

# Helen Haines MP



INDEPENDENT FEDERAL MEMBER FOR INDI



## **The impact of COVID-19 on Indi's small business sector**

April 2020 survey results

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## Introduction

Australia is in the midst of a national challenge such as we have never known. According to the Governor of the Reserve Bank of Australia, Philip Lowe, our country is now headed for the largest economic shock since the Great Depression.

For those communities of Indi that have just suffered devastating bushfires, the COVID-19 pandemic could not have come at a worse time.

The Federal Government's response has been significant but not comprehensive. The economic support packages implemented by the Parliament have centred on the new JobKeeper scheme, a doubling of the rate of JobSeeker and providing income tax rebates to small businesses.

These measures would have been unimaginable just months ago.

In the days since these measures passed the Parliament, I have been inundated with requests for assistance from my constituents.

To better understand what people are going through, and how I can best advocate for the interests of the people of Indi, I ran an online survey asking small businesses what they need. From across Indi, 390 small businesses responded.

These businesses range from sole traders with turnovers of less than \$50,000, to substantial manufacturers with millions of dollars of turnover and more than 20 staff. They cover the entire electorate from the outer reaches of the Upper Murray to the peri-urban fringe of Melbourne in Murrindindi. These are cafes, shops, artists, healthcare providers, gyms, snow-sport operators and hotels.

It was clear to me that the Government measures, while substantial, are not fully inclusive of the many individuals and groups across our community experiencing significant economic pressure. I conducted this survey because I wanted to hear directly from you – the people of Indi – about what you need in this extraordinary time, so I can be a stronger advocate for you in Canberra and here at home.

This report contains the survey results. And they are, in many ways, shocking. Ninety-seven per cent of responding businesses in Indi say they have been negatively affected by COVID-19, losing on average 71% of their revenue.

Based on this research, I outline six concrete things the Government should do immediately to increase support for small business locally. Today, I wrote to the Treasurer, enclosing this report, putting forward those practical suggestions. Over the coming weeks and months, I will do all I can to fight for all people in Indi to make it through this difficult time.

Dr Helen Haines  
Federal Member for Indi  
1 May, 2020

## Survey method

The *Coronavirus (Covid-19) Impact on Indi Business Survey* was developed using *SurveyMonkey*, an online survey platform and sent out via email and social media on April 7, 2020. It closed at midnight on April 20. Business groups, Chambers of Commerce and local government economic development officers helped with survey distribution using a snowballing technique across the electorate.

The survey comprised 16 questions ranging from business demographics, to quantitative questions around degree of impact, familiarity with JobKeeper and online trading situations to open-ended questions prompting comments to help illustrate individual situations. It was estimated the survey would take five minutes to complete.

## Key facts and figures

The survey was answered by 390 respondents. A response rate could not be calculated because of to the 'snowballing' distribution methodology. All surveys were completed in full and it took on average seven minutes of a respondent's time.

### Business type

Overall, 32% of respondents were from the accommodation and food services sectors, while 12% were from retail and 7% each from professional and health and social care sectors. A total of 4% of respondents worked in agriculture, another 4% in arts, while 34% described themselves as 'other'. As a comparison, across the Indi electorate, accommodation and food services account for 5.2% of employment, sales workers 9.1%, professionals 31.5% and community and personal service workers 11.9% (ABS data 2016).

Sole traders made up 46% of respondents, while 36% reported employing between one and five people. Businesses that employed between 6-20 people made up 13% of respondents, while 5% employed more than 20 people. In total, 82% of respondents had been in business for more than two years, and 40% of them had been in business for more than 10 years.

### Local Government Areas

The majority of businesses responding were from Alpine (35%) and Indigo (29%) Shires. Businesses in the Rural City of Wangaratta accounted for 15% of respondents and in the City of Wodonga 12%.

### Business turnover

The majority of responding businesses (70%) reported turnover ranging between \$50,000 and \$2 million per year. Another 24% reported turn over less than \$50,000, and 6% more than \$2 million.

### Limitations

This report is limited by the level to which businesses across Indi accessed and responded to the survey. It may be that businesses minimally affected by COVID-19, or satisfied with government economic support packages, were less likely to respond. It must also be noted that this survey was not directed to the not-for-profit sector and therefore did not capture the impact on these organisations.

## Key findings

### Finding 1: The COVID-19 pandemic has had a catastrophic impact on local businesses

Overall, 71% of surveyed businesses rated the impact as “severe” and another 20% rated it “moderate”.

