



Victorian
Chamber of Commerce
and Industry



2022-23
STATE BUDGET SUBMISSION

Chief Executive Summary

Business is the heart of Victoria's economy and community. Never has this been more apparent than during the COVID-19 pandemic, when business played a key role in keeping the economy functioning and our communities together.

Businesses also supplied Victorians with the goods and services they needed to work from home and stay safe, and served a vital role as a social connector.

Business will also play a critical role in driving Victoria's economic recovery and prosperity. The Victorian Government has played a substantial role to support the economy over the past two years, but it is now time for business to take the lead.

The 2022-23 State Budget must reactivate the economy by encouraging business. It must also facilitate future economic development through targeted support and incentivisation. It must be a budget that focuses on business and enables business to be the primary driver of economic growth.

As Victoria's peak body for business, the Chamber represents the collective voice of 50,000 members and clients. Thirty per cent of whom are based in Regional Victoria. It is why we were front and centre in designing the State and Federal funded business support packages and have been the leading advocate on restrictions.

Our members helped shape the priorities and recommendations presented in this submission, with more than 750 survey responses. It has also been informed by our Cost and Ease of Doing Business in Victoria report, which identified key areas in which Victoria could perform better for the benefit of business and provided solutions to achieve this.

Some of these included implementing a concierge to help businesses navigate regulations, evolving public service culture to better understand business, fast-tracking government approvals, grants and programs to get business back in business, and expanding the facilitation role of Invest Victoria to have a greater focus on boosting the success of small business and regional industry.

It is also important that funding for our recommendations drawn from a combination of new expenditure and reprioritisation of existing funding committed in previous budgets. This will reduce pressure on the revenue base and help create a pathway back to surplus.



Our submission focuses on three primary areas that will help facilitate economic growth:

- > Enabling business
- > Growing business
- > Easing the cost of doing business

Our recommendations prioritise targeted support for business and improving the efficiency of administrative or regulatory processes and tax. They are measured and will have a significant economic multiplier effect leading to more jobs and higher levels of economic development and investment.

Business is ready to continue to be the beating heart of Victoria's economy and community and drive our recovery and prosperity.

A stylized, handwritten signature in black ink, appearing to read 'Paul Guerra', with a long horizontal flourish extending to the right.

Paul Guerra
Chief Executive

Budget Submission Approach

To help business drive Victoria's economic recovery the Victorian Chamber's 2022-23 State Budget Submission is guided by three themes that align with the Victorian Government's priorities and those of our members.

Enabling business: Victorian businesses are efficient and have become even more resilient since COVID-19 hit. The 2022-23 State Budget provides the perfect opportunity to enable them to achieve their full potential by:

- > Ensuring that Victorian businesses have access to a well-trained and skilled workforce to meet their capability requirements as they emerge from the pandemic;
- > Delivering on the Government's infrastructure agenda that it has funded in previous budgets in a timely manner to improve liveability and cater for population growth while also maximising local content and skills opportunities;
- > Ensuring that Victoria is at the forefront of developing the digital economy and digital business skills so that Victorian businesses can take advantage; not just locally but globally; and
- > Funding ventilation upgrades across Victoria to improve the wellbeing of staff and keep them safe in the office.

Growing business: Victorian businesses need to be encouraged to grow in their current industries while also expanding into existing and emerging ones. This requires a concerted effort to:

- > Provide industry support and development where there is a clear market gap and where there is a strong strategic reason to do so;
- > Continue to expand the number and diversity of Victorian businesses exporting and the value and volume of exports;
- > Increase investment in innovation and commercialisation so that Victoria can become a hub for emerging industries and existing industries can innovate and increase productivity; and
- > Encourage further investment into Victoria from within Australia and overseas so that Victoria is the place that investors and businesses think of first when looking to expand.

Ease of doing business: Victorian businesses need an environment more conducive to investment through improvements to the regulatory and tax environment. Our *Cost and Ease of Doing Business in Victoria* report made this abundantly clear. To achieve this, Government must focus on:

- > Reforming the tax system to make Victoria the most attractive place in Australia to operate a business;
- > Improving the regulatory environment by creating one entry point with a concierge model to help businesses navigate government administrative processes;
- > Continuing to work with business to ensure that the industrial relations environment is conducive to businesses and workers; and
- > Improving communication and engagement with industry on changes to environmental policy and project approval processes. Government agencies need to take into consideration the commercial realities, private investment and project timelines of the private sector.

Summary of Recommendations

BUDGET FORWARDS

1. Change from four-year forward estimates to 10-year forward estimates.

ENABLE

2. Commit to a zero youth unemployment by 2026.
3. Task the Victorian Skills Commissioner with creating ongoing workforce development strategies to address skills mismatches and shortages.
4. Increase funding of digital infrastructure required to facilitate lifelong learning.
5. Implement a school-based traineeship pilot at 50 schools allowing students to trial multiple VET pathways.
6. Double targeted programs that address gaps in skills and representation, such as women in STEM.
7. Implement a promotional campaign that highlights the benefits of internships to industry, students and education providers.
8. Double wage subsidies for hiring apprentices or trainees.
9. Provide businesses with \$1,000 in support for each job experience opportunity created.
10. Incentivise businesses (e.g. through tax breaks) to invest in internship programs.
11. Invest \$10 million to provide businesses with workforce development and skills gap analysis training and materials.
12. Fund an international campaign highlighting the benefits of living and studying in Victoria to attract international students.
13. Provide financial support to international students so that they pick Victoria over other States and Countries.
14. Victorian Government set a side and gift the required land to the Federal Government for Truganina and connections into Port of Melbourne. Pre-approve associated planning provisions to fast track the process once Federal funding is committed.
15. Expand the number of rapid bus services in Fishermans Bend.
16. Prepare a business case for the delivery of trackless trams for the Fishermans Bend southern route.
17. Fund the northern Fishermans Bend tram connection for delivery by 2026.
18. Provide \$1 billion over three years for a forward program of tram stop upgrades with work to be targeted toward SMEs.
19. Invest \$42 million to separate trams from traffic on busy roads along Collins, Flinders, Elizabeth and Bourke streets.
20. Protect 24/7 operations and access through legislation to Port of Melbourne.
21. Provide \$35 million over five years to extend the Mode Shift Incentive Scheme.

