



2021-2022
STATE BUDGET SUBMISSION

Chief Executive Summary

The COVID-19 pandemic made 2020 a year like no other and while Victorian businesses weathered extreme challenges and hardship, particularly in certain sectors, we have fared better than most jurisdictions around the world which gives us an economic edge that we must capitalize on in 2021-2022.

The Victorian Chamber of Commerce and Industry is our state's largest and most diverse business representative group and has a vital role to advocate for what our 47,000 members and clients need to not only survive, but to thrive next financial year and beyond.

The Victorian Chamber worked closely with the State Government to secure substantial funding for COVID-19 business recovery in the 2020-2021 Budget including record infrastructure allocations to create jobs and stimulate a depleted economy.

This coming financial year we need to reset and recalibrate. The Victorian Chamber is advocating for a State Budget that focuses on reactivating business so it can help drive the economic recovery, while also helping the economy become more agile. It is an opportunity to map out a prosperous future, built on the strength of Victoria's world class research institutions, skilled workers, and entrepreneurs.

The 2021-22 Victorian Budget, in order to better communicate the benefits of funding, should be focused on the following areas that align with the Government's priorities, namely:

- enabling business,
- growing business and,
- the ease of doing business.

We are asking for a 'back to basics' budget that delivers the conditions that business needs to get the cogs turning on our economic engine room once again. We've had the ambitious infrastructure agenda and now it's time to empower business to do what they do best.

Our recommendations, summarised in the below table, focus on Government more efficiently supporting businesses and industries by undertaking sensible spending in areas that will have the greatest benefit and return on investment. This will be achieved through targeted investment in key areas that will help support and promote business, economic and workforce growth.

If delivered, these recommendations will ensure that businesses can help with the heavy lifting and return Victoria's economy back to number one in Australia. It will also lead to renewed prosperity by encouraging the rejuvenation of established businesses in manufacturing and the services sector and enabling new businesses to emerge, thrive and prosper.

Victorian Chamber's Priority Recommendations Summary

The following table provides a snapshot of the main recommendations in the Chamber's 21-22 budget submission. Additional detail and further recommendations are contained in the body of our submission.

	Priority	Funding value	Time period	Industry focus	Further details
Enabling business	Victorian Government 'Victoria Summit 2021' contribution	\$1.5 million	1 year	All	Page 7
	Expand incentives currently available for new workers to undertake an apprenticeship or traineeship to existing employees in industries or occupations where there is a pressing need to upskill the workforce.	Unknown	Ongoing	All	Page 8
	Victorian business adaptation fund in a post-COVID environment. Provide businesses with grants of up to \$10,000 to improve management capabilities in a scheme that the Victorian Chamber could help administer.	\$80 million	4 years	All	Page 8
	Provide funding to create a taskforce to help international students re-engage with the Victorian higher education sector remotely and through financially assisting in their return to Victoria.	\$100 million	2 years	University	Page 9
	Provide short-term funding for university research and development in targeted sectors, to compensate for lost revenue from absence of international students.	\$100 million	2 years	University	Page 9
	Establish a fund to provide investment into alternative energy sources, such as hydrogen and battery storage.	\$150 million	4 years	Energy	Page 11
	Fund the development of a dedicated nature-based tourism strategy to better leverage and invest in Victoria's world-class, natural assets.	\$20 million	4 years	Tourism	Page 12
Growing business	Create the Victoria Commercialisation Fund with government assuming an equity share.	\$1 billion	2 years	High value manufacturing and research industries	Page 14
	Create an entrepreneurship fund to provide support and training to new and early-stage entrepreneurs.	\$10 million	4 years	All	Page 14
	Credit scheme to provide payroll tax and land tax concessions for manufacturing and high-tech businesses to encourage their growth.	\$500m	4 years	Advanced manufacturing and Technology industries	Page 14
	Create a space and aerospace hub/cluster.	\$40 million	4 years	Aero and space industries	Page 14
	Establish a defence manufacturing support fund to leverage the federal \$450 billion 10-year commitment.	\$200 million	4 year	Manufacturing	Page 14
	Establish an Industry COVID-19 Recovery Fund, providing grants to assist businesses transform their operations to become more competitive in the post-COVID-19 environment. Industry groups could help roll-out.	\$80 million	4 years	All	Page 16
	Melbourne Convention Bureau (MCB) and Business Events Fund to stimulate growth in one of our hardest-hit sectors.	\$68 million	4 years	All	Page 16

