

Report to the Future Melbourne Committee**Agenda item 6.5****The impact of the Omicron variant on the City of Melbourne****1 February 2022****Presenter:** Andrew Wear, Director, Economic Development and International**Purpose and background**

1. The purpose of this report is to update the Future Melbourne Committee on the impacts of the Omicron variant.
2. During the period leading up to Christmas 2021, the central city was bouncing back rapidly.
 - 2.1. On 11 December, Google mobility data showed that retail and recreation activity was just 8 per cent below the pre-COVID baseline. On 17 December, night time activity in Chinatown was just 13 per cent below pre-COVID levels.
 - 2.2. Between November and December 2021, the proportion of shops that were occupied increased from 69 per cent to 75 per cent.
3. Due to Omicron's high levels of transmissibility, confusion about the appropriate settings and significant difficulties in procuring testing, the emergence of the Omicron COVID-19 variant has severely disrupted Melbourne's recovery. While only limited health restrictions are in place, the impact of the outbreak has effectively led to a 'shadow lockdown.' ANZ reports that in Melbourne in the first half of January 2022, spending on dining and takeaway dropped 43 per cent in the first half of January compared with the first half of December (prior to COVID-19, the December-January drop was usually about 28-29 per cent). Roy Morgan reports that national consumer confidence is now at its lowest point since October 2020.
4. While hotel occupancy increased to 32 per cent in November 2021, and 43 per cent in December 2021 it has languished around 25 per cent since June 21 and is expected to decline again in January due to Omicron. Year on year hotel occupancy has declined from 85 per cent in 2019 to 41 per cent in 2020 and only 34 per cent in 2021.

Key issues*Business impacts*

5. Preliminary results of a recent survey of business sentiment conducted by the City of Melbourne in January 2022 showed that 74 per cent of businesses were struggling, reporting that they were either under 'intense distress' or were 'just surviving'. Under the current circumstances, 53 per cent of businesses don't feel confident that they can stay open for more than three months.
6. Businesses are being impacted by Omicron in three key ways
 - 6.1. *Customers.* Due to the risk of infection, many individuals are self-selecting to not work, shop or dine in the city, meaning there are fewer customers in the city. Google mobility data shows that on 14 January 2022, retail and recreation activity within the City of Melbourne was 62 per cent below the pre-COVID-19 baseline.
 - 6.2. *Workforce.* Businesses also report workforce disruptions owing to the limited availability of staff. 42 per cent of businesses responding to the City of Melbourne survey experienced this due to COVID isolation requirements. Separately, 36 per cent of businesses were also affected by labour shortages that existed prior to the Omicron outbreak.
 - 6.3. *Supply chain.* Disruptions in the supply chain are creating many challenges for small businesses, who are finding it difficult and expensive to source products.
7. Omicron is also hampering the return to office for many city workers. The reintroduction of mask mandates and a strong recommendation that people who can work from home should work from home, are creating further uncertainty for businesses and office workers across the city.

8. While roads remain relatively busy (in the week to 21 January, road movements were at 84 per cent of the pre-COVID baseline), public transport usage has been significantly impacted by Omicron. In the week to 21 January, metropolitan train patronage was just 42 per cent of the pre-COVID baseline, while tram patronage was just 36 per cent.

City of Melbourne response

9. City of Melbourne events and activations have been remarkably effective in contributing to the reactivation of the city following earlier lockdowns. For example, in mid-2021, the Melbourne Money program caused retail and recreation destinations to recover three times faster than following earlier lockdowns.
10. Consequently, the City of Melbourne's program of economic development activities and activations – delivered with the support of the Victorian government through the Melbourne City Recovery Fund and Melbourne City Revitalisation Fund – will continue to enhance levels of economic activity within the city while attracting visitation in a COVID-safe fashion.
 - 10.1. While adjustments due to Omicron have been necessary – for example the delay of the Docklands Drone Show because of supply-chain and staffing issues – attendances at Melbourne Fashion Week and Melbourne Music Week in December 2021 indicate that people will visit the city when encouraged to do so.
 - 10.2. In the coming months, activations and events under the City Activation Grants, City Revitalisation Events Grants programs and Business Events Sponsorship Program will drive visitation to the city.
 - 10.3. Major events such as the Australian Open continue to attract visitors to the city, even as they have limited crowd numbers in response to Omicron.
 - 10.4. Other activities such as the Shopfront Activation Program that has activated shopfronts in the CBD, Carlton and Docklands, and the pop-up library program, continue to enhance the city's attractiveness for visitors.
11. City of Melbourne continues to work with the international student community to improve their wellbeing. City of Melbourne also continues to advocate for a strong return of international students, which is critical for the municipality's medium-term recovery. A comprehensive program of welcome events is planned for 2022 to ensure that Melbourne provides for a world-leading student experience.
12. Management has confirmed with the Department of Health an extension of the use of the Town Hall as a testing centre until mid-February 2022.
13. Given the uncertainty surrounding the economic impact that Omicron may have on Council's financial position, impacts will be assessed on an ongoing basis as part of the current forecast and budget process.

