Victorian Chamber of Commerce and Industry

August 2025

SEIZING THE OPPORTUNITY

THE UNLIMITED POTENTIAL OF VICTORIA'S REGIONS



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Acknowledgement of Country

The Victorian Chamber of Commerce and Industry acknowledges the Aboriginal and Torres Strait Islander peoples of this nation. We acknowledge the Traditional Custodians, the Wurundjeri people of the Kulin Nation, of the lands on which the Victorian Chamber head office is located and extend this respect to all lands across the country.

We pay our respects to ancestors and elders, past and present, and support the continuation of cultural, spiritual and educational practices of Aboriginal and Torres Strait Islander peoples. We endeavour to develop stronger and enduring partnerships with First Peoples and work together to achieve economic, social and cultural equity and prosperity across Victoria.

We are committed to honouring Aboriginal and Torres Strait Islander peoples' unique cultural and spiritual relationships to the land, waters and seas and their rich contribution to society.

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EXECUTIVE SUMMARY



THE MURRAY RIVER

Executive Summary

Few places in the world have the advantages that Victoria has.

Our agricultural products are in demand around the world, and our agribusinesses are renowned as clean and world leading. Our deposits of critical minerals and rare earths could help drive decarbonisation across the globe. We are the freight and logistics capital of Australia, with many of our export products coming from our regions.

Regional Victoria is at the forefront of Australian manufacturing including advanced manufacturing, and is home to cutting edge medical research facilities and defence industry capabilities.

Victoria has a strong export sector, but it could be an export powerhouse.

Regional Victorian businesses are innovative and world leading, and our regions more broadly are blessed with the people and natural advantages to drive economic prosperity.

But urgent, sustained and focused action is needed to seize the full opportunity that Regional Victoria represents.

Seizing the Opportunity: The Unlimited Potential of Victoria's Regions envisions a future where the scale and scope of Regional Victoria's potential is fully realised, harnessing its diverse strengths to drive an era of unprecedented growth.

It outlines the steps needed to develop a robust economic strategy. Achieving the transformation requires collective effort and effective policy making, better education and infrastructure, and more investment.



Victoria has a huge opportunity to capitalise on its competitive advantages, but we must be ready and able to compete in the global arena.

Success is not guaranteed. Our global competitors and, indeed, governments in other jurisdictions across Australia are implementing ambitious policies that are intensifying the race for capital, talent and new value chains.

But there is a compelling case for optimism. With strong endowments particularly in these future industries, Victoria has a once in a generation opportunity to capture an outsized share of investment flow to unlock a new wave of prosperity for Victorians and the nation.

Capturing these opportunities will require thoughtful collaboration between business, industry and government to strengthen economic underpinnings and foundations and develop a shared vision and roadmap for success.

A leap is needed to take Regional Victoria into the Future – across three key domains:

Leap 1

Future Industries

The Future Industries leap will position Regional Victoria as an internationally competitive industrial powerhouse at the forefront of innovation and technology, capturing global market share across seven key 'Future Industries': critical minerals; advanced manufacturing; defence, space and aerospace; agriculture; tourism; freight and logistics; and energy.

Leap 2

Future Skills

The Future Skills leap will ensure the people of Regional Victoria have access to the skills, education, reskilling and retraining they will require to secure the high-paying, in-demand jobs of the future. It will affirm the regions as a globally attractive destination and enabler of highly skilled employers, employees and entrepreneurs.

Leap 3

Future Communities

The Future Communities leap will deliver greater equity across Regional Victoria, to ensure that economic growth translates into more prosperous communities. It will bring closer alignment between economic and community aspirations, ensuring that the full benefits of economic success are realised as community assets.

By outlining the three leaps to drive industry formation, upskill for the future, and transform our communities, *Seizing the Opportunity* is a call to action to reposition Regional Victoria as an economic powerhouse.

The Victorian Chamber's ambition is that the Victorian and Federal Government, and the Regional Victorian business community, accept this call to action, and work together to achieve these goals in a tripartite partnership via a new mechanism – being the Future Industry Deal.

Business and industry make long term investment decisions that span multiple years. It therefore follows that economic, regulatory and fiscal considerations impact those long-term operational strategies.

Competitive regulatory and investment facilitation frameworks are critical determining factors for business as it weighs up long term returns against the risks associated with investment.

Seizing the Opportunity will require a laser sharp focus, clear and stable investment facilitation frameworks, robust engagement strategies and significant investment, largely from business, in partnership with industry and governments. If implemented, it could unleash a new wave of prosperity for Victorians and the nation.

REGIONAL VICTORIA SNAPSHOT



Regional Victoria Snapshot



BEECHWORTH

Regional Victoria's Economy Now

Community:

- Rural and Regional Victoria is home to almost one in four Victorians.[1]

Employment:

- Around 800,000 Regional Victorians are in work, accounting for around 21 per cent of total employed Victorians.[2]
- Regional Victoria's unemployment rate is 3.7 per cent, compared to 4.3 per cent Victoria-wide.[3]
- Regional Victoria's participation rate is 60.6 per cent, compared to 67.9 per cent Victoria-wide.[4]

Economy:

- Victoria has a regional economy that generates over $110 billion and accounts for 21 per cent of Victoria's total economy.[5]
- There are more than 150,000 business in Regional Victoria – accounting for 21 per cent of Victorian businesses – although fewer than 20,000 have five or more employees.[6]
- "Victoria exports 73 per cent of Australia's dairy exports, 46 per cent of horticultural exports and 36 per cent of prepared food exports."[7]
- Total tourism expenditure in Regional Victoria was $16.3 billion.[8]



1 Regional Development Victoria (2025) Regional Development Victoria. *"About Regional Development Victoria." Regional Development Victoria, April 23, 2025*. https://www.rdv.vic.gov.au/about-us/who-we-are.

2 "Labour Force, Australia, Detailed, June 2025." Australian Bureau of Statistics, 24 July 2025. https://www.abs.gov.au/statistics/labour/employment-and-unemployment/labour-force-australia-detailed/jun-2025. Table 2.

3 "Labour Force, Australia, Detailed, June 2025." Australian Bureau of Statistics, 24 July 2025. https://www.abs.gov.au/statistics/labour/employment-and-unemployment/labour-force-australia-detailed/jun-2025. Table 2. Rolling three-monthly average.

4 Ibid.

5 Regional Development Victoria. *Regional Development Victoria Annual Report 2023-24*, September 2024. https://www.rdv.vic.gov.au/__data/assets/pdf_file/0003/2324631/RDV-Annual-Report-2023-2024.pdf. Page 5.

6 "Data by Region: Region Summary: Rest of Victoria." Australian Bureau of Statistics, Accessed 2 July 2025. https://dbr.abs.gov.au/region.html?lyr=gccsa&rgn=2RVIC.

7 Regional Development Victoria (2025) *Regional Development Victoria. "About Regional Development Victoria." Regional Development Victoria, April 23, 2025.*

8 *Annual Report 2023/2024*. Department of Jobs, Skills, Industry and Regions, Victorian Government, October 2024. https://djsir.vic.gov.au/__data/assets/pdf_file/0019/2324350/DJSIR-Annual-Report-2023-24.pdf. Page 59.



REGIONAL VICTORIA IN THE BOX SEAT:

CHALLENGES AND OPPORTUNITIES

1 Regional Victoria in the Box Seat: Challenges and Opportunities

For several decades Victoria has boasted strong economic growth, rising living standards, well-paying jobs with close to full employment, an attractive environment for both domestic and overseas investment, and a quality of life that is the envy of countries around the world. Along with the rest of the 'lucky country', we have been able to rely on an abundance of natural resources and energy resources, high productivity export sectors such as agriculture and manufacturing, and a strong fiscal position. However, as we chart the course into this century's next quadrant, Regional Victoria, along with Australia, faces a range of challenges – both global and local.

Globally, these include increased threats to national security, rising protectionism, climate change, and the imperative to transition to clean energy. While locally, flatlining productivity, recent high inflation and elevated interest rates have put pressure on households and businesses alike, government debt is at record highs, and the burden of taxes and heavy regulation are impeding business investment and ingenuity.

But many of these challenges also present opportunities and are accompanied by other global and local opportunities that Australia must seize. The rise of the Asian super economies with their billions-strong middle class presents an unprecedented opportunity for Regional Victorian producers. The clean energy transition presents an opportunity for Victorian manufacturers and will boost demand for our critical minerals. And the burgeoning family of technologies known as artificial intelligence (AI) may present an opportunity to turn around our productivity performance.

The scale and scope of the challenges and opportunities Victoria faces require urgent, sustained and focused action. The following section of the report details the challenges and opportunities confronting Regional Victoria and provides compelling context for the future positioning of the regions.

1.1 A more complex and interconnected supply chain

Decades back, complex goods like cars were often assembled in one country with almost all of the inputs and components being sourced locally. Today, global supply chains are subject to a much greater degree of integration. Indeed, the Organisation for Economic Cooperation and Development (OECD) notes that 70 per cent of global trade involves integrated value chains where the final good a consumer purchases is the product of materials, components and production across global economies.[9]

The World Bank says countries that utilise global value chains "*grow faster, import skills and technology, boost employment*" and have better living standards.[10] Relatedly, the use of new materials and production methods along with digital technologies is driving innovation in how good and services are made.[11] Technological advances are driving significant changes in global supply chains.

The reality of the depth and span of the interconnect–edness of economies, both local and global, vividly crystalised during the COVID-19 pandemic. Although Victoria is now on the other side of the pandemic years and associated supply shocks, volatility in markets is ever near and rising protectionism, including via US tariff policies, is adding to an already complex dynamic and challenging the long-standing rules-based trade system which Australia has benefited from.

9 "Global Value and Supply Chains." Organisation for Economic Co-operation and Development. Accessed 25 June, 2025. https://www.oecd.org/en/topics/global-value-and-supply-chains.html.

10 "Global Value Chains." World Bank, April 2023. https://www.worldbank.org/en/topic/global-value-chains.

11 Ibid.

Notwithstanding the recent threat of rising protectionism, these longer-term shifts in global supply chains provide exciting avenues of opportunities for Victorian businesses. Victorian businesses have shown an adeptness in meeting changed market conditions including in response to COVID supply chain disruptions, and the trade restrictions put in place by China in 2020 on Australian commodities such as barley, beef, cotton, timber, wine and rock lobsters.[12]

The latest US tariffs may provide another such impetus. Goods exported to the US from Australia is estimated at five per cent of Australia's total goods exported with the top exports comprising non-monetary gold, meat and meat preparations, medicinal and pharmaceutical products, certain transport equipment and professional and scientific apparatus.[13]

While some sectors are directly affected, there will also be a range of *indirect* effects, for example:

- Reduced demand from the US for manufactured goods imported from China is consequently likely to reduce demand for Australia's exports of raw materials or intermediate goods;
- Reduced economic activity globally (and in particular in the Asia Pacific) is likely to spread to Australia both through reduced demand for our exports, and a downturn in business confidence and investment; and
- Countries that find it harder to export their goods to the US may look to 'dump' these goods at low prices in Australia – undermining local producers (although benefiting local purchasers).[14]

Further, where the US has applied substantially higher tariffs to other competing export countries, Australian producers may even have an opportunity to *increase* exports to the US.[15] Overall, modelling by Productivity Commission suggest that Australia will be a minor beneficiary of US tariff policy[16], however it remains early days.

The Federal Government has already taken steps to support affected businesses: $50 million paid through peak groups like the National Farmers' Federation, to find new export destinations, and providing $1 billion in zero interest loans for firms that want to access new export markets.[17]

Victorian businesses must grab these opportunities with both hands. And the Victorian and Federal Governments must use the levers available to them – such as adopting international standards, keeping trade barriers low, and encouraging trade through facilitation services.

12 Growth juggernaut: Three billion empowered consumers. Accessed July 2, 2025. https://www.agriculture.gov.au/abares/products/insights/megatrends-2021/growth-juggernaut#empowered-consumers-will-shape-markets. c.f Kharas, H. *The Unprecedented Expansion of the Global Middle Class*. Brookings Institute, February 2017. https://www.brookings.edu/wp-content/uploads/2017/02/global_20170228_global-middle-class.pdf.

13 "Australia's Trade with the United States of America." Australian Bureau of Statistics, June 5, 2025. https://www.abs.gov.au/articles/australias-trade-united-states-america.

14 Read, Michael. "How Trump's Tariffs Will Hit Australia, in Four Charts." *Australian Financial Review*, April 3, 2025. https://www.afr.com/policy/economy/how-trump-s-tariffs-will-hit-australia-in-four-charts-20250403-p5los0.

15 *Trade and Assistance Review 2023-24*. Productivity Commission, July 2025. https://www.pc.gov.au/ongoing/trade-assistance/2023-24/tar-2023-24.pdf. Page 9.

16 Ibid., Page 5.

17 "Statement on USA Tariffs." Prime Minister the Hon Anthony Albanese MP , April 3, 2025. https://alp.org.au/news/statement-on-usa-tariffs/.

1.2 Rise of the Asian Super Economies

Three billion middle-class consumers could be on Victoria's doorstep by the end of this decade.[18] Spending by the growing Asian middle class is projected to rise to $32 trillion by 2030[19] and will include a significant appetite for Victoria's quality fresh produce, products and services.

Along with our proximity to our Asian neighbours, Regional Victoria's reputation for clean, safe and reliable produce together with our energy technologies, advanced manufacturing, premium products and services, means we are well placed to capitalise on the opportunities afforded by this market.

Asian countries are by far the most important destination for Australian minerals and energy – including LNG, coal, iron ore, gold, alumina, copper, nickel and zinc (with these resources concentrated outside Victoria).[20] However, this demand may be dampened by a reduction in demand for manufactured goods from Asian countries as a result of US tariffs, or by a slowing of growth or recession in these markets.

1.3 Renewed attention on national security considerations

Alongside rising protectionism, geopolitical tensions and a weakening of international security norms point to increased risks to Australia's security.

This is reflected in Australia's commitment to the trilateral AUKUS security pact– a partnership committed to deepening our security relationship with the UK and US, and to make a generational investment in our nuclear submarine capability. It is also reflected in the Federal Government's announcement of an additional $50 billion into the Australian Defence Force over ten years.[21]

While Australia imports much of its military hardware, recent Federal Governments of both political persuasions have indicated a strong preference to do more defence manufacturing in Australia – the most recent example of this being the Federal Government announcing defence as a key pillar of their Future Made in Australia policy.[22]

This presents a significant opportunity for Victoria's regions including Wodonga, Seymour, Bendigo and Geelong where we have existing defence capabilities.[23]

State governments (including Victoria's) have also embraced this approach.[24] A growing defence industry is seen as an opportunity to safeguard national sovereignty, create a larger advanced manufacturing base with opportunities for innovation and productivity growth, and create high-skilled and well-paid jobs.

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18 Kharas, H, and Fengler, W. "A Golden Age for Business? Every Second Five People Are Entering the Global Middle Class." Brookings Institute, July 27, 2017. https://www.brookings.edu/articles/a-golden-age-for-business-every-second-five-people-are-entering-the-global-middle-class/.

19 Ibid.

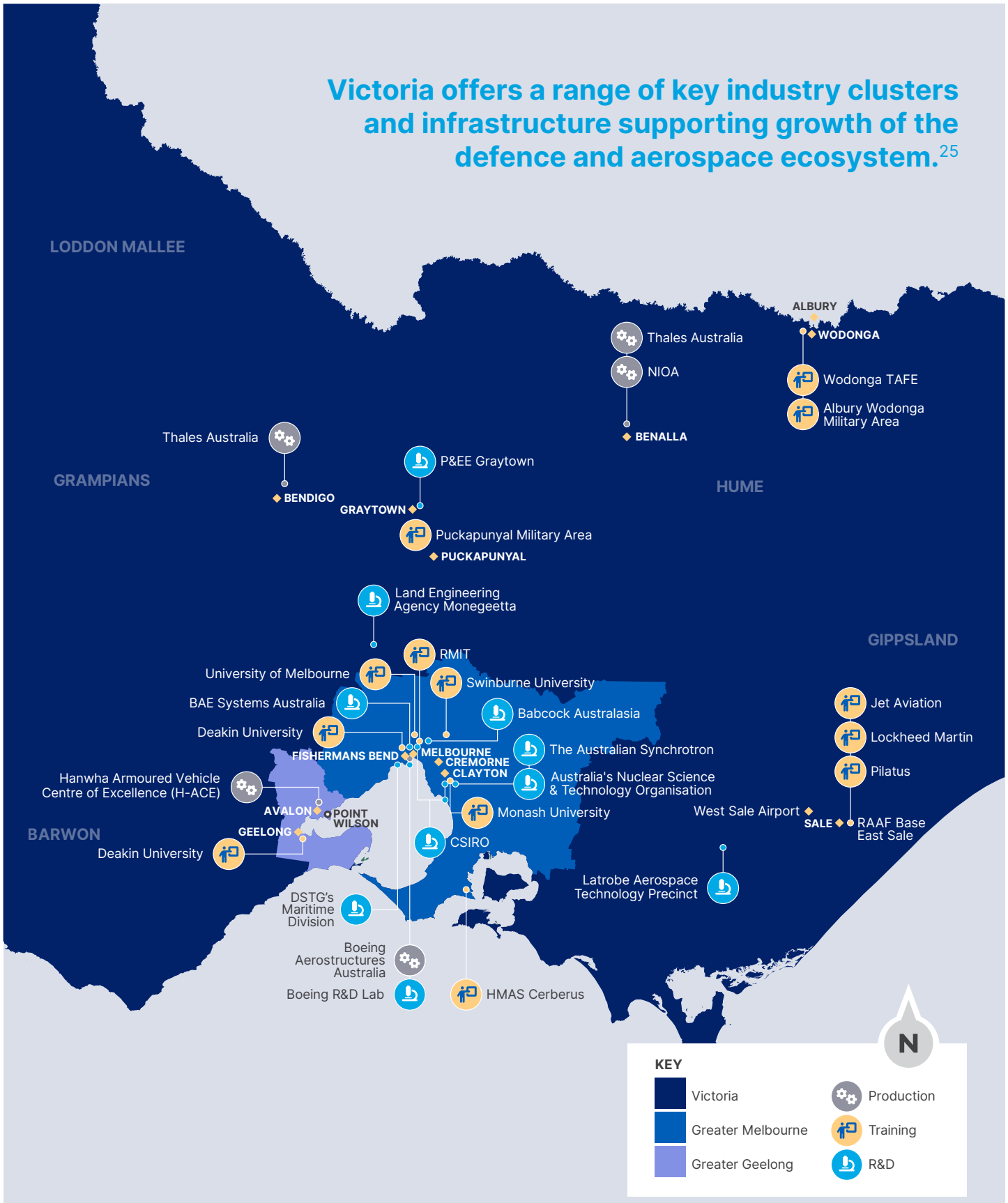
20 *Foreign Policy White Paper, Chapter Two: A Contested World.* Department of Foreign Affairs and Trade, Australian Government, November 23, 2017. https://www.dfat.gov.au/sites/default/files/minisite/static/4ca0813c-585e-4fe1-86eb-de665e65001a/fpwhitepaper/foreign-policy-white-paper/chapter-two-contested-world/indo-pacific-will-create-opportunity.html.

