Australian Government
The Treasury

Commonwealth Government COVID-19 Response Inquiry

Submission by the Treasury

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Contents

Summary

- The COVID-19 pandemic had extraordinary health and economic implications globally and in Australia. The scale of the economic and labour market impact was unprecedented in the post war era.
- Australia's economic response was large and consistent with that of other advanced economies, providing direct support to households and businesses, as well as economic support through the financial sector. From the onset of the pandemic to the 2022-23 March Budget, the Australian Government committed $343 billion, 16.6 per cent of GDP, in direct economic and health support.
- The Reserve Bank of Australia (RBA) lowered its cash rate target by 0.65 percentage points to 0.1 per cent and undertook large scale asset purchases. Regulatory and administrative actions were also taken to ensure that the Australian economy and businesses could continue to operate through the challenging circumstances presented by the pandemic.
- Treasury's role during the crisis was broad, providing forecasts and analysis to government on the economic impacts of the pandemic and advising on the overall size and composition of the fiscal and broader economic policy response. Treasury also supported the design and implementation of many of the key economic support policies, as well as co-ordinating the Government's emergency legislative economic response across the Australian Public Service.
- While Treasury played a significant role helping to manage the effects of the pandemic, its contribution was part of a much larger whole-of-government response. Treasury's submission should be read in conjunction with the responses provided by other Commonwealth departments, regulators and government bodies.

Economic conditions during the pandemic

The COVID-19 pandemic had extraordinary health and economic implications globally and in Australia. It evolved rapidly and was characterised by enormous uncertainty, particularly in the early months of 2020. Early in March 2020, the Managing Director of the International Monetary Fund (IMF), Kristalina Georgieva, stated that the biggest challenge presented by the early stage of the pandemic was handling uncertainty.[1]

As opposed to regular downturns in the business cycle, the early period of the pandemic presented a crisis characterised by an unquantifiable and rapidly evolving risk environment. This stemmed from unknowns around the path of the virus and the extent of its virulence, the need for quarantine, the structure and functioning of the economy under quarantine, and the nature of shocks to goods, labour and financial markets.

On 16 March the Deputy Chief Health Officer, Dr Paul Kelly, cited estimates that between 20 and 60 per cent of the population could be infected with COVID-19, with a death rate of 1 per cent,

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[1] Georgieva (4 March 2020) Joint Press Conference on Covid-19 by IMF Managing Director and World Bank Group President [press conference].

implying that as many as 150,000 Australians could die under the worst-case scenario.[2] Economic conditions deteriorated in the first quarter of 2020. Behavioural changes were observed around mobility (less walking, driving and use of public transport) from March 2020.[3] Purchasing Managers Indices (PMI) in major economies fell into sharply contractionary territory reflecting deteriorating economic conditions. Similarly, stock markets experienced large contractions reflecting the uncertainty. The ASX200 fell by 7.4 per cent on 12 March 2020, and the United States' S&P500 and the United Kingdom's FTSE 100 suffered the greatest single-day percentage falls since 1987. By mid-March 2020, NAB and ANZ measures of business and consumer confidence had fallen to record lows, consistent with heightened uncertainty in the economic outlook, COVID-19 containment measures, and changes in behaviour as people sought to minimise the risk of infection.

The pandemic had a significant impact on macroeconomic activity. Real Gross Domestic Product (GDP) in Australia fell by 6.9 per cent in the June quarter 2020, the largest quarterly fall on record. Declines in output were larger elsewhere. In the corresponding quarter, GDP declined by 7.9 per cent in Japan, by 7.9 per cent in the United States, by 11.3 per cent in the euro area and by 20.3 per cent in the United Kingdom. Aggregate OECD GDP declined by 10.1 per cent.

The unemployment rate increased from its pre-pandemic level of around 5 per cent to 7.5 per cent by June 2020 but this only captured part of the labour market impact of the pandemic. Total hours worked declined by 10.1 per cent in April 2020 and around 1.8 million workers had their hours reduced, of which 760,000 worked zero hours for economic reasons. Almost 700,000 people left the labour force completely between March and May 2020.

Australia's macroeconomic and fiscal response to the pandemic

The macroeconomic environment necessitated a robust policy response to underpin confidence in the economy and to provide support to households, businesses and the financial sector. Managing the risk of labour scarring was a key priority for policy makers, reflecting the experience of earlier downturns (for example, in the early 1990s) which saw an extended period of elevated unemployment and weak labour market outcomes.

The delivery of discretionary fiscal support to the economy was guided by the principles set out in the Secretary of the Treasury's address to the 2022 Sir Leslie Melville Lecture.[4] In particular, policy support needed to be timely, targeted, temporary and tailored.

The immediate fiscal response was implemented in a series of packages, adapting to the rapidly evolving health and economic conditions.

