

Australia Payments Plus
ABN 19649 744 203

P 0411 641 340
E adrian.lovney@auspayplus.com.au

GPO Box 4893,
Sydney NSW, 2001



Payment Times Reporting Act Review Secretariat
01/03/2023
Small and Family Business Division
The Treasury
Langston Crescent
PARKES ACT 2600

Via email: PaymentTimesReview@treasury.gov.au

AP+ Review of Payment Times Reporting Act 2020 – Consultation Paper

AP+ welcomes the opportunity to provide a response to Treasury’s consultation on Payment Times Reporting. Australian Payments Plus (AP+) brings together Australia’s three domestic payment providers, BPAY Group, eftpos and NPP Australia, into one integrated entity. Our capabilities include Australia’s domestic debit network, real-time payments infrastructure, secure bill payments, digital identity exchange, QR code payments and experiences, and open wallet solutions.

As Australia’s real-time payments infrastructure, the New Payments Platform (NPP) was designed to support a digital economy. The platform enables Australian consumers, businesses, and government agencies to make and receive data-rich payments in real-time between bank accounts, 24 hours a day, every day of the year. Over 22% of NPP payments are processed over the weekend and over 55% occur outside of standard business hours.

Whilst invoicing and payments processing typically occur in separate domains, there are benefits in being able to link the two together for more seamless processing of invoices and their associated payments. By supporting and enhancing eInvoicing in the Australian market, the NPP can be instrumental in helping Australian businesses get paid faster.

The implementation of the e-invoice and PEPPOL framework is intended to introduce efficiencies in the processing of invoices and as a result improve payment timeframes. The invoice information related to PEPPOL will stand alone and form part of the eInvoice framework and interaction. The NPP payment message can carry the payment reference information for easy reconciliation but is not intended to carry information already included in the eInvoice.

PayTo¹ - a new, digital way for businesses to initiate real time payments from customers’ bank accounts, can work together with eInvoicing to efficiently process supplier payments. Purchasers can pre-authorise payments to suppliers within pre-set parameters. When e-Invoices are received, they are processed automatically with invoice attributes such as the PEPPOL eInvoice ID mapped to the NPP payment message for easy reconciliation. PayTo is in the process of being rolled out in the market with NPP participating financial institutions being required to enable the service on their customer’s bank accounts.

AP+ would welcome the opportunity to continue to work closely with Treasury, the ATO and the broader industry to drive business adoption of eInvoicing and ensure interoperability between the PEPPOL network and the NPP.

¹ <https://payto.com.au/>



Yours faithfully

Adrian Lovney
Chief Payments and Schemes Officer

Australian Payments Plus (AP+) brings together Australia's three domestic payment providers, BPAY Group, eftpos and NPP Australia, into one integrated entity. Operating in the public interest, AP+ is a member-owned organisation. Members include banks, some of the country's largest merchants, payment service providers and payment processors.

The AP+ integrated product roadmap includes new offerings that support opening the domestic payment flow, connecting next generation experiences to traditional payments infrastructure, driving innovation through QR payments, building open wallet infrastructure and a national trusted identity exchange.



AP+ response to consultation questions:

OVERVIEW OF PAYMENT TIMES REPORTING

1. *How important are payment terms and practices to small businesses when considering a supply contract with a large business or government enterprise? Has their relative importance changed over time?*

AP+ would highlight the economic pressures that small businesses have faced over the last few years: a global pandemic that had significant demand and supply chain impacts, and high inflation which is having wide personal and business impacts.

Moves to improve payment practices for small businesses, including reducing the length of time to get paid by a customer, therefore remains and has likely grown in importance.

2. *What factors are driving current and emerging trends in payment terms and practices? How do they affect large businesses, small businesses, and the economy?*

The growth in adoption of the New Payments Platform for push payments is impacting this trend. As the NPP enables businesses to make payments which clear and settle instantly, there can be a significant impact on payment times. Increased adoption of NPP should deliver reduced payment times, as funds can be made available in less than a minute of the payment being processed. One in three of all account-to-account push payments are now processed via the NPP as usage of the platform grows.

PRINCIPLES FOR THE REVIEW

3. *What is a 'reasonable' timeframe in which small businesses should be paid? Should 'reasonable' vary between different industries or sectors?*

The NPP, by enabling the near real time payment of invoices, provides businesses with flexibility in ensuring appropriate business controls and processes are supported, whilst reducing payment times. The timeframe becomes less dependent on the lead time to make a payment by its due date. Reduced lead times for payment processing creates operational efficiencies and a reduction in the overall cost of doing business. As the NPP is available 24/7, there are no cut-off times that can delay payment times, resulting in businesses being able to receive payments any time of day or night. Over 22% of NPP payments are currently processed over the weekend and over 55% occur outside of standard business hours.

