

2022-23 FEDERAL BUDGET SUBMISSION

‘PRIORITIES FOR VICTORIAN BUSINESS’

January 2022



Introduction and Executive Summary

The Victorian Chamber of Commerce and Industry welcomes the opportunity to contribute to the Federal Budget 2022-23. As Victoria's peak business and industry body, the Chamber represents the collective voice of 50,000 members and clients. We advocate for better conditions for Victorian businesses, so that every business – small, medium or large – can start up, grow and thrive in our State.

Business is the heart of our economy and community. The COVID-19 pandemic has highlighted the central role of industry in the life of our nation. The private sector has kept our economy moving under shutdown orders, supplied millions of Victorians with the goods and services they needed to work from home and served as the main broker for social contact during prolonged periods of social distancing.

Our broad views on priorities for the 2022-23 Federal Budget are captured in the Australian Chamber of Commerce and Industry's submission, which we contributed to and has our full support. This document captures the Victorian Chamber's localised and specific submissions for Victoria, the nation's second most highly skilled and second most populous jurisdiction. Victoria's economic prosperity and the health of our business community must be a central priority which will propel our broader national success.

We strongly support the Government's intention to rebuild the nation's finances with a roadmap back to surplus. Efforts to limit the economic impacts of restrictions through taxation relief, fiscal stimulus and targeted support measures have been costly. Since the start of the pandemic the Federal Government has provided an additional \$45 billion in support to households and businesses in Victoria. At the same time, current conditions demand greater Government intervention and support until the COVID-19 pandemic and its impacts have ceased.

This submission recommends funding and policy changes that are tailored to the priorities of our members. We have validated these priorities through roundtable discussions, member surveys and via independent focus groups involving a cross-section of Victorians.

The immediate focus must be on supporting Victoria's major industries to rebound from the impact of the COVID-19 pandemic. Victorian businesses have experienced some of the toughest conditions throughout the COVID-19 pandemic. While our economy had started to roar back, our key industries

need a leg up to return to pre-pandemic capacity and then exceed it. The Federal Government can play a strong role in this recovery.

We ask the Federal Government to prioritise nationally consistent COVIDSafe policies and testing support and a targeted support package to allow our visitor economy to return to full capacity. Taxation relief is one of the most effective and efficient mechanisms available to resolve the skills crisis plaguing Victoria and several other jurisdictions. Favourable tax treatment will encourage more workers to benefit from a second job, while enabling businesses to address staffing shortfalls and remain open. A consistent, national payroll taxation threshold will also create a fairer playing field for Victorian businesses.

Other critical priorities for building our nation's skilled workforce include a dedicated campaign to re-attract international students, expansion of existing vocational and education and training support measures and funding parity for vocational education and training. Apprenticeships and traineeships unlock skills, opportunity and rewarding career outcomes for tens of thousands of Australians. Continuing the Boosting Australian Apprenticeships scheme will help more Australians to benefit from a structured vocational pathway to work and will give business owners the confidence to hire a training worker.

We need to see long-term investment in the critical infrastructure needed to support Victoria's future economic growth and prosperity. Our infrastructure priorities include a new Intermodal Freight Terminal in Victoria and less restrictive requirements for development of our airports.

Demand for clean energy is rising across the globe and here at home. Secure, affordable, clean energy is a priority for trade-exposed Victorian industries and we recommend exploring the opportunity to produce hydrogen in Victoria for domestic use. Not only will this create secure access to clean fuel for Australians, but it will boost advanced manufacturing jobs for Victorians.

Finally, an industry-led export mentoring program and continuation of the Export Development Grant scheme will support more businesses to take their products to international markets.

To prosper in the post-pandemic world, Victoria must rapidly diversify and modernise our economy. These outcomes are only possible in the setting of a thriving private sector. The Victorian Chamber will work hard to play our part and help build a stronger future for our State and nation, together.