21 "Albanese Government Grows and Accelerates Defence Spending." The Hon Richard Marles MP, Minister for Defence; The Hon Pat Conroy MP, Minister for Defence Industry; and The Hon Matt Keogh MP, Minister for Defence Personnel, March 25, 2025. https://www.minister.defence.gov.au/media-releases/2025-03-25/albanese-government-grows-accelerates-defence-spending.

22 MP, Anthony Albanese. "Future Made in Australia." Anthony Albanese – Prime Minister of Australia and Member for Grayndler. Accessed June 25, 2025. https://anthonyalbanese.com.au/our-work/future-made-in-australia.

23 *Victorian Defence Vision Statement.* Department of Jobs, Skills, Industry and Regions, April 1, 2025. https://defence.vic.gov.au/__data/assets/pdf_file/0005/2381801/Victorian-Defence-Vision-Statement-2030-1-April-2025.pdf. Page 19

24 Victorian State Government, Economic Growth Statement (2024). https://www.vic.gov.au/economic-growth-statement.



25 *Victorian Defence Vision Statement*. Department of Jobs, Skills, Industry and Regions, April 1, 2025. https://defence.vic.gov.au/__data/assets/pdf_file/0005/2381801/Victorian-Defence-Vision-Statement-2030-1-April-2025.pdf. Page 19



Case Study: Bushmasters

The 'Bushmaster' is an Australian-designed and manufactured 4x4 armoured vehicle. It is currently in use in nine countries and is world renowned for its high level of protection and mobility for troops.[26]

For more than 20 years, Thales Australia have manufactured Bushmasters at their factory in Bendigo in Regional Victoria, employing hundreds of people locally.[27]

Manufacture of these vehicles contributes to Regional Victoria's defence manufacturing ecosystem –supporting a broader supply chain across Victoria and Australia and building expertise and knowledge spillovers that other defence manufacturing businesses can benefit from.

The Federal Government has invested over $200 million in Bendigo for an additional 93 locally made Bushmasters over three years, reflecting the broad and bipartisan uplift in defence spending discussed above.[28]

1.4 Changing environmental conditions and global push to Net Zero

The world's climate is changing, and Regional Victoria is already experiencing the effects of higher temperatures, less rainfall, and more frequent and intense bushfires.[29] These trends are only likely to intensify over coming years and decades. Victoria's regions are currently experiencing significant drought conditions. According to the Bureau of Meteorology's June 2025 statement regarding rainfall deficiencies, much of Victoria has experienced "*severe or serious rainfall deficiencies (rainfall totals in the lowest 5% or 10% of periods, respectively, since 1900)*".[30]

Such environmental change presents a particular challenge to Victoria's agricultural sector. Crop yields may fall due to heat and water stress. Livestock output may be reduced due to lower feed levels and heat stress. Agricultural products such as wine that are especially sensitive to climatic conditions may be particularly affected, in terms of both quantity and quality.

Bushfire and other natural disasters present a terrifying challenge and can have a huge cost. As at 2021, natural disasters were estimated to cost the Australian economy $38 billion per year on average.[31] A high emissions scenario could see annual costs rise to $94 billion by 2060.[32] The most damaging natural disasters could be costlier still – the Los Angeles fires of January 2025, are estimated to cost the US economy at least US$135 billion, making them the costliest in US history.[33]

26 "Government Invests in Bendigo with New Bushmasters." The Hon Pat Conroy MP, Minister for Defence Industry, July 16, 2024. https://www.minister.defence.gov.au/media-releases/2024-07-16/government-invests-bendigo-new-bushmasters.

27 Ibid.

28 Ibid.

29 Victorian Government, Victoria Climate Science Report 2024 (2024). https://www.climatechange.vic.gov.au/victorias-changing-climate/Victorias-Climate-Science-Report-2024.pdf. Page 5.

30 Australian Government. "Drought Rainfall Deficiencies and Water Availability – June 2025." Drought Statement, June 5, 2025. http://www.bom.gov.au/climate/drought/.

31 Deloitte Access Economics. Special Report: *Update to the Economic Costs of Natural Disasters in Australia*. Australian Business Roundtable for Disaster Resilience & Safer Communities, 2021. https://www.deloitte.com/au/en/services/economics/perspectives/building-australias-natural-disaster-resilience.html. Page 8.

32 Ibid.

33 Sherman, Natalie, and Peter Hoskins. "LA Wildfire Damages Set to Cost Record $135bn." *BBC*, January 10, 2025. https://www.bbc.com/news/articles/c07g73p4805o.

Regional Victoria has already begun grappling with more frequent and more intense bushfires and other natural disasters. Regional communities have built a national and international reputation for resilience in the face of a series of natural disasters, disaster relief, and mitigation strategies. Indeed, the United Nations has already recognised Australia as a world leader in disaster risk reduction.

Bushfire and drought mitigation strategies along with the natural disaster response expertise built in regional communities have meant that Regional Victoria is well positioned to sell these skills into global markets.

Alongside this, changing climate and environmental conditions mean that there is a global push to transition rapidly to cleaner forms of energy on the path to net zero emissions (which Australia has committed to achieving by 2050). The transition to net zero by 2050 has been described as the next industrial revolution.

Victoria must lean into orderly and pragmatic decarbonisation, managing disruption while ensuring Australians and Australian businesses have access to secure, reliable and cost-effective power (including gas and electricity).

The Federal Government has committed Australia to a target of 82 per cent of electricity coming from renewables by 2030, although meeting this target looks challenging, while the Victorian Government is committed to a target of 50 per cent by 2030.

Regional Victoria is well positioned to take advantage of the opportunities this transition is creating – with abundant energy and mineral resources waiting to be tapped. For example, Victoria is leading the way with offshore wind: aiming to generate at least two gigawatts of offshore wind by 2032 – enough to power 1.5 million homes – and targeting four gigawatts by 2035 and nine gigawatts by 2040.[34]



34 "Victoria Launches Australia's First Offshore Wind Targets." Premier the Hon Jacinta Allan MP, March 4, 2022. https://www.premier.vic.gov.au/victoria-launches-australias-first-offshore-wind-targets.



Substantial investments in transmission and generation infrastructure will be needed as we move from a power system with baseload power being provided by coal-fired power stations, to one where renewable generation and storage plays the lead role. McKinsey estimates that the investment in physical infrastructure needed through to 2050 to achieve net zero, equates to $275 trillion across the globe.[35] In Australia, this equates to 7.5 per cent of GDP annually on average with the biggest increase as a share of GDP required between 2026 and 2030.[36] In addition to ensuring adequate investment, governments will need to ensure planning rules appropriately balance the need for a rapid energy transition with community and environmental concerns.

Australia's clean energy sector transition provides an important opportunity for Regional Victoria – for energy producers, for manufacturers, and for producers of resources key to this industry such as critical minerals. But a poorly managed transition risks less reliable and more costly energy, and could be a significant drag on industrial, manufacturing and economic activity.

The Victorian Government's VicGrid recently released the final Victorian Transmission Plan proposing six renewable energy zones and four new transmission lines to support Victoria's transition to Net Zero.[37] Regional communities and particularly agribusiness are deeply concerned about the disproportionate impact of Net Zero commitments in their communities. Concern is often expressed about the impacts of solar panels, wind farms, battery storage and transmission lines, with the renewable energy zones expected to take up 7.9 per cent of land in Victoria according to Government estimates.[38] Ultimately the six renewable energy zones and their impact on agribusiness and downstream business in regional communities needs to be approached from an evidence-based and methodological approach, noting the value of the Victorian agricultural sector to the Victorian economy.

35 Krishnan et al. "The Economic Transformation: What Would Change in the Net-Zero Transition." McKinsey & Company, January 25, 2022. https://www.mckinsey.com/capabilities/sustainability/our-insights/the-economic-transformation-what-would-change-in-the-net-zero-transition.

36 Ibid.

37 "The Victorian Transmission Plan." VicGrid, Victorian Government, August 17, 2025. https://www.energy.vic.gov.au/renewable-energy/vicgrid/the-victorian-transmission-plan.

38 "2025 Victorian Transmission Plan." VicGrid, Victorian Government, 17 August 2025, https://www.energy.vic.gov.au/__data/assets/pdf_file/0019/761023/2025-Victorian-Transmission-Plan.pdf.

Gas in Victoria: a challenge and opportunity

While Regional Victoria along with the rest of Australia is transitioning to a clean energy future, gas will remain an important part of Regional Victoria's (and the world's) energy mix in the short to medium term, particularly for commercial and industrial uses that are difficult to transition.

Gas is one of Australia's most important commodities. A recent KPMG report commissioned by Australian Energy Producers found that the gas industry contributes $105 billion annually to the national economy and supports 215,000 jobs.[39] Within Victoria, gas contributes $22 billion to the Victorian economy.[40]

Investments in Liquid Natural Gas (LNG) infrastructure across Australia have increased the export opportunities for Australian producers – and this export market is growing. Developing nations lag Australia and other developed countries in transitioning to clean energy, and together with population growth, this points to demand for gas in these countries continuing to expand for some years. The last decade has seen investments in the natural gas sector in the order of $350 billion nationally.[41]

Unfortunately, little of this has occurred in Victoria, with the State Government actively discouraging investment. However, there has been a recent shift towards a more pro-investment tone.

As part of its recent Economic Growth Statement, for example, the Victorian Government noted that "new investment is needed if gas supply from 2028 is to keep up with demand from homes and businesses, and for gas-powered electricity generation."[42]

Investment is now flowing. In March 2025, Amplitude and OG Energy announced a $400 million-plus investment in Victoria with a planned drilling and development campaign off the Victorian coast, aiming to supply enough gas to power more than 600,000 Victorian homes.[43] Also in March, Woodside and Exxon announced an investment of $350 million to deliver new gas supplies from Bass Strait.[44] ConocoPhillips has also been awarded an offshore drilling license in Commonwealth waters in the Otways with an anticipated investment of $100 million.[45]

The successful reinvigoration of the gas industry will produce significant economic dividends for Victoria, as it has done historically and is doing now in other states. A recent report by Ernst and Young estimated that unleashing the projects that are currently in the investment pipeline across Australia would contribute an estimated $350 billion to national economic output and contribute more than 220,000 jobs over the next decade.[46]

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39 *Economic Contribution of the Gas Industry.* KPMG, December 18, 2024. https://energyproducers.au/wp-content/uploads/2025/02/Economics-of-Gas-Industry-KPMG-Final-Report_18Dec2024.pdf. Page ii.

40 Ibid.

41 *Australia's Oil and Gas Industry: Kickstarting Recovery from COVID-19.* EY, November 20, 2020. https://www.appea.com.au/wp-content/uploads/2020/11/EY-Report-Australias-oil-and-gas-industry-Kickstarting-recovery-from-COVID-19.pdf. Page 3.

42 Victorian Government, Economic Growth Statement (2024). Page 22.

43 Macdonald-Smith, Angela. "Victorian Energy Shortage Fears Drive $400m Investment in Gas Venture." *Australian Financial Review*, March 24, 2025. https://www.afr.com/companies/energy/amplitude-s-400m-plus-gas-project-targets-energy-starved-victoria-20250324-p5llwz.

44 Packham, Colin. "Exxon and Woodside in $350m Drilling Tie-up to Avert Predicted East Coast Gas Shortfall." *The Australian*, March 17, 2025. https://www.theaustralian.com.au/business/mining-energy/exxon-and-woodside-in-350m-drilling-tieup-to-avert-predicted-east-coast-gas-shortfall/news-story/7e2ae91ec80f443c5e068f47703d43d2.

45 Macdonald-Smith, Angela. "Massive Gas Drilling Program Approved in Bass Strait." *Australian Financial Review*, March 4, 2025. https://www.afr.com/companies/energy/conocophillips-gets-nod-for-major-victorian-offshore-gas-exploration-20250303-p5lgdc.

46 *Australia's Oil and Gas Industry: Kickstarting Recovery from COVID-19.* EY, November 20, 2020. https://www.appea.com.au/wp-content/uploads/2020/11/EY-Report-Australias-oil-and-gas-industry-Kickstarting-recovery-from-COVID-19.pdf. Page 2.

1.5 Slowing productivity and growth amidst cost-of-living pressures

Nationally, economic growth has continued to slow amidst an extended period of negligible productivity gains and continued inflationary pressure that continues to be of concern. Households have been under particular strain and recent data shows business investment and conditions are under pressure.

Productivity

As Nobel Prize-winning economist Paul Krugman famously said: '*productivity is not everything, but in the long run, it's almost everything*' – pointing out that productivity growth is ultimately *the* crucial element to improving living standards over time.

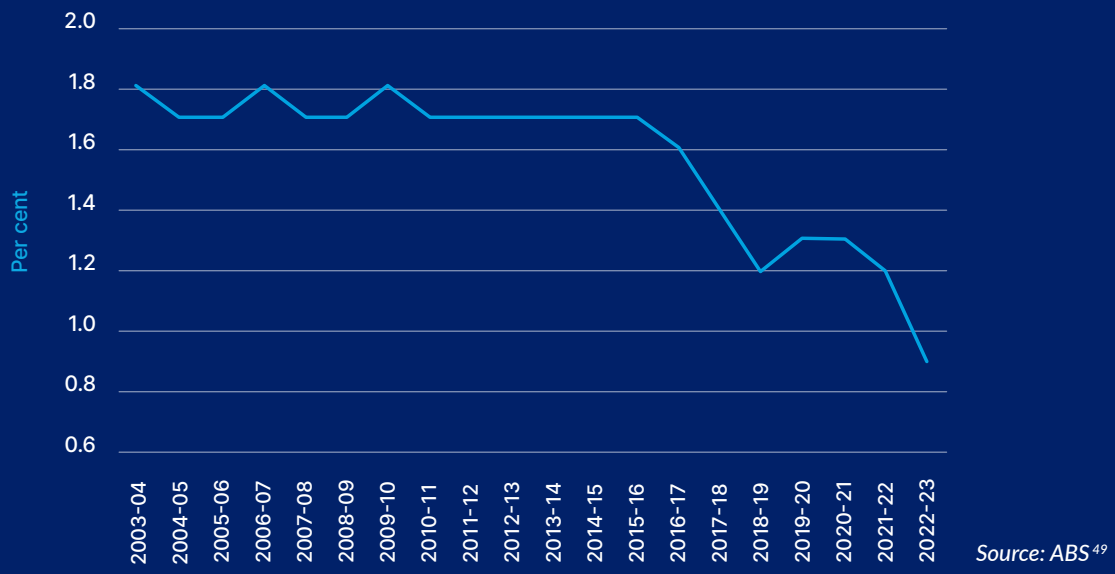
In Australia, productivity is flatlining – with labour productivity falling dramatically since 2016. This reflects a trend of weak productivity growth across many advanced economies and the continuing shift in Australia towards services sectors, which generally have lower productivity growth.

The services sector now makes up around 80 per cent of Australian jobs, with fewer than 10 per cent employed in either construction or manufacturing, and fewer than five per cent employed in either agriculture or mining.[47]

There are opportunities in sight to turn our flatlining productivity around. We acknowledge the Australian Government's renewed focus on improving Australia's productivity. Indeed, the private sector is already seeking to leverage artificial intelligence to more effectively delivery products and services.

