

TRANSCRIPT

PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

Inquiry into the Victorian Government's Response to the COVID-19 Pandemic

Melbourne—Wednesday, 13 May 2020

Members

Ms Lizzie Blandthorn—Chair

Mr Richard Riordan—Deputy Chair

Mr Sam Hibbins

Mr David Limbrick

Mr Gary Maas

Mr Danny O'Brien

Ms Pauline Richards

Mr Tim Richardson

Ms Ingrid Stitt

Ms Bridget Vallenge

WITNESSES

Mr Tim Piper, Head, Victoria, and

Ms Julie Toth, Chief Economist, Australian Industry Group.

The CHAIR: Thank you very much to the Australian Industry Group for joining us here today. Welcome to the public hearings for the Public Accounts and Estimates Committee Inquiry into the Victorian Government's Response to the COVID-19 Pandemic. The Committee will be reviewing and reporting to the Parliament on the responses taken by the Victorian Government, including as part of the national cabinet, to manage the COVID-19 pandemic and any other matter related to the COVID-19 pandemic.

All mobile telephones should now be turned to silent. All evidence taken by this Committee is protected by parliamentary privilege. Therefore you are protected against any action for what you say here today, but if you repeat the same things outside this forum, including on social media, those comments may not be protected by this privilege. You will be provided with a proof version of the transcript for you to check. Verified transcripts, presentations and handouts will be placed on the Committee's website as soon as possible.

The hearings may be rebroadcast in compliance with standing order 234. We ask that photographers and camerapersons follow the established media guidelines and the instructions of the secretariat. We invite the witness to make a 5-minute presentation. We do cut you off, as I believe you have seen. We ask that for the Hansard record you state your name, position and the organisation you represent for broadcasting purposes. This will be followed by questions from our Committee Members. Thank you.

Mr PIPER: Thank you very much, Chair. My name is Tim Piper. I am the Victorian Head of the Australian Industry Group. I am sitting here with Julie Toth, who is our Chief Economist, not our senior economist. She looks after our issues nationally, but certainly Victoria as well.

For those of you who do not know our group, we are a national organisation. We have about 220 staff around the country, and we are into very practical areas. We deal with OH&S and we deal with industrial relations and with trade right across the board. So we have got many staff. What that means is we are engaged with members daily. We have a call centre with about 20 people in it. They receive about 50 000 calls per year from our members, and as you can imagine, during this period that has been about three times the number that we have been getting under normal circumstances—in many, many areas. I think we have been really a required resource for our members during that period.

I thought I would mention a couple of issues to begin with. I want to congratulate the Government on the management of the pandemic, which really has been, we think, done extremely well. I think it is fair to say that we are right now in a position that is beyond any expectations that we might have had in Victoria—in Australia—when this pandemic first started. The reaction from our business leaders has been that they have been very pleased with the political leadership shown nationally and certainly the political leadership shown here in Victoria. We do not want to get ahead of ourselves, though. Obviously there is complacency which we can see just happening within society, within employment areas and among employees, and I think we need to be very conscious of that.

Talking about a few of the things that the Government has undertaken, the survival package, the \$1.7 billion funding program, has been useful. The \$500 million Business Support Fund, which we were engaged in and involved with, has been very helpful—probably not taken up as much as we expected that it might have been, but there will be still opportunities for other companies to do that. We have found that the payroll return for companies with less than \$3 million was really important. Companies I have spoken to have been pleased that that has gone back into their bank account. But there has not been much given to those beyond \$3 million, and that is an area that we have spoken to the Government about and we are looking to see some more support given to those companies.

