

2023-24 Federal Budget Submission

Empowering Victorian Business

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Executive summary

The Victorian Chamber of Commerce and Industry (VCCI) welcomes the opportunity to provide a submission to the Federal Budget 2023-24. As Victoria's peak business and industry body, the Victorian Chamber represents the collective voice of 65,000 members and clients. We advocate for better conditions for Victorian businesses, so that every business – small, medium, family, and large – can start up, grow, and thrive.

As a shareholder of the Australian Chamber of Commerce and Industry (ACCI), the Victorian Chamber contributed to their submission which articulates our nation-wide priorities and has our full support. The Victorian Chamber's localised and specific asks for Victoria are contained in this document. Victoria's economic prosperity and the health of our business community must be a central priority which will propel our broader national success.

Business is the heart of our community. In 2019, the private sector accounted for close to 97 per cent of all jobs¹ providing the majority of the population with vital income to support themselves, their families and their communities.

The private sector is still a key part of the community today. However, the current economic climate of rising interest rates and cost of living, it is imperative that the Federal Government improves business conditions as Australia faces continual economic constraints. The Victorian Chamber asks the Federal Government to urgently address the high cost of living impacting our economy.

Soaring energy prices are a concern across all industries. Secure, affordable, and clean energy is a priority for domestic and trade-exposed Victorian industries. We recommend further exploring the opportunity to produce hydrogen in Victoria for domestic use. This will not only create secure access to clean fuel for Australians, but it will boost advanced manufacturing

jobs for Victorians. It will also put Australia at the forefront of an emerging industry.

Funding is needed to support Victoria's world-class research institutions to develop innovations in renewable energy that will drive the country's transition to a clean economy. This includes investing in infrastructure to continue to cement Victoria as the wind energy capital of Australia.

To address chronic labour shortages, Australia must relax visa constraints of migrant workers, recognise more foreign qualifications and prior learning, and invest in lifelong learning to provide businesses with the skills they need to further growth and productivity.

Taxation relief is also one of the most effective and efficient mechanisms available to resolve the skills crisis plaguing Victoria and several other jurisdictions. Favourable tax treatment will encourage more workers to take on a second job, while enabling businesses to address staffing shortfalls and remain open. A consistent, national payroll taxation threshold will also create a fairer playing field for Victorian businesses.

We need to see long-term investment in critical infrastructure to support Victoria's economic growth and prosperity. Our two infrastructure priorities are a new Intermodal Freight Terminal in Victoria and less restrictive requirements for development of our airports.

Finally, an industry-led export mentoring program and expansion of the Export Market Development Grant scheme would support more businesses to take their products to international markets.

To prosper, Australia must continue to diversify and modernise our economy. These outcomes are only possible in the setting of a thriving private sector. The Victorian Chamber will work hard to play our part and help build a stronger future for both our State and nation.

This submission recommends funding and policy changes tailored to our members' priorities. We have validated these priorities through roundtable discussions, member surveys and via independent focus groups involving a cross-section of Victorians.

¹ Parliament of Australia. (2020). *Small business sector contribution to the Australian*, available at <https://www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Library/pubs/rp/rp1920/SmallBusinessSectorAustralianEconomy>.

Summary of recommendations

Migration and International Students

1	Relax visa constraints so that migrant workers can work across different jobs within the same sector to address critical skills shortages in high-demand industries (e.g., allow migrant nurses to work on hospital wards and in an aged care facilities).
2	Create an Agriculture Passport to allow seasonal employees to work across different growers and farms according to seasonal demand.
3	Recognise more foreign qualifications, work experience and training of migrant workers, particularly in areas with critical skills shortages, to allow skilled migrants to work in their fields of expertise.
4	Task Jobs and Skills Australia to work closely with the migration system to create a detailed workforce strategy focusing on skills development, increased workforce participation, and migration. This would deliver flexible and efficient solutions to meet labour market needs.
5	Further address visa processing times and backlogs by increasing capacity in Home Affairs to give certainty to business and applicants. a. Enable pathways to permanency for all temporary skilled migrants to increase attractiveness of Australia to foreign workers and secure longer-term skills and labour pipelines. b. Rename temporary working visas to reduce confusion and increase employability of visa holders.
6	Remove the Skilling Australians Fund Levy to decrease barriers and costs of bringing in necessary skills to Australia.
7	Incentivise businesses to develop paid internship programs for international students to address critical skills shortages in industry.
8	Reform the higher education system to include accredited internships as an option in courses to provide all students with practical industry-specific training and professional networks to help them find jobs.
9	Embed employability outcomes in all tertiary education courses (universities and TAFEs) to improve student employment rates post-study.

