

2022-23 State Budget | **OVERVIEW**

MAY 2022



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FOREWORD



The 2022-23 State Budget focuses on the three Ps: patients, participation and provincial, with significant allocations to improve health outcomes, a focus on education, skills and training, and substantial allocations for Regional Victoria. It provides a pathway back to surplus so that the State can begin paying down the debt that was incurred as a consequence of the pandemic.

The State Government partially funded a large proportion of the 73 recommendations that the Victorian Chamber put forward as part of our State Budget Submission. These commitments align with our broad themes of enabling business, growing business, and easing the cost of doing business. While the commitments are modest, they are targeted and will make it easier to do business in Victoria. We expect further funding for business in the upcoming State election to ensure we can continue the recovery post COVID-19.

Funding to improve Services Victoria will reduce paperwork and make it easier for business to get approvals and receive government payments. In addition, the funding in skills and training will help address a number of the gaps in the labour market that our members have consistently raised with us. Funding for industry shows the areas that the Government wants to target with a focus on encouraging foreign direct investment, as well as health, food production, technology, advanced manufacturing and business services.

The Budget allocated funding for Regional Victoria in the areas of jobs, agribusiness and agriculture. The Government heeded our call to help increase exports by providing support to agribusinesses across Victoria to reach new markets and grow their sales globally. Funding for upgrades to rail freight will help transport our goods to market sooner while the investment in 12 VLocity trains will improve connections between Regional Victoria and Melbourne.

The investment in health is important as this will help solidify our health system that has been under immense pressure during the pandemic. We hope this investment will prevent the need for future restrictions. Importantly, there is also a focus on elective surgery and the use of private hospitals to help tackle waiting lists, one of our key recommendations to take pressure of our health system.

The economic outlook is quite positive with underlying forecasts painting a picture of significant growth as the State bounces back from the pandemic with indicators, outside of wage growth, returning to trend over the four-year estimates. The growth forecasts are reasonably optimistic, but below the national growth forecasts leaving some hope that they might be exceeded. Gross State Product (GSP) is strong, although it is predicted to decline to 3.25 per cent in 2022-23.

Fiscal aggregates are forecast to improve with a \$650 million operating surplus expected in 2025-26, and an operating cash surplus of \$1.3 billion in 2022-23. Revenue from payroll tax is set to grow by 6.5 per cent over the forward estimates and demonstrates that businesses will be helping drive economic growth. The Victorian Government should support this growth and encourage job creation by further reducing the tax

burden on business. Overall, the economic forecasts and fiscal aggregates indicate strong steps toward budget repair.

Encouragingly the Victorian Government is also creating the Victorian Future Fund to help minimise the impact of the State's debt burden, which will help offset the government's future borrowing and in time, repay government borrowings.



Paul Guerra
Chief Executive
Victorian Chamber of Commerce and Industry

PAUL GUERRA'S BUDGET REVIEW

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Industry development

- > \$40 million over two years from 2022-23 to establish a Victorian Industry Investment Fund stream of the Victorian Jobs and Investment Fund to provide grants to fast growing and expanding domestic businesses.
- > \$20 million over four years from 2022-23 to establish a new Digital Jobs for Manufacturing stream of the Victorian Digital Jobs Program to assist advanced manufacturing businesses to transition to a highly skilled and low carbon environment. This includes support for the Victorian Defence Industry Workforce Development program to deliver an expansion of existing internship programs and provide defence-specific professional development training.

Investment attraction

- > \$40 million over two years from 2022-23 to Invest Victoria to attract international business investment into Victoria. This initiative will include targeted financial incentives to attract business investment in

Victoria. It will aim to attract strategic investments that will enhance the future prosperity of the Victorian economy including through supporting domestic supply chain capability.

- > \$5 million over two years from 2022-23 to Invest Victoria to support the continued operations of the Victorian Government Trade and Investment Network in strategic markets, to stimulate foreign direct investment into Victoria, and attract talent in key sectors of the economy.
- > \$20 million over four years from 2022-23 to Invest Victoria for an equity investment pilot fund to attract Victorian, interstate and international companies that align with Victoria's priority strengths, such as the start-up ecosystem and supporting sovereign manufacturing capabilities.

Export growth

- > \$12.8 million over two years from 2022-23 for the Trade Mission Program to help exporters remain connected to international markets, including through the establishment of a trade and investment office in Paris.



