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By email

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RE: JobKeeper review and scheme extension

Dear Prime Minister,

I write to you on behalf of The Real Media Collective, an industry association representing the collective interests of companies in the paper, print, publishing/media, magazine publishing, advertising, mail, packaging, design, graphics and related distribution sectors across Australia. **Our membership represents \$15.88BN of the \$18.9BN industry and employs 258,000 Australians.**

The paper, print, mail packaging and publishing sector is often overlooked across Government policy, however as the largest manufacturing industry employer and a significant contributor to the economy, we are calling on government to take heed of our feedback below in JobKeeper extension and other considerations for the industry.

- Our industry employs over 258,000 employees across Australia, primarily within small businesses.
- The June 2020 Industry Insights survey – paper, print, mail and publishing reports:
 - 90.48% of businesses have experienced considerably negative effects as a result of COVID-19.
 - Survey respondents have experienced between a 20 – 90% downturn in work, with an average downturn of 55.28%.
 - 71.66% have already had exposure to debtor related issues.
 - 87.72% have sought and are receiving assistance under the JobKeeper scheme.
 - 78.43% of those businesses having 100% of their employees covered under the JobKeeper scheme.
 - 76.78% believe the JobKeeper scheme will assist in keeping workers in employment for the longer term.
 - 85.01% believe there is a need for ongoing business assistance to ensure future viability.

- Our industry's turnaround is reliant upon the turnaround of other significantly impacted sectors, this will also contribute to a longer recovery time than will be experienced by other industries.
- Given our industry 's low margin to output ratio, it will take longer to recover than other industries.

Our immediate request from government is:

1. There is a strong basis for staggering the cessation of the JobKeeper payments scheme beyond the currently forecasted September 2020 end date on an industry by industry basis.
2. Given the forecast for our industry and the low margin/high labour/high liability costs throughout Australia the recovery period is longer than other high margin industries. This provides a strong basis for extending the JobKeeper scheme payments within our industry beyond the current September 2020 end date of the scheme.

We ask for an extension of JobKeeper for all local manufacturers (print and mail) and publishers that meet the existing eligibility criteria.

Our industry has welcomed the JobKeeper scheme for its purpose, effect, and the speed at which government implemented this and other components of the economic stimulus package to overcome the effects caused by the COVID-19 pandemic.

We thank you for the opportunity to update and inform government on the current economic circumstances being experienced by our industry as a result of COVID-19. The greater details of which can be found on the following pages, including the effects of the JobKeeper scheme on the industry for the governments June review of the scheme.

Yours sincerely,



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About The Real Media Collective

The Real Media Collective (TRMC) is an industry association representing the collective interests of companies in the paper, print, publishing/media, magazine publishing, advertising, mail, packaging, design, graphics, and related distribution sectors across Australia.

TRMC was formed in 2018 under a merger from the Australasian Catalogue Association, the Australasian Paper Industry Association and Two Sides Australia Limited. TRMC is in a unique position to interact with one of the largest manufacturing sectors in Australia. TRMC is experienced at providing a comprehensive range of business assistance services as well as industry representation to all levels of government and tribunals. Across the Australian Board and member companies of TRMC, we represent \$15.88BN of the \$18.9BN industry.

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Paper, print, mail, publishing, packaging and distribution

By way of background, the industry sectors TRMC represent employ over 258,000 Australians across full-time, part-time and independent contractor arrangements with mixed skilled and unskilled labour supply across metropolitan and regional locations. Effectively, we represent the largest manufacturing sector in Australia. Given the modern and integrated nature of marketing, advertising, communications and delivery of materials to consumers, these businesses form a significant integrated and interrelated national industry.

TRMC, our membership and broader industries we represent, all provide critical services to the community – news, media and information services, printed medical label and packaging, Government notices and communications, magazine publications providing in-home media and community notices, signage to advise public health and other notices to the public, food label and packaging, transactional mail and postal services, finance and insurance notices and more.

