

# TRANSCRIPT

## LEGISLATIVE ASSEMBLY ECONOMY AND INFRASTRUCTURE COMMITTEE

### **Inquiry into Commonwealth support for Victoria**

Melbourne—Wednesday, 15 December 2021

#### **MEMBERS**

Mr John Eren—Chair

Mr Gary Blackwood—Deputy Chair

Ms Juliana Addison

Ms Christine Couzens

Ms Steph Ryan

Ms Kat Theophanous

Mr Nick Wakeling

#### **WITNESS** (*via videoconference*)

Mr Dylan Broomfield, General Manager, Policy and Advocacy, Victorian Chamber of Commerce and Industry.

**The CHAIR:** Welcome, Dylan, to the hearings for the Legislative Assembly Economy and Infrastructure Committee's Inquiry into Commonwealth support for Victoria. All mobile telephones should now be turned to silent.

All evidence taken by this Committee is protected by parliamentary privilege. Therefore you are protected against any action for what you say here today, but if you repeat the same things outside this hearing, including on social media, those comments may not be protected by this privilege.

All evidence given today is being recorded by Hansard. You will be provided with a proof version of the transcript for you to check. Transcripts will be ultimately be made public and posted on the Committee's website. And could I please remind members and witnesses to mute their microphones when not speaking, to minimise interference.

I invite you, Dylan, to make a brief 5-minute opening statement, and then we will proceed with questions after that. Thank you for being with us today.

**Mr BROOMFIELD:** Brilliant. Thank you very much, Chair, and thank you very much for the opportunity to appear before you. I will just start off with a bit of background of who we are, the Victorian Chamber of Commerce and Industry. We are the largest and most influential business and industry group in Victoria. We inform and support over 47,000 members and clients across our great state. We provide programs, information and support to members and non-members within Victoria. We are a trusted brand, and our membership has grown in the last 20 months as businesses have sought a voice to advocate and achieve tangible outcomes in the form of business support and providing feedback on lockdowns and restrictions so that we have the best conditions within which business can operate. We have worked with both the Federal and State Governments during this time.

Whenever we approach government, we always take a pragmatic approach with our advocacy. We do that not just for Victorian businesses but also for Victoria more broadly. When we are talking with the Federal Government, we do not do it in a parochial way. We do it because we know that when Victoria is doing well then Australia is doing well. And it is with this sort of pragmatic approach that we appear today with a pragmatic lens through which we can see that the current policy around GST and the way in which allocations occur is really no longer fit for purpose. Indeed it has been shown that the current policy is costing far more than was expected, and this in turn has implications for Victoria, and it is only further compounded by the fact that Victoria's share of GST has fallen in recent years. As other submissions have commented, this could lead to Victoria being worse off by more than \$3.3 billion by 2024–25. Now, of course this has significant implications which in turn impact business, either through the State Government having to increase taxes, such as we saw with the mental health levy, or the level of spending on infrastructure not being as high as it could be, which in turn presents significant challenges for businesses not being able to get as great access as they otherwise would be able to.

We know from our own work that Victoria is the highest cost state for business, and a fairer allocation of GST could provide the means through which reductions in some of these costs could be achieved. We accept that there is a role for horizontal fiscal equalisation to ensure that other states are not left behind, but the current model does not achieve that in the way in which we think Victoria still is able to get the outcomes that it needs. Indeed the deal that Western Australia has at the cost of other states, especially Victoria and New South Wales, needs to be reviewed. Now, one may have had some sympathy for Western Australia if not for the fact that their improved revenue position outside of GST is primarily a consequence of just digging stuff up and not really value adding substantially with other states then able to leverage off that. You would probably be able to better understand it if that was the case, if there was sort of a hand up for the states as opposed to just simply digging stuff up and exporting it away.

The story on infrastructure spending—another area that we are dealing with in this Committee—is much the same as GST, with Victoria just not getting its fair share. We saw in the previous Commonwealth budget that Victoria accounted for 18.3 per cent of total infrastructure payments made by the Commonwealth to the states despite the fact that Victoria's population share is 25.9 per cent. It is a significant funding gap, and while we accept that it does not need to be completely equal, because we are a slightly smaller state and there does need to be some greater funding in other areas, that gap does need to close.