But the incredible opportunities of artificial intelligence will not automatically translate to progress; the most successful Australian firms have for decades been slower than the most productive firms globally at adopting innovative technology and new approaches.[48]

Figure 1: Australian labour productivity, 20-year average annual growth rate (per cent)



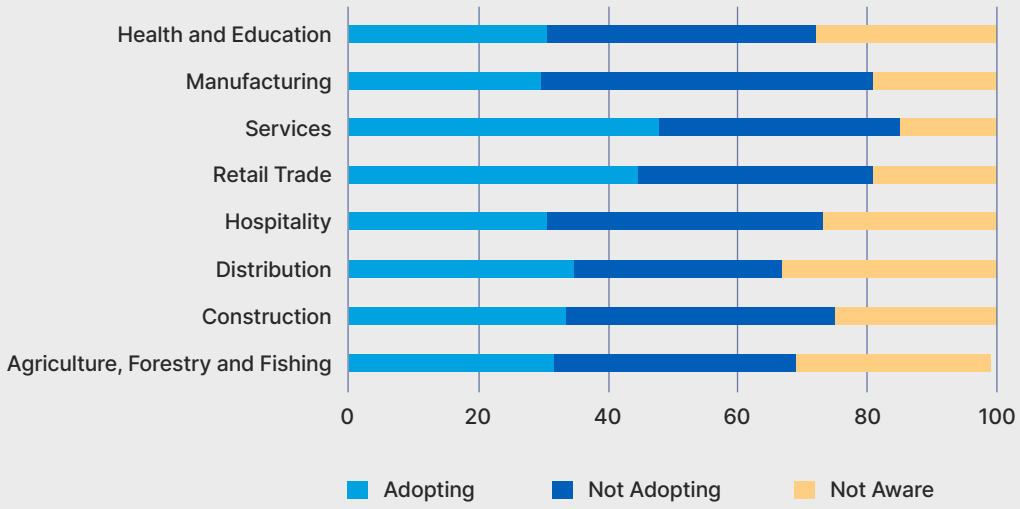
Source: ABS[49]

47 Sathanapally, A, Bennett, S, Breadon P, Coates B, Hunter, J, Wood T, and Griffiths, K. *Orange Book 2025: Policy Priorities for the Federal Government*. Grattan Institute, March 2025. https://grattan.edu.au/wp-content/uploads/2025/03/Orange_Book_2025.pdf. Pages 17-18.

48 Sathanapally, A, Bennett, S, Breadon P, Coates B, Hunter, J, Wood T, and Griffiths, K. *Orange Book 2025: Policy Priorities for the Federal Government*. Grattan Institute, March 2025. https://grattan.edu.au/wp-content/uploads/2025/03/Orange_Book_2025.pdf. Pages 17-18.

49 "Productivity." Australian Bureau of Statistics. Accessed July 1, 2025. https://www.abs.gov.au/statistics/measuring-what-matters/measuring-what-matters-themes-and-indicators/prosperous/productivity.

Figure 2: AI Adoption SME Businesses, December 2024, per cent [50]



Source: National AI Centre, Department of Industry, Science and Resources [51]

Economic growth

Nationally, slowing economic growth is weighing on businesses and households with recent quarterly economic growth increasing a disappointing 0.2 per cent (March 2025).[52] Amidst this, Victoria's growth is slowing.

Concerningly, private sector investment in Victoria fell 1.3 per cent in the first quarter of 2025 driven by significant falls in business investment (-3.5 per cent), machinery and equipment investment (-8 per cent) and non-dwelling construction (-3 per cent). In fact, investment in both machinery and equipment and non-dwelling construction have been falling for some time.

Households and businesses have been heavily impacted by cost-of-living and business cost pressures following rapid inflation during and after the pandemic. This period of high inflation and high interest rates has weighed on consumer sentiment in particular. Victorian businesses and households have also been impacted by rapid increases in state taxation on payroll and land taxes.

50 Please note due to rounding not all categories will add to 100 per cent.

51 "AI Adoption in Australian Businesses for 2024 Q4." Department of Industry Science and Resources, June 4, 2025. https://www.industry.gov.au/news/ai-adoption-australian-businesses-2024-q4.

52 "Australian National Accounts: National Income, Expenditure and Product (March 2025)." Australian Bureau of Statistics, June 4, 2025. https://www.abs.gov.au/statistics/economy/national-accounts/australian-national-accounts-national-income-expenditure-and-product/mar-2025.



Housing affordability – challenging, but a regional advantage

While price rises for many goods were felt across Australia, recent price movements for housing have varied hugely across the country, with dwelling values in Victoria growing at a much slower rate than most parts of the country.

According to CoreLogic's Hedonic Home Value Index, dwelling values in Melbourne grew by about 8.2 per cent over the five years to March 2025, compared to much larger increases in other capital cities of between 28 per cent and 76 per cent.[53] While dwelling price growth in regional areas was generally higher than in the capital cities, prices in Regional Victoria grew by about 32 per cent over the five years, again lagging much larger increases in other states of between 50 per cent and 80 per cent.[54]

In the context of housing affordability being a pressure nation-wide, lower relative home prices in Regional Victoria (compared both the Melbourne and to other parts of the country) should be seen as an important opportunity – increasing the attractiveness of Regional Victoria as a place to live and work.

53 Hedonic Home Value Index. Corelogic, March 3, 2025. https://www.corelogic.com.au/__data/assets/pdf_file/0015/26214/CoreLogic-HVI-March-2025.pdf. Page 2.

54 Ibid.

1.6 Victorian businesses facing heavy taxation

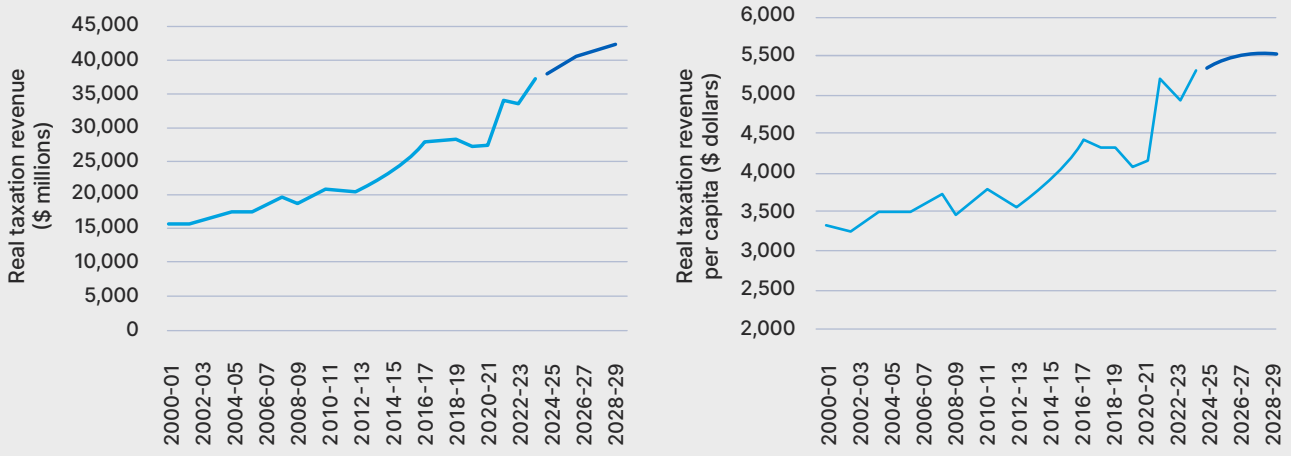
Victoria's state finances have precipitated a rapid increase in taxation across a short period of time, contributing to softening business and consumer confidence in challenging economic times. In real terms, state taxation revenue has increased 40 per cent since 2019-20 and by 31 per cent on a per capita basis during the same period. The most significant of the new taxes levied on Victorians, and especially Victorian businesses are:

- the introduction of significant payroll levies on many medium and large businesses through the Mental Health and Wellbeing Levy and COVID Debt Levy (Payroll) – in fact these levies mean that Victoria has the highest payroll taxes of the states; and
- increased land tax via a COVID Debt Levy on landholdings.

Recent tax changes are of significant concern to Victorian businesses. When surveyed in 2023, 92 per cent of Victorian businesses supported a comprehensive review of state taxes to identify ways of making Victoria a more competitive place to operate a business.[55] This is an increase of nine percentage points from the previous year.

Further, the Victorian Government will put additional upward pressure on taxes from 2025-26 through an expanded Emergency Services and Volunteers Fund Levy set to replace the existing Fire Services Property Levy. At full roll out, the levy will add an additional $0.8 billion annually with rates heavily levied on commercial, industrial and primary production land.[56]

Figure 3: State Taxation Revenue, aggregate and per capita, 2023-24 dollars



Source: Department of Treasury and Finance and VCCI analysis[57]

55 Victorian Chamber of Commerce and Industry. (2022). *Business Voice survey – November 2022*.

56 Compared to 2024-25 estimated figures as set out in Table 4.2, Victorian Budget, Budget Paper No.5, Statement of Finances (2025). https://www.dtf.vic.gov.au/2025-26-statement-finances.

57 "State Taxation Revenue." Department of Treasury and Finance. Accessed July 1, 2025. https://www.dtf.vic.gov.au/state-taxation-revenue and "Macroeconomic Indicators." Department of Treasury and Finance. Accessed July 1, 2025. https://www.dtf.vic.gov.au/macroeconomic-indicators.



Tax increases – as imposed in Victoria in recent years – are not the answer. Instead, a reinvigorated growth agenda is needed to respond to this fiscal challenge, and to ensure a prosperous Victoria where everyone shares in the economic and social opportunities. The Victorian Government's recent Economic Growth Statement was an acknowledgement of this, but a continued effort is needed. This must include a renewed focus on Victoria's regions – which are a critical underpinning to this future economic success.

A green shoot in business taxation has been the Victorian Government's reform to support businesses to set up, expand and invest by replacing stamp duty with an annual property tax for commercial and industrial properties statewide. The policy was developed in response to advocacy from, and in close collaboration with, the Victorian Chamber.

Government debt, particularly state government debt has added significant fiscal pressure

Governments in Australia have record high debt levels, with debt forecast to grow further over coming years. Australian Government net debt is expected to rise to $768 billion by 2028-29 (23.1 per cent of GDP).[58]

Meanwhile, Victoria's net debt is also set to reach a new record high over the next few years – $194 billion by 2028-29.[59] In real terms, Victorian net debt has almost doubled over the past five years and it has grown nearly 4.5 times since 2015-16.[60] Victoria's debt is significantly higher than the other two largest states: NSW (net debt forecast to reach $133.8 billion by June 2029)[61] and Queensland (net debt forecast to reach $93 billion by 2028-29).[62]

Record high debt is weighing on government's ability to provide the services that Australians and Victorians expect – with interest expenses occupying a significant and growing share of government budgets.

Nationally we are not faring much better. The latest IMD World Competitiveness Yearbook 2025 has ranked Australia 59th and 58th respectively for high levels of company and personal income taxes.[63] 83 per cent of Victorian businesses think a *nation-wide* tax review is required to ensure Australian tax is fair and supports growth and investment.[64]

58 Murphy, M, Gadsby, P, and Hordern, N. "Federal Budget 2025-26, Cost-of-Living Relief at the Expense of Fiscal Repair." EY, March 25, 2025. https://www.ey.com/en_au/insights/economics/federal-budget-2025-26.

59 Victorian Budget, Budget Paper No.5, Statement of Finances (2025). https://www.dtf.vic.gov.au/2025-26-statement-finances. Page 8.

60 Victorian Government, Department of Treasury and Finance, Other financial aggregates, Net Debt series (2025). https://www.dtf.vic.gov.au/other-financial-aggregates, and Victorian Chamber analysis.

61 NSW Treasury, Budget Paper No.1, Budget Statement (2025). https://www.budget.nsw.gov.au/sites/default/files/2025-06/bp1-budget-statement-nsw-budget-2025-26.pdf. Page 8-1; and Queensland Government, Queensland State Budget, (2025) https://budget.qld.gov.au/budget-snapshot/economic-and-fiscal-outlook/.

62 Queensland Treasury, Queensland Budget 2025-26, Budget Snapshot, Economic and Fiscal Outlook (2025). https://budget.qld.gov.au/budget-snapshot/economic-and-fiscal-outlook/.

63 CEDA, "Weak economy drags down Australia's Competitiveness Ranking", (2025) CEDA, https://www.ceda.com.au/newsandresources/mediareleases/economy/weak-economy-drags-down-australia%E2%80%99s-competitiveness-ranking released 17 June 2025.

64 Victorian Chamber of Commerce and Industry. (2022). *Business Voice survey – November 2022*.

Regional Victoria's Tax Advantage

While the most recent changes in Victoria have affected Metropolitan Melbourne and Regional Victoria alike, Regional Victorian businesses have benefited from preferential business tax settings introduced by the Victorian Government over the last decade. Mosty notably, the headline payroll tax rate for Regional Victoria has been reduced to one quarter of the rate applied in Metropolitan Melbourne – at 1.2 per cent it is the lowest headline payroll tax rate in the nation. The Victorian Government also introduced 50 per cent stamp duty discount for businesses and investors buying commercial and industrial property in Regional Victoria.

1.7 Business regulatory burden remains heavy but commitment to reform offers hope

Business-friendly regulation is key to a healthy private sector. Given the free movement of global capital in today's world, we must compete with other jurisdictions for investment dollars, based on the cost and ease of doing business. A smart and competitive regulatory environment characterised by minimal red tape and simple compliance are key levers to encourage investment and drive improved productivity performance.

As the Victorian Chamber has outlined in previous reports: 'an efficient and fit-for-purpose regulatory environment is essential to promote and encourage business success, confidence, and investment. It reduces unnecessary time and cost spent by businesses, particularly small business, and contributes to better innovation and productivity'.[65] Unfortunately, this nut is yet to be cracked in Victoria. Indeed, many of our members tell us that it has become harder, not easier, to do business in Regional Victoria over the last few years. According to the NAB Monthly Business Survey for July 2025, Victoria continues to track well-below the national level for business conditions.[66]

However, the Victorian Government has indicated renewed resolve to tackle these problems. As part of its recent Economic Growth Statement, the Victorian Government made a range of commitments to cut red tape, including to halve the number of business regulators and slash the regulatory burden on businesses to the tune of $500 million by 2030, and to establish an Investment Coordinator General as an escalation point to ensure agencies, regulators and statutory authorities meet all required approvals deadlines. It also committed to targeted investment specifically to address regulatory challenges in Victoria's regional communities. The Victorian Chamber welcomes these commitments and stands ready to work with the Victorian Government to deliver these commitments in a way that most benefits Victorian businesses.

The Federal Government, working with Australian state and territory governments, has committed to a process of National Competition Policy reform which has the potential to reduce regulation on businesses if designed and implemented well.

Leadership from the Federal Government, and greater co-ordination between state and territory governments, is vital. The regulatory impost on business is not just about the weight of regulation in Victoria – many businesses operate across state borders and have to contend with different regulatory environments in different states. The patchwork of disharmonised regulation across the nation is a major barrier for businesses wanting to expand and invest, and moving towards greater harmonisation would make it much easier for businesses to operate across Australia.

65 *Regulatory Reform Policy Paper*. Victorian Chamber of Commerce and Industry, June 2023. https://www.victorianchamber.com.au/cdn/1bomq22odxk0g4og. Page 1

66 *NAB Monthly Business Survey: July 2025*. National Australia Bank, August 12, 2025. https://business.nab.com.au/wp-content/uploads/2025/08/2025m07-NAB-Monthly-Business-Survey.pdf

FUTURE INDUSTRIES

THE GREAT OCEAN ROAD



2 Future Industries

Regional Victoria is uniquely positioned to take advantage of the challenges and opportunities outlined in the previous section – including tapping into the world's massive integrated global supply chains, a huge and ballooning Asian middle class, the energy revolution, and green shoots in global innovation and productivity growth.

Our regions are in a defining decade. Regional Victoria is an innovative place, with a highly skilled and resourceful population, and distinct natural advantages – fertile land, natural resources, and key infrastructure and connections – including proximity to the busiest container port in Australia. It is home to nation-leading industries including agriculture, tourism and clean energy.

There is a strong sense of business optimism emerging in parts of Regional Victoria. This is evidenced by recent analysis from Westpac which reported that lending to regional areas had increased by 12.4 per cent over the past two years compared with 11.3 per cent for metropolitan areas.[67] While these are national figures, the trend for Victoria was more pronounced with an increase in business lending of 18 per cent in the regions compared with nine per cent for metropolitan areas. In parts of Victoria business lending is significant. Victoria's South Wimmera saw the strongest growth with a 56.2 per cent increase in lending while lending to businesses in the Ararat area was up 38.4 per cent. Westpac reported that industries such as manufacturing, logistics, property and agriculture were well represented in business lending.

They noted the regional renaissance in Victoria was driven not only by the future industry opportunities but also by the regional lifestyle and community attributes detailed in this section.

But Regional Victoria's future economic success is by no means guaranteed.

This section of the report examines the three key leaps government, business, industry and community must take to unlock and realise the potential in our regions.

Regional Industries Now

- Total economic contribution – Victoria has a regional economy that generates over $110 billion and accounts for 21 per cent of Victoria's total economy.[68]
- There are more than 150,000 business in Regional Victoria – accounting for 21 per cent of Victorian businesses. Fewer than 20,000 have five or more employees.[69]
- "Victoria exports 73 per cent of Australia's dairy exports, 46 per cent of horticultural exports and 36 per cent of prepared food exports."[70]
- "Total domestic spend in Regional Victoria (including day trips and overnight) reached $16.4 billion, 57 per cent above the pre-pandemic spend in the year ending March 2019, and 66 per cent above the year ending March 2022."[71]

67 "Investing in the Regions: Westpac Lending Data Shows Regional Renaissance for Businesses." Westpac, January 22, 2025. https://www.westpac.com.au/about-westpac/media/media-releases/2025/22-january/.

68 *Regional Development Victoria Annual Report 2023–24*. Regional Development Victoria, September 2024. Page 5.

69 "Data by Region: Region Summary: Rest of Victoria." Australian Bureau of Statistics, Accessed 2 July 2025.

70 Regional Development Victoria (2025) *Regional Development Victoria. "About Regional Development Victoria." Regional Development Victoria, April 23, 2025*. https://www.rdv.vic.gov.au/about-us/who-we-are.

71 Ibid.



Our global competitors and indeed other state governments across Australia are implementing ambitious policies that are intensifying the race for capital, talent and new value chains.