- On 12-13 March 2020 the first economic support package was released with $17.6 billion in stimulus payments and business support.[5]
- A week later on 20-22 March 2020 a second economic package was released with $66.1 billion support for households and businesses.[6]
- On 30 March 2020 the third economic package was announced with the JobKeeper Payment initially estimated to cost $130 billion.[7]

[2] Kelly (16 March 2020) Deputy Chief Medical Officer's press conference about COVID-19 on 16 March [press conference].
[3] Observed in Apple Mobility trends and toll road use.
[4] Kennedy (2022) A tale of two crises: reflections on macroeconomic policy responses to the GFC and the pandemic [speech, 'The 2022 Sir Leslie Melville Lecture'].
[5] Frydenberg (12 March 2020) Economic Stimulus Package [media release].
[6] Kennedy (24 March 2021) Opening statement - Economics Legislation Committee.
[7] Ibid.

On the monetary side, the Reserve Bank of Australia (RBA) responded to the pandemic by lowering its cash rate target by 0.65 percentage points to 0.1 per cent, setting a target for the 3-year government bond yield, purchasing $281 billion government bonds (including from federal, state and territory governments) and providing long-term low-cost funding to the banking system. It also made use of forward guidance.

The RBA was not alone in introducing emergency measures. Central banks in advanced economies employed a wide range of tools to support their economies and financial systems during the COVID-19 pandemic. For example, the United States Federal Reserve also reduced interest rates to 0-0.25 per cent, offered forward guidance, promised to purchase US$500 billion in Treasury securities and US$200 billion in government guaranteed mortgage-backed securities. The European Central Bank retained negative interest rates on deposits, bought €750 billion in private and public sector securities and offered forward guidance. The Reserve Bank of New Zealand reduced its policy rate to 0.25 per cent, purchased NZ$30 billion of government bonds and offered forward guidance.

The Council of Financial Regulators, as the coordinating body for Australia's main financial regulatory agencies, worked closely together and with industry stakeholders. They took coordinated actions to ensure the stability of Australia's financial system, that financial markets continued to operate effectively, and that credit was available to households and businesses.

Learning to live with COVID-19

Australia's economic recovery from the pandemic was stronger than expected and more rapid than many other advanced economies, in part reflecting less severe health impacts of the pandemic compared with other countries.[8]

Although economic activity contracted and the effects of the pandemic on the economy were large, Australia outperformed all major advanced economies in 2020.[9] By the March quarter 2021, the level of economic activity in Australia exceeded levels prior to the pandemic and the economy grew strongly in 2020-21 despite the impact of the Delta lockdown in NSW, Victoria and the ACT.[10] Most major advanced economies, including the United Kingdom, Canada and France, took until the December quarter of 2021 to reach pre-pandemic levels of activity.

After the initial lockdowns, the policy focus shifted to managing the medium- and long-term impacts of the pandemic. In addition to the crisis response measures announced in March 2020, the recovery was supported by a range of measures in the 2020-21 Budget. The economic support package included JobTrainer, which provided free or low-fee training places, bringing forward Stage 2 of the Personal Income Tax Plan and fast tracking infrastructure projects.[11] There was also additional government support for essential services, particularly health, aged care and disability services.

Health policies centred on managing new strains and waves of COVID-19 and supporting the vaccine rollout. Additional targeted support was provided to individuals and businesses in areas impacted by subsequent waves of the virus in partnership with the states and territories. This included the Temporary COVID-19 Disaster Payment and the Pandemic Leave Disaster Payment. The Commonwealth also entered cost-sharing arrangements to help deliver business support provided by the states and territories.

The 2021-22 Budget also included a range of supports to continue supporting the recovery. The economic supports including retaining the low- and middle-income tax offset, extending tax incentives for business investment and provided direct support to the sectors most affected by the

[8] IMF (27 July 2021) Australia's Response to COVID-19.
[9] Commonwealth of Australia (2021) 2021-22 Budget, Budget Strategy and Outlook, Budget Paper No. 1.
[10] ABS (2 June 2021) International economic comparisons after a year of the pandemic.
[11] See Commonwealth of Australia (2020) 2020-21 Budget, Budget overview for a larger summary of 2020-21 Budget's economic supports.

pandemic, such as aviation and tourism.[12] There was also a range of new health measures including extra funding to support the vaccine rollout.[13]

Overall government spending on the response support and recovery was significant. As at the 2022-23 March Budget, the Commonwealth had committed $343 billion, 16.6 per cent of GDP, in direct economic and health support since the onset of the pandemic.[14] As at 24 March 2022, states and territories had announced approximately $234 billion, 12 per cent of GDP, in direct economic and health support since the beginning of 2020.[15]

The scale of Australia's fiscal response measures was comparable to other advanced economies. According to IMF estimates at October 2021, Australia's discretionary fiscal response measures to the initial impacts of the pandemic – including both Commonwealth and state responses – were estimated to be similar to the size of responses in countries like Canada, Germany, Japan, the United Kingdom and New Zealand, and less than the United States.[16]

Australia's fiscal response reflected the revised two-phase Economic and Fiscal Strategy outlined in the 2020-21 Budget.[17] The first phase focused on supporting the economic recovery, recognising that economic growth and job creation was essential to repairing the budget and ensuring a sustainable budget position over time. Once the unemployment rate was firmly below 6 per cent, the strategy moved to the second phase, focusing on stabilising and then reducing debt as a share of the economy over the medium-term.