The severity of impact differed significantly across industries (Figure 1), with 99% of accommodation businesses and 91% of food businesses reporting severe impacts, the highest of any industries. Leisure and the arts were hit hard, too, with 86% and 80% respectively reporting severe impact.

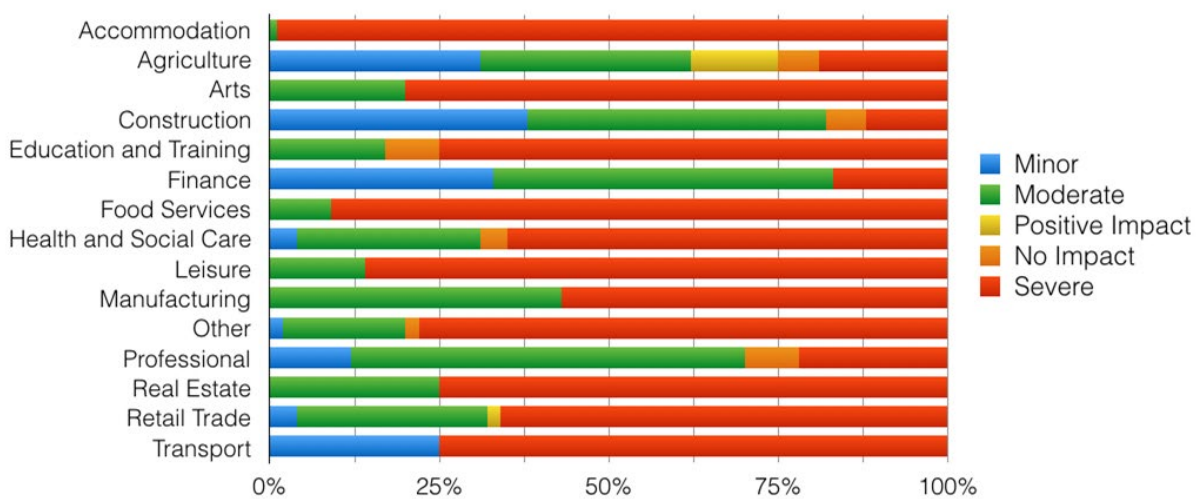


Figure 1: Self-Rated Impacts by Industry

Construction, finance and professional/technical industries, comparatively were spared, with the bulk of businesses reporting moderate impacts.

The only industries in which some businesses reported positive impacts were agriculture (13% of respondents) and a tiny number of retail businesses (2%).

Businesses surveyed also reported significant revenue losses as a result of COVID-19 (Figure 2). Overall, the average reported revenue loss was staggering. A total of 32% reported 100% revenue loss, while another 20% reported 80-99% revenue loss.

Losses varied across industries. Accommodation businesses, perhaps unsurprisingly, were hardest hit, with 91% revenue losses on average. Businesses in food (78%), arts (71%) and leisure (85%) also reported heavy revenue losses.

At the same time, some sectors emerged relatively unscathed, with agriculture (33%), construction (30%) and finance (28%) reporting comparatively minor revenue losses.

The long-form responses from business owners underscore the scale of this impact:

*“We closed on 22nd March which now means we have lost 100% of our non-winter income expected until end of May. We currently have 20% of our expected winter bookings but if we delay operation it will be more like 50% or worse case if no bookings - 100%.”*

Accommodation provider

*“100%, I have had to shut my business down and now have zero income!”*

Beauty salon owner

*“Not sure - so short staffed haven’t had time to check.”*

Veterinary clinic

*“10%, but there will be a bigger loss over the next few weeks as existing jobs are completed and not replaced.”*

