

LORD HOWE ISLAND BOARD

Business Paper

OPEN SESSION

ITEM

Community Support Package COVID-19

RECOMMENDATION

That the Board approves the local initiatives listed in Table 1 (included in the body of this report) to facilitate support for the Lord Howe Island community and its economic viability because of the COVID-19 virus pandemic.

ISSUE

A Public Health Order was enacted on 22 March 2020 that restricted access to Lord Howe Island. This has effectively stopped the tourism industry from operating during the restrictions.

As a result of the current pandemic situation, the Administration has recognised that the island's economy is fully impacted by the Order because of its reliance on tourism. It is noted that support for local businesses and individuals is needed.

The Board itself is also significantly impacted by changes to the island's economy. Due to the Notice and Qantas' subsequent cancellation of their flights back to 1 per week, a significant drop in revenue has occurred for the Board. This was effectively a **\$370,000** loss relating to passenger levies, assuming a similar turnover to last year for the period April to June.

The Federal and NSW Government have provided unprecedented assistance packages to assist those in need, minimise business failure and facilitate a faster re-activation of the Australian economy..

Australian Government Assistance

While the following information may not be complete, it is understood that the Australian Government is providing financial assistance to Australians during the COVID-19 crisis. This assistance includes income support payments, payments to support households and temporary early releases of superannuation.

- Income support for individuals – increased assistance for those without employment (Jobseeker).
- Payments to support households – extra payments to cardholders
- Temporary early release of superannuation – 2 x \$20,000 over 2 years
- Temporarily reducing superannuation minimum drawdown rates - retirees
- Reducing social security deeming rates – assists income support & pensioners

The Australian Government is also supporting Australian businesses to manage cash flow challenges and retain employees. Assistance includes cash flow support to businesses and temporary measures to provide relief for financially distressed businesses.

- Boosting cash flow for employers to facilitate retention of employees (Jobkeeper).
- Temporary relief for financially distressed businesses
- Increasing the instant asset write-off
- Backing business investment
- Supporting apprentices and trainees

NSW Government Assistance

The NSW Government is also offering a range of assistance measures to businesses including but not limited to the following.

- Grants through the Small Business Support Fund of up to \$10,000 to eligible businesses impacted by COVID-19.
- Fee relief for licence holders operating across the trades and construction sectors.
- Free TAFE courses for those wishing to upskill during the pandemic.
- Deferral of payroll tax payments for all businesses for six months.
- Reductions of 25% in payroll tax liabilities for small businesses (less than \$10m payroll).

Other Economic Opportunities

Business owners and employees are impacted by the current situation. Temporary employment while businesses are not operating can assist significantly. Several grant funded projects that were in planning and pre-implementation stages before the travel restrictions, are being reshaped where possible with project proponents and managers to allow where possible for them to progress with local labour.

In addition, proposals have been prepared and submitted to the NSW Government for economic stimulus funding specifically to undertake targeted work that could also employ local people who are temporarily unemployed. Results of these submissions are not yet known.

OPTIONS FOR LHIB CONSIDERATION

The impacts of the current global COVID-19 crisis is acknowledged and the wellbeing of businesses and individuals on Lord Howe Island is important.

Board members and community members have asked about whether some relief in regard to expenses over the period of the current travel restrictions and the resulting loss of tourism dollars is possible.

Factors

The Board is not in a strong financial position and has further impact on revenue due to the travel restrictions. These impacts are wide ranging and include but are not limited to loss in air arrival levies, landing fees, reductions in electricity generation and waste streams. While reductions in usage does decrease some variable costs, many costs are fixed and some are affected by reduced economies of scale.

Any financial relief should be targeted so that its costs to the Board and therefore the community, result in optimal benefits to recipients. In other words, any relief should be as

effective as possible, complement the extensive packages available from the Australian and NSW governments, facilitate the survival of local businesses and benefit those most in need.

Timing of any fee relief should be as timely as practical. Early is generally better especially if there are delays in the implementation of assistance from other levels of government, or the effects of shoulder and off-peak seasons has an influence. The timing of impacts on cash flows of different businesses is also understood to vary. For example some businesses had immediate effects when tourism stalled, and others may have received payments in advance and their financial impacts may come at a later stage when they honour postponed bookings without further income.

Deferral vs Waiving

Options vary in their nature. At one end of the scale, deferral or arrangements to enter into payment plans can assist with cash flow, especially if other forms of financial assistance are expected to be received. At the other end of the scale, discounts or elimination of some fees for periods of time. These obviously have a longer term benefit for businesses but a greater impact on the Board's financial liquidity and financial sustainability.