We do commend the Government on the communications that we have had. That has been very positive, whether it has been with the Treasurer, whether it has been with the Premier's office, a number of Ministers—and I will mention those in just a moment—or indeed with senior bureaucrats. The Treasurer we have spoken to on many occasions. He addressed our leadership, including our Chair and a number of senior people from

our businesses at one stage. The Treasurer took to heart or took note of the comments that we made about removing workers compensation payments and payroll tax from the JobKeeper payment, and we were very pleased to see that happen. The Premier's office reacted to a couple of issues that we had and made some exclusions, which we thought was important. The minister for the environment, Lily D'Ambrosio, had a number of meetings with waste companies about concerns that we had raised with her. She spoke directly to them, and I think that was very positive. Similarly, when we spoke to the minister for police, Lisa Neville, about some of the actions that police were taking that we thought were beyond necessary, again she reacted very quickly. It was almost as if the playbook had been thrown out at the beginning of this and we were getting some positive reactions directly from Ministers, and it was very important.

WorkSafe have reacted pragmatically, especially around the construction and project areas where they have known that we need to keep those businesses open and that sector going, and therefore they have helped us to keep it going, all of which has been positive.

We have got a number of areas that we would like to see changes made in: first of all, the \$24 billion line of credit that the Government has announced. What we have said there is that we do not want that part of any recurrent programming. It is positive in terms of dealing with COVID, but we do not want it to fill gaps, to fill holes that there might have been with the budget beforehand. We need to be aware of skills development and apprentices. That is really important. We need to be still conscious of the cost of energy in the state—a really substantial issue for manufacturers going forward. We are looking at local procurement and supply chains, which again we hope the Government is very conscious of. We think it is imperative that the Government removes restrictions as quickly as possible to allow businesses to start to re-establish themselves. Shovel-ready projects: we would like to see some of the smaller projects come online as well as some of the larger ones, because we think that might help with employment.

Mr RICHARDSON: Thank you, Tim and Julie, for joining us today and for your insights. I want to just go through a couple of your points that you have made around the business support, but some of the headline figures: real GSP could be down by 14 per cent through the June to September quarters, unemployment rising to 11 per cent, the impact on 270 000 workers and the property price decline that we have seen and the impact on the State. How has the Ai Group worked with the Government to support those businesses? And just on that \$1.7 billion, I know you were instrumental in part of those early works as well, if you could detail a bit of that to the Committee and then maybe elaborate a bit more on that \$500 million support package and some of the issues that you have seen in terms of businesses not taking it up or what some of those issues might be.

Mr PIPER: I might get Julie to just comment on the economics of that to begin with, and then I will come back to you about our work with the Government.

Ms TOTH: Yes, those numbers that you have just mentioned for Victoria are quite scary. When we look at the evidence coming in to us through various sources from our members and from other businesses, it is looking like the impact is a little bit more in Victoria than in some other states, probably because of the industry mix that we have here. As Tim mentioned earlier, we have got a national infoline, which is basically legal advice over the phone. The numbers of calls just went through the roof in March as the situation started to develop—thousands of calls coming in from Victoria but also from businesses elsewhere that work across multiple states. Initially the calls were more about how to manage the workplace, but as the weeks went on more and more of them were about standdowns and leave and other things—ways of managing very rapid declines in demand. So we did see demand collapse quite quickly, and the ways businesses are looking at managing that have changed over the weeks that we have been through this crisis already. But those awful numbers that you just mentioned are looking fairly feasible for Victoria, yes.

Mr RICHARDSON: And, Julie, in your capacity then as Chief Economist, as a yardstick of other economic crises that we have faced and indeed the pandemic impact on Victoria, how are you seeing this compare to other economic ructions in the economy?

Ms TOTH: I think what really marks this one is the speed. Even remembering back to the 1980s and 1990s—and, yes, I was in the workforce back then—we did have very high unemployment for periods during those decades, but it built up over time. The rapidity of this crisis is really quite unique. I think the fact that we have not had a recession for that long—which is a fantastic achievement for everyone—means that when you think about it, for pretty much our entire workforce under the age of 50 they have never seen a recession. They

have never seen double-digit unemployment. People are needing to apply for benefits and assistance who have never had any interaction with those services before. It is just such a new experience and happening so quickly that anxiety and concern both for businesses and for employees is extremely high, and that has actually been the topic of many of the calls—how to manage that anxiety, how to manage the uncertainty and how to support your workforce when the business owners and operators are feeling a similar level of anxiety.

