Night Time
Industries
Association

22 April 2020

To Whom It May Concern

Survival Loans for SME Hospitality Businesses

As a friend of the hospitality sector and an elected representative of the State of NSW, I ask you to take the time to read this report.

The SME independent hospitality scene has been particularly impacted by COVID-19 and the necessary but business-ending physical distancing measures announced by the Federal Government in March.

The Commonwealth has announced a package of loan guarantees for SMEs, which we have welcomed. However, whilst the scheme is well-meaning, our members report that a large majority cannot access finance through it to keep them afloat during the lockdown period.

We know that Governments at all levels value this sector and are trying to support it. However, for the reasons identified here, many of these businesses are going to slip through the cracks of the Government support plan unless urgent action is taken. Many of these businesses are small operators, but represent a diverse and innovative hospitality experience, much of which is unique to Sydney and NSW. If we lose them now, they are unlikely to return.

We would like to work constructively with you to avert wholescale business closures and job losses within the hospitality sector in NSW. The loss we are about to experience is due to a problem in execution, not intention, and is avoidable.

The core issue this report illustrates is that this category of businesses cannot access bank finance and so we urge the NSW Government to provide emergency loans as other states in the country have done.

Yours faithfully,

Michael Rodrigues
Chair, Night Time Industries Association

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Executive Summary

For the reasons set out in the attached report, the NTIA is of the view that unless immediate cash flow support direct from Government is extended to the SME hospitality sector, there will be sector-wide administration and insolvency. The immediate consequence will be for the Federal Government JobKeeper scheme to materially fail in respect to as many as 200,000 hospitality employees in NSW.

Jan - March 2020 Trading Environment

Understanding the context for these businesses in 2020 before and after COVID-19 regulations implementation is critical to appreciating their current cash position and operating mindset.

Due to the adverse impact of the bushfire season, many SME hospitality businesses were cash strapped as of 1 March, with suppliers already on extended credit terms.

Due to physical distancing, March revenue was then down an average of 80%.

By the time lockdown occurred, more businesses than not were likely insolvent and although many are trying to pivot to preserve some revenues (eg takeaway and delivery) those that do so are often trading further into the red.

This is the context in which they are clinging on.

Ability to access cash

It is not surprising then that based on evidence solicited from the sector in the last 10 days:

1. **(Bank support)** Not one single respondent had been able to access commercial loans from banks under the Morrison Loan Guarantee scheme or otherwise;
2. **(Hospitality an excluded class)** One non-bank financial institution (Prospa) has specifically excluded hospitality as a sector in respect of which applications can be made;

3. **(Other Government relief)** Ignoring the resources required to access, and timeframe for approval and payment, the main impediment to application for other government relief such as the City of Sydney quick response or the NSW Small Business Support Fund, is that the quantum of relief through these mechanisms is not sufficient in and of itself to materially address current cash flow pressures. These amounts would be of incremental assistance to a major loan amount.
4. (**JobKeeper cashflow impact**) While welcomed, there is no material cashflow benefit as a result of JobKeeper as the scheme works in arrears. Implementation of the scheme adds some additional financial burden to the business.

A number of businesses have looked for and obtained some equity support from friends, family or investors. But for many this will not be sufficient to trade through.

The Queensland Scheme

The Queensland State Government has implemented a long-term government loan scheme which is being accessed by businesses in that State who would not otherwise be able to access bank debt. As one survey respondent said, he has a friend in Queensland who applied under that loan system: [they] "did it all over the phone and via their accountant, and it was under a week to get $200,000 with repayments over 10 years".

Consequences of Government funding

Immediate access to enough cash would enable these businesses to:

1. utilise the JobKeeper program and reinstate employees - even if in hibernation;
2. pay business costs other than employee costs - even if in hibernation;
3. stay alive during the mandated shutdown; and
4. permit a higher rate of sector recovery improving Sydney and NSW competitiveness in terms of visitor and tourism economy.