22.	Provide \$200 million over four years to improve Victoria's transport system through traffic monitoring and signalling upgrades.
23.	Provide funding over four years for a business case each year for high-speed trains to Regional Victoria, starting with Ballarat, and begin collaborating with the Commonwealth on a joint funding model for the project.
24.	Create a \$250 million regional transport asset maintenance fund to ensure regional roads are maintained.
25.	Provide a further \$100 million in zero interest loan support for medium and large Victorian businesses to undertake building upgrades to improve ventilation systems.
26.	Allow businesses seeking to pre-qualify as suppliers to the Victorian Government to fulfil screening requirements via a single form and process.
27.	Support growth of SMEs in the technology sector by tying government procurement funding to sovereign capability in ICT.
28.	Streamline support for Victorian businesses (particularly SMEs 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).

GROW

29.	Provide \$150 million over four years for a Victorian Space Strategy, including \$100 million to build a silicon chip manufacturing facility to decrease reliance on overseas chips.
30.	Scale the Hydrogen Energy Supply Chain Project or invite a similar public private venture to boost Victoria's advanced manufacturing sector and produce a secure, reliable, domestic supply of hydrogen.
31.	Introduce a subsidy for industries transitioning to clean hydrogen as a primary energy source.
32.	Victorian Government to set aside \$125 million for capital works for the Australian Food Innovation Centre to be released once funding is matched by the Federal Government.
33.	Develop a new 'Export Victoria' strategy to increase Victoria's share of Australia's total exports to 50 per cent by 2025.
34.	Fund and scale up business support, advice and funding to upskill businesses who export or want to export.
35.	Align Invest Victoria and Global Victoria's strategies with investment and growth in Victoria's export capability.
36.	Fund Global Victoria to revamp its online platform to helps businesses export.
37.	Increase the quantum of the Breakthrough Victoria Fund by \$2 billion to make substantive investments in industries to create more jobs.
38.	Fund an online industry-led marketplace that connects industry with research institutions, product designers and manufacturers to solve real business problems.
39.	Extend the timeframe and eligibility of the Victorian Government's Research and Development Cash Flow Loans initiative to increase accessibility by wider cohorts.
40.	Further develop and harmonise Victoria's local content policies to stimulate Victorian manufacturing.

41.	Establish a \$500 million credit scheme to provide payroll tax and land tax concessions for manufacturing and high-tech businesses.
42.	Provide \$5 million to Launch Vic to help create a 'connector unit' to enable greater cooperation between university researchers and industry to facilitate problem solving and improve economic growth. Launch Vic can help foster spinouts through this process.
43.	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.
44.	Increase funding for the Melbourne Convention Bureau to secure more international and national conferences for Victoria.
45.	Build the organisational capability of service providers in the experience economy to improve service delivery and increase industry resilience.
46.	Launch a targeted suite of in-person tourism expos/events to re-promote Victoria to key visitor markets.
47.	Develop a long-term infrastructure plan, with short- and medium-term milestones, for Victoria's experience economy to ensure appropriate facilities are in place to support future growth. The focus should be on experiences in the agribusiness, food and accommodation sectors.
48.	Fund and develop specialist industry-led and delivered short courses and internships for the events, tourism and hospitality sectors.
49.	Create a \$200 million events attraction industry fund to attract and capture world leading events to Victoria and to ensure we remain the number one state for events. This should include a business plan to secure the Rugby World Cup 2027.
50.	Put forward a 2026 Commonwealth Games bid to boost our visitor economy, particularly in Regional Victoria.
51.	Provide funding to plan for the Commonwealth Games with initial funding focused on improving the required infrastructure required in Regional Victoria.
52.	Provide additional funding for electric vehicle (EV) charging stations across Victoria.
53.	Provide further incentives for businesses to invest in circular economy programs, promote innovative solutions and sustainable markets, and work with businesses to set up repurposing facilities.
54.	Fund a pilot program for businesses to explore climate-friendly innovations across multiple industry sectors.

EASE

55.	Increase the payroll tax threshold to \$1.2 million in Metropolitan Victoria and decrease the rate to zero in Regional Victoria.
56.	Provide funding to establish a regulatory concierge model.
57.	Create an incentive fund for local councils to improve their administration of business regulations.

58.	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.
59.	Provide a funding pool for local councils that improve their planning approval processes.
60.	Provide funding and Ministerial direction for the Victorian Planning Authority to provide support to local councils in Regional Victoria.
61.	Lift the grants threshold for the Fair Jobs Code to \$3 million to match the threshold for contracts covered by the scheme.
62.	Redirect funding from the insecure workplace pilot to mental health support for business.
63.	Provide further funding for energy equipment upgrades to assist businesses to reduce energy bills and increase efficiency.
64.	Offer incentives for business to lease or buy electric vehicles (EVs). This can be through a reduction in stamp duty or reduced registration fees.
65.	Increase funding for research into new and emerging energy technologies and projects to ensure Victorian businesses have access to diversified and innovative energy solutions.
66.	Provide \$200 million over two years to fund elective surgery prioritising activity through private hospitals to allow them to forward plan and target efficiencies.
67.	Set aside \$500 million in contingency over two years to respond to any further COVID-19 or influenza outbreaks so that Victoria's economy will not need to face restrictions. Any funding not drawn on should be returned to consolidated revenue.

REGIONAL

68.	Fund a targeted, industry-led 'Work in the Regions' initiative to encourage new regional Victorians and young people to work in shortage industries.
69.	Create a Victorian Manufacturing Strategy and Fund to boost Victoria's local manufacturing industry and capabilities.
70.	Commission a statewide review of local content procurement processes in collaboration with at least six regional councils.
71.	Require Victorian Government agencies to report quarterly against local procurement targets.
72.	Fund Services Victoria to lead a new initiative to reduce the cost, time and processes associated with starting or expanding an agribusiness.
73.	Extend the 'Health to Health' and 'Head to Help' pop ups to 2024 and to five additional regional locations.

