

1. Executive Summary

1.1 Overview

- 1.1.1 Natural disasters are catastrophic and have prolonged impacts for individuals, regions and communities. Natural disasters are occurring with increased frequency and severity.
- 1.1.2 The impacts of natural disasters on small and family businesses can be devastating yet according to our survey, few have current business continuity plans. The Australian Small Business and Family Enterprise Ombudsman (the Ombudsman) regularly receives calls from small and family businesses that have been affected by natural disasters, both immediately and in the following months and years after. Many small and family businesses remain engaged in issue after issue to progress their recovery, and in some cases in protracted disputes which have a genesis either directly or indirectly in natural disasters.
- 1.1.3 The Ombudsman works across all levels of government, in partnership with small business commissioners, federal regulator and dispute resolution agencies, colleagues, private sector organisations, and representative bodies to support small and family businesses following natural disasters. As a result of this work, the Ombudsman has been advocating for greater emphasis being placed on ways to build small and family business preparedness for, and resilience in the face of, natural disasters.
- 1.1.4 On 23 December 2021 the Minister for Employment, Workforce, Skills, Small and Family Business, the Hon. Stuart Robert MP (the Minister), referred an Inquiry into Small and Family Business Natural Disaster Preparedness and Resilience to the Ombudsman under Section 42(1) of the *Australian Small Business and Family Enterprise Ombudsman Act 2015* (the Act). This Inquiry focuses on existing education and engagement practices and how these could be improved and support the implementation of the Australian Government's response to the Royal Commission into National Natural Disaster Arrangements (the Royal Commission).
- 1.1.5 The Minister requested the Inquiry commence immediately and report back by 18 March 2022.
- 1.1.6 Following receipt of the referral and pursuant to Section 3 of the Act, the Ombudsman published the required Notice of Intention to hold the Inquiry in each state and territory by publishing notices in newspapers listed at **Attachment A**.
- 1.1.7 The Ombudsman worked closely with industry associations, trusted advisers, small and family business support organisations, government disaster response and resilience organisations which provide support to small and family businesses, and those that undertake disaster response work. The Ombudsman held in person feedback sessions in Queensland, New South Wales, Victoria, South Australia, and Tasmania, as well as an online session in the Northern Territory and Western Australia, hearing directly from small and family businesses affected by natural disasters. See **Attachment B** for full list of feedback sessions.

1.2 Terms of Reference

- 1.2.1 The Terms of Reference were reviewed by the National Recovery and Resilience Agency and was provided to the Ombudsman by the Minister. See **Attachment C** for Terms of Reference.

1.3 Role of ASBFEO

- 1.3.1 Australia is a nation of small businesses and family enterprises. It is a dynamic and exciting sector that allows people with an entrepreneurial spirit to pursue their dreams. One of the fastest growing in the economy, the sector presents many opportunities to those who dedicate themselves to pursuing a small business and family enterprise venture.
- 1.3.2 The Australian Small Business and Family Enterprise Ombudsman (the Ombudsman) understands the challenges facing small business and family enterprises, and provides advice and undertakes research to improve policies, access to dispute resolution services and mental health support should the need arise.
- 1.3.3 The mission of the Ombudsman is to help ensure Australia is the best place to start, grow and transform a small business or family enterprise. The Ombudsman celebrates the vital and deeply personal contribution made by the more than 2.3 million small businesses and family enterprises to Australia's prosperity, wellbeing and community.
- 1.3.4 The Ombudsman was established in 2016 under the *Australian Small Business and Family Enterprise Ombudsman Act 2015*. The Ombudsman is an independent advocate and assists Australian small and family business owners, with legislative powers to conduct inquiries and research, work with other arms of government, contribute to inquiries and promote good business practice.
- 1.3.5 The Ombudsman is underpinned by three key functions:
 - 1.3.5.1 Assistance: through the provision of information about dispute resolution options, access to mediation, alternative dispute resolution processes under the Franchising, Horticulture, Dairy and Oil Codes of Conduct and assistance with disputes with the Australian Taxation Office (ATO).
 - 1.3.5.2 Advocacy: through the provision of advice and insights to policy and decision makers, conducting research, delivering inquiries, providing commentary on legislation, providing advice to Ministers and outreach and engagement activities.
 - 1.3.5.3 Media and Communications: share all of our valuable insights and understandings of the current issues facing small businesses and family enterprises, promote best practices in the small business and family enterprise sector to the broader community, remind small businesses and family enterprises that we're here to represent them and provide them with a platform to engage with other important and relevant representative bodies.

1.4 Findings

- 1.4.1 The Inquiry identified a range of key themes and findings that are strongly articulated in research, as well as through community and sectoral feedback sessions held across the country. These themes and findings can be grouped into areas of 'community preparedness', 'barriers to preparedness', 'resilience enablement' and 'clarity and certainty'.
- 1.4.2 Many of the findings are consistent with those of the Royal Commission, with several of the recommendations of this Inquiry designed to complement recommendations from the Royal Commission (**see Attachment D**).

