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Chamber of Commerce  
and Industry

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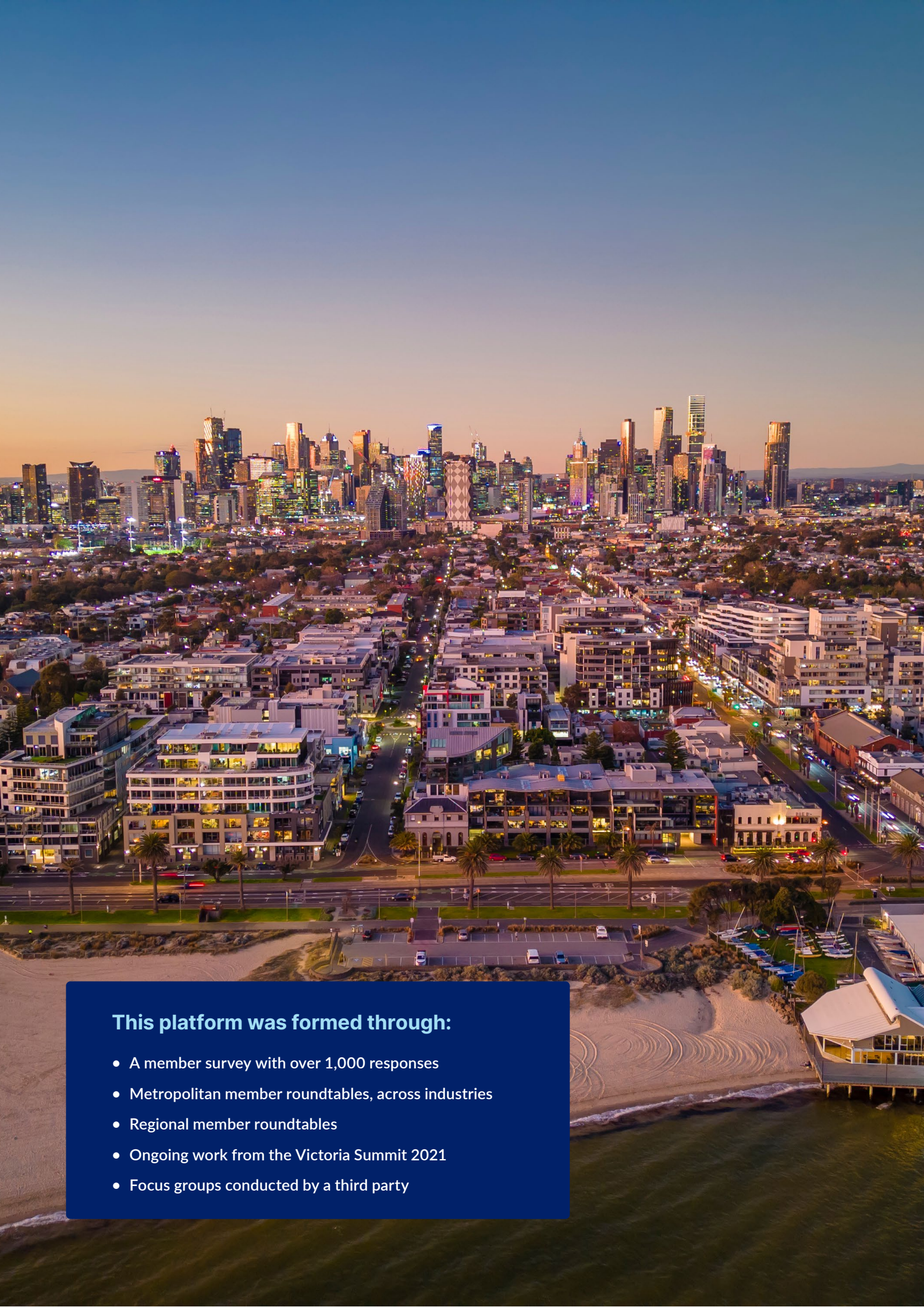
# Powering Victoria's future

State Election Platform 2022

[victorianchamber.com.au/poweringvic](https://victorianchamber.com.au/poweringvic)







### **This platform was formed through:**

- A member survey with over 1,000 responses
- Metropolitan member roundtables, across industries
- Regional member roundtables
- Ongoing work from the Victoria Summit 2021
- Focus groups conducted by a third party

# **Powering Victoria's Future**

## **State Election Platform 2022**

**The Victorian Chamber of Commerce and Industry's (VCCI) advocacy is centered around Powering Victoria's Future and building the best state for business. Victoria needs a plan to turbocharge the industries that will set us up for success including ensuring we have the appropriate skills, training opportunities and infrastructure to help power Victoria's future.**

VCCI's election platform is based on four pillars: Strengthening Victoria's jobs and skills, Building the best state to operate a business, Driving Victoria's economy and Growing Regional Victoria. This platform comprises 61 recommendations, including 20 primary recommendations.

VCCI is Victoria's peak business body, representing the collective voice of 50,000 members and clients. We advocate for better conditions for Victorian businesses, so that every business – small, medium, family or large – can start up, grow and thrive.

Businesses are the heart of our community, they provide economic growth, jobs, support and vibrancy. When businesses do well, Victoria does well and our community thrives. Increased cost of living and doing business pressures are continuing to create ongoing economic challenges. Businesses need pragmatic solutions that provide certainty for them to plan. They provide a critical role in the State's economic prosperity and after several challenging years, we need to look forward with an economic plan that will see our state prosper.

Our members helped shape the priorities and recommendations presented in this platform at metropolitan and regional roundtables and participation in an online membership survey that gathered more than one thousand responses.





# Summary of Primary Recommendations

## Pillar 1: Strengthening Victoria's jobs and skills

<b>P1</b>	Develop a standardised microcredential framework, including defining the role, accreditation requirements, and funding mechanisms of microcredentials, to enable the rapid reskilling and upskilling of the workforce.
<b>P2</b>	Set up training centres, like the tunnelling centre, linked to major infrastructure projects (e.g. wind farms, circular economy) to provide students with practical training and address specific skills shortages.
<b>P3</b>	Establish a formal internship framework (e.g. template of internship agreement) for industry and education institutions to easily develop partnerships and incentivise businesses (e.g. through tax breaks) to invest in internship programs to provide immediate labour-shortage relief.
<b>P4</b>	Commit to drive towards zero youth unemployment by 2026 and implement a careers strategy in primary and secondary school curriculum to equip students with the knowledge and tools to make informed skilling and career choices.
<b>P5</b>	Scale up the TAFE Teacher Training Scholarship from the current limit of 200 scholarships to provide more teachers to TAFEs across the State.

