

27 August 2020

COSBOA Communiqué

Time to ‘Build Back Better’

SYNOPSIS

COSBOA’s COVID-19 Roundtable seeks to engage SME representative industry bodies and related stakeholders in a discussion about current issues being experienced by SMEs in the wake of the COVID-19 economic downturn and the potential initiatives that could be progressed to support economic recovery and support job creation in the future. This latest meeting was conducted on **Friday, 21 August 2020**.

The first half of the meeting was addressed by the Federal Opposition Leader, Hon. Anthony Albanese MP, who shared a perspective on the nature of the likely recovery challenge ahead. The Fair Work Ombudsman, Ms Sandra Parker, attended the second half of the meeting to discuss ongoing workplace issues as they related to SMEs.

The first half of the roundtable discussion focussed on the need for a plan for Australia’s economic recovery, developed under the theme of ‘Build Back Better,’ by taking advantage of the opportunity to invest in actions that create jobs, increase national economic output, and improve Australia’s level of economic self-sufficiency. The second half focussed on issues that are currently constraining the SME recovery process, including difficulties with the current approach to border restrictions by state/territory governments, questions about apparent near-term limitations on Australia’s import capacity, and ongoing IR challenges.

A brief summary of the key themes arising from this discussion is provided below.

KEY THEMES

The following key themes were discussed at this latest meeting:

- 1. It is time to develop and implement the national economic recovery plan, noting that this national effort is likely to require pursuit of differing strategies in individual state/territory jurisdictions that are advanced at different rates, to BUILD BACK BETTER.**
 - It is becoming increasingly evident that the economic damage inflicted on the Australian economy will be significantly higher than first anticipated. It is also clear that the economy will not ‘snap back’ and that there will be a need for sustained action over a significant period to support job creation and financial repair in all businesses, including SMEs. Sadly, there is likely to be a substantial number of businesses for which the best option will be to wind up their operations.
 - The scale of economic disruption also creates opportunities to strengthen Australia as a whole. Rather than simply return the economy to its pre-COVID state, Australian governments should work together to put the Australian economy into a stronger position in terms of national economic output, international competitiveness,

increased levels of self-sufficiency, improved environmental performance, and enhanced national well-being.

- While the recovery should be coordinated under the auspices of a single national plan developed around ambitious national objectives that reflect a 'build back better' aspiration, the geographic variance in economic damage (and current recovery status) suggests there will be a need to pursue different strategies at different rates in individual Australian states and territories. Job creation strategies and skill development should be pursued via local community empowerment mechanisms and national recovery actions should seek to simplify and/or streamline business government regulation as far as practicable.

2. Border restrictions are creating significant challenges for business and community alike. State and territory governments must be supported in developing COVID-19 management strategies that comprise a mix of genomic testing, tracing capability and localised shutdowns – as opposed to an almost wholesale reliance on border restrictions.

- Roundtable participants reported that their members were reporting significant issues with the inconsistency of border restrictions and border crossing protocols. These difficulties, when coupled with the slow consideration of state/territory government responses to non-standard border crossing requests, is constraining SME recovery and damaging border communities. The adverse economic, social, and mental health consequences of these issues appear to outweigh the virus containment benefits.
- Border restrictions are a blunt instrument that should be considered as a measure of last resort. State and territory governments should be supported in urgently developing more strategic capabilities (i.e. stringent quarantine management practices, upgraded protection of vulnerable cohorts such as the elderly, genomic testing, rapid tracing capabilities, and local shutdown mechanisms) as an alternative to disproportionately high reliance on border closures.

3. The prolonged shutdown in Victoria is giving rise to SME reports of a substantially reduced national import capacity. This risk is manifesting itself in a dramatic increase in international freights rates and a dramatic extension of import times for all Australian businesses.

- The Port of Melbourne is Australia's largest port for containerised and general cargo. Recent statistics suggest that total container throughput was 257,186 TEU in June 2020, which represented a 14% increase over May 2020 and a 6% increase over June 2019. The June increase over the previous month appears to be attributable to Australian business and industry seeking to restock inventory as they recommenced trading following the first COVID-19 outbreak (and associated lockdowns in Eastern Australia).
- The Stage 4 Lockdown in Victoria, and the apparent reduction in throughput at the Port of Melbourne, is again placing pressure on imports. Some roundtable participants are reporting that their members are experiencing a dramatic increase in import times and incurring quantum increases in international freight rates.
- If these early reports constitute an emerging trend, Eastern Seaboard businesses will face significant challenges in returning to normal trading levels (as a result of stock shortages and increased freight rates). This issue could therefore further constrain SME recovery across multiple industry segments.

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