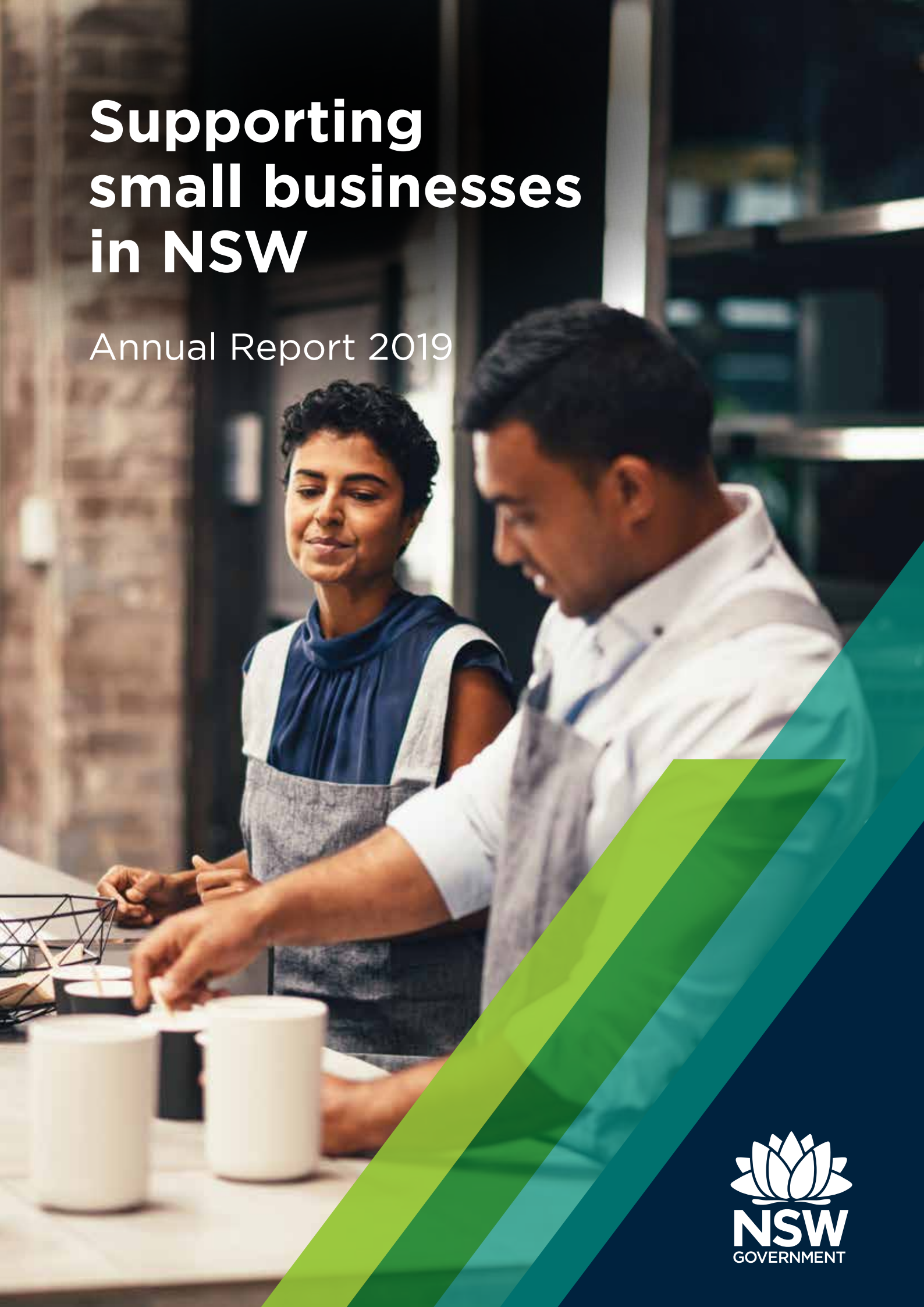


Supporting small businesses in NSW

Annual Report 2019







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Minister's Message



The Hon. Damien Tudehope, MLC. Minister for Finance and Small Business.

Small businesses are at the heart of every NSW community. They are the greengrocer, clothing boutique, hairdresser and sponsors of the local football team. Small businesses generate jobs as well as providing essential goods and services.

Small businesses are vital to the NSW economy. The 765,000 small businesses make up 98 per cent of all business in this State, employing around half the state's workforce, and injecting more than \$355 billion of annual sales and service income into our economy. The contribution of small businesses in NSW is more than just numbers - each and every business is a valuable part of the community, providing critical services, expertise and goods to families all over the State, in particular in our regional areas.

