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24 August 2020

Hon Josh Frydenberg MP
Treasurer
Langton Crescent
PARKES ACT 2600
Email to: prebudgetsubs@treasury.gov.au

Dear Treasurer

2020-21 PRE-BUDGET SUBMISSION

The Australian Finance Industry Association (AFIA) appreciates the opportunity to provide this submission to the Treasurer for consideration in preparing the 2020-21 Federal Budget.

AFIA represents over 100 providers of consumer, commercial and wholesale finance in Australia including retail banks and smaller ADIs, non-bank lenders and finance companies, fintechs and car rental providers, which provide innovative consumer products and specialised finance to meet small to medium enterprises (SMEs) working capital, cashflow and investment needs and keep Australia mobile through fleet and vehicle management. For more information about AFIA, please see **Attachment A**.

AFIA's role as an industry body is to drive industry leadership and represent members' views, facilitate self-regulation through industry codes, and to work with the Federal Government, financial regulators, and other stakeholders to promote a supportive environment for the financial services industry.

OUR SUBMISSION

AFIA's key objective in navigating the finance industry through COVID-19 crisis is to ensure that there is:

- Continued access to simple, innovative, and affordable credit for households and businesses
- Continued competition in lending markets and innovation in the financial services industry,[1] and
- Support for smaller lenders to continue to support their customers through the ongoing response and economic recovery as well as on the other side of the COVID-19 crisis, particularly those most impacted sectors and businesses.

[1] The Productivity Commission Inquiry Report – Competition in the Australian Financial System notes that the Australian financial system is dominated by large players, with the costs of funds being the single largest expense for all lenders in the Australian financial system, which in turn is a key influence on the ability to compete: http://www.pc.gov.au/inquiries/completed/financial-system/report/financial-system-overview.pdf

Over the past six months, AFIA has worked closely with the Federal Government, including you and your team, Treasury, financial regulators, state and territory governments, including through the National Cabinet, Australian Office of Financial Management (AOFM), as well as other key stakeholders on a range of issues, including actions necessary to address the immediate impact of the COVID-19 crisis on our economy and community.

AFIA congratulates the Federal Government on its economic response through the release of various support packages to deal with the immediate impact of the COVID-19 crisis on our economy and what needs to happen by way of a strategy for a recovery. The Government's stimulus and economic support packages have provided timely support to shore up the banking system and assist to stabilise financial markets as well as supported workers, businesses and the broader community[2].

We understand the Government is looking towards the next phase in dealing with the impacts of the COVID-19 crisis and that is to focus the 2020-21 Federal Budget on promoting **the creation of jobs** and **the facilitation of economic growth**.

AFIA believes that to achieve a fast, broad and sustainable economic recovery, including to promote growth and employment, the Government and the finance industry need to work together through a coherent and co-ordinated approach. As this crisis unfolds, it is clear that households and businesses are experiencing very different circumstances, which means we also need to adopt a multi-faceted and flexible approach.

In relation to the 2020-21 Budget, we recommend it focus on three areas:

1. **Initiatives and actions that stabilise the economy and support a business-led recovery.**
2. **Non-fiscal government support to businesses to promote growth and employment.**
3. **Partnership initiatives for government and business to rebuild and create a modern economy.**

RECOMMENDATION 1: FOCUS ON INITIATIVES AND ACTIONS THAT STABILISE THE ECONOMY AND SUPPORT A BUSINESS-LED RECOVERY

With the resurgence of the COVID-19 virus in Victoria, and the ensuing declaration of a state of emergency and state of disaster, low but consistent levels of the COVID-19 virus in New South Wales, and the re-opening and then closing of the Queensland and other state borders to Victoria and NSW, along with reports borders may remain closed until next year, we need to accept that there is going to continue to be a period of economic volatility for some months.

The Reserve Bank of Australia has predicted in its forecasts a continued period of instability will feed into higher unemployment and lower consumption, prolonging our economic recovery.[3] In our view, policy settings that underpin the 2020-21 Budget should accept that the next twelve months will see a significant flux in the economy as businesses re-open, rebuild and restructure, but are forced to close or fundamentally change their operations again as a consequence of targeted containment methods, social distancing and/or travel restrictions, and the consequent impact on business and consumer confidence.

[2] http://treasury.gov.au/coronavirus

[3] See RBA speech by Luci Ellis Assistant Governor: https://www.rba.gov.au/speeches/2020/sp-ag-2020-08-07.html

While the range of Government measures already released have been important, to allow for SMEs and their lenders to play their part in kick starting the economy, generating business activity, and creating more jobs, there are further measures the Government needs to put in place.

1. Stabilise the economy as much as possible during a period of volatility

We support the move by Australian, State and Territory governments to provide a range of stimulus and support packages addressing the economic impacts of the COVID-19 virus. According to Treasury, "the Government's economic support package of $259 billion represents fiscal and balance sheet support across the forward estimates of 13.3 per cent of annual GDP with direct fiscal measures equivalent to around 6.9 per cent of GDP.[4]"

With any stimulus package there is a desire to want to reduce the reliance on support as soon as is practically possible. The natural tension in the case of the COVID-19 pandemic is between Government debt: GDP levels and unemployment – prior to the pandemic, we were fortunate to be returning to a surplus and record low unemployment; how and when we return to this is going to take time and careful planning.

We congratulate the Government for its work on initiatives aimed at reducing unemployment i.e. JobKeeper/JobSeeker and for the announcement on 21 July 2020, of the extension of the JobKeeper payment scheme until 28 March 2021. We note that on 7 August 2020, in light of the lockdown in Victoria, further changes were announced to make it easier for employers to qualify for the JobKeeper payment scheme extension from 28 September 2020 and to adjust the reference date for employee eligibility[5].

The Government's actions have materially reduced the levels of potential unemployment with Treasury highlighting that, but for the Government's actions, unemployment would have been 5% higher than the June quarter forecast of 10%.

In 1950, government debt was 107% of GDP or approximately $2.08 billion relative to today's economy. Australia's debt (as measured by the OECD) is currently 73% of GDP, well below the levels of the 1950s and current comparable economies such as Canada (108.2%.[6]) We note Reserve Bank of Australia's Governor Dr. Philip Lowe's comments on Four Corners "we shouldn't be worried about government debt. It's the right thing to do… we have the capacity to borrow, our interest rates are as low as they've ever been, the Australian Government has a long record of responsible fiscal policy, so the budget accounts are in reasonable shape. And if ever there's a time to borrow, now is it".[7]

Finally, demand for Australian Government bonds, which can be used to repay Government debt, is also likely to remain strong with the RBA's action in buying them on the secondary market a key part of monetary policy[8].