SUBMISSION

An aerial photograph of Melbourne, Australia, showing the city skyline in the background, the Yarra River, and the Melbourne Cricket Ground (MCG) in the foreground. The image is overlaid with a semi-transparent blue filter.

Budget Forwards

The Chamber reiterates our call to change from four-year budget forward estimates to 10-year forward estimates. This shift would assist Government to maximise savings, encourage long-term policy thinking, and allow for rigorous assessment of outcomes. It will also ensure greater transparency for any adjustments to ‘total estimated investment’ in capital programs.

Economic prosperity drives the wellbeing of Victorians. It is well established that secure employment is a predictor of health and happiness, and a thriving private sector is conducive to sustainable job creation. A fiscally responsible budget that minimises costs on businesses, while funding stimulatory initiatives would contribute to this outcome. Importantly, some of the wrap around services required to provide the greatest benefit to our wellbeing requires long-term funding commitments, so that return on investment can be realised.

1.

Recommendation: Change from four-year forward estimates to 10-year forward estimates.

Enable

Capability - Skills and Training

Youth employment

Youth not in training, education, employment or training (NEET) longer-term causes significant social and economic harm, and has negative impacts on individuals, their families and communities. This is at a time when Victorian businesses are desperate for employees.

Prior to the pandemic the number of young (18-24) Victorian NEETs had been stagnating at approximately 300,000 a year for several years. In 2020, young NEETS rose to approximately 400,000.¹ The Chamber recommends bold action to improve these outcomes by committing to zero youth unemployment.

Zero youth unemployment commits to ensuring that every Victorian young person aged 16-25 is in meaningful employment, training (e.g., apprenticeship, traineeship) or further education within four months of graduating from high school, TAFE or university, or becoming unemployed.

2.

Recommendation: Commit to zero youth unemployment by 2026.

Improving the skills system

Skills mismatches and skills shortages are a large concern for employers, hindering growth and productivity. A skilled workforce is key to economic growth, and Victorian employers and communities must have access to workers with the skills they need.

Workforce development strategies address industries currently experiencing skills shortages and identify industries that may experience skills shortages in the future from either previous lack of investment in training, high growth, market disruptions and more. Tasking the Victorian Skills Commissioner with the creation of Victorian workforce development strategies and solutions projected across 10-year periods will provide solutions to current shortages and prevent future shortages.

Lifelong learning is a key component to ensuring that relevant skills continue to be developed as market needs change and technology advances. The infrastructure and systems required to make lifelong learning accessible and easily understood are not yet available. The creation of digital skills infrastructure is a first step towards fostering lifelong learning and creating skills profiles.

3.

Recommendation: Task the Victorian Skills Commissioner with creating ongoing workforce development strategies to address skills mismatches and shortages.

4.

Recommendation: Increase funding of digital infrastructure required to facilitate lifelong learning.

Career pathways

Employers need confidence that their new hires are job-ready and people in education need to confidently make career decisions. This will reduce drop-out rates and increase retention rates in both training and the workplace. Connection between education and the workplace is critical. Victoria needs to go further in improving the efficiency and outcomes of the education system in meeting the needs of employers through a range of initiatives.

Specifically, Government should roll out a Vocational Education and Training (VET) and a school-based traineeship pilot that allows students to trial multiple VET pathways. The pilot should operate in 50 schools, lift understanding of these pathways, address non-completion of VET pathways, and establish if there is a greater role for wrap-around services to provide support to VET students. Targeted programs that address gaps in skills and representation, such as women in STEM, need to be scaled up.

More broadly, a promotional campaign is needed to highlight the benefits of internships for industry, students and education providers. This will help to create a culture of workplace-based experience and futureproof skills pipelines for industry.

5.

Recommendation: Implement a school-based traineeship pilot at 50 schools allowing students to trial multiple VET pathways.

6.

Recommendation: Double targeted programs that address gaps in skills and representation, such as women in STEM.

¹ Macklin, J. (2021). *Future skills for Victoria: driving collaboration and innovation in post-secondary education and training* [Macklin review].

7.

Recommendation: Implement a promotional campaign that highlights the benefits of internships to industry, students and education providers.

Incentives to employ more staff

More than 27 per cent of our members surveyed highlighted the need for financial grants to assist with hiring workers. Training and supporting new employees require a business' time, money and deployment of skilled workers away from other projects. It is estimated that it costs a business \$9,772 to hire one new employee in an entry level position.² The barriers for employers' taking on employees who require on-the-job training should be reduced to create more employment and fast track the level of upskilling in Victoria.

27%

More than 27 per cent of our members surveyed highlighted the need for financial grants to assist with hiring workers.

Wage subsidies for hiring apprentices or trainees should be increased. Incentives and support for employers who engage people in work experience should also be supported (current support is limited to a conditional \$300 from the Federal Government).

Internship programs future proof industry skills pipelines by creating job-ready graduates, increasing the number of entry-level positions, and lifting the profile of different industries in the labour market. The Chamber encourages the Victorian Government to incentivise employers to take on interns, for example through tax breaks for every intern employed on a paid basis.

8.

Recommendation: Double wage subsidies for hiring apprentices or trainees.

9.

Recommendation: Provide businesses with \$1,000 in support for each job experience opportunity created.

10.

Recommendation: Incentivise businesses (e.g. through tax breaks) to invest in internship programs.

Investing in business' capability to train and upskill

Businesses not only need support with funding to upskill staff, but also need to build their capability in creating workforce and learning development plans and reviewing skills gaps to develop their workforce over the longer-term. Resources and training should be made available for businesses, particularly Small and Medium Enterprises (SMEs), to understand how to identify skills gaps and make plans to fill them.