Finally, the one point that I would like to just end this statement with is that recent engagement with our members through surveys and round tables has shown that they are acutely aware that they are not getting a fair deal. With a lot of our members, the vitriol with which they have been discussing, with us, the Commonwealth has increased dramatically in the last nine months. But I think more broadly there is a perception that it is not just in the last nine months, it is in the last more or less 10 to 15 years that they feel that Victoria has not been getting a fair deal from the Commonwealth, and I think there is at the moment a large appetite for this to be rectified. I will stop there with my opening statement, and I am happy to move to questions.

**The CHAIR:** Thank you, Dylan. I will kick it off with a question about particularly regional Victoria. There is obviously a real concern around the resurrection, I suppose, if you can call it that, of businesses particularly that have been impacted over the last two years through COVID. How do you think the lower GST revenue will affect businesses, particularly in regional Victoria?

**Mr BROOMFIELD:** I think regional Victoria is one of those areas where, by not having a greater allocation of GST, that impacts the overall spend the government can do, and that is being felt in regional Victoria. I think regional Victorians have a perception that there is a lack of sufficient infrastructure spending in some areas, and that is one area where perhaps if there was to be an increase in that GST allocation then maybe there could be a commitment from government in order to try and address that. But I think, more importantly, one of the areas for regional Victoria is that they just want greater access, and that is something that could easily come through that GST allocation.

Similarly, I think there is a capacity for greater delivery of business programs, which has not really occurred to a significant extent in the regions, and that is something that really needs to be picked up on. I think also that with improved GST allocation you would also find that regions would be able to start thinking about what they can do to actually lift up their community, because that is one of the other areas that we find has become very important, especially during the disconnected period that we have been going through over the last 18 to 20 months. And then I think if we go to infrastructure spending as well, there is a significant need for Commonwealth support to a degree in some of those infrastructure spends, especially on areas of railway, for example, which is a great activator for our exporters in agribusiness, and that is the tracks that are controlled by ARTC, which do not get the sufficient funding, you could argue, that other states get.

**The CHAIR:** Thank you. Gary, did you have a question?

**Mr BLACKWOOD:** Thanks, John, and thanks, Dylan. I guess we are all aware of the economic recovery and the costs that that is going to incur, but how do you think the Commonwealth can better support Victoria through that recovery process and what types of things do you think they should fund or should support Victoria in to help that recovery to occur much more quickly?

**Mr BROOMFIELD:** Well, I think before we even start looking at funding one of the key things we need is immigration back into Victoria; that is huge. One of the other areas that they could just start funding and commit to would be international students. We have the biggest tertiary education sector in the country, and they have felt very hard the impacts of students not coming back. So that would be one area straightaway, and it is not really a high cost either. Outside of that, the other things that would be really useful in order to take advantage of what is out there at the moment would be continuing the asset reduction write-off that the Commonwealth has. That has been really useful, again, for regional Victorians. You know, the capacity to go out and spend on some capital for their business—that is great. That is something that they should push and go ahead with again. We would strongly encourage that.

I think also the next position is: well, what is the next industry story for Victoria, what does that look like and what is the role a federal government can play in there? We saw a great investment yesterday, with the mRNA facility, but I mean that is just the start. Let us see what else we can do. There are so many opportunities for funding that are coming up. You look at Victoria: we already have great natural assets in the context of space and aerospace, but they are not being utilised. You ask anyone, 'Where do you go for space in Australia', and they say, 'South Australia'. All they are really good at doing is sort of upstream componentry production, whereas we can do the full fleet. We have got Thales and we have got Boeing all here already. We have got amazing earth observation capability, so that is another area where you could start looking at what those new, emerging, advanced manufacturing and service provision industries are, and that would be one of the areas that we would strongly encourage investment to come forth from the Commonwealth.

**Mr BLACKWOOD:** Thanks, Dylan. That is great.

**The CHAIR:** Thank you. Chris, do you have a question?

**Ms COUZENS:** Yes, thanks, Chair. Thanks, Dylan, for your time and contribution today; we appreciate it. Can you outline how Victorian businesses will be affected by the changes to the GST revenue distribution?

**Mr BROOMFIELD:** It is hard because it has an impact on the collective revenue base, and when there is an impact on the collective revenue base, well, the state has to go and look for other forms in which that revenue base can be sustained, and that in turn then leads to, ultimately, other state-based taxes or a decrease in service provision. As I touched upon in the opening statement, Victoria is the highest cost state in Australia, and we have done some work with Nous around that and will be bringing a ranking out later on in the middle of January to show that.

