



2022-23 STATE BUDGET SUBMISSION **REGIONAL VICTORIA**



Introduction

The Victorian Chamber of Commerce and Industry welcomes the opportunity to provide our 2022-23 State Budget submission for Regional Victoria.

COVID-19 has uniquely impacted Regional Victoria in several ways including an influx of migration from metropolitan areas which has put increased pressure on services and infrastructure, as well as rental vacancy rates and housing affordability and availability.

Limited access to housing is having a flow on effect to businesses as workers and potential workers struggle to secure a premises while tourists have fewer options for accommodation in their region. This is having a negative impact on economic growth and state supply chains.

Victoria needs to speed up improvements to regional infrastructure and services to support this population migration out of our cities and into our regions. Some critical regional priorities include connectivity, skills shortages, agribusiness, local procurement, and health and mental health services.

Our regions would benefit from high-speed trains between Regional Victoria and city hubs, more funding to promote regional tourism and events, and a long-term infrastructure plan for the agribusiness, food and accommodation sectors. We must find ways to encourage people to work in regional industries with critical worker shortages and boost local manufacturing to create more industries and jobs and drive economic prosperity.

At the Victorian Chamber, we know there is a need for a more strategic focus on Regional Victoria, which is why we have produced a specific regional pullout. We have engaged directly with our regional members to inform the recommendations below.

Summary of Recommendations

ENABLE

21.	Provide \$35 million over five years to extend the Mode Shift Incentive Scheme.
23.	Provide funding over four years for a business case each year for high-speed trains to Regional Victoria, starting with Ballarat, and begin collaborating with the Commonwealth on a joint funding model for the project.
24.	Create a \$250 million regional transport asset maintenance fund to ensure regional roads are maintained.
28.	Streamline support for Victorian businesses (particularly SMEs and regional) to be able to win and access procurement opportunities – this should be coordinated through one central body such as the Industry Capability Network (ICN).

GROW

43.	Fund Visit Victoria to develop a detailed 10-year experience economy strategy to restore and retain Victoria's reputation for great experiences. It should be focused on two pillars – Tourism and Events – with equal importance given to both.
47.	Develop a long-term infrastructure plan, with short- and medium-term milestones, for Victoria's experience economy to ensure appropriate facilities are in place to support future growth. The focus should be on experiences in the agribusiness, food and accommodation sectors.
50.	Put forward a 2026 Commonwealth Games bid to boost our visitor economy, particularly in Regional Victoria.
51.	Provide funding to plan for the Commonwealth Games with initial funding focused on improving the required infrastructure required in Regional Victoria.
52.	Provide additional funding for electric vehicle (EV) charging stations across Victoria.

EASE

55.	Increase the payroll tax threshold to \$1.2 million in Metropolitan Victoria and decrease the rate to zero in Regional Victoria.
60.	Provide funding and Ministerial direction for the Victorian Planning Authority to provide support to local councils in Regional Victoria.

REGIONAL

68.	Fund a targeted, industry-led 'Work in the Regions' initiative to encourage new regional Victorians and young people to work in shortage industries.
69.	Create a Victorian Manufacturing Strategy and Fund to boost Victoria's local manufacturing industry and capabilities.
70.	Commission a statewide review of local content procurement processes in collaboration with at least six regional councils.
71.	Require Victorian Government agencies to report quarterly against local procurement targets.
72.	Fund Services Victoria to lead a new initiative to reduce the cost, time and processes associated with starting or expanding an agribusiness.
73.	Extend the 'Health to Health' and 'Head to Help' pop ups to 2024 and to five additional regional locations.

Enable

Infrastructure

Mode Shift Incentive Scheme

Rail freight is important for Victoria and decreases stress on roads in and around the Port of Melbourne. The Mode Shift Incentive Scheme (MSIS) is vital for most rail operators contesting against road freight in Victoria. The MSIS investment removes the equivalent of 46,000 truck trips off Victorian roads each year by providing support for the regions and primary producers to make rail transport costs competitive with road freight. It also allows exporters to move their goods more efficiently through to the world market.

The MSIS will deliver significant economic, environmental and safety benefits, with rail freight producing three times less carbon pollution than road freight and fewer trucks on the road means improved road safety outcomes right across the state. Overall, the scheme delivers almost \$5 million in benefits to Victoria every year through reduced road maintenance, emissions, congestion and crashes.

A five-year timeframe for delivery is appropriate as it coincides with the delivery of Port of Melbourne's highly anticipated Port Rail Transformation Project (PRTTP) coming online by 2026 and to also provide certainty to Victorian primary producers and exporters.

