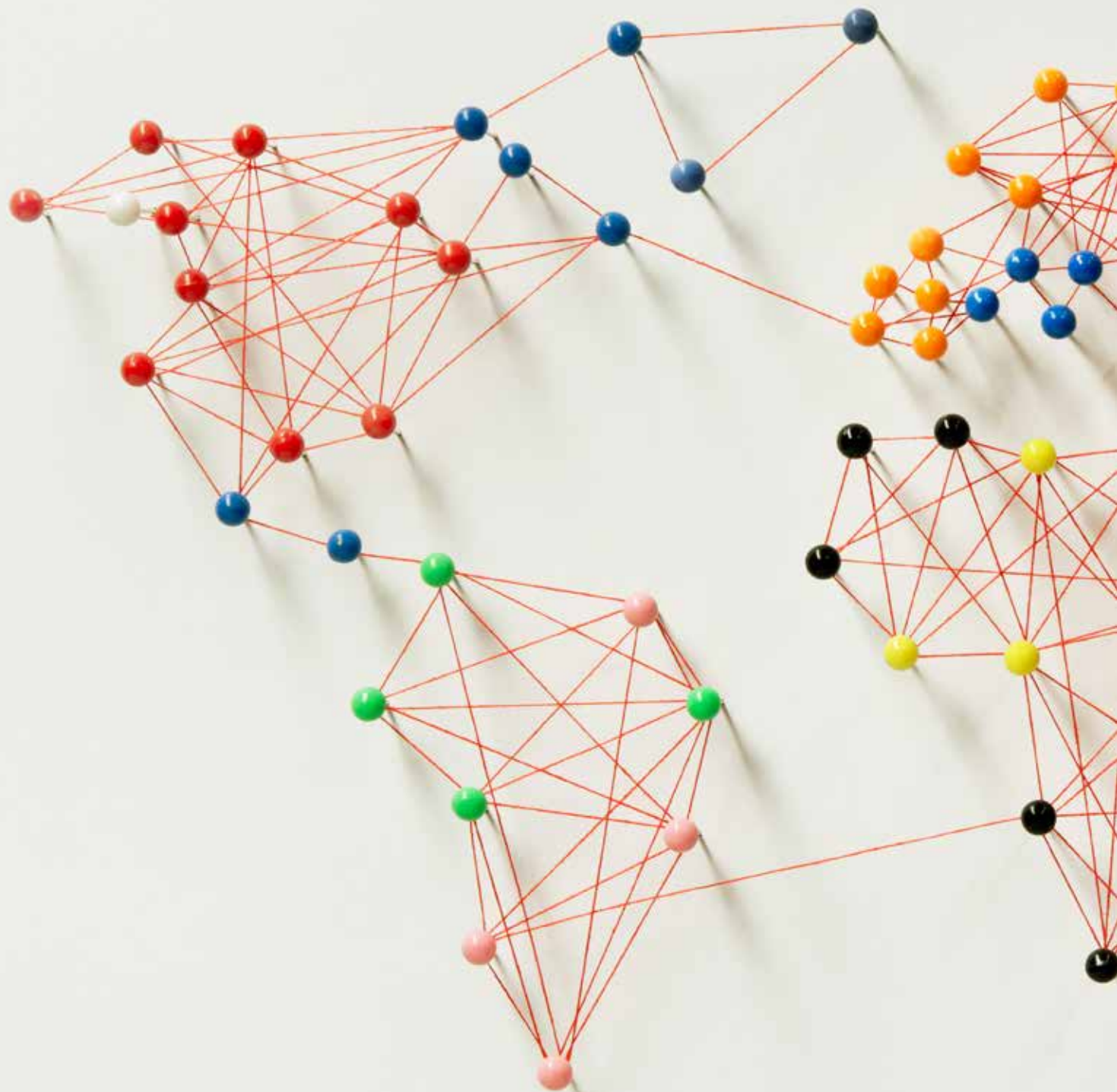
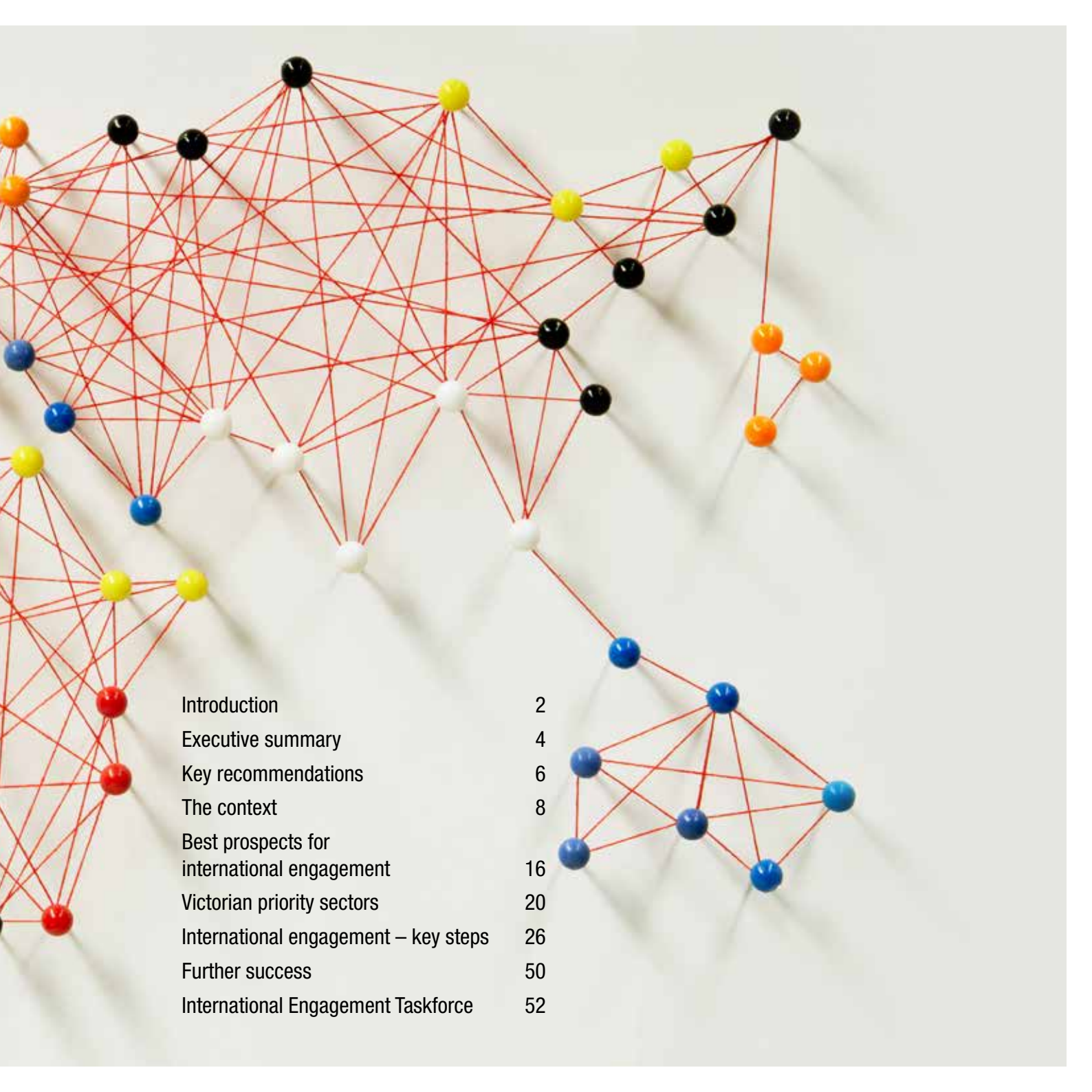




Trading on our strengths

International Engagement Taskforce Report





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Introduction



Mark Stone AM

Victorian Chamber of Commerce
and Industry Chief Executive

International engagement is at the core of Victoria's economy, generating output and contributing vital income, investment and jobs across the state. Victoria's exports are strong and growing. Victoria now accounts for nine per cent of Australia's merchandise exports (\$24 billion) and 23 per cent of the nation's services exports (\$13.4 billion).¹

This performance reflects the efforts of individual Victorian businesses to develop new products, services and markets. Despite a challenging economic environment, Victorian business has become more adaptable, innovative and outward looking to remain competitive.

Victoria is well placed to continue to strengthen its international engagement performance. Buoyed by a low Australian dollar and historically low interest rates that are conducive to new investment, progress

is well underway growing not only traditional goods exports in areas like food, fibre and elaborately transformed manufactures, but also by leveraging new knowledge based service exports in health, education, professional services and tourism.

While Victoria's share of the total value of Australian goods exports is strong, in terms of the number of firms, only two per cent of Victorian businesses export their goods.

