T R A N S C R I P T

LEGISLATIVE COUNCIL ECONOMY AND INFRASTRUCTURE COMMITTEE

Inquiry into the impact of the COVID-19 Pandemic on the tourism and events sectors

Bright—Wednesday, 28 April 2021

MEMBERS

Mr Enver Erdogan—Chair
Mr Bernie Finn—Deputy Chair
Mr Rodney Barton
Mr Mark Gepp
Mrs Bev McArthur
Mr Tim Quilty
Mr Lee Tarlamis

PARTICIPATING MEMBERS

Dr Matthew Bach
Ms Melina Bath
Dr Catherine Cumming
Mr David Davis
Mr David Limbrick
Mr Andy Meddick
Mr Craig Ondarchie
Mr Gordon Rich-Phillips

WITNESSES

Ms Amber Gardner, Chief Executive Officer, Mount Hotham Alpine Resort; and

Mr Stuart Smythe, Chief Executive Officer, Falls Creek Alpine Resort.

The CHAIR: I declare open the Economy and Infrastructure Committee public hearing for the Inquiry into the Impact of the COVID-19 Pandemic on the Tourism and Events Sectors. Please ensure that your mobile phones are switched to silent and that background noise is minimised.

I wish to begin by acknowledging the traditional owners of the land, and I pay my respects to their elders past, present and emerging.

I wish to introduce my fellow committee members. To my right I have Mr Lee Tarlamis and Mr Tim Quilty, and to my left I have Mr Rod Barton and Ms Wendy Lovell.

Dear witnesses, I would just like to read out a short witness statement before we begin. All evidence taken at this hearing is protected by parliamentary privilege as provided by the *Constitution Act 1975* and further subject to the provisions of the Legislative Council standing orders. Therefore the information you provide during the hearing is protected by law. However, any comment repeated outside the hearing may not be protected. Any deliberately false evidence or misleading of the committee may be a contempt of Parliament.

All evidence is being recorded, and you will be provided with a proof version of the transcript following the hearing. Transcripts will ultimately be made public and posted on the committee's website.

We welcome your opening comments, but I ask that they be kept to a maximum of 5 to 10 minutes to allow plenty of time for discussion. Could you please begin by stating your name for the benefit of Hansard and then start your presentation. Thank you.

Ms GARDNER: I will kick things off. My name is Amber Gardner. I am the CEO of Mount Hotham resort management. Thank you for having us here today to talk to you guys about the impacts of COVID on tourism, particularly in the alpine resorts. I am here with Stuart Smythe, who is the CEO of Falls Creek resort management. Rather than talk to you guys about our individual resorts, we have got very common issues and challenges across the alpine sector so I thought it might be best to talk to you collectively. I will first look at more the public side of things and Stuart will comment on the private side of things as well.

As a little bit of context, tourism in the High Country, as you have probably heard since you have been here, is an incredibly important sector to our region. It accounts for 30 per cent of employment and 27 per cent of our economy. They are really high figures. They are higher than any other multi-LGA regional tourism region in Victoria. So it just goes to show how important tourism is to our economy and to the vibrancy of our communities as well. The High Country, which is the fabulous region that you are sitting in today, consists of seven LGAs and also houses five of the six alpine resorts. The resorts themselves are considered really unique in Victoria because we have a snow product that is considered iconic for the state and really it is considered a source of competitive advantage for our region. That is seen in the fact that we account for 25 per cent of total annual visitation to this region. The sustainability and the growth of the resorts is important, not just for the resorts themselves but also to all the regions that rely on them. That is the High Country but it is also Gippsland as well. Stuart and I both share a border with Gippsland, and one of the resorts is located in Gippsland too.