Community Preparedness

Socio-commercial capital

- 1.4.3 Local economies that have ‘wind in their sails’ are better equipped to weather and recover from disasters than those that are already struggling.
- 1.4.4 A strong sense of community connectedness, business connectedness, and strong relationships of trust between businesses (‘socio-commercial capital’) lead to more resilient, unified communities that work together in response to disasters. Communities without these strengthened relationships and behaviours, struggle to respond to challenges.

The value of local experience

- 1.4.5 Strong local business communities can be drawn on to share experience, educating and supporting ‘newcomer’ business owners in preparedness and resilience in their regional setting. There is a clear need to provide education and support to business owners new to a region or to business.
- 1.4.6 Importantly, this sense of ‘local’ experience transcends town borders, local government areas, and state borders and can be more reflective of economic and natural systems catchments.

Community leadership

- 1.4.7 In many of the communities with strong socio-commercial capital, local small business leaders are looked to as community leaders in times of disaster. These community leaders are key to disaster preparedness planning and in building resilience in the face of disaster.
- 1.4.8 The survey data developed through this Inquiry shows that different types of disaster will have different timelines for recovery, with, for example, drought taking significantly longer to recover from than cyclones. As such, support for community leaders needs to be tailored to the type of disaster the community has faced.
- 1.4.9 It is critical, however, that these business owners are adequately supported with resourcing and assistance to participate in preparedness planning and resilience building activities, as they may also be severely impacted at a personal level.
- 1.4.10 Further, while many businesses actively encourage a sense of volunteerism amongst their employees, this creates burdens for businesses that may have critical workers, or a significant part of their workforce called out for volunteer work for an extended period of time.

Barriers to Preparedness

Better business practice

- 1.4.11 Broadly speaking, well run, planned and forward looking, and managed businesses are more likely to manage effectively through natural disaster than businesses with less internal capacity.¹
- 1.4.12 Simple steps such as ensuring record keeping is up to date, business processes and critical information are, where possible, digitised, and payments to relevant bodies such as the ATO, lenders, and insurers are up to date, were pointed to as better business practice matters that if lacking, caused significant and unnecessary issues following a disaster.

¹ Regional Australia Institute. *Disaster Recovery and Resilience Policy Guide 2021*.

- 1.4.13 In addition to these better business practices, best practice activities were identified in particularly resilient businesses, noting that businesses with significant preparedness activities were most likely to be resilient in the face of a natural disaster.
- 1.4.14 It is noteworthy that only one in four businesses have any sort of preparedness plan, and even fewer have one that has been created in recent times. Businesses report being better prepared for floods and cyclones than other types of disaster.

Investment in preparedness

- 1.4.15 We were told of numerous examples of proposals for monitoring and mitigation investments that have not attracted support despite requests to governments for funding.
- 1.4.16 Government grant funding for engineering works, monitoring and predictive capability, and infrastructure enhancements, often require matching contributions beyond the capacity of the proponents.

This experience in many communities could be a contributing factor to analysis by the Productivity Commission² and Deloitte Access Economics³ showing that of all money spent by governments on disasters in Australia, 97% is spent after the event with only 3% spent in preparedness.

Resilience Enablement

Insurance

- 1.4.17 One of the aspects of better business practices is ensuring a business is adequately and appropriately insured. Many business owners expressed frustration about being unable to secure appropriate insurance at an affordable price. Some reported operating uninsured, or significantly underinsured, with excesses that would preclude any claim being made. All reported that they were working with insurance brokers to seek insurance, and the value of these relationships and support.
- 1.4.18 Small and family business owners consistently reported insurers being disinterested in, or dismissive of the steps taken to mitigate disaster risk at an individual business level.

Infrastructure hardening

- 1.4.19 An aspect of 'good neighbourhood' (to be discussed later) is for all levels of government to ensure critical infrastructure is fit for purpose and appropriately hardened in preparedness for a natural disaster. Feedback identified the 'fitness for purpose' of development approved land, particularly in fire-prone and on flood plain areas.
- 1.4.20 Contributing small and family businesses consistently reported embracing preparatory steps urged of them only to have critical infrastructure needed to rely on these preparedness and resilience building steps fail. Examples included shifting to cloud-based records keeping, moving data storage and business systems away from desk-top technology, only to face telecommunications and power outages; the use of card and EFT payment systems, only to have networks 'down' and ATMs out of service when cash was needed; vital transport corridors (including designated evacuation routes) not safe for use due to inadequate roadside clearing; and 'last resort' refuges inadequately equipped. A

² Productivity Commission. *Natural Disaster Funding Arrangements*, May 2015.

³ Deloitte Access Economics. *Economic Reality Check: Adapting Australia for climate-resilient growth*. January 2022.

'hardening' of critical infrastructure and systems needed to support best advice in small and family business disaster preparedness is necessary.

