

**COMMUNITY DEVELOPMENT AND JUSTICE
STANDING COMMITTEE**

**INQUIRY INTO WESTERN AUSTRALIA'S
NATURAL DISASTER RELIEF ARRANGEMENTS**

**TRANSCRIPT OF EVIDENCE TAKEN
AT PERTH
WEDNESDAY, 21 FEBRUARY 2007**

SESSION FIVE

Members

Mr A.P. O’Gorman (Chairman)

Mr S.R. Hill

Ms K. Hodson-Thomas

Mrs J. Hughes

Hearing commenced at 3.30 pm**MOIR, MR STEPHEN****Acting Managing Director, Small Business Development Corporation, examined:**

The CHAIRMAN: This committee hearing is a proceeding of Parliament and warrants the same respect as proceedings in the house itself demand. Even though you are not required to give evidence on oath, any deliberate misleading of the committee may be regarded as a contempt of Parliament. Have you completed a "Details of Witness" form?

Mr Moir: Yes.

The CHAIRMAN: Do you understand the notes at the bottom of the form?

Mr Moir: I do.

The CHAIRMAN: Did you receive and read an information for witnesses briefing sheet regarding giving evidence before parliamentary committees?

Mr Moir: Yes, and I have read it.

The CHAIRMAN: Do you have any questions relating to your appearance before the committee today?

Mr Moir: No.

The CHAIRMAN: We have received a submission from you. Do you wish to propose any amendments to your submission?

Mr Moir: No.

The CHAIRMAN: Before we ask any questions, would you like to make any opening statements in addition to your submission?

Mr Moir: No, not at this time.

The CHAIRMAN: Would you give an overview of the role played by your organisation in natural disaster relief arrangements within the community?

moir: The Small Business Development Corporation has taken a very strong approach to any natural disasters in, particularly, regional Western Australia. Most recently it was cyclone Vance and the Moora floods and, of course, this year there was the Esperance storm. Our approach has been very much one of briefing our minister on the need to go immediately to the area concerned. We will generally dispatch one or perhaps two experienced small business advisers to meet with as many small business operators as possible. In addition to that, they will generally meet with local government representatives and any key state government agencies in the area to get an accurate assessment of the damage and also to get a picture of what operations, either state or federal, are currently operating in the area so that we do not duplicate them.

While we do not provide financial assistance, our approach to small businesses is very much along the lines of working on their cash flow, budget management and debt management processes to basically give them the tools to get through the situation. As an example, in Esperance we asked the businesses we visited about their downturn. If they were involved in the tourism or traffic industries, we asked them what impact they envisaged the disaster having on their business and how they were approaching that from a cash flow management point of view to get them through. In general, we found that to be very practical assistance.

Mrs J. HUGHES: It is obvious that the community should be made aware of any assistance that is available to it following a disaster. Based on your experience and observations, how aware are business owners of the assistance that is available to them following a natural disaster?

Mr Moir: Is that question restricted to the services we offer or is it across government?

Mrs J. HUGHES: The assistance you offer and also your view of other assistance that is available.

moir: Our approach is to provide that information via a media release and to get it out as soon as possible through print and television media. The problem is that we always miss a certain element within the community or that element within the community does not bother to listen to or read that information because they are too busy. In Esperance we did not get to some small business operators because they were too busy with their clean-up role. They missed the opportunity. The business community in the town of Esperance is quite large and it is difficult to get to all of them in two days. That is why we go to chambers of commerce and industry associations to see if we can lever in that way. That is the approach to date.

With major disasters like cyclone Vance, in which Exmouth was significantly damaged, there is a fair degree of awareness of the kind of services available across government. Clearly, state emergency is the starting point, and then health services, police services and support agencies come in. I would rate the level of awareness as reasonably strong in areas where there is a significant impact.

Mrs J. HUGHES: I know that you do not deal with some of the regional areas of the farming community. I do not know whether it falls on you or the Department of Agriculture and Food to provide assistance to farmers on how to function and reassess the business that they will be following through in the next 12 months to recover. Have you heard whether the farming community is also aware of the services that are available to it?

Mr Moir: In the case of Esperance, we worked very closely with the Department of Agriculture and Food. Historically, the corporation has not assisted farming businesses. There has been a discussion about town-based small businesses and rural-based small businesses. However, we have had discussions with our minister and we now assist farmers. A viable farming community has a positive flow-on effect to the small business community. The two go hand in glove.