By creating operational efficiencies in the straight through processing of payments, not only is the invoice issued more efficiently, but the supplier is able to reconcile in a more timely manner with the required PaymentID.

OPERATIONS OF THE ACT

4. *Having regard to the goal of the Review and the three principles, how effectively is the operation of the Act meeting the objects set out in **Box 2**?*

No response



5. *What, if any, changes should be made to the existing Scheme to improve its efficiency and effectiveness in meeting the objects set out in **Box 2**?*

No response

6. *What are the main questions the Scheme's data should be able to answer about payment terms and practices?*

No response

7. *Are the Regulator's powers and approach to compliance and enforcement effective and fit-for-purpose?*

No response

EFFECT OF RELATED GOVERNMENT POLICIES

8. *Excluding the Payment Times Reporting Scheme, to what extent have, or will, related Government policies improve payment terms and practices for small businesses? Would a substantial increase in eInvoicing materially help reduce payment times?*

eInvoicing has provided businesses with the opportunity to indicate preferred payment methods, including BPAY, NPP and the newly enabled NPP service, PayTo. The indication of the Payment Means of PayID and/or PayTo will provide the Payer with certainty on the ability to utilise the NPP for payments. This use will ensure that payments are processed in real time.

The introduction of 5-day payment terms for eInvoices for federal government agencies, supports suppliers within the Government network. Continued support by government agencies to utilise the NPP will relieve operational burdens by allowing for additional time to authorise, approve and pay invoices. In addition, the use of the NPP's structured data capabilities supports reconciliation and straight through processing by the biller.

OTHER OPPORTUNITIES TO IMPROVE PAYMENT TERMS AND PRACTICES

9. *What are the disincentives for large business to offer improved payment terms and practices to small business suppliers? Are there other ways to more effectively incentivise improved payment terms and practices?*

PayTo can be used to support eInvoicing and more seamless payment processing resulting in businesses getting paid faster. Payment times can be significantly reduced, and the whole procure-to-pay process transformed. Specifically, there is an opportunity to deliver automated payments processing for eInvoice payments whereby Purchasers have provided their authorisation (within certain pre-set parameters) for eInvoice payments to be automatically processed.

There are significant benefits in being able to link eInvoicing together with payments processing to create a more seamless and integrated process:



Operating Costs	the cost of processing invoices and collecting payments are significantly reduced when the end-to-end Procure to Pay process is automated and integrated with the payment
Faster payment time	there is a faster payment turnaround time when the manual processes associated with invoicing are removed
Improved cashflow visibility	sending and receiving eInvoices results in better visibility of a business' cashflow and supports better informed business decisions
Reduction in errors	the removal of rekeying and double handling not only reduces the time spent on invoices, but reduces error and the amount of manual rework
Improved reliability & security	when compared to traditional invoice delivery channels such as mail and email
Reduction in fraudulent activity	by the removal of human intervention that exists today in traditional invoicing processes

The benefits and capabilities of the NPP provide a clear incentive for businesses to support the transition to eInvoicing.

10. Would mandating one or more maximum payment periods for the payment of small business invoices by reporting entities be more effective in improving payment terms and practices? How should a mandatory maximum payment period(s) best be designed and implemented?

No response

11. What other measures could be considered to improve payment terms and practices of reporting entities in relation to their small business suppliers?

Utilising the PayTo service and establishing PayTo Agreements with small business suppliers would allow for payments to be pre-authorised via the procurement process. The subsequent payment initiation would be in the control of the small business and would allow for transparency of cash flow and reduced friction in operational processes.

INTERNATIONAL APPROACHES TO SMALL BUSINESS AND PAYMENT TIMES

12. What international approaches to improving payment terms and practices for small businesses, including lessons learnt, should be considered in the Australian context?

AP+ has published an eInvoicing whitepaper² that outlined a number of key learnings from overseas experiences. One of the critical learnings was the involvement of Banks and payment networks to link the

² https://nppa.com.au/wp-content/uploads/2020/11/Einvoicing-and-NPP-whitepaper_final.pdf



eInvoice to the payment. AP+ as the owner of three payment enablers in the Australian market is critical to the payment process required to support eInvoicing. AP+ welcomes further engagement on the additional benefits that can be utilised to support small businesses.