Our industry has over 5,817 businesses operating across the country, and over 17,000 when all related businesses are considered. Although the four largest company members of the Collective reflect some 40% of the industry's total revenue, the majority of firms in the industry employ less than 20 people. This equates to 95% of our businesses categorised as 'small business', operating under \$2.0 million turnover per annum (*Ibisworld, 2019*).

Our industry is highly competitive, and given the significant capital expenditure and other costs required for participation, our industry carries a low margin to output ratio.

The effects of COVID-19 on our industry

Overall, the effects and impacts on our industry have been significant. In support of our recommendations we seek to advance probative evidence drawn from our industry survey, and referencing other independent assessments.

Industry Insights Survey

TRMC has undertaken to survey members and the broader industry so as to provide the JobKeeper review with a clearer understanding of the experiences of the industry at this time. It will be some time before there is sufficient data to completely determine the full impact, however based on a review and analysis of initial data captured across three months and at the time of drafting this submission we can advise the following.

Business conditions experienced by the industry as a result of COVID-19

- 100% of respondent businesses have been affected, with 90.48% having experienced considerably negative effects on their businesses as a result of COVID-19.
- Survey respondents report business revenue decline is 56% across all sectors. With 33.5% reporting 70+% decline in orders and incoming advertising and jobs, with an average downturn of 55.28%.
- Digital print sector statistics report their total clicks/impressions figures are down by 32.01% across March, April, May 2020. This is a print sector that has previously been experiencing year on year increases between 7-11%.
- Graphic paper product wholesale supplier statistics evidence a 52% downturn and are predicting a further decline and longer recovery. This appears as a result of many print companies only using inventory stock-holding to service customer jobs.
- 76.7% of respondents are concerned as to their long-term viability in the next six months. With 80% concerned beyond the next six month window. This provides solid evidence the extension of JobKeeper for local manufacturing is key to maintaining business continuity and employment.
- 40% are concerned over the survival of their businesses beyond the next six months.
- 71.66% have experienced increased exposures to bad debt, with 73.33% believing debtors are withholding payments due to uncertainty.
- 37.70% have experienced moderate disruptions to their supply chains, with 11.48% having experienced considerable disruption.
- 98.5% of respondents are concerned about the short-term survival of their clients within and beyond six months period. Of this, 76.2% are concerned their clients will not survive six months, whereas 67.75% see the concern beyond six months. This indicates an industry committed to a twelve month recovery window.

Industry labour issues

- 51.7% of respondent businesses have already stood down employees, been left with no other option but to make positions redundant, and or had to terminate freelance contracts.
- Of additional concern, 65% reported more labour restructuring will come with 22% reporting client work will not return until November 2020 or later.

JobKeeper scheme

- 88% of respondents were successful in their JobKeeper application.
- 78.5% of those businesses have between 76 - 100% of their employees covered under the scheme.
- 77% believe the JobKeeper scheme will assist in keeping workers in employment for the longer term.
- 85.71% report their business will need JobKeeper support post- September cut-off to assist with recovery and cashflow. With 52% calling for support through to the end of December. All call for extensions agreed that the program should remain means-tested as is.
- 85.71% agree the outcomes from the JobKeeper scheme represent economic value for the cost.

Government initiatives feedback

- When asked if the extensiveness of support from Government was valued – 85.1% believe it is good or very good.
- When asked to the timeliness of the support from Government – 68.63% reported they believe it was good or very good.
- When asked whether there was easy access to support from Government – 75% agreed it was good or very good.

Top 3 needs from Government

- 75% of respondents believe a six month extension of JobKeeper for printers, mailhouses and publishers (small business/local manufacturing) under a means tested program would avoid laying off staff permanently and immediately. **In a sector that employs over 258,000 Australians that could equate to 193,500 jobs saved.**
- 74.55% believe Australian government spending should be prioritised as spending in Australia.
- 63.64% believe grant support and business rates relief should be extended beyond the current six months.

