

Investigation of subsidy program for retail and hospitality businesses

ITEM 5.9 03/11/2020

The Committee

Strategic Alignment - Strong Economies

Program Contact:

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VS2020/5827

Public

Approving Officer:

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EXECUTIVE SUMMARY

This report responds to Council's request to investigate the implementation of a program similar to myDarwin within the City of Adelaide in order to stimulate the local economy and drive customers to local businesses.

The City of Darwin (CoD) introduced myDarwin as a consumer subsidy program where the CoD provided rebates via a website application for consumer purchases made at participating businesses within the City of Darwin local government area. The CoD provided \$650,000 plus set up costs and internal staffing resources to operate the program.

On June 30, 2020, Council approved the City of Adelaide's Recovery Principles:

- Our rates, fees and charges approach is fair and equitable
- Financial borrowings adjusted to stimulate growth
- Proceeds from selling assets will build a 'future fund'
- Asset renewals will be prioritised based on audit condition and risk
- Asset enhancements will be delivered through partnerships
- We will seek Government funding for new infrastructure
- Our service delivery will reflect the needs of the community
- Investment is prioritised to support recovery.

Since the introduction of restrictions arising from the COVID-19 pandemic, Council has provided over \$11.2 million of support to small businesses in the city and North Adelaide. This has occurred through a range of measures, including the \$4M City Support Package, rate relief, UPark Plus, waiving of fees, new and expanded grants, rebates and incentives, city activation and installations, specialised business advice and support services, as well as the #MyAdelaide marketing campaign to encourage people to return to the city.

The City of Adelaide's economic recovery response has been targeted to support small businesses and the two sectors (Accommodation & Food Services and Arts & Recreation Services) that have been most significantly impacted by COVID-19.

The easing of physical distancing requirements since June has seen a corresponding rebound in the city's economy and visitation rates as city workers, students and visitors return.

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The following recommendation will be presented to Council on 10 November 2020 for consideration

That Council:

1. Notes the advice that implementation of a consumer subsidy program, similar to the myDarwin initiative, within the City of Adelaide is not a cost-effective option to support small and medium businesses in the city and North Adelaide.
2. Notes that the initiative is not funded within the 2020-21 Business Plan and Budget adopted by Council.
3. Notes that the initiative, if implemented, will have a material impact (over \$1M) on the financial position of the City of Adelaide.

IMPLICATIONS AND FINANCIALS

City of Adelaide 2020-2024 Strategic Plan	Strategic Alignment – Strong Economies
Policy	Approved Recovery Principles for the City of Adelaide 2020 – 2021 Business Plan and Budget
Consultation	Not as a result of this report
Resource	Not as a result of this report
Risk / Legal / Legislative	Financial impacts are material and not in line with the long-term financial management plan.
Opportunities	Not as a result of this report
20/21 Budget Allocation	Funding to implement a similar initiative to the myDarwin program in the City of Adelaide is not provided within current budget provisions.
Proposed 21/22 Budget Allocation	If the initiative were to be supported, it would need to be funded through increased borrowings. Allowance would need to be made in the 2021-2022 Business Plan and Budget for interest and repayments against these borrowings.
Life of Project, Service, Initiative or (Expectancy of) Asset	Not as a result of this report
20/21 Budget Reconsideration (if applicable)	Not as a result of this report
Ongoing Costs (eg maintenance cost)	Not as a result of this report
Other Funding Sources	Not as a result of this report

DISCUSSION

1. Council at its meeting on 11 August 2020 resolved:

“That Council:

1. *Notes that the City of Adelaide is currently reviewing ways to innovate and support all businesses in the CBD and North Adelaide with a priority to bring customers back to the city and support the local economy.*
2. *Notes that the City of Darwin have created an innovative way to stimulate the local economy and drive customers to local businesses*
3. *Requests administration investigate the City of Darwin my.Darwin program with a view to implementing the same technology using #MyAdelaide as a web application that offer discounts to participating merchant outlets and assist with small business and create a circular economy within the City of Adelaide.”*

