

TRANSCRIPT

PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

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

Melbourne—Thursday, 14 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

WITNESS

Mr Justin O'Donnell, Executive Chairperson/President, Chapel Street Precinct Association Inc. (*via videoconference*).

The CHAIR: 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 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 of 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, and 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 have asked that photographers and camerapersons follow the established media guidelines and the instructions of the secretariat.

We invite you to make a brief opening statement of 5 minutes. We will cut you off at the 5-minute mark; apologies for the awkwardness. Please state your name, position and the organisation you represent for broadcasting and Hansard purposes. This will be followed by questions from the Committee Members relative to their representation at the table. If you would like to introduce yourself, please.

Mr O'DONNELL: Sure. My name is Justin O'Donnell. I am the Executive Chairperson and President of the Chapel Street Precinct Association.

The CHAIR: Thank you. Would you like to make a short statement?

Mr O'DONNELL: Thank you. We thank the Committee for allowing us time to share our feedback. The Chapel Street Precinct Association is made up of around 2200 businesses and is a true microcosm of business here in Victoria. Whilst we are famously Australia's largest retail and entertainment precinct, additionally almost one third of our businesses are in business and professional services. The diverse mix of businesses gives us a very thorough insight into the effects COVID-19 has had on businesses here in Victoria.

COVID-19 has seen a high percentage of our businesses report a drop in turnover of between 70 and 100 per cent, and this has devastated our local economy. Both the Federal and State Government support packages have been integral to limiting the amount of businesses that otherwise would have already been forced to close and lay off employees. JobKeeper has been integral to many businesses in retaining their employees. This by far has been one of the most important initiatives and has saved thousands of jobs. The State Government's commercial tenancies release scheme was absolutely critical to most businesses surviving. A very high percentage of our businesses have stated that without this key piece of legislation they would have been forced to close their businesses permanently. Many landlords have supported them with this. However, many have said that landlords have offered the bare minimum, which shows that without this legislation this may not have happened and it would have resulted in many more closures than we have seen so far.

Our larger businesses have said the payroll tax refunds have assisted. The businesses that qualify for the Business Support Fund grant said this helped immensely and it was received in a timely fashion. However, many of our businesses in business categories that were rejected initially for this grant were extremely disappointed that they were ignored by our State Government. The grant said it was for businesses heavily impacted by the lockdown measures, however, our State Government decided they would determine which business categories were heavily impacted by the ABN classification. This was a fallacy and completely ignored the reality that if you forcefully close that many businesses in a local economy, many other businesses in that local economy are equally impacted. For these businesses to receive rejection letters from the State Government stating that their business was not considered to be heavily impacted when in reality many had seen a 70 per cent downturn or greater was devastating for these business owners and showed a lack of compassion and understanding for the plight of these businesses.

This was exacerbated by the lack of response or reply. Many businesses did not receive a rejection letter or notification until they followed up with phone calls. Thankfully the State Government finally announced on 1 May that this was now being opened up to all businesses who qualified, regardless of business category, as long as they qualified for JobKeeper. Yet many are still waiting to hear back and to date have not received the grants yet, and this is almost two months since the forced lockdown of many businesses and our economy. This is not acceptable or fair in our view.

Another concern: the State Government's decision to not allow our restaurants and cafes to take part in the stage 1 easing of restrictions to have up to 10 patrons while maintaining social distancing measures has not been received favourably. Our business owners would have appreciated the choice here. Whilst it may not have been economically viable for all, many businesses have said that with the JobKeeper scheme in place it would have been vital to help start generating some profitable revenue, as takeaway alone will not keep them afloat as most delivery services are taking up to 35 per cent of their profits, which is not sustainable. Three weeks may not seem a long time; however, for many businesses this may make all the difference to them surviving or not. Our Premier's statement that the overwhelming majority of businesses he had spoken to about this had said that 10 patrons would not be viable anyway does not gel with the overwhelming majority of our businesses' feedback. How can the Premier make this statement yet not speak to the largest member group of restaurants and cafes in his state? Nobody from the Government asked us about this before making this decision. We sincerely ask that, based on this, the Government reconsider this urgently, as many businesses need to start trading again. We are confident they will adhere to stringent measures to ensure public health and safety. Not everyone will open yet; however, please give them the choice.

