



Committee
for
Sydney

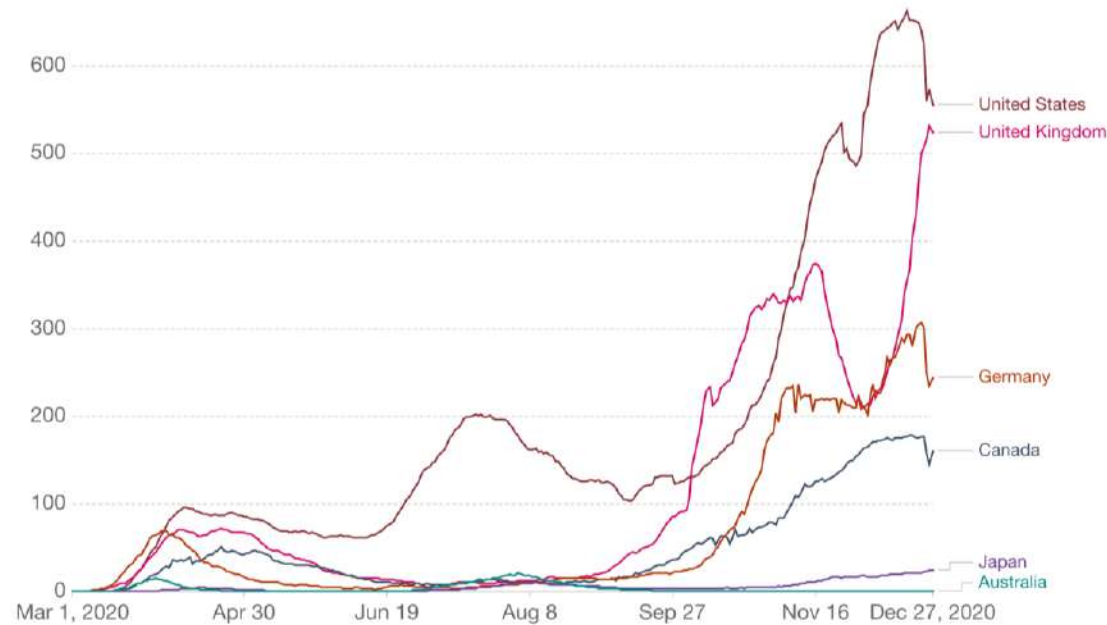
COVID-19 recovery strategy 2021

February 2021

Australia has crushed COVID, but the economy took a big hit

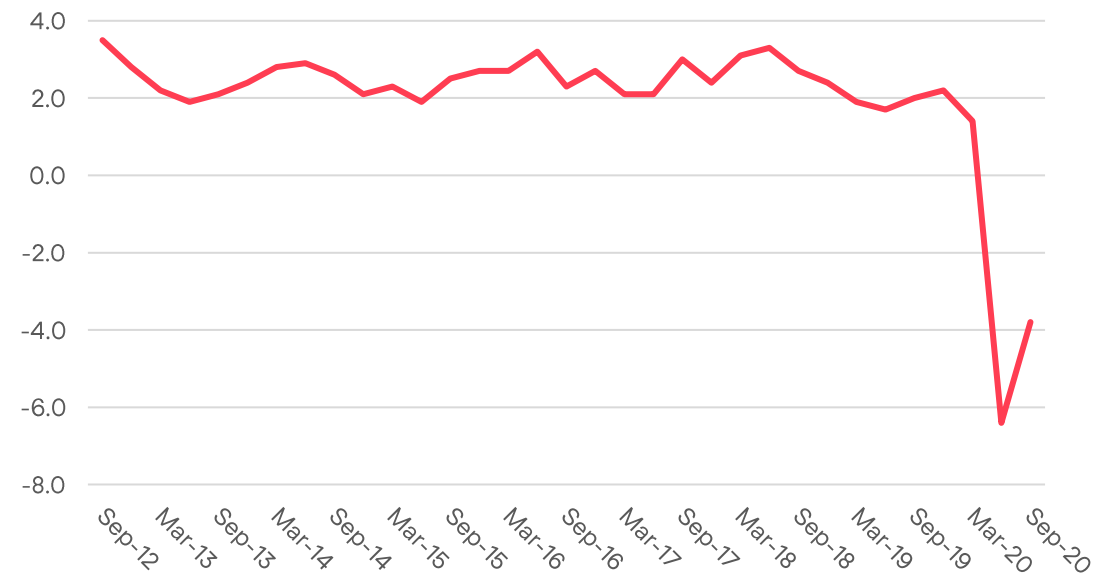
We are seeing early signs of an economic bounce-back. This strategy looks at what we need to do to keep the positive trend going.

Daily new cases per million people



Source: Johns Hopkins via Our World in Data

Quarterly change in gross domestic product



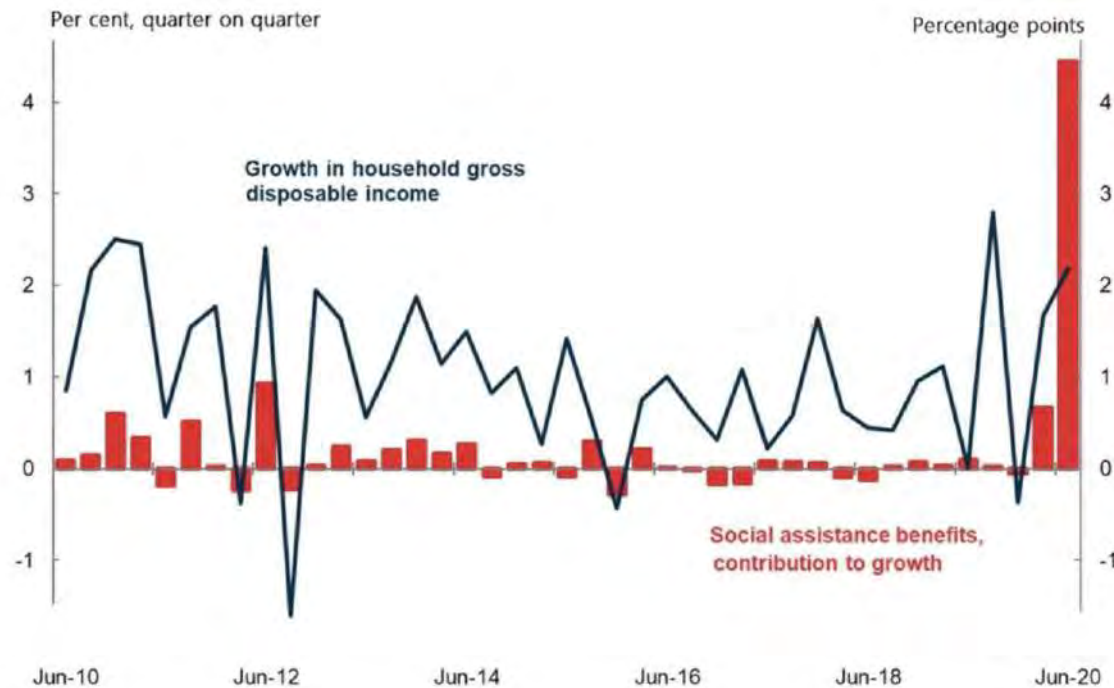
Source: ABS National Accounts via:
<https://www.abs.gov.au/statistics/economy/national-accounts/australian-national-accounts-national-income-expenditure-and-product/latest-release>

Proactive economic management has been essential

More income support and more fiscal stimulus will almost certainly be needed. But to really power back the economy, true economic reform will also be needed.