21.

Recommendation: Provide \$35 million over five years to extend the Mode Shift Incentive Scheme.

High speed trains to Regional Victoria

Fast rail connections between Regional and Metropolitan Victoria would decrease commute time and improve the availability of labour in Victoria's fastest growing regional centres. A 45-minute commute between Ballarat and Melbourne could be a reality and provide the blueprint to rollout further highspeed trains to other regional centres to improve connectivity. The State Government should also bring forward the work on Geelong fast rail.

23.

Recommendation: Provide funding over four years for a business case each year for uninterrupted high-speed trains to Regional Victoria on dedicated lines from Southern Cross Station, starting with Ballarat, and begin collaborating with the Commonwealth on a joint funding model for the project.

Road maintenance fund

Road maintenance in the regions should be a priority for this Budget. Our members advise that critical stretches of road, such as the Murray Valley Highway to Rutherglen require an urgent update. A \$250 million regional transport asset maintenance fund would prioritise road and rail links that need repair.

24.

Recommendation: Create a \$250 million regional transport asset maintenance fund to ensure regional roads are maintained.

Procurement

Procurement is one of the best ways to activate and support businesses. It also has the capacity to improve sovereign capability which decreases the reliance on imports. Importantly, it creates local jobs. To date on major projects, procurement of local rolling stock has been quite successful, however there is scope to improve through greater engagement with SMEs, especially those located in Regional Victoria. Minor changes to current procurement policies, together with minimal targeted government funding, could help grow local jobs and businesses.

28.

Recommendation: Streamline support for Victorian businesses (particularly SMEs and regional) to be able to win and access procurement opportunities – this should be coordinated through one central body such as the Industry Capability Network (ICN).

Grow

Visitor Economy

Victoria needs to reimagine our visitor economy and the broader experience economy and recover our reputation as the destination that has it all. To entice visitors to come and explore the unique natural attractions and experiences our State has to offer, Victoria must provide targeted support to keep our tourist destinations operational. More than 70 per cent of our members surveyed would like to see further support for the visitor economy.

Since March 2020, the tourism sector has been heavily affected by the public health response to COVID-19, especially businesses reliant on inbound markets. Our visitor economy went from contributing more than \$32 billion to the Victorian economy in 2019-20, to just \$8.9 billion in 2020-21. Many operators require ongoing support for asset retention and investment in the medium term.

The tourism industry needs targeted funding to help see it through until visitor levels return to pre-pandemic times. The Chamber recommends increasing funding to host local, national and international events, improving infrastructure and service provider capacity for our experience economy, and developing short courses and internships for the events, tourism and hospitality sectors.

43.

Recommendation: Fund Visit Victoria to develop a detailed 10-year experience economy strategy to restore and retain Victoria's reputation for great experiences. It should be focused on two pillars – Tourism and Events – with equal importance given to both.

47.

Recommendation: Develop a long-term infrastructure plan, with short- and medium-term milestones, for Victoria's experience economy to ensure appropriate facilities are in place to support future growth. The focus should be on experiences in the agribusiness, food and accommodation sectors.

Commonwealth Games

Large events of international importance always come with significant investment and preparations. If Victoria hosts the Commonwealth Games in 2026, planning and deployment of resources and skills needs to be conducted now.

Already, investment in infrastructure has been met with strain on capacity and ability to deliver projects. The

Commonwealth Games will require work on existing facilities and maintenance to be increased. This should be planned for now to avoid additional stress on regional service providers, avoid last minute increased costs for delivery, and manage risk to ensure high quality work done.

50.

Recommendation: Put forward a 2026 Commonwealth Games bid to boost our visitor economy, particularly in Regional Victoria.

51.

Recommendation: Provide funding to plan for the Commonwealth Games with initial funding focused on improving the infrastructure required in Regional Victoria.

Environment

The 2021-22 Victorian Budget saw significant investment in environmental protection, renewable energy, climate change mitigation, and waste and recycling transformation, demonstrating the commitment to investing in projects that benefit both businesses and the environment. With an ever-increasing lens on the risks and challenges of climate change, the Victorian Chamber recognises the importance for industry to seize the economic opportunity of a climate-resilient Victoria in growth sectors like renewables, waste recovery, carbon technologies and transport. This will also create jobs and increase local demand for products.

Transitioning to a circular economy presents multiple opportunities and challenges for business. It is important to continue to create incentives for business to invest in circular economy programs, promote innovative solutions and sustainable markets, and work with businesses to set up repurposing facilities. This will ensure businesses are supported to take advantage of circular economy practices and benefit the state.

