



**BRENDAN O'CONNOR MP SHADOW MINISTER FOR EMPLOYMENT AND INDUSTRY
SHADOW MINISTER FOR SCIENCE SHADOW MINISTER FOR SMALL AND FAMILY BUSINESS
MEMBER FOR GORTON CASH HAS ZERO INTEREST IN SMALL BUSINESS PAYMENT**

TIMES

The extent of Minister Cash's contempt for small business was on full display in Senate Estimates today. Four key moments demonstrated the Government is not serious about ensuring small businesses are paid in full and on time. Small businesses require prompt payments to help manage cash flow and to grow, particularly when access to finance is tight. Stakeholders across the board are particularly concerned about the increasing prevalence of 'reverse factoring' – where payment times are extended (even up to 90 days), and small businesses are offered a third-party financier to pay the invoice on time but with a fee. This means small businesses aren't receiving full reimbursement if they are paid on time. The Small Business and Family Enterprise Ombudsman Kate Carnell specifically noted such arrangements were "inappropriate" for small businesses. But Minister Cash refuses to answer questions properly – let alone deliver any government action – on payment times. Four key revelations in today's Senate Estimates:

1. The Government has not responded to the Small Business and Family Enterprise Ombudsman's report into payment times it received in 2018.

Despite the Minister's rhetoric about caring about payment times, the Government has not even bothered to formally respond to the Ombudsman's payment times report. The Minister is too busy talking up a big game on payment times, rather than taking any action on the issue.

2. The Government has not officially requested any reviews from the Small Business and Family Enterprise Ombudsman.

The Small Business and Family Enterprise Ombudsman allocates some of its budget for office Government inquiries. The problem is the Government has not officially requested one single inquiry from the Ombudsman this year. Official government initiated inquiries give the Ombudsman the

power to compel witnesses to public hearings. **The Government can and should commission an inquiry into 'reverse factoring' payment arrangements but Minister Cash refused to do so, despite the Ombudsman recommending such an inquiry in its earlier report.**

3. Michaelia Cash refuses to clarify if 'reverse factoring' arrangements will be ruled out of its payment time transparency register of the largest 3000 companies.

As the Ombudsman noted, such a register would not work unless it reports on the payment times in the contracts a small business signs.

4. Michaelia Cash refuses to clarify if 'reverse factoring' arrangements will be ruled out of its

commitment to pay small businesses within 20 days.

No clarification has ever been given as to whether the 20-day rule applies to subcontractors in the supply chain on large government projects. **WEDNESDAY, 23 OCTOBER 2019 MEDIA**

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**BRENDAN O'CONNOR MP SHADOW MINISTER FOR EMPLOYMENT AND INDUSTRY SHADOW
MINISTER FOR SCIENCE SHADOW MINISTER FOR SMALL AND FAMILY BUSINESS MEMBER
FOR GORTON LABOR WELCOMES SUPPLY CHAIN FINANCE REVIEW – BUT WHERE'S**

CASH?

Following Minister Cash's refusal last week in Senate Estimates to commit to asking the Small Business and Family Enterprise Ombudsman to commence a review into supply chain finance, Labor welcomes today's announcement by the Ombudsman of a review. In particular, we welcome the focus on contrived "reverse factoring" arrangements used by large businesses to obscure unreasonable extended payment times to small businesses. As noted in the Ombudsman's media release: "it is totally unacceptable for big businesses to use supply chain financing arrangements as a replacement for reasonable payment terms being offered, 30 days or less from invoice". Small Business Minister Michaelia Cash needs to publicly lend her support to the review - but to date the Minister has been silent on the issue of reverse factoring. Labor is part of a chorus of voices concerned about certain supply chain finance arrangements, including [ratings agencies](#), [international audit firms](#), the [Australian Accounting Standards Board](#), and the Ombudsman Kate Carnell who said in the Payment Term review in March: "[Third-party financing] must not replace reasonable payment terms being offered, 30 days or less from invoice, and paying to those terms. **It is not acceptable for large business to use small suppliers to optimise their cash flow.**" Labor has already written to the Australian Competition and Consumer Commission requesting they investigate dodgy supply chain finance arrangements under competition law. The [ACCC have reportedly](#) involved the Australian Securities and Investments Commission in their inquiries. The investigation was prompted by correspondence from Federal Labor, following a number of serious concerns raised by small business suppliers including through our Small Business Listening Tour. Small businesses require prompt payments to help manage cash flow and to grow, particularly when access to finance is tight. Yet Minister Cash's contempt for small business has been on full display. Just last week, Senate Estimates revealed four ways Minister Cash has zero interest in fair payment