In 2020, we are witnessing the unprecedented global challenge of the COVID-19 health pandemic. At the time of writing this, I have been hearing from small businesses who are facing the most difficult circumstances imaginable. However, there is no doubt small businesses in NSW are resilient and the NSW Government is committed to supporting them through to the other side of the global health pandemic. Whether it's waiving fees and charges for tradies or other impacted businesses, waiving and deferring payroll tax for eligible businesses or saying to small businesses impacted by COVID-19 you may be eligible for grants of up to \$10,000 from the NSW Government's Small Business Support Fund, this is all about building a bridge to recovery.

Looking back to 2019, times were also tough for many small businesses. Many in regional NSW continued to feel the effects of our worst drought on record, and an early bushfire season impacted many small businesses in the State's north and on the mid-north coast, before the emergency reached crisis point on the NSW South Coast as we ushered in the new year.

In 2019, we provided around \$2 billion in small business disaster relief. The NSW Small Business Commission is playing a key role in that effort, helping the government identify and deliver the support needed. I joined the Commission in regional NSW to speak to hundreds of small businesses hard hit by drought and bushfire impacts, and will continue to advocate for support for small businesses from all parts of our State who are experiencing the impacts of COVID-19.

Although we have been dealing with significant disruption, in 2019 we were also focussed on sustaining and growing the small business sector.

Our Faster Payment Terms Policy paid more than 934,000 invoices and government purchase card transactions, worth more than \$360 million, to registered small businesses which supply goods and services within 20 calendar days. The Policy has positioned NSW as a world leader in fast payments, and we set the bar even higher when we reduced payment times to five calendar days from the beginning of 2020.

We made it easier for small businesses to grow and prosper through payroll tax cuts, raising the payroll tax threshold from \$750,000 to \$850,000 from July, eliminating the need for about 2,000 small businesses to pay payroll tax. We have brought forward the payroll tax threshold to \$1 million in 2020-21.

We also launched the *NSW Government's 2040 Economic Blueprint: Investing in the State's Future*. The small business sector plays a key role in our broader economic development agenda, and we are currently working on refreshing the

Small Business Strategy to align with the Blueprint. This annual report is a snapshot of how the NSW Government is making meaningful change and supporting small businesses in all corners of the State. With unprecedented challenges ahead, we are committed to continuing our support for this important sector that generates jobs, provides services and boosts local economies for the benefit of us all.



I would like to congratulate Chris Lamont who has been appointed the new NSW Small Business Commissioner.

Chris has more than two decades of experience in policy development and advocacy, senior government positions, not-for-profit and industry associations, business and the delivery of major government reforms and programs. I look forward to working closely with Chris as he leads the Commission in advocating for small businesses across NSW.



I would also like to acknowledge the extensive work of Ms Robyn Hobbs (OAM) who stepped down from her position as NSW Small Business Commissioner at the end of 2019.

From her appointment in 2014, Robyn lived and breathed everything small business. A passionate and tireless advocate for all small businesses, Robyn led the team at the Commission in providing advocacy, dispute resolution and business support services across the state.

Her efforts helped cement NSW as the best place in Australia to start and grow a business. It is a wonderful legacy and I wish Robyn the very best for the future.

Top image: Ms Robyn Hobbs (OAM), former NSW Small Business Commissioner, visiting Blooms on Maitland, Narrabri;

Below image: Robyn joins Minister Damien Tudehope at Wee Waa Hot Bread, Wee Waa



Interim Commissioner's Message



**Stephen Brady, Interim
NSW Small Business
Commissioner.**

Small businesses are operating in a rapidly changing world. Natural disasters, a world health pandemic and technological advancements in online marketplaces have highlighted the importance of small business being resilient and able to adapt to the disruptions that encompass them.

The NSW Small Business Commissioner's independent voice to government and dispute resolution services play a critical role to enable small businesses to get the support they need to navigate these unprecedented challenges.

In 2019 our team had more than 1,800 engagements with small businesses experiencing disruption from bushfires, drought and infrastructure development. As part of this, we undertook hundreds of hours of on-the-ground support, visiting businesses in impacted areas. We also worked with local business leaders, chambers of commerce, councils and government representatives to get the help needed to local business communities.

