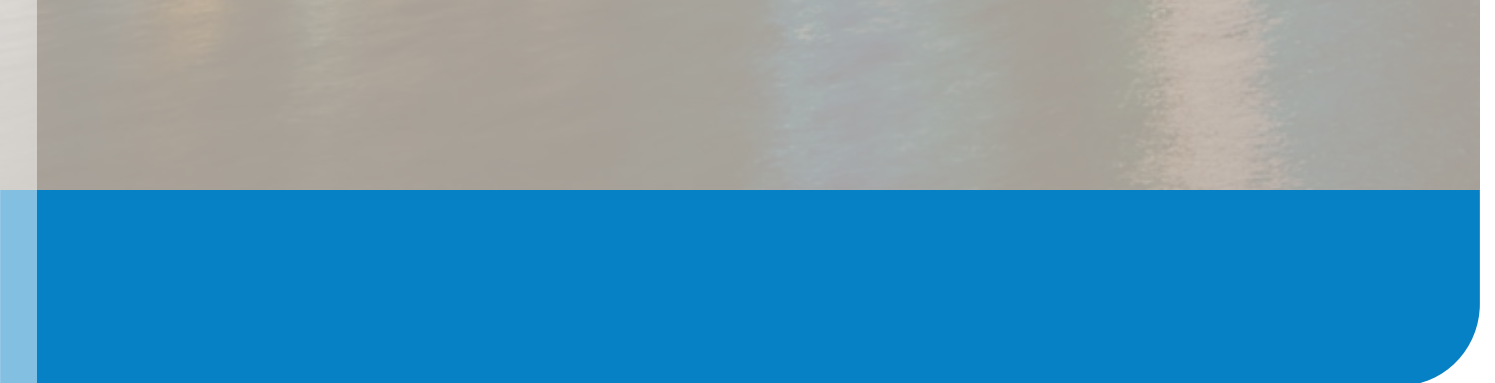


VECCI 2009/10
**STATE BUDGET
SUBMISSION**



As we move through 2009 it is critical that the State Government recognises the important role the 2009/10 Budget has to play in revitalising business sentiment and renewing real increases in economic activity, investment and job creation.

This year's State Budget is arguably the most important in the past decade.

Introduction

The time ahead is a crucial one for Victorian business.

As we move into 2009, it is critical that the State Government recognises the important role this year's State Budget has to play in generating a positive response from the business community that underpins future economic activity, investment and job creation.

Unfortunately, domestic economic conditions are visibly softer than they were a year ago. Victoria and Australia faces unprecedented global economic and financial conditions that are creating considerable uncertainty in markets at home and abroad. Business confidence is at an all time low.

Rising cost pressures have hit business profitability and cash flow hard. As a consequence, jobs and investment are now at risk across many industries, especially our key trade-exposed sectors.

Arresting these trends will not be easy.

However, VECCI considers the Victorian economy is well positioned to meet emerging economic and financial challenges. The Government has a solid base to work from in order to foster an environment conducive to growth:

- Victoria's finances remain sound despite the impacts of the global financial crisis.
- While easing in recent times, State economic growth has been relatively robust.
- Investment has been healthy, particularly plant and equipment investment.
- While slowing, employment growth has been healthy and unemployment at historically low levels.
- Population growth has been strong.

The challenge for the 2009/10 Budget is to revitalise economic growth and restore business activity levels to a positive and sustainable growth path.

KEY RECOMMENDATIONS AT A GLANCE

- Reduce the payroll tax (PRT) rate to 4.75%.
- Cut WorkCover premiums by 5%.
- Abolish the Long Stay Car Park Levy.
- Keep recurrent expenditure growth below CPI growth.
- Implement key Eddington Report infrastructure recommendations.
- Invest in energy networks, new baseload capacity and renewable energy technologies.
- Support Victorian industry interests in CPRS design and implementation.
- Introduce a new employer commencement bonus to attract new apprentices to traditional trades.
- Provide additional VET funding for regional employers.
- Create a Regional Structural Adjustment Fund to support labour market adjustment to climate change, emerging technologies and global competition.
- Accelerate regional industry and infrastructure development.
- Maintain tourism agency funding and promotional support.
- Increase funding for tourism and events industry training.
- Implement the Nature-Based Tourism (NBT) Strategy.
- Fund the expansion of the Melbourne Exhibition Centre (MEC) and upgrade significant attractions.