Mr RICHARDSON: I think it is a really good point, Julie, and to take a further step I note in an article you were involved in as well, Tim, that Paul Guerra made a comment about not having a vaccine yet or when the horizon might be. Unlike some of the economic crises before, where you have got a moment in time and then you can start the recovery, there is this ebbing and flowing and then the international impacts. As a Chief Economist, how do you factor that into some of the assumptions and modelling that you are putting forward as well, and what are you hearing from your organisations in that setting as well?

Ms TOTH: I think for the businesses that we talk to the uncertainty of the situation is really quite unique, and it really underscores the importance to everybody of having security of information and reliable information. At the start of the process in particular the anxiety levels that we were seeing being reported across the board were really about that uncertain outlook.

Mr PIPER: Consistency.

Ms TOTH: That is right.

Mr PIPER: Consistency of message is really important—even now.

Ms TOTH: Consistency of information is really important, and clarity of information. Differences between states have caused quite a few concerns, and the timing of when things might happen. It is important to say that we do not know what is going to happen and to acknowledge that, but by the same token the risk in the outlook is quite extreme, and that has implications across the board.

Mr PIPER: Just on the economics of it too, we are concerned, as I heard Paul say, about June–July–August. The orders that were in the pipeline for January and February have now been dealt with, but we have not had new orders coming through. So what is going to happen in June–July–August is that there will be layoffs—there will be people that do not have the jobs that we want them to have. Companies I have been speaking to have got orders of about 10 to 20 per cent of what they had expected. So there is going to be a troublesome period. The services sector has already had it—they are in it right now. The manufacturing sector is what we are concerned about in terms of the order period.

Mr RICHARDSON: And that probably goes to a twofold point also, and then I will come to a bit on JobKeeper and JobSeeker. But the \$1.7 billion package, how did that come about, and what were the learnings from that process as well, and then that survival package, the \$500 million?

Mr PIPER: Well, the \$1.7 billion—a lot of that was about money going back into the bank accounts of those with \$3 million or less of payroll. That was good; they loved it—and who would not? Those who were not paying payroll tax were able to get a \$10 000 grant. I think we expected more to do that because it was an easy thing to do, but it has expanded now, and it has been a not unreasonable thing to occur. I will give you an example. We have had seven small businesses in manufacturing in regional Victoria that we have spoken to just in the last week, and they have said, ‘No, we don’t need it yet, but come June–July–August, that’s when we might’. So we have not seen the end of that sort of thing.

Mr RICHARDSON: So how it rolls through as well.

Mr PIPER: Precisely. So we need to maintain that. What we would like to see, though, is those beyond \$3 million being assisted as well. I will give you an example of a concern that we have had. At the moment we have a company whose payroll was between \$3 million and \$4 million who wanted to have their payroll tax delayed for a period of time, but they were told there would be a 25 per cent penalty tax on that. Now, they were literally five more employees than somebody under \$3 million and yet who was not paying payroll tax at all. But these guys are going to be penalised 25 per cent for paying late. There is an inconsistency there that the Government actually has to deal with.

Mr RICHARDSON: In the important representations of Australian Industry Group as well for those that were just below, if JobKeeper had been a part of that assessment that would have tipped them over and maybe had a \$200 000 impact and really put them over as well. So that representation was important as well. Can I just take you to JobKeeper and JobSeeker? So what is the view of AI Group in terms of going forward? Obviously it has got a time horizon under legislation federally, and that impacts then on Victorian businesses and Victorian workers. What is your view on where JobKeeper and JobSeeker should go in the weeks and months ahead?