	Provide revenue-contingent loan scheme for SMEs at the government borrowing rate, paid back as business returns to pre-COVID-19 turnover.	If done through TCV should have no Net Debt Impact	Subject to scheme design	All	Page 16
	The continuation of Global Victoria's <i>Export Recovery Package</i> to support Victorian exporters in both diversifying and identifying new markets.	\$64 million	4 years	All	Page 17
	Facilitation of domestic 'trade shows' in Victoria. Biannually over the next two years.	\$10 million	2 years	All	Page 17
	The continuation of the Mode Shift Incentive Scheme (MSIS) for Victorian regional exporters.	\$16 million	4 years	All	Page 17
	Funding for industry associations to help deliver training programs to provide resilience training and assist new businesses in entering exporting and assisting established exporters to grow and enter new markets.	\$30million	4 years	All	Page 18
	Funding for industry associations to deliver outreach and engagement, grants, and support programs so that SMEs can get the greatest economic benefits from waste management.	\$20 million	4 years	All	Page 19
Ease of doing business	Switch stamp duty for land tax for all property purchases.	Unknown	Ongoing	All	Page 21
	Increase the payroll tax threshold to \$1million and reduce the payroll tax rate to 4% for metropolitan Victorian employers, and 1% for regional Victorian employers.	Unknown	Ongoing	All	Page 21
	Waive any existing COVID-19 business tax deferrals still owed by SMEs with payrolls up to \$10 million.	Unknown	1 year	All	Page 22
	Extend the Better Approvals Project and develop a framework for regulators that will decrease the backlog of regulation, with a particular focus on Consumer Affairs Victoria, Local Government and WorkSafe.	\$60 million	4 years	All	Page 23
Totals	Total Known Gross Funding Requirement	~\$2.54 billion			
	Total Known Net Funding Requirement	~\$1.54 billion			

Submission Overview

To help business drive Victoria's economic recovery the Victorian Chamber's 2021-2022 State Budget Submission is guided by three themes that align with the Victorian Government's priorities.

- > **Enabling business:** Victorian businesses are efficient and have become even more resilient since COVID-19 hit. The 2021-2022 State Budget could help to provide a fertile environment to enable them to achieve their full potential by:
 - Ensuring that Victorian businesses have access to a sufficiently trained and skilled workforce to meet their capability requirements;
 - Delivering on the ambitious infrastructure agenda that has been pledged and funded in previous budgets, in a timely manner to improve liveability and cater for population growth while also maximising local content and skills opportunities;
 - Releasing energy policy and climate change targets and objectives that are achievable and realistic, while delivering certainty for business and industry; and
 - Ensuring that Victoria is at the forefront of developing the digital economy and digital business skills so that Victorian businesses can take advantage, not just locally but globally.
- > **Growing business:** We need Victorian businesses to grow in their current industries while also expanding into existing and emerging ones. This requires a concerted effort to:
 - Provide industry support and development where there is a clear market gap and where there is a strong strategic reason to do so;
 - Continuing to help expand the number and diversity of Victorian businesses exporting and the value and volume of exports;
 - Further investing in innovation and commercialisation so that Victoria can become a hub for emerging industries and existing industries can innovate and increase productivity; and
 - Encourage further investment into Victoria from within Australia and overseas so that Victoria is the place that investors and businesses think of first when looking to expand internationally.
- > **Ease of doing business:** Businesses need an environment that is more conducive to investment through improvements to the regulatory and tax environment. This will lead to a decrease in operational costs, so that more capital can be invested in employees, research, and equipment, which will make Victoria a more attractive location to invest. To achieve this government must focus on:
 - Reforming the tax system to make Victoria the most attractive place in Australia to operate a business;
 - Improving the regulatory environment by removing or updating inefficient and outdated regulations, improving approvals and regulator engagement, and introducing jobs and business growth related performance metrics for regulators;
 - Continuing to work with business to ensure that the industrial relations environment is conducive to businesses and workers and that issues are addressed early in agreement between parties; and

- Improve the communication and engagement with industry on changes to environmental policy and project approval processes. Government agencies need to take into consideration the commercial realities, private investment, and project timelines of the private sector.

In addition to the above we are also recommending that from a structural budget perspective the Government change from four-year funding commitments to 10-year commitments, with the forwards altered to reflect this. This will allow government to better plan and book long term expenditure and savings on economic and social policy and provide longer term predictability to business. Such a change would make the process of swapping stamp-duty for a broad-based land tax, as NSW and the ACT have done, much easier.