Due to the clear impact of the COVID-19 crisis, a range of fees that are directly related to undertaking business activities are **proposed to be waived for a period of time**.

In addition, the Board's administration continue to offer opportunity to discuss payment plans or other arrangements if requested on a case by case basis.

Timing

Due to different trading and revenue arrangements some businesses have more immediate cash flow challenges and others may be facing these in future months. It is also noted that some businesses normally plan to close for the winter off-peak season.

Quarterly fee notices are soon to be sent out. These include a range of fees for different purposes. Some are payable in advance (eg lease fees) and others are for services already incurred (eg electricity usage). To simplify matters and to enable any fee relief to become available as soon as practical, it is proposed that any fee relief adopted be administered as a credit on the fee notice. This allows for a business or individual to enjoy the credit immediately through a reduction in payment due, or alternatively retain it as a credit against future quarterly fee notices/payments.

This report proposes fee relief generally for one quarter. The duration of the travel restrictions is not yet known and it is also noted that winter is a period that some businesses normally close. It is proposed that if the need arises, further fee relief could be considered for the period following 30 June.

PROPOSAL

The fees listed in Table 1 below are considered to be related to tourism. This proposed list is significant and the Board can consider including all or some of these for fee relief. The financial impact to the Board's financial position is estimated and shown in the third column. As mentioned above, COVID-19 has also had major impacts on the Board's revenues and if adopted, fee relief will add to the financial impact to the Board. However, it is considered that businesses and services on the island are limited and their ongoing viability is important to the island's economy and value as a tourism offering into the future.

Not all commercial leases are associated with tourism. However, it is considered that the challenge of differentiating is outweighed by the relatively small savings from excluding some businesses. In the same way, business and liquor licences are not proposed to be differentiated and are also therefore all proposed to be granted licence fee relief.

Permissive Occupancies are for a mixture of commercial and non-commercial purposes. Those perpetual occupancies that are considered commercial in nature are therefore included in the proposal for fee relief as listed in (confidential) Attachment A. .

Bed licences, priority day use mooring fees, commercial jetty use fees, and hire car licence fees are all clearly tourism related and therefore proposed to be granted fee relief.

Waste Management charges are based on audits of waste generation over periods of three (past) years. They are applied as a flat rate. During this period with no tourists lower waste generation will not therefore result in lower fees. It is proposed to provide some fee relief for commercial waste charges because of this.

Electricity charges are based on actual usage and there are different rates (cents per KWhr) for commercial and domestic use. In addition, as electricity use increases and across thresholds, the rate per KWhr increases. Commercial clients have higher thresholds than domestic before the KWhr rates increase. Because the travel restrictions result in lower electricity usage for tourism related businesses, and because the lower use will keep charges down significantly compared to usual, it is not proposed to offer fee relief for electricity usage.

Table 1.

Fee Category	Proposal	Cost	Comment
Commercial Leases	Cancel charges for three months	\$32,300	Normally charged monthly in advance
Permissive Occupancies – commercial only – see list Attachment A	Cancel charges for one quarter	\$6,500	Normally charged quarterly in advance. Some POs are for tourism or related commercial purposes and these are proposed to benefit from the fee relief.
Bed Licences	Cancel charges for one quarter	\$79,300	Normally charged quarterly in arrears. Directly tourism related.
Business Licences	Cancel charges for one quarter –	\$6,700	Normally charged quarterly in arrears. Some businesses not directly tourism related but difficult to differentiate.
Liquor Licences	Cancel charges for one quarter –	\$2,700	Normally charged quarterly in arrears. Some businesses not directly tourism related but difficult to differentiate.
Commercial Waste Management charges	Discount charge by 50% for one quarter.	\$24,500	Flat charge based on previous years' audits. Less waste generated during crisis.
Mooring priority day use fee	Cancel charges for one quarter	\$300	Tour operators fees for use of moorings.
Commercial use of jetty	Cancel charges for one quarter	\$800	Tour operators fees for use of jetty
Hire car licence	Cancel charges for one quarter	\$400	Fees for operating hire car business
		\$153,500	

RECOMMENDATION

That the Board:

1. Administration continue to discuss and implement where appropriate, repayment plans and other measures to assist businesses and individuals who might be experiencing hardship.
2. Approve fee relief as identified from the list in Table 1 to facilitate support for the Lord Howe Island community and its economic viability because of the COVID-19 virus pandemic.

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