

22 August 2013

General Manager  
Strategic Policy & Regulation Reform Branch  
Department of Industry, Innovation, Climate Change, Science, Research and Tertiary  
Education  
GPO Box 9839  
CANBERRA ACT 2601

Sent via email to: [smallbusiness@innovation.gov.au](mailto:smallbusiness@innovation.gov.au)

Dear Sir/Madam,

Master Electricians Australia is grateful for the opportunity to comment on the proposed introduction of a Prompt Payment Protocol in Australia.

Master Electricians Australia (MEA) is a dynamic and modern trade association representing electrical contractors. Originating as the Electrical Contractors Association in 1937, we are the leading voice of the electrical and communications industry throughout Australia. The organisation's website is: <http://www.masterelectricians.com.au>

MEA applauds the Federal Government's introduction of a Prompt Payment Protocol. From our very beginnings as an employer association in 1937, late payments have been one of the most significant issues affecting our industry. These late payments stifle the cash flow of small businesses who must often survive on tight profit margins. Late payments are a particular issue for electrical contractors who are more often than not the subcontractors on a construction project and rely on prompt payment from a head contractor.

### **Culture of late payments**

*Q. What are the main causes of late payments, and how do they differ in various industries?*

Electrical contractors are often in receipt of late payments as a result of head contractors making a bulk payment run to the subcontractors on a project as a means to limit transaction costs. It is also true that holding back retention monies enables head contractors to have access to these funds and maximise returns on cash holdings.

### **Prompt Payment Protocol**

*Q. What are the fundamental principles that should be included in the Protocol?*

MEA is fully supportive of the five fundamental principles that have been proposed for inclusion in the Prompt Payment Protocol. We would, however, like to see additional points listed under the five key principles to provide further clarification on the obligations under the Protocol.

In relation to Principle One, “Pay on time”, we propose an obligation for businesses to not intentionally delay the payment of an invoice. While this could be seen as a follow on from the obligation to pay business suppliers on time, we believe it merits specific mention as intentional delayed payment is a problem commonly encountered by electricians when they are subcontracting.

It would also be beneficial to require businesses to be open to negotiation on shorter payment terms when they are proposed by smaller companies, without prejudice. As an example, a seven day payment term for amounts owing less than \$10,000 or a deposit for amounts owing that exceed a predetermined dollar value. While these shorter payments terms may seem initially unappealing to businesses, it could present as an opportunity to attract the highest quality sub-contractors by offering more favourable payment terms. In the end this is likely to benefit business with work that is completed faster and to a higher standard and potentially see more competitive quotes offered by subcontractors who wish to benefit from shorter payment terms.

## **Administration**

*Q. What type of entity is best placed to administer the Protocol?*

MEA would recommend that the Protocol be administered by an independent or government body in partnership with industry groups. Industry associations have an “on the ground” understanding of the sectors they represent and are a trusted resource for businesses in their industry. It is imperative that the Protocol have industry involvement in its formulation, implementation and administration.

## **Communication**

It is vitally important for industry associations be properly utilised as a key resource for promoting the Protocol. MEA would be eager to act as such a resource for the electrical industry. Through our range of media channels, which include a comprehensive website, Facebook, LinkedIn and Twitter pages as well as traditional media forms such as a widely distributed quarterly magazine, regular newsletters and email alerts, MEA would be able to advertise the introduction of the Protocol and promote businesses who are signatories. This could act as a compelling incentive for companies to sign up at the prospect of attracting business from quality subcontractors. MEA also conducts regular road shows, providing us with the opportunity to speak to electrical contractors and industry representatives face-to-face about new and emerging issues, of which the Protocol would certainly be one. MEA, and other peak industry associations, could be a champion to drive this initiative to industry.

Government funding for industry associations to promote the Protocol could be another implementation strategy for the Federal Government. The only way the Protocol will reach its potential is for all sectors to understand the Protocol and the range of benefits it could offer both large and small businesses. Funding support for industry groups to spread the message could ensure a wider uptake of the Protocol across all industries.

## Conclusion

MEA readily anticipates the implementation of the Prompt Payment Protocol. As the details of the Protocol are developed, MEA will be conducting a survey of our membership to gain some precise figures on the extent of the late payment problem within the electrical industry. We will forward the results of this survey to DIICCSRTE as they become available in order to better inform the development of the Protocol.

As the peak industry body for the electrical and communications industry, MEA would be eager to be involved in any consultations that occur concerning the development of the Prompt Payment Protocol.

Yours sincerely,



Malcolm Richards  
CEO