Accelerated tax reform is needed to boost confidence, jobs and competitiveness

Victoria's economic performance is under pressure. After a period of sustained economic growth, the latest economic indicators give some real cause for concern.

The Victorian economy is now expected to grow by 1.5 per cent in 2008/09 and by 2.0 per cent in 2009/10, with activity returning to long-term growth rate trends by the end of the forward estimates period. The downward revisions to growth since the 2008/09 Budget reflects the impact of slowing global demand, tightening credit conditions, falling asset prices and lower consumer and business confidence. In addition, poor climatic conditions are expected to continue to weigh on the agricultural sector.

Results from VECCI's recent December Quarter 2008 Survey of Business Trends and Prospects show that investment trends are easing, general business conditions are continuing to moderate, exports are down and sales and employment trends are relatively flat.

This slowdown is not particular to Victoria and mirrors the combined impact of:

- Global financial market adjustments – impacting on the cost and availability of finance.
- Continuing tight competition in key overseas markets, particularly China, but also new slowdowns in the USA and UK.
- Slowing property market activity.

- Upward pressure on prices including, until recently, rising petroleum prices.
- Persistent skills and labour shortages.
- Until very recently, a persistently high AUD, working against the efforts of our exporters.
- New policy uncertainties associated with the response by Governments to issues like climate change and carbon reduction.

As the Victorian Government has acknowledged in its 2008/09 Budget Update, global economic conditions have deteriorated with the escalation of the global financial crisis. As a result of the weakening global conditions, consumer and business confidence have also fallen to below average levels.

Industry and economic prospects are likely to remain mixed over the next twelve months.

We therefore consider the 2009/10 State Budget needs to reflect a clear, positive pro-business response from the State Government in order to underpin an improvement in business sentiment and performance that is vital to securing sustainable, competitive employment and investment growth into the future.

VECCI concurs that an improvement in confidence will be an important contributor to the economic recovery and that the actions of Governments at all levels must be directed towards strengthening financial institutions, easing monetary policy settings and stimulating economic growth.

Most importantly, actions must be targeted at improving business cash flow positions and making it easier for employers to not only maintain existing employment and investment levels, but confidently expand their operations into the future.

Foremost in these considerations is the need for demonstrable tax relief. VECCI recognises the budgetary pressures now facing the Victorian Government and therefore supports a targeted, strategic approach to tax relief that can be accommodated within existing and near term revenue forecasts.



VECCI RECOMMENDS

- A reduction in the payroll tax rate to 4.75% and an increase in the payroll tax threshold to \$600,000, effective from 1 July 2009.
- A 5% reduction in WorkCover premiums paid by Victorian employers.
- A 12 month freeze on the indexation of all taxes, fees and fines set by regulation, effective from 1 July 2009.
- The abolition of the Long Stay Car Park Levy (Congestion Levy).
- That growth in the level of recurrent expenditure is kept below inflation.

KEY BENEFITS FOR VICTORIAN BUSINESS

The tax relief measures outlined will provide a much needed boost to business cash flow positions and assist in offsetting a number of ongoing cost pressures that have exacerbated difficult trading conditions to the point where we are now at risk of significant output, employment and investment reductions.

The payroll tax cut and threshold adjustment will address bracket creep as a result of rising wages and employment and will provide a stimulus to investment and job creation across both goods producing and service industries.

Victoria needs to be able to claim the lowest premium rate if Victoria is to aggressively attract new investment into the State and encourage existing businesses to expand their operations and hiring intentions. A further reduction in WorkCover premiums would provide Victorian employers with Australia's second lowest compensation premium and be part of an important step towards ensuring Victoria has a major influence on other jurisdictions as we move towards the COAG commitment of a national uniformity of compensation legislation.

The abolition of the Long Stay Car Park Levy will provide a much needed boost to investment and job creation in Melbourne's CBD (vis a vis other capital cities), and recognises that movements in the price of oil and service and infrastructure factors arguably have a greater influence on modifying commuter behaviour.

VECCI recognises that broader State tax reform is not possible by looking at the State taxation system in isolation. In this regard, the Henry Review of Australia's taxation system provides an opportunity for the Victorian Government to engage with the Commonwealth to deliver broader taxation reforms.