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[4] https://treasury.gov.au/sites/default/files/2020-05/Overview-Economic_Response_to_the_Coronavirus_3.pdf
[5] https://www.bdo.com.au/en-au/insights/tax/technical-updates/jobkeeper-extension-turnover-test-eased
[6] https://data.oecd.org/canada.htm
[7] https://www.abc.net.au/4corners/4cs_economy_2004/12165974
[8] https://www.rba.gov.au/mkt-operations/government-bond-purchases.html

We believe that to stabilise the economy as much as possible, it remains fiscally appropriate for the Government to take advantage of low interest rates and relative low levels of debt to GDP and continue to borrow to invest in initiatives that either assist to stabilise the economy and / or stimulate investment.

Therefore, we recommend that the Government:

- **Extend and clarify eligibility to current or equivalent employment packages, if required.** The psychological and consumer and business confidence benefits of extending current employment packages or varying future packages (to be targeted to most impacted sectors or locations) should lower unemployment and will return Australia faster to its pre-COVID-19 global position and make Australia more attractive in the long-term to again attract overseas investment and immigration. For example, car rental providers have been significantly impacted by the COVID-19 crisis, but have adjusted their business models to continue to support businesses, including supporting critical supply chains, transport and logistics, and medical and health services, as well as to prepare to support the return of domestic and international travel. Strategies to adjust businesses have varied across the sector, however, changes to purchase and sale or vehicles may impact on revenue and inadvertently create issues with eligibility, even though revenue from operations and business activity still remains 70%-90% impaired. We believe the JobKeeper rules should not include changes in property, assets or equipment to prohibit access for impacted sectors and businesses.
- **Extend the Instant Asset Write-Off Scheme to at least 30 June 2022:** We note that the Instant Asset Write-Off Scheme has been extended to 31 December 2020[9]. Businesses that have struggled to acquire and install eligible assets ready for use by 30 June 2020 have welcomed the extended deadline; however we are concerned that businesses are going to continue to be challenged by this environment, particularly noting the Victorian example. We believe the Instant Asset Write-Off Scheme should be extended to at least 30 June 2022 or made more permanent so SMEs can plan their longer-term investments with more confidence.[10.]
- **Make further changes to the Coronavirus SME Guarantee Scheme, if required:** AFIA welcomes the Government's announcement to make changes to the Coronavirus SME Guarantee Scheme, including to expand the offer of loans of up to $5 million for a maximum term of five years and introduce more flexible product eligibility rules (SMEG II). Subject to finalising the terms and conditions of SMEG II, the extension of the Scheme should allow SMEs to access the cashflow, working capital and investment funds they need to re-open, rebuild and restructure their businesses, recognising the very different needs of SMEs across Australia. We continue to work with Treasury on the final detail of SMEG II rules. However, we ask that the Government continue to be open-minded about this Scheme and other initiatives intended to promote access to credit for SMEs, and augment as needed and as conditions change as the crisis unfolds to meet the demand of SMEs.

2. Support a business led recovery – particularly for SMEs and their lenders

The market and non-market responses to the COVID-19 crisis have had, and will have, a significant impact on small through to large businesses and consumers. The COVID-19 crisis is a financial crisis, but it is not a liquidity crisis in the financial system.

[9] https://www.ato.gov.au/Business/Depreciation-and-capital-expenses-and-allowances/Simpler-depreciation-for-small-business/Instant-asset-write-off/
[10] https://www.asbfeo.gov.au/resources/covid19

To support a business-led recovery, it will be critical that SMEs continue to get access to low cost of funds and access to products, services and credit that meet their needs.

This can be achieved by ensuring smaller ADIs, non-bank lenders and fintech lenders (together referred to as 'smaller lenders') are supported to continue to provide specialised finance products. Smaller lenders play a critical role in our economy, especially where other lenders do not have the business infrastructure, technology, risk appetite or have chosen not to serve certain parts of the economy.

AFIA believes it will be critical for additional actions to be taken by the Government and the finance industry to ensure support for households and businesses through the next months, as we anticipate economic activity will return in different ways, at different times, for different businesses and industries. This makes the specialised finance products offered by smaller lenders even more important for our ongoing response and economic recovery. We have set out above why it is important for SMEs and their lenders to be supported through this crisis.

Measures that lower funding costs for smaller lenders will deliver the following benefits that will support growth and recovery:

1. Maximise the flow of affordable credit to households and businesses across different channels (especially sectors in our economy that have to date been under-served by the larger lenders who focus more on secured and term loans, rather than short term, unsecured credit facilities). This will help households and businesses maximise their financial resilience and reduce financial pressure on them, now and into the future.
2. Support lower borrowing costs which can be passed on to existing and new customers at competitive rates and offset the anti-competitive impact of the significant liquidity support the Term Finance Facility provided to the larger lenders. This will improve competition and help to 'level the playing field' between larger lenders and smaller lenders.
3. Ensure financial inclusion, particularly to SMEs, which rely on information, guidance and support tailored to their businesses from smaller lenders. These smaller lenders tend to have deeper industry-based skills and capability, and deliver innovative business solutions, particularly around online payments and credit both of which are vital to ensuring economic and social participation, particularly in a new post
COVID-19 world.
4. Underpin competition, innovation and choice through a range of financing products, services and technologies that households and businesses need during the COVID-19 crisis and ensure a vibrant, world-leading financial services ecosystem in Australia.
5. Ensure smaller lenders continue to serve the unique needs of SMEs for low-cost, short term credit and working capital to match their specific operations and commitments to suppliers, equipment providers and insurers. This will be crucial to minimise their business risks and costs, so these businesses are not facing large debts and other liabilities and so they can protect and create jobs.

To deliver these benefits, particularly for SMEs and their lenders, the 2020-21 Budget should focus on the following main areas.

(a) Incentivising ADIs and investment banks to fund smaller lenders who then lend funds to SMEs to grow and employ more people

Incentivise ADIs and investment banks to fund smaller lenders who then lend funds to SMEs – an initial over-reliance on the larger ADIs through the RBA's Term Funding Facility has resulted in delays in the distribution of funding as these financial institutions struggle to work through customer contacts. Therefore, incentivising larger ADIs and investment banks to prioritise capital allocation to smaller lenders will ensure the costs of funds are low for lenders, all lenders are able to serve the needs of businesses and households as fast as possible and in ways that suit their increasingly more complex and varied needs.