The challenge, therefore, is to get more small and medium sized businesses internationally engaged. To do this, we need to encourage even wider and deeper international engagement and accelerate Victoria's trade competitiveness by implementing policies and programs that support sustainable global business relationships.

The Victorian Chamber of Commerce and Industry urges policy makers to focus on the following steps to give Victorian businesses the best chance to realise their trade potential:

- 1 Refresh and refocus Victoria's International Engagement Strategy.**
 - 2 Realign international engagement support programs towards individual business needs.**
 - 3 Increase business innovation and connectivity.**
 - 4 Grow integrated business clusters.**
 - 5 Improve Asian cultural and language capabilities.**
 - 6 Strengthen in-country support for internationally engaged businesses.**
 - 7 Improve pre- and post-trade mission support for business.**
 - 8 Prioritise economy wide reforms that build a more competitive operating environment for trade engaged businesses.**
-

A range of recommendations accompanying these steps have been developed by business through the work of the Victorian Chamber's International Engagement Taskforce.

I take this opportunity to thank Taskforce members who shared their time, expertise and experience in coming together to identify issues, opportunities and ideas that will accelerate Victorian business success in international engagement over the next decade.

Executive summary

Victoria's export performance is strong and growing.

Traditional markets such as Europe, the USA and the Middle East remain important to Victoria. However, key markets in the 'greater Asian region' have become significant drivers of global economic growth and trade.

Countries like China, Japan, Korea, Malaysia, Singapore and Indonesia now account for more than \$10 billion in trade per annum and make up six out of Victoria's top ten goods export destinations. These economies are characterised by significant population growth, urbanisation and rising incomes that are forecast to result in unparalleled demand for quality products and services into the future.

Victoria has a strong track record of providing quality goods and services in key sectors such as food and fibre, health and aged care, professional services, education and tourism. These

sectors are closely aligned with the six priority sectors identified by the Victorian Government as having the potential for extraordinary economic growth and the capacity to create high-skill, high wage jobs.

When coupled with a low Australian dollar, historically low interest rates and the progressive opening of markets under Free Trade and Preferential Trade Agreements, these sectors are particularly well placed to secure further growth in the fast growing Asia region.


Deeper and wider engagement in the 'greater Asian region' will not only provide new opportunities for domestic firms through the transfer of skills, ideas and knowledge. It will also contribute to rising living standards, stronger wages and wider cultural and social benefits.

Further success in the intensely competitive global marketplace will

largely depend on the efforts of individual Victorian businesses to build competitiveness, continue to innovate and proactively seek out new markets for their products and services. Key to this will be how well individual firms can equip themselves with the skills, tools, resources and connections needed to succeed.

Policy makers can support these efforts by refreshing existing programs to strengthen business engagement in the international marketplace, ensuring they are linked and coordinated under an overarching strategy that takes a long term perspective on growth markets and how to leverage further opportunities for Victoria's priority sectors.

International engagement program support needs to provide greater flexibility in the type and level of assistance required by new and established exporters. Support should have regard for not only the type and

A person is seen from behind, holding a large, glowing paper lantern. The lantern is made of a light-colored, crinkled paper and is illuminated from within by a small flame. The person's hands are visible at the bottom of the lantern, and their hair is visible at the bottom of the frame. The background is a dark, silhouetted landscape with trees.

size of business, but the internal capabilities of the organisation and stage it is in its business and/or product life-cycle.

Our ability to strengthen Victoria's international engagement performance and prospects will also depend on integrated reforms that spur firm innovation and connectivity, boost Asian cultural capabilities and language, strengthen in-country support for trade engaged businesses, and ensure future trade missions focus more on target markets and sectors with improved business matching and longer-term post mission support and follow up.

The progression of economy wide reforms that build business competitiveness are equally critical to underscoring firm level efforts to convert potential into opportunities in the global marketplace. Priorities must be the improvement of trade related infrastructure, less regulation and lower business taxes and charges.

Key recommendations

01

Refresh and refocus Victoria's International Engagement Strategy to leverage new trade opportunities for Victoria's priority sectors in high growth markets in the 'greater Asian region'.

02

Get more small and medium sized businesses internationally engaged by realigning international engagement support programs towards individual business needs.

03

To support collaboration and innovation, extend the Victoria-Israel Science Innovation and Technology Scheme (VISITS) to the priority growth markets identified by the Taskforce.

04

Facilitate the development of emerging clusters and business precincts. This includes support for Fishermans Bend to continue to evolve into Melbourne's pre-eminent high technology industrial precinct. In regional Victoria, Ballarat is developing a strong ICT cluster and Geelong is progressing an education, health, insurance and advanced manufacturing hub.

05

Close the education gap in Asian cultural and language skills by reforming the school curriculum to ensure that Asian cultural and language studies are a core unit of study among Victorian high school students.

06

Examine opportunities to further strengthen operational and strategic coordination between the activities of Victorian Government Business Offices (VGBOs) and Australian Trade Commission (Austrade) offices.

07

Improve pre- and post-trade mission support for business, including more tailored business matching in priority markets.

08

Prioritise economy-wide reforms that build a more competitive environment for trade engaged businesses including (but not limited to) lower business taxes and charges, less regulation and improved trade related infrastructure.

The context

International engagement is important to Victoria

Victoria's export performance has been strong in recent years. The value of exports has grown by an average of 3.2 per cent per annum over the five years to June 2014, despite the headwinds of a high Australian dollar over much of the same period. Victoria now accounts for nine per cent of Australia's goods exports (\$24 billion) and is the second largest contributor to the nation's service exports, representing 23 per cent. However, this is behind NSW, which contributes 41 per cent.²

Our major goods exports include meat (\$2.2 billion), dairy products (\$1.38 billion), passenger motor vehicles (\$1.35 billion), wool (\$1.32 billion), and wheat (\$1.02 billion). Important service exports include education (\$4.7 billion), tourism and travel (\$2.91 billion) and professional

services, particularly those relating to management consulting (\$937 million).³

While traditional markets such as Europe, the USA and the Middle East remain important to Victoria, merchandise exports to Asia now account for over fifty percent of Victoria's exports. The share is even larger when the value of service exports is added. China is Victoria's largest goods export market. Exports to China have almost doubled in the past four years reaching \$4.5 billion.

As a result of the China-Australia Free Trade Agreement (ChAFTA) and China's 'One Belt, One Road' initiative, even further growth can be expected over coming years.

Within the greater Asian region, the state's exports to the Association of Southeast Asian Nations (ASEAN) have also increased strongly in recent years, reaching a record high of \$4 billion in 2014.

Malaysia and Singapore are now Victoria's seventh and eighth largest export markets respectively. Exports to Indonesia and Vietnam have trended upwards over the past decade, with major exports to these countries including crude and refined petroleum, meat, milk and cream.⁴

While there are some near term challenges facing these key markets in the 'greater Asian region', they are highly likely to remain significant drivers of global economic growth and trade over the medium term.

Their economies benefit from strong economic fundamentals. Population growth, urbanisation and rising incomes have given rise to a fast growing class of young, affluent and discerning customers. It has been estimated that by 2030, two thirds of the world's middle class will reside in Asia.⁵ The low Australian dollar and historically low interest rates are conducive to business investment that builds new export capacity.

2 ABS 5368.0 International Trade in Goods and Services, Australia, Sept 2015

3 Department of Foreign Affairs and Trade, Australia's Trade by State and Territory, 2013-14, p32.

4 Export and Trade, Information, training and advice to help Victorian companies export. www.business.vic.gov.au/export

5 The New Global Middle Class: A Cross-Over from West to East, Wolfensohn Center for Development, 2010, p. 5.

3.2%

Increase in value of exports per annum, over the five years to June 2014

\$24B

Value of goods exported per annum from Victoria

66.6%

Estimated percentage of the world's middle class resident in Asia by 2030

When combined with the progressive opening of markets under Free Trade Agreements, Victoria is well placed to make the most of the trade and export opportunities arising from the rapid development of Asia.

However, our capacity to do so by building on our competitive strengths and assets cannot be left to chance. Governments at all levels must continue to proactively support business to become more competitive and more active in building their international trade capability and presence.

The Victorian Chamber's International Engagement Taskforce has prepared this report to guide the agenda and actions needed to strengthen that capability.

International engagement is not just about exporting

While recent years have seen a progressive shift in the structure of Victorian economy away from traditional industries towards more knowledge based ones and service activities, it is important that all types of businesses are supported in their international engagement endeavours.

The International Engagement Taskforce recognises that 'international engagement' is not just about exporting. It includes the exchange of capital, technologies, ideas, labour, goods and services across international borders.