2020 was a really tough year for the resorts. We started off being in a state of emergency because of bushfires and then transitioned into a second state of emergency with the onset of COVID-19. Whilst COVID impacted the tail end of our summer season, the biggest impact it had was on our winter tourism season. It meant that we started the season late and finished early, and in the instance of both Falls Creek and Hotham this meant that we were only operating for four days. That was not just four days out of winter or the snow season, that was almost four days for an entire year because that is our key revenue-generating season. If we miss it once, we do not get the chance to actually hit that revenue opportunity again until June this year. So we are really unlike any other destination in Victoria or Australia, which when the restrictions started easing could bounce back. So we have been in this really challenging position.

As I said, I will comment on the impact that it has had to the resort management boards, or RMBs as we are known, that Stuart and I work for as state government entities. But we will also touch on what impact it has had on resort businesses and our resort assets and also investment opportunities. To sort of explain who we are, the resort management boards are state government statutory authorities, and we are kind of a weird hybrid between a council and a tourism attraction operator. Like a council we offer all of those facilities and services that a council does: sewerage, water and everything else in between, as well as public services and community infrastructure. But then like a tourism attraction we also offer visitor-specific services above and beyond what you would see in a standard LGA, and that is everything from ski patrols, snow clearing, guest services and products that range from mountain biking through to snow play, and everything in-between as well. So it is pretty diverse what we have to offer.

But this weird sort of hybrid model really acts as a bit of a detriment when it comes to how we are funded. Whilst we deliver a lot of services like a council, we are not privy to any state government subsidies to support us in doing that. That is unlike LGAs across Victoria, which on average receive 17 per cent of their annual income from government. Then from a tourism attraction piece we also miss out on or are deemed ineligible for a lot of the state and federal grant funding opportunities that are out there that are really needed to invest in big capital infrastructure—the game changers across the resort—and that is unlike our LGA counterparts but also other key competitors, which are tourism attractions. We really looked at that when we commissioned a consultant to look at some of the pre-COVID spend against those areas. It showed that for the resorts over the previous six years pre COVID $10 million of government investment had gone into six resorts, and $7 million of that was taken up in one dam at Mount Buller. So it is really limited, and that compares to some other destinations like, let us say, Phillip Island, which in one year had $50 million of government investment. They have half the amount of visitors to us but significantly more spend. There are other destinations—Shipwreck Coast is an example—with double the amount of visitors but 27 times more government investment.

How we are funded instead is through a self-sustained funding model where everything we deliver has to draw from revenue from our stakeholders via rent and service charges—service charges are like rates but a fair bit higher—and also from our visitors, which we largely derive from gate entry revenue. The reason I am labouring this is that most people do not actually know that the resorts are quite unique in how we operate and how we are funded but also because of the significant impact that COVID has had because of this unique funding model, because in a year when we have got really limited visitors and we have also got a stakeholder base that has limited capacity to pay their bills, we have got a funding model that is really, really challenged.

So I guess, in wrapping up, what is the way forward? I guess if there is a message that we can carry through to government, it is that there is now a perfect opportunity for governments of all colours to support the alpine resorts and help accelerate our strategic recovery post COVID. As I said before, that is important not just to us but to all the communities that actually rely on us and the prosperity of local communities as well. One way this could be done is really firstly just by understanding how we operate and acknowledging our importance to the economy—$1.1 billion in visitor spend, $2.5 billion in total economic output and 10 000 jobs. We are too big to fail, because if we fail, whole regions fail with us.

On top of that this year we have actually, post COVID, worked with DELWP and with Tourism North East—I think you are talking to our regional tourism board today—and also the Ovens Murray Regional Partnership to develop a visitor economy development plan. That plan has identified $439 million of government investment that is required over the next 10 years to really drive sustainable long-term growth in the resorts. Now, I know that sounds like a lot of money, and it is a lot of money, but it is proposed over 10 years over six resorts. When you compare that to what comparable LGAs and other destinations are receiving sometimes in one year, it is not outside the realm of scope or ask. So that is about long-term growth. We are also considering how we can potentially have access to operational funding, like our LGA counterparts do, to help really with our essential services but also our emergency management services, and also ensuring that we get equitable access to grant funding opportunities. We are starting to see a shift in that space, particularly with bushfire recovery, but we have to fight for it every time and educate and sort of say, ‘We are just like an LGA’. So if that could just be a given rather than an afterthought, that would make a huge difference across the resorts. Lastly, the big one as well is just ensuring the viability and solvency of our businesses—the businesses that we rely on to largely offer the resort product as well, which Stuart will talk to in more detail. So I will handball to him and probably take questions at the end, if you are happy with that.