Importantly, a budget that focuses on reactivating business rather than new major projects will provide an opportunity for the Government to solidify its major projects pipeline so that they are delivered on time and within budget, mitigating project risk that could adversely affect the State's credit rating. #

Member feedback

The Victorian Chamber's 2021-2022 State Budget Submission has been informed by extensive engagement across our membership and industry sectors. We have more than 47,000 members and clients across all industries in Victoria and have provided an overview of their primary feedback at the beginning of each section below.

Submission

Enabling business

One of the key findings from our member budget survey was that 72 per cent of businesses would like greater access to renewable energy sources, as both a means of lowering business costs over time but also providing a greater environmental contribution. Similarly, more than 50 per cent of respondents stated that a wage subsidy would incentivise them to provide more apprenticeships and traineeships.

Victoria Summit 2021

Late last year, the Victorian Chamber announced our plans for the Victoria Summit 2021, bringing industry, unions, universities, TAFEs, and government together with the objective of powering Victoria's economic recovery and defining the state's post-pandemic legacy.

The Victoria Summit 2021 will create a vision for Victoria and a path for our economic recovery and long-term prosperity. The Victorian Chamber requests \$1.5million towards delivering this event. For further information, see www.victoriasummit.com.au

Training the workforce of the future

A highly skilled, adaptive, and productive workforce is key to business competitiveness and vital to Victoria's economic recovery. The education and training sector plays a crucial role in achieving this objective and growing Victorian trade, investment, employment, and entrepreneurship. Victoria's Vocational Education and Training Sector (VET) accepts nearly 610,000 enrolments a year, compared to about 450,000 in higher education.

A centralised VET coordination body to drive employment outcomes, as recommended by the recently released *Future Skills for Victoria* final report ('the Macklin Review') will address significant skills shortages and assist to drive job creation in growth industries. Industry must have a central role in the body which should form part of a coordinated approach to industry development, jobs growth and economic recovery.

While there have been several reforms made to support apprentices and trainees to remain in work during the pandemic, these are short-term solutions. We need wholesale reforms to Victoria's VET system to arrest the sharp decline in apprentices and trainees, a downward trend that was exacerbated by the coronavirus and threatens to displace a generation of youth and hamper efforts by industry to recover from the pandemic.

There is also a need to ensure that there is sufficient training in entrepreneurship and business management skills. This capability is essential in order to help facilitate growth in innovation and businesses, so that small and medium sized businesses have the skilled workforce required to expand.

Recommendations

- > To boost completion rates by ensuring students are entering a course that meets their expectations, increase investment in pre-apprenticeship programs that provide full-time, one-year training programs that count towards an apprenticeship.
- > Increase the wage subsidy for businesses in any sector, of any size hiring an apprentice or trainee to \$12,000 over the life of the training contract.
- > Expand incentives currently available for new workers to undertake an apprenticeship or traineeship to existing employees in industries or occupations where there is a pressing need to upskill the workforce.
- > Provide funding for life-long learning for all Victorians. This could include the establishment of Lifelong Learning accounts or subsidies for businesses to provide tailored, flexible, and transferable qualifications for their staff.
- > Provide eligible students wishing to study priority courses, including pre-apprenticeships, with 'entitlement funding' that enables them to choose their preferred provider. Government subsidised 'free' training has an important role to play in reducing the financial barrier for students wanting to study courses that align with industry needs but its allocation needs to be more contestable.
- > \$80million over four years to best position Victorian businesses to adapt in a post-COVID-19 environment and provide businesses with grants of up to \$10,000 to improve management capabilities in line with organisational objectives. Grants would require co-funding from the business and contribute towards a post-COVID-19 growth strategy. The Victorian Chamber could partner with the government to administer this program as it has the Business Mentoring Program.

Supporting our educational institutions – international students

International education has been Victoria's largest services export industry for the last decade. In 2019, the sector generated more than \$13 billion in revenue to the State.

As a result of the COVID-19 pandemic and the implementation of Federal Government imposed international travel restrictions, the sector has been severely impacted. Thousands of Victorians employed in the sector have been made redundant and educational providers in Victoria have lost considerable revenue which has stifled universities' ability to invest and adequately fund research and development initiatives. This will have a substantial impact on future research output and opportunities for commercialisation.

While the safe arrival home of Australians should take priority, both the Victorian and Federal Governments should work collaboratively with all educational providers on a plan for the rapid return of international students and researchers to Victoria.

