



VICTORIAN LABOR'S **PLAN FOR JOBS AND GROWTH**

NOVEMBER 2012
VICTORIAN LABOR OPPOSITION

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OVERVIEW

For almost two decades Victoria has been the jobs creation engine room of the Australian economy. We have achieved this despite other states being blessed with abundant natural resources for export.

However, in recent years the Victorian economy has stalled. Our export industries are under pressure, state infrastructure projects are at a standstill and our building and construction sector is collapsing. Unemployment is rising and scarcely a week goes by without another Victorian business announcing that jobs are being lost.

In difficult times it is more important than ever that our state government has a strong plan for jobs and growth to secure Victoria's future.

The Baillieu Government denies that Victoria is facing a jobs crisis. A government that refuses to accept that there is a problem is unlikely to develop a plan to fix it.

Meanwhile, the State's training sector is being decimated and Victorians await key decisions about critical infrastructure that is vital to our State's future.

Confidence is collapsing.

Victorians need a plan to protect jobs and secure economic growth.

Victorian Labor's *Plan for Jobs and Growth* contains practical and affordable measures that will create jobs and secure Victoria's economic growth. The Plan includes 67 initiatives across six key priority areas:

- Investing in the skills of Victorians (15);
- Investing in infrastructure (10);
- Creating a competitive environment for business (8);
- Attracting investment to our state, growing our exports and preparing Victorian businesses for the Digital Economy (15);

- Supporting our regional economies (7); and
- Buying locally (12).

Highlights of the Plan

A future Victorian Labor Government will:

- Fund TAFEs to deliver Community Service Obligations;
- Crack down on training providers who are rorting the system;
- Establish Infrastructure Victoria to plan the State's infrastructure priorities;
- Establish Projects Victoria to deliver critical major projects;
- Determine the viability of Bay West as the location for Victoria's future container port;
- Protect WorkCover from government plunder;
- Establish robust regulatory burden reduction measures;
- Support Victorian businesses seeking to tap into the resources boom;
- Protect Melbourne Airport's curfew-free status from inappropriate development;
- Support Victorian regional councils seeking to develop crucial infrastructure; and
- Ensure the Victorian Government's procurement processes support local jobs and businesses.

Victorian Labor's *Plan for Jobs and Growth* is an important step in outlining what an effective state government can do to create jobs and promote economic growth.

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INTRODUCTION

A job provides dignity, a sense of purpose, a productive contribution to the community and an income to support a family. Victorian Labor has always believed that a central responsibility of any Victorian state government is to create high-quality and diverse jobs for Victorians.

For almost two decades Victoria has been the jobs creation engine room of the Australian economy. We have achieved this despite other states being blessed with abundant natural resources for export.

However, in recent years the Victorian economy has stalled. Our export industries are under pressure, state infrastructure projects are at a standstill and our building and construction sector is collapsing. Unemployment is rising and scarcely a week goes by without another Victorian business announcing that jobs are being lost.

The Victorian Government has a powerful role to play in creating jobs and growing our economy. While the reach of government may have changed over recent decades, the responsibility for laying the foundation of a strong economy remains. The Victorian Government is the State's biggest employer and the largest purchaser of goods and services. These are powerful tools. Yet a strong State Government can do so much more – investing in skills and training, delivering critical projects, facilitating investment, planning responsibly, fostering innovation and ensuring that the benefits of growth are shared equitably.

The Baillieu Government has abandoned this responsibility.

There will always be challenges confronting the Victorian economy that are beyond the control of any state government. But in difficult times it is more important than ever that our state government has a strong *plan for jobs and growth* to secure Victoria's future. The Baillieu Government does not have a plan

to create jobs and to generate economic growth.

For two years the Baillieu Government has been in denial. The Baillieu Government denies that Victoria is facing a jobs crisis. A government that refuses to accept that there is a problem is unlikely to develop a plan to fix it. Infrastructure projects are coming to an end, public service jobs are being slashed, our training system is under attack and our export industries are struggling. And key Government Ministers are invisible and inaccessible.

Victorian Labor has been calling on the Baillieu Government to release a plan for jobs and growth. The Baillieu Government has failed to respond. In April 2012, Victorian Labor decided to act. We commenced our discussion with Victorians from all walks of life to obtain your views as to what should be included in an effective Victorian *Plan for Jobs and Growth*. We have travelled the length and breadth of our state, talking with businesses large and small, local councils, unions and industry organisations. We have received many submissions and ideas about the things that Victorians believe would make our State an ever better place to invest. We have held forums throughout Victoria and gathered your views about the best way to protect our State's strengths and create jobs for the future.

Victorian Labor's *Plan for Jobs and Growth* is the result of these discussions and centres on six key priorities:

- Investing in the skills of Victorians;
- Investing in infrastructure;
- Creating a competitive environment for business;
- Attracting investment to our state, growing our exports and preparing Victorian businesses for the Digital Economy;
- Supporting our regional economies; and
- Buying locally.

Investing in the skills of Victorians

Victoria's strength has always been the creativity, skills and diversity of our people. The centrepiece of any plan to secure Victoria's economic future must be our strategy to invest in the skills and training of the Victorian people. Victoria is not simply a mine, a quarry or a sun soaked beach. Our strength is our diversity – advanced manufacturing, spectacular events, and a multicultural community to name just a few. Globalisation and technological change mean that our skills will be the pathway that will give the Victorian people the edge we need to succeed internationally.

The Baillieu Government's funding cuts to TAFE are the most devastating in the history of Victoria. These short-sighted cuts are driving up fees, closing campuses and costing us some of our most experienced teachers. These cuts will drive young people away from regional communities in search of the skills they need for jobs and will cost Victorians for many years to come.

Investing in infrastructure

Well-planned infrastructure projects improve the productivity of the Victorian economy. Congestion is reduced, our exporters are better connected to global markets and businesses are linked to the inputs and services they need to thrive.

Investing in infrastructure in interface and regional communities and resolving long-term capacity constraints facing our ports will make the Victorian economy more competitive.

The Baillieu Government has turned off Victoria's infrastructure tap. This is costing us jobs now, but the real cost will be to the productivity of our economy – a cost that will be borne by all Victorians in the decades to come.

Creating a competitive environment for business

A state government can improve the competitive environment for business by cutting state government taxes and charges and reducing the regulatory burden. When Victorian Labor was in office we cut pay-roll tax and reduced WorkCover premiums to the lowest level in Australia. Victorian Labor pushed for the harmonisation of Australia's occupational health and safety (OH&S) laws.

Since coming to office the Baillieu Government has abandoned our efforts to harmonise OH&S laws and raided \$500 million from the Victorian WorkCover Authority to shore up the budget bottom line. Taking money from WorkCover to fund the Baillieu Government's election promises will not reduce WorkCover premiums.

Attracting investment to our state, growing our exports and preparing Victorian businesses for the Digital Economy

Connecting Victorian businesses to rapidly growing markets in our region is a tangible function that the state government can provide. The Bracks and Brumby Governments aggressively promoted Victorian businesses seeking to succeed overseas. The Baillieu Government's Super Missions to India and China are to be applauded. Victorian Labor supports government efforts to promote Victorian businesses in international markets.

However, the Baillieu Government must start working to maximise the opportunities that the National Broadband Network will bring to Victoria.

Supporting our regional economies

Victoria's vibrant regions are a key economic strength. Regional communities want to work in partnership

with state and federal governments to build on what was achieved between 1999 and 2010.

The Baillieu Government has abolished Regional Development Victoria's dedicated infrastructure fund and stripped RDV of its core job creation and investment attraction role. Since the Baillieu Government came to office, thousands of people living in rural and regional Victoria have lost their jobs. Regional Victoria has seen jobs lost from major employers such as Heinz, SPC, Ford, IBM and Pasta Master.

Buying locally

The Victorian Government is the largest purchaser of goods and services in our state. Victorians expect value for money, but we also expect that government spending will provide an opportunity for competitive and innovative local businesses. When in government Victorian Labor introduced the Victorian Industry Participation Policy (VIPP) to give local businesses a fair go. The Baillieu Government is neglecting this policy and its spending decisions are costing Victorian jobs.

The Next Steps

Victorian Labor's *Plan for Jobs and Growth* is an important step in a debate the Victorian community is calling for. Victorians want to know what an effective state government can do to create jobs and promote economic growth. Where appropriate, initiatives in Victorian Labor's Plan have been carefully costed. We have identified examples of achievable savings that can be made from current government spending to fund these initiatives.

The next State election is two years away. In the lead-up to the election Victorian Labor will continue to announce plans that reflect our priorities for promoting economic growth and protecting and creating jobs.

We would like to thank all of the individuals and organisations who took the time to make a submission or participate in the *Plan for Jobs and Growth* forums. Your experiences and ideas have contributed to a strong plan that can take Victoria forward.

INITIATIVES

Training a Smarter Victoria: Victorian Labor's Plan for Skills

- A future Victorian Labor Government will fund TAFEs to deliver their Community Service Obligations to ensure they can support the most disadvantaged to access training. This will restore the ability of TAFEs to deliver vital training in their local communities and to provide proper student support services.¹
- A future Victorian Labor Government will support TAFEs to establish one-stop-shop Industry Skills Centres, which will liaise directly with a broad cross-section of local industries, co-locate training facilities, and provide employers, apprentices and trainees with a single point of contact around their training needs. This process has commenced at Ballarat University.
- A future Victorian Labor Government will invest in TAFE infrastructure and will ensure that such investment is focused on areas of training vital to strategically important industries where emerging skills shortages need to be addressed.
- A future Victorian Labor Government will support the VET in Schools program that provides a vital link between general schooling and vocational education.
- A future Victorian Labor Government will commit to more strategic and targeted interventions in the case of market failure.
- A future Victorian Labor Government will refer powers of registration and regulation of Registered Training Organisations (RTOs) to the Australian Government.
- A future Victorian Labor Government will introduce separate quality control requirements for government-funded contracts by introducing rigorous entry requirements for RTOs seeking government-funded training.
- A future Victorian Labor Government will properly fund more extensive and rigorous auditing of training providers, with an increase in on-site audits and a focus on outcomes. These requirements will include the capacity to close down unscrupulous operators.
- A future Victorian Labor Government will reform recognition of prior learning (RPL) procedures by substantially improving the process to ensure that only genuine competencies are recognised and that Government training funds are legitimately expended.
- A future Victorian Labor Government will establish a Skills Commissioner to provide oversight of the training market and to develop and access the best possible data to better determine future skill shortage areas and appropriate workforce training needs.
- A future Victorian Labor Government will commit to developing effective industry advisory bodies, whose membership comprises key industry employer organisations, trade unions and professional associations.
- A future Victorian Labor Government will provide an automatic right to government-subsidised training for redundant workers to re-skill, regardless of prior qualifications.

¹ See page 71 for detail on how this commitment will be funded.

Building a Stronger Victoria: Victorian Labor's Plan for Infrastructure

- A future Victorian Labor Government will restore support for apprenticeships by retaining and strengthening the role of Apprenticeship Field Officers as essential mediators of apprenticeship contracts.
- A future Victorian Labor Government will set a target of at least 10 per cent of the workforce on every project of state significance to be made up of apprentices.
- A future Victorian Labor Government will support long-term disadvantaged job seekers to find suitable employment through a program that targets assistance to those who need it most with tailored employment support. A future Victorian Labor Government will form local partnerships with employers, unions, training providers and community welfare agencies to identify where there are employment opportunities and the best way to support job seekers to obtain the skills they need to secure a job.
- A future Victorian Labor Government will establish Infrastructure Victoria, with responsibility for providing independent and transparent advice about key infrastructure projects and their priority.
 - Infrastructure Victoria will:
 - identify Victoria's current and future needs and priorities relating to State and nationally significant infrastructure;
 - develop Infrastructure Priority Lists that prioritise Victoria's infrastructure needs;
 - evaluate proposals for or enhancements to State significant infrastructure;
 - provide advice to government on impediments to infrastructure delivery;
 - develop and publish research on the economic and social benefits of particular projects;
 - provide advice to government on appropriate funding and financing models for infrastructure investment;
 - coordinate infrastructure funding submissions from the State and its agencies to the Australian Government and other bodies.
- A future Victorian Labor Government will ensure that Infrastructure Victoria's recommendations to Government are publicly available and that Governments respond publicly to them in a timely manner.
- A future Victorian Labor Government will continue to maintain a budget operating surplus of at least \$100 million.

- A future Victorian Labor Government will establish Projects Victoria, a specialist infrastructure delivery agency.

Projects Victoria will:

- oversee the scope and design of all major projects;
- act as a key project delivery body in the procurement of major infrastructure projects in Victoria;
- intervene directly in project delivery in cases where delivery agencies or departments are experiencing difficulty; and
- audit the procurement capacity of Victorian Government departments.

Audits will ensure that workforce planning is appropriately undertaken through the provision of mentoring programs, apprenticeships, traineeships and cadetships across all government departments. All project delivery managers will be required to meet minimum project delivery competencies.

- A future Victorian Labor Government will establish, through Projects Victoria, a Major Projects Leadership Institute.
- A future Victorian Labor Government will require Projects Victoria to include a frank assessment of the performance of all capital works under its management or oversight in its annual report, to be tabled in Parliament.
- A future Victorian Labor Government will direct Projects Victoria to develop a whole-of-government

approach to best practice in procurement and will develop a set of guidelines for which model of procurement is appropriate for different forms of projects. Collaborative models will be examined for greater use in procurement.

- A future Victorian Labor Government will work with relevant stakeholders on the introduction of a mandatory, statutory registration scheme and work with other jurisdictions to develop a nationally consistent registration scheme for engineers.
- A future Victorian Labor Government will direct Infrastructure Victoria to conduct a comprehensive and transparent cost benefit analysis to test Bay West against all other possible siting alternatives. This study will include the long-term freight and logistics needs of the state (including future bulk capacity needs at Hastings).

As further evidence is obtained on the appropriateness or otherwise of this option, a future Victorian Labor Government will take the necessary steps to put in place required planning controls on land and sea-bed identified for future port development and environs and to preserve transport corridors.