Without income replacement, the impact of COVID would have been far greater

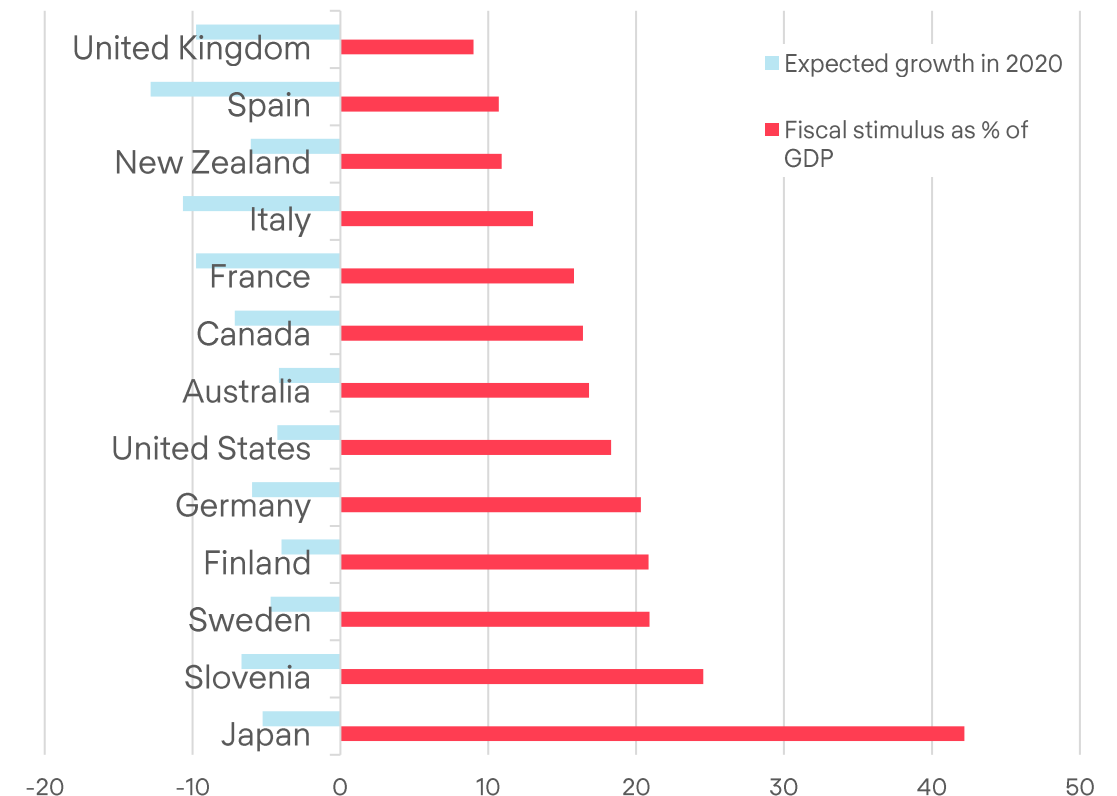
Contribution of government benefits to household income growth



Source: Commonwealth Treasury via: <https://theconversation.com/six-graphs-that-explain-australias-recession-145445>

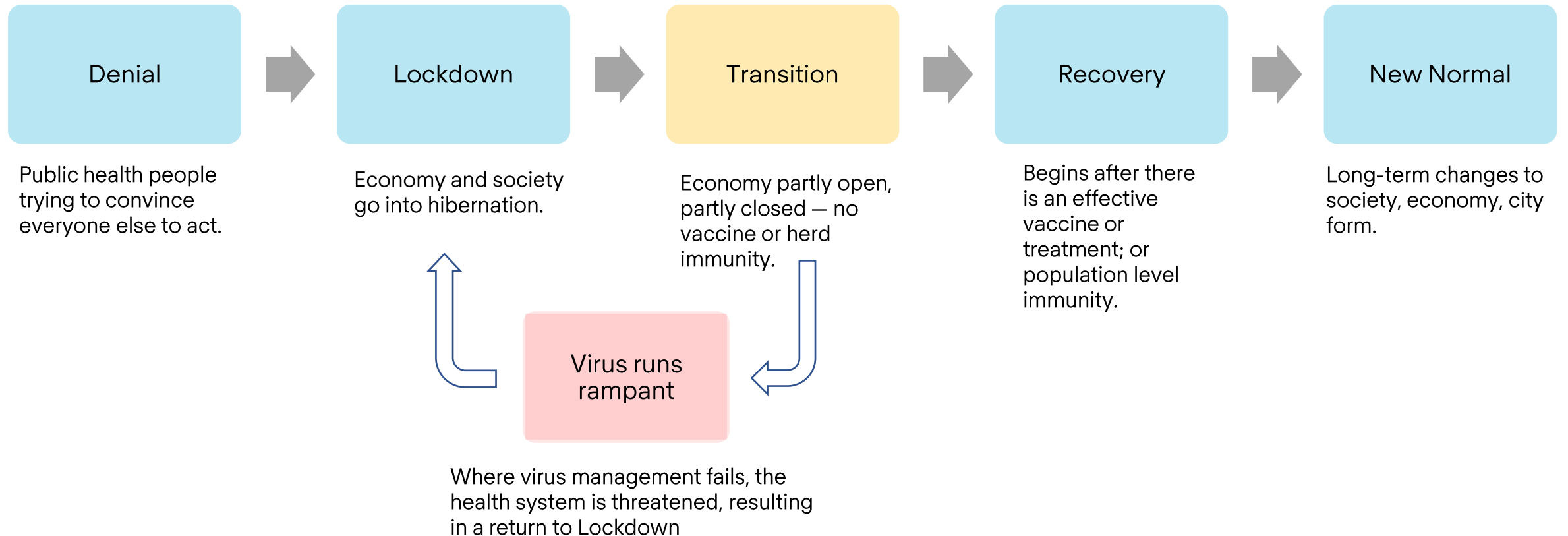
Australia's fiscal stimulus was in the middle of the pack

Select countries by fiscal stimulus and expected 2020 growth, as a percent of GDP



Source: Stimulus from Elgin, Basbug, et. Al., via <https://time.com/5923840/us-pandemic-relief-bill-december/>, Expected growth via World Economic Forum, via http://www3.weforum.org/docs/WEF_The_Global_Risks_Report_2021.pdf

Five phases of the pandemic



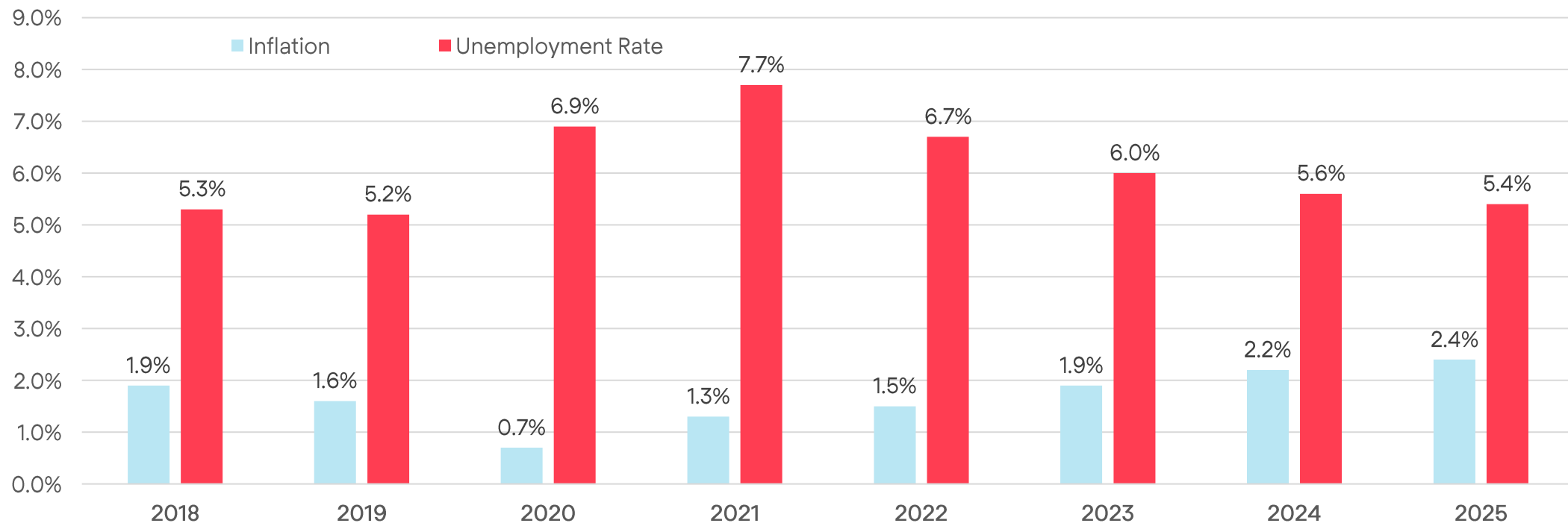
Adapted from: Committee for Sydney "Five Phases of Recovery" 2 June 2019