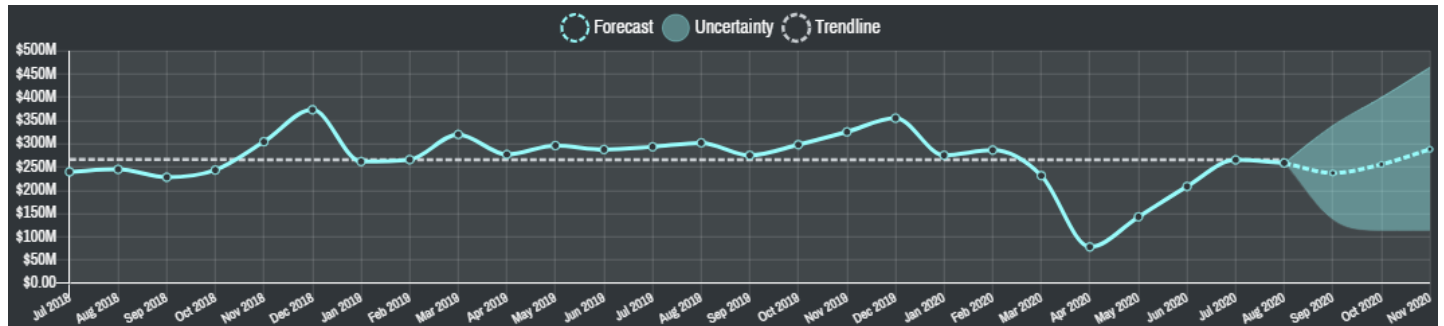
City of Darwin - myDarwin Program

2. The City of Darwin (CoD) covers 112km², incorporating the CBD and two thirds of metropolitan Darwin. It has a population of approximately 83,000 residents and contains 766 retail, accommodation, and food businesses.
3. myDarwin is a financial subsidy, web-based program, developed by the (CoD) to provide rebates for consumer purchases made at participating businesses within the CoD’s boundaries. The program was initiated by the CoD during June and July to support retail, hospitality and tourism businesses that were impacted by COVID-19.
4. The program provided an immediate 25% discount with a minimum spend to the consumer at the point of sale, with that discount being redeemed by the merchant at a determined interval. The merchant was reimbursed weekly by the CoD.
5. Consumers registering with the myDarwin program were assigned unique discount codes. They were then able to browse through different categories of participating merchants and present their discount code at the point of sale. Consumers were allocated \$40 worth of discounts each day and continued to enjoy a discount on their daily purchases until the funding for the program was depleted.
6. Merchants registered via the platform and (once processed and eligibility was confirmed) were able to redeem vouchers presented by consumers. The functionality of the platform enabled merchants to view transactions for previously redeemed discount codes.
7. The CoD developed myDarwin with an initial \$300,000 to fund discounts. Due to the success of the program, additional funding of \$350,000 was provided bringing the total contribution from the CoD to \$650,000 (excluding program administration costs).
8. The program was taken up by 49% of businesses (377 out of 766 businesses), with 31,425 registered users and 18,000 active users. Each active user received discounts from approximately three different businesses during the period.
9. The program was promoted via television, radio and digital advertisements and through social media channels.
10. A survey undertaken by the CoD found that 61% of consumers using the myDarwin program did not increase the value of their planned expenditure or undertake additional unplanned expenditure.

City of Adelaide – COVID-19 economic impacts

11. The City of Adelaide (CoA) covers 16km² and has a population of approximately 25,500. There are 1,338 retail, accommodation and food business within the CBD and North Adelaide (1.7 times more than the CoD).
12. Accommodation & Food Services and Arts & Recreation Services sectors have been the most impacted by COVID-19 within the City and North Adelaide.
13. The city and North Adelaide experienced its most significant decline in total spend in April 2020 (down 72% compared to April 2019) with spend increasing over May, June and July 2020.
14. By August 2020, total spend had significantly recovered, however remained 14.5% lower than August 2019. This is shown in Graph 1 below:

Graph 1



Source: Spendmapp.com.au (2020)

15. The spend data is reflected in pedestrian traffic data within Rundle Mall, being at its lowest during April 2020 (approx. 20% of 2019) and bouncing back to 85% of pre-pandemic levels by September 2020.
16. Anecdotal evidence suggests that regional and suburban Adelaide centres have not been impacted as significantly as the CBD as a result of city workers working remotely and shopping locally.
17. Ongoing border restrictions have also impacted the number of international and interstate tourists and students in the City.
18. Compared to international circumstances where second and third waves of COVID-19 infections have occurred, Adelaide, South Australia and Australia (with the exception of Victoria) have so far avoided the most significant health and economic impacts associated with the pandemic.
19. Considering the current global context and the uncertainties surrounding the future of the pandemic, it would be prudent to ensure that the City of Adelaide is able to provide further support for city businesses and residents should any outbreak (with the consequent physical distancing measures be reintroduced) occur over the next 6-12 months.

City of Adelaide Economic Recovery Response

20. The \$11.2M support provided by the CoA to aid in the City and North Adelaide's economic recovery has targeted small to medium businesses, with a specific focus on the most impacted sectors.
21. A summary of support measures provided by the CoA are provided in the table below.

City Support Package	\$4,000,000
Rate relief (freezing general rate in dollar for all ratepayers and 10% special discretionary rate)	\$2,730,000
Waiving of fees* (UPark, outdoor dining fees, fees & charges at 19/20 levels)	\$2,700,000
Grants, rebates and incentives (Christmas and Outdoor Activation)	\$1,125,000
Events and Festivals, Splash activations	\$ 297,000
Marketing campaigns (inc #MyAdelaide Staycation, Rundle Mall Win it All! Campaign**)	\$ 185,000
Recover and Reimagine projects	\$ 100,000
Frozen rent increases	\$ 77,000
Total	\$11,214,000

*Foregone revenue through implementing capped price UPark Plus charges between April to September compared to revenue from early bird rates.

**This campaign is funded through the Rundle Mall Differential Separate Rate.

22. The \$4M City Support Package included 100% rent free for tenants, community and Park Lands leases/licence fees, Adelaide Central Market tenants, Rundle Mall levy for a period of three months, with a further 50% rent deferral for three months.
23. The Small Business Task Force has provided advice to city business and has been in direct contact with over 950 businesses. In addition, over 160 businesses have registered for the City Business Support Package, which will continue to provide specialised advice and support services to City and North Adelaide businesses until June 2022, including:

- 23.1. Access to a business advice hotline
- 23.2. Accounting, statutory and compliance information
- 23.3. Tenants' landlord advisory service
- 23.4. Mental health support services
- 23.5. Digital capability coaching
- 23.6. Grants and tenders support
- 23.7. Learning webinars, seminars and virtual conferences
- 23.8. Access to the Business SA resource library.
- 24. Delivery of community led Recover + Reimagine activations and initiatives, including:
 - 24.1. Live music in city streets
 - 24.2. 140 outdoor heaters for city hospitality businesses
 - 24.3. Extensions to outdoor dining in Leigh Street, Peel Street and Gilbert Place
 - 24.4. Festival lighting and potted colour (Melbourne, O'Connell and Hutt Streets, Hindmarsh Square)
 - 24.5. City activations to bring the community into the city (eg art trail, school holiday activities, cycling lessons, community mural)
- 25. Outdoor Activation Grants of \$1.15M (CoA \$850k, State Government \$300k) have assisted 172 small businesses to better utilise outdoor areas and improve streetscapes.
- 26. New UPark Plus membership program (over 15,000 members) providing touch-free parking options and \$8 all day parking from April to June.
- 27. Funding of up to \$10k to assist events and festivals to meet physical distancing requirements as a result of COVID-19.
- 28. Delivery of the #MyAdelaide and the #MyAdelaide Staycation campaigns to draw people back into the city. City and North Adelaide based tourism and accommodation providers were invited to participate in the #MyAdelaide Staycation campaign by offering discounted rates or value-added services promoted by CoA. The campaign has already (August and September) delivered over 220 bed nights and \$46k in bookings for participating businesses.
- 29. Rundle Mall "WIN it all" campaign drawing shoppers back into the city and delivering an increase in average spend per entry to \$279, compared to normal average spend of \$98.
- 30. Adelaide Central Market offering phone/email orders and in-car pick up, voluntary Sunday trading and a new "Your Local" campaign to drive visitation.
- 31. Delivery of a Christmas Incentive Scheme providing funding of \$2-20k to support city businesses, artists, performers and communities celebrate Adelaide's diverse community and dynamic city culture during the Christmas period (eg window art, live music and performances, community events and small festivals and markets).
- 32. Further details of the CoA's Economic Recovery Response are shown at Link 1 view [here](#).