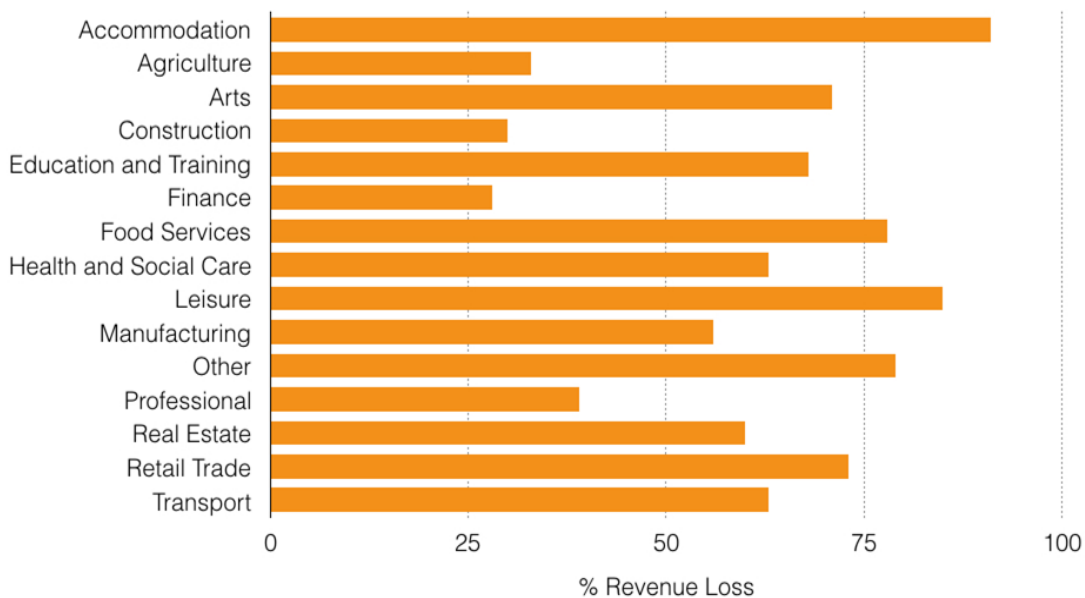
Sole trader

*“100% plus as we have had cancellations where we have now refunded commission as well so probably negative 10% as well.”*

Travel agent

*“100% - I do wedding and event invitations and ephemera. Nobody is planning get-togethers now.”*

Retail trader



**Figure 2: Self-reported Revenue loss by Sector**

### **Finding 2: Small businesses particularly hard-hit**

Smaller businesses tended to be harder hit than larger ones. 87% of smaller business with less than \$50,000 turnover said the impact was severe compared with 66% of businesses with turnover of \$50,000 or more.

Similarly, larger businesses were more likely to report minor or moderate impacts. However, a majority of businesses of all sizes have suffered severe impacts.

The disproportionate impact of COVID-19 on smaller businesses, including sole traders, was captured in respondents' comments:

*"The biggest effect on me has been loss of trade due to shut down of international mail services. My customers are there, but I cannot ship products to them."*

Retail trader

*"I do PAYG not PAYGW so won't be eligible for the cash boost bonus, this doesn't seem fair, as a sole trader, I still pay tax, just under a different category."*

Sole trader

*"Our junior staff (4) have all lost their shifts. Our adult staff have all had their hours reduced. Having no Easter trade has meant we lost at least \$25000. First time in our long history we shut 3 days of the long weekend."*

Hospitality business operator

*"Not much there for sole traders. I've had to slow my business down to nothing because I also work at a hospital and can't get PPE for my community clients."*

Health services provider

*"I am a sole trader and at the moment my business has been so affected by non-attendance that I have now made the tough decision to stay at home and school my kids whilst providing only a high risk podiatry service rather than a full service. I'm working harder than ever connecting with my clients many of whom are elderly but not being paid for it."*

Health services provider

### Finding 3: Bushfire-affected areas have been hit with a double-whammy

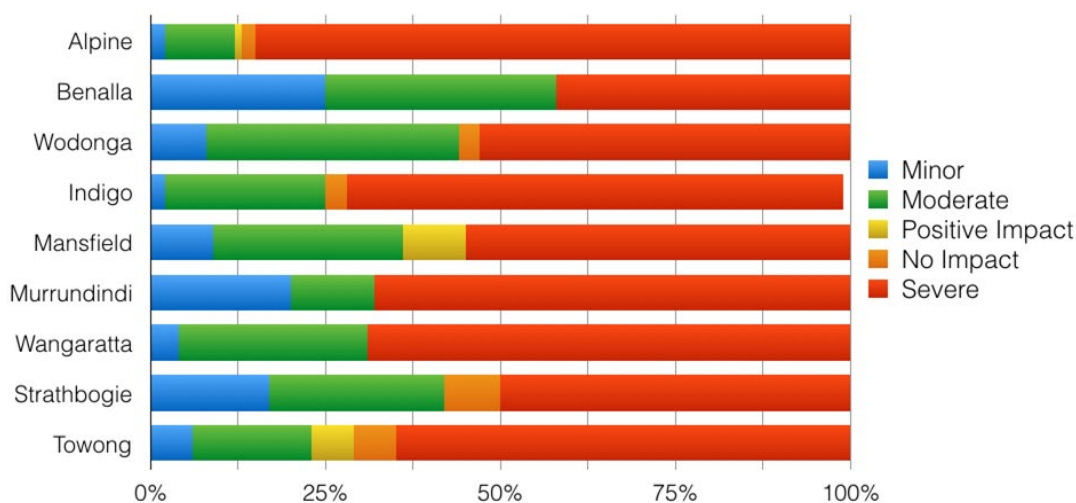
The data suggests that the impact of COVID-19 has come as a double-whammy for bushfire-affected parts of Indi. Most survey respondents were from Alpine (32%) and Indigo (25%) shires, perhaps representing the higher numbers of bushfire-affected or indirectly-affected businesses in these shires.