Recommendations

- > Provide \$100 million to create a taskforce to help international students re-engage with the Victorian higher education sector remotely and through financially assisting their return to Victoria.
- > Develop a COVID Safe arrival plan to enable the return of international students and researchers to Victoria. This plan will provide certainty to the sector and send a strong message internationally that Victoria remains the number one destination for international students wishing to study abroad, once border restrictions begin to ease.
- > The plan should be centred around developing an arrival process for international students, identifying appropriate accommodation locations, teaching methods, international student quotas and tailored student services.
- > Provide \$100 million in short-term funding for university research and development in targeted sectors, to compensate for lost revenue from the absence of international students.

Energy

Improving energy efficiency is a recognised way to reduce overall energy costs, reduce emissions and stimulate the productivity of an economy¹. High energy costs and inadequate gas supply (at a price that would allow domestic manufacturers to compete globally) make Australian industries uncompetitive, and highly susceptible to external shocks (e.g., COVID-19). By investing in clean and cost-effective energy, Victoria and Australia will be well-placed to deliver tailored and innovative renewable energy that saves businesses' money, creates new jobs, and reduces emissions, while ensuring more gas is available to manufacturers.

Supporting natural gas as a transition fuel in Victoria

Natural gas is an important source of energy for Victoria with significant residential and commercial demand. Gas is also an important feedstock for Victoria's manufacturers. Gas will support the transition from coal to renewables by providing on-demand, base load generation capability. The Federal Government's National COVID-19 Coordination Commission has nominated natural gas as a critical input to reinvigorating Australian manufacturing post COVID-19.

Supporting more windfarm development in Victoria

Wind power is the most efficient technology to produce energy in a safe and environmentally sustainable manner. Victoria has some of the most conducive weather conditions in the world for wind energy. There are currently more than 2000 wind turbine units across the state, producing around 10 per cent of Victoria's electricity. The Victorian Government should encourage the construction of additional windfarm developments across the state to support the energy transition and generate jobs in Regional Victoria.

Recommendations

- > Provide increased funding for the development of research into new and emerging energy technologies and projects to ensure Victorian businesses have access to diversified and innovative energy solutions.
- > Extend current solar power support incentives to include higher feed in tariffs for participants.
- > There is a great opportunity to address the information failures and organisational barriers which work against businesses identifying and implementing cost effective improvements in energy efficiency. By allowing industry to be involved in the planning and delivery of energy efficiency projects, government support initiatives can achieve optimal uptake and success.

¹ ClimateWorks Australia (2017) Australia's Energy Productivity Potential – energy's growing role in Australia's productivity and competitiveness

- > Victorian Chamber members have expressed interest in investing in solar energy investment for their commercial office space. By offering grants and support for solar that are extended to sole traders, Victorian businesses of all sizes can reap the benefits and contribute to Victoria's energy reform.
- > Natural gas is an important source of energy for Victoria with significant residential and commercial demand from manufacturers. Gas is also an important fuel that can support the transition from coal to renewables by providing on-demand, base load generation capability. The *National COVID-19 Coordination Commission*² has declared it a critical input to reinvigorating Australian manufacturing post COVID-19.
- > Support the establishment of a gas import terminal in Victoria to provide a price cap on the domestic market.
- > Streamline and prioritise project approvals to ensure that gas supply is in place when demand peaks in line with Australian Energy Market Operator's forecast growth of annual gas consumption, as outlined in its 2020 Gas Statement of opportunities report³.
- > Support the Star of the South offshore windfarm project, located off the south coast of Gippsland, that has the potential to supply up to 20 per cent of Victoria's electricity needs once fully operational.
- > Establish a \$150m fund to provide investment into alternative energy sources, such as hydrogen and battery storage. The fund could also facilitate investment in industry to produce batteries made with local content.

> ² [National COVID Coordination Commission - NCC | Department of the Prime Minister and Cabinet \(pmc.gov.au\)](https://www.pmc.gov.au/national-covid-19-coordination-commission)

³ March 2020 AEMO Gas Statement of Opportunities - [2020-gas-statement-of-opportunities.pdf](https://aemo.com.au/2020-gas-statement-of-opportunities.pdf) (aemo.com.au)

Infrastructure

Government-funded transport and infrastructure projects will provide employment and commercial stimulation to help stem the COVID-19 economic impact across Victoria. The Victorian Chamber has continually called for a greater level of targeted infrastructure spending for Victoria to recover and grow the state's competitive and liveability credentials through investment in 'hard' infrastructure like transport, hospitals, and schools.

