I am Graham Nicol, a CPA and Real Estate and Business Agent, and sole director of Beach Stays Australia Pty Ltd, trading as Executive Escapes in Western Australia. Executive Escapes manages a portfolio of properties for owners engaged in supplying accommodation to primarily the tourist market.

At the commencement of measures to contain covid in March 2020, movement of people was severely restricted, causing mass cancellations of accommodation bookings for the foreseeable future. The business was only sustainable because of the 'Jobkeeper' programme put promptly in place by the Federal Government. Executive Escapes was able to continue to provide services to primarily those travellers who were not able to return to their homes interstate or overseas, and a source of income to staff, contractors and property owners.

The Jobkeeper programme ceased at end of March 2021, and was replaced by a Commonwealth backed loan offer – the SME Recovery Loan Scheme. Two early iterations, Phase 1 and 2, were replaced by Phase 3 which included some modifications to address some difficulties faced by applicants for those Schemes. The Schemes were intended to provide means for previously viable businesses which were financially impacted by the covid restrictions, to survive the continuing impact of the lockdowns to be able to emerge eventually with resources to return them to robust health. The scope of the loans was wide, allowing replenishment of working capital, renegotiation/replacement of existing loans, and expansion of business operations repayable over a period of up to ten years at low interest.

Loan applications were to be made through participating banks and subject to their normal sustainability measures. The Commonwealth guaranteed the repayment of the loans to the extent of 80% initially, later reduced to 50%. Refer https://treasury.gov.au/coronavirus/sme-recovery-loan-scheme

Faced with a continuation of the strict lockdown measures for an indefinite period, *of course* many affected businesses at this time would be attracted to this offer to avoid closure and financial hardship/loss of capital due to otherwise unsustainable continuing loss of sufficient income. It would be expected of the Government officials who were planning and implementing the Scheme (Treasury) to be aware of their responsibility to provide a practical lifeline to sustainable businesses, providing guidance through consultancy, and clarifying the sustainability process, *to allow business operators to properly assess their chances of a successful loan application*. They would have been aware of the time needed to assemble loan applications, including negotiation of existing loan agreements repayment, determining working capital requirements, negotiating business acquisitions, preparing financial statements, consolidations and forecasts, and the cost of continuing losses whilst the assembly of the loan application was in preparation.

That Treasury did not fulfil its obligations is the argument here. Although I cannot speak for others, and curiously there has been no opportunity made to date for a forum in which to share experiences, I can recount mine in this matter:

- Negotiation, compilation and presentation process was completed in six months, including ATO, private lender, 2 purchases of similar businesses, financial modelling and sustainability checks
- 2 months presenting and discussing with 4 banks, all who rejected the application. Disclosure by one bank manager (only) of the additional sustainability requirements imposed on these loans:
    - Tax debt cannot be included
    - When looking at previous year business performance, all Jobkeeper payments excluded

    - Previous year's financial situation excluded, and future contributions excluded from bottom line. In essence only existing operations included in serviceability calculations

  Resulting in an obvious failure in serviceability even before any stress testing. *It is my contention, as a professional accountant with many years of presentation of loan applications to banks, that all the serviceability criteria would have been sought by responsible Treasury officials and communicated to intending applicants to allow them to fully assess the situation and possible losses before proceeding. Failure to do so for most professionals would result in probable litigation under the various consumer protection laws*

- Losses to that date of $[redacted]n working capital and an indebtedness to the ATO of $[redacted] in unpaid PAYG and GST
- On advice from the ATO, I prepared a CDDA (Claim for Damages from Defective Administration) and presented it to Treasury, claiming the approx. $[redacted]damages
- 8 months later, Treasury refused the claim
- An appeal to the Commonwealth Ombudsman is still awaiting allocation of an officer to investigate the matter after 4 months. Meanwhile, the cost of the decision to continue in business back in April 2021 is mounting, even though business is slowly returning to normal. At present the only beneficiaries of a forced sale will be the business's creditors.