

21 December 2022

Economic Development, Science and Innovation Select Committee
Parliament Buildings
Wellington

Dear Select Committee Members

Re: Business Payment Practices Bill

Cooperative Business NZ is the representative body for New Zealand's member owned businesses that sit across multiple sectors (see attached membership list). I am writing to you on behalf our members (cooperatives & mutuals) in response to the Business Payments Practices Bill.

New Zealand has one of the most highly advanced co-operative sectors internationally. As recently confirmed by PwC in their report 'The NZ Co-operative Economy', 2021. New Zealand's use of the company structure sees 13% of our GDP by revenue, generated by the Top 30 co-operative businesses alone. In its entirety, it is likely closer to 18% (solely for the distributing co-operatives).

However, their importance to the wider economy is far greater when considering their 1.5M members, with many being sizeable businesses in their own right. When you consider the supply chain across the businesses and their distributing co-operative, you can start to appreciate the breadth of impact of the Bill across the supply chain.

Cooperative Business NZ is pleased to have the opportunity to provide a submission to the Economic Development, Science and Innovation Select Committee on the Business Payments Practices Bill.

1. Introduction

The purpose of the Bill as we see it is to bring transparency to business practices around invoice payment to suppliers which in its essence seems fair and logical. Cooperative Business NZ however fully endorses Business NZ submission in that we

believe a one size fits all approach would be the wrong way to address the issue and may lead to unintended consequences.

At a more granular level, given that many of our members have significant businesses as members/shareholders, who will also meet the \$33M criteria, it is likely to lead to:

- Significant duplication in reporting by both the co-operative and their members
- Compliance costs to implement will be excessive, which will ultimately be passed onto the consumer

Cooperative Business NZ is not able to comment on the technical aspects of the Bill. However, as the representative body of New Zealand's member owned businesses whose members include both the co-operative businesses themselves, along with their members businesses, Cooperative Business NZ would like to provide some feedback for consideration.

It is anticipated that many of our members organisations will independently provide their own perspective with regards to the Bill. However, given the both the Bill and the discussion document have been released simultaneously, and the timing with the upcoming holiday season, it may be that a number of these organisations will miss the 8 January close off for submissions.

Should the lead-time be extended, it would allow Cooperative Business NZ to better canvas our members to seek feedback.

2. Background

Co-operatives are purpose led businesses, established for the collective good of individuals and businesses joining together to create scale, enabling competition with larger scale organisations. This results in improved bargaining power, reduced cost, enabling access to products or services otherwise unavailable, expanding on new and existing market opportunities, improving product ranges and / or services, while ensuring profits are retained within an economy. They tend to act as a price leveller when international corporates enter a market.

These businesses are based on seven internationally agreed principles (Rochdale Principles) that guide co-operatives and mutuals, which emphasise democracy and shared equity, while providing economic and social returns to members and their communities:

1. Voluntary and open membership
2. Democratic control
3. Member economic participation
4. Autonomy and independence
5. Education, training and information
6. Cooperation among co-operatives
7. Concern for community

These guiding principles are managed by the International Co-operative Alliance (ICA) in agreement with the United Nations (UN).

Given this, co-operatives are established to facilitate a number of activities on behalf of their members. This will often include supplier payments.

Recommendation: That any changes take into consideration the importance of this business community to the New Zealand economy.

3. Coverage Regime will lead to Duplication

Given the model, there is a high likelihood that both the co-operative and their larger members that meet the reporting threshold will be reporting the same information, i.e. will require the co-operative to produce reports at the co-operative level in addition, every single large member, will be caught by the coverage provision.

The most significant impact will be for our members that operate centralised payment systems i.e. payments are facilitated centrally by the co-operative on behalf of their members. In this situation the individual cooperative members may be caught and need to report, while the bulk of their payments may be “related-party” i.e. made to the co-operative.