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1. Our Stakeholders - independent hospitality businesses

This is a submission for emergency relief for the small-medium, creative, independent businesses in the hospitality sector.

The NTIA recognises that hospitality businesses vary considerably across the sector, whether that be in size (employees, physical location, etc), offering (food, beverage, etc), structuring (sole trader, partnerships, etc) and funding (self, bank loans, shareholder investment, etc). As a result, the experiences of hospitality businesses can vary considerably. This report focuses on a data sample that can be characterised as follows:

- Family run, owned and operated
- Cafe, bar, restaurant or non-gaming pub that supports local artists and Australian owned suppliers
- Between 5 and 200 employees
- One or two revenues streams (with food and/or beverage focus)
- Annual turnover of between $1m - $20m

The case studies we have drawn from in formalising this report tend to represent the best in class of these businesses. Many are multi-award winning and internationally recognised, and stem from the small bar culture that grew during the period 2007-2014.

These “best in breed” businesses were strong enough to survive lockout. But without immediate assistance, they are unlikely to be able to ward off COVID-19 based on the current relief measures. These are businesses that give our city its unique character. They innovate and create trends. These are the businesses and people who have helped Australia to earn its reputation as a world-leading food and beverage hotspot.

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2. How trading has changed and why this is so impactful

2.1 “Death by a thousand cuts”

This calendar year began with the tragedy and disruption of the bushfires in January and February. In February, Australia’s cases of COVID-19 started rising. By early March, physical distancing measures were being implemented, forcing businesses to rethink their trading models including for example spacing requirements.

By mid-March, footfall had all but vanished and businesses began to adapt to home-delivery and takeaway trading only. For most, these were entirely new business models and so the results have been mixed - some are still trading. Many are not.

During the first week of April, the Australian Bureau of Statistics (ABS) released new data showing the impact of COVID-19 on business, based on a survey of 3,000 companies in the days after the Government’s social distancing restrictions were announced. According to the ABS, two in five businesses changed how they delivered goods or services, and one in 10 paused trading altogether.[1]

While the ABS numbers paint a bleak picture, NTIA’s own survey data is even more dire. The data collected by NTIA directly from 64 hospitality businesses across all states (with 61% of respondents being from NSW) shows that more than 60% are no longer trading after the mandated shutdown.[2] NTIA’s survey respondents skew towards smaller, independent businesses in the hospitality sector, indicating that the severity of the situation tends to be worse for the hospitality sector and the small end of town.

2.2 Revenue impacts

In the same report, the ABS stated that two-thirds had reported taking a hit to revenue or cash flow due to COVID-19.

This reflects the evidence collected by NTIA from hospitality business owners. For example, Pasan Wijesena, bartender and owner-operator of small bars Jacoby's Tiki Bar in Enmore and Earl's Juke Joint in Newtown, said that he has lost 95% of his revenue since the mandated shutdown.

The timing of the pandemic in the seasonal trading cycle for most Australian hospitality venues, and the uncertainty surrounding the timing and method of re-opening after the mandated shutdown ends, is adding to the pain, with Q3 (Jan-Mar) typically the softest quarter.

[1] ABS Data (see here).
[2] NTIA Industry survey data, last updated 20 April 2020.

Paul Waterson, CEO of Australian Venue Co., explained in the context of his larger business, which employed more than 4,000 people before COVID-19:

> *"In regards to earnings, 25% of our earnings are in Q1 of the financial year, 36% in Q2, 19% in Q3 and 20% in Q4. If we are not open without restrictions by the end of the [calendar] year, we are likely to only generate 39% of our full year earnings. We earn as much in Q2 as we earn in the whole second half of the year."*[3]

2.3 Employment impacts

In the aforementioned report, the ABS singled out the hospitality sector, stating that a staggering 70% of hospitality businesses had reduced staff hours, with 78% of accommodation and food services businesses making changes to their workforce. Approximately 43% said they had placed staff on unpaid leave, including standing them down, and 29% said they had put staff on paid leave. The sector accounts for about 8% of Australia's jobs.

