Victorian Chamber of Commerce and Industry

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2025-2026 State Budget Submission

Prosperous Victoria: Business-Led Growth

April 2025



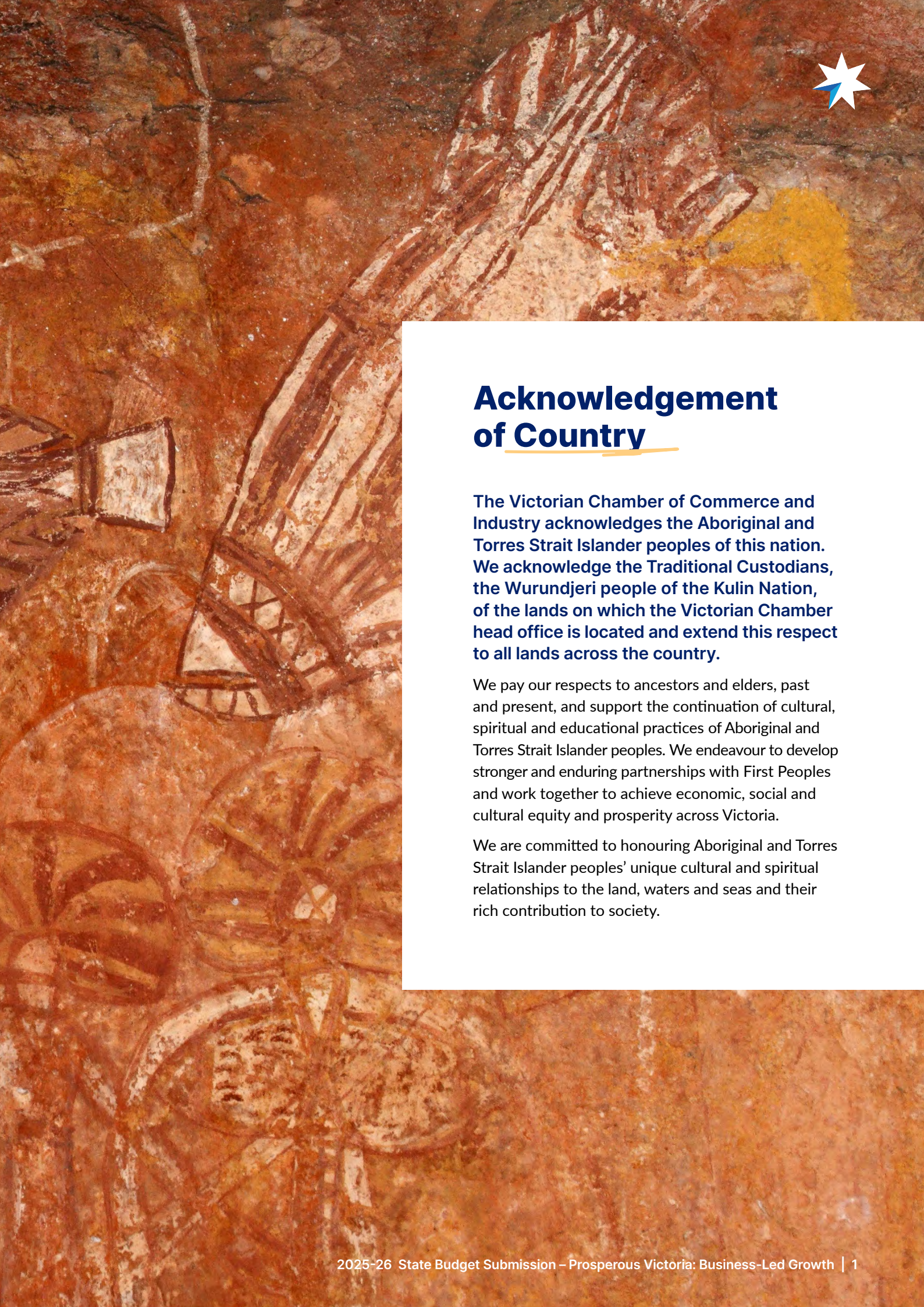
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Victorian Chamber of Commerce and Industry

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ABN 37 650 959 904 | 150 Collins Street, Melbourne VIC 3000



Acknowledgement of Country

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

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

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



Message from the Chief Executive

This Budget is the opportunity to action the ambition laid out in Victoria's Economic Growth Statement.

Victoria has a set of challenges. Our fiscal position is problematic. This creates a heavy burden of taxation and means Victoria is at risk of losing its competitiveness and attractiveness as a place to do business.[1]

Employment growth in the government sector is outstripping the private sector, creating additional pressures on the Victorian Budget.[2] This also creates a productivity challenge for Victoria.