We had discussions with the Department of Agriculture and Food, which has a business advisory-type service, and it has been very good in its willingness to work with us to avoid any duplication. The reason we visited the Department of Agriculture and Food following the Esperance disaster was to get an assessment of the damage to the farming community. That process has been interesting with disasters that occur in the dry season. The automatic response is that assistance is available to the farming community. Generally, when assistance is offered it appears to be offered to the farming community. The feeling in some rural small business communities is that they tend to miss out on assistance and the assistance appears to focus on farming areas and not the small business sector. We strongly argue that there needs to be a balanced approach to that. Both the small business and farming communities need to be able to access assistance.

Mrs J. HUGHES: They are suffering under the same conditions.

Mr Moir: Yes. For instance, the only difference is that in a drought situation small business feels it anywhere from three to six months after the impact of the problem. Cash flow does not dry up until that point. In the dry seasons example, we doorknocked the majority of small businesses in the drought-affected area, and they were reporting that they were reasonably okay until the end of December, but from then on they would start to feel the pressure of the cash flow drying up. That is when farmers would stop paying bills.

The CHAIRMAN: When we were in Esperance we spoke to some small business owners, particularly in transport businesses, and they indicated that there is a larger impost on them to travel an extra 160 kilometres to deliver goods from Esperance to Westminster. In some cases, because of

that extra distance, they had two drivers on a truck and they bore the brunt of the extra cost. Is there anything in the Western Australian natural disaster relief arrangements or the Small Business Development Corporation to assist those small businesses? It is a huge additional cost that is not passed on to the end user. The guy in the middle gets caught with it. Is there a way around that?

Mr Moir: There is no way around that one. Again, this is where the advice on cash flow comes into being. We have to look at those businesses to see how they are managing and ascertain what they are doing to bring that sort of cost factor into their business model so that they can accommodate it. In that instance - Lake King - the drivers had to divert around Lakes Road. Esperance was an interesting exercise. It was the third time in as many years that the road had been shut down. They are getting used to the road problem. They are now looking for assistance to seal the Lake King diversion road; that is, Cascades Road.

Mrs J. HUGHES: One way in and one way out would be a novel approach.

Mr Moir: It would be a novel approach.

Mrs J. HUGHES: The level of bureaucracy - filling out forms and proving identification - especially when people are experiencing hardship or disaster, has been highlighted in several submissions and by people who have spoken to the committee. Do you have any comments? Do you believe that it is a real problem.

[3.30 pm]

Mr Moir: It is a balancing act for government, because on the one hand it has to make sure that the relief it is putting into the community is at an appropriate level, and on the other hand it has to make sure that people who should not be receiving relief are not receiving it. I am not aware that the procedure for the processing of application forms is overly cumbersome. It is not something that has been brought to our attention.

Mrs J. HUGHES: Are your people available to businesses that may find that difficult? Do you have people on deck who could assist businesses with things like that?

Mr Moir: Yes. Our people are available to answer a range of inquiries. That is clearly one thing that would assist them to get through the process.

The CHAIRMAN: You commented earlier that a lot of the assistance is directed towards farms and not a lot is directed towards small business. Do you have the view that WANDRA should incorporate small businesses that are connected to the farming industry?

Mr Moir: Yes, I believe that would be of assistance to regional small businesses.

The CHAIRMAN: Do you have any idea about how that might operate?

Mr Moir: I do not directly, but if I could answer in this way: farming communities are used to the peaks and the troughs, which is the cycle of the agricultural industry. Also, farmers can take out a range of insurances to protect against unnatural occurrences that may affect their agricultural business. Small businesses do not have that same access. That is where the problem comes in. If a farmer suffers a loss of stock or whatever, he can get some insurance protection. However, if a farmer's cash flow dries up simply because the business cycle has dried up in a small business area, there is no insurance protection, because people cannot insure against that. That is where the WANDRA-type process would be able to provide some assistance to small businesses.

Mrs J. HUGHES: When the witnesses were talking about being able to access low-interest loans and so forth, they made a comment that suggested that some businesses are damaged to such a degree that the banks are not willing to assist them, even though it could be by way of a low interest rate to the end user. The point is that they need to get the money in the first place. Do you find there is an issue with the system currently in place in Western Australia?

Mr Moir: I think there is ample evidence that the banks do not tend to be terribly supportive in those critical times. That is certainly a big impost on a small business. Again, part of the problem is how the business was trading prior to the occurrence. That is one of the critical aspects.

