

# Great Southern Hand

## State emergency economic responses to COVID-19

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Discussion paper

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# Summary

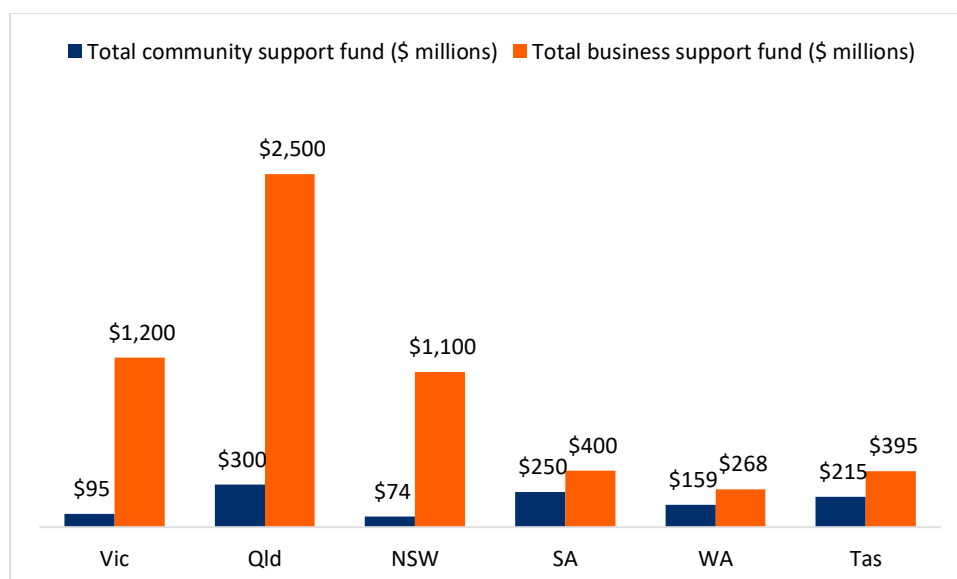
COVID-19 had an immediate economic and social effect on all Australians. As businesses shut, state borders closed and millions of Australians lost all or part of their income, State Governments stepped in and provided immediate relief.

This report compiles state government spending in support of existing businesses and community organisations in response to the COVID-19 crisis. It does not consider health spending that directly relates to treating victims of the disease, but to the immediate efforts that state governments made to protect their existing economies and communities. It is based on announced estimates that may be updated once more detailed budget figures are available

In absolute terms, the announced spending measures go roughly in line with the size of state economies:

- NSW: \$1,174 million
- Vic: \$1,295 million
- Qld: \$2,800 million
- WA: \$427 million
- SA: \$650 million
- Tas: \$609.8 million

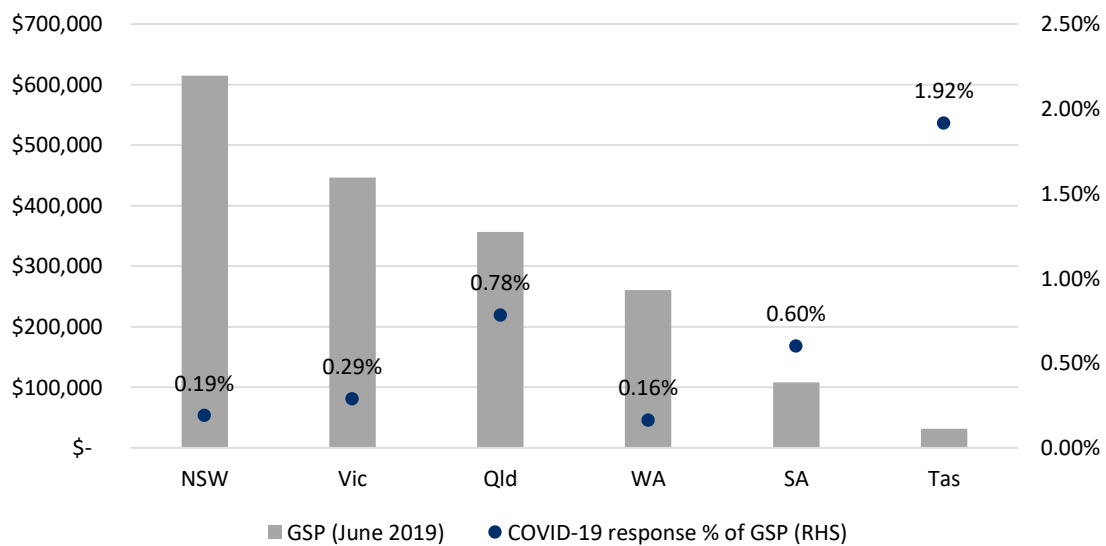
**Figure 1: State community and business support funds**