The CHAIR: Thank you, Amber.

Mr SMYTHE: Thank you, Amber, and, Chair and committee, thank you very much for today's opportunity. Stuart Smythe, Falls Creek Alpine Resort Management Board CEO. Amber has touched on a number of factors from the RMBs' context. I wish to just focus on and highlight the investment that has been made into the resorts, because I think it is important also to appreciate the very high return they give but the very fact that they are also highly capital consumptive because of that window that our operators have, which is really only three to four months of the year, to generate annual returns. So unfortunately we have a situation where our asset utilisation is low but our cost of doing business is actually quite high. That has not deterred the resorts from being tourist destinations—they are now morphing into alpine villages as much as they are tourism destinations. That creates a community need as well for essential infrastructure.

To put it into context, we generally quote figures that demonstrate the relevance of these destinations—so we talk about the outputs, we talk about jobs, we talk about the amount of visitor spend and the regional economic significance—but I think it is important to understand that in order to generate that return you actually have to make that initial investment and those subsequent investments along the way. So to this effect the Victorian alpine industry, from a resort management board context, so the state-owned assets on Crown land, sits just in excess of $350 million. That is our land, our building, our plant and equipment. Independent of this, though, are our investors' interests—our leaseholders as we refer to them because they are all operating on leasehold land. They add to the amenity within the resort and obviously provide their facilities to their guests and users. Those leasehold parcels are worth in excess of $1.5 billion. That is pre-goodwill and ex the land. So that is the investment that has been made into the tourism industry by private operators.

The extraordinary part of that is that the revenue that the resort management boards actually generate, so their own-sourced revenue that Amber spoke to before, in 2019, our last operational year, equated to $51.3 million of revenue that we take from the economy and then invest ourselves back into our resorts. For those who have got their calculators out, that is off a portfolio of $350 million. It is a gross capital return of 14.6 per cent. That is not too bad from entities that are really quite significantly constrained, and every cent of that is put back into our resorts. Investment made by the private enterprise, however, generates a spend of $996 million—direct spend. Again, that is off just $1.5 billion. So the returns here are exceptionally high.

Now, I think it is important that you also appreciate that when that is put through, you know, things like REMPLAN that results in it being grossed up to $2.5 billion for the state's economy. So the journey from Melbourne and the journey from Sydney through all our border towns results in a significant multiplier. It is important to note though that the figures I have quoted are gross. My stakeholders will tell you, and Amber will attest to this as well, doing business in the alps is at a very high cost. The service charges that we have to charge in order to recoup it but also just the fact that there is the tyranny of distance. Getting something to a mountain has a large transport cost. Facilitating and hiring labour comes with also substantial cost.

Now, I have used these alternative figures really to demonstrate the materiality of the investment that is needed, and it needs to be sustained to make those meaningful contributions, but equally to illustrate the frailty of being unable to generate the necessary return on that investment and just how significant. That presents a position, as Amber said earlier, we are too big to fail. If we do fail and if there is a systemic business failure at one or more of the resorts, that has catastrophic consequences for regions. There is a number of reasons that it is as catastrophic as I said. These are mums and dads; these are not big businesses. This is not corporate Melbourne or Sydney. It is not corporate Australia. They do not have access to capital markets, and they do not have access to diverse flowing revenue streams. It is small and medium-sized businesses and in many, many instances representative of generations of investment, so generations of family wealth put back into the resort to operate these businesses. Unlike our lift companies, who have got access to those diversified revenue sources, our businesses have drawn down their cash reserves, they have extended their overdrafts, they have sought refinancing or borrowed from other family members, or ultimately as a last result they sell-out, and we have seen the beginning of that as we speak.