By ensuring that the level of recurrent expenditure is kept below inflation, spending initiatives can be focused more closely on productive areas, for example, infrastructure provision and the facilitation of meaningful, job creating business tax relief.

Infrastructure – building competitiveness, now, and into the future

VECCI recognises that both the Federal and Victorian Governments are seeking to engage in strategic infrastructure spending to underpin economic growth.

In our view, the current economic downturn provides additional rationale for bringing forward key infrastructure projects, not only to boost capital productivity going forward but to maintain economic momentum at a time when household spending and private investment have declined as a result of low business and consumer confidence.

Apart from the economic stimulus associated with keeping Victoria's infrastructure pipeline well stocked over the remainder of this decade and into the next, Victoria also has an opportunity to retain its mantle as Australia's most progressive and innovative State in terms of PPPs and infrastructure financing, with all the attendant building, construction, manufacturing, accounting, legal and design jobs this brings.



VECCI RECOMMENDS

KEY PROJECTS – SHORT TERM

VECCI has identified five key projects and infrastructure areas that are crucial for Victoria's economic growth in coming years. These projects are:

- Melbourne Metro 'New Generation' Rail Tunnel.
- Removal of Melbourne's level crossings.
- A New East-West Road connection.
- Completion of Melbourne Metropolitan Ring Road – Frankston Bypass and North-East Interconnector.
- Investment in greenhouse reducing technologies, including new low emission base load energy generation.

The 2009/10 State Budget (and ensuing Budgets where significant, long term projects are involved) must support the progression of these projects over time through a demonstrable capital works Budget and supportive planning framework.

We recognise that many substantive infrastructure projects will not proceed without significant Federal funding. For this reason, the Victorian Government must continue its efforts to secure at least 25 percent of the Building Australia Fund proceeds.

At the same time, it is also important that the Government ensure that every opportunity is afforded to facilitating new Public Private Partnerships (PPPs). At a time

when the cost and availability of capital for larger projects of more than \$1 billion has become an issue of concern, a greater Government role in some of the larger PPPs would underpin future viability while retaining the benefits of private sector innovation and risk management.

In order to encourage further investment in and around Melbourne's bays, we recommend the establishment of an overarching Bays Authority to coordinate investment approvals in this area. While investors to date have shown a willingness to invest, the multi-agency involvement in the approvals process continues to be a hindrance.

Infrastructure – building competitiveness, now, and into the future

KEY BENEFITS FOR VICTORIAN BUSINESS

The new metro concept represents a major opportunity to relieve pressure on rail lines that are reaching capacity, such as the Dandenong and Werribee Lines, and target currently underserved strategic areas such as St Kilda Road and Melbourne University.

A systematic program of reducing Melbourne's level crossings would yield immediate economic benefits including a reduction in road traffic, reduced train delays and a reduction in serious accidents, including fatalities.

A dedicated East-West Link, while not included in the recently announced Victorian Transport Plan, will deliver a significant range of economic, trade, and liveability benefits including reduced congestion, improved freight productivity, enhanced tourism destination attractiveness and improved amenity.

Completion of the Melbourne Metropolitan Ring Road, including the North East Interconnector and the Frankston bypass, would be of major strategic economic significance to Melbourne and the nation. Among the benefits of this initiative is the fact that it would more effectively link Melbourne to the Mornington Peninsula, which is growing in popularity as a tourist destination and residential area.

As many emissions-reducing new technologies require significant infrastructure investment, there is an important role for Government in the regulation of access or funding of such infrastructure, particularly while the details of a national CPRS are still being developed and the private sector may be reluctant to invest in new electricity generation infrastructure. Victoria cannot risk a gap in the investment pipeline, resulting in possible shortages in electricity supply.



LONGER-TERM PROJECTS

In light of Melbourne being home to an extra million people in coming decades and the fact that the Urban Growth Boundary (USB) was moved in December 2008 to accommodate greater-than-expected population growth, comprehensive transport planning is more important than ever.

VECCI has long called for a long-term transport vision, underpinned by a comprehensive Transport Plan. Put simply, we must envisage what we want Melbourne to look like in 2035 and work back from there in terms of addressing the planning and financing task.