(b) Creating a $5bn Smaller Lender and Fintech Sector Fund

Smaller lenders need to be supported through this recovery. Smaller lenders:

- Provide specialised products, services and technologies and are critical to ensuring the flow of credit and liquidity, especially to SMEs
- Make sure businesses have access to a diversified pool of working capital and the cashflow support they need to best match their business needs, thereby reducing business risks and costs
- Support economic supply chains with tailored finance solutions that assist businesses improve their financial, customer and supplier management practices and productivity, and
- Deliver continued innovation and ensure ongoing competition and choice for households and businesses, which is especially critical as we move into the open banking regime and as digital transformation is accelerated due to the COVID-19 crisis.

Smaller lenders are well-placed to meet different customer needs through business models that put customer relationships ahead of scale and are better equipped to tailor finance solutions and packages that meet the credit and liquidity needs of these critical businesses during the ongoing response and recovery phase. This is primarily because they have key resources who understand industry cycles and dependencies – including import and export markets, and asset use, utilisation, and value – be it hard or soft assets; initial, in life, refurbishment/alternate and residual value assessment.

Smaller lenders provide term loans, and also offer a range of secured and unsecured credit facilities and alternative sources of credit and liquidity to SMEs, which include, but not limited to:

- Motor vehicle and fleet management finance for businesses critical to supply chains
- Asset and equipment finance for businesses in mining, agricultural, manufacturing, infrastructure, and transport and logistics sectors
- Crop and agri-finance for primary producers and farmers
- Cashflow finance for businesses across the retail sector (including Buy Now Pay Later providers), and
- Working capital, merchant, trade, and debtor finance (i.e. inventory and invoice finance, supply chain finance, merchant cash advance, revolving and other lines of credit, commercial credit cards, insurance premium finance) for businesses across the economy.

One of the key successes in financial services over recent years in Australia, which has led to global recognition, is the innovative nature of our financial service providers – how they continue to adapt and improve the customer experience, move deeper into digital offerings and tailored solutions, and continue to meet customer demands. This is increasingly being focused on speed of service coupled with customer relationships is going to be critical as we move through the recovery phase of the crisis[11].

AFIA has been undertaking extensive work during the pandemic with the AOFM on the Structured Finance Support Fund (SFSF) and the Forbearance Special Vehicle. These are two great examples of financial services innovation and are the envy of many countries – in particular, New Zealand as they have allowed for a process of liquidity to smaller lenders to be extended quickly.

Outside of the AOFM, AFIA has been working closely with some external consultants on a multi-seller option fund which will assist the AOFM manage the pipeline of applications from smaller lenders. We were delighted to see today's announcement[12] that one of the consultants that we have been working with has been accepted into the Small and Medium Originator Programme. Being able to develop a fully cross collateralised solution for securitising the different risk appetites and models adopted by many of our members is likely to be a world first. We wish to thank the AOFM and Treasury for the manner in which they have been engaging with us on these and other initiatives.

More details on a **Smaller Lender and Fintech Sector Fund** are set out in **Attachment B.**

(c) Focusing on other initiatives to stimulate economic growth

On 26 May 2020, the Prime Minister revealed the components of the Government's JobMaker program to support the long term recovery of the economy. The key tenors of the JobMaker program was to provide funding for skills development, a focus on tax reform and deregulation, industrial relations, simplifying the skills system, lower energy costs, investment in economic infrastructure and federation reform[13].

As mentioned above, because of low interest rates and relative low levels of debt : GDP, we recommend that as part of this program, the 2020-21 Federal Budget should look at means to incentivise the creation of jobs across:

- Mining and resources – leveraging our global mineral production advantage and looking at innovative ways to employ more Australians.
- Major infrastructure projects – making new investments and bringing forward capital expenditure projected in previous budget commitments, with a focus on infrastructure and community projects across Australia[14].
- Fintech – creating Australia as a financial and technology hub.
- Agriculture and manufacturing – identifying how technology can be embedded in businesses to deliver productivity and efficiency gains, supported by AFIA members that are asset and equipment finance specialists. Additionally, markets can be better used to manage current and future water risk.
- Workforce skills – investing in online educational programs to address skills shortages and maximise labour utilisation, with businesses taking up technologies, including robotics, 3D printing, and AI, and the shift in workforce and labour requirements.

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[11] A 2016 Deloitte and World Economic Forum Report into the future of financial services in Australia noted that the financial services industry is a significant contributor to Australia's current and future prosperity, and that any disruptions and opportunities for growth should be carefully considered.
[12] https://www.aofm.gov.au/sfsf/sfsf-august-update
[13] https://www.grantthornton.com.au/insights/blogs/jobmaker-program/
[14] http://www2.deloitte.com/au/en/pages/infrastructure-and-capital-projects/articles/taking-precinct-approach-infrastructure-development.html

We set out our further recommendations for the Federal Government's JobMaker program in **Attachment C.**

RECOMMENDATION 2: LOOK AT NON-FISCAL GOVERNMENT SUPPORT TO BUSINESSES TO PROMOTE GROWTH AND EMPLOYMENT

To instil confidence in businesses to grow and consumers to spend, we believe the Government should:

1. Provide a stable framework that will allow business to continue to invest in our economy to facilitate business activity and create more jobs

(a) Implement a national approach to Stage 3 / Stage 4 business restrictions

With the opening and closing of borders and economies, the Federal Government and National Cabinet need to continue to act to mitigate economic volatility for consumers and businesses. We have to prepare for further lockdowns in other parts of the country as the virus will unfortunately exist in our community until a scalable vaccine is found.

AFIA engaged with the National Cabinet in March, and more recently with the NSW and Victorian governments, regarding the definition of an "essential service". To minimise confusion, we recommend that the National Cabinet use the Victorian Government's definition of banking services[15] [16](i.e. financial products or services, credit and payment facilities) and transport and rental hiring services (including logistics and supply chains) if other States and/or Territories need to move to Stage 3/Stage 4 lockdown.

We also recommend that we use the learnings from Victoria around some of the implementation challenges across banking, transport and rental hiring sectors, in particular around worker permits, childcare access and arrangements, loan management issues, documentation requirements, customer verification in the transport and rental hiring services, and access to essential transport for financial services permitted workers and more generally to transport and rental hiring services by permitted workers across the economy.

(b) Accelerate right sized deregulation and red-tape reduction

The pandemic has resulted in the temporary easing of regulatory requirements to enable businesses to accommodate alternative ways of doing business and continue to support their customers.
We congratulate the Government on making the recent change to its Deregulation Taskforce[17]. This along with the work undertaken by financial regulators to address immediate formal and informal legal and regulatory relief have been good initiatives.