It's going to take time to climb out of the recession

This is the result of:

- The depth of the recession
- International borders not open
- The rest of the world in recession

IMF estimates for Australian inflation and unemployment



Source: IMF via: <https://www.theguardian.com/business/grogonomics/2020/oct/22/australia-will-need-economic-stimulus-for-far-longer-than-the-treasurer-thinks>

Some sectors are being hit harder than others

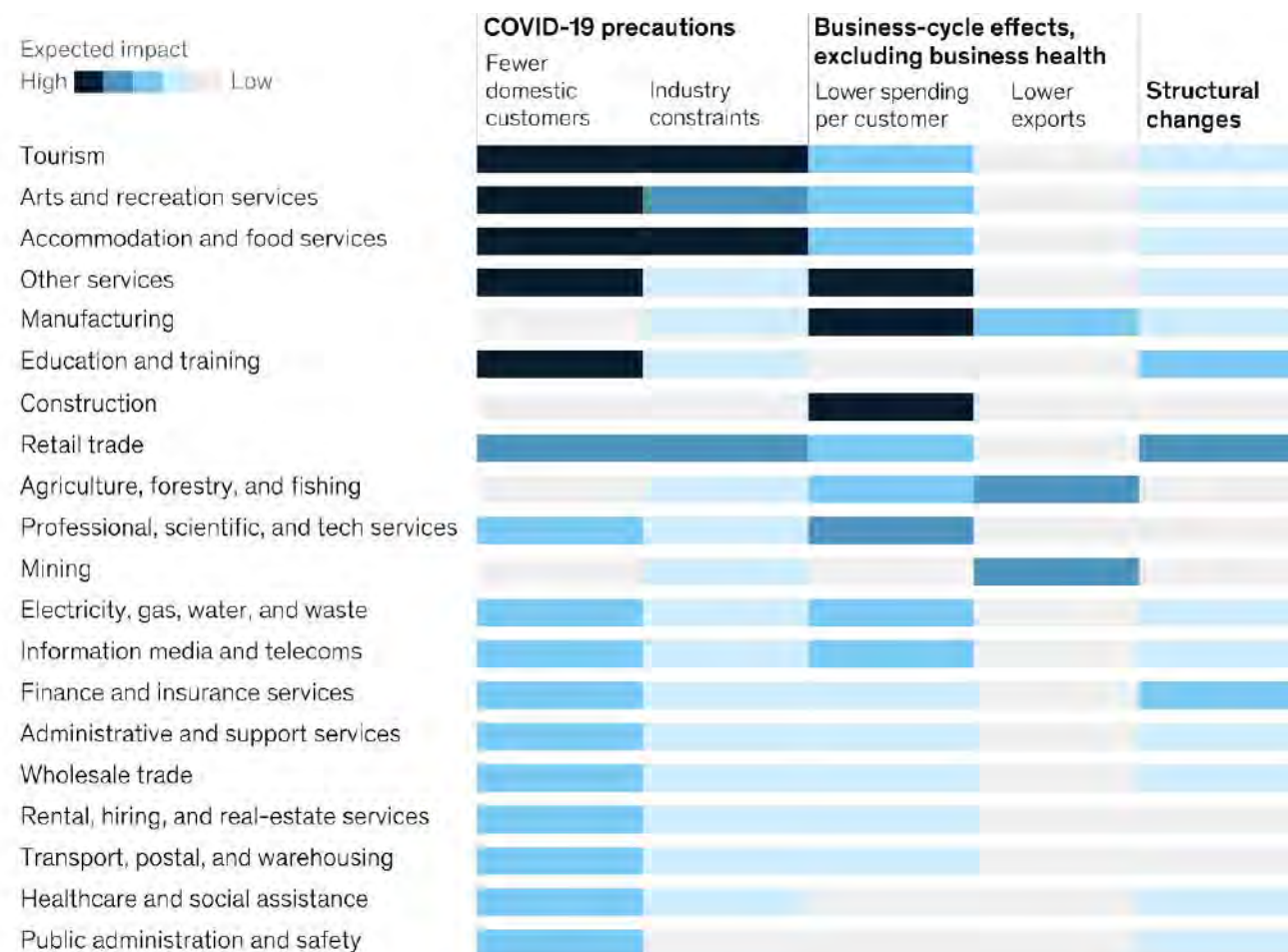
Like all recessions, the impacts are uneven.

For 2021, we are especially concerned about:

- Universities
- Experience sector
- Visitor industry

However, all of these sectors should be viable in the long run.

McKinsey analysis of exposure of Australian industries to COVID impacts



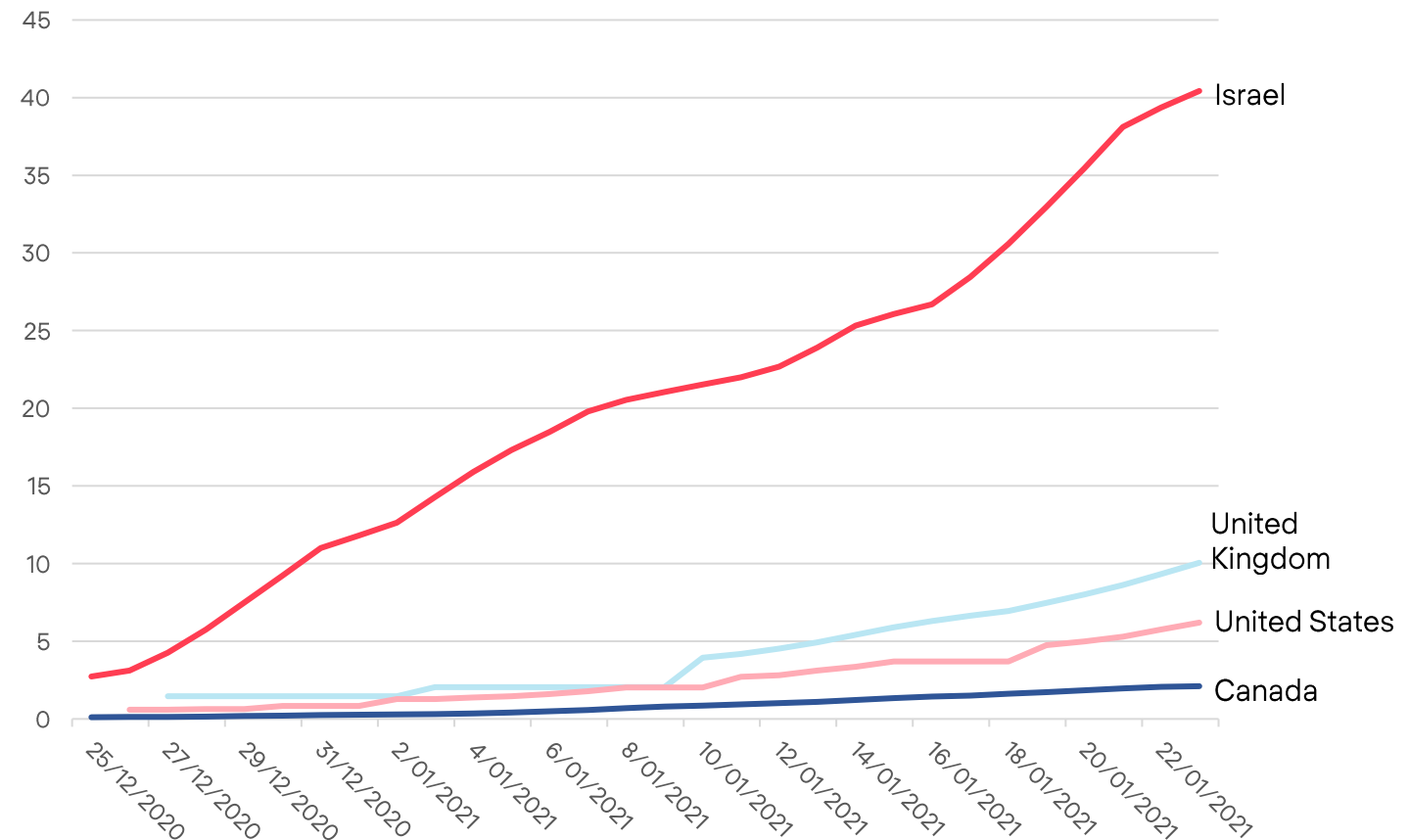
Source: <https://www.mckinsey.com/industries/public-and-social-sector/our-insights/the-next-normal-for-australian-industries-and-workforces>