Unless we make some big shifts in response to the big challenges and opportunities we are facing globally and locally, we risk an economy and associated living standards that will see Victoria sliding backwards and stuck in the middle lane. The consequences for business and the community across Victoria and particularly in our regions are real: falling below our potential with lower business investment, slower wages growth, reducing living standards and making us more reliant on a narrow set of markets, and more vulnerable if circumstances suddenly change.

We need new growth drivers to underwrite the next wave of global opportunity and prosperity. As part of this, we should be looking at the growth sectors across global economies and capitalise on our ability to be the source of these products and services particularly in our Indo-Pacific region. We should value add to everything we do and be exporting at scale.

Victoria needs both to grow its existing industries and build new ones. It must leverage existing strengths and must develop new strengths to attract key businesses and investors and create new jobs while being sustainable for the communities and environments in which they operate. This includes stepping up our efforts in areas where Regional Victoria already has a comparative advantage, as well as where there is an opportunity to develop one, including:

- **critical minerals** – which can help drive decarbonisation across the globe.
- **agriculture** – regional Victoria's agricultural sector which is clean and world leading.
- **freight and logistics** – Melbourne is the freight and logistics capital of the nation, with much of our export volume emanating from our regions.
- **cutting edge manufacturing and advanced manufacturing** – as well as research facilities and defence capabilities.

Victoria has a huge opportunity to capitalise on its strategic and competitive advantage in these industries, but we must be ready and able to compete in the global arena. Victoria's competitors – other Australian states and similarly sized economies – are diversifying, adopting new technologies, increasing productivity, and offering incentives to attract large-scale investment and talent. We must act immediately to address Victoria's fiscal challenges and chart a different course focused on business and industry investment and upskilling our people in accordance with our future industry needs.

There is a compelling case for optimism. With strong endowments particularly in these future industries, Victoria has a once in a generation opportunity to capture an outsized share of investment flow which would unlock a new wave of prosperity for Victorians and the nation.

Business and industry are best placed to lead in seeking out and capturing these opportunities. But to drive the investment and growth needed to build a more productive and competitive economy, private industry must be supported by growth policies, including the right investment frameworks to give business and investors confidence. And for this to happen, thoughtful collaboration between business, industry and government is crucial.

The Federal and Victorian governments have indicated their commitment to actively encouraging stronger industries – particularly in areas such as clean energy, critical minerals, and advanced manufacturing and defence manufacturing. The Federal Government's 'Future Made in Australia' announcement outlined high level aims: making Australia a renewable energy superpower; growing manufacturing in Australia; investing in education, research and development; support for small business; and strengthening our defence industry capability.[72]

The Victorian Government, as part of its recent Economic Growth Statement, identified its five "*priority sectors*": advanced manufacturing and defence; health technologies and medical research; circular economy (which includes clean energy transition and critical minerals); digital technologies; and agribusiness. In doing so, it indicated its intention to give industry "*clarity about our state's future direction*", which it described as "*the backbone of our current economy and the engines of our future growth*". Regional Victorian businesses should accept the invitations of both the Federal and Victorian governments to work with them in seizing this opportunity.

We must take urgent and decisive action to reshape the Victorian economy and sharpen our focus on those income generating industries that will create the benefits – investment opportunities, highly paid jobs and prosperity – that can be shared by all Victorians. Through collaborative efforts and continuous dialogue, the Victorian Chamber stands ready to support Regional Victoria lead all Victorians into a bright and prosperous future.



72 MP, Anthony Albanese. "Future Made in Australia." Anthony Albanese – Prime Minister of Australia and Member for Grayndler. Accessed June 25, 2025. https://anthonyalbanese.com.au/our-work/future-made-in-australia.

2.1 The Big Hitters: Industries with the biggest growth prospects

Critical minerals

Regional Victoria isn't home to the plentiful deposits of iron ore and black coal that underwrote Australia's most recent resources boom. But it is blessed with some of the world's largest critical mineral deposits.

Critical minerals are essential for renewable energy infrastructure, modern computing, and a wide range of emerging technologies. They include, for example:

Lithium: used in batteries in electric vehicles and renewable energy storage.

Copper: used in electrical wiring and renewable energy systems.

Rutile: used in pigments and coatings, aerospace applications, and electronics and ceramics.

Titanium: used in aerospace, medical devices, and pigments.

Zircon and Zirconium: used in ceramics, nuclear reactors, and electronics.

Antimony: used in batteries, flame retardant materials, electronics and semiconductors.

Rare Earth Elements: a group of 17 elements used in electronics, magnets, and renewable energy technologies.

Victoria is home to globally significant quantities of a range of critical minerals – including, for example, 32 per cent of global reserves of rutile and 27 per cent of the world's reserves of zircon.[73] The mineral sand deposits of the Murray Basin, which contain concentrations of critical minerals such as zirconium, titanium and rare earth elements were estimated by the CSIRO in 2014 to be worth approximately $200 billion, with almost 85 per cent located in Victoria.[74] Additionally, Resources Victoria notes that "*central Victoria hosts Australia's largest antimony deposits, and is home to Australia's only operating antimony mine*".[75]

Demand for critical minerals is growing rapidly, with the most dramatic growth concentrated in minerals essential for renewable energy infrastructure (such as batteries, wind and solar), for electronics and computing technologies, and for defence and aerospace applications. For example, demand for critical minerals for the energy transition is expected to grow sixfold by 2040.[76]

Victoria must move quickly to successfully compete against other economies with critical minerals resources. Accelerating this opportunity is essential as the global scramble to secure critical minerals and associated supply chains is already underway.

The opportunity remains for Victoria to do more than 'dig and ship'. With its advanced manufacturing and a reputation for strong R&D and commercialisation base, Regional Victoria can become the hub for value adding capability in critical minerals allowing for the development of sovereign manufacturing capability.

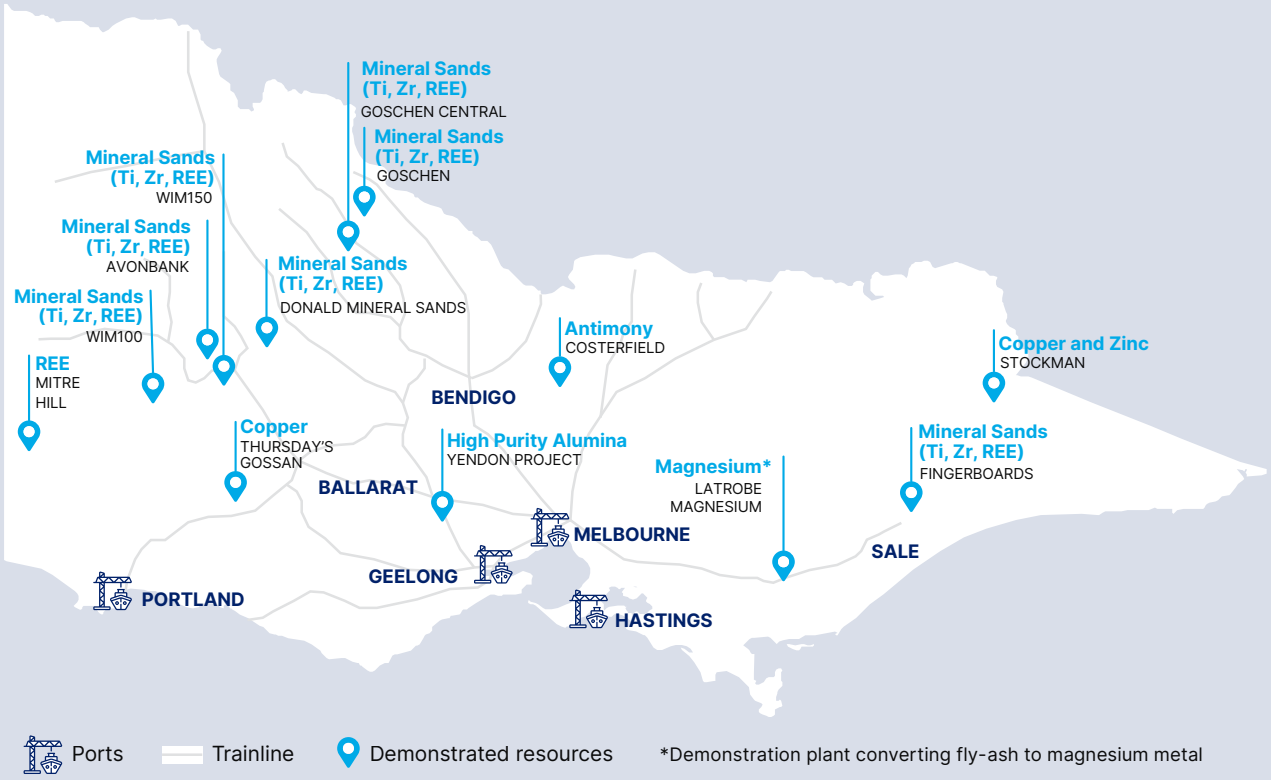
73 Victorian Critical Minerals Roadmap – Resources for Net Zero (2024). https://resources.vic.gov.au/__data/assets/pdf_file/0020/1076321/Victorian-Critical-Minerals-Roadmap.pdf. Page 8.

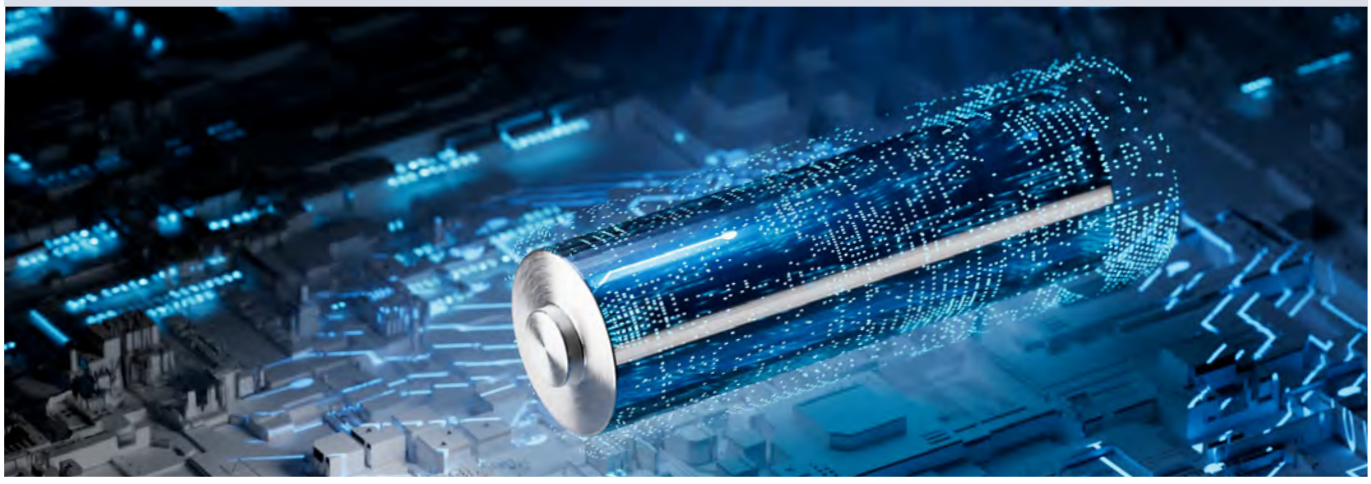
74 Ibid., Page 8.

75 Department of Energy, Environment and Climate Action. "Victorian Critical Minerals Roadmap." Resources Victoria. https://resources.vic.gov.au/critical-minerals.

76 Victorian Critical Minerals Roadmap - Resources for Net Zero (2024). Page 3.

Victoria's Demonstrated Critical Mineral and Strategic Material Resources[77]





77 Victorian Critical Minerals Roadmap – Resources for Net Zero (2024). Page 8.

Agriculture

Victoria's agricultural sector is an economic powerhouse. Victoria exports 73 per cent of Australia's dairy exports, 46 per cent of horticultural exports and 36 per cent of prepared food exports.[78] But as noted by the National Farmers Federation recently "*agriculture is at risk of losing its competitive edge unless a number of changes are made. Issues like increased frequency and severity of climate events, trade tensions, shifting geopolitical environments, and global markets evolving at different speeds, are all threatening the food system.*"[79]

Innovation and ingenuity are needed – not just to weather these challenges, but to harness incredible opportunity for growth. The recent report from the Australian Food and Agriculture Industry Taskforce found that the food industry has the potential to become a "*second engine of economic growth that mirrors that of the resources sector*".[80]

Relatedly, the Australian Bureau of Agriculture and Resource Economics and Sciences noted that *"Australia's agricultural export growth over the medium term is expected to be supported by income growth in key consumption markets. In addition, robust population growth expected between 2024–2030 in some of Australia's highest value and fastest growing agricultural export markets is expected to support demand for Australian exports."*[81]

More must be done to ensure Victoria does not miss out. For example, there is enormous scope to adopt new technologies to add value to our raw materials, and to sell more premium products to the growing Asian middle class. There is also scope to encourage greater use of crops such as canola as inputs to alternative fuels.



78 Regional Development Victoria. "About Regional Development Victoria." Regional Development Victoria, April 23, 2025. https://www.rdv.vic.gov.au/about-us/who-we-are.

79 "NFF Backs New Report: Australian Food System at Tipping Point." National Farmers' Federation, December 3, 2024. https://nff.org.au/media-release/nff-backs-new-report-australian-food-system-at-tipping-point/.

80 *Land of Plenty | Transforming Australia into a Food Superpower.* The Australian Food & Agriculture Taskforce, December 2024. https://apo.org.au/sites/default/files/resource-files/2024-12/apo-nid329239.pdf. Page 5.

81 *Agricultural Commodities Report – March Quarter 2025*. Australian Bureau of Agricultural and Resource Economics and Sciences, March 2025. https://www.agriculture.gov.au/abares/research-topics/agricultural-outlook/march-2025. Page 11.

Australia has long been an innovator in agriculture. The CSIRO's many programs such as AG2050 are playing a leading role in transforming broadacre and extensive landscape farming in the regions.

> *"AG2050 is a disruptive multi-year program of work targeting transformational change to Australia's farming systems. It will provide an evidence-based picture of what farming systems could, should and need to look like to be profitable, productive and sustainable in 2050....[This work] ... draws on expertise in genetics, robotics, digital twins, artificial intelligence, landscape management, climate modelling, socio-economic analysis, risk management, farming systems, and precision agriculture management and more."*[82]

There may also be opportunities to translate Melbourne's position as one of the leading global centres of medical research into agricultural innovation as well. Garlic, cannabis and opiates are already grown for medical applications across parts of Regional Victoria. As part of the recent Economic Statement, the Victorian Government committed to developing agricultural applications of RNA technology – aiming to leverage Victoria's position as a leader in mRNA technology – which could increase yield from broadacre and horticultural crops, reduce the need for insecticides by targeting Australia-specific pests, and reduce methane emissions from cattle.[83]



82 *Ag2050: reimagining farming*. 2024. https://research.csiro.au/ag2050/.

83 Victorian State Government, Economic Growth Statement (2024). Page 31.

Advanced manufacturing

Victoria is the engine room of Australian manufacturing, with more people employed in the manufacturing sector than in any other state. Victoria's $39.2 billion manufacturing sector supports more than 275,000 jobs, and accounts for exports valued at $11.2 billion.[84]

Advanced manufacturing refers to the use of innovative technologies, processes and materials – like automation, robotics, 3D printing and artificial intelligence to optimise production and create high-value products. Advanced manufacturing is expected to be a high productivity (and high productivity growth) sector, offering more highly skilled and high wage jobs than traditional manufacturing.

Victoria's highly educated workforce is well placed to tap into new supply chains and deploy new technologies to make higher value-added advanced manufactured products. Indeed, Victoria is already a global leader in some forms of advanced manufacturing. The state is renowned for its medical research institutes as well as its MedTech manufacturing sector. Victoria's health technologies sector exports $3.5 billion in pharmaceuticals – more than 60 per cent of Australia's pharmaceutical exports.[85]

Food manufacturing contributes a third of Victoria's manufacturing output and employs more than 74,000 people.[86] While traditional manufacturing techniques and approaches remain important in food manufacturing, Victorian is becoming a global leader for "*advanced and sustainable food production, agrifood technology, and innovation*".[87]

'Modern methods of construction' or MMC involves applying advanced manufacturing techniques, including prefabrication and modular construction, to enable more efficient and cost-effective delivery of homes and infrastructure. While construction has traditionally been a low productivity growth sector, the application of MMC provides scope for rapid productivity gains. These techniques are already common in countries such as China and increasingly adopted in Europe and the United States. Victoria is on track to become a national leader in MMC, with the Victorian Government investing in a Future of Housing Construction Centre of Excellence at Melbourne Polytechnic, to train workers in modern construction technologies.[88]

While regional manufacturers are navigating headwinds including higher interest rates, energy costs, labour and skills shortages, they are nonetheless optimistic about future conditions. Recent CommSec data released in August 2024 indicate that regional manufacturers are already turning to tech investment and sustainability to support the next wave of productivity.[89]

The clean energy revolution provides both opportunities and challenges for the growing advanced manufacturing sector. It implies continued and growing demand for manufactured components for wind turbines, solar panels and batteries (with the Federal Government announcing in 2024 that it would invest $1 billion to boost solar panel production in Australia[90]).

The transition to net zero also points to the need for new products which contribute to reducing emissions in business and industry such as new livestock feed to reduce agricultural methane emissions, modernising steel and aluminium production, hydrogen electrolysers, and innovative, lower waste packaging solutions. Finally, critical minerals such as copper, lithium and rare earth elements are crucial inputs to a vast array of clean energy technologies, and regional Victoria has globally significant reserves of some of these critical minerals.