These areas also reported the highest self-rated impact of the pandemic (Figure 3). 85% of businesses in the Alpine Shire and 71% of businesses in Indigo Shire described themselves as having “severe” impacts, compared to 61% of businesses in the rest of Indi. Towong Shire, also hard-hit by the fires, was at 67%.

Benalla, Wodonga and Strathbogie shire, the least impacted by the Black Summer bushfires, had slightly more favourable ratings. However, every Local Government Area (LGA) recorded above 40% of businesses severely impacted.

A similar story plays out in the data on revenue losses (Figure 4). Businesses in bushfire-affected LGAs in general reported much higher revenue losses as a result of COVID-19 than LGAs that largely escaped the fires. For instance, businesses reported average revenue losses of 77% in both Alpine Shire and Rural City of Wangaratta and 76% in Towong Shire in contrast with Strathbogie (42%) and Benalla (53%).

Indigo (73%) and Murrindindi (73%) also reported high revenue losses despite being only indirectly affected by the bushfires.



**Figure 3: Self-rated Impacts by Local Government Area**

*“First the fires and now the pandemic. We have been hit hard. Really need a great support package as we never got over the fires. We need money spent in our areas and support to get our businesses reopened.”*

Financial and insurance services provider

*“It’s going to take a lot to recover from this year, with fires and now this. It’s the ripple effect that is going to impact us for years.”*

Retail trader



*“We’re resilient farming people who are used to tough times, however on the back of our horrific and devastating bush fire season, our local community is fragile and struggling. We are no different. We lost all our summer trade and now all the Autumn/Easter trade.”*

Accommodation provider

*“Some support for an extended time would be needed, especially after having been impacted by the fire season also in our area.”*

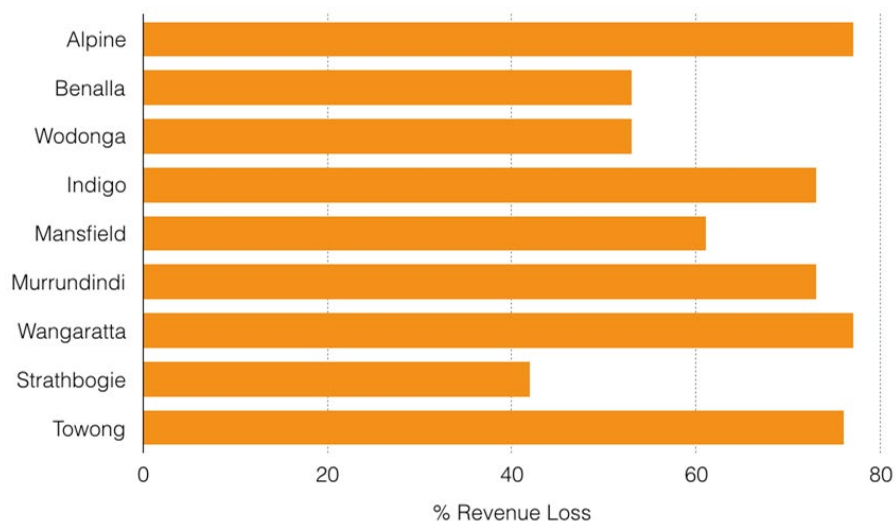
Financial services provider

*“After bushfires and now Covid19, I don’t think there will be many businesses left to support.”*

Retail trader

*“We’ve been here almost 4 years and had a healthy business- however through no fault of our own we’re now in financial trouble. We have a young family.”*