However, when expressed in terms of the relative size of each state's economy, Tasmania clearly provided the most support:

- Tas: 1.92%
- Qld: 0.78%
- SA: 0.60%
- Vic: 0.29%
- NSW: 0.19%
- WA: 0.16%

**Figure 2: Gross state product and COVID-19 response as share of gross state product**



# Introduction

The federal government has been responsible for the single largest economic intervention in response to the pandemic, but state governments have played an important role in providing immediate emergency support for businesses and communities.

All states have similar policy levers available to them, from the waiving of license fees to payroll tax relief and direct cash grants, and all states used these levers to varying degrees.

As with all programs announced by governments, it is often not until the next budgetary cycle or even the one after that the real quantum of spending can be assessed.

However, given the immediacy of the need, some money has already flowed and other funding can be reasonably calculated by looking at the particular tax relief offered against the forecasted state revenue in estimates.

This briefing note collates publicly available data on state responses to the COVID-19 induced economic emergency, between March 23<sup>rd</sup> and May 20<sup>th</sup>. Only programs announced with some measure of traceability were calculated and only those that addressed the immediate need of keeping existing businesses going, existing jobs in place and emergency funding for community needs. Funding for the health response is also not included in the calculations.

This data showed one state – Tasmania – provided a much greater level of support to its citizens when benchmarked against gross state product.

The benefit of public ownership of assets came into play with both Western Australia and Tasmania offering immediate and generous support via state owned lotteries by the former and energy and transport by the latter.

# State support for business

In March, even before tough restrictions and business closures came into force in response to COVID-19, business confidence was low Australia-wide. A poll of 621 businesses undertaken by Roy Morgan in the first half of March found that 56% believed the country was already in a recession.<sup>1</sup> The National Australia Bank Monthly Business Survey for March found business outlook to be the weakest ever recorded, with Alan Oster, NAB Group Chief Economist stating:

The decline in confidence was wide-spread across industries with most industries recording falls larger than 60 points. The decline in conditions was also sharp, and there may be more to come.<sup>2</sup>

The initial response to COVID-19 saw the federal government announce two significant schemes aimed at helping businesses hibernate rather than permanently close.

The first was a cash flow boost scheme for employers to receive a payment equal to 100% of their salary and wages withheld. The maximum payment was originally capped at \$25,000 but increased to \$50,000 and the minimum payment increased from \$2,000 to \$10,000. The scheme began in April and is scheduled to finish in September. The minimum amount eligible businesses will receive is \$20,000 and the maximum is \$100,000 across the life of the scheme. While welcomed by business, the money would not be available until April, and the assistance was a relief from a debt owed to the government, rather than a cash grant.<sup>3</sup>

The second, the JobKeeper scheme, paid eligible businesses \$750 per week per employee for retained staff. However, payments from the government were paid retrospectively, and not until the beginning of May, requiring employers to use savings, or borrow from a lender, the equivalent of five weeks' pay for all retained employees. As eligibility was not immediate, businesses needed to make the decision on whether to maintain staff and hope they would be eligible.<sup>4</sup>

The combination of low business confidence, restricted cashflow and uncertainty over eligibility for federal government schemes meant immediate relief from state governments

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<sup>1</sup> 621 businesses were surveyed in the first half of March. Roy Morgan (2020) *A majority of Australian businesses say we're in 'recession'*, <http://www.roymorgan.com/findings/8332-australia-in-recession-or-not-march-2020-202003170559>

<sup>2</sup> NAB Group Economics (2020) *NAB Monthly Business Survey: March 2020*, <https://business.nab.com.au/nab-monthly-business-survey-march-2020-39344/>

<sup>3</sup> Australian Government (2020) *Boosting cash flow for employers*, [https://treasury.gov.au/sites/default/files/2020-04/fact\\_sheet-boosting\\_cash\\_flow\\_for\\_employers.pdf](https://treasury.gov.au/sites/default/files/2020-04/fact_sheet-boosting_cash_flow_for_employers.pdf)

<sup>4</sup> Australian Government (2020) *JobKeeper Payment — Information for employees*, [https://treasury.gov.au/sites/default/files/2020-04/Fact\\_sheet\\_Info\\_for\\_Employees.pdf](https://treasury.gov.au/sites/default/files/2020-04/Fact_sheet_Info_for_Employees.pdf)



was required. This relief was not aimed at future stimulus, or new job creation, but with the purpose of keeping existing businesses and jobs alive.