Government response

14. COVID-19 Quarantine Victoria has recently updated its operations in the central business district. Two hotels are no longer required for quarantine purposes and have resumed normal business operations, while another has been converted to a medi-hotel, working to support the efforts of the Royal Melbourne Hospital. Another hotel will now be used for administrative purposes, leaving one hotel that continues to operate as a quarantine hotel that will receive all international arrivals, community intake and front-line workers.
15. The Victorian Government has extended the Commercial Tenancy Relief Scheme until 15 March 2022. This scheme provides support to small and medium-sized businesses impacted by reduced turnover and their landlords to negotiate in good faith to reach an agreement on rent relief in a timely manner.
16. Unlike previous lockdowns, the Victorian and Australian governments have not provided financial support to impacted businesses. Given the impact on business of the Omicron outbreak is significant and comparable to previous lockdowns, there is a strong case for financial support to be made available. In the absence of such support, many businesses will not survive.

17. One of the greatest challenges of Omicron is the sense of uncertainty that has been created. While predictions for a rapid decline in cases are reassuring, this month's return to school, and the lack of publicly available information about a pathway out of the current outbreak will further erode community confidence while also fuelling uncertainty.
18. In addition to directly and indirectly supporting the city's traders as they face the impacts of Omicron, there is a role for the City of Melbourne in advocating to the Victorian and Australian governments to continue their support of the municipality through direct support for business, reactivation initiatives and return of public sector employees.

Recommendations from management

19. That the Future Melbourne Committee:
 - 19.1. Notes the significant impact that the Omicron variant has had on the City of Melbourne.
 - 19.2. Endorses management:
 - 19.2.1. Working to further activate vacant shops, to ensure shopping strips remain vibrant.
 - 19.2.2. Continuing to work with the Victorian government on the Melbourne City Revitalisation Fund to activate and revitalise the central city.
 - 19.3. Requests the Lord Mayor write to the Premier seeking:
 - 19.3.1. Reinstatement of direct financial support for businesses in the central city due to lower foot traffic leading to a significant impact on businesses.
 - 19.3.2. Another round of hotel vouchers for stays in the central city, to encourage visitation, attendance at events and associated spending.
 - 19.3.3. Funding for a further round of the successful Melbourne Money program to stimulate and accelerate the city's recovery from Omicron.
 - 19.3.4. Provision of free public transport for selected events, such as Moomba, to encourage people to return to using public transport.
 - 19.3.5. Review of the government's recommendation that 'people work from home if they are able' and its immediate removal once relevant health advice is received.
 - 19.4. Requests the Lord Mayor write to both the Prime Minister and the Premier seeking return of Australian Public Service and Victorian Public Service employees to the city, as soon as possible.

Attachments:

1. Supporting attachment (Page 4 of 4)

Supporting Attachment

Legal

1. There are no legal implications.

Finance

2. Given the uncertainty surrounding the economic impact that Omicron may have on Council's financial position, impacts will be assessed on an on-going basis as part of the current forecast and budget process.

Conflict of interest

3. No member of Council staff, or other person engaged under a contract, involved in advising on or preparing this report has declared a material or general conflict of interest in relation to the matter of the report

Health and Safety

4. In developing this report, no Occupational Health and Safety issues or opportunities have been identified.

Stakeholder consultation

5. The contents of this paper have been partially informed by preliminary results of a survey of business sentiment conducted by the Business Concierge Service from 14 January 2022.

Relation to Council policy

6. Recommendations are consistent with the strategic objective in the Council Plan 2021-25 focusing on *Economy of the Future* and with the Economic Development Strategy 2031 – particularly with the 'Business-Friendly City' and 'Diverse City' priorities.

Environmental sustainability

7. In developing this paper, environmental sustainability issues have been considered and no direct issues were identified.