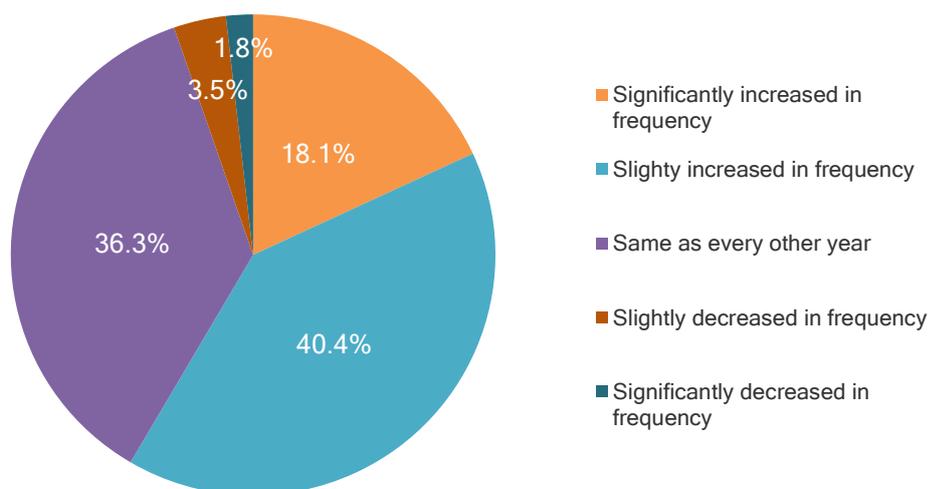
10. For a quarter of the payments that were made late, these were made within 5 days or less past the standard payment period. These payments are not expected to have significant detrimental impacts to the bottom line of many businesses, but still creates a time and cost impost that could be allocated to more productive activity.
11. However, it is alarming that over half of the surveyed businesses (56 per cent) had invoices paid more than two weeks late. More than a quarter of businesses (27 per cent) are experiencing delays of greater than 30 days which is seven times the global average of invoices paid 4.3 days late for SMEs (marketinvoice, 2016).

Q3: In the last financial year (2015-16), what was the average payment delay past your terms?



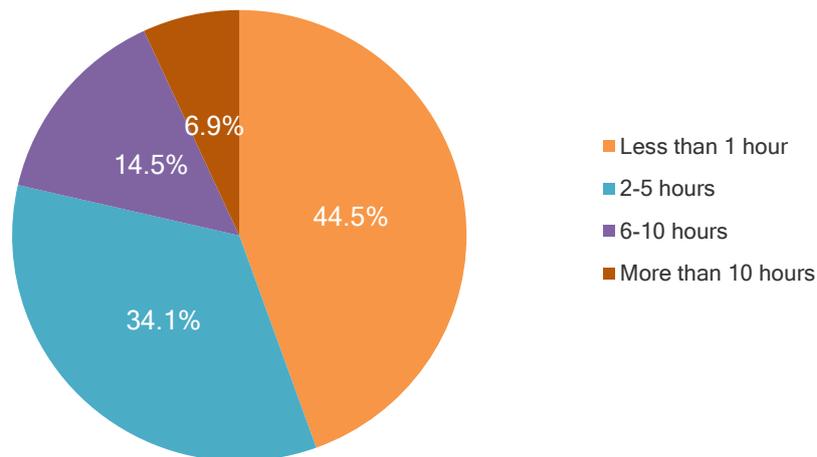
12. Every three in five businesses (59 per cent) believe late payments are increasing (slightly or significantly) in frequency year on year. A further 36 per cent of businesses believe the frequency of late payments is the same every year, while only 5% are seeing a decrease in frequency.
13. This highlights the fundamental culture of systematic late payments to SMEs and the challenges that lie ahead in stemming the growing practice of late payments. Incentives to pay on time such as applying discounts before the due date as well as penalties for late payments should go some way in reducing the number of late payments.

Q4: Do you believe late payments are becoming more frequent?