Some projects that we consider will require further consideration and planning work include:

Containerisation of the Port of Hastings and/or Geelong

It is planned that the Port of Hastings will become a supplementary container port once the Port of Melbourne reaches capacity around 2030. Given the fact that world trade growth has moved more quickly than projections, transport corridors and appropriate land needs to be reserved. Cost-benefit analysis also needs to be done on containerisation options in Corio Bay, as an alternative and/or complementary option.

Airports – Tullamarine, Avalon, South-East, Regional

While debate about a second airport for Sydney continues, Avalon has been taking domestic and commercial flights for some time – a second international airport at Avalon has the potential to boost tourism, passenger flows and create jobs. Similarly, given Melbourne's rapid expansion to the south-east, consideration should also be given to whether Melbourne may require a passenger/freight jet airport on its south-eastern fringe, perhaps aligned with the Hastings freight corridor. Enhancements to regional airports should also be encouraged given the possibility of increased population dispersal to regional centres.

In light of Melbourne's strong population growth and future population projections, we recommend ongoing support for the curfew free Melbourne Airport to make it Australia's premier international gateway over time.

Rail Links – Airports, Suburban

Airport rail links also require consideration as passenger numbers grow. Rail links with Avalon could be improved relatively quickly. An airport rail link to Melbourne airport, while not appropriate now, should figure in transport planning considerations leading up to the 2030s, perhaps with the airport as a stop between Melbourne and Bendigo rather than a final destination to boost patronage. Suburban rail links require extension in line with increased population and an expanded UGB.

Road Links – North-South Link, Outer Metropolitan Ring Road

While the focus is currently on East-West links, North-South links will be just as important in future years. Because of the location of the Bay, the river and the CBD, north-south traffic bottlenecks have been problematic, with Punt Road and Hoddle Street being cases in point. When one considers Melbourne's projected population growth, this problem will only get worse.

A north-south tunnel link (between the Eastern Freeway at Clifton Hill and the Monash Freeway at South Yarra or Dandenong Road at St Kilda) is in our view essential to relieve future congestion and improve productivity and liveability.

Bay Links – Fast Commuter Ferries, Tourist Ferries

A larger emphasis on the use of our bay should encompass fast bay ferries as a possible future consideration in terms of congestion-busting public transport options, as well as tourist ferries, (for example between Stony Point and Cowes), a high priority tourism infrastructure project that has languished in recent years.

Maintaining competitiveness in response to climate change

Victoria will face potentially tougher challenges in responding to climate change and pay a higher price for emissions reduction actions compared to other Australian states due to our industry and emissions profile.

Recently announced details of business and industry support as part of the Federal Government's CPRS White Paper will go some way towards addressing structural adjustment challenges and mitigating the cost impact on households and business associated with the introduction of a carbon price.

However, given Victoria's unique energy consumption and industry profile, it is important that the Victorian Government continues to exert influence on the Federal Government in negotiations on a range of ongoing emissions trading scheme design issues including industry transitional assistance and shared funding for new low emissions technologies.

An important complementary role for the State Government is to ensure policies, programs and funding is in place to reinforce energy supply security, incentivise resource efficiency improvements and foster and reward innovation in preparation for the low carbon economy.

Affordable and Secure Energy Supply

Determining optimal investment priorities is crucial to securing the affordable and sustainable energy supplies that will ensure strong and sustainable business growth in Victoria. The Victorian Government can best identify investment needs in energy supply security by working with industry and stakeholders (including business customers) to review current capacity, future requirements and potential options.

VECCI RECOMMENDS

- New investment in existing electricity networks.
- Increasing investment incentives to drive large-scale renewable energy projects that capitalise on Victoria's solar, tidal and biomass resources across Victoria.
- Expanding and better communicating the range of incentives for low-carbon technology applications and capital equipment upgrades. The efficacy of expanding VEET, VRET and the premium feed-in tariff to SMEs to further support energy efficiency, renewable and low-carbon innovation, should be reviewed.
- Investment in new (pilot-scale) projects for decentralised generation in "high-load" regions such as the Melbourne CBD and industrial parks through co-generation and industrial ecology initiatives.



Realising the Benefits of Resource Efficiency

For the past three years we have been actively working with the Victorian Government to address gaps in services available to help Victorian small and medium sized enterprises (SMEs) transition to a low-carbon economy.