We would encourage the Select Committee to consider changes to the regime to better target it towards third party payments i.e. payments made to suppliers, not related parties. We would also like there to be consideration on the threshold value for 3rd party invoices before reporting is mandatory to strike a better balance between the objectives of increased transparency and compliance costs.

Recommendation: The Select Committee review the regime to better target this towards third party payments.

Recommendation: That a threshold value be applied before being made mandatory.

4. Related Parties

As already noted above, our members support the principles of the legislation. However, they seek amendments to better target the regime towards third-party business payments to reflect the legislation’s policy intent and reduce unnecessary compliance.

Recommendation: mandatory reporting is only required for entities that:

- 1. meet the threshold for being large i.e. has revenue of \$33m or more for two consecutive accounting years, and***
- 2. the value of third-party invoices exceeds a threshold amount (e.g., \$10 million per annum) (i.e., related-party invoices and other internal payments through buying groups or co-operatives are excluded)***

OR

Recommendation: disclosure obligations specifically allow entities to exclude related-party transactions, and other internal payments through buying groups or co-operatives, when preparing their disclosure statements.

5. Frequency of reporting

In our view reporting annually should be sufficient. However, in the event that is not supported, the frequency of reporting should be a maximum of every 6 months. The bill is drafted so that the disclosure period must not be longer than six months, but potentially a shorter period may be imposed by the Registrar. The bill also does not provide any minimum notice period for changes imposed by the Registrar – in practice, businesses need time to resource and respond to changes.

In summary

Overall, we urge the Select Committee to continue to engage to ensure that the issues raised in this submission are considered and do not have unintended consequences for the broader co-operative community. It is important to ensure that the disclosure regime is easy to comply with and not overly onerous or complicated.

Thank you for the opportunity to submit. We look forward the next steps in the policy process.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Roz Henry', with a long horizontal flourish extending to the right.

Roz Henry
Chief Executive
Cooperative Business NZ

Cooperative Business New Zealand members as of December 2022

| | |
|---|--|
| <p>Retail: BuildLink Group Blackfern Co-operative Capricorn Society Ltd Combined Building Supplies Co-op Flooring Xtra Foodfirst Foodstuffs Hunting & Fishing NZ Independent Optometry Group Ltd Interflora Pacific Unit Ltd ITM Mitre 10 NZPM (Plumbing World) Origin A Group Ltd Paper Plus World Travellers</p> | <p>Agriculture: Alliance Group Ballance Agri Nutrients Dairy Goat Co-op Ltd Fonterra Farmlands LIC Primary Wool Coop Ltd Ravensdown Fertiliser Rural Co Silver Fern Farms Tatua Co-op Dairy Co</p> |
| <p>Horticulture: Boysenberries NZ Ltd Birchwood Packhouse Ltd Eastpack Market Gardeners Ltd (MG Group) Marlborough Grape Growers Coop NZ Hops Ltd Provelco Coop Ltd Seasonal Solutions The NZ Blackcurrant Coop Ltd. Walnuts NZ Co-op Ltd Zespri</p> | <p>Financial Services: First Credit Union Farmers Mutual Group (FMG) Medical Assurance Society (MAS) Plus 4 Insurance Solutions Rabobank SBS Bank Share NZ Services Ltd Southern Cross Health Society The Answers Co-operative The Co-operative Bank Unity Credit Union Wealthpoint</p> |
| <p>Other: Anexa Veterinary Services Coastal Energy Ion Technologies Loomio Ngati Puapani Co-op NZ Cleaning Co-op ProCare Rodney Coop Lime Co Rural Couriers Society Korou Digital Co-op</p> | <p>Utilities: Ashburton Lyndhurst Irrigation Barrhill Chertsy Irrigation Electricity Ashburton (EA Networks) Kerikeri Irrigation Ltd Irrigation New Zealand MHV Water Ltd</p> |
| <p>Start-ups: Community Power EVA Co-op Net NZ NZ Co-operative Housing Co. Wa Studio</p> | |