Government should also continue to encourage private sector investment in infrastructure through public private partnerships and provide the right environment for businesses to have the confidence to invest. The Victorian Government has an obligation to deliver the major infrastructure projects underway as part of its 'Big Build' on time and on budget.

Creating a strategy to leverage and invest in Victoria's world-class, nature-based assets will be critical to reaffirm our position as a global and national destination of choice. Funding key projects beyond metropolitan Melbourne will provide visitors with further incentives to visit Regional Victoria, stay longer and spend more. It will also create more local jobs and stimulate regional economies.

Recommendations

- > \$20 million over four years to fund the development of a dedicated nature-based tourism strategy to better leverage and invest in Victoria's world-class, nature-based assets.
- > Continue to provide Parks Victoria with a significant increase in capital funding to build new assets and experiences that support the visitor economy.
- > Funding support (\$25 million - stage 1a) for Ballarat's Sovereign Hill masterplan – that will upgrade one of Victoria's best-known regional tourism destinations, generate jobs and offer enhanced educational/learning opportunities.
- > While the Victorian Chamber supports the implementation of the Major Project Skills Guarantee (MPSG), the scheme must deliver on its outlined scope and not hamper project planning, construction timeframes and impact the cost of major projects.
- > Integrate infrastructure planning in partnership with councils to identify infrastructure priorities. The State and Federal Governments should adopt regional and municipal masterplans (North & West City Deal) to form the basis of identifying infrastructure investment priorities.
- > Deliver the current infrastructure pipeline on-time and on budget through further planning, noting that there will likely be an increase in infrastructure projects in 2022-2023 and in LFS.

Growing business

Member feedback on ways to grow business clearly shows that there is a desire for greater investment in assisting with innovation and commercialisation across all sectors. More than 60 per cent of our members would be likely to invest in innovation if the government provided support. Only six per cent of businesses think that there is sufficient funding for commercialisation in Victoria. This is fundamental to assisting established businesses to expand and innovate, while also providing the means for newly created businesses to get off the ground with government support. There is also a need to further develop targeted support for Victorian exporters, with 43 per cent of our members calling for funding for product and service development and greater funding to assist market access and export planning.

Innovation and commercialisation

For Victoria to truly take advantage of post-pandemic economic growth, State and Federal Governments and business need to increase investment in innovation and commercialisation. The substantial investment by the Government last year was a step in the right direction.

In Victoria business spending on innovation and commercialisation has not substantially increased in relative terms over the last 20 years, while in NSW it has doubled. Our members have suggested with the right support from the State Government, spending would significantly increase. There is capacity to link this in with the Commonwealth Research and Development tax incentive. Further, in order to be internationally competitive funding should be benchmarked against similar jurisdictions, which have generally provided greater incentives for local businesses.

One of the primary options in addition to funding would be for the State to develop a more coordinated approach that would see a strategic alignment between Launch Vic, Invest Vic, and Global Vic. This strategic alignment could be overseen by an advisory board of industry groups, members of industry, unions and universities who could make recommendations to government. This singular overview would allow the government to better leverage the significant advantages that already exist from these organisations.

Built into this strategic alignment would be a focus on developing Special Economic Zones to stimulate advanced manufacturing. These zones would benefit from significant payroll tax and land tax concessions, while also having a planning overlay to ensure efficiency in the approvals process.

Victoria's advanced manufacturing, food and agribusiness, construction and medical technologies sectors have been singled out as world leading and there is capacity to better leverage their capability. The government should be bold with a new innovation and commercialisation strategy with a focus on industries that have substantial capacity to grow and that lead to high value employment and investment.

The Government should also look to be innovative with its investments and start to take equity in companies that it provides funding to, as it has done with Melbourne Genomics. This will give significant confidence to businesses and industry, while also providing a revenue stream that government can reinvest in innovation and commercialisation.