Accommodation provider

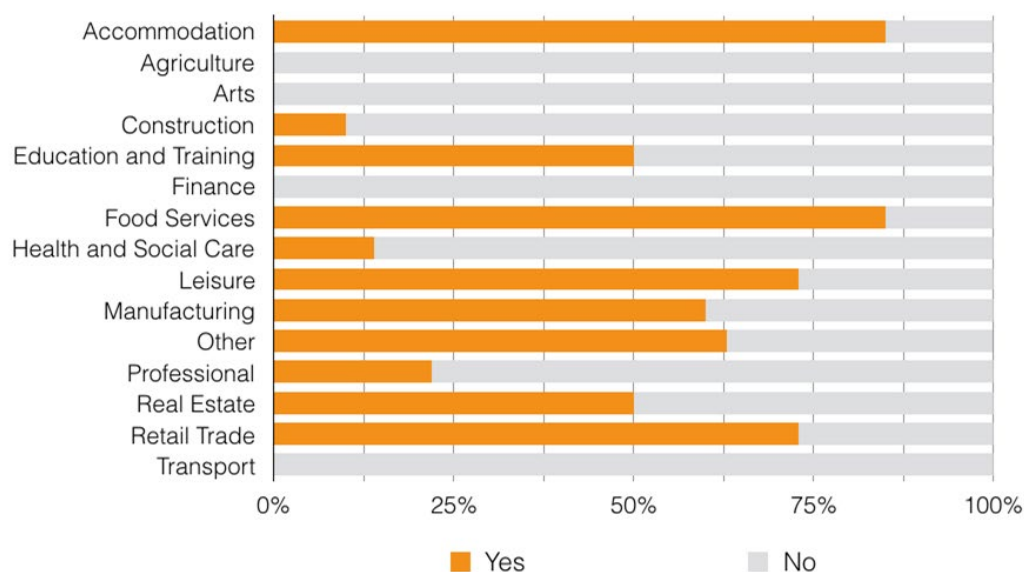


**Figure 4: Self-rated Revenue Loss by Local Government Area**

**Finding 4: Job losses are occurring everywhere, but particularly in hospitality and tourism**

Overall, 60% of businesses with employees have laid people off. However, these losses are distributed unevenly across industries (Figure 5). While construction, agricultural and healthcare businesses have been relatively spared, hospitality and tourism are hit hard. 85% of accommodation and food services businesses have laid people off. Leisure (73%) and retail (73%) businesses have experienced job losses almost as large.

Of the businesses responding, the smaller ones (less than \$50,000 turnover) are more likely to have laid people off than larger ones. Where 75% of smaller businesses have let go of employees, just 60% of medium and 50% of larger businesses have done so. Consistent with the reported business impacts, Alpine (69%) and Indigo (65%) Shires have higher rate of job loss than the average across Indi (52%, Figure 6).



**Figure 5: Job Losses by Industry**

*“Most of our employees are casual and have worked with us for less than 12 months. They will be vital for us when we are able to open again but we can't afford to pay them now.”*

Wine business operator

*“We had to lay off all of our employees 3 weeks ago in line with forced closure of restaurants and cafes.”*

Hospitality business operator

*“Because we have no income/guests, we are not using the occasional cleaner or gardener.”*

Accommodation provider

*“We will get two [employees] back when we qualify for JobKeeper – we just currently can't afford it being 85% down in trade.”*

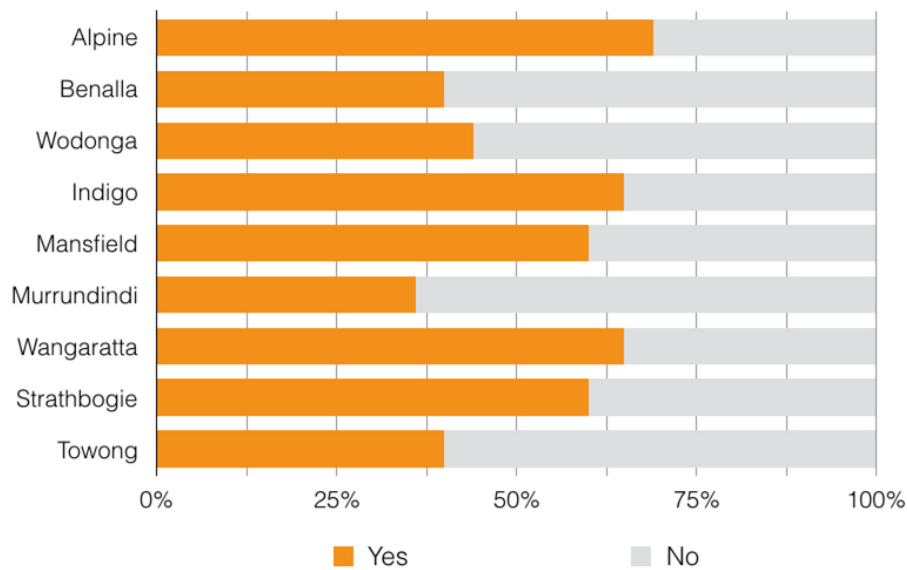
Food services operator

*“We have laid off all 10 of our regular casual staff. Attempting to keep doors open currently with 2 – 3 family members only.”*

Food services operator

*“We have no money to pay staff, especially after the fires and I can’t afford to pay them from now to May.”*

Tourism business operator



**Figure 6: Job Losses by Local Government Area**

**Finding 5: JobKeeper is helping some but is leaving some sectors behind**

The Government’s JobKeeper scheme was extremely well-known, with 99% of respondents reporting having heard about it. Overall, just over half (52%) of respondents had applied for JobKeeper by registering their interest with the ATO and 16% had looked into it but decided not to apply.