Investment should be made to ensure businesses understand how to create on-the-job training and upskilling opportunities for their workforce. Taking cues from the Singaporean SkillsFuture model, business should be eligible for a \$10,000 allocation to support the costs of business transformation, job redesign and skills training to prepare them and the Victorian economy for the fast-changing global environment.

11.

Recommendation: Invest \$10 million to provide businesses with workforce development and skills gap analysis training and materials.

International students

International students boost the economy, make up an important part of our university student cohort, and add to the rich cultural fibre of Victoria's cities, suburbs and regions. Victoria needs to prioritise the return of international students.

International education, Victoria's largest services export industry³, was hit hard during the COVID-19 pandemic. The absence of international students impacted many Victorian businesses that rely on international guests. This has also had an impact in terms of international visitation, by September 2021 overnight spending in Victoria decreased by 99 per cent to a mere \$129 million, down \$8.7 billion from September 2019⁴.

² Human Resources Director. (2019). *This is how much it costs to hire one employee*.

³ <https://global.vic.gov.au/victorias-capabilities/industry-sectors/international-education/overview>

⁴ <https://business.vic.gov.au/business-information/tourism-industry-resources/tourism-industry-research/international-research#:~:text=International%20overnight%20expenditure%20in%20Victoria,the%20year%20ending%20September%202019>

12.

Recommendation: Fund an international campaign highlighting the benefits of living and studying in Victoria to attract international students

13.

Recommendation: Provide financial support to international students so that they pick Victoria over other States and Countries.

Infrastructure

Intermodal terminal

Victoria needs a new Intermodal Freight Terminal to increase freight capacity for imports and exports for the post-COVID-19 economy. This requires funding and a commitment to begin the project in 2022-23. While the Federal Government has set aside a \$2 billion envelope as seed funding, starting work is dependent on Federal-State agreement on the location.

The Victorian Chamber supports the call to develop the proposed site in Truganina (the Western Interstate Freight Terminal (WIFT)) first as this option will best address immediate pressures on the network. Once the WIFT is operational, work should then begin on a freight terminal at Beveridge.

Victoria's freight volumes are expected to grow from approximately 400 million tonnes in 2021 to around 900 million tonnes annually by 2050. A WIFT operational by 2025, followed by an interstate freight terminal at Beveridge, will ensure our supply chain can manage this projected growth, ease cost pressures on business, and generate economic benefit for Victoria and the nation.

While the intermodal terminal would be Federally funded as part of inland rail, the State Government can provide assistance and incentives to bring it forward. The State must gift the required land to the Federal Government as well as provide pre-approval of all planning controls required.

14.

Recommendation: Victorian Government set a side and gift the required land to the Federal Government for Truganina and connections into Port of Melbourne. Pre-approve associated planning provisions to fast track the process once Federal funding is committed.

Fishermans Bend precinct

By 2050, Fishermans Bend will be home to approximately 80,000 residents and provide employment for up to 80,000 people. Fishermans Bend has an ever-growing reputation as a hub of Victorian innovation.

Transport and access routes to activate and connect Fishermans Bend and prevent congestion as traffic continues to grow need to be confirmed now. The Government has committed \$15 million to the planning of longer-term transport links, but this planning does not have an estimated due date. Failure to commit now will see the area become congested, decreasing productivity of businesses within Fishermans Bend and the surrounding central business district.

In the short term, the rapid bus project involving the construction of bus stations and stops should begin, together with bus priority and increased bus frequency. To cater for the longer-term, funding should be allocated to the northern Fishermans Bend tram connection for delivery by 2026, and planning must commence for the southern route connection.

15.

Recommendation: Expand the number of rapid bus services in Fishermans Bend.

16.

Recommendation: Prepare a business case for the delivery of trackless trams for the Fishermans Bend southern route.

17.

Recommendation: Fund the northern Fishermans Bend tram connection for delivery by 2026.

Forward work plan for smaller infrastructure projects

While the big build has provided substantial opportunities for large constructors and sub-contractors there is a need to provide a greater pipeline of works to SMEs. Indeed, more than 87 per cent of our members surveyed support a pipeline of work for SMEs. Commitment and funding for an ambitious work program of standardised tram stop upgrades will achieve the legislatively required accessibility target and provide a workplan for Tier Two and below infrastructure providers, giving them the opportunity to scale up. Importantly it will not put significant pressure on the Government's forward pipeline of infrastructure projects.

87%

More than 87 per cent of our members surveyed support a pipeline of work for SMEs.

Only 400 of the 1,700 tram stops in Victoria currently comply with legislation, with the current stop upgrade workplan at a pace of only two upgrades a year. Level tram stops deliver a wide range of benefits including an increase in kerbside trading opportunities (110 per cent more space according to the City of Port Phillip's evaluation report from the Acland Street Plaza). Packaging a number of tram stops to be upgraded will deliver significant efficiencies while also allowing the Government to significantly improve the current rate at which stops are upgraded. The forward work program could be based on the successful Level Crossing Removal work program.

Melbourne's trams are also among the slowest in the world, spending much of their time stuck behind slow moving cars or in traffic. Further, trams on busy roads are a safety hazard. Separating trams from traffic on busy roads along Collins, Flinders, Elizabeth and Bourke streets would substantially decrease total collisions and decrease passenger journey times.

18.

Recommendation: Provide \$1 billion over three years for a forward program of tram stop upgrades with work to be targeted toward SMEs.

19.

Recommendation: Invest \$42 million to separate trams from traffic on busy roads along Collins, Flinders, Elizabeth and Bourke streets.

24/7 Port of Melbourne operations and access

90%

More than 90 per cent of our members surveyed support the protection of 24/7 operations because they understand the economic multiplier effect that this has.

The Port of Melbourne has the highest freight volumes in Australia and as it upgrades its infrastructure there will be efficiency improvements. These efficiencies benefit all businesses and provide a significant contribution to economic development. To preserve and further facilitate improved efficiencies the Port of Melbourne needs to have its 24/7 operations protected through legislation to provide the certainty that is required to encourage investment.