84 Ibid., Page 10.

85 *Made in Victoria 2030– Manufacturing Statement*. Victorian Government, Department of Jobs, Precincts and Regions, October 2022. https://djpr.vic.gov.au/__data/assets/pdf_file/0003/2108640/Manufacturing_Statement_Made_in_Victoria.pdf. Page 24.

86 Ibid.

87 Ibid.

88 Victorian State Government, Economic Growth Statement (2024). Page 10.

89 Regional manufacturers turn to tech investment and sustainability to support next productivity wave, Commonwealth Bank of Australia, August 23, 2024. https://www.commbank.com.au/articles/newsroom/2024/08/Regional-Manufacturers-Distributors-report-August-2024.html.

90 "$1 Billion Solar Sunshot Program." The Hon Anthony Albanese MP, Prime Minister of Australia & The Hon Chris Bowen MP, Minister for Climate Change and Energy, August 31, 2024. https://www.pm.gov.au/media/1-billion-solar-sunshot-program.



Defence, aerospace and space

The Made in Victoria 2030: Manufacturing Statement identified a 'defence, aerospace and space' manufacturing sector worth $8.4 billion, with exports of $350 million.[91] It announced that "*Victoria has the capability and expertise to be the national centre for defence and space-related R&D, design, manufacturing and innovation*".[92] This remains an aspiration, although Victoria does lead in some parts of the sector – for example as home to Australia's highest value procurement of armoured defence vehicles.[93]

As discussed above, recent global events point to increased threats to national security, but the accompanying increase in defence spending provides an opportunity for Victorian manufacturers. The Federal Government has made defence a key pillar of their 'Future Made in Australia' policy.[94]

This together with the AUKUS agreement, and Australia's position as a trusted member of the Five Eyes intelligence community, provides further opportunities to supply the nation with defence-related technology, infrastructure and skills. Existing capability is already being expanded.

Relatedly, space manufacturing is an emerging sector and while the space industry in Victoria is in its infancy, it is complementary to Victoria's growing defence industry and there is significant scope for growth. The 'Made in Victoria 2030: Manufaturing Statement' outlines goals for the space industry as part of a wider manufacturing strategy and the ambition for Victoria to "*become a leader in the global space industry*".[95] Globally the space sector is expected to grow from US$350 billion to US$1 trillion by 2040.[96]

91 *Made in Victoria 2030 – Manufacturing Statement*. Victorian Government, Department of Jobs, Precincts and Regions, October 2022. Page 24.

92 Ibid.

93 Ibid., Page 10.

94 MP, Anthony Albanese. "Future Made in Australia." Anthony Albanese – Prime Minister of Australia and Member for Grayndler. Accessed June 25, 2025. https://anthonyalbanese.com.au/our-work/future-made-in-australia.

95 *Made in Victoria 2030 – Manufacturing Statement*. Victorian Government, Department of Jobs, Precincts and Regions, October 2022. Page 34.

96 "Space: Investing in the Final Frontier." Morgan Stanley, November 7, 2018. https://www.morganstanley.com/ideas/digital-twin-factories-2019.

2.2 Growth Pockets: Growing regional advantage in existing industries

Tourism

Total tourism expenditure in Victoria was about $39 billion in 2023-24.[97] Growing domestic incomes and the booming Asian middle class are likely to mean substantial further growth. Visit Victoria estimates that tourism expenditure will grow to $58 billion by 2033.[98] In year ending March 2024, total tourism expenditure in Regional Victoria was $16.8 billion.[99]

Victoria is renowned for its major events calendar – including the Spring Racing Carnival, F1 Grand Prix, and the Australian Open tennis tournament. These events extend into Regional Victoria with the Australian Motorcycle Grand Prix at Philip Island, the Cadel Evans Great Ocean Road Race out of Geelong, and world-class exhibitions at the Shepparton Art Museum and Bendigo Art Gallery.

Victoria is a market leader for business events in Australia. The Victorian Government's *Experience Victoria 2033* Strategy notes "*in 2018-19, business events contributed $12.6 billion to the Victorian economy and supported more than 84,000 jobs, with international delegates spending up to $1,019 per day*".[100] The attractiveness of Melbourne for business events has been bolstered by investments in the Melbourne Convention and Exhibition Centre, Centrepiece at Melbourne Park. Regional Victoria now also has the facilities to host premier business events with the completion of the Nyall Banyul Convention and Event Centre in Geelong.



But future growth in the visitor economy requires continued investment. The Victorian Government's 10-year strategic plan for the visitor economy, outlines five key product priorities: First People-led experiences, Wellness, Arts and Culture, Food and Drink, and Nature. If it can successfully tap into these national and global tourism mega-trends, Victoria will be well placed to capture a larger share of the growing tourism market. It will however require a dedicated strategy for tourism infrastructure (accommodation) in the regions.

97 *Annual Report 2023/2024*. Department of Jobs, Skills, Industry and Regions, Victorian Government, October 2024. Page 52.

98 Experience Victoria 2033 (2023), Victorian Government. https://tourism.vic.gov.au/__data/assets/pdf_file/0010/2179684/Experience-Victoria-2033.pdf. Page 13.

99 *Annual Report 2023/2024*. Department of Jobs, Skills, Industry and Regions, Victorian Government, October 2024. Page 51.

100 Experience Victoria 2033 (2023), Victorian Government. Page 15.



Freight and logistics

Victoria's freight and logistics sector is the largest in Australia and estimated to be worth around $36 billion.[101] Freight and logistics play a crucial role in Regional Victoria's economic strength – both as an industry itself, and an enabler of other industries, and in particular of export industries. As a result, ACIL Allen estimated that a one per cent increase in the productivity of logistics adds $2 billion to Australia's GDP.[102]

Victoria's, and indeed the nation's, road system provides for the movement of the majority of non-bulk freight. The extent and nature of that road network, which allows also for point-to-point servicing of freight with limited if any double handling, means it is the most efficient mode currently available. These practicalities mean that Government will always need to plan for upgrades of the road network simply because they remain a central component of the freight network.

State and Federal Governments must work together to identify priorities for future road projects that remove bottlenecks between key precincts and their markets, therefore supporting the movement of freight.

The Port of Melbourne is Australia's largest general cargo and container port – handling more than a third of the nation's container trade.[103] Its strategic geographic position allows it to serve as the preeminent transport and logistics hub for southeastern Australia, and make it clearly the most important freight and logistics asset in Victoria. But many other key assets are in Regional Victoria.

Victoria has three regional ports which specialise in key commodities:

- Port of Geelong (specialising in bulk commodities like crude oil, wood chips, and fertilisers);
- Port of Hastings (specialising in importing and exporting oil, LPG, steel, and other bulk goods. It is also set to host the Victorian Renewable Energy Terminal for offshore wind energy projects);
- Port of Portland (a deepwater bulk port specialising in agricultural, forestry, and mining products, as well as aluminium and fertilisers).[104]

101 "Industry Input Helps Guide Victoria's Freight Future." The Hon Jacinta Allan MP, Premier of Victoria, October 15, 2024. https://www.premier.vic.gov.au/industry-input-helps-guide-victorias-freight-future.

102 *The Economic Significance of the Australian Logistics Industry*. ACIL Allen, 2014. https://austlogistics.com.au/wp-content/uploads/2022/07/Economic-Significance-of-the-Australian-Logistics-Indsutry-FINAL.pdf. Page 11.

103 Tan, Amanda. "Port of Melbourne Achieves Highest Container Throughput." March 21, 2025. https://mhdsupplychain.com.au/2025/03/21/port-of-melbourne-achieves-highest-container-throughput/.

104 "About Victoria's Commercial Ports." Victorian Government. Accessed June 25, 2025. https://www.vic.gov.au/about-victorias-commercial-ports.

Regional Victoria's extensive rail freight network connects exporters with Victoria's ports, and with markets in Melbourne. The importance of this asset is likely to grow, with rail freight a much greener alternative to trucks. The Federal Government is investing in a 1,600km freight rail line known as Inland Rail – running from Beveridge on the northern edge of Melbourne to Brisbane.[105] This includes the construction of the Beveridge Interstate Freight Terminal, and enhancements to freight rail infrastructure between Beveridge and Albury-Wodonga.

It is imperative that we lift our ambition and deliver expanded capacity for the sector to cater for future growth. Our ability to adapt and embrace innovation and improve productivity will be critical to our future prosperity. The strategic adoption of cutting-edge technologies, including artificial intelligence and autonomous vehicles, can further elevate the regions as hubs for reliable and swift logistics, setting a new benchmark in innovation and supply chain management (see case study on GTS Freight Management). There is also a huge opportunity to become part of the green digital global trade corridor and the supplier of sustainable fuels for international shipping.

For Regional Victoria, an efficient and low-cost freight and logistics sector is particularly important as an enabler for the agriculture sector. CSIRO TranSIT modelling found that total annual transport costs for the agricultural industry were $5.8 billion per annum, with supply chains costs often accounting for the single largest cost in agricultural production.[106]

As the Victorian Farmers Federation have observed, "*this modelling was undertaken in 2017 and so the costs imposed on the agricultural sector in 2024 are likely to be much higher*".[107] An efficient freight and logistics sector is also crucial to Victoria's growing critical minerals industry.

Data centres provide another significant opportunity for Regional Victoria. "*Global commercial real estate company Cushman & Wakefield recently reported in its H2 2024 Asia Pacific Data Centre Market Update that around USD 116 billion will be needed to build out the existing colocation data centre pipeline across the region in the coming five to seven years as demand for the sector grows. Of this, the Australian market – which is one of five Asian markets that account for over 80 per cent of the 12.45 GW in the pipeline – will see USD 15.51 billion invested to build out its pipeline.*"[108]

Sydney is currently the market leader in Australia with the potential to be one of the largest data centre markets in the Asia Pacific region. While Melbourne remains attractive, access to secure, reliable and affordable energy and infrastructure is the key deciding factor for data centre development. According to Cushman & Wakefield, Perth is now a market where there are increasing enquiries because of their "*renewables and gas reservation policy have generated gigawatts of cheap power.*"[109]

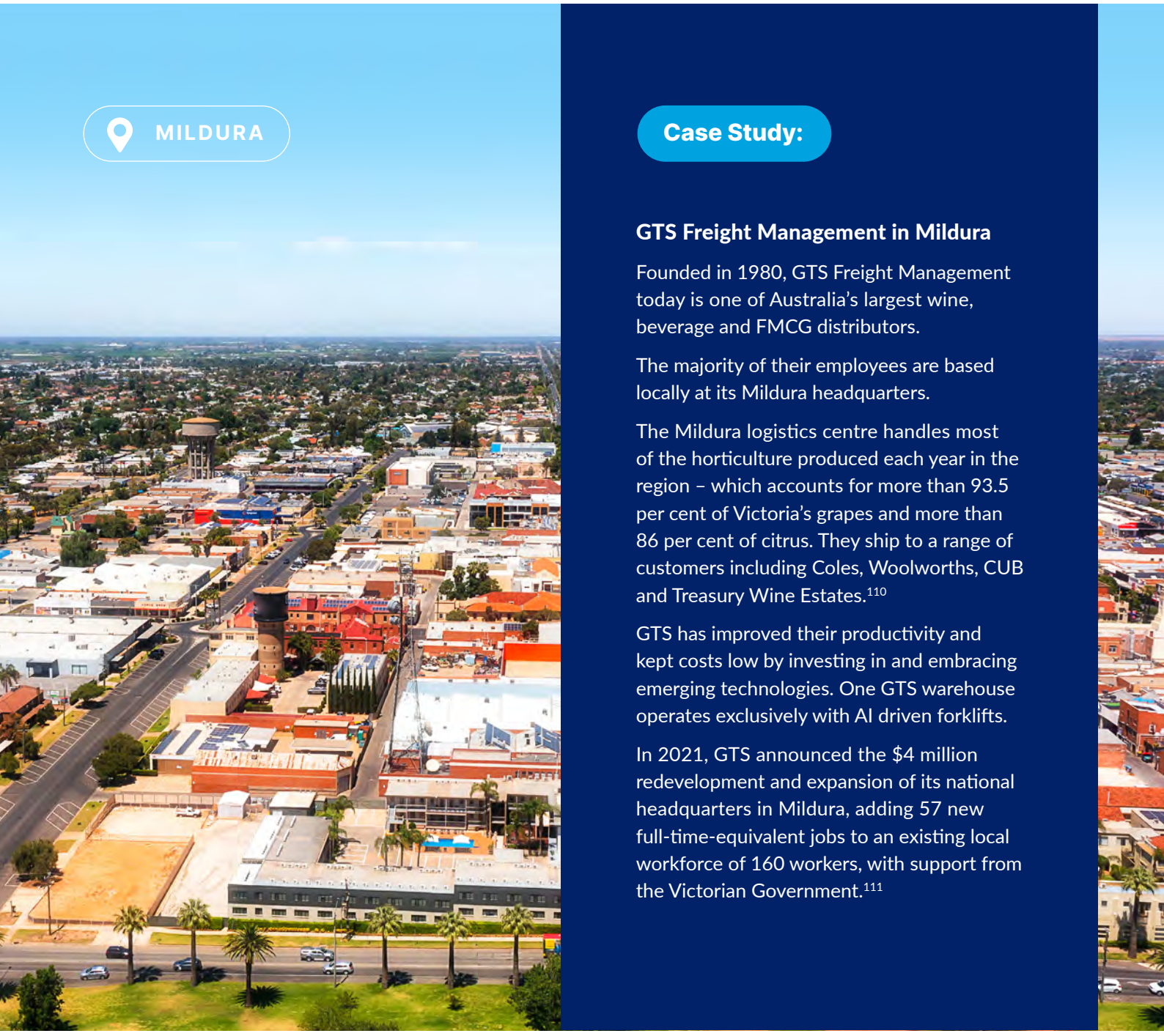
105 "Inland Rail." Department of Infrastructure, Transport, Regional Development, Communications, Sport and the Arts, Australian Government. Accessed June 25, 2025. https://www.infrastructure.gov.au/infrastructure-transport-vehicles/rail/inland-rail.

106 *Submission to the Victorian Freight Strategy Refresh*. Victorian Farmers Federation, June 28, 2024. https://www.vff.org.au/wp-content/uploads/2024/07/VFF-submission-to-Victorian-Freight-Strategy-Refresh-28-June-2024.pdf. Page 3.

107 Ibid.

108 Dux, Simon. "Australia's Data Centre Investment Pipeline to Reach USD 15.51 Billion." w.media, March 12, 2025. https://w.media/australias-data-centre-investment-pipeline-to-reach-usd-15-51-billion/.

109 Ibid.



Case Study:

GTS Freight Management in Mildura

Founded in 1980, GTS Freight Management today is one of Australia's largest wine, beverage and FMCG distributors.

The majority of their employees are based locally at its Mildura headquarters.

The Mildura logistics centre handles most of the horticulture produced each year in the region – which accounts for more than 93.5 per cent of Victoria's grapes and more than 86 per cent of citrus. They ship to a range of customers including Coles, Woolworths, CUB and Treasury Wine Estates.[110]

GTS has improved their productivity and kept costs low by investing in and embracing emerging technologies. One GTS warehouse operates exclusively with AI driven forklifts.

In 2021, GTS announced the $4 million redevelopment and expansion of its national headquarters in Mildura, adding 57 new full-time-equivalent jobs to an existing local workforce of 160 workers, with support from the Victorian Government.[111]

110 "Job Creation Projects To Help Mildura Thrive," November 3, 2021. The Hon Mary-Anne Thomas MP, Minister for Regional Development. https://www.premier.vic.gov.au/job-creation-projects-help-mildura-thrive.

111 Ibid.

Energy

The transition to net zero by 2050 has been described as the next industrial revolution. A 2023 report by Deloitte Access Economics and National Australia Bank titled "*All systems go: powering ahead*" argued for the reallocation of investment and requisite structural change to the Australian economy in order to benefit from the economic dividend that net zero offers which it estimated to be a $435 billion expansion to GDP in net present value to the Australian economy through to 2050.[112]

One of the greatest uncertainties for industry today is energy security and affordability. Without it, business confidence, investment, profitability and jobs suffer. Victoria's energy prosperity will be underpinned by electrification and energy efficiency, natural and renewable gas, carbon capture and storage and renewable liquid fuels.



There are multiple policy levers that the Federal and State Government can pull to achieve this energy prosperity. Recent decisions by the Federal Government to approve gas exploration offshore in Victoria has seen an immediate investment by the gas industry totalling $800 million.

Relatedly, in their joint report "*Billions in the Bush: Renewable energy for regional prosperity*", the Clean Energy Council together with Farmers for Climate Action estimated that large-scale renewable energy projects could deliver between "*$7.7 billion – $9.7 billion in direct payments to landholders and $1.9 billion in contributions to regional communities and councils between 2024 and 2050*"[113] The report estimates that for Victoria, total landholder payments could be in the order of up to $968 million and associated contribution to regional communities and councils in the order of $173 million by 2040.[114]

Further in this report, the Victorian Chamber proposes a framework for payments to landholders and contributions to regional communities.

The threshold issue for business is confidence that Government can lean into an orderly, affordable and pragmatic transition, managing disruption while creating new opportunities for Victorians and Victorian business to have access to abundant and cost-effective energy, including gas and electricity.

The Victorian Chamber has written numerous reports on the energy transition as well as making a series of submissions to the Victorian Government. The Victorian Chamber has consistently argued for new gas supply in Victoria, streamlining of regulatory approvals including for onshore and offshore gas, upholding technology neutrality, recognising emerging energies in pre-existing frameworks and incentivising supply and demand of novel gases and liquid fuels.

112 *"All systems go: Powering Ahead Australia's economic opportunity from trading in global decarbonisation"*. Deloitte Access Economics and National Australia Bank. August 2023. Pages 6 and 7.

