Briefly

Political and regulatory developments

Cashflow is King

The Government is considering legislation to improve business-to-business payment practices, including companies, partnerships and trusts. Payments from individual consumers will not be affected.

Options include:

- a maximum payment term of 20 days, and
- a right for small businesses to charge interest on overdue invoices and debt recovery fees for late payments.

The discussion document notes that some larger businesses use their smaller suppliers as a source of free credit – paying them after 90 or even 120 days but requiring payment from their own customers within seven days. It quotes an Australian study showing the cost to the economy of this practice was $2.54b over 10 years.

Issues for consultation are:

- when the 20 day timeframe should come into effect
- the types of contractual relationships the regime should cover
- whether it should apply to businesses of all sizes
- whether it should apply equally to all industries and classes of goods, and
- whether there should be an ability to contract out of the 20 day requirement.

Announcing the review, Small Business Minister Stuart Nash said cashflow was king yet research by Xero indicated that on any given day, more than half of small businesses were owed at least $7,000.

Discussion paper Statement

Calmer regulatory waters soon for finance sector

After more than a decade of structural reform, the finance sector is now on a promise that calmer waters are ahead. Commerce Minister Kris Faafoi told a conference this month that, if Labour is re-elected to a second term and he retains the commerce portfolio, he will be turning his attention to improving financial literacy.

On his agenda before then are to put the finishing touches to the Financial Services Legislation Amendment Act and the Credit Contracts and Consumer Finance Act and to get the Financial Markets (Conduct of Institutions) Amendment Bill passed. It is due to be reported back from select committee on 23 June 2020.

Article Bill

COVID-19 Business Protection

The COVID-19 (coronavirus) epidemic marches on, bringing with it the prospect of a world recession. As more factories close, markets and supply chains are disrupted and share prices wobble, businesses are looking for ways to minimise their risk.

Chapman Tripp has developed a proactive checklist. It is directed toward the construction sector but is of general relevance.

Chapman Tripp commentary

Court raises bar for advertising claims

The Commerce Commission has scored a home run in the first defended prosecution against a trader for making unsubstantiated representations, a provision inserted into the Fair Trading Act in 2014.

Kiwipure Limited had claimed that its water filtration system prevented scum and scale build-up, saved electricity and maintenance, required less washing powder, would "invigorate" the garden, needed less concentrate to spray weeds, and would reduce skin irritations and eczema.

The court found Kiwipure guilty on all seven charges and fined it $162,000, saying it had not tested any of these claims in any scientific sense, or to the extent required by the law. The company said it did not have the resources to do this and had largely relied on an investigation of the literature and a visit to a Pennsylvania plant engaged in the electromagnetic treatment of water.

Commission Chair Anna Rawlings said the case created an important precedent.

"Businesses must be able to back up any advertising claims they make about goods and services at the time they are making them. This means having evidence, research, test results, consumer surveys or similar credible information to demonstrate that their claims have a solid foundation. Traders are not permitted to advertise using guesses, supposition, anecdotal evidence, assumptions and unsupported opinions."

Commerce Commission statement

Cyber sabotage an expensive threat

The Reserve Bank of New Zealand (*RBNZ*) has applied two internationally recognised methods to estimate that the indicative average annual cost of cyber incidents in New Zealand is $104m for the banking sector and $38m for the insurance sector – or the equivalent of between 2% and 3% of annual profits.

The modelling also indicates that there is a 5% chance in any given year of the costs exceeding $2.3b. The research was part of the RBNZ's programme of work on the risks to the financial system.

RBNZ statement

Budget day

The 2020 Budget will be announced on 14 May 2020.

Statement