Mr PIPER: We have spoken to the Treasurer about this. Our CEO is in regular contact, and what we believe will be needed is that JobKeeper may need to be extended in certain sectors and not in others. For example, aviation—we do not see that coming back too quickly. Tourism—we do not see that coming back too quickly. So there may still be a circumstance for JobKeeper to go beyond September. In other areas you might be able to look at pulling it back. But we would be concerned about it being pulled back entirely before then, because there will be companies that are now working on the basis of receiving that and their budgets enabling people to be continuing in work will be on the basis of them getting that \$1500 a fortnight. So we can see it continuing in some areas beyond September.

Mr RICHARDSON: From the national cabinet process we have seen probably a moment in a generation in time really where the collaboration between Prime Minister, chief ministers and premiers is really leading to a response to the pandemic; but then on the other side the potential for economic growth and reform. What is Ai Group's view on that moment of time in terms of reform and opportunity going forward, and what are things that you are looking to see as well going forward both nationally and in the state of Victoria?

Mr PIPER: How long have we got there? That is a big question. I mean, the national cabinet has been very positive, and the leaders have worked very cohesively under the circumstances—so that is good. There may be a possibility for that to continue. Maybe COAG disappears and a national cabinet is created—who knows? That might be something useful. We certainly would like to see some cohesion in terms of a manufacturing plan being created. There is a manufacturing committee that Andrew Liveris is on and that our CEO is part of. Why wouldn't we be working together with other states making sure that strengthening Victoria only complements New South Wales or Queensland—that we are not competing with each other on this basis? We have got a great rail network of businesses here in Victoria. Why don't we utilise that and enable New South Wales to do other things? Because we are not big—economies of scale is one of the biggest issues we have in Australia, and yet we seem to still compete from state to state. So if we could from a manufacturing point of view at least be encouraging each other and working in parallel rather than working against, I think that would be a positive venture.

Mr RICHARDSON: You might have heard the evidence from the Minister for Jobs, Innovation and Trade this morning, who talked about just how vital the manufacturing of ventilators here is. To have that sovereign manufacturing economy as well is something that was a really important point as well.

I note your point about different states and the different advice and different circumstances in restrictions—obviously Victoria has tipped over 1500 cases, Queensland 1000 and New South Wales over 3000, so there are different levels where this pandemic is at. But many of your members have been able to continue to operate, including businesses that require people to work on site. I am just wondering if you could take the Committee through the engagement and advice that you have had from the Chief Health Officer's crew, and if there are any other experiences that you have had and what your members' feedback has been.

Mr PIPER: We have not had any experience with the Chief Health Officer at all. We have not reached out to him, and nor has he reached out to us. But we have had engagement regularly with WorkSafe, and that is sort of on the same line, because of course they are the people that are regulating what happens in the worksite. They have been pragmatic, they have been reasonable and they have offered advice to our members, and we have been pleased to see that they have developed guidelines across a number of areas as well.

We have said to our members that this social distancing is really important. Even if you are the most important food manufacturer around, you have still got to maintain that social distancing—because that is health first; it is life before livelihood. And that is the way that we have worked that, and we have insisted with our members that that be the case. I think under most circumstances they have actually succeeded in doing that.

Mr RICHARDSON: So stepping forward—and you have talked a little bit, Tim, about the coming months and in particular I guess that phased approach of support and assistance—how are you engaging with your members and advising them on that easing of restrictions? What is some of the advice, both economically and with distancing requirements? What advice are you putting forward to your members in supporting them both in Victoria and abroad as well?

Ms TOTH: I think moving towards easing and then what life looks like later is still a work in progress for everyone. One thing I wanted to say on the timing is if you have got a moment, I could just step you through what we are getting from our business activity surveys that we run every month around the country.

Every month we run surveys for manufacturing, construction and services, and we look at activity and concerns and planning across the board. I think the timing with what we are getting from those surveys and from our info line and from other areas indicates that the timing of this sequence of closing down or moving out to working from home or changing your factory and then moving to easing and then on, it is not uniform in all industries, let alone around the country. So not everyone is even thinking about easing, quite frankly. Quite a few businesses are still in the process of closing down, of restricting activity. What we saw in March—you know, the results were a little bit surprising. But in manufacturing, for example, in March we actually saw quite a big increase in activity in some sectors, particularly in food, beverages, groceries—all the consumable items. That was because of the stockpiling that people were doing in supermarkets and pharmacies and elsewhere. A lot of that is made locally, and that did cause quite a big spike in local food and beverages, groceries, manufacturing and forward orders. Other parts of manufacturing—transport and logistics—shrank quite quickly, but there were quite a few areas that that picked up strongly.