It encompasses all aspects of business activities including inbound and outbound investment, production, distribution and marketing. It can also include outsourcing business processes to globally distributed

supplier networks, as well as working with multi-national companies in Australia to participate in their global supply chains and projects. For individual businesses and industries, global supply chains provide access to new markets and customers. They help a company create a competitive edge by focusing on what they do best.

International engagement is not just a powerful enabler of growth and job creation. It provides new market opportunities for domestic firms, stronger productivity, the transfer of skills, ideas and knowledge, and innovation through Research and Development and competition. It contributes to rising living standards, stronger wages, cultural and wider social and political benefits derived from deeper economic integration, and even on the personal level, increased choice and opportunity.

The context continued

The importance of productive foreign investment

Investment attraction at both the firm and country level is an essential component of industry and economic growth.

Foreign investment can provide capital to finance new business ventures and enhance existing ones, spurring infrastructure development, productivity, and employment in the process.

It can provide much needed funding to underpin an expanded range of products or services, drive increased scale economies in production and facilitate new connections with international customers and partners. The challenge for policy makers, therefore, is to encourage foreign investment that is strategic and productive. It must create jobs in Victoria, contribute to the growth of trade and industry, and create a net benefit to the state economy.

International engagement is also about services

When most people think of exports, tangible consumable goods immediately come to mind. Few Victorians realise the true value and importance of service exports. Victoria's services exports not only include traditional services such as financial, legal, engineering and other professional services, but also include international student enrolments in Victoria and tourist visitations.

Victoria's services sector is now the largest contributor to Gross State Product (GSP) and employs the majority of Victorians. In 2013/14, Victoria's service sector exports were worth \$13 billion or around 36 per cent of Victoria's total exports. This sizeable and growing share is arguably even more important than official data suggests because difficulties in data collection result in the figures excluding the value of services sold by overseas branches of Australian companies.

Today, Australia's trade with the Asian region is weighted towards commodities. However, as Asia's economies modernise and the burgeoning middle class expands, the demand for quality services will increase.

A recent report by Asialink Business suggests that by 2030, services may well become Australia's number one export to Asia in terms of total value added. With the state economy characterised by many diverse service industries, Victoria is in an ideal position to leverage this opportunity.





Victoria's international education sector

International education has been Victoria's largest services export industry for over a decade. In 2013-14, the onshore component of international education generated \$4.7 billion in service exports for the state. An estimated 30,000 Victorians are employed by the sector.*

The success of Victoria's international education sector did not happen by chance. Governments have played an active role in facilitating

growth by implementing reforms to strengthen the competitiveness of the sector, such as streamlining student visa processing arrangements and extending post study work visas.

Universities have played an equally important role in proactively marketing Australian education services to international students, establishing offshore faculties, and investing in staff training and cultural awareness.

*Victoria's Future Industries International Education Discussion Paper, State Government of Victoria, July 2015

The context continued





A key starting point for policy makers is to improve the accuracy of data collected on service exports

Traditional trade statistics tell only part of Victoria's export success. They obscure the fact that services exports support more Victorian jobs than exports from other sectors.

Timely, accurate and reliable data on the precise number of Victorian businesses exporting and the value of those exports is not available. This is due to difficulties monitoring the variety of different ways services are exported. Services sales by foreign affiliates of Australian companies based overseas and total exports of services to foreign consumers in Australia are difficult to measure and are therefore not captured in official trade statistics.

Asialink Business modelling estimates that the true value of the Australian services sector is more than double official statistics. Foreign branches of Australian services companies are estimated to have generated \$138 billion in export earnings in 2013. However, official data shows Australia's direct services exports were only \$55 billion.

This information gap prevents policy makers from making informed, evidence-based decisions.

Improvements in data collection and measurement are therefore needed.

Source: DFAT and Asialink Business

\$138B

Estimated earnings generated by foreign branches of Australian services companies in 2013 (as modelled by Asialink)

\$55B

Earnings generated by foreign branches of Australian services companies in 2013 (official data)

The context continued

Opportunities on our doorstep: Asia's fast growing economies

Victoria's economic connections with our Asian neighbours have never been so important. Economic growth in Asia is occurring at an unparalleled rate, with the region expected to account for half of the world's total economic output by 2025.⁶ Asia's growing middle class is expected to increase six-fold to 3.2 billion by 2030 and their expenditure on high quality products and services is forecast to accelerate.⁷

Victoria is well placed to take advantage of these opportunities, with a strong track record of providing quality goods and services in key sectors such as food and fibre, health and aged care, professional services, education and tourism.

In 2014-15, six out of Victoria's top ten goods export destinations were Asian

countries: China, Japan, Korea, Malaysia, Singapore and Indonesia. Together, they account for more than \$10 billion in trade each year.⁸

While many Victorian businesses are already experiencing success in Asian markets, there is more to be done. In 2013-14, just 2.1 per cent of Victorian businesses exported goods.⁹ The challenge is to get more businesses into exporting. With the trend towards lower trade barriers and rapidly increasing competition, realising this objective will not be easy. Our trade competitors will not sit idly by and each country has its own set of challenges and opportunities.

For Victoria to effectively engage in these markets, businesses must be equipped with the skills, tools, resources and connections needed to succeed.

FTA's: A world of opportunity for Victorian Business

Australia has FTA's in place or under negotiation with the Association of South East Asian Nations, Chile, New Zealand, USA, Malaysia, Singapore, Thailand, Korea, Japan, China, India, Indonesia and a number of gulf and pacific island countries.

Countries covered by these FTAs account for 71 per cent of Australia's total trade.

Source: DFAT

6 PricewaterhouseCoopers (2014) Passing Us By, page 6.

7 Ibid, p10.

8 ABS 5368.0 International Trade in Goods and Services, Australia, Sept 2015

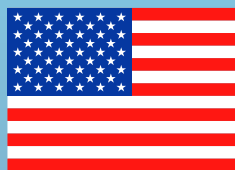
9 ABS 5368.0.55.006 Characteristics of Australian Exporters, 2013-14

In 2014-15, six out of Victoria's top ten goods export destinations were Asian countries

01
CHINA



02
UNITED STATES



03
NEW ZEALAND



04
JAPAN



05
SAUDI ARABIA



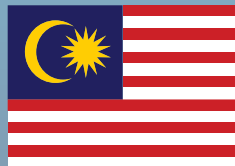
06
KOREA



07
SINGAPORE



08
MALAYSIA



09
INDONESIA



10
UAE



Best prospects for international engagement

Traditional trading partners such as the USA, New Zealand, the Middle East and Europe remain important to the state. Many Victorian businesses have built up strong ties in traditional markets and find it relatively easy to do business in them due to cultural, legal and regulatory similarities and existing government support. Doing business in Asia, by comparison, is far more difficult.

For this reason, the Taskforce considers proactive initiatives need to be directed at reducing the hurdles that prevent Victorian business from realising success in the Asian region. Given Victoria's geographic proximity to Asia and the region's ongoing economic transformation, the opportunity to increase output, trade and jobs cannot be missed.

By 2025, the Asian region is expected to account for over half of the world's economic output. Accompanying this transformation will be rising incomes and a growing group of middle class consumers whose tastes and expenditure have shifted to quality food products, important education and health services, and modern infrastructure and facilities.¹⁰ By 2025, the number of consumers in Asia with discretionary spending is expected to reach a significant 3.2 billion people.¹¹

Victorian business cannot simply sit back and wait for these opportunities to emerge. Currently, only nine per cent of Australian businesses are operating in Asia and only a similar share have any experience in doing business in the region.¹² This needs to change. Victoria needs to actively seek out new opportunities and more actively

leverage its capabilities in both goods exports and knowledge-based services. While much of the heavy lifting needs to occur at the firm level, governments can assist through facilitating new opportunities, enabling collaborations and creating a more competitive business environment.

The International Engagement Taskforce identified the following key markets within the Asian region as having the best prospects for Victorian exporters.

Recognising the significant current value of exports to these markets, their strong forecast growth and the opportunity for further growth presented by Free Trade and preferential trade agreements, there is a compelling case to further strengthen Victoria's engagement with these countries.

¹⁰ Pricewaterhouse Coopers (2014) *Passing Us By*, page 10.

¹¹ *Ibid*, p10.

¹² Pricewaterhouse Coopers (2014) *Passing Us By*, page 5.