The world is now in a race between vaccine deployment and virus mutations

Australia has been slower than many other countries to deploy vaccines. This will hinder recovery for any industries that require global access. But the hope is that Australia will catch up and is positioned to run a highly successful mass vaccination program.

- COVID will most likely become an endemic disease in permanent circulation among humans, much like the flu, with continual mutations
- Once the vaccinations are complete, Australia will face a new set of policy judgment calls about how to re-engage with the rest of the world
- In order to reopen to the world and not turn into the “hermit kingdom,” Australia will need to manage COVID more like the flu — planning for frequent updates to the vaccine and for some number of fatalities each year

Cumulative COVID-19 vaccination doses administered per 100 people



Source: Our world in data, <https://ourworldindata.org/covid-vaccinations>

The economy will come back differently

Some jobs will not come back — which means that recovery will ultimately depend on Australia's ability to create new jobs and new industries. Sydney will play a leading role in building Australia's future economy.

Likely to face slow recovery:

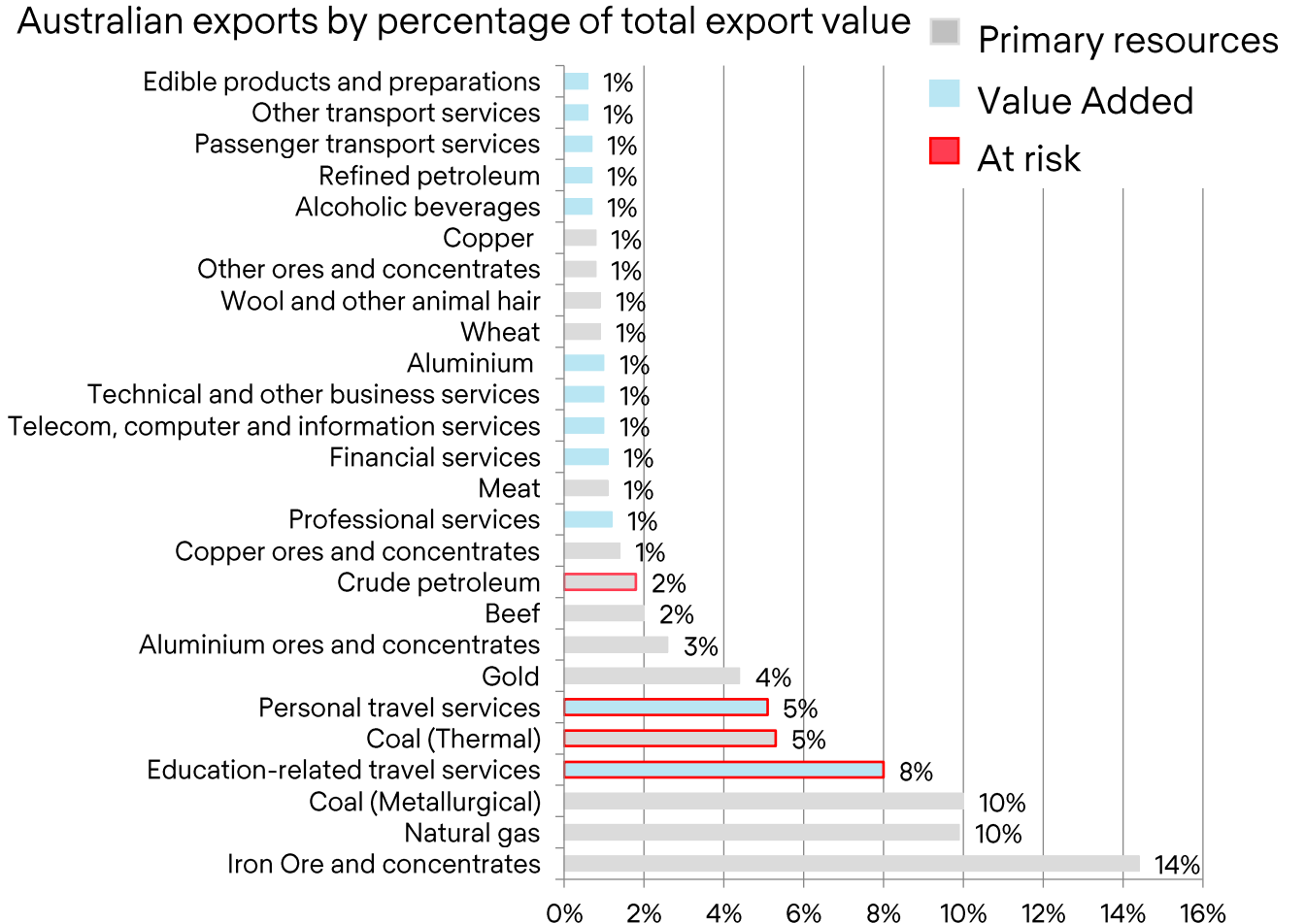
- Global business travel and events
- Global leisure travel
- Foreign students

Possibility of widespread bankruptcies

- Firms that no longer exist cannot re-hire

Previous economic risks remain

- Long-term decline of carbon exposed industries



Source: Analysis by CFS based on Department of Foreign Affairs and Trade

Principles for recovery

There is opportunity in this crisis. This is a moment when we can advance our liveability, our competitiveness and our social cohesion.

Australia's moment is now. We can leverage our reputation for competent and stable government to attract foreign talent, investment, students, and visitors.

True economic reform will be required for the economy to come back stronger. Stimulus is necessary but is not sufficient alone.

Many jobs will go away, but many new ones will be created. People are going to need to do some hard work to transition, and they need the opportunity to do this successfully.

Sydney can be even better after this experience. The forced experiment of COVID gives us the opportunity to assess what we want to do differently.



2021 Committee for Sydney recovery strategy

These are priority advocacy topics for us because we think they are important for enabling recovery in both Sydney and Australia.

Temporary measures for the transition phase:

1. Set up safe travel bubbles, work to get more people into Australia
2. Expand targeted income replacement programs
3. Revive our centres
4. Help the visitor economy to survive

Reforms to enable the recovery:

5. Fund universal childcare
6. Modernise VET to support upskilling and job mobility
7. Fund university research
8. Reform the tax system
9. Continue the infrastructure boom
10. Recruit top global talent
11. Accelerate the shift to renewable energy
12. Tell the story of Australia

1. Set up safe travel bubbles, work to get more people into Australia

Australia's highly successful travel ban and quarantine program has to evolve in the next phase of the pandemic. This will require a different balancing of risks of COVID against the risks of remaining globally isolated for too long.