The misguided belief that businesses have been able to go into hibernation is just not realistic or true. Whilst JobKeeper is assisting with some wages, some of our employees on sponsored or international student visas do not receive support and do not qualify for JobSeeker, so we have many businesses still paying their wages so that they can at least feed themselves. Businesses have been able to negotiate rent relief; however, in a lot of these cases it leaves half of the businesses in deferred rent, meaning that this is a debt that continues to build. Banks have deferred loans; however, they are capitalising the interest. So once again this is a debt that continues to build. Council rates, outgoings, equipment finance and insurance premiums are all still due and payable. Therefore businesses still have many expenses and bills and cannot truly hibernate. Every week that they are kept closed, these debts are mounting. Every week is critical, and for every week that they are forced to remain closed we will see more having to close permanently. We have seen a number close permanently already and this will only continue to increase every week these decisions are delayed, and for every closure the impact will continue to add to those who remain as they will have less and less customers on the other side. Thank you.

Mr RICHARDSON: Thanks, Justin. Thank you so much for joining us here today and for sharing some of your insights as well, and we will go through some of the questioning. But from the outset, thank you for presenting to our Committee in this important oversight and for the significant representation that you have through the Chapel Street Precinct Association. I am just wondering how your organisation has gone. Some of these chats would have been very hard over the last little while, and thank you to you and your team for that support that you have provided to businesses and to people in the community as well. What are some of the things that the precinct association has been doing? I have seen some things on Facebook, with a bit of Dane Swan going down and doing some takeaway, but also the Chap-Drive-Thru. What are some of the things that you are doing to try to innovate in this space?

Mr O'DONNELL: Yes, absolutely. Very early on, even before the lockdown measures started, we reacted very quickly to support our members; we saw what was coming. Our first initiative was to start lobbying for the commercial rent relief scheme and actually actively talking to landlords as well. Even before the scheme came in we actually had quite a number of landlords working with tenants, so that was our first priority as it is one of the major expenses for most of our businesses. Without some relief there, they would not have lasted even the first month. We started with the biggest areas we could assist with the most, and then we also moved into other areas. We redirected our website resources to provide information for business owners as much as possible. We have been watching every press conference and every update of information from State and Federal Governments and providing our business owners with updates as accurately and as quickly as possible. We did—as you have seen—the Dane Swan videos. We actually employed two very well known locals—we also had Dolly Does Chapel. We did a major social media campaign really driving home the 'Support your local

businesses' angle, and we also ran on our website a major social media campaign called Lemonade out of Lemons, and that was the old adage of 'If you're given lemons, make lemonade'.

So we had a lot of businesses successfully pivoting their businesses very, very quickly and taking new measures of ways that people could consume from home—the ways they could get home deliveries, the ways they could get online and use a lot of business services. For instance, we had a number of our gyms in our precinct that very quickly moved to online personal training. And so a lot of these businesses we were able to assist in keeping some sort of revenue coming through their doors, and we actively promoted a lot of that through our social media channels. I would say our association, our employees, have been working harder than I have ever seen them work. And that is communicating with businesses, letting them know that they have support, but also sharing through our social media channels, our website channels and so forth to the local community and really helping the local community understand how they support those businesses so they will be there at the other side of this.

Mr RICHARDSON: Obviously, Justin, this is a significant economic impact as well. Really without a vaccine internationally we are in the ebbs and flows of where this virus goes. Obviously the last quarter has been a substantial change—coming out of the bushfires crisis that we had then straight into this pandemic. What do you see as some of the changes that you will see longer term as well? And I am interested in your thoughts around the regulatory space as well—obviously the engagement with local government, and then State regulations. What are the things that you would be looking to change and some of the challenges that you might have had at those levels as well?