Skills and Training

10	Establish a definition and framework for microcredentials, including consideration of timing, funding, accreditation, and flexibility in their requirements, to rapidly upskill and reskill the workforce to address the constant evolution of skills in industry.
11	Embed careers development into high school curriculum, including modernising careers advice (e.g., gamifying) and promoting different types of qualifications equally, to improve students' awareness of multiple career pathways.
12	Enable more industry experts to easily become VET trainers to increase the VET system's capacity.
13	Commit to subsidies for apprentices and trainees with a wage subsidy breakdown of: Year one – 25 per cent wage subsidy; Year two – 15 per cent wage subsidy; and Year three – 10 per cent wage subsidy; to continue commencements and ensure crucial skills pipelines.
14	Provide targeted wrap-around support services for apprentices and employers such as assigning a case manager for each apprentice who provides advice, support, and coaching to nurture apprentices to completion.
15	Ensure apprenticeship completion data is fit-for-purpose, including requiring all employers and apprentices to give a reason for non-completion, to better address problems with the VET system.
16	Scale up funding for targeted apprenticeship programs for specific cohorts (e.g., First Nations), including ongoing pastoral care from trusted community members, to support apprentices and employers to completion.

Summary of recommendations (continued)

Energy

17	Establish a comprehensive renewable energy roadmap for how Australian businesses can effectively transition to renewable energy and reduce their carbon emissions in line with the international emission reduction target of 45 per cent outlined in the Paris Agreement.
18	Create a methane-reduction roadmap to support the agricultural and manufacturing sectors to reduce their methane output by 30 per cent by 2030.
19	Fund research institutions in Victoria to develop innovations in renewable energy, including investment in infrastructure to continue to cement Victoria as a leader in wind, bioenergy, solar and hydrogen.
20	Scale the Hydrogen Energy Supply Chain Project or invite similar public-private ventures to boost Victoria's advanced manufacturing sector and produce a secure, reliable, domestic supply of hydrogen.
21	Provide tax incentives for businesses to invest in energy-efficient technologies and practices, to encourage cost-effective energy use in the short-term while larger projects are developed.
22	Develop a national plan for electric vehicle charging infrastructure, which includes consultation with all states. This would have a focus on building ultra-rapid charging stations in regional areas to promote the adoption of electric vehicles.
23	Encourage the growth of local energy communities and microgrids to increase energy security, reduce costs and encourage circular economy opportunities in Regional Australia.
24	Ensure energy prices are transparent and have mechanisms in place to protect businesses and consumers from sudden price spikes or market distortions.

Environmental, Social and Governance

25	Establish an Environmental, Social, Governance (ESG) framework to easily identify and measure major environmental, social and governance impacts and develop pathways to help businesses to implement positive ESG programs and strategies.
26	Provide subsidised industry-specific training and resources to help SMFEs understand their ESG obligations and opportunities and build their capacity to introduce value creating ESG policies.

Tax Reform

27	Provide interim income tax relief to incentivise more Australians to work a second job and keep more businesses operating.
28	Negotiate a national approach to payroll taxation to create a consistent, employment-friendly payroll tax threshold.

Freight and Exports

29	Fund the Western Interstate Freight Terminal to revitalise industry, create jobs and cement Victoria's status as Australia's principal freight point.
30	Maximise the strategic opportunities of Australia's airports by amending the Airports Act 1996 (Cth) to streamline arrangements for major development plan approvals, including raising the monetary trigger from \$35 million to \$75 million.
31	Fund an industry-led mentoring program to help more Australian businesses become export-ready.
32	Expand funding and eligibility for the Export Market Development Grant (EMDG) scheme to help more SMFEs enter new export markets.

Visitor Economy

33	Create a Tourism Resilience Fund to assist tourism, accommodation, events and creative businesses to remain viable and operate at full capacity by the end of 2024.
34	Expand the Enabling Tourism Fund to be accessible to all of Victoria to assist with tourism recovery.
35	Fund a tourism collaboration fund to prioritise and target joint ventures, activity clusters or collaboration between operators in the tourism, events, accommodation, and hospitality industries.

Cybersecurity

36	Fund cyber education and awareness campaigns and develop programs to help businesses harden their defences and comply with regulations.
37	Establish and fund an independent data security standards body that can develop, unify and certify information security standards across vendors, business and government.
38	Incorporate cyber protection, education, and risk management into all businesses to build trust between vendors and develop cyber skills in the business community.

Enabling skilled and unskilled migration

Across all industries, a common pain point is chronic worker shortages. In Victoria, 373,000 additional workers will be needed by 2025 to meet growing market demands.² An efficient way to address this and boost our economic productivity is to enable an influx of skilled and unskilled migrants. Any caps on migration should be linked to population levels.

To make Australia a more attractive destination for migrant workers, the Federal Government must ease visa constraints to encourage foreign workers to build a career here. In conjunction with addressing the backlog of visa applications, providing incentives would help to keep migrant workers in Australia.

The Federal Government needs to urgently relax visa conditions to enable fast-tracked migration. A streamlined process for migrant workers that allows flexibility in their working conditions would help deploy skills across industries in need. The healthcare industry is an example of where this change would help address shortages and alleviate constraints within the migration system.

Australia needs to maximise the experience and skills of our migrant workers. The Federal Government must recognise prior learning, including education, qualifications, and work experiences to streamline migrant workers straight into our workforce. This can be done through the extended recognition of qualifications and training in areas of skills shortage, alongside the use of microcredentials to fill any gaps and bring them up to Australian industry standards.