Again, NTIA's own survey data is even more dire. 81% of respondents disclosed that they had stood down more than 75% of their employees since 1st March 2020. Almost 94% had stood down more than half of their employees since then.

These numbers illustrate the devastating effect the COVID-19 shutdown is having on the Australian hospitality industry and reflects the evidence collected by NTIA from business owners.

Pasan Wijesena, owner-operator of Jacoby's Tiki Bar and Earl's Juke Joint, told us that:

> *"Yes, initially I had to stand down all employees. We re-instated them once JobKeeper was made public, although I must admit it was not clear that we would have to pay for them all of April ourselves, so this has meant that we could only actually re-employ half the team. I personally am working for free… [Revenue] basically covers a minimal amount of wages, utilities, rent (at the reduced amount). Until JobKeeper kicks in, we cannot pay any invoices."*

Pasan admitted that people costs are now approximately 80-to-100% of total costs; pre-COVID this was around 28%. Julian Train, Director at Barrelhouse Group, also confirmed that their people costs are now 80% of total costs; pre-COVID this was 35%.

Kenny Graham, founder of the Mary's Group, elaborated further:

> *"We stood down and terminated over 200 staff members. Luckily we only stood down a handful, as I understand that if you bring one back, you have to bring them all back; this is not the case with*

[3] While this report pertains to the immediate cashflow needs of the sector, the heavy reliance on the October quarter for profitability identified in this analysis points to a looming iceberg for the sector in terms of businesses that survive COVID-19. A topic for recovery planning.

termination. It's a double edged sword, though. You have to pay out entitlements on termination [which we did], but at least now we don't have to fund a $150,000 per week labour bill prior to JobKeeper reimbursement."

2.4 Other cash impacts

NTIA's own survey data shows that only 14% of respondents believe they have enough cash to reinstate or keep employees until the Government's JobKeeper payments are received from the first week of May.

Karl Schlothauer, CEO at House of Pocket, was not one of those 14%:

> *"According to our initial records, we have 30 staff who are eligible for JobKeeper, and a further 7 who may be eligible. Say it's only 30 staff. 30 staff multiplied by $1,500 per fortnight for one month is circa $90,000. Now throw in a few delays in repayment by the Government - which most likely there will be - I could be up for $180,000 before I see a cent. I have seen revenue drop by 97%. My asset-debt ratio is super scary. So, at the moment, I will only take on about 4-5 employees who are eligible for it. And I am paying 3 visa holders (out of the 25 I have in total) $750 per week to try and keep the business alive - or at least get it in a state to sell, worst case.*
>
> *The banks' inability to be flexible - like the entire country is trying to be at the moment - will mean that 25 of my staff will not remain connected to my business, and so will need to go on the dole or change industry."*

David Hobbs of Cafe Bookkeepers, a specialist hospitality accounting business that services more than 70 clients in the sector, says:

> *"We can tell you for certain that many of our clients do not have the funds they need to make these JobKeeper payments, and even the realisation that they won't be able to back-pay using the received funds is only starting to get through. Our nightmare scenario is that when it was announced, businesses told employees that they were eligible and they would receive it. The employees cancelled JobSeeker applications with Centrelink as was the advice. Employees are now holding out for this payment, and many employers won't be able to make the payments for the first two fortnights and the employees don't know that yet. The staff would be devastated to not receive it. The businesses have 10 days from now to find the cash."*

NTIA's survey data also shows that more than 75% of respondents are unable to cover their costs with their reduced trading revenue. This includes businesses granted rent relief from their landlord, either in the form of a rent holiday or temporary reduction, as well as businesses who have reduced staff levels dramatically.

The aforementioned ABS report shows that only one-third of the businesses surveyed have renegotiated their leases. The obligation to continue rental payments - even while in hibernation -

increases the severity of the situation for those smaller operators who have not been able to negotiate rent relief.