- A future Victorian Labor Government will establish a dedicated fund to support the infrastructure needs of interface communities. This fund will be aligned with existing funding sources and processes to ensure more integrated delivery of infrastructure occurs. The design and operation of the fund will be developed following consultation with Victoria's interface councils.

Creating a Competitive Victoria: Victorian Labor's Plan to Reduce Business Costs

- A future Victorian Labor Government will ensure that any surplus accumulated in the Victorian WorkCover Authority (WorkSafe) is used only to:
 - fund appropriate improvements to benefits for injured workers;
 - lower WorkCover premiums for Victorian businesses; or
 - support programs to improve workplace safety or the health of the Victorian workforce.
- A future Labor Government will re-commit to the occupational health and safety harmonisation process.
- A future Victorian Labor Government will re-establish the 25 per cent regulatory burden reduction target with an annual report to Parliament by Departments and Agencies outlining progress towards achieving the target and explanations for any shortfall.
- A future Victorian Labor Government will include regulatory burden reduction targets as part of the performance measures for Departmental Secretaries and Agency heads where appropriate.
- A future Victorian Labor Government will review the Victorian statute book with the objective of assessing all instances of criminal director liability and ascertaining whether such a liability satisfies the public interest.
- A future Victorian Labor Government will commit to harmonising the Model Rules under the Associations Incorporation Act with those used by the Australian Institute of Company Directors (AICD) where appropriate.
- A future Victorian Labor Government will institute a mechanism (including industry and stakeholder involvement) for reviewing the implementation of government recommendations arising from government responses to VCEC, Parliamentary and other reviews.
- A future Victorian Labor Government will establish a direct role for small business in the review of Government regulatory measures to ensure that the compliance burden is minimised.

Opening Victoria to the World: Victorian Labor's Plan for Investment Attraction, Exports and the Digital Economy

- A future Victorian Labor Government will develop an overarching investment attraction strategy with clearly defined objectives.
- A future Victorian Labor Government will ensure that any direct financial assistance continues to meet the Australian National Audit Office's Better Practice Guide for the Administration of Grants. This requires, among other things, that milestone payments are linked to specific outcomes such as employment or investment thresholds by agreed dates. It also requires that the achievement of these milestones is appropriately audited.
- A future Victorian Labor Government will publicly release the milestones agreed upon (with the exception of the dollar amounts of Government assistance) and their achievement and evaluate the impact of the Government's broad suite of investment attraction activities on Victoria's business environment.
- A future Victorian Labor Government will establish a Scholarship Program to enable public servants engaged in investment attraction, trade and engagement with China to have the opportunity to undertake intensive Mandarin courses in China. This program will include an opportunity to improve understanding of Chinese civil society and business practices. The program will also enable relevant Victorian public servants to undertake professional development that enhances their capacity to promote engagement with India.
- A future Victorian Labor Government will reinstate the position of Commissioner in the Frankfurt Victorian Government Business Office.
- A future Victorian Labor Government will release an Action Plan to support investment and jobs in Victoria in renewable energies. The Action Plan will include a more sensible and balanced approach to planning controls for wind farms.
- A future Victorian Labor Government will:
 - co-locate an Industry Capability Network (ICN) person in the ICN WA (Perth) and ICN Queensland (Brisbane) offices to identify opportunities and Victorian capability;
 - work with the Australian Government to maximise the benefits of the Australian Industry Participation (AIP) Policy, Enterprise Connect and Buy Australian Programs through the Resource Envoy, Advocates and National Sector Manager programs; and
 - organise forums and appropriate trade missions so that Victorian small to medium enterprises (SMEs) can understand the requirements of the complex resource environment and meet procurement decision makers.
- A future Victorian Labor Government will act to categorically protect Melbourne Airport's curfew-free status from development proposals that are incompatible with the Melbourne Airport Environs Strategy Plan.
- A future Victorian Labor Government will assist Victorian education institutions to focus on the most valuable sectors of the evolving market by moving up the value chain and improving the student experience.

- A future Victorian Labor Government will advocate to the Australian Government to improve access and timeliness of visas for international students. In some cases, this may include partnerships to co-locate staff from high-volume education institutions with in-country visa officials to assist in the timely issuing of visas.
- A future Victorian Labor Government will immediately begin the work on a new Plan for Victoria's Tourism and Events Industry. The Plan will be based on extensive stakeholder engagement, and some of the priorities will be:
 - enhancing our business events infrastructure;
 - facilitating new investment in regional Victoria;
 - improving the visitor experience in our nature-based parks;
 - working with Melbourne Airport to improve transport connections; and
 - building on the work of recent governments to improve Victoria's presence in our fastest growing markets.
- A future Victorian Labor Government will work with the Transport Accident Commission to develop TAC International, to be operated on a commercial basis to market the various components of Victoria's successful road safety strategy to interested jurisdictions. These activities would be undertaken on a for-profit basis and not be cross-funded by TAC's existing services to the Victorian people.
- A future Victorian Labor Government will prepare an Action Plan that will detail the State's readiness for the digital economy and identify impediments and opportunities that the digital economy presents.
- A future Victorian Labor Government will ensure state government services such as health care, aged care, education and emergency services are able to maximise use of the National Broadband Network (NBN) to improve accessibility for Victorians and look at ways that high-speed broadband can lower the long-term cost of service delivery.
- A future Victorian Labor Government will support projects that use high-speed broadband to improve service delivery and lifestyles in regional Victoria by Government Departments and Agencies and, where appropriate, in partnership with the private sector.

Growing the Whole State: Victorian Labor's Plan for Our Regions

- A future Victorian Labor Government will reinvigorate the successful Regional Infrastructure Development Fund to target priority infrastructure projects in each region, build better connections and create more job opportunities in regional Victoria. The infrastructure fund will stand alongside investment in other regional programs.
- A future Victorian Labor Government will shift Regional Development Victoria to the heart of economic activity in government and direct its core role to be facilitating jobs and investment for regional communities.
- A future Victorian Labor Government will resource the implementation of regional strategic plans across the state. To support the work of the Regional Strategic Planning Committees, effective State and regional level processes will be established to coordinate the development and delivery of Regional Strategic Plans. This will include the provision of information and support that will inform the development and ongoing management of plans and the implementation of regional priorities.
- A future Victorian Labor Government will introduce a facility for Treasury Corporation Victoria (TCV) to undertake borrowing on behalf of municipal authorities for approved infrastructure subject to an assessment of the sustainability of the municipal authority to manage the liability.
- A future Victorian Labor Government will work with the Australian Government, other states and, most importantly, the Australian Local Government Association to establish a national debt product backed by government guarantee.
- A future Victorian Labor Government will seek a constructive partnership with the City of Greater Geelong, the Australian Government and local industry to ascertain the most effective use of State Government resources to support Geelong's economy in transition.
- A future Victorian Labor Government will establish a foundation to support research for the horticultural industry.

Local Spending, Local Jobs: Victorian Labor's Procurement Plan

- A future Victorian Labor Government will emphasise the importance of the VIPP to all departments and agencies and ensure that appropriate resources and training are provided so that purchasing officers can properly assess value for money considerations including quality levels, performance standards, and risk exposure as well as price.
- A future Victorian Labor Government will retain minimum local content targets in Strategic Projects.
- A future Victorian Labor Government will introduce a formal weighting system in the evaluation of all VIPP Plans and VIPP Local Industry Development Plans that will give a minimum 10 per cent weighting in tender evaluations to projects that contain higher levels of local content commitments.
- A future Victorian Labor Government will cut red tape by streamlining VIPP Plans and Local Industry Development Plans (used for Strategic Projects).
- A future Victorian Labor Government will lower the value of the threshold for Strategic Projects from \$250 million on a whole of life cost basis and \$100 million on a project capital cost basis down to \$125 million on a whole of life cost basis and \$50 million on a project capital cost basis.
- A future Victorian Labor Government will calculate minimum local content targets for Strategic Projects based on up-front project capital costs rather than on a whole of life cost basis where appropriate.
- A future Victorian Labor Government will require the Industry Capability Network (ICN) and the Department of Business and Innovation to develop a forward plan outlining expected future Strategic Projects.
- A future Victorian Labor Government will use the Council of Australian Governments (COAG) process to advocate for policies that improve the share of Australian-made vehicles in Government-owned car fleets throughout Australia.
- A future Victorian Labor Government will mandate the purchase of locally manufactured vehicles (where a fit for purpose vehicle is available) by all Victorian Government Departments and Agencies (including executives entering into salary sacrifice arrangements) and Victorian Local Government Authorities.
- A future Victorian Labor Government will explore the viability of designing and manufacturing the next generation of ambulances for the Australian and New Zealand fleet in Victoria.
- A future Victorian Labor Government will advocate through COAG for a national rolling stock Procurement and Maintenance Plan.
- A future Victorian Labor Government will establish a truly representative Manufacturing Advisory Council including industry associations, unions, employers and other organisations to assist government in implementing a Victorian Manufacturing Strategy.

OUR ECONOMY TODAY

Gold and wool transformed Victoria into the richest place on earth just before the bust of 'Marvellous Melbourne' at the end of the 19th century. Victorians learnt from this experience and diversified our economic base—new exports and new trading partners. But we hid behind high tariff barriers. Over time, our relative wealth declined. Now in the 21st century new opportunities beckon for Victoria. We have one of the most multicultural populations in the world. Unlike a century ago when we were a long way from the world's industrialised economies in Europe and Atlantic North America, today Victoria is positioned on Asia's doorstep. Victoria is well-placed to partner with some of the world's fastest growing and most populous nations.

Australia's economy has been transformed—the reforms of the 1980s ushered in a truly market-based economy. Victoria's exports are diverse—automotive, food, professional services, education services, biotech, research and design, to name just a few.

Victoria has undergone a remarkable period of growth over the last two decades. Nineteen years of consecutive growth has seen the Victorian economy almost double in size from a Gross State Product (GSP) of \$159.2 billion in 1991-92 to \$305.6 billion in 2010-11.

Annual GSP growth in Victoria exceeded that in New South Wales in nine of the ten years to 2010-11.

During the 1990s under the Kennett Government 254,000 jobs were created with an average annual growth in jobs of 1.9 per cent and annual population growth of 1.0 per cent. Under the Bracks and Brumby Governments 683,000 jobs were created with an average annual growth in jobs of 2.6 per cent and annual population growth of 1.9 per cent.

Victoria, along with the rest of Australia has benefitted from a close proximity to the wider Asia-Pacific region,

enabling Victorian businesses to engage with growing markets and build important long-term relationships with trading partners. Today, the five largest export destinations for Victorian goods are China, New Zealand, Japan, the United States and the Republic of Korea.

Victoria's success over the last two decades was not the result of good luck—successive state governments accepted responsibility for fostering an economic environment in which businesses and the community could grow and prosper.

Decades ago, the Victorian Government comprised a far greater proportion of the State's economy, had substantially larger debt and owned huge state enterprises. Many of these trained vast number of apprentices, whose skills flowed through the entire workforce.

While the scale of government has changed profoundly, its central role in creating jobs and growth has not.

The Victorian Government is still the State's biggest employer and the largest purchaser of goods and services. Today, governments fund education and training and plan and deliver critical infrastructure projects. Strong state governments must also facilitate investment, plan responsibly, foster innovation and ensure that the benefits of growth are shared equitably.

In challenging times, it is more important than ever that the Victorian Government accepts the responsibility to create jobs and generate growth.

Current Challenges

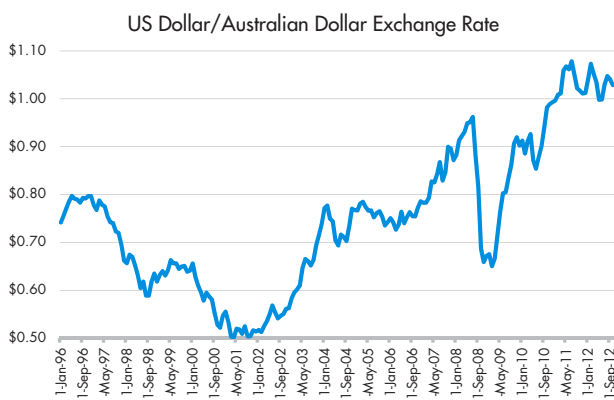
Now the Victorian economy faces a number of challenges that threaten to undermine the gains of the past two decades.

The precarious global financial situation has

undermined the confidence of households, businesses and investors. Problems associated with reduced credit availability have also been exacerbated by a heightened aversion to risk.

The high Australian dollar is having an impact on trade-exposed sectors of the Victorian economy, particularly manufacturing, education services and tourism. Throughout the 1990s and up to 2007, the Australian dollar sat between \$US0.50 and \$US0.80, ensuring that Victorian exporters were in a position to compete globally.

Since October 2010 the dollar has stayed above \$0.96US. This has had a significant impact on some of our strongest industry sectors, including manufacturing, tourism and education services.



(Source: RBA)

The mining boom in Queensland and Western Australia is attracting labour and capital away from Victoria and driving up input costs putting additional pressure on Victorian businesses.

Baillieu's Victoria

The Victorian economy is underperforming. In the two years since the Baillieu Government took office only six full-time jobs have been created, the rest of Australia has created almost 100,000. An additional 36,000 Victorians are classed as underemployed.

Of particular concern is the trend in regional unemployment, with 34,000 full-time jobs lost outside of Melbourne. Many of those jobs have been replaced by part-time jobs, but as the population grows, more Victorians are struggling to find employment.

Scarcely a week passes without an iconic Victorian business announcing further job cuts or major reviews to Victorian operations. Ford, Toyota, Qantas, Alcoa, ANZ, Bosch and Heinz are just some of the companies that have made major announcements in the last 18 months. The Baillieu Government itself is shedding 4,200 public servants.

Over the past decade Victoria has benefited from strong public and private investment in infrastructure. This investment boom is coming to an end. New private capital expenditure has dropped by 8.7 per cent and has been identified by CommSec and the NAB as the biggest weakness in the Victorian economy.

Building approvals in Victoria fell 18 per cent in 2011-12—a fall in value of approved building works of \$2.96 billion. This has put further pressure on construction companies and their staff.

The absence of new major projects by the Baillieu Government has compounded the problems being experienced by the construction sector.

