

The McKell Institute

Discussion Paper

Reopening NSW after COVID-19

Recommendations from McKell Institute's
'Reopening NSW' Digital Roundtable

June 2020

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Summary

On Tuesday May 26, the McKell Institute convened a digital roundtable discussion, soliciting ideas from business, academia, unions, and health experts on safe ways to re-open the New South Wales economy.

This discussion paper tables key areas of consensus arrived at during that round table.

Like elsewhere, the NSW economy has been significantly impacted by COVID-19. While the health challenge of COVID-19 is certainly not behind New South Wales, the marked decline in active cases, as well as a dramatic decline in the growth of new cases, has enabled Governments and other stakeholders to begin sequentially opening the NSW economy where it is safe to do so.

Participants in this round table discussion were often praiseworthy of the NSW and Federal Governments overall health and economic responses, but raised detailed concerns over the implementation of certain policies, and the lack of certainty around certain issues.

This discussion paper seeks to explore those issues raised by a diverse group of stakeholders to provide input to policymakers in both Macquarie Street and Canberra who are now faced with the challenging task of safely reopening the economy.

While there was a great deal of consensus arrived at by the broad group of stakeholders present at the May 26 Roundtable, this discussion paper does not seek to formally speak for the participants or their organisations. The recommendations advanced in this report should not be interpreted as the formal positions of any one roundtable participant, nor the organisations they represent.

Rather, this discussion paper offers an insight into the challenges, concerns and ideas that a broad range of organisations have about safely and fairly reopening New South Wales' economy to the benefit of all New South Wales residents and organisations.

Participants

	<i>Name</i>		<i>Job Title</i>	<i>Organization</i>
1	Tom	Bowden	Partner, COVID-19 Market Response Leader	PwC
2	Mitch	Cooper	Head of Public Policy and Government Affairs, ANZ	Uber
3	Christine	Cupitt	Executive Director, Policy	Australian Banking Association
4	Richard	Evans	President	Live Performance Australia
5	Liz	Hannan	Director, Government Relations	University of Sydney
6	Philippa	King	General Manager, Government Affairs & Public Policy	National Australia Bank
7	Josh	Landis	CEO	Clubs NSW
8	Lucinda	Longcroft	Director, Government Affairs & Public Policy ANZ	Google
9	Dr Alexandra	Phelan	Assistant Professor	Georgetown University Center for Global Health Science & Security
10	Bernie	Smith	Secretary	SDA NSW
11	Jon	Stewart	Head of External Affairs	Star Entertainment Group
12	Troy	Wright	Assistant Secretary	Public Services' Association
13	Jess	Wilson	Executive Director, Policy & Company Secretary	Business Council of Australia
14	Misha	Zelinsky	Assistant National Secretary	Australian Workers' Union

Facilitators

Sam	Crosby	CEO	The McKell Institute
Edward	Cavanough	Manager of Policy	The McKell Institute

Observer

Danielle	Asciak	Head of External Relations	The McKell Institute
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About this Report

The McKell Institute hosted a digital round-table discussion on Tuesday, May 26, inviting 14 stakeholders representing a broad cross-section of the New South Wales economy and civil society to discuss ideas regarding the safe re-opening of the New South Wales economy.

Participants included representatives from trade unions, financial services, industry peak bodies, the tertiary education sector, technology, entertainment and hospitality sectors.

The round-table discussion commenced with an expert update on the health situation facing New South Wales, as well as a detailed snapshot of the COVID-19 health crisis globally. Participants being asked to share ideas that were cognisant of the ongoing health challenges facing New South Wales.

The McKell Institute emphasises that, while not every participant in this exercise endorses every idea put forward in this report, there were key areas of consensus around moving forward, or where participants did not cite any concerns with the ideas. It is these broader areas of consensus that have been highlighted in the following recommendations.

The recommendations advanced in this report have also been assessed by health experts prior to the release of this discussion paper.

The recommendations advanced in this report should not be viewed as the formal positions of any individuals that participated, nor the formal positions of their organisations.

This discussion paper is the first of three such projects. This first paper will put forward recommendations exploring the safe re-opening of NSW's economy, with subsequent papers to undertake a similar assessment focusing on Victoria and Queensland.