More than 90 per cent of our members surveyed support the protection of 24/7 operations because they understand the economic multiplier effect that this has. While this is not a financial ask, it has significant positive financial impacts from an economic development perspective and for the benefit of Victoria.

20.

Recommendation: Protect 24/7 operations and access through legislation to Port of Melbourne.

Mode Shift Incentive Scheme

Rail freight is important for Victoria and decreases stress on roads in and around the Port of Melbourne. The Mode Shift Incentive Scheme (MSIS) is vital for most rail operators contesting against road freight in Victoria. The MSIS investment removes the equivalent of 46,000 truck trips off Victorian roads each year by providing support for the regions and primary producers to make rail transport costs competitive with road freight. It also allows exporters to move their goods more efficiently through to the world market.

The MSIS will deliver significant economic, environmental and safety benefits, with rail freight producing three times less carbon pollution than road freight and fewer trucks on the road means improved road safety outcomes right across the state. Overall, the scheme delivers almost \$5 million in benefits to Victoria every year through reduced road maintenance, emissions, congestion and crashes.

A five-year timeframe for delivery is appropriate as it coincides with the delivery of Port of Melbourne's highly anticipated Port Rail Transformation Project (PRTTP) coming online by 2026 and to also provide certainty to Victorian primary producers and exporters.

21.

Recommendation: Provide \$35 million over five years to extend the Mode Shift Incentive Scheme.

Improving operation of Victoria's transport system through better monitoring of traffic and signalling upgrades

Time stuck in traffic is dead time. While substantial infrastructure projects will reduce congestion over time there is a need to enhance the efficiency of existing infrastructure. This can be done through further funding of traffic monitoring and signal upgrades. There is a significant opportunity to take advantage of new technological developments that can help develop a fit for purpose and responsive transport system.

22.

Recommendation: Provide \$200 million over four years to improve Victoria's transport system through traffic monitoring and signalling upgrades.

High speed trains to Regional Victoria

Fast rail connections between Regional and Metropolitan Victoria would decrease commute time and improve the availability of labour in Victoria's fastest growing regional centres. A 45-minute commute between Ballarat and Melbourne could be a reality and provide the blueprint to rollout further highspeed trains to other regional centres to improve connectivity. The State Government should also bring forward the work on Geelong fast rail.

23.

Recommendation: Provide funding over four years for a business case each year for uninterrupted high-speed trains to Regional Victoria on dedicated lines from Southern Cross Station, starting with Ballarat, and begin collaborating with the Commonwealth on a joint funding model for the project.

Road maintenance fund

Road maintenance in the regions should be a priority for this Budget. Our members advise that critical stretches of road, such as the Murray Valley Highway to Rutherglen require an urgent update. A \$250 million regional transport asset maintenance fund would prioritise road and rail links that need repair.

24.

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

Ventilation upgrades fund

Getting more people back into work is key for economic recovery. Ensuring that their places of work have good and modern ventilation is essential to provide extra protection against the spread of airborne viruses. While the Government's announcement of \$60 million for small business was most welcome there is a need to supercharge the upgrading of ventilation systems.

25.

Recommendation: Provide a further \$100 million in zero interest loan support for medium and large Victorian businesses to undertake building upgrades to improve ventilation systems.

Procurement

Procurement is one of the best ways to activate and support businesses. It also has the capacity to improve sovereign capability which decreases the reliance on imports. Importantly, it creates local jobs. To date on major projects, procurement of local rolling stock has been quite successful, however there is scope to improve through greater engagement with SMEs, especially those located in Regional Victoria. Minor changes to current procurement policies, together with minimal targeted government funding, could help grow local jobs and businesses.

26.

Recommendation: Allow businesses seeking to pre-qualify as suppliers to the Victorian Government to fulfil screening requirements via a single form and process.

27.

Recommendation: Support growth of SMEs in the technology sector by tying government procurement funding to sovereign capability in ICT.

28.

Recommendation: Streamline support for Victorian businesses (particularly SMEs 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).

Grow

Industry Development

Space/Aerospace industry support

The global space industry will be worth more than \$1 trillion by 2030 and Victoria is yet to articulate its role in the national and international space ecosystem. Victoria is uniquely positioned to leverage our strengths in education, manufacturing and more than 100 space-related science and technology companies based here.

The Government must provide leadership, means for growth through collaboration and capital access, and investment in targeted areas to build on Victoria's natural strengths. To facilitate targeted industry growth, and provide a meaningful strategy, the Government should commit \$50 million over a period of four years to fund a strategy that engages the space primes (major manufacturers), provides support for upstream and downstream manufacturing and services, and provides funding for emerging areas in space that can be commercialised. This strategy must be industry-led but have government support and coordination and earn Victoria a seat at the table in national space discussions.

To facilitate the creation of a silicon chip manufacturing industry that plays an important role in defence and space systems, while also ensuring sovereign capability, the Government should invest in a chip manufacturing facility with the capacity to grow over time to become a major producer. This will allow Victoria to take advantage of the substantial Federal Government spend on defence, while also providing high end employment opportunities.

29.

Recommendation: Provide \$150 million over four years for a Victorian Space Strategy, including \$100 million to build a silicon chip manufacturing facility to decrease reliance on overseas chips.

Hydrogen

Hydrogen will play a crucial role in reducing emissions in Australia and the Victorian Chamber is of the view that creating reliable domestic sources of clean hydrogen is a critical, underexplored need for Australia's energy market. Victoria is the most highly skilled state with a deep manufacturing history and expertise and is well placed to lead the way on clean energy production and technology development.

The Federal and Victorian Governments have co-funded the Hydrogen Energy Supply Chain Project. The initiative is producing hydrogen in Victoria for export; an objective that is unlocking opportunity for our State's burgeoning clean energy industry and which we support.

The Victorian Chamber believes there is opportunity to either further scale the Hydrogen Energy Supply Chain project or fund a new public-private initiative to develop clean hydrogen for domestic consumption.