Mr O'DONNELL: There are a number of things there. We realistically see that this may change business for a long time—maybe permanently. From a regulatory side of things with our local government, our State Government and Federal Government, probably most of what we hear is the need for transparency and coordination between all levels of government. Getting mixed messages from different levels of government makes it very hard for business owners to confidently make decisions about how to pivot their businesses. I think removal of any unnecessary red tape or additional charges and taxes and so forth right now on business will be critical. Every dollar and cent that a business can save right now could mean the difference for them making it through for however long that is. That is probably the biggest challenge for all the businesses—deciding do they persevere and hang in for the long haul. In most times in businesses you can guess how long that will be, but for many businesses we do not have any idea of how long that could be.

Do not get us wrong: the overwhelming majority of our business community have been really pleased with how well this pandemic has been handled from a health point of view, and keeping the numbers down gives us some confidence that we could start getting back to some business as usual. I will say that all the business owners that we have spoken to have put a lot of measures already in their businesses with signage—social distancing, limiting numbers and so forth—for those who still can have some form of trade, and our businesses that are doing food pick-up and takeaway are doing the same thing. The amount of measures they have put in place—they really understand the need to ensure this is managed well. None of our businesses want to see another spike. We know that that will be devastating not just to the health of our country but also to our economy. But we also do want to see that there are some easings happening now so we can also put into place some of these measures and test that they are working well.

So I suppose that is where we are a little bit disappointed that some of these decisions have been pushed back to June. We have had many businesses ramping up getting ready with their signage, with their cleanliness routines and safety routines, ready to start doing that. We actually felt that it would have been easier to manage in smaller numbers to get ready to prove that we can manage that well for those businesses instead of waiting till they are larger numbers. We would like to see the Government working with us on that and that we are part of that partnership, because without the ability to start doing some of that and enacting some of those measures it makes it very difficult for businesses to make decisions, and having to wait until a press conference with no guidance on what is coming makes it difficult to make decisions. We have to plan ahead, we have to plan for staffing, we have to plan on how were going to run our business. So timely, proactive communication would be great, and removing any red tape would be much appreciated.

Mr RICHARDSON: I think it is an interesting point around what we have seen in other jurisdictions—in South Korea and Singapore—that ebb and flow before a vaccine and how far we open up and those easing of restrictions and being cautious as well, but also the need to get some sort of normality back as well. You have

got a resilient crew through the Chapel Street precinct. I am interested in just the move to that delivery and online prism as well and some of those big players, your Menulogs, your Uber Eats. Have people moved away from those organisations into their own frame, and what has been the impact of having to rely on some of those well-established apps and platforms?

Mr O'DONNELL: Yes, that has probably been the biggest challenge for our businesses in the food industry. Most have been charged around 30 to 35 per cent. We have been running a campaign for quite a while, trying to put pressure on for them to bring that back. We have just succeeded in seeing Uber Eats drop it by 5 per cent for new signups, but for the businesses themselves the challenge is that society has changed, so when people think about ordering takeaway and delivery, they automatically go to the apps. So even though a number of these businesses are utilising their staff to do home deliveries, the challenge for them is to actually get the consumer. That is why from our end we have been driving the Chap-Drive-Thru campaign as well, to help people understand that they can still order directly from the restaurant or cafe, their local. We have seen a groundswell of that starting to happen. We have had some fantastic support through media also sharing that.

There was some misunderstanding from law enforcement. They had actually threatened fines for some of the businesses we featured in those videos, but pleasingly, with our contacts with local policing, they very quickly helped explain that to the officers—that we were only encouraging that people pick up their order and go home. So pleasingly, that misunderstanding turned very quickly. Some of the businesses we featured in that campaign said that they actually had their busiest night of ordering when Channel 7 ran it on the news. So we are seeing locals especially start to understand; it is starting to shift. However, most of our businesses are still saying that about 80 per cent of their takeaway orders are still coming through those major apps. Whether it be Menulog, Uber Eats or Deliveroo, they are all charging around that 30 to 35 per cent, and they state that they cannot do it for any less. So until that changes there is just no profit for those businesses. Yes, they are still getting turnover; for some of them their turnover is still very similar, but their profit has dropped right out.

So I suppose any support that these businesses can get—encouraging the public that it actually is safe to go and pick up the takeaway order, that even if you cannot sit in the restaurant and have a meal, to go and pick it up is not dangerous. That has also been in a campaign that we have struggled to really get out there. Some people see that if they leave their front door, they are at risk. It is helping the public understand that actually going and picking up their order in a lot of cases is safer than having a stranger pick up their order for them and deliver it to their door. So changing the public perception on that is critical.