¹³ ABS 5368.0, *International Trade in Goods and Services*, Australia, 2014-15

¹⁴ Forecast economic growth 2015-16 to 2019-20. Source: International Monetary Fund, *World Economic Outlook Database*, October 2015

	Victorian Goods Exports (2014-15) ¹³	Growth in Victorian Goods Exports (2010-11 to 2014-15)	Economic Growth Forecast ¹⁴	Is there an FTA?
China (inc. HK)	#1 (\$4.94b)	40.1%	6.2%	✓
Japan	#4 (\$1.80b)	13.2%	0.8%	✓
Korea	#6 (\$940m)	-5.8%	3.5%	✓
Singapore	#7 (\$870m)	22.0%	3.2%	✓
Malaysia	#8 (\$776m)	52.5%	4.9%	✓
Indonesia	#9 (\$743m)	19.3%	5.7%	✓
Thailand	#11 (\$691m)	17.1%	3.3%	✓
India	#13 (\$492m)	31.2%	7.6%	✗*

*Under negotiation

Note: There is no current information on Victorian service exports by market (aside from specific information for tourism and international education).

Best prospects for international engagement continued



China

Victoria's number one trading partner, China is a strong and growing source of demand for our food and produce, raw materials, education and tourism sectors. With strong economic growth forecast, and a middle class population expected to soon exceed 600 million, China represents a great opportunity for Australian businesses. The recently implemented China-Australia Free Trade Agreement is expected to deliver improved market access for Australian businesses.



Japan

Japan is the world's third largest economy, with an educated population of 127 million and high disposable incomes, although economic growth has averaged less than 1 per cent for more than 20 years. There are considerable opportunities for Victorian food and wine exports, particularly high quality, fresh and safe products, and new opportunities in financial services.



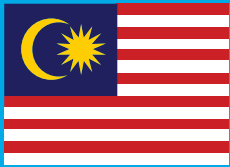
Korea

Korea is Victoria's third largest export market, and has interesting points of difference to other markets in the region as an innovative, open economy with a highly educated workforce. Opportunities for Victorian businesses are therefore more likely to be found in the food and beverage, wine, aged care, health care, and financial and business services sectors.



Singapore

A global hub for professional and financial services, Singapore has excellent infrastructure and a highly educated workforce, with high disposable incomes. Often ranked among the easiest places to do businesses, more than 7,000 multinationals are headquartered in Singapore. There are opportunities for Victorian businesses in food and beverages; health, biotech and aged care; financial services and ICT. Although Singapore is a mature market, strong investment opportunities exist in knowledge based areas dependant on private sector and university R&D.



Malaysia

An export-focused economy, Malaysia is actively seeking investment from offshore, and has sought to liberalise several sectors and invest heavily in infrastructure. With a relatively high and growing consumer incomes, Victorian businesses can benefit for demand for food and beverage, wine, and health care services, as well as infrastructure development and the growing professional services sectors. While an established market, Malaysia also provides excellent investment opportunities in knowledge based areas dependant on private sector and university R&D.



Indonesia

Australia's nearest neighbour in the Asian region, and with a population of over 250 million, Indonesia represents a large opportunity for many Victorian businesses. While less developed than other markets in the region, it is currently growing at more than 5 percent per annum. Rising domestic spending will give rise to opportunities for Australian businesses in consumer-driven industries, including design and product development, food, higher education, tourism and financial and healthcare services.



Thailand

An important business partner, Thai-Australian trade is worth \$17 billion a year, with opportunities arising for expansion and growth, particularly in the food and beverage, agriculture, education and automotive components industries. The Thailand-Australia Free Trade Agreement has been in force since 2005.



India

India is one of the world's fastest growing economies, and with a growing population of over 1.2 billion people, is expected to become the world's largest nation within a decade. India is a key export market for Victoria's international education sector, as well as tourism, and there are strong links between Australian and Indian businesses in the transfer of technology and delivery of back-end business services off-shore.

Victorian priority sectors

The Taskforce has identified five priority sectors that should be the focus of Victoria's international engagement activities:

- > Professional services
- > Food and fibre and natural health products
- > Tourism and events
- > International education (including research and development)
- > Healthcare

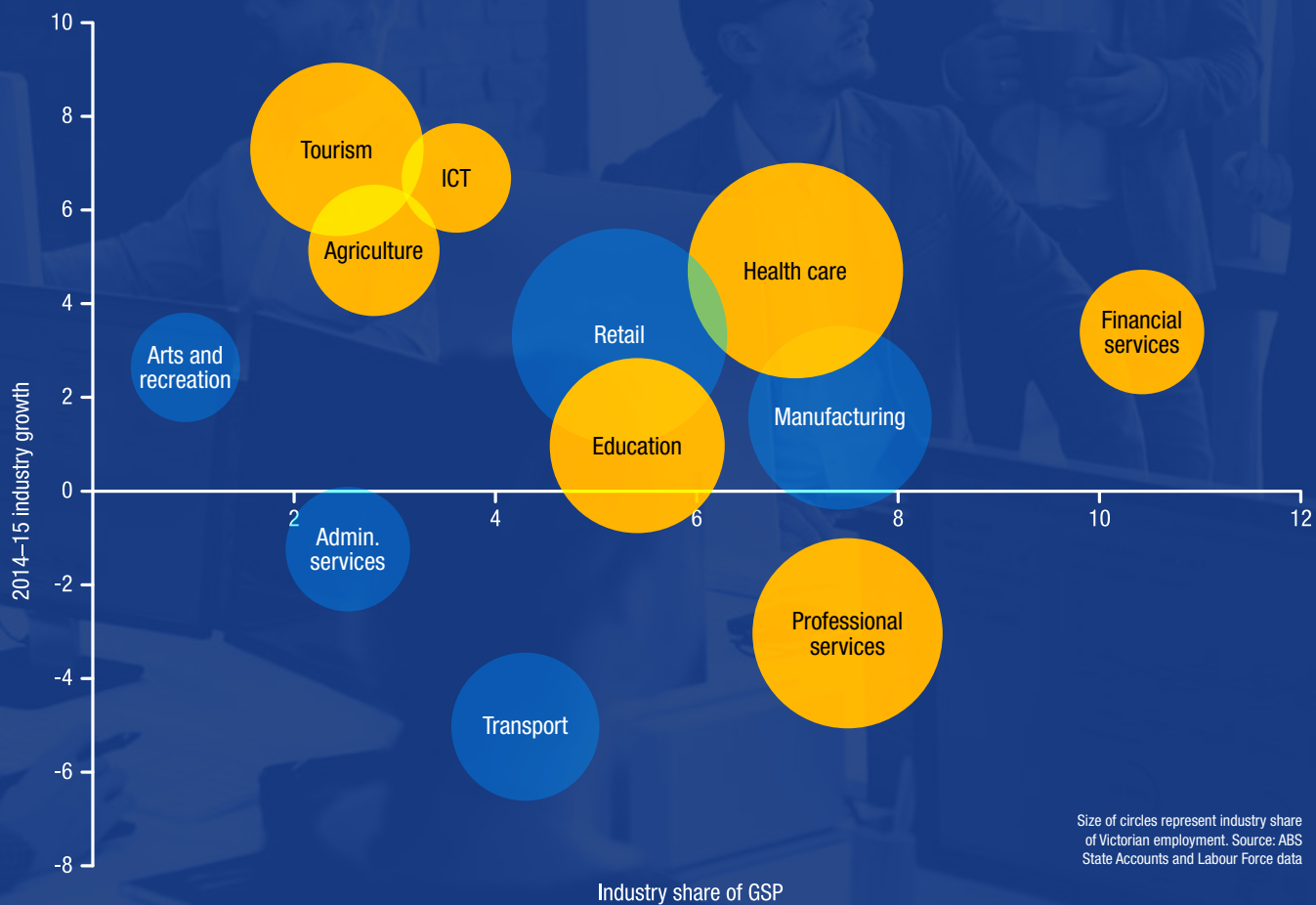
These sectors have been selected based on a Victorian Chamber analysis of sectoral contributions to employment and economic growth. These sectors also have a particular focus on the Asian region and stand to realise significant growth opportunities from a growing middle class that is driving demand for quality food, tourism, education, professional and business services.

The chart opposite maps the contribution to the economy and employment of key sectors in 2014-15. The Taskforce's priority sectors are shown in yellow.

What is clear from this chart is the combined economic contribution of the professional services sector (professional services, ICT and financial services), the rapid growth of the tourism and agriculture sectors, and the significant employment accounted for by the health and education sectors.

These sectors are closely aligned with the six priority sectors identified by the Victorian Government as having the potential for extraordinary economic and trade growth and the capacity to create high-skill, high wage jobs.

Victorian industry growth, share of GSP and employment



Victorian priority sectors continued

Professional services

This sector is the largest segment of the Victorian economy, and includes professional, scientific and technical services; finance and insurance; and the ICT sector. Businesses in this industry use specialised knowledge and expertise to create value and deliver services to their clients.

