



press clip

Fears thousands of state's small businesses will shut their doors

EXCLUSIVE
SHANNON DEERY

ONE in three Victorian small businesses is facing immediate closure, prompting calls for urgent government intervention.

The Saturday Herald Sun can reveal new research which shows more than half of those businesses would shut up shop permanently, with the remainder closing for an indefinite period.

It would see the end of 415,000 small businesses across the country because of the fallout of the coronavirus pandemic.

A national survey of 1300 businesses, conducted by lobby group Small Business Australia, found urgent government support was needed to prop up struggling businesses.

The shocking survey findings prompted Small Business Australia executive director Bill Lang to call on the federal and state governments to immediately help struggling business owners.

Managing cash flow, paying rent and managing COVID-19 restrictions ranked among the most significant issues now being faced by business owners.

While 75 per cent of respondents had applied for some government support, 15 per cent of those had received no financial help.

Business owners say without further assistance they can no longer pay expenses or pay themselves a wage.

Based on the survey it is estimated 550,000 business owners had already tapped into their superannuation, 209,000 had sold

assets and 93,000 had sold property in a bid to stay afloat.

After 28 years building a successful travel agency, 72-year-old John Williams said he had been destroyed by the pandemic.

"We've scrimped and saved and got ourselves into a comfortable position, only to be slashed by this," Mr Williams told the Saturday Herald Sun.

Mr Williams, who runs a Helloworld travel agency and global destination wedding business, said he faced being forced to close the family businesses by March.

Before the pandemic he had projected a 12 per cent increase in operations, but has earned no income since last March.

And because of uncertainty around the reopening of international borders he has projected a disastrous 2021.

"We've been forced to sell up things we've worked hard for for 28 years. Superannuation is gone. Banks won't lend us any more money," he said.

"We're at an age now where we should be retired but we can't.

"All our retirement savings are gone, all our assets are gone. If it was something that was our fault, that we could be blamed for, then fine. But this is something that has been imposed upon us."

Small Business Australia is pushing for federal legislative changes to protect small business owners from legal bankruptcy due to losing their business due to the COVID response.

Mr Lang said it was too easy for creditors to bankrupt struggling businesses, making it hard for them to get back on their feet.

He said recent insolvency

law reforms didn't go far enough and excluded 68 per cent of businesses.

"Through no fault of their own, business owners are being put out of business," he said.

"They may well have lost everything, and now they're going to be prevented from getting going again in some way.

"They have the skills and the mindset to be able to operate businesses; they were operating good businesses as of March of 2020, but they're going to be severely restricted from doing that.

"Most Australians I think will find it quite unfair what's happening; we're not all in it together.

"And there's got to be some things that can be done around this."

At a state level Mr Lang has called for a pro-rated commercial rent solution to keep small businesses afloat.

Insolvency expert Andrew Spring, from Jirsch Sutherland Insolvency Solutions, said while \$300bn of government support had kept businesses going, that support had run out.

The decline in insolvencies, due to that support, was now expected to be reversed.

He expected to see many businesses feeling the pinch and unable to invest in expansion and become unprofitable.

Mr Spring said it was vital businesses proactively engaged with stakeholders and creditors if they were facing financial distress.

A tipping point is expected to come when JobKeeper ends in March.

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Kath and John Williams. Picture: JASON EDWARDS