The Australian Government recorded a surplus of $22.1 billion in the 2022–23 fiscal year, or around 0.9 per cent of GDP.[18] This outcome reflects the Government's economic and fiscal strategy which includes directing the majority of revenue improvements to the budget and enhancing the efficiency, quality and sustainability of spending.[19] Australia returned to surplus ahead of all major advanced economies.[20]

Australia is still managing the ongoing impacts of the pandemic. Waves of COVID-19 outbreaks are still impacting the community, requiring an ongoing health response. Following the end of the lockdown period the unemployment rate fell to near record lows and the labour market has remained tight since. Supply chain bottlenecks from the pandemic impacted the economy and created inflationary pressures, but are now easing. Population shocks from the closing and reopening of

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[12] See Commonwealth of Australia (2021) 2021-22 Budget, Budget overview for a larger summary of 2021-22 Budget's economic supports.

[13] See Commonwealth of Australia (2021) 2021-22 Budget, Supporting Australians through COVID-19 for a larger summary of 2021-22 Budget's health response.

[14] This is comprised of $314 billion in direct economic support and $29 billion in direct health support since the onset of the pandemic. See Commonwealth of Australia (2022) Budget 2022-23 (March), Keeping Australians safe for further details.

[15] State and territory spending estimates are largely based on the total value of new policy decisions, including for revenue, expenses and capital investment, since states' and territories' 2019-20 mid-year reviews (which capture the impact of policy decisions in the period from late 2019 until 2023-24). This approach uses information from state and territory 2020-21 budgets and budget updates where possible. The estimates are total values and do not account for savings, offsets or reprioritisations. Per cent of GDP is based on the 2019-20 actual.

[16] IMF (October 2021) Fiscal Monitor Database of Country Fiscal Measures in Response to the COVID-19 Pandemic.

[17] For more discussion on the revised Fiscal Strategy see Budget Statement 3: Fiscal Strategy and Outlook in Commonwealth of Australia (2020) Budget 2020-21, Budget Strategy and Outlook, Budget Paper No. 1.

[18] Commonwealth of Australia (September 2023), Final Budget Outcome 2022-23.

[19] For further discussion on the Fiscal Strategy see Commonwealth of Australia (2023) Budget 2023-24, Budget Strategy and Outlook, Budget Paper No. 1.

[20] See OECD (July 2022) The post-COVID-19 rise in labour shortages for a further discussion on structural changes in the labour market.

international and state borders are still impacting the housing market and infrastructure plans. These ongoing impacts from the pandemic are going to take time and a concerted effort to manage.

Treasury's role in the pandemic

Treasury was a key source of advice to the Government and coordinated a suite of policies in response to the COVID-19 pandemic, spanning the breadth of Treasury's policy responsibilities.

Economic monitoring, analysis and advice

Treasury increased its economic analysis, advice and reporting to Government, providing frequent updates on the global and domestic economic impact of COVID-19 and the associated policy response. This analysis was used to inform the Government's policy and health responses, and was used by the Treasurer to update the community on economic conditions. It was also incorporated into Treasury's economic outlook, which was published in Budget documents across 2020 and 2021, detailing revised economic forecasts.[21] Through the pandemic period, Treasury took the unusual step of publishing economic forecasts both with and without fiscal support policy.[22]

The unique nature of the COVID-19 shock and associated policy response required Treasury to adapt its macroeconomic analysis frameworks. Traditionally, Treasury has principally forecast the economy based on how households and businesses spend their money (the expenditure measure of GDP). In response to industry-based shutdowns and school closures, which directly impacted the supply side of the economy, Treasury established new frameworks for analysing economic impacts through an industry and labour market lens (production base). Treasury established the new Industry Analysis Unit (within Macroeconomic Conditions Division), tasked with liaising with health experts to develop up-to-date health assumptions, before translating those assumptions to industry-based impacts on the supply side of the economy. Additionally, Treasury expedited the utilisation of the Treasury Macroeconometric Model of Australia, which was developed over 2018 and 2019.[23] This industry-based modelling framework was used to inform the macroeconomic forecasts.

Treasury estimates of the economic impact of the Government's discretionary fiscal support incorporated both the direct effects of individual measures and indirect effects of the broader packages on household and business confidence, business solvency and liquidity, and labour market attachment.

Treasury engaged in an innovative partnership with the Doherty Institute to provide integrated health and economic advice to government. Doherty modelled a range of scenarios in July 2021 that considered the likely transmission of the COVID-19 Delta variant at different national vaccination rates under varying restriction regimes, while Treasury analysed the direct economic costs of the modelled scenarios. This culminated in the Economic Impact Analysis of the National Plan to Transition to Australia's National COVID-19 Response, agreed by National Cabinet and all states and territories on 6 August 2021.[24]

To support timely and granular analysis of rapidly changing conditions during the pandemic, Treasury secured access to new data sources including Single Touch Payroll administrative data, unemployment benefit recipient microaggregates, and credit card spending data from major banks. Treasury also worked with the ABS to integrate a number of high frequency labour market data

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[21] See 2020-21 and 2021-22 Budgets, 2020-21 and 2021-22 MYEFO, 2020 JEFU, and 2021 Intergenerational Report.