Carbon Fibre at Deakin University

Innovation and commercialisation

- > \$2.6 million over two years from 2022-23 to extend the SummerTech LIVE work integrated learning program, which supports 10–12-week studentships to develop job-ready skills and employment opportunities and innovative solutions to digital challenges faced by SMEs.

Visitor economy

Events

- > \$2.5 billion over four years from 2022-23 to enable the organisation and hosting of the 2026 Commonwealth Games in Victoria.
- > \$32.6 million in 2022-23 for the Melbourne Convention and Exhibition Centre to support its operations following the impacts of the COVID-19 pandemic on the events sector to retain its workforce and undertake recovery activities.
- > \$4.4 million in 2022-23 for the Events Recovery and Support Program to support small to medium community events in Greater Melbourne and continue government engagement with Victoria's events sector on the safe coordination in response to COVID-19.
- > \$3 million over four years from 2022-23 to support music events for the benefit of regional communities.
- > \$2.6 million in 2022-23 for funding to continue a strong pipeline of national business events to Metropolitan and Regional Victoria.

Marketing our visitor economy

- > \$2.9 million in 2022-23 to fund the Victorian Grown program, Drink Victorian program and wine export initiatives to promote Victorian wine, food and drinks locally and globally.
- > \$5 million in 2022-23 for international marketing campaigns to encourage tourism to Victoria from short-haul, long-haul, growth and emerging flight market segments.
- > \$5 million in 2022-23 for international campaigns to encourage tourism and to lift the Victorian Visitor Economy brand.



Developing our visitor economy offering

- > \$125 million over two years from 2021-22 to support Victoria's cultural and creative agencies impacted by the COVID-19 pandemic, supporting business recovery, jobs, activation and immediate solvency.
- > \$32.1 million over three years from 2022-23 to continue the National Gallery of Victoria (NGV) Summer Programming and NGV Triennial, to support the economic recovery of the CBD through exhibitions which attract visitors.
- > \$29.9 million over two years from 2022-23 to support the growth regional tourism infrastructure projects.
- > \$6 million over two years from 2022-23 to fund more affordable creative spaces within Victoria's cities and towns, infrastructure projects that activate existing community spaces and small-scale projects in partnership with local governments and non-government organisations.

- > \$5.6 million in 2022-23 to support the operation of the Emerald Tourism Railway.
 - > \$2.4 million in 2022-23 to fund the Go West Festivals Fund to support Victorian Festivals to present and commission work from artists in Melbourne's West.
- ## Energy
- > \$250 million in 2022-23 for a one-off \$250 Power Saving Bonus for all Victorian households that use the Victorian Energy Compare website to search for the cheapest electricity deal.
 - > \$26.3 million in 2022-23 to boost the Solar Homes program.
 - > \$11.8 million over five years from 2021-22 for a renewable hydrogen refueling network demonstration project for freight vehicles between Melbourne and Sydney.
 - > \$6.8 million over two years from 2022-23 for planning and policy development for Victoria's offshore wind development and renewable hydrogen projects.
 - > \$4.2 million in 2022-23 for maintaining engagement in national energy market decision-making and to deliver the second Victorian Renewable Energy Target Auction.





Construction Futures

Skills and training

Vocational education and training (VET)

