

TRANSCRIPT

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

Mrs Bev McArthur

Mr Bernie Finn—Deputy Chair

Mr Tim Quilty

Mr Rodney Barton

Mr Lee Tarlamis

Mr Mark Gepp

PARTICIPATING MEMBERS

Dr Matthew Bach

Mr David Limbrick

Ms Melina Bath

Mr Andy Meddick

Dr Catherine Cumming

Mr Craig Ondarchie

Mr David Davis

Mr Gordon Rich-Phillips

WITNESS

Mr Michael Dal Zotto, Owner, Dal Zotto Wines.

The CHAIR: The Economy and Infrastructure Committee public hearing for the Inquiry into the Impact of the COVID-19 Pandemic on the Tourism and Events Sectors continues. Please ensure that mobile phones have been switched to silent.

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 present with us here today: Ms Wendy Lovell, Mr Rod Barton, Mr Tim Quilty and Mr Lee Tarlamis.

For our witness I will read a short witness statement before he begins. 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 considered a contempt of Parliament.

All evidence is being recorded. You will be provided with a proof version of the transcript following the hearing. Transcripts will ultimately be made public and put on the committee's website. We welcome your opening comments but 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 the Hansard team and then start your presentation. Over to you, Michael.

Mr DAL ZOTTO: Michael Dal Zotto, Dal Zotto Wines Owner and CEO. From our perspective it is really difficult to look at the COVID pandemic without looking at the actual impact the bushfires had in the beginning. So you cannot look at it in isolation, because we were sort of hit with a double trauma. You had people having to deal with coming out of bushfires and then all of a sudden, bang, they were hit with COVID-19, the pandemic, and then all these rules and regulations and the changes.

Just out of the bushfires, just to paint a picture, we lost 900 tonnes of fruit, which by the time you have to go out and source more fruit and you take into consideration the loss of market share, which is occurring, say, around now because we have run out of product from last year, it is in the vicinity of sort of \$6 million to \$7.5 million worth to the business. They create a little bit of stress and strain on the business, those types of things. But then once the pandemic hit—well, it hits, you close down. So when we looked at our visitation and where it dropped to there was an actual change in turnover of around half a million dollars, so that was substantial. So the financial impacts were huge. And then once we opened up again with all the necessary protocols that we had to adhere to we probably added close to half a million dollars worth in additional wages per annum, and we had to put in an extra person just to deal with all the protocols and those sorts of things that you had to do throughout the pandemic that came about because of the changing rules and the changing protocols within our region.

Although all the government support has been fantastic, out of that we have found that we have lost some staff and we have had an enormous amount of difficulty getting staff. Being situated in the upper reaches of the King Valley we are constantly finding that we are getting temporary staff, but a big issue that they face is that they are unable to find places to live, so it becomes very temporary. And then we do not have access to the backpackers, because there are very little not so much visa workers but people that are travelling and might be on a holiday break and doing a bit of work here and there. So we have lost that audience.

So we found that although the assistance was great, it did deter some people from working, and then getting them back to work—because some of them did find other jobs—was difficult. Then once we did find some more staff we had the issue of housing, so we have found those sorts of things extremely difficult. On that, it is the people within the organisation dealing with the stresses that the pandemic created. So as a business owner you have to talk to staff about decreasing their pay. Of course you are proportionately decreasing the amount of time they work, but still, that creates a big stress because you know they have obligations but you have to meet the obligations of the business, and to do that we had to make some pretty severe cuts just to survive. So right through the bulk of that period—and we opened up whenever we could—the business changed and we had to sort of move extremely quickly to be able to attend to that. We are a very restaurant focused business—so on-

premises—so our national sales fell substantially, and like I said, that is in that figure of over \$6 million. So all in all from our perspective that financial component of it has been very difficult to deal with. We have managed to get through it but now we are facing this whole new challenge of finding new staff and then finding them places to live, because there is basically nowhere for them to stay.