A steady stream of capital projects since the mid-1990s helped drive growth for the Victorian construction industry and enabled employers to retain a strong, adequately skilled workforce and plan for the medium term. The lack of certainty about the

Baillieu Government's plans poses a major threat to the Victorian construction sector.

Governments must work hard to create jobs and generate new investment. Over the last two decades Victorian governments have demonstrated that good planning and investment in major projects has a huge impact on the direction of the State and its economy.

The current lack of vision and leadership means that private investors and businesses are rightly asking the question: why would we invest in Victoria, when the Baillieu Government won't?

Victorians need a State Government with a plan to protect jobs and grow our economy.

In order to plan where we are going it is first necessary to understand how our economy is placed today.

Manufacturing

Since the gold rushes, Victoria has been Australia's manufacturing heartland. Over recent decades the sector has been transformed from a producer of highly protected goods to a trade-exposed manufacturer of value added products and systems. Manufacturing contributes \$28 billion to the Victorian economy; it is our lead export sector, totalling \$8.3 billion and accounting for \$1.6 billion of business expenditure on research and development (R&D).

There are over 24,000 manufacturing businesses registered in Victoria, around 5 per cent of the total number of businesses. The sector is characterised by a high proportion of medium and large businesses.

In Melbourne most are located in an arc from west to north along the Western Ring Road, in Ringwood and Croydon in Melbourne's outer east, and in the south-eastern industrial corridor of Springvale, Dandenong and Moorabbin.

Regional manufacturing businesses in Victoria

are predominantly located north of metropolitan Melbourne, in the Gippsland area south-east of Melbourne and also in the regional centres of Geelong, Mildura, Warrnambool, Ballarat, Bendigo, Shepparton, Wodonga and Wangaratta. These businesses are vital to the health of the regional economy.

In August 2012, a total of 308,200 people were employed in the manufacturing sector in Victoria. This represents 10.8 per cent of total employment and 32 per cent of Australian manufacturing employment. Full time employment accounted for 258,200 people and 50,000 were employed part-time.

There has been a decline in manufacturing jobs in Victoria. Twenty years ago 22,500 more people were employed in manufacturing jobs than are employed in such jobs today. Total manufacturing employment in Australia has dropped from 1,039,700 people in 1992 to 962,000 in 2012. Queensland and Western Australia have experienced increases in their manufacturing employment in the past 20 years. Victoria, along with other non-mining states, has borne a disproportionately large share of manufacturing job losses.

The international business environment has created significant challenges for Victorian manufacturing. Globalisation of capital, coupled with the high Australian dollar and relatively high wages, has made Victoria less attractive for labour intensive manufacturing businesses. Companies looking to access skills, knowledge, markets and new customers are no longer constrained by national borders—footloose investment places particular pressure on strategic industries such as automotive, steel, aluminium and chemical products.

The automotive industry continues to be a key part of Victoria's manufacturing sector. Victoria is one of the world's few locations that can develop a vehicle

from concept to delivery. Victoria is the base for car manufacturers Toyota and Ford and for GM Holden's engine plant. We also have a significant presence of automotive parts manufacturers, including Hella, Bosch, Continental, Futuris and MtM. Despite the Global Financial Crisis (GFC) and the high Australian dollar, passenger motor vehicles remain a strong export industry for Victoria (\$1.24 billion). The main markets for Australian produced vehicles are the Middle East and New Zealand. Domestic demand alone cannot support the Victorian automotive industry, and manufacturers are reliant on overseas markets. For example, the Toyota Camry is produced in Altona and almost two thirds (59,949) are exported. In 2011, Toyota exported \$1 billion worth of motor vehicles, accessories and parts.

Victoria is also home to heavy vehicle manufacturers IVECO Trucks and Kenworth and bus manufacturer Volgren.

Jobs are being cut in the automotive industry. Toyota is cutting 350 jobs from its Altona plant, Ford is cutting 440 jobs from Geelong and Broadmeadows and Bosch has cut 380 jobs from its Clayton plant. When parts manufacturer CMI closed its two factories in Cambellfield and West Footscray 120 jobs were lost. The closure of CMI's Horsham facility cost 29 jobs and 51 jobs were lost from the closure of its Ballarat factory.

Aluminium smelting is Victoria's second largest export industry (\$1.19 billion), employing over 1000 workers. The major export markets for Victorian aluminium are in Asia. Alcoa is Victoria's aluminium manufacturer, with smelters at Point Henry (producing ingots and rolled sheet for cans) and Portland producing 30 per cent of Australia's total aluminium. Alcoa recently announced the loss of 60 jobs as a result of a review of the Port Henry operation.

Machinery and equipment manufacturing, food

processing and metal product manufacturing represents over 40 per cent of total manufacturing employment in Victoria. The food, beverage and tobacco, and metal products industries all experienced growth in employment during 2011, but employment in the textile, clothing and footwear industries continues to decline.

A key component of Victoria's manufacturing industry is food processing, which employs approximately 66,500 Victorians, 27 per cent of the total national employment in the area. Food-processing production is most often located close to suppliers and to primary producers. For example, Victorian dairy manufacturers are mostly located in the Gippsland, Western Victoria and Northern Murray regions, and fruit and vegetable processing around Shepparton and Mildura. In May 2011, Heinz in Girgarre announced 150 job losses when the company moved production to New Zealand. In March 2012, Murray Goulburn Co-op announced 64 job losses and Mars has cut 38 jobs from its Ballarat factory. In August 2012, Carlton and United Breweries announced that 33 jobs had been cut from its Abbotsford brewery.

Pharmaceutical manufacturing employs more than 6,000 people. In 2010-11 Victoria exported \$581 million worth of pharmaceutical products, and the major export markets were the United States, Europe, Asia and New Zealand. Major employers in Victoria include the CSL Group, Bristol-Myers Squibb, GlaxoSmithKline and Sigma.

The Victorian aerospace industry includes commercial parts, military, maintenance and light aircraft. Aircraft maintenance makes the largest contribution to the sector, followed by manufacturing of parts and small aircraft.

Victoria's aerospace industry is characterised by diverse and innovative businesses. By far the largest of these is Boeing Aerostructures Australia, located

at Fishermans Bend. It currently has around 50 per cent market share in composite aerostructure manufacturing. The industry includes successful exporters such as Gippsland Aeronautics, Rosebank Engineering and Lovitt Technologies. Key Victorian Defence companies are engaged in the Joint Strike Fighter Program (F-35) and the development of the Hawkei and the Air Warfare Destroyers.

Over the last two decades, maintenance jobs for passenger and commercial aircraft have been moving away from Victoria. In May 2012, Qantas announced the closure of its heavy maintenance base at Tullamarine resulting in the loss of 422 jobs and a further 113 jobs at Avalon. In late July, Lufthansa Technik and Qantas announced the closure of the engine plant at Tullamarine, resulting in the loss of 164 maintenance jobs. Further, in November Qantas announced the loss of an additional 263 jobs from heavy maintenance at Avalon and the closure of its Melbourne Technical Training School, with the loss of 11 jobs. Qantas has confirmed that it will move to one base for heavy maintenance and that Brisbane will be that base.

The Baillieu Government is presiding over the complete dismantling of Victoria's aviation maintenance industry. The Government's feeble response has been the creation of a Minister with specific responsibility for Aviation.

Our precision tooling industry is a key enabler of many other manufacturing sectors and an exporter in its own right. Key companies include Marand Precision and ANCA.

Retail and Wholesale Trade

The retail sector employs 315,200 Victorians, 26.3 per cent of the national total and 11.06 per cent of total Victorian employment. Full-time employment accounts for 158,900 of these jobs and part-time for 156,300.

In 2010-11, the retail trade sector contributed \$13.1 billion (4.8 per cent) to the Victorian economy.

Over the past twenty years, employment in the Victorian retail sector has risen by 111,100 jobs. Of these, 73,300 were part-time jobs and 37,800 were full-time. The Victorian retail sector employs 17.5 per cent of all part-time workers in the State. The dramatic increase in the proportion of part-time and casual employment is one of the most significant developments in the retail industry.

Online shopping or e-commerce is growing rapidly. The Productivity Commission's report on the Australian retail sector indicates that Australian online shopping accounts for 4 per cent of total retail sales, with overseas vendors capturing one third of online sales. Online retailing is expected to grow rapidly, with growth projections of 10 per cent to 15 per cent over the next three years. The present online share of the retail sector in the United Kingdom (11 per cent) and the United States (8 per cent) gives an indication of where the Victorian retail sector is heading.

The expansion of online retail businesses will have an uneven impact on the sector. According to the Productivity Commission, retail sectors such as books, DVDs, clothing, sporting goods, electronic goods, cosmetics and toys are expected to be more exposed to online overseas competition than food retailing. Hundreds of Victorian jobs were lost after the closure of Borders and Angus & Robertson when RED Group Retail, the books' stores owners, went into administration.

The growth of e-commerce has the potential to bolster Victorian freight and logistics companies. Other issues confronting the Victorian retail sector include concerns around franchising, retail tenancy and anti-competitive conduct.

The wholesale trade sector employs 137,100

Victorians, 32.6 per cent of the national total and 4.8 per cent of total Victorian employment. Full-time employment accounted for 112,100 jobs with part-time jobs accounting for 25,000 jobs. In 2010-11 the sector contributed \$15.9 billion to the Victorian economy (5.9 per cent).

The Baillieu Government is proposing to introduce new planning zones that will allow retail development in suburban streets and commercial zones. Many communities are concerned at the impact these zone changes will have on retail strips and activity centres.

Building and Construction

The construction sector employs 220,300 Victorians, 22.9 per cent of the national total for the construction sector and 7.7 per cent of total Victorian employment. There are 192,000 full-time and 28,300 part-time jobs in the industry. Over the last 20 years construction in Victoria has been growing, which has created approximately 101,700 jobs. In 2010-11 the sector contributed \$21.5 billion to Victoria's economy.

The expansion of Victoria's construction sector has been largely driven by population growth. Victoria's population reached 5.5 million people in June 2010—growth of 9.9 per cent over five years. Recently Victoria's population growth slowed from 116,400 in 2009 to 82,640 in 2011.

Residential construction in Victoria is now faring far worse than in the nation as a whole. Victorian housing starts fell from 59,170 in 2010-11 to 47,400 in 2011-12—a decrease of 20 per cent compared to a national fall of 12 per cent. Forecasts by the Master Builders Association suggest that over the next year housing starts will increase by 6 per cent nationally, but fall by 7 per cent in Victoria.

In 2011, the value of building activity in Victoria was up 1.5 per cent from the previous year to \$24.2 billion—a legacy of strong approvals during the period

of the Brumby Government. However, the number of building permits issued dropped by 10 per cent from the previous year to 101,623.

Further, the value of domestic building permits issued declined by 10 per cent to \$12.3 billion in 2011. The total number of permits also declined by 12 per cent to 84,340. Every region in Victoria witnessed a decrease in the value of building permits issued.

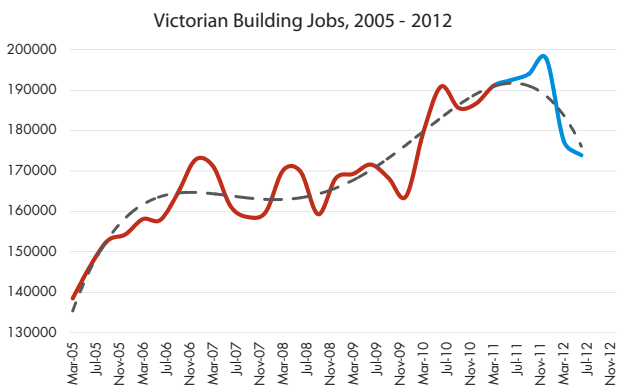
Compounding the threat to Victoria's residential construction industry is the Baillieu Government's decision to scrap the First Home Owners Bonus. Under Victorian Labor, the First Home Owners Bonus had been targeted to support new housing starts, particularly in regional Victoria. The scrapping of this bonus in the 2012 State Budget will hurt Victorians seeking to purchase their first home. It will also hurt domestic building businesses, particularly those in regional areas. State governments in New South Wales, Queensland and South Australia have all expanded their first home owner bonuses for newly constructed homes—this exacerbates the advantage that regions in those states will have in attracting interstate migrants seeking to build a new home.

The fall in residential construction has been accompanied by a decline in infrastructure spending. The value of building permits for public buildings decreased in total by 27 per cent to \$2.2 billion. According to the Victorian Building Commission the value of approved State Government permit applications has fallen by \$537 million in 2011-12.

Until recently the Victorian construction industry has benefited by substantial investment in public infrastructure. The Victorian Schools Plan, the M1 Upgrade, Peninsula Link, the Victorian Desalination Project, the Wimmera Mallee Pipeline, the Food Bowl Modernisation Project, the Royal Children's Hospital redevelopment and the Regional Rail Link are all examples of important public infrastructure projects

that created jobs and economic activity through the GFC and its aftermath. Now, the Baillieu Government has turned off Victoria’s infrastructure tap.

Construction industry data shows that in the first six months of 2012, 95 Victorian building companies went into liquidation or voluntary administration. Profit margins have collapsed. According to the ABS the largest construction sector job losses have occurred in Victoria (48,200 jobs, or 18 per cent of the workforce in the last nine months). Industry sources are now suggesting that the employment impact on the Victorian construction industry is as high as 20 per cent—one in five jobs in Victoria’s construction industry has been lost since the Baillieu Government has come to office. The single biggest cause of the decline in activity and employment in Victoria’s building and construction industry has been the withdrawal of government investment. The decline in government infrastructure investment and the withdrawal of support to purchasers of newly constructed homes is costing Victorian jobs.



(Source: Building Commission)

Tourism and Major Events

Victoria’s tourism and major events industry is one of our State’s great success stories. With one of the world’s best sporting calendars, a curfew-free international airport at Tullamarine, world-class natural attractions in regional Victoria and vibrant and sophisticated cultural offerings, Victoria’s tourism industry has a great record of success.

Victoria hosts many of Australia’s most prestigious sporting events including the Spring Racing Carnival (most notably the Melbourne Cup), the MotoGP, the Australian Open tennis championship, the Formula 1 Grand Prix, and the Australian Football League final series. Victoria has also been successful in hosting other major sporting events across the football codes, cricket, cycling, golf, surfing, sailing and other events, such as the Commonwealth Games in 2006.