Recommendations in Brief

1. The NSW Government should work with the Federal Government to formulate a plan that will allow international students to slowly return to NSW under full quarantine conditions comparable to returning Australian citizens.
2. The NSW and Federal Governments should consider more economic support for frontline workers in future tranches of stimulus.
3. The Federal Government should allow at least 10 days of special sick leave for affected non-permanent employees.
4. The NSW Government should consider recommending phased commutes and working hours to enable social distancing on public transport.
5. The NSW Government should specify with greater clarity what victory over the virus looks like.
6. A construction-based recovery should also focus on alleviating social issues such as homelessness.
7. The Federal Government should consider reforms expanding digital access to credit for small businesses and households.
8. The Federal Government should reconsider the firm end date of the JobKeeper program.
9. The NSW and Federal Governments should work with superannuation sector to drive investment into greenfield projects.

1. COVID-19 in NSW as of June 2, 2020.

Key Points

- NSW's COVID-19 cases have stabilised, but the virus is still there.
- NSW recently reached its 50th death from the virus.
- A majority of the cases in NSW still have overseas origins, with only a handful being sourced from interstate.

As of 1 June, there have been 3098 confirmed cases in NSW, 48 deaths and 2685 recovered cases. Within Australia, NSW has the highest number of confirmed cases and deaths. Compared to the second-most infected state, Victoria, NSW has almost double the amount of cases in Victoria.¹

Since April 10, there has not been more than 30 new cases per day in NSW. This is a huge reduction in the spread of the virus. In late March, there was a record high of 212 cases in one day but this number has since gradually reduced.

Within NSW, the five suburbs with the highest number of confirmed cases are in Waverley (183), Sydney (160), Northern Beaches (157), Penrith (123) and Central Coast (117).²

The majority of diagnoses in NSW have come from Australians returning from overseas, with this making up 58% of confirmed cases.³

<i>Confirmed Cases</i>	3098
<i>Deaths</i>	50
<i>Recovered</i>	2685
<i>Active Cases</i>	63
<i>Tests Conducted</i>	509227
<i>Tests Per Million</i>	62728
<i>Percent Positive</i>	0.6
<i>Current Hospitalisation</i>	67
<i>Current ICU</i>	1
<i>Current Ventilator Use</i>	0

Table 1.1: COVID-19 status in NSW as of June 1. Source: NSW Health.

Source of COVID-19 cases diagnosed in NSW

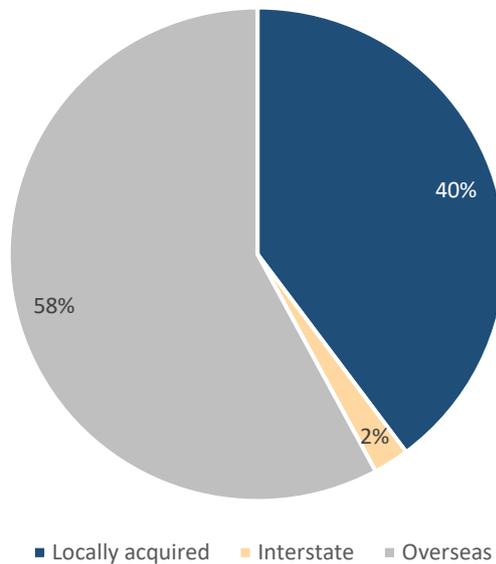


Figure 1.1: Sources of active COVID-19 cases in NSW as of June 1, 2020. Source: NSW Health.

In NSW, 503,464 tests have been conducted with a 0.6 per cent positive result rate. Around 31.9 per cent of NSW’s population has been tested.⁴

In response to the health crisis, the NSW Government implemented a number restrictions including banning meals at cafes and restaurants, public gatherings with more than 2 people, and implementing tough limits on how many people can attend weddings and funerals. However, easing of these restrictions began in May, and in June many of these restrictions will be significantly reduced.

The data shows an effective flattening of the growth in COVID-19 cases, but any plan to reopen NSW’s economy has to be cognisant of the real risks that the virus will re-emerge and achieve transmission rates seen early during the pandemic. The recommendations put forward in this discussion paper are cognisant of this reality.