The CHAIR: Thank you, Michael. We really appreciate the overview, and I like how you started it from the bushfires, because the region was affected. I did notice that the government recently has invested into the Prosecco Road region over \$4 million, which is good, because like I said, we love the wines and it is really good quality produce. I might pass over to my committee members to ask the questions and then I will come back, so Mr Barton, would you like to go first?

Mr BARTON: Yes. If you could just let the committee know a little bit how the fires affected the winery as such—not so much whether you have lost or burnt out or something like that, but the smoke damage.

Mr DAL ZOTTO: No, no, we were not burnt, so yes, the smoke damage—that is where we have had that issue with loss of fruit. Essentially we were taking around about 1200 tonnes of fruit per annum, and we took in about 900 tonnes. Some fruit we were able to play around with to try and get to a commercial-grade product, but on the whole we lost about 900 tonnes worth of fruit that we just left on the vine, which then like I said equated to actually in that figure of \$6 million to \$7 million or \$7.5 million worth of finished goods revenue that we do not have. It was grown, it was there, it was ready to go and then we were unable to harvest it purely because of the smoke effect. So that is the damage it caused from a winery perspective, but then there was the fact that visitors did not come up for—it was probably a three-week period by the time they started to kick back in and start to visit.

Mr BARTON: You are selling nationally, of course?

Mr DAL ZOTTO: Yes.

Mr BARTON: Are you exporting as well?

Mr DAL ZOTTO: No, we do not do any export. We are primarily focused nationally, whether it be cellar door, wine club or just national markets and the capital cities.

Mr BARTON: Right, and in terms of people coming now to your restaurant, is that sort of back in normal numbers apart from the fact that you cannot get staff?

Mr DAL ZOTTO: No, it has picked up. There has definitely been an increase in the visitation. There is no doubt that people are very much in the mindset that they want to get out and support local businesses. It could be the fact that they are not able to travel overseas as well and do those sorts of things, but definitely the visitor that is coming up is eager to spend, eager to be in the region, and that is why that staffing issue becomes critical, because realistically you can only take in as many people as you can service. We might have more seats but we cannot bring them in because their experience will be affected, that will tarnish the region, and the longer term effects of that will be quite large for the region in general.

Mr BARTON: Accommodation and staff is the screaming thing we are getting. It is loud and clear.

Mr DAL ZOTTO: It is difficult where we are because King Valley is right at the end of the road, so you might come down from Mansfield or you might come up from Wangaratta but typically you would visit; it is a destination that you are choosing to go to. It is also a very big farming area, an agricultural-based area. So everything around Whitfield itself in the township has been purchased; it never goes onto the market. Basically if you hear of something for sale someone knows about someone who is ready to buy. They will just buy that property. A lot of those houses have been turned into B & Bs, which sounds wonderful, but then all our longer term accommodation has disappeared so people are travelling—typically travelling from Wangaratta to come to work in the region, which is around about a 40-minute drive. It is not so bad during the day, but if you are doing vintage and you are a winemaker and you are working night shifts starting at 1.00 am or 11.00 pm and then leaving at 4.00 am, or you might be leaving at 7.00 am or 6.00 am and you have worked through the night, those sorts of things become a little bit, well, difficult, and they are okay for a while but then they wear thin. So then you find you have a higher turnover of staff. They might last a couple of years, and then they disappear, unless they can find something local. So what we would really need to see is some more land opening up for residential development within our region—within the Whitfield area, so to speak.

The CHAIR: Thank you. I might pass to Wendy, then Mr Quilty.