1	Relax visa constraints so that migrant workers can work across different jobs within the same sector to address critical skills shortages in high-demand industries (e.g., allow migrant nurses to work on hospital wards and in an aged care facilities).
2	Create an Agriculture Passport to allow seasonal employees to work across different growers and farms according to seasonal demand.
3	Recognise more foreign qualifications, work experience and training of migrant workers, particularly in areas with critical skills shortages, to allow skilled migrants to work in their fields of expertise.
4	Task Jobs and Skills Australia to work closely with the migration system to create a detailed workforce strategy focusing on skills development, increased workforce participation, and migration. This would deliver flexible and efficient solutions to meet labour market needs.
5	Further address visa processing times and backlogs by increasing capacity in Home Affairs to give certainty to business and applicants. a. Enable pathways to permanency for all temporary skilled migrants to increase attractiveness of Australia to foreign workers and secure longer-term skills and labour pipelines. b. Rename temporary working visas to reduce confusion and increase employability of visa holders.
6	Remove the Skilling Australians Fund Levy to decrease barriers and costs of bringing in necessary skills to Australia.

² Victorian Skills Authority. (2022). *Victorian Skills Plan for 2022 into 2023*, available at <<https://content.vic.gov.au/sites/default/files/2022-08/Victorian-Skills-Plan-for-2022-into-2023.pdf>>.

Bringing back international students

International students are the skilled migrants of the future and vital contributors to Australia's position as a world-leading advanced economy. They provide businesses with the labour they need to fill job vacancies and address critical skills shortages. More than 35 per cent of Victorian businesses in the tourism, visitor services, events and hospitality sectors were at least partially reliant on international students to fill skills shortages before the COVID-19 pandemic.³

On top of this, international student fees secure the financial viability of our tertiary institutions and position higher education as one of Australia's key export markets. Beyond their direct contribution to higher education, international students also support other sectors in our economy. In 2019, more than 57 per cent of international students' \$40 billion economic contribution consisted of consumption of other goods and services.⁴

Despite the reopening of borders in early 2022, allowing international students to re-enter the country, the sector has not bounced back to pre-pandemic levels. In June 2022, 8,900 international students arrived in Victoria, which was 37 per cent lower than pre-pandemic levels.⁵ This has had a ripple effect onto other sectors like tourism, hospitality, and retail that all rely on international guests for survival.

Now more than ever, Australia needs to rethink how we nurture international students to encourage their return to our country over other competitor nations such as the UK and Canada. The best way to attract international students back to Australia is to improve their employability by providing more work opportunities during and after their studies.

International students seek an immersive experience when studying in Australia. They want meaningful employment opportunities during their studies. Our education institutions act as pathways into employment for international students. We must leverage our tertiary system to improve international student employability, by investing in and incorporating paid internships into curriculums, and embedding employability outcomes into all courses. Guaranteeing meaningful work experience improves Australia's value proposition and attracts more international students to our education institutions.

7	Incentivise businesses to develop paid internship programs for international students to address critical skills shortages in industry.
8	Reform the higher education system to include accredited internships as an option in courses to provide all students with practical industry-specific training and professional networks to help them find jobs.
9	Embed employability outcomes in all tertiary education courses (universities and TAFEs) to improve student employment rates post-study.

³ Victorian Chamber of Commerce and Industry. (2021). *Visitor Economy Survey*, December.

⁴ Australian Bureau of Statistics. (2021). *International Trade: Supplementary Information, Calendar Year*, available at <<https://www.abs.gov.au/statistics/economy/international-trade/international-trade-supplementary-information-calendar-year/latest-release>>.

⁵ Australian Bureau of Statistics.(2022). *Overseas arrivals and departures, Australia*, <<https://www.abs.gov.au/statistics/industry/tourism-and-transport/overseas-arrivals-and-departures-australia/latest-release#arrivals-international-students>>.

Reskilling and upskilling the workforce



The constant evolution of skills in industry and frequent career changes among workers have driven the growth in lifelong learning. Rapidly changing business environments, advancing technologies, and societal shifts which have seen workers change jobs and industries several times throughout their lives have all contributed to the increased need for microcredentials to reskill and upskill the workforce.

Despite the Federal Government providing \$18.5 million for the Microcredentials Pilot in Higher Education⁶, the country still lacks one standardised definition of what constitutes a microcredential. Australia must rapidly establish a formal, nation-wide microcredential system, including a definition of microcredentials and framework for their rapid development, funding, accreditation, and implementation to address the continual evolution of skills in industry.

This would provide mid-career workers the means to transition to a new industry, leveraging their transferrable skills. It would also help industry and education providers to establish tailored short courses that reskill and upskill the workforce to meet specific industry needs and address critical worker shortages.

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Establish a definition and framework for microcredentials, including consideration of timing, funding, accreditation, and flexibility in their requirements, to rapidly upskill and reskill the workforce to address the constant evolution of skills in industry.

⁶ Department of Education. (2022). *Microcredentials Pilot in Higher Education*, available at <<https://www.education.gov.au/microcredentials-pilot-higher-education>>.