Victoria is also home to a multitude of world-class art and cultural events; the Melbourne Flower and Garden Show, the International Jazz Festival, the Food and Wine Festival, the L’Oréal Melbourne Fashion Festival, the Melbourne International Comedy Festival and the Melbourne Winter Masterpieces series. The Bendigo Art Gallery has achieved tremendous success with a series of blockbuster exhibitions such as *The Golden Age of Couture*, *The White Wedding Dress* and *Grace Kelly: Style Icon*.

Victoria’s business events industry has also been a strong contributor to our State’s success over the last decade. The opening of the Melbourne Convention Centre in July 2009 secured Victoria’s position as Australia’s leading destination for hosting meetings, conventions and exhibitions. Having successfully delivered Melbourne’s 5000-seat convention facility and associated infrastructure, the former Victorian Labor Government had announced our commitment to the next stage of Victoria’s Convention and Exhibition facilities— the expansion of Melbourne’s Exhibition

Centre. Land acquisitions and other preliminary works were completed, but this project has been abandoned by the Baillieu Government.

Our events industry attracts domestic and international visitors to Victoria, adding over \$1 billion to the Victorian economy.

The tourism industry is made up of a wide range of businesses; events and recreation activities, transport services, primary producers, accommodation providers, restaurants and retail. Tourism makes a substantial contribution to the Victorian economy. In 2009-10, tourism directly employed approximately 118,000 people; a further 86,000 Victorians are employed indirectly. Indirectly, tourism contributes \$15.2 billion to Victoria's economy.

In the year ending December 2010, Victoria attracted 1.65 million international overnight visitors. This was a 7.8 per cent increase from the previous year and compared favourably to the national average of 5.1 per cent. The length of visitor stays also increased 6.0 per cent to 40.7 million nights.

In 2010, Melbourne attracted 1.54 million international visitors, a 7.5 per cent increase on the previous year and a new record. Melbourne also benefited from an increase in international visitor expenditure by 6.1 per cent to \$3.7 billion.

Victoria's international visitation is being transformed. In 2010 visitation from China grew 26.4 per cent, injecting \$685 million into the economy. Other major increases were from Hong Kong (28.5 per cent), Malaysia (24.5 per cent), India (15.0 per cent) and Singapore (4.1 per cent). Visitor numbers from both the UK and the USA declined.

Victoria's tourism is critically dependent on aviation connections. In 2010-11, Melbourne Airport recorded a 7.7 per cent increase in passengers, bringing the total to 28.1 million. Of these, 6.2 million were international

passengers, a 13.5 per cent increase from the previous year. This increase is strong in comparison to Sydney Airport (4.5 per cent) and Brisbane Airport (3.6 per cent). Twenty-seven international airlines service Melbourne Airport. This represents 23.1 per cent of all Australian seat capacity for international flights. In September 2012, Sichuan Airlines announced the commencement of three services per week between Melbourne and Chengdu. However, Victorians are still awaiting confirmation of the commencement of Air India's daily service to Melbourne. Securing this exclusive arrangement for Melbourne was a major coup by the former Victorian Labor Government and Melbourne Airport. However, the service still has not commenced and it appears that the New South Wales Government is working hard to ensure that this service is shared with Sydney.

Avalon Airport also has a critical role to play as Victoria's second major airport. For communities in western Melbourne, Geelong and the State's south-west, Avalon Airport is the gateway that supports the tourism industry and provides greater connectivity for people and industry more generally. The Australian Government's decision to declare Avalon an international airport is a further boost to the region.

Victoria's continued success in tourism and major events will require us to continue to improve access to Melbourne Airport and protect its curfew-free status. Victoria will need to continue to grow frequency and capacity from airline carriers flying to Victoria and strengthen our presence in our fastest growing markets. Victoria will need to continue to invest in our highly successful major events calendar—particularly with increased competition from interstate and overseas destinations. Victoria will need to enhance the visitor experience in our nature-based attractions and attract new investment in visitor attractions and accommodation.

Agriculture, Forestry and Fishing

The agriculture, forestry and fishing sector employs 80,800 Victorians. This is 24.9 per cent of the Australian total and 2.8 per cent of all Victorian jobs. Based on the most recent data, there are 57,800 full-time jobs in agriculture, forestry and fishing. The remaining 23,000 are part-time or seasonal roles.

The agriculture sector contributes \$10.3 billion to the Victorian economy annually, or approximately 27 per cent of the \$39.6 billion national total, the forestry sector around \$1.5 billion and commercial fishing \$65 million. Agriculture also uses about 65 per cent of the state's consumptive water.

Dairy is the largest component of the Victorian agriculture sector, producing \$1.76 billion in 2009-10. The second largest is the meat industry which produces \$1.5 billion, followed by prepared foods (\$720 million), grains (\$686 million) and horticulture (\$427 million).

In 2010-11, Victoria exported \$8.07 billion worth of food and fibre product—28 per cent of the national total and more than any other state. The most important markets for these exports are in the Asia Pacific: China (\$1.61 billion), Japan (\$756 million), New Zealand (\$433 million), Indonesia (\$425 million), the United States (\$350 million) and Singapore (\$302 million).

Dairy

Around 13,000 people are directly employed in dairy production. A further 8000 are employed by more than 20 Victorian milk-processing manufacturers. Drought conditions between 2001 and 2010 saw a decline in raw milk production. At its peak in 2001, Victoria produced 7.4 billion litres; by 2009-10 output had fallen to 5.79 billion litres, an indication of the impact of the drought.

The Victorian dairy industry is a large exporter. In

2010-11 Victoria produced 86 per cent of Australia's dairy exports, worth around \$1.96 billion. The main export markets in 2010-11 were Japan (18 per cent), Singapore (9 per cent), Indonesia (8 per cent) and China (7 per cent). Fonterra has announced the closure of its Cororooke Plant near Colac, which will result in the loss of 130 jobs at that plant.

Meat and Wool

Victoria's beef and sheep industry employs approximately 11,500 people. There are 9200 meat processing jobs, 3300 of which are located in regional areas. Victorian beef and veal product exported was worth \$676 million, sheep meat \$652 million and wool \$1.266 billion.

Grain

Victoria's grain industry directly employs about 3000 people. In 2009-10, the Victorian grain industry produced 3 million tonnes of wheat, 1.87 million tonnes of barley, 331,000 tonnes of canola, 300,000 tonnes of oats for grain and 33,000 tonnes of other major crops.

Climate is a major determinant of grain output. Because of the drought, production reached a low of 1.79 million tonnes in 2006-07, having peaked at 6.95 million tonnes during 2003-04. The year 2010 was the wettest in Victoria since 1974, and we enjoyed record wheat, barley and canola harvests. During the 2009-10 financial year, Victoria exported \$686 million worth of grain, a \$40 million increase from 2008-09. Again, the major export markets in 2009-10 were in the Asia-Pacific: Thailand (\$61 million), Vietnam (\$59 million), Malaysia (\$53 million) and Taiwan (\$52 million).

Horticulture

In 2009-10 the horticulture industry in Victoria was valued at \$2.4 billion per annum. In 2006, there were

3000 people directly employed in Victorian fruit and vegetable growing. The domestic market consumes 90 per cent of the total vegetables produced in the State. Still, Victoria was Australia's largest vegetable exporter in 2009-10, with 31 per cent of the national total. The major export markets were Japan (\$14 million), Singapore (\$5 million) and Indonesia (\$4 million).

Forestry

The forestry industry in Victoria employs directly and indirectly 24,000 Victorians, a significant number of whom are based in regional areas. The forestry industry generated net expenditure in Victoria of between \$1.34 and \$1.64 billion in 2008-09. The forestry industry was impacted by the 2009 Victorian Bushfires and by the GFC. Some forestry businesses increased employment as a result of work generated by recovery efforts.

Fishing

Output from Victoria's fishing industry has remained constant in recent years, mainly because of regulatory limits on harvests. Commercial fisheries contribute \$65 million to Victoria's economy, and it is estimated that recreational fishing is worth an additional \$2.3 billion. Commercial fisheries produced 4,600 tonnes from wild catch and 1700 tonnes from aquaculture. Abalone (\$21 million) and southern rock lobster (\$14 million) are the major catches.

Mining

In August 2012 the mining sector employed 12,800 Victorians, double the number employed 20 years ago. This represents 0.4 per cent of Victorian employment and 4.7 per cent of all mining sector employment in Australia. Full-time employment accounted for almost all jobs. In 2010-11 the sector was worth \$5.1 billion to Victoria's economy.

Accommodation and Food Services

The Victorian accommodation and food services sector employs 187,400 people, 24.1 per cent of the national total employment for the sector and 6.6 per cent of total Victorian employment. Full-time employment accounted for 69,300 jobs, with part-time jobs accounting for 118,100. In 2010-11 the sector contributed \$7.3 billion to Victoria's economy (2.7 per cent of the total output).

Accommodation and food services has the youngest workforce of all sectors in Victoria, with 46.2 per cent of workers aged 15 to 24. It has the lowest proportion of employees with post-school qualifications; 61 per cent of the workforce does not have a qualification above VCE. McDonald's Restaurants is a major employer and announced in July 2012 that it would recruit an additional 700 Victorians to fill positions in new restaurants.

Arts and Recreation Services

The arts and recreation services sector covers sports and recreation activities (including horse and dog racing activities), creative and performing arts and gambling activities (casino and lottery).

The sector employs 57,300 Victorians, 26.6 per cent of the national total employment for the sector and 2 per cent of total Victorian employment. Of these jobs, 32,200 were full-time, and 25,000 were part time. The Crown Casino Complex on the south bank of the Yarra River is the largest casino in the southern hemisphere. As well as the gaming facilities, the complex includes extensive retail, three major hotels and the Crown College Training facility. With 6500 employees and 3300 contractors, Crown is the largest-single site, private-sector employer in Victoria.

Education and Training

In August 2012 the education and training sector

employed 232,000 Victorians. This represents 8.1 per cent of Victorian employment and 25.6 per cent of all education and training employment in Australia. Full-time employment accounted for 144,800 jobs, while part-time employment accounted for 87,200 jobs. In 2010-11 the sector was worth \$14.4 billion to Victoria's economy (5.3 per cent). The Baillieu Government's TAFE cuts are expected to result in 2000 TAFE job losses, approximately 600 in regional Victoria and 1400 in metropolitan Melbourne.

Health Care and Social Assistance

The health care and social assistance sector employs 339,600 Victorians, 24.8 per cent of the national total employment for the sector and 11.9 per cent of total Victorian employment. Full-time employment accounted for 177,800 jobs, with part-time jobs accounting for 161,800 jobs.

The sector employs 18.1 per cent of all part-time employees in the state. Over the past 20 years employment in the sector has risen by 173,100 jobs, of which 94,900 were part-time and 78,200 were full-time. In 2010-11 the sector was worth \$17.4 billion to Victoria's economy (6.8 per cent).

As the Victorian population continues to age the workforce demands on the health care and social assistance sector will rise sharply. It is important that governments and industry plan carefully to ensure Victoria has an adequately skilled health workforce with the capacity to meet rising demand.

Electricity, Gas, Water and Waste Services

In August 2012 the electricity, gas, water and waste services sector in total employed 36,200 Victorians. This represents 1.3 per cent of Victorian employment and 24.3 per cent of all electricity, gas, water and waste services sector employment in Australia. Full-time employment accounted for 32,800 jobs, while part-time employment accounted for 3400 jobs. In

2010-11 the sector was worth \$6.9 billion to Victoria's economy (2.6 per cent).

Major employers include electricity distribution companies Powercor and CitiPower, and electricity generator and retailer companies Origin Energy and TRUenergy.

Financial Services and Insurance

In August 2012, the financial services and insurance sector employed 111,900 Victorians, 26.6 per cent of the national total for the sector and 3.9 per cent of total Victorian employment. Full-time employment accounted for 92,800 jobs, with part-time employment accounting for 19,000 jobs. In 2010-11 the sector was worth \$34.6 billion to Victoria's economy (12.8 per cent).

Victoria is home to a large proportion of Australia's industry superannuation funds.

Two of Australia's big four banks have their head offices in Victoria: ANZ and NAB. Victoria is also home to regional and local banks, Bank of Melbourne and Bendigo Bank and international banks, Bank of Cyprus and the National Bank of Greece. The decision by St George to re-establish the Bank of Melbourne is expected to result in 800 new jobs in Victoria over the coming five years.

ANZ announced in February 2012 that 600 jobs were being cut from its Docklands headquarters. Since November 2011, Westpac has announced almost 1000 Australia-wide job reductions.

Information Media and Telecommunications

In August 2012, the information media and telecommunications sector employed a total of 63,900 Victorians. This represents 2.2 per cent of total Victorian employment and 27.2 per cent of all the information media and telecommunications employment in

Australia. Full-time employment accounted for 53,600 jobs, while part-time employment accounted for 10,300 jobs. In 2010-11 the sector was worth \$7.5 billion to Victoria's economy (2.8 per cent).

Telstra employs 35,000 people in Australia, of whom around 11,000 are employed in Victoria (excluding sub-contractors). In August 2012, Telstra announced that 108 employees and 127 agency staff in Melbourne would lose their jobs. Nationally, Optus employs 9100 people in total, of whom about 1600 (18 per cent) are employed in Victoria (excluding sub-contractors). Fairfax employs more than 12,000 people nationally. Fairfax has announced that it is cutting 1900 staff Australia wide over the next three years.

Professional, Scientific and Technical Services

The professional, scientific and technical services sector includes scientific research services, architectural, engineering and technical services, legal and accounting services, advertising and market research services, management services and also veterinary services.

In August 2012, the sector employed a total of 249,800 Victorians. This represents 8.8 per cent of total Victorian employment and 27.3 per cent of all professional, scientific and technical services employment in Australia. Full-time employment accounted for 195,800 jobs, while part-time employment accounted for 54,000 jobs. In 2010-11, the sector was worth \$23.4 billion to Victoria's economy (8.7 per cent).