113 Billions in the bush: Renewable energy for regional prosperity, Clean Energy Council and Famers for Climate Action, 18 November 2024, Page 3.

114 Ibid., Page 14



2.3 The economic potential of Future Industries for Victoria and its regions

The previous section has outlined seven 'Future Industries' that provide a huge opportunity for future growth in Regional Victoria:

- Agriculture
- Critical Minerals
- Advanced Manufacturing
- Defence, Space and Aerospace
- Tourism
- Freight and Logistics including data centres
- Energy

As detailed earlier in the document, growth in these industries is likely to be considerably higher than growth across all sectors of the economy. They are potentially high or very high productivity growth industries.

To illustrate the potential of leveraging these areas, the value of these sectors is estimated at roughly $300 billion nationally and up to 12.3 per cent of industry gross value added, today. With modest growth assumptions, these opportunities have the potential to be worth more than $600 billion per year in real terms by 2050 to the nation.[115]

Growth of this sort would represent an exceptional opportunity for Victoria and its regions. With the right settings and assuming Victoria could capture between 30-40 per cent of this growth, our preliminary estimates suggest that Victorians could gain an additional $90 to $120 billion boost in economic value per year by 2050.[116]

This is not an opportunity that Regional Victoria can afford to let slip.

Now is the time to take action to ensure that Australia can realise the growth potential of these industries and for Victoria to ensure that the state is prepared to capture a significant share of the economic pie.

115 Gross-value added. Victorian Chamber preliminary estimates based on ABS data (see ABS Input-Output Tables, 2022-23, Table 5 (2024 prices adjusted to 2025), annual growth scenario of 2.8 per cent real growth per annum.

116 Ibid.



FUTURE SKILLS

3 Future Skills

Ensuring Victorians have the competencies and skills needed for the jobs of today and the future is the responsibility of the education and training system with business and industry as key partners.

Having described the Future Industries, this section examines how Victoria is set up to meet industry demand through the education and training system.

Our future prosperity rests on our ability to build on our human capital – investing in our people, their future success and capabilities – matching their skills to these new industry sectors.

Over the past few decades, industry and governments with educational institutions and local communities have worked collaboratively and diligently over many years to build highly skilled and talented workforces.

This collaboration and partnership has been a backbone of our prosperity, productivity and competitiveness and delivered benefits to the regions as evidenced by geographic and demographic profiles of the workforce.

However, in an increasingly automated and digitised world, our future industries will need new skillsets and capabilities to prosper and significant investments in reskilling and upskilling.

This future is happening now.

But our education and training system, as currently constructed, is not geared towards skilling for these future needs.

We are falling short of where we need to be. This task is particularly important for Victorians who face educational barriers which can be exacerbated by socio-economic and regional status.

Regional Skills Now

- Around 800,000 Regional Victorians are in work, accounting for around 21 per cent of total employed Victorians.[117]
- Regional Victoria's unemployment rate is 3.7 per cent, compared to 4.3 per cent Victoria-wide.[118]
- Regional Victoria's participation rate is just 60.6 per cent, compared to 67.9 per cent Victoria-wide.[119]
- In Regional Victoria, 59.6 per cent of people aged 15 years and over report having non-school qualifications, compared to 63.2 per cent nationwide.[120]
- Year 12 certification rates in regional and remote Victoria are lower than in Victoria's major cities, with the gap with regional areas sitting 9.1 percentage points below Victoria's major cities.[121]
- 7 per cent of Regional Victorians born overseas self-report as not proficient in English, compared to 10 per cent nationwide.[122] [123]

117 "Labour Force, Australia, Detailed, June 2025." Australian Bureau of Statistics, 24 July 2025. https://www.abs.gov.au/statistics/labour/employment-and-unemployment/labour-force-australia-detailed/jun-2025.

118 "Labour Force, Australia, Detailed, June 2025." Australian Bureau of Statistics, 24 July 2025. https://www.abs.gov.au/statistics/labour/employment-and-unemployment/labour-force-australia-detailed/jun-2025. Table 2. Rolling three-monthly average.

119 Ibid.

120 "Data by Region: Region Summary: Australia." Australian Bureau of Statistics, Accessed 2 July 2025. https://dbr.abs.gov.au/region.html?lyr=aus&rgn=AUS

121 Productivity Commission, Report on Government Services, Child care, education and training, June 2025, Table 4A.51 Year 12 Certification rates, all schools, by remoteness. 2022 year. https://www.pc.gov.au/ongoing/report-on-government-services/2025/child-care-education-and-training.

122 "Data by Region: Region Summary: Rest of Victoria." Australian Bureau of Statistics, Accessed 2 July 2025.

123 "Data by Region: Region Summary: Australia." Australian Bureau of Statistics, Accessed 2 July 2025.

3.1 The importance of early childhood to secondary education as a future skills pathway

Equitable education outcomes are key to building a highly skilled workforce in Regional Victoria on par with the workforce in Melbourne. But students in Regional Victoria continue to lag their counterparts in metro areas.

School students in Regional Victoria tend to have lower scores on standardised assessments such as NAPLAN. In 2025 for example, 62.1 per cent of Year 9 students in outer Regional Victoria were rated as meeting the national standards for numeracy, compared to 71.5 per cent of students in Victoria's 'major cities'.[124] In reading, 61.6 per cent of Year 9 students in outer Regional Victoria met the standard, compared to 71.4 per cent in Victoria's major cities.[125] Year 12 certification rates in Regional and Remote Victoria are lower than in Victoria's major cities, with the gap with regional areas sitting 9.1 percentage points below Victoria's major cities.[126]

An underlying challenge in Victoria's school system is to ensure students complete their primary and secondary education with proficiency in foundational skills such as literacy (reading and writing), numeracy, and digital skills. Our current trajectory is problematic.

In their report titled "*Literacy and Numeracy Achievement Outcomes for Victorian Students*", the Victorian Auditor General's Office found that "*since 2012, literacy and numeracy outcomes for Victorian government school students overall are stable. The Department is not improving outcomes for Aboriginal students and students experiencing disadvantage.*"[127]

Too many young Victorians are leaving school without basic skills in literacy and numeracy compromising their ability for further study and employment. These issues are more pronounced the further away you live from Metropolitan Melbourne.

This is reinforced by the Victorian Auditor General's report which reported that "*based on the department's reporting, it is not on track to make significant improvement in students outcomes sought by the Education State targets…The Department has not improved the percentage of students reading below expected levels for the period 2012-22. This is the case for students overall as well as subgroups and year levels*".[128]

This situation is mirrored for numeracy as well. Concerningly, the proportion of students below the expected level of NAPLAN increases as they progress through school years. In other words, students who need additional foundational skills in literacy and numeracy, never catch up in their schooling years and their results worsen over time.

These outcomes need to be seen in the context of a 33.7 per cent increase in base level funding for government schools, adjusted for inflation for the period 2015 to 2021.[129]

The task is particularly important for Victorians facing educational barriers and disadvantage.

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124 "NAPLAN National Results." Australian Curriculum Assessment and Reporting Authority, 2025. https://www.acara.edu.au/reporting/national-report-on-schooling-in-australia/naplan-national-results. "NAPLAN Proficiency Level Descriptions." Australian Curriculum Assessment and Reporting Authority, 2024. https://www.nap.edu.au/naplan/results-and-reports/proficiency-level-descriptions. N.B: 'Meeting the standard' is defined as the percentage that are 'strong' plus the percentage that are 'exceeding'.

125 Ibid.

126 Productivity Commission, Report on Government Services, Child care, education and training, June 2025, *Table 4A.51 Year 12 Certification rates, all schools, by remoteness. 2022 year.*

127 *Literacy and Numeracy Achievement Outcomes for Victorian Students*, Victorian Auditor-General's Office, 2024. https://www.audit.vic.gov.au/report/literacy-and-numeracy-achievement-outcomes-victorian-students. Page 1.

128 Ibid., Page 11.

129 Ibid., Page 8.

Accessing quality early childhood education and care (including kindergarten) is also more difficult for many families in Regional Victoria, leaving many children unprepared for school.[130]

Infrastructure Victoria's latest report *Learning for life: preparing kindergarten, school and TAFE infrastructure for the future* found kindergarten and long day care centre places will be full in regional areas within the next ten years. It found that over 100 new kindergartens will be needed in Regional Victoria within a decade.[131]

The report found that demand for schools in Regional Victoria will continue to be high through to 2036 with only the Wimmera Southern Mallee, Mallee and Great South Coast experiencing a decline in enrolments.

3.2 The skills and training system must equip Regional Victorians for the industries of the future

The skilling and reskilling of local workers will be essential to the future local industries and communities.

Our education system is fragmented and not delivering the competencies and skills needed for today's labour market. Further compounding this problem is the lack of coordination in mapping skills and proficiency with workforce needs and future industry need.

More needs to be done to bridge the gap between senior years of school and subsequent education, training and work opportunities. This means providing high quality careers advice in school. It must include equal consideration of further education options in VET and other post-secondary education, as well as up-to-date information and resources about future in demand sectors, and the associated competencies and qualifications.

We continue to lag behind the world's best in the future STEM profession pipelines which will compromise our future ability to be a superpower in many of these future industries.

Given the areas of projected high growth as detailed in the Victorian Government Skills Plan and those future focussed growth industries highlighted in this report that will be underpinned by an increasingly digital economy, there is a demonstrable need to get better at coordinating and planning for these future skills and workforce needs.

Victoria's current Skills Plan estimates that 1,421,000 new workers, including 668,000 workers in occupations that generally require VET, are expected to enter the Victorian economy over the next 10 years.[132]

Infrastructure Victoria recently found that demand for TAFE in regional areas is expected to increase through to 2036 particularly those in Ballarat, Geelong, Bendigo and Latrobe Valley likely needing more space to meet future demand.[133]



130 "Mapping the Childcare Deserts: Childcare Accessibility in Australia." Victoria University, Australia, August 19, 2024. https://www.vu.edu.au/about-vu/news-events/news/mapping-the-childcare-deserts-childcare-accessibility-in-australia.

131 *Learning for Life*. Infrastructure Victoria, 2024. https://www.infrastructurevictoria.com.au/resources/learning-for-life.

132 *Victorian Skills Plan for 2024 into 2025*. Victorian Skills Authority, Department of Jobs, Skills, Industry and Regions, Victorian Government, November 2024. https://www.vic.gov.au/sites/default/files/2024-12/2024-Victorian-Skills-Plan.pdf. Page 7.

133 *Learning for Life. Infrastructure Victoria*, 2024. Page 47.

It recommended that TAFE campuses be expanded in some regional centres (and growth areas of Melbourne) by 2030, to train more students to fill skills gaps – calling out construction, energy and health.[134] The largest growth area is expected to be in the care economy with an additional 335,000 workers needed over the next decade.[135]

The clean economy transition is expected to generate 60,000 jobs through to 2030 while digital transformation, a critical element of productivity, will be an essential skilling and reskilling requirement for around 1.2 million new workers.[136]

While the demand exists for more highly skilled workers in Regional Victoria, participation in tertiary education (and especially university) has historically been lower in Regional Victoria. The proportion of Regional Victorians with a bachelor's degree or higher qualification being about 18 per cent compared to about 26 per cent nationwide.[137, 138] While there are several university campuses located in Regional Victoria, the vast majority of Victorian campuses (and students) are in Melbourne – meaning that for most regional students, attending university requires them to move away from home.

Regional Victoria has a slightly lower proportion of the population with any post-school qualifications (about 60 per cent of people aged 15 and over compared to about 63 per cent Australia-wide).[139]

The Victorian Chamber believes Regional Victoria should be specifically targeted through our education and training system, given the regional development opportunities that sit alongside the future industries identified in the regions.

3.3 A system of lifelong learning is crucial to building Future Skills

Traditionally, the focus of our education system is on the skills Victorians develop in their first 20-30 years. But today, most new jobs will require a further qualification after school. A new approach is needed to ensure that the system is built for the future and that our workforce remains productive and competitive. This is a matter of national importance.

We need to move to a more coherent approach towards lifelong learning and micro-credentialing that recognises and promotes different types of qualifications and equally ensures awareness of multiple career and education pathways.

Next generation equipment and processes that harness AI, data analytics and automation are changing the nature and indeed the very future of work. The World Economic Forum estimates that 59 per cent of all employees need upskilling and reskilling today due to the adoption of technologies.[140] Ironically, these very technologies may also offer solutions for the skilling and upskilling of the workforce including through individualised algorithms for specific training.

If Victoria wants to capitalise on opportunities for economic growth through developing more advanced and new industries, there must be systems and incentives for workers to develop further skills across their careers.

Employers play a central role in the education, training and employment system. Business therefore should be an indispensable partner in this system.

134 Ibid.

135 *State of the Victorian Labour Market – Victorian Skills Plan for 2024 into 2025*. Victorian Skills Authority, Department of Jobs, Skills, Industry and Regions, Victorian Government, November 2024. https://www.vic.gov.au/sites/default/files/2024-11/2024-State-of-the-Victorian-Labour-Market-report.pdf. Page 20.

136 "Launch of the 'Towards a Renewable Energy Superpower' Report." *The Hon Brendan O'Connor MP, Minister for Skills and Training*, April 10, 2024. https://ministers.dewr.gov.au/oconnor/launch-towards-renewable-energy-superpower-report.

137 "Data by Region: Region Summary: Rest of Victoria." Australian Bureau of Statistics, Accessed 2 July 2025. *Percentage of people aged 15+ with non-school qualifications*.

138 "Data by Region: Region Summary: Australia." Australian Bureau of Statistics, Accessed 2 July 2025. *Percentage of people aged 15+ with non-school qualifications*.

139 Ibid.

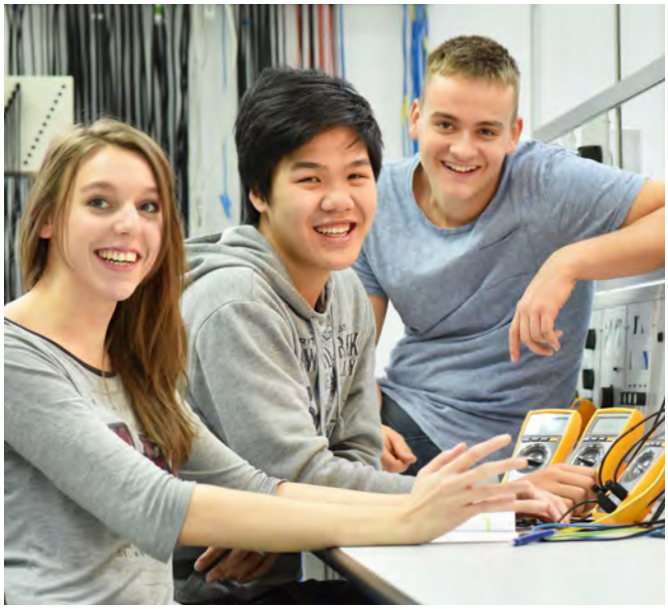
140 *Future of Jobs Report 2025*. World Economic Forum, January 2025. https://reports.weforum.org/docs/WEF_Future_of_Jobs_Report_2025.pdf. Page 6.

FUTURE COMMUNITIES

LAKE WEEROONA, BENDIGO



4 Future Communities



Regional Victorians deserve access to health, education and other services on equal footing to Melburnians and others living in capital cities. The previous section examined Regional Victoria's continuing deficit in access to education services – including high quality childcare, kindergarten, school, university and vocational training opportunities. But while much more needs to be done to achieve equity in access to education – that on its own will not be enough. Regional Victoria will not fulfil its economic potential unless it can build Future Communities that cease to lag behind Melbourne – offering equitable access to education, health and other services. These issues are detailed in the section below.

Regional Communities Now

- More than 1.6 million people live in Regional Victoria, almost one out of every four Victorians.[141]
- 59.9 per cent of Regional Victorians are of working age (15-64 years), compared to 64.9 per cent across Australia.[142]
- 12.3 per cent of Regional Victorians were born overseas, compared to 27.6 per cent of Australians.[143] Although some parts of Regional Victoria have significantly higher numbers of foreign-born residents – such as the Geelong region, where 16.5 per cent of the population were born overseas.[144]
- Two per cent of Regional Victorians are Aboriginal or Torres Strait Islander, compared to 3.2 per cent of all Australians.[145] Although some parts of Regional Victoria are home to a greater proportion of First Nations peoples – such as the Shepparton region (where 3.3 per cent of the population are Aboriginal or Torres Strait Islander).[146]
- As of 2022, median employee income was $49,976 in Regional Victoria, compared to $55,062 across Australia.[147]

141 "Regional Population, 2023-24 Financial Year." Australian Bureau of Statistics. Accessed July 3, 2025. https://www.abs.gov.au/statistics/people/population/regional-population/latest-release#data-downloads.

142 "Data by Region: Region Summary: Rest of Victoria." Australian Bureau of Statistics, Accessed 2 July 2025.

143 Ibid.

144 "Data by Region: Region Summary: Geelong." Australian Bureau of Statistics, Accessed 2 July 2025. https://dbr.abs.gov.au/region.html?lyr=sa4&rgn=203

145 "Data by Region: Region Summary: Rest of Victoria." Australian Bureau of Statistics, Accessed 2 July 2025.

146 "Data by Region: Region Summary: Shepparton." Australian Bureau of Statistics, Accessed 2 July 2025. https://dbr.abs.gov.au/region.html?lyr=sa4&rgn=216.

147 "Data by Region: Region Summary: Rest of Victoria." Australian Bureau of Statistics, Accessed 2 July 2025.