Timely and clear communications

- 1.4.21 Noting the effects of 'localism' being more reflective of economic and natural systems catchments than hard designated borders, stakeholders expressed a wish for communications related to cross border disasters to be strengthened. For example, where disaster warning systems are reliant on state-managed data, cross-border or near-border communities can be unaware of the rapid advance of disaster conditions and threats.
- 1.4.22 Feedback session participants highlighted changes to the way the Bureau of Meteorology collates and publishes data and weather predictions, noting that a move away from individual monitoring stations on farms supplemented by real-time on-the-ground responses, has led to shortcomings in predictive modelling or delayed reporting of the impacts of weather patterns.
- 1.4.23 While communities reported significant gratitude for the work of broadcasters in keeping them informed of disaster conditions, concerns were raised about the contemporaneous nature of information being broadcast. Noting that emergency services information may not be available to broadcasters in a constant stream, feedback received suggested the potential benefits of 'timestamping' information that was first received in excess of one hour prior, so that communities had confidence in the continuing relevance of the information.
- 1.4.24 Survey data highlighted the need for multi-channel communication around disasters, with clear preferences expressed by some business owners, and differing levels of trust and distrust in various information sources.

Good neighbours

- 1.4.25 Some business owners reported a sense of doing 'all they could' to prepare for disasters, only to have their risk management and mitigation circumstances harmed by a lack of commensurate 'good neighbour' actions, particularly from governments of all levels, as well as some land holders and land managers. Examples were shared of businesses abutting public land where their own actions could not overcome problems caused by the absence of fuel load reduction, fire mitigation, and storm water runoff.
- 1.4.26 Dependency on vulnerable telecommunications infrastructure and critical access corridors, not supported by appropriate roadside clearing were cited as examples of preparedness planning undermined by infrastructure fragility or incapacity.

Clarity and Certainty

- 1.4.27 Throughout the Inquiry, there has been a strong sense of inequity and unpredictability in the ways supports have previously been and will be rolled out in the event of future natural disasters. This unpredictability makes it challenging for businesses to adequately prepare for future disaster events and reduces resilience in small and family business owners craving certainty in the face of natural disasters.

Certainty of support offerings

- 1.4.28 Part of the communication and preparedness around natural disasters needs to be focused on ensuring small and family business owners are confident of the support they will receive in the event of an emergency, and that it is distributed in a way that is seen as equitable across business types and the community.

- 1.4.29 A further factor raised in consultation was the unpredictable eligibility of indirectly affected businesses. This is particularly so where businesses are not physically impacted or part of the 'damage scar'.

Moral hazard issues

- 1.4.30 The perception of unpredictability and in some instances inequity or inconsistency of support has produced a sense of resentment amongst communities. Consultations revealed that amongst some businesses there was a sense that support recipients were advantaged after giving less attention, time, and effort to protect their own economic interests.
- 1.4.31 Examples were cited of business owners purchasing adequate (in some cases expensive) insurance where it is available, having disaster management plans, and preparing premises and storage areas prior to a disaster, and then seemingly denied public support as a result of these self-supporting activities. Care is required in providing responsive and adequate taxpayer support so that this support does not act as a disincentive to business owners taking reasonable self-care and self-support measures.

Increasing disaster regularity

- 1.4.32 There is the working assumption that natural disasters occur infrequently, which allows a sufficient recovery time, ensuring communities and small and family businesses can prepare and build resilience for future disasters. However, feedback received during the Inquiry is contrary to this belief. Then rather, natural disasters are increasing in frequency and intensity, with some small and family business communities describing a 'rolling disaster' operational environment.
- 1.4.33 A perception of 'rolling disasters' negatively impacts the capacity of a small and family business to build resilience, as they perceive they are simply 'holding on' from one disaster to the next. The frequency of disasters also presents a problem when recovery grants are tied to a reduction in turnover year on year, as small and family businesses may not be able to show the necessary reduction if they have had more than one bad year in succession.

Mental health impacts

- 1.4.34 Many business owners reported struggling with their mental health following a natural disaster. Small and family business owners pointed to lack of clarity and certainty around their future as a significant challenge to their ongoing mental wellbeing.
- 1.4.35 Contributors to the Inquiry praised the immediate mental health support available to impacted communities while pointing to accumulated health stressors arising from repeated events, and that emotional distress may take time to manifest, akin to the grieving process.

One stop shop

- 1.4.36 The need for simple information dissemination and communication channels to support ease of action by business owners was raised throughout consultations. Business owners reported being confused about where to go to find the most recent and relevant information, noting that it is often spread across state and territory websites.
- 1.4.37 Further, business owners reported additional confusion in the immediate aftermath of a disaster, noting the need to speak to multiple agencies. This confusion was pointed to as one of the key barriers to preparedness.

- 1.4.38 The town of Bega was held up as best practice in relation to their implementation of a physical one stop shop, known and identified to the small and family business community in advance, to bring government and private support together in one location.
- 1.4.39 While the 'one stop shop' activities were extremely welcome, feedback was received around the potential benefits of all governments embracing a 'tell us once' ethos in their engagement with small and family businesses, so that business owners (and members of disaster-affected communities) are not required to provide the same information to multiple government organisations.