

Opening Statement for Budget Estimates 2022-23

Thank you chair, good evening Senators

Over the past few months as I have met with small and family business owners around the country, one of the most obvious things I have noticed is that small business people are literally exhausted.

There has been no reprieve from the rolling disasters whether it is the lingering effects of COVID and lockdowns, or rebuilding after bushfires and floods.

Small businesses are struggling to make rosters work and keep doors open due to labour and skills shortages; grappling with supply troubles that means critical inputs, goods and services are not always available; on edge about cyber security fears and adjusting to inflation which is higher than many running a business have ever experienced – plus they've been hit with seven consecutive months of rising interest rates.

While they are still at comparatively low levels compared to historical averages, interest rates are nonetheless, the highest level for official rates in nine years. This is impacting directly on small and family business operating costs and also impacting on the behaviour of customers.

The Budget prediction that electricity prices will rise by 56% and gas prices by 44% over the next two years will add to those pressures. We welcome the announcement flagged in the Budget of energy efficiency grants for energy intensive small and medium sized enterprises, and I look forward to the government unveiling the detail.

There are 2.5 million small businesses in Australia and the enterprising women and men who run them provide jobs for over 5 million people – that's 2 out of 5 private sector jobs in this country.

Small business contributes 33% to Australia's GDP.

But while there are claims in some quarters that business profits are very strong, 45% of small businesses are not making a profit (ATO Tax Stats 2019-20) and eating into whatever reserves they have, to pay their bills and service their debts.

The Reserve Bank notes SMEs cash balances have been falling over 2022.

In fact, to survive, 28% of small business owners are working in multiple jobs. Increasingly its more than 2 jobs.

Of the small unincorporated business owners working in multiple jobs, some 63% have 2 jobs, nearly a quarter (23%) had 3 concurrent jobs and the proportion of those working 4 or more jobs has increased from 8% (in 2011-12) to 14% (in 2018-19).

It is no wonder there's an increase in the number of small business owners seeking advice about the future of their business amid rising financial stress and predictions of a sharp rise in insolvencies in some sectors, particularly where fixed-price contracts are prevalent.

The Budget offered some useful and welcome responses to immediate pain points for many small and family businesses such as the \$15m for the New Access for Small Business Owners mental health

support program operated by Beyond Blue and the Small Business Debt Helpline operated by Financial Counselling Australia.

But, with lower economic growth predicted, more work needs to be done on making sure there's a longer-term vision to energise enterprise with encouraging policy settings.

Small businesses have a proven track record of lifting our nation.

Senators will surely remember that coming out of the global financial crisis, almost 60% of the new jobs were created by small employers even though the sector only accounted for 40% of the workforce.

This office has 3 clear functions – to assist small business and family enterprises, advocate for small business and family enterprises, and showcase 'better practice' among smaller enterprises and those dealing with them.

Since being created 6 years ago, we have helped nearly 30,000 small businesses to resolve their disputes, at low cost, with other businesses or government agencies outside the costly legal system.

During the 2021-22 financial year, we received 6,316 contacts, predominantly requests for assistance. (There were also 231,328 visits to our website where we have various tips and tools to help small business).

That pace has continued in the September quarter (1 July to 30 September 2022) with 1,550 contacts.

Payment disputes represented 40% of requests for assistance. Prior to COVID-19, this proportion was around 25%.

I must say one thing that has been bitterly disappointing is the latest data from the Payment Times Reporting Regulator that shows more than half of the nation's big businesses missed their own mediocre deadlines for paying their small business suppliers.

- only 47% of big businesses paid their suppliers by their own agreed payment deadline;
- just 31% of big businesses paid their small business invoices within 30 days, which is the benchmark set by the BCA;
- almost one in four big businesses take more than 120 days to pay their small business suppliers.

We act as a voice for small business on policy and legislation and last financial year provided formal responses on 8 Regulation Impact Statements and made 102 formal submissions to various parliamentary and other inquiries.

We work closely with other government agencies such as the ATO, ACCC, ASIC, AFCA and Cyber Security Centre, and we chair the Federal Regulatory Agency Group. Our work also extends to highlighting and advocating for the interests of small business with non-government regulators with recent examples being auDA with the introduction of au.direct domain names and the ABA and AFIA with banking and finance codes.

It continues to be difficult for small businesses to get a bank loan so many go to non-bank lenders. It is even harder for female entrepreneurs, even though a significant number of new small businesses are being started by women.

And the hardening of the global insurance market has meant small businesses in many sectors unable to find affordable insurance as it is either unavailable, or prohibitively expensive.

The Senate recently passed Government legislation to increase penalties for anti-competitive behaviour and crackdown on unfair contract terms – which is one of the big problem areas for small businesses.

The Small Business Minister Julie Collins and Finance Minister Katy Gallagher changed procurement rules to make the Government a better customer for small business by requiring 20 per cent of Commonwealth procurements by value to be sourced from small and medium enterprises, doubling the existing target of 10 per cent.

And the Government has legislated its promise to introduce 10 days of paid family and domestic violence leave for all employees, including casuals.

We have called for really clear advice and useful tools for small and family business owners to help understand how they can be their best selves in supporting people that are struggling with family and domestic violence and also meet compliance obligations.

We have highlighted there can be some tricky areas to navigate, particularly respecting privacy in smaller, rural and regional communities where a lot of people know each other.

(The budget allocated \$3.4 million over 4 years to support the development and delivery of education, technical advice and support services for small business employers to support the implementation of this policy.)

I'd like to finish by noting, senators, that we have launched a new data portal on the ASBFEO website highlighting the latest statistics about small businesses and family enterprises and their contribution to the Australian economy.

There's a lot there you might not have heard before. For example, small business accounts for 43% of all apprentices and trainees in training – nearly double the amount supported by a big business.

I welcome your questions....