Interest in JobKeeper differed across business size. Sole traders were significantly more likely than other businesses to have decided not to apply for JobKeeper at 23% compared to 10% of other businesses. While almost three quarters of businesses with over 6 employees had applied for JobKeeper, only 38% of sole traders had.

The reported take-up of JobKeeper differed across industries (Figure 7). The highest application rates were in the real estate (75%), leisure (71%), manufacturing (71%), education and training (67%) and food services (66%) sectors.

A total of 16% of respondents stated that they have looked into JobKeeper but decided not to apply. Within this, the standout is the Arts sector where over one third (34%) of businesses are not planning to apply for JobKeeper. Similarly, 33% of finance businesses, 24% of health and social care and 21% of accommodation businesses are not going to apply.

*"I was told it's only for people who have employees."*

Agricultural sector

*"Very grateful for it, overall I think it is very fair and practical."*

Food services provider

*"Disappointed that the arts are so extremely undervalued. I am hoping that as a registered sole trader I might have some hope of assistance."*

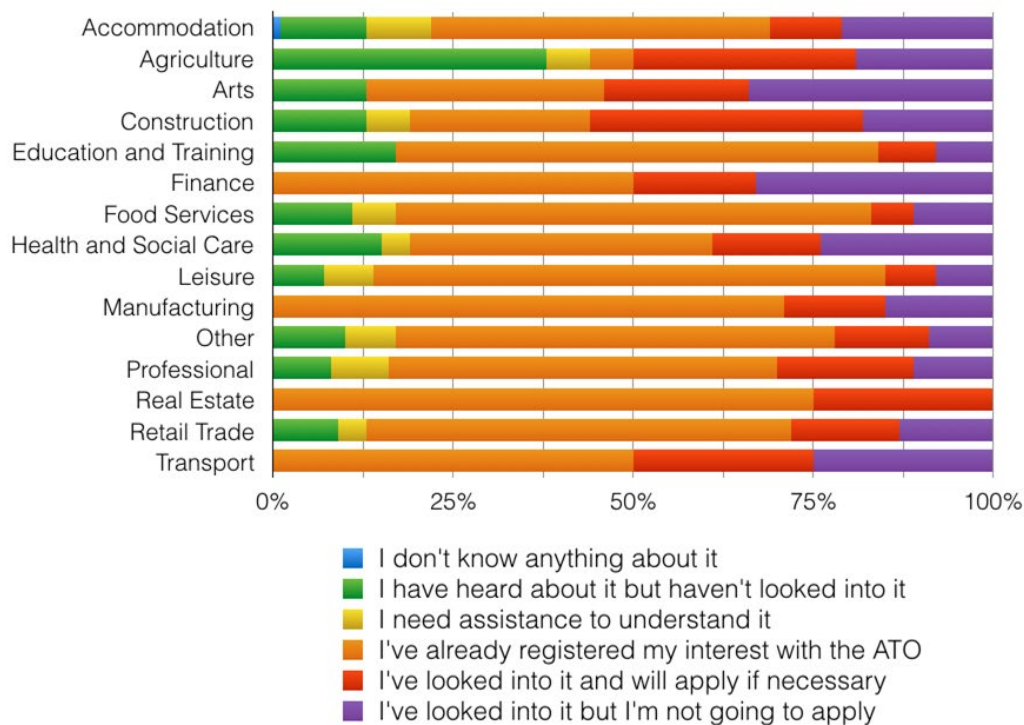
Arts and tourism operator

*"There are entire industries, in particular the arts and entertainment industry from which the majority of my clients come from that will not benefit due to the nature of their employment on short-term forward contracts."*

Wholesale trader

*"We don't draw a wage from the business and even though our downturn in business is severe as we are primary producers but rely on tourism & supplying restaurants. We don't fit into the mould and are not entitled to benefits that I can see."*

Agricultural sector



**Figure 7: Interest in JobKeeper by Industry**

### **Finding 6: Payments are taking too long to arrive**

Many respondents were frustrated by delays in receiving the JobKeeper and Boosting Cash Flow payments. The time between businesses experiencing cash flow impacts and the support arriving put many small businesses in a difficult situation, where they had little income but still had to pay salaries, rent and other expenses. For some, it was a question of whether they could survive for long enough for the support to arrive.