Summary of priorities

Building back business

1.	Continue to lead nationally consistent COVIDSafe guidelines to foster public confidence and rebuild business certainty
2.	Fund free Rapid Antigen Test kits for small to medium enterprises to allow businesses to remain open and maximise their available workforce
3.	Restore Australia's mantle as the number one destination for international students through a campaign promoting the quality, safety and outcomes of Australia's higher education system
4.	Explore opportunities to progress more temporary humanitarian visa holders to become permanent Australian residents
5.	Provide interim income tax relief to allow more Australians to work a second job and keep more businesses operating
6.	Negotiate a national approach to payroll taxation with a consistent, employment-friendly payroll tax threshold
7.	Support the creation of more apprenticeships and traineeships by extending the Boosting Apprenticeships Commencement Scheme
8.	Allow more Australians to access VET Student Loans by restoring the Student Loan Fee exemption and broadening eligibility to Certificate III and IV qualifications
9.	Create a Tourism Recovery Fund to assist tourism, accommodation, events and creative businesses to remain viable and operate at full capacity by the end of 2022
10.	Rebuild Australia's international visitor markets by requiring a negative Rapid Antigen Test result and asking the Therapeutic Goods Administration to approve a wider range of vaccines for entry to Australia

Building for our future

11.	Fund the Western Interstate Freight Terminal to revitalise industry, create Victorian jobs and cement Victoria's place as Australia's principal freight point
12.	Maximise the strategic opportunities of Australia's airports by amending the Airports Act 1996 (Cth) to streamline arrangements for major development plan approvals, including raising the monetary threshold to a more realistic \$75 million
13.	Scale the Hydrogen Energy Supply Chain Project or fund a similar public-private venture to boost Victoria's advanced manufacturing sector and produce a secure, reliable, domestic supply of hydrogen
14.	Introduce a subsidy for industries transitioning to clean hydrogen as a primary energy source
15.	Fund more ultra-rapid electric vehicle charging stations to encourage Australians to transition to electric vehicles
16.	Fund an industry-led mentoring program to help more Australian businesses become export-ready
17.	Expand funding and eligibility for the Export Market Development Grant (EMDG) scheme to help more SMEs enter new export markets

PRIORITIES

Building back business

Supporting business recovery through COVIDSafe measures

"I feel like a lot more people are appreciating the small businesses... especially the strain that's been put on them. We do appreciate everything that they've been through and we realise that they have families of their own and bills to pay of their own. They're not just a business. Humans are behind those small businesses, and people want to support them more."

(Female, 37yo, Focus Group participant)

The Australian economy has shown resilience in the face of the COVID-19 pandemic and is on the road to recovery. As new variants emerge, it is critical Australia engages multiple strategies to minimise the impact on business.

The public health response has had a heavy impact on small to medium enterprises and sole traders. Business owners have struggled to stay afloat while their cash flows fall and barriers to accessing finance appear, all while staying COVIDSafe. These difficulties have only been compounded by their ongoing financial commitments such as employee wages, rent, insurance, electricity and utility charges.

More recently, the Omicron variant has seen entire supply chains disrupted due to acute staff shortages caused by thousands of Victorians either contracting COVID-19 or being forced to isolate as close contacts of a confirmed case. Our members cannot continue to sustain these disruptions.

The Federal Government, via National Cabinet, has now secured the agreement of Victoria and four other jurisdictions to new, consistent rules on close contacts and quarantine. The Victorian Chamber welcomes the new rules, which will help our economies and business community to operate viably.

There is a role for the Federal Government to broker National Cabinet agreement on consistent, sensible COVIDSafe policies covering major events. Major events, an integral part of Australia's visitor economy, has been one of the hardest hit sub-sectors. National COVIDSafe policies for major events should encompass business-friendly requirements for mask wearing¹, ventilation, QR check-ins and staff testing. These policies will help

¹ Our members' preference is for no masks at events, except where ICU capacity is near the limit and/or a new variant of concern has emerged and there is strong public health advice that masks are required.

reinstate Victoria's pre-COVID-19 blockbuster calendar of events, as well as the events programs for other jurisdictions.

Australia's transition to Rapid Antigen Testing (RAT) will reduce pressure on the health system, lower the costs associated with using Polymerase Chain Reaction (PCR) testing as a first line response and minimise the economic impact of testing requirements. This includes the time and cost impacts of staff furloughs on the hard-hit health, hospitality, visitor services, retail and events sectors.

Recent analysis of the economic value of differing COVID-19 screening programs have found the economic and health benefits of RAT outstrip their costs. Health economists have estimated the ratio of benefit to cost is 2-15². The Chamber recommends the Federal Government subsidise free RAT kits for small to medium businesses, without requiring a means test or with any other conditions attached.