This will support high emitting, trade exposed industries (such as the steel industry) to reduce their emissions in a sustainable way. It will further develop Victoria's advanced manufacturing capability and leadership in clean energy technology; a key concern for our members and for Victorians. This initiative could be supported by a subsidy for high emitting industries using hydrogen such as heavy transport and logistics.

30.

Recommendation: Scale the Hydrogen Energy Supply Chain Project or invite a similar public private venture to boost Victoria's advanced manufacturing sector and produce a secure, reliable, domestic supply of hydrogen.

31.

Recommendation: Introduce a subsidy for industries transitioning to clean hydrogen as a primary energy source.

Australian Food Innovation Centre

La Trobe University and CSIRO have partnered to create a national agri-food innovation network to drive sector growth and jobs, improve health outcomes and commercialise new food products. The centre will address two of the globe's biggest questions, specifically, how to sustainably develop sufficient food to meet the demand for population growth, and how we leverage food science and nutrition to remediate chronic health conditions.

Just as Parkville is one of the world's preeminent precincts in life sciences, Bundoora has the potential to be the world's number one precinct for food and agriculture sciences. It will not only provide high value jobs in Bundoora, but it will also enable Victorian farmers to access cutting edge technology and processes to improve yields and their approach to agriculture.

32.

Recommendation: Victorian Government to set aside \$125 million for capital works for the Australian Food Innovation Centre to be released once funding is matched by the Federal Government.

Growing Victoria's exports

Victoria is a significant exporter of goods and services, accounting for 12.2 per cent (\$57.3 billion) of Australia's total export market, but we can do better. Exports increase wages, standards of living and create more jobs.

The Chamber recommends adopting a target to grow Victoria's share of Australia's total exports to 50 per cent, by 2025. A clear target, supported by a new 'Export Victoria' strategy will speed up Government and industry action to assist businesses to commercialise their products for international markets. Key to this strategy is expanding business support and funding for industry-led 'export ready' mentoring and business advisory programs. There needs to be just as much focus on the export of goods as the export of services.

Invest Victoria and Global Victoria's roles should be expanded to account for investment and growth in export capability, especially for SMEs and regional businesses. Global Victoria should offer a clear, coordinated pathway of support for Victorian businesses seeking to go global. A revamped online platform would incorporate a streamlined gateway assessment for potential exporters, supplemented by personal follow up for businesses assessed as export ready.

33.

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

34.

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

35.

Recommendation: Align Invest Victoria and Global Victoria's strategies with investment and growth in Victoria's export capability.

36.

Recommendation: Fund Global Victoria to revamp its online platform to help businesses export.

Innovation and Commercialisation

80%

Eighty per cent of our members surveyed highlighted the need for direct government investment in this space.

Innovation and commercialisation create new industries and jobs, boost economic development, and solve the problems of today and the future. Victoria needs to increase support for transforming innovative ideas and research into commercial products and services. Eighty per cent of our members surveyed highlighted the need for direct government investment in this space.

Australia is well behind global standards in terms of our capability to support Research and Development (R&D). Total spending on R&D in the country today remains at a similar level to a decade ago⁵. As a percentage of national Gross Domestic Product (GDP), our overall spending on R&D fell from 2.11 per cent in 2011-12 to 1.79 per cent in 2019-20⁶. This is well below other OECD countries that spend more than three to five per cent of GDP on R&D⁷.

The Chamber recommends further supporting innovation and improving the commercialisation process. This can be achieved by increasing funding for commercialisation, establishing an industry-led online marketplace, extending the scope of existing loan programs, developing policies that favour Victorian manufacturing, and providing concessions for manufacturing and high-tech businesses.

37.

Recommendation: Increase the quantum of the Breakthrough Victoria Fund by \$2 billion to make substantive investments in industries to create more jobs.

38.

Recommendation: Fund an online industry-led marketplace that connects industry with research institutions, product designers and manufacturers to solve real business problems.

⁵ <https://www.innovationaus.com/business-spending-on-rd-has-flatlined-in-australia/>

⁶ <https://www.innovationaus.com/business-spending-on-rd-has-flatlined-in-australia/>

⁷ <https://www.innovationaus.com/business-spending-on-rd-has-flatlined-in-australia/>

39.

Recommendation: Extend the timeframe and eligibility of the Victorian Government's Research and Development Cash Flow Loans initiative to increase accessibility by wider cohorts.

40.

Recommendation: Further develop and harmonise Victoria's local content policies to stimulate Victorian manufacturing.

41.

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

42.

Recommendation: Provide \$5 million to Launch Vic to help create a 'connector unit' to enable greater cooperation between university researchers and industry to facilitate problem solving and improve economic growth. Launch Vic can help foster spinouts through this process.

Visitor Economy

70%

More than 70 per cent of our members surveyed would like to see further support for the visitor economy.

Victoria needs to reimagine our visitor economy and the broader experience economy and recover our reputation as the destination that has it all. To entice visitors to come and explore the unique natural attractions and experiences our State has to offer, Victoria must provide targeted support to keep our tourist destinations operational. More than 70 per cent of our members surveyed would like to see further support for the visitor economy.

Since March 2020, the tourism sector has been heavily affected by the public health response to COVID-19, especially businesses reliant on inbound markets. Our visitor economy went from contributing more than \$32 billion to the Victorian economy in 2019-20, to just \$8.9 billion in 2020-21. Many operators require

ongoing support for asset retention and investment in the medium term.

The tourism industry needs targeted funding to help see it through until visitor levels return to pre-pandemic times. The Chamber recommends increasing funding to host local, national and international events, improving infrastructure and service provider capacity for our experience economy, and developing short courses and internships for the events, tourism and hospitality sectors.

43.

Recommendation: 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.

44.

Recommendation: Increase funding for the Melbourne Convention Bureau to secure more international and national conferences for Victoria.

45.

Recommendation: Build the organisational capability of service providers in the experience economy to improve service delivery and increase industry resilience.

46.

Recommendation: Launch a targeted suite of in-person tourism expos/events to re-promote Victoria to key visitor markets.

47.

