Victorian
Chamber of Commerce
and Industry

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2024-25 Federal Pre-Budget Submission

Build our economy through business growth



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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.

Victorian Chamber of Commerce and Industry

Foreword

Business growth must be at the heart of the Budget.

The forthcoming Budget is our opportunity to strengthen our prosperity and global competitive advantage.

The time for action is now.

Put simply, enabling businesses to prosper translates into more jobs, more opportunities and better economic outcomes for all.

Our international competitors have implemented a range of policy settings to attract business investment, respond to the tighter financial conditions and the weaker economic outlook. They are attracting higher levels of foreign direct investment – a critical element for productivity and prosperity.

Outbound investment by Australian business is greater than the level of domestic investment. This gap continues to widen.

Nationally, too, we are at a crossroads.

Growth in the national economy is likely to be slower in 2024 as a variety of headwinds take hold, including the impacts of a slowing global economy.

Government spending and debt are forecast to grow and be higher than economic growth in the short term.

Productivity growth is forecast to remain at low levels.[1]

Education standards are falling, which has direct implications for future talent pipelines and will contribute to further skill shortages.

A transformative Budget is needed.

The key to a more resilient and diversified economy is attracting investment and increasing productivity. Our Business Growth recovery needs to be commerce – and confidence – led.

We need to adopt a globally competitive mindset. Remember, money is mobile. The cost and ease of doing business needs immediate attention to enable local productivity, and in turn, prosperity for our nation.

This means shifting gears and creating the levers for large scale investment in education, skills, jobs, innovation and new technologies that are fundamental to our future economic success.

1 Mid-Year Economic and Fiscal Outlook Budget 2023-24, Department of Treasury and Finance, December 2023, page 2.



Why we need action



Right now, we are sending the wrong signals to business and potential international investors.

Why we need action

Our productivity is flatlining:

Productivity growth is now at its weakest level in more than a decade. The recent National Accounts showed growth in the Australian economy is now dependent on government spending and rapid population growth. This leaves our national fiscal position vulnerable.

As noted in the Productivity Commission's five-year Productivity Inquiry report[2] released in 2023, almost 90 per cent of Australians now work in service industries such as education, health, hospitality, retail and finance. These are often industries where it has been traditionally difficult to lift productivity.

Relatedly, the Government must deal with the exponential growth in public expenditure. The National Disability Insurance Scheme (NDIS) alone is projected to blow out more than $100 billion per year, with no guard rails in place to curb this expenditure. Should this eventuate, there is no possibility of reforming the other large service systems such as education, health and aged care let alone pursuing taxation reform.

The Productivity Commission's recent submission to the *'Inquiry into Promoting Economic Dynamism, Competition and Business Formation'* in December 2023 makes a series of recommendations *"on what we know matters for productivity (such as skill formation, labour markets, migration, foreign investment, trade openness, financial markets, the tax system, regulation, and barriers to competition in certain industries and locations)."* [3]

As noted in the Intergenerational Report 2023, businesses, particularly small and medium, require support from Government to invest in the levers that support productivity growth such as better skilled workforce, investing in technology, equipment and innovation.



2 Productivity Commision (2023). *Advancing Prosperity 5-year Productivity Inquiry report*. https://www.pc.gov.au/inquiries/completed/productivity/report#:~:text=This%20report%20was%20sent%20to,Dial%20was%20completed%20in%202017.

3 Productivity Commission Submission, Inquiry into promoting economic dynamism, competition and business formation, March 2023.

Why we need action

Business investment is at historic lows:

This has a direct impact on national prosperity because business investment is fundamental to innovation, growth and productivity. There is a need to strengthen existing industries as well as create new ones. Increased investment by business will drive further productivity, deliver higher wages, faster economic growth and higher living standards.

Tax on business is among the highest in the world:

It is a key reason for the lack of business investment. Relatedly, the interplay between the tax and transfer system is acting as a disincentive to people returning to work, working additional hours or entering the workforce. These unintended consequences affect business at a time when it is crying out for workers.

Additionally, as highlighted in the recent Intergenerational Report 2023 by Department of Treasury and Finance, Australia is moving more towards a services (education and care) economy.[4] This will create further budgetary pressure and underscores the need to get Government spending under control in coming years.

There is a heavy burden of regulation on business:

The patchwork of regulation across the nation is a major barrier for businesses wanting to expand and invest. There is duplication and inconsistences in regulation and legislation across the nation. When this is combined with frequent tinkering and legislative changes, it creates further complexity and costs, including the administrative burden associated with implementation. Key pieces of legislation and regulation need to be harmonised across jurisdictions. In addition, governments are increasingly focussed on mandatory reporting from business further creating significant cost and time imposts.



The race to net zero must be balanced with ensuring our economy is not left vulnerable:

The transition to net zero by 2050 has been described as the next industrial revolution. Emerging nations will continue to demand our exports – particularly gas – at a time when we are transitioning to a clean energy future. Equally, our economy is vulnerable to disruption as it is highly carbon intensive. Twenty-five per cent of jobs are in a carbon-intensive industry and almost half our exports rely on fossil fuels. We must lean into orderly decarbonisation, managing disruption and creating new opportunities. The Victorian Chamber welcomes Federal Government announcements to develop sectoral plans to achieve these targets and looks forward to working with the Government on this over the year.

4 Australian Government – Treasury. (2023). 2023 *Intergenerational Report* https://treasury.gov.au/publication/2023-intergenerational-report

Why we need action

A strategic approach to Australia's global industries, digital technology uptake and cyber security capabilities is needed:

The nation's future prosperity rests in our ability to build on our natural advantages, create new sectors and capture new markets in advanced manufacturing, artificial intelligence, quantum computing and critical minerals. Currently more than 60 per cent of Australia's exports are made up of just six products and services, leaving us particularly vulnerable to global shocks.[5] Australia's future competitive advantage is also tied to our ability to drive digitisation and uplift business cyber security. Costs for business to do this alone are prohibitive and there needs to be consideration by Government.

Infrastructure requires national coordination:

Given the significant debt and inflationary challenges, Australia needs to look more closely at infrastructure spending. Infrastructure spend accounted for 9.2 per cent of Australian GDP in 2022-23.[6] A collaborative approach is needed that involves the private sector. This approach will pay dividends by unlocking new productivity, delivering sustainable economic growth and creating the right investment framework. This coordinated and strategic approach will send positive signals to the market.