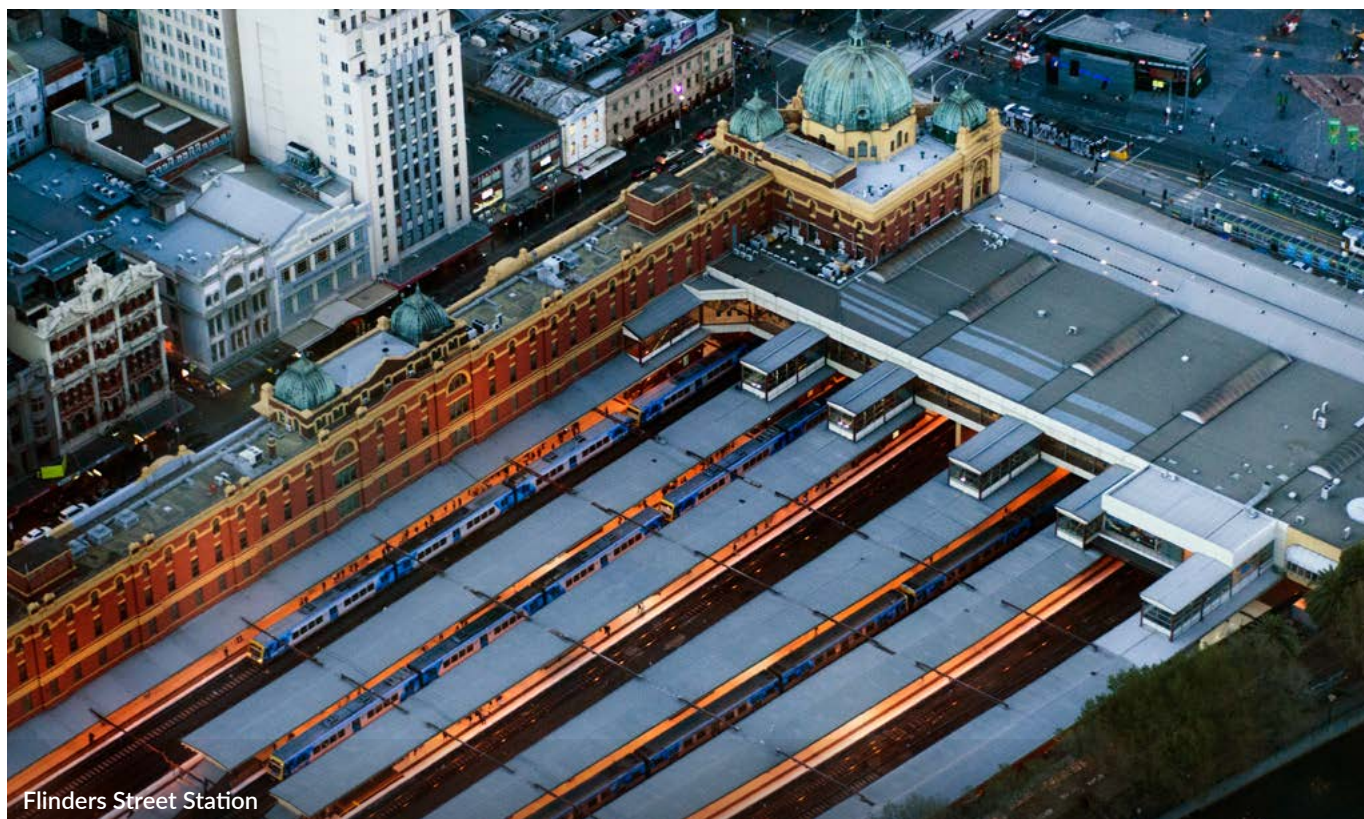
- > \$87.9 million over four years from 2022-23 for professional learning programs and supported study pathways to expand the vocational and applied learning workforce, in particular the availability of suitably skilled and qualified VET teachers and trainers.
- > \$86.1 million over four years from 2022-23 for universal access to high-quality VET for government school students.
- > \$83.2 million over four years from 2021-22 to establish the Office of TAFE Coordination and Delivery within the Department of Education and Training, to lead projects across the TAFE network.
- > \$69.3 over four years beginning 2022-23 for the expansion of Head Start school-based apprenticeships and traineeships to all government secondary schools.

- > \$34 million over four years from 2022-23 to merge the Victorian Certificate of Education (VCE) and Victorian Certificate of Applied Learning (VCAL) to recognise increased demand for careers in trades and services.
- > \$12 million over two years from 2022-23 to continue the Apprenticeship Support Officers program to provide dedicated support to learners most at risk of failing to complete their apprenticeship, including women.
- > \$10 million over two years from 2022-23 to fund Skills Solutions Partnerships, a collaboration between the Victorian Government, industry, TAFEs and dual sector universities to pilot new training approaches that address skills shortages in priority areas, including short courses and work placements.
- > \$4 million over four years from 2022-23 to expand free TAFE to include the Diploma of Auslan and Advanced Diploma of Interpreting (Auslan) to help increase the number of Auslan interpreters.

Infrastructure

Transport infrastructure

- > \$383.1 million over five years from 2021-22 to operate new transport infrastructure as part of the Big Build.
- > \$87.7 million over three years from 2022-23 to deliver critical tram infrastructure works in line with the Tram Plan, including preparation for the opening of the Metro Tunnel and the Next Generation Trams and supporting the state to comply with Commonwealth Disability Standards for Accessible Public Transport (DSAPT).
- > \$79.5 million over four years from 2022-23 to deliver bus service improvements in line with Victoria's Bus Plan.
- > \$60.4 million over four years from 2022-23 for road operation including the Road Safety Action Plan, metropolitan upgrades, regional road upgrades and more.
- > \$6.1 million in 2022-22 for planning and development activities towards the Western Interstate Freight Terminal.
- > \$3.5 million in 2022-23 to extend the Mode Shift Incentive Scheme for another year.