Analysis of myDarwin concept for the City of Adelaide

- 33. The myDarwin Program is based on the city council providing a direct subsidy for consumer purchases at city retail, accommodation, and food businesses.
- 34. The cost to access the web-based program is approximately \$20k, comprising an initial purchase cost of \$7k as well as an annual licence of \$5k and an annual hosting fee of \$7.2k.
- 35. CoA would need to provide funding of approximately \$1.1M (\$650k x 1.7) to deliver an equivalent level of support to city and North Adelaide businesses. Based on the CoD experience this is likely to be fully expended within two months.
- 36. There is no guarantee that a \$1.1M investment would drive significant additional spending in the city or North Adelaide, given the results of the CoD's survey indicated that the myDarwin Program did not drive additional expenditure beyond what would have been spent without the intervention in over 60% of consumer purchases.
- 37. Implementation of the program is not consistent with the following CoA's Recovery Principles endorsed by Council:

- 37.1. Our rates, fees and charges approach is fair and equitable
 - 37.2. Financial borrowings adjusted to stimulate growth
 - 37.3. Proceeds from selling assets will build a 'future fund'
 - 37.4. Asset renewals will be prioritised based on audit condition and risk
 - 37.5. Asset enhancements will be delivered through partnerships
 - 37.6. We will seek Government funding for new infrastructure
 - 37.7. Our service delivery will reflect the needs of the community
 - 37.8. Investment is prioritised to support recovery.
- 38. It is considered that the targeted support delivered by the #MyAdelaide Staycation and Rundle Mall "WIN it all" campaigns are more cost-effective methods of enticing tourists and shoppers to come into the city, stay and increase city spending.
 - 39. To date, the #MyAdelaide Staycation has delivered \$46.3k in bookings and 223 bed nights. The Rundle Mall "WIN it all" campaign with a \$50 minimum consumer spend, and a \$28k total prize pool has delivered an average spend per entry of \$279, compared to normal average spend of \$98.
 - 40. In addition, UPark Plus offers partnership opportunities for city businesses. As part of the UPark Plus Rewards program, city businesses can offer discounts and special deals to 15,000 UPark Plus members. Customers can redeem rewards by simply showing their UPark Plus card to participating businesses.

Implementation of myDarwin concept in City of Adelaide

- 41. While implementation of myDarwin concept is not recommended for the CoA, if Council were to support this initiative, it would be important to ensure businesses understand how the program would work (eg how to redeem and receive payments). This could be achieved by a combination of on-line and face-to-face delivery to accommodate as many of the 1,338 retail, accommodation and food businesses as possible.
- 42. CoA staff resources would be required to deliver the training, set up processing of business and consumer registrations, answer support questions via email, telephone and in person, and to process payments. This would require a redirection of staff away from existing program delivery.
- 43. The initiative would also require marketing campaigns targeted at businesses and consumers. Launch of the initiative could occur through #MyAdelaide and be promoted through CoA's existing direct email and social media channels. Funding for the marketing campaign would need to be allocated to drive awareness of the initiative.

DATA AND SUPPORTING INFORMATION

Link 1 - City of Adelaide Economic Recovery Response

ATTACHMENTS

Nil

- END OF REPORT -