With regard to the resort management boards, Amber mentioned we had to expend all of our cash reserves in order to, one, ensure we were delivering our essential services before we were able to get some support, some much-needed financial support from the state government. That enabled us to at least continue providing those essential services, because from Falls Creek's perspective 45 per cent of our revenue comes from people that walk through that gate, that come up for the snow season.

So there is a very high fixed cost to doing business and a very large exposure to that variable income that also creates that surplus cash that we get to reinvest back into the resorts. As you can imagine, 18 months with really no revenue for our business operators has put them in pretty dire straits. Thankfully many of them were able to access the much-needed support that came through the alpine business support package, JobKeeper and other programs. That effectively has left them in a position that covered some of their costs. However, they still have substantial encumberment as they head into 2021 with unresolved debts from the year before. Look, I will grant that all business is risky. Snow, however, I would suggest, is a little riskier than most. Until very recently we were at the vagary and at the whim of Mother Nature. Investment solved that problem. Investment into snowmaking smoothed the peaks and the troughs of the snow. It smoothed the peaks and the troughs of visitation. It underwrote, effectively, businesses that moved into the future with a new sense of certainty, with an understanding that there is at least a product to offer. At the moment there are equal parts of concern and also equal parts of opportunity for what might lie ahead, particularly as we diversify into green season and look to evolve the businesses that are out there at the resorts.

It is also important to point out that the resilience, the adaptability and entrepreneurship that was evident in those very early pioneers still flows through the resort. However, their mental health and associated support services this year were at an extraordinary level of demand. This is something that our stakeholders had never experienced before. They were able to mitigate the risk of being in a snow business. But once you remove people and you have no snow, you have no business but you have those high asset values requiring that return, and they had zero return. So they are in a position where it is high risk. It ultimately is a low real net return business, and the multiplier effects of that business failure, as we have seen in previous asset sales—in 2011 Falls Creek had nearly $120 million worth of assets sold in a fire sale for a failed developer. That resulted in meaningful devaluation of asset values. It saw increased default risk, and it also resulted in shortfalls in available finance-attracting investment. We are potentially at risk of that same thing happening again if we cannot support our businesses moving forward.

So the bottom line: the RMBs need to be able to replace their essential services to deliver those assets, or I should say deliver those essential services from those assets, and we need to ensure that we can at least continue to have a stream of investors prepared to enter into the resort and continue to bolster that business, because it is a great business, and it is significant and meaningful to the region. If we do not do that, we end up with potentially a pool of stranded or abandoned assets. We have seen examples of that before, of regional economies being turned into wasteland. So I will finish by just reiterating that the industry must be viewed as being too big to fail and in need of crucial support for the medium term, for the benefit of both the local communities, the regions and the state.

The CHAIR: Thank you. Stuart, thank you, Amber, for that comprehensive overview and for giving us an update and perspective on the short, medium and long-term challenges faced by, I guess, the alpine region and Mount Hotham, and Falls Creek in particular, so I appreciate that. I might go over to the committee members to ask questions because I know they are all itching—they have got a couple of questions. I might start from left to right if that is easier, so I will pass to Ms Lovell.

Ms LOVELL: Okay. I have a couple of questions. The first one is around the government vouchers that were offered in late summer and during the spring. They are due to expire on 31 May. Have you had much take-up from those? Also, with them expiring on 31 May the temptation for people to go north to the warm weather might be there rather than coming to the alpine resorts. Would it help you if the government extended those through the winter period?