## Pillar 2: Building Victoria as the best state to operate a business

<b>P6</b>	Increase the payroll tax threshold from \$700,000 to \$1.2 million across Victoria to be comparable with NSW's payroll tax threshold and decrease the regional rate from 1.21 per cent to zero in Regional Victoria to increase regional attractiveness for business investment and growth.
<b>P7</b>	Allow businesses seeking to pre-qualify as suppliers to the Victorian Government to fulfil screening requirements via a single form to streamline procurement processes.
<b>P8</b>	Swap property stamp duty with a broad-based land tax system.
<b>P9</b>	Establish a \$500 million credit scheme to provide payroll tax and land tax concessions for manufacturing, sustainability, and high-tech businesses.
<b>P10</b>	Fund Better Regulation Victoria and Services Victoria to lead cultural change, develop a 'one door' approach for State and Local Government regulations, and be the point of escalation for Victoria's regulatory system.

### Pillar 3: Driving Victoria's economy

<b>P11</b>	Fund Visit Victoria to develop a detailed 10-year experience economy strategy to restore and retain Victoria's reputation for great experiences. It should be focused on two pillars – Tourism and Events – with equal importance given to both.
<b>P12</b>	Create with substantive funding a 10-year Victorian Manufacturing Strategy to boost Victoria's local manufacturing industry in existing and emerging industries.
<b>P13</b>	Fund an energy subsidy scheme to incentivise commercial landlords to install renewable energy infrastructure.
<b>P14</b>	Promote manufacturing jobs and provide incentives to pursue a career in the industry to attract and retain more employees and grow the local manufacturing sector.
<b>P15</b>	Commit to reviewing and implementing ways to regulate the energy market to ensure certainty of supply and certainty of price for users.

### Pillar 4: Growing Regional Victoria

<b>P16</b>	Create a housing development scheme to expand housing supply and planning in Regional Victoria, that is supported by comprehensive Place Planning in regional and rural towns.
<b>P17</b>	Fund a targeted, industry-led 'Work in the Regions' initiative to encourage new regional Victorians and young people to work in shortage industries.
<b>P18</b>	Create an Agriculture Passport to allow seasonal employees to work across growers and farms, rather than being restricted to just one employer.
<b>P19</b>	Create a Regional Victorian Manufacturing Strategy and Fund to boost Victoria's local manufacturing industry and capabilities.
<b>P20</b>	Commission a state-wide review of local content procurement processes in collaboration with State Government and at least six regional councils to drive regional business growth.

*In addition to these primary recommendations, our platform includes up to 41 secondary recommendations across four pillars to ensure the needs of business in Victoria are heard and understood.*

# **Pillar 1**

## **Strengthening Victoria's jobs and skills**

### **Position**

Businesses are the heart of our communities. They provide essential goods and services, as well as vital employment opportunities. When businesses are doing well, it highlights optimism, confidence, and reassurance for a better future, but also it provides communities with crucial local jobs and a growing skilled workforce. This is why we need to cultivate the best jobs and skilled workforce in the nation. Labour shortages, lack of skilled talent, inadequate training, and constraints on workforce participation are impeding business productivity and therefore the growth of our communities.



### **Context**

Over the last few years, businesses have experienced chronic worker shortages. Victoria requires 373,000 additional workers by 2025 to meet growing market demands.<sup>1</sup> Every 'Employee Wanted' sign and job advertisement have signalled the increased urgency to support Victorian businesses. Victoria must think innovatively and creatively to address the labour constraints on business and invest in affordable skills development that meets industry needs.

### **Skills, training and higher education**

Skilled and well-trained employees are the key to unlocking business success. Victoria is the most highly skilled state in Australia.<sup>2</sup> However, we need to ensure that our skills and training are fit-for-purpose and constantly evolving with emerging and future industry trends. To enable business revitalisation in the post-pandemic future and foster industry growth, we must prioritise ongoing skills development often referred to as lifelong learning.

*'There's been a lot of investment in education, but we need to keep improving our education system; we are at risk of falling behind.'*

Focus Group Participant, July 2022

<sup>1</sup> Victorian Skills Authority, 2022, Victorian Skills Plan for 2022 into 2023, <<https://content.vic.gov.au/sites/default/files/2022-08/Victorian-Skills-Plan-for-2022-into-2023.pdf>>

<sup>2</sup> Invest Victoria, July 2021, highly skilled talent <<https://www.invest.vic.gov.au/why-melbourne/Highly-skilled-talent>>

Investment in lifelong learning, in the form of accredited short courses and microcredentials that are stackable and create pathways to both further study and career progression, is one solution that can address labour and skills shortages in a more timely and efficient manner.

In a recent VCCI member survey, [the majority \(52 per cent\) of respondents support the development of a state-funded microcredential framework.](#)

Such a framework would incentivise businesses and education institutions to work together to rapidly reskill and upskill the workforce. To enable the uptake of microcredentials across industry, we need to equip businesses with the digital infrastructure to easily train staff.

*'Microcredentials are important for adapting to emerging industries and specific skillsets without a university degree. Opportunities to learn new things at a low cost will make all the difference.'*

VCCI Member, August 2022

Over the next three years, Victorian education and training institutions will require 41,000 new workers.<sup>3</sup> Our TAFE institutions are central to the delivery of vocational training and applied learning that equip the workforce with the skills needed in industry. However, TAFEs need more teachers that are attune to new techniques and technologies in industry to ensure courses are fit-for-purpose. One way to guarantee courses are relevant to industry is by linking training centres to infrastructure projects to provide practical, on-the-job training.

Victoria is known as the 'Education State' of Australia. Our world-class universities play an important role in providing a workforce pipeline of talent, including critical thinkers, leaders and problem-solvers. However, the sector has been hit hard by the severe reduction in international student enrolments due to the pandemic response and border closures over the past few years. In June 2022, 8,900 international students arrived in

Victoria, which was 37 per cent lower than the pre-COVID levels.<sup>4</sup>

Victoria needs to prioritise the return of international students and one way to do this is to improve their future employability in Victoria. This can be done through paid internships in industry, which would help to address labour shortages and provide students with more financial stability, experience and independence while living abroad.