One of the interesting things that came out of that—and this is an area where we think if there was a greater allocation from GST revenue—is that for businesses one of the greatest impediments at the moment is time not just cost, and that is due to the regulatory processes that exist. We know that with sufficient investment in regulation and regulation reduction, or more improved, efficient processes I should say, you would actually be able to have some really great tangible outcomes. At the moment, for example, the average hospitality company business in Victoria has the equivalent of about 24 touchpoints in order to get started. In Tasmania it is 12, in New South Wales it is 14 and I will not go through all the other states because that would be a bit boring after a while, but you can see the sort of pathway that I am going down. They are some of the areas that could really, really be improved. The thing about those is that they do not actually cost that much. They do cost a little bit, but it is the sort of stuff that is just mainly investment in capital assets more than anything else in order to get it rolling, and that is something that we think could be really highly utilised with a greater allocation of the GST.

**The CHAIR:** Thank you. Nick, do you have a question?

**Mr WAKELING:** Thanks, Chair. Dylan, thanks very much for the presentation. I would just like it perhaps if you could give an overview of the Vic Chamber's view on federal funding, particularly in regard to Victorian infrastructure. Do you have a view around that?

**Mr BROOMFIELD:** Yes. So I briefly outlined that. Again, we do not take sides. As the chief executive, Paul Guerra, says, there is only one horse in the race for him and that is Victoria, and when Victoria is doing well, everyone else does well. It has been reasonably plain to see that the allocation of funding for infrastructure has not been as equal as it could be to Victoria. Now, it is not to the point where we need population to line up exactly with infrastructure spending, because we do accept that we are not as large a state, but the gap that has started to emerge recently is something that really needs to be resolved, because if it is not, then we are just not going to have the capacity to deliver not just the current infrastructure to projects that are going on but further infrastructure projects that would be able to lead to greater efficiency for business so that they can be more productive and more effective.

One of the big ones that we are currently looking at at the moment is: what do the intermodal freight terminals look like going forward with regard to the western intermodal freight terminal versus the Beveridge intermodal freight terminal. One of the things we know from our members is that Victoria is the largest—not just from our members but more broadly—destination for freight. New South Wales is very interested in that because we actually provide a large proportion of freight services into New South Wales, and a lot of the freight therefore does not have to conquer the Great Dividing Range. Our colleagues at the New South Wales Chamber are very interested in that position, as are Western Australia and South Australia, because we are the largest providers of freight into those countries—not countries; well, Western Australia may be a country soon! But we are the largest provider of freight services—

**The CHAIR:** They will be rich enough to break away.

**Mr BROOMFIELD:** Let us not encourage them anymore. We are the largest provider of freight services into those states, so that is another area where Victoria has already got these natural absolute advantages, but we are not getting the full value out of them as we could if we were to have a greater allocation of that funding.

**The CHAIR:** Thank you. Kat, did you have a question?

**Ms THEOPHANOUS:** Thank you, Chair, and thank you, Dylan, for your contribution so far. My question relates to the economic recovery post the pandemic and really centres around what impact the GST distribution reforms will have on Victoria's ability to bounce back and recover from the pandemic. As a kind of double-barrelled aspect of this question I am keen to know whether you have any data or even any anecdotal evidence around the particular ability of women businesses and women to recover from the pandemic in the context of what we are talking about—the GST.

**Mr BROOMFIELD:** That is fine. I will come to the female/women one in a moment. One of the things that we are about to see is there is a huge amount of capital that is just waiting to be spent. We know that people have saved a lot during the pandemic and so on and so forth, and that is about to come forth. What could happen with the greater allocation of GST, not just now in the next sort of six to 12 months but over the journey up to sort of four years through the forwards, is that you would be able to get a greater opportunity to just work out what are some of those investments that can occur for business and what can be business related. Of course we accept not all of whatever GST allocation comes as a consequence of any revision to the model, but any of it that would go to business we think would be money well spent, whether that is in the form of decreasing taxes, improving the administrative burden that is placed upon a lot of businesses or even providing greater services for training so that businesses have greater access to workforce, because we know that is one of the biggest issues that they are facing at the moment. Indeed the secondary issue that comes from that as well is opportunities for housing for people. There are a lot of businesses that just cannot get staff because the staff do not have anywhere to live in that specific area, and so that is becoming very problematic.