Victoria's largest employing sector, with more than 340,000 employees, activity is clustered in Melbourne's commercial business district, and average incomes are high. While predominantly domestically focused, exports are growing rapidly, predominantly in legal, accounting, management consulting, engineering and architectural services.

Asian growth to date has largely been driven by the production and export of globally competitive manufactured goods. However, as Asian economies mature a growing share of economic growth is expected to come from knowledge based industries, creating a significant opportunity for professional service exports.

Food, fibre and natural health products

Victoria's largest export sector, employing more than 190,000, the food and fibre sector includes primary production, food and beverage manufacturing, forestry, wood and paper products, animal feed, textiles, clothing and footwear. It contributes 4.9 per cent to Victoria's gross state product, with \$11.4 billion in exports (and export growth at 10 per cent per annum).

Output from the sector is dominated by a small number of businesses, although the majority of employment is in SMEs. Many of these SMEs have the potential for growth through building scale and competitiveness, value adding and linking to global supply chains. With a strong reputation for food safety and environmental standards, the sector is ripe for international engagement through direct investment, technology transfer and the development of export markets.

The unprecedented growth of the middle class population in Asia is fuelling significant demand for quality food and fibre products. By 2030, the middle class population in

Asia is predicted to grow to 3.2 billion people, presenting a huge opportunity for Victorian producers. These consumers are seeking high quality products and Victoria has the potential to become a key supplier of niche and high value foodstuffs.

Australia's natural healthcare and wellbeing market is robust and significant. The popularity of natural healthcare products is increasing with a growth rate of seven per cent year-on-year. Products are manufactured to some of the highest standards in the world and Australia participates in all stages of the value chain from the supply of raw materials and ingredients through to manufacturing, distributing, wholesaling, and retailing.

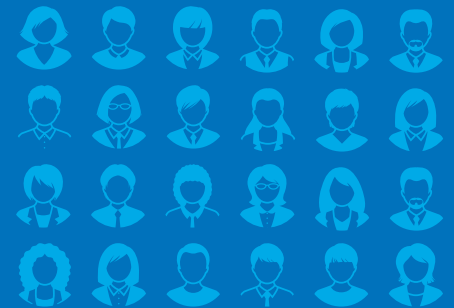
Tourism and events

The tourism and events sector is a significant economic driver for the Victorian economy, directly and indirectly contributing more than \$20.6 billion to the state economy and employing about 206,000 workers.

The sector is also a rapidly expanding part of the Victorian economy, growing by more than seven per cent in 2014-15. This growth is being driven by increased spending by international visitors which grew by 25 per cent in the year to September 2015. Spending by visitors from China top the list and accounted for around a third of total international visitor spending.

Victoria has long been a popular destination for tourists from the Asian region and there are significant growth opportunities arising from the growth of the Asian middle class with increasing levels of disposable income available for international travel.

Employees by sector



340,000+

Professional services

190,000+

Food, fibre and natural health products

206,000+

Tourism and events

30,000+

International education

20,000+

Healthcare

Victorian priority sectors continued

International education (including research and development)

International education has been Victoria's largest services export industry for over a decade. In 2014, the sector generated \$5.6 billion and supported an estimated 30,000 jobs. In the year to June 2015, there were more than 142,000 international students enrolled in Victoria, of which 52 per cent were in higher education and 23 per cent in vocational education, with the remainder in English language, schools or other institutions.

While income from this sector is largely derived through tuition fees and living expenses while studying in Victoria, the international education sector makes a much broader contribution to Victoria through encouraging tourism, supporting skilled migration and providing a strong base for future business, government and community engagement across the world.

The sector plays a significant role in advancing innovation through teaching, research, research training, industry engagement and the translation of the results of research into tangible outcomes and commercialisation.

A growing Asian middle class is driving demand for international education and 80 per cent of Australia's current international student enrolments are from the Asia-Pacific region. Economic growth and increasing demand for highly trained workers in these economies will continue to drive opportunities for the Victorian international education sector.

Healthcare

The Victorian healthcare sector has a gross value-added contribution to the Victorian economy of \$30 billion a year and the state is leading the world in innovative health system design, training of staff, use of cutting edge medical technology and the construction of state of-the-art new hospitals.

These skills are sought-after as international neighbours seek to reform their health systems to respond to increasing demand and changing demographics. Good international opportunities exist in the medical technologies and pharmaceuticals sector which is already a driver of economic activity for the state. It employs more than 20,000 people and generates more than \$10 billion in revenue, largely through exports to global markets.

There are also significant international opportunities in health exports, both through the export of Victorian health sector expertise and in strengthening Victoria's credentials as an international destination for high quality medical research and treatment.

Victoria's already strong credentials need to be leveraged to realise further growth. The Parkville Medical Precinct, for example, is recognised as a hub of healthcare, research and educational excellence. It comprises a cluster of research institutions and facilities co-located within or near major hospitals and with strong linkages to the University of Melbourne. These facilities and organisations have contributed significantly to recent advancements in medical science, bionics, pharmaceuticals, information and communications technology and represent a strategic asset for Victoria's economic future.

Value to Victoria



\$11.4B

Food, fibre and natural health products

\$20.6B

Tourism and events

\$5.6B

International education

\$30B

Healthcare

International engagement – key steps

01 Refresh and refocus Victoria's International Engagement Strategy

02 Realign international engagement support programs towards individual business needs

03 Increase business innovation and connectivity

04 Grow integrated business clusters

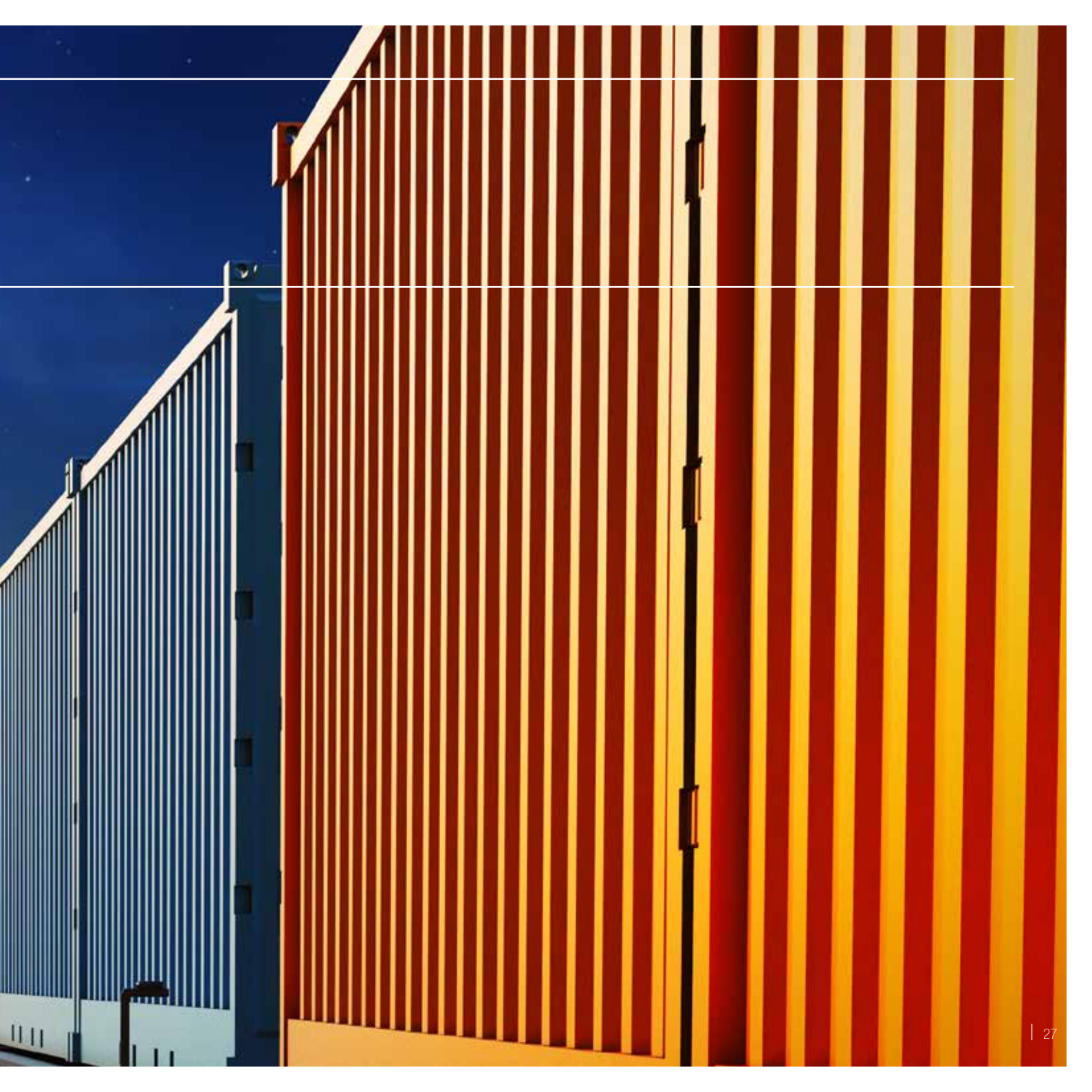
05 Improve Asian cultural and language capabilities

06 Strengthen in-country support for internationally engaged businesses

07 Improve pre- and post-trade mission support for business

08 Prioritise economy wide reforms that build a more competitive environment for trade engaged businesses







International engagement – key steps 01 02 03 04 05 06 07 08

There is strong evidence to show that exporting firms, being unconstrained by the level of domestic demand, grow faster and are more productive than companies that only focus on the Australian market.¹⁵ With such a small proportion of Victorian businesses currently exporting, it is clear we need to build a stronger international engagement capability among the business community.