## Workforce participation

Increasing workforce participation stimulates both business and economic growth. As Victoria experiences extremely low unemployment rates, we need to look at ways to encourage certain cohorts of eligible workers to join the workforce in areas of critical need. Youth, women, international students and migrant workers can provide businesses with the labour relief they require to continue and expand their commercial operations.

The Victorian business community are strong advocates for action on youth workforce participation. A recent survey of VCCI's members indicated [91 per cent of businesses support a Victorian commitment to reduce youth unemployment to help increase productivity and access to staff.](#) One way to ensure our youth choose the right career path is to establish more robust careers advice in schools. This would also see youth into jobs faster.

*'We need an integration strategy between business, education and government. We need job readiness and encouragement of both pension age and youth to join the workforce.'*

VCCI Member, August 2022

There are still significant differences between the rate of participation among female and male workers. Female participation is lower, 62 per cent, while male

<sup>3</sup> Victorian Skills Authority, 2022, Victorian Skills Plan for 2022 into 2023, <<https://content.vic.gov.au/sites/default/files/2022-08/Victorian-Skills-Plan-for-2022-into-2023.pdf>>

<sup>4</sup> Australian Bureau of Statistics, 2022, Overseas arrivals and departures, Australia, <<https://www.abs.gov.au/statistics/industry/tourism-and-transport/overseas-arrivals-and-departures-australia/latest-release#arrivals-international-students>>

participation is 72 per cent.<sup>5</sup> VCCI urges political parties to commit to investment in initiatives that encourage women to return to the workforce, including the landmark reform to deliver 15 hours of three-year-old kindergarten a week to families across the State.<sup>6</sup>

Victoria's unparalleled industry-wide labour shortages are in part due to the abrupt reduction in migrant workers and international students following the border closures during the peak of the pandemic. Victoria ranks sixth out of all states and territories in labour productivity and stability, an issue which was relevant pre-pandemic.<sup>7</sup> This reinforces the need to implement innovative labour market solutions.

We need to incentivise international students and migrants to return to Victoria to study and work. Such incentives could include providing support with enrolment and subsidised administration costs. This would help to attract international students back to Victoria, while simultaneously expanding our workforce.

Businesses are the heart of the community and workers are the backbone of businesses. VCCI strongly advocates for improved workforce skills and training to set businesses up for success.

### Quick Facts

- In June 2022, 8,900 international students arrived in Victoria, an increase of 8,830 students compared with the same period last year. However, the number of student arrivals in June 2022 was 37 per cent lower than the pre-COVID-19 levels in June 2019.<sup>8</sup>
- There were 61,660 short-term visitor (less than one year) arrivals to Victoria in May 2022, an increase of 55,810 compared with last year. However, the

number of short-term trips for May 2022 was 65 per cent lower than pre-COVID-19 levels in May 2019.<sup>9</sup>

- Over the past twelve months, the price of fuel has risen by more than 32 per cent.<sup>10</sup>
- In the June 2022 quarter, food, non-alcoholic beverages and transport were the main contributors to the rising cost of living.<sup>11</sup>
- All states and territories saw a fall in potential workers between February 2021 and February 2022. Victoria decreased two percentage points (from 11 per cent to nine per cent).<sup>12</sup>
- The main reason people who wanted to work were not available to start within four weeks was due to caring for children – 71,200 (25 per cent of those who were not available within four weeks).<sup>13</sup>

### Recommendations: Primary recommendations

**P1**

Develop a standardised microcredential framework, including defining the role, accreditation requirements and funding mechanisms of microcredentials to enable the rapid reskilling and upskilling of the workforce.

**P2**

Set up training centres linked to major infrastructure projects (e.g. wind farms) to provide students with practical training and address specific skills shortages.

<sup>5</sup> Victorian Skills Authority, 2022, Victorian Skills Plan for 2022 into 2023, <<https://content.vic.gov.au/sites/default/files/2022-08/Victorian-Skills-Plan-for-2022-into-2023.pdf>>

<sup>6</sup> Victorian Government, 2022, Three-Year-Old Kindergarten for Victoria, <<https://www.vic.gov.au/three-year-old-kindergarten-victorians>>

<sup>7</sup> Ibid

<sup>8</sup> Australian Bureau of Statistics, 2022, Overseas Arrivals and Departures, Australia, <<https://www.abs.gov.au/statistics/industry/tourism-and-transport/overseas-arrivals-and-departures-australia/latest-release#arrivals-international-students>>

<sup>9</sup> Ibid

<sup>10</sup> Australian Bureau of Statistics, 2022, Selected Living Cost Indexes, Australia. <<https://www.abs.gov.au/statistics/economy/price-indexes-and-inflation/selected-living-cost-indexes-australia/latest-release>>

<sup>11</sup> Ibid

<sup>12</sup> Australian Bureau of Statistics, 2022, Potential workers. <<https://www.abs.gov.au/statistics/labour/employment-and-unemployment/potential-workers/latest-release>>

<sup>13</sup> Ibid



**P3**

Establish a formal internship framework (e.g. template of internship agreement) for industry and education institutions to easily develop partnerships and incentivise businesses (e.g. through tax breaks) to invest in internship programs to provide immediate labour-shortage relief.

**P4**

Commit to zero-youth unemployment by 2026 and implement a careers strategy in primary and secondary school curriculum to equip students with the knowledge and tools to make informed skilling and career choices.

**P5**

Scale up the TAFE Teacher Training Scholarship from the current limit of 200 scholarships to provide more teachers to TAFEs across the State.

## Secondary recommendations

**S1**

Increase funding for digital infrastructure required to facilitate lifelong learning to address the continual evolution of skills in industry.

**S2**

Provide more and improve the affordability of early childhood education and care, including after school care, to address the workforce participation gap between men and women.

**S3**

Commission a review on how best to address ways of increasing female participation and indigenous participation in the workforce.

**S4**

Enable industry to co-design training programs with education institutions to ensure the skills taught in courses are fit-for-purpose and in line with future industry needs.

**S5**

Incentivise international students to study in Victoria by providing support and covering administration costs for enrolment in tertiary education.

**S6**

Provide targeted employer support and training to increase apprenticeship completion.

**S7**

Implement a promotional campaign that highlights the benefits of internships to industry, students and education providers to encourage the adoption of on-the-job training across all business sectors.

**S8**

Establish an annual Industry Engagement Excellence Summit with a skills-focus to foster a culture of vocational-industry engagement.

**S9**

Fund an international campaign highlighting the benefits of living and studying in Victoria to attract more international students back to our state.



