



TELSTRA CORPORATION LIMITED

Submission in response to the Australian Small Business and Family Enterprise Ombudsman Supply Chain Finance position paper

28 February 2020



Telstra appreciates the opportunity to provide feedback on the ASBFEO Review of Supply Chain Financing.

We agree that the definition of a small business should be nationally uniform. The Ombudsman, in collaboration with the Commonwealth Government, is best placed to bring this uniformity. We note that at the moment, Government agencies and statutory bodies use a variety of definitions:

- The ABS - a business employing fewer than 20 people;
- Fair Work Australia – a business which has less than 15 employees;
- The ATO – a business with an aggregated turnover of less than \$10m;
- ASIC – a small proprietary company is one with at least two of i. annual revenue less than \$25m; ii. less than 50 employees; and iii. consolidated assets less than \$12.5m.

In creating a nationally uniform definition, the Ombudsman and the Government should consider how to provide ongoing transparency of which businesses are caught by this definition, for example through an online registry. This point is critical if the definition is designed to lead to faster and more consistent payment of suppliers who are small businesses, as accurate identification of small businesses is currently a challenge.

Telstra does not believe that mandatory reporting on supplier payments times is required, and we will be responding to the Payment Times Reporting Framework discussion paper regarding the additional administrative, process and compliance burden this could impose.

On February 4, 2020, we announced new arrangements which will see suppliers with invoices of up to \$2 million annually receive 20-day terms. Under the new arrangements, which will be in place before the end of this financial year, over 85 per cent of our suppliers will have their invoices paid within twenty days of Telstra receiving a validly submitted invoice.

Ensuring suppliers are submitting complete and accurate invoices is an important part of delivering improved timeframes for payment. There can be many reasons which may delay the payment of an invoice, for example where invoices are missing detail necessary to process them. The use of online channels to make this process more streamlined is beneficial. We continue to work with our suppliers to help them submit accurate and complete invoices, and we encourage the Ombudsman to look for opportunities to assist small businesses in this regard as it can deliver benefits for everyone involved.

Telstra does not believe that there is a need for uniform payment terms across all suppliers. Any additional regulation, whether they be Reporting Frameworks, new legislation, or mandatory or voluntary codes, should be limited to focus on suppliers who are small businesses (as well as charities, Indigenous organisations and disability enterprises). Suppliers who are large businesses do not require regulatory intervention as they are able to negotiate payment terms on a commercial basis.

We are hopeful that the Ombudsman will continue to take up the issues highlighted above in order to deliver benefits for businesses across the Australian economy.

In the meantime, we will work with our suppliers with invoices of up to \$2 million annually to update their payment term agreements to make doing business with Telstra easier than ever.