1.

Priority: Continue to lead nationally consistent COVIDSafe guidelines to foster public confidence and rebuild business certainty

2.

Priority: Fund free Rapid Antigen Test kits for small to medium enterprises to allow businesses to remain open and maximise their available workforce

Welcoming back international students

International students are a vital contributor to Australia's position as a world-leading advanced economy. Their fees secure the financial viability of our universities and position higher education as one of Australia's key export markets.

Beyond their direct contribution to higher education, international students also support other sectors in our economy. In 2019, more than 57 per cent of international students' \$40 billion economic contribution consisted of consumption of other goods and services³.

International students play an important role on the supply side of our labour market. More than 35 per cent of Victorian businesses in the tourism, visitor services, events and hospitality sectors were at least partially reliant on international students to fill skills shortages before the COVID-19 pandemic⁴. As of December 2021, the cumulative impact of two years of border closures, lockdowns and the movement of workers away from hard-hit sectors has led to acute skills shortages. Skills shortages are hampering business growth and cannot be resolved through domestic supply in the short to medium term.

In October 2021 only 30 international students arrived in Victoria: a 99.8 per cent decrease compared with October 2019⁵. We welcome the re-opening of our international borders in December 2021 which means our members in higher education can once again welcome international students on campus. Students who would have chosen Australia pre-pandemic may, however, continue to shift toward competitor nations such as Canada and the United Kingdom for their higher education needs⁶. This is a critical risk for the Victorian economy, which relies on international education as its largest services export industry.

We ask the Federal Government to invest in a targeted campaign to re-attract international students to Australia, delivered in partnership with the jurisdictions.

Temporary humanitarian visa holders

There is also the opportunity to provide certainty and incentivise employers to invest in training and upskilling people who have arrived in Australia on humanitarian visas. Temporary humanitarian visa holders, while permitted to work, have an uncertain future in Australia

² Paltiel AD, Zheng A, Sax PE. (2021). 'Clinical and Economic Effects of Widespread Rapid Testing to Decrease SARS-CoV-2 Transmission'. *Annals of internal medicine*. Jun;174(6):803-810. doi: 10.7326/M21-0510. Epub 2021 Mar 9. PMID: 33683930.

³ Australian Bureau of Statistics. (2021). *International Trade: Supplementary Information*, Calendar Year, available at <<https://www.abs.gov.au/statistics/economy/international-trade/international-trade-supplementary-information-calendar-year/latest-release>>.

⁴ Victorian Chamber of Commerce and Industry. (2021). *Visitor Economy Survey, December*.

⁵ Australian Bureau of Statistics. (2021). *Overseas Arrivals and Departures*, Australia, available at <<https://www.abs.gov.au/statistics/industry/tourism-and-transport/overseas-arrivals-and-departures-australia/latest-release>>.

⁶ IDP Connect. (2021). *The impact of new student entry policies on international student destination demand*, July, available at <<https://www.idp-connect.com/usa/articles/international-market-trends/the-impact-of-new-student-entry-policies-on-international-students>>.

and advice from our members is that employers are consequently reluctant to invest in their long-term training and skills development. This could be achieved by fast-tracking more temporary humanitarian visa holders for permanent residency.

3.

Priority: Restore Australia's mantle as the number one destination for international students through a campaign promoting the quality, safety and outcomes of Australia's higher education system

4.

Priority: Explore opportunities to progress more temporary humanitarian visa holders to become permanent Australian residents

Taking on tax

Interim tax relief to unlock Australia's workforce

Skills shortages have emerged as a global issue. The COVID-19 pandemic has resulted in an unprecedented shock, with Australia's peers internationally experiencing a mismatch between workforce demand and supply.

Skills shortages are acute in Victoria and our members report the lack of access to skilled workers as their most significant barrier to recovery. A combination of factors is driving the shortfall of workers, including the nearly two-year closure of Australia's international borders, structural change in the economy and the permanent exit of a significant minority of Australians from the labour market. This demands a mix of policy solutions to address the gap between demand and supply in hard-hit sectors of the economy⁷.

