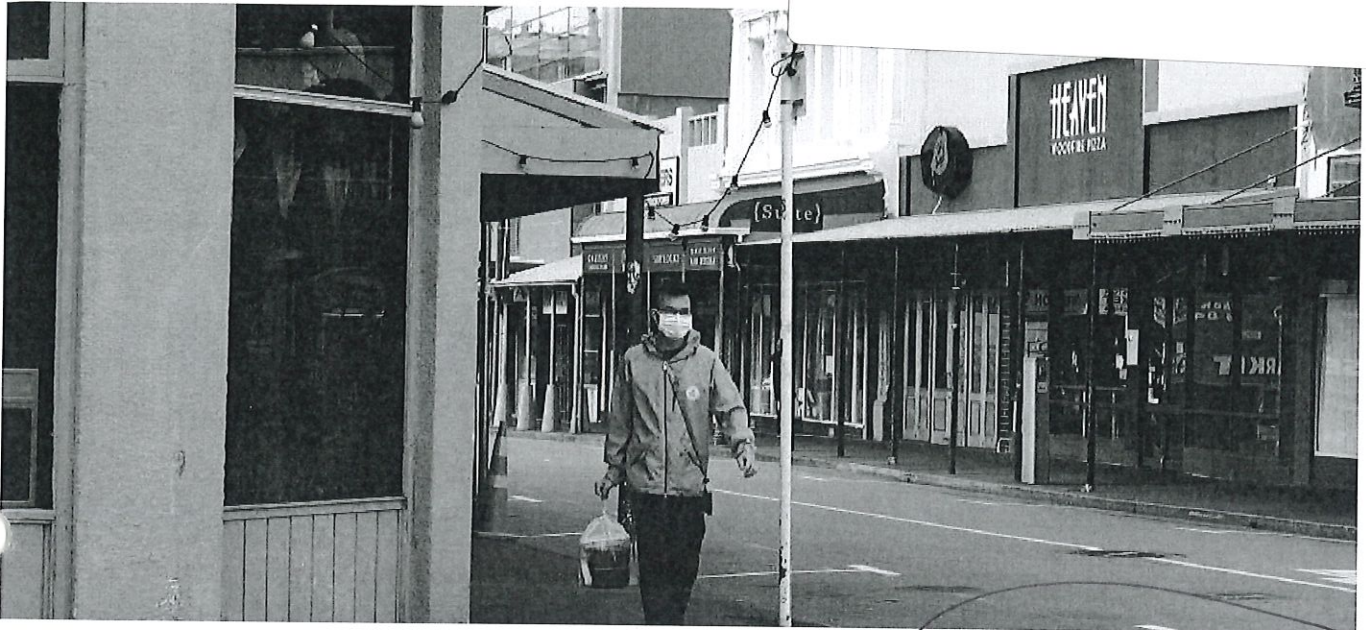


Mandow, 2020c



Many small retailers will get no benefit from the Government's most recent business support package. Photo: Lynn Grieveson.

COVID timeline
16 May 2020



Nikki Mandow

Nikki Mandow is Newsroom's business editor @NikkiMandow.

COVID-19

SMEs 'doomed to fail' after inadequate Govt response

A strongly-worded letter from the Franchise Association to the PM and top ministers says many small businesses will be forced to close permanently unless the Government steps in quickly with help for rent payments.

Robyn Pickerill is angry and frustrated. The chief executive of the Franchise Association has **added her voice to a string of business leaders** saying the Government got it wrong when **its package for small and medium-sized businesses** didn't provide help with rent payments.

On Thursday Pickerill sent a letter to Prime Minister Jacinda Ardern and her top ministers on behalf of the approximately 37,000, mainly small franchising businesses, whose turnover is estimated at \$27.6 billion – or approximately 11 percent of New Zealand's GDP.

The letter criticised the support package and called for urgent action to be taken to prevent business

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Franchise Association CEO Robyn Pickerill says some SMEs will fail without government support with rent payments. Photo: Supplied.

Pickerill says failure to consult with the SME business sector “has resulted in a package that we think will not work for many small to medium-sized businesses.

“Many of those businesses are doomed to fail, at considerable cost to their employees, owners and other stakeholders”.

Loss carry-back useless for many

Pickerill says **the Government's tax back scheme** (where businesses forecasting losses will be able to claim cash payments against tax previously paid on profits) won't work for many family-owned companies.

“Many small and medium businesses do not operate with substantial profits from year to year. These are businesses that are often operated by family members and exist in order to provide jobs for family members including the proprietors. This is not to say that they are not thriving and viable business endeavours, but there are not going to be substantial profits against which losses can be offset to provide actual cash in the hands of the business owner.

“A loss carry-back mechanism is not the same thing as immediate cash in the bank of a business owner.”

Former chief executive of Business New Zealand Phil O'Reilly said the same thing earlier in the week **in an interview with RNZ**.