Ms LOVELL: You talked about the start of the year being great. I mean, last year, I completely sympathise; you had the bushfires at the beginning, a smoke taint event for your wine grapes and COVID. It has been a horrible year for the district, but this year at the beginning of the year you talked about how we have had great visitation. But we have had a bit of a perfect storm in that people have not been confident to go interstate, there has not been the ability to go overseas anywhere and we have had the tourism vouchers available for travel within Victoria, which has caused a lot of activity, which has been great. But we are now coming into a period where we have a travel bubble with New Zealand, so people will be able to go overseas. People are getting more confidence to go interstate, there are cheap flights to go interstate and the tourism vouchers are going to finish on 31 May, right at the time when we go into a quieter winter period in Victoria. I am just wondering if you think it would be beneficial to continue those tourism vouchers throughout winter to encourage Victorians to continue to come to this region and to holiday within Victoria rather than to take off to New Zealand or Queensland.

Mr DAL ZOTTO: Yes. Look, anything that encourages people that are close to our doorstep to come and visit us is a fantastic idea. So getting Victorians to travel within Victoria is a fantastic idea, and that initiative has been great. So I am all for that. I think that would have a great effect, especially coming into what is typically our quieter period. From July onwards, July and August, is typically when it dies off. Up until the June long weekend, the weather—that is when it starts to turn a little bit more, but we typically have good visitation right up until that weekend, and then it starts to die off. It will be interesting to see how things, as they open up, change and if people actually have the mindset of ‘I actually quite enjoyed that trip. From Melbourne it’s 3 hours; I can stay there a couple of nights. I can decide to go on a Friday; I can come back home on a Monday or a Tuesday’ and how many of those people we have kept and they have become north-east fans and they will choose to make this maybe a biannual trip sort of scenario.

Ms LOVELL: Yes, but whether they choose to transfer from that summer-autumn period into a winter period is another thing.

Mr DAL ZOTTO: Yes. It is hard to know.

Ms LOVELL: It is hard to know. That is fine.

The CHAIR: Thank you. I might pass to Mr Quilty, then Mr Tarlamis.

Mr QUILTY: My first question is: what does the state government do for you going forward now? Given that you have had the bad year and now it is great, what things should the government be doing straightaway and over the next 12 months for you and also given that the threat of COVID has not gone away and there could potentially be more lockdowns in the future?

Mr DAL ZOTTO: A lot of it stems from around that planning scenario and looking at the capacity to open up areas in relation to residential development. Also in relation to staffing itself and visa workers in particular, because we are just going through the process of putting on a guy on a visa, and it is just a two-year process and the work involved in getting that person across the line. Now, we have advertised and advertised and advertised. We have tried to get apprentices. We have exhausted every angle. The amount of work to just get that person onto a visa so that we could have him for two years was enormous. If the government could make that process a little easier, that would be fantastic.

Mr QUILTY: My other question was around speed limits. I have raised a couple of questions with people today already. On our last inquiry this committee came up with a recommendation that speed limits should be cut on regional roads that cannot be maintained to safe standards. Effectively this means you are looking at around up to 80 per cent of regional road speed limits being cut by 25 per cent. What impact would that have on your business and businesses around you?

Mr DAL ZOTTO: The deteriorating roads themselves probably have a bigger impact. When you talk about market access, we have an increasing amount of trucks and larger trucks, the sort of 62.5-tonne level of trucks. Slow us down if you like, but is that going to really change it in relation to those trucks creating more damage on the roads? You could cut the speed limit. It would be a positive in the respect that it would make the roads safer and there would hopefully be less accidents, but the reality is our roads would still continue to deteriorate and it would not fix the real problem.

Ms LOVELL: A bandaid.

Mr DAL ZOTTO: Pretty much, yes.

The CHAIR: Thank you, Mr Quilty. Mr Tarlamis.

Mr TARLAMIS: Thank you. And thank you for your presentation. A previous presenter spoke about promoting hospitality as a career path and trying to encourage more people to go into that and to come to regional areas as a sort of longer term option. Is that one mechanism that may help longer term?