## **Pillar 2**

# **Building Victoria as the best state to operate a business**

### **Position**

We want Victoria to be the best state in Australia to own and operate a business. To do this, Victoria must improve our regulatory, investment, tax and procurement systems. Through minimising barriers and easing the cost and access to doing business, we can improve the business environment, increasing outcomes and Victoria's attractiveness as a place to do business.



### **Context**

Over the last two years, the Government has stepped in to provide much needed support for businesses to survive the pandemic. However, now is the time for Government to let business be the biggest contributor to the economy. Easing the cost of doing business is necessary for Victoria's economic prosperity. The costs in time, money, and complexity, directly impacts our attractiveness as a place to do business and to invest. A business environment free of counterproductive regulation, duplicate compliance and deterrents to growth and investment will increase productivity and prosperity. We need to improve conditions for Victorian businesses to protect our reputation as an economic hub and ensure long-term success of our industries.

### **Regulation**

Victoria is proven to be a high burden jurisdiction to do business, Victorian businesses experience high costs relative to other states and territories.<sup>14</sup> Further, Victorian business owners are also spending more time on unproductive activities, with almost 40 per cent of Victorian businesses saying that time is a bigger cost to doing business than money spent.<sup>15</sup>

According to the Cost and Ease of Doing Business report, commissioned by VCCI, only seven per cent of businesses think the current government is doing a good job of reducing the cost of doing business.<sup>16</sup>

<sup>14</sup> Nous Group, 2022, 'Cost and ease of doing business in Victoria' (report commissioned by the Victorian Chamber of Commerce & Industry) <<https://www.victorianchamber.com.au/policy-and-advocacy/taskforces/cost-and-ease-of-doing-business-in-victoria-taskforce>>

<sup>15</sup> Ibid

<sup>16</sup> Ibid

Further, 55 per cent of Victorian businesses with operations in other jurisdictions say Victoria is a harder place to do business in than other states. These results show a clear need to streamline processes and minimise the barriers for doing business.

*“There are layers of compliance rules and regulations and for those companies with finite time and resources, it is making it harder to stay afloat.”*

VCCI Member, August 2022

According to VCCI's pre-election survey, 70 per cent of businesses support a model of regulatory reform with a vision of a 'one door' approach. A 'one door' approach to regulation entails a system where businesses seeking approvals can access any regulator and be proactively assisted and referred, rather than being consistently told to access the system elsewhere, resulting in duplication and confusion. This change will require a significant cultural change within regulators and Victoria's regulatory system but will lead to increased productivity.

While regulatory steps and processes are burdensome, improving the culture and capability within regulators is crucial. VCCI's pre-election membership survey that shows 71 per cent of businesses support regulatory professionals visiting industry as part of their induction and professional development, to improve regulatory culture and understand the industry complexities. This is a small, important step to increasing collaboration and capability within Victoria's regulatory system.

The key to streamlining processes and reducing regulatory burden is to promote collaboration between regulators. Such a mechanism needs to offer an avenue to escalating issues and urgent requests, as well as leading the cultural change within regulators. Previously referred to as a 'concierge' service, investment is needed to bolster Better Regulation Victoria so they can lead this reform agenda and provide this new service.

## Tax

Competitive state taxes and duties play a vital role in stimulating business investment and job growth. Payroll tax is a tax on jobs, with Victorian employers currently paying more tax if they have more employees. This is not only counterintuitive to Victoria's goal of a higher wage economy but makes the taxation system less competitive compared to other states.

*‘Currently, every time you look at growing your business, taxes exponentially increase. There is less incentive to grow here [in Victoria].’*

VCCI Member, August 2022

In the short-term, the payroll tax threshold needs to be increased to \$1.2 million from \$700,000 across Victoria. This is comparative to New South Wales' payroll tax threshold. This move is supported by 83 per cent of VCCI's members in our pre-election survey and would alleviate pressure on SMFEs (small, medium and family-sized enterprises). Further, the payroll tax rate needs to be decreased from 1.21 per cent to zero in Regional Victoria, this will make our regions more attractive for business investment and growth.

In the long-term, payroll tax should be removed as it disincentivises jobs and high wages. A complete root and branch review of the way taxes are collected and levied in Victoria should be undertaken. In VCCI's August pre-election survey, 83 per cent of businesses indicated support for a review of the Victorian taxation system to make it more business friendly.

There is a further opportunity with genuine tax reform in Victoria, swapping stamp duty for a broad-based land tax system. Stamp duty deters families from moving house or location. On the other hand, land taxes paid annually don't deter individuals' decisions. Further, research conducted by the Grattan Institute found that removing stamp duty would lead to better use of existing housing stock, ultimately resulting in the reduction of house prices and rents (up to six per cent in the long term).<sup>17</sup> VCCI believes this swap would make

<sup>17</sup> Coates, B, 2022, 'The new PM has an opportunity for major tax reform', Grattan Institute, <<https://grattan.edu.au/news/the-new-pm-has-an-opportunity-for-major-tax-reform/>>



Victoria's taxation system more efficient and increase labour mobility. This recommendation is supported by a majority (57 per cent) of VCCI's members in our pre-election member survey.

### Procurement

The Victorian Government is a significant customer of Victorian goods and services. Access to government contracts is an important opportunity for businesses through providing certainty of work and prompting business growth and investment. Ensuring government procurement opportunities are accessible to all businesses, particularly small, medium and family enterprises, is crucial not only for business growth but the best quality outcome for taxpayers.

Many businesses feel they are unable to access government contracts because they are unaware of opportunities and the time required to apply through complex and burdensome processes is insurmountable. Accessible procurement processes should be simple, clear and fair, include no duplication and have direct support and help available. Highlighting the need for change, 85 per cent of businesses in VCCI's August pre-election survey support streamlining Victorian procurement processes.

Streamlining support for businesses should also entail the expansion of Industry Capability Network's (ICN) role to include help and support for all businesses in accessing procurement opportunities. Included in this should be available templates and exemplars of best-practice procurement materials, as well as a function that identifies issues in the procurement system and can escalate them. This functionality through ICN should be centralised and include knowledge sharing and capability building between all government agencies as well as businesses.

