

4 August 2020

COSBOA POSITION PAPER

Policy responses required to support SMEs in Stage 4 lockdown

1. Introduction

On Sunday 2 August 2020, the Victorian Government became the first Australian government to impose stage 4 lockdown measures in response to a large-scale COVID-19 outbreak. This measure, while necessary on community safety grounds, creates dire consequences for SMEs who rely on regular revenue from community transactions.

This paper outlines a package of policy and assistance measures that COSBOA believes should be introduced by governments that opt to introduce stage 4 lockdown measures in the face of a COVID-19 outbreak. The measures are considered necessary to ensure the short-term survival of SMEs and provide essential support to assist with the business recovery process and minimise jobs destruction over the medium to long term.

2. Policy rationale

COSBOA believes that any decision by an Australian government to impose a stage 4 lockdown effectively amounts to government-directed closure for most SMEs. Consequently, such a decision brings significant risks in terms of local employment destruction, increased incidence of anxiety and mental illness amongst business owners, and a loss of social cohesion at the local community level.

Those SMEs that can operate under stage 4 restrictions are only likely to be able to do so in the face of significant reductions in revenue, owing to substantial restrictions on the movement of the general public within the community.

COSBOA therefore believes that any decision to impose stage 4 restrictions must be accompanied by the immediate introduction of measures designed to assist SMEs both during the lockdown and during the subsequent recovery process. In fact, because the economic situation is effectively imposed by the Government on the community, COSBOA believes that the Australian governments has a moral obligation to provide such assistance measures.

3. Stage 4 assistance measures

COSBOA maintains that any stage 4 lockdown introduced by an Australian government should be accompanied by a package of five SME support measures, namely:

- a) Financial assistance measures
 - b) COVID-safe operation assistance measures
 - c) Special industrial relations measures
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- d) Mental health assistance measures for SME owners
- e) Regular and meaningful liaison with SME representative bodies (during and post lockdown).

Each of these measures are briefly outlined in the subsections presented below.

3.1 Financial assistance measures

It is suggested that SMEs subject to stage 4 lockdown restrictions would receive financial assistance in three distinct and sequential stages, namely:

- *Stage 1:* immediate cashflow assistance designed to keep the business viable through the lockdown period
- *Stage 2:* business planning assistance designed to help the business owner determine whether there is a pathway to near term viability, or whether the business should shut down altogether
- *Stage 3:* access to special forms of government-backed loan assistance to support viable businesses to get back to profitability, OR assistance with the wind-up process.

3.1.1 Immediate cashflow support (stage 1)

In these situations, the survival of all SMEs in the lockdown region (and the future employment prospects of their staff) is totally dependent on available cashflow. Accordingly, governments should provide immediate cashflow relief to all SMEs in the affected area. Ideally, such relief would extend to the following specific measures:

- a) Provision of a \$10K *Business Survival Grant* to all businesses (i.e. registered businesses, sole traders, partnerships, and family trusts). The grant would not be subject to any eligibility requirements whatsoever and would be co-funded by the Federal Government and the relevant state/territory government.
- b) Removal of the requirement for participating businesses in the Federal JobKeeper program to fund staff JobKeeper payments in advance - with eligible businesses immediately paid JobKeeper fortnights by the ATO monthly in advance.

3.1.2 Business planning assistance (voucher) for SMEs (stage 2)

Following the introduction of measures designed to keep the business alive for a short period (as per Item 3.1.1. above), SMEs should be supported in the conduct of a financial review to assess the options for returning to profitability or closing altogether.

Ideally, this measure would involve the provision of an electronic voucher from the Australian Taxation Office advising SMEs about their eligibility for a business planning assistance voucher of \$10K. Eligible business owners would then use this voucher to secure business planning assistance from their existing financial advisor (i.e. accountant, tax advisor or certified book keeper).

- c) In order to secure payment, the SME would need to provide the ATO with a certificate from their financial provider confirming that the business planning work had been completed.

3.1.3 Business recovery assistance measures

Many of the measures needed to support SME recovery are already in place, such as state government measures targeting payroll tax concessions, as well as rent relief schemes. These

measures should be extended for businesses impacted by stage 4 lockdown in the lockdown period and for a minimum of 6 months following expiry of the lockdown.