Public Administration and Safety

The public administration and safety sector includes public order and safety services, defence, justice and government administration. In August 2012, it employed 119,900 Victorians, 17.5 per cent of national employment in the sector and 4.2 per cent

of total Victorian employment. Full-time employment accounted for 93,700 jobs, part-time 26,300. In 2010-11 the sector contributed \$11.9 billion to Victoria's economy (4.4 per cent). In 2011, Victoria Police employed over 15,000 Victorians (12,000 police, 270 police recruits and 2900 public servants). Ambulance Victoria employed 3300 (FTE) Victorians, 2600 clinical staff and 680 support and managerial staff. The Country Fire Authority (CFA) is a volunteer and community based organisation, and 97 per cent of its 60,000 strong workforce are volunteers. However, it still employs 600 full-time firefighters and 1100 support staff. In 2010-11 the Metropolitan Fire Brigade (MFB) employed more than 2000 Victorians, comprising 1700 firefighters and 300 support staff.

The Baillieu Government is in the process of cutting 4,200 jobs from the Victorian public service and 120 jobs from Parks Victoria.

Ports

Victoria has four main commercial trading ports; Melbourne, Geelong, Hastings and Portland. The Port of Melbourne is the largest, handling around 38 per cent of the nation's container trade, contributing more than \$2.5 billion to the Victorian economy each year. The Port of Geelong is responsible for 25 per cent of Victoria's overseas exports, mainly crude oil, petroleum products and fertiliser raw material.

The Baillieu Government's lack of a coherent Ports Strategy has seen the Port of Hastings lose its full-time stevedoring capacity and become a port in name only. At the same time the Government created a false impression of jobs and new economic activity through the suggestion of the relocation of the vehicle trade to the Port of Geelong—a process that the Government has now been forced to abandon.

As capacity is reached, key decisions will need to be made to accommodate future growth.

Transport, Postal and Warehousing

In August 2012, the transport, postal and warehousing sector employed 131,700 Victorians, 36,900 more than employed 20 years ago. This represents nearly 23.8 per cent of all the transport, postal and warehousing employment in Australia and almost 4.6 per cent of Victorian employment in total. In 2010-11, the sector contributed \$13.6 billion to the Victorian economy.

In August 2012, Kalari Transport in Portland announced 20 jobs lost (one third of its workforce).

The Baillieu Government's decision to abandon *Freight Futures* and *Port Futures*—the existing policy framework—has created a policy vacuum that is preventing planning and undermining industry confidence in these vitally important industries

Conclusion

Victorians face key decisions.

Our manufacturing sector is changing profoundly in the face of global challenges.

Tourism and overseas education have achieved great success but are facing higher costs and fierce competition.

Our construction industry has shed as much as a fifth of its workforce over the last two years.

Retail has grown but confronts a revolution in on-line purchasing.

New patterns of uncertain employment have emerged.

Meanwhile, the State's training sector, which must provide the skills needed in this rapidly changing environment, is being decimated.

Victorians await key decisions about critical infrastructure that is vital to our State's future.

The capacity of the Victorian Public Service to plan for the future is being eroded.

Confidence is collapsing and Victorians have a government that refuses to accept that it must use its power to protect jobs and generate economic growth.

Victorians need a *Plan for Jobs and Growth*.

THE WAY FORWARD

Training a Smarter Victoria

Victorian Labor's Plan for Skills

In the 21st century the most important investment a community can make is to provide people with the skills they need to succeed in the global economy. There is no greater responsibility for any government than to lead this investment. Any government that abandons this responsibility not only shatters the life chances of Victorians today, it cripples the productive potential of the Victorian economy for decades to come.

A highly skilled workforce drives the Victorian economy. Consistent investment in vocational education and training by State Governments has underwritten the growth in the Victorian economy over the last decade.

This commitment has helped Victorians secure high-skill jobs and supported important transitions in our economy.

The 2012-13 State Budget saw a departure from this commitment by the Baillieu Government, which cut an estimated \$290 million per year in funding from the TAFE system.

Analysis from individual TAFE institutes shows budget cuts ranging from 25 per cent to as much as 40 per cent, representing a reduction in funding of more than \$1 billion from our TAFEs over the next four years.

These are the most savage cuts to TAFE Victoria has ever seen and will severely limit opportunity for thousands of Victorians. These cuts are resulting in higher fees, campus closures and huge job cuts.

These cuts mean that Victoria's young people are being denied a fair chance to develop the skills they need to start their careers, while workers facing retrenchment

Productivity

The Baillieu Government claims that boosting productivity is the greatest challenge facing the Victorian economy and its highest priority. If the Baillieu Government believes its own rhetoric, then the Government's decisions to decimate our TAFE system and turn off Victoria's infrastructure tap are, indeed, truly reckless.

The most powerful tools available to any state government to boost productivity lie in its power to invest in:

- skills and training to boost workforce productivity; and
- infrastructure to boost the economy's productive capacity.

The centrepiece of any State Government *Plan for Jobs and Growth* to boost the productivity of the Victorian economy must therefore be focussed on improving the skills of the Victorian workforce and driving the State's investment in critical infrastructure.

are finding it increasingly difficult to access the courses they need to re-enter the workforce.

In regional Victoria the damage will be even more profound. Local TAFE campuses facing closure may never reopen, exacerbating the drift of young people away from towns and regional centres. In many rural areas TAFE campuses are the only public providers of post-school education for young people.

TAFE campuses are more than just places where people acquire skills. They also act as community hubs where people come together to participate in activities, adding vibrancy and life to regional towns and centres.

Given the role that TAFEs play in enhancing community life, particularly in rural and regional areas, the full impact of these closures will be felt for many years to come.

The Baillieu Government's TAFE cuts will damage the lives of tens of thousands of Victorians and erode the skills base that has kept the Victorian economy strong.

Victorian Labor's Record

Victorian Labor in government provided Australia's first commitment to ensuring that everyone had access to vocational education and training through the Victorian Training Guarantee.

The \$316 million skills reform package Securing Jobs for Your Future also aimed to re-engage Victorians without education or training beyond secondary school.

Victorian Labor's achievements included:

- reaching a long-term goal of having a 5 per cent unemployment rate;
- reform of education and training regulatory bodies;
- implementation of the youth guarantee;
- improvement and upgrade of ageing TAFE infrastructure;
- growth in the total number of vocational education students;
- reaching the target of 130,000 apprentices and

trainees.

Victorian Labor's focus was on reforming the training system to ensure that more Victorians could secure the skills they needed to obtain the job they wanted.

While a successful demand driven system includes a role for private providers, Victorian Labor believes TAFEs need additional support if they are to fulfil their role as high-quality public education institutes.

The Role of TAFE in the Community

The role TAFEs play in providing education and training in all communities and especially low socio-economic communities is very important. Lower levels of economic activity in poorer areas mean they are often unattractive for private providers, making the role of TAFEs critical.

This is also the case for disadvantaged people and those with disabilities and complex needs. TAFEs play a vitally important role in delivering courses that enable productive participation in the community. In the past this has been made possible through State Government funding for the delivery of TAFE Community Service Obligations (CSOs).

This funding has been entirely eliminated as part of the Baillieu Government's cuts and is directly impacting on the ability of TAFEs to deliver vital training for those in need. This further undermines the integrity of Victoria's TAFE system.

→ *A future Victorian Labor Government will fund TAFEs to deliver Community Service Obligations to ensure they can support the most disadvantaged to access training. This will restore the ability of TAFEs to deliver vital training in their local communities and to provide proper student support services.¹*

¹ See page 71 for detail on how this commitment will be funded.

- *A future Victorian Labor Government will support TAFEs to establish one-stop-shop Industry Skills Centres, which will liaise directly with a broad cross-section of local industries, co-locate training facilities, and provide employers, apprentices and trainees with a single point of contact around their training needs. This process has commenced at Ballarat University.*
- *A future Victorian Labor Government will invest in TAFE infrastructure and will ensure that such investment is focussed on areas of training vital to strategically important industries where emerging skills shortages need to be addressed.*
- *A future Victorian Labor Government will support the VET in Schools program that provides a vital link between general schooling and vocational education.*

Partnership and Quality Assurance

The provision of quality training in Victoria is a shared responsibility of government, education providers, employers and industry peak bodies.

Government has a responsibility to adequately regulate the sector—ensuring that students receive high-quality training, taxpayers get value for money and reputations of qualifications are not compromised. Education providers have a responsibility to deliver quality training that is up to date and relevant. Industry groups have a responsibility to work closely with employers and advise governments on the needs of the workforce.

The Victorian training market is heavily dependent on government-funded training. At times there has been a disconnect between the needs of the job market and training volume in some industries.

When student demand and industry skill needs are not

aligned in particular industries, Victorian Labor will act to protect training expenditure by placing restrictions on over-enrolled training places and educating students about future employment prospects, rather than by arbitrarily slashing course subsidy rates to unsustainably low levels.

- *A future Victorian Labor Government will commit to more strategic and targeted interventions in the case of market failure.*

Two other issues have emerged that compromise the regulatory environment in the vocational education and training sector:

- The establishment of a Commonwealth regulator—the Australian Skills Quality Authority (ASQA)—has seen a system of ‘dual regulation’ evolve that is inefficient and confusing.
- Poor-quality ‘tick and flick’ training threatens to undermine the community’s confidence in courses being delivered.

Whilst the vast majority of our training providers offer high-quality skills, shamefully it is also the case that all too often we learn of shoddy operators offering little or poor-quality training to unsuspecting students. Unfortunately, many of these students complete their qualifications without the skills needed to succeed in their chosen vocation.

- *A future Victorian Labor Government will refer powers of registration and regulation of Registered Training Organisations (RTOs) to the Australian Government.*
- *A future Victorian Labor Government will introduce separate quality control requirements for government-funded contracts by introducing rigorous entry requirements for RTOs seeking government-funded training.*

As well as financial, curriculum, professional and other quality requirements, this will include the provision of ethical recruiting standards to stop bulk enrolment of students through the use of incentives, the requirement for publicly accessible student and employer feedback provisions, and mandatory compliance with a code of conduct to be negotiated with the sector.

→ *A future Victorian Labor Government will properly fund more extensive and rigorous auditing of training providers, with an increase in on-site audits and a focus on outcomes. These requirements will include the capacity to close down unscrupulous operators.*

Recognition of prior learning (RPL) should be an important pathway for experienced people to undertake more advanced training or education without having to undertake competencies they already possess. Unfortunately, increasingly, due to a lack of rigour in the process, RPL is seen by unscrupulous operators as a quick way of obtaining government training funds for little effort.

→ *A future Victorian Labor Government will reform recognition of prior learning (RPL) procedures by substantially improving the process to ensure that only genuine competencies are recognised and that Government training funds are legitimately expended.*

Industry Engagement

Strong and independent industry advisory arrangements are vital to the efficient operation of the training system.

But with the politically inspired abolition of the Victorian Skills Commission and the withdrawal of any government funding for Industry Training Advisors Boards (ITABs), there is now a lack of genuine and rigorous independent advice on industry training needs

and on Victoria's future skill needs and shortages.

Victoria's 16 industry boards provided independent advice to government on future skills shortages and crucial feedback directly from employers and industry.

The Baillieu Government's decision to rely on a narrower source of industry advice will lead to many industries' needs being ignored and restrict the capacity for the government to develop effective policy that meets the needs of all Victorians in the training sector.

→ *A future Victorian Labor Government will establish a Skills Commissioner to provide oversight of the training market and to develop and access the best possible data to better determine future skill shortage areas and appropriate workforce training needs.*

→ *A future Victorian Labor Government will develop effective industry advisory bodies, whose membership comprises key industry employer organisations, trade unions and professional associations.*

Retrenched Workers' Guarantee

Victoria is increasingly seeing large companies close their doors or shifting interstate, resulting in redundancies and unemployment.

These workers seek support for retraining to develop the skills needed for employment in alternative industries.

The Australian Government has a well-established jobs services program that allocates retrenched workers into categories, enabling them to access government funded support through their job service agency.

While this funding can be directed to retraining, it is

not an automatic entitlement.

In Victoria, redundant workers who already have higher or equal level qualifications are not automatically eligible for government-funded retraining, unless an exemption is given under the Victorian Training Guarantee provisions.

Victorian Labor believes that retrenched workers should be entitled to support for retraining to obtain a new job.

- ➔ *A future Victorian Labor Government will provide an automatic right to government-subsidised training for redundant workers to re-skill, regardless of prior qualifications.*

Apprenticeships

Apprenticeships provide a pathway to employment for many Victorians and are essential in meeting Victoria's skill requirements.

Despite the Baillieu Government's claim to support apprenticeships through increased course subsidy rates, it has acted to reduce support by slashing funding to TAFEs, by abolishing fee limits, by abolishing the Victorian Skills Commission, and by creating doubts over the future role of Apprenticeship Field Officers, who play a key role in mediating apprenticeship contract disputes.

- ➔ *A future Victorian Labor Government will restore support for apprenticeships by retaining and strengthening the role of Apprenticeship Field Officers as essential mediators of apprenticeship contracts.*

Victorian Labor believes that the Victorian Government must provide the lead in generating opportunities for the engagement of apprenticeships in major government infrastructure projects.

- ➔ *A future Victorian Labor Government will set a target of at least 10 per cent of the workforce on every project of state significance to be made up of apprentices.*

Assisting the Long-term Unemployed

No plan to grow our economy and create jobs would be complete if it failed to recognise that there are many Victorians for whom long-term unemployment has become a soul-destroying experience.

There are people in our community who remain caught in a cycle of disadvantage and long-term unemployment—they may have disabilities or be Indigenous Victorians or face physical or mental health issues.

Alternatively, they may be carers, parents returning to work or people with limited formal education.

The Baillieu Government has failed to put in place comprehensive support for people who face barriers to finding employment.

We cannot build a stronger economy if some Victorians are left behind.

- ➔ *A future Victorian Labor Government will support long-term disadvantaged job seekers to find suitable employment through a program that targets assistance to those who need it most with tailored employment support. A future Victorian Labor Government will form local partnerships with employers, unions, training providers and community welfare agencies to identify where there are employment opportunities and the best way to support job seekers to obtain the skills they need to secure a job.*

These initiatives will support skills acquisition, boost productivity and generate jobs.