[22] For example, see Commonwealth of Australia (2020) 2020-21 Budget, Jobmaker – Creating jobs and rebuilding our economy.

[23] Bullen et. al. (3 September 2021) The Treasury Macroeconometric Model of Australia: Modelling Approach.

[24] Treasury (6 August 2021) Economic Impact Analysis of the National Plan to Transition to Australia's National COVID-19 Response.

sources into the Labour Market Tracker project. Treasury also expanded its capacity to work with microdata by expanding specialist teams within Macroeconomic Analysis and Policy Division.

Treasury worked closely with regulators to monitor and address issues that arose across the financial system and more broadly. The engagement with regulators, including through regular reporting, enabled Treasury to understand the direct and real time impacts of COVID-19 on the operations of companies, capital markets and financial institutions. Treasury was able to provide advice to Government on policy responses supporting the smooth operation of these economic functions. Treasury also increased its engagement with the RBA on forecasts and economic conditions during this period.

Treasury's international posts and International Division provided updates to relevant ministers and their departments on economic and financial market developments, and policy responses by governments in North America, Europe and Asia. The updates reported on actions by central banks to maintain liquidity in the financial system, effects of COVID-19 restrictions and supply chain constraints, government policy responses to deliver support for businesses and workers, and effects of the pandemic on key economic indicators. Reports were sent almost daily throughout 2020 before gradually transitioning to less frequent reporting as the pandemic evolved.

Economic policy development, implementation and evaluation

Treasury led the design and implementation of many COVID-19 pandemic response measures, including JobKeeper, the HomeBuilder program, COVID-19 early release of superannuation, cashflow boost, temporary full expensing and loss carry-back for businesses. It also developed and implemented a range of regulatory policies to facilitate relief and insolvency system changes. A summary of COVID-related policies led by Treasury is provided in **Attachment A**.

Treasury led the design and legislation of the JobKeeper Payment; the administration of JobKeeper was led by the Australian Tax Office (ATO). The JobKeeper Payment was a wage subsidy and income support program delivered in the first year of the COVID-19 pandemic. With an initial estimated cost of $130 billion over 6 months, JobKeeper was one of the largest labour market policy interventions in Australia's history. Once announced, it became a key pillar and the single largest component of the fiscal stimulus package during the pandemic. JobKeeper was extended twice, each time by 3 months. Modifications to policy design, including changes to eligibility criteria and the payment rate and structure, were incorporated into the second ('extension') phase. JobKeeper supported around 4 million employees – almost one third of pre-pandemic employment — and is estimated to have prevented the direct loss of between 300,000 to 800,000 jobs.[25]

The Coronavirus Coordination Team, along with the Strategic Engagement and COVID-19 Recovery Branch, provided advice on issues such as the definition of essential workers, supply chain challenges, and the economic impact of public health measures to support the COVID-19 Vaccination Strategy and the National Re-opening Roadmap.

Treasury also established a Markets Taskforce to assess the availability of capital for the ongoing operations of strategically important businesses and provide advice to Government, including monitoring the Virgin Australia voluntary administration.

A number of evaluations have been conducted in relation to COVID-19 policies developed or implemented by Treasury, including the recent Independent Evaluation of the JobKeeper payment. More detail is contained in **Attachment A**.

[25] Treasury (28 September 2023) Independent Evaluation of the JobKeeper Payment.

Legislating the economic response

Treasury coordinated two legislative packages containing a total of 28 measures in 10 Bills across 9 portfolios to implement the Government's initial response to the economic impact of COVID-19.

The first legislative package, the *Coronavirus Economic Response Package Omnibus Bill 2020* (and 8 supporting Bills) covered the first two economic support packages. These included measures to support households and businesses including boosting cash flow for employers; stimulus payments to households to support growth; additional support for income support recipients; and assistance for severely affected regions. The first package was introduced and passed both Houses of Parliament on 23 March 2020 and received Royal Assent on 24 March 2020.

The second legislative package, the *Coronavirus Economic Response Package Omnibus (Measures No. 2) Bill 2020* and *Coronavirus Economic Response Package (Payments and Benefits) Bill 2020*, was centred on measures to establish the framework to implement and administer the JobKeeper Payment and related arrangements. The second package was introduced and passed both Houses of Parliament on 8 April 2020 and received Royal Assent on 9 April 2020.

Financing the fiscal response

The Australian Office of Financial Management (AOFM) was tasked with increasing the funds available to the Government through an increased issuance of Australian Government Securities (AGS). From February 2020 to October 2023, total AGS on issue increased from $571 billion to $910 billion. On 7 October 2020 the Treasurer provided a direction increasing the maximum face value of AGS on issue to $1,200 billion.

