

Dear Mr Hawkins

As per the Hansard transcript of evidence, I have undertaken to provide additional material in response to a question posed to me by Senator Pratt at the recent sitting of the Senate Economics Committee (please see page E52 of the transcript) or reference to this conversation below:

**Senator PRATT**—Notwithstanding that, are the banks that do seem to have said, 'We've tightened up because of the riskier environment at the moment,' just doing that in a generic sense without actually going through the business cases for each sector, and indeed the business case for individual businesses, as they are approached for finance?

**Mr Liddell**—Certainly anecdotally the information we are getting from our members is that, yes, there is some sort of broad, overarching assessment and it does not really recognise the diversity of the different tourism operators and their unique operations.

**Senator PRATT**—Do you have any examples of that? You do not need to name businesses, but can you give some contrasting examples?

**Mr Liddell**—No, I do not, but I could certainly provide you with some.

Following this request for information, I have called for information from relevant members relating to banks 'tightening' their lending practices without going through the business cases for each sector and for individual businesses.

In reply – and without insisting on our small business members discuss their individual dilemmas – our members have provided the following examples of bank policies implemented without recognition of the needs of individual small businesses.

**Security for small business finance:-** *a quick check of internet based loan comparators (such as [www.infochoice.com.au](http://www.infochoice.com.au)) confirms that all lenders require security of residential or non-residential property as a pre-condition for a fully drawn loan, overdraft or line of credit for a small business. In practice, the small business tourism operator can be confronted with the loss of their family home when cash flow diminishes or stops completely. As an example, one small accommodation business had four "long stay" cancellations during April, with guests stranded in the UK and Europe as a result of cancellation of flights because of the eruption of the Icelandic volcano. Clearly the effect on that business' ability to service its loan was disastrous, yet unlike businesses in drought affected or disaster declared areas, there is no sympathy from the banks and no government support available.*

**Interest rates differentials:-** *a very check of [www.infochoice.com.au](http://www.infochoice.com.au) last night indicated a fixed term rates differential of between 0.1% and approx 2% between a small business loan, a loan for a residential investment property and an owner-occupier loan, despite the small business loan being secured by a residential property!*

**EFTPOS Terminals:-** *as you would appreciate, credit card transactions are crucial to business operations yet on purchasing a small business the new owner has to apply for an EFTPOS authority and terminal, etc. I understand that the banks require "proof of ownership" and will not process the application until after the business has formally changed hands. In effect, the business operates without an EFTPOS facility for one to two weeks.*

I hope that this information provides further clarity to the Senate Economics Committee and assists this group in its inquiries.

Please feel free to contact me should you require further information.

Kind regards,

David

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