



30 April 2020

Hon Grant Robertson
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Tēnā koe Grant Robertson

COVID-19 WAGE SUBSIDY ELIGIBILITY

We write to request the Government consider an extension to the eligibility provisions of the Covid-19 wage subsidy. We ask the Government to:

1. Extend the eligibility timeframe of the wage subsidy past June 2020 to the end of August 2020; and
2. Extend the criteria of the 30% decline so that those with a sustained, overall decline in revenue over several months are eligible (rather than only those with a 30% revenue decline in one month).

Why are we making this request?

Engineering New Zealand and ACE New Zealand together represent over 22,000 engineers and 200 engineering firms. PwC research released by Engineering New Zealand last week shows that engineering accounted for \$15 billion or 5% of New Zealand's GDP in 2019, the same as the primary sector.

Our members are deeply concerned that the wage subsidy as currently scoped will not support potential holes in their cashflow, so will not achieve its aim of protecting employees in the engineering profession. Engineering resource will be critical to New Zealand's economic recovery so holding onto employees is essential.

How can the scheme better support the engineering profession?

It is our understanding that, in order to be eligible for the wage subsidy, businesses must show a minimum of 30% decline in actual or predicted revenue over the period of any month from January 2020 to June 2020 (when compared with the same month last year).

Many of the employers and employees we represent are, and will, face considerable declines in revenue over periods longer than one month, with significant impacts expected around or after

June 2020. This is due to two-to-three-month work-programme and cash-flow cycles. Cash is typically collected two to three months after work activity. Many employers are forecasting considerable, sustained revenue declines, but a lot of revenue collected up until June 2020 will be for work progressed before the lockdown. Therefore, the cash and impacts of these declines are expected to happen over several months (ie, not acutely over one month as eligibility to the scheme requires). Sustained impacts may be less than 30% in one month but have the potential to be more damaging over the course of many months.

To date, many of the employers we represent have applied for, and received, the Covid-19 wage subsidy, based on their revenue predictions. However, they are concerned that if they cannot show the 30% revenue decline within one month before July 2020, they will need to repay the subsidy. This may result in a range of negative impacts, including the potential loss of employees.

Please extend the scheme's provisions

The intent of the Government's subsidy is to support businesses to retain employees through the period of financial hardship caused by the Covid-19 crisis. As such, we ask the Government to consider extending the provisions of the wage subsidy beyond June 2020, until the end of August 2020. We also ask that the Government consider extending provisions to those employers who show a sustained, considerable decline in revenue over several months (rather than an acute 30% decline in revenue over the period of one month).

Thank you for your consideration. We look forward to hearing from you. We would value the opportunity to speak about these concerns with you or officials.

Ngā mihi nui



Susan Freeman-Greene
Chief Executive
Engineering New Zealand



Paul Evans
Chief Executive
ACE New Zealand

Cc Dr Caralee McLiesh, Chief Executive and Secretary to the Treasury
Debbie Power, Chief Executive, Ministry of Social Development
Karen Mitchell, Infrastructure Commission