(Source: TRMC - *Industry Insights Report – Print, Publishing, Mail and Packaging - June 2020*)

Ibisworld COVID-19 Economic Assessment Special Report – May 2020

To further illustrate the current condition of our industry, global industry research company IBISWorld has published an in-depth breakdown of the effects of the COVID-19 pandemic on various subdivisions in the Australian economy. Some of those sectors making up part of the overall industry we represent, and the impact of COVID-19 on those sectors, has been assessed as follows:

- The Pulp, Paper and Converted Paper Product Manufacturing sector has been assessed as highly impacted.
- The Printing sector has been assessed as moderately impacted.
- The Machinery and Equipment Wholesaling sector has been assessed as moderately impacted.
- The Publishing sector has been assessed as highly impacted.
- The Postal and Courier Pick-up and delivery services sector has been assessed as highly impacted.

(Source: Ibisworld - COVID-19 Economic Assessment Special Report – May 2020)

The effects of COVID-19 on our industry's customer base

To further illustrate the overall negative effect of COVID-19 on our industry, we provide the effects of COVID-19 on our industry's customer base which directly flows through to our industry. As can be seen the effects are significant.

Numerous sectors and sub-divisions within the Australian economy are some of the biggest customer bases of our industry. Due to the significant impact of COVID-19 on those sectors, the flow through to our industry has occurred quickly and significantly. The consequences will be that our industry will not return to a more positive economic forecast until some time after those industries have buoyed.

We provide the following examples:

- The Australian **retail industry** is the highest user of print and other media in Australia. Throughout the COVID-19 pandemic our industry has experienced a significant slump in the work provided by that sector. In a period where major retailers from grocery, liquor, electrical, office stationery and other sectors have benefitted from huge increases in sales, profitability and brand awareness through this pandemic, many have paused catalogue and related print campaigns because they don't need to market or advertise.
- The Australian **tourism industry**, including related transportation and accommodation subdivisions, is another significant user of print, packaging and other media. Given the high economic impact COVID-19 has had on that sector, our industry has experienced a near complete halt of any work received from that customer base.
- The Australian **entertainment industry**, another significant user of print and other media for promotional and marketing purposes, has experienced a considerably negative impact from COVID-19. Until social distancing eases and allows this particular sector to operate commercially it will not return to anywhere near pre-COVID-19 levels of print, packaging and related requirements from our industry.

- The Australian **sporting industry** is a considerable user of print, packaging and related media for promotional, marketing and signage. That industry has also been heavily impacted by the effects of COVID-19. With the exception of horse and greyhound racing to empty tracks, and the reformulated NRL competition being played before empty stadiums, sporting events and competitions have been cancelled or postponed. Given the absence of spectator and supporter participation in organised sporting events, our industry has and will continue to experience a significant downturn in work from this customer base.

Supportive recommendations

In additional support for our recommendations, TRMC refers to several reputable reviews and forecasts expressed by economic experts. These particular reviews and forecasts evidence the need for a considered transitioning away from the current government stimulus policy approach, particularly as it relates to the JobKeeper scheme.

RBA Governor, Dr Phillip Lowe

Further in support of our views and recommendations are the observations and recommendations made by RBA Governor, Dr Phillip Lowe, to the Senate Select Committee on COVID-19 on 28 May 2020.

During his statement to the Committee Dr Lowe expressed that the economic stimulus package announced in mid-March was working as expected to assist in building the necessary bridge to recovery. However, Dr Lowe also expressed that as a country we will need to turn our minds to how to move out of the shadow cast by the COVID-19 pandemic.

Dr Lowe warned that the 'critical point' would be in September this year when current stimulus measures cease and that it is 'very important' not to withdraw fiscal stimulus too early. Further, Dr Lowe stated there is a basis for government to consider how the JobKeeper scheme transitions into something else, whether that is an extension for specific industries, or somehow tapered.

TRMC agree with and support the views expressed by Dr Lowe.