The Federal Government has also introduced the SME Guarantee loan scheme. While this scheme is suitable for some businesses, many SMEs are unlikely to avail themselves of this type of measure because of the high degree of uncertainty surrounding the short to medium term economic outlook.

It is suggested that the Federal Government should adapt existing loan guarantee measures to introduce a revenue contingent loan scheme. Such a scheme would work much like the *Higher Education Contribution Scheme* (HECS), where SMEs would receive a government loan and would not be required to pay back the loan until such time as the business' revenue reaches a pre-determined threshold.

Additional measures should also be put in place for SMEs that are forced to wind up their operations because of the stage 4 lockdown. This assistance should include assistance with any shortfall in staff entitlements and relaxation of entitlements afforded to SME owners by Services Australia.

3.2 COVID-safe operating assistance measures

COSBOA notes that there will continue to be various industries where SMEs will be required to continue to provide services to the community during stage 4 lockdowns, but are rightly required to conduct their operations in a COVID-safe manner. COVIDSafe operation, however, imposes significant additional business costs in terms of expenditure on personal protective equipment (PPE) for staff, as well as additional workplace cleaning and sanitisation. These costs will need to be borne by the business in the face of greatly reduced revenues.

COSBOA believes that businesses should be reimbursed for expenditure on COVID-safe operation by the state/territory government that is responsible for the introduction of the lockdown, upon presentation of the requisite evidence (i.e. proof of payment of invoice).

3.3 Special industrial relations measures

Regardless of whether SMEs are forced to close as a result of a stage 4 lockdown or can continue to trade at a reduced level of operation, it is vital that SME owners are able to stand down their staff during the period of the lockdown. Accordingly, provision should be made in the Fair Work Act (2009) to not only extend the special JobKeeper amendments to the Act beyond 30 September 2020, but to introduce a permanent amendment that will allow staff to be stood down when any business is subject to a stage 4 lockdown imposed by an Australian government.

Small businesses also must act responsibly and encourage sick staff to stay at home. There needs to be recognition and support for paid pandemic leave as a shared responsibility. It is critical to controlling the spread of COVID-19 that sick workers can access paid leave and this isn't an additional impost on small businesses already struggling to find additional funding. Paid Pandemic Leave should not impose extra burdens on small business and should be paid via Centrelink.

3.4 Mental health support for SME owners

COSBOA notes that there are numerous programs being advanced by Australian state/territory governments targeting mental health in the workplace. Very few of these

programmes, however, are designed for the SME owner. They are information rich and service poor. Studies show a combination of information and counselling services, even over the phone, are the most effective.

This anomaly is considered to be a major oversight given that it is the mental well-being of the business owner that will underpin the ability of a business to recover from a stage 4 lockdown – regardless of the financial assistance on offer or the quality of mental health support provided to employees.

COSBOA calls on the Australian government to fund the development mental health support programs for business owners. Funding could be provided through the already existing Dept of Health's National Wellness Initiative, and co-operatively accessed through the state/territory small business commissioners, who would provide confidential referral to existing mental health service providers that are fully funded by the relevant state/territory government.

3.5 Regular liaison with SME representative industry bodies (during and post lockdown)

The responsibility for helping SMEs navigate stage 4 lockdown restrictions cannot reasonably be carried by state/territory governments in isolation. Governments cannot be expected to be aware of all the varied impacts of emergency policy on SMEs. Nor can they be expected to spend all their time with SMEs while simultaneously trying to deal with the demands and expectations of all other stakeholders.

That said, there are many industry bodies who are specifically tasked with representing SMEs within a given industry and area. These bodies are well resourced and typically have very effective in-house mechanisms for communicating out to their SME members and for collecting early feedback on emerging issues.

Ideally, Australian governments imposing stage 4 lockdowns should establish a regular mechanism for communicating with SME representative industry bodies to:

- (a) improve outbound communications with SMEs by taking advantage of existing peer-to-peer communication networks
- (b) regularly collect feedback on emerging issues and the impact of various assistance measures being experienced by SMEs as a result of the lockdown.

4. Further information

Further information about this Policy Paper (Stage 4 Lockdown Assistance Measures) can be obtained by contacting COSBOA CEO Peter Strong on 0433 644 097 or by emailing peopleandpolicy@cosboa.org.au

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