Recommendations

- > Establish a \$1billion Victoria Commercialisation Fund that can complement the established Breakthrough Fund and accelerate and build on the Business Growth Fund (BGF). Distinct from the breakthrough fund and BGF, the commercialisation fund should only take an equity interest in all investments, with no focus on debt, so that money is returned to government overtime and reinvested in the fund. It should also not be limited to just SMEs and the share of equity taken should not be capped. This fund can also be used to attract businesses from interstate and overseas. The fund should focus on accelerating products and services to market.
- > Establish a \$10million over four years entrepreneurship fund to provide support and training to new and early-stage entrepreneurs. Create a network of established entrepreneurs to help mentor those who are provided support.
- > Create a \$500million credit scheme to provide payroll tax and land tax concessions for manufacturing and high-tech businesses to encourage their growth and attract businesses from within Australia and internationally.
- > Increase funding to Biocurate to allow it to drive further commercialisation in the medical and biomedical technology sectors in Victoria.
- > Invest \$40million over four years in a space hub/cluster. The space economy is expected to be worth \$1trillion by 2035. Victoria already has a large number of aero and space related companies but to date there has been no coordinated industry approach to take advantage of this.
- > Establish a defence manufacturing support fund to leverage the Federal \$450billion, 10-year commitment. There are several businesses that supply upstream defence components, as well as primary manufacturers in Victoria. There is a substantial pipeline of work over the next 10 years and funding would help ensure that Victorian businesses are considered first to supply and manufacture the various projects.
- > Provide a feasibility study fund to help companies commence due diligence to ensure that there is value in undertaking manufacturing in Victoria.
- > Boost Melbourne's status and capabilities as a major hub for freight and passenger travel that supports local, national, and regional economies. Work with airline operators to support airline hub growth by securing additional freight flights to Melbourne, supporting key industries like pharmaceuticals and agribusiness.

- > Fund an advisory board consisting of industry groups, members of industry, unions and universities that oversee the work of Invest Vic, Launch Vic, and Global Vic and provide advice to government on ways to get greater efficiency and target new emerging industries.
- > Further develop and harmonise Victoria's local content policies to stimulate Victorian manufacturing. The current local content requirements are complicated, confusing and resource intensive, instead acting as a barrier to boosting local content. As a priority, health sector procurement should be de-mystified and opened to create more opportunities for small local suppliers to tender for contracts.

Industry support and development

The ability for Victorian businesses to generate revenue and create jobs has been significantly hindered over the past 12 months. Those businesses that have managed to survive are emerging with substantial levels of debt and given the unprecedented and unpredictable nature of the pandemic, are finding it difficult to identify new areas of growth and opportunities for job creation. Support is needed to help quality businesses discover and leverage new markets and invest in the capital and processes needed to build resilience and new job opportunities.

Recommendations

- > Establish an \$80million Industry COVID-19 Recovery Fund providing grants of up to \$50,000 to assist businesses to transform their operations to become more competitive in a COVID Normal operating environment. These grants will help build capability and capacity of SMEs in growth industries.
- > Upwards of \$17million per annum over four years to support Melbourne Convention Bureau (MCB) operations and the Business Events Fund. The funding would be used to secure more than 140 business events per annum, including higher yielding business events that require sponsorship from the Business Events Fund.
- > Establish a revenue-contingent loan scheme for SMEs offered at low or no-interest rates, paid back when the business meets a certain percentage of pre-COVID-19 turnover. Loans could be used for working capital, paying license and registration fees, and investing in new revenue streams, ensuring business continuity and job creation. Government should fund and approve the scheme, with eligibility linked to growth strategies.
- > Establish a Recovery Roadmap Business Development Program, providing SMEs with access to professional business growth advisors for up to one year to help business owners identify new market opportunities, sources of revenue, employee training needs and suppliers of innovation, develop a practical business plan and begin implementing it.
- > Provide targeted information, centralised, hands-on support, and a consistent and transparent process for SMEs to benefit from Victoria's Social Procurement Framework. This should include support for SMEs to complete the relevant sections of the tender documentation (e.g., advice lines and access to professionals [free of charge] to help implement audits, implement reporting processes and completing plans in a format that would meet tender requirements).

Export Sector

International trade has long been the core of Victoria's economy, generating output and contributing vital income, investment, and jobs across the state. Victoria's trade exposed industries have been severely impacted by government restrictions introduced to combat the COVID-19 pandemic and recent geo-political trade tensions.

The Victorian Government has a pivotal role to play in incentivising Victorian exporters, improving and supporting supply chain efficiency as well as identifying and unlocking new international and domestic markets.

While the Victorian Chamber welcomes the \$15.7million *Export Recovery Package* announced by the Victorian Government in 2020 to address logistics and supply chain issues and support businesses in establishing new export channels, more funding assistance and support is needed long-term as Victorian exporters adapt and diversify their products and market destinations.