During March 2020 the AOFM had limited ability to raise funding due to dislocations in markets, while government funding requirements were materially increasing. The RBA intervention into the Treasury Bond market announced in late March was successful in clearing the congestion and allowed the AOFM to substantially increase issuance. In 2019-20 the AOFM issued a record $128 billion of Treasury Bonds of which $86 billion were issued in the last 3 months, and increased Treasury Notes on issue by $56 billion. Annual Treasury Bond issuance peaked in 2020-21 at $207 billion. To meet the record funding tasks the AOFM was able to scale up both the regularity and size of existing issuance processes. This included establishing 6 new bond lines via syndication in 2020, raising around $110 billion dollars and continued regular tenders issuing at a peak rate of around $10 billion per week (into existing bond lines and short-term Treasury Notes).[26]

Engagement with stakeholders

During the pandemic, Treasury increased its engagement with external stakeholders. In addition to working with the Doherty Institute, Treasury increased its engagement with Australian businesses, state and territory governments and the global community.

Engagement with businesses

A dedicated team, the Coronavirus Business Liaison Unit, was established in Treasury to engage directly with peak business groups on systemic issues relating to COVID-19. This ensured that issues facing businesses were being addressed by Government. The Coronavirus Business Liaison Unit also acted as a source of information for business groups on the Government's response to COVID-19, which allowed information to be disseminated quickly and effectively across the business community.

The Council of Financial Regulators worked closely together and with industry stakeholders, taking coordinated actions to ensure the stability of Australia's financial system, that financial markets continued to operate effectively, and that credit was available to households and businesses.

[26] Please see the AOFM website for more information on the AOFM operations.

Changes to economic and financial regulation were implemented to allow business to continue to function effectively while social distancing measures were in effect and uncertainty was heightened and to safeguard the Australian economy through the COVID-19 crisis. This included changes to support market functions, including changes to corporate disclosure regulations, insolvency laws and foreign investment screening.[27]

Engagement with state and territory governments

Treasury supported a significant boost in the engagement between Commonwealth, state and territory Treasurers and treasuries by convening more Council on Federal Financial Relations (CFFR) meetings. These additional meetings meant Treasurers and treasuries were able to regularly share insights and work collaboratively as the COVID-19 pandemic unfolded. CFFR monitored economic impacts of the pandemic, developed business support programs and later focused on economic growth and job creation. CFFR convened 23 times in 2020 and 8 times in 2021, a marked increase from the previous 2 or 3 meetings each year prior to the pandemic.

Treasury also provided financial assistance to states and territories to support the delivery of initiatives in response to the COVID-19 pandemic, including funding for the additional costs incurred by state and territory health services under the National Partnership on COVID-19 Response.[28]

Treasury also supported state- and territory-based responses through the provision of Commonwealth held data needed to support the effective administration of those state and territory policies.

Treasury provided National Cabinet with a range of data and analysis regarding the economic impacts of industry restrictions to support their deliberations around pandemic response, as well as regular updates from the Secretary regarding the economic situation and outlook.

Engagement with global community

Australia was a strong advocate for global action. Treasury actively engaged in the development of G20 and the international financial institutions' responses to the global economic challenges of COVID-19, ensuring that vulnerable countries had the fiscal space, and support to address the health and fiscal impacts of COVID-19. In particular, Australia strongly advocated for a robust and rapid response to the crisis from the IMF including through the provision of liquidity support to help ensure the stability of the global financial system.

Australia is a shareholder in the IMF and the multilateral development banks, where we supported crisis responses to the pandemic. The IMF rapidly increased its lending and expanded access limits, providing over US$120 billion to 90 countries. The World Bank also delivered an unprecedented US$204 billion in financial support to mitigate the pandemic's health, social and economic impacts. In April 2020, Australia committed an initial SDR 500 million (A$1.02 billion) to the IMF's Poverty Reduction and Growth Trust to support Low Income Countries. Four Pacific Island countries accessed this funding during the pandemic. Australia supported the IMF's largest-ever allocation of special drawing rights in August 2021, which injected US$650 billion of liquidity into countries to help aid recovery from COVID-19.

Through the G20, Australia advocated for the Debt Service Suspension Initiative, providing US$12.9 billion in liquidity through deferred debt repayments to vulnerable countries to manage the crisis, and for affordable access to COVID-19 vaccines, diagnostics and therapeutics for all countries. The Treasury and the Department of Health and Aged Care led Australia's participation in the

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[27] For example, see Frydenberg (5 May 2020) Making it easier for business to operate during Covid-19 [media release] and Frydenberg (25 May 2020) Temporary changes to continuous disclosure provisions for companies and officers [media release].
[28] For more information see Federal Financial Relations (April 2021) National Partnership on Covid-19 Response.

G20 Joint Finance-Health Task Force, which was established to enhance dialogue and global cooperation on pandemic issues – including encouraging effective stewardship of resources for pandemic prevention, preparedness and response (PPR). In 2022, Australia became a founding member of a new global Financial Intermediary Fund (Pandemic Fund), committing A$50 million to improve future pandemic PPR.

