



# 'Lifeline' for strugglers

Govt offers up to \$24,000 for businesses that can prove a sharp revenue drop during Omicron response

Hospitality NZ says the payments are small compared with the losses being faced by the sector.

Photo / Dean Purcell

## Hamish Rutherford

The Government has announced a further round of financial support for businesses that can prove a sharp decline in revenue compared with the start of the year.

Finance Minister Grant Robertson announced a maximum of \$24,000 will be made available for businesses struggling with a business downturn during the red light setting and the Omicron outbreak.

Each payment is \$4000 per business plus \$400 per full-time employee up to a maximum of 50 full-time employees.

"Firms must show a 40 per cent drop in seven consecutive days within the six weeks prior to the shift to Phase 2 of the Omicron response on February 15," Robertson announced at yesterday afternoon's post-Cabinet press conference.

Both Robertson and Prime Minister Jacinda Ardern had said they

were monitoring economic activity and referred to the possibility of targeted support.

Robertson described latest payments as "targeted" but businesses of any type can qualify for them if they meet the revenue test.

Businesses can apply for the first payment from February 28 and payments start from March 1.

The payments were broadly welcomed by business groups, but there are warnings that many businesses will struggle to meet the test.

Auckland Business Chamber chief executive Michael Barnett said the payments would be a "lifeline" for many small businesses.

"Government has listened and recognised the plight of hard-hit businesses to meet their costs and hold on to staff as the pressure builds along with Omicron's surge," Barnett said.

"The three \$4000 payments plus

\$400 for each [full-time employee] over the six-week period will cover, we estimate, up to 70 per cent of an

average SME's outgoings."

Marisa Bidois, chief executive of the Restaurant Association, said many hospitality businesses were "bleeding cash" at the moment.

While she welcomed the payments, "We would like to have seen the threshold slightly lower at 30 per cent, to reflect the average losses our members are reporting and more fairly reflect the accumulative effect of the revenue drops which members are experiencing year on year."

Hospitality NZ chief executive Julie White warned the payments were small compared with the losses being faced by the sector.

After raising concerns with the Government for weeks, at least businesses had certainty about the

amount of support available.

"It looks like it will not be enough. Many will now close, or at best hibernate. Either way, it means job losses," White said.

The payments are available on a fortnightly basis for six weeks – three payments in total.

Robertson said that reflected the expected timing for Omicron to peak and ease again.

"We will continue to closely monitor the situation and have the option to extend the payment if this is necessary," the minister said.

The Treasury estimated that the cost of each payment will be between \$160 million and \$260m.

The Government had been monitoring the impact of the traffic light system on businesses and the economy, and while most businesses could open and operate relatively normally there had been drop-offs in

business for many, Robertson said.

"We can see that the majority of the economy is operating close to normal, but in some sectors, like hospitality and events, there has been a significant drop-off in business.

"There are a range of reasons for this, but it is clear that the impact is putting a number of viable businesses at risk of not being able to operate."

Robertson said the higher revenue loss threshold was to target those most affected.

"We looked closely at whether we could offer sector-specific packages but the definition of who is in what sector, and the need for cash flow to be provided quickly, meant that was not a feasible option to reach the most affected," the Finance Minister said.

Revenue Minister David Parker said changes were also being made to the Small Business Cashflow Loans Scheme to increase the amount of

funding available to eligible businesses through the introduction of a "top-up" loan.

## Helping hand

- Up to \$24,000 for businesses hit by red light setting and the Omicron outbreak.
- \$4000 per business plus \$400 per full-time employee up to 50 staff