As we move forward, it is essential for lenders to be able to concentrate on the immediate priorities. Therefore, we propose an industry roundtable with the Assistant Minister to the Prime Minister, Ben Morton, and other industry representatives to examine which of the current temporary measures should be made permanent to streamline and simplify digital and online business transactions and promote e-commerce.

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[15] http://www.dhhs.vic.gov.au/victorias-restriction-levels-covid-19
[16] http://www.dhhs.vic.gov.au/sites/default/files/documents/202008/Stage%204%20Industries%20-%20Distribution.pdf
[17] https://www.innovationaus.com/pm-takes-hold-of-deregulation-taskforce/

Attachment D sets out the initial measures we propose to discuss.

2. Provide the confidence and support to small businesses to grow and thrive

Small business (classified as businesses with less than 20 employees) accounts for almost 98% of businesses in Australia at the end of 2019[18]. The ASBFEO notes that micro and small businesses are more likely to innovate and bring new goods and services to a market than large businesses.

Therefore, it is integral that the Government considers initiatives to support small businesses to grow through the economic recover. The initiatives that we recommend that the Government focus on are as follows:

- **Decrease payment times for small businesses and use small business as providers**: we note the introduction of the *Payment Times Reporting Bill 2020* which will mandate the reporting and publication of payment times by big business to enable more transparency of late and extended payment practises to small businesses. We encourage the Government to create a small business procurement panel to accelerate the ability of small business to be part of Government contracts. The Government should also review its ability to reduce payment times further to 15 business days to improve the working capital cycles of small business.
- **Review industrial relations reform**: complexities in the current system mean there is a disincentive to employ permanent employees. As Australia recovers, small business needs flexibility - to either keep current staff employed or employ new staff and comply with legal liability for matters such as workers compensation. We recommend as part of the Government's JobMaker program, which is targeted at reviewing the industrial relations framework, it introduce a Small Business Award – a single category within this award for all staff, irrespective of duties, with a single minimum rate in accordance with the ASBFEO's recommendations to dramatically simply the employment of staff by small business.[19.]
- **Fund educational programs:** workforce skills, education and training will assist SMEs to build their digital capability, management skills and understanding of overseas markets and introduce measures to improve access to finance. AFIA worked closely with the ASBFEO and others on a Small Business Funding Guide.[20] We recommend providing resources to extend the reach of this resource and to ensure it is kept up-to-date with relevant information related to the conditions of the COVID-19 crisis will allow SMEs to be better equipped with knowledge on growth opportunities, risk areas, financial viability, and ideas about how to innovate to expand.
- **Level the playing field and remove fringe benefit tax for small business**: fringe benefit tax is paid on many items which employers use as a method to retain and recognise the efforts of their employees (for example childcare, gym memberships and meals). A large business is able to provide these incentives to employees and claim some services as a business expenses and not pay FBT on others; a small business providing the same benefits to their employees, is not - FBT is payable. We recommend this should be removed as it impacts competition.
- **Introduce temporary measures to write off tax debts for most impacted sectors:** the most impacted sectors, such a tourism and hospitality, are vital for urban and regional economic recovery. These sectors are heavily reliant on using future revenues to cover the business costs during the current period. These sectors are also seasonal, with the summer period delivering significant revenue

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[18] https://www.asbfeo.gov.au/sites/default/files/documents/ASBFEO-small-business-counts2019.pdf
[19] https://www.asbfeo.gov.au/sites/default/files/COVID%20Recovery%20Plan%20v2.pdf
[20] https://www.asbfeo.gov.au/resources/business-funding-guide

in the cycle. This year the pandemic not only immediately impacted these sectors, but severely impeded businesses in these sectors managing their forward costs.
As the largest appointor of insolvency practitioners to small business, we recommend the ATO be instructed to write off BAS liabilities for certain businesses. This would ensure their financial viability and reduce the likelihood of lenders not providing access to credit due to tax liabilities and/or these businesses deciding to enter into insolvency due to tax liabilities. We do not believe other tax liabilities should be included in this initiative. The Federal Government should also consider further initiatives and tax reforms, including PAYG liabilities.

- **Examine current bankruptcy and insolvency laws to ensure they remain fit for purpose when dealing with a likely increase in demand:** The pandemic has placed many SMEs into financial stress. Many commentators are forecasting the rise of 'zombie businesses' [21] [22] which will impact Australia's economic recovery as they become a potential 'millstone' and drag down consumer and business confidence. AFIA has already engaged the ASBFEO, AFCA, ASIC and other industry associations, such as ARITA and the AICM, on initial plans for dealing with the increase in insolvencies and bankruptcies. Linked to the above point, we recommend the Federal Government ask the ATO to be a part of these conversations. We also recommend that the Government consider changes to insolvency laws to allow for the fast tracking of bankruptcy and SME insolvency reform. We propose a new Industry Advisory Group be established to work with the above bodies, including the ATO, as well as Senator Michaelia Cash, the Minister for Employment, Skills, Small and Family Business and the Attorney General's Department and on potential recommendations.

RECOMMENDATION 3: IMPLEMENT PARTNERSHIP INITIATIVES FOR GOVERNMENT AND BUSINESS TO REBUILD AND CREATE A MODERN ECONOMY

For a growing and more productive economy, we believe the Government needs to make a policy commitment to continue to develop Australia's financial markets to ensure Australia remains an attractive place to conduct financial services business. This will require the formulation of a coherent strategy with clear objectives, timelines and a process that integrates policy measures covering tax, international trade, innovation and business investment in order to create Australia as a financial services and fintech hub, recognising the services sector is and will continue to be a major contributor to GDP and employment.

Additionally, the Government and businesses need to work together to support a transition to a modern economy, which will be important in a post COVID-19 world. A modern economy needs to be focused on planning, investment, and sustainability with the primary focus of a modern economy being to:

- Bring regional and urban/CBD businesses closer together
- Continue investment supply chains for example digital transformation of manufacturing and other sectors, focus on short term manufacturing projects, including PPE
- Overhaul /simplify IR system (for example for small business through introducing a small business award as noted above), and
- Making Australia a financial service and fintech hub to attract offshore investment, foster R&D opportunities across our economy, incentivise onshoring jobs traditionally offshored and export our successful financial services and fintech companies overseas[23].