The Victorian Government provides a range of services and activities designed to help Victorian businesses become more productive and competitive in the global marketplace. These include the Small Business Access Program, an Export Reference Guide, inbound and outbound trade missions and a detailed trade and events program.

However, not all of these services and activities are well understood or easily accessible by small and medium sized enterprises. Encouragingly, as part of the

Future Industries Fund, the Victorian Government has developed a strategy for each of its six priority sectors. Most of these strategies contain high level plans to engage the international marketplace but they would benefit from further work outlining specific actions that can be undertaken to advance sectoral opportunities in high growth markets.

Further, while the Victorian Government has a number of country-specific strategies in place, some have yet to be comprehensively updated to reflect recent developments in preferential trade agreements. The recent release of Victoria's New China Strategy: Partnerships for Prosperity, is a good example of how Victoria's sectoral strengths can be aligned with China's needs. It includes not only targets for trade, investment and jobs growth, but practical steps to establish new engagement platforms, attract new investment and build connections through reciprocal cultural partnerships.

Updating other country-specific strategies would enable an assessment of whether allied program objectives are still relevant and milestones are being achieved. The country-specific strategies would also benefit from being integrated into a whole-of-government framework for Victoria's international engagement with priority countries in the greater Asian region.

With these considerations in mind, the International Engagement Taskforce considers it is time to refresh and refocus Victoria's International Engagement Strategy. It is important that the revised strategy is consistent with the objectives of federal agencies such as the Department of Foreign Affairs and Trade and Austrade.

In refreshing and refocussing Victoria's International Engagement Strategy, there is an opportunity to assess, review and reconfigure existing trade support programs for business. Where programs are found to duplicate existing support provided by state

¹⁵ Modelling the relationship between innovation and exporting: Evidence of Australian SMEs, 2016, Department of Industry, Innovation and Science

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or federal governments, or have become outdated or ineffective, their funding should be redirected to support a new international engagement program modelled on the features developed by the Taskforce (see section 2).

The implementation of a whole-of-government strategy and its associated programs is unlikely to be effective unless it has strong leadership and oversight. A good example of such leadership is Trade and Investment Minister Andrew Robb's achievements in promoting trade liberalisation by sealing bilateral free trade agreements between Australia and China, Japan and the Republic of Korea.

While responsibility for refreshing Victoria's International Engagement Strategy and associated programs rests with the Victorian Minister for Trade, the Premier has a key role to play in reinforcing the importance of the portfolio and need for ongoing cooperative support from other areas of government.

Key recommendations

- > Refresh and refocus Victoria's International Engagement Strategy to ensure it is long term in its focus, whole of government and geared towards supporting deep engagement in Asia for Victoria's priority industry sectors. The strategy must include dedicated market penetration plans for each of the priority countries identified by the International Engagement Taskforce.
 - > Other key features should include:
 - > Key performance indicators and post-implementation reviews of the success of each specific sector and country strategy.
 - > Relevant departments being required to clearly outline their role and contribution to the development and implementation of each of the country-specific international engagement strategies.
 - > Develop more detailed and timely data and information on Victoria's service exports, including their nature, value and destination. Doing so will assist business and policy makers to better determine where new opportunities or threats exist and the program or policy responses needed to maximise success.
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02 Realign international engagement support programs towards individual business needs

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The development of a refreshed and refocussed Victorian International Engagement Strategy provides a timely opportunity to assess, review and reconfigure existing international engagement support programs for business. Where such programs are found to duplicate existing support provided by state or federal governments, or have become outdated or ineffective, their funding should be redirected to support a new international engagement program modelled on the features developed by the Taskforce.

A lack of information and understanding about how to enter and expand in international markets, as well as where to find this information, is consistently identified as a barrier to entry for many Victorian businesses. There continues to be a clear and strong demand for information, practical advice and tailored support for businesses throughout their whole international engagement journey, from entering export markets for the first time, or expanding their existing international footprint.

Despite the efforts of successive governments, the current provision of government export development support does not always cater for the broad range of needs of Victorian business. Each Victorian business has a unique product or service, is at a different stage in their business life cycle, and has different internal capabilities and resources.

A closer alignment of trade support services and activities to individual business needs is therefore vital to strengthening business international engagement capacity and capability.

The following examples are the types of international growth activities that could be supported: developing a market entry strategy, building the cultural capabilities of employees, translating a business website into multiple languages, licencing products in international markets, testing products or services in a new market or the development of an online sales platform.

In principle, a co-contribution from eligible applicants would continue to apply to most programs. In cases where financial constraints may present a barrier to small business participation, an income contingent repayment mechanism could be made available. Repayments would be connected to a firm's capacity to pay and would only be required once income reaches a compulsory repayment threshold. Voluntary repayments could be made at any stage. Similar models of funding support already exist for individuals in the higher education (HECS-HELP) and vocational education and training systems (VET FEE-HELP).

Such a feature would not only help reduce financial barriers to applicants but provide the government with a more sustainable funding model that enables a greater number of Victorian businesses to increase their international engagement.

Key recommendations

- > Realign international engagement support programs towards individual business needs. The objective should be to build capability and capacity among exporters in priority markets. Program characteristics should include:
 - > Financial support to eligible businesses with a focus on small and medium sized businesses. While co-contributions from business would ordinarily be required, income contingent loans could also be made available to help small businesses that might be deterred from developing or progressing international engagement activities due to financial constraints.
 - > Support that is flexible enough to reflect a business' unique product or service, having regard for their internal capabilities and where they are in their business/product life-cycle.
 - > Support to help businesses identify trusted professionals. However, the choice of supplier must ultimately reside with the individual business.
- > Encouragement for business partnerships with universities in commercialisation and R&D and projects in key countries. This recognises that universities can provide access to markets that would otherwise be difficult for SMEs to access on their own.
- > Low administrative and compliance requirements. The financial value of grants to support business must exceed the costs associated with applying for, administering and reporting on grant outcomes by a minimum ratio of 3:1.
- > Close integration with existing federal and local government international engagement support services.
- > Support that assists not only Victorian businesses wanting to engage in international trade, but suppliers with the know-how to assist.
- > Support that is available to both regional and metropolitan based Victorian businesses.
- > The Victorian Chamber FTA Export Pathway Program helps Victorian businesses understand and comply with the China-Australia Free Trade Agreement (ChAFTA), the Japan-Australia Economic Partnership Agreement (JAEPA) and the Korea-Australia Free Trade Agreement (KAFTA). This program is delivered with support from Austrade as part of the Free Trade Agreement Training Provider Grant Program.
- > The Taskforce considers this initiative should be expanded to provide personalised advice to all businesses on how to utilise the ASEAN Australia-New Zealand Free Trade Agreement (ANZTAFA), the Malaysia-Australia Free Trade Agreement (MAFTA), the Singapore-Australia Free Trade Agreement (SAFTA), and the Thailand-Australia Free Trade Agreement (TAFTA).
- > The number of members and clients who are contacting the Chamber seeking information on Free Trade Agreements is growing. There needs to be an avenue to provide free but accurate and timely information and advice to a broader range of businesses.



03 Increase business innovation and connectivity

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Innovation is critical to sustained economic growth and business competitiveness. There is a strong link between innovation and exporting activity at both the firm and sectoral level.

Amongst small and medium sized businesses, product and process innovation has been shown to improve export market activities in both goods producing and service industries. New or significantly improved products create export opportunities while innovation in the production process can increase firm productivity, a key determinant of foreign market entry or expansion.

A stronger innovation performance across the private and public sector is critical to improving Victoria's economic prospects in the highly competitive global marketplace. Recent Federal Government research shows

that policy assistance to help firms embrace e-commerce technology, and public investment in the infrastructure required for its adoption, is needed to boost both firm innovation and export performance.

