

12 January 2021

## **COSBOA Communique**

# **SMEs impacted by localised COVID-19 lockdowns (and related border closures) need timely support in 2021.**

### **SYNOPSIS**

COSBOA's *COVID-19 Roundtable* provides a forum for COSBOA's member organisations to caucus issues associated with the COVID-19 pandemic and discuss what actions might reasonably be pursued by Australian governments to maintain the economic vitality of Australia's small business sector.

The latest meeting was conducted on Tuesday 12 January 2021 – the first for the 2021 Calendar year. The meeting was conducted in the wake of a three-week lockdown of the Sydney's Northern Beaches region and a 'snap' three-day lockdown of the Greater Brisbane area.

The meeting included a comprehensive discussion about the business impact of the recent lockdown of Sydney's Northern Beaches area, with a view to extracting insights about the optimal implementation and management of these 'localised' lockdowns in the future. Participants noted that state and territory governments appeared to be implementing community lockdowns without any significant prior consideration of the financial impact on cash-strapped SMEs.

A summary of the key points arising from this latest roundtable meeting is provided below.

### **KEY THEMES**

- 1. 'Short and sharp' lockdowns should be implemented in a consistent manner, be communicated to business in a meaningful and timely manner, and be accompanied by the provision of emergency financial assistance at the commencement of the lockdown period.**
  - Contrary to common perceptions (i.e. compared with large scale and lengthy lockdowns), 'short and sharp' lockdowns pose a major threat to the ongoing viability of SMEs in 2021 - particularly where their introduction is largely unanticipated.
  - A chain of major disruptions to economic trading over the past 12 months (i.e. 2019/2020 summer bushfires, floods, drought, the national COVID19 lockdown, and continuous border restrictions) has seriously diminished the cash flow reserves of many Australian SMEs.
  - While the impact of localised lockdowns is obviously severe for hospitality and tourism-related businesses, the serious adverse financial impact of these lockdowns is

not limited merely to these types of businesses. The most recent lockdown on Sydney's Northern Beaches has created serious difficulties for a variety of different businesses that had stocked up more than usual for the Christmas/New Year period (i.e. in the hope of enjoying a bumper season to compensate for low sales revenues during the past year – and to ensure survival during the quieter winter trading period of the coming year). Examples of business hard hit during Sydney's Northern Beaches lockdown include, but are not limited to, the following:

- Chemists (i.e. zero sales of non-pharmaceutical merchandise)
  - Hair and beauty businesses
  - General merchandise retail stores such as gift shops, clothing stores and footwear
  - The event industry and businesses supporting them (e.g. equipment hire, etc.)
  - Privately operated cinema businesses
  - Seafood businesses and specialist food providers
  - Supplemental and alternative medicine practices (i.e. remedial massage, etc.)
  - Gyms and fitness businesses.
- The financial impacts of these lockdowns are exacerbated by the fact that most business insurance policies apparently exclude protection against revenue loss from government-imposed lockdowns (or require businesses to pay cost-prohibitive premiums where such provisions exist).
  - Substantive differences in the scope and restrictions of recent lockdowns imposed in Adelaide, Sydney and Brisbane have also created considerable confusion for SMEs (and the industry bodies that provide advice to them). Much of the information provided to businesses is community-focussed - not business focussed - and is not made available to business and industry in a timely manner.
  - There is an urgent need for all Australian state and territory governments to introduce a standardised package of targeted financial assistance measures for SMEs that are directly impacted by localised lockdowns (and the adverse flow-on consequences of related border closures). Such measures must be readily accessible from the commencement of the lockdown in the form of emergency financial assistance.
  - Australian state and territory governments should also seek to standardise business and community restrictions (and SME communication protocols) for localised lockdowns to reduce business confusion and maximise compliance with lockdown measures.

**2. COVID-19 will likely remain a significant disruptor of Australian SME trading conditions through 2021. Accordingly, there is an urgent need to devise and implement financial assistance measures for distressed SMEs *post* JobKeeper Stage 3 (i.e. 31 March 2020). Such assistance should continue until such time as most of the Australian community is vaccinated and Australia's borders are opened to international travellers.**

- The global experience with second and third wave outbreaks suggests that Australia is likely to face further economic disruption in 2021, with consequent negative impact on Australia's 2.5M SMEs (and the 6.5M Australians who own or work within these businesses). At best, the impact will be contained to the financial impacts of numerous 'short and sharp' lockdowns in areas where localised outbreaks occur - such as

recently occurred in Adelaide, Sydney's Northern Beaches and the Greater Brisbane area.

- The risk of SME trading conditions will likely continue until such time as most of the Australian community is vaccinated. In the case of some industries such as tourism and hospitality, the risk is likely to continue until international travellers are similarly vaccinated.
- Within this context, there is a need to design and implement measures that will support impacted businesses beyond 31 March 2021 in a way that is both targeted to business need and affordable for Australian taxpayers over the medium term. A possible option is the provision of *Revenue Contingent Loans* (RCLs) which float funds to businesses on the basis of requiring repayment of a government-backed loan once the business achieves an agreed revenue threshold, in much the same way as the current HECS loan scheme operates for higher education students (see [Revenue contingent loans would boost confidence: Ombudsman | Australian Small Business and Family Enterprise Ombudsman \(asbfeo.gov.au\)](#)).
- Similarly, consideration might be given to modest, broad-based state/territory levies that address the current challenge associated with supporting businesses impacted by localised lockdowns (i.e. in the wake of the apparent failure of business continuity insurance coverage of this event) by providing a pool of funds to provide cash flow assistance to businesses impacted by localised lockdowns.

**3. There is an urgent need for the Australian Government, the Fair Work Ombudsman and State/Territory WorkSafe Authorities to provide SMEs with legal guidance in respect of maintaining safe workplaces – particularly customer facing workplaces – in the face of employees who refuse to take the vaccine.**

- Preliminary advice suggests that many SMEs are likely to have reasonable grounds to dismiss staff who unreasonably refuse a direction to take a vaccine as part of a business owner's obligation to ensure a safe workplace for staff and customers alike. Such a direction, however, will need to be reasonable and lawful. The decision will also need to be premised in due process under Federal Industrial Relations Law requiring, at its most basic level, the business has a policy for workplace vaccination and for managing staff refusal of vaccination.
- It is likely that 'reasonable grounds' for dismissal will vary according to the nature of the business risk and the validity of an employee's grounds for refusal of a vaccination. An unvaccinated employee who is directly working with customers, for example, presents a far greater risk than an employee who is working 'back of house'. Similarly, an employee working from home presents a lesser contagion risk than an employee working in the office of a business.
- Given such variance, there is an urgent need for COSBOA (and its members) to work with the Australian Government (i.e. Attorney General's Department), the Fair Work Ombudsman and Australian WorkSafe authorities to develop guidance materials for SME owners prior to the rollout of the vaccine. Such guidance will need to be developed for management of the vaccination task for existing employees as well as providing guidance on the degree to which vaccination may or may not be a stated requirement for new employees.

-ends-