Mr RICHARDSON: I think it is a really good point. I think as confidence comes back and people see that community transmissions are reduced, we will get some sort of normality back in that form as well.

Mr O'DONNELL: Yes.

Mr RICHARDSON: It might be an opportunity also for the precinct maybe to get into the app space. With 17 000 followers on the Facey and on social media, it might be a frontier for you to have a look at as well. But just going more broadly, obviously as we transition back and we start to see restrictions eased over the coming weeks, what are some of the things that you are communicating to your stakeholders around those procedures and practices in place around physical distancing? Obviously you represent a pretty diverse crew, but what are some of the things that you are putting forward with your stakeholders?

Mr O'DONNELL: Yes, great question. As soon as the WorkSafe links came out from the government on the packages and for all the different industries, because we have such a diverse mix of business groups, we have actually been sharing that information, asking them to prepare early, so to go to WorkSafe, get their business classification and follow all the procedures. We have been really encouraging the fact that as a business community it is in our hands. If we actually do this in a safe and measured way and ensure that we do not see a spike in our region, then it is better for our businesses. And our business owners overwhelmingly understand that. The amount of responsibility they are taking is huge. They understand that their very livelihoods rely on how well they manage this part of the process.

So we have been sharing all information shared from the government on WorkSafe and so forth and encouraging them to get ready with their signage, to ensure their signage is ready to go, that their communication with their customers is paramount. Even for a lot of our restaurants and cafes, they were ready to go with up to 10 patrons. It is great that there has been a great uptake in the COVIDSafe app. However, we

also understand that if there is any sort of outbreak, the quicker that can be controlled by the health professionals it is less likely to close an entire precinct. So a lot of our businesses are ready to only take reservations if people were to dine in. So they would take the names and contact numbers and so forth. So even if they were not traceable through the app, those businesses were ready to have that information available for health professionals, so that if there was any outbreak, it could be contained very, very quickly. So across the board our businesses are onboard, ready to do their part.

Mr RICHARDSON: We heard from Visit Victoria and tourism representatives in peak agencies today. I am just interested in the breakdown of the reliance of Chapel Street precinct on that visitor economy as well, and what you see in terms of attracting visitors and support going forward—whether there are other opportunities to broaden out that engagement going forward.

Mr O'DONNELL: Yes, absolutely. We have discussed that as well. We do have a pretty high reliance on especially international visitors. We do not see that being a part of our economy for a long time, so we would like to actually ask the Government to consider—and organisations like Visit Victoria and so forth—diverting some of those campaigns they may have had for international visitors to really support visiting locally, so appreciating what is in your backyard, you know, those stay-home vacations and so forth. There are so many great venues and places to go in our own backyard that often we will go overseas to experience instead. So we actually see that as a key opportunity, if we redirect some of that tourism advertising and funding and so forth, to really support staying local, supporting local and actually experiencing a lot of the local activities that there are in your own backyard. That is what we would like to see, and we see that as a way of at least covering some of that short gap that there would be for tourism.

Mr RICHARDSON: Just in the last minute and a bit that we have got I am interested in your comments about JobSeeker and JobKeeper. Obviously we heard evidence today about the flow-on effect that businesses might feel in the coming months and might see required to be continued on into the future. What is your view on the JobKeeper and JobSeeker policies and the need to continue that going further into the future?

Mr O'DONNELL: Yes, I see it as critical. Right now what a lot of people do not understand is with JobSeeker and especially JobKeeper it has enabled businesses to retain their employees and not lose that connection; however, the businesses themselves are passing those wages directly on to their staff. Which is great—it is what we wanted—however, once we can actually start getting some economy back and trading, it is those debts that are mounting on those businesses. To be able to still have some support of JobKeeper subsidising those wages so we can actually start covering some of those building debts, that is what we need government to understand. To remove it early would be devastating for businesses. We have made decisions to stick in there with this support being in place at least until the end of September, but we need some time to trade with some customers coming back and some turnover whilst our wages are subsidised. Right now for a lot of businesses that JobKeeper is going straight in their account and going straight out to employees, so it is actually not helping financially for those businesses. But the minute they can start doing some trade, even minimal trade, they can start making some profits while having a subsidised wage and it would be beneficial and help the economy rebound quicker.