Our regions are in a defining decade:

Home to mining, resources, and agriculture – and likely future home to advanced manufacturing, value-added food production, and new clean energy industries and technology – our regions are fundamental to our future economic prosperity. According to Regional Australia Institute, Regional Job Vacancy Map, there were 13,861 vacancies in Regional Victoria in the last quarter of 2023. Demand for workers in Regional Australia is at record levels. Filling the top four occupational categories by vacancy in regions could create an economic uplift of $1.24 billion according to the 2023 Regional Australia Institute report.[7]

Our primary and secondary education and employment services system is below par:

One of the biggest threats to our national competitiveness is our falling education standard. We now sit behind Poland, Estonia and Slovenia in international PISA rankings.[8] Our long-term prosperity is directly linked to the skills and capabilities of our people – our human capital. Yet, our education system is fragmented and not delivering the competencies and skills needed for today's labour market. This begs the ancillary question – how long will education be one of our top exports if the pipeline for young people leaving school and entering university is increasingly compromised by poor education outcomes? Additionally, we are spending more than $17 billion on an employment system that is failing those who need it most.[9] More than half a million Australians have been in the employment services system for over 12 months; more than 50,000 have been on JobSeeker for more than a decade.[10]

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5 Biggest Exporting Industries in Australia 2024, IBIS World, Website: The 10 Biggest Exporting Industries in Australia - 2024 | IBISWorld

6 The Australian.(2023)., Infrastructure holds key to boosting productivity in a sustainable way | The Australian

7 Regional Australia Institute. (2023). Page 9. The_Big_Skills_Challenge_Report.pdf (regionalaustralia.org.au)

8 PISA Results 2022 Volume 1, The State of Learning and Equity in Education, Chapter 5 page 52, 54, 56 OECD. Website: How did countries perform in PISA? | PISA 2022 Results (Volume I): The State of Learning and Equity in Education | OECD iLibrary (oecd-ilibrary.org)

9 Portfolio Budget Statements 2023-24, Budget Related Paper 1.14, Social Services Portfolio, Page 38 and Expenditure on Employment Services, Advice provided by the Parliamentary Budget Office to the Select Committee on Workforce Australia Employment Services, 2 November 2022, Page 10

10 Seize the Moment, Business Council of Australia, August 2023, Page 163

Why we need action



Australia is ranked 15th in the world for foreign direct investment, just above Brazil at 17th.[11]

Australia is ranked 19th in the 2023 IMD World Competitiveness Centre Ranking.

What Victorian Business is saying:

Victoria is the most expensive state in which to do business in Australia.[12]

Eighty per cent of Victorian businesses say that coverage and cost of business insurance is a concern.[13]

More than 80 per cent of businesses say that the culture of government regulators is a barrier to doing business.[14]

Eighty-three per cent of Victorian businesses say that accessing skills and labour is a challenge particularly in entry-level and vocational positions.[15]

Uncertainty or instability in government policy direction is a top risk for 45 per cent of survey respondents.[16]

COVID debt levy is impacting investment in Victoria.

Victoria's debt is substantive.

11 Foreign Investment Statistics, Department of Foreign Affairs and Trade (2022). Statistics on who invests in Australia | Australian Government Department of Foreign Affairs and Trade (dfat.gov.au)

12 Victorian Chamber. (2022). *Cost and ease of doing business in Victoria*. https://www.victorianchamber.com.au/policy-and-advocacy/taskforces/cost-and-ease-of-doing-business-in-victoria-taskforce

13 Victorian Chamber. (2022). *Business voice survey – November 2022*

14 OpCit Page 3

15 Ibid Page 3

16 Ibid Page 3

A Framework for Change

The Productivity Commission made a series of recommendations across five key themes, which if implemented will turbocharge productivity growth.

The five key focus areas are:

- building an adaptable workforce
- harnessing data, digital, technology and diffusion
- creating a more dynamic and competitive economy
- efficiently delivering Government services
- securing net zero emissions at least cost[17]

Borrowing from this framework and adapting to the needs of business in Victoria, the Victorian Chamber is advocating for shifts across seven key policy pillars which need to be taken by the Federal Government now to create a more resilient and diversified economy, attract investment and increase productivity.

Our nation is at a crossroads. We must shift gears and pave the way for future productivity through large-scale opportunities in education, skills, jobs, innovation and new technologies that are fundamental to our future economic success.



17 "Productivity Inquiry sets out priorities to advance prosperity", Productivity Commission, Media Release, website: Advancing Prosperity - 5-year Productivity Inquiry report - Productivity Commission (pc.gov.au)



Seven Key Policy Shifts

The Victorian Chamber believes the following **transformational actions** will set the nation on the course for the next 30 years of economic prosperity:

Pillar 1	Ensure affordable and reliable energy
Pillar 2	Develop global industries and invest in digital tech and cyber security
Pillar 3	Unleash business growth through a competitive tax system
Pillar 4	Invest in nationally coordinated enabling infrastructure
Pillar 5	Create a competitive and smart regulatory environment
Pillar 6	Unlock the competitive advantage of our regions
Pillar 7	Elevate the role of business in education and create a world class education and training system

The policy priorities outlined in this submission are a shared responsibility that should involve business, working with the Federal and State Governments.

The Victorian Chamber stands ready to be a positive and helpful partner to deliver on these priorities.

Summary of Recommendations

Pillar 1: Ensure affordable and reliable energy

01	Ensure alignment of the Future Gas Strategy between all states and territories and include a comprehensive renewable energy transition roadmap that gives certainty to business for investment and reliability and affordability of supply in line with our national economic interests and sustainability goals.
02	Set hydrogen production targets and incentives to kick start the commercialisation of low carbon hydrogen and the decarbonisation of supply chains.
03	Make programs such as Energy Efficiency Grants for Small and Medium Enterprises and the forthcoming Small Business Energy Incentive, recurrent.

Pillar 2: Develop global industries and invest in digital tech and cyber security

04	Fund development of an Industry policy which includes agreed actions to be undertaken by the States' sectors that are critical to our competitive advantage such as agriculture, advanced manufacturing, artificial intelligence, quantum computing and critical minerals.
05	Match the $23.2 million allocated in the 2023-24 Victorian Budget for resources initiatives to support projects in the critical minerals industry.
06	Allocate funding for programs such as the Technology Investment Boost and Skills Training Boost to help small businesses improve their digital capability and upskill their workforce.
07	Provide funding to the Victorian Chamber of Commerce and Industry to run the Small and Medium Business (SMB) Cyber Program so that small, medium and family businesses can access affordable cyber security products and services.



Summary of Recommendations

Pillar 3: Unleash business growth through a competitive tax system

08	Undertake a comprehensive review of the taxation system including consideration of pressures on state budgets due to service systems and debt positions; reducing reliance on personal tax and company tax; and harmonisation and reform of state taxation to better drive economic growth and business investment. Aligned to this, the Victorian Chamber supports performance-based bonus funding directed to Victoria on the proviso that the Victorian Government removes recent taxes and reformed regulations applied to business such as the mental health levy and COVID levy.
09	Revisit the parameters of instant asset write-offs and associated depreciation schedules. Extend instant asset write-off to a higher threshold value for eligible depreciable assets to $30,000. Larger investments should also be eligible for instant asset write-off to the first $30,000 with normal depreciation schedules applying for the remainder, over subsequent years. Introduce a broad-based investment allowance for larger scale capital investments (i.e., plant, equipment, machinery) of more than $100,000.