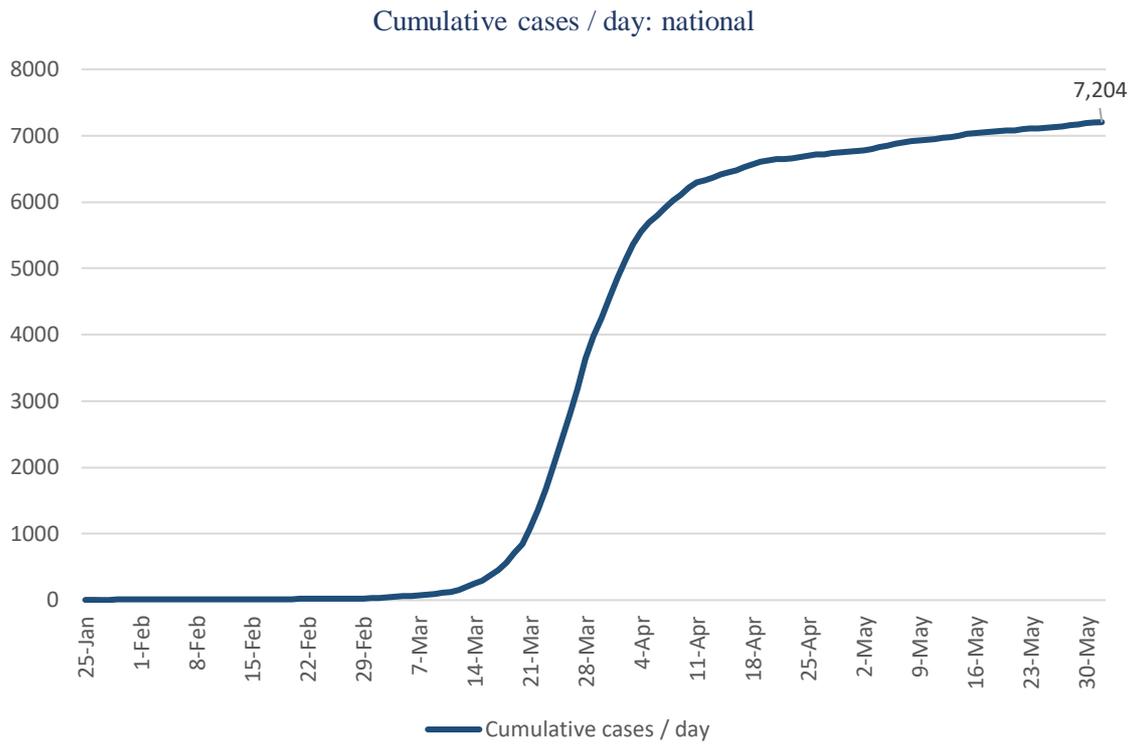


Figure 1.2: Total cases in Australia as of June 1, 2020. Source: Covid19Aus..

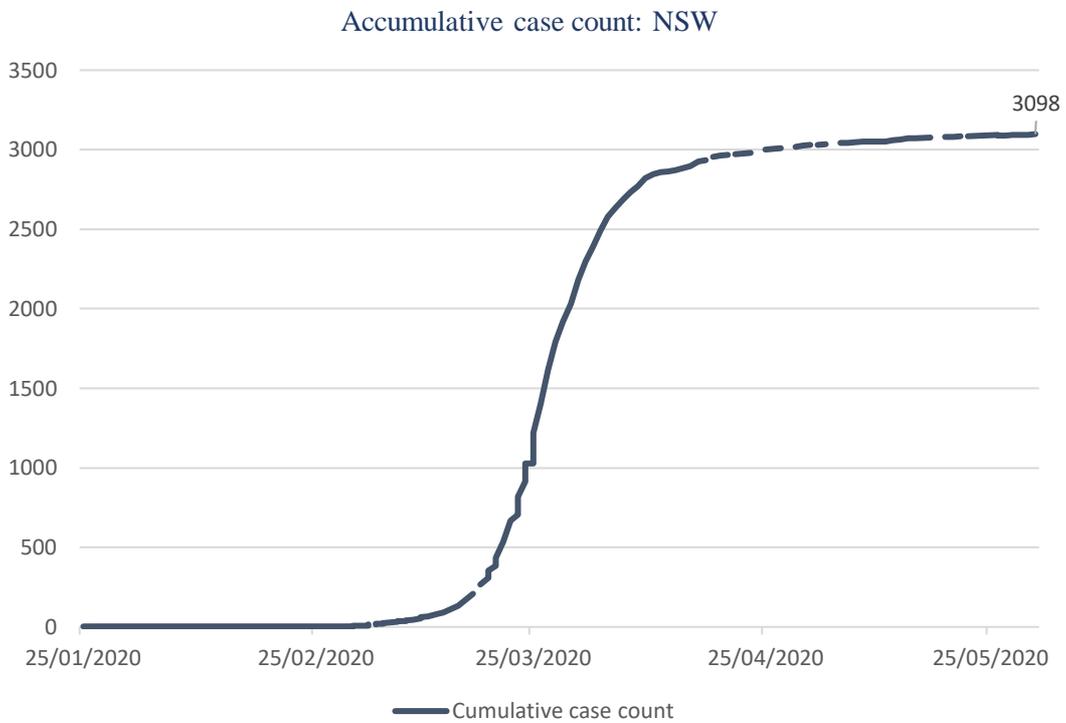


Figure 1.3: Total cases in NSW as of June 1, 2020. Source: NSW Health.

