

## Coming months 'critical' after jump in external business administrations

*External administrator appointments were up by 23% in December 2020 and economists predict the number of businesses entering voluntary administration will continue to rise in coming months. Small Business Ombudsman Kate Carnell has called on the Federal Government to immediately set up an emergency loan system for small business owners. She also wants to change a "flaw" in JobKeeper rules to make it easier for struggling small businesses to replace staff members.*



Carnell is urging the Federal Government to establish a revenue-contingent loan scheme for small businesses, to provide them with the cash flow they need to survive the next 12 months.

With government support measures being withdrawn, banks continuing to subject small business borrowers to onerous credit assessment processes, rent relief ending and the impact of recent lockdowns and border closures, Carnell says access to finance could mean the difference between life and death for many small businesses.

“Unfortunately it’s a perfect storm scenario - especially for those small businesses that haven’t been able to fully recover from the COVID crisis. Access to credit will be critical to keeping those otherwise viable small businesses afloat, particularly over the coming months as support measures are phased out and the bills start flowing in again.”

Carnell is calling on the Federal Government to introduce a revenue-contingent loan program for small businesses, similar to HECS, requiring borrowers to repay when their turnover reaches a designated level.

The loan would be Government-funded and capped at a percentage of the small business’ annual revenue. Applicants would need to satisfy a viability test conducted by an accredited adviser to be eligible.

“Sudden lockdowns and border closures have heavily impacted small businesses in recent weeks – it’s no wonder they are scared to take on additional bank debt given conditions can deteriorate so rapidly,” Carnell says.

“Even in the best of times, small businesses have struggled to secure finance. Taking into account the enormous challenges they are now facing, the fallout of insufficient working capital could be devastating, not only for small business owners and their staff, but for the broader economy.

“The latest ASIC data shows external administrator appointments were up by 23% in December 2020 and economists are predicting the number of businesses entering voluntary administration to rise this year.



***"A perfect storm scenario":  
Kate Carnell, ASBFEO***

“A revenue contingent loan scheme would give small businesses the confidence they need to seek funding, so they can survive and employ again. It’s essential to Australia’s economic recovery.”

### **JobKeeper flaw creates staffing issues for struggling small businesses**

The Australian Small Business and Family Enterprise Ombudsman is also calling on the Federal Government to change JobKeeper rules to allow struggling small businesses to replace staff.

Carnell says as the economy recovers from the COVID crisis and more jobs become available, small businesses that are still trying to get back on their feet are losing their staff and cannot hire replacement employees under JobKeeper rules. While some small businesses are doing well, there are a significant proportion of small businesses that are still doing it tough,” Carnell says.

“JobKeeper was reduced again on 4 January, 2021, and with some eligible businesses unable to afford to top up wages, they are having to reduce the hours of their staff. It means staff are resigning to go to jobs offering more hours and pay.

“While the JobKeeper program was originally designed to allow businesses to keep their existing staff, the economic recovery is presenting new challenges for some small businesses.

“Under JobKeeper rules, eligible businesses cannot replace their staff with a new staff member and still attract the government payment. Unfortunately this rule has the unintended consequence of increasing the divide between the haves and have nots in the small business sector.

“From a struggling small business perspective, this JobKeeper rule makes a bad situation worse because they are losing their staff and cannot afford to replace them. It’s imperative that the government changes JobKeeper so that small businesses that have been hit hardest by the COVID crisis can replace their staff to help them get their businesses back up-and-running.

“Our national economic recovery will be driven by jobs growth and that’s why it’s critical to support small business employers during this difficult time to allow them to survive, grow and hire in the future.”