Tax relief may be an effective short-term mechanism to help resolve Australia's skills shortage issue. Favourable tax treatment could encourage more workers to benefit from a second (or third) job, while allowing employers to access the labour they need to remain open. The Federal Government could consider a variety of income taxation measures to provide this relief, while ensuring that there is no disadvantage to, or unintended consequences for

workers who wish to increase their hours of employment with their primary employer.

5.

Priority: Provide interim income tax relief to allow more Australians to work a second job and keep more businesses operating

Taking on payroll tax

Governments should take the opportunity to reform Australia's policy settings to accelerate economic activity and secure our nation's future. While consensus has not always been possible, the National Cabinet has demonstrated the capacity of the Federal Government to negotiate effectively with the jurisdictions.

Tax reform must be on the national agenda. We strongly support the Australian Chamber's recommendation that payroll tax is a top priority for change. Payroll tax negatively affects job creation and businesses cite it as their highest reform priority in comparison with other government taxes and charges⁸. Inconsistencies between the payroll tax regimes are also driving competition between states and territories and creating market distortions.

Victoria is Australia's highest cost jurisdiction to do business and has the lowest payroll tax threshold in the nation at \$700,000. The elevated incidence of bunching in Victoria in comparison with other jurisdictions with higher thresholds demonstrates the need for a consistent national approach⁹.

A national approach should start with a consistent, employment friendly payroll tax threshold. The eventual aim should be to abolish payroll tax and replace it with a more efficient mechanism that is not linked to job creation.

6.

Priority: Negotiate a national approach to payroll taxation with a consistent, employment-friendly payroll tax threshold

Vocational pathways to work

Strong participation in apprenticeships and traineeships – structured vocational pathways to work – is essential to building the future workforce of our nation. Apprenticeships and traineeships allow training workers to develop skills while earning a wage and produces a pipeline of workers for some of Australia's most in-demand sectors. Australia must continue to support apprenticeships and traineeships to develop a pipeline of workers to resolve skills shortages, provide more young and mature workers with opportunity and continue our economic recovery.

The demand-driven Boosting Apprenticeships Commencement Scheme has created tens of thousands of apprenticeships and traineeships across Australia. Targeting employer incentives at commencement and/or the early stages of an apprenticeship is linked with higher rates of retention and completion¹⁰. Early-stage incentives recognise that training workers' employability skills and competence are lower at the outset of the employment relationship. The Boosting Apprenticeships Commencement Scheme wages subsidy is due to expire in March 2022. Continuation of the scheme for at least a further two years will help resolve skills shortages in the trades and services sectors.

More broadly, the vocational education and training system is the incubator for Australia's trades and services sectors and should be as attractive to access as the higher education system. This is unfortunately not the case. In 2020, the Australian Government provided \$273.4 million for VET Student Loans, a decrease of \$2.6 million (0.9 per cent) compared with 2019¹¹.

Two factors hamper access to the scheme: it is limited to Diploma level qualifications and a 20 per cent student loan fee applies for full fee-paying students. The 20 per cent student loan fee was relaxed as part of the COVID-19 Higher Education Relief Package. The exemption ended from 1 July 2021. Restoring the VET Student Loans fee exemption will attract students to vocational pathways and should be a priority for Government. Expanding VET Student Loans to lower-level qualifications, including Certificates III and IV qualifications, will also encourage more Australians to enter vocational pathways to work.

7.

Priority: Support the creation of more apprenticeships and traineeships by extending the Boosting Apprenticeships Commencement Scheme

8.

Priority: Allow more Australians to access VET Student Loans by restoring the Student Loan Fee exemption and broadening eligibility to Certificate III and IV qualifications

Supporting the visitor economy to recover

"I'm from a regional community, and [tourism] is really important. Those smaller communities have less options. When tourism closes down, the whole town may close down. It's not like you can just go and pick up an office job having been employed at the local cafe for the last 10 years. And there's flow on impacts: it is the bus drivers, it's the people who run the laundry, who do the laundry for the local hotel. It's the cleaning staff, it's the cafe staff, it's the food suppliers, it's down to the farmers and primary producers."

Female, 45 yo, focus group participant

Australia needs to reimagine our Visitor Economy and recover our reputation as the destination that has it all. Before the pandemic, Victoria's visitor economy generated 210,000 jobs and \$21.7bn to the state 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.