Recommendations

- > A long-term funding commitment aligned with the Government's 2020 *Export Recovery Package*. A four-year \$64million guarantee will allow Victorian exporters to continue adapting and diversify their businesses due to the COVID-19 pandemic and geo-political trade tensions.
- > The Victorian Government's Global Gateway, Virtual Trade Missions and eCommerce programs must continue to provide the vital services to Victorian export businesses throughout the 2021-2022 financial year and up until international travel can safely resume. This should include funding to industry institutions who can help facilitate Government programs.
- > \$10million to showcase domestic export markets by facilitating in-country trade shows in partnership with other states and territory government. Biannually held over the next two years.
- > The continuation of the Mode Shift Incentive Scheme (MSIS) for Victorian regional exporters. This \$4million per-year scheme helps promote the use rail rather than road. Government has renewed the MSIS on a year-by-year basis over recent times. The Victorian Chamber calls on the State Government to commit long-term to the scheme.
- > Support the construction of a freight rail link into Webb Dock at the Port of Melbourne, which will enhance the transport offer for Victorian exporters. Connecting Webb Dock to Melbourne's freight rail network will also reduce the number of truck movements on local roads, ease congestion and increase the efficiency of Victoria's supply chain. Both the Victorian and Federal Government's should work collaboratively with industry to prioritise design and funding for the project.

- > \$20million over four years for industry associations to help deliver training programs to assist new businesses in entering exporting and assisting established exporters to grow and enter new markets.
- > \$1million for the Better Regulation Commissioner to identify areas of export inefficiency with regulation that could be better streamlined.

Environment

The Victorian Chamber recognises and commends the landmark Recycling Victoria Action Plan the Victorian Government announced in the 2020-21 State Budget, demonstrating the commitment the Victorian Government must investing in projects that benefit both businesses and the environment.

While Victoria's total rate of resource recovery was the second highest in Australia leading up to the changes brought about by China's National Sword Policy in 2018⁴, Victorian businesses are eager to see reform to improve waste reduction and recovery and streamline the regulatory environment encompassing the waste industry and dealings with the regulator.

For the benefits of a new waste and resource recovery system to be realised, appropriate industry development, resource recovery incentives, and a regulatory environment conducive to business is needed. By fostering the right conditions for progress through focused financial support and cooperation across regulatory environments, the Victorian Government can create a strong impetus for growth into sustainable and renewable practices for businesses.

While the Victorian Chamber recognises the value in investing in a circular economy, prioritisation should be aligned with reducing the costs and regulatory burden for SMEs throughout this transition.

Recommendations

- > Through the Circular Economy Business Innovation Centre (CEBIC) create further incentives for businesses to invest in circular economy programs, promote innovative solutions and sustainable markets and work with businesses to set up repurposing facilities.
- > \$20million over four years for industry associations to deliver outreach and engagement, grants, and support programs so that SMEs can get the greatest economic benefits from waste management. This will ensure high level business engagement and uptake in the programs and provide businesses with the resources that they need.
- > Provide \$10million in funding to support projects that create new markets for recycled materials which includes a \$5million education fund dedicated to promoting innovation on waste. Not only will this create new manufacturing opportunities, but it will drive action in procurement.
- > Improve the regulatory environment for the waste sector and businesses that have to engage with the waste industry and regulator. A stocktake of current reforms shows

⁴ Legislative Council Environment and Planning Committee (2019) Inquiry into Recycling and Waste Management, Final Report

consistent trends across jurisdictions towards the adoption of better practice approaches to regulation. Examples include adoption of risk-based regulation focussed on proportionate interventions, policy harmonisation between jurisdictions, removal of regulatory duplication and implementation of one-stop shop approaches.

- > Provide \$200,000 in grants for businesses to establish a donation or refund point for beverage containers. Grants can be used for infrastructure such as bins, cages, skips, security stands, fences, tippers, sorting equipment and trailers.
- > Provide R&D funding for product stewardship programs to complement the Australian Packaging Covenant.
- > Provide funding for Industry Capability Network Victoria to extend into the circular economy sector or provide funding to establish another body that can fill that role and provide greater engagement across government.

Ease of doing business

Member feedback suggests that government support would help them to 'get on with their job'. The number of businesses experiencing State COVID-19 liabilities is now less than 20 per cent of our membership. There is an opportunity in the Budget for the State to waive the remaining liabilities. While our members would still welcome payroll and land tax concessions there is now a preference for government support in the form of grants and funding as well as improving the efficiency of the regulatory and planning systems. Indeed, despite the State Government's substantial investment in recent years 74 per cent of our members are still impacted by State planning decisions.

