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Payment Times Reporting Act Review Secretariat
Small and Family Business Division
Treasury
Langton Cres
Parkes ACT 2600

Via Email: PaymentTimesReview@treasury.gov.au

Dear Secretariat

Re: Review of Payment Times Reporting Scheme Act 2020

BHP welcomes the opportunity to provide feedback to the statutory review of the *Payment Times Reporting Scheme Act 2020*.

The basis for our contribution is twofold:

- Firstly, as one of Australia's largest companies, BHP has participated in the Payment Times Reporting Scheme (PTRS) since its commencement in 2021, reporting on the payment performance of around 30 entities operating under the BHP corporate umbrella.
- Secondly – and independently of the PTRS – BHP introduced seven-day payment terms for all small, local and Indigenous suppliers in July 2021, benefiting around 2,100 businesses in our Australian supply chain.

This submission draws on both experiences to provide comments on the efficiency and effectiveness of the PTRS. BHP has also contributed to, and supports, the submission made by the Business Council of Australia.

1. Introduction of Seven-Day Payment Terms

Each year, BHP spends approximately US\$2.5 billion with small, local and Indigenous businesses globally.

These businesses are a valued part of BHP's supply chain, as well as the economic lifeblood of many of the regional communities in which we operate. Our support and patronage of these suppliers is an important way BHP can create social value and contribute to vitality and sustainability of regional economies.

In March 2020, as the COVID-19 pandemic escalated, BHP shortened payment terms from 30 days to seven for small, local and Indigenous suppliers in Australia as a temporary support measure. The measure was well received and BHP took on board the feedback.

In July 2021, after determining reduced payment terms could be sustained, BHP introduced seven-day payment terms for all small, local and Indigenous businesses in our global supply chain, locking in the benefit for more than 2,100 Australian businesses and benefiting approximately 4,000 suppliers globally.

2. Payment Times Reporting Scheme

As one of Australia's largest businesses, BHP has participated in the PTRS since its commencement in 2021. In line with legislative requirements, BHP's reports outline the payment performance of around 30 entities operating under the BHP corporate umbrella.

Taken in aggregate, our most recent submission to the PTRS shows that between 1 January and 30 June 2022:

- a. 95% of BHP's payments to small business (by volume and value) were made within 30 days; and
- b. The average payment time for small businesses was 9.88 days.

This was the third consecutive improvement in payment time performance reported by BHP under the PTRS and reflects the continuing transition of our small, local and Indigenous suppliers to seven-day payment terms.

We recognise there is further room for improvement, and ensuring all eligible businesses are correctly registered for seven-day payment terms is a continuing focus. Nevertheless, BHP is encouraged by the measurable impact the move to seven-day payment terms has had on our payment performance and we remain focused on opportunities for further improvement.

3. Proposed improvements to the PTRS

Although BHP's performance has improved across each of the three PTRS reporting cycles, we note the Regulator's concerns that, overall, payment practices and performance across the full cohort of reporting entities has not materially improved since the commencement of the scheme.

In addition, BHP notes the significant regulatory burden associated with the PTRS, which is imposed irrespective of an entity's payment times performance or practices. This regulatory burden has been magnified by:

- a lack of clarity in early PTRS guidance and continuing changes to reporting guidelines; and
- misclassifications in the Small Business Identification Tool, which largely fall on reporting entities to correct.

Against this background, BHP supports the recommendations outlined by the BCA to reduce the PTRS compliance burden, including allowing companies to report on a group basis to reduce compliance costs, and reviewing the reporting frequency or, at a minimum, reducing the frequency that the principal governing body is required to approve the reporting.

In particular, we strongly support the recommendation for **ATO data to be used to identify small businesses** within the Small Business Identification (SBI) tool. This would improve the accuracy of the PTRS reports by ensuring suppliers incorrectly identified as small businesses are not distorting performance data. It would also deliver significant time savings to reporting entities which are currently checking and correcting the SBI tool via an inefficient statutory declaration process.

Even with these changes, the PTRS will continue to impose a substantial compliance burden on reporting entities, irrespective of their payment policies, with limited direct incentive to improve performance. For this reason, BHP would welcome consideration of increased incentives within the PTRS to encourage businesses to voluntarily improve their small business payment performance and practices. **For example, reporting entities that voluntarily introduce shortened payment terms for small business suppliers, and then demonstrate consistent performance against these terms over a period of time, could be released from PTRS reporting obligations or subjected to 'light touch' reporting requirements.** By incentivising good performance through a reduced compliance burden, the PTRS could improve both its efficiency and effectiveness, and deliver better outcomes for small and large business alike.

Thank you again for the opportunity to contribute to the review of the PTRS scheme. We would be happy to discuss any of the points raised further and ask that you contact Helen Mathers, from the Federal Government Relations Team, at helen.mathers@bhp.com, to arrange.

Yours sincerely

Charles Blennerhassett
Vice President Demand to Pay