*“I think the implementation of additional funds for JobSeekers has been quite slow, and the original debacle before JobKeeper was created shows how poorly the government was organised.”*

Education and training provider

*“Small businesses run on cash flow. Current support is too slow. Many small businesses require owner operators to survive. Little to no support for these tax payers.”*

Food services provider

*“Great initiative but I fear its commencement will be too slow for many businesses. It doesn’t help with cashflow to pay creditors.”*

Construction business

*“Support has been too slow for small business. This can be seen by walking down the main street of Beechworth. 75% of businesses shut in 3 weeks.”*

Food services provider

### **Finding 7: Going online is a good start but doesn’t work for everyone**

Some businesses are shifting to online trading to adapt to social distancing requirements. Just over one third of respondents were trading online, with about half of those having made the shift since COVID-19.

Some industries have embraced online trading more than others (Figure 8): 40% of finance and real estate and 24% of arts and healthcare businesses have gone online since the pandemic began.

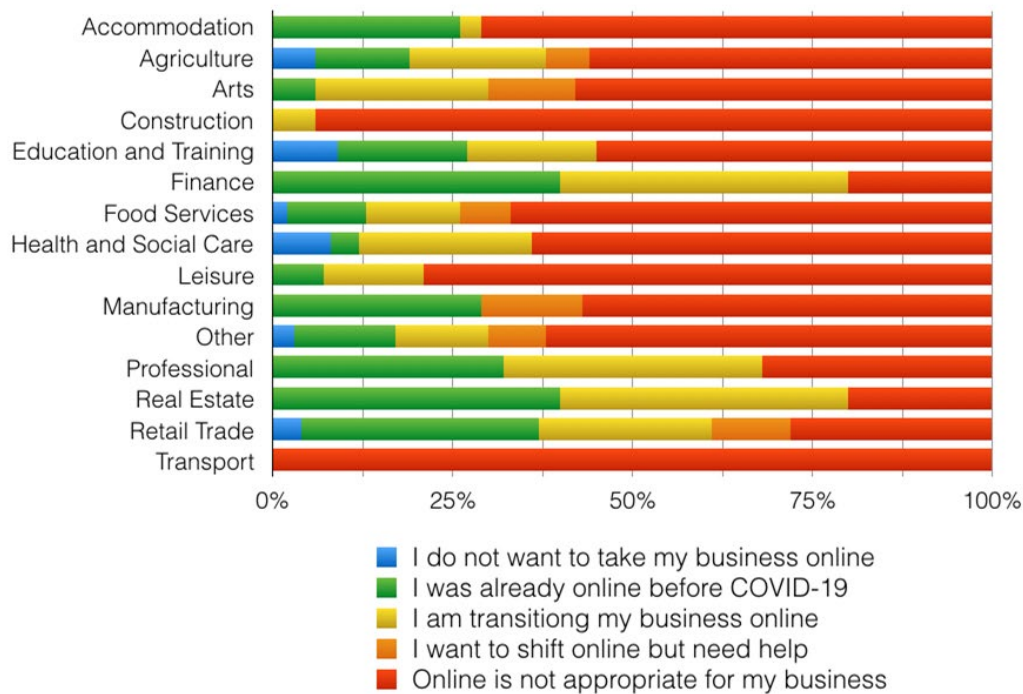
However, 59% of businesses say that going online is not appropriate for their business. Often, it was not possible for business to transition or operate online.

78% of leisure businesses, 71% of accommodation businesses and 67% of food services businesses said online trading was not an appropriate option for them.

The existing level of online trading varies across sectors. Whereas 40% of real estate and finance and 33% of retail businesses were already trading online before COVID-19, that figure dropped to just 4% of health and social care, 6% of arts and 7% of leisure businesses.

Many respondents do not have the time, money or internet capacity to change their business to adapt to the current environment, or see very little benefit for the investment. For many food services businesses, for instance, shifting online often means reducing already thin margins, and reducing an already small limited customer base.

Around 5% of businesses, mostly in the arts, manufacturing and retail, would like to transition to online trading but need extra support to do so.



**Figure 8: Interest in Online Trading by Industry**

*"We no longer have the funds to set up online trading, nor the staff to man a website and its orders. Our style of paddock to plate dining is not appropriate for online unless we had set up costs covered for deliveries under health and safety regulations."*

Food services provider

*"Don't think it would be worth the effort. And does not apply to a large portion of my work."*

Sole trader

*"Our regional location means rates to deliver our orders are not competitive and lose us business."*

Manufacturing business operator

*"...cafe style employing kids with special needs- online trade would completely go against everything I had in mind with this business."*

Food services provider

*"Home assessments and assistive technology assessments are not appropriate to complete via telehealth."*

Health service provider

## Where to from here?

Survey respondents had many ideas about what might help them emerge from the crisis. Six themes emerged from the results.