Accumulative COVID-19 Deaths in NSW between March 3 and June 1, 2020

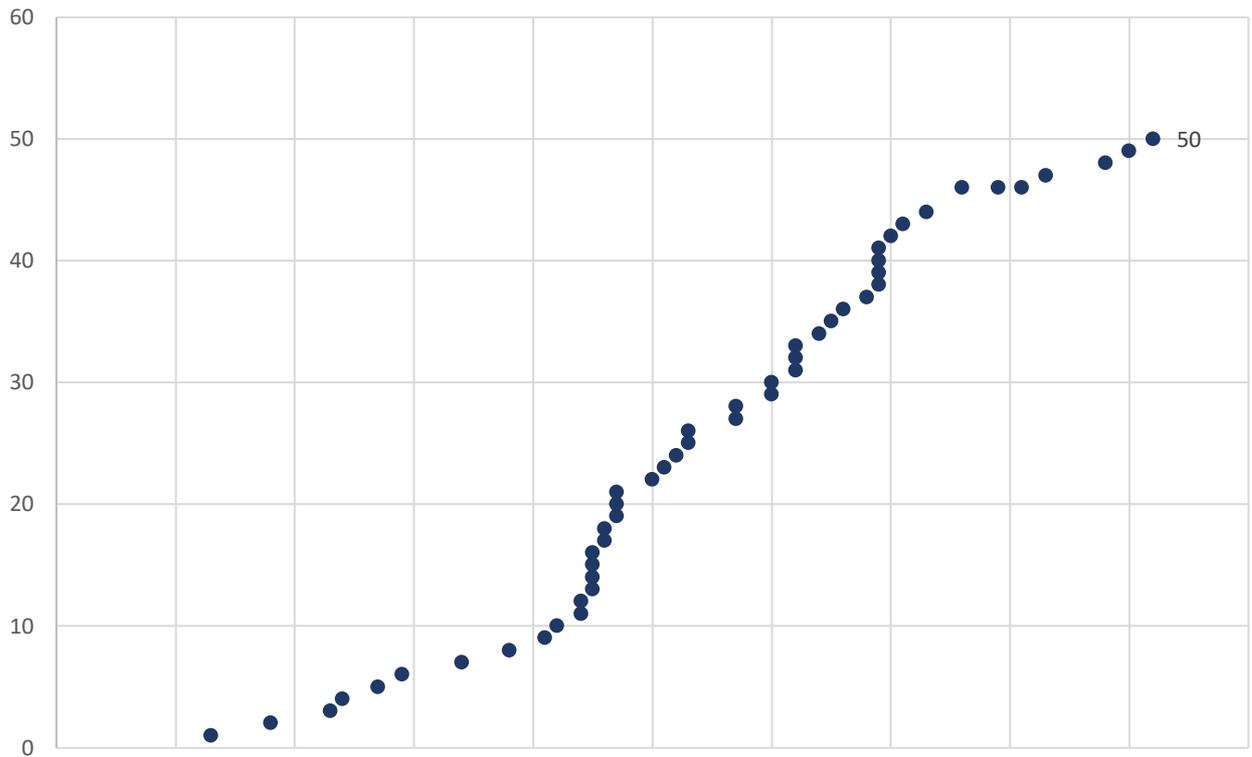


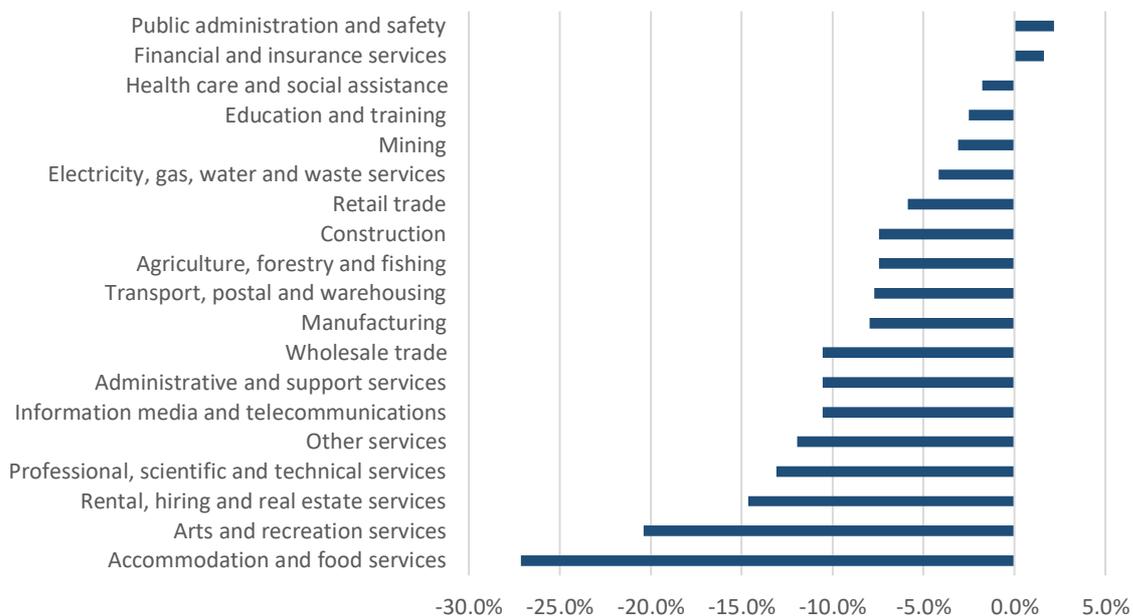
Figure 1.4: Number and progression of cumulative deaths in NSW between March 3 and June 1, 2020. Source: NSW Health.

2. The Economic Impact on NSW

Key Points

- The NSW economy has been significantly impacted by the COVID-19 downturn.
- The NSW Government has taken in addition to Federal Government support through JobKeeper and another stimulus.

Change in payroll jobs since week ending 14 March in NSW, 2 May 2020



The NSW Government has so far announced two rounds of health and economic stimulus. On March 17, the NSW Government announced a \$2.3b health boost and stimulus package that included extra funding to hospitals, tax cuts, waived fees and charges to small businesses and waiving annual payroll tax liabilities.⁵

The NSW Government has announced a number of support measures

On March 27, the NSW Government announced further measures worth \$1b to support jobs, defer taxes and boost funding to services for the most vulnerable.⁶ On 3 April, the NSW Government also announced small businesses may be eligible for grants up to \$10,000.⁷ In addition to existing federal measures, the state government has also announced:

For businesses,⁸ measures include:

- Commercial lease support for tenants, including requiring commercial landlords to offer a rent reduction proportionate to the fall in turnover for eligible tenants
- Deferred rents for six months for commercial tenants with fewer than 20 employees in all government-owned properties
- Payroll tax deferrals have also been extended to large businesses with more than \$10m in turnover for six months, enlarging original measures which only exempted small and medium sized businesses
- Grants up to \$10,000 are available for small businesses with a turnover of more than \$75,000 but below the payroll tax threshold of \$900,000. The business needs to demonstrate they have been highly impacted by the COVID-19 restrictions on gathering and movement imposed by the government

For households,⁹ measures include:

- The Energy Account Payment Assistance (EAPA) Scheme which provides energy vouchers to eligible residential energy customers experiencing a short-term financial crisis or emergency