In terms of the opportunities for women, one of the things that we have seen through this period of time is that there has actually been an emergence of female participation in businesses, which we think is great, and I think that any further allocation of GST that is utilised in order to help facilitate and encourage business participation—businesses to take off—would be a great thing. I cannot remember when it was and I will not quote an exact start because I do not have it on me, but I do know that over the last two years the level of female participation in new business has been at one of the highest levels that it has in any previous point in time, apart from there was one brief period in 2003–04 if memory serves, but that is just off the top of my head.

**Ms THEOPHANOUS:** Thank you.

**The CHAIR:** Thank you. Any further questions anyone? Yes, Chris.

**Ms COUZENS:** Thanks, Chair. Can you provide your views on how the Commonwealth could better support local government?

**Mr BROOMFIELD:** Yes. I might start eating into a lot of other people's time if we go down this rabbit hole, but I come at it again with a pragmatic lens. One of the things that I think would be best utilised is if the Commonwealth adopted something similar to the asset write-off that it did for the states whereby if local government were able to demonstrate improved outcomes for business, and that is in the form of business applications, planning et cetera—things like that—then I think they could justify for the Commonwealth to perhaps create a fund through which they are incentivised to do it. One of the biggest issues that we find is that it is not a lack of will or intent for a large number of local governments in Victoria; the issue is they just do not have the capability or the capacity, and that is where the big problem lies. I think it is one of the key things.

Often local governments are maligned because they say they just do not want to do it. In actual fact they do not have the ability or the capacity to do it, and that is one of the things that we would really like to see addressed and that is where we think something similar to an improvement incentive in terms of how quickly applications are done et cetera would be very well received by business, because local government can be a substantial impediment. I think if it was to be done well and done properly, you would then link that into the state approval system as well, so that that way—and this is getting to where the Chamber wants us to go and in our forthcoming budget submission that will be clear—we think there should only be one door through which you need to go when you submit an application for anything regarding regulation and there should be no wrong door, and then whether or not there also needs to be some sort of a concierge service on top of that in order to be a facilitator between the proponent and the regulator, so that way you take away that adversarial nature that exists between the approver and the proponent. That is something else that we are also considering.

So the issue around investment into local government is quite substantial. The only thing that you would have to do is you would have to be very specific with the terms on which that money could be spent, because otherwise, as we have seen with some local governments—like Yarra City Council tried to explain that businesses paying more for the parklets where they put their restaurants was actually a good outcome for business. That is just the sort of thing that really needs to be avoided, because we cannot go down that path. It needs to be for the genuine issue of addressing where there is a substantial need in the area of government approvals.

**The CHAIR:** Excellent. Thank you, Dylan, for your presentation. I would imagine next year is a busy year for everybody: we have got the federal election first and then the state election. I would imagine on behalf of your constituency, the business community, that you will be making representations to both Federal Government and the alternative government and then state likewise. Will you be writing to the Federal Government and the alternative government about some of your concerns about the changes to GST?

**Mr BROOMFIELD:** What we are doing is we partner with our national organisation, the Australian Chamber of Commerce and Industry. They are doing a budget submission specifically, and then we are tailoring a Victoria-specific one, because we think that there is probably an opportunity for Victoria to maybe have a bit more capacity than it otherwise had due to certain seats that are here now. We might not necessarily be taken for granted, which would be great. So we think that there is an opportunity for us to articulate some greater funding opportunities that would otherwise be overlooked. Similarly, with the state election next year we will be doing much the same, and we are developing those campaigns as we speak. We have got a survey that will be going live early next year, and we are expecting to have somewhere in the vicinity of 2,000 to 2,500 responses to that, which ends up being a really great sample size from which we can extrapolate and cover all industries and business sizes across Victoria. So what we will be coming with—again, we will not be slamming or taking apart any government—is a pragmatic voice, because we know all we want to do is get what is best for Victorian businesses, because ultimately when Victorian businesses are doing well, the community does well, tax receipts do well and the capacity for governments to then spend it in other areas can only improve.

**The CHAIR:** Excellent. Just on that basis then, we are obviously collating all of this information through this process, and we will be making recommendations to government going forward. We are hoping that early next year we will be in that position. We would love it if you were to send us a copy of that letter that you will be potentially sending to the alternative government and the government to maybe form part of our submissions going forward, if that is okay.

**Mr BROOMFIELD:** Yes, no problem.

**The CHAIR:** Okay, excellent. All right. Thank you very much, Dylan. Any further comments you would like to make?

**Mr BROOMFIELD:** No. Thank you very much for the opportunity to appear before you.

**The CHAIR:** Thank you so much. Have a great day.

**Witness withdrew.**