Recommendation: Develop a long-term infrastructure plan, with short- and medium-term milestones, for Victoria's experience economy to ensure appropriate facilities are in place to support future growth. The focus should be on experiences in the agribusiness, food and accommodation sectors.

48.

Recommendation: Fund and develop specialist industry-led and delivered short courses and internships for the events, tourism and hospitality sectors.

Events

Our events industry has suffered substantially as a consequence of COVID-19 and now is the time to show the world that Victoria is ready to retake its mantle as the events capital of the world. Victoria knows how to put on an event and should be ambitious in targeting a range of events. There should be a focus on three categories: business, cultural and sporting. Visit Victoria should be empowered with new targets for the number of events held in Victoria, as was demonstrated by the Victorian Major Events Company.

49.

Recommendation: Create a \$200 million events attraction industry fund to attract and capture world leading events to Victoria and to ensure we remain the number one state for events. This should include a business plan to secure the Rugby World Cup 2027.

Commonwealth Games

Large events of international importance always come with significant investment and preparations. If Victoria hosts the Commonwealth Games in 2026, planning and deployment of resources and skills needs to be conducted now.

Already, investment in infrastructure has been met with strain on capacity and ability to deliver projects. The Commonwealth Games will require work on existing facilities and maintenance to be increased. This should be planned for now to avoid additional stress on regional service providers, avoid last minute increased costs for delivery, and manage risk to ensure high quality work done.

50.

Recommendation: Put forward a 2026 Commonwealth Games bid to boost our visitor economy, particularly in Regional Victoria.

51.

Recommendation: Provide funding to plan for the Commonwealth Games with initial funding focused on improving the infrastructure required in Regional Victoria.

Environment

The 2021-22 Victorian Budget saw significant investment in environmental protection, renewable energy, climate change mitigation, and waste and recycling transformation, demonstrating the commitment to investing in projects that benefit both businesses and the environment. With an ever-increasing lens on the risks and challenges of climate change, the Victorian Chamber recognises the importance for industry to seize the economic opportunity of a climate-resilient Victoria in growth sectors like renewables, waste recovery, carbon technologies and transport. This will also create jobs and increase local demand for products.

Transitioning to a circular economy presents multiple opportunities and challenges for business. It is important to continue to create incentives for business to invest in circular economy programs, promote innovative solutions and sustainable markets, and work with businesses to set up repurposing facilities. This will ensure businesses are supported to take advantage of circular economy practices and benefit the state.

Evidence shows that the transport sector is one of the largest emitters of greenhouse gas emissions⁸. The Chamber welcomed the recent announcement investing a further \$5 million in grants to the Destination Charging Across Victoria program, and supports additional funding to provide local procurement opportunities for business to drive the adoption of electric vehicles (EVs) across the State.

52.

Recommendation: Provide additional funding for EV charging stations across Victoria.

53.

Recommendation: Provide further incentives for businesses to invest in circular economy programs, promote innovative solutions and sustainable markets, and work with businesses to set up repurposing facilities.

54.

Recommendation: Fund a pilot program for businesses to explore climate-friendly innovations across multiple industry sectors.

⁸ Opportunities to reduce light vehicle emissions in Australia | Climate Change Authority

Ease

Tax

Payroll tax is a tax on jobs as it creates a disincentive for firms to take on more employees. Providing payroll tax relief will spur recovery, business confidence and job creation. Victoria needs an 'employment friendly' payroll tax threshold that is competitive against other states. Victoria should be the most attractive place to do business.

This will not happen while Victoria's payroll tax-free threshold of \$700,000 remains significantly below levels in other states. The New South Wales Government has lifted its payroll tax threshold to \$1.2 million from 2020-21. In Queensland the current threshold is already \$1.3 million, and in Western Australia the annual threshold has just risen to \$1 million.

55.

Recommendation: Increase the payroll tax threshold to \$1.2 million in Metropolitan Victoria and decrease the rate to zero in Regional Victoria.

Regulatory Reform

Prior to COVID-19, Victorian businesses have been dealing with slowing productivity and higher costs relative to other states and territories. The intangible costs of doing business continue to increase, with Victorian business owners spending more time on unproductive activities. The *Cost and Ease of Doing Business in Victoria* report revealed that 40 per cent of Victorian businesses find time is a bigger cost to doing business than money spent. It also showed that Victoria has one of the highest number of approvals required to start a new business. In our budget submission survey, 63 per cent of members surveyed highlighted that they face inefficient regulations in their business, while more than 78 per cent of members surveyed support the establishment of a concierge model to improve the regulatory process.

63%

63 per cent of members surveyed highlighted that they face inefficient regulations in their business, while more than 78 per cent of members surveyed support the establishment of a concierge model to improve the regulatory process.

The Chamber proposes a dedicated concierge service to significantly reduce the time, cost and administrative burden for business owners. There should be no wrong door through for applications with a tell us once approach which is centred around a philosophy of 'approved unless'. The best way to achieve this is via a streamlined system that would see the establishment of a concierge unit in all government departments and regulators (similar to Freedom of Information units). These units would be required to report their results every quarter and they would be monitored and assisted by Better Regulation Victoria (BRV). This would allow to quickly identify issues that might be occurring and work with departments to remedy them. In addition, funding should be provided to ensure that public servants receive training on best practice in regulation.

56.

Recommendation: Provide funding to establish a regulatory concierge model.

57.

Recommendation: Create an incentive fund for local councils to improve their administration business regulations.

Planning

Access to affordable housing is increasingly becoming an issue in both Metropolitan and Regional Victoria. While the Government has used many policy levers to help facilitate this, many Victorians are still unable to purchase a home in the areas they grew up, would like to live or in close proximity of their workplace. In Melbourne, the level of urban infill has not kept pace meaning more people live further from major public transport infrastructure points which puts pressure on our road system and decreases available greenfield land supply. This impacts jobs due to a lack of labour in employment centres because of limited housing or decreased worker wellbeing due to long commutes.

The Victorian Chamber proposes several solutions that will lead to an increase in planning approvals and a higher level of infill development, while also providing affordable housing in Regional Victoria. Heritage should be protected and within Melbourne the outcome should see greater level of low to medium density housing.

