



BRENDAN O'CONNOR MP
SHADOW MINISTER FOR EMPLOYMENT AND INDUSTRY SHADOW MINISTER FOR
SCIENCE
SHADOW MINISTER FOR SMALL AND FAMILY BUSINESS
MEMBER FOR GORTON

STEPHEN JONES MP
SHADOW ASSISTANT TREASURER
SHADOW MINISTER FOR FINANCIAL SERVICES
MEMBER FOR WHITLAM

MATT KEOGH MP
SHADOW MINISTER FOR DEFENCE INDUSTRY
SHADOW MINISTER FOR WA RESOURCES
SHADOW MINISTER ASSISTING FOR SMALL AND FAMILY BUSINESS
MEMBER FOR BURT

LABOR WELCOMES ACCC INVESTIGATION INTO SMALL BUSINESS PAYMENT
TIME "RORTOCRACY"

Labor welcomes [confirmation](#) the Australian Competition and Consumer Commission (ACCC), and reportedly ASIC, will investigate delayed payment times and 'reverse factoring' forced on small businesses by large ones.

The ACCC 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.

The Morrison Government has been missing in action when it comes to putting small businesses first, leaving it to Labor to fix the problems surfacing under their leadership.

Labor has long maintained concerns about large businesses extending payment times to small business suppliers – sometimes as long as 90 days after invoicing.

We are particularly concerned about the increasing prevalence of ‘reverse factoring’ – where payment times are extended, and small businesses are offered a third-party financier to pay the invoice on time but with a fee, meaning small businesses aren’t receiving full reimbursement.

As noted in our correspondence to the ACCC, small business stakeholders have spoken confidentially about the issue on the reasonable belief that speaking publicly may adversely affect their business relationship with large procurers.

Small business suppliers invariably believe that they have no option other than to accept such situations due to the market power imbalance between small supplier and large procurer, despite the arrangements being unfair.

Small businesses require prompt payments to help manage cash flow and to grow, particularly when access to finance is tight.

In fact, this month’s [Scottish Pacific SME Growth Index](#) found the percentage of SMEs reporting significantly worse cash flow has doubled since March 2018 with 7.3 per cent saying it is significantly worse and 12.3 per cent saying it is worse than the previous year.

The Government has no excuse for not listening to small business cash flow problems. The Australian Small Business and Family Enterprise Ombudsman Kate Carnell [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.**”

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.

After six years of inaction, it’s time for Scott Morrison to stop the rortocracy he presides over, and help get the economy back on track by backing small business.

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