

7 December 2020

COSBOA Communiqué

Thank you to all participants in 2020 and we look forward to continuing to work with you in 2021

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.

The final Roundtable meeting for 2020 was held on **Friday, 4 December**. The meeting occurred when all Australian states and territories had either reopened their borders or were preparing to do so over the next week. It was also a time when the broad sentiment of Australia's largely exhausted SME owners (and their staff) was that the past year had been challenging but, through the outstanding collaborative work of government, business and industry, the year had finished with the majority of Australia's small and family businesses being in a better financial position than had originally been anticipated.

The meeting provided an opportunity for COSBOA to thank all of its regular participants (i.e. COSBOA members, ASBFEO, ATO staff, FWO staff, Treasury officials, and Department of Industry, Science, Energy and Resources staff) together with our special guests (Ministers, federal politicians, and topic specialists) for their engagement in the regular roundtable meetings as weekly discussions transitioned from an initial focus on bushfire recovery, through COVID-19 lockdown, and finally on business/border reopening and the economic recovery task.

The meeting also provided an opportunity to share perspectives on the nature of the important challenges that lie ahead of us, as we all prepare to welcome 2021 - and say 'good riddance' to 2020.

A brief summary of these two themes is provided below.

KEY THEMES

- 1. The year has been a tough one for SMEs but the COVID assistance measures introduced by all Australian governments, as led by the Australian Government, have left the Australian economy in a better position at the end of 2020 than had been envisaged earlier in the year.**

- The reopening of the Victorian economy and the reopening (or imminent opening) of all Australian state/territory borders is a very welcome development and provides SMEs with an opportunity to begin the financial recovery process. That said, there are several industries (e.g. travel, air transport, live entertainment and screen production) where the near-term viability of SMEs continues to be severely challenged.
- The cessation of JobKeeper Stage 2 and the removal of the current insolvency protections for SMEs on 31 December 2020 suggest that there is a strong need to closely monitor the impacts of these changes on SMEs and consider further support measures as warranted.
- Now that reopening has occurred and the recovery process has commenced, there is a need to consider the merit of additional measures such as small business financial planning credits and Revenue Contingent Loans as a basis for providing non-traditional recovery paths for industries that remain severely impacted.
- There is also a need to consider the nature of opportunities for *economic transformation* over the longer term – alongside priorities for continued shorter term *economic recovery* – and put appropriate policy settings in place as part of the May 2021 Federal Budget.

2. The finalisation of the Australian COVID-19 Vaccination Policy is a welcome development but care should be taken to ensure that workplace IR and legal liability risks for SMEs that are inherent in the national roll-out, are managed effectively.

- Roundtable participants noted that the National Cabinet had recently approved a strategy for the roll-out of COVID-19 vaccines in Australia during 2021. This development, together with global progress being made with the imminent roll-out of vaccines in countries such as England, is very welcome.
- The proposal for business and industry to support the roll-out by encouraging their staff to vaccinate is valid and proper, but care must be taken to ensure that the inherent workplace and legal liability risks are managed effectively. Specifically, consideration should be given to providing appropriate workplace protections and guidance in cases where staff refuse to vaccinate.
- Unlike past COVID safe measures (i.e. workplace distancing, workplace sanitisation measures, and customer QR code registration), employers cannot readily force staff to vaccinate. This raises issues of potential legal liability where customer-facing businesses have staff who are not vaccinated despite the reasonable expectations of customers entering the store that this would have occurred. Accordingly, there may be a need to introduce temporary COVID Liability Shield laws to guard against vexatious use of class actions by members of the general public.

3. There are several emerging and important issues that should be pursued as a matter of priority in early 2021 to support SMEs as they seek to recover from the financial damage wreaked by COVID-19 over the past 12 months. These issues are briefly outlined below:

- **Improved economic assistance for micro businesses (and sole traders).** One of the areas that was largely ‘undercooked’ when it came to economic assistance was the plight of micro businesses (i.e. no employees) and sole traders with employees. Many of the SME assistance measures advanced during COVID-19 did not help these types

of business, suggesting that there is a need for Australian governments to better understand the significant contribution of this business cohort and its policy support needs.

- **Insurance:** The business challenges of the 19/2020 Bushfires and COVID-19 have exposed significant issues with the current design of business insurance products and interpretation of claims policies of business insurers. The flow-on impact of these challenges has been to put sharp upward pressure on business insurance premiums and/or unilateral changes in insurance coverage that are apparently resulting in these products not being fit-for-purpose.
- **Tax Reform:** There is a wide variance in the rates and thresholds applied by Australian state and territory governments in the application of payroll tax. Noting that this tax provides significant revenue to state/territory governments but is also a disincentive to employment, there appears to be a strong case for advancing reform of direct and indirect tax measures – including possible changes to the current rate of GST.
- **IR Flexibility:** Notwithstanding foreshadowed IR flexibility measures to be introduced into the Australian parliament before the end of the year, there is a need to continue the reform process in a manner that unlocks potential productivity improvements while also providing reasonable employee safeguards. Specifically, there will likely be a need to examine the efficacy of current IR laws where large proportions of the workforce are spending more time working from home.
- **Unfair Contract Terms:** While significant progress has been made in policy relating to the operation of laws prohibiting Unfair Contract Terms (UCTs), specifically removing the cap on B2B contract values, there is a need for this policy to be implemented through legislation as soon as practicable.
- **Franchise laws and operation:** Current national policy and legislative action on Franchise laws (and related Industry Codes of Conduct) should continue to be advanced to make franchise relationships fairer for franchisees.
- **Policies supporting economic transformation:** While much is being done on supporting economic recovery over the short to medium term, there is a need for all Australian governments to consider how the Australian economy (and respective state/territory economies) might be adapted to provide greater economic resilience and reduced levels of vulnerability in the wake of lessons learned through COVID-19 and recent international trade developments.

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