We covered more than 1,000 kilometres in four days to speak to over 350 small businesses in drought-affected North West NSW. We travelled to bushfire-ravaged communities to understand their issues and advocate for support to enable their recovery. We hit the pavement to speak to hundreds of small businesses impacted by the construction of the Sydney Light Rail and those who will be affected by construction of the new Parramatta Light Rail. These health checks informed businesses owners, including retail tenants and their landlords, of the assistance available through our mediation and advocacy teams. And we provided ongoing support to subcontractors working on NSW Government projects, including partnering up with Roads and Maritime Services to implement a pilot to help subcontractors better understand their rights and increase their financial and contract management skills.

We spoke up for small businesses impacted by the lock-out laws as part of the inquiry into Sydney's Night-Time Economy, reviewed the new Franchising Code of Conduct and the work of the Franchising Taskforce, and we were a key stakeholder in the review of the Food and Grocery Code of Conduct.

In 2019, we completed a number of programs we were conducting as part of the NSW Government's *Easy to Do Business* initiative, including helping farmers branch into tourism as part of an Agritourism pilot; providing tips and resources for running a home-based business; launching a disaster recovery toolkit; finalising a state-wide outdoor dining model policy and enhancing local procurement opportunities for small businesses through a range of tools and resources.

In May, we held the Small Business Friendly Councils conference — bringing together like-minded councils committed to learning more about how to help their small businesses and boost local economies.

A highlight of the year for us was our Mediation Services team being named the *Australian Disputes Centre Practice Group of the Year* — they are officially the best in our nation when it comes to dispute resolution.

I want to acknowledge Ms Robyn Hobbs (OAM) for her achievements and unwavering commitment to the small business sector during her tenure as the NSW Small Business Commissioner, which she completed at the end of 2019. On behalf of the whole team, I would like to wish Robyn all the very best.

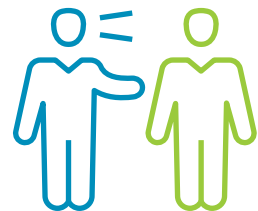
2019 Highlights



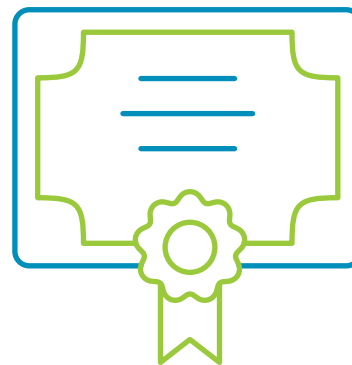
APPROXIMATELY
19,740
enquiries received
10% increase
from 2018



920
matters filed
9% decrease
from 2018



AROUND
27,300
small businesses assisted
7% increase
from 2018



6,001
bonds matters handled
1.7% increase
from 2018



NSW Small Business Commissioner – the advocate

The NSW Small Business Commissioner helps resolve issues affecting NSW small businesses and influences meaningful change. We advocate on behalf of small businesses, provide resources and strategic advice as well as free-to-low-cost mediation services to tens of thousands of small businesses each year.

Here is how we advocated for NSW small businesses in 2019

In 2019 the NSW Small Business Commissioner advocated for a number of significant policy reforms to address systemic issues and influence meaningful change for the 765,000 small businesses across the State.

We advocated for small businesses in our consultation with other government bodies, following the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry. We called for greater monitoring and regulation within the sector to address power imbalances between providers and small businesses.

We played a key role in the inquiry into Sydney's Night Time Economy, identifying the impact of the lock-out laws on small business and making recommendations to reduce red tape for small businesses operating in this marketplace, advocating for a safe and prosperous night-time economy.

We were a key stakeholder in the inquiry into the operation and effectiveness of the Franchising Code of Conduct and the Franchising Taskforce's work. We called for reforms that will lead to more equitable, transparent and mutually beneficial relationships between franchisors and franchisees.

We also advocated for fairer treatment of small businesses by insurers through submissions and representations that have led to strengthening of compliance and monitoring of insurance companies, as well as ensuring small businesses are covered by unfair contract terms.

Disruption

Our team understands that major construction work and infrastructure projects can have a significant impact on small business.

In 2019 our team engaged with hundreds of businesses impacted by NSW Government infrastructure projects, providing support and a voice within government. We also helped impacted retail tenants negotiate with their landlord and manage disputes, and connected them to other government support services such as the NSW Government's Business Connect program that provides personalised business advisory support.

After the NSW Customer Service Commissioner reviewed the impacts of new government infrastructure on small business, we played a key role on the cross government team which considered the recommendations. These recommendations promote a better experience for impacted small business owners through streamlining access to information, strengthening engagement with small business and considering the impact of disruption and mitigation strategies early in the infrastructure planning cycle.