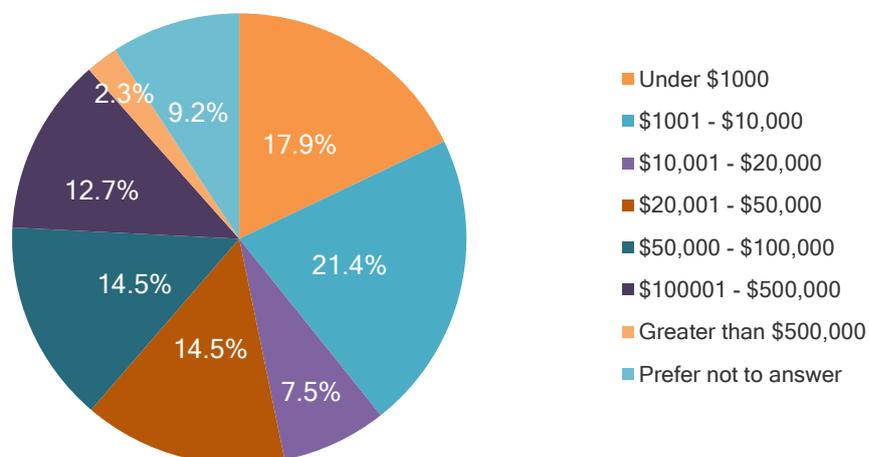
14. Late payments undoubtedly have an impact on productivity due to the time spent chasing up these invoices. While 44 per cent of businesses spend less than an hour each week chasing late payments, 34 per cent of businesses spend two to five hours per week.
15. Concerningly, one in five businesses (21%) spend more than 6 hours a week which reflects a significant time impost that could have been better spent on more productive activity that grows their businesses.

Q5: In an average week, how many hours does your business spend chasing late payments?



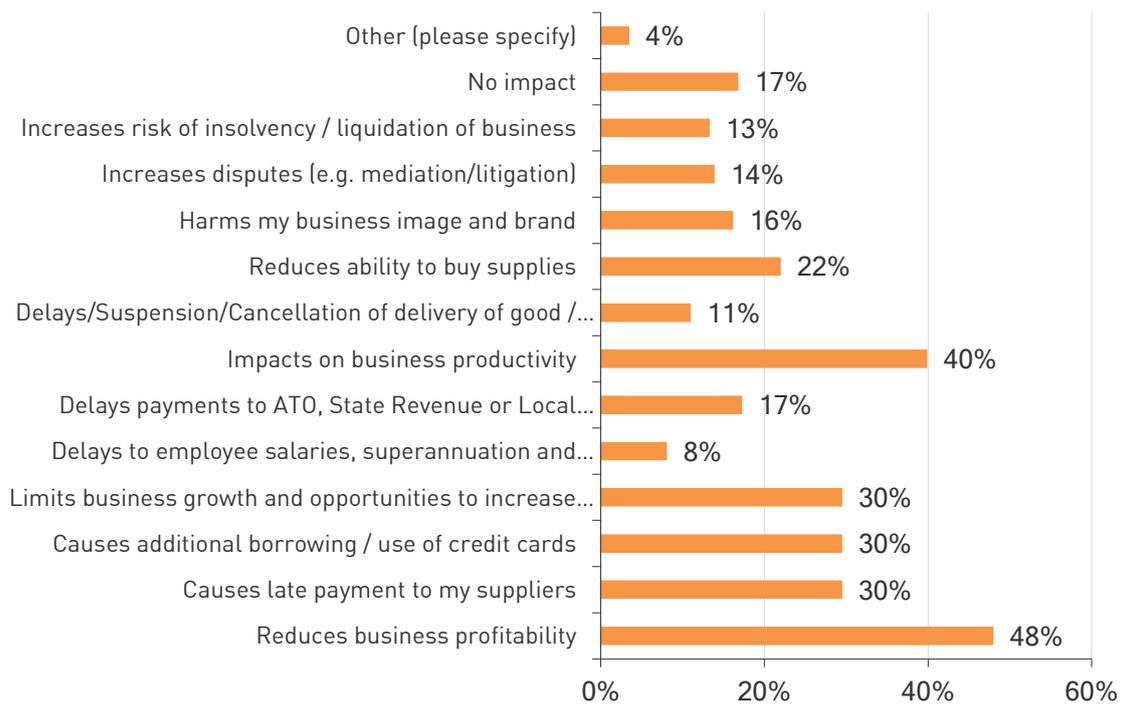
16. The total amount of late payments owing to businesses varies between under \$1000 to greater than \$500,000. Without knowing the annual turnover, we are unable to determine the impact of late payments with relation to the amount owed.

Q6: As of today, what is the total amount of late payments owing to your business?



17. Almost half of the survey respondents (48 per cent) saw the biggest impact on their business from late payments was reduced profitability. Forty per cent of businesses believed late payments reduced their productivity, while 30 per cent found late payments: limited business growth and opportunities to increase customer base; causes additional borrowing or use of credit cards; and causes late payments to their supplier.

**Q7: What are the effects of late payments on your business?
(select all that apply)**



Further Enquiries

18. CCIQ thanks the Australian Small Business and Family Enterprise Ombudsman for the opportunity to provide initial comment and welcome any feedback. Please contact Catherine Pham, Policy Advisor, at cpham@cciq.com.au for matters relating to this submission.