Moving forward to April, we have seen pretty much everybody suffer big declines in demand and start to shutter up. It is really only now that we are in May that people are starting to think about: what does the easing mean, and how will I open up the factory or the business again? So we are only just at that turning point now, I think.

Mr HIBBINS: Thank you both for appearing today. I really want to ask about what your priorities are for economic recovery. I alluded to earlier that the Treasurer and the Government have got a \$24 billion line of credit. What are your priorities in terms of what that is invested in? I know your CEO made some comments some time ago about addressing both the climate crisis and economic recovery at the same time. From a lot of quarters they are talking about a big build of social housing. I would be keen to hear your thoughts on what your priorities are for that expenditure.

Mr PIPER: We spoke about this this morning on a national hook-up, and the social issues are as important as the economic issues for us. That is what our members are wanting us to do. So the social housing could be an extremely important one. But the fact is construction is extraordinarily important to our economy. It has maintained us so far, and we need to continue to do that. And we are concerned with residential housing as to where that is heading right now. I was talking to a leader in that just again this morning and she is worried about where they are at the end of year, that they might not have any orders. By the way, regional Victoria does not seem to be as affected on these issues at the moment as metropolitan, but that could of course change as well.

But the sort of things that we would like to see, we would like to see issues around energy dealt with. Qenos is a big company here in Victoria. We need them to be part of the supply chain. We need to be aware of where the supply chain comes from and is going to be dealt with, but if we do not have low gas prices, low energy prices, we are not going to have companies like that as part of our supply chain into the future.

Local procurement is going to be really important. I chair the Industry Capability Network. What we have always been encouraging and what this current Government has been encouraging is to be buying locally, but we need to be doing even more of that. We need to make sure that the community is aware of that as well. We need to have fewer restrictions than we do at the moment. The red tape that we have in Victoria is just increasing, or that is the way companies see it. The Government has said us, look at the ways that regulations could be improve, but I have got companies that are saying, 'I can open a quarry in the next 12 months', but at the moment it is taking seven years to open those quarries. Is the Government really serious about reducing some of these regulations to enable those sorts of things to occur? So the red tape remains an issue. We would

like to see, as I mentioned before, some of the smaller projects coming online to make sure that employment is created at the same time as having the bigger projects maintained.

Mr HIBBINS: Yes, that is what I wanted to ask about. Can you just explore that a bit more in terms of what you mean by smaller projects?

Mr PIPER: It could be drainage. You know, when Melbourne floods, it really floods. That could mean a \$10 million project that is developed. It means workers are back online.

Ms TOTH: Waste and recycling is another area where there are quite a few small projects. I mean, they are not particularly glamorous, and they are not the kinds of things that politicians—

Mr HIBBINS: It depends who you speak to.

Ms TOTH: Yes. But in the energy space and particularly in waste and recycling, we had trade problems with that before this crisis. It is likely that that will be exacerbated going forward. It is certainly not going to be resolved through trade agreements, so that is particularly an area where small, local and regional projects can be—

Mr PIPER: And we have not talked enough about skills, really. We have had a 58 per cent drop in apprenticeship completions this year already, and that is only going to increase. That is a real problem for us, so whatever we have to do to develop our skills network is really important. It might even be that some of the people that are not employed at the moment that actually have got skills can go out and work with the apprentices. But we just cannot afford to let apprentices go, because if we do, we are going to see the impact of that in two or three years, and our economy continues to cry out for skills. Even before this occurred, it was one of the two issues that members spoke to us about always, ‘We need new skills’. We need skills coming through, and if we let apprentices go now, it is just going to hurt us in the longer term.

