

INQUIRY INTO THE QUEENSLAND GOVERNMENT'S ECONOMIC RESPONSE TO COVID-19

June 2020

Introduction

1. The Chamber of Commerce and Industry Queensland (CCIQ) welcomes the opportunity to participate in the Inquiry into the Queensland government's COVID-19 economic response.
2. CCIQ is Queensland's peak industry representative organisation for small and medium businesses. We represent over 448,000 Queensland small and medium businesses who employ 66% of Queenslanders working in the private sector.
3. CCIQ works with the chamber network across Queensland to develop and advocate for policies that are in the best interests of Queensland businesses, the Queensland economy, and the Queensland community.
4. On 22 April 2020, the Queensland Legislative Assembly referred an inquiry to the Economics and Governance Committee with the following terms of reference:
 - a. That the Economics and Governance Committee inquire into and report to the Legislative Assembly on the Queensland Government's response to COVID-19 in relation to the economic response only;
 - b. That in undertaking the inquiry, the Committee should take into account the Australian Government's response to COVID-19 and its impacts on the Queensland Government's response;
 - c. That the Committee report to the Legislative Assembly ~~by~~ no later than 3 months after the conclusion of the Public Health Emergency declared under the Public Health Act 2005 regarding COVID-19.

Background

Business conditions in Queensland were already tough before the COVID-19 crisis. Key macro-economic indicators showed a clear downward trend and compared unfavourably with the rest of Australia. Examples of this unfavourable pre-COVID-19 macroeconomic data include:

- 6.4% unemployment on a trend basis (December 2019)
 - Highest unemployment rate in Australia and compared unfavourably with a national unemployment rate of 5.2% at the same time
- 4 business bankruptcies per day (August 2019)
 - Highest in Australia on both a raw data and per capita basis
- 1.6% economic growth (2018/19 financial year)
 - Significantly below Australian average growth rate of 2.1%

Beyond this macroeconomic data, successive CCIQ Pulse Surveys showed significant declines in business confidence. The September 2019 Pulse Survey returned evidence of the worst trading conditions since the Global Financial Crisis (GFC). Small business confidence fell to the worst levels since the GFC and sales and revenue expectations reached their lowest level since December 2014.

With the extent of the COVID-19 crisis beginning to unfold, the March 2020 Pulse Survey foretold how this would worsen conditions. CCIQ received over 2 500 responses, with the following statistics standing out:

- 80% of respondents believed the effects of the virus would have short and long-term impacts
- 71% agreed or strongly agreed that it would impact their business

Subsequent CCIQ data confirmed these fears and showed the full impact of the COVID-19 crisis on Queensland's businesses as follows:

- Over 50% of respondents experienced a fall in turnover of over 50%
- Over 33% reported a fall in turnover greater than 80%
- 40% of businesses maintained only essential operations and staff
- 40% of businesses reduced their working hours
- 25% of businesses laid off their casual workers

Business asks

In March 2020, CCIQ conducted a Coronavirus business survey asking Queensland's businesses for input on the support they required to weather the COVID-19 crisis. The survey elicited the following responses:

- 73% - Direct financial assistance to cover wages and operating costs if required to close as a result of the outbreak

- 55% - Exemption from taxes/levies/charges for a period of up to 12 months (e.g. stamp duty, payroll tax, licensing fees)
- 50% - Deferral of BAS payments
- 22% - Concessional loans

Government response

After announcing a package of measures to support hard hit exporters and tourism operators, the full scale of COVID-19's economic impact began to emerge. CCIQ and the Queensland chamber movement called out for broader business support and, on 24 March, the Queensland government announced a \$2.5 billion-dollar stimulus package. At the time, it was the biggest stimulus package in Australia, ahead of New South Wales' \$1.6 billion and Victoria's \$1.7 billion. The stimulus package eventually reached \$4 billion which, again remains the biggest among Australia's States and Territories to date.

A comparison between CCIQ survey responses and the Queensland government's response shows that the stimulus package largely covered the right issues. Queensland's businesses broadly supported the Queensland government's COVID-19 stimulus measures (March 2020 Pulse Survey results) and, overall, the stimulus package was developed and rolled out relatively quickly.