On the topic of cash burn, Kenny Graham, founder of the Mary’s Group (who has been given rent relief), opined:

> *“I can't imagine any hospitality business that had cash reserves to get them through much more than 2-3 weeks without revenue coming in. We are staying solvent through cash injection from partners, no other way…”*

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3. Funding and employment during the COVID-19 crisis

3.1 The JobKeeper relief program

The Prime Minister's announcement
In a media release on 30th March 2020, the Prime Minister and Treasurer announced that the federal Government will provide *"a historic wage subsidy to around 6 million workers who will receive a flat payment of $1,500 per fortnight through their employer, before tax… For workers in the accommodation, hospitality and retail sectors it will equate to a full median replacement wage."*

The Prime Minister said:

> *"We will give millions of eligible businesses and their workers a lifeline to not only get through this crisis, but bounce back together on the other side… This is about keeping the connection between the employer and the employee and keeping people in their jobs even though the business they work for may go into hibernation and close down for six months."*

The payment will be paid to employers, for up to six months, for each eligible employee that was on their books on 1st March 2020 and is retained or continues to be engaged by that employer. The program commenced on 30th March 2020. The first reimbursement payments should be received by eligible businesses in the first week of May as monthly arrears from the Australian Taxation Office (ATO).[4]

The cash flow implications of implementing JobKeeper
According to the ATO website, if employers do not continue to pay their employees for each pay period, they will cease to qualify for the JobKeeper payment. Employers must re-hire or re-engage employees that they have let go or stood down, as well as pay them, if they want to claim the JobKeeper payment. So, an employer would need to (if applicable) reinstate and pay each eligible employee at least $1,500 (before tax) per JobKeeper fortnight after 30th March to be eligible to claim the first JobKeeper reimbursement to be paid in the first week of May.[5]

As well as these obligations, businesses opting to enrol in the JobKeeper relief program need to (either directly or through their registered tax or BAS agent) identify each eligible employee in respect of which they will claim JobKeeper Payment, and maintain their details each month.

[4] https://www.pm.gov.au/media/130-billion-jobkeeper-payment-keep-australians-job
[5] https://www.ato.gov.au/general/JobKeeper-Payment/

For hospitality SMEs that choose to keep their doors open and keep employees on the books, the eventual JobKeeper payments from the ATO will likely not be a substantial - or even a net positive - cash flow injection for the following reasons:

- **Administrative and finance burden:** The program's administrative requirements will undoubtedly add more work hours and potentially additional expense (for advisors) to result in an outcome.
- **Timing difference due to monthly reimbursement in arrears:** Employers necessarily have to pay employees at least $1,500 (before tax) per JobKeeper fortnight *before* being able to claim $1,500 back per fortnight, and will not receive the cash until the following month. This means that businesses will be out-of-pocket for the first month. All other variables being equal (including the employee being consistently paid $1,500 per fortnight and the employer receiving $1,500 in respect of that employee per fortnight), future monthly payments and receipts should even out over the remaining 6 months.
- **Flat payment of $1,500 per fortnight for all employees regardless of wages:** Employers will not be reimbursed for wages paid over and above $1,500. It is reasonable to assume that average staff costs for employees retained during this period of crisis are higher than $1,500 per fortnight due to the need for managerial or more senior roles. As a result, businesses will be out-of-pocket for wages in excess of $1,500 per fortnight per employee.

It has been suggested that there might be a short-term cash flow benefit on receipt of the first JobKeeper reimbursement payment in May, as theoretically this might relate to salary payments already made from 30 March 2020 (and therefore on a fortnightly payment cycle, an employer might benefit from 3 x $1,500 fortnightly payments in respect of an employee). That might be true if there were no other antecedent debts.

We know from our research that these stakeholders are carrying a large number of aged payables. Any incoming cash will be utilised immediately to pay essential suppliers who enable business to continue generating revenue.