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[21] http://www.mybusiness.com.au/legal/7174-zombie-businesses-to-emerge-come-september-research-finds
[22] http://www.nortonrosefulbright.com/en-au/knowledge/publications/063e1f78/zombie-companies-will-eat-australias-covid-19-economic-recovery
[23] http://www.smh.com.au/national/nsw/tech-hub-towers-set-to-rise-above-sydney-s-central-station-20200812-p55l0e.html

Australia’s economy is highly interconnected, with urban and regional economies dependent on supply chains, particularly in the most COVID-19 impacted parts of our economy – tourism, travel, and aviation industry as well as food, hospitality, and events management industry.

AFIA believes that economic recovery plans need to target leveraging existing economic successes, reinventing existing businesses and industries to adopt and adapt technology, and rebuilding essential economic connections.

Attachment E outlines proposals for supporting urban and regional economies, recognising the interconnectivity between sectors, economies, and supply chains ultimately culminating into the creation of a modern economy.

CLOSING COMMENTS

I would appreciate the opportunity to discuss our recommendations and provide you with further information about the specialised products, services and technologies offered by AFIA members.

Should you wish to discuss our submission or require additional information, please contact me or Karl Turner, Executive Director, Policy & Risk Management at karl@afia.asn.au or 02 9231 5877.

Yours sincerely

Diane Tate
Chief Executive Officer

ATTACHMENT A: AFIA BACKGROUND

The Australian Finance Industry Association (AFIA) is the voice of a diverse Australian finance industry.

AFIA represents over 100 providers of consumer, commercial and wholesale finance in Australia, which includes:

- Major, regional and mutual/community owned banks
- Providers of consumer finance, including home loans, personal loans, consumer leases, credit cards, buy now pay later services, and debt purchasers
- Providers of land finance, including residential and commercial mortgages and bridging finance
- equipment financers, including commercial equipment financing ranging from agri-equipment to small ticket equipment financing
- Motor vehicle financiers, including consumer motor finance, novated motor finance, small business motor finance and heavy vehicle finance
- Fleet leasing and car rental providers, and
- Providers of commercial finance, including secured and unsecured loans and working capital finance to businesses, including small businesses.

AFIA's members range from ASX-listed public companies through to small businesses providing finance, which operate via a range of distribution channels, including through 'bricks and mortar' premises (physical branches and other outlets), via intermediaries (including finance brokers, dealerships, retail suppliers), and through online access or platforms (traditional financial institutions and fintechs).

AFIA's members collectively operate across all states and territories in Australia and provide finance to customers of all demographics from high to low-income earners and to commercial entities ranging from sole traders, partnerships and across the corporate sector in Australia.

AFIA's members provide a broad range of products and services across consumer and commercial finance, a snapshot of these include:

- Consumer: home loans, personal unsecured loans, revolving products (including credit cards and interest free products coupled with lines of credit), personal secured loans (secured by land or personal property); consumer leases of household assets (including household goods, electrical/IT devices or cars) and buy-now, pay later services.
- Commercial: land, asset or equipment finance (finance/operating lease, secured loan or hire-purchase agreement or novated leases); business finance and working capital solutions (secured loans, online unsecured loans; debtor and invoice finance; insurance premium funding; trade finance; overdrafts; commercial credit cards), together with more sophisticated and complex finance solutions.

For further information about AFIA, please see here.

ATTACHMENT B: SUPPORTING SMALLER LENDERS SUPPORT SMEs, THROUGH A NEW FUND – SMALLER LENDER AND FINTECH SECTOR FUND

AFIA proposes that as we move into the ongoing response and economic recovery phases, to promote growth and unemployment, new initiatives will be needed to support markets as well as solve for the challenges facing a number of small lenders in accessing the existing Government initiatives and to ensure a level playing field in the lending market.

AFIA believes the Federal Government should create a new, flexible fund up to **$5 billion** to support smaller lenders support their customers – **Smaller Lender and Fintech Sector Fund**.

We recommend the new fund be administered through Treasury in consultation with the RBA and AOFM to ensure their expertise in assessing applications can be incorporated.

The fund could leverage work already being undertaken on the Forbearance SPV[24] as it has already determined an approach to the viability testing of portfolios and operators through:

- Leveraging and sensitising existing cashflow models of originators so as to form a view on their overall viability and ability to draw and repay funding
- Reviewing and sensitising audited operator internal models
- Looking at historical repayment, default, and loss experience of operators, and
- Reviewing asset class viability.

The fund would have multiple purposes and outcomes, but essentially:

- Solve for the challenges facing smaller lenders in accessing the existing Government initiatives and ensure a level playing field in the lending market, and
- Provide an alternative source of funding for smaller lenders as well as take a **whole of financial system approach**.

In doing so, the Government will be able to:

- Ensure national confidence in the support program for our economy and community and that the measures are implemented as intended and are achieving the intended policy objectives.
- Demonstrate it has supported financial inclusion and access to affordable finance, particularly for SMEs, as well as supporting the maintenance of competition and innovation during the COVID-19 crisis, and through the ongoing response and economic recovery.
- Support innovative smaller lenders to emerge and remain credible from the COVID-19 crisis, and allow AFIA members to continue to fund their customers and help them navigate through this period without having to pass on any additional costs and/or being limited in what support they can offer their consumer and SME customers.
- Complement measures already introduced and position and support Australia's ongoing response and economic recovery.

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[24] The Australian Securitisation Forum (ASF) and AOFM have developed a structure that will enable the SFSF to invest in new senior ranking debt securities issued by a newly constituted "Forbearance" SPV. That SPV will then advance funds to securitisation trusts and warehouses who wish to draw liquidity advances to compensate for the missed interest component of scheduled payments not received as a result of the borrower being granted a payment holiday or moratorium due to the impact of COVID-19: http://www.aofm.gov.au/sfsf/sfsf-update-23-april-2020