Mrs J. HUGHES: That is not necessarily taken into account by the banks.

Mr Moir: It is not taken into account, no. In fact, we could be dealing with a business that was going to fail.

Mrs J. HUGHES: We are offering it on the one hand, but there is not delivery on the other hand.

Mr Moir: That is correct.

Mrs J. HUGHES: There was some discussion about other systems that are operating in Australia that provide a reserve fund that people can access. Do you have any comments on that?

Mr Moir: No.

The CHAIRMAN: A major premise of WANDRA is that it should not act as a disincentive to self-help by way of insurance. Based on your experience, what level of preparedness in the form of insurance and risk management strategies do businesses usually have for natural disasters? Do the small businesses in a drought area undertake strategies to even out their cash flows over the year so that they can maintain business during those bad months?

Mr Moir: In general I would have to say no. We are certainly trying to encourage small businesses across Western Australia to take a risk management approach. We have bodies like the pandemic committee, which is developing our strategies in case there is a pandemic and looking at how we run our businesses and how we can ensure their survival. In general small businesses do not tend to prepare for the unforeseen. That is part of the problem. It is certainly one of the focuses that the corporation is using in working with the minister to try to address that preparedness. The most significant area for that would be the tourism industry. SARS was a very good example of the lack of preparedness of the tourism industry to accommodate such an event.

The CHAIRMAN: There was also the situation with the tourism industry in Esperance after the recent floods.

Mr Moir: The saving grace with the tourism industry in Esperance was, of course, that it had had a reasonably good three-month period leading up to the storm, and that the duration of the downturn in tourist numbers was relatively short on the big scale of issues. The caravan park industry suffered because of the downturn in tourist numbers, but the restaurateurs whom we spoke to said that numbers were down for approximately three days and they then started to return to normal levels. I think a lot of that was as a result of the government's very vocal announcements about its being open for business and things being back to normal. That certainly assisted.

The CHAIRMAN: You mentioned insurance. It is pretty difficult to insure for a low cash flow, but is SMDC doing anything to try to raise the level of awareness about under insurance -

Mrs J. HUGHES: For damage through flood, or whatever.

Mr Moir: The risk management strategies would be the way to make sure they were getting coverage. The issue for small business, of course, is to find an insurer who is prepared to issue that sort of coverage.

Mrs J. HUGHES: There is also the cost associated with that.

Mr Moir: The cost then becomes prohibitive. A lot of small businesses do try to improve the performance of the business by under insuring the value of the business. That is an awareness issue that we are continually working on with the small business sector broadly.

Mrs J. HUGHES: Do you think that through your work you are now getting an improved response for the rural communities? Do you see a difference between rural and metro small businesses?

Mr Moir: This is very much an assumption on my part, but, in general, the level of awareness, particularly in the north of the state, is good because small businesses have experienced the cyclone-type of events. Exmouth small businesses are probably the best prepared. Unfortunately, when they went through the experience of cyclone Vance, the level of preparedness was probably very low. Our assumption is that they are quite strong. I think that the south west of the state would fall into that category of being under prepared and under insured. I think that Esperance small businesses are probably more aware of it. For small businesses it is the lack of ability to get insurance that would cover those sorts of contingencies that is the problem. We can insure for food losses, for example. If a pharmacy were to lose its refrigeration system, there could be adequate coverage for that. Small businesses cannot insure for lack of turnover or lack of people coming into a tourist-orientated business.

The CHAIRMAN: Esperance could be hit again next year with a flood. This time people cleaned up really quickly. The big problem was that, yes, it was cleaned up, sorted out and ready for business, but people were not going there until an advertising campaign was conducted. Is that being considered by SBDC for remote areas that rely on tourism?

Mr Moir: We have already held discussions. We will continue to work with the Tourism Commission on getting more awareness into tourism small businesses of how to plan cash flow and manage these types of occurrences or the SARS pandemic-type of incident.

Mrs J. HUGHES: It is education.

Mr Moir: It is education. The clever business will pick it up and run with it.

The CHAIRMAN: We have a couple of questions about the low interest rate subsidy and the \$15 000, but that does not necessarily apply to your businesses.

Mr Moir: No.