3.2 Scenarios relevant to JobKeeper

The NTIA believes there to be three employment scenarios which are relevant in the context of the JobKeeper program:

1. Before/at 1st March 2020, eligible employees retained and paid continuously throughout as they were before the COVID-19 crisis started.
2. After 30th March, eligible employees reinstated and paid $1,500 per fortnight from businesses' existing cash reserves until the first JobKeeper reimbursement received from the Government in May.

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3. After 30 March, eligible employees reinstated and paid $1,500 per fortnight from new cash received from any combination of the following:
    a. New revenue streams;
    b. Shareholder equity or loans;
    c. Government-backed $250k bank loans;
    d. Other bank loans;
    e. Other lenders;
    f. State/Local Government grants and waivers; and/or
    g. Federal Government cash flow assistance.

Scenarios 2 and 3 are explored below in sections 3.3 and 3.4 respectively.

3.3 Challenges for businesses owners: Existing funding

Margins in the hospitality sector are notoriously thin - and reportedly have decreased over the past decade - leaving minimal cash savings for a rainy day. As Kenny Graham (quoted above) noted, "*I can't imagine any hospitality business that had cash reserves to get them through much more than 2-3 weeks without revenue coming in.*"

Furthermore, debt funding is almost non-existent in this sector at the best of times.

Kerri Glasscock, Director, Venue 505, described this problem as follows:

> *"The immediate need for assistance eliminated any ability to apply through ordinary channels for financial loans, our business literally ceased trading in one day, with no forewarning, without any ability to prepare ourselves for the closure period. Without any cashflow to speak of and without any clear line of sight for being able to begin to generate income again we have been forced to turn to family to borrow cash to underwrite business liabilities. There is no way under the current conditions to provide evidence of our ability to cover loan repayments, or business equity to secure a loan through an institution despite over 15 years of solid trading history and viable business management."*

Karl Schlothauer, CEO at House of Pocket, described his own challenges below:

> *"In 2008, I opened my first bar in the middle of the GFC. In the next 5 years, we self-funded the opening of a further 4 bars - not through investors, but from the profits from the bars.*
>
> *We had approached many banks for loans based on cash flow lending and all had refused any type of loan due to not having any assets (i.e. a house) to guarantee the loan. Westpac even suggested I give them a cash-backed bank guarantee, to build a credit rating. So for a $250K loan, I gave them $125K cash. After 3 months, we cancelled the loan as it did not make commercial sense to pay interest on a loan that was secured by our own cash.*

> *Since then, Tyro and PayPal have introduced unsecured loans based on your merchant takings (eftpos/credit card takings), where you pay a percentage back per week on the merchant takings (10%, 20% or 30%). So, if you have a bad week, you pay less - and when you have a good week, you pay more. Simple. I have used them probably 4 times, and loaned and repaid over $400K. Yes, I have already approached them about loans for JobKeeper cover."*

Pasan Wijesena, owner-operator of Jacoby's Tiki Bar and Earl's Juke Joint, continued:

> *"I have similar experience as Karl where we did approach St George about a business loan over a year ago, but were told we could not qualify for one as we did not have any security (ie property) even though we had a trading history of many years between the two venues… Liquidity was always pretty tight, once wages and stock were accounted for there was not much extra to put aside. Any excess cash was used to pay invoices that fell due each week. As it stands no invoices are being paid currently."*

3.4 Challenges for businesses owners: New cash funding

3.4.1 New revenue streams

As outlined above, the NTIA has collected consistent evidence from hospitality business owners that the limited revenue from takeaway and home delivery services does not cover variable or fixed business costs for most businesses - for this sector under business-as-usual conditions, home-delivery and/or takeaway services would typically have been an incremental offering to their dine-in service, to cover fixed overheads.

For businesses who have introduced home delivery and takeaway as entirely new models, this has meant that technology and other advisory costs have been necessarily incurred to facilitate the pivot. Furthermore, a number of businesses have tried home-delivery and/or takeaway services and then ceased activity due to cash burn.