A summary of the Queensland government's response and evaluation of the individual components of the stimulus package are provided in Table 1:

Table 1: Summary and evaluation of State Government stimulus

Objective	Stimulus measure	Details	CCIQ Feedback	Direct Quotes
Cashflow Support	\$100 million Small Business COVID-19 Adaption Grant Program	<ul style="list-style-type: none"> - 2 tranches of funding availed - Up to \$10 000 grant per application 	<ul style="list-style-type: none"> - Much needed support - More funds should have been allocated, and earlier - Processing times for business support loans (around 6 weeks) were also deemed too long for struggling businesses 	<ul style="list-style-type: none"> - This has helped me save my business (Bundaberg- based respondent) - I am a sole trader and did not qualify (multiple responses) - Oversubscribed and not enough time (multiple responses)
	\$1 billion Queensland COVID-19 Jobs Support Loans	<ul style="list-style-type: none"> - 2 tranches of \$500 million each - 12-month interest free loans of up to \$250 000 per business 		<ul style="list-style-type: none"> - A local sporting club (large employer in our city) received a concessional loan and believed that, without it, they would not re-open (Redland Bay) - More funding should have been made available. Especially in regard to the Queensland COVID-19 support loans as they will be repaid over 10 years (Capricornia)
Support for business and worker adaptation	\$500 million Worker retraining and assistance	<ul style="list-style-type: none"> - \$500 million to assist workers to reskill 	<ul style="list-style-type: none"> - Some businesses utilised and appreciated it, but the overwhelming response was that businesses in survival mode needed cash, rather than re-training and assistance 	<ul style="list-style-type: none"> - Terrific for some businesses, but not all (Gold Coast-based respondent) - 365 Redlands based people have subscribed to the free TAFE online courses. Highest numbers in digital competencies (Redland Bay)
	COVID-19 Export capital facility			<ul style="list-style-type: none"> - Few responses were received on this
	\$400 million	<ul style="list-style-type: none"> - Rent relief for small 	<ul style="list-style-type: none"> - Chambers were concerned about lopsided measures 	<ul style="list-style-type: none"> - Lack of clarity in regard to how to apply (Capricornia)

Objective	Stimulus measure	Details	CCIQ Feedback	Direct Quotes
	Support for retail and commercial tenants	businesses renting government-owned premises <ul style="list-style-type: none"> - Release of regulations under the COVID-19 Emergency Response Act 2020 - Land tax relief for landowners (must be passed on to the tenants) - Dispute management 	favouring tenants over landlords <ul style="list-style-type: none"> - Further concern that the first set of measures only covered tenants in government buildings and excluded private landlord/tenant arrangements - When these concerns were addressed, Chambers found the rent relief measures very useful (feedback from 3 April Coronavirus Response team call) 	
Bill, fee and tax relief	\$950 million Payroll tax relief	<ul style="list-style-type: none"> - Refunds of payroll tax for 2 months - Payroll tax holiday for 3 months - Deferral of paying payroll tax for the 2020 calendar year 	<ul style="list-style-type: none"> - 40% of June 2020 Pulse Survey respondents confirmed that this measure would assist with cash flow - Business appreciated the exemption of JobKeeper payments from Queensland state taxes - However, despite the measure being useful, it was of minor use to small 	<ul style="list-style-type: none"> - No use for smaller businesses (Capricornia region-based respondent) - Reform needed, deferment only prolongs the pressure of payroll tax and does not stimulate employment (Redland Bay-based respondent)