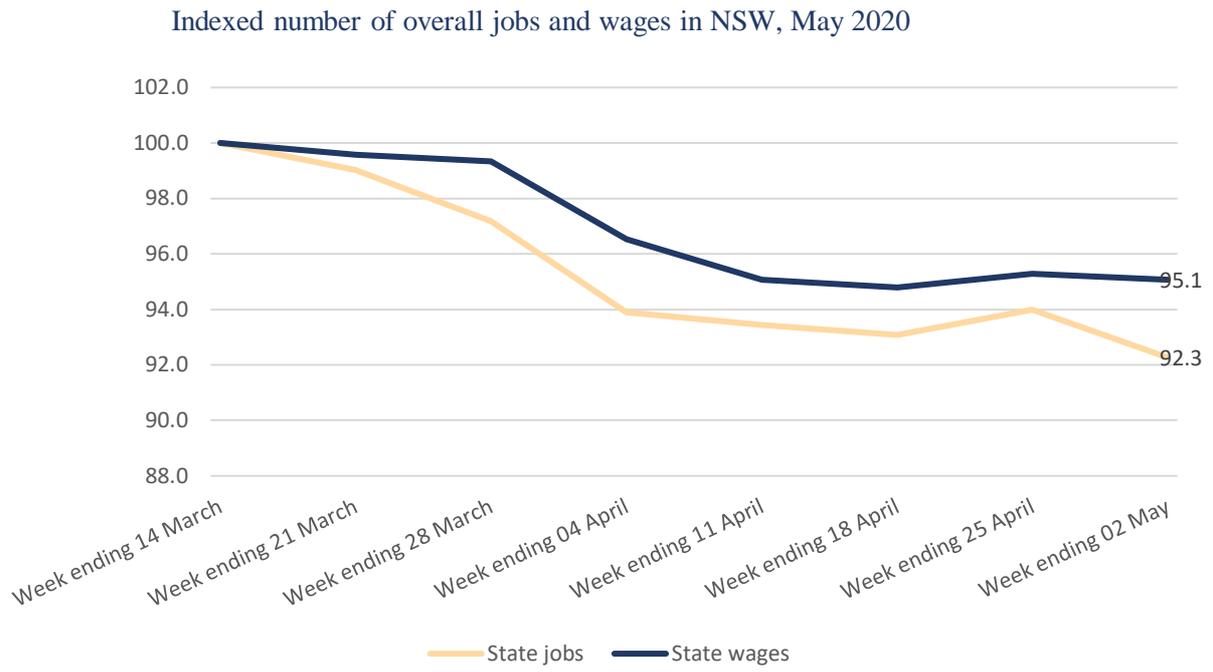
For international students stranded in Australia,¹⁰ a \$20m package includes measures to:

- establish a temporary housing scheme delivered through approved student accommodation and homestay providers
- increase support visa International Legal Service NSW
- establish a dedicated 24/7 international student support hotline offering free advice regarding legal, medical and emergency support

For public servants,¹¹ including many front-line workers, measures include:

- Announced on May 31, the NSW Government has offered public servants a one-off \$1000 stimulus payment and a promise of no forced redundancies. However, this follows the announcement of a public sector wage freeze which impacts non-executive frontline workers such as nurses, police, paramedics, teachers and transport workers. These workers will now receive a \$1000 payment in lieu of a 2.5% salary increase.

The NSW Government has also made a considerable commitment to invest \$500m in a housing package that included the acquisition of vacant properties, as well as an investment in around 300 new social housing units.¹²



3. Immediate recommendations to safely reopen NSW's economy

1. Enabling international students to slowly return to NSW under full quarantine conditions comparable to returning Australian citizens.

The imposition of border closures was a necessary response to the growing health threat facing Australians in March and April. That decision, however, has had obvious consequences throughout Australia's economy, and particularly for Australia's university sector.

The timing of the spread of COVID-19 coincided with the commencement of the academic year. As global travel restrictions entered force, students were unable to travel to Australia to commence studies. The introduction of border closures guaranteed that this impact would be sustained for at least the first half of 2020.

Since borders began to close around the world as COVID-19 spread, the Australian Government has managed to repatriate 22,000 Australians who were stranded overseas, while simultaneously overseeing a dramatic decline in COVID-19 cases. This is largely the result of the Government's mandatory quarantine periods for all returning travellers. Currently, everyone returning to Australia from any overseas destination is mandated to remain in hotel-isolation for 14 days. While an uncomfortable experience for many, the positive health impacts of this policy has been clear.

<i>Country of citizenship</i>	<i>Net Arrivals Apr-19</i>	<i>Net Arrivals Apr-20</i>
<i>New Zealand</i>	163,130	1,180
<i>India</i>	53,450	990
<i>UK(b)</i>	83,960	530
<i>Philippines</i>	23,070	360
<i>China(c)</i>	132,360	320
<i>Pakistan</i>	4,780	280
<i>Indonesia</i>	17,870	270
<i>Germany</i>	17,900	220
<i>Malaysia</i>	36,670	220
<i>USA</i>	63,270	200

Figure 1.2: *Net arrivals to Australia, April 2019 vs April 2020.*

There is an opportunity to enable overseas students travel to Australia under the same conditions as returning Australian travellers. While this may remain logistically challenging given the reduction into international air links between Australia and markets from which much of Australia's international student body originate,

allowing international students to return to Australia in a controlled way is likely a low-risk way of stimulating the local economy, particularly in Sydney.