Mr HIBBINS: Thank you, Justin, for appearing today. Really important to hear from our traders associations, who are not just, I guess, in many communities the economic heart, but also once you start seeing shuttered doors and closed shops it really affects the social fabric of our communities as well. You mentioned before mixed experience with traders in terms of landlords and negotiating rent reductions. Can you give us some information about some of the experiences traders have had with their landlords?

Mr O'DONNELL: Yes, look, I would say it is probably half and half. There were many landlords very early on that reached out to their tenants and worked with their tenants and were quite fair and valued that long-term relationship. But equally there were others that basically stated, 'Well, you're getting government grants, you're getting support in JobKeeper and so forth—you don't need support in your rent'. So there was the absolute flip side, 'Well, if I'm not getting anything, why should I give you anything?', as well. So unfortunately there has been a fair bit of that as well. There are still some businesses that have not been able to successfully negotiate any type of rent relief.

One of the big things we were hearing from our landlords was, 'We need some relief too'. For a lot of their commercial properties land tax is a high percentage of their ongoing expenses, so tying the rent relief to being

able to get some land tax assistance—you had to be showing that you were giving rent relief—was helpful to move that conversation with a number of landlords. But there are still many that are playing hardball with their tenants as well.

Mr HIBBINS: And do you see this as a bit of a future risk if we suddenly move out of the no-evictions area and you have got tenants who have not been able to negotiate a reduction or are perhaps facing massive debts? Do you see this as an ongoing risk?

Mr O'DONNELL: It is a major risk if there is a high percentage still trying to negotiate. Once you take that safety net away it will be a major risk for business, and you will see a major increase in business closures and bankruptcies.

Mr HIBBINS: You mentioned before just the diverse nature of Chapel Street and other shopping precincts in terms of business support services and professional support services. Can you give us some more detail on the nature of that and the impacts that the crisis has had?

Mr O'DONNELL: Yes, absolutely. Our mix is very diverse, and I think that there was support for businesses that were forced to close their doors, which was critical. However, it was overlooked that a lot of the other businesses in our local economy—their customers were those businesses forced to close. That was overlooked for all of April, and there were no avenues provided to those business types. What was also not seen with that, the unforeseen consequence, was a lot of those business support services in different professional services, their customers that were forced to close often are customers who are invoiced on 30-day terms. So those businesses all of a sudden were not having invoices paid because their clients were forcibly closed—now their doors were closed, so they had no income. Those businesses had debts already owing, plus a complete cut-off of revenue and no way to chase those debts either. In fact it would have been seen to be uncaring to be trying to chase debts from businesses that had had their doors forcibly closed. So there has been a massive flow-on to a lot of businesses, and that is why I did call it out in my statement—that some of those businesses doing it extremely tough, even though they were not forced to close their doors, had to close their doors to minimise their overheads because they had zero revenue coming in, but they fell through the cracks in the system.

Mr HIBBINS: You mentioned the importance of clarity of communications. In terms of the restrictions placed on cafes and restaurants, on one day we heard from the Premier that it would be not viable; on the next day it was because we did not want 10 people in every cafe and restaurant in the state. I suspect that the real truth is somewhere in between. Can you speak to where businesses are placed in terms opening to a limited number of people?

Mr O'DONNELL: Well, my own business is in business services. I run a printing business on Chapel Street, so I saw the sheer amount of cafes and restaurants that were actually getting their signage ready and their revised menus ready and so forth in anticipation of being able to open. I actually saw that there were quite a number of businesses getting ready and hoping that they could open to 10 patrons. So it was pretty jarring to hear that the Premier had spoken and a majority of businesses said it would not work for them.

