



17 AUG, 2024

Million owners facing closure

Geelong Advertiser, Geelong

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Small business pressures

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Nearly 1.25 million small businesses are at risk of shutting down as cost-of-living pressures hammer profit margins, a senate hearing into Australia's crisis has been told.

Council of Small Business Organisations Australia director Adele Sutton made the startling claim on Friday morning at the hearing chaired by Liberal senator Jane Hume, warning that 49 per cent of 2.5 million small businesses were not "breaking even or making a profit".

"When a small business isn't breaking even, the last person to get paid is the owner themselves," she said, adding that owners were dipping into their own savings to "keep the lights on".

Ms Sutton credited the unpredictability of energy costs, excessive red tape and complex

changes to industrial relations for the bleak picture.

She also said wage increases had not matched productivity improvements.

Australian Restaurant and Cafe Association chief executive Wes Lambert, Restaurant and Catering Australia chief executive Suresh Manickam and Ms Sutton were heard in the morning session.

Mr Manickam said the cost-of-living crisis was rooted in four factors: rising energy prices, interest rates, cost of labour and productivity.

He said cafe and restaurant owners were suffering from "IR fatigue" following the government's complex changes to industrial relations laws.

"It (the changes) is having a fundamental and deleterious impact," he said. He also called for energy stability and assist-

ance from the government to ensure a sustainable energy system.

He said business owners were grateful for the government's recent energy rebate, but it was not enough.

"It's not even a sugar hit," he said.

Mr Lambert warned that owners of small cafes and restaurants would be forced to hire legal counsel to navigate the thicket of new regulation.

"They need to have a lawyer almost on call," he said, adding the cost was too much for many owners.

"They just don't have the money to hire solicitors in order to navigate through legislation."

Labor senator Karen Grogan said in response to Mr Lambert the government had allocated money to the Fair Work Com-

mission to help small businesses secure legal advice.

Labor senator Glenn Sterle asked the witnesses why they struggled to attract young people to the industry, given the global popularity of TV shows such as MasterChef and My Kitchen Rules.

Mr Manickam said the world of high-end restaurants spruiked on TV was only "a very small part of the sector".

"The reality is there's a whole chunk of the sector that is the local fish and chip shop ... or a hole in the wall for coffee and doughnuts," he said.

Media stars were "not what the sector is all about", he said.

ASIC data on insolvencies shows 11,049 businesses went bust in the 2024 financial year, a 39 per cent rise from 2023.