Investment in health infrastructure

- > \$1 billion over five years from 2021-22 for the new Melton Hospital, which will activate the Cobblebank precinct and stimulate further investment and development in the area to drive employment growth and nearby residential developments to improve housing supply.
- > \$300 million over four years from 2022-23 for the Regional Health Infrastructure Fund to improve the quality and amenity of infrastructure across a range of rural and regional health services.
- > \$35 million in 2022-23 for the Medical Equipment Replacement Program to continue to replace critical medical equipment across Victoria.
- > \$25 million in 2022-23 for the Metropolitan Health Infrastructure Fund to improve the quality and amenity of infrastructure across a range of metropolitan health services.
- > \$20 million in 2022-23 for the Engineering Infrastructure Replacement Program to upgrade and replace critical engineering infrastructure in selected metropolitan, rural and regional hospitals.
- > \$15 million in 2022-23 for safer digital healthcare for Victorian public health services to upgrade the

network infrastructure needed to support and deliver patient-related services.

- > \$36 million over three years from 2022-23 for a mental health and alcohol and other drugs residential rehabilitation facility in Mildura to reduce wait times and improve treatment outcomes for clients.

General infrastructure investment

- > \$527.2 million over four years from 2022-23 to build 13 new schools across Victoria by 2026.
- > \$560 million over four years from 2022-23 to upgrade 29 mainstream schools and 36 special schools across Victoria.
- > \$2.8 million over two years from 2022-23 for support for veteran infrastructure to maintain facilities that are safe, accessible and fit-for-purpose for veterans and their families.
- > \$2.8 million over two years from 2022-23 to transform Western Melbourne by providing funding to facilitate development in the Werribee National Employment and Innovation Cluster (NEIC) including the development of the East Werribee Roadmap and a fast-track review of the Precinct Structure Plan.

Regulation

- > \$99.8 million over two years from 2022-23 for Services Victoria to help provide more online services to reduce paperwork for individuals and businesses.
- > \$25.6 million over two years from 2022-23 for the Victorian Building Authority to make it easier for interstate practitioners to work in Victoria, as well as strengthen building approval processes.
- > \$10 million in 2022-23 to extend the Regulatory Reform Incentive Fund, to be renamed the Business Acceleration Fund (BAF), to continue to support projects that modernise and streamline regulatory processes across the State's regulators and local councils.
- > \$8 million in 2022-23 towards Economic Regulatory Services to support the Essential Services Commission regulatory oversight of the Port of Melbourne. This includes ensuring compliance with the Port of Melbourne's newly created port customer charter.
- > \$3.5 million for 2022-23 for Ports Victoria to expand their role in port planning, governance, safety management and more.
- > \$2 million in 2022-23 for Mineral Resources Regulatory Reform to reform the regulatory framework for mining and extractive industries.



Government procurement

- > \$1 million in 2022-23 to begin a reform program to ensure effective oversight and assurance of the rapid growth in transactions through State Purchase Contracts to deliver value for money benefits across government.
- > \$300,000 in 2022-23 to establish language services for State Purchase Contracts. This initiative will enable business owners from CALD communities to engage with contracts.



Health workforce

- > \$371.5 million over five years from 2021-22 to strengthen and support the mental health and wellbeing workforce.
- > \$4.8 million over four years from 2022-23 to support the health and wellbeing of the Victorian health workforce and provide training programs to organisations to create productive and safe workplaces.

