Inquiry into how the mining sector can support businesses in regional economies

Submission 8 - Supplementary Submission



IMPACTS OF EXTENDED PAYMENT TERMS

This information is derived from the report 'Economic Analysis of Impacts of Extended Payment Terms' conducted by Lytton Advisory on behalf of Resource Industry Network. Available to download www.resourceindustrynetwork.org.au

OVER THE NEXT 5 YEARS

REVERTING TO 30-DAY PAYMENT TERMS would ADD to the regional economy:



380 JOBS



\$150 MILLION M IN WAGES PROD



IN GROSS REGIONAL PRODUCT TAKING INTO ACCOUNT FLOW-ON IMPACTS



ONE THIRD

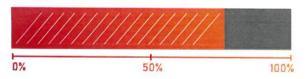
of suppliers have half their revenue or more on extended payment terms

ONLY 4% can always match extended payment terms with their suppliers

TWO THIRDS

of suppliers have found it difficult to get finance since extended payment terms have come in





75[%] OF SUPPLIERS



affected by extended payments terms are cutting back on new capital equipment



are not hiring new employees to expand business



unable to invest in pursuing new technology etc



CASE STUDY

based on two otherwise identical firms currently operating in the industry

TURNOVER OF >\$30M

COMPANY A

60-day payment term \$8m finance facility

\$400-\$500K finance cost \$400-500K of missed opportunity

COMPANY B

14-day payment term

No financing facility

No finance cost

\$400-500K cash for investment

EXTENDED PAYMENT TERMS

WHERE ARE WE HEADED?