ATTACHMENT C: JOBMAKER PROGRAM INITIATIVES

Because of low interest rates and relative low levels of debt : GDP, AFIA recommends that as part of the Government's JobMaker program, the 2020-21 Federal Budget should look at means to incentivise the creation of jobs across:

a. Mining and resources – leveraging our global mineral production advantage and looking at innovative ways to employ more Australians.
b. Major infrastructure projects – making new investments and bringing forward capital expenditure projected in previous budget commitments, with a focus on infrastructure and community projects across Australia, and ensuring also that there is an integration of land use and investment planning through investing in mechanisms such as city deal models, collaboration areas and innovation districts which are demonstrating improved place outcomes[25]. Careful consideration should be considered into the ability of businesses to service such projects and cope with forecasted demand due to being heavily impacted by COVID-19 and whether additional support along the supply chain may need to be provided. For example, the car rental sector had to reduce a significant amount of their fleet used in infrastructure projects and is unlikely to be in a position to return their fleet to pre-COVID levels for the few years.
c. Fintech – matching state funding commitments and creating Australia as a financial and technology hub.
d. Property – identifying how tax and development incentives can help support consumer demand and domestic and foreign investment in the property sector, particularly to offset the impact of changes in immigration.
e. Telecommunications, transport and logistics – identifying road, rail, aviation and maritime options for supply chains to integrate public and commercial transportation requirements and integrate with renewed thinking about better use of telecommunications and interactive service delivery, noting lack of reliable, efficient and affordable options for regional communities, which exacerbates access to services, such as health and education and hampers the development of and investment in resources projects for the supply of domestic and international markets. Investments in areas such as rail and roads will improve mobility which will in turn improve liveability, unlocking economic value and social prosperity, enhancing sustainability, and boosting safety.
f. Agriculture and manufacturing – production and distribution of goods and services has been disrupted by the COVID-19 pandemic, with businesses restructuring and transforming overnight. Customer demand and business dynamics are unlikely to revert. Business processes are likely to integrate with more direct channels. Financial services and technology will underpin productivity and efficiency gains across other industries. For example, robotics in the medical industry, 3D printing in manufacturing household goods, and AI to provide real-time customer service across industries.
g. Research and development (R&D) – investment in innovation activities including traditional and non-traditional R&D in a large number of sectors, such as biotech and pharmaceuticals will be integral to ensure that the Australian economy grows and can withstand future crisis.

[25] http://www2.deloitte.com/au/en/pages/infrastructure-and-capital-projects/articles/taking-precinct-approach-infrastructure-development.html

Consulting firm, PWC, highlighted that the Australian level of R&D spending had room for improvement pre-COVID-19[26], with the country spending only 1.9% of GDP. The economic benefit from R&D investment is characterised by increased employment and increased export income, a more educated population, higher paying jobs, greater knowledge transfers, and greater tax revenue for the government from employees and companies. We support Innovation and Science's Report into Stimulating Business Investment in Innovation,[27] particularly noting that there is a role for government to coordinate, facilitate and act as a catalyst for innovation, and develop new markets for businesses, through grants and other support mechanism, including public private partnerships, for example, through financing arrangements for innovation from innovative smaller lenders.

h. Workforce skills – investing in online educational programs to address skills shortages and maximise labour utilisation, with businesses taking up technologies, including robotics, 3D printing, and AI, and the shift in workforce and labour requirements.

i. Planning, property, and infrastructure – design and use requirements for working and living spaces – we note a post COVID-19 environment is likely to be very different, with our population connected in different ways. This will impact public transport, entertainment, commercial property and workplaces, retail, and public areas and there needs to be better integration between land use and investment planning.

j. Water and energy policy – the COVID-19 pandemic has seen a significant intertwining of health/social, economic and environmental risks – we note the various natural disasters impacting Australia prior to the COVID-19 crisis focused decision-makers and the public on the importance of identifying and mitigating risks to our natural resources as well as ensuring preparedness for managing future natural disasters. Sustainable water and energy supplies are essential to support more efficient economic activity as well as new ways of living for citizens with energy policy being crucial to lower energy costs to support the re-emergence of the Australian manufacturing sector. Securing supply of affordable energy for the domestic market will be integral in the revitalisation of many domestic industries.

k. Leveraging technology to support the recovery and produce lasting change – virtually overnight, businesses have undergone transformational change through supporting customer demands via digital and omni channel, reconfigured supply chains, licenses, and equipment to support remote work and reframing workforce collaboration. Investment in technology and technology policy to support workers, consumers and supply chains will need to continue to accelerate the recovery. Focus and investments should be on enhancing digital innovations and presence, modernising customer support operations, scaling automation pilots, and creating resilient IT architecture.[28] As part of this, it will be important for the Government to provide support and create an environment where both the public and private sectors are making those integral investments.

[26] http://www.pwc.com.au/important-problems/australia-rebooted.pdf
[27] http://www.industry.gov.au/sites/default/files/2020-02/stimulating-business-investment-in-innovation.pdf
[28] http://www2.deloitte.com/au/en/pages/covid-19/articles/shaping-the-future-through-digital-business.html

ATTACHMENT D: ACCELERATE RIGHT SIZED DEREGULATION AND RED-TAPE REDUCTION

The pandemic has resulted in the temporary easing of regulatory requirements to enable businesses to accommodate alternative ways of doing business and continue to support their customers.
As we move forward, it is essential for lenders to be able to concentrate on the immediate priorities. Therefore, we propose an industry roundtable with the Assistant Minister to the Prime Minister, Ben Morton, and other industry representatives to examine which of the current temporary measures should be made permanent to streamline and simplify digital and online business transactions and promote e-commerce.
Indicative areas of focus are:

- Supporting digital transformation across our economy through digital identification and specifically efforts to embed digital ID, electronic signatures and similar across government and business transactions. For example, various Federal and state statutes require 'wet signatures' or similar to facilitate transactions. We recommend that the temporary introduction of COVID-19 related measures such as electronic mortgages, witnessing a document over video call and signing documents electronically should be made permanent.[29] NSW's Digital Driver's Licence has had over 1.5 million people opt-in to the program since the launch in 2019, showing a strong appetite by Australian consumers to move to digital ID. We recommend that a review is conducted to identify and update legal obligations to better allow digital ID in Australia and encourage businesses to accept and support it.
- Reviewing the Corporations Act, and other financial services statutes, to remove obligations that require lenders to provide written communications and disclosures to customers and/or to shareholders to comply with companies and financial services laws as supported by ASIC's Regulatory Guide 221. (We note the Financial System Inquiry and Treasury responses[30] and the Productivity Commission and Treasury reviews on simplifying Corporation Law requirements and facilitating innovative disclosures – we recommend regulatory reforms from these reviews could be reinstated.)
- Reviewing directors duties within various statutes to clarify director's and officers duties and protections for reasonable steps and removing absolute duties and other duties that create perverse disincentives for good corporate governance practices – we note in 2006, the Corporations and Markets Advisory Committee (CAMAC)[31] voiced concerns that there was a trend towards imposing personal liability on directors for corporate fault, and with overreach in the treatment of individuals where the company is in breach of the law . Since that time, the personal liability regime of individuals for corporate fault has increased, with for example the advent of the Banking Executive Accountability Regime and the proposed Financial Accountability Regime. CAMAC also noted there were significant disparities in various laws including environmental protection, workplace health and safety and fair-trading statutes result in complexity and a lack of clarify for individuals in considering their responsibilities. The lack of

