



Australian Government



Australian
**Small Business and
Family Enterprise**
Ombudsman

27 January 2021

Pre-Budget Submissions
The Treasury
Langton Crescent
Parkes ACT 2600

via email: prebudgetsubs@treasury.gov.au


Dear Treasurer

Supplementary 2021-2022 Pre-Budget submission

While an economic recovery is clearly underway, the aggregate data masks a more nuanced situation on the ground. Sectors such as hospitality, events, CBD-based businesses and tourism/travel (as well as 'adjacent' businesses) are taking longer to recover. These sectors have a strong future but a different recovery trajectory.

Businesses in slow-to-recover sectors are losing employees to faster recovering businesses. Lower JobKeeper rates mean businesses can no longer offer full-time employment unless able to top up payments. These businesses need to hire to replace those leaving, but it is uneconomic since new staff are ineligible for JobKeeper. MYOB survey data (yet to be released) has found that 52% of businesses say the reduction in JobKeeper has affected their ability to keep on staff. This means that slow-to-recover but viable businesses are closing their doors.

I recommend that Government:

1. Amend the JobKeeper rules to avoid disadvantaging slow-to-recover sectors

New, permanent employees of eligible employers should be eligible for the payment. As the economy recovers and fewer employers continue to be eligible for JobKeeper, this change will support only those businesses in slow-to-recover sectors.

2. Introduce revenue-contingent loans

Small businesses in slow-to-recover sectors need funding until trading conditions improve, but banks are unwilling to lend to these businesses due to concerns about serviceability. Government-backed revenue-contingent loans would help viable businesses to survive. Loans would be offered at rates that reflect the Government's (record) low cost of borrowing and be available to businesses that have undertaken an independent viability review. Repayments calculated as a percentage of turnover would be made once turnover reaches a set level.

If you would like to discuss this matter further, please contact me on 02 6213 7421 or by email to kate.carnell@asbfeo.gov.au.

Yours sincerely



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