Promoting vocational pathways to work

In the current climate of chronic skills shortages, promotion of vocational education and training (VET) helps to provide a pipeline of workers into labour-intensive industries. Australia must continue to support apprenticeships and traineeships to resolve skills shortages, provide more young and mature workers with employment opportunities, and continue our economic recovery.

Targeted promotional programs paired with meaningful, professional careers advice in schools will help boost enrolment into a wider range of training options across different industries and occupations, including VET-related pathways. Research strongly highlights the importance of careers advice in schools, showing that early and stage career exploration opportunities as part of an in-school careers strategy increases knowledge of career pathways.⁷

While vocational training for school students and careers advice are largely the responsibility of state and territory governments, there is a requirement for national leadership particularly in the case of careers advice. This is evidenced by ongoing frustration from industry that school leavers lack knowledge about different industries, foundational skills, and key career navigation tools.

Further to this, the Australian apprenticeship system is highly valued by Victorian Chamber members because of its important role in developing skills in industry and providing critical pipelines for workers into jobs. However, 38 per cent of skills shortages are in occupations with a VET pathway.⁸ Investment in apprenticeships is, therefore, a necessity for the provision of skilled occupations that Australia needs for essential infrastructure, economic growth, and improved productivity.

Lastly, to improve commencement and completion rates of apprentices, the Government must provide both employers and apprentices with fit-for-purpose support services and access to VET-related data.

11	Embed careers development into high school curriculum, including modernising careers advice (e.g., gamifying) and promoting different types of qualifications equally, to improve students' awareness of multiple career pathways.
12	Enable more industry experts to easily become VET trainers to increase the VET system's capacity.
13	Commit to subsidies for apprentices and trainees with a wage subsidy breakdown of: Year one – 25 per cent wage subsidy; Year two – 15 per cent wage subsidy; and Year three – 10 per cent wage subsidy; to continue commencements and ensure crucial skills pipelines.
14	Provide targeted wrap-around support services for apprentices and employers such as assigning a case manager for each apprentice who provides advice, support, and coaching to nurture apprentices to completion.
15	Ensure apprenticeship completion data is fit-for-purpose, including requiring all employers and apprentices to give a reason for non-completion, to better address problems with the VET system.
16	Scale up funding for targeted apprenticeship programs for specific cohorts (e.g., First Nations), including ongoing pastoral care from trusted community members, to support apprentices and employers to completion.

⁷ Keele, S. M., Swann, R., & Davie-Smythe, A. (2020). *Identifying best practice in career education and development in Australian secondary schools*. *Australian Journal of Career Development*, 29(1), 54–66, available at <<https://journals.sagepub.com/doi/full/10.1177/1038416219886116>>.

⁸ Department of Employment and Workplace Relations. (2022). *Australian Apprenticeship Services and Supports Discussion Paper*, available at <<https://www.dewr.gov.au/australian-apprenticeships/resources/australian-apprenticeship-services-and-supports-discussion-paper>>.

Ensuring energy security and boosting clean-energy manufacturing capabilities



Businesses across Victoria urgently require access to affordable, secure, and reliable energy. As outlined in ACCI's Pre-Budget Submission, ensuring business has access to affordable clean energy requires an integrated approach that simultaneously embraces carbon emission reduction policy and a strategic and coordinated national energy policy.

In late 2022, the Victorian Chamber conducted a survey of more than 1,000 business across Victoria to determine the main energy-related stresses on industry. Seventy-three per cent of respondents did not feel adequately supported dealing with the increased costs of energy. Further, businesses cited that a lack of certainty regarding reliable energy was crippling confidence and provoking further uncertainty towards the future.

While State and Federal Governments have adopted a more coordinated approach on emissions reduction targets, they must prioritise the cost-effectiveness of achieving targets and the immediate ways they can support businesses. The need for cost-effective, clean energy alternatives is particularly important for businesses involved in energy-intensive, trade-exposed sectors so ongoing transparency and coordination with the private sector is crucial.

The Victorian Chamber urges the Federal Government to invest in reliable domestic sources of clean energy, such as hydrogen. A critical and underexplored energy source, hydrogen must be a principal component of our emissions reduction strategy, as recognised in the Australian Government's *Low Emissions Technology Statement*.⁹ Victoria is Australia's most highly skilled state with a deep manufacturing history and expertise. We are well placed to lead the way on clean energy production and technology development.

The Federal and State Governments have made some progress by co-funding the Hydrogen Energy Supply Chain Project. The initiative is producing hydrogen in Victoria for export, an objective that is unlocking opportunity for our state's burgeoning clean energy industry.

The Victorian Chamber also believes there is opportunity to further scale the Hydrogen Energy Supply Chain project and fund a new public-private initiative to develop clean hydrogen for domestic consumption. This will support high-emitting, trade-exposed industries, such as the steel industry, to reduce emissions in a sustainable way. It will further develop Victoria's advanced manufacturing capability and leadership in clean energy technology, a key concern for our members and for all Victorians. This initiative could be supported by a subsidy for high-emitting industries using hydrogen, such as heavy transport and logistics.