Pillar 4: Invest in nationally coordinated enabling infrastructure

10	Investment in enabling infrastructure to build our cities and regions must continue. This can be achieved through revitalising and expanding City Deals and Regional Deals, bringing together the Federal and State Government to stimulate and better coordinate investment in our cities and regions. This should include tasking Infrastructure Australia or related body with further refining national priority assessment prior to inclusion on the Infrastructure Priority List.
11	Urge Victoria to develop an integrated transport plan for the next two decades to provide market certainty. Clearly lay out strategic priorities for forward investment over the next ten years in Victoria on road and rail projects relating to freight routes and terminals, Melbourne Airport Rail Link, connections to Avalon Airport, the Geelong Rail line upgrade, upgrades to rail lines to Ballarat, Bendigo, Traralgon and Shepparton, the Suburban Rail Loop, and associated commercial and residential development opportunities. This is essential so that business investment can proceed with a level of assurance about the future of these projects.

Pillar 5: Create a competitive and smart regulatory environment

12	Ensure business bodies such as the Victorian Chamber of Commerce receive funding to provide resource materials, including education to assist small business to meet new reporting requirements as per changes to legislation such as Privacy Act 1988, the Fair Work Legislation Amendment (Closing Loopholes) Act 2023, Respect@Work changes, new gender pay gap reporting and phasing in of the climate-related financial disclosures framework.
13	Unleash the capacity of business to innovate and invest by replicating a national competition policy approach to the removal of regulatory barriers on business.

Summary of Recommendations

Pillar 6: Unlock the competitive advantage of our regions

14	Set aside funds for the development of a national regional policy that includes a focus on Victoria given the competitive advantage in a range of sectors. The policy should identify regional locations with the greatest potential to contribute to the nation's economy and targets investment accordingly, including on infrastructure, coordination and support to those regions.
15	Establish a regional university precincts infrastructure fund that embeds large and small businesses on regional campuses to deliver skills, scale up and adopt new technologies.

Pillar 7: Elevate the role of business in education and create a world class education and training system

16	Drive business engagement with our education and training system. This could be included in the remit of the Tertiary Education Commission and enables business to provide expert advice to Federal Government on the policy settings to embed best practice, including industry-led training to meet future workforce needs.
17	Extend the Australian Apprenticeships Incentives System, including providing 30 per cent in wage subsidies across the first two years. Enhance commencement and completion employer incentives under this program including for part-time apprentices and ensure incentives are available at completion.
18	Develop early, strategic partnerships and associated funding arrangements with the Victorian Chamber of Commerce and Industry and large employers to allow matching candidates to jobs at scale, bridging the gap between supply and demand and providing access to job-ready employees.
19	Reintroduce and expand small business programs such as the Employment Parity Initiative to address employment of under-represented cohorts. The Victorian Chamber of Commerce and Industry is a critical partner to the Federal Government to help drive success of this important initiative, arrangements for which can be underpinned by an MoU with the Government.
20	Drive business engagement with our education and training system. This could be included in the remit of the Tertiary Education Commission and enables business to provide expert advice to Federal Government on the policy settings to embed best practice, including industry-led training to meet future workforce needs.

Pillar 1: Ensure affordable and reliable energy on the road to net zero



Our energy sector does not operate in an economic vacuum. It is integrated into the broader economy. Key challenges for the energy sector include balancing the need to reduce emissions while also providing secure, affordable and reliable energy to power business, industry and households.

Pillar 1: Ensure affordable and reliable energy on the road to net zero

A smooth energy transition will boost productivity and turbocharge our journey to a net zero economy. If we get it right it could also mean a cumulative increase of $890 billion in GDP and more than 195,000 new jobs by 2070.[18]

The Federal Government should be in the driver's seat ensuring that, as we move ahead with the ambitious plan to decarbonise in unison, we are well positioned to capitalise on the opportunities that will be unleashed. Where directions and ambitions differ, the Federal Government should intervene to provide certainty to business and investors.

The Victorian Chamber welcomes current work by the Federal Government on its Future Gas Strategy. The Federal Government has a key role here to provide a stable and commercially dependable policy environment to signal to investors and trading partners what the role of gas is in the context of a successful transition.

The Victorian Chamber's publication *Achieving a Net Zero Economy: Roadmap for Victorian Businesses*[19] noted the urgent need for energy security and certainty for Victorian businesses. Victoria urgently needs clarity over how it will transition to renewables without increasing costs for users or interrupting energy supply.

While the economics of all-electric new homes appear favourable, there can be barriers to fully electrifying existing buildings. For some sectors in the economy, they will continue to depend on natural gas until substitute technologies are deployed. However, a recent announcement by the Victorian Essential Services Commission suggests Victorian businesses should be slugged $31,000 to connect to the gas network from 2025.[20]

Decisions for the energy transition need to be made considering the commercial realities. Continued investment in the gas sector will be a critical enabler to move towards a net zero emissions future while new technology emerges. Unprecedented levels of investment and adjustment are required to support the necessary renewable generation to achieve our net zero goals.

It is essential that the Federal Government's Gas Strategy addresses these considerations along with a strategy and long-term plan for gas production, consumption and substitution that marries with our competitive advantage and economic interests as well as our climate objectives. We encourage Government to be open-minded to the utility of multiple energy sources. All types of renewable energies are required in the transition to net zero – wind, solar, biomethane and hydrogen.

Federal and State Governments support the concept of Australia becoming a renewable energy superpower with hydrogen being the likely source. Achieving this requires the costs associated with wind and solar to drop by two thirds in this decade according to the Australian Renewable Energy Agency. Further, failure to achieve this will cause the price of electricity to surge and become too expensive.[21]

Currently, there is little demand for hydrogen as a renewable energy source, making it expensive to produce. And yet it is the future of long-haul freight, chemical production, low-emissions metals, high-temperature process heating, and marine and aviation transport. The Government needs to step in and set hydrogen production targets and incentives to kick start the commercialisation of low carbon hydrogen and the decarbonisation of supply chains.

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18 *'All Systems Go, Transforming Australia's Economy to Grow'*, Page 1, Deloitte Access Economics 2022.

19 Victorian Chamber (2023). *Achieving a Net-Zero Economy: Roadmap for Victorian Businesses.* https://www.victorianchamber.com.au/policy-and-advocacy/initiatives/netzero

20 Plan to charge $31k for gas connections in Victoria, Australian Financial review, Dec 28, 2023, Media article. Website: Victoria gas: Plan to charge up to $31k for connections (afr.com)

21 "Australian, a hydrogen superpower? Only if solar costs plummet. Australian Financial Review. Website: https://www.afr.com/companies/energy/australia-a-hydrogen-superpower-only-if-solar-costs-plummet-20240125-p5ezvr

Pillar 1: Ensure affordable and reliable energy on the road to net zero

Victoria has recently confronted some major setbacks in the development of offshore wind. Such setbacks are common due to the environmental, social license and planning requirements, which all need approval for projects to proceed.