All states provided assistance via both cash grants and tax relief. The shape and size of that relief varied between the states. Below is a table of state programs announced and initiated between the 23<sup>rd</sup> of March and the 20<sup>th</sup> of May that could be identified. Due to the urgent and varied nature of the COVID-19 response, it is possible that the analysis has missed some programs. In that case, this report will be updated.

**Table 1: State support for business**

	Direct grants to affected businesses	Waiving of fees	Waiving of land tax
Vic	Yes – \$10,000 <sup>5</sup>	Yes – Hotels 2020 <sup>6</sup>	Yes – 25% reduction on the property’s 2020 land tax. Can defer remainder of 2020 land tax to 31 March 2021. <sup>7</sup>
Qld	No, but does offer interest free loans <sup>8</sup>	Yes – Hotel licences and a number of tourism fees and licences <sup>9</sup>	Yes – 3 month waiver and 3 month deferral <sup>10</sup>
NSW	Yes – Up to \$10,000 <sup>11</sup>	Yes – Trades and construction and hotel and gaming licensing fees, 2020 <sup>12</sup>	Yes – 25% reduction on the property’s 2020 land tax. Can defer whole amount for 3 months <sup>13</sup>
SA	Yes – Up to \$10,000 <sup>14</sup>	Yes – Hotel licences for 20/21 <sup>15</sup>	Yes – 25% waiver on 19/20 bill if saving is passed on to tenant. 100% relief on planned increases <sup>16</sup>
WA	Yes – \$17,500 to businesses with a payroll between \$1m and \$4m  One off grants of \$6,500 to small tourism operators <sup>17</sup>	Yes – Hotel licences for 2020 <sup>18</sup>	Yes – 25% of the 19/20 bill if savings passed on to tenant <sup>19</sup>
Tas	Yes – up to \$17,500 <sup>20</sup> and \$2 million grants to support arts and entertainment	Yes – Hotel licences for 19/20 and business car registration reductions	Yes – Waived for commercial tenants 20/21 <sup>21</sup>

<sup>5</sup> Global Victoria (2020) *Summary of Government Assistance for Victorian businesses*, <https://global.vic.gov.au/whatson/2020/may-2020/responding-to-coronavirus-covid19/summary-of-government-assistance-to-businesses-accessible>

<sup>6</sup> Global Victoria (2020) *Summary of Government Assistance for Victorian businesses*

<sup>7</sup> Global Victoria (2020) *Summary of Government Assistance for Victorian businesses*

<sup>8</sup> Queensland Government (2020) *Queensland COVID-19 Jobs Support Loans*, <https://www.qrida.qld.gov.au/current-programs/covid-19-business-support/queensland-covid19-jobs-support-scheme>

<sup>9</sup> <https://s3.treasury.qld.gov.au/files/COVID-19-Business-Fact-Sheet-V2.pdf>

<sup>10</sup> Queensland Government (2020) *Queensland COVID-19 Jobs Support Loans*