Fixing these challenges and creating the right policy settings to support growth, increase confidence and boost productivity must be the focus of the 2025-26 Budget and beyond.

The Victorian Chamber of Commerce and Industry worked closely with the Victorian Government to develop the Economic Growth Statement launched in December 2024.

We share the Government's ambition to enhance Victoria's competitive and comparative advantages, create opportunities for economic prosperity, and support business to deliver the jobs, higher wages and higher living standards we all aspire to.

For Victoria to advance, we need to regain confidence of business and investors into the State. This is best done by addressing debt, stimulating the property sector, ensuring no new taxes and providing a clear roadmap for secure and affordable energy. With that as a base, we can look to grow the economy from the certainty that will ensue.

The 2025-26 Budget is the opportunity to build on the Economic Growth Statement and charts the path to economic growth, investment and confidence led by business.

Our ask on behalf of business is straightforward – to ensure the ambition we hold as Victorians is realised. We have focused on a small number of priority areas, knowing that a targeted approach is the right one at this juncture.

1 National Australia Bank Monthly Business Survey January 2025

2 Saul Eslake, How Victoria became one of Australia's 'poor states', website: Saul Eslake | Economist



Message from the Chief Executive (continued)

Top Victorian Chamber of Commerce and Industry reform priorities:

- Stabilise debt and provide a clear path for debt reduction
- Impose no new taxes and reduce the regulatory burden on business
- Enable the property sector by cutting land tax and red tape to support housing supply and commercial property investment
- Become the leading state for apprenticeships
- Establish a clear roadmap that ensures affordable, secure and reliable energy
- Better coordinate significant infrastructure by revamping public-private partnerships; and
- Develop the growth industries that are fundamental to our future prosperity

For several decades, Victoria has boasted strong economic growth, rising living standards, millions of well-paying jobs, billions of dollars in domestic and overseas investment and an above-average quality of life. This has been due in no small part to a series of enviable advantages including an abundance of natural resources and sources of energy, high-productivity sectors such as agriculture and manufacturing, and a strong fiscal position.

The Victorian Chamber stands ready to support the necessary economic reform agenda and work with the Victorian Government to secure a bright and prosperous future for Victorian business and, by extension, all Victorians.

This submission focuses on a private sector-led growth agenda that restores our competitiveness and secures our future prosperity.

Agenda to drive economic growth

Today, Victoria's economic engine room is facing a moment of truth.

As we chart the course into the next half of this century, we face the prospect of a slowing economy, record public debt, an uncertain energy future, high population growth and a tax and revenue system that will struggle to fund future spending demands.[3]

Over time, Victoria has become a more difficult, complex and expensive place to do business.[4]

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



Concurrently, Victoria needs to create new industries to bolster its economy if it is to access the high-value integrated global supply chains and keep pace with global demand and trends. Ignoring this path risks dulling Victoria's economic growth potential and reducing living standards.

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

Some key industries required to drive economic transformation include:

- Resources and critical minerals (titanium, zirconium, rare earth elements and mineral sands) – which can help drive decarbonation across the globe.
- An agricultural sector that is clean and world-leading.
- Freight and logistics, of which Victoria is the capital of Australia, and the majority of which emanates from our regions.
- Cutting-edge manufacturing and advanced manufacturing, AI, as well as research facilities and defence capabilities.

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

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

Our submission recognises that a small number of targeted requests is appropriate at this juncture. We have outlined, complete with detail, the requests we make on behalf of business in Victoria.

3 Bloated and out of control, Victoria's spending puts thousands of jobs on the line, The Age website: Victorian government is bloated and out of control and needs to be cut

4 Cost and Ease of Doing Business, Victorian Chamber of Commerce and Industry Report, 2022, website: Victorian Chamber report reveals the true cost of doing business in our state | Victorian Chamber of Commerce and Industry



Victoria needs to create new industries to bolster its economy if it is to access the high-value integrated global supply chains and keep pace with global demand and trends.

Stabilise debt and provide a clear path for debt reduction



Victoria's debt position creates its own set of challenges.

According to the Auditor-General's Annual Report of the State of Victoria: 2023–24:

"General Government Sector (GGS) gross debt rose again this year at a pace faster than revenue and economic growth to $168.8 billion. It is projected to grow to $228.2 billion by 30 June 2028. Gross debt is forecast to increase to 30.5 per cent of GSP in 2027-28. By comparison, the average growth of GGS was 7.6 per cent per year from 2015-16 to 2018-29.

"Sound financial management is foundational to fiscal sustainability. A clear and well defined long term financial plan is required and integral to a robust and mature financial management framework." [5]

The Victorian Chamber welcomes the announcement made by the Victorian Government to establish the Silver Review on waste and inefficiency. There is a clear opportunity to resize the public sector and the Silver Review once completed should be implemented in full.