The Victorian Chamber notes the imminent report by Australian Photovoltaics Institute regarding the opportunity for supply chains and manufacturing of solar panels in Australia. Once released, the Federal Government should action opportunities for manufacturing of solar panels to occur in Australia to minimise sovereign risk.

In the race to net zero, the production of renewable electricity options should be at the forefront of policy decision-making. To achieve this, collaboration and cohesion is needed among all stakeholders and tiers of government involved.

Relatedly, Victorian businesses in particular are acutely aware of the Victorian Government's ambitious net zero targets. The likely legislative requirements to upgrade inefficient technologies, appliances and buildings to meet energy efficiency targets will require standing up grant programs to assist business with the significant costs of complying to legislation.

The Victorian Chamber commends the Federal Government's program of Energy Efficiency Grants for Small and Medium Enterprises, which provided grants of between $10,000 to $25,000 to SMEs to upgrade to more efficient energy. This popular program needs to be funded on a recurrent basis, particularly to support Victorian businesses.

For businesses with a larger turnover of up to $50 million, the Federal Government has legislation pending to introduce a Small Business Energy Incentive. This program will also need to become recurrent.

Recommendations:

01	Ensure alignment of the Future Gas Strategy between all states and territories and include a comprehensive renewable energy transition roadmap that gives certainty to business for investment and reliability and affordability of supply in line with our national economic interests and sustainability goals.
02	Set hydrogen production targets and incentives to kick start the commercialisation of low carbon hydrogen and the decarbonisation of supply chains.
03	Make programs such as Energy Efficiency Grants for Small and Medium Enterprises and the forthcoming Small Business Energy Incentive, recurrent.



Pillar 2: Developing global industries and investing in digital tech and cyber security



Our resources and agricultural sectors along with service exports are critical to our competitive advantage, as is our ability to capture new markets in advanced manufacturing, artificial intelligence, quantum computing and critical minerals.

Pillar 2: Developing global industries and investing in digital tech and cyber security

The nation's future prosperity rests in our ability to build on our natural advantages, create new sectors and evolve the way we do business in line with emerging digital and cyber security technologies. The Victorian Chamber is hopeful that the Federal Budget will deliver further support to facilitate new critical minerals and mining projects in Victoria.

Our resources and agricultural sectors along with service exports are critical to our competitive advantage, as is our ability to capture new markets in advanced manufacturing, artificial intelligence, quantum computing and critical minerals.

Victoria is emerging as a major supplier of mineral sands and rare earths.

These industries offer global competitive advantage and the resultant opportunity to create renewable energy supply chains. Mineral sands and rare earths contributed more than $500 million into the Victorian economy in 2020-21 and are a major supporter of regional development and high-wage regional jobs.[22]

The 2023-24 Victorian Budget allocated $23.2 million in resources initiatives, largely aimed at supporting projects in the critical minerals industry.[23] This effort should be matched by the Federal Government.

Australia has been hampered by a poor track record of commercialisation or scaling up our inventions into global markets and a lack of sovereign capability in many key areas. This has resulted in insufficient private sector investment.

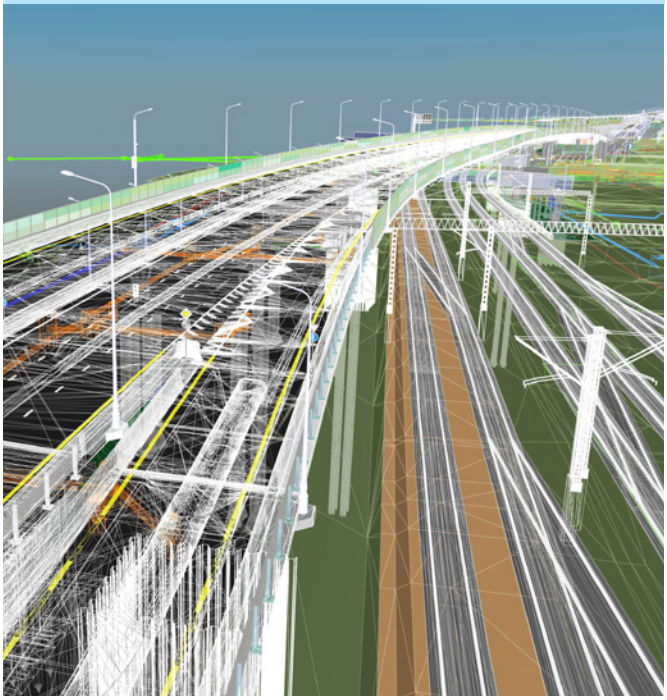
Federal and State Governments have a vital role to play as facilitators for that investment and innovation.

The Victorian Chamber believes regional Australia should be specifically targeted through our higher education system, given the regional development opportunities that sit alongside the critical minerals industry. The skilling and reskilling of local workers will be essential to the future local industries and communities.

Relatedly, there is a demonstrable need for coordination between the Federal and State Governments on industry policy. This is particularly important in sectors that are critical to our competitive advantage such as agriculture, advanced manufacturing, artificial intelligence, quantum computing and critical minerals.

Digital innovation lifts productivity and living standards, and contributes to a stronger, fairer Australia.

If Australia is to remain competitive – both globally and within our region – governments, businesses and the community must not just embrace, but drive digitisation. Government needs a coherent digital strategy, with metrics to gauge success. It needs to set out its plans across a range of areas, including government structure, skills, adoption, regulation, and digital infrastructure.



22 Pre Budget-Submission 2023, Minerals Council of Australia Victoria Division, page3

23 Minerals Council of Australia Victoria Division, Media Release, 23 May 2023.
Website: Support for Victorian mining development welcome, but tax rises a concern - Minerals Council of Australia

Pillar 2: Developing global industries and investing in digital tech and cyber security

In order to become a vibrant and dynamic economy, we need to do more to support business to quickly adopt new practices and technologies. As a matter of urgency, the Federal Government should include an allocation in the Budget for programs such as the Technology Investment Boost and Skills Training Boost to help small businesses improve their digital capability and upskill their workforce.

Boosting business cyber security needs to be understood in the context of the increasing costs associated with doing business. Small business is the target of almost half of all cyber-attacks, at an average cost of $46,000 for each affected business.[24] They require affordable cyber security products and services to fend off cyber criminals.



Small business is looking for Federal Government leadership to support their implementation of cyber security measures that protect their business, employees and customers. According to a recent Victorian Chamber survey, 73 per cent of businesses would improve their data security if they received government support.[25]

Uplifting small business cyber security across supply chains must be at the forefront of the Government's agenda when implementing Australia's 2023-2030 Cyber Security Strategy. Federal funding to deliver cyber awareness training and a cyber concierge service to small, medium and family businesses would help strengthen business cyber capabilities across the board.