Equally important is the development of a national plan for electric vehicle charging infrastructure, which includes consultation with all states and focuses on building ultra-rapid charging stations in regional areas to promote the adoption of electric vehicles.

Additionally, the Victorian Chamber recommends encouraging the growth of local energy communities and microgrids, which make it easier for businesses and households to generate, store, and share their own energy. This can increase energy security, reduce costs and promote greater energy independence.

⁹ Department of Climate Change, Energy, the Environment and Water. (2020). *Low Emissions Technology Statement*, available at <<https://www.energy.gov.au/news-media/news/low-emissions-technology-statement>>.

In addition to investing in clean energy production, Australia also needs to focus on energy efficiency in the short term. This includes providing incentives and subsidies for businesses to adopt energy-efficient technologies and practices, as well as promoting the implementation of energy-efficient building codes and standards. By taking a multi-faceted approach and addressing both energy production and energy efficiency, our nation can ensure that businesses have access to affordable, secure, and reliable energy while also working towards reducing emissions and achieving Australia's net-zero target.

Finally, the Victorian Chamber recommends establishing a comprehensive renewable energy roadmap that outlines how Australian businesses can effectively transition to renewable energy and reduce their carbon emissions in line with the Paris Agreement. This can be complemented by creating a methane-reduction roadmap to support the agricultural and manufacturing sectors to reduce their methane output by 30 per cent by 2030.

17	Establish a comprehensive renewable energy roadmap for how Australian businesses can effectively transition to renewable energy and reduce their carbon emissions in line with the international emission reduction target of 45 per cent outlined in the Paris Agreement.	19	Fund research institutions in Victoria to develop innovations in renewable energy, including investment in infrastructure to continue to cement Victoria as a leader in wind, bioenergy, solar and hydrogen.
18	Create a methane-reduction roadmap to support the agricultural and manufacturing sectors to reduce their methane output by 30 per cent by 2030.	20	Scale the Hydrogen Energy Supply Chain Project or invite similar public-private ventures to boost Victoria's advanced manufacturing sector and produce a secure, reliable, domestic supply of hydrogen.
		21	Provide tax incentives for businesses to invest in energy-efficient technologies and practices, to encourage cost-effective energy use in the short-term while larger projects are developed.
		22	Develop a national plan for electric vehicle charging infrastructure, which includes consultation with all states. This would have a focus on building ultra-rapid charging stations in regional areas to promote the adoption of electric vehicles.
		23	Encourage the growth of local energy communities and microgrids to increase energy security, reduce costs and encourage circular economy opportunities in Regional Australia.
		24	Ensure energy prices are transparent and have mechanisms in place to protect businesses and consumers from sudden price spikes or market distortions.

Supporting businesses to comply with Environmental, Social and Governance (ESG) policies

Current trends in consumer demand, supply chain fragility and the growing wave of regulator expectations mean that Australian businesses need to be aware of, and implement, ESG policies. Australian businesses need support to understand their ESG obligations and how to leverage the opportunities ESG can present.

The Federal Government needs to provide industry with specific training and resources to assist them on their ESG journey. This includes providing support to businesses, particularly small, medium and family enterprises (SMFEs) so that they can adequately identify, monitor and improve their operations to become more sustainable.

Although the Federal Government is taking steps to establish a climate-related financial disclosures framework in Australia,¹⁰ focusing solely on environmental factors, the scope of this reform should be expanded to incorporate social and governance reporting as well. The Government must also work with businesses to determine adequate implementation timeframes and develop pathways to ensure businesses can easily meet these reporting requirements. Further to this, any ESG reporting should be embedded into existing financial reporting processes to minimise duplication of auditing and reduce the burden on businesses to comply with ESG standards.

If the Federal Government takes swift action in accordance with international standards, it will create the opportunity to set Australian businesses up for global success. Australia can become a world leader in ESG, maximising value, supporting social growth, and contributing to environmental sustainability.



25

Establish an Environmental, Social, Governance (ESG) framework to easily identify and measure major environmental, social and governance impacts and develop pathways to help businesses to implement positive ESG programs and strategies.

26

Provide subsidised industry-specific training and resources to help SMFEs understand their ESG obligations and opportunities and build their capacity to introduce value creating ESG policies.

¹⁰ Treasury. (2022). *Climate-related financial disclosure*, available at <<https://treasury.gov.au/consultation/c2022-314397>>.



Interim tax relief to unlock Australia's workforce



Skills shortages are acute in Victoria and our members report the lack of access to skilled workers as their most significant barrier to recovery from the pandemic. A combination of factors is driving the shortfall of workers, including the two-year closure of Australia's international borders, structural change in the economy and the permanent exit of a significant cohort of Australians from the labour market. This demands a mix of policy solutions to address the gap between demand and supply in hard-hit sectors of the economy.¹¹

Tax relief may be an effective short-term mechanism to help resolve Australia's skills shortage issue. Favourable tax treatment could incentivise more workers to take on a second (or third) job, while allowing employers to access the labour they need to remain open. The Federal Government could consider a variety of income taxation measures to provide this relief, while ensuring that there is no disadvantage to or unintended consequences for workers.