Victorian Labor will, prior to the next election, release further policies outlining Victorian Labor’s approach to funding the vocational education and training system and ensuring that Victorian TAFEs are world-class training institutions.

Building a Stronger Victoria

Victorian Labor's Plan for Infrastructure

The Importance of Infrastructure

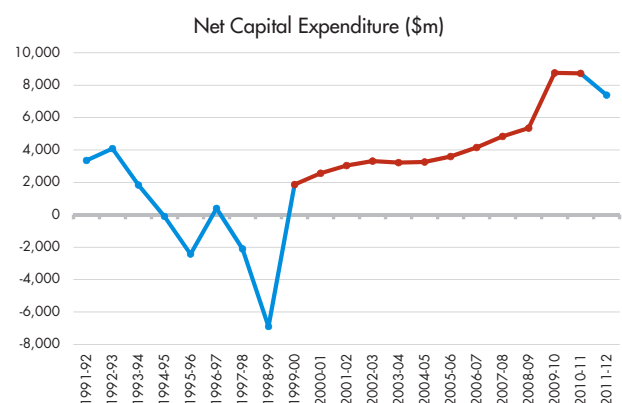
Improving our quality of life and boosting our State's productivity requires high-quality infrastructure. The benefits are shared by us all: reduced congestion, shortened travel times, improved access to and reliability of services, and industries connected to supply chains. Infrastructure improves our lives and makes our economy perform better.

Victorians want governments to plan for the long term and to prioritise the most important projects. We want the projects to be efficiently delivered by people with the skills and the experience to ensure that we get what we pay for.

Victorians need a Government that recognises that investing in infrastructure will boost our productivity and the quality of our lives.

Victorian Labor's Record

One of the most significant consequences of the change of Government in 1999 was the massive increase in Victoria's infrastructure investment. The Kennett Government averaged infrastructure spending of \$1 billion per annum over its seven years in office. Under the Bracks and Brumby Governments infrastructure spending averaged \$3.5 billion per annum.



(Source: Victorian Budget)

Victorians felt the benefits of improved infrastructure that made a real and practical difference to our everyday lives. Such projects include:

- East Link, the M1 upgrade, Peninsula Link, Geelong Bypass, Princes Highway West and East upgrades, Western Highway upgrade, M80 Western Ring Road upgrade;
- Freeway-standard upgrades between Melbourne and Geelong, Bendigo, Ballarat and Traralgon and 58 other significant road upgrades in

regional Victoria;

- Regional Fast Rail, Southern Cross Station Redevelopment, Regional Rail Link;
- The Royal Children’s Hospital, the Royal Women’s Hospital, Austin Hospital;
- Victorian Schools Plan;
- Food Bowl Modernisation, Victorian Desalination Project, Wimmera/Mallee Pipeline;
- Synchrotron and the Biosciences Research Centre;
- AAMI Park and the Melbourne Park redevelopment;
- Hamer Hall Redevelopment and the Melbourne Recital Centre;
- Melbourne Convention Centre;
- Channel deepening of the Port of Melbourne.

These projects created jobs and drove economic activity throughout Labor’s 11 years in office. This investment encouraged people to migrate to Victoria and invest in our State by enhancing Victoria’s reputation as a great place to live, work and raise a family. These projects will contribute to our State’s long-term productivity.

By improving access to the nation’s busiest port, reducing congestion on Victoria’s roads, securing our State’s water supplies and providing the world’s most advanced scientific research infrastructure, future generations of Victorians will benefit from the investments made by the Bracks and Brumby Governments.

Setting Priorities and Planning for the Future

For decades successive Victorian Governments have inherited and completed the capital works programs commenced by their predecessors. Often these projects were controversial. But in each instance the incoming Government accepted the need to press ahead and complete these existing projects, while developing its own plan for Victoria’s future priorities. The Baillieu Government has abandoned this long standing feature of Victorian public administration.

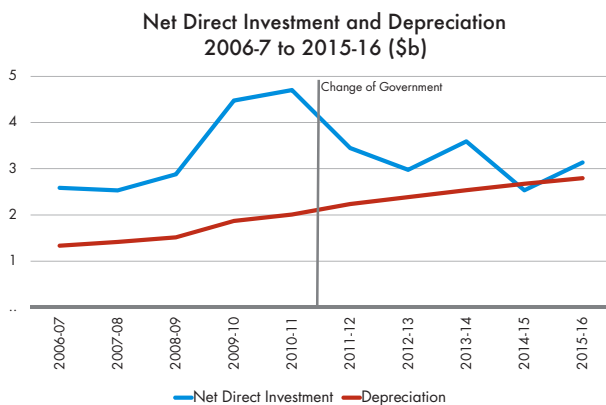
Not only has the planning process for many critical projects stalled, but also the Government appears paralysed in progressing its own capital works agenda. The Rowville Rail Link, the Rail Link to Doncaster, the Heavy Rail Link to Avalon Airport, the East-West Tunnel, the Port of Hastings: after two years in office the Baillieu Government has no plans to progress or fund these projects in a timely way. Nor has the Government articulated the benefits of its claimed project priorities over those contained in existing plans. The exhaustive process encapsulated in the Eddington Study (the East West Needs Assessment) and the subsequent Victorian Transport Plan has been abandoned and replaced by a hodgepodge of ill-considered projects.

The Baillieu Government’s suspension of Victoria’s capital works program will cost our State dearly.

Major projects have long lead times. Feasibility studies and business cases need to be completed, funding needs to be secured and tenders need to be submitted and rigorously evaluated. Industry experts have observed that it takes little time to shut down a project pipeline compared to the long lead-in required to re-establish it.

By turning off the investment tap, an infrastructure gap is emerging that will hurt our State’s ability to maintain our quality of life and our productivity.

The Public Accounts and Estimates Committee in its report on the 2012-13 Estimates has revealed that in the financial year 2014-15 net direct investment is forecast to fall below depreciation. As the committee found: 'this means that the service capacity of the State's assets is not being maintained'.



(Source: Public Accounts and Estimates Committee)

Victorian Labor believes that a specialist and independent body should be established to advise the Victorian Government on the State's long-term infrastructure needs and priorities.

Victoria needs a mechanism to establish infrastructure priorities beyond a single electoral cycle or the duration of any particular government. The Victorian public needs to be reassured that projects are the result of careful consideration, that alternatives are properly considered and that the most urgent projects are accorded the highest priority. While the responsibility for approving projects must ultimately rest with elected and accountable Governments and Ministers, a transparent process of recommending priorities and providing the public with information about the costs and benefits of different proposals is critical.

→ A future Victorian Labor Government will establish *Infrastructure Victoria*, with responsibility for providing independent and transparent advice about key infrastructure projects and their priority.

Infrastructure Victoria will:

- identify Victoria's current and future needs and priorities relating to State and nationally significant infrastructure;
- develop *Infrastructure Priority Lists* that prioritise Victoria's infrastructure needs;
- evaluate proposals for or enhancements to state significant infrastructure;
- provide advice to government on impediments to infrastructure delivery;
- develop and publish research on the economic and social benefits of particular projects;
- provide advice to government on appropriate funding and financing models for infrastructure investment;
- coordinate infrastructure funding submissions from the State and its agencies to the Australian Government and other bodies.

Infrastructure Victoria will be independent and transparent. As in New South Wales, *Infrastructure Victoria* will be overseen by an expert board with an independent chair and a combination of public and private sector board members. Unlike New South Wales, the advice on projects and priority setting provided to Government by *Infrastructure Victoria* will be publicly available without filtering or editing by Ministers or the bureaucracy. Victorians will be able to consider *Infrastructure Victoria*'s recommendations together with the Government's response in an open and transparent manner encouraging an informed public debate while recognising that the elected

Government retains responsibility for making the final decision.

As Consult Australia advised: ‘Ministers and their governments should be transparently held accountable to the independent advice provided by Infrastructure Victoria, through the publication of an annual policy response by the Government to Infrastructure Victoria’s recommendations, detailing the rationale informing subsequent infrastructure prioritisation and funding and actions taken to support better infrastructure delivery’¹.

→ *A future Victorian Labor Government will ensure that Infrastructure Victoria’s recommendations to Government are publicly available and that Governments respond publicly to them in a timely manner.*

Infrastructure Victoria will also have an explicit mandate to brief and to consider perspectives from all parties in the Victorian Parliament so as to build the capacity for long term infrastructure planning to endure beyond periodic changes of government.

Unlike Infrastructure New South Wales, Infrastructure Victoria will not have project management or project intervention responsibilities. This is aimed at avoiding any conflicts arising out of its advice concerning project selection or how these projects should be managed. Separating project prioritisation from project management will ensure that any advice to government about how past projects have been managed or how processes could be improved will remain untainted by direct involvement.

¹ Consult Australia, *Infrastructure Victoria, Independent | Expert | Transparent: A road-map for infrastructure governance reform, 2012, p.4.*

Funding and Financing

Local, State and Federal Governments need to continue to provide funding to support strong investment in public infrastructure. A budget surplus provides one part of the funding capacity to underpin this investment.

→ *A future Victorian Labor Government will continue to maintain a budget operating surplus of at least \$100 million.*

Debt also has a role to play to ensure that the cost of projects is equitably shared over the life of major infrastructure works. The Victorian Government must lead the public discussion about the scale of borrowings needed to support the most necessary infrastructure investments. This discussion must include a transparent evaluation of the benefits of projects that can be delivered through increased borrowings, the true cost to the Victorian community of not delivering those projects and the cost to budget of any additional debt servicing charges incurred.

User charges (such as fares and tolls) can also provide funding to support new capacity enhancing investments. Such charges need to be transparent and clearly linked to enhancements in transport networks. Value capture and other indirect funding mechanisms have also been supported by several advocacy groups.

Recent decades have seen more diverse financing models to deliver public infrastructure. Many of these models (such as public-private partnerships and project alliances) have seen greater involvement of the private sector in delivering and financing projects and managing them over their operational life.

This range of project delivery models has given governments greater choice in how they finance and deliver projects and manage risk. Many large projects would not have been delivered had traditional

financing models been the only options available. However, many government agencies now have reduced internal expertise to act as an informed purchaser of infrastructure. It is important that the Victorian Government retains sufficient expertise to be able to provide appropriate advice about project delivery and to manage complex relationships with the private sector.

Delivering Major Projects

Victorians expect infrastructure to deliver the benefits planned for it. They also expect projects to be delivered in a timely and cost effective manner. Experienced and professional management is required at every stage, from concept and design through to procurement and delivery.

The project procurement capacity in the Victorian Public Service must be focussed on ensuring that Government and the private sector can deliver projects within scope and to budget.

The Victorian Auditor General has stated that: 'some sections of the public service do not have the capacity or capability to manage major projects. Greater central leadership and coordination for the duration of project development and implementation and for the life-cycle of the asset is required'¹ and 'central leadership and coordination is needed in infrastructure development'².

Public sector capacity is challenged on several fronts. It has been a long-standing practice for project management to be undertaken by the same agency that will have the long-term responsibility of managing the asset. The personnel undertaking the capital works

may lack the requisite expertise in project management and may be subject to pressures for scope creep from within their own agency.

The Victorian Government's procurement workforce is ageing and is inevitably less well-remunerated than its private-sector counterpart. Knowledge transmission from the current generation to the next must be an urgent priority to ensure that the Government does not further erode its informed purchaser capacity. The Baillieu Government's cuts to the public sector are further diminish the project delivery capacity of the Victorian Public Service.

Emerging skills shortages are a further challenge. Blake Dawson observed in work performed for the Australian Contractors Association that the outsourcing of work to offset these skill shortages has resulted in 'an ongoing critical shortage of staff with skills in procurement at all levels of government. An erosion in governments' skill base in those aspects of engineering and construction critical to successful project management and procurement means that the standard of procurement and value for money outcomes are reduced'.

As Skills Australia highlights in its submission to a recent Senate inquiry, 'lack of workplace capacity leads to reliance on contractors and external expertise in larger organisations, including public sector infrastructure providers. This reliance is to the detriment of generalist workforce training; contractors develop specialist expertise rather than generalist engineering capacity, with knock-on effects to professional standards and structures'.

This diminished skill level also leads to increasingly adversarial relationships with the private sector. The Cooperative Research Centre for Construction Innovation estimates waste due to disputes in construction across Australia at around \$7 billion per annum.

¹ Victorian Auditor General's Office, 'Submission to the Public Accounts and Estimates Committee's Inquiry into Effective Decision Making for the Successful Delivery of Major Projects', 2011, p.3.

² Ibid., p.2.

The capacity of the Victorian Public Service to deliver projects must be improved.

→ *A future Victorian Labor Government will establish Projects Victoria, a specialist infrastructure delivery agency.*

Projects Victoria will:

- *oversight scope and design of all major projects;*
- *act as a key project delivery body in the procurement of major infrastructure projects in Victoria;*
- *intervene directly in project delivery in cases where delivery agencies or departments are experiencing difficulty; and*
- *audit the procurement capacity of Victorian Government departments.*

Audits will ensure that workforce planning is appropriately undertaken through the provision of mentoring programs, apprenticeships, traineeships and cadetships across all government departments. All project delivery managers will be required to meet minimum project delivery competencies.

World Class Leadership

A key aspect of ensuring that projects are successfully managed is to ensure that Victoria retains and develops world class project leaders.

→ *A future Victorian Labor Government will establish, through Projects Victoria, a Major Projects Leadership Institute.*

Drawing on procedures developed by the United Kingdom's Major Projects Authority, the Institute will enhance the level of project leadership. This Institute will be available to departmental secretaries, senior executives with project management responsibilities and Projects Victoria staff. The Institute will be funded by those departments with participating personnel through an Academy Partnership model similar to that applied in the UK with the Oxford Business School.

Further, a cross-government project leaders' network will be established as a forum of expert leaders in the Victorian Public Service to build the foundation of a genuine profession of project leadership and management. This network will aim to:

- share lessons across all Government departments;
- build relationships;
- test ideas;
- candidly discuss the problems being encountered on particular projects; and
- access international experts to share their observations and experiences from both the public and private sectors.