Steps to take right now:

- Set a goal to stabilise debt over the forward estimates. The target must be ambitious. The Victorian Chamber believes that a critical element of the fiscal strategy is to stabilise and reduce net debt in nominal terms by the end of the decade.
- Implement a fiscal strategy that drives down the debt while simultaneously providing for productivity growth, including in large government-funded services sectors of health, justice and education.
- Implement a Charter of Budget Honesty to give greater clarity and transparency around the main budget aggregates and net debt projections, including off-budget spending.
- Minimise risk profile, exposure and contingent liabilities for the Victorian Government when negotiating government contracts.

5 Auditor-General's Report on the Annual Financial Report of the State of Victoria: 2023–24 November 2024, Page 15.

Impose no new taxes and reduce the regulatory burden on business



Over reliance on taxation revenue, population growth and a strong labour market is not a sustainable strategy.

State-based taxes on business dampen business growth and investment.

Further, the business community is already wearing both the Mental Health levy and the COVID Debt Levy, both of which have had a significant financial impact. There is no possibility of absorbing any further tax impost.

Just three taxes alone – payroll tax, land tax and land transfer duty for commercial and industrial land represent an average 40 per cent of Victoria's total tax revenue. These taxes have increased at an average annual rate of 7.6 per cent in nominal terms.[6]

We commended the Victorian Government's announcement in December 2024 to reduce the regulatory burden on business by about $500 million by 2030. This needs to be fast-tracked. As highlighted by the Victorina Chamber's landmark report, Cost and Ease of Doing Business in 2022, Victoria is the most regulated economy in the nation. Reducing and improving regulation is key to boosting business investment.

Steps to take right now:

- Commit to no new taxes (including levies) on business.
- Establish a tax and regulatory reform joint working group with the Victorian Chamber to drive fast-paced, meaningful changes and productivity improvements to state-based taxes, planning rules, trading restrictions and regulations. Reforms should be geared to attracting funding from the Federal Government's National Productivity Fund.
- Engage the Victorian Chamber to develop the Roadmap for Regulatory Reform.
- Reduce the burden of payroll tax to ensure the rates are competitive with other states and territories.

6 State taxes on business, Victorian Parliamentary Budget Office, 2024 website: Microsoft Word - AR-State taxes on business.docx

Enable the property sector by cutting land tax and red tape to support housing supply and commercial property investment



The housing and construction industry in Victoria is facing one of the most challenging periods in recent decades.

New dwelling approvals are at historic lows, as evidenced by ABS data, and construction companies comprise the largest number of insolvencies according to ASIC data. Meanwhile, the costs of construction in the form of labour and materials are increasing significantly, compounded by the volume of taxes and regulations governing the property industry.

Steps to take right now:

- Immediately remove the Land Tax rate adjustments from 2024.
- Stimulate the property sector by reducing and/or removing taxes and regulations that are stifling business investment (stamp duty, land tax, developer contributions).
- As outlined in the Victorian Chamber's *Housing Taskforce Report*, speed up housing approvals, boost land supply and modular home designs, ensure planning legislation is fit for purpose and reduce holding costs on developers.
- Work with the Victorian Chamber to address labour force issues, particularly around apprentices in the building and construction industries.
- Reduce red tape and costs for manufacturing basic building materials for housing and commercial developments in Victoria.

Become the leading state for apprenticeships



Our future prosperity rests on our ability to build on our human capital, create new industries, and capture new domestic and international markets in advanced manufacturing, artificial intelligence, renewable energy, critical minerals, quantum computing and agribusiness.

Skilling Victorians for these future industries is vital to the development of these sectors.

Businesses are facing a skilled workforce recession. Victoria needs 400,000 apprentices today.[7] Despite this, the number of new apprentices and trainees in Victoria is trending downwards.[8]

A new approach is needed to ensure that the system is built for the future and recognises the central role employers play in education and training, especially in the development of apprentices and trainees. Business is an indispensable partner in the system.

Steps to take right now:

- Create the ambition for Victoria to be the go-to State in Australia to train as an apprentice.
- Develop industry skills pacts that enable a structured partnership between business, schools and tertiary providers, supporting demand-led education, training and jobs, and enabling better workforce planning.
- Reinstate funding to industry through the Skills First program.
- Provide modernised career advice in schools, promoting different types of qualifications equally and ensuring student awareness of multiple career and educational pathways.
- Work closely with the Victorian Chamber to support efforts that incentivise businesses to take on apprentices.