Digital disruption and the use of ICT platforms for exporters is a growing part of the modern business landscape. The ability of Victorian business to access fast, reliable and competitively priced broadband is crucial to their efforts to expand into international markets, increase productivity and reduce costs.

Similarly, cloud based services, virtual private networks and advanced collaboration through high-definition video conferencing are important mediums that help business engage and connect in the global digital marketplace.

The importance of e-commerce

Internet shopping in China is increasingly popular, with over half of China's more than 700 million internet users shopping online in 2014. An effective e-commerce retail strategy simplifies the export business model by bypassing traditional distribution networks, cutting out expensive middlemen and enabling businesses to reach consumers directly.

Importantly, e-commerce can provide a platform for individual businesses and industries to access global supply chains, providing access to new markets and customers. They help a company operate at lower cost and create a competitive edge by focusing on what they do best, outsourcing those processes or tasks they are unable to undertake competitively.

The Victorian Chamber provides support and expertise to businesses engaging in the eCommerce platform, from pricing and preparing products for import, to managing import regulations and quarantine clearance processes. The Victorian Chamber's partners in China are on hand to manage logistics including transport, warehousing, product delivery, marketing and promotion.

16 Australian Innovation System Report 2014, Department of Industry, Office of the Chief Economist.

17 Modelling the relationship between innovation and exporting: Evidence of Australian SMEs, 2016, Department of Industry, Innovation and Science

18 Modelling the relationship between innovation and exporting: Evidence of Australian SMEs, 2016, Department of Industry, Innovation and Science

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Key recommendations

- > Encourage the Federal Government to adopt the UK Patent Box model which enables companies to apply a lower rate of company tax to profits earned from patented inventions. The rate of company tax applied in the UK is currently 10 per cent. Such a measure would help small business profit from their innovations and increase the adoption rate of Australian innovations by providing a longer term return on investment.
 - > Extend the Victoria-Israel Science Innovation and Technology Scheme (VISITS) to the eight priority growth markets identified by the Taskforce. VISITS provides Victorian organisations and their overseas counterparts with the opportunity to work collaboratively on projects of mutual benefit. The program is open to all organisations with interests in areas including the Victorian Government's priority growth sectors of: Food and Fibre; Professional Services; New Energy; Defence, Transport and Construction; Medical Devices and Pharmaceuticals, and; International Education.
 - > Fund a series of 'Global Best Practice' seminars to build international engagement awareness and capabilities among Victorian business. Delivered by the private sector, the seminars would highlight the experience of businesses who have successfully transformed their business model and culture to develop new commercial opportunities in the global marketplace.
 - > Aim for a 30 per cent increase in science, technology, engineering and maths (STEM) graduates over the next decade. The US has called for a 30 per cent increase in STEM graduates in one decade and Singapore has nearly 50 per cent of STEM degrees as a percentage of the total. Getting more students to pursue degrees in STEM disciplines recognises that a workforce with a strong STEM skills base is critical to business innovation.
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04 Grow integrated business clusters

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Clusters, or groups of interconnected firms in a specific industry located in the same geographical area, are gaining popularity internationally as a catalyst for economic growth. They are recognised as integral to export success and the generation of a national competitive advantage.¹⁹ Effective clusters stimulate increased productivity (through specialised inputs, access to information, synergies, and access to public goods), more rapid innovation (through cooperative research and competitive striving), and new business formation (e.g. filling in niches). With their significant base of

research, expertise and resources, Victorian universities are central assets to many business clusters and help produce the seeds of new firms and industries.

The Victorian Government's strategy to ensure Melbourne and its surrounding suburbs grow in a way that complements the government's broader economic, social and environmental agenda (Plan Melbourne, 2014) identifies six National Employment Clusters across Melbourne. Three of these already exist at Parkville, Monash and Dandenong South. Three more are fast

developing at La Trobe, East Werribee and Sunshine. A number of organisations located in these precincts have realised increased innovation and productivity through better knowledge sharing and access to quality infrastructure and a local skilled labour pool.

Nurturing the further development of these clusters will help Victorian businesses leverage their export and innovation potential. While recognising that successful clusters are generally industry driven, there are steps that governments can take to help facilitate their development and success.

Key recommendations

- > Fast track the progression of emerging National Employment Clusters at East Werribee, La Trobe and Sunshine, ensuring they have a strong focus on building linkages between small to medium sized enterprises, research institutions and industry in support of innovation, international trade and the creation of new globally competitive products and services.
- > Identify and invest in the critical infrastructure needed to support the development of the National Employment Clusters and help facilitate private investment in these precincts.
- > Facilitate the development of emerging clusters and business precincts. This includes support for Fishermans Bend to continue to evolve into Melbourne's pre-eminent high technology industrial precinct. In regional Victoria, Ballarat is developing a strong ICT cluster and Geelong is progressing an education, health, insurance and advanced manufacturing hub.
- > Provide targeted support to help small and medium sized enterprises leverage the benefits of existing and emerging clusters. This could include the development of specific local industry participation plans, improved access to finance and business training support.

Parkville Medical Precinct

A major cluster of medical and biotechnology research, education and healthcare delivery located on the northern edge of Melbourne's Central Business District.

About 32,700 people are currently employed in the cluster, which is centrally located and has good access to public transport. Their work keeps Victoria at the forefront of medical research and clinical practice. While only a few square kilometres in area, the precinct houses 25 exceptional technology, engineering and medical facilities.

It is a world leader in vaccines, genetics and cancer research. The precinct leads Australia in medical and bio scientific research, education, clinical practice and the production of pharmaceuticals and biotechnology products.



05 Improve Asian cultural and language capabilities



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The business environment in Asia can be complex. One of the greatest impediments to businesses looking to expand into Asia is concern about their capability to operate in an Asian environment. Many businesses are apprehensive about the differences in protocols, customs and languages.²⁰

An Asialink Business survey of businesses operating in Asia identified an important connection between senior management experience of Asia and business success in the region. Businesses with a higher proportion of senior leaders with training in Asian languages or cultures, or who had

experience living and working there, reported better than expected business performance than those with little or no experience.²¹ Despite this important link, the same study found that less than half of businesses had any board members or senior management with experience of Asia or language skills.²²

The challenge for business, therefore, is to foster an 'Asia friendly' environment, upskilling staff, participating in broader cultural conversations, engaging with government and education providers and cultivating connections with international

students and university alumni. Victoria's future workforce too must have the necessary skills to adapt to tomorrow's business environment. Shortfalls in the level of science, technology, engineering and maths (STEM) skills in the Victorian labour market have made it hard to attract international technology, biotechnology and advanced manufacturing companies.

Unfortunately, there are fewer students studying Asian languages in Australia today than there were in 2000.²³ It is clear we need to close skills, language and cultural gaps as a priority.

Key recommendations

- > Close the education gap in Asian cultural knowledge by reforming the school curriculum to ensure that Asian cultural studies are a core unit of study among Victorian high school students.
 - > Businesses must work with education providers to provide internship and work experience opportunities for domestic and international students in Asia-focused businesses.
 - > More actively tap into Melbourne's established Asian communities to provide assistance and cultural information to connect with Asia-focussed businesses.
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²⁰ PricewaterhouseCoopers (2014) *Passing us by*, p16

²¹ Asialink Business (2012), *Developing an Asia Capable Workforce* p12.

²² Ibid.

²³ *Two Futures: Australia at a Critical Moment* (2015). Clare O'Neil and Tim Watts.

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Victoria's global International Victorian Business Office (VGBO) network includes 18 representative offices in strategic international locations. Three new offices will soon be established in Singapore, South America and Turkey. VGBOs have local knowledge of the country-specific operating environment, offering on-the-ground information, advice and contacts to Victorian businesses.

The Commonwealth Government also has agencies operating in the same international markets with similar objectives, specifically the Australian Trade Commission (Austrade).

There have been concerns raised about the inefficiency and duplication of services. While services are often complementary in dealing with export opportunities, inbound investment opportunities can lead to competition between state representatives.

To derive maximum value for Victorian business it is important that VGBO activities recognise and align with Australia-wide engagement models. For example VGBO activities should complement and leverage the work undertaken in international Austrade offices, which are often located in the same cities.

The Victorian Government's recent \$66 million funding boost to the VGBO network is welcome and will further assist Victoria to compete in both established and rapid growth markets. Similarly, the establishment of a dedicated \$116 million investment attraction fund will support a stronger focus on promoting inbound investment opportunities for Victoria, including R&D and commercialisation.