The Victorian Government needs to continue to invest in programs that educate, support and assist businesses, not only to adjust to a low-carbon economy, but also capitalise on the opportunities that climate change presents for Victoria.

VECCI RECOMMENDS

- An expansion of the successful 'Black Balloons' campaign beyond the consumer market to target relevant SME sectors.
- Further linking successful domestic/household climate change programs, such as the ResourceSmart 'Right Advice at the Right Place' program for appliance stores, to complementary SME resource efficiency programs.

KEY BENEFITS FOR VICTORIAN BUSINESS

New investment in existing electricity networks will ensure our electricity supply system can cope with more diverse energy generation sources and ensure business operations are not put at risk.

An expansion of the successful 'Black Balloons' campaign to relevant SME sectors (in particular commercial services, transport and logistics and manufacturing), would continue to build awareness and knowledge of climate change and reinforce the transfer of good environmental practices from the home to the workplace.

That the Victorian Government continues to exert influence on the Federal Government in negotiations on a range of ongoing emissions trading scheme design issues is vital to ensure the adverse effects of the CPRS on the State economy and specific industries is minimised.



Raising competitiveness through employment, education and training

The past year has seen many changes resulting from the State Government's review of skills related policy areas. VECCI has worked with the Government on skills and training reform, culminating in the announcement of the Securing Jobs for Your Future: Skills for Victoria report in August 2008.

A range of COAG policy changes in the training area have also been implemented, including those relating to industry consultation, the introduction of the Productivity Places Program and new Training System Governance arrangements.

The Victorian reforms have also led the national debate and discussion of the COAG training reform agenda. VECCI welcomes the Victorian Government's introduction of a demand led system and the phased introduction of contestability in training purchasing arrangements.

While these reforms are welcome, pressing skills gaps remain in industry. The quality of our education and training system must be improved as a priority. Indicative of the challenge, the most recent National Assessment Program - Literacy and Numeracy (NAPLAN) test saw the Victorian ranking drop compared to other States.

The current economic downturn will dramatically impact the demographic profile of the workforce and the unemployment pool. There will be a heightened disadvantage for older workers.

With these issues in mind, VECCI considers the Budget framework for business over the next year should not only focus on reducing business operating costs but also provide incentives to retain skills in an increasingly fragile economic climate.

This will require an integrated approach that helps business retain and develop new skills while also addressing school to work transition issues, post compulsory options and further training reform.



VECCI RECOMMENDS

- The introduction of a new employer commencement bonus to attract new apprentices to traditional trades in areas of acute skills shortage. This should be complemented with further support to retain current apprentices by increasing the existing employer completion bonus for apprentices in traditional trades to \$5,000.
- A new tranche of funding for a project to up-skill existing mature-aged workers and engage in flexible work practices that help mature-aged workers remain in the workforce longer (building on the 'Grey Matters' initiative).
- Additional VET funding incentives for regional employers to retain skills and provide opportunities for young people in deteriorating labour markets.
- A comprehensive review of existing local and State-based regional employment, structural adjustment and training programs designed to attract and retain key human resources and develop new employment opportunities for youth, indigenous persons, people with disabilities, and mature aged workers.
- The establishment of a Regional Structural Adjustment Fund to assist 'high risk' industries and their workforces successfully adjust to the pressures of global competition, new technologies and the transition from carbon-intensive production to low-carbon alternatives.
- Review School Based Apprenticeships models to provide two or three day work and training components which will better meet industry needs. This would focus on traditional trade areas and extend over a year 13 equivalent to facilitate achievement of an ENTER rating and link to higher education options.

KEY BENEFITS FOR VICTORIAN BUSINESS

Providing additional financial incentives to industry will offset likely declines in apprenticeship commencements normally associated with an economic downturn. It will encourage employers to maintain skill levels through the economic downturn, thereby ameliorating the risk of skill shortages emerging as the economy recovers.

Funding for a project to up-skill existing mature-aged workers will target Government training reform to meet the need to increase workforce skill levels as well as meet social inclusion and human capital development objectives.

Additional funding for VET and a review of allied programs in Victoria's regions will provide a focus for the additional support required to address the dislocational challenges being faced by communities in provincial Victoria.

New models of VET delivery will specifically address the needs of disadvantaged students at schools, encourage school retention, improve literacy and numeracy levels and assist in realising the objective of achieving a Year 12 or AQTF equivalent certification.