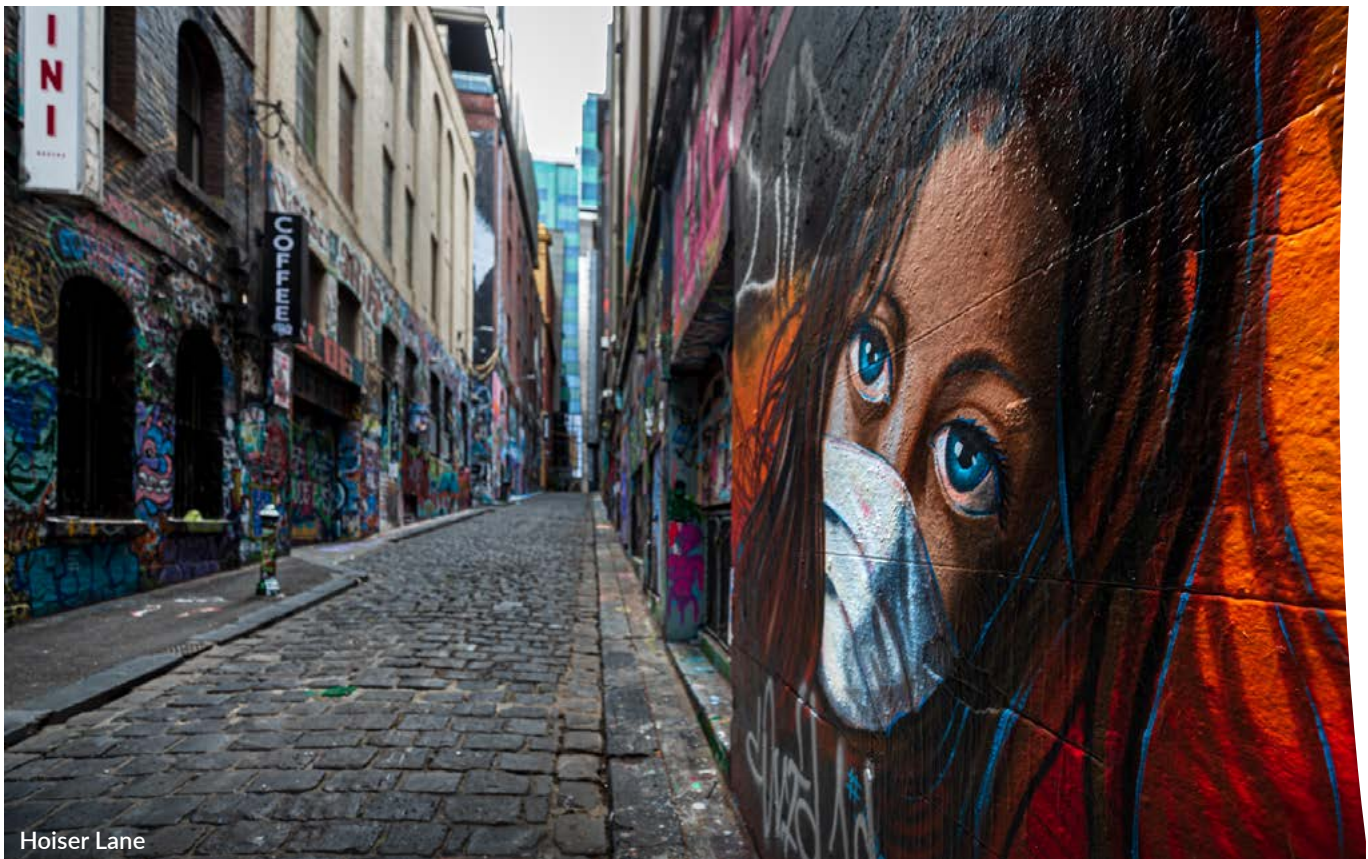
SMALL BUSINESS

Business support

- > \$8.9 million in 2022-23 for grants to small and medium-sized Victorian businesses for specialist advisory services to provide business operators with access to expert advice. This initiative includes an extension of the Wellbeing and Mental Health Support for Victorian small businesses.
- > \$2 million in 2022-23 to provide grants to employer and employee organisations to support occupational health and safety and other training in the construction industry.

COVID-19 recovery

- > \$31.5 million in 2022-23 to support Victorian businesses impacted by the Omicron variant of COVID-19. This funding continues from programs offered over the summer of 2021-22, including, Melbourne Money, travel vouchers, a new entertainment voucher program, Ventilation Support Program and an extension of the Business Recovery and Resilience Mentoring Program.



2022-23
State Budget

OVERVIEW

REGIONAL VICTORIA

MAY 2022



REGIONAL



Cheese making at Yarra Valley Dairy



Food manufacturing in Wemen

Health infrastructure

- > \$300 million over four years from 2022-23 for the Regional Health Infrastructure Fund to improve the quality of infrastructure across a range of rural and regional health services to encourage continual growth into the regions.
- > \$195.8 million over four years from 2022-23 to replace and expand the existing mental health facility to increase acute and community mental health services at Goulburn Valley Health in Shepparton.
- > \$36 million over three years from 2022-23 for a mental health and alcohol and other drugs residential rehabilitation facility in Mildura to reduce wait times and improve treatment outcomes for clients.
- > \$6.5 million over three years from 2022-23 to construct a new emergency department mental health and alcohol and other drug crisis hub at the Latrobe Regional Hospital, as well as funding for planning future hubs in Ballarat, Bendigo and Shepparton.