From November 2020, Treasury provided several budget support loans to the Republic of Indonesia and the Independent State of Papua New Guinea (PNG) to assist with COVID-19 response and recovery. The A$1.5 billion agreement with Indonesia was part of a multilateral action led by the Asian Development Bank and included the Asian Infrastructure Investment Bank, the Japan International Cooperation Agency, and the German state-owned development bank. The funds were used to support Indonesia's COVID-19 response, including social protection initiatives and health system development.

Three successive loans to PNG in 2020, 2021 and 2022 totalling almost A$2 billion have helped address the country's deteriorating fiscal position caused by the COVID-19 pandemic. They have supported reform actions under an IMF Staff-Monitored Program, helped respond to the ongoing health and economic impacts of COVID-19 and assisted PNG to meet its 2022 Budget financing shortfall, including delivery of multilateral development programs.

Whole of Government coordination and information sharing

Treasury managed a comprehensive advertising campaign informing Australians of economic support, the Government's plan for economic recovery, and building business and consumer confidence to reopen. The campaign required whole-of-government coordination to ensure consistent, timely messaging, as well as ongoing creative development, monitoring, translations and research.

The Treasury website became the central point of entry for the public on COVID-19 economic response measures, including JobKeeper, JobSeeker and the HomeBuilder program. The Treasury website homepage was rebuilt to allow a clear path to information, including regularly updated fact sheets and links to the relevant implementing departments. Treasury materials were shared with Australia.gov.au and Services Australia to ensure consistent and clear messaging for the public.

Treasury played an active role in information sharing and collaboration across many Government departments. Communication professionals from key departments (e.g. Prime Minister and Cabinet, Australian Tax Office, Services Australia, Fair Work Ombudsman, Department of Health and Aged Care, Treasury) met regularly to discuss upcoming communications activities, priorities and coordination across channels.

Attachment A: Additional information and resources

Treasury economic support measures

Treasury played a key role advising on design of economic policies during the pandemic to support households, businesses and the financial sector. It was also responsible for legislating, implementing and/or delivering a range of these response measures, including:

- **Boosting Cash Flow for Employers** which provided a tax-free cash flow boost of between $20,000 and $100,000 to eligible businesses, delivered though credits in the activity statement system.
- **Bringing forward the Second Stage of the Personal Income Tax Plan** by two years from 1 July 2022 to 1 July 2020. The tax cuts:
  - Increased the top threshold of the 19 per cent tax bracket from $37,000 to $45,000;
  - Increased the low-income tax offset from $445 to $700; and
  - Increased the top threshold of the 32.5 per cent tax bracket from $90,000 to $120,000.
- **Business Support Payments**, jointly funded with the states, provided financial support to businesses adversely affected by lockdowns and border restrictions. Further support was provided to businesses in the tourism and hospitality sectors by co-funding targeted state grants.
- **Counting on U** was a free accredited professional development program that built the mental health literacy of trusted business advisers to better support small business owners in times of distress.
- **Ensuring tax deductibility of COVID-19 test expenses** for individuals incurring these expenses to attend a place of work, and ensuring businesses don’t incur fringe benefits tax (FBT) where COVID-19 tests are provided to employees for this purpose.
- **HomeBuilder** provided eligible owner-occupiers (including first home buyers) with a tax-free grant of $25,000 to build a new home or rebuild an existing home.
- **Increased availability of equity finance for small to medium enterprises (SMEs)** by co-investing with financial institutions to establish an Australian Business Growth Fund.
- **JobKeeper** provided fortnightly wage subsidies to eligible businesses and employees.
- **JobMaker Hiring Credit** provided wage subsidies for businesses to employ additional young job seekers aged 16–35 years.
- **National Cabinet Mandatory Code of Conduct (the Code)**, which set out SME Commercial Leasing Principles**.** During COVID-19, the National Cabinet implemented the Code which relied on the states and was available for the duration of the JobKeeper program.
- **NewAccess for Small Business Owners** is a free and confidential mental health coaching program delivered by Beyond Blue. No GP referral or mental health treatment plan is required.
- **Pandemic Leave Disaster Payment** provided a support payment if an individual, or someone they were caring for, had to self-isolate or quarantine due to COVID-19.
- **Payments to support households** provided two separate $750 payments to eligible social security, veteran and other income support recipients and eligible concession card holders.

