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ASBFEO Review Secretariat
The Treasury Langton Crescent
PARKES ACT 2600

Via email: ASBFEOReview@treasury.gov.au

10 January 2025

Dear Ms O'Connell

Re: ASBFEO Review

The Council of Small Business Organisations Australia (**COSBOA**) is focussed on promoting, supporting, and advancing the interests of small and family-owned enterprises in Australia.

Following bushfires, flood and COVID lockdowns, small businesses have been facing a continuing perfect storm for several years made up of rising energy, rent, insurance, borrowing, transport and supply chain costs.

This burgeoning pressure was reflected in Xero's Small Business Index Australia Update for Q4 2023, where the Australian Small Business Confidence Index fell 37 points in December to 89 points. This was the largest single month decline since April 2020, when the economy was essentially closed down by the pandemic.

Insolvency figures also demonstrate the challenges facing small business, with record levels of firms entering administration into 2025. This is in addition to a steadily climbing exit rate of firms, now close to 6 per cent according to Creditor Watch.

COSBOA welcomes the Australian Government's Review of the Australian Small and Family Business Ombudsman (ASBFEO) and strongly encourages the government to use the review to spotlight the importance of the work done by ASBFEO, and to commit to restoring its level of funding.

In 2023-24, ASBFEO experienced a 10 per cent increase in requests for assistance. Yet its funding has been reduced.

ASBFEO has high levels of support from the small business sector. However there are concerns from industry that any further budget cuts will inhibit the ability for ASBFEO to performance to its full potential. On the contrary, funding must be restored.

Response to Terms of Reference

COSBOA recommends the government recognise the critical role played by ASBFEO across a range of areas.

Data and Research

ASBFEO continues to produce significant data and research of tremendous importance to the small business community and its advocate. ASBFEO's Small Business Matters Report, the Small Business Pulse, as well as all the data it produces in relation to the number of small businesses and their make-up are all essential data tools which inform both small business advocates and government bodies in being able to better target policies to assist businesses in ways that actually can bring value. Most importantly, this data is brought into one location where it can be more easily deciphered.

For example, the Small Business Pulse is a health check of objective vital signs for small business while also taking into account the 'animal spirits' that drive decision making by enterprising Australians.

Key results from the November 2024 pulse survey included:

- The small business operating environment has started to level off after sharply deteriorating in the post- COVID period.
- Over the past quarter conditions for small businesses fell just 0.1% and are down 1.4% over the past 12 months.
- High business expenses continue to put pressure on profit margins. These are widespread across supplies, labour and business essentials, particularly freight, insurance and finance.
- There are early signals of increased interest in growth and innovation initiatives for existing small businesses and increased enquiries about starting a new business.
- Small businesses are increasingly considering hiring additional staff, particularly in health and social support workers and specialist information and communication technology workers.

These trends speak to the importance of data and research to inform policy solutions in response to these challenges.

Advocacy and Policy Work

ASBFEO engages with stakeholders through a range of events and platforms. For example, the ASBFEO Forum brings together industry and professional associations for deeper engagement with government about a range of policy issues. The ASBFEO also meets regularly with the state based Small Business Commissioners to share information and chairs quarterly meetings with Federal Regulatory Agency Group.

As identified in the consultation paper the Ombudsman participates in podcasts, webinars, forums and round tables covering a range of policy areas related to small businesses. Recent topics have rightly included the closure of the 3G network, privacy reforms, National Competition Policy, payment times, reforms to the Franchising Code of Conduct, scams and cyber security. These are key issues to small businesses.

COSBOA considers that ASBFEO performs a very effective advocacy role. ASBFEO not only plays a significant role in broadly informing the small business community about the policy positions proposed by the government, it also undertakes significant efforts in engaging that same small business community to feedback its considered experience in those policy areas in order to assist government understanding of the small business landscape.

COSBOA has experienced a high level of interactive and useful engagement with ASBFEO in relation to advocacy and policy work which we consider to be an effective part of the democratic process and essential for continuing to voice the concerns of significant small business community within Australia.

The recent 'Energising Enterprise' document outlining 14 actionable and sensible policy measures to support small business, is a fantastic example of the output delivered by ASBFEO as a result of strong research, engagement and policy nous. It is noted this document has received a positive response from industry and various parliamentarians, which is strong evidence for ASBFEO's role in the policy process.

