4 November 2021

IR POLICY AND GOVERNANCE UPDATE

INTRODUCTION

This week we look at some amendments to the NSW Roadmap resulting from increased vaccination rates, a review of interest rates as we head towards the end of the year, and recent amendments to the *Corporations Act*.

INTEREST RATES STAY PUT…BUT…

Despite recent inflationary mutterings and lending concerns, the Reserve Bank of Australia Board has determined to keep cash rates at 0.1%. At its Board meeting this week the RBA determined:

1. maintain the target for the cash rate at 10 basis points.
2. continue to purchase government bonds at the rate of $4 billion per week until mid-February 2022, with a further review to be undertaken then.
3. discontinue the target for the yield on the April 2024 bond.

It is the RBA's view that the Australian economy is now growing again, after the recovery from the pandemic was interrupted by the Delta outbreak. GDP is expected to record a solid gain in the December quarter, following the sharp contraction in the September quarter. And by the middle of next year, GDP is expected to be back on its pre-Delta path. The RBA's central scenario is for the economy to grow by around 5.5% over 2022 and by around 2.5% over 2023.

At the outset of the pandemic, economic policy, including monetary policy, set out to build a bridge to the other side. That other side is now clearly in sight. As restrictions are eased, spending is expected to pick up relatively quickly as people seek a return to a more normal way of life. The rapid increase in vaccination rates has been critical in getting us to this point. More broadly, the support provided by both monetary and fiscal policy means that the Australian economy is well placed to resume its expansion.

Inflation, in underlying terms, remains low in Australia, at 2.1%. Inflation is, however, a little higher than it has been over recent years. This increase largely reflects higher oil prices in global markets, higher prices for residential construction and strained global supply chains. Looking forward, we are expecting a further, but gradual, increase in underlying inflation. Their central forecast is for underlying inflation of 2.25% per cent in 2022 and 2.5% per cent in 2023.

While these forecasts for inflation are higher than our previous forecasts, we are not expecting the surge in inflation that has been experienced in some other countries. The situation in Australia is different. We have not seen the same fall in labour force participation as experienced elsewhere, and the impact of other supply disruptions, including in energy markets, is less evident in our CPI. Wages growth is expected to pick up as the labour market tightens, but this pick-up is expected to be gradual.

So, will interest rates remain unchanged until 2024? Maybe not. The December RBA statement, the last until February 2022, will be a stronger indicator as it considers post lockdown data. Although we remain set for a bumpy and uncertain economic ride into 2022, the overall outlook remains positive.

Nonetheless, given the hints of inflation, and that we do not know whether it is temporary or the start of something bigger, and that 2022 looks to be a year of unknowns, members should consider what drives spending in their businesses, and determine what is critical and where consumption could be reduced and cost savings realised.

New Director Resignation Laws

The *Treasury Laws Amendment (Combating Illegal Phoenixing) Act 2020* was passed to amend the *Corporations Act 2001* and aims to assist regulators and liquidators to combat illegal phoenix activity. Illegal phoenix activity involves creating a new company to continue the business of an existing company that has been deliberately liquidated to avoid paying outstanding debts, including taxes, amounts owed to creditors and employee entitlements.

The new section 203AA of the *Corporations Act* sets out that a director's resignation will only take effect on the original date of their resignation if ASIC is notified within 28 days. If ASIC is not notified within this period, the effective date of the director's resignation will be the date that ASIC is notified.

Practically, a director will continue to be a director up until the effective date of their resignation and may be liable for any actions taken by the company in the interim period. If a director fails to notify ASIC in time and wishes to amend the effective date of their resignation, they can apply to ASIC for the effective date to be fixed within certain time periods after the date that the person stopped being a director of the company.

The new section 203AB of the *Corporations Act* provides that a director's resignation will be void if a company will not have at least one director at the end of the day. The 'end of day' test means that if multiple directors resign on the same day and leave the company with no directors, all of their resignations will be void. Directors may only leave the company with no directors if a new director is appointed before the ‘end of the day’. ASIC has stated that some limited exceptions apply, including where:

- the company is being wound up
- the last remaining director is deceased
- the person never consented to act as a director of the company.

All company directors should ensure that ASIC is promptly notified of their resignation within 28 days of the date of their formal resignation from the company. It is also important that directors are aware of the composition of the company's board to avoid being the last director standing, as they will be unable to vacate their position in those circumstances.

NSW ROADMAP UPDATE

In response to the faster-than-expected rate of vaccination, the NSW Government will further ease rules for those who are **fully vaccinated** by bringing forward many of the roadmap changes scheduled for 1 December to Monday, 8 November. These changes primarily relate to social and recreational interactions.

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Those who are not fully vaccinated must still abide by pre-roadmap restrictions until NSW reaches the 95% double vaccination target, or 15 December, whichever happens first.

The current settings for facemasks, which apply to everyone, will remain in place until NSW reaches the 95% double vaccination target, or 15 December, whichever happens first.

To maintain high levels of immunity across the community, NSW Health has commenced rolling out a booster vaccination program at its clinics to individuals aged 18 and older who received their second dose of a COVID-19 vaccine 6 months or more ago. The Pfizer vaccine will be used for boosters regardless of the COVID-19 vaccine received for the first or second dose.

NSW workplaces will need to continue applying their COVIDSafe plans, including the wearing of facemasks, and undertaking COVID Safe Check-in/vaccination protocols.

Members should be aware that each state and territory has its own version of a Roadmap based on the National Plan. Although they have the same end goal, each may not necessarily work in synchronicity with another as we progress through differing thresholds.

CONTACT

Any Industrial Relations Member who has a related query should contact Charles Watson, GM – IR, Policy and Governance at The Real Media Collective via email charles@thermc.com.au or mobile:+61 428 568 032.

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