The CHAIRMAN: We will not waste your time with that. You have probably outlined it already, but can you tell us again about the glaring hole that there seems to be in WANDRA? WANDRA seems to be there for primary producers but not to assist small business. Can you give us a bit of a rundown on how you think that could be remedied?

Mr Moir: I think the most appropriate remedy would be to apply to the small business sector in rural communities a similar system to the one that currently applies to agricultural primary producers. That would be the fair and equitable way to go. I think the same issues that primary producers face are faced by small business. Primary producers may be very efficient and effective. However, when these events occur they really do get knocked around and their business model and cash flow get knocked around. The same applies to small businesses. If there is a significant event, their cash flow stops.

[3.50 pm]

A small business can cease to be in existence for a matter of weeks, and that is a significant problem. Every small business that is pulled out of a regional town is one less service that is available. It is one less person to employ. Small business, particularly in regional Western Australia, tends to be the backbone of the community, because it is the place that people come to gather - the newsagent, the hotel, that type of thing. We would argue very strongly that we need to offer the same types of support to that sector as we do currently to the primary producer.

Mrs J. HUGHES: If these types of strategies were put in place, do you believe more businesses could be influenced to go into rural communities? Is there some overarching feeling that setting up a business in a rural community is a difficult thing to do and that by having the strategies in place, we could encourage more small businesses in rural areas?

Mr Moir: It would not be a primary consideration. Hopetoun is a very good example. With the Ravensthorpe process coming on stream, BHP Billiton is looking at how it can encourage small

businesses into Hopetoun. One of the reasons small businesses would be reluctant to relocate is the lack of support. You really are going out on the edge of the plank and hoping that someone does not push you off. If it works, it will work very well, but there needs to be underpinning support in case things go wrong. There would be some assistance to carry them along.

The CHAIRMAN: I mentioned earlier the transport contractors, or maybe I discussed it with another witness. In the case of Esperance, there was an extra 160 kilometres to travel. That involved additional fuel and time, and, in some cases, additional drivers. Some of the contractors who supply the larger stores have a set contract and they have to deliver to the store at that price, so they have an impost on them as a business. Smaller supermarkets, for example, are not in a position to have a contract price delivered to the door. They pay, and they get hit with the additional costs of transport. Is there any way that that can be addressed?

Mr Moir: I think it would be problematic to try to bring in a system to do that without introducing an element that allows for some form of abuse to take place. The issue with the roads would be no different from a major detour in a country area. It could be the same argument, so at what point do we say that this is acceptable? If it were a significant detour because of major roadworks, how would that compare to one road being flooded and transport having to go via the alternative route? I think that is a problem. How do you manage that situation? An example would be the construction of the southern rail line in the metropolitan area. A number of businesses for some time did not have street access. What do we do about addressing that while at the same time providing assistance to rural communities? How do we balance that argument from a whole-of-government point of view? That is where it becomes a problematic issue for us. I know that does not answer the question directly.

The CHAIRMAN: I did not think there was an answer to it, but I thought I would ask anyhow.

Mr Moir: We also need to consider that there is no protection for metropolitan small businesses. Again, we come up with the equity issue of what assistance there is for the broader small business community.

The CHAIRMAN: It seems to be more possible to insure small business. One cannot insure against loss of cash flow and things like that, but if there is a fire in a small business, one can insure for lost down time and lost stock. One can move into a new premises and set up. That can be covered by insurance, but it is an additional cost.

Mrs J. HUGHES: It is an interesting concept. What if one were in New Orleans? We are looking at a completely different ballpark here. We think of disasters such as drought and flood happening in the rural communities, but cities and metropolitan areas certainly are not -

Mr Moir: An example would be the king tide in Bunbury. That took out, or affected, a lot of the Bunbury CBD. What sort of assistance would be applied to those small businesses?

The CHAIRMAN: I think we have exhausted our questions. Would you like to make any additional comments, or is there something we have missed that you think should have been included?

Mr Moir: No. I thank you for the opportunity to come and talk to you today on this type of issue.

The CHAIRMAN: Thank you for that. It is a different perspective from that which we have been getting.

Mr Moir: Sorry!

The CHAIRMAN: I think we all assume that there is assistance for small business, but there is not. Thank you for your evidence to the committee. A transcript of your evidence will be forwarded to you for correction of minor errors. You can make those corrections and return the transcript within 10 days of receipt. If we do not receive the transcript within this period, we will deem it to be correct.

Mr Moir: Thank you.

Hearing concluded at 3.55 pm