3.4.2 Government-backed $250,000 bank loans

The Federal Government introduced the Coronavirus Small and Medium Enterprises (SME) Guarantee Scheme during March 2020. The scheme is intended to support up to $40 billion of lending to SMEs (including sole traders and not-for-profits). Under the Scheme, the Government will guarantee 50% of new loans issued by eligible lenders to SMEs until 30 September 2020.

The scheme is purported to *"enhance lenders' willingness and ability to provide credit, supporting many otherwise viable SMEs to access vital additional funding to get through the impact of Coronavirus"*.[6]

This scheme leaves the decision-making in the hands of the participating banks, rather than the Government. Anecdotal evidence collected by NTIA from business owners suggests that the application

[6] https://treasury.gov.au/coronavirus/sme-guarantee-scheme

processes are slow and administratively burdensome, adding stress and work for business owners without any guarantee of a favourable outcome.

Karl Schlothauer, CEO at House of Pocket, experienced this:

> *“The day the news broke about $250,000 (Government-backed) loans, I contacted my bank manager from Westpac about the process. They had no information, which was expected. After 1.5 weeks and numerous phone calls, I received application forms - which I completed and returned that day. After another 5 days and numerous other follow up phone calls, I was told I did not have credit history and would have to submit the laundry list of information I have shown you before, and have attached again now.*
>
> *Now the bank manager has gone completely quiet and, by the time I could get all of this information together, it is going to be too late to solve anything. The traditional banking system, in my personal opinion, is broken.”*

Hamish Watts, owner of Applejack Hospitality & Consultancy, had a similar experience:

> *“We have engaged our usual lender and are seeking finance in line [with] the Government loan scheme. We were hoping to have approvals by now and the process is taking longer than everyone expected. We have a good relationship with our bank and they kept regular communication with us on the process and initially things moved quickly. It does feel like red tape has slowed things down and the banks are wrestling with rolling it in ... Being so reliant on cash flow, if hospitality businesses cannot access loans swiftly the industry will completely fall apart on the other side of the epidemic.”*

3.4.3 Other bank loans

Under existing bank loan arrangements, some businesses have been able to negotiate a freeze on repayments and interest for six months. In the aforementioned ABS report, the data suggested that only one in four businesses had deferred loan repayments.

Businesses seeking to increase loan balances under existing bank loan arrangements are similarly not having much luck. Simon Tilley, owner of Oxford Art Factory, confirmed this was the case for his business:

> *“We currently have a facility from Commonwealth Bank. It is at their maximum LVR that they and other commercial banks were willing to lend at. This was prior to our business being shut down due to COVID-19. I think it would be near on impossible to get an increase in this environment. It is more likely that they will ask to have the business revalued and then ask for a paydown of their facility. It is going to be difficult enough trying to stay afloat with our current financial commitments when and if the lockdown for large crowds returns to pre-COVID-19 (whenever that may be). We need large Government loan facility/grants now.”*

Businesses seeking new loans are reportedly finding it even more difficult to secure due to the banks' reliance on credit history/worthiness and requirements for proven solvency.

Pasan Wijesena, owner-operator of Jacoby's Tiki Bar and Earl's Juke Joint, told us that:

> *"I have a very low level of confidence of being able to obtain a bank loan under the current climate. It was difficult enough before COVID-19 and now that we have ceased to trade, any discussion of loans involves several years of personal financial details along with business financials. Conversations with other bar owners going through the process has led me to believe that this is highly unlikely to come to fruition, as banks seem adverse to the idea of lending to small businesses that have ceased trading. If I was able to obtain a loan at realistic interest rate, I would highly likely consider taking one on to be able to maintain the liquidity of the business and the ability to pay suppliers and other business costs."*

Julian Train, Director at Barrelhouse Group, shared a similar experience:

> *"I am in the process of trying to access some funds from ANZ at the moment and it's less than easy to do. To give some context, for The Barber Shop Barangaroo, we are trying to access $30,000 which under normal circumstances should be relatively quick and easy… The time taken is a minimum 14 days from application and she said to me that there were delays on this as well – by the time the cash is received, the JobKeeper funds will be (hopefully) in the account. Yes, it has been a massive amount of stress but we have been able to source some funds personally which I know many of our counterparts wouldn't have been able to."*

3.4.4 Other lenders

Businesses seeking new loans from non-bank lenders are more likely to be stung with higher charges and interest rates; if they are even able to access such funding.