Look, I would agree: there are business owners in our precinct that said, 'We can't open for 10 patrons'. However, there are many, many more that were looking at that not just as an opportunity to have a profitable turnover, because the difference is that even if 10 patrons are sitting in the restaurant, they are not losing 35 per cent on that meal to the delivery person. They have already got staff there providing takeaway orders—how many are going out—so they have the infrastructure in place, but all of a sudden they could have started having a much more profitable turnover and actually covering some bills and also supporting their staffing. A number of those businesses have people on visas that do not qualify for any subsidies whatsoever, but business owners care about their staff as well. I know a lot of business owners that are going without themselves so they can still pay their wages, so any trade would have helped.

But it is also the unintended consequence when we decide that it is not safe to even allow 10 patrons in a restaurant or a cafe with distancing in place—that would have sent a stronger message to people that it is okay to come and pick up a takeaway order. So it would have had that additional impact of being able to build on that confidence that there are safe measures in place. Those businesses could have demonstrated to their customers as well how safe their measures were and how well they would look after them. So we see it as a

major missed opportunity, and a lot of our businesses have expressed frustration seeing even New South Wales allowing it—and they have got much higher COVID-19 numbers than Victoria—yet Victoria is having to wait. It has not gone over very well.

The CHAIR: Thank you. The Member's time has expired.

Mr RIORDAN: Thank you, Mr O'Donnell. You touched on in your earlier presentation the way the small business grants have been implemented and we heard that from a witness earlier today. What percentage of businesses after the confusion up to 1 May on ABN classifications particularly—how many are you aware of are still waiting and how many businesses are you aware of in your precinct who will not be eligible at all because they do not have employees; they might be just owner-operators?

Mr O'DONNELL: Yes. I could not talk to exact numbers. It is only anecdotal from those that raised concerns around at first being rejected. We had quite a number contact us and ask: how is that fair? That is why I brought in my numbers around that 70 per cent or greater. Most of those businesses are reporting around a 70 to 90 per cent downturn. They well and truly qualified for JobKeeper, yet they were told that they were not considered to be in a category of business heavily impacted. It is all anecdotal as far as the amount of businesses, but just talking to businesses. The amount of businesses in our precinct: about 24 per cent of our member base of 2200 businesses are in business and professional services in areas of business that were not forced to close their doors. However, they are in our local precinct, the local economy. Their customer base is the local economy, so that had a flow-on effect. The best I could talk to numbers is about 24 per cent of our membership of 2200 businesses would probably fall into that category.

Mr RIORDAN: A different issue, just talking about the supply chain. Obviously your precinct like most high streets will have their reason for being, their point of difference, and clearly Chapel Street is a fashion capital therefore seasonal stock is very, very important. Would you like to just tell us a little bit about the effect on a shopping precinct like yours, because I am sure everyone's winter stock arrived a couple of months ago. It is sitting there. You may not get back to full swing until summer, which means that you are going to have last year's stock sitting in your shop. Are people able to juggle around when their Christmas stock arrives? That alone, I would imagine, is going to be a huge problem for many of your businesses starting up again.

Mr O'DONNELL: Yes. A number have mentioned supply has been a major issue. The higher percentage of the closures we have seen have been in the fashion retail space. A number of those have been those with multiple locations around the country where they have made the decision to focus more online for now, so it has had a flow-on effect. In saying that, our demographic has changed considerably over the last 10 to 15 years on Chapel Street, so whilst we were heavily fashion retail, we have seen a major shift to health, fitness, lifestyle and food. It is an adjusted impact, but what we have seen is the majority of closures in the last couple of months have mainly been in fashion retail and travel businesses.

Mr RIORDAN: So have you heard just generally from retailers who have that, even if it is not fashion, it might be the homeware shop? Everything has its season and its place. I imagine there is going to be a lot of retailers with a whole bunch of midyear stuff still sitting in their shop at Christmas. I mean, there will be just the physical constraint. If you are a shoe shop, for example, you will not even fit your summer shoes in if you have still got all your winter ones there.

Mr O'DONNELL: We have not had a lot of feedback with that just as yet. The main feedback we have found from a lot of those types of retailers was even though they were not forced to close their doors, they had to economically because there just was not the foot traffic. The foot traffic numbers that we were receiving from a lot of the businesses was down about 85 per cent, so for many of them they could not afford to even turn on the lights and have their business open. I would imagine they would be stuck with a lot of stock that they could not have moved, but we do not have exact numbers. The nature of our high street-type of business, unlike a shopping centre, is we do not get specific numbers from businesses. It is only what they are willing to share with us.