Ms GARDNER: Yes, look, it was a great initiative that definitely drove regional tourism. We did not see strong return in the resorts, but our summer business is smaller than our winter business. If it could be rolled out over winter and maybe even isolated to specific regions or destinations that need the most assistance, that could be beneficial, absolutely.

Ms LOVELL: Do you have anything to add, Stuart?

Mr SMYTHE: From the data we saw Falls Creek was very fortunate—it had the most number of redeemed vouchers of any of the resorts, but we have a very developed green season. However, the interesting fact was that the vast majority of those people that exercised those vouchers had never been to the resort before, so it actually created a great opportunity for people to get out and see what they had not seen before.

Ms LOVELL: Or maybe some families who could not afford a snow holiday—

Mr SMYTHE: 100 per cent, absolutely

Ms LOVELL: or a resort holiday.

Mr SMYTHE: I think, yes. Offering those and extending that into the winter months, again it just provides that opportunity for people to see something they would not normally be able to access.

Ms LOVELL: And keep people in Victoria.

Mr SMYTHE: Absolutely, yes.

Ms LOVELL: The other question that I have is probably a little bit left of field, but I have had quite a few people raising concerns with me over building insurance and also insurance of properties on the resorts, and I was wondering if you could elaborate on the difficulties that that is causing for the resorts ongoing.

Mr SMYTHE: Do you want me to speak?

Ms GARDNER: Go for it.

Mr SMYTHE: I have sort of been championing that view across the resorts at the moment. The challenge that is happening is that the risk market has effectively evaporated for bushfire insurance, and again, due to what has been, I guess, five years of the world burning, insurers are not prepared to reinsure that risk, so many of our operators have experienced anywhere between 30 per cent increases to 400 per cent increases in their premiums—to the point where properties that are over $5 million are unable at the moment to actually get insurance. Now, part of their leasing arrangements requires that they actually have that insurance in place, so at the moment all those operators without coverage are in breach of their leases. Obviously our individual boards have taken the position that it is unconscionable to breach a lease for a product that they effectively cannot receive. But the risk of that is, across all of the Australian alpine resorts—and this is not just Victoria, it is New South Wales and it is Tasmania as well. The prospect of that modifying or returning to where it was, I do not anticipate we will see. There is just no more syndication coming out of the UK and more funds being applied, which suggests there is clear evidence of market failure. High prices are not attracting new entrants, because the capacity to reinsure just does not exist. So that is going to compound. We have been very, very fortunate we have had a green summer—we have had a wet summer. That does not bode well for next season. So it is a high, high risk.

Ms LOVELL: Absolutely. Have you had any discussions with government about a government agency like VMIA acting as the insurer or something if we cannot get it out of private insurance?

Mr SMYTHE: We have. We have had extensive engagement with both the Environment, Land, Water and Planning, VMIA—the government's insurer—and Aon as well to look at the opportunity to exercise that section 25A in the VMIA Act, which would enable the minister to potentially provide a solution. I do not think the solution is as easy as it might sound, however. Again, there is an enormous asset portfolio and obviously a significant amount of risk that the state would be taking on.

Ms LOVELL: But there is clearly a market failure, and that is what 25A really is there for—the government to step in where there is market failure.

Mr SMYTHE: I believe there is market failure. If I put my old economist's hat on, yes, this is market failure. High prices are not attracting new entrants.

Ms LOVELL: So the only way we are really going to get insurance is if a government will step in?

Mr SMYTHE: There are other alternatives. There are diversified mutual funds. There are some out there in the market at the moment trying to establish those. The problem with that is you end up establishing a fund, but that fund still has to insure its risk, and the very fact that there is nothing behind that—

Ms LOVELL: It will not get that.

Mr SMYTHE: It cannot get insured.

Ms LOVELL: No.

Mr SMYTHE: There are examples of our stakeholders at the moment being given bushfire insurance, but they are required to clear vegetation within 500 feet of their premise. If you have ever been to an alpine resort, there are a fair few trees. These are extremely precious native environments, endangered species—that is not doable. So the policies that are being issued are effectively or automatically in default.