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- <sup>11</sup> NSW Government (2020) *\$10,000 grants to provide fast relief for NSW small businesses battling COVID-19*, <https://www.nsw.gov.au/news/10000-grants-to-provide-fast-relief-for-nsw-small-businesses-battling-covid-19>
- <sup>12</sup> Dominello and Tudehope (2020) *Slashed licence fees a big win for businesses*, <https://www.treasury.nsw.gov.au/sites/default/files/2020-04/Gladys%20Berejiklian%20Victor%20Dominello%20Damien%20Tudehope%20med%20rel%20-%20Slashed%20licence%20fees%20a%20big%20win%20for%20businesses.pdf>
- <sup>13</sup> Service NSW (2020) *Apply for COVID-19 Land Tax relief*, <https://www.service.nsw.gov.au/transaction/apply-covid-19-land-tax-relief>
- <sup>14</sup> Government of South Australia (2020) *Support for businesses, jobs & the community impacted by COVID-19*, <https://www.treasury.sa.gov.au/Growing-South-Australia/stimulus-measures-to-support-businesses-and-the-community-impacted-by-covid-19>
- <sup>15</sup> Government of South Australia (2020) *Support for businesses, jobs & the community impacted by COVID-19*
- <sup>16</sup> Government of South Australia (2020) *Support for businesses, jobs & the community impacted by COVID-19*
- <sup>17</sup> WA.gov.au (2020) *COVID-19 State Revenue measures*, <https://www.wa.gov.au/organisation/department-of-finance/covid-19-state-revenue-measures>
- <sup>18</sup> WA.gov.au (2020) *COVID-19 State Revenue measures*
- <sup>19</sup> WA.gov.au (2020) *COVID-19 State Revenue measures*
- <sup>20</sup> This is made up from a \$15,000 extreme hardship grant and a smaller \$2500 grant for businesses and sole traders who were effected. Eligible businesses could receive both. Gutwein (2020) *Ministerial statement: COVID-19 response measures*, p 53, <https://www.parliament.tas.gov.au/ParliamentSearch/isysquery/780645ee-6758-4bba-bac8-f78564002a1a/4/doc/>
- <sup>21</sup> Australian Government (2020) *Tax relief measures for Tasmanian businesses impacted by COVID-19*, <https://www.business.gov.au/Grants-and-Programs/COVID19-Tax-Relief-Measures-TAS>

**Table 2: State support for business, continued**

	Waiving of quarterly energy bills	Payroll tax relief	Rent relief for Govt tenants	Total business support fund (\$ millions)
Vic	No – Some network charges rebated <sup>22</sup>	Yes – Businesses with annual taxable wages up to \$3 million will have their payroll tax for the 19/20 financial year waived	No	\$1200 <sup>23</sup>
Qld	Partial – \$500 rebate on energy bills <sup>24</sup>	Yes – For payrolls of \$6.5 million or less a 2 month refund of payroll tax; deferral of all payroll tax until 2021 <sup>25</sup>	Yes – 6 months relief <sup>26</sup>	\$2500 <sup>27</sup>
NSW	No – Some network charges rebated <sup>28</sup>	Yes – Businesses with payrolls of \$10 million or less received a three-month waiver. Over \$10 million can defer for 3 months <sup>29</sup>	Yes – Business with under 20 staff and all not for profit organisations <sup>30</sup>	\$1100 <sup>31</sup>
SA	No – Some network charges rebated <sup>32</sup>	Yes – Under \$4m wages bill = Waiver  Over \$4 m wages bill = deferral	Yes – Total waiver for businesses who have been forced to shutdown <sup>33</sup>	\$400 <sup>34</sup>
WA	Partial – Customers of govt owned energy companies receive a \$2,500 rebate <sup>35</sup>	Yes - increased payroll tax exemption threshold to \$1 million waiving payroll tax btw 1 March and 30 June, waiving late payment penalties <sup>36</sup>	Yes – Waived rent for small businesses until September 2020 <sup>37</sup>	\$268.4 <sup>38</sup>
Tas	Yes – All first quarter bills waived	Yes – Payroll under \$5 million and hospitality, tourism and seafood exempt for 19/20	Yes – 6 month lease waivers for government property	\$394.8 <sup>39</sup>

<sup>22</sup> Energy Networks Australia (2020) *Energy industry's plan to manage the COVID-19 pandemic and support customers*, <https://www.energynetworks.com.au/about/our-members/covid-19-information/>

<sup>23</sup> Does not include the \$500 million Working for Victoria job matcher program. Businesses with annual taxable wages up to \$3 million will have their payroll tax for the 2019-20 financial year waived. This will support 24,000 businesses and up to 400,000 workers. Global Victoria (2020) *Summary of Government Assistance for Victorian businesses*

<sup>26</sup> Queensland Government (2020) *\$3 billion to support jobs and businesses affected by COVID-19*