Problem

- As the pandemic drags into 2021 the negative impacts of Australia's isolation and border closures grow larger.

Solution

- Work to set up travel bubbles based on COVID infection rates in other countries such as New Zealand and Singapore.
- Expand the quarantine program capacity, potentially by adding another channel of locations outside of major cities.
- Allow states to manage the mix of people within the quarantine caps, balancing between returning Australians, skilled migration, and foreign students.
- Enter into a shared global system for digital immunity passports that can track who has been vaccinated.
- After the vast majority of Australians have been vaccinated, shift COVID management into something more long term, like the flu — a permanently circulating, constantly evolving infection.



2. Expand targeted income replacement programs.

Australia's fiscal stimulus has been correctly sized but almost certainly more will be needed. There is a real risk that people fall into poverty, food insecurity, and/or homelessness as JobKeeper runs out.

Problem

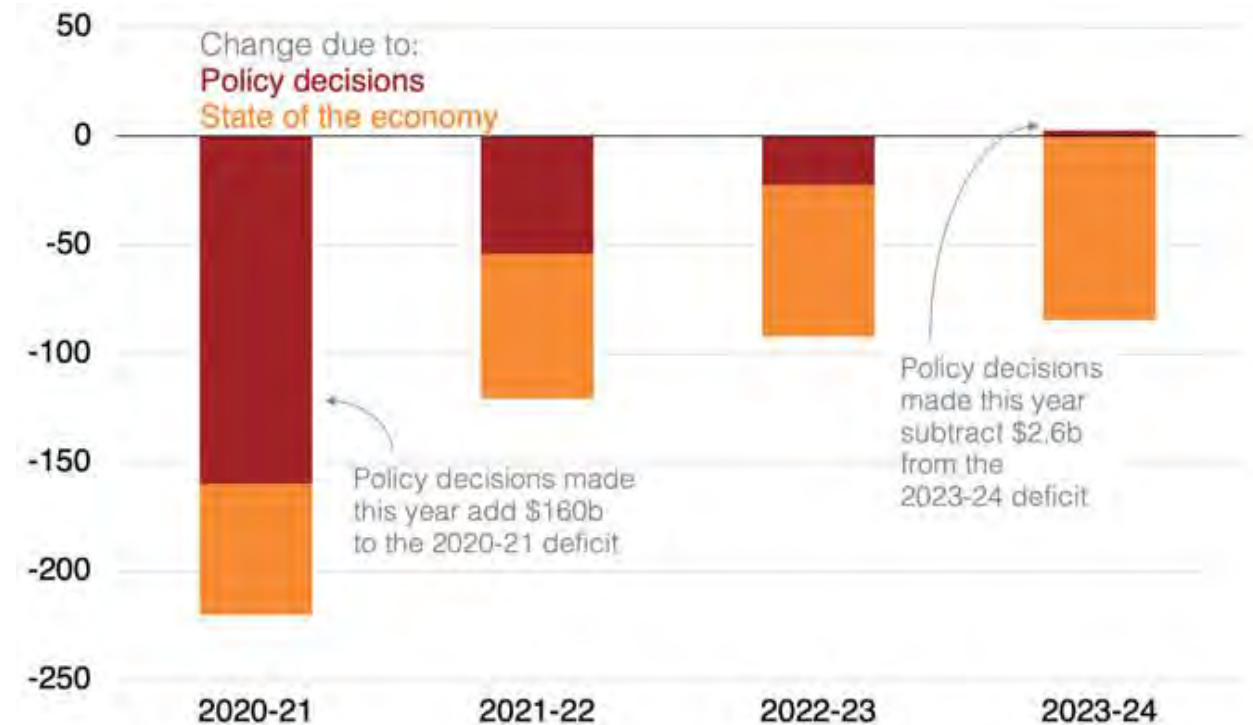
- JobKeeper and the higher rate of JobSeeker are due to finish on 28 March 2021
- JobMaker is a good program, but too limited.
- Certain industries (universities, tourist sector broadly) are not able to recover until limits on international travel are substantially removed – even though these should be viable growth industries in the long run.

Solution

- Create a targeted industry-specific program for sectors like tourism, business events, and universities that are not able to recover until borders re-open.
- Increase the base rate of JobSeeker, which has not been increased since 1991.
- Expand JobMaker by:
 - Opening it to all ages, not just those 35 and under.
 - Extending to all new hires, not just those on JobSeeker.
 - Excluding JobKeeper payments from the JobMaker payroll calculation to avoid having people laid-off due to JobKeeper payments ending.
 - Simplifying the program to a simple proportion of payroll growth.

New stimulus spending is largely concentrated in this financial year, before pulling back sharply

Change in the budget balance forecast since December 2019 (\$ Billions)



Source: Grattan Institute, <https://grattan.edu.au/news/no-snapback-australia-is-heading-for-an-unreasonably-slow-recovery/>

3. Revive our centres, even as remote work changes them

Everyone is nervous about what working from home means for CBDs and other town centres. The solution is not to try to force people back to work; it is to make the CBD and other key centres as enticing and magnetic as possible – so that people choose to be there.

Problem

- The culture of work has permanently changed to embrace greater remote work. Nevertheless, we believe CBDs are uniquely important places and the ability to bring large numbers of people together in a CBD will remain critical to Sydney's success. We need to support the CBD, along with other key centres, to come back—hopefully even stronger than before.

Solution

- Embrace outdoor dining and performance venues
- Introduce 30 km max speed limit across centres
- Optimise street design for pedestrian ease
- Expand the pop up cycleways program
- Create night-time activations through lighting of heritage buildings
- Support cultural institutions to remain open at night
- Invest heavily in public realm and public space improvements



4. Help the visitor economy to survive

More than 700,000 people work in the sector. So long as international borders are closed, it will need support. Opening state borders would enable some of the international spend to be replaced by domestic tourism.