[29] A coalition of associations including AFIA, the Australian Banking Association, the Business Council of Australia, the Australian Institute of Company Directors, Council of Small Business Organisations, the Financial Services Council, the Real Estate Institute of NSW and the Australian Property Institute are writing to each member of National Cabinet to make these changes permanent. See here https://www.ausbanking.org.au/electronic-transactions-and-mortgages-should-be-here-to-stay/
[30] http://treasury.gov.au/sites/default/files/2019-03/p2014-FSI-01Final-Report.pdf
[31] http://www.camac.gov.au/camac/camac.nsf/byHeadline/PDFFinal+Reports+2006/$file/Personal_Liability_for_Corporate_Fault.pdf

harmony in laws can impair ready communication of statutory requirements and effective compliance efforts. While not questioning the policy goals of the relevant regulatory regimes, we do consider that there is a need to review the regulatory settings for personal accountability to both incentivise the right behaviour but to not unduly supress innovation. We would recommend setting up of a Legal Advisory Group to review and make recommendations on investigating the right legal settings including on harmonising laws, consider safe harbour provisions and ensuring those settings are incentivising the right behaviours.

- Harmonising laws across States and Territories to streamline powers of attorney and create a central registry for instruments. (We note the Australian Law Reform Commission review of elder abuse and the Royal Commission into Aged Care Quality and Safety. Several recommendations from these and other reviews to improve cross-jurisdictional protections and help protect the financial wellbeing particularly of older Australians could be progressed by the National Cabinet.)
- Funding the Deregulation Taskforce to expand its work from a pilot project to a more extensive program of reform across other areas of government reform. We note Gary Banks, Chairman of the Regulation Taskforce and Productivity Commission in 2006[32] identified around 100 specific reforms to existing regulation and proposed about another 50 areas of regulation to be investigated – some of which the Government at the time did not agree with and some which have still not been implemented. Examples of those things that the Deregulation Taskforce should still focus on and which build from the 2006 Regulation Taskforce recommendations as well as well additional considerations include:
  - Labour initiatives:
    - Making it easier to employ people by reducing differences between state-based payroll tax regimes
    - Mutual recognition of occupational and professional licensing between states,
    - Reducing unnecessary overlap and complexity in labour hire licensing regimes
    - Streamlining the industrial relations system particularly for small business to prevent employers being subject to complex award terms;
  - Access to goods and services initiatives:
    - Remove retail trading restrictions in South Australia, Western Australia and Queensland to drive competition for the benefit of consumers and grow employment
    - Review state and territory legislation which place various restrictions on the ownership of pharmacies, review the restrictive approval mechanisms for pharmacists to supply PBS medicines (which restrict the opening of new pharmacies), introduce a single provider number for each general practitioner and reduce the paperwork required for provider numbers;
  - New product approvals
    - Reinvigorate the process of identifying trusted international product standards
    - Removing unnecessary duplication of approval processes through the establishing of regular, cross-government reporting standards, with particular areas of focus being medical devised, agricultural and veterinary chemicals and second hand motor vehicles.

[32] https://www.pc.gov.au/news-media/speeches/cs20060517/cs20060517.pdf

ATTACHMENT E - SUPPORTING ACTIONS FOR URBAN AND REGIONAL ECONOMIES AND BUILDING A MODERN ECONOMY

Australia's economy is highly interconnected, with urban and regional locations dependent on cross-sector business activity and supply chains, particularly in the most COVID-19 impacted parts of our economy – tourism, travel, aviation, including car rental, manufacturing and retail, as well as food, hospitality, and events management.

The increased uncertainty and interconnectivity of businesses across the supply and value chain through advancements in technology and globalisation means a ripple effect has been created, which is likely to be significant and longer term.

This is also highlighted in the economic and fiscal data in a joint release by the Treasurer and the Minister of Finance in July 2020[33], GDP is forecast to have fallen sharply in the June quarter by 7% and contract by another 2.5% in FY21, 709, 000 jobs were lost across the country in the in June quarter and is predicted to hit 9% by December and household consumption remains volatile with the opening and closing of economies as state governments continue containment efforts.

The biggest spending falls are in those areas most severely affected by travel and social distancing restrictions such as travel, restaurants and cafés, and arts and recreation.

AFIA believes that the finance industry has the expertise to support a transition to a modern economy, which will be important in a post COVID-19 world. A modern economy needs to be focused on planning, investment, and sustainability.

Investing and making Australia a financial and technology hub

AFIA notes the reports prepared by Mark Johnson in 2009 and 2016 about creating Australia as a financial services centre and the initiatives, reforms and investment incentives required to promote and export Australia's financial services. Australia is highly regarded for the innovative nature of our financial service providers – how they continue to adapt and improve the customer experience, move deeper into digital offerings and tailored solutions, and continue to meet customer demands, which are increasingly being focused around speed of service coupled with customer relationships.

Several of our members are examples of our global success. Digital transformation has been accelerated due to COVID-19, with businesses now adapting and adopting technology as part of their business model. This is an opportunity for fintech to support improved productivity.

Supporting primary producers and farmers in rural and regional areas

AFIA notes various initiatives responding to natural disasters, including drought, bushfires, and floods.

[33] https://ministers.treasury.gov.au/ministers/josh-frydenberg-2018/media-releases/economic-and-fiscal-update

Our members advise that the conditions for many primary producers and farmers, particularly in NSW, is improving with the hope of higher crop yields next year. Crop finance will be important; however, government grants and assistance will be needed to support immediate cashflows for many primary producers and farmers. Business assistance will also help build/rebuild and improve enterprise management and export capability, this is particularly important as global trade risks emerge that are likely to impact negatively on Australian agricultural exports. We also support clean energy finance, noting several our members are leaders in this finance and technology.

Reviving, investing in and supporting the Australian manufacturing sector

AFIA notes the National COVID-19 Coordination Commission is focused on strategies to support and invigorate Australia's manufacturing sector, with considerations being given to investments that centre around new and emerging technologies, such as 3D printing, automation (i.e. driverless cars and robotics), the 'internet of things', smart factories, servitisation[34], AI, machine learning and virtual reality.

As our smaller lenders have the skills and capability to understand these nuanced sectors of the manufacturing industry (say through the provision of asset finance or working capital solutions), they will be integral in supporting the financing of the sector through innovative equipment and supply chain financing arrangements.