*"Our state has taken a hit in the past few years, and we must improve procurement, regulations, and tax settings to help our state bounce back."*

VCCI Member, August 2022

The barrier of time and effort it takes for businesses to engage with government procurement practices cannot be overlooked. Many businesses, particularly small and family businesses, anecdotally report that they must disregard day-to-day tasks and solely focus on the preparation of tender bids, culminating in hundreds of hours of work, only to be unsuccessful and receive limited feedback. To alleviate this, tender processes should be broken into smaller stages, removing the barriers for entry for small businesses and saving their time in undergoing the entire application process. Further, businesses should be able to pre-qualify as a supplier, including work related to Local Industry Development Plans, reducing time-sensitive workloads in procurement processes.

Alongside increasing support for businesses and reducing complexity within procurement processes, risk sharing with government contracts needs to be reviewed. Particularly in economically uncertain times where prices of goods, materials, wages and services are changing, risk needs to be fairly shared between the private and public sector. This will increase collaboration and outcomes of projects, as well reduce the 'locking out' of small businesses who have limited resources and more risk averse.

### Quick Facts

- Nearly 40 per cent of Victorian businesses surveyed for VCCI's Cost and Ease of Doing Business report said time was a bigger cost to doing business than money.<sup>18</sup>
- 55 per cent of Victorian businesses with operations in other jurisdictions say Victoria is a harder place to do business than in other states.<sup>19</sup>
- Victoria ranked seventh in Australia for the number of permits required to start a business, meaning

<sup>18</sup> Nous Group, 2022, 'Cost and ease of doing business in Victoria' (report commissioned by the Victorian Chamber of Commerce & Industry) <<https://www.victorianchamber.com.au/policy-and-advocacy/taskforces/cost-and-ease-of-doing-business-in-victoria-taskforce>>

<sup>19</sup> Ibid

that we have comparably a high number of permits required for businesses.<sup>20</sup>

- Victorian businesses pay the highest national and state taxes relative to Gross State Product (GSP) in the country and our public sector is the smallest in Australia compared with our overall workforce.<sup>21</sup>
- More than half of national businesses said it was hardest to do business in Victoria.<sup>22</sup>
- Only seven per cent think the government is doing a good job of reducing the cost of doing business.<sup>23</sup>
- 83 per cent of Victorian businesses say that accessing skills and labour is a challenge particularly in entry-level and vocational positions.<sup>24</sup>
- Less than half of Victorian businesses feel they get fair value for money from the taxes they pay.<sup>25</sup>
- Only one in five business owners feel supported in their mental health.<sup>26</sup>
- 85 per cent of Victorian employers said regulatory culture was a barrier to doing business.<sup>27</sup>

## Recommendations: Primary recommendations

**P6**

Increase the payroll tax threshold from \$700,000 to \$1.2 million across Victoria to be comparable with NSW's payroll tax threshold and decrease the regional rate from 1.21 per cent to zero in Regional Victoria to increase regional attractiveness for business investment and growth.

**P7**

Allow businesses seeking to pre-qualify as suppliers to the Victorian Government to fulfil screening requirements via a single form to streamline procurement processes.

**P8**

Swap property stamp duty with a broad-based land tax system.

**P9**

Establish a \$500 million credit scheme to provide payroll tax and land tax concessions for manufacturing, sustainability, and high-tech businesses.

**P10**

Fund Better Regulation Victoria and Services Victoria to lead cultural change, develop a 'one door' approach for State and Local Government regulations, and be the point of escalation for Victoria's regulatory system.

## Secondary recommendations

**S10**

Conduct a review of state taxes, including the release of a Green Paper that identifies the costs and benefits of state tax reform to inform long-term tax reform aimed at increasing increase Victoria's competitiveness.

**S11**

Incentivise workers, through a government-led discounted public transport scheme, to return to Melbourne CBD offices during the working week.

**S12**

Provide funding to establish a regulatory concierge model to help streamline process times and procedures.

<sup>20</sup> Nous Group, 2022, 'Cost and ease of doing business in Victoria' (report commissioned by the Victorian Chamber of Commerce & Industry) <<https://www.victorianchamber.com.au/policy-and-advocacy/taskforces/cost-and-ease-of-doing-business-in-victoria-taskforce>>

<sup>21</sup> Ibid

<sup>22</sup> Ibid

<sup>23</sup> Ibid

<sup>24</sup> Ibid

<sup>25</sup> Ibid

<sup>26</sup> Ibid

<sup>27</sup> Ibid

## Building Victoria as the best state to operate a business

**S13**

Streamline support for Victorian businesses (particularly SMFEs and regional) to be able to win and access procurement opportunities – this should be coordinated through one central body such as the Industry Capability Network (ICN).

**S14**

Provide funding for shared digital infrastructure to save council resources and give council clients a better, more integrated service.

**S15**

Build risk sharing into government contracts more fairly and flexibly, to provide certainty to both business and government.





## **Pillar 3**

# **Driving Victoria's economy**

### **Position**

To drive Victoria's economy and ensure growth for future generations, our state must urgently invest in long-term planning and funding for advanced manufacturing, clean energy, sustainable infrastructure, our visitor economy and our services industries. By enabling these industries to grow and create further opportunities for communities, our whole state would thrive.



### **Context**

Driving growth in emerging and existing industries is key to boosting Victoria's economy. Central to this is advancing manufacturing in our state and supporting Victoria's hospitality and events industries to make Victoria the most attractive place to work, visit and live.

### **Manufacturing**

Victoria's manufacturing sector is a \$30 billion industry.<sup>28</sup> Manufacturing is a crucial part of the Victorian identity and is a key component of the State's economic landscape. Over the last two years, manufacturers have had to respond to rapidly changing conditions, labour shortages, supply chain issues, alongside the ever-present uncertainty about the future. Manufacturers are significant employers, as well as drivers of innovation, crucial for the development of sovereign capability and are key contributors to export success.

To support local manufacturing, political parties must provide leadership and look at facilitating the development of targeted industry growth. To do this, we need a 10 year-plan Manufacturing Strategy to drive growth through collaboration, innovation and capital access.

Long-term planning not only provides support for existing manufacturers but also provides support for new and emerging areas in advanced manufacturing. This strategy must be industry-led but have government

<sup>28</sup> Department of Jobs, Precincts, and Regions, 2021, Advancing Victorian Manufacturing, <<https://djpr.vic.gov.au/about-us/overview/strategies-and-initiatives/advancing-victorian-manufacturing>>

support and coordination. Business need confidence and certainty to keep trading and expanding their businesses and local targeted strategic support is crucial to do this. A recent VCCI survey showed [82 per cent of businesses support a 10-year manufacturing plan that is specifically targeted to local industries.](#)

A concern impacting manufacturers in existing and emerging industries is competitiveness and the constant threat of foreign products and services. Alongside a 10 year-strategy, the development of a campaign that lifts the profile of 'buying local', which has the capacity to improve sovereign capability, decreasing the reliance on imports and creating local jobs. According to a recent VCCI survey, [86 per cent of businesses surveyed support this initiative.](#)

*'There's a lot of uncertainty, and no one wants to make big financial decisions when you don't know what the future looks like.'*

Focus Group Participant, July 2022.