Problem

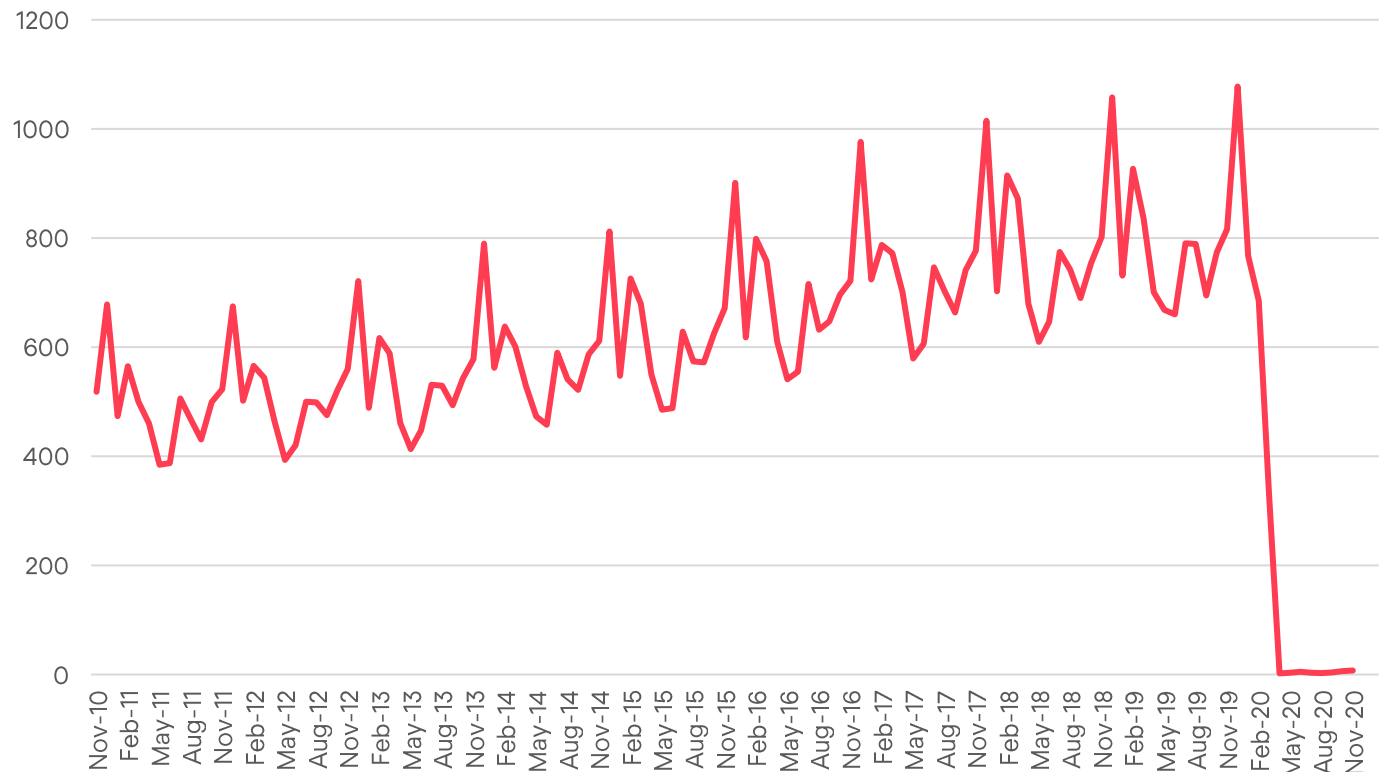
- 135,000 people – 13% of Australia's tourism workforce – lost their job by the end of June 2020.
- Continued state-border closures – and a closed international border for potentially the remainder of 2021 – are causing Australia's 6th largest export industry to collapse.

Solution

- During transition, before international tourists can come back, the key opportunity is to invite Australians to re-discover their own country.
- That opportunity requires people to be able to count on state borders being open. We need consistent rules for state-border closures to provide more certainty for domestic travel.
- The key question, which the fate of this industry hinges on, is whether Australia re-opens to the world after vaccines have been distributed, assuming COVID remains in permanent circulation.

The drop in international tourists has been precipitous

Short-term visitor arrivals to Australia ('000s)



Source: Australian Bureau of Statistics, <https://www.abs.gov.au/statistics/industry/tourism-and-transport/overseas-arrivals-and-departures-australia/latest-release>

5. Fund universal childcare

Supporting women to participate in the workforce while improving outcomes for children.

Problem

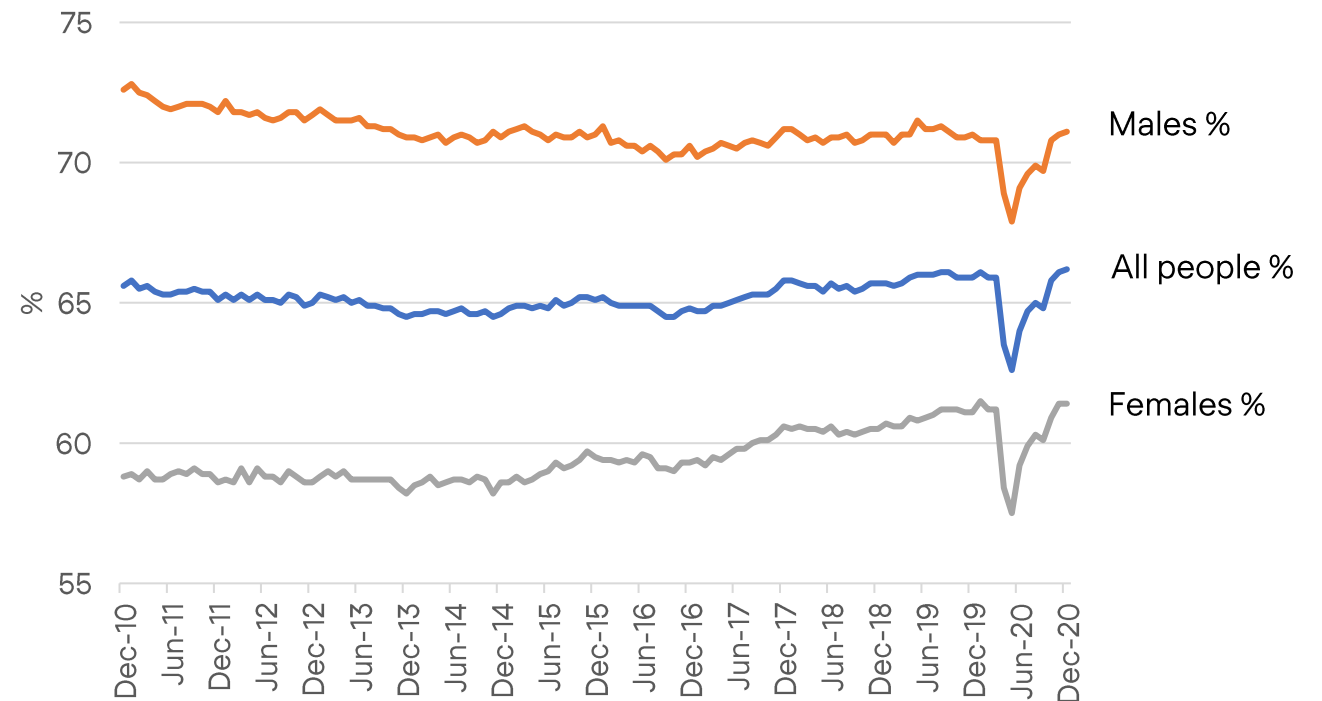
- Before the COVID crisis, a typical Australian woman with pre-teenage children worked only 2.5 days a week.
- COVID has a disproportionate impact on women. Universal childcare would deliver a major productivity boosts by allowing more women to fully participate in the workforce.

Solution

- The Australian Government should expand the childcare subsidy, making care cheaper, and available to more, investing \$5 Billion to achieve a \$11 Billion boost to GDP.
- The NSW Government should commit to permanently funding pre-school as they are currently doing.
- This is also an opportunity to reform parental leave, giving each parent 6 weeks of 'use it or lose it' leave in addition to 12 weeks leave to be shared between them.

Women's participation in the workforce is ~9% lower than men.

Participation rate, Seasonally adjusted



6. Modernise VET to support upskilling and job mobility

Problem

- Many jobs of the past are going to go away, even as new ones are being created.
- In order to thrive in the next phase, many people are going to have to make difficult changes to learn new skills and move into new jobs.

Solution

- Make a sustained investment in vocational education to modernise its offerings and ensure that everyone in NSW has the chance to acquire the skills they will need for the jobs of the future.
- Experiment with hybrid models that combine elements of tertiary education and vocational training; and create pathways between VET and universities.
- Support industry to take on more apprenticeships and traineeships.
- Work with major employers to define specific curriculum needs so that skills credentials are trusted by the hiring marketplace.



7. Fund university research

University research will be crucial to the next wave of innovation, and the loss of international students has devastated research funding.