times for small business: 1. The Government has not publicly responded to the Small Business and Family Enterprise Ombudsman's report into payment times it received in 2018. 2. Since the election, the Government has not officially requested any reviews from the Small Business and Family Enterprise Ombudsman. Official government initiated inquiries give the Ombudsman the power to compel witnesses to public hearings. 3. Minister Cash refuses to clarify if 'reverse factoring' arrangements will be ruled out of its payment time transparency register of the largest 3000 companies. 4. Minister Cash refuses to clarify if 'reverse factoring' arrangements will be ruled out of its commitment to pay small businesses within 20 days on Commonwealth projects. It is increasingly clear that the Liberals take small business for granted, setting the conditions that allow big businesses to treat small businesses like piggy banks. **WEDNESDAY, 30 OCTOBER 2019**
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**BRENDAN O'CONNOR MP SHADOW MINISTER FOR EMPLOYMENT AND INDUSTRY SHADOW
MINISTER FOR SCIENCE SHADOW MINISTER FOR SMALL AND FAMILY BUSINESS MEMBER**

FOR GORTON FORMER LIBERALS JOIN REVERSE FACTORING GAME

[Reports today](#) that former Deputy Liberal Leader Julie Bishop has joined the billion dollar business model, Greensill Asia-Pacific, which is built on reverse factoring are seriously concerning and draws attention to the inaction by the Federal Government in this area. The increasing prevalence of reverse factoring is a significant challenge for small business, as payment times are extended, and small businesses are offered a third-party financier to pay the invoice on time but with a fee. This means small businesses aren't receiving full reimbursement. Despite widespread concerns about the practice, the senior strategic role at Greensill Asia-Pacific has been enthusiastically adopted by Julie Bishop. Could this be part of the reason the Morrison Government has been conspicuously silent on this issue? In a telling sign of priorities, [reports today](#) show the West Australian Government is cracking down on the use of reverse factoring, while to date, Minister Cash has been silent on the issue. Labor welcomes the West Australian Government's decision put a stop to WA Water charging suppliers to pay their invoices on time, urging them to follow a 30 day payment scheme. Labor has long maintained concerns about large businesses extending payment times to small business suppliers – sometimes as long as 90 days after invoicing. Labor has already written to the Australian Competition and Consumer Commission (ACCC) requesting they investigate dodgy supply chain finance arrangements under competition law. The investigation was prompted by correspondence from Federal Labor, following a number of serious concerns raised by small business suppliers including through our Small Business Listening Tour. Labor is part of a chorus of voices concerned about certain supply chain finance arrangements, including [ratings agencies](#), [international audit firms](#), the [Australian Accounting Standards Board](#), and the Ombudsman Kate Carnell who said in the Payment Term review in March: *"[Third-party financing] must not replace reasonable payment terms being offered, 30 days or less from invoice, and paying to those terms. **It is not acceptable for large business to use small suppliers to optimise their cash flow.**"* Minister Cash needs to ensure that reverse factoring cannot be used to obscure extended contracted payment times as part of its payment time transparency register for the largest 3000 companies. Small businesses require prompt payments to help manage cash flow and to grow, particularly when access to finance is tight. It is increasingly clear that the Liberals take small business for granted, setting the conditions that allow big businesses to treat small businesses like piggy banks. **THURSDAY, 16 JANUARY 2020**

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BRENDAN O'CONNOR MP
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LABOR WELCOMES ACCC COMMENT ON DODGY SMALL BUSINESS PAYMENTS

Labor welcomes [reported comments](#) by ACCC Chairman Rod Sims about dodgy reverse factoring and 'dynamic discounting' arrangements where small businesses are fined to be paid on time. *"Payment terms of say four or five months are outrageous and it doesn't make them any better that you pay a discount to get your money earlier"*

"You just shouldn't have a term of that length in the first place. This whole system looks like it's a large player in a very dominant position taking advantage of that position to the disadvantage of small players. We are certainly going to investigate it."

2. Rod Sims, ACCC Chair

Labor wrote to the ACCC in October last year, outlining our concerns about such payment time practices to small businesses.

Making small businesses pay a fee to be paid on time is unconscionable.

'Reverse factoring' or 'dynamic discounting' products allow big companies to extend payment times, with small businesses later offered a third-party financier to pay the invoice on time but with a fee. This means small businesses aren't receiving full reimbursement.

[Reports yesterday](#) revealed supply chain finance company Greensill and former Liberal Party deputy leader Julie Bishop admitted that small businesses are being fined to be paid on time, and yet silence remains the preferred response from the Morrison Government.

To date, Minister Cash has been silent on the issue and the [Prime Minister met Lex Greensill](#) personally as he spruiked his services. A strong stance and leadership is needed on this issue.

Labor is part of a chorus of voices concerned about certain supply chain finance arrangements, including [ratings agencies](#), [international audit firms](#), the [Australian Accounting Standards Board](#), and the [Australian Small Business and Family Enterprise Ombudsman](#) Kate Carnell who is currently running an inquiry in supply chain finance.

Small businesses require prompt payments to help manage cash flow and to grow, particularly when access to finance is tight. The economy does not benefit from this type of financialisation that only benefits middlemen.

SATURDAY, 25 JANUARY 2020

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