Light rail

In July, our team joined forces with Transport for NSW and conducted a health check on more than 400 small businesses impacted by the Sydney Light Rail. We worked closely with Transport for NSW to ensure the lessons learnt from Sydney Light rail are taken

into account when planning and engaging with small businesses on the Parramatta Light Rail project. We commenced our on-the-ground work in Parramatta by visiting more than 300 small businesses during the pre-construction phase, encouraging them to seek advice about how they will operate during the construction period, and providing advice around retail leasing arrangements.

Promoting a better experience for small business owners impacted by government infrastructure through strengthening engagement... early in the infrastructure planning cycle.

Recovering from disaster better

This year we launched a new toolkit to help small businesses better prepare for when disaster hits — whether flood, fire or cyber-attack. *Get Back to Business - A Guide to Recovering from Disaster* outlines the five phases of disaster recovery from the moment disruption strikes to the actions you need to get your business back on track. We also released the *Insurance Claims for Small Business Guide* to help businesses with all they need to know about lodging an insurance claim after a disaster or disruption.



Mediation

Our highly-trained mediators are committed to finding real solutions for all parties to avoid litigation.

ANSWERED

16,500

direct enquires



147,289

visits to the website



The mediation team provides impartial, procedural advice, information about commercial agreements and retail leases, and referrals to other NSW Government support services.

As a neutral third party, our Mediation Services team manages retail and commercial property cash bonds under the NSW Retail Lease Security Bond Scheme. The Commission holds the funds until an agreement is reached between tenant and landlord on how the bond is paid out, or as a court directs the payment. If there is a dispute, our team can work with both parties to find a timely and cost-effective resolution.



6001

bond matters handled in 2019

Helping solve problems

A business dispute can be highly disruptive for all parties involved. While the reasons behind a dispute vary and can relate to anything from a problematic contract to unfair treatment by a landlord to a retail tenant, the consequences of any dispute are clear – they are time consuming, expensive and stressful.

That is where our Mediation Services team can help. Our highly trained mediators – often former small business owners themselves – are committed to finding real solutions for all parties to avoid litigation. The team provides quick, confidential and cost-effective support to small businesses so they can negotiate successful outcomes to disputes. If there is no resolution through early discussions, we can arrange formal mediation where both parties can explore their concerns and come to a mutually agreed solution.



Best of the best for mediation

In August, the NSW SBC Mediation team was named the Australian Disputes Centre (ADC) *Practice Group of the Year 2019*.

The category recognises excellence in the provision of alternative dispute resolution strategies and is open to Australian-based dispute resolution practice groups within law firms, and law firms that specialise in alternative dispute resolution.

Case Study

Each year the Mediation Services team helps thousands of small business owners across NSW through difficult situations. Here is an example of our work.

The tenant's view

A husband and wife team set up a takeaway outlet in a small shopping arcade, but they aren't making enough money. The landlord wants to introduce a competitor into the centre. To keep out the competitor, the tenants offers to pay another \$600 a week for the extra space.

The couple struggle and find a buyer prepared to pay \$50,000 for the business. However, when they tell the landlord about the potential new tenant, he increases the rent to \$10,000 a week. The sale does not proceed. The tenants pack up and make a claim on their bond, which is held in the retail bond scheme.

The landlord's view

A restaurateur couple is the main tenant for a landlord who owns a small shopping centre. He needs to fill all vacancies to cover mortgage repayments. He finds another potential business but the couple object.

The restaurateur struggles to pay the now-discounted rent, and they find a buyer for the business. However, the landlord refuses to issue a new long-term lease to secure the sale because he wasn't told about it until the last minute and asks for \$10,000 to cover expenses and rent in arrears. The tenant cleans out the shop and claims the bond.

The resolution

Both parties find their way to our mediation service (mandatory under the Retail Leases Act 1994) before the case progresses to court. With the help of a neutral third-party mediator, they share differing points of view. The tenant had never considered the financial pressure on the landlord. The landlord failed to realise owning a shopping centre does not guarantee tenants who make money. We were able to work through the communication barriers and focus on the commercial issues. In the end, mediation helped both parties avoid costly litigation.

What mediation experts say about our mediation team



In my view the SBC Mediation Services Team adds value to clients, the courts and the dispute resolution industry in equal measure. It thoroughly deserves an award.

Laurence Boulle AM (Adjunct Professor, Thomas More School of Law, ACU)

Drought support for small businesses



Barraba

Over the past few years, NSW has been struggling through one of the worst droughts on record. And it is not just our farmers that are being hit hard —many types of small business are feeling the crippling effects.