Practical example:

Greg wants to get a second job working part time, in addition to his current full-time employment. He is attracted to an industry where his skills are in high need. However, he is discouraged to do so because he can only claim the tax-free threshold from one employer, and he will be taxed at the highest rate on this second job.

With our proposed change, for those who want to work in industries with skills shortages, they would pay the proportional tax rate for this second job, rather than the highest tax rate. Incentivising more individuals to take up a second job in areas of skills shortages.

27

Provide interim income tax relief to incentivise more Australians to work a second job and keep more businesses operating.

¹¹ OECD. (2021). *Designing active labour market policies for the recovery*, OECD Policy Responses to Coronavirus, July, available at <<https://www.oecd.org/coronavirus/policy-responses/designing-active-labour-market-policies-for-the-recovery-79c833cf/>>.

Taking on payroll tax

The National Cabinet has demonstrated the the Federal Government's capability to negotiate effectively with the jurisdictions in recent years and it should harness this collaboration to reform Australia's policy settings to accelerate economic activity and secure our nation's future.

Tax reform must be on the national agenda. We strongly support ACCI's recommendation that payroll tax is a top priority for change. Payroll tax negatively affects job creation and businesses cite it as their highest reform priority in comparison with other government taxes and charges.¹² Inconsistencies between the payroll tax regimes are also driving competition between states and territories and creating market distortions.

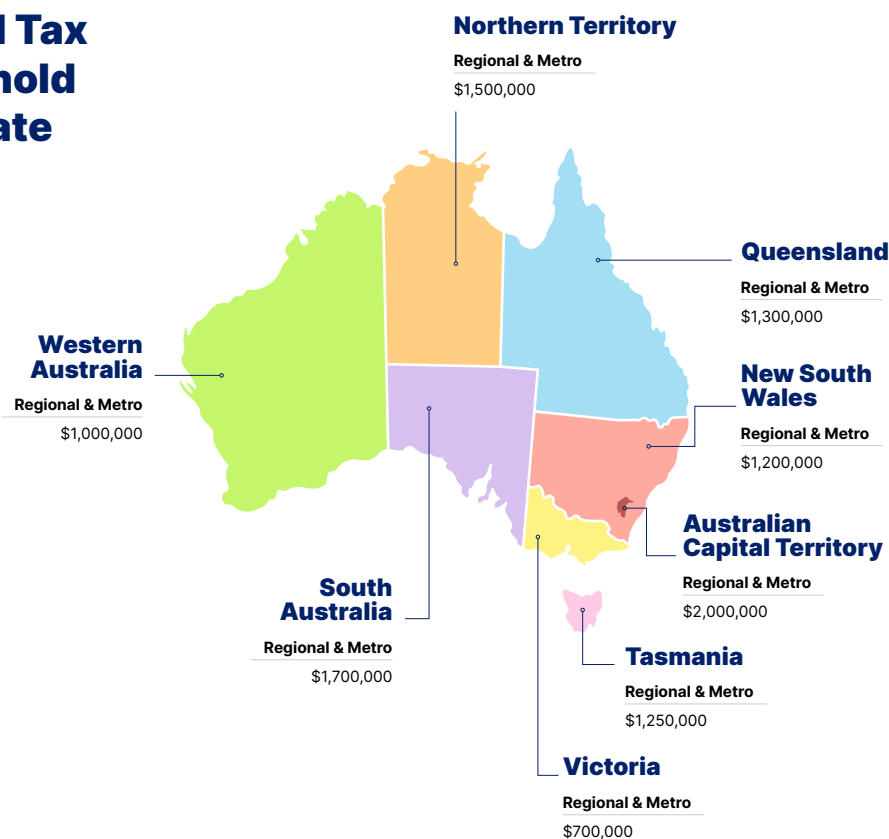
Victoria is Australia's highest cost jurisdiction to do business and has the lowest payroll tax threshold in the nation at \$700,000. A comparison of Australian jurisdictions' payroll tax thresholds demonstrates the need for a consistent national employment-friendly payroll tax threshold.¹³

The eventual aim should be to abolish payroll tax and replace it with a more efficient mechanism that is not linked to job creation.

28

Negotiate a national approach to payroll taxation to create a consistent, employment-friendly payroll tax threshold.

Payroll Tax Threshold Per State



¹² Nous Group. (2021). *Cost and ease of doing business in Victoria*, report prepared for the Victorian Chamber of Commerce and Industry, January.

¹³ Treasury. (2018). *Payroll tax and firm behaviour*, online article, available at <<https://research.treasury.gov.au/treasurys-two-cents/information-note-2>>.

Cementing an intermodal freight terminal in Melbourne

Growing market demand, heightening sustainability expectations and the need for improved productivity mean that Australian freight must switch from road to rail. In Victoria, this transition requires an intermodal freight terminal in Melbourne.

The Federal and State Governments must work together to provide funding and a commitment to begin the project in 2023-24. While the Federal Government has committed \$3.6 billion to the project,¹⁴ starting work is dependent on Federal-State agreement on the location.