Taxation

Meaningful tax reform must be the starting point to attract investment, grow jobs, and maintain Victorian business competitiveness, within Australia and internationally.

Now is the ideal opportunity for structural change to the revenue base. Victoria should switch from stamp duty to a broad-based land tax. This will activate significant economic growth and importantly remove an inefficient and market distorting tax.

SMEs are still recovering from COVID-19 and they would benefit from any existing payroll and land tax deferrals been waived so that they can get on investing in capital and employees.

Providing payroll tax relief will spur recovery, business confidence and job creation. We need an 'employment friendly' payroll tax threshold that tackles the multiple pressures of high unemployment, above-average jobless rates in several parts of metropolitan and regional Victoria and structural change affecting many goods producing and trade exposed industries.

This will not happen while Victoria's payroll tax-free threshold of \$650,000 remains significantly below levels in other states. The New South Wales Government has lifted its payroll tax threshold to \$1.2million for 2020-21. In Queensland the current threshold is already \$1.3million and in Western Australia, the annual threshold has just risen to \$1million.

Recommendations

- > Stamp duty tax reform: follow NSW and the ACT and switch stamp duty for land tax for all property purchases to improve efficiency and remove a market distorting tax.
- > Waive existing COVID-19 business payroll and land tax deferrals still owed by employers with Victorian payrolls of up to \$10 million (based on their 2019-20 financial year annual reconciliation returns).
- > Payroll tax reform: increase the payroll tax threshold to \$1million and reduce the payroll tax rate to four per cent for metropolitan Victorian employers and one per cent for Regional Victorian employer to make Victoria the competitive State in for doing business in Australia.

- > Reduce the WorkCover average premium rate to 1.2 per cent of all payroll for all industries and legislate to remove the ability of future governments to take dividends. This will keep Victoria competitive against states like Queensland which has an average premium rate of 1.2 per cent.
- > Reinvigorate efforts to rationalise the operation and administration of the state tax system, for example, by introducing a single payment return that includes most State financial obligations (e.g., payroll tax and land tax payments, WorkCover payments and TAC premiums).
- > Introduce legislative reforms that prevent governments from requiring WorkSafe to pay 'amounts equivalent to dividends' to fund other government programs such as infrastructure investments. Any WorkSafe revenue should be directed towards reducing premiums for businesses and investing in workplace safety.

Payroll tax	Victoria	NSW	WA	Qld	TAS
Threshold	\$650,000	\$1.2m	\$1m	\$1.2m	\$1.25m
Rate	4.85% (metro)	4.85%	5.5% - 6.5%	4.75% - 4.95%	4-6.1%

State regulation and planning

The return on investment for investing in improving the regulation and planning process is substantive and helps to activate business and contribute to economic activity. Our members have highlighted that Government planning and regulation is holding them back from further investment and the budget presents a valuable opportunity to further invest in regulatory reform.

Reforms are needed to help business navigate the regulatory and planning requirements of multiple layers and regulators, to reduce delays in the regulatory decision-making process. This will improve the way in which regulators engage with business and create greater transparency and make regulators more accountable.

Our members would welcome the transition to a more customer service orientated approach that delivers faster approvals. Similarly, there needs to be further improvement in the regulatory process so that, where possible, applications are reviewed concurrently instead of sequentially. Finally, with a greater customer service orientation and regulators working with applicants, when it comes to implementing regulatory reform it will be much easier as both the regulators and applicants will be better versed in what works and what doesn't so that they can be more targeted in the reforms needed.

Recommendations

- > Increase funding by \$60 million over four years for Better Regulation Victoria to extend the Better Approvals Project and develop a framework for regulators that will decrease the backlog of regulation, with a particular focus on Consumer Affairs Victoria, Local Government and WorkSafe.
- > Fund an education campaign for both regulators and applicants that will decrease the number of mistakes and issues that could readily be addressed before an application is lodged.
- > Undertake a comprehensive independent review of the number, size, purpose, and effectiveness of Victorian regulators that commonly interface with business, with a focus on culture and capability.
- > Provide further funding for DELWP to be more efficient and timely in making planning decisions.
- > Streamline the Environmental Effects Statement to be more efficient and provide greater certainty to applicants as to the likelihood of success.
- > Further funding to councils that improve their regulatory processes.
- > Create a portfolio of Minister for Customer Service, as they have in NSW, and provide resources so that the culture and customer service orientation of the public service can be adjusted over the next four years.