Ms LOVELL: Do you see this as a threat to the future of the alpine resorts if we cannot secure insurance?

Mr SMYTHE: It is just another risk. The threat from bushfire is not going away. We are working collectively as an industry on mapping our resorts, using the Phoenix modelling that is available and working with DELWP to map those out. Falls Creek has had a history of significant fires—the last one in 2006. It came within a whisker of the resort. The remnants of it are right across the high plains. Amber as well—this summer Dinner Plain was at risk.

Ms GARDNER: The change in wind was all that saved it.

Mr SMYTHE: Correct.

Ms LOVELL: But if a fire did go through a resort, the BAL standards to rebuild the resort would be enormous, and without insurance it would be almost cost prohibitive.

Mr SMYTHE: We are already seeing movement from BAL 29 to BAL 40, and the costs to make a BAL 40 building are extraordinary.

Ms GARDNER: But the important thing off the back of COVID as well is—you know, we said before that the alpine resorts are a high-risk investment environment for the private sector. You have got a limited window to make money, there is a high cost of operation and it is dependent on the natural environment. This is just another risk that we think is going to compound where our businesses are currently sitting. What we are concerned about is, because it is a high-risk investment environment, when we actually lose businesses from the market, it is not like Bright where there might be another 10 businesses ready to take their spot. You know, we could go for years without replacing it, and it can be the start of a downward spiral of mass business failure, so that is why it is particularly problematic in the resorts.

Ms LOVELL: Okay, thank you very much.

The CHAIR: Thank you. I will pass over to Mr Barton.

Mr BARTON: Thank you. I just want to talk about your funding model. I suspect the funding model had been a source of frustration prior to the last 18 months—

Ms GARDNER: Yes.

Mr BARTON: and it has just been exacerbated through all this. So on the back of the bushfires and on the back of COVID, is our government more open to having a look at how your funding model is, and is there any work being done there?

Ms GARDNER: There is. I think firstly I will comment that we sit in the environment portfolio, which is quite interesting with that dichotomy with the tourism attraction piece. But what we have seen through COVID has been incredibly strong collaboration across regional development, environment and tourism, so I think we have got the right environment to impact change now. It was only announced a month ago that there will be some alpine resort governance reform change which will see all the resort management boards merge into one entity, so there is work being done on that. The crucial piece, though, is that the self-sustained funding model needs to be addressed because it is at the root of so many problems, and to do that is going to take some significant investment. So that is the piece that we need to keep championing, and people keep needing to understand that it cannot just be governance where we shift the deckchairs; there needs to be transformative reform relative to our funding model. So we are hopeful that it will be wrapped up in that process. We will wait and see how it transpires.

Mr BARTON: Stuart, do you have any thoughts on that?

Mr SMYTHE: No, I support what Amber said on that. The opportunity to revisit this is in front of us as we speak, and it is imperative that it is right for the future of the resorts and those many, many billions of dollars of investment.

Mr BARTON: Just one other: you mentioned the investors. What can we do to encourage investors? Because this is a high-risk investment—weather, environment, all those things. How do we encourage investors to come in here?

Mr SMYTHE: Both Amber and I have economic development divisions that are constantly talking to prospective investors, and the consistent element is always: 'Well, what's government's skin in the game?'. So it comes down to almost public-private and being prepared to look at the build-own-operate transfer models, particularly for key infrastructure like parking. We are on top of mountains—they do not make more land. We have either got to flatten it or put parking a long way away or we put up multi high-rise facilities. To do that is a $30 million to $40 million investment that will reap a return within three to five years. Again, we have looked at this and attempted to model it, and we were very close at the end of last year, as was Amber. However, the operating environment meant that those investors just walked away.