Regional Communities Now

- Median dwelling value is $574,000 in Regional Victoria, below comparable figures for NSW ($757,000) and Queensland ($709,000), but higher than the other states. The regional median dwelling value is also well below the median dwelling value for Melbourne, at $781,318.[148]
- Home owner status:[149] [150]
  - 39.3 per cent own outright compared to 31 per cent nationally.
  - 33.2 per cent own with a mortgage compared to 35 per cent nationally.
  - 23.6 per cent renters compared to 30.6 per cent nationally.
- Household composition – 29.3 per cent of households are single person households – compared to 25.6 per cent for Australia.[151]
- Of people aged 15 and over, 59 per cent were either married or in a de facto marriage, only slightly higher than the figure for the whole of Australia, which was 58 per cent.[152]
- Indicators show that adults who live in rural Victoria (20 per cent) are more likely to belong to an organised community group than those who live in Metropolitan Melbourne (18 per cent).[153]
- Indicators of social isolation show that adults living in rural Victoria are more likely to not be socially isolated (39 per cent) than all Victorian adults (36 per cent).[154]
- Rural residents are also more likely to feel safe walking alone down their street after dark (65 per cent) compared with all Victorian adults (61 per cent).[155]



148 *Hedonic Home Value Index*. Corelogic, March 3, 2025. Page 4.

149 "Data by Region: Region Summary: Rest of Victoria." Australian Bureau of Statistics, Accessed 2 July 2025.

150 "Data by Region: Region Summary: Australia." Australian Bureau of Statistics, Accessed 2 July 2025.

151 "Data by Region: Region Summary: Rest of Victoria." Australian Bureau of Statistics, Accessed 2 July 2025.

152 Ibid.

153 *Inequalities in the Social Determinants of Health and What It Means for the Health of Victorians – Findings from the 2014 Victorian Population Health Survey*. Department of Health, Victorian Government , 2017. https://www.health.vic.gov.au/sites/default/files/2022-07/VPHS-2014-inequalities-social-determinants.pdf. Pages 47 & 49.

154 Ibid., Pages 93 and 94.

155 Ibid., Pages 9 and 10.

4.1 Future Communities must offer equitable access to health and other services

More must also be done within Regional Victoria to ensure that all communities have equal access to services and opportunities. The social inclusion of Indigenous communities, people with disabilities and increased participation of women in the workforce is a significant economic and social opportunity that should be grasped. Removing structural barriers to educational and workforce participation and building the foundations for long term skills development, career development and economic advancement will pay huge dividends beyond the obvious economic uplift.

Health outcomes for Regional Victorians also continue to lag those in Melbourne:

- Regional Victorians have worse access to primary care – including longer waiting times to see general practitioners,[156] and poorer access to dental care.[157]
- Regional Victorians also have higher rates of smoking and are at higher risk of alcohol-related harm,[158] and tend to have lower socio-economic status, which contribute to poorer health outcomes.[159]
- People living in remote and very remote areas have preventable hospitalisation rates that are two to three times as high, indicating challenges in managing chronic conditions and accessing timely care.[160]

Disability services provide a similarly stark example of service disparity. Victorians with a disability who live in Regional Victoria are likely to find it much more difficult to access disability support services than their metro counterparts. NDIS participants in Regional and Remote Victoria had lower NDIS plan sizes (by $3,300) and spending on core supports that was even further below participants who live in major cities (by $4,700).[161]

While the introduction of the NDIS promised to make access to services more equitable across different geographic settings, the Melbourne Institute has found that "*geographical and regional availability of supports was a key barrier to utilisation*" and that *"availabilities of services and supports decreased the further away participants lived from Metro Melbourne."* [162] Even where services were available, they also found that Regional Victorians may be paying more for services because "*some service providers charged for additional hours to cover travel time and expenses."*[163]

While these discrepancies are well known, more must be done to address them. Future Communities means equitable communities. Government, business, industry, and educational institutions among others, can do more to ensure that all Victorians including those in the regions have access to services they need to reach their full potential.

156 *Snap Survey 02: Rural Victoria Non-Urgent Patient Appointment Waiting Times* (Rural Workforce Agency Victoria, August 2024), https://www.rwav.com.au/wp-content/uploads/2024/08/Rural-Victoria-non-urgent-patient-appointment-waiting-times.pdf.

157 "Public Oral Health Waiting Times and Workforce Capacity." Australian Dental Association Victorian Branch, June 2025. https://adavb.org/advocacy/campaigns/public-dental-waiting-times.

158 "Victorian Population Health Survey 2022, Risk of Alcohol Related Harm" Victorian Agency for Health Information, https://Vahi.Vic.Gov.Au/Reports/Victorian-Population-Health-Survey," 2022.

159 "Rural and Regional Victorians." Your health: Report of the Chief Health Officer, Victoria, 2018, https://www.health.vic.gov.au/your-health-report-of-the-chief-health-officer-victoria-2018/health-inequalities/rural-and-regional.

160 Rural Health in Australia – Snapshot 2025. National Rural Health Alliance, 2025. https://www.ruralhealth.org.au/wp-content/uploads/2025/02/NRHA-Rural-Health-in-Australia-Snapshot-2025.pdf. Page 8.

161 Disney G., Yang Y., Summers P., Kavanagh A., Bonyhady B., Deane K. The NDIS in Victoria: Are There Inequities in Participants' Plan Size and Spending? . Melbourne Disability Institute, The University of Melbourne, 2021. https://disability.unimelb.edu.au/__data/assets/pdf_file/0003/4817604/Report-NDIS-in-Victoria-Quantitative_FINAL.pdf.

162 Ibid., Page 8.

163 Ibid.

4.2 Future Communities are adaptive communities

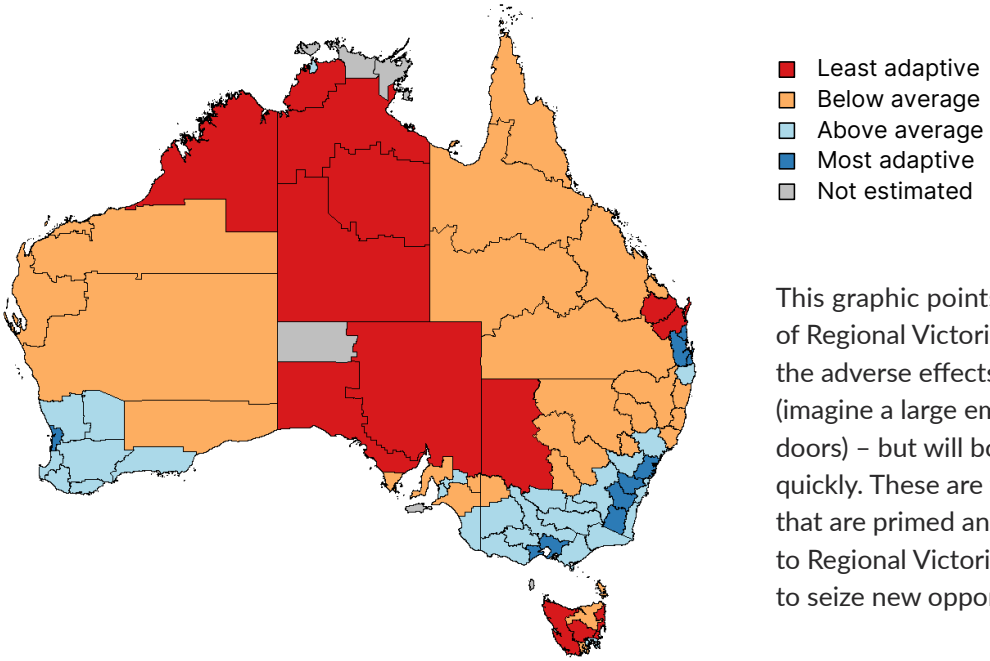
In 2017 the Australian Government requested the Productivity Commission report on Transitioning Regional Communities. The focus of the report was on geographic impacts of transitioning regional economies following the resources investment boom.

The report found that "*Australia's regional communities enjoyed overall employment growth and improved social connections as technology is helping bring people closer together (virtually if not physically) – this will only improve in the future. This has provided new opportunities for many regional towns and has helped cement their long-term viability and vitality.*"[164]

In examining the adaptation potential of regions, the Productivity Commission constructed a series of metrics of adaptive capacity that focussed on assessment of regional economic performance over time; creating a single metric of relative adaptive capacity and a framework for assessing the scope for economic and social development of regions.

The Productivity Commission report concluded that regions throughout Victoria were the standout as having the most adaptive capacity of functional economic regions in the nation. Their conclusions are represented graphically below:

Figure 4: The relative adaptive capacity of functional economic regions[165]



This graphic points to the strength of Regional Victoria. They will still feel the adverse effects of negative shocks (imagine a large employer closing their doors) – but will bounce back more quickly. These are future communities that are primed and ready to respond to Regional Victoria's challenges and to seize new opportunities.

Infographic replicated from Productivity Commission Report: Transitioning Regional Economies

164 *Transitioning Regional Economies, Study Report*. Productivity Commission, December 2017. https://www.pc.gov.au/inquiries/completed/transitioning-regions/report/transitioning-regions-report.pdf. Page 4

165 Ibid, page 11.

4.3 Future Communities must be a magnet for migration

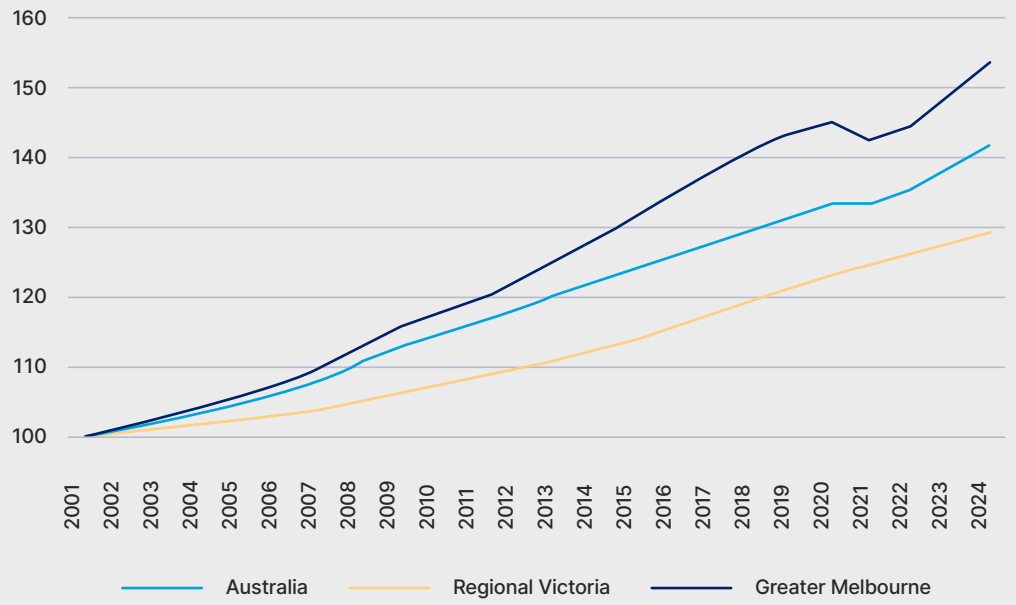
Migration is a central force shaping Australian communities. Overseas and domestic migration has shaped what Regional Victorian communities are and will be crucial to shaping Future Communities.

Over the last quarter century, population growth in Regional Victoria has lagged both Melbourne and Australia (see chart). And migration patterns are the dominant force shaping population growth – for example, natural population increase (births minus deaths) account for less than 13 per cent of population growth in Regional Victoria over the past three years.[166]

But the forces of migration pushing on Regional Victoria are very different to those pushing on Melbourne.

Melbourne is a magnet for international migrants. Over the last three years, overseas migration into Melbourne totalled just under 330,000 in net terms – equal to about seven per cent of Melbourne's 2021 population. The last two years are the highest two years on record. The number coming to Regional Victoria was substantially less – just shy of 26,000. Put another way: in 2023, Regional Victoria's share of total overseas arrivals was two per cent compared with 27 per cent for greater Melbourne. This means that regional communities are missing out on skilled and unskilled migrants they need to fill job vacancies, grow the economy and create vibrancy. A rebalancing could mean momentous change for Regional Victoria.[167]

Figure 5: Regional Victoria's population growth has lagged Melbourne's and Australia's[168]



166 "Regional Population, 2023-24 Financial Year." Australian Bureau of Statistics. Accessed July 3, 2025. *Population components by SA2 and above, 2021-22 to 2023-24, Regional Populations. Table 4.*

167 "Regional Population, 2023-24 Financial Year." Australian Bureau of Statistics. Accessed July 3, 2025. *Population components by SA2 and above, 2021-22 to 2023-24, Regional Populations. Table 4.*

168 "Regional Population, 2023-24 Financial Year." Australian Bureau of Statistics. Accessed July 3, 2025. *Population estimates by SA2 and above, 2001 to 2024. Table 4.*



But Regional Victoria is a magnet for domestic migration, with almost as many people – just under 23,000 in net terms – moving to Regional Victoria from other parts of Australia over the same three-year period. In contrast, close to 40,000 Melbournians left the city for other parts of Australia. The Regional Australia Institute's latest report Regional Movers Index found that Regional Victoria continues to be a location of choice for those living in Melbourne. According to the report, net regional inflows to Regional Victoria rose to 30 per cent in the 12 months to September 2024.[169]

The e61 Institute recently found that "*workers across all occupations are leaving the capital cities. However, those aged in their 30s, particularly industrial and care and service workers, are leaving at the highest rates. People are often relocating to areas with cheaper housing and lower average wages. New overseas immigration is playing a balancing role and masking the exodus of people from the largest capital cities…This outflow of people from the largest capital cities could reflect workers moving away from higher paying, or more productive job opportunities, raising concerns about a less efficient allocation of resources and weaker productivity growth in the future. But it could represent an opportunity for Australia's regional areas to attract and retain them.*"[170]

The appeal of a sea change or tree change – widely documented as drawing people away from major cities and to the regions during COVID – shows little sign of abating. It is not secret that the regions can offer amenity that is unattainable (or unaffordable) in the big cities. The recent *NAB Regional & Agriculture Horizons Report* found high levels of satisfaction for those residing in the regions with quality of homes, family life, sense of personal safety, education and sense of community as stand out attributes.[171]

But where the regions have traditionally seemed less attractive – especially to overseas migrants – is in providing job opportunities. This is, and should be, changing. The unemployment rate in Regional Victoria is currently just 3.7 per cent and has been overall consistently below the unemployment rate in Melbourne for more than five years.[172]

169 "Regional Population, 2023-24 Financial Year." Australian Bureau of Statistics. Accessed July 3, 2025. *Population components by SA2 and above, 2021-22 to 2023-24, Regional Populations. Table 4.*

170 *The Luck Country of the Lucky City?* e61 Institute, November 2024. https://e61.in/wp-content/uploads/2024/10/e61-Institute-Report-The-Lucky-Country-or-The-Lucky-City.pdf. Page 2.

171 *A Changing Landscape – NAB Regional & Agribusiness Horizons Report 2024*. National Australia Bank, March 2024. https://business.nab.com.au/wp-content/uploads/2024/03/NAB-RA-Horizons-Report-2024.pdf. Page 15.

172 "Labour Force, Australia, Detailed, June 2025." Australian Bureau of Statistics, 24 July 2025. https://www.abs.gov.au/statistics/labour/employment-and-unemployment/labour-force-australia-detailed/jun-2025. Table 2. Rolling three-monthly average.

The Regional Australia Institute found that relative incomes were higher in regions compared to metropolitan areas across a range of major occupational groups when controlling for cost of living, cost of housing and a range of other such factors.[173] Similarly, e61's research highlighted that the overall wage advantage of living in the city is increasingly declining, including because of relatively higher housing costs.[174] In other words, the economic pull of cities may be diminishing, or even reversing – with regional areas able to offer a higher material standard of living.

The potential economic dividend is huge. According to *Jobs and Skills Australia's Internet Vacancies Report*, there were 7,853 vacancies in Regional Victoria in July 2025.[175] Filling the top four occupational categories by vacancy in regions, Australia-wide, could create an economic uplift of $1.24 billion according to the *2023 Regional Australia Institute report*.[176]

Agglomeration economics outlines the benefits of working in close proximity and have been used to explain the rise and rise of cities globally over recent decades. Clustering of workers allows for easy access to large local markets, knowledge spillovers, provides firms with access to a large and varied workforce, and allows for economies of scale to be reached in the provision of infrastructure and services necessary to allow certain types of businesses (for example, legal and financial services required by large corporations across many industries).

But large towns or 'satellite cities' can often reach a critical mass for capturing these benefits – especially in clustering of firms and workers relevant to a particular subset of industries – becoming economic and service hubs for their local regions. And big cities can often suffer from the downsides of – such as congestion, degradation of the natural and lived environment, and rising costs of housing.

As Melbourne adds historic levels of population to the capital city, and is set to become the fastest growing capital city in Australia, questions are being raised about our liveability and capacity of our infrastructure to absorb these increases.

4.4 Future Communities must have access to appropriate infrastructure

Related to this is the need for infrastructure to keep pace with population growth.

Future communities in our regions depend on reliable planning, infrastructure, and investment. Enabling infrastructure such as good-quality roads, public transport services, schools, hospital, utilities, and green spaces and housing are critical to the attraction and retention of future communities.

Regional Victoria's infrastructure needs have been well documented particularly by Infrastructure Victoria. Detailed work has been undertaken by Infrastructure Victoria at the regional level to unpack the hard and soft infrastructure requirements. This included detailed work by ACIL Allen and Ernst and Young with a focus on reducing regional disadvantage. While this work is from 2019, we would argue that it remains relevant.