### 1. More support for small businesses to get back on their feet and grow

The pandemic has landed a body blow to most businesses. The size of income loss is outside the risk even the most responsible business owner would have budgeted for. After this kind of economic shock, businesses need support to keep their employees, invest to grow or engage labour, or just to help them rebuild and return to square one.

This support could include:

- Tax breaks or write-offs for assets
- Infrastructure grants to stimulate development or innovation
- Low or no-interest loans
- Continuation of wage subsidies past six months if required
- GST relief
- Relaxation of land rates
- Simplify GST/BAS arrangements and ATO working together with businesses who may fall behind payments.

Business development services including coaching, marketing advice and financial counselling, provided by local financial support organisations, should be made available for free at a low cost. Early, objective and professional advice will help business owners evaluate where to from here. This should be supported by mental health support for people understandably experiencing stress and anxiety. Local chambers of commerce or other business networks should provide a forum for people to connect, share, and keep small businesses in their communities.

### 2. Invest in regional infrastructure

Investment in regional infrastructure, such as roads, rail, tourism, capital works or telecommunications can provide a shot in the arm for our recovering economy. These projects employ local people, attract tourists, encourage businesses, drives population growth and makes rural and regional Australia competitive on the national stage.

Rural and regional communities, usually through their Local Government Authority, have already identified infrastructure priorities. These locally-focused economic recovery plans should be funded or brought forward. Big infrastructure projects have brought Australia through previous economic downturns. They can do so again.

### **3. Encourage and promote regional tourism**

The North East region is emerging as a leading tourism destination, known for its fine food and wine, snowfields, world-class cycling infrastructure, fishing, hiking and national parks. A thriving accommodation, hospitality and tourism sector has sprung up to meet this demand. With tourism stalled, these businesses - and the communities around them - are the hardest hit in the downturn and are facing an uncertain future.

Bringing the tourists back - once social distancing requirements are lifted - should be an urgent priority. With international travel unlikely for the foreseeable future, marketing campaigns should focus on domestic tourism, targeting city people stuck inside for months who will be keen to get out of town. Promotional campaigns should be rolled out across Australia, supplemented by cash incentives for people to travel local. This can be supported by grants for events, including festivals, which are a draw-card for businesses that rely directly on tourism and for other businesses in the community.

### **4. Strengthen regional economies by diversifying industries and buying local**

The pandemic has seen a nation-wide interest in strengthening domestic manufacturing capability. This can keep jobs and money local, building our local economy across the board. This can be complemented by a campaign to encourage individuals, businesses and government to 'buy local', rather than returning to international online shopping with profits flowing overseas.

As a major purchaser, the Government should source services from local smaller businesses, rather than larger ones, and purchase local labour, including construction being done exclusively by local, regional workforce. Procurement requirements should require government agencies and local government to favour local businesses in tender processes, so local suppliers, consultants and labour earns an income to stimulate local economies.

Major conferences and events should be held in regional areas and use accommodation services in small towns around regional centres. More support for regional start-ups should also be considered, to stimulate innovation and new markets.

### **5. Accelerated deployment of bushfire funding**

COVID-19 has compounded the struggles of small businesses impacted by the Black Summer bushfires. Many were banking on the Easter holidays, a calendar of autumn festivals, and increased regional tourism driven by Government campaigns, to recover lost revenue. With social distancing requirements all these options were off the table. The survey paints a picture of businesses rapidly losing hope that they can come out the other side.



The Government has promised a range of support for bushfire-affected individuals and businesses, but this is not being delivered at the speed required by the communities. The onerous application process and strict eligibility criteria means that people are missing out. This funding must be expedited. All bushfire-affected Indi LGAs should be made eligible for \$10,000 small business grants. We need to keep these businesses in our communities.

## **6. Targeted support for the Arts sector**

The survey showed that the arts sector is experiencing a severe impact from COVID-19 pandemic. With casual or contract work depending on physical audiences and discretionary income, the COVID-19 pandemic has created a perfect storm. Many arts workers are not eligible under the JobKeeper program, which requires continuous employment for more than 12 months. The Victorian Government has recently announced a package of supports for arts workers. But more is needed. The Commonwealth Government should consider amending the JobKeeper program to allow arts sector employees to be eligible, or introduce a separate program.