Recommendations:

04	Fund development of an Industry policy which includes agreed actions to be undertaken by the States' sectors that are critical to our competitive advantage such as agriculture, advanced manufacturing, artificial intelligence, quantum computing and critical minerals.
05	Match the $23.2 million allocated in the 2023-24 Victorian Budget for resources initiatives to support projects in the critical minerals industry.
06	Allocate funding for programs such as the Technology Investment Boost and Skills Training Boost to help small businesses improve their digital capability and upskill their workforce.
07	Provide funding to the Victorian Chamber of Commerce and Industry to run the Small and Medium Business (SMB) Cyber Program so that small, medium and family businesses can access affordable cyber security products and services.

24 ASD (2023). *ASD Cyber Threat Report 2022-2023*. https://www.cyber.gov.au/about-us/reports-and-statistics/asd-cyber-threat-report-july-2022-june-2023

25 Victorian Chamber (2023). *Cyber Security and Scams Policy Position*. https://www.victorianchamber.com.au/policy-and-advocacy/initiatives/cyber-security-and-scams-policy-position

Pillar 3: Unleash business growth through a competitive tax system

We must be ambitious and change course to set the country and business on a path to prosperity.



Pillar 3: Unleash business growth through a competitive tax system

The Victorian Chamber commends the Federal Government for the $40 billion improvement to the Budget bottom line over the next four years, announced as part of the MYEFO. However, this improvement is substantively a result of commodity prices and built on the back of a tax revenue surge of more than $65 billion since the May Budget and a $7.4 billion delay in infrastructure spending.

Reliance on taxation revenue, due to significant personal income tax, company tax and a strong labour market, is not a sustainable strategy going forward. Our taxation system is uncompetitive and a drag on our attractiveness as a place for business investment and capital. State taxes are inefficient and dampen business growth and investment.

The recent IMD World Competitiveness Ranking 2023 report underscores the point. It found Australia languishing in 56th place for high levels of company tax; 57th place for levels of personal income tax and 58th place for economic complexity.[26]

Relatedly, the 2023 Intergenerational Report highlighted a declining tax base. There is an urgent need to address the declining tax base (i.e. fewer workers will be able to service the debt levels associated with the increasing government expenditure). Inaction will have disastrous consequences.

In the meantime, Australia is suffering from a 20-year slumber on taxation reform. The most recent decision by the Federal Government on Stage 3 tax cuts sets the agenda back further.

In its place is a piecemeal tinkering approach that is a drag on our productivity and living standards.

Recently, the Treasurer warned that

"Australians will be 40 per cent poorer by 2063 if the Federal Government is unable to turnaround lacklustre rates of productivity growth.... if Australia's productivity trajectory remains on its current course, working weeks will be 5 per cent longer and incomes will be 40 per cent lower in 2063 than would have been the case if productivity increased at its long-run average." [27]

A comprehensive review of the taxation system is needed to address the challenges Australia faces now and into the future.

Our taxation system is no longer fit for purpose and sits within an economy that is marked by stagnation, productivity decline, and flagging per capita GDP gains. The Productivity Commission and the Intergenerational Reports noted that the taxation system is locking in generational unfairness, undermining economic growth and stifling investment and innovation.

As highlighted recently by former Treasury boss Dr Ken Henry, the federal-state tax system "fails every test including for economic growth and fairness to younger people. Rather than continuing to heavily tax workers, particularly younger people through stealth income tax bracket creep, federal and state governments needed to follow the big bang tax reform successes of the Hawke-Keating and Howard governments."[28]

There is demonstrable need for a fiscal strategy that incorporates comprehensive reform of the tax system.

26 IMD World Competitiveness Yearbook 2023, Australia Results Website: wcy2023_australia-country-profile.pdf (windows.net)

27 "Chalmers' warning: We'll be 40pc poorer if we don't lift productivity", AFR , 15 March 2023, website: Productivity warning: Jim Chalmers says we will be 40pc poorer if we don't lift productivity (afr.com)

28 "Tax system 'fails every test' says Ken Henry, Australian Financial Review, 16 March 2023, website: Ken Henry says the tax system fails every test and the good derived from switching to GST switch has been "completely undone" (afr.com)

Pillar 3: Unleash business growth through a competitive tax system

While the taxation issue is a major factor for business, we also recognise that an overarching fiscal strategy is critical to prevent future shocks to the Australian economy.

Discretionary changes in government policy at the national level are estimated to cost the Federal Government some $61 billion in increased spending, while changes to taxation will lift revenue by an estimated $27 billion.[29]

The NDIS is the fastest-growing Federal payment – forecast to grow 10.1 per cent on average per year for the next decade.[30] Large service systems such as health, aged care and NDIS are driving significant government expenditure and will hamper the Government's ability to return the Budget to a sustainable position.

A large focus of the fiscal strategy will need to be on how these service systems can be delivered in a more effective way. This could include consideration of a cap on tax as a share of GDP, thereby limiting spending growth while focusing on functional efficiency reviews and reform in these large service systems. Consideration should also be given to a review of whether responsibility for some of these large service systems should sit solely with the Federal Government. The Productivity Commission could be tasked with such a review.

In the 2024 State Budget Submission, the Victorian Chamber advocated for no new or increased taxes and levies to be applied to Victorian businesses in order to prevent business conditions deteriorating further.

Taxation reform in Australia is now urgent and must include the state governments.

Dr Ken Henry has proposed a series of potential changes to the tax system including:

- Less reliance on personal income tax and flatter tax scales;
- Cutting the company tax rate;
- Reforming taxation on superannuation, fringe benefits and scholarships; and
- Replacing a string of business taxes such as insurance, payroll and land tax.

Tax reform must also address the pressures on state budgets associated with their service systems and debt positions and include harmonisation and reform of state taxation to better drive economic growth and business investment. These issues are particularly pronounced in Victoria, where business is taxed at the highest levels in the nation.

The Victorian Chamber remains deeply concerned at the impact the budgetary position of the Victorian Government and the related impacts these shortfalls are having on business – with a variety of business levies being applied by the Victorian Government.

Consideration must be given to these matters in the forthcoming Federal Budget.

The Victorian Chamber advocates

that performance-based bonus funding should be directed to Victoria on the proviso that the Victorian Government removes recent taxes and reformed regulations applied to business such as the mental health levy and COVID levy.

29 Australian Financial Review, Albanese tells voters: budget surplus trumps relief, 14 November 2023, website: Anthony Albanese tells voters: budget surplus trumps cost-of-living relief (afr.com)

30 Mid-Year economic and Fiscal Outlook, Part 3 Fiscal strategy and Outlook, page 60, Department of Treasury, December 2023.