Objective	Stimulus measure	Details	CCIQ Feedback	Direct Quotes
			<p>businesses below the payroll tax threshold</p> <ul style="list-style-type: none"> - Further, the flow-through to business happened too slowly to make an impact at the time it was needed most 	
	\$100 million COVID-19 Electricity rebate	<ul style="list-style-type: none"> - \$500 rebate automatically applied to business electricity bills 	<ul style="list-style-type: none"> - Miniscule amount for the average small business - Necessary to focus on structural power sector reform to permanently lower prices 	<ul style="list-style-type: none"> - Agree that the amount is small. Structural reform is a separate issue and needs to be dealt with aside of this. Rebates should also have been given on sewerage (Gold Coast-based respondent)
	Coronavirus land tax relief	<ul style="list-style-type: none"> - Reducing land tax liabilities by 25% for eligible properties in the 2019/20 assessment year - Waiver of the 2% land tax foreign surcharge for foreign entities for the 2019-20 assessment year - 3-month deferral of land tax liabilities for 	<ul style="list-style-type: none"> - Welcomed, but as part of a larger package 	<ul style="list-style-type: none"> - Would not affect too many regional businesses/investors (Capricornia-based respondent)

Objective	Stimulus measure	Details	CCIQ Feedback	Direct Quotes
		the 2020-21 assessment year		
	Liquor licence fee relief	- Waiving liquor licence variation fees	- Welcomed, but as part of a larger package	- Further review required as LGA looking to assist hospitality operators facing costs and red tape (Townsville-based respondent)
	Tour operator fee relief	- Waiving registration fees for inbound tour operators	- Welcomed, but as part of a larger package	
	Commercial activity agreements fee relief	- Waiving daily fees for commercial activity agreements and permits	- Welcomed, but as part of a larger package	
	Marina charges and levies relief	- Rebate on marina charges and passenger levies	- Welcomed, but as part of a larger package	- Will have made a huge difference for those in that business. Was it enough? (Gold Coast-based respondent)
	Tourism lease rent payments	- Deferral of tourism lease rent payments	- Welcomed, but as part of a larger package	
	Commercial fishing industry assistance package	-	- Welcomed, but as part of a larger package	

Government responsiveness

The roll-out of the stimulus package had to happen rapidly and in close consultation with CCIQ and the business community in general. This responsiveness helped to ensure decisions and to address several challenges as they arose. The examples below highlight the consultation and the responsiveness to feedback shown by the Queensland government.

Payroll tax exemption – The Queensland government's previous position was that JobKeeper payments were subject to payroll tax. CCIQ (15 April press release) publicly expressed the chamber movement's serious concern over this. On May 7, the Queensland government announced that JobKeeper payments would be exempt from payroll tax.

Support for retail and commercial tenants – As the effects of the COVID-19 pandemic continued to grow, CCIQ (3 April press release) highlighted the need for commercial rental assistance, land tax reimbursements and rate relief. The Queensland government responded by re-examining the balance between landlords and tenants and subsequently amending the proposed legislation to get a level playing field between tenants and landlords

Grants for small business – CCIQ and Chambers advocated for the need for cash grants for COVID-19- affected businesses. The Queensland government subsequently announced a \$100 million small business grants package, which was rapidly oversubscribed. On 16 June 2020, the Queensland government announced a further \$100 million fund to support business recovery but taking lessons from the first tranche on board by allowing businesses nearly two weeks to prepare their documentation before formally applying. The government also reserved 50% of the grants for businesses in regional Queensland.

Engagement with business – Generally very positive and appreciated with over 4,500 businesses subscribing to a series of webinars held with CCIQ. Examples include:

- Treasurer, Jackie Trad and Minister Shannon Fentiman joining webinar with CCIQ and Queensland chambers on 26 March 2020
- Minister Shannon Fentiman joining webinar with chambers on 17 April 2020
- Queensland government Director General and senior officers in regular contact with CCIQ
- CCIQ's membership of the Queensland Economic Recovery Group

Challenges

The restrictions on trading have been at the root of business hardship during the COVID-19 crisis. This ranges from businesses being legally compelled to shut down, to businesses having their trade severely curtailed either directly or indirectly. Most Queenslanders understood the public health rationale behind these restrictions, but consensus around them has begun to fray as the business community questions the continued need for some of these restrictions.