Boosting regional business competitiveness

Economic growth is moderating in regional Victoria.

Regional businesses are concerned with high transportation costs, tightening lending conditions, skill and labour shortages, global competitive pressures, weakening consumer demand, and risks and uncertainty associated with the introduction of an emissions trading scheme.

In the current environment, issues relating to the adequacy, cost and quality of infrastructure (eg. transport, energy, water, education, health and ICT), climate change, workforce skills and social amenity will weigh heavily in the decisions of firms to invest for the future.

Regional and firm level responses to these challenges will vary for a range of reasons, including capacity to adjust, access and exposure to Local, State and Federal Government policies and programs, degree of trade of exposure, seasonal influences and resource availability – whether labour or capital.

As we move into 2009, close collaboration between business, the community and Governments will be crucial to securing a sustainable, competitive future for regional Victoria.

For decision-makers, core objectives underpinning this strategy will revolve around accelerating economic development and maximising trade, investment and employment opportunities, while reducing risk in the face of intensifying global pressures, moderating economic conditions and rising costs.

Our recommendations are designed to facilitate this task by better connecting our main regions to each other and fostering significant new investment in major capital projects.



VECCI RECOMMENDS

- Develop an overarching Strategic Action Plan to accelerate the development of major regional centres and corridors, and their allied industries and communities. The Plan must include measurable KPIs to evaluate performance in achieving agreed short and long term regional development priorities.
- Accelerate the progression of not only first-tier, priority regional infrastructure projects but also second-tier capital works, maintenance and improvement projects. This task can be assisted by providing more timely and detailed information on commercial and related investment opportunities to superannuation funds and other private sector investors to encourage their consideration of regional capital works projects.
- Ensure regional business development funding applications under existing State and Local Government grants, programs and initiatives are given priority and expediency in the evaluation process.
- 'Map' the carbon and water exposure of regional Victoria to ensure our most vulnerable businesses and communities receive priority assistance, information and advice on how to successfully adapt to the pressures of climate change.
- Boost research and innovation funding to capitalise on "next generation" low and zero carbon energy sources that exist across regional Victoria.
- Continue to proactively market the many advantages of living, working and investing in regional Victoria, recognising the importance of ensuring supporting education, recreation, and health services are at a standard necessary to retain labour and capital inflows.
- Promote new ways of making information on the cost and benefits of establishing regional business operations more transparent and accessible to potential investors and other stakeholders, including employees and their families.
- Set three and five year targets for the reduction and removal of 'regional red tape' with a special focus on removing and/or simplifying regulations that overlap between local Government areas or have been proven to no longer meet their policy intent.

KEY BENEFITS FOR VICTORIAN BUSINESS

The development of an overarching Strategic Action Plan to accelerate the development of major regional centres and corridors will assist in closing identified infrastructure gaps and improving business synergies across regions, helping better connect them with each other, as well as Melbourne.

The fast-tracking of priority regional infrastructure projects and development funding applications has the potential to generate both short and long term benefits in social well being, productivity and economic activity. Infrastructure upgrades need to jump ahead of existing use patterns to anticipate future industry requirements, rather than simply respond as needs emerge.

Further development of key satellite provincial centres can help take pressure off Melbourne's population growth and associated infrastructure demands.

Stronger marketing of key local attributes and attractions will yield positive, sustainable outcomes for our regional communities and their businesses. Regional Victoria has a plentiful and relatively affordable supply of land, good transport links and a well developed labour force. These features are positive investment attractions.

A successful policy and program response to climate change will provide new opportunities for investment into alternative energy sources such as the uptake of clean coal technologies. Regional areas that currently have good quality, reliable water supplies have great potential to lead the way on sustainable water use processes and applications.

Supporting tourism and events industry competitiveness

Despite its significance and contribution to exports, output, investment and jobs, the Victorian tourism and events industry is now facing a number of major challenges.

Slower global and domestic demand, strong international competition, skill and labour shortages and the geophysical and policy effects of climate change are likely to make it difficult to realise industry growth targets.

Now, more than ever, it is therefore important that the Government accelerates investment and promotional support for this key sector.

Foremost among these considerations is that the Government continues to maintain real funding levels for Tourism Victoria and tourism specific funding for other relevant agencies.