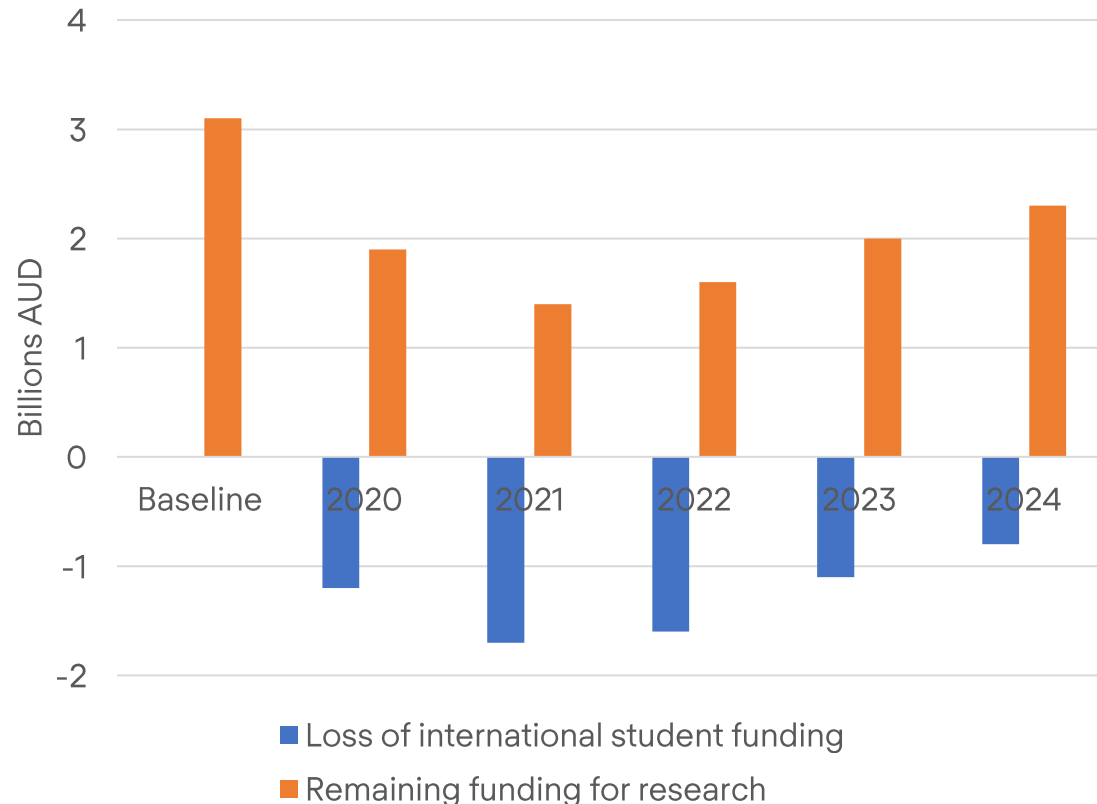
Problem

- The unique role of Australian universities is under immediate threat. For years Government has decided to have universities depend on international student revenue rather than fully fund teaching or research directly. Following COVID, funding from foreign students has collapsed, and with it, \$7.23 billion of research will likely disappear over the next five years, meaning 7,000 full time researchers [losing their jobs](#).

Solution

- Increase funding for research by \$5 billion per year – which both plugs the gap from foreign students and increases the capacity of the sector, as the critical path to developing new ideas and new industries.
- Note: this is separate from a broader look at how to best fund education for Australians in a way to enable university excellence moving forward.

Australian university research will be impacted by the loss of international students for at least 5 years



8. Reform the tax system

Like the great Hawke/Keating reforms of the 1980s, Australia is due for another round of tax reform, with a focus on making the country more globally competitive.

Problems

- The headline corporate tax rate is higher than most of the world's other social democracies, threatening to make Australia uncompetitive for certain industries.
- The stamp duty provides a disincentive for property to transact.
- There are numerous other opportunities to improve the performance of the tax system.

Solutions

Federal Government should:

- Broaden the GST to lower business taxes, potentially through an IP incentive scheme.
- Adjust the asset-write down to make it a permanent fixture of the tax system.
- Reform property taxation to improve housing affordability.
- Provide support for states to implement reforms such as land tax.

NSW Government should:

- Transition from Stamp Duty to a Land tax – on its way!
- Implement road user charging on EVs.
- Work with the Federal Government to broaden the GST and get rid of payroll tax.

For further information – [CfS Report - Unleashing the Innovation Economy](#)

Australia high headline corporate tax rates is exacerbated by the lack of IP incentive schemes

Country	IP Incentive Name	Corporate Tax Rate without IP incentive	Corporate Tax Rate with IP incentive
Australia	N/A	30%	30%
United States	N/A	21%	21%
Israel	Innovation Box	23%	13.95%
Switzerland	Patent Box	11.9% - 21.6%	8.8% - 12.6%
France	238 of the General Tax Code	33.3%	10%
United Kingdom	Patent Box	19%	10%
Singapore	IP Development Incentive	17%	5% - 10%
Netherlands	Innovation Box	20% - 25%	7%
Ireland	Knowledge Development Box	12.5%	6.25%
Belgium	Patent income deduction	29.58%	4.4%

9. Continue the infrastructure boom

One of Sydney's greatest successes from the past decade has been the infrastructure renaissance, particularly with public transport. But Sydney has much more to do. Finding a way to continue the infrastructure boom will set up Sydney for long-term success, while powering back the economy along the way.

Problem

- After the next few years, the infrastructure pipeline is slated to decline.

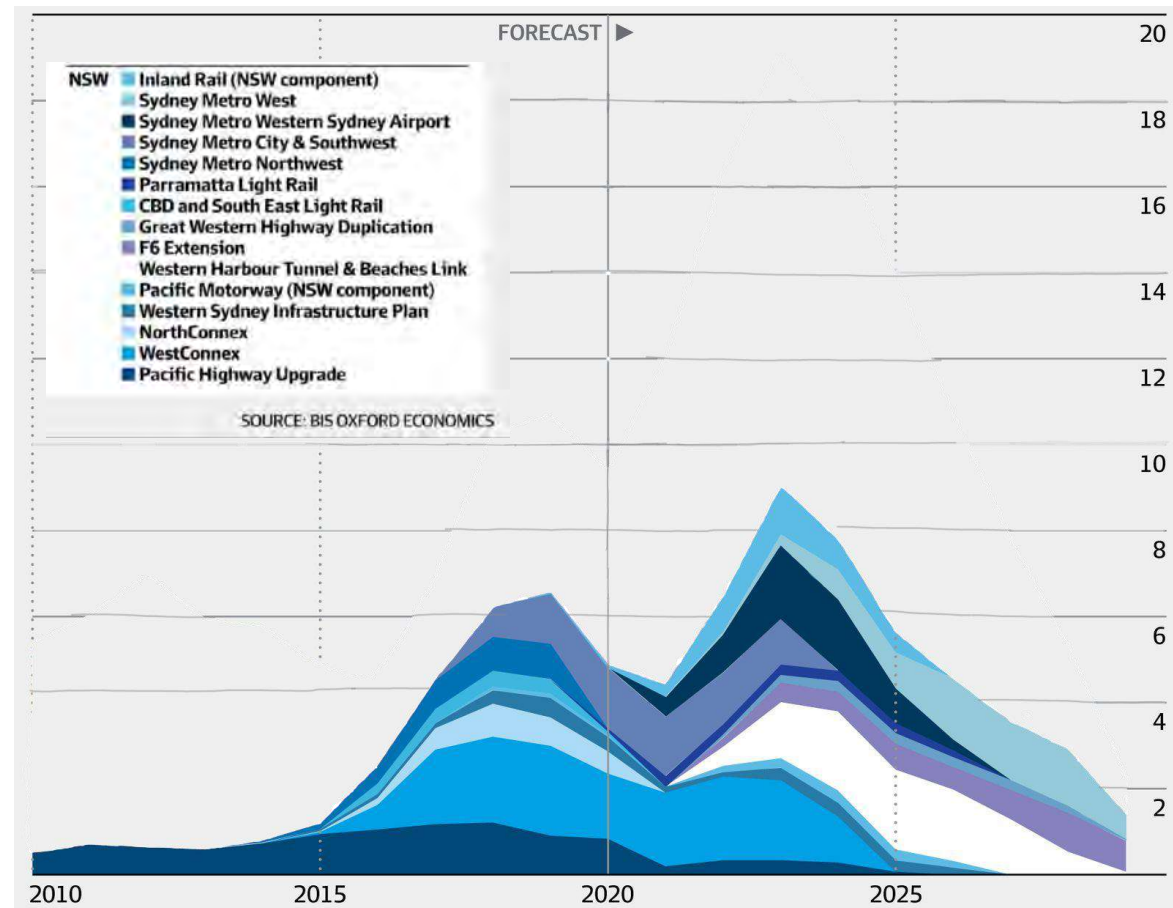
Solution

The NSW Government should:

- Commit to the next wave of infrastructure projects with a major focus on rail-based public transport investment across Sydney.
- Create a new capital program for liveable streets retrofits – we propose at approximately \$500m/year.
- Invest in new social and affordable housing.
- Invest in internet connectivity to bring Australia up to the OECD average.
- Work with the Commonwealth government to plan and fund Fast rail to Canberra, Newcastle, Wollongong – starting with planning in 2021 to ensure this picks up in the late 2020s.
- Commit to a major increase in cycling infrastructure – probably the single most cost-effective way to accommodate growth of trips over time.

The scale of investment in transport infrastructure in NSW peaks in 2023 then rapidly drops off

Major transport projects, FY18 prices (\$b)



10. Recruit top global talent

Australia has proven it is one of the best places to live in the world. It's time to bring the world here.

Problem

- We have a once in a generation opportunity to recruit the best and brightest from around the world and bring them to Australia to make our country better.

Solution

- Australia has launched a Global Business and Talent Attraction Task Force to recruit top global talent in key sectors, with a simple visa and pathway to permanent residency. Most of the work now turns to implementation. Other key opportunities include...
 - Efforts to simplify the other 100+ visa categories, which will help the rest of the potential migrants get into Australia.
 - Creating an easy pathway for intra-company transfers.
 - Expanding global talent visa access, especially the Global Talent Independent Program.
 - Creating a special pathway for immigrants from Hong Kong, similar to the UK's new program, which they anticipate will bring in the single largest influx of non-Europeans into the UK ever.

Australia is the most attractive country in the OECD for Global Talent.

Talent attractiveness for Highly Educated Workers



11. Accelerate the shift to renewable energy

The single most important background change that will affect the next phase of life in Australia is climate change, along with our attempts to convert our society to survive and adapt to it.

Problem

- Australia faces a reputational risk from the global perception that it is not a climate leader.
- Australia also faces the inevitable decline of fossil fuel exports and jobs.
- But it has the best opportunity of probably any country in the world to convert to renewable energy, both for its own use and for export.

Solution

- Accelerate the NSW Electricity Infrastructure Road Map
- Move to adopt vehicle regulations for fuel efficiency drawing on the UK's regulations – this can be done at the state level as well
- Focus on green hydrogen as an export and an input to a new carbon-neutral manufacturing value chain—a cross-cutting economic strategy that involves research investments, support for commercialisation, innovation precincts, and global talent attraction.



12. Tell the story of Sydney

Sydney has a lot to offer. It's time to get more sophisticated about how we tell our story to the world.

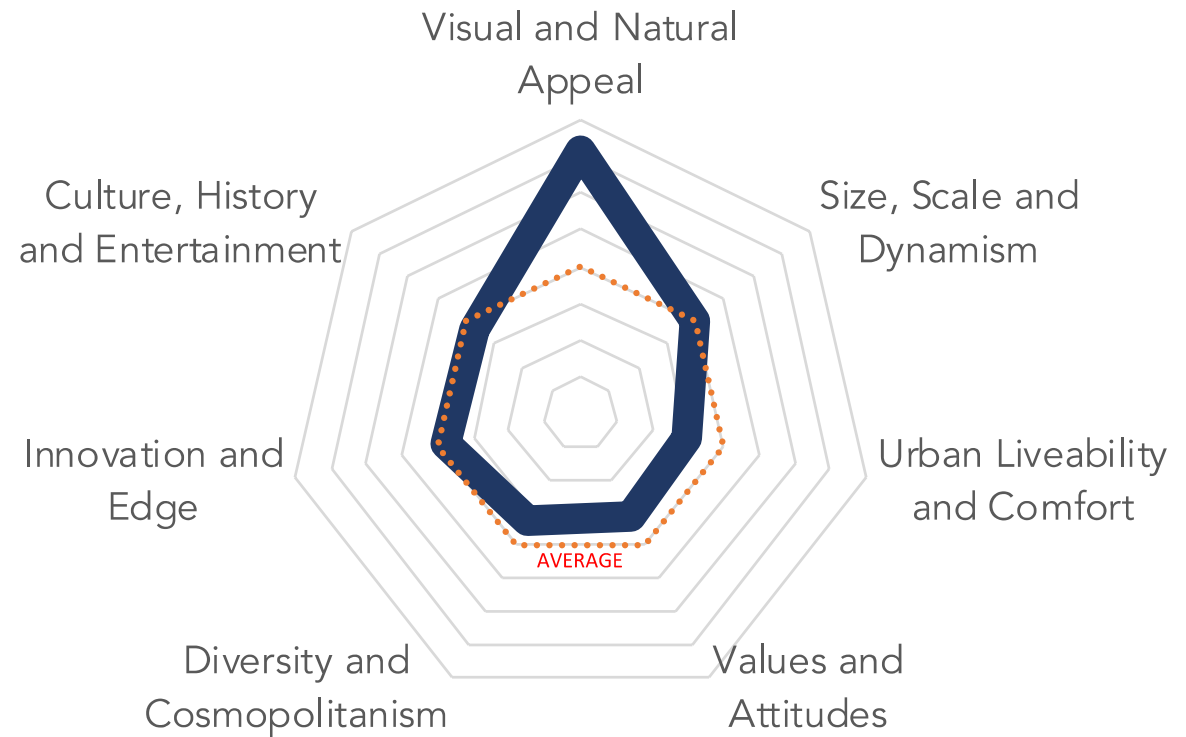
Problem

- Australia, in managing COVID so well, has an enormous opportunity to create a global reputation as a safe, liveable, well-governed country.
- Sydney can use this reputation to attract:
 - Foreign students
 - Top global talent
 - Business headquarters
 - Global investment
 - Visitors
 - Business events
- The 2020 NSW budget had a lot for promotion – focussed initially on the visitor economy.

Solution

- Sydney needs a new brand that tells a coherent story about Sydney that works for all markets, and moves us beyond a focus on physical attractions, landmarks and natural wonders.
- Coupling this with investment in promoting a new 'Sydney Story' to global markets will attract people and capital.

Sydney is well regarded for our natural environment, but this brand attribute is crowding out our human strengths



Source: Sydney Benchmarking 2019, Committee for Sydney

Setting Sydney up for the long term

The big questions we're thinking about at the Committee for Sydney.

Biggest cultural changes coming out of COVID:

- More remote work will mean a new relationship between Sydney and the rest of NSW; and the need to help the CBD evolve into its next phase
- What does the future of business travel look like?

Biggest background threats:

- Climate change – requires the complete remaking of industrial systems; facing the inevitable decline of Australia's fossil fuel exports
- World splitting into US/China spheres, which hits Australia between the eyes

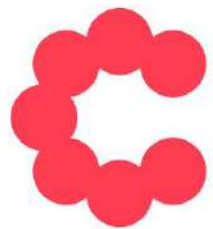
Biggest wildcard – the future of pandemics:

- How will COVID continue to evolve?
- How frequent will pandemics be?

Things we want to keep from the forced experiment of COVID:

- More flexible working arrangements
- Embrace of digital services, telehealth, online retail, more aspects of life moving online
- **COVID is a profound reminder about why it makes sense to listen to scientists. We now must apply this to other problems**





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