As part of the revitalisation of Australian manufacturing, we recommend a review of tax, energy, industrial relations and government procurement policies with considerations to be given to changes involving broadening and increasing the GST in exchange for lower company and personal income tax rates, the requirement for 25% of government procurement (including defence/biotech etc) to be locally sourced[35], consolidation research and innovation funding, including closer Federal and state co-operation to promote start-ups and establish tech clusters, and deeper collaboration between business and research bodies. This will allow us to learn from the UK experience[36].

Furthermore, we recommend and in-depth review into the capability to service demand across different supply chains for forecasted projects and demand. For example, AFIA members have had supply issues from overseas manufacturers, being unable to import new fleet has resulted in pricing issues in the primary and secondary car markets, as well as supply concerns with being able to service the tourism, transport and infrastructure sectors when demand increases.

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[34] Servitisation is the process of building revenue streams for manufacturers from services.

[35] We note that Queensland will be the first state in Australia to set a target to buy from more local small and medium-sized businesses, from July 1, Queensland will introduce a new target with 25% of all government purchases to be from Queensland small and medium sized businesses with the target to be extended to 30% by 30 June 2022: http://statements.qld.gov.au/Statement/2020/5/30/palaszczuk-government-boosts-support-for-queensland-small-and-medium-businesses

[36] UK has specialised in higher technology-based industries (e.g. pharmaceuticals and aerospace), this has been driven by technology and non-technological innovation and investment in skills, knowledge as well as branding, software, marketing and training which has led to new, between quality and more sophisticated products and more innovative business models and processes. The UK Government has made significant investment in manufacturing innovation projects: https://www.gov.uk/government/news/over-18-million-to-go-to-manufacturing-innovations as well as transformational digital technologies to improve design and production processes https://www.pwc.co.uk/industries/assets/2019-annual-manufacturing-report-final-web.pdf with the UK setting up the Made Smarter Commission – which is intended to drive digitalisation of the sector: https://www.madesmarter.uk/governance-partners

Supporting the retail and motor sectors

The Australian retail and motor sectors have faced significant competition and changes to their business models over recent time. Both will be integral to re-open the economy in a measured and safe way so as to build consumer sentiment and confidence. The finance associated with supporting these industry verticals and potential regulatory changes has been foreshadowed in the Financial Services Royal Commission Roadmap. As part of any plan looking at how recommendations are implemented, it will be critical to ensure that any solution properly balances consumer protection with potential over-regulation, which leads to decreased access to finance for these key sectors.

Supporting food, hospitality, and events management in CBD locations

AFIA notes the interconnectivity between urban and regional economies, with benefits to be multiplied where recovery targets support for these connections and supply chains. For example, many regional businesses provide food and other supplies to the hospitality sector and businesses located in our cities. Additionally, many in the arts and entertainment sector are connected to the hospitality sector in our urban and regional locations.

Support for initiatives to fast-track COVIDSafe re-opening of restaurants, cafés, licensed premises, and events will mean regional businesses and the arts and entertainment sector will also see the economic benefits. The national framework agreed by the National Cabinet was an important step in re-opening our economy and providing the parameters for the States and Territories to make decisions based on their circumstances. The reality is that social distancing measures will impact on hospitality businesses across Australia for some time, and potentially until a vaccine is produced and widely distributed.

Therefore, it will be important for restrictions to be eased that permit 100 (and then 100+) patrons and remove the 1 person per 4sqm rule (replaced with alternative measures and supported by the 1m/1.5m social distancing rule) as soon as practical so these businesses can re-open and for operational plans prepared by the industry to be shared more broadly with other businesses as soon as possible, so they can make appropriate plans to ensure safe participation by their employees and support economic recovery in the sector.

Supporting regional development and tourism

AFIA notes that regional economic recovery will be closely linked to urban economic recovery, with many regional businesses in the supply chain servicing the food, hospitality, and events management industry in urban locations.

In addition, supporting domestic and regional tourism will be an important part of any regional development plan, with consideration to be given to domestic tourism campaigns, promoting regional Australia as a tourism destination, revamping and re-invigorating National Parks and Wildlife websites to make it easier for tourists to search for accommodation thereby strengthening the connection between regional destinations and residents in both capital cities.

As discussed with Senator Michaelia Cash's office, the car rental sector plays a critical role to both urban and regional economies, directly and indirectly through supply chains both (retail and wholesale). With the impact of COVID-19 and its restrictions, the car rental sector significantly reduced the size of their fleet – which services supply chains in the travel, transport and aviation sector, but is also a key component in the automotive, agriculture, mining and resources and construction sectors,

Car rental providers will be an essential component of this recommendation. The car rental sector has been severely impacted by the COVID-19 crisis. Specific sector support is needed, including:

- Relief on registration, stamp duty and taxes for new car registrations until at least 1 January 2021 and then review the situation depending on what happens in the intervening period and easing restrictions.
- Refunding registration costs on deregistered vehicles without car rental providers having to physically hand back all number plates.
- Not requiring a roadworthy assessment before re-registering all cars and vehicles that are currently registered, noting cars and vehicles in these rental fleets are new.
- Government backed initiative to encourage re-fleeting so that the sector may cope with increased demand, and continue to operate services, promote growth across various sectors and ensure supply chain continuity.

AFIA has been successful in getting agreement on these support measures for car rental providers from the Queensland and Tasmanian governments. The Victorian Government has agreed to aspects but is now reconsidering the package. The South Australian Government had already substantively implemented our recommendations and the Western Australian Government is still considering our package but recognises the need to support the car rental providers as part of boosting tourism longer term. The NSW Government is considering the package.

Investing in building Australia's small to medium business sector

As noted above, AFIA's members support small businesses through many and varied lending products. One essential but lesser known product is insurance premium funding (IPF). The IPF product is a simple loan that is provided predominantly to businesses from SMEs to large corporates and strata companies to fund insurance premiums and help businesses manage cashflow and working capital. AFIA has been working with its IPF members to:

- Ensure that they are included as eligible lenders in the further extension of the SME Guarantee scheme
- Ensure that they have the benefit and access to the Smaller Lender and Fintech Sector Fund, and
- Work with the industry around the set up and participation in any multi-seller scheme, and potentially the role of the AOFM to support and create a multiplier effect for support for smaller lenders, normalising cost of capital for smaller lenders, and therefore, lower borrowing costs for SMEs, and maximising the impact of the SME Guarantee Scheme and other Government initiatives.