Over time, it is anticipated that project managers will receive an accreditation from the Major Projects Leadership Institute that is commensurate with the level of complexity and cost associated with the projects they are charged with managing.

A key component of accreditation will be the need for transparency to be a central tenet of project management. Full, open and transparent disclosure of project performance is a key to intervention and rectification of projects that encounter difficulties.

→ *A future Victorian Labor Government will require Projects Victoria to include a frank assessment of the performance of all capital works under its management or oversight in its annual report, to be tabled in Parliament.*

Achieving Best Practice

The reliance on traditional models of procurement in Australia has increasingly been seen as driving adversarial behaviours and waste. 'Over the last twenty years, there has been an increasing level of dissatisfaction amongst many of those involved within the Australian construction industry regarding the adversarial and inefficient environment in which construction projects are often undertaken'¹. 'Many existing contractual relationships, particularly traditional forms lead to adversarial behaviour between parties and this has a negative effect on project outcomes'². These adversarial behaviours discourage collaboration and innovation. They also serve as a barrier to the private sector's ongoing participation in the delivery of public infrastructure.

Industry is advocating for a more collaborative approach. 'Consult Australia has long supported and promoted the use of relationship or collaborative contracting as a valuable tool to deliver projects that benefit all participants'... 'The more common form of collaborative contracting is alliance contracting which has seen much success in Australia in recent years

¹ CC McDonald, Chief Engineer, 'Realising an Innovation Economy', cited in ANET, 2005, p.41.

² Australian Constructors Association, 'Realising an Innovation Economy', cited in ANET, 1999, p.41.

through more efficient project delivery, effective risk management and less disputation.'³

The NSW Government's review of procurement and the work of Western Australian Government in establishing the Centre for Excellence and Innovation in Infrastructure Delivery to 'improve collaboration, share knowledge and drive reform across a broad spectrum of activities associated with public works, infrastructure delivery and strategic asset management'⁴ all point to Australian governments hearing the message that methods of procurement need examination.

There is a pressing need for a whole-of-government approach to procurement that would see best practice applied to all levels of procurement in Victoria. This means using the appropriate method of procurement at the outset. There will always be a role for traditional methods of procurement, be they design and construct, public-private partnerships or the alliance model. Other States have moved towards adopting preferred models for projects of differing scope and scale, and Victoria should do the same to ensure that we derive best value for the Victorian public, improve industry responsiveness and streamline government processes.

→ *A future Victorian Labor Government will direct Projects Victoria to develop a whole-of-government approach to best practice in procurement and will develop a set of guidelines for which model of procurement is appropriate for different forms of projects. Collaborative models will be examined for greater use in procurement.*

³ Consult Australia, Submission to Senate Inquiry, 2012, p.24.

⁴ Centre for Excellence and Innovation in Infrastructure Delivery, 'Realising an Innovation Economy', cited in ANET, p.21.

Engineers

Engineers are critical to our future. They are the crucial link between scientific discovery and practical implementation. Without engineers, we cannot innovate to meet the challenges of a changing world.

The Baillieu Government's inaction is driving skills to other locations. The shortages this will create will drive up project costs in the years ahead. Recent reports demonstrate an outpouring of the engineering profession from Victoria, with demand for and supply of engineers slumping in 2011.

The shortage of skilled engineers in Victoria creates further problems for those who wish to engage skilled engineers for construction projects. Engineers Australia advises that total demand for engineers has ranged between 13,000 and 20,000 since 2006, far outstripping the number of engineering graduates, which has remained steady at around 9500 per year, a low proportion of total population compared with high-performing Asian and Western European countries. As engineering construction continues to increase dramatically, almost tripling in value since 2000-01, the remaining demand during that period has been met by a sevenfold increase in skilled migrants.

One of the major contributing factors to the engineering skills shortage is the lack of a national registration scheme for engineers. This means that qualification standards are not recognised in a consistent manner across states, reducing the mobility of engineers.

Engineers Australia has noted its concern that it is not possible to guarantee the high standards of Australian engineers. The resultant shortfall of skills has been found to cause engineering failures that impact on the health and safety aspects, environment considerations and economic efficiency of projects. Mobility will also need to be increased as the interstate economic

structure changes.

ACIL Tasman has undertaken detailed work on the economic benefits of a national registration system for engineering qualification, and quantified its findings as follows:

- a net value of \$7.4 billion and a benefit: cost ratio of 3.14;
- engineering construction in Australia: \$185.58 million / per year;
- mobility in trade: \$207.6 million / per year;
- estimated efficiency gain: \$207.6 million / per year;
- reduction in large engineering failures: \$13.2 million / per year;
- reduction in botched projects: \$207.08 million / per year;
- migrant engineers benefit: \$29.91 million / per year;
- estimated generation of engineering construction activity: \$185.58 million / per year.¹

Queensland, through its Board of Professional Engineers, is the only state with a registration scheme. Engineers seeking to provide professional services (without supervision) in that state must satisfy the board's standards of education and competency. Those who are successfully registered are then listed on the Roll of Registered Professional Engineers of Queensland, to which potential clients may refer before engaging the services of an engineer.

We need to ensure that engineers can freely return when demand for engineers rises again. We must

¹ ACIL Tasman, 'Executive Summary', *The Economic Basis of the Case for National Registration of Engineers in Australia*, 2012, p.11.

also ensure that those engineers are competent and qualified to practice here. In Victoria the current scheme is limited to the building sector. The proposal for a comprehensive national registration scheme has the support of industry, the profession and the union.

→ *A future Victorian Labor Government will work with relevant stakeholders on the introduction of a mandatory, statutory registration scheme and work with other jurisdictions to develop a nationally consistent registration scheme for engineers.*

Securing the Future of Victoria's Ports

Victoria's commercial and local ports form some of our most important economic infrastructure, making vital contributions to international and coastal trade as well as economic output. Ports are a major source of both direct and indirect employment. Ensuring that our ports are able to continue to generate employment opportunities for Victorians means having the right policies to allow them to develop and to contribute to the strength of our economy.

During its last term in government, Victorian Labor successfully oversaw rapid growth in car trade, container trade and cruise ship visits through the Port of Melbourne.

The channel deepening project in Port Phillip Bay was completed on time, on budget and with a strong performance against the Environmental Management Plan. This secured the Port of Melbourne's economic future. We also worked to improve landside port connectivity through the completion of the Dynon Port Rail Link, the Cliff Street Overpass project in Portland and the Geelong Rail Access Improvement Program, along with many other projects.

Victorian Labor developed substantial plans for the future of Victoria's significant freight and logistics industry, including long-term development plans and

economic impact assessments for each commercial port. In addition, the development and publication of Port Futures and Freight Futures outlined comprehensive policy directions and priorities to ensure we continue to maximise the benefit these sectors bring to the Victorian economy.

Victorian Labor supports the expansion of Webb Dock subject to community engagement, planning processes and approvals and adequate infrastructure to move freight.

The Webb Dock Expansion project involves the redevelopment of Webb Dock, on the Port of Melbourne's eastern side, into a container handling facility. The objective of this project is to provide a short to medium-term solution to the current capacity challenges faced by the Port of Melbourne. The Port of Melbourne's throughput is forecast to double from its current levels (in 2011-12 it was 2.58 million twenty-foot equivalent units (TEU), growing 9.1 per cent on the previous year). Once expanded, Webb Dock will provide some necessary relief, with the capacity to put through up to 1.3 million TEU per year, ensuring that the Port remains competitive while a second Victorian container port is developed.

For this project to succeed there must be an effective and transparent planning and approval process for all aspects of the development.

Responsible handling of the increase in freight movement that will inevitably result from this expansion of trade must occur. Truck volumes will increase significantly and there must be infrastructure in place to ensure that trucks can move efficiently while minimising the impact on nearby residential amenity. This infrastructure must go beyond the current Government's proposal to construct on-ramps to the M1 Monash-West Gate Freeway.

Finally, this expansion must be undertaken in

conjunction with the local community, involving proper consultation and engagement with residents in the neighbouring areas, to ensure that any concerns relating to traffic, land use and community amenity are addressed.

Future Capacity

The rate of trade growth at the Port of Melbourne inevitably means that a second container port will need to be developed. Victorian governments of both parties have historically seen the Port of Hastings as the preferred location for a second port, partly because it is a natural deep port that is already functioning.

In August 2009, Labor's Port Futures policy commenced a review of the longstanding container handling port facilities to 'Undertake a long term container capacity study during 2010 to provide a basis for review and confirmation or adjustment as required of the longer term development locations and sequence set out in the [Victorian Ports Strategic Framework]'.¹

The results of this review, undertaken by the Department of Transport, together with other recently available advice and evidence, indicate that a site on the coast of Port Philip between Little River and Point Wilson may have advantages outweighing those of Hastings.

The cost of developing the Port of Hastings was estimated by the Department of Transport, the Department of Treasury and Finance and Deloitte to be \$12.5 billion over 15 years. However, it is not likely to produce a commensurate economic benefit. The Port of Hastings' potential capacity for container trade is limited by the amount of land available, its transport corridor and competition from other trades such as bulk and brown coal. Even with a further expansion of the Port of Melbourne's container capacity, the Port of Hastings solution will not allow Victoria to accommodate its container freight task beyond 2050 .

Victoria's international container throughput task

is projected to grow rapidly from approximately 2 million TEU in 2010 to 7 million TEU by 2035 and 14 million TEU by 2050 – a sevenfold increase over four decades. Departmental estimates reveal Webb and Swanston Docks will reach capacity by around 2027. The Baillieu Government has recently contracted GHD Consultants to investigate options to secure Victoria's international container gateway capacity after the expandable life of the Port of Melbourne.

The Department of Transport has advised the Minister for Ports that 'it is becoming increasingly urgent that a longer term port development strategy for Victoria... be developed and settled'¹. Paragraph 14 of this brief states: 'A key driver of this urgency is the long term planning and approval lead-times required to implement major new port development, typically of the order of 10 years.'

This is because the maximum 5.5 million TEU for the Webb Dock/Swanston Dock expansion will be reached by 2027. As the Port explains on its website, 'container trade through the Port of Melbourne has consistently grown at a compound rate of around 6 per cent p.a'. Once the expanded Port of Melbourne's capacity is reached, current government policy is to develop the Port of Hastings as a complementary container port, which is projected to have a maximum container capacity of 7 million TEU. These capacity constraints mean the State will have invested over \$14 billion in port investment at two separate ports, yet both will be likely to be operating at full capacity well before 2050.

The result for Victoria will be multiple constrained ports, far removed from the main transport and freight hubs, requiring substantial invasion on urban amenity, particularly in Melbourne's south-eastern and inner western suburbs. This would replicate Port Botany's problems and relinquish Melbourne's greatest freight

¹ Ministerial brief, noted 21 February 2011

asset: its efficient transport linkages to its commercial port.

The Bay West Option

Ernst & Young provided a report to government in October 2010. The Department summarises this document as follows:

‘The possible use of the Bay West site for long term port development has not been subject to any public consultation processes, nor has it been canvassed with relevant public authorities or local councils. Nevertheless, despite being subject to only preliminary desktop assessment, the site appears to offer significant potential advantages for the development of long term container capacity, including ample availability of suitable back up land, almost unlimited potential berth capacity and close proximity to Avalon Airport and key road and rail connections serving the metropolitan area, regional cities and south-east Australia.

‘Given these factors, some uncertainties around the quantum and mix of future trades at Hastings and constraints at the Port of Geelong, Bay West appears to warrant further investigation as a possible long term port facility location.’¹

This report rates Bay West highly, with advantages including:

- significant potential and advantages for the development of long-term container capacity.
- unlimited potential berth capacity.
- ample availability of backup land.

¹ Department of Transport, Ministerial Briefing - Victorian Ports: Long Term Port Development, 15 February 2011, p.4.

A further advantage of Bay West is access to the standard gauge national freight link and the broader south-eastern region of the nation, which is absolutely essential to any longer term freight strategy for Victoria. Standard gauge runs past the Bay West area but is nowhere near Hastings. Melbourne’s metropolitan rail network is dominated by broad gauge for passenger rail, which means freight linkages are difficult, expensive and disruptive.

Given that Bay West has a virtually limitless container and berthing capacity and is the only siting location with the potential to provide a single decentralised container port for Melbourne into the long term, it seems inevitable that government policy will ultimately align with industry needs, economic rationale and common sense.

There is already a substantial body of work on the environmental impacts and geotechnical analysis of port/land use development in the Bay West area as a consequence of the Point Lillias Environmental Effects Statement (EES) concerning the relocation of Coode Island in the late 1990s.

It is believed that the Ernst & Young report estimates that the cost of a Bay West development is approximately half that of the Port of Hastings.

As Maunsell AECOM’s report on the Western Transport Strategy concluded:

‘Hastings is located 100 kilometres south-east of the Region, on the far side of the greater Melbourne built-up area. Hastings has major transport access challenges. For the Region it would increase reliance on the West Gate corridor, and providing a national standard gauge rail connection through Melbourne’s south east is difficult.

‘By contrast, a “Bay West Port” located near Avalon, has the potential strategic advantages of:

- Productivity benefits from proximity to the highest concentration of importers and exporters within the Melbourne metropolitan area.
- Excellent rail connections to the interstate and intrastate rail networks.
- Excellent road connections to the M1 and the planned Outer Metropolitan Ring route through to the Hume Freeway.¹

Based on the advice available so far, studies that have already been undertaken and the views of expert stakeholders, the case for a Bay West site is compelling.

It is clear that the Bay West option requires significant further investigation to test the information currently available. Victorian Labor believes that Bay West is likely to be the best option for future container port development.

Therefore, the Baillieu Government's determination to proceed with the development of the Port of Hastings as a container port is potentially wasteful and short-sighted.

The Infrastructure Victoria model offers the opportunity to conduct a rigorous study to provide the government and the community with the best possible advice on the way forward.

→ *A future Victorian Labor Government will direct Infrastructure Victoria to conduct a comprehensive and transparent cost benefit analysis to test Bay West against all other possible siting alternatives. This study will include the long-term freight and logistics needs of the state (including future bulk capacity needs at Hastings).*

¹ Maunsell AECOM, 'Western Transport Strategy', 2012, p.29.