Dispute Resolution

COSBOA considers that ASBFEO's assistance and dispute resolution function is crucial to the broader dispute resolution framework. Small businesses rely on this service for its affordable, timely, and impartial intervention in disputes with larger businesses.

ASBFEO's services are independent and easily accessible to small businesses and family enterprises, without fees or require lengthy formal processes. COSBOA appreciates the agility and responsiveness of ASBFEO's intervention services which avoid an adversarial approach, concentrating on mediation and conciliation. This is only feasible due to the level of understanding that the ASBFEO team have around the specific nuances of the small business regulatory landscape as well of the impact of contractual obligations in a small business context.

The ASBFEO reported that within the 2023-24 financial year, they received 6,254 requests for assistance. This was a 10 per cent increase from the year prior. This comprised of 4,858 calls to the ASBFEO's contact centre and 1,396 formal requests for assistance. Requests for help with insolvency — either from those considering insolvency, or those worried an insolvent business owed them money — jumped some 50 per cent.

As the consultation paper notes, the ASBFEO also has a specific role in supporting industry participants who are covered by the Dairy, Horticulture and Oil Codes of Conduct. The ASBFEO is named in the Dairy Code of Conduct as the dispute resolution adviser, and it has a

supporting role in the Horticulture and Oil Codes of Conduct by providing assistance with sourcing appropriate mediators. COSBOA strongly supports this work.

Assistance

COSBOA also recognising the valuable and quite distinct contribution of ASBFEO to the small business and family enterprise eco-system.

ASBFEO provides important assistance services by providing a channel to address grievances with non-AFCA financial service providers. They provide excellent support to businesses navigating complexity.

ASBFEO's Tax Concierge Service is also highly valuable to brokers and trusted advisers with tax matters raised in the course of members providing services.

Overall role: communication, cohesion and collaboration

COSBOA believes ASBFEO plays a crucial role when it aggregates and amplifies shared industry association and stakeholder views, complementing and supporting the work of these advocacy groups without displacing the important and distinct role of organisations like COSBOA.

ASBFEO performs well as a 'connector' that draws in industry associations including COSBOA and our members into consultative processes conducted across Government.

COSBOA has found the availability and engagement of the Ombudsman and senior staff to be positive, and with genuine ongoing interest in our views.

ASBFEO's role is clear and well communicated to stakeholders.

In response to whether ASBFEO is duplicating the role of organisations such as COSBOA, we argue on the contrary. COSBOA and ASBFEO both play complementary roles harnessing and coordinating various small business groups to provide a strong, collective voice. The work ASBFEO does saves dozens of stakeholders countless of hours finding and sorting through relevant information.

There is a natural synergy between ASBFEO and COSBOA, where the former is considered the voice for small business *within government* whilst COSBOA provides a voice for small business *to government from industry*.

Budget and resourcing

The \$8 million cut to ASBFEO's budget in 2022 was highly regrettable.

Whilst support for mental health and debt counselling service is valuable, this funding should not have come at the expense of resources for ASBFEO. The funding cut not only

hamstrings ASBFEO but sent a negative signal to the small business community during a highly challenging time.

There is a certain irony here given ASBFEO's work is largely focussed on resolving or reducing many of the underlying drivers of stress and anxiety to small business (such as cash flow, payment times, and dispute resolution).

COSBOA continues to call for restoration of ASBFEO's funding base, and with appropriate indexation and certainty over the forward estimates.

Conclusion

COSBOA has observed that ASBFEO plays a crucial role in supporting small businesses. Its advocacy, dispute resolution, and guidance functions are crucial to the financial stability and operational continuity of small businesses across the economy.

As Treasury undertakes the ASBFEO Review, COSBOA recommends that the demand for ASBFEO's services be recognised. The regulatory and compliance burdens on small businesses increase which should be reflected in additional resourcing which necessary to meet this demand.

While ASBFEO's impact is significant, its capacity to address key issues is limited by current resourcing. Enhanced resourcing would enable ASBFEO to expand its activities, improve dispute resolution efficiency, and better support industry-specific needs. Certainty of this resourcing needs to be made clear to ASBFEO and its stakeholders, staff and users.

COSBOA strongly supports the operation of ASBFEO, its continued independence, and calls for its increased resourcing to meet growing demand. As the operating and regulatory environment only becomes more complex for small business, the role of ASBFEO will only become more critical into the future.

Yours sincerely,



Luke Achterstraat

CEO, COSBOA