Our consultations with Queensland's chamber network highlighted the following challenges:

1. Allocation of stimulus funds

Small businesses emphasised the urgency of accessing cashflow assistance as the lack of cash to pay staff, purchase inputs and settle bills was the biggest threat to their survival. Despite this, the stimulus package leaned heavily towards interest-free loans and other forms of non-cash support. The \$200 million allocation to business grants was oversubscribed as shown by the rapid depletion of funds and direct feedback from Queensland’s chamber movement on multiple calls. This statement from a Bundaberg-based respondent highlights this concern:

“Support for business was focused primarily on packages that the government would eventually see a return on – loans, deferment of payments and payroll tax.”

2. Timing

Queensland’s chambers also stated that support measures such as payroll tax relief and small business grants took effect when many small businesses were already shut or on the verge of shutting down. In any future crisis, it is vital to ensure that support reaches businesses as quickly as possible. Small businesses typically lack the cash reserves to continue operating for weeks or months with no income. The comment from a Townsville-based respondent captures business sentiment on this issue.

“Mixed messaging with announcements made and no access to funds unless business could have operated without them for a period.”

3. Sole traders

To date, the Queensland government’s stimulus package has left out sole traders. Queensland’s 280 000 sole traders are effectively employers of themselves and/or close family. Without their businesses, over 280 000 Queenslanders would join the ranks of the unemployed. These businesses are particularly vulnerable to a lack of cashflow and needed urgent support from the government. It is quite common for businesses to begin as sole traders and then grow organically until they can employ staff. The exclusion of sole traders was a glaring omission by the Queensland government and this message came out very strongly from respondents to CCIQ’s surveys and discussions. The following comment from a Bundaberg-based respondent summarises business sentiment on this issue:

“I’m a sole trader and the state govt doesn’t give a stuff about us “

4. Implementation

This was one of the biggest challenges encountered by business, particularly as restrictions began to ease. This comment from a Gold Coast-based respondent captures the essence of this issue:

“(Government)Have done reasonably well given no-one has faced this type of crisis before. Border decisions have created more problems than necessary when a plan was

put in place and then statements made that contradicted the plan. Does not help give business confidence in Government.”

The government also underestimated the importance of providing adequate notice when announcing important changes. For example, businesses need more than 24 hours to open their premises after a prolonged shutdown. The current debate over re-opening the Queensland state border also highlights this issue. Holidaymakers book their school holiday destinations well in advance of school closures. They need clear signals and firm dates from the Queensland government before they make bookings to travel here over the school holidays. There has been a lot of uncertainty on the dates for border openings and this has been detrimental for tourist-dependent regions in Queensland who are now likely to miss out on interstate school holiday bookings.

Next Phase – Rebuild, Reform

The economic effects of COVID-19 have been devastating, particularly for Queensland’s small business sector. As we move from immediate relief stimulus measures to revive business so that they can rebuild and transform Queensland, it is imperative that Queensland’s businesses are supported to emerge more efficient and resilient than before. There are several elements to this but, at the core of it, Queensland’s small businesses need the transformational economic stimulus support to revive their business so they can thrive in the new business, economic and social environment. CCIQ has shared its blueprint for this next phase and encourages the Queensland government to build on its COVID-19 stimulus support for the long journey ahead.

Summary

The Queensland government’s COVID-19 economic response was necessary and had an impact on insulating affected businesses. The speed of the response and the level of engagement by the government were also largely commendable, particularly in the face of such a massive and rapidly evolving crisis. CCIQ acknowledges this effort and Queensland’s small business community acknowledged the enormity of the problem and the scale of the government’s response. The increased engagement between government and business was also appreciated and CCIQ is keen for that depth and quality of engagement to continue post COVID-19.

The challenges highlighted above offer critical lessons that can make Queensland more resilient in the face of any future crisis. CCIQ would like to reiterate that the stimulus package was a huge, essential first step towards recovery but there is a long road ahead and we look forward to working with the Queensland government to navigate this next phase.

Conclusion

CCIQ thanks the Economics and Governance Committee for the opportunity to provide commentary on the Queensland government’s COVID-19 economic response. If there are any

questions in relation to the submission, please contact Gus Mandigora (Senior Policy Advisor) at gmandigora@cciq.com.au