The Victorian Chamber supports the call to develop the proposed site in Truganina (the Western Interstate Freight Terminal (WIFT)) first as this option will best address immediate pressures on the network. Once the WIFT is operational, work should then begin on a freight terminal at Beveridge.

Our members expressed a clear preference for prioritising a WIFT in focus group discussions and in response to surveys. More than half of our members in the transport and logistics sector are based within 15km of the proposed WIFT site, in line with published estimates of the clustering of activity in the freight node in Melbourne's West.¹⁵

The Victorian Chamber welcomes the current independent review of inland rail. The WIFT site is located close to Victoria's critical supply chain infrastructure, making it easier for goods to be transported between the terminal, Port of Melbourne and Melbourne Airport. The convenience of this location will also reduce transport costs for customers compared with alternative sites. This is a significant benefit for business when nearly 75 per cent report cost pressures as the most significant barrier to growth.¹⁶

The WIFT will revitalise the transport and logistics industry and create jobs for Victorians. The business case for the Terminal estimates the creation of approximately 2,000 Victorian jobs, without accounting for jobs indirectly created through supply chains. The project will improve access for port-related freight and relieve congestion by reducing the truck trips from the existing Dynon precinct by up to 2,000 per day.

Beyond the benefits specific to the Truganina site, there are significant risks associated with further delays to a new intermodal freight terminal for Victoria. International supply chain issues are impacting retailers, manufacturers and the construction industry, with more than two in five (41 per cent) Australian businesses experiencing supply chain disruptions in mid-2022.¹⁷

In Victoria, our members report that the impact of global supply chain disruptions is intensified by domestic supply chain disruption. While public health measures were a major factor in this disruption during the peak of the pandemic, local supply chain congestion and limited warehousing space is compounding the costs and pressures on industry.

Victoria's freight volumes are expected to grow to from approximately 400 million tonnes in 2021 to around 900 million tonnes annually by 2050.¹⁸ A WIFT operational by 2025, followed by an interstate freight terminal at Beveridge, will ensure our supply chain can manage this projected growth, ease cost pressures on business and generate economic benefit for Victoria and the nation.

29

Fund the Western Interstate Freight Terminal to revitalise industry, create jobs and cement Victoria's status as Australia's principal freight point.

¹⁴ Australian Government Budget 2020. (2020). *Infrastructure Investment Program*, available at <<https://investment.infrastructure.gov.au/files/budget-2022-23/2022-23-factsheet-vic-melbourne-intermodal-terminal-package.pdf>>.

¹⁵ Infrastructure Victoria. (2021). *Major transport program strategic assessment report*, available at <<https://www.infrastructurevictoria.com.au/wp-content/uploads/2021/08/Major-Transport-Program-Strategic-Assessment-Report.pdf>>.

¹⁶ Victorian Chamber of Commerce and Industry. (2021). *Costs on business report*, December, unpublished.

¹⁷ Australian Bureau of Statistics. (2021). *Business Conditions and Sentiments: Insights into Australian business conditions and sentiments*, June, available at <<https://www.abs.gov.au/statistics/economy/business-indicators/business-conditions-and-sentiments/latest-release>>.

¹⁸ Infrastructure Victoria. (2021). *Major transport program strategic assessment report*, available at <<https://www.infrastructurevictoria.com.au/wp-content/uploads/2021/08/Major-Transport-Program-Strategic-Assessment-Report.pdf>>.

Easing planning requirements for airports



Major airports are the gateway to our economy. There should be minimal barriers to their development and potential to deliver jobs, visitors, and goods to our nation.

The *Airports Amendment Bill 2018* amended the *Airports Act 1996* (Cth) to streamline arrangements for major development plans, including increasing the monetary ‘trigger’ or threshold for requiring the major development plan (MDP) approval process to \$35 million. The \$35 million trigger is too low, especially within the context of the value of infrastructure projects in the current economic environment. This is hampering the strategic development and use of our airports, particularly Melbourne Airport.

The requirements of the MDP process add significantly to project costs and time, and the current threshold applies to some projects that do not warrant the MDP process. While the Victorian Chamber understands the intent of the requirement, the monetary threshold acts as a ‘catch all’ and goes against the intent offering a flexible, proportionate, efficient approach to major development planning.

A stronger model for MDP assessments would involve a multi-criteria matrix with a \$100 million threshold and criteria based on the environmental and community impacts of a proposed development. The Victorian Chamber also supports Melbourne Airport’s proposal to reduce the public exhibition period for projects that are assessed as less contentious, in line with standard local government approvals of 14 to 28 days.

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Maximise the strategic opportunities of Australia’s airports by amending the *Airports Act 1996* (Cth) to streamline arrangements for major development plan approvals, including raising the monetary trigger from \$35 million to \$75 million.

Growing trade and investment

Victoria is a significant exporter of goods and services. In 2022-23, however, the market must shift toward export growth as a central economic recovery strategy. The Federal and State Governments should commit to grow Victoria's contribution to Australia's total exports to 25 per cent, in line with its proportion of the population, by 2025. A clear target will speed up government and industry action to assist businesses to commercialise their products for international markets.