In light of current economic conditions, an opportunity exists to boost domestic tourism. A national campaign to encourage employees to take accumulated annual leave is planned for 2009. Victoria can capitalise on this with a specific cooperative marketing fund with industry.

Also equally important for the industry's short and long term growth prospects is the need for new investment in infrastructure and supporting visitor services. Current infrastructure should not only be more effectively maintained but actively enhanced in order to maximise the use of current assets and the yield from events and tourism attractions, now and into the future.

The coming Budget must support tourism and events businesses affected by climate change and the introduction of an emissions trading scheme through well designed adaptation strategies and the effective promotion of the benefits of sustainable tourism and events.

To ensure that the tourism and events industry remains a thriving economic contributor into the future, the Budget must boost funding for tourism and events related training. Special focus must be given to meeting the needs of international growth markets, including improved language and cultural skills.

VECCI RECOMMENDS

- The maintenance of core funding for Tourism Victoria and tourism specific funding for other relevant agencies.
- A special cooperative marketing funding allocation to encourage Victorian and interstate workers to take their leave in Victoria.
- Ongoing support for the attraction and retention of major sporting, cultural and business events, as well as significant regional events.
- The implementation of the Nature-Based Tourism Strategy including ongoing commitment to infrastructure projects and promotion of Victoria as a destination rich in nature-based experiences.
- Support for the marketing of Victoria's tourism assets and major events to international growth markets to maximise returns on industry investment and ensure a sustainable future for the sector.
- The expansion of the Melbourne Exhibition Centre to support increased opportunities for business events, as well as support for the development of business events facilities outside the metropolitan area.
- The upgrade of significant attractions and venue infrastructure, including Melbourne and Olympic Park, in order to retain the world-class reputation such facilities currently hold, and continue to ensure the success of high-profile events such as the Australian Open.
- The development of a State-wide awareness program to prepare tourism businesses for a national emissions trading scheme.
- Increased funding for tourism and events related training. This must include a focus on meeting the needs of international growth markets (including improved language and cultural skills), as well as support for the Tourism Excellence program, facilitated by Tourism Victoria.



KEY BENEFITS FOR VICTORIAN BUSINESS

The maintenance of tourism agency budget funding is vital to underscore competitive international and domestic marketing and investment. This is necessary to counteract sensitive domestic and international tourism markets, ensure market growth and continue to build Victoria's competitive brand nationally and internationally. This investment will not only improve Victoria's competitiveness at a time of considerable economic uncertainty but also stimulate private sector marketing and capital investment.

New investment in physical infrastructure and supporting services is vital to support the future growth and success of Victoria's events industry. Marketing alone will not sustain event industry growth. The stimulus to demand from promotion, event branding and attraction needs to be matched by supply led infrastructure initiatives that not only raise the productive capacity of the industry, but also facilitate market growth into the future.

In this context, capital funding to facilitate the expansion of the Melbourne Exhibition Centre will give Victoria a 10 year competitive advantage over competing capital cities in attracting business events to the State. It will also enable Melbourne to maximise opportunities to attract large international trade shows.

The implementation of the Nature-Based Tourism (NBT) Strategy will increase Victoria's competitiveness and yield, demonstrating that Victoria can lead the way globally in nature-based tourism to deliver environmentally sustainability outcomes. It is important that we integrate nature-based tourism with Victoria's tourism product strengths in food and wine, history and heritage, events and touring, so as to further extend our tourism sector's competitive positioning.

Increased funding for tourism and events industry training is vital in order to successfully respond to the strong growth forecast for the tourism industry over the next decade, predominantly due to increased international visitation. Industry will benefit from a workforce that possesses not only broader industry-based skills but also specific skills relevant to the growth segments of the industry, such as language and cultural skills.

Ongoing support for the Tourism Excellence program is equally critical in strengthening the sector's capacity to demonstrate excellence, providing consistently high quality products, services and visitor experiences.