Pillar 3: Unleash business growth through a competitive tax system

The precedent for this approach comes from the current Federal Government who announced the New Homes Bonus scheme,[31] a $3 billion performance-based bonus for states and territories that accelerated land release and overhauled planning approvals to fast track the construction of housing.

Also, the Business Council of Australia recommended that the Federal Government should give performance payments to states that overhaul their regulatory and tax policies.

When surveyed in 2023, 92 per cent of Victorian businesses support a comprehensive review of state taxes to identify ways of making Victoria a more competitive place to operate a business.

This is an increase of nine per cent from the previous year. Further, 83 per cent of Victorian businesses think a nation-wide tax review is required to ensure Australian tax is fair and stimulates growth and investment.[32]

We need to spur business investment and capital reinvestment in business, which are at historic lows. Revisiting the parameters of instant asset write-offs and associated depreciation schedules should be included in the Federal Budget. The newly introduced instant asset write-off aimed at small business should be extended to a higher threshold value for eligible depreciable assets from $20,000 to $30,000. Larger investments should also be eligible for the instant asset write-off for the first $30,000 with normal depreciation schedules applying for the remainder, over subsequent years.

The Victorian Chamber also supports the introduction of a broad-based investment allowance for larger scale capital investments (i.e., plant, equipment, machinery) of more than $100,000.

Recommendations:

08	Undertake a comprehensive review of the taxation system including consideration of pressures on state budgets due to service systems and debt positions; reducing reliance on personal tax and company tax; and harmonisation and reform of state taxation to better drive economic growth and business investment. Aligned to this, the Victorian Chamber supports performance-based bonus funding directed to Victoria on the proviso that the Victorian Government removes recent taxes and reformed regulations applied to business such as the mental health levy and COVID levy.
09	Revisit the parameters of instant asset write-offs and associated depreciation schedules. Extend instant asset write-off to a higher threshold value for eligible depreciable assets to $30,000. Larger investments should also be eligible for instant asset write-off to the first $30,000 with normal depreciation schedules applying for the remainder, over subsequent years. Introduce a broad-based investment allowance for larger scale capital investments (i.e., plant, equipment, machinery) of more than $100,000.

31 Prime Minister of Australia (2023). *Helping more Australians buy a home.* https://www.pm.gov.au/media/helping-more-australians-buy-home

32 Victorian Chamber. (2022). *Business Voice survey – November 2022.*

Pillar 4: Invest in nationally coordinated enabling infrastructure



The scale of Australia's infrastructure pipeline is unprecedented. This should be our new normal but only for projects that are assessed as providing the greatest productivity and social impact uplift and have a well-developed business case.

Pillar 4: Invest in nationally coordinated enabling infrastructure



Business growth depends on reliable planning, infrastructure, and investment.

In our cities and regions, enabling infrastructure to facilitate further investment in housing and efficient movement of people, goods and services is critical. This also requires good-quality roads and rail lines and public transport services, schools, hospital, utilities, and green spaces. Federal investment in infrastructure must continue but through a more coordinated approach to this expenditure.

While we welcome the recent Independent Strategic Review of the Infrastructure Investment Program, it serves as a case in point for the need for clear parameters for assessing infrastructure projects based on national priority settings.

Infrastructure Australia's role needs to be elevated so all projects are assessed against a long-term national priority assessment prior to inclusion on the Infrastructure Priority List. While this assessment needs to be independent, it is important that state transport priorities are considered.

The Federal and Victorian Governments need to coalesce around the delivery of strategic freight priorities given the competitive advantages of our ports.

Australia needs an investment plan that outlines a shared vision for a national freight system, which must include industry and should incorporate rail freight connectivity to intermodals or ports and good-quality road networks that can support the movement of trucks.

Similarly, the Federal and State Governments should focus on delivery of road upgrades that target and remove bottlenecks between key precincts and their markets. This would improve the reliability and performance of the rail freight network to make the best use of the Inland Rail project.

Pillar 4: Invest in nationally coordinated enabling infrastructure

Relatedly, the Victorian Chamber reiterates calls for Federal Government investment to create a rail connection to Melbourne Airport and connections between Avalon Airport and the Geelong line. The airports and the Port of Melbourne operate within significant industrial freight precincts, and it is essential that they be protected from the encroaching urban sprawl.

It is well accepted that, as a nation, we are not delivering the necessary housing supply to meet the demands of our current and future population. Business has a deep and abiding interest in the housing market both through the provision of supply and to ensure availability of well-located services and affordable housing for workers.

The decade-long infrastructure boom, especially in public transport projects in capital and major cities, must not be squandered. These developments will provide the impetus for new housing and employment.

The Victorian Chamber supports the Government's taxation changes to make build-to-rent housing more attractive for investment and supports further changes to catalyse the investment needed to deliver the Government's ambitious target of 1.2 million dwellings over the next five years.

Fixing the nation's planning system is a critical success factor. If we are to achieve the housing target set by the Federal Government, then restrictive zoning that prevents more housing supply in areas that are in demand and in proximity to jobs and services must be removed. Relatedly, there must be a fast-track approach to development applications to allow for investment decisions to proceed with a level of certainty and efficiency.

As the Federal Government proceeds to undertake this work, it should also draw on the expertise from the superannuation industry to encourage more private capital in our nation's priority infrastructure projects, including in build-to-rent and address disincentives to that investment.

Recommendations:

10	Investment in enabling infrastructure to build our cities and regions must continue. This can be achieved through revitalising and expanding City Deals and Regional Deals, bringing together the Federal and State government to stimulate and better coordinate investment in our cities and regions. This should include tasking Infrastructure Australia or related body with further refining national priority assessment prior to inclusion on the Infrastructure Priority List.
11	Urge the State to develop an integrated transport plan for the next two decades to provide market certainty. Clearly lay out strategic priorities for forward investment over the next ten years in Victoria on road and rail projects relating to freight routes and terminals, Melbourne Airport Rail Link, connections to Avalon Airport, the Geelong Rail line upgrade, upgrades to rail lines to Ballarat, Bendigo, Traralgon and Shepparton, the Suburban Rail Loop, and associated commercial and residential development opportunities. This is essential so that business investment can proceed with a level of assurance about the future of these projects.

Pillar 5: A competitive and smart regulatory environment

Business-friendly regulation is key to the attraction and retention of companies. Our nation competes with the rest of the world as global capital moves freely today, based on the cost and ease of doing business.



Pillar 5: A competitive and smart regulatory environment

A smart and competitive regulatory environment characterised by minimal red tape and compliance regulations are key levers that drive improved productivity and encourage investment. The recent IMD World Competitiveness Ranking 2023 report underscores the point. It found Australia languishing in 19th place for competitiveness of countries around the globe. We have fallen from fourth place in 2004.