Mr DAL ZOTTO: Yes, that and agriculture as well. I think hospitality definitely, but hospitality within the rural setting—fantastic. I think it comes down to you as a provider having to create an environment that people want to work in for starters. I think the selling of it is great—that would be fantastic. But then if you are the one looking for someone, you do have to provide adequate compensation and an adequate balance of hours to lifestyle, making sure you are not pushing someone to the brink. You do have to be mindful of that, even in these times right now, in employing the staff that you do have. To retain them you have to be mindful that you are not overworking them because of the staff shortages, so sometimes you have to make a call on, ‘Okay, well, we can only do this much this day’, because someone has to have time off. So yes, 100 per cent promote it, because there are opportunities there, but I then think a bit of the onus falls back onto businesses to help create a path—whether it be if they start as waitstaff but then go into management and further on or, you know, that skills development, continuous improvement style of thing. So yes, look, definitely I am all for promoting it. We are in a position where we have got to pay reasonable wages, because otherwise you just will not get staff. It is not exploited—their rates are fair, awards are followed and well above the awards is often followed. So I think, in answer to your question, just yes.

Mr TARLAMIS: You may not be able to answer this, but have you noticed in the people that are coming to your business a lot of repeat users or a lot of first-time visitors? Are you seeing any difference in the sort of clients that are utilising your business?

Mr DAL ZOTTO: I could not tell you the percentage. We are seeing a lot of our Dal Zotto loyal fans coming, who are back to support us, and that has been fantastic. I think it could be through the travel vouchers. It could be through just the promotion of getting people into regions in Victoria. We are seeing a lot of new faces and a lot of first-timers to the King Valley in particular. That is what I have noticed when I have been at the cellar door, those sorts of things, or down around the restaurant in particular over Christmas and New Year, and that was interesting. That was quite an interesting period, especially over that Christmas and Easter period, where we had people everywhere.

The CHAIR: I have a question of my own, Michael, and I think you have kind of addressed some of it. I think a lot of the issues we have heard are similar to yours. A lot of people in the north-east are facing similar issues—issues of labour shortage, housing, which is linked to that, et cetera, especially because so many sectors were reliant on backpackers et cetera with tourist visas, all sorts of visas, to meet the demand. But one of the solutions you seem to be suggesting is maybe we need to also suggest a plan where workers just live here permanently—the release of more land and living options, cheap, affordable housing options, for people to permanently migrate here from the larger regions or from the cities so that they can just be working here, I guess, 12 months of the year instead of just being seasonal, in and out. Is that your idea—a wealth of residential housing?

Mr DAL ZOTTO: That would be our idea. We are typically trying to employ people for the year. We are trying to get them to become permanent Dal Zotto staff, not casual staff. Casual staff help out from time to time, but they are typically filled with school leavers or gap year kids, that sort of stuff. The people we need are people that can manage the floor and manage people. Recently we have just employed a vineyard manager and a senior winemaker, and now we will be looking for more senior floor staff. But a key part of the application was where they bloody lived, you know—because we had a number of applicants, but I was sort of saying, ‘Where are they going to live? Are they going to live in Wangaratta?’. There is very little housing there. In King Valley there is nothing. So yes, that was part of that.

So you are 100 per cent correct. We do need to look at that. Maybe it does not have to be as extreme as that. Maybe it could be the fact that if you have got 100 acres, you do not restrict it to just one house—because 100 acres typically as a farm is not much of a farm; maybe you could have a couple of houses. There are some

of those sized blocks and smaller down to 40 acres up our way that were all old tobacco blocks. Now, they are no good to anyone as a farm. Now that tobacco has died, they are not properly maintained as farms themselves, so they are overgrown with blackberries or trees or weed. So if we were able to take some of those 60-acre lots or 50-acre lots and those sorts of things and make some 20-acre or 30-acre or 10-acre blocks and create some other housing, that is one option there, but then also around the Whitfield township, yes, we could create some residential blocks.