Concluding comments

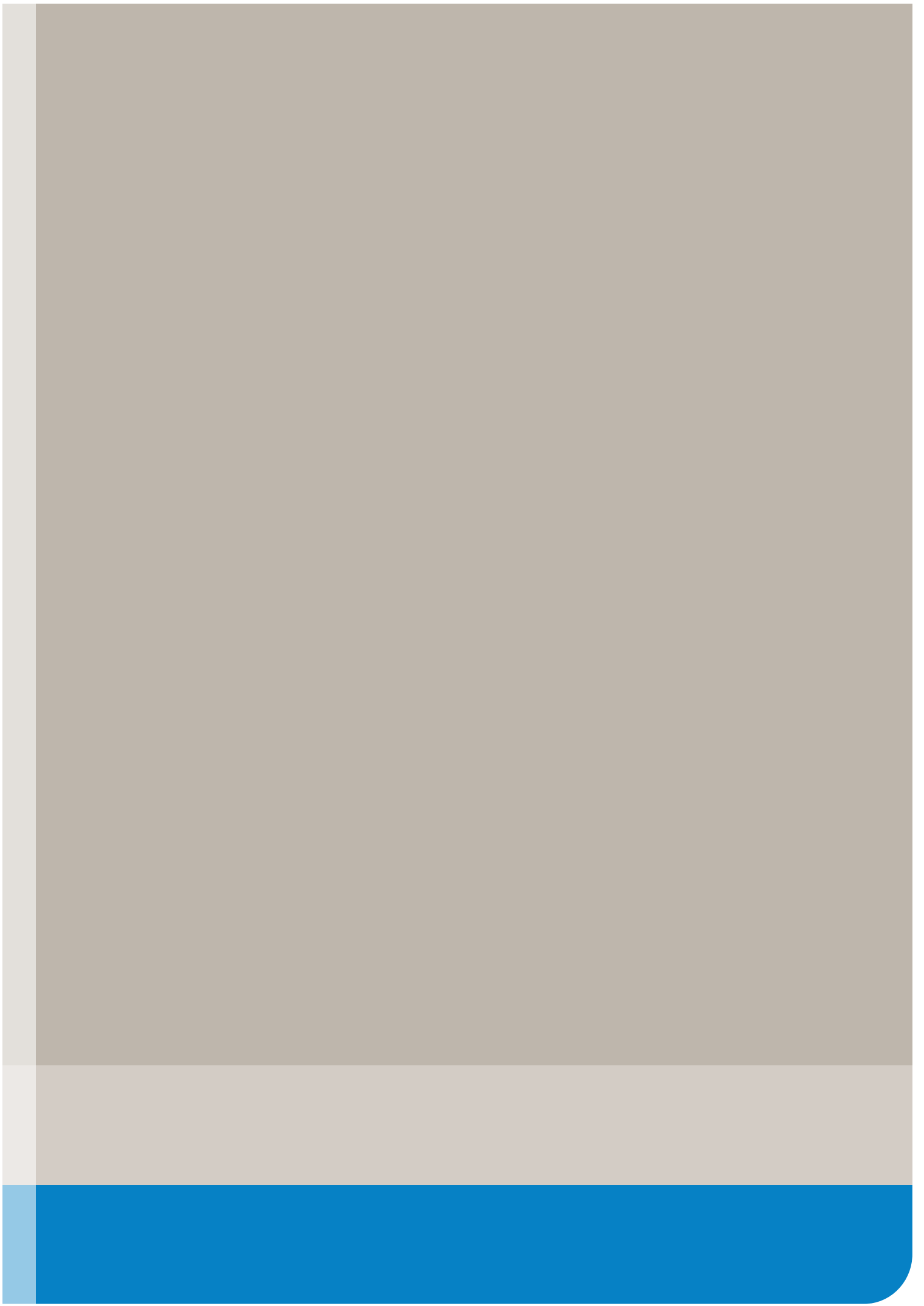
The time ahead is a crucial one for Victorian business.

While the State has performed strongly over past years, the momentum of economic activity has clearly moderated in recent times. Visible uncertainty now exists as to prospects for growth over the medium term.

In such an environment we cannot risk complacency in public policy-making.

Now more than ever, Victorian business is looking to the Victorian Government to demonstrate its pro-business credentials by using the 2009/10 Budget to deliver:

- continuing responsible economic management;
- timely and important business tax relief;
- further improvements to the State's infrastructure base;
- practical policy and program assistance to business in the face of climate change;
- support for renewed regional industry growth;
- enhanced investment and promotional support for our tourism and events industries; and
- the delivery of more efficient and effective education and training for industry.



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