Further, there needs to be specific policies implemented to address skills and labour shortages. Victoria needs to provide incentives for individuals to work in the advanced manufacturing industry and promote it as a long-term career path, to further attract and retain staff.

## Clean energy and sustainable infrastructure

VCCI believes clean energy and sustainable infrastructure will power Victoria with momentum into the future. To successfully transition to renewable energy and meet carbon emission targets, we must address the skills shortage crisis, invest in long-term infrastructure projects and provide a clear plan and roadmap for the community and businesses to reach key sustainability milestones. According to a recent VCCI survey [53 per cent of our members think that Victoria is not doing enough to invest in renewable energy, dispatchable energy and energy infrastructure.](#)

The development of solar power for consumers and businesses has been a success story in this space with 510,000 small-scale solar PV stations installed in Victoria and solar energy now powering 15,000 homes.

The challenge now is continuing to incentivise Victorian business owners who lease their land to also invest in renewables like solar.

Businesses are seeing drastic increases to their energy bills and need support to source cheaper energy options to address these constraints, [75 per cent of businesses feel that business is not getting enough support with the increased cost of energy in Victoria.](#) Political parties can play a leading role by funding a renewable energy subsidy scheme to assist landlords who lease land and buildings to businesses to implement solar PV stations.

It is crucial Victoria provides a clean-energy roadmap on how our state will reduce our 2030 and 2050 climate emission targets effectively. Victoria must look to incorporate detailed strategies that develop future fuels like hydrogen production, batteries storage and solar, while creating pathways that the private sector can partner with government on equity sharing of large-scale projects.

Such long-term investments will be needed with the private and public sector to look towards opportunities in manufacturing, infrastructure, and technical skills to propel the Victorian economy forward and provide business certainty. Before investments can be made in such endeavours, Victoria must showcase how long-term investments will impact utility, economic value and long-term profitability towards a decarbonised economy.

## Visitor economy

Victoria is the events capital of Australia. We need to leverage this status to revitalise our visitor economy after the setbacks from the last two years. As Victoria begins planning for the 2026 Commonwealth Games, we have a unique opportunity to showcase our local attractions and tourism industry as the best destination in the world visit. We must provide adequate funding and long-term planning to ensure economic recovery to pre-pandemic levels not just in the short term, but for future generations.

By focusing on existing and emerging industry development, growing our visitor economy, renewable sector and prioritising innovation, Victoria will be the envy of the world as the central of hub as the best place to learn, work, live and visit.

## Supply Chain

An efficient, well planned supply chain is crucial for the operation of business. Protecting our supply chains and reducing bottlenecks and logistics constraints can ultimately help lessen the costs of goods and services. Providing certainty for planning and investment for companies is critical for the viability of companies. VCCI is pushing for strengthening Victoria's supply chains, including a move to rail freight which eases traffic on roads. In a recent survey VCCI members showed [72 per cent support sustained funding for putting more containers on trains and help reduce the burden of domestic travel.](#)

## Quick Facts

- Manufacturing is a \$30 billion industry and a cornerstone of the Victorian economy, providing a diverse range of jobs, boosting exports and contributing to economic growth.<sup>29</sup>
- In 2019, the energy sector accounted for 70 per cent of Victoria's emissions, transport was responsible for 25 per cent, agriculture contributed 17 per cent, industrial processes and product use four per cent and the waste sector a further four per cent of Victoria's emissions.<sup>30</sup>
- In 2019, Victoria was the fourth largest contributor to Australia's total net emissions (17 per cent) behind Queensland (31 per cent), New South Wales (26 per cent) and Western Australia (17 per cent).<sup>31</sup>
- Victoria's emissions fell 25 per cent (30 Mt CO<sub>2</sub>-e) between 2005 and 2019, meaning the State's target to reduce emissions by 15 to 20 per cent below 2005 levels by 2020 has been met ahead of schedule.<sup>32</sup>
- Victoria's interim target for the period 2021 to 2025 is for emissions to reduce 28 to 33 per cent below 2005 levels by the end of 2025. The interim target for the period 2026 to 2030 is for emissions to reduce 45 to 50 per cent below 2005 levels by the end of 2030.<sup>33</sup>
- When surveyed, 91 per cent of VCCI members support protecting 24/7 operations at the Port of Melbourne.<sup>34</sup>
- In November 2020, the Victorian Government announced a \$1.6 billion clean energy package to invest in renewables, grid infrastructure, energy efficiency and decarbonisation projects, including \$540 million to establish six Renewable Energy Zones (REZs).<sup>35</sup>
- The Victorian Government has announced several initiatives to attract global investors in renewable energy, including:
  - Up to \$50 million in low-interest loans to support innovative Victorian SMEs in developing the products, services and technologies vital to the State's future economy.
  - \$25.75 million over four years to establish the Venture Growth Fund which will see Victorian Government co-investing with institutional investors to give high growth start-ups access to the capital they need to expand their business and create new jobs.
  - \$20 million New Energy Jobs Fund, which offers grants to firms specialising in the new energy technology sector.<sup>36</sup>

<sup>29</sup> Department of Jobs, Precincts, and Regions, 2021, Advancing Victorian Manufacturing, <<https://djpr.vic.gov.au/about-us/overview/strategies-and-initiatives/advancing-victorian-manufacturing>>

<sup>30</sup> Department of Environment, Land, Water, and Planning, 2022, Victoria's greenhouse gas emissions and targets, <<https://www.climatechange.vic.gov.au/victorias-greenhouse-gas-emissions-and-targets>>

<sup>31</sup> Ibid

<sup>32</sup> Ibid

<sup>33</sup> Ibid

<sup>34</sup> Victorian Chamber of Commerce and Industry, 2022, Member Pre-Budget Survey

<sup>35</sup> Department of environment, Land, Water and Planning, 2022, Renewable Energy Zones <<https://www.energy.vic.gov.au/renewable-energy/renewable-energy-zones>>

<sup>36</sup> Invest Victoria, 2022, Clean Energy, <<https://www.invest.vic.gov.au/opportunities/clean-energy>>



- Data from 2021 shows there are now 510,000 small-scale solar PV systems in Victoria which cumulatively generate almost a third of the state's total residential electricity demand, with more than 15,000 households also having a solar battery.<sup>37</sup>

### Recommendations: Primary recommendations

**P11**

Fund Visit Victoria to develop a detailed 10-year experience economy strategy to restore and retain Victoria's reputation for great experiences. It should be focused on two pillars – Tourism and Events – with equal importance given to both.