- **Quick and efficient access to credit for small business** provided temporary relief from responsible lending obligations for lenders to get small businesses access to credit.
- **Retaining and increasing the Low- and Middle-income tax offset (LMITO)**. The LMITO was scheduled to cease after the implementation of Stage 2 tax cuts, which commenced on 1 July 2020 and embedded the benefit of LMITO into the rates and thresholds of the tax system. The LMITO was instead retained for the 2020-21 and 2021-22 income years and increased by $420 for the 2021-22 income year, increasing the maximum LMITO benefit to $1,500 for individuals and $3,000 for couples.
- **Small Business Debt Helpline** extended a previous program, the Small Business Bushfire Financial Counselling Support Line, and provides free, independent and confidential financial advice by small business financial counsellors to small businesses impacted by the pandemic.
- **SME Loan Guarantee Scheme Phase 1, SME Loan Guarantee Scheme Phase 2, SME Recovery Loan Scheme, and the Show Starter Loan Scheme** provided government guarantees to participating lenders to enhance their ability to extend credit to SMEs. The loan eligibility criteria varied between the schemes.
- **Structured Finance Support Fund (SFSF)** made targeted investments in structured finance markets to support continued access to funding for smaller lenders that provided consumer and business finance. AOFM committed up to $3.8 billion in SFSF investments across several warehouse and term transactions.
- **Supported the aviation sector**, including the Retaining Domestic Airline Capability program and the Tourism Aviation Network Support Program, which provided 800,000 half-price domestic airfares to key tourism destinations.[29] This formed part of broader aviation support to help maintain essential services and export markets.
- **Supported the creative and entertainment sector** including the Show Starter Loan Scheme and the Restart Investment to Sustain and Expand Fund, to provide seed funding for new productions, festivals and events.[30]
- **Temporarily expanding eligibility to income support payments and establishing a new, time-limited Coronavirus supplement** to be paid to both existing and new recipients of the eligible payment categories.
- **Temporarily reducing superannuation minimum drawdown rates.** Minimum superannuation drawdowns are calculated based on a person's balance on 1 July. Halving the drawdown requirement reduced the need for retirees to realise capital losses amidst the market volatility of COVID-19.

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[29] See DISR (October 2021) Assistance to the Aviation Sector and DISR (2022) COVID-19 aviation support for more details.
[30] See Treasury (2021) Show Starter Loan Scheme and DISR (2022) Restart Investment to Sustain and Expand (RISE) Fund for more information see.

- **Temporary early release of superannuation** for individuals impacted financially by the pandemic. Eligible Australian and New Zealand citizens and permanent residents were able to apply online through myGov to access up to $10,000 of their superannuation before 1 July 2020. They were also able to access up to a further $10,000 from 1 July 2020 until 31 December 2020. Eligible temporary visa holders were also able to apply for a single release of $10,000 before 1 July 2020. Over the life of the measure, $36.4 billion was released to 3.1 million individuals, with a total estimated cost to the Budget of $2.22 billion.
- **Temporary expansion of the Digital Solutions – Australian Small Business Advisory Service** to provide general business as well as digital advice to an increased number of small businesses.
- **Temporary full expensing** allowed eligible businesses (with aggregated annual turnover or total income of less than $5 billion) to immediately deduct the full cost of eligible assets acquired from announcement on 2020-21 Budget night (7:30 pm AEDT on 6 October 2020) and first used or installed ready for use by 30 June 2023 (extended from the initial announcement of 30 June 2022).
  - Temporary full expensing built on the $150,000 instant asset write-off and Backing Business Investment measures, which were introduced on 12 March 2020 as time limited accelerated depreciation measures available for businesses with aggregated annual turnover of less than $500 million.
- **Temporary loss carry-back** allowed eligible corporate entities to carry-back tax losses from the 2019-20 to 2021-22, and subsequently 2022–23, income years to offset previously taxed profits as far back as the in 2018-19 income year when they lodge their 2020-21, 2021-22 or 2022–23 tax returns.
- **Temporary relief for financially distressed businesses** implemented a range of measures to support distressed businesses.[31] This included:
  - Increasing the threshold at which creditors could issue a statutory demand on a company from $2,000 to $20,000.
  - Temporarily extending the time companies had to respond to statutory demands they received from 21 days to 6 months.
  - Temporarily relieving directors of personal liability for insolvent trading with respect to debts incurred in the ordinary course of a company's business.
- **Temporary relief for financially distressed businesses** lessened the threat of actions that could push businesses unnecessarily into insolvency.

Economic and financial regulation changes

In addition to Treasury's work through the Council of Financial Regulators, the Treasury's affiliated regulators took various actions, outlined below.

ASIC:

- Gave temporary relief to enable certain 'low doc' offers to be made to investors, assisting Australia's capital markets to remain strong and efficient.
- Extended period for lodging financial reports.

[31] Treasury (March 2020) Temporary relief for financially distressed businesses [factsheet].

- ASIC introduced measures to ensure the equity market remained effective and resilient, requiring its participants to manage transaction volumes, as well as continuing to monitor the performance of markets and financial market infrastructures.
- The Government issued ASIC with a revised statement of expectations emphasising that ASIC should contribute to 'supporting Australia's economic recovery from the COVID-19 pandemic'.[32]
- ASIC indicated that 'current challenging economic circumstances' were a factor in its enforcement decision-making.[33]

APRA:

- APRA announced a number of actions in response to COVID-19. These included adjusting bank capital expectations, delaying its 2020 supervision and policy priorities, and changing reporting obligations for some of its regulated entities. Some of the delayed regulatory work was to ensure resources in regulated institutions could be directed to other functions due to the environment. This reduced regulatory burden and supported financial market functioning.