Participants noted the broader economic contribution of international students during the roundtable discussion, arguing that international students don't only provide economic stability to the university sector, but also to other sectors thanks to the \$80-100,000 they spend on average in Australia.

While politically challenging, there is an opportunity for the Commonwealth Government to implement a relaxation of international travel for international students, so long as their quarantine is guaranteed as it is with returning Australian citizens, and the NSW Government should work towards achieving this end.

2. The NSW and Federal Governments should consider more economic support for frontline workers in future tranches of stimulus

It is clear that, given the sustained economic challenges imposed by COVID-19, future rounds of stimulus from both the Commonwealth and NSW Governments will be required. Some participants argued that direct fiscal stimulus in the form of cash payments or tax rebates should be considered for designated frontline workers in NSW.

Some concerns were raised about the NSW Governments potential pay freeze for some public sectors workers (which have since been formalised). Concerns were raised that a pay freeze, while saving the NSW Government budget in the short term, could have a negative flow on affect within regards to aggregate demand in the state, just at the time when an increase in consumption is required.

Since the round table, the NSW Government has flagged a direct \$1000 cash payment to designated-frontline public sector workers within the state, however the passage of this is uncertain given the NSW Upper Houses recent decision to vote against a proposed pay freeze that was to coincide with payment. Similar measures could be considered by the Federal Government on a national level.

(Note of disclosure: the McKell Institute has conducted modelling on a national tax rebate of \$1500 for frontline workers, which would cost an estimated \$3.4 billion.).

3. The Federal Government should allow at least 10 days of special sick leave for affected non-permanent employees

Numerous participants at this roundtable discussed the need to extend special sick leave to non-permanent workers of all categorisations during the COVID-19 period.

Some participant organisations had implemented policies to that affect within their own business, recognising that there are real economic costs associated with potential COVID-19 patients continuing to work while either asymptomatic or only showing minor symptoms.

It was noted that many non-permanent workers who are not entitled to sick leave also happen to be disproportionately working on the frontlines of the COVID-19 crisis. Casuals and contractors in food retailing, transport and public transport, and cleaning in particular often do not have access to any form of paid leave.

An important health measure is ensuring these workers have access to financial security should they require up to two weeks away from employment.

Given Australia's low rate of COVID-19 cases, it is likely that the overall cost to Government would be low.

4. The NSW Government should recommend phased commutes to enable social distancing on public transport

Participants noted the challenges associated with social distancing on public transport, which may present challenges for their staff and the broader NSW public as more workers return to more conventional workplace settings.

The NSW Government should consider issuing non-mandated guidelines regarding staggered commutes and working hours for businesses in order to alleviate peak-hour congestion in Sydney.

5. The NSW Government should specify with greater clarity over what victory over the virus looks like

While participants noted the successful health response Australia has shown in the face of COVID-19, there were some questions over the degree of clarity shown by both the NSW and Federal Governments with regards to defining long-term success over the virus.

Participants noted that in some jurisdictions, the 'flatten the curve' aspiration had given way to a 'destroy the curve' policy. While there is merit in pursuing a complete eradication of the virus, some participants argued that there was a degree of uncertainty as to whether this was the objective of the NSW Government, or whether the NSW Government was hopeful of containing the virus as much as possible, while enabling an element of normality to return.

Understanding these goals is important for various organisations, as it may determine their investment or personnel decisions moving forward.

6. A construction-based recovery could also focus on alleviating social issues such as homelessness

Participants noted overlapping ideas around the need to boost construction in the COVID-19 recovery, but also to help alleviate stubborn social challenges facing Australian society. Participants highlighted that a construction backed recovery would help not only frontline builders, tradespeople and their economies, but downstream suppliers of raw manufactured materials, including steel and aluminium.

A nexus was identified between social housing and construction.

Participants noted that, while COVID-19 has been a tragic imposition on Australia's economy and public health, the recovery provides an opportunity to find synergies between fiscal stimulus and social reform.

In early June, the Commonwealth Government signalled its support for the construction and trades sectors with a proposal for a new grant supporting home renovations. Early in the crisis, the NSW Government made a significant commitment of its own to social housing, floating a \$500m package that included both the purchase of vacant properties, as well as an investment in around 300 new social housing units.¹³

There is an opportunity for both the NSW and Federal Governments to identify how future tranches of construction-focused stimulus could work towards the delivery of more affordable and social housing in NSW. Multiple studies have identified the productivity enhancing benefits of Government investment in social housing.^{14,15} In the response to the GFC, social housing was a stimulus priority. Not only were 19,500 social housing units constructed in the *Social Housing Initiative*, but so too were one 80,000 social units renovated.