**P12**

Create with substantive funding a 10-year Victorian Manufacturing Strategy to boost Victoria's local manufacturing industry in existing and emerging industries.

**P13**

Fund an energy subsidy scheme to incentivise commercial landlords to install renewable energy infrastructure.

**P14**

Promote manufacturing jobs and provide incentives to pursue a career in the industry to attract and retain more employees and grow the local manufacturing sector.

**P15**

Commit to reviewing and implementing ways to regulate the energy market to ensure certainty of supply and certainty of price for users.

### Secondary recommendations

**S16**

Create a clean energy roadmap that drives planning and development of clean-tech enablers to reach Victoria's 50 per cent carbon reduction target by 2030. This would include strategies that develop future fuels such as hydrogen production for transportation and industrial use, battery storage and circular economy investment for the recycling of battery and solar.

**S17**

Evaluation and consultation of the economic value, social impact and profitability of large-scale procurement and investments opportunities for green technology and the decarbonisation of Victoria's economy.

**S18**

Incentivise businesses to adopt energy-saving technologies, equipment and products to lower day-to-day expenses.

**S19**

Legislate a planning overlay on public transport corridors within two blocks from tram tracks and four blocks from train stations with automatic approvals provided buildings are six floors or under and meet all required standards. Protection of heritage must be paramount and the purpose of the overlay should be to facilitate low to medium density buildings.

**S20**

Develop a long-term strategy to drive demand for Business Events across the state to support growth in venue infrastructure.

**S21**

Fund and scale up business support, advice and funding to upskill businesses who export or want to export.

<sup>37</sup> Solar Victoria, 2021, Victorians embracing solar at record levels, <<https://www.solar.vic.gov.au/victorians-embracing-solar-record-levels>>

**S22**

Develop a new 'Export Victoria' strategy to increase Victoria's share of Australia's total exports to 50 per cent by 2025.

**S23**

Establish a \$500 million credit scheme to provide payroll tax and land tax concessions for manufacturing and high-tech businesses.

**S24**

Fund an ESG (Environmental, Social, Governance) education campaign, that empowers businesses to implement environmental and social initiatives and improve sustainability reporting practices.

**S25**

Implement a 'buy-local incentive scheme' for consumers and businesses to buy from Victorian manufacturers, producers, and suppliers to bring manufacturing back to the State.

**S26**

Protect 24/7 Port of Melbourne operations and access through legislation to provide certainty of export and important capability going forward.

**S27**

Provide sustained funding for the Mode Shift Incentive Scheme to provide regional exporters and logistics companies more certainty in the transition from road to rail.

**S28**

Provide funding and Ministerial direction for the Victorian Planning Authority to provide support to local councils in Regional Victoria.

**S29**

Implement tax deductions on energy efficiency implementation, including insulation, timing of energy use, smart meters and cheaper ways of upgrading to renewable energy sources.



## **Pillar 4**

# **Growing Regional Victoria**

### **Position**

Regional Victoria is the lifeblood of Victoria's economy. Industries like agribusiness, advanced manufacturing, and tourism power our state. VCCI is passionate about positioning Regional Victoria for success through improving regional housing, planning and infrastructure as well making meaningful economic strategies to grow our regions.

To grow Regional Victoria we need to secure our youth's educational pathways, continue reinforcing economic recovery opportunities and provide good returns on incentivised investment opportunities. By building our regions and incentivising careers that are future facing, all of Victoria will benefit.



### **Context**

Regional Victoria generates \$72 billion annually and contributes almost 20 per cent to the state's economy. Regional Victoria is also a significant exporter and provides a third of the state's total exports. It is crucial we prioritise and empower our regions to achieve continued growth and innovation. For Victoria to see our regional areas grow and prosper we need immediate investment in infrastructure, public transport and housing, while remediating the constraints on skills development and labour shortages.

### **Skilled labour and investment**

Our regions are home to one in four Victorians, and account for 700,000 jobs.<sup>38</sup> However, they too are feeling the brunt of skilled labour shortages. The loss of skilled migrants and the impacts of the pandemic have left regional businesses struggling to fill vital positions. VCCI is advocating for a targeted industry-led 'Work in the Regions' initiative to encourage new regional Victorians and young people to work in industries with critical skills shortages.

Regional areas contribute significantly to the growth of Victoria; however, they are not receiving the adequate funding and investment in education, labour, infrastructure, manufacturing, planning, skills development and business support. Regional Victoria

<sup>38</sup> Solar Victoria, 2021, Victorians embracing solar at record levels, <<https://www.solar.vic.gov.au/victorians-embracing-solar-record-levels>>



needs fit-for-purpose investment that specifically addresses community constraints. To provide certainty and direction, Regional Victoria requires adequate local and state planning. Victoria is one state, and our regions must be included in any discussions regarding funding and investment.

Further, targeted industry investment and procurement levers should be used to ensure development in our regions. VCCI calls for the creation of a targeted Victorian Manufacturing Strategy and Fund to boost Victoria's local manufacturing industry and capabilities both in cities and Regional Victoria.

Regional businesses must be active contributors to ongoing policy frameworks so they can decide how their communities see sustained future growth. To achieve meaningful revitalisation of our regions, we need a two-pronged approach to policy development. Better housing, public transport and infrastructure are crucial, but these measures need to coincide with strategic migration initiatives and skills development pathways that incentivise people to live and work in communities over the long term.

The establishment of regional development precincts to help drive regional industry growth and skills development is widely supported by business. According to VCCI's pre-election member survey, **81 per cent are in favour of the establishment of regional precincts.**

## Australia's food bowl

Victoria is the biggest food producer in Australia. In 2019-20, the State's gross value of agricultural production was \$17.8 billion representing 29 per cent of Australia's gross value of agricultural production, making Victoria the country's largest agricultural producer.<sup>39</sup> The value of this industry must be prioritised to continue to grow and thrive. Governments need to develop and promote local initiatives such as 'Buy Local' that showcase our regions. Such initiatives are vital for the health of small regional businesses and the Victorian economy.