International visitors were unable to travel to Australia until December 2021. Domestic border restrictions and lockdowns in Sydney and Melbourne have deepened the crisis for the sector. Tourism jobs decreased by 25.9 per cent nationwide (equating to 194,200 fewer roles) in the September 2021 quarter compared with the peak for the sector December 2019.

⁷ OECD. (2021). 'Designing active labour market policies for the recovery', OECD Policy Responses to Coronavirus, July, available at <<https://www.oecd.org/coronavirus/policy-responses/designing-active-labour-market-policies-for-the-recovery-79c833cf/>>.

⁸ Nous Group. (2021). *Cost and ease of doing business in Victoria*, report prepared for the Victorian Chamber of Commerce and Industry, January.

⁹ Commonwealth Treasury. (2020). *Payroll tax and firm behaviour*, online article, available at <<https://research.treasury.gov.au/treasurys-two-cents/information-note-2>>.

¹⁰ Deloitte. (2021). *Econometric Analysis of the Australian Apprenticeships Incentives Program*, produced for the Department of Education, Employment and Workplace Relations, March, available at <<https://www.voced.edu.au/content/ngv%3A64341>>.

¹¹ NCEVR. (2021). *Government Funding of VET 2020*, online report, available at <<https://www.ncver.edu.au/research-and-statistics/publications/all-publications/government-funding-of-vet-2020#h2heading2>>.

While demand has bounced back since lockdowns in Melbourne and Sydney ended, the tourism, events, accommodation and hospitality sectors are reporting acute skills shortages. This issue is multifactorial. More than a third of businesses responding to the Chamber's Visitor Economy Survey reported that they had relied on international workers to fill skills shortages pre-COVID-19. Seven in ten reported skills shortages that they had been unable to fill in the past month.

A key priority that the Australian Chamber has flagged is the need to extend financial support to tourism businesses. With the Omicron variant again leading to visitors changing or cancelling their travel plans, the sector requires ongoing financial assistance. This support is critical if Australia is to have the infrastructure and human capital it needs for a thriving visitor economy once pandemic-related restrictions and volatility have ended.

Visitor economy businesses and the wider community are united on the need to support the visitor economy. Participants in the Chamber's independent voter focus groups, without prompting, cited tourism as a sector which has experienced unavoidable damage due to COVID-19. Ordinary Victorians were concerned about the future of Australia's visitor economy sector, sharing examples from their own communities of operators who had experienced hardship or who had exited the industry altogether.

A new recovery package for the visitor economy should be designed in a way that promotes industry resilience. The aim should be to provide interim financial protection to assist organisations to survive to the end of 2022 and prepare to return to full capacity in 2023. We cannot allow such an important part of our economy fall behind the rest of the world.

This approach is modelled on the United Kingdom Government's Cultural Recovery Fund, which has supported the United Kingdom's cultural, heritage and creative sectors to reopen. The Fund has assisted culturally significant organisations to remain operating, with the £220 million third and final round of the package supporting the United Kingdom's cultural, heritage and creative sectors to re-open at full capacity¹². Organisations supported through the scheme include globally significant enterprises such as the Royal Shakespeare Company, as well as local entities such as the Black Country Living Museum and Sage Gateshead.

A tourism collaboration fund for Australia could also prioritise and/or target joint ventures, activity clusters

or collaboration between operators in the tourism, events, accommodation and hospitality industries. A fund designed along these lines will encourage businesses to regain ambition, pool their talents and build partnerships. The model recognises that a holiday experience involves multiple operators who, if supported, could grow their businesses through a joined-up approach.

The Victorian Chamber also asks the Government to immediately re-open Australia to international visitors. While borders have re-opened to skilled workers and international students (a welcome development), restoring international tourism is an essential element of our transition to a post-pandemic setting.

Open borders should be supported by other policy initiatives to make it easier and more attractive for international visitors to select Australia as their destination: including asking the Therapeutic Goods Administration (TGA) to approve a wider range of vaccinations and accepting the results of a RAT (rather than a PCR result) for international visitors on arrival and/or departure.

9.

Priority: Create a Tourism Recovery Fund to assist tourism, accommodation, events and creative businesses to remain viable and operate at full capacity by the end of 2022

10.