Ms GARDNER: But really that public investment will give the private sector confidence in investing and also investment in what we call enabling infrastructure to support growth and private investment so that they do not have to bear those costs. That is probably the most proactive way government can be supportive of what we are doing.

Mr BARTON: Thank you.

The CHAIR: Thank you. I might pivot back to the short term. In the short term how are, I guess, Mount Hotham and Falls Creek bookings looking for this upcoming winter?

Ms GARDNER: Strong. I think the fact that there is no international travel and a lot of people do travel internationally for a snow experience and we have seen a big growth in domestic travel means we have got strong demand for winter. There is still a level of concern, though, that we know, with the changing of restrictions, our supply might be limited, which is what happened last year. For the limited period we were open we could only operate at 50 per cent capacity. So we are hopeful for this season but cautiously so.

Mr SMYTHE: The other element is that many of the people that had had the bookings for last year have pushed them and carried them forward, so they are still a legacy. Again, for many operators that is not necessarily bringing new revenue; it is just the carry forward of that booking. So there is some crowding out happening at the moment, but there is no question that demand will be extremely strong this year.

The CHAIR: Thank you. I appreciate your outlook about the return. I did notice that late last year in the budget there was a tourism package announced, over $400 million. Was the alpine region a beneficiary of that tourism package, or was there just specific alpine funding that you received?

Ms GARDNER: Do you remember the name of that package?

The CHAIR: The first one was the Victorian tourism recovery package that was announced. It was about—

Ms GARDNER: No, we were not included in that one.

Mr SMYTHE: I do not think so.

The CHAIR: No. But did you get a specific alpine—because you talked about a package that you had received.

Ms GARDNER: There was an alpine business support package that was made available to businesses that operate in resort, and we appreciated that—let us start there. But what was challenging was for the amount that you could receive under that funding program you had to subtract funds you may have received under other funding programs available to businesses across Victoria. I understand the approach was to ensure parity, so whatever is offered to business in Melbourne is offered to a business up here. But, like we said, we are not operating in the same environment up here that businesses are down there. Businesses in Melbourne could open over Christmas and, you know, enjoy that growth in demand. Our businesses are carrying debts from last year into 2021, and if for any reason it is a bad or limited season they are going backwards, because they are starting behind the eight ball before they even begin. So that is why we sort of say that there is maybe an enhanced layer of support that is required for businesses over and above those packages.

The CHAIR: I appreciate that. I have got one last question actually, because at our first public hearing we heard from the Victorian Tourism Industry Council and they talked about some regions suffering from, I guess, a labour shortage. So they are not able to operate at capacity not just because of the health restrictions but because of finding a good source of labour that is available to open those extended hours or every day or operate to 100 per cent capacity. The alpine resorts—are you having any labour supply issues?

Mr SMYTHE: There are pockets of challenge again, because a large proportion of back of house will be tourists on visas that will come up and do their rural component within the resorts, or take the ski instructors, the snow groomers—they come in from overseas. So those areas are certainly seeing pinch points. It is an opportunity at the same time to train up people, so there is definitely that. Particularly back-of-house, kitchen staff, those sorts of things, are proving very challenging for operators to fill. The resort RMBs themselves—I will speak to Falls Creek: our catchment area for those sorts of resort workers is local, and we are very, very fortunate there is a passionate bunch of people in the region that come back year on year to the resort. So that is not necessarily the problem, but without question there are pockets of challenge.

Ms GARDNER: And I think obviously there is the overhang from last year. People that did commit to the resort—and to work in a resort you move there, so they were there—moved up and then within days they lost their jobs. So there is a lot of lost ground and a little anxiety about, ‘If I commit to this, what does that mean for my future?’. It has made it particularly hard for our lift companies, which are the major employer on the mountain and have a high level of international staff.

The CHAIR: Thank you for that. I might pass over to Mr Quilty.

Mr QUILTY: All right. Obviously we are not through the whole COVID pandemic. The risk of another lockdown—will that impact on business, and if we did actually have another lockdown with an outbreak, what would that do to the resorts?