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- <sup>25</sup> Queensland Government (2020) *\$3 billion to support jobs and businesses affected by COVID-19*
- <sup>26</sup> Queensland Government (2020) *\$3 billion to support jobs and businesses affected by COVID-19*
- <sup>27</sup> This does not include the \$500 mil retraining package. There is also a \$1bn fund for 'large businesses' that has no publicly available information in it. This has been left in for this table  
<https://s3.treasury.qld.gov.au/files/COVID-19-Business-Fact-Sheet-V2.pdf>
- <sup>28</sup> Energy Networks Australia (2020) *Energy industry's plan to manage the COVID-19 pandemic and support customers*, <https://www.energynetworks.com.au/about/our-members/covid-19-information/>
- <sup>29</sup> NSW Government (2020) *Further help for jobs, business and the community: Economic Stimulus Package 2*, <https://www.treasury.nsw.gov.au/Covid-19Stimulus>
- <sup>30</sup> NSW Government (2020) *Further help for jobs, business and the community: Economic Stimulus Package 2*
- <sup>31</sup> Note that this does not include 700mil for hospitals and 500mil for new government cleaners and maintenance staff; NSW Government (2020) *Further help for jobs, business and the community: Economic Stimulus Package 2*
- <sup>32</sup> Energy Networks Australia (2020) *Energy industry's plan to manage the COVID-19 pandemic and support customers*
- <sup>33</sup> Government of South Australia (2020) *Government rent relief for businesses*, <https://www.covid-19.sa.gov.au/latest-news/government-rent-relief-for-businesses>
- <sup>34</sup> Marshall (2020) *\$1 billion stimulus package to save SA jobs, businesses*, [https://www.premier.sa.gov.au/news/media-releases/news/\\$1-billion-stimulus-package-to-save-sa-jobs,-businesses](https://www.premier.sa.gov.au/news/media-releases/news/$1-billion-stimulus-package-to-save-sa-jobs,-businesses); this does not include the \$350 million in stimulus money announced on the 12<sup>th</sup> of March: Marshall (2020) *State Government welcomes Federal economic stimulus*, <https://www.premier.sa.gov.au/news/media-releases/news/state-government-welcomes-federal-economic-stimulus>
- <sup>35</sup> Matich (2020) *WA Government announces energy bill relief*, <https://www.pv-magazine-australia.com/2020/04/02/wa-government-announces-energy-bill-relief/>
- <sup>36</sup> WA.gov.au (2020) *COVID-19 State Revenue measures*, <https://www.wa.gov.au/organisation/department-of-finance/covid-19-state-revenue-measures>
- <sup>37</sup> WA.gov.au (2020) *COVID-19 State Revenue measures*
- <sup>38</sup> WA.gov.au (2020) *COVID-19 State Revenue measures*
- <sup>39</sup> The Ministerial Statement on 26 March outlined much of the support: Parliament of Tasmania (2020) *Ministerial statement*, <https://www.parliament.tas.gov.au/ParliamentSearch/isysquery/b185b4d4-a39b-42f0-babb-c1108f5a2296/2/doc/>; see also Tasmanian Government (2020) *Economic and fiscal update report – May 2020*, p 20, <https://www.treasury.tas.gov.au/Documents/Economic-and-Fiscal-Update-Report-May-2020.pdf>

# State government community support

State government has a significant service delivery function. The pandemic has required state governments to provide extra support in health, housing, mental health and other support services. A comparison of the data shows the differing priorities of state governments and how privatisation has affected their ability to respond.

Western Australia is the only state in Australia to own the lottery system. Lotterywest was created in 1932 with the purpose of building a better state. In April this year, the WA government made an amendment to the Lotteries Act to expand the scope of grants for emergency purposes. A fund of \$159 million was created to assist community groups and not for profits in providing emergency food, shelter and critical needs.<sup>40</sup> In contrast, NSW is assisting privately owned gaming companies by waiving licence fees, community benefit payments and statutory payments to the Community Development Fund.<sup>41</sup>

Tasmania still owns its transport and energy systems through Government Business Enterprises (GBEs). This enabled the state to waive 100% of the energy bills of small businesses for the first quarter of 2020. Metro Tasmania, the state's transport GBE provided free transport from the 9<sup>th</sup> of April to the 31<sup>st</sup> of May.

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<sup>40</sup> McGowan (2020) *New Lotteries laws to further support WA community in COVID-19*, <https://www.mediastatements.wa.gov.au/Pages/McGowan/2020/04/New-Lotteries-laws-to-further-support-WA-community-in-COVID-19.aspx>

<sup>41</sup> Clubs NSW (2020) *COVID-19 – Coronavirus*, [https://www.clubsnsw.com.au/COVID-19\\_Updates](https://www.clubsnsw.com.au/COVID-19_Updates)