Evidence shows that the transport sector is one of the largest emitters of greenhouse gas emissions¹. The Chamber welcomed the recent announcement investing a further \$5 million in grants to the Destination Charging Across Victoria program, and supports additional funding to provide local procurement opportunities for business to drive the adoption of electric vehicles (EVs) across the State.

52.

Recommendation: Provide additional funding for EV charging stations across Victoria.

¹ Opportunities to reduce light vehicle emissions in Australia | Climate Change Authority

Ease

Tax

Payroll tax is a tax on jobs as it creates a disincentive for firms to take on more employees. Providing payroll tax relief will spur recovery, business confidence and job creation. Victoria needs an 'employment friendly' payroll tax threshold that is competitive against other states. Victoria should be the most attractive place to do business.

This will not happen while Victoria's payroll tax-free threshold of \$700,000 remains significantly below levels in other states. The New South Wales Government has lifted its payroll tax threshold to \$1.2 million from 2020-21. In Queensland the current threshold is already \$1.3 million, and in Western Australia the annual threshold has just risen to \$1 million.

55.

Recommendation: Increase the payroll tax threshold to \$1.2 million in Metropolitan Victoria and decrease the rate to zero in Regional Victoria.

Planning

Access to affordable housing is increasingly becoming an issue in both Metropolitan and Regional Victoria. While the Government has used many policy levers to help facilitate this, many Victorians are still unable to purchase a home in the areas they grew up, would like to live or in close proximity of their workplace. In Melbourne, the level of urban infill has not kept pace meaning more people live further from major public transport infrastructure points which puts pressure on our road system and decreases available greenfield land supply. This impacts jobs due to a lack of labour in employment centres because of limited housing or decreased worker wellbeing due to long commutes.

The Victorian Chamber proposes several solutions that will lead to an increase in planning approvals and a higher level of infill development, while also providing affordable housing in Regional Victoria. Heritage should be protected and within Melbourne the outcome should see greater level of low to medium density housing.

60.

Recommendation: Provide funding and Ministerial direction for the Victorian Planning Authority to provide support to local councils in Regional Victoria.

Regional Victoria

Addressing Employment and Investment

Regional businesses are facing a lack of skilled, available workers alongside a long-term youth unemployment crisis (as of January 2022, youth unemployment in Victoria stands at 12.2 per cent, higher than the national rate of 9.1 per cent). Regional areas also consistently report underinvestment in services and feeling left out of metro-centric economic development plans.

To address these issues, the Victorian Chamber recommends a targeted, industry-led 'Work in the Regions' initiative that focusses on the regions and industries experiencing acute shortages, with industry identifying the priority areas. The campaign would have a dual focus; firstly encouraging new regional Victorians to take up employment in their local communities, and secondly encouraging businesses to train and unlock opportunities for local young people.

Targeted industry investment and procurement levers should also be used to ensure development in our regions. A \$2 billion Regional Victoria Manufacturing Strategy and Fund will significantly boost our State's manufacturing capabilities. This should also require reporting on regional procurement at the State and Local Government levels.

68.

Recommendation: Fund a targeted, industry-led 'Work in the Regions' initiative to encourage new regional Victorians and young people to work in shortage industries.

69.

Recommendation: Create a Regional Victoria Manufacturing Strategy and Fund to boost local manufacturing industry and capabilities.

70.

Recommendation: Commission a statewide review of local content procurement processes in collaboration with at least six regional councils.

71.

Recommendation: Require Victorian Government agencies to report quarterly against local procurement targets.

72.

Recommendation: Fund Services Victoria to lead a new initiative to reduce the cost, time and processes associated with starting or expanding an agribusiness.

Addressing the Regional-Metro Divide for Services

Beyond measures that directly benefit business, Regional Victoria requires services that match the quality and responsiveness of those provided to communities in Melbourne. While the Victorian Government's commitment to mental health support is commendable, the availability of early intervention mental health supports, peer support and acute facilities in Regional Victoria lags Melbourne.

One short to medium term solution could be to extend the successful 'Health to Health' and 'Head to Help' pop ups to 2024 and to five additional regional locations. In the longer-term, the Victorian Government should look to open a dedicated acute mental health treatment facility in at least two regional locations more than two hours' distance from Melbourne.

73.

Recommendation: Extend the 'Health to Health' and 'Head to Help' pop ups to 2024 and to five additional regional locations.



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