The CHAIR: I appreciate that, because it is a question that I put to the Alpine Shire Council: will the council look at their land use and—exactly—put it to more productive use in the longer term? Because it seems to be that with this global pandemic—we do not know how long it is going to go for—we might not be able to bring in workers; it might not be safe to do so for some time. We have seen a spike in many countries around the world which normally people would migrate to Australia from. So in that respect maybe your solution is one, and I will take note of that. Your idea is that we try to accommodate people to permanently migrate to these kinds of regions. Because you are right, as a business you are saying that there is a career path—you gave us the example of winemaker et cetera, floor managers—but you want to invest in people that are there long term, that are settling in the regions. I really appreciate your perspective. From my perspective I do not have any other questions. We have got time for one last question if anyone has got one.

Ms LOVELL: I have got one. I am actually going to go back to the bushfires, because I have been around as a local member for a while now, and every time we have bushfires there are certain things that we fight for immediately after the fires. One of those is access to the labs for testing for smoke taint and who pays for that, which some of the smaller wineries really struggle to do. Tim McCurdy, Bill Tilley and I were very active in trying to get that quick access to labs after the bushfires last year. I am just wondering if you think that there should be some sort of protocol and agreement with the government that for areas like ours that have industries that are affected by bushfires, not just through being burnt out but through smoke taint et cetera, there should be a protocol in place so that we know—these events are going to happen every few years—that they already know these are the things, one, two, three, that need to be done for this industry.

Mr DAL ZOTTO: Yes—anything that can help us build a knowledge bank to make sound business decisions. What we would hope could happen with the information that we collected from last year is that we can then start to have a measurable scale; let us call it a one to 10 scale. If it is three, okay, we can make some commercial wine out of this and we can move forward—we can honour our contracts and we can put a lot of minds at ease as long as that analysis can be done quickly. To create measurable scales is critical, but you cannot do that without building up that knowledge bank. I think 100 per cent we should have some form of protocol there where you can collect that information. You know that if you are in this situation, this is going to happen, and that data will then be pushed forward and used in some sort of useful manner to be able to help the industry.

Ms LOVELL: How comfortable are you with using some of those grapes? You said, ‘If it is a three, we can produce something commercial out of that’. We did in 2006 I think have smoke-tainted wine, and people said it damaged brands because it did not taste so good.

Mr DAL ZOTTO: We have learned a lot. Last year taught us quite a bit. Different grape varieties cope with it differently. We had two grape varieties, arneis and prosecco, next door to each other. Arneis took up very little smoke. By the time we pressed it and fermented it its readings were so low no-one would know unless they said, ‘Oh, this is a bushfire year. I’ll pick that up’, whereas with the prosecco you noticed it. So different varieties take, and that is where that information from that analysis really helps, so we know we can take that fruit. But then also vicinity to fires and those sorts of things become critical. It becomes around our messaging, and I think that is one that is an industry responsibility, that we learn how we speak around that. When people are asking those questions like you are asking, it is like, ‘Well, this is honestly what it looks like’. We are not going to release anything that is going to damage our brand.

Ms LOVELL: But there are things that government can do, like the access to labs and stuff like that and an agreement with the industry too so that we do not go through that. Every time we have an event we go through the same process of, ‘This is what we need’. If we had that agreement in place, it would just flow smoothly.

Mr DAL ZOTTO: Correct. And it is more just a tweak of that protocol, so if you go, ‘This didn’t work well last time; let’s correct it there’, we know we have to gear up and have more whatever it is. Because it was taking a long time to get results, and when you have got a grower waiting for someone to tell them if their fruit

is being accepted or not, then they could possibly chase another buyer on the off-chance. Getting that information is great, but the speed and accuracy of getting that information is critical as well.

The CHAIR: Thank you for that, Michael. On that note we might conclude there. We are on schedule, which is fantastic. The committee will now take a short break before the next witness.

Mr DAL ZOTTO: Okay, thanks very much.

Witness withdrew.