A landmark report by the Victorian Chamber, *Cost and ease of doing business in Victoria*, found that 55 per cent of businesses reported it is more difficult to do business in Victoria compared to other states due to higher compliance costs of doing business.[33]

The Business Council of Australia estimated that there were 120,000 clauses regulating behaviour and changing incentives in federal legislative instruments in 2022.[34] This a significant issue for business and is further complicated by duplication and inconsistency across Australia.

As noted by the Business Council of Australia, *"frequent changes to laws and regulations, and a poor understanding from policymakers and regulators of the complexity, time and cost of implementing these changes, is adding to the pressure."* [35]

For example, changes to the Privacy Act 1988, the Fair Work Legislation Amendment (Closing Loopholes) Act 2023, positive duty reforms through Respect@Work legislation, changes to gender pay gap reporting, and phasing in of climate-related reporting requirements that will indirectly impact small business should be accompanied by funding to business bodies, such as Chambers of Commerce, to run education programs and develop resources to assist business to meet the new requirements.

The Victorian Chamber notes the recent announcement of new draft Federal Supplier Code of Conduct (Code). The intent of the Code is supported. However, it is equally important that the Code does not create yet another barrier to small business winning government contracts. These are currently heavily weighted against small business. The Victorian Chamber welcomes the inquiry into this matter by the Australian Small Business and Family Enterprise Ombudsman.

It is imperative that business, and particularly small business, is not further burdened by increasing compliance measures associated with changes to legislation. The Victorian Chamber supports calls for a review of the regulatory burden on business through National Cabinet.



33 Victorian Chamber (2022). *Cost and ease of doing business in Victoria*, 2022. https://www.victorianchamber.com.au/policy-and-advocacy/taskforces/cost-and-ease-of-doing-business-in-victoria-taskforce, Page 3

34 Regulation Rumble 2023 – A Guide to National Best Practice, Business Council of Australia, Media Release. October 2023. Website: Regulation Rumble 2023 - A guide to national best practice - Business Council of Australia (bca.com.au)

35 Regulation Rumble 2023 – A Guide to National Best Practice, Business Council of Australia, Media Release. October 2023. Website: Regulation Rumble 2023 - A guide to national best practice - Business Council of Australia (bca.com.au)

Pillar 5: A competitive and smart regulatory environment



When similar competition reform was undertaken through the work on National Competition Policy, it was done on a cross-jurisdictional basis. The wide-ranging reform agenda achieved substantial changes across state and local government and changes to regulations in a variety of industries and sectors. The decade-long reform process covered 1,800 pieces of legislation and created a productivity uplift of $60 billion in today's dollars.

Small business has a critical role to play as a partner to Government to achieve major policy commitments, including increasing the workforce participation of women, people with disabilities, and creating Indigenous employment and business opportunities, all of which are embedded in government procurement contracts.

Recommendations:

12	Ensure business bodies such as the Victorian Chamber of Commerce receive funding to provide resource materials, including education to assist small business to meet new reporting requirements as per changes to legislation such as Privacy Act 1988, the Fair Work Legislation Amendment (Closing Loopholes) Act 2023, Respect@Work changes, new gender pay gap reporting and phasing in of the climate-related financial disclosures framework.
13	Unleash the capacity of business to innovate and invest by replicating a national competition policy approach to the removal of regulatory barriers on business.

Pillar 6: Unlock the competitive advantage of our regions



Australia needs a more sophisticated approach to policy making for our regions. Investment needs to flow to strategically important locations. This should include supporting nationally significant industries through strategic co-investment with the private sector.

Pillar 6: Unlock the competitive advantage of our regions

Demand for workers in Regional Australia is at record levels. Filling the top four categories of skill vacancy in regions could create an economic uplift of more than $1 billion, according to the 2023 Regional Australia Institute report.

Australia's regions contribute 15 per cent to the nation's GDP and account for the majority of our merchandise exports.[36] Our regions play to our existing strengths in mining, resources, and agriculture. They will also play a critical role in advanced manufacturing, value-added food production and the development of new clean energy industries and technology.

Regional Development Victoria estimates that regional Victoria contributes some 20 per cent to the state's overall economy, produces one third of Victoria's exports and supports more than 200,000 jobs.[37]

The Federal Budget should set aside funds for the development of a national regional policy. A Federal Government regional policy must solve for key challenges confronting regions such as population and growth, development of housing and other infrastructure, working with state and local government to create uniform planning systems in areas of growth, planning for services such as education and child care, and forward planning for areas of greatest jobs growth such as clean energy.

A clear focus of a national regional policy must be on identifying regional locations with the greatest potential to contribute to the nation's economy and targets investment, accordingly, including on infrastructure, coordination, and support to those regions.

The Victorian Chamber supports regional development precincts as has been called for by National Farmers Federation, the Regional Australia Institute and the Business Council of Australia as a mechanism to drive collaboration and joint investment and place-based development.

Clear assessment criteria for the selection of regional development precincts have been proposed by National Farmers Federation, Regional Australia Institute and Business Council of Australia and include:

- Gateway infrastructure and major power grids;
- Home to one or two successful industries that has the capacity to attract further investment;
- University or TAFE provider located within the region;
- Access to critical social infrastructure such as hospital and health care; and
- Capacity to increase housing supply.

For places of growth, the Federal Government should establish a regional university precincts infrastructure fund that embeds large and small businesses on regional campuses to deliver skills, scale up and adopt new technologies. This will help spur the creation of regional skills hubs that provide innovative reskilling and training tailored to the needs of local people and employers.

Recommendations:

14	Set aside funds for the development of a national regional policy that includes a focus on Victoria given the competitive advantage in a range of sectors. The policy should identify regional locations with the greatest potential to contribute to the nation's economy and targets investment, accordingly, including on infrastructure, coordination and support to those regions.
15	Establish a regional university precincts infrastructure fund that embeds large and small businesses on regional campuses to deliver skills, scale up and adopt new technologies.

36 Regions at the Ready, House of Representatives Select Committee on Regional Development and Decentralisation, Chape

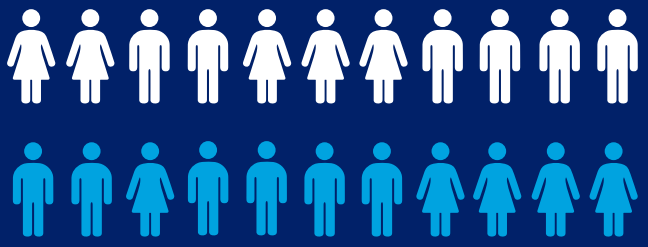
37 Victoria's Infrastructure Strategy 2021-2051"; Website: 4.1 Enhance regional market access and economic growth - Infrastructure Victoria

Pillar 6: Unlock the competitive advantage of our regions

* Regional Development Victoria estimates that Regional Victoria contributes some 20 per cent to the state's overall economy, produces one third of Victoria's exports and supports more than 200,000 jobs.