ACCC:[34]

- Adjusted processes and analysis to more quickly grant urgent interim authorisations for cooperation amongst competitors where this was in the public interest.
- The conduct authorised related to: provision of health services; supply of medicine and other essential items; supply of food by supermarkets; relief measures extended to consumers and businesses facing financial difficulties; issues related to the medical, economic or social consequences of COVID-19.

RBA:[35]

- The RBA announced extensive measures to provide liquidity to financial markets and to support the banking system in providing credit to businesses. Responding to the volatility caused by COVID-19, the RBA for a time conducted one and three month repurchase operations.
- The Term Funding Facility (TFF) was established to offer low-cost three-year funding to authorised deposit-taking institutions (ADIs).[36] The facility closed to new drawdowns on 30 June 2021, at which time $188 billion of funding was outstanding.
- The RBA deferred the Review of Retail Payments Regulation, to reduce demands on industry stakeholders.
- A swap line with the US Federal Reserve was established, as part of efforts to lessen strains in global USD markets.[37]

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[32] Frydenberg (26 August 2021) New Statement of Expectation for the Australian Securities and Investments Commission [media release].
[33] ASIC (22 July 2020) ASIC will not appeal Federal Court decision on Westpac's 'responsible lending' obligations [media release].
[34] For a summary of ACCC's authorisations in 2020 see ACCC (April 2021) COVID-19-related authorisations.
[35] For a summary of RBA's actions see RBA (2023) Supporting the Economy and Financial System in Response to COVID-19.
[36] RBA (2023) Term Funding Facility to Support the Australian Economy.
[37] RBA (20 March 2020) Reserve Bank of Australia and US Federal Reserve Announce Swap Arrangement [media release].

Foreign Investment Review Board:[38]

- Temporarily reduced the foreign investment screening threshold to $0 and extended the deadline for case processing to six months, to ensure foreign investment acquisitions were not contrary to the national interest.[39]

Post-pandemic evaluations and reviews

- **The JobKeeper Payment: 3-month review** was completed by Treasury in June 2020.[40] It was informed by the status of the COVID-19 pandemic and the economic downturn. The review found that the JobKeeper Payment met its initial objectives but that the labour market remained weak. The review concluded that an extension of JobKeeper would support the economic recovery.
- **Insights from the first six months of JobKeeper** presents analysis on the first six months of the JobKeeper Payment.[41] The report reflects on the design and initial impacts of JobKeeper as a key element of the Government's macroeconomic response to COVID-19.
- The **Independent Evaluation of the JobKeeper Payment** assessed the impacts and the processes of JobKeeper.[42] The evaluation found JobKeeper was effective in preserving employment, supporting incomes and prevented large scale business failure.
- **Small Business and Mental Health – Through the Pandemic** looked at the mental health effects of small business in the 2 years to 2022.[43] COVID-19 and a series of natural disasters has significantly impacted many businesses.
- **The Career Effects of Labour Market Conditions at Entry** investigates the effects of labour market conditions at graduation on an individual's work-life over the following decade.[44] Australians that graduated into worse labour market conditions can expect to earn less at the start of their career.
- **Looking Under the Lamppost or Shining a New Light** examines the value of data to policymaking using Treasury's experience during the COVID-19 pandemic as a case study.[45] It highlights the use of new and emerging data and capabilities, and partnerships to build integrated datasets such as the Labour Market Tracker developed with the ABS and other data custodians.
- The **Australian National Audit Office's (ANAO's) Audit Report: The ATO's Management of Risks Related to the Rapid Implementation of COVID-19 Economic Response Measures** was completed in December 2020.[46] The ANAO found that the ATO has been effective in managing the implementation risks relating to the six key economic response measures that it was charged with administering.

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[38] Foreign Investment Review Board (June 2021) Annual Report.
[39] Frydenberg (29 March 2020) Changes to foreign investment framework [media release].
[40] Treasury (June 2020) The JobKeeper Payment: Three-month review.
[41] Treasury (October 2021) Insights from the first six months of JobKeeper.
[42] Treasury (28 September 2023) Independent Evaluation of the JobKeeper Payment.
[43] Treasury (December 2022) Small Business and Mental Health – Through the Pandemic.
[44] Andrews et. al. (June 2020) The Career Effects of Labour Market Conditions at Entry [Treasury working paper].
[45] Hambur et. al. (February 2022) Looking Under the Lamppost or Shining a New Light.
[46] ANAO (14 December 2020) The Australian Taxation Office's Management of Risks Related to the Rapid Implementation of COVID-19 Economic Response Measures.

- **The National Partnership Agreement on HomeBuilder: Review Report** was completed in October 2022.[47] It found that the National Partnership Agreement (NPA) supported the effective delivery of the program and the achievement of its intended objectives. It also noted that earlier consultation with jurisdictions to leverage their grants administration expertise could have resolved many of the issues that arose in the NPA's early design and implementation.

[47] KPMG (31 October 2022) HomeBuilder National Partnership Agreement Review.