Key recommendations

Strengthen the reach and effectiveness of international Victorian Government Business Offices by:

- > Creating long-term market development plans that focus on Victoria's priority sectors and markets.
- > Engaging private sector industry and trade specialists on a short term basis to advise on the market development activities of exporters in priority industries and markets.
- > Extending the use of digital channels, online marketing and social media to promote VGBO services and activities.
- > Strengthening synergies with Austrade offices and between other state government agencies like Invest Victoria and Invest Assist in promoting Victoria as an attractive foreign investment destination.
- > Establishing tight performance targets for investment and Victorian job creation. This could be measured by tracking return on investment, for example.
- > Ensuring that the public reporting on performance targets is more detailed and visible.



07 Improve pre- and post-trade mission support for business

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Trade missions are one of many vital ways of promoting Victoria, attracting investment, opening doors, providing on-the-ground support, business-to-business contacts, and information and tools for Victorian business, especially small and medium-sized Victorian businesses.

The Taskforce considers future trade missions would benefit from better business-matching for participants and longer-term post-mission support and follow-up. The \$24 million funding injection into Victoria's Trade Mission Program included in the recent 2016-17 State Budget provides a timely opportunity to reconfigure the scope of trade mission support along the lines proposed by the Taskforce.

Key recommendations

- > Strengthen pre and post-mission support for trade mission participants to capitalise on identified opportunities and build longer term, trusted business relationships.
- > Investigate the scope to run joint trade missions with other states where non-rivalrous opportunities exist.
- > Develop and implement a program of 'export insight visits' in priority export markets for new exporters, providing practical information and introductions to successful businesses already in market.
- > Examine the opportunity to outsource the delivery of inbound and outbound trade missions to the private sector in light of the skills, expertise and experience existing among employer bodies, bilateral chambers and the corporate sector.
- > Fund activities that help new exporters connect with more experienced exporters. This could be in the form of less formal industry-specific networking events, or a more formal mentoring program.

Victoria Jiangsu Business Placement Program

The Victoria Jiangsu Business Placement Program is a joint initiative between the Victorian Chamber and the Victorian Government, with support from the City of Melbourne and the Jiangsu Federation of Industry and Commerce.

The structured program helps Victorian businesses develop new links and mutually productive trade and investment opportunities by placing participants with a carefully selected Jiangsu business host.

Participants benefit from training and coaching from leading Chinese professors and educators on the fundamentals of doing business with China.

Other benefits include pre-qualified introductions to potential business partners or investors, introductions to key industry leaders and high level government officials, and participation in strategic networking events.



08 Prioritise economy wide reforms that build a more competitive environment for trade engaged businesses

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Competitiveness is critical to any economy engaged in international trade and Victoria is no exception. The competitiveness of an economy determines how well it can convert its potential into opportunities.

This entails a number of key components including macroeconomic conditions and business costs, the regulations that affect the business climate, and infrastructure, both 'hard' infrastructure in transport, communications, energy, and logistics, and 'soft' infrastructure, which includes education and skills.

All of these need to be conducive to business confidence and investment and support firm level efforts to leverage success in the global marketplace.

Reduce direct business costs – business taxes and charges

In opposition, Victorian Labor acknowledged 'A state government can improve the competitive environment for business by cutting state government taxes and charges and reducing the regulatory burden' (Labor's Plan for Jobs and Growth, November 2012). Now in government, the time has come to boost trade competitiveness by reducing the cost of doing business in Victoria.

The 2016-17 Victorian Budget announcement that the payroll tax threshold will be progressively lifted to \$650,000 over the next four years is a welcome step towards strengthening Victorian competitiveness and aligns with the Victorian Chamber's pre-budget advocacy. The threshold was last increased in 2002 and since then wages and business costs have risen steeply.

The Victorian Chamber has consistently called for the payroll tax threshold to be increased to \$850,000 over the medium term. The Taskforce therefore calls on the Victorian Government to commit to doing so.

Key recommendations

- > Increase the payroll tax threshold to \$850,000 over the medium term.
 - > Reduce the average WorkCover premium rate to 1.20 per cent of payroll. This would save Victorian business over \$50 million per annum and encourage job creation. It will keep Victoria competitive against states like Queensland which has an average premium rate of 1.20 per cent.
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Improve trade related infrastructure

Well-developed infrastructure reduces the effect of distance between regions, integrating and connecting markets at local, national and international levels. The cost, quality and reliability of infrastructure networks significantly impacts economic and trade growth. Unfortunately, rising transport costs within Australia are restricting businesses from taking advantage of new international business opportunities.²⁴ Bottlenecks and capacity constraints at ports, on our roads and in our rail network can lead to delays, higher costs and even lost markets.

The Taskforce therefore calls for a number of reforms to improve the efficiency of Victoria's trade related infrastructure which are listed opposite.

Key recommendations

- > Ensure the capacity of the Port of Melbourne is progressively expanded to meet the future trade needs of Victorian business.
- > Progress the construction of a new east-west runway at Melbourne Airport and fast-track other major developments listed in the 2013 Melbourne Airport Master Plan that are crucial to enabling the airport to meet growing demand for airline travel.
- > Commence the Metropolitan Ring Road from Greensborough to Ringwood.
- > Complete the Bendigo Airport redevelopment.
- > Upgrade freight connections from the Geelong Ring Road to the Port of Geelong.
- > Progress the Bunyip Food Belt project.
- > Construct a rail freight link to Logic Wodonga, and the Goulburn Valley Freight and Logistics Centre (GV Link) in Shepparton.
- > Fund a heavy vehicle bypass around Mildura.
- > Relocate the Mildura intermodal freight hub to Mildura South.

Reduce indirect business costs – regulation reform

The priority the Victorian Government has attached to regulation reform and its commitment to reduce red tape by 25 per cent over four years is welcomed by the Victorian Chamber.

However, the cumulative burden of regulation continues to impose significant costs on business and is impeding innovation, employment and trade competitiveness. The Taskforce considers more must be done to reduce high cost areas of regulation that are impeding our international engagement efforts.

Key recommendations

Consistent with the Victorian Chamber's long standing advocacy on red tape reform:

- > Report publicly on progress towards achieving the stated 25 per cent reduction in red tape in Victoria.
 - > Raise the existing 25 per cent regulatory reform target to a 30 per cent minimum reduction by 2017, ensuring that at least half of the identified reforms directly benefit trade engaged businesses.
 - > Ensure adequate resourcing is available to support the Red Tape Commissioner in progressing the red tape reduction task. Reform priority areas should include environmental regulation, planning, government purchasing and heavily regulated sectors like transport and logistics, and food processing.
 - > Undertake a comprehensive independent review of the number, size, purpose and effectiveness of Victorian regulators that commonly interface with trade engaged businesses.
 - > Ensure the financial value of government grants to support small business international engagement exceeds the costs associated with applying for, administering and reporting on grant outcomes by a minimum ratio of 3:1.
-


Further success in international engagement

An internationally engaged business community will bring enormous benefits to Victoria, not only in terms of increased economic prosperity but also through enhanced livability.

With the right blend of policies in place, Victoria will be able to further capitalise on the world of opportunities presented by today's dynamic international environment.

Further international engagement success for Victoria will be characterised by:

- > Rising output, employment and productivity.
- > A growing share of global food and fibre exports and further expansion in our knowledge-based service exports.
- > A growing share of foreign investment into trade related activities and industries.
- > Continuing growth as a major destination for international tourists and major events.
- > An even stronger reputation as a location of choice for international students.
- > A community of connected businesses leveraging their global networks to deliver better services and products to both domestic and international markets.
- > A business community characterised by increased foreign language and cultural proficiency, with more adaptive skills that are relevant to doing business in a fast changing international environment.
- > Increased liveability, not only through rising incomes associated with international engagement, but increased cultural and social integration.
- > Even stronger research and development, commercialisation and innovation links between business and universities that convert into new 'in demand' product and service offerings from international customers.



The most successful internationally engaged businesses:

- > Are aware of global best practice and opportunities to improve productivity through better workplace practices and new technologies.
- > Seek investment for business expansion and improvement from a wide pool of options.
- > Know where there are opportunities to reach new customers in fast-growing markets.
- > Are able to adapt and shift in response to changing market circumstances.

- > Are both culturally aware and business-savvy to act on these opportunities, modifying their business model to create new applications and markets
- > Possess timely knowledge and insights into global trends and stay one step ahead of their competitors.

The Victorian Chamber of Commerce and Industry International Engagement Taskforce:

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- > **Andrew Smith**, Swinburne University of Technology
- > **Garry Burns**, Sovereign Hill
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- > **Steven Harper** and **Shalini Valecha**, SPC Ardmona Operations Pty Ltd
- > **Matthew Franceschini**, Entity Solutions
- > **Roger Gaudion**, NAB Agribusiness
- > **Tom McMahon**, Chemical Solutions
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