University of Melbourne, Prof. Jeff Borland

In a recent labour market analysis undertaken by Prof. Jeff Borland, of the Department of Economics at University of Melbourne, has stated that there is a strong basis for a transition plan and on-going economic stimulus being required so as to improve employment levels as Australia moves past the effect of COVID-19 on the economy. Based on current ABS/ATO payroll data and labour force surveys as well as forecasted corporate restructuring he estimates the labour market will not have fully recovered post-September 2020.

Prof. Borland has expressed the view that extending the JobKeeper scheme would provide macro stimulus beyond September this year. Such transitioning would ameliorate a hard stop to the scheme. Further, he holds that transitioning the JobKeeper scheme would also limit the impact and cost of replacing the current scheme with an alternative stimulus policy.

Prof. Borland goes on to consider the phasing out of the JobKeeper scheme and the value in such phasing based on industry level eligibility judged on specific industries being adversely affected, and evidenced by economic activity improvements or otherwise.

TRMC agree with and support the views expressed by Prof. Borland.

(Source: Professor Jeff Borland - *Labour market snapshot #61 - 29 May 2020*)

In summary

- The impact of COVID-19 has been significant and the current economic forecast for our industry is sobering and seriously concerning.
- The turnaround of our industry, and a return to pre-COVID-19 production levels and related labour requirements will not occur until after the economic turnaround of other significantly impacted sectors that form the customer base of our industry.
- Of additional consideration, and by contrast to other industries such as tourism, hospitality, and retail, **our industry does not employ a high percentage of casual employees**. As a result, each business within the industry is and will continue to be responsible for carrying a significantly permanent workforce throughout the COVID-19 pandemic period, and until a significant level of economic recovery is reached.
- The JobKeeper scheme has been critical to the industry in carrying a currently under-employed workforce. Alternatively, those heavily impacted businesses within the industry may be left with no other option but to permanently reduce employee numbers.
- Further, given our industry carries a low margin to output ratio, our industry will take longer to recover than other industries and must be considered as critical to local manufacturing sector and small business across metropolitan and regional locations.

Recommendations

1. Considering current economic forecasts generally, and specifically for our industry, there is a strong basis to stagger the cessation of the JobKeeper payments scheme on an industry by industry basis.
2. Further, given the economic forecast for our industry we recommend extending the JobKeeper scheme for our industry beyond the current September 2020 end date.

AUSTRALIAN PAPER, PRINT PUBLISHING & LETTERBOX INDUSTRY SNAPSHOT

KEY FIGURES

ANNUAL TURNOVER:



\$18.9BN
(AUD)

EMPLOYEES:



258,999

NO. OF BUSINESSES:



17,756



INDUSTRY REPRESENTATION:

The industries represented above include paper, print, publishing, mail and distribution, all represented under The Real Media Collective in partnership with Australasian Paper Industry Association and the Australian Forest Products Association. The Real Media Collective membership represents \$15.88BN of the \$18.9BN industry.

INDUSTRY OUTPUTS INCLUDE:

Books, Magazines, Home Delivery Packaging, Government (Federal, State, Local) Notices and Communications, Medical Packaging and Labelling, Food Packaging and Labelling, Community Notices, Signage, Catalogues, Envelopes, Finance and Insurance Essential Notices, Transactional mail and more.

RELATED INDUSTRIES INCLUDE:

Marketing, Design, ATL Media, Communications, Newspapers and more.

EMPLOYMENT BREAKDOWN BY SECTOR



60,820
of which
18,000
are direct employees.



38,761
DESIGN (30%) + PRINT



258,999

TOTAL AUSTRALIANS EMPLOYED



4,287
PUBLISHING



155,131
POSTAL SERVICES, MAIL
PROCESSING & LETTERBOX
DISTRIBUTION

Source:
Australian Industry Reports, Ibisworld, 2019. The Real Media Collective, Industry Metrics, 2020.
Economic contribution of the Australian mailing industry. Acil Allen, 2015. National Pulp and Paper Sustainability Report. AFPA, 2017