Priority: Rebuild Australia's international visitor markets by requiring a negative Rapid Antigen Test result and asking the Therapeutic Goods Administration to approve a wider range of vaccines for entry to Australia

Building for our future

An intermodal freight terminal for Melbourne

"Our customers are in the West. The biggest problem today is congestion and the immediate need is the Western Interstate Freight Terminal in order to get volume through."

Victorian Chamber Member and Roundtable participant, November 2021

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.

Our members expressed a clear preference for prioritising a WIFT in focus group discussions and in response to surveys. More than half of our members in the transport and logistics sector are based near the proposed WIFT site, in line with published estimates of the clustering of activity in the freight node in Melbourne's West¹³.

The WIFT site is located close to Victoria's critical supply chain infrastructure, making it easier for goods to be transported between the terminal, Port of Melbourne and Melbourne Airport. The convenience of this location will also reduce transport costs for transport customers compared with alternative sites. This is a significant benefit for business when nearly 75 per cent report cost pressures as the most significant barrier to growth¹⁴.

The WIFT will revitalise the transport and logistics industry and create jobs for Victorians. The business case for the Terminal reports creation of approximately 2000 Victorian jobs, without accounting for jobs indirectly created through the multiplier effect of the initiative. The project will improve access for port-related freight and relieve congestion by reducing the truck trips from the existing Dynon precinct by up to 2000 per day.

Beyond the benefits specific to the Truganina site, there are significant risks associated with further delays to a new intermodal freight terminal for Victoria. International supply chain issues are impacting retailers, manufacturers and the construction industry, with one in four Australian business reporting changes to their supplier arrangements due to global delays¹⁵.

In Victoria, our members report that the impact of global supply chain disruptions is intensified by domestic supply chain disruption. While public health measures have been a major factor in this disruption, local supply chain congestion and limited warehousing space is compounding the costs and pressures on industry.

Victoria's freight volumes are expected to grow to from approximately 400 million tonnes in 2021 to around 900 million tonnes annually by 2050¹⁶. 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.

Planning requirements for airports

Major airports are the gateway to our economy. There should be minimal barriers to their development and potential to deliver jobs, visitors and goods to our nation.

The Airports Amendment Bill 2018 amended the *Airports Act 1996* (Cth) to streamline arrangements for major development plans, including increasing the monetary 'trigger' or threshold for requiring the major development plan (MDP) approval process to \$25 million. The \$25 million trigger is too low especially within the context of the value of infrastructure projects in the current economic environment. This is hampering

¹² Department for Digital, Culture, Media and Sport. (2021). *Culture Recovery Fund*, online article, available at <<https://www.gov.uk/government/groups/culture-recovery-board>>.

¹³ Infrastructure Victoria. (2021). *Major transport program strategic assessment report*, available at <<https://www.infrastructurevictoria.com.au/wp-content/uploads/2021/08/Major-Transport-Program-Strategic-Assessment-Report.pdf>>.

¹⁴ Victorian Chamber of Commerce and Industry. (2021). *Costs on business report*, December, unpublished.

¹⁵ Australian Bureau of Statistics. (2021). *Business Conditions and Sentiments: Insights into Australian business conditions and sentiments*, June, available at <<https://www.abs.gov.au/statistics/economy/business-indicators/business-conditions-and-sentiments/latest-release>>.

¹⁶ Infrastructure Victoria. (2021). *Major transport program strategic assessment report*, available at <<https://www.infrastructurevictoria.com.au/wp-content/uploads/2021/08/Major-Transport-Program-Strategic-Assessment-Report.pdf>>.

the strategic development and use of our airports: particularly Melbourne Airport.

The requirements of the MDP process add significantly to project costs and time, and the current threshold applies to some projects that do not warrant the MDP process. While the Chamber understands the intent of the requirement, the monetary threshold acts as a 'catch all' and goes against the intent offering a flexible, proportionate, efficient approach to major development planning.

A stronger model for MDP assessments would involve a multi-criteria matrix with a \$75 million threshold and criteria based on the environmental and community impacts of a proposed development. If a monetary threshold is required, this should equate to \$75 million or greater. The Chamber also supports Melbourne Airport's proposal to reduce the public exhibition period for projects that are assessed as less contentious, in line with standard local government approvals of 14-28 days.

