

21 August 2020

COSBOA Communique

Mental health and Insolvency challenges for SMEs

SYNOPSIS

COSBOA's COVID-19 Roundtable seeks to engage SME representative industry bodies and related stakeholders in a discussion about current issues being experienced by SMEs in the wake of the COVID-19 economic downturn and the potential initiatives that could be progressed to support economic recovery and support job creation in the future. This latest meeting was conducted on **Friday, 14 August 2020**.

The meeting included a discussion with Mr Darren Kane (Chief Security Officer, NBN) on increasing issues associated with electronic scams and a presentation from Ms Barbara Cullen (Director, Small Business Victoria) on the Victorian Government's new program to support the mental wellbeing of SME owners and their staff.

The subsequent roundtable discussion included discussion on emerging issues with the looming conclusion of current concessions under Australian bankruptcy/insolvency law and emerging issues with unilateral late payment decisions being made by big businesses to the detriment of small business cashflow.

A brief summary of the key themes arising from this discussion is provided below.

KEY THEMES

The following key themes were discussed at this latest meeting:

1. The increasing utilisation of digital communications by all businesses highlights the need for increased vigilance.

- The Chief Security Officer of NBN Co, Mr Darren Kane, discussed issues associated with the increasing frequency and sophistication of electronic scams and the need for SMEs to be vigilant in the face of this development.
- These scams typically involve a person calling a business owner (or individual) and advising them that they must take immediate and specific action to avoid having their internet service disconnected. Many of these scams are being promoted by people calling themselves 'Nicole' or 'Carol' and risk the business (or individual) providing an unknown third party with unauthorised access to their internet services.
- NBN Co advise that they would never call and ask to access your computer or advise that your internet service is likely to be immediately disconnected (business owners are advised not to respond to unsolicited calls or provide personal information over the phone). Further information about how to identify a scam call, treat such calls and report them can be found at <https://www.nbnco.com.au/learn/protect-yourself-from-scams> or accessed via the ACCC's Scam Watch <https://www.scamwatch.gov.au/>.

2. The mental health and well-being of SME owners and their employees is rightly becoming an increasing priority for all Australian governments and Australian businesses, with a strong focus on Victoria.

- The adverse health, social and economic consequences of poor mental health have come to prominence in the wake of the second outbreak in Victoria with COSBOA members reporting a significant increase in the prominence of this issue amongst its members.
- The mental well-being of SME owners and their employees remains a significant concern with COSBOA concerned about the relatively low focus on the mental health of business owners compared to the focus on employees. Such an approach is considered illogical given that the mental well-being of business owner is likely to be a significant indicator of the likely long-term well-being (both social and economic) of their employees
- With the Victorian situation in sharp focus, COSBOA welcomes the Victorian Government announcement of a \$26M Wellbeing and Mental Health Support program for SMEs. This first stage of this initiative provides access to accredited mental health training for organisations supporting small business as well as a Partners in Wellbeing Hotline (1300 375 330) which provides one-on-one telephone counselling for business owners. Further details of this initiative can be found at <https://www.business.vic.gov.au/support-for-your-business/grants-and-assistance/business-support-package/wellbeing-and-mental-health-support-for-victorian-small-businesses>.

3. There is an urgent need to consider the approach to SME insolvency as we transition away from the COVID-19 legislative concessions that expire in September 2020, noting that the operation of these concessions appears to be contributing to a blowout in B2B late payments and a credit tightening for SMEs.

- There is significant uncertainty surrounding the number of businesses that are operating in an insolvent state under the protection of COVID-19 concessions implemented in respect of Australia insolvency law. Insolvency data figures reveal that the number of insolvency actions initiated in the last 3 months are well below the annual average, suggesting that there may be a significant number of insolvent businesses from October 2020 – after the current legislative concessions expire.
- The operation of the temporary insolvency concessions appears to be contributing to a blowout in late payment times, with consequent adverse impacts on cashflow for businesses with significant B2B exposure (e.g. service-based businesses and suppliers). The operation of these legislative concessions also appears to be contributing to a tightening of trade credit for SMEs
- In the wake of these issues (and the ASBFEO review of insolvency practice in Australia), there appears to be a case for implementing a transition process for the management of insolvency in Australia as it specifically relates to SMEs impacted by the COVID-19 economic downturn.

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