Pasan continued his explanation of non-bank funding search for Earl's Juke Joint:

> *"We have given up trying to obtain any bank funding. Tyro loans were being presented to us pre-COVID, but since then we have not investigated as we don't really have much trade to show them our ability to repay a loan."*

David Hobbs investigated this funding option for the Cafe Bookkeepers client base:

> *"I made a call to Prospa (https://www.prospa.com/small-business-loan) last week to enquire on behalf of our clients, how their loans work. The chap on the phone told me that they had JUST been approved on to the Government-backed scheme where they would guarantee 50%, but at this point, their position was still that they were specifically excluding hospitality businesses. I understand the commercial and risk reasons for this but it was still shocking to hear, especially when Scomo keeps repeating "speak to your bank." In theory, it is a safe-ish loan if you can secure it with a property, but in uncertain times it is very hard to ask a family or one director in a partnership or company to do this."*

3.4.5 State/Local Government grants and waivers

Across the states, Governments have offered small business grants of up to $10,000 as well as the waiver of licensing fees.

Assuming a hospitality business could access all grants and waivers purported to be available to them - which is not guaranteed - these grants and waivers would not be enough to cover the cost of three fortnights of JobKeeper payments for 5 employees, let alone other business costs and JobKeeper payments for remaining employees stood down.

Kenny Graham, founder of the Mary's Group, agrees:

> *"We looked into the City of Sydney small business grant, doesn't seem like we actually qualify, and the top end of $10,000 was really of no real magnitude to make a difference."*

This reflects other anecdotal evidence collected by the NTIA from business owners, with some not contemplating applying for such relief because of the insufficient quantum compared to the amounts needed to sustain them during the June quarter, as well as the slow processing times and complicated/unclear application mechanisms. Also, many small businesses do not have the resources available to apply (i.e. time, dedicated finance teams, or cash to pay advisors).

Julian Train, Director at Barrelhouse Group, confirmed this for his business:

> *"Struggling to get the time to do it, we have been so busy getting ourselves reopened for delivery roasts I haven't had time to go through the very detailed process for the City of Sydney grant."*

3.4.6 Federal Government cash flow assistance

The Federal Government is providing up to $100,000 to eligible SMEs and not-for-profits that employ people, with a minimum payment of $20,000. These payments are intended to help with cash flow so these SMEs can keep operating, pay their rent, electricity and other bills, and retain staff.

However, the first payment will be delivered by the ATO as an automatic credit in the activity statement system from 28 April 2020 upon employers lodging eligible upcoming activity statements, which will likely be too late for some of the businesses this relief is intended to help. Also, this is dependent upon businesses having enough cash in the meantime to retain and pay employees.

Julian Train, Director at Barrelhouse Group, explained:

> *"To date, all of the "Support" has been for employees and while politicians are happy to promote the $100k support package, it's not real cash and in fact many of the businesses who are eligible wouldn't have had the cash sitting in their account to pay their IAS or BAS anyway."*

4. Recommendation

As a matter of urgency, the NTIA recommends that the NSW Government provide SMEs in the hospitality sector with *immediate* access to *enough* cash to sustain them over the next 3-6 months.

Immediate access to cash would enable these businesses to:

1. utilise the JobKeeper program and reinstate employees - even if in hibernation;
2. pay business costs other than employee costs - even if in hibernation;
3. stay alive during and after the mandated shutdown; and
4. permit a higher rate of sector recovery, improving Sydney and NSW competitiveness in terms of visitor and tourism economy.