The Victorian Chamber's members, particularly smaller enterprises, consistently report a lack of confidence as a key barrier to becoming an exporter. The Federal Government should consider funding an industry-led business mentoring and support program for potential exporters to improve their capability.

The scheme would involve practical support and tools to assist potential exporters to get export ready. Ideally, industry would develop and deliver the scheme, with an industry body providing practical training sessions, materials and matching experienced operators with prospective exporters for peer support.

The Victorian Chamber also supports the reformed Export Market Development Grant (EMDG) scheme. EMDGs have assisted thousands of small to medium enterprises seeking to build new markets. The Federal Government funded the EMDG scheme to \$223.4 million, with an additional \$65.5 million announced in the 2021-22 Federal Budget. The Victorian Chamber supports further expansion of the EMDG in the 2022-23 Federal Budget. This could include raising the \$30 million eligibility ceiling to \$40 million.



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Fund an industry-led mentoring program to help more Australian businesses become export-ready.

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Expand funding and eligibility for the Export Market Development Grant (EMDG) scheme to help more SMFES enter new export markets.

Supporting the visitor economy to recover

Australia needs to reimagine our visitor economy and recover our reputation as the destination that has it all. While demand has bounced back, the tourism, events, accommodation, and hospitality sectors are reporting acute skills shortages. This issue is multifactorial. More than a third of businesses responding to the Victorian Chamber's Visitor Economy Survey reported that they had relied on international workers to fill skills shortages pre-pandemic and seven in 10 reported current skills shortages.

Visitor economy businesses and the wider community are united on the need to support the visitor economy. Participants in the Victorian Chamber's independent voter focus groups, without prompting, cited tourism as a sector which has experienced significant damage due to the pandemic. Victorians were concerned about the future of Australia's visitor economy sector, sharing examples from their own communities of operators that had experienced hardship or had exited the industry altogether.

The Government should design a new resilience package for the visitor economy that promotes industry resilience when faced with new and existing challenging economic conditions. The aim should be to provide interim financial protection to assist organisations to survive to the end of 2023 and prepare to return to full capacity by the end of 2024. We cannot allow such an important part of our economy to fall behind the rest of the world.

This approach is modelled on the UK Government's Cultural Recovery Fund, which has supported their cultural, heritage and creative sectors to reopen. The Fund has assisted culturally significant organisations to remain operating, with the £220 million third and final round of the package supporting the UK's cultural, heritage and creative sectors to re-open at full capacity.¹⁹

Organisations supported through the scheme include globally significant enterprises such as the Royal Shakespeare Company, as well as entities such as the Black Country Living Museum and Sage Gateshead.

A tourism collaboration fund for Australia could also prioritise and/or target joint ventures, activity clusters or collaboration between operators in the tourism, events, accommodation, and hospitality industries. A fund designed along these lines will encourage businesses to regain ambition, pool their talents and build partnerships. The model recognises that a holiday experience involves multiple operators that, if supported, could grow their businesses through a joint approach.

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Create a Tourism Resilience Fund to assist tourism, accommodation, events and creative businesses to remain viable and operate at full capacity by the end of 2024.

34

Expand the Enabling Tourism Fund to be accessible to all of Victoria to assist with tourism recovery.

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Fund a tourism collaboration fund to prioritise and target joint ventures, activity clusters or collaboration between operators in the tourism, events, accommodation, and hospitality industries.

¹⁹ Department for Digital, Culture, Media and Sport. (2021). *Culture Recovery Fund*, available at <<https://www.gov.uk/government/groups/culture-recovery-board>>.

Securing cyber trust in the business community



With the exponential rise of business and consumer digitisation, businesses are increasingly vulnerable to cybercrimes. As the backbone of the Victorian economy, businesses need support to properly protect consumer and company data and the Federal Government must take immediate action. Without support, businesses will continue to be exposed to data breaches and other cyber-attacks.

To address these risks, businesses need a comprehensive approach that targets the root causes of vulnerability and provides support and resources to better protect themselves. The Government must increase cyber security awareness and cyber education of businesses by funding education and awareness campaigns to help businesses to comply with regulations.

Additionally, independent oversight bodies can provide guidance and support to businesses to help prevent data breaches and implement data protection measures. The Government has the opportunity to play a leading role in this space by funding the creation and operation of any independent oversight body.

Another important recommendation is to incorporate business protection, education, and risk management into the initial stages of business creation. This would build trust between vendors and help to develop skills at a grassroots level. By funding the development and delivery of these programs, as well as cyber training and resources for businesses, the Government could reduce the vulnerability of SMFEs to cybercrimes and improve protection for consumers and business data.

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Fund cyber education and awareness campaigns and develop programs to help businesses harden their defences and comply with regulations.

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Establish and fund an independent data security standards body that can develop, unify and certify information security standards across vendors, business and government.

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Incorporate cyber protection, education, and risk management into all businesses to build trust between vendors and develop cyber skills in the business community.



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