7 Trade Institute of Victoria. (2023). Are women a key solution in the labour and skills shortage facing Victoria?. https://www.tiv.vic.edu.au/women-labour/

8 Victorian Shadow Minister for Education. (2024). Apprentice and trainee opportunities plummet across Victoria amid Labor skills policy failure. Apprentice and trainee opportunities plummet across Victoria amid Labor skills policy failure (sarahhenderson.com.au)

Establish a clear roadmap that ensures affordable, secure and reliable energy



Victoria is running out of available gas and has no published plan on how it will replace coal-powered electricity generation. It is a looming crisis and must be resolved.

In our recent Securing our Energy Future report released in June 2024, the Victorian Chamber highlighted the critical importance of pragmatic policies to effectively transition to net zero without destructive economic consequences. We believe the principles of energy security, reliability, sustainability and affordability must always be at the centre of all policies and proposals regarding the electricity, gas and liquid fuel supply chains.

The gas shortfall that Victorians will confront as early as winter 2025 is an issue that the Australian Energy Market Operator and Australian Competition and Consumer Commission, among others, have warned about for a decade.

What it means for business, industry and the Victorian economy is best understood in the context of the Longford Disaster in 1998 which, at that time, cost business $1.3 billion in lost economic activity. In today's economic value, that would be cost Victoria $2.6 billion for every fortnight that gas is unavailable.

Steps to take right now:

- Develop and implement a clear roadmap to deliver affordable, reliable and secure energy, including for electricity and natural gas.
- Provide a certain and supportive investment environment that allows the private sector to secure gas supplies for Victoria, including from within Victoria.
- Abandon the Regulatory Impact Statement on Building Electrification.
- Preference market-led investment solutions to energy in Victoria rather than government-led decisions and, above all, stop government bias towards energy sources.

Better coordinate significant infrastructure by revamping public-private partnerships



Business growth depends on reliable planning, infrastructure and investment.

It is vital to enable infrastructure to facilitate further investment in housing and efficient movement of people, goods and services in our cities and regions. This requires good-quality roads and rail lines and public transport services, schools, hospital, utilities and green spaces. Given Victoria's financial position, federal investment in infrastructure is critical and must continue but through a more coordinated approach to this expenditure.

Steps to take right now:

- Draw on the expertise of industry, including superannuation funds, to deliver a new public-private partnerships investment framework to encourage private capital and address disincentives to investment for priority infrastructure projects.
- Develop an investment plan with the Federal Government and industry for a competitive and best-in-class Victorian freight and logistics system that enhances Victoria's competitive advantage.

Develop the growth industries that are fundamental to our future prosperity

Few places in the world have Victoria's advantages.

Our abundant critical minerals and rare earths could help drive decarbonation across the world. Our agricultural sector is clean and world leading. We are the freight and logistics capital of Australia. Victoria is also at the forefront of manufacturing – including advanced value-added manufacturing – and is home to cutting-edge medical research facilities and defence industry capabilities.

For these reasons, Victoria should be an export powerhouse – yet only five per cent of Victorian businesses are exporting. Victoria has a huge opportunity to capitalise on its strategic and competitive advantage in these industries, but we must be ready and able to compete in the global arena.

Relatedly, Victoria should be the Asia-Pacific leader in innovation and commercialisation. Amplifying our reputation as the national leader that propels this sector, we should be driving better collaboration and coordination between research institutions, government, industry and venture capital. We should be looking for ways to incentivise business to adopt innovation and create a start up pipeline. Ultimately, there is a demonstrable need for an agreed approach to innovation and commercialisation with Governments, tertiary institutions and industry.

Business events and tourism create lasting legacies and deliver significant value to Victoria. While the sector accounts for five per cent of the Victorian economy, it must be adequately resourced if Victoria is to maintain a competitive position – and grow – on the world stage.

Steps to take right now:

- Create the fundamental policy settings to spur private sector investment in mining, agriculture, agribusiness and service exports including education.
- Work with industry to deliver an export strategy for Victoria aimed at capturing new markets in advanced manufacturing (including defence capabilities), critical minerals and mineral sands, and agriculture while creating new industries such as renewable gas and carbon capture opportunities.
- Secure Victoria's competitive position in rapidly emerging clean energy supply chains by collaborating with regional partners.
- Develop a comprehensive innovation and commercialisation ecosystem to help new businesses and industries thrive.
- Deliver a detailed 10-year tourism strategy and business events acquisition plan that helps stimulate further visitation to our State, which in turn will lead to opportunities to leverage trade and investment strategies across a broad spectrum of emerging and growth industries.



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The Victorian Chamber of Commerce and Industry,
150 Collins Street, Melbourne, Victoria 3000
Phone: (03) 8662 5333 victorianchamber.com.au April 2025

victorianchamber.com.au