Case Study: Queensland - where it's working

It is worth considering the approach taken in this area by Queensland, where the $500 million Job Support Loans program has been introduced.

Under this program, low interest loans of up to $250,000 are available to assist with carry-on expenses such as employee wages, rent and rates and other related expenditure. Features include no repayments or interest charged for the first year, two years interest only, 2.5% fixed interest rate, and 10-year term of loan.

The program is open until 25 September 2020 or until funding is fully committed.

According to Julian Train, Director, Barrelhouse Group:

"I have a friend in QLD who applied for their loan system, did it all over the phone and via their accountant and it was under a week to get $200k with repayments over 10 years."

Night Time Industries Association

Annexure A - Background on the NTIA

1.1 An association representing businesses belonging to the night-time economy

The NTIA was formed in 2018, following the commencement of Sydney's Lockout Laws in 2014 and the ongoing effect it had on Sydney's Music and Arts Economy.

At the time of its formation, it had become abundantly clear that some of the pressures faced by many Sydney businesses extended far beyond Lockout. Further, for a number of stakeholders, those interests were not being tabled meaningfully to Parliament, nor being reflected in the media discussion around Sydney's nightlife.

The formation of a Night Time Industries Association was a key recommendation of the Committee for Sydney's Commission on the Night Time Economy.

1.2 Our objectives

Our organisation initially existed primarily to promote Sydney as a vibrant and creative city, and to build a new positive narrative for Sydney's nightlife that included:

1. that Sydney is a fun and inspiring place to live, work and play;
2. that Sydney's nightlife contributes to the cultural value of the city; and
3. nightlife stimulates creativity which is an important economic driver for NSW.

1.3 COVID-19

Since the advent of COVID-19, and the recognition that COVID-19 impacts extend far beyond Sydney and NSW, the NTIA has established satellite teams in Victoria and Tasmania who are helping on the NTIA's Keep Our Venues Alive campaign (see Annexure B).

1.4 Members

The NTIA membership comprises stakeholders in the NTE from multiple sectors, including: Hospitality, Entertainment Venues, Festivals, Retail, Arts, Music & Culture, Precincts, Comedy and Visitor economy.[7]

The NTIA is part of a small but growing network of global NTIAs and we work with counterparts in other global cities to share knowledge and expertise.

[7] See www.ntia.org.au for a list of current members.

Night Time
Industries
Association

Annexure B - Background on the Keep Our Venues Alive (KOVA) campaign

1.1 A campaign to support hospitality businesses

In March 2020, after it became apparent that the COVID-19 crisis was having a major impact on the hospitality sector nationally, the NTIA launched the KOVA campaign.

The campaign began with a Federal petition that helped catalyse the JobKeeper scheme.

1.2 Our mission

KOVA seeks to:

1. mitigate the human impact on the hospitality sector (including venues and their supply chains) across:
    a. all employees whether full-time, part-time or casual, whether resident or foreign; and
    b. self employed business owners;
2. help businesses in the sector trade to the best of their ability for so long as physical distancing measures prevail; and
3. otherwise protect the sector so that it can ramp up quickly after the crisis and as part of Australia's economic recovery.

1.3 Our actions

To achieve these aims, KOVA:

1. works with Government to advocate for the sector and better inform policy decisions;
2. provides industry-specific analysis and commentary on any crisis-related Government support packages, measures, rules or restrictions that may help or hinder businesses, consolidating information into one accessible point of distribution; and
3. harnesses the power of our collaborative industry into a force for good, cultivating new relationships between stakeholders and facilitating opportunities for innovation and creative approaches that will improve sector output and resilience in the medium to long term.

Through the KOVA campaign, the NTIA will continue to liaise with industry members including small business owners, employees and the supply chain to seek commentary and feedback on any Government initiatives as well as the overall sentiment of the broader sector.