Local shops, cafes, manufacturers, service providers and other businesses have felt the sting of local economies drying up along with the water supply. When people living in drought-affected communities can't afford to spend, the flow-on effects to local tradies, suppliers and retailers can be devastating.

In 2019, we provided direct support to many small businesses in regional and rural communities, helping businesses access advice on everything from tax deductions, energy saving schemes and mental health support, to dispute resolution services, retail visual merchandising and local procurement support and referrals to Business Connect.

We have been advocating for support for small businesses through our involvement on intergovernmental drought taskforces and contributed to the whole-of-government submission to the NSW Parliamentary Inquiry

into *Support for drought affected communities in New South Wales*.

In July, a team from the Commission joined the Minister for Finance and Small Business, Damien Tudehope, representatives of other Government agencies and the NSW Business Chamber to visit small businesses in North West NSW. We listened and provided advice to more than 350 business owners, councils and business chambers and incorporated issues raised during the visit into our ongoing drought advocacy work.



One of the affected small business owners we met was Tennielle Palmer, who owns Palmers' Market on the main street of Wee Waa.



“

For the Small Business Commission to come all the way to Wee Waa, it's nice to know that somebody is thinking of us. We are isolated out here and disconnected from the city. It's so important to have a voice through the Commission to represent our issues to government.

Tennielle Palmer –
Palmers' Market Wee Waa

Bushfire support

In the spring-summer of 2019, NSW was devastated by an unprecedented bushfire season that impacted businesses and communities across the State.

Small businesses experienced a wide range of impacts; everything from destroyed and damaged buildings, equipment and stock to significant loss of income and trade due to evacuation orders, road closures and travel warnings.

In October 2019, staff from the NSW Small Business Commission visited the impacted communities of Tenterfield, Casino and Rappville and met with councils, business chambers and small businesses.

After the trip we:

- advocated for more assistance for small businesses
- worked with state and regional recovery groups to provide strategic support for businesses and promote tourism to regions declared safe
- supported businesses by providing information about a range of government and non-government assistance and services
- developed the *Bushfire Impacts on Your Small Business* survey to get direct feedback from businesses. The results informed NSW Government agencies and other organisations how best to help small businesses during the recovery phase.

Addressing payment issues

Leading the way to reduce payment times for small businesses and prevent cash flow issues.

Faster Payment Terms

The NSW Government is leading the nation addressing this issue by paying small businesses providing up to \$1 million worth of goods and services with 20 days. From January 2020, payment times for registered small business suppliers will be five business days.

The NSW Small Business Commission has been championing the implementation of the Faster Payment Terms policy. Since its introduction in December 2018, the NSW Government has paid more than 934,000 invoices and government purchase card transactions worth more than \$360 million to registered small businesses within 20 calendar days. This policy is getting cash to businesses faster, enabling them to pay their employees and suppliers with confidence.

Case Study

Sydney-based company, Anaeron Pty Ltd, supplies NSW Health with leading medical accessories and consumable products aimed at combating the spread of infection in public hospitals.

Director Ana Robinson said the impact of the Faster Payment Terms policy for a small company like Anaeron is far-reaching and continuous.

“Having access to funds faster has enabled us to shorten the time to re-stock products, given us greater security and allowed us to plan more effectively for future expenses,” Mrs Robinson said.

“This policy has given us the opportunity to get a better economy of scale in expenditure, which has translated in better profit margins.

“We have been able to offer our staff more work and in turn, they have spent more time on the sales process, which has increased.

“It’s amazing what a fast-moving cash flow can do for a small organisation.”



Addressing payment issues in the construction industry

In 2019, the NSW Small Business Commission continued its advocacy to government to address systemic payment issues occurring in the largest small business sector, the construction industry. Many of the 128,000 small businesses in this sector regularly experience payment issues leading to cash flow problems, which in some cases sadly result in insolvency.

The Commission played a key role in advocating for changes to the NSW *Securities of Payment Act*, which came into effect in October 2019. Our mediation team supported small businesses with a confidential service for those experiencing payment issues to help get these resolved.

We joined the NSW Government’s Construction Leadership Group advocating for improvements to government procurement processes to benefit small business. And we partnered with the Roads and Maritime Services on a pilot program to strengthen the onboarding processes for small subcontractors and improve their skills in contract and project management and financial literacy.