Ms GARDNER: It would decimate them, to be honest. As I said, we are already not ahead or even neutral as of last year. We are being, as government entities, underwritten by government and our businesses are barely hanging on. If they lose winter—so essentially lose two whole years of operation—we will see mass business failure without strategic intervention.

Mr QUILTY: So if that was to happen, what would the government have to do immediately to prevent that?

Ms GARDNER: Well, types of programs like we have seen—those alpine support programs—but maybe broadening the eligibility to ensure they hit the mark and are optimised by our businesses.

Mr SMYTHE: The risk of those stranded assets not being able to find someone else to take those assets over—that is a very real prospect. As I left my resort this morning we were demolishing a building that has not been able to resold for four years. And they are the challenges. This would be catastrophic. We are preparing four various scenarios—by that I mean four different scenarios—for this winter. The resorts, the ski industry association and our lift companies have worked through: what are the scenarios and what does that mean at each stage of that scenario? Clearly COVID normal, where we are now—no capacity constraints—is the ideal scenario. But Melbourne lockdown, regional lockdown, further border closures—23 per cent of Falls Creek’s visitors come from the region. They have a 39 or a 26 postcode, and they are the lifeblood for that incremental—and the rest will come out of Melbourne or Sydney or other parts of Australia. So anything that relates to a border shutdown or even a regional shutdown automatically—

Ms GARDNER: Or even a Melbourne shutdown.

Mr SMYTHE: Melbourne shutdowns are mostly material. So, yes, the risk of that is catastrophic—or the consequences are catastrophic.

Mr QUILTY: All right. You just said earlier that you are part of the environment portfolio. Is there conflict with DELWP between tourism, environmental values and the national parks and so on that impacts on the businesses?

Ms GARDNER: I think it is just fair to say it is an extra overlay that we need to consider because of the environment that we are in. I think the alpine environment is only evident across 1 per cent of the Australian landscape, so it is highly unique and rare. So irrespective of what portfolio we sit in or could sit in, we would still have to consider how to maintain and preserve the environment to maybe a higher standard and different standard than other entities would in other areas. So it is just something that we need to always therefore plan for—sustainable development with a consideration of the impact on the natural environment which sits at the heart of our tourism experience. If we do not maintain the natural environment, we have actually got no tourism offering, so it is important to us. It just adds that extra layer of complexity.

Mr SMYTHE: I support that.

Mr QUILTY: Great. On to something different: at our committee's last inquiry we had a recommendation that the government should cut speed limits on roads that were not up to standard. What would be the impact of a 25 per cent cut in speed limits on regional roads on the resorts?

Mr SMYTHE: Our journeys to the mountains from Melbourne are 5 hours to start with. That is comparable to getting on a plane and flying to New Zealand. It is comparable to getting a plane and flying to Bali. So if we were making it harder for people to get here, I would suggest that it is going to be a detriment.

Ms GARDNER: Having said that, the ascents into the resorts are very, very windy roads, so even though they have quite high speed limits, some of them, people tend to travel fairly slowly anyway because they have to because of all the hairpin turns. So it would probably have less of an impact on the resorts than it would other village and valley-based destinations and businesses.

Mr QUILTY: Thank you.

The CHAIR: Thank you. Also I wish to just acknowledge Mr Tim McCurdy, Member for Ovens Valley, who has just entered our public hearing and thank him for his presence. On that point I notice we are on schedule today, so that is fantastic. Thank you both for your contributions. It was very informative, a different perspective to what we heard in our first hearings in Melbourne out in the regions and hearing the issues that I guess Falls Creek and Mount Hotham and the broader alpine region face. We really appreciate it, so thank you, Amber, and thank you, Stuart. We will now take a short break before our next witness.

Ms GARDNER: Thank you.

Mr SMYTHE: Thank you.

Witnesses withdrew.