"The challenge is many of these small businesses that employ plenty of people won't be all that profitable in a normal year, so the tax back to them probably won't be enough to stave off the inevitable bad news of closure."

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Government's own Small Business Council.

Pickerill says the Government's announcement has made the situation worse for many SMEs.

Landlords and creditors will be moving full steam ahead to demand payment from SMEs and their guarantors.

"Landlords and creditors are making it known to franchisees and franchisors, in particular where there is a commercial lease involved, that they want to be paid now.

"In the light of the Government package, we believe landlords and creditors will now be moving full steam ahead to demand payment from SMEs – and their guarantors. The fact that they need to wait 30 days [one concession in the government package] will not stop landlords, it will just defer them temporarily.

Pickerill says the situation is particularly dire for retailers and food businesses in malls, where even under Level 3 they still won't be able to open, or even get into their premises.



It could be months before businesses get back to pre-Covid turnover. Photo: Lynn Grieson.

Then there are many bars, shops and other businesses where online or contactless trading isn't an option. Even a cafe or restaurant that is allowed to open for takeaways under Level 3, or might be allowed a few, spaced-out tables under Level 2, won't be looking at anything like the turnover they got before the virus hit.

"It's naive to expect business is going to jump to pre-Covid levels; it might be 30 percent, if they are lucky. But many landlords are still expecting full rental."

The Franchise Association wants the Government urgently to review its decision not to provide any cash help for businesses which can't trade but still have significant fixed costs.

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Many leases in New Zealand do not have any provision for rent relief, Pickerill says, and many landlords are taking a tough line.

"They are refusing to grant any rent relief or are trying to leverage enhanced terms (and in some cases personal guarantees) - which we think is abhorrent."

The Government does not seem to understand the urgency of the situation.

She says every day she talks to small business owners who have no idea how they are going to stay afloat.

"The Government does not seem to understand the urgency of the situation facing SMEs. People are hoping they can stay open, but they need government assistance. And they need it immediately.

"This is a dire problem for business."

Justice Minister Andrew Little told Newsroom earlier in the week the Government had no plans for further announcements around commercial rents. However Finance Minister Grant Robertson told media on Friday he was willing to look at rent relief.

"I've said before we are considering that. We need to look overall at how we support businesses to get through this. Our focus has been on those that are vulnerable but viable and we will continue to look at that."

Asked about hospitality businesses facing tough times, Robertson didn't appear to share Pickerill's sense of urgency.

"We will take our time over the coming weeks and months to work out how each individual sector is supported, but we have work under way on further support for business," he said.

The question is whether or not that is too late for many SMEs.

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COMMENT

At the highwater mark with little wriggle room

This Government's work, its future successes and its failures, will now all sit fairly and squarely on the shoulders of the Labour Party.



Peter Dunne ^{8 HOURS AGO}



ELECTION 2020

Why New Plymouth voters went for Labour

After the Government announced a surprise ban on new offshore oil and gas exploration in 2018, the New Plymouth electorate looked like a sure thing for National. What changed?



Marc Daalder ^{8 HOURS AGO}



POLITICS

Is National really more socially conservative?

The National caucus has unexpectedly retained a balance between socially conservatism and liberalism.



Laura Walters ^{8 HOURS AGO}

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no rent relief for SMEs

The Government's latest business support package has failed to help small businesses with big rents to pay and little or no income. Commentators predict many won't survive.



Nikki Mandow

APR 16 2020



BUSINESS

Two thirds of shops haven't paid rent

Only about a third of retail tenants have paid their rent so far in April, and just over 50 percent of office rents have been paid, according to new figures.



Nikki Mandow

APR 17 2020



BUSINESS

Business rents have to fall, not be deferred

Attention commercial tenants: Under clause 27.5 you're entitled to a deduction in rent. Don't settle for a deferment.
James Elliott and Nikki Mandow

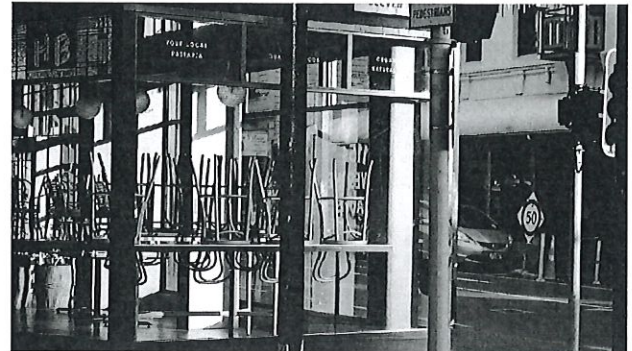
APR 14 2020

landlord waits tenants

As small businesses fight for their survival in the Covid-19 lockdown, it seems one of the country's biggest retail landlords is not keen to share the pain.

Nikki Mandow and James Elliott

APR 05 2020



COVID-19

What life after lockdown could look like

With NZ preparing to move out of Alert Level 4 in the near future, how could - and should - we operate?



Sam Sachdeva

APR 15 2020

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