Some of the challenges for regional Victoria include insufficient housing supply and affordability including for rental properties, transport infrastructure and road quality, access to quality and specialist health care, early childhood and childcare services, hard infrastructure including digital connectivity, sewer, stormwater; soft infrastructure including recreational facilities.

These challenges are well documented and understood. What is missing is a mechanism by which they can be addressed.

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173 *Beyond City Limits: Unveiling Income Premiums in Regional Australia*. Regional Australia Institute, March 3, 2025. https://www.regionalaustralia.org.au/libraryviewer?ResourceID=119. Page 9.

174 *The Luck Country of the Lucky City?* e61 Institute, November 2024. Page 1.

175 "Internet Vacancy Index." Jobs and Skills Australia, *ANZSCO2 Occupations, GCCSA & SA4 July 2025*. https://www.jobsandskills.gov.au/data/internet-vacancy-index.

176 Houghton, K, Barwick, A, and Pregellio, S. Regional Jobs 2022 - The Big Skills Challenge. Regional Australia Institute, May 2023. https://www.regionalaustralia.org.au/common/Uploaded%20files/Files/Regional%20Job%20Updates/The_Big_Skills_Challenge_Report.pdf. Page 9.

SEIZING THE OPPORTUNITY –

FUTURE INDUSTRY DEALS



LINDENOW, EAST GIPPSLAND

5 Seizing the Opportunity – Future Industry Deals

This report has made a strong case about the economic contribution that could be unleashed in the regions. The report has also distilled the series of challenges and opportunities that are directly impacting the ability of industry and private capital to realise these opportunities.

The Victorian Chamber believes that there is a demonstrable opportunity for Government to catalyse action – to purposefully and strategically respond to the changing global landscape, create the right policy settings to support business investment, build the essential supply chain resilience and create the foundations for the long term economic prosperity.

The Federal Government in particular has sought this type of action before – the National Reconstruction Fund and CSIRO's missions. Globally governments across the world have pursued similar approaches. Recent examples include the United States Inflation Reduction Act and Chips and Science Act, or the EU's Chips Act.

In effect, each of these are examples of modern industry policies with a focus on specific industry sectors.

There is evidence to suggest that these type of approaches can lead to long run improvements in productivity, wages growth and upward mobility.[177]

The Victorian Chamber however, recognises that a consistent failure of industry policy is grounded in the belief that the private capital market should be left to determine the most effective capital allocation and invariably this has always impacted the longevity of industry policy. Additional failures associated with the current approaches include a lack of coordination, no overarching governance structure and lack of focused vision. Hence, policy levers are not deployed consistently or with great effect.

We believe a different approach is now warranted given the enormous challenges and opportunities identified in this paper.

The approach the Victorian Chamber advocates is for the creation of Industry Deals similar to the City Deals.

It means there will be an overarching and agreed governance structure involving the Commonwealth, the States and industry. Therefore private capital is at the table, rather than off to the side. It means that the whole apparatus of Government is brought together to identify and agree the key priority areas and more importantly make the necessary policy reform to catalyse the private sector investment.

This approach positions Government and industry as equal players in the economy, setting a shared direction, with each leading a coherent and collaborative approach. Within a government setting it has the benefit of creating inter-ministerial alignment and building institutional capacity to administer policies.

The Victorian Chamber does not have all the answers, and there is no magic bullet, but this section presents our big idea to add to the conversation – Future Industry Deals based on the successful City Deals model.

Government must do more, but it can't do everything. Focusing on Future Industry Deals would be a great place to start.

177 Phillips, T, and Koh, E. Setting Direction: *A Purposeful Approach to Modern Industry Policy.* Centre for Policy Development, April 4, 2024. https://cpd.org.au/work/setting-direction-a-purposeful-approach-to-modern-industry-policy/. Page 7.

5.1 The 'City Deals' approach should be adapted and applied to Regional Victoria's Future Industries



Starting in 2016, Australian, state and local governments have embraced the idea of 'City Deals', creating successful partnerships with a common purpose, and delivering infrastructure and improved amenity in cities like Townsville, Hobart, and Geelong.

Originating in the UK in 2012, City Deals are designed to foster collaboration between different levels of government – federal, state and local – along with private sector and community stake-holders. They are intended to empower cities to take responsibility for decisions that affect their area, do what they think is best to help business grow, create economic growth, and direct resources to local priorities.[178]

'Future Industry Deals' would bring together federal and state governments, with industry experts, key businesses and peak bodies. They would encourage federal and state governments to agree on which Future Industries to prioritise – through the process of deciding which industries should be the subject of Future Industry Deals – and then on which interventions to prioritise and resource to maximise the growth of those industries. And Regional Victoria is perfectly placed to be the launching pad for Future Industry Deals.

City Deals v Future Industry Deals

This section considers the various common elements of UK City Deals as identified by KPMG and the Property Council and outlines how Future Industry Deals would follow the City Deal template, and how they would differ.

Objectives and minima

Future Industry Deals, like City Deals, should prioritise projects by their impact on achieving an economic objective – such as jobs or economic output. The Greater Manchester and West Yorkshire City Deals, for example, both adopted as their lead objective to "*maximise local jobs and productivity*" which was measured as a contribution to Gross Value Added in the relevant geographical area.[179] Future Industry Deals could, for example, have some measure of growth in industry output, exports, productivity or employment as their lead objective.

Secondary objectives (or 'minima' in City Deal language) could also be identified to account for non-negotiable policy outcomes such as greenhouse gas emissions or equity of access to employment opportunities.[180]

178 City Deals, July 5, 2013. https://www.gov.uk/government/collections/city-deals.

179 *Introducing UK City Deals: A Smart Approach to Supercharging Economic Growth and Productivity*. KPMG, June 2014. https://assets.kpmg.com/content/dam/kpmg/pdf/2014/10/uk-city-deal-economic-growth-productivity.pdf. Page 16.

180 Ibid., Page 11.



Scope and Prioritisation

City Deals (in the UK and in Australia) have been primarily focused on the delivery of infrastructure (and sometimes only transport infrastructure). Future Industry Deals should adopt a broader scope. They could canvas a wide range of interventions that could be taken by governments (or industry) to promote the growth of the industry. This might include delivery of infrastructure that is important to the growth of industry, but could similarly include improving regulation, investment facilitation, tax incentives, streamlining of planning approvals, or skills and training commitments. But the scope should be defined early in the process – and of course there may be benefits in narrowing the scope if the priority is clear to industry.

As with City Deals, possible interventions should then be evaluated against the set objectives and minima, and then prioritised on this basis – with the highest priority interventions to be resourced and undertaken first. As KPMG and the Property Council state: "*the primary aim of prioritisation is to avoid attempts in the 'end game' to redefine the criteria in order to change priority ranking, and subsequent alterations to the funding schedule for…projects*."[181]

Coverage of a City Deal is based on a geographic area. Future Industry Deals would instead be based on an agreed definition of an industry, which could be narrow or broad and vary along various dimensions:

- **Vertical** – upstream or downstream businesses could be included or excluded. For example, a Critical Minerals Future Industry Deal could comprise only businesses involved in the extraction of critical minerals, or could also comprise businesses that process critical minerals.

- **Horizontal** – adjacent or related businesses could be included or excluded. For example, a Tourism Future Industry Deal may include business involved in air travel such as airlines and airports.

- **Geographic** – to limit the number of governments involved in a deal or the scope of potential issues, a Future Industry Deal could be limited by geography also. For example, an Agriculture Future Industries Deal could be limited to just Regional Victoria and involve just the Federal and Victorian Governments.

181 Ibid., Page 15.

The Geelong City Deal

The Geelong City Deal focused on improved investment and coordination across three levels of government and aimed to support a more prosperous and liveable Geelong and the Great Ocean Road region.

The Geelong City Deal focuses on three key themes:

- Revitalise central Geelong and develop infrastructure to make Geelong an even better place to live, work and invest.
- Support growth in the visitor economy through strengthening Geelong and the Great Ocean Road region as leading tourism destinations.
- Drive continued economic diversification and jobs growth, supporting innovation and building on emerging strengths for Geelong and the Great Ocean Road region.

The Geelong City Deal involved substantial collaboration across the community, including with businesses, not-for-profits and the university sector.[182]

More than $676 million was committed under the 10-year deal. The principal commitments coming from the Australian and Victorian governments, and the City of Greater Geelong, but with other groups also making financial commitments, for example: the Lorne Aquatic and Angling Club committed $450,000 to the redevelopment at Point Grey, Lorne (which included a new Club building); and Searoad Ferries contributed $5.9 million alongside $10 million from the Australian Government for the redevelopment of the Queenscliff Ferry Terminal.[183]



182 Geelong City Deal. Accessed June 11, 2025. https://www.rdv.vic.gov.au/priorities/geelong-city-deal.
183 Ibid.

Governance Structure

City Deals have a clear accountability to a single governance structure.[184] The Geelong City Deal had senior elected representatives from the three tiers of Government forming a 'Leadership Group' with ultimate decision-making authority; senior officials from the three tiers acting as an 'Implementation Committee', and key regional and community representatives joining an 'Advisory Group' (see box). The Greater Manchester City Deal adopted a more centralised approach, perhaps reflecting the need to coordinate decision making across a greater number of local governments. It established a 'statutory combined authority' accountable to the leaders of the 10 local governments covered by the deal, with the ability to levy the 10 local government entities to deliver agreed programs.[185]

Future Industry Deals could follow these governance structures to ensure clear accountability.

Depending on the governance structure, industry could potentially be given a seat at the final decision-making table. Regardless, industry would of course play a key role in the formation of Future Industry Deals. Proposals for interventions to promote industry growth should come principally from key businesses, investors and peak bodies. And deep engagement with these groups would be crucial to ensuring the appropriate evaluation and prioritisation of interventions. Establishing an advisory group and/or including industry representation on other steering committees or working groups could help finalise ongoing engagement with industry.

The Geelong City Deal – Governance Structure

Leadership Group

Federal and Victorian Ministers with responsibility for the City Deal and City of Greater Geelong Mayor

Oversee implementation of the City Deal and report to the Prime Minister, Victorian Premier and City of Greater Geelong Council as required.

Implementation Committee

Senior officials from relevant Federal and Victorian government departments and the City of Greater Geelong

Lead and coordinate delivery of the City Deal and its commitments, including monitoring and reporting to the Leadership Group and the public.

Advisory Group

Key regional and community representatives

Provide independent advice on progress and strategic direction for the City Deal.

Related project control groups, steering committees and working groups

184 *Introducing UK City Deals: A Smart Approach to Supercharging Economic Growth and Productivity.* KPMG, June 2014. Page 17.
185 Ibid.



Performance

Future Industry Deals should adopt the same approach to performance monitoring as City Deals. Metrics are developed to reflect the set objectives and minima. Agreed metrics are then used both to measure success and determine the realised benefits relevant to deal participants and stakeholders. For example, a Critical Minerals Future Industry Plan may have as its lead objective to grow critical mineral production in Victoria, measured by the total value of critical minerals extracted, but other metrics such as the CO2 equivalent of greenhouse gas emissions produced by the industry may also be monitored and reported, if they relate to agreed minima or are otherwise relevant to the interests of stakeholders.

Funding

One of the key innovations of City Deals is to bring together funding from multiple sources, and open the door to different funding mechanisms. The Geelong City Deal, for example, including funding from a range of groups in addition to the three levels of government that struck the deal (see above chart).

City Deals have helped guarantee longer-term funding in a way that could be replicated for Future Industry Deals. Contributions must be determined at the outset and committed to for the life of the deal.

This applies both to long-term commitments made to 'baseline funding' from governments and key stakeholders, and through additional commitments to return revenue collected by governments that relates to investments made under the deal. In the case of City Deals this could include revenue from new sources such as tolls or developer contributions, or additional revenue from existing taxes that is due to the additional investments being made – likened to competition payments under the National Competition Policy in Australia.[186]

Future Industry Deals may also give partners access to finance from novel sources, such as public-private partnerships (PPPs) or tax increment financing. KPMG and the Property Council found that under the UK City Deal model, "*City Deal partners are encouraged to enter into innovative types of capital formation partnerships with the private sector.*"[187]

Benefit

Future Industry Deals, like City Deals, would seek to deliver an outcome whereby all stakeholders are better off. Benefits are closely linked to the set objectives of the deal.[188] The long-term approach aims to provide confidence to stakeholders that benefits will be realised, even though they may not be realised until sometime in the future.

186 Ibid., Page 4.
187 Ibid.
188 Ibid., Page 18.

5.2 Future Industry Deals should incorporate an Industry Skills Pact

In an economy looking to adapt, change and develop new industries brought about by fast paced automation and technological change, our future industries will need employees with new skillsets and capabilities. This will require significant investments in reskilling and upskilling. Meeting these needs to ensure an appropriately skilled workforce could be a key focus of Future Industry Deals.

Deep industry engagement is the key ingredient for success in delivering improved industry specific workforce planning, training development and partnership. This could be formalised in Industry Skills Pacts – which the Victorian Chamber has advocated for previously. Future Industry Deals could provide both the impetus and home for these Industry Skills Pacts.

Reskilling and upskilling the workforce to meet the needs of Future Industries will mean moving past a narrow focus on traditional qualification pathways and moving towards an approach to whole of career learning that is flexible and responsive to an evolving economy – with more short and stackable training options, including industry-delivered and workplace-based micro-credentials. Industry leading initiatives such as Future Fit Apprentice and Trainee Programs that are operating in remote and regional centres in Australia have proven to be successful. Industry has also been successful in delivering apprenticeships and traineeships. Both approaches have been successful in producing a pipeline of highly skilled, diverse and job ready talent moving into well paid jobs at the completion of their training and retraining.

Industry Skills Pacts struck between governments and industry and embedded within Future Industry Deals could identify critical future skills shortages and develop a range of appropriate solutions, such working with universities on enrolment, supporting local vocational training and as well as considering skills visa settings in relation to that industry.

This could build on the work currently being undertaken by the Jobs and Skills Councils while focusing specifically on the needs of Victoria. With a single industry focus, they could consider novel approaches which allow for the recalibration of roles, responsibilities and accountability to support the delivery of improved education and training outcomes – potentially acting as a kind of sand box for broader reforms. They could also address funding arrangements – currently, the ability to expand co-investment by industry in training is limited due to the complexity of vocational education funding arrangements at state and federal level.

Where governments and industry consider that skills shortages and related issues are key, Future Industry Deals could encompass Industry Skills Pacts that seek to address these issues.

5.3 Future Industry Deals could incorporate Social and Economic benefit

Victoria has not derived benefit from the mining boom as other states have managed to do. Critical minerals however may provide such an opportunity. A significant benefit associated with the mining boom in other jurisdictions has been the mining royalties that have flowed into economy and supported not only new revenue streams for jurisdictions but also the creation of social infrastructure and funding essential services in regional locations.

Within the confines of an Industry Deal, government and industry can reach an agreement on an approach to mining royalties and their distribution back into regional communities. An example of where this has proven to be successful and resulted in the creation of social infrastructure, economic advancement, employment and indeed a method of compensation includes the Aboriginal Land Rights (Northern Territory) Act 1976.

This Act has seen the distribution of approximately $230 million per year to Aboriginal communities in the Northern Territory, since the commencement of the Act.

The recent Ernst & Young Royalty and Company Tax Payments report[189], commissioned by the Minerals Council of Australia found that in 2022-23, the mining sector contributed $42.5 billion in company tax and a decade-high $31.5 billion in royalties.

Outside of the mining industry, examples include the creation of developer contributions associated with housing.

There is opportunity to examine how best to support regional communities, regional infrastructure – housing, schools, hospitals as well as economic advancement – through a royalties type approach and expanded to areas other than mining.

Importantly, this approach can also be used as a framework for social license and stakeholder consultation in regional communities as has been navigated by the mining industry.

However, in exchange, Government must incentivise industry and create the right policy settings to make it easier to conduct business and therefore attract the necessary investment.



Where to start?

The Future Industries Deal model could be applied to any of the seven industries identified above, or indeed to other industries where governments identify opportunities for growth.

The Victorian Chamber considers that the critical minerals industry would be perfectly suited to be the subject of the first Future Industry Deal. Compared to the other industries, it is still in a relatively nascent stage of development – meaning there are likely more 'low-hanging fruit' policy interventions which will provide a large payoff if identified and actioned. And it is widely recognised to have enormous growth potential.

Even with an industry selected, the scope of the initial Future Industry Deal could vary greatly and along several dimensions.

The Victorian Chamber considers that there may be merit in an initial Future Industry Deal being limited to the Australian and Victorian Governments and focusing on Regional Victoria. Limiting an initial pilot deal to just one state government and one region will mean more focus, fewer stakeholders, and less complexity in landing an agreement. And as shown, Regional Victoria and its people have the key attributes to be the make such a deal a success and provide the perfect proving ground for further Future Industry Deals.

The time for action is now.

As this report has laid out, Regional Victoria is right now facing a myriad of global and local challenges and opportunities. In this context, it is imperative that regional Victoria make three crucial leaps into the future – building Future Industries, Future Skills, and Future Communities.

Now is the time to Seize the Opportunity.

189 *Royalty and Company Tax Payments*. EY, May 21, 2024. https://minerals.org.au/wp-content/uploads/2024/05/240526-MCA-Company-Tax-and-Royalty-Payments.pdf. Pages 1 and 2.

NOW IS THE TIME TO

SEIZE THE OPPORTUNITY



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About the Victorian Chamber

The Victorian Chamber of Commerce and Industry (VCCI) is the largest and most influential not-for-profit business organisation in Victoria, informing and servicing more than 100,000 members and clients across the State. Through our workplace relations and consulting services, policy and advocacy work, professional development courses, we help thousands of businesses every year to improve workplace performance and achieve business growth and success.

Victorian Chamber of Commerce and Industry

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