Mr RIORDAN: You mentioned earlier that Chapel Street was pretty reliant on the visitor economy. I am not sure what the percentage was, but a lot of visitors. So assuming that slow startup and the fact that many consumers have either for the first time engaged with online but will continue to go online and some businesses are better able to do that than others, would you like to just speak to perhaps any of the cost impediments you

can see to bricks and mortar in trying to do that competition. You have identified, as people moved to Uber, 35 per cent out the door on the food businesses. You have also got the fact that if you are selling online, presumably you can pay your employees between nine and five Monday to Friday for your dispatch, whereas if you are a bricks and mortar retailer, you have got longer hours and you have got to do weekends. So there are some real cost impediments in that startup phase, I would imagine.

Mr O'DONNELL: Look, there certainly are, depending on what category of business you are talking about. In our fashion and retail even before COVID-19 that was a challenging area for our high street, our area of business. Online was probably the major competitor for our bricks-and-mortar retailers. We had seen a lot already shift online only, or that percentage of their business becoming stronger and stronger. So that was probably the largest area where we saw an increase in vacancies. A number of them had already made those shifts. How that looks going forward is it is probably the perfect storm for that side of our economy, because more people who probably were avoiding going to online shopping have been forced to do it now, so we are quite concerned with that. The larger national chains have got an advantage there because they can spread that cost across all of their locations, so for our smaller, more unique operators it has become a major challenge for them.

Mr RIORDAN: Do you have any idea in your high street what percentage of store operators would actually own their premises? It would be a very small percentage, I imagine. The vast majority—

Mr O'DONNELL: Yes, it is a great question. I would say it would be a very small percentage. To be honest I would probably only be guessing, but anecdotally, for those I have heard from, I would probably only know a handful that own their premises. There are some major landholders on our high street that own quite a number of properties, which has been challenging for us as well. But yes, it would be a very small percentage.

Mr RIORDAN: I am sure there is sometimes one landlord owning multiple properties in a place like Chapel Street. Obviously they have their limitations on how long they can provide rent relief and so on, so is there any sort of concept about how many businesses just will not be able to do the negotiation that is going to work for them? That is not to say that the landlord and the tenant are not trying to do the right thing, but just that the sheer economics of it will force people to give up their tenancies.

Mr O'DONNELL: Yes. It is very diverse and mixed. There are some where for single-property landlords that is their only retirement fund. However, interestingly, in a lot of those cases they have actually been very willing to work with their long-term tenants. A lot of these tenants have been very reliable tenants for many years, and they actually understand that if they lose that tenant right now, it is going to be very hard for them to find a new tenant, so they are understanding that. It is probably more the case with the multiple-site landlords that have major investments. In a lot of those cases those properties have well and truly paid for themselves. So we already had the challenge of certain landlords landholding on Chapel Street—happy to leave tenancies vacant for two or three years and not drop the rent to find a new tenant. It has been a big challenge prior even to COVID-19, where they did not want to recognise a drop in the commercial value of that property. There are also landlords who are in a tough position in that they have the financing from the bank based on the rent that they can charge that tenant, so the minute that they drop that rent they can then be called in by the bank. So it is a range of different scenarios.

Mr RIORDAN: In my 30 seconds left, do you think that in these really important high-street areas such as yours that if the state could offer more land tax relief and a deal with local government on rates, that could help bring rents down for people?

Mr O'DONNELL: That is the overwhelming feedback we are getting from landlords who are in a difficult financial position themselves. If they can get some relief from land tax and council rates and other areas, even if it is just during when they are giving rent relief as well, that is what they need as well. So it may not fix all of it, but it would probably fix a number of those still in very tough negotiations to get some sort of relief.

The CHAIR: Thank you very much for appearing before the Committee today, Mr O'Donnell. The Committee will follow up on any questions that you may have taken on notice and require responses within five working days. This witness is concluded, and we will move to the next one. Thank you for your time.

Mr O'DONNELL: Thank you very much.

Witness withdrew.