Transport infrastructure

- > \$453.8 million over four years from 2022-23 for regional rail, including more Victorian manufactured trains for the Shepparton and Warrnambool services (\$250 million) and regional road upgrades (\$203.8 million), creating more jobs in each local area.
- > \$204.6 million over five years from 2021-22 for a package of regional rail projects, driving regional jobs growth.
- > \$91.4 million over three years from 2022-23 for regional road upgrades to improve speed and efficiency of goods and services to the regions.

General infrastructure

- > \$30 million over two years from 2021-22 to fund the Regional Infrastructure Fund, Regional Jobs and Investment Fast-Track Fund streams to ensure continual economic growth.
- > \$5 million in 2022-23 to provide grants for community infrastructure projects and local community grants for equipment and other community projects to boost regional economies and connectivity.

- > \$1.6 million in 2022-23 to develop a framework to ensure consistency in planning including updating regional growth plans to show population growth to inform infrastructure provision, jobs growth and regional city development.

Education, training and skills

- > \$58.9 million over four years from 2022-23 for targeted initiatives to attract more teachers, including through increasing the supply of casual relief teachers to schools in rural and regional areas through the provision of coordination assistance and expense reimbursements.
- > \$28.7 million over four years from 2022-23 to support rural and regional schools in providing a broader curriculum, including the establishment of regional blended learning hubs and increased partnership between clusters of community schools.

Visitor economy

- > \$2.5 billion over four years from 2022-23 to enable the organisation and hosting of the 2026 Commonwealth Games in Victoria. The Games will provide significant economic opportunities and benefits, with the Games to be held throughout regional Victoria, centred in four hubs in Ballarat,

Bendigo, Geelong and Gippsland.

- > \$30 million over two years from 2022-23 to fund Regional Tourism Infrastructure Projects to support the growth of regional tourism.
- > \$10 million over two years from 2022-23 for Distillery Door Grants to support the visitor experience, export market development and skills development in the Victorian distillery industry.
- > \$2.9 million in 2022-23 to fund the Victorian Grown program, Drink Victorian program and wine export initiatives to promote Victorian wine, food and drinks locally and globally.

VCCI recommendations addressed

- > The Victorian Chamber is pleased that several recommendations from our submission to the 2022-23 Victorian State Budget have been fully or partially funded.
- > These initiatives will help Regional Victorian businesses grow through industry development and event attraction and enable industry through transport infrastructure investment, which aligns with two of the three key policy and advocacy pillars of the Victorian Chamber – Grow, Enable and Ease.



Historic post office in Beechworth

FISCAL AND ECONOMIC OUTLOOK

The underlying economic forecasts paint a picture of significant growth as the State bounces back from the pandemic with indicators, outside of wage growth, returning to trend within the four-year estimates. The growth forecasts are reasonably optimistic but below the national growth forecasts, suggesting there may be an opportunity for these to be exceeded. Gross State Product (GSP) is strong, although it is forecast to decline to 3.25 per cent in 2022-23.

Fiscal aggregates are forecast to improve over time with a \$650 million operating surplus expected in 2025-26, and an operating cash surplus of \$1.3 billion in

2022-23. Revenue from payroll tax is forecast to grow by 6.5 per cent over the forward estimates, which paints an encouraging sign for economic growth. The Victorian Government should support this growth and encourage job creation by further reducing the regulatory burden on business. Overall, the economic forecasts and fiscal aggregates provide a strong step toward budget repair.

Encouragingly the Victorian Government is also creating the Victorian Future Fund to help minimise the impact of the State's debt burden, which will help offset the government's future borrowing and in time, repay government borrowings.

Economic indicators at a glance

	Actual	Forecasts				
	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26
Gross state product (%)	-0.4	5.5	3.25	2.5	2.5	2.5
Jobs growth (%)	-1.1	3.0	1.75	1.0	1.25	1.75
Unemployment rate (%)	6.2	4.25	4.0	4.25	4.5	4.75
Consumer price index	1.4	3.0	2.5	2.25	2.5	2.5
Wage price index	1.4	2.5	2.75	3.0	3.0	3.0
Population growth (%)	-0.7	0.1	1.2	1.7	1.7	1.7

Source: Victorian Budget 2022/23 Overview



Family enjoying a park in Melbourne

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