

## 1 June 2021, Australian Small Business and Family Enterprise Ombudsman Estimates Opening Statement.

Thank you Chair, I would like to make a short opening statement and recognise my agency is a relative 'newbie' to this Committee as a result of recent 'machinery of Government' changes.

Chair, Senators, I am now thirteen weeks into my tenure as the Australian Small Business and Family Enterprise Ombudsman, or about one-twentieth into my term. The first couple of months have included a long list of meetings with a huge range of small businesses, industry associations, and peak bodies representing the breadth of the sector. Combined with some time 'on the road, we are hearing of a number of issues in the space, some are ongoing and long-term issues that you would be familiar with, and some emerging issues including around impairment of recovery from the COVID-19 economic hit and impacts of shutdowns.

It is too early to gauge the impact of the current Victorian 'circuit breaker' lock down, but prior to the 'snap' restrictions, the signs were encouraging for the small business and family enterprise community. This has highlighted the need for certainty and predictability for businesses in any sort of lockdown, particularly around what sort of supports will be available for the sector.

Broadly speaking, there is evidence of confidence in the small business sector. The **ABS** tells us that the unemployment rate is dropping. Businesses are keen to employ and we are hearing about businesses having difficulty finding both skilled and unskilled staff. Cooks and Chefs are in particularly high demand, but unskilled workers are similarly difficult to find.

**The ABA** reported in April that only 0.2 percent of small business loan deferrals remain outstanding. Ensuring that those businesses with outstanding deferrals engage with their banks early is going to be critical to helping those businesses either restructure, or in some cases unfortunately make a dignified exit.

Unfortunately, 17 out of the 19 industries monitored by CreditorWatch saw an increase in payment times in the last month. We've also seen a slight uptick in small business insolvencies – still lower than what we would see in a 'normal' year, but picking up compared to last year's numbers.

Overall, and despite some expectations to the contrary and a few areas of recovery impairment, our economy, and by extension the small business sector is not doing badly. And the OECD agree, with predictions that our growth will be 4.5 percent in 2021.

Inquiries to our Assistance line are pretty steady, with 1,731 contacts received during the March quarter, 1,400 of which were dispute related. We are still seeing a flow of franchising disputes through our administration of the dispute resolution mechanisms in the Franchising Code. Over the last couple of months we have also seen a slight uptick in payment disputes.

We are also seeing a spike in cases relating to penalties applied when superannuation payments are made late, where the Superannuation Guarantee Charge penalties of 200% are being remitted back to the hard-floor of 100%. My team is working closely with stakeholders, including the ATO, to address these issues in a timely and thoughtful manner, and I'm incredibly proud of the difficult work they do.

It was great to see the updated Franchising Code released this morning, and I'm always pleased to see the strong bipartisan support for reform in this space, which is so important to small businesses. My team and I are looking forward to working with key players in this space to ensure the reforms are clear and transparent to small businesses.

The work of my Assistance team really highlights the need for robust Alternative Dispute Resolution and streamlined access to justice system for small businesses. Australian businesses have an unusual reliance on regulators to address infringement upon their business' economic interests. My office is currently undertaking some further work, and engaging with our colleagues in the Attorney General's department, to understand where else we might be able to shift the dial.

Access to finance is still an issue for the small business sector. We know that before businesses even get to application stage, bank managers and finance brokers provide advice about the likely success in a finance application, which leads to many of those businesses not even applying. Where a borrower uses a family home or personal guarantees to secure business loans, the application of consumer lending concepts and obligations to business loans, further hampers access to credit for these businesses.

Insurance is still a major problem in the sector. Small businesses in northern Australia have enthusiastically welcomed the Government's announcement of an expanded Reinsurance Pool for cyclone issues in northern Australia. But according to a survey we conducted when doing our insurance inquiry, only 12% of businesses are in Northern Australia, so about 88% of businesses still face issues in this space. We have been engaging with the insurance industry to understand any possible industry-led solutions in this space and will continue our information gathering and work in this space.

So that gives you a flavour of what we are dealing with at the moment, and I'll leave it there and look forward to any questions.

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