Mr HIBBINS: Terrific, thanks.

Mr RIORDAN: Thank you, presenters. You talked about regional Victoria sort of buffering a little bit at the moment. I guess that is possibly down to a pretty strong agricultural season that we have seen with the great autumn break. My concern—I am wondering whether you are hearing from your members or if you have done some modelling yourself—is around the effect of the disappearance of aeroplanes and probably the backlogs in supplies. One of the concerns I would have is if we go and have a fantastic harvest season, are we looking at not getting spare parts? There are not going to be the truckloads of emergency supplies coming out, freighted overnight from the US or whatever we need to keep the wheels of industry and commerce turning in the country. That also flows through with sending fresh meat exports and other things out overnight on planes. Can you tell us a little bit about what you are sensing from members about that, if we do not have international planes for another—

Ms TOTH: No, you are absolutely right. The number one concern is still about demand—you know, what is happening to our customers and who will we sell to—but we have also seen quite a large number of examples of supply chain disruptions because of freight and logistics disruptions. A couple of claims of price gouging, so even where freight space is still available, the price has gone up enormously. What surprised a lot of people when the planes stopped was a deeper understanding of how our freight actually operates. Yes, we have got the ships coming in and out, and they are continuing to operate but the prices have gone up, so the transport costs have risen for our exporters.

Actually, our trade policy director told me this morning that when we look at the certificates of origin that AI Group issues, which is nearly a thousand a week nationally, the numbers have not actually dropped. That is telling us that export volumes for our manufacturers have not dropped yet—you know, they are still filling orders and they are going out on the ships. But the bits that have generally relied on air transport, because that is usually connected with the passenger planes coming in and out, have become much more difficult. A lot of disruption, a lot of delay and again those rising transport costs. That is for things coming in, but also time-sensitive exports have been disrupted too, particularly in the fresh food area.

Mr RIORDAN: With what you know of how that is working at the moment for those industries, are you talking with them about what you were talking about before, that there will be consequences well past September presumably?

Ms TOTH: Yes.

Mr RIORDAN: And what sort of percentage of your membership would be affected by that breakdown in our traditional logistics systems?

Ms TOTH: Well, we know that nationally around 10 per cent of manufacturers are involved directly in exporting. A far higher proportion—probably about half—export or import through their suppliers. They are all reporting delays, and some of them are reporting increased costs as well.

Mr PIPER: Logistics are a real issue, whether it is in manufacturing, construction. There just needs to be one part—

Mr RIORDAN: That is what I am saying. A \$10 spare part from Germany that cannot get here.

Mr PIPER: That could be the problem. And what they are worried about, by the way, is if they are providing to an OEM, them being the first one that says, 'I haven't got the part'. I mean, we have got Kenworth that is still running, which is terrific. Nine trucks a day, which is really positive, and they have got a number of suppliers to them. That supplier does not want to be the first one to say to Kenworth, 'We can't supply you', which stops the whole plant.

Ms TOTH: But supply chains internally in Australia have been quite severely disrupted by the border closures as well, particularly between Victoria and New South Wales and South Australia.

Mr RIORDAN: I will just throw to my colleague Danny O'Brien.

Mr D O'BRIEN: Thank you, Deputy Chair. Just on that, I mean, the just-in-time manufacturing obviously has grown in the last 20-odd years. Is there going to be a massive reshaping of that?

Ms TOTH: I think the attitude to supply chain risk management is definitely changing as a result, so weighing up the cost of, yes, risks to your supply chain versus the cost of increased storage capacity and, you know, money tied up in inventory et cetera.

Mr PIPER: And who your supplier is.

Ms TOTH: That is right.

Mr D O'BRIEN: And where.

Ms TOTH: There is certainly already an increased interest in diversifying those supply chains so that you are not relying on one location or one line of freight. It is not just where you get the supplies from but how you get them as well, whether you are depending on one freight operator, for example, or one shipping line to do it.