In addition to this, Victoria employs the most people in agriculture and food industries across Australia, contributing 28 per cent to the employment in the industry nationally.<sup>40</sup> But our regions are suffering, worker shortages and the absence of skilled labour in farming management roles are creating difficulties across Victoria. VCCI advocates for the creation of an Agriculture Passport, a scheme where migrant workers can be housed by government and are able to work across growers and seasons throughout the year. Currently, agriculture workers can access several different visas, all with different requirements and sometimes restricting them to work with only one employer. An Agriculture Passport, would create one scheme that would address these issues and the severe labour shortage in Regional Victoria.

## Accessibility, connectivity and infrastructure

The accessibility of our regional areas is particularly important to the growth and vitality of Regional Victoria. Good quality infrastructure, whether housing or transport, can result in a flourishing regional economy. By pushing for better long-term housing and public transport planning, regional centres can acquire more skilled workers and meaningfully address labour shortages.

If the regions do not have the adequate mechanisms to plan for provisions like transport and housing, all economic levers for the growth of our state will be hampered. Victoria needs a government-led housing development scheme to expand housing supply and planning in regional Victoria. This is well recognised by VCCI members, **73 per cent of businesses surveyed supported a government scheme to expand housing supply in regional Victoria.**

Further, one of the biggest challenges for Regional Victoria is connectivity and the ability for businesses to operate efficiently and effectively with poor digital capabilities. For our regions to flourish the Government must ensure digital technology and infrastructure

<sup>39</sup> Agriculture Victoria, 2022, Victoria's agriculture and food industries, <<https://agriculture.vic.gov.au/about/agriculture-in-victoria/victorias-agriculture-and-food-industries>>

<sup>40</sup> Ibid

across Victorian regions are consistent with metropolitan Victoria.

### Tourism and events

Regional tourism contributes \$11.5 billion to Victoria's economy.<sup>41</sup> There is a strong appetite for travellers to experience Victoria's natural beauty, food and wine, and arts and culture. Regional events are high in demand and have been incredibly well attended. However, our regions need a clear destination marketing plan to bring visitors to Regional Victoria and to showcase the unique cultural experiences that exist there. The 2026 Regional Victorian Commonwealth Games presents a unique opportunity for the state to showcase our regional areas.

If Victoria is to see the necessary growth in our regions, we need to empower those local communities. This does not just provide hope for a better future but enables investment from communities who understand what will benefit them most. In our pre-election member survey, [77 per cent of businesses support increased funding for regional tourism infrastructure.](#)

*"Leaving Regional Victoria behind is an own goal."*

Focus Group Participant, July 2022

It is time that we utilise the power of Regional Victoria to propel our state back to being the best place to visit, work and live.

### Quick Facts

- Our regions are home to one in four Victorians, and account for 700,000 jobs and almost 40 per cent of the State's small businesses.<sup>42</sup>

- The regions generate a \$72 billion regional economy that contributes almost 20 per cent of the State's overall economy and is responsible for a third of Victoria's total exports.<sup>43</sup>
- In 2019-20, Victoria's gross value of agricultural production was \$17.8 billion representing 29 per cent of Australia's gross value of agricultural production, making Victoria the country's largest agricultural producer.<sup>44</sup>
- Victoria employs the most amount of people in agriculture and food industries across Australia, contributing 28 per cent to the employment in the industry nationally.<sup>45</sup>
- Tourism contributes \$11.5 billion to the regional economy.<sup>46</sup>
- More than 80 per cent of Australia's dairy exports, 48 per cent of horticultural exports and 39 per cent of prepared food exports come from Victoria.<sup>47</sup>

### Recommendations: Primary recommendations

**P16**

Create a housing development scheme to expand housing supply and planning in Regional Victoria, that is supported by comprehensive Place Planning in regional and rural towns.

**P17**

Fund a targeted, industry-led 'Work in the Regions' initiative to encourage new regional Victorians and young people to work in shortage industries.

**P18**

Create an Agriculture Passport to allow seasonal employees to work across growers and farms.

<sup>41</sup> Regional Development Victoria, 2022, About Regional Development Victoria, <<https://www.rdv.vic.gov.au/about-rdv/who-we-are>>

<sup>42</sup> Ibid

<sup>43</sup> Ibid

<sup>44</sup> Agriculture Victoria, 2022, Victoria's agriculture and food industries, <<https://agriculture.vic.gov.au/about/agriculture-in-victoria/victorias-agriculture-and-food-industries>>

<sup>45</sup> Ibid

<sup>46</sup> Ibid

<sup>47</sup> Agriculture Victoria, 2022, Victoria's agriculture and food industries, <<https://agriculture.vic.gov.au/about/agriculture-in-victoria/victorias-agriculture-and-food-industries>>

**P19**

Create a Regional Victorian Manufacturing Strategy and Fund to boost Victoria's local manufacturing industry and capabilities.

**P20**

Commission a state-wide review of local content procurement processes in collaboration with State Government and at least six regional councils to drive regional business growth.

## Secondary recommendations

**S30**

Invest in regional infrastructure and essential services to accommodate the recent population growth into the regions and allow for continual housing developments.

**S31**

Create a Destination Marketing Campaign to encourage visitation to our regions and showcase the unique landscape of Regional Victoria.

**S32**

Invest in improving digital infrastructure capability across Regional Victoria.

**S33**

Establish regional development precincts to build a skilled workforce to drive growth and innovation in the regions.

**S34**

Fund a targeted settlement strategy to ensure skilled migrants settle in Regional Victoria.

**S35**

Expand public transport networks within the regions and to/from Melbourne to facilitate business activities, increase connectivity and attract more visitors to regional areas.

**S36**

Establish a 'Buy Local' scheme in regional communities to encourage people to buy Australian made products and produce.

**S37**

Require Victorian Government agencies to report quarterly against local procurement targets.

**S38**

Fund Services Victoria to lead a new initiative to reduce the cost, time and processes associated with starting or expanding an agribusiness.

**S39**

Provide funding over four years for a business case each year for high-speed trains to Regional Victoria, starting with Ballarat.

**S40**

Create a \$250 million regional transport asset maintenance fund to ensure regional roads are maintained.

**S41**

Streamline support for regional Victorian businesses to be able to win and access procurement opportunities – this should be coordinated through one central body such as the Industry Capability Network (ICN).







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