**Table 3: State community support**

	Direct grants to community organisations	Emergency cash relief to individuals	Cash grants to residential tenants	Free public transport	Total community support fund (\$ millions)
Vic	Partial – money available to disability providers <sup>42</sup>	Yes – One off grants available to foster carers <sup>43</sup>	Yes – up to \$2000 paid to landlord <sup>44</sup>	No	\$94.5 <sup>45</sup>
Qld	No <sup>46</sup>	Yes – \$200 rebate for all 2.1 million Queensland households paid through energy bills	No	No	\$300 <sup>47</sup>
NSW	Yes – \$10m general fund and \$6m for lifeline	Yes – \$50 energy vouchers	No	No	\$74 <sup>48</sup>
SA	Yes – grants to not for profits <sup>49</sup>	Yes – \$500 one off payment to welfare recipients and increase to some cost of living grants <sup>50</sup>	No	No	\$250 <sup>51</sup>
WA	Yes – multiple grants available to not for profits <sup>52</sup>	No	Yes – Up to \$2000 paid to landlord <sup>53</sup>	Free car parking at stations	\$159 <sup>54</sup>
Tas	Yes – \$5 million Community Fund for distribution to non-government organisations	Yes – \$2,500 grant for sole traders, emergency cash relief for domestic abuse survivors and other measures	Yes – up to \$2000 or 4 weeks rent <sup>55</sup>	Yes – Free Metro Tasmania transport until 31 May	\$215 <sup>56</sup>

<sup>42</sup> Victoria Department of Health and Human Services (2020) *Information for community services - coronavirus disease (COVID-19)*, <https://www.dhhs.vic.gov.au/information-community-services-coronavirus-disease-covid-19>

<sup>45</sup> This does not include the announced funding for tenancy support as the total amount available has not been published.

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<sup>44</sup> Housing Vic (2020) *Coronavirus (COVID-19) rent relief grant*, <https://www.housing.vic.gov.au/help-renting/rentrelief>

<sup>45</sup> This does not include the announced funding for tenancy support as the total amount available has not been published.

<sup>46</sup> Queensland has made grants available to primary health organisations. Extra money for health has not been counted for any of the states.

<sup>47</sup> Queensland Treasury (2020) *Queensland's COVID-19 Economic Recovery*, <https://www.treasury.qld.gov.au/programs-and-policies/covid19-package/>

<sup>48</sup> NSW Treasury (2020) *Further help for jobs, business and the community: Economic Stimulus Package 2*

<sup>49</sup> South Australia Department of Treasury and Finance (2020) *Support for businesses, jobs & the community impacted by COVID-19*, <https://www.treasury.sa.gov.au/Growing-South-Australia/stimulus-measures-to-support-businesses-and-the-community-impacted-by-covid-19>

<sup>50</sup> South Australia Department of Treasury and Finance (2020) *Support for businesses, jobs & the community impacted by COVID-19*

<sup>51</sup> South Australia Department of Treasury and Finance (2020) *Support for businesses, jobs & the community impacted by COVID-19*

<sup>52</sup> A \$159 million lottery fund has been set up to support community and sporting organisations: WA.gov.au (2020) *COVID-19 coronavirus: Western Australian Government response*, <https://www.wa.gov.au/organisation/department-of-the-premier-and-cabinet/covid-19-coronavirus-western-australian-government-response>

<sup>53</sup> WA.gov.au (2020) *COVID-19 coronavirus: Western Australian Government response*

<sup>54</sup> This money has been set aside to assist not for profit sports and community groups. The government also committed to continue funding organisations until the 30<sup>th</sup> of June 2020 even if they cannot operate due to COVID-19. McGowan and Wyatt (2020) *\$1 billion COVID-19 economic and health relief package unveiled*, [https://www.mediastatements.wa.gov.au/Pages/McGowan/2020/03/\\$1-billion-COVID-19-economic-and-health-relief-package-unveiled-.aspx](https://www.mediastatements.wa.gov.au/Pages/McGowan/2020/03/$1-billion-COVID-19-economic-and-health-relief-package-unveiled-.aspx)

<sup>55</sup> Gutwein (2020) *Assisting Tasmanian renters during COVID-19*, [http://www.premier.tas.gov.au/releases/assisting\\_tasmanian\\_renters\\_during\\_covid-19](http://www.premier.tas.gov.au/releases/assisting_tasmanian_renters_during_covid-19)

<sup>56</sup> Gutwein (2020) *Ministerial statement: COVID-19 response measures*, <https://www.parliament.tas.gov.au/ParliamentSearch/isysquery/780645ee-6758-4bba-bac8-f78564002a1a/4/doc/>



# Total funding as a percentage of GSP

Table 4 below adds the total spending on business and community support measures outlined in Tables 2 and 3 above and compares them to Gross State Product.