58.

Recommendation: 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.

59.

Recommendation: Provide a funding pool for local councils that improve their planning approval processes.

60.

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

Workplace Relations

The Victorian Chamber recognises the need to strike a balance between protections for workers and competitive conditions for business. Government must address two key elements of Victoria's existing program of workplace laws to restore this balance: the Fair Jobs Code and the *Labour Licensing Authority Act 2018* (Vic).

Victoria is the only jurisdiction with a Fair Jobs Code. The Code conflicts with existing Commonwealth laws governing enterprise bargaining, adverse action and freedom of association, including the *Fair Work Act 2009* (Cth) and the *Building Code 2016* (Cth).

The Chamber's position is that the Code should be abolished as continuing with it is a significant cost on government expenditure and an unfair burden on Victorian businesses. If the Victorian Government is not prepared to abolish the Code, the Chamber recommends, at minimum, changes to reduce the cost of administering the Code while opening opportunities for SMEs, alongside with the establishment of an independent advisory council.

The Labour Hire Licensing Authority is another example of government machinery that is not fit for purpose. The Chamber supports efforts to improve the industry relevance of the Labour Hire Licensing Authority through reducing the cost of labour hire license fees to a single flat fee, speeding up licenses processes, and the creating a guide to assist employers to comply with their obligations.

61.

Recommendation: Lift the grants threshold for the Fair Jobs Code to \$3 million to match the threshold for contracts covered by the scheme.

62.

Recommendation: Redirect funding from insecure workplace pilot to mental health support for business.

Energy

A longstanding problem facing Victorian businesses has been high and unpredictable energy costs combined with low energy efficiency and a complicated energy market. Our members report the cost and security of energy as a key risk to their competitiveness and growth, while also accepting the need to reduce emissions and achieve Australia's net zero target. The need for cost effective, clean energy is particularly important for businesses involved in energy intensive, trade-exposed sectors.

By investing in clean, secure and cost-effective energy, Victoria and Australia will be well-placed to deliver tailored and innovative renewable energy that saves businesses' money, creates new jobs and reduces emissions.

Recognising the significant investment in helping businesses reduce costs and reduce emissions, the Chamber recommends additional funding as outlined below.

63.

Recommendation: Provide further funding for energy equipment upgrades to assist businesses to reduce energy bills and increase efficiency.

64.

Recommendation: Offer incentives for business to lease or buy electric vehicles (EVs). This can be through a reduction in stamp duty or reduced registration fees.

65.

Recommendation: Increase funding for research into new and emerging energy technologies and projects to ensure Victorian businesses have access to diversified and innovative energy solutions.

Hospital Winter Preparedness and Elective Surgery

As winter approaches we know that there will be a possibility of increased cases of COVID-19 combined with increased cases of influenza. It is important that Victoria is prepared for this and our hospitals have the capacity to deal with any increase in presentations such that there is no need to use restrictions to take pressure off the health system. At the same time, it is important to make a substantive dent in the waiting list for elective surgery.

To achieve both hospital preparedness and decrease the elective surgery waiting list the Victorian Chamber proposes putting majority of elective surgery activity through private hospitals over two years. This level of certainty will allow private hospitals to plan and target efficiencies. The elective surgeries would include category one, two and three. This would allow public hospitals to focus on acute patients and responding to any future COVID-19 or influenza outbreaks. If the latter does not occur, then public hospitals should target an increase in elective surgery capacity with each public hospital providing a two-year plan highlighting what activity will occur and reporting on it quarterly. More than 90 per cent of our members surveyed support this proposal to help keep Victoria open.

90%

More than 90 per cent of our members surveyed support this proposal to help keep Victoria open.

66.

Recommendation: Provide \$200 million over two years to fund elective surgery prioritising activity through private hospitals to allow them to forward plan and target efficiencies.

67.

Recommendation: Set aside \$500 million in contingency over two years to respond to any further COVID-19 or influenza outbreaks so that Victoria's economy will not need to face restrictions. Any funding not drawn on should be returned to consolidated revenue.

Regional Victoria

Addressing Employment and Investment

Regional businesses are facing a lack of skilled, available workers alongside a long-term youth unemployment crisis (as of January 2022, youth unemployment in Victoria stands at 12.2 per cent, higher than the national rate of 9.1 per cent). Regional areas also consistently report underinvestment in services and feeling left out of metro-centric economic development plans.

To address these issues, the Victorian Chamber recommends a targeted, industry-led 'Work in the Regions' initiative that focusses on the regions and industries experiencing acute shortages, with industry identifying the priority areas. The campaign would have a dual focus; firstly encouraging new regional Victorians to take up employment in their local communities, and secondly encouraging businesses to train and unlock opportunities for local young people.

Targeted industry investment and procurement levers should also be used to ensure development in our regions. A \$2 billion Regional Victoria Manufacturing Strategy and Fund will significantly boost our State's manufacturing capabilities. This should also require reporting on regional procurement at the State and Local Government levels.

68.

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

69.

Recommendation: Create a Regional Victoria Manufacturing Strategy and Fund to boost local manufacturing industry and capabilities.

70.

Recommendation: Commission a statewide review of local content procurement processes in collaboration with at least six regional councils.

71.

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

72.

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

Addressing the Regional-Metro Divide for Services

Beyond measures that directly benefit business, Regional Victoria requires services that match the quality and responsiveness of those provided to communities in Melbourne. While the Victorian Government's commitment to mental health support is commendable, the availability of early intervention mental health supports, peer support and acute facilities in Regional Victoria lags Melbourne.

One short to medium term solution could be to extend the successful 'Health to Health' and 'Head to Help' pop ups to 2024 and to five additional regional locations. In the longer-term, the Victorian Government should look to open a dedicated acute mental health treatment facility in at least two regional locations more than two hours' distance from Melbourne.

73.

Recommendation: Extend the 'Health to Health' and 'Head to Help' pop ups to 2024 and to five additional regional locations.



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