The NSW Government could work to identify not only social housing developments that require funding, but also a pipeline of existing social housing units that require

refurbishment and could be subject to the Commonwealth's construction-focused stimulus measures.

7. The Federal Government should consider reforms expanding digital access to credit for small businesses and households

Given the long-term disruption to many aspects of conventional life expected from COVID-19, there is a risk that sectors reliant on traditional face-face transactions will suffer.

This was noted to be particularly challenging for Australia's banking sector. Many banking services are not only conducted face-face by convention, but are also mandated by existing regulations that have curtailed the industry's capacity to offer digital services.

Currently, applicants for mortgages or essential finance are not able to sign documents completing transactions. While historically this might have been an inconvenience, some participants noted this is now making it more challenging for some entities to receive credit during this period.

The Federal Government has already implemented several common-sense reforms regarding digital participation in formal and heavily regulated activities. This includes recent amendments to the Corporations Act to allow shareholder meetings to occur digitally for a period of 6 months, commencing May 6.¹⁶

Similarly, there may be room to enable a greater degree of digital participation in the banking sector during this period, allowing credit to flow more quickly into the hands of small businesses and households whose activity over the coming months will shape the recovery.

4. Longer-term recommendations to strengthen NSW's economy

8. The Federal Government should reconsider the firm end date of the JobKeeper program

Participants representing considerably different organisations and sectors advocated strongly for either an extension of the JobKeeper program, or at least the avoidance of a firm commitment to an end date for the program. The NSW Government should actively engage the Federal Government on this issue.

Participants noted that while some sectors might be experiencing a recovery by the proposed September 30 end date of JobKeeper, others are likely to experience a sustained downturn well beyond the forecast relaxation of restrictions.

Certain areas of the economy, particularly the sports, recreation and performance sectors, will likely see a sustained downturn due to a staggered return to normal consumer behaviour. One participant noted that it is improbable that audiences will return to theatres, live music events, and sporting matches in the same numbers as before the pandemic, even once restrictions are lifted. This may be because of lingering community concern over a 'second-wave' of COVID-19 transmissions.

While JobKeeper broadly applied to individual businesses that registered a 30 per cent reduction in turnover, there are several sectors of the economy that have experienced a 100 per cent decline in turnover, despite being well-functioning and sustainable industries prior to the crisis.

While JobKeeper cannot be an indefinite program, participants broadly agreed that a firm end date to JobKeeper would be a detrimental to Australian jobs and the Australian economy. Instead, the Commonwealth Government should keep an open mind about accommodating certain sectors beyond the September 30 cut off, and the New South Wales Government should continue to advocate for such an approach.

9. Work with superannuation sector to drive investment into greenfield projects

Participants noted the opportunities associated with orienting superannuation investment into productivity enhancing projects.

While there is a considerable need for the Government to continue its fiscal response to the COVID-19 downturn, other institutional investors also have significant capacity to leverage capital into investments, particularly in productivity-enhancing physical infrastructure, that will both stimulate the economy in the short term, while delivering long term returns to their member.

The NSW Government and the Commonwealth Government should maintain an open dialogue with institutional investors in Australia regarding the recovery project pipeline and to identify where there may be an opportunity for Government led initiatives to seek finance through these entities.

Conclusion

This discussion paper has highlighted ideas for safely and fairly reopening the New South Wales economy.

COVID-19 remains a serious health challenge to be managed by State and Federal Governments. But the world-leading health response in Australia has afforded policymakers the luxury of beginning to tackle the challenge of recovering New South Wales' and Australia's economy.

The McKell Institute's 'Reopening NSW Roundtable' featured 14 stakeholders representing a range of industries and organisations, to identify concerns, new ideas and challenges associated with safely and fairly reopening NSW's economy.

The 9 recommendations identified in this discussion paper have been sourced from this roundtable meeting, arguing in favour of measures the NSW Government could take in isolation, as well as ideas the NSW Government could implement in collaboration with the Federal Government.

COVID-19 will pass, and the NSW economy will recover. But it is important that the decisions government make today ensure that recovery is swifter and fairer, and creates a new normal that is more prosperous, equitable and healthier than what came before the pandemic.

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