Mr D O'BRIEN: Mr Piper, you said before you had not had any engagement with the CHO, but what about the Government more broadly? Senior Ministers, the Premier—have they been in touch with AIG at all?

Mr PIPER: Yes, we have had whatever engagement we have actually needed, so from the Treasurer, his office, the Premier's office, Ministers Pakula and D'Ambrosio. Lisa Neville, when we complained about the overaction by the police, immediately dealt with it that day. So we have had some positive interaction with the Government on that basis, yes.

Mr D O'BRIEN: And in terms of outstanding responses to requests, leaving aside tax issues I think because it is obvious you would like to see less tax, are there any particular issues that the Government just has not responded to or has not given you a satisfactory response to?

Mr PIPER: No. I think we have had a reasonable hearing across the board in that respect. We sought some reduction in levies on the waste, and that occurred to a certain extent. We sought changes in the JobKeeper payroll arrangement, that occurred to a certain extent that the Government was comfortable with. Again,

curfews on waste issues—the Government dealt with that and extended the curfew periods. Whether all the local councils comply, that is another matter. But we had one local council that had a \$400 fee placed on a company for being 10 minutes outside of the curfew time—6.50 am rather than 7. It was ridiculous. But generally speaking we have had some good reactions from the Government, recognising that things just changed and they needed to act more quickly.

Mr D O'BRIEN: Can I go to probably more a recovery-type question, and I think you have partly answered this with respect to Mr Hibbins's question. There are two predictions I guess coming out of this about how things will change. One, that we will or we at least need to manufacture more in Australia. But two, that there may well be a decentralisation, that people will go, 'I don't want to be in the city anymore, and also I have worked out that I can work remotely and I am going to go and move to Bendigo or Sale or whatever'. If we have more manufacturing come in, will it naturally go to the regions where there is more land and cheaper land? If not, what could be put in place to encourage that?

Mr PIPER: It will not naturally go to the regional areas, but I think there will be a greater number that do. We already saw that happening with companies that were selling properties here in Victoria for millions of dollars and then ploughing it back into plants in regional areas, buying property that was significantly less and being able to put it into their factories, because the logistics of getting to Ballarat, Bendigo and some of these other areas—Wodonga—were pretty good as well. But it does not mean that all the skills are there. Pre-COVID Ballarat skills were at a premium; Ballarat unemployment was less than 4 per cent. So you have also got to have the skills to go into these factories and into these plants, because one of the issues we have always had is that we have been deskilling ourselves, and I mentioned that earlier.

Mr D O'BRIEN: That probably leads to the question: what are the things that prohibit us moving to the regions? Is it skills? You mentioned energy, local procurement, red tape. Are they all things for the regions as well? Is there anything else?

Ms ROTH: Yes. Another big one is digital access and digital costs, and freight times and freight costs. Quite a few companies have tried to move out of the inner city, and they often get thwarted. As Tim said, the workers are not there or sometimes it is that the services that they need are not available locally. I might say I do know of two companies in Bendigo that have facilities in Melbourne and Bendigo and they have been progressively moving more of their office staff up to the Bendigo production facilities. They have now got people commuting from the outer burbs of Melbourne up to Bendigo and back instead of into the inner city because the travel time is about the same if you doing it on—

Mr D O'BRIEN: I understand that actually more people get off the train in Bendigo in the morning than get on it coming in.

Ms ROTH: Yes.

Mr PIPER: Payroll tax has been important there—1 per cent in regional areas is quite something.

Ms ROTH: Yes. There are companies trying to do that, but I think the barriers that have been in place for moving—higher value office space, knowledge workers—out of the city are still there.

The CHAIR: Mr O'Brien's time has expired, so we thank the industry group very much for your appearance here today. The Committee will follow up on any questions which were taken on notice in writing and require responses within five working days of the request. We will take a short break for cleaning purposes before the next witness. Thank you very much for your attendance here today. We appreciate you taking the time.

Mr PIPER: Thank you for inviting us.

Witnesses withdrew.