

Business in a post pandemic environment

Countries that have experienced the worst of the pandemic give Australian businesses an insight into what to expect in a post-lockdown environment.

Australia, like New Zealand, has managed COVID-19 on an elimination basis. That is, lockdowns and border closures to keep the virus out. And, it has worked comparatively well with New Zealand suffering 26 deaths (0.5 per 100,000 people) and Australia 910 (3.7 per 100,000), compared to the UK with over 128,000 deaths (191 per 100,000), India over 400,000 (29.8 per 100,000), Brazil over 500,000 (250.4 per 100,000), and the United States over 600,000 (184.3 per 100,000).

But the flip side of a COVID-19 elimination strategy is a slow vaccine rollout – not only are global vaccine supplies predominantly directed to first world nations with higher mortality rates but vaccination reticence has taken hold (the “I’ll wait and see what happens” mentality). Deciding whether to get a vaccination (and making the appointment) is easy to put off when your life, and the well-being of those around you, is not in danger. We saw this psychology at play in Sydney and Melbourne when vaccination rates increased in response to the spread of the Delta variant.

While all of this might not have a direct impact on businesses, it does impact on the timing of the recently announced National Plan to transition Australia’s COVID response, and this plan will determine what the business environment will be like over the coming year.

The National Plan has signalled a policy shift from our current focus on COVID infection rates, to two new key determinants – vaccination and hospitalisation rates.

At present, Australia has administered 33 vaccination doses per 100 people. New Zealand is just over 26 doses per 100 utilising Pfizer and the recently approved Johnson & Johnson's Janssen COVID-19 vaccine, and Japan over 42 doses per 100.

Australia will pursue an elimination (or 'double doughnut') strategy until vaccination rates rise to a level where the risk of hospitalisation and death from the virus is relatively low. However, we don't know what these thresholds look like at present with the Government and COVID-19 Task Force yet to make its recommendations.

Australia cannot move from an elimination strategy to 'living with COVID' in a few months without unacceptable hospitalisation and death rates – for example, the UK is moving to no restrictions despite over 160 people dying of COVID and just under 2,500 hospitalised in the last 7 days.

The National Plan identifies four stages and the actions of each of those stages. In brief:

1. **Phase 1 – Current strategy**
2. **Phase 2 – Post vaccination phase** – eased restrictions for those who have been vaccinated and lock-downs only when hospitalisation rates spike
3. **Phase 3 – Consolidation phase** – no lockdowns and pursuit of a 'vaccination passport' concept where those who are vaccinated can travel freely domestically, and travel bubbles extended to more countries.
4. **Final phase** – the living with the virus stage with uncapped inbound arrivals including accepting non-vaccinated international travellers if they pass a pre and post arrival COVID test.

Data is only just emerging on the impact of vaccination rates on hospitalisations and death rates, but only a small number of countries have enough of their populations vaccinated to provide a reliable sample – Israel (120 doses per 100 people),

the UK (119 per 100) and the US (100 per 100). Even when the Australian vaccination targets are confirmed, we should expect these phases to move over time if hospitalisations increase beyond acceptable levels and if new and deeper data suggests a change in tack (like with the rollout of the AstraZeneca vaccine). In addition, it is likely that the States and Territories will continue to have the final say on what is acceptable. All of this means that while we will have a National Plan, business should remain vigilant and prepare for a potentially longer transition period than what is announced.

The National Plan's impact on business

The economic impact of COVID-19 is unlike any other, with some businesses suffering a fatal blow while others have benefited. COVID's impact varies sector by sector and region by region as we bounce from one set of operating conditions to another depending on the Government's response to outbreaks.

Cashflow is a dominant concern with ABS data showing a decline in the number of businesses expecting an increase in revenue between February (27%) and July 2021 (18%).

The National Plan will impact differently on different sectors and it will be important for business operators to understand the potential impact on them at each phase.

- **Phase 1 – Be prepared for further ad-hoc lockdowns and restrictions**
- Map the impact of restrictions on your business, your cashflow and your team and what you will need to survive. Understand whether it is worth trading, the cost of trading and the potential of hibernating.
- Model contingency scenarios and understand the best available action.
- **Phase 2 – taking advantage of eased restrictions**
- Lock-in any COVID gains – this might be keeping or adapting any new services, building on new technologies,

or nurturing a database of new customers (while protecting your relationship with your existing customers). Business has changed, understand what has changed and how you can benefit from these changes.

- **Phase 3 – no lockdowns and returning travel**

- Understand what your customer base will look like when restrictions ease? If your business benefited from COVID, is there a potential to be detrimentally impacted when your customers have greater choice. If eased restrictions open new or returning opportunities, what can you do to drive this business to you?

COVID impacts differently depending on the business, the sector, and geographic location. There is no one size fits all approach to surviving and thriving. If you would like us to review your businesses circumstances and ensure you have the depth of information you need to make the right decisions, please contact us.