200,000+
WORKERS



* *Source: Victoria's Infrastructure Strategy 2021-2051*

Pillar 7: Elevate the role of business in education to create a worldclass education, training, and employment system



Our future competitive advantage and prosperity rests on our ability to reverse the decline in Australian education outcomes and create a world class education, training, and employment system.

Pillar 7: Elevate the role of business in education to create a worldclass education, training, and employment system

Ensuring Australians have the competencies and skills needed for the jobs of today – and the jobs of the future –is the responsibility of the education and training system.

Rather than having world-class education and training, which Australians rightly expect, the system is currently failing. Despite the billions that are spent every year in education, Australian students in primary and secondary school continue to fall behind their counterparts overseas.

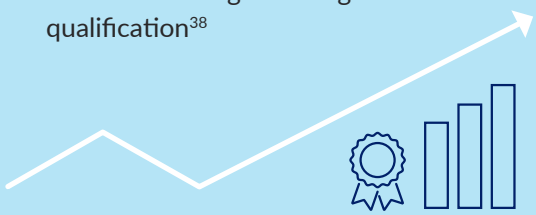
The most recent Programme for International Student Assessment (PISA) scores released in December 2023 showed deeply concerning national education outcomes, especially for Victoria with results for literacy and numeracy the worst on record.

Where we sit currently:

- Almost half of Victorian students are not meeting the standards in maths
- Forty-one per cent are not meeting the standards in science and reading

Where we need to be heading:

- Over the next 10 years, more than nine out of 10 new jobs will require post-secondary qualifications
- Around 44 per cent of jobs will require a vocational education and training (VET) qualification
- Forty-eight per cent will require a Bachelor's Degree or higher qualification[38]



A new approach is needed to ensure that the system is built for the future. This is a matter of national importance.

We need to move to a more coherent approach towards lifelong learning nationally, as has been recommended in the report by Dr Peter Shergold AC *Looking to the Future: Report of the review of senior secondary pathways into work, further education and training*. We also need a more integrated approach to higher education that better connects the VET and university sector.

Business is a key stakeholder.

The Australian Universities Accord recommended the establishment of a Tertiary Education Commission (TEC) that would be responsible for developing a new tertiary education funding model. The Victorian Chamber recommends that TEC's role be expanded to include the VET sector and representatives from the business community.

As noted in the Shergold report, Australia should be embedding modernised career advice in our schools, promoting different types of qualifications equally, and ensuring student awareness of multiple career and educational pathways.

The perception of VET careers and pathways needs to be lifted to correspond with its importance in delivering critical skills and workers Australia relies on. It is highly valued by Victorian Chamber members because of the role in developing skills in industry and providing a critical pipeline for workers into jobs.

The Federal Government's Employment White Paper found that today 51 per cent of jobs require a VET qualification versus the 35 per cent that require a Bachelor's Degree or higher. The paper notes "the future labour market will demand ongoing rebalancing of the types of skills delivered across the tertiary sector."[39]

Investment in apprenticeships, traineeships and work-integrated learning is essential. To meet skills needs, commencements and completions in VET pathways must be strategically enabled and incentivised.

38 Working Future: The Australian Government's White Paper on Jobs and Opportunities Final Report September 2023, Chapter 5, Page 98

39 Working Future: The Australian Government's White Paper on Jobs and Opportunities Final Report September 2023, Chapter 5, Page 98

Pillar 7: Elevate the role of business in education to create a worldclass education, training, and employment system

Wage subsidies are critical for driving up apprenticeship commencement and completion numbers.

As home to a highly successful AASN, with an apprenticeship completion rate significantly higher than the national average, the Victorian Chamber understands what employers and apprentices need to drive up commencements and completions. Completion hiring incentives need to continue for all apprentices and contain employer incentives at 12 months and at completion. Increases to employer benefits for school-based and part-time apprentices and trainees need to be rolled out.

Additionally, to drive lifelong learning and equip workers and industry with changing skills and jobs needs, we need to increase delivery and integration of short, stackable training options, including industry-delivered micro-credentials. At the university level, we should be building deep relationships between universities and industry. An approach with industry as a key partner will help to ensure we get the right mix of teaching key workforce skills at scale based on industry needs, ensuring that business has job ready graduates. Relatedly, it will boost opportunities for research collaboration, which will in turn increase commercialisation opportunities and boost productivity.

We also recommend the creation of an Employment Parity Initiative, which was a best-practice program that achieved significant results for employment of Indigenous youth. This initiative could be expanded to include other cohorts that face barriers to employment including people with disability, refugees, and older women.

The Victorian Chamber notes the work of the House of Representatives Select Committee on Workforce Australia Employment Services, Inquiry into Workforce Australia Employment Services and supports the recommendations, particularly those that relate to the involvement of the private sector as a partner and key stakeholder.

The employment services system needs to be overhauled as a matter of urgency and replaced with a 21st century framework that ensures jobs seekers have access to the education and training opportunities they need. It is equally imperative that the system is centred also on the needs of employers and industry to better match and prepare candidates to jobs.

A coordinated and efficient services system will have the added benefit of lifting the workforce participation of those who are under-represented in the labour market. This requires a demand-led model, underpinned by value-for-money and partnership with business and industry. This model must be easily accessible for employers.

Demand-led, place-based employment approaches based on the real workforce needs of business offer sustainable, long-term employment opportunities.

For those who face significant barriers to employment, the service system must be the front door to the broader human services system that is better equipped to provide the necessary support.

Recommendations:

16	Drive business engagement with our education and training system. This could be included in the remit of the Tertiary Education Commission and enables business to provide expert advice to Federal Government on the policy settings to embed best practice, including industry-led training to meet future workforce needs.
17	Extend the Australian Apprenticeships Incentives System, including providing 30 per cent in wage subsidies across the first two years. Enhance commencement and completion employer incentives under this program including for part-time apprentices and ensure incentives are available at completion.

Pillar 7: Elevate the role of business in education to create a worldclass education, training, and employment system

Recommendations:

18	Develop early, strategic partnerships and associated funding arrangements with the Victorian Chamber of Commerce and Industry and large employers to allow matching candidates to jobs at scale, bridging the gap between supply and demand and providing access to job-ready employees
19	Reintroduce and expand small business programs such as the Employment Parity Initiative to address employment of under-represented cohorts. The Victorian Chamber of Commerce and Industry is a critical partner to the Federal Government to help drive success of this important initiative, arrangements for which can be underpinned by an MoU with the Government.



Demand-led, place-based employment approaches based on the real workforce needs of business offer sustainable, long-term employment opportunities.





Victorian Chamber of Commerce and Industry

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 85,000 members and clients across the State.

Through our policy and advocacy work, professional development courses, workplace relations and consulting services, we help thousands of businesses every year to improve workplace performance and achieve business growth and success.

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