11. Priority: Fund the Western Interstate Freight Terminal to revitalise local industry, create Victorian jobs and cement Victoria's place as Australia's principal freight point

12. Priority: Maximise the strategic opportunities of Australia's airports by amend the Airports Act 1996 (Cth) to streamline arrangements for major development plan approvals, including raising the monetary trigger to \$75 million

Boosting our energy security and advanced manufacturing capability

Business requires access to affordable, secure, and reliable energy. As outlined in the Australian Chamber's pre-Budget submission, ensuring business access to affordable clean energy requires an integrated approach embracing carbon emission reduction policy with energy policy.

Our members report the cost 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.

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. Hydrogen must be a central component of our emissions reduction strategy, as recognised in the Australian Government's *Low Emissions Technology Statement*¹⁷. Victoria is the most highly skilled state with deep manufacturing history and expertise and is well placed to lead the way on clean energy production and technology development.

The Australian 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.

Electric vehicles are no longer an emerging technology and are fast becoming an affordable mode of transport in metropolitan areas. Adoption of electric vehicle technology in regional Australia, and by larger vehicles, however, has been slow to non-existent. This is largely due to the lack of a reliable, national electronic vehicle network.

This need is now being partly addressed by the Chargefox national ultra-rapid electric vehicle charging network co-funded by Australia's motor clubs, including the Royal Automobile Club of Victoria (RACV). Chargefox has been partly supported through funding via grants from the Australian Renewable Energy Agency. Further funding should be provided to expand the network and support the transition of private and transport vehicles to electric vehicle technology.

- 13. Priority:** 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
- 14. Priority:** Introduce a subsidy for industries transitioning to clean hydrogen as a primary energy source
- 15. Priority:** Fund more ultra-rapid electric vehicle charging stations or provide further support for the Chargefox network to encourage more Australians to transition to electric vehicles

Trade and investment

Victoria is a significant exporter of goods and services, accounting for 12.2 per cent (\$57.3bn) of Australia's total export market. In 2022-23, however, the market must shift toward export growth as a central economic recovery strategy. The Federal and State Governments should commit to grow Victoria's share of Australia's total exports to 25 per cent, in line with its share of the population, by 2025. A clear target will speed up Government and industry action to assist businesses to commercialise their products for international markets.

Building up the confidence and readiness of businesses who want to bring their products to global markets is essential to growing our export industries in Victoria and nationwide. Our members, particularly smaller enterprises, consistently report a lack of confidence in their ability to bring products and services to global markets as the key barrier to becoming an exporter.

The Federal Government should consider funding an industry-led business mentoring and support program for potential exporters. Our members, particularly smaller enterprises, consistently report a lack of confidence in their ability to bring products and services to global markets as the key barrier to becoming an exporter.

The scheme would involve practical support and tools to assist potential exporters to get export-ready. Ideally, the scheme would be developed and delivered by industry, with an industry body providing practical training sessions, materials and matching experienced operators with prospective exporters for peer support.

The Victorian Chamber also supports the reformed Export Market Development Grant (EMDG) scheme. EMDGs have assisted thousands of small to medium enterprises seeking to build new markets. The Federal Government funded the EMDG scheme to \$223.4 million, with an additional \$65.5 million announced in the 2021-22 Federal Budget. The Chamber supports further expansion of the EMDG in the 2022-23 Federal Budget. This could include raising the \$20 million eligibility ceiling to \$30 million.

16. Priority: Fund an industry-led mentoring program to help more Australian businesses become export-ready

17. Priority: Expand funding and eligibility for the Export Market Development Grant (EMDG) scheme to help more SMEs enter new export markets

¹⁷ Department of Industry, Science, Energy, and Resources. (2021). Available at <<https://www.industry.gov.au/data-and-publications/technology-investment-roadmap-low-emissions-technology-statement-2021>>.



© The Victorian Chamber of Commerce and Industry 2022.

This paper was prepared by the Victorian Chamber of Commerce and Industry. While the Victorian Chamber has endeavoured to provide accurate and reliable research and analysis, it will not be held liable for any claim by any party utilising this information.

The Victorian Chamber of Commerce and Industry,
150 Collins Street, Melbourne, Victoria 3000
Phone: (03) 8662 5333 victorianchamber.com.au Jan 2022