**Table 4: Total emergency funding in \$ millions (excluding health funding)**

	NSW	Vic	Qld	WA	SA	Tas
<b>Total COVID spend (ex- health)</b>	\$1,174	\$1,294.5	\$2,800	\$427.4	\$650	\$609.8
<b>GSP for 18/19</b>	\$614,409	\$446,079	\$357,044	\$260,640	\$107,990	\$31,819
<b>% of GSP</b>	0.19%	0.29%	0.78%	0.16%	0.60%	1.92%

Table 4 shows that Tasmania provided emergency relief equivalent to 1.92% of gross state product (GSP) during the first seven weeks of the pandemic lockdown. This is far greater than any other state, as is made clear in Figure 1 below which plots the data from Table 4 above in graphical form:

**Figure 3: Gross state product and COVID-19 response as share of gross state product**

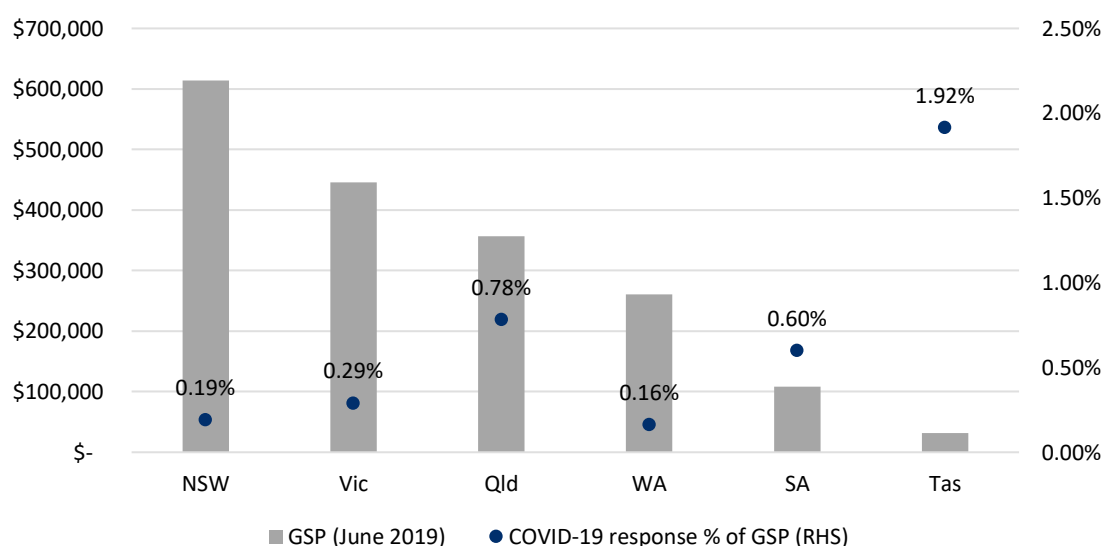


Figure 3 shows Tasmania has responded far faster and more effectively to community and existing business needs than the larger states. Beyond what is displayed in Figure 1, it is worth noting that Tasmania's Premier Gutwin also stepped in to help an estimated 26,000 temporary visa holders in Tasmania when they were ruled out of receiving JobKeeper payments or other federal assistance. Assistance included an immediate payment of \$250 per individual or up to \$10,000 per family and additional funding to non-government

organisations to provide emergency relief and financial support for those who could return to their home country but were in financial hardship.<sup>57</sup>

The Tasmanian Premier was also the first, and at the time of writing the only, state premier to call for the JobKeeper program to be extended in light of the \$60 billion over estimation of the program's cost.

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<sup>57</sup> Gutwein (2020) *Support for Temporary Visa Holders*,  
[http://www.premier.tas.gov.au/releases/support\\_for\\_temporary\\_visa\\_holders](http://www.premier.tas.gov.au/releases/support_for_temporary_visa_holders)

# Conclusion

Business confidence plummeted and cashflows were under pressure as a result of the COVID-19 pandemic. While businesses waited for federal government support to come on line, state governments stepped in.

Western Australia and Tasmania had increased capacity to provide assistance via their ownership of the lottery (WA) and transport and energy systems (Tasmania).