Small Business Friendly Councils

Local councils play a key role in the small business landscape, providing support to their local entrepreneurs to start up and grow a business. They also help their local business community adapt to changes and disruptions in their operating environment, particularly in times of natural disaster.

Our Small Business Friendly Councils (SBFC) initiative partners with NSW councils to provide them with free information, initiatives and resources to do just that.

In May 2019, the Commission held the inaugural SBFC conference, which was a resounding success. Representatives from 70 councils participated including guests from Western Australian local government. A highlight was a presentation to councils acknowledging their leadership through adopting the NSW Government's award-winning Easy to

do Business program. This initiative slashes the time and effort it takes to set up and expand a business by providing a single 'front door' to government. 119 councils are now signed up to the program, covering 93 per cent of the State.

This year we continued to work with councils to support their small businesses in adopting the State-wide Outdoor Dining Policy we developed in conjunction with them. This policy cuts red tape to make it easier to take dining outdoors, creating jobs and boosting business for local economies.

BELOW: Minister for Finance and Small Business Damien Tudehope, Minister for Customer Service Victor Dominello and former NSW Small Business Commissioner Robyn Hobbs join participants at the SBFC conference.





Case Study

Winter Wonderland Gilgandra, 2019

The workshop in Gilgandra, in collaboration with Gilgandra Shire Council, was a turning point for the town's retailers and businesses. They had endured years of drought and were reeling from the recent closure of Target — a main street anchor business. At the retail visual merchandising workshop they decided to revamp the main street to bring it to life. In July the inaugural Winter Wonderland event took centre stage. Shopfronts were decorated and live entertainment was enjoyed by all, with local businesses trading into the night. The event was a major morale booster for the businesses and wider community.



Visual merchandising

Visual merchandising helps business owners present their retail space in the best way possible to entice more customers and boost business. In 2019, the Commission developed a visual merchandising guide that provides 10 easy tips on how to keep customers coming through the door, ranging from store layout, lighting, music, window displays and even the colour of the walls.

As well as the guide, in 2019 the NSW SBC enabled local councils to hold 21 visual merchandising workshops for small businesses across NSW. These workshops helped revitalise local businesses and highlighted the importance of shopping local.



Agritourism

The drought continued its grip on rural and regional NSW throughout 2019. With the support of Service NSW, the NSW SBC championed an innovative agritourism pilot initiative to help primary producers expand into on-farm tourism. The pilot makes it easier

for farmers to diversify into ventures such as farm stays, roadside stalls, on-farm retail and tours and events, and is being conducted in partnership with three councils: Liverpool Plains, Queanbeyan-Palerang and Wollondilly.

“The agritourism program has been wonderful for us - learning what else we can achieve on the farm through tourism. We are really excited about using this opportunity to diversify into providing accommodation, educational tours and events right here on Windy Station.”

— Claire and David Lee, program participants and managers of Windy Station



Local procurement

In 2019 local government procurement regulations changed, making it possible for councils to purchase products and services of up to \$250,000 without going to tender.

We recognised a further opportunity to support small businesses. In September, we launched our *Local Procurement Pilot* at the 2019 Local Government NSW Conference at Warwick Farm. Again, the focus was cutting red tape. The local procurement pilot aims to increase direct contact between small businesses and councils and to simplify the tender process, presenting a great opportunity for local small businesses to compete with larger companies for valuable council contracts and have a real shot at securing them.

Home-based business

In October, we launched a new online resource that is a one-stop-shop for anyone interested in running a successful home-based business. The Commission developed *Running a Home Business* after surveying local councils who said there was a gap in the advice needed for budding entrepreneurs in their local area. We also consulted home business owners ranging from startups to industry 'veterans' of more than 10 years, to understand their challenges and identify what they need. The guide outlines everything you need to know about getting started, where to find help developing a business plan, requirements for hiring staff, accessing government grants and staying connected.



2020 Focus for NSW SBC



The impact of COVID-19 will be the dominant theme for 2020 with significant global economic disruption impacting the NSW small business sector. The Commission will play a key role in supporting small businesses under stress, advocating for further assistance and helping in discussions with landlords.



Adopting findings of the review into the Small Business Commissioner Act 2013.



Supporting the implementation of the refreshed NSW Small Business Strategy.



Supporting disrupted businesses impacted by events such as drought, bushfires and NSW Government infrastructure projects.



Advocating for small businesses experiencing unfair treatment through unfair contract terms, late payment and unnecessary regulatory burden.



Advocating for improvements in procurement processes.



Continuing mediation support for business with retail leasing and other issues.

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