As further evidence is obtained on the appropriateness or otherwise of this option, a future Victorian Labor Government will take the necessary steps to put in place required planning controls on land and sea-bed identified for future port development and environs and to preserve transport corridors.

A Bay West port project would be undertaken without the need to develop the Port of Hastings as a container port and with awareness that ultimately container trade currently operating through the Port of Melbourne could be accommodated at the single port at Bay West. This has the potential to free up 510 hectares of current Port of Melbourne land for long-term future urban renewal purposes.

Interface communities

Melbourne's Interface Councils (Cardinia Shire Council, City of Casey, Hume City Council, Melton Shire Council, Mitchell Shire Council, Mornington Peninsula Shire Council, Nillumbik Shire Council, City of Whittlesea, Wyndham City Council and Yarra Ranges Council) comprise areas with rapidly growing populations, productive rural land and some of Victoria's most significant and vulnerable conservation corridors.

Communities in Melbourne's outermost suburbs face some of Victoria's greatest infrastructure challenges.

Transport connections fail to keep pace with demand. Physical and social infrastructure lags behind the release and development of land for housing and industry.

This has led to congestion and long travel times and a high dependency on car travel. Physical and social isolation results.

Just as the interface communities are unique, so too

are their infrastructure needs. Government planning and funding must recognise the particular challenges of our interface communities.

- *A future Victorian Labor Government will establish a dedicated fund to support the infrastructure needs of interface communities. This fund will be aligned with existing funding sources and processes to ensure more integrated delivery of infrastructure occurs. The design and operation of the fund will be developed following consultation with Victoria's interface councils.*

Creating a Competitive Victoria

Victorian Labor's Plan to Reduce Business Costs

'I hate red tape, but I don't know how you make it better.'

— Participant in Victorian Labor's
Mansfield Jobs Forum

The ever increasing regulatory burden is often cited as an impediment to jobs growth. While it affects businesses interacting with governments at any level, our federal system means that it is especially difficult for businesses that operate across state and territory borders. For small business operators the burden is particularly acute, as they often lack specialist skilled staff in areas where laws and regulations are changing rapidly. Whilst regulation often serves a compelling social or public purpose (e.g. workplace safety, environmental protections, appropriate food safety standards or the prevention of discrimination) businesses large and small will sympathise with the sentiment of the business owner from Mansfield.

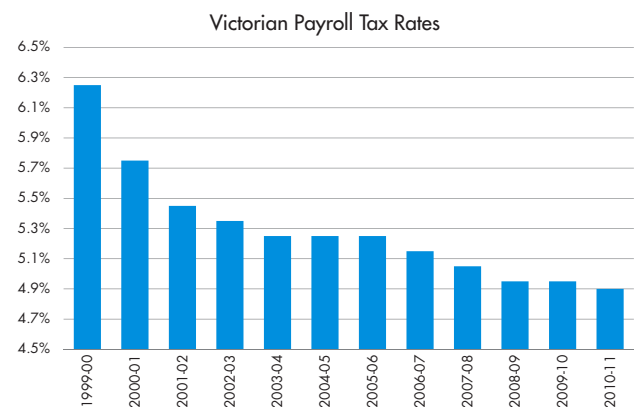
The Baillieu Government espouses the rhetoric of boosting productivity and reducing the regulatory burden, but this has not been matched by action.

Mr Baillieu's first action as Premier was to increase his Cabinet by 10 per cent by creating two new Ministers.

An example of increased regulatory burden and cost imposed on Victorian businesses by the Baillieu Government is the implementation of changes to the land rich duty provisions through the introduction of a Landholder Duty Model. This has created further uncertainty for some Victorian businesses. The Victorian model, far from replicating arrangements in other states through harmonisation, creates different

thresholds and definitions and treats interests in different ways. This is resulting in higher duties being payable on transactions than would be the case for the same transactions in other States.

By contrast, the former Victorian Labor Government sought to reduce the tax burden on Victorian businesses by cutting payroll tax rates and substantially reducing WorkCover premiums.



(Source: Victorian Budget)

Further, the Baillieu Government has abandoned the former Victorian Labor Government's efforts to harmonise occupational health and safety (OHS) laws nationally. The Baillieu Government has also raided \$500 million from the Victorian WorkCover Authority to shore up the budget bottom line. Taking money from the WorkCover surplus to fund the Baillieu Government's election promises will not reduce WorkCover premiums.

The WorkCover surplus should not be the plaything of the State Government to draw across to the

consolidated fund. Any surplus should be used to fund appropriate improvements to benefits for injured workers, lower WorkCover premiums for Victorian businesses or support programs to improve workplace safety or the health of the Victorian workforce.

- ➔ *A future Victorian Labor Government will ensure that any surplus accumulated in the Victorian WorkCover Authority (WorkSafe) is used only to:*
 - *fund appropriate improvements to benefits for injured workers;*
 - *lower WorkCover premiums for Victorian businesses; or*
 - *support programs to improve workplace safety or the health of the Victorian workforce.*

Victorian businesses will benefit significantly from the harmonisation of state-based occupational health and safety laws. Under the Brumby Government, Victoria led a national approach for the harmonisation of Australian OHS laws based substantially on Victoria's existing laws. By November 2010 this process was close to finalisation with all states (except Western Australia) having agreed to the new laws. Since its election the Baillieu Government has abandoned this process and withdrawn Victoria's support and leadership.



(Source: Victorian Budget 2010-11, Budget Overview)

Victorian Labor believes that significant economic benefits will flow to businesses that operate across state borders through the national harmonisation of OH&S laws. Further, Victorian Labor believes that with the safest workplaces in Australia, Victoria has demonstrated that such harmonisation will not be at the expense of workplace safety.

- ➔ *A future Victorian Labor Government will re-commit to the occupational health and safety harmonisation process.*

When in office, the Bracks and Brumby Governments led the way in reducing the cross-border regulatory burden in a range of areas by partnering with NSW in the first instance, on the basis that if 60 per cent of the national economy was aligned, then the rest would follow. This included areas such as telemarketing and WorkCover and payroll tax administration.

More recently much of this reform agenda has moved under the Council of Australian Governments (COAG) umbrella and in areas such as the harmonisation of the Commonwealth Trade Practices Act with the State Fair Trading Acts, considerable red tape has been cut for businesses and consumers that trade across state borders.

Victorian Labor in Government committed to and delivered on a 25 per cent reduction in the regulatory burden with an annual report to VECCI by the Treasurer and a weblink and hotline for business suggestions. The Baillieu Government has ceased this accountability measure. While recognising the limitations of regulatory burden reduction targets, Victorian Labor believes that compelling government departments and agencies to consistently review existing regulations with a view to eliminating regulation that no longer serves a useful purpose is valuable.

- *A future Victorian Labor Government will re-establish the 25 per cent regulatory burden reduction target with an annual report to Parliament by Departments and Agencies outlining progress towards achieving the target and explanations for any shortfall.*
- *A future Victorian Labor Government will include regulatory burden reduction targets as part of the performance measures for Departmental Secretaries and Agency heads where appropriate.*

The use of standard clauses in many legislative instruments has become an increasing practice for Commonwealth, state and territory governments in recent decades. This was originally encouraged to increase consistency in legislation between states and territories and differing Acts within a jurisdiction. It was intended that this would assist the consistency of statutory interpretation by the courts. However, a by-product of this practice has been the regular extension of draconian legal liabilities in circumstances not originally contemplated.

The Australian Institute of Company Directors (AICD) has identified the significant increase in the imposition of criminal liability of company directors (often with a reverse onus of proof) in hundreds of statutes across Australia. Few would challenge the imposition of personal criminal liability on a director in instances of a compelling threat to public health or safety that may result in death or serious injury. Where directors have knowingly authorised or recklessly permitted serious contraventions, the imposition of personal criminal liability is appropriate. However, the dramatic extension of criminal liabilities may have the effect of deterring qualified and skilled people from accepting positions as director of companies and not-for-profit organisations.

- *A future Victorian Labor Government will review the Victorian statute book with the objective of assessing all instances of criminal director liability and ascertaining whether such a liability satisfies the public interest.*
- *A future Victorian Labor Government will commit to harmonising the Model Rules under the Associations Incorporation Act with those used by the Australian Institute of Company Directors where appropriate.*

Victoria needs a transparent set of rules on regulatory impact statement (RIS) and business impact assessment (BIA) requirements and a willingness to review procedures that have lost their purpose.

Victorian Labor established the Victorian Competition and Efficiency Commission (VCEC) in 2004 and has a strong history of reducing regulatory burdens. The Baillieu Government has let this effort slip, to Victoria's detriment.

In a recent Discussion Paper released by the AICD¹, the Institute notes that:

- 'Our research exposed a consistent pattern of:
- 'Government appointing an independent taskforce or body to research and report on a particular area of regulatory reform;
- 'The taskforce or body then producing a lengthy and comprehensive research report to government recommending various areas for reform;
- 'Government producing a detailed response to the research report accepting and rejecting each of the recommendations; and
- 'Then little or no transparency, monitoring or follow-up as to the progress of implementation of

¹ *Australian Institute of Company Directors (AICD), Business Deregulation: A Call to Action - July 2012, p.6.*

the reforms, and no accountability by government for failing to do so.'

- *A future Victorian Labor Government will institute a mechanism (including industry and stakeholder involvement) for reviewing the implementation of government recommendations arising from government responses to VCEC, Parliamentary and other reviews.*

Small and medium-sized businesses are the engine room of jobs creation in the Victorian economy.

The burden of regulation falls especially onerously on Victoria's small business operators. Small businesses often lack the resources and specialist staff to comply with the increasing requirements of regulation. It is therefore particularly important that the true impact of new measures and existing regulation on small business is properly considered.

- *A future Victorian Labor Government will establish a direct role for small business in the review of Government regulatory measures to ensure that the compliance burden is minimised.*

Opening Victoria to the World

Victorian Labor's Plan for Investment Attraction, Exports and the Digital Economy

In a global economy, the Victorian Government must ensure that our State continues to be an attractive place to invest and that Victorian businesses are able to succeed internationally.

As the Digital Economy transforms our lives, the Victorian Government must ensure that Victorian businesses are prepared for new opportunities and that government service delivery is keeping pace with new technology.

Investment Attraction

Many factors contribute to the decisions by companies to locate new investment or retain existing investment in particular jurisdictions. Cost of doing business, access to markets and an appropriately skilled workforce, a stable and mature legal, regulatory and political environment, liveability, quality of infrastructure and ease of doing business are all factors cited by existing and potential investors.

Victorian Labor believes that foreign direct investment generates jobs and flow-on economic activity that is vital for our State and our standard of living. It is essential therefore that Victoria is an attractive investment destination. The best strategy for achieving this is to promote economic growth and a productive and competitive economy. All of the strategies contained in Victorian Labor's *Plan for Jobs and Growth* will make Victoria a more attractive location for new investment.

However, specific measures can assist in maximising prospects for new investment and providing aftercare to existing Victorian investors. In particular, strategies

that provide linked-up government services, and in a small number of specific instances, direct financial assistance to companies investing in Victoria, help attract investment to our State.

→ *A future Victorian Labor Government will develop an overarching investment attraction strategy with clearly defined objectives.*

Such a strategy was recommended by the Victorian Auditor General in August 2012.

Direct financial assistance is provided in Victoria by the Department of Business and Innovation through the Investment Facilitation Program, the Aviation Group at Tourism Victoria (to attract new air services), the Victorian Major Events Company and other agencies (to attract major sporting and cultural events) and the Melbourne Convention and Exhibition Centre (to attract meetings, exhibitions, conventions and incentive programs to Victoria).

→ *A future Victorian Labor Government will ensure that any direct financial assistance continues to meet the Australian National Audit Office's Better Practice Guide for the Administration of Grants. This requires, among other things, that milestone payments are linked to specific outcomes such as employment or investment thresholds by agreed dates. It also requires that the achievement of these milestones is appropriately audited.*

→ *A future Victorian Labor Government will publicly release the milestones agreed upon (with the exception of the dollar amounts of Government*

assistance) and their achievement and evaluate the impact of the Government's broad suite of investment attraction activities on Victoria's business environment.

To assist in investment attraction successive Victorian Governments have established and extended a network of overseas offices. These offices support the Victorian Government in its efforts to attract overseas investment, assist with relevant trade missions and provide aftercare to companies headquartered in target markets that have a presence in Victoria. Victorian Labor supports the recent decision by the Baillieu Government to establish a Victorian Government Business Office (VGBO) in Jakarta.

In recent years, Victoria's presence in China and India has expanded significantly. The former Victorian Labor Government added offices in Bangalore, Nanjing and Shanghai. Given the importance of these markets to Victoria this was appropriate. Victorian Labor supports the initiatives of the Baillieu Government to further emphasise Victoria's interest in these key markets through the Super Missions that have been conducted.

The Victorian Government must build the skills, knowledge and capacity of the next generation of public servants who will plan and lead our efforts to strengthen our relationships with Chinese and Indian political and business leaders.

→ *A future Victorian Labor Government will establish a Scholarship Program to enable public servants engaged in investment attraction, trade and engagement with China to have the opportunity to undertake intensive Mandarin courses in China. This Program will include an opportunity to improve understanding of Chinese civil society and business practices. The program will also enable relevant Victorian public servants to undertake professional development that enhances their capacity to promote engagement with India.*

The Victorian Government has recently downgraded the VGBO in Frankfurt. Not only is Germany the largest economy in Europe, (and the fourth largest in the world), it is also a huge source of investment in Victoria (particularly in advanced manufacturing). Companies such as Bosch, Siemens, Bayer Schering and Deutsche Bank all have significant investments in Victoria. Germany is a world leader in the development of policy and technology in renewable energies. It is also working closely with France and other Eurozone countries in responding to the challenges that the Eurozone faces. It is unlikely that London will prove an effective base for resourcing and leading Victoria's investment attraction and trade activities on continental Europe.

→ *A future Victorian Labor Government will reinstate the position of Commissioner in the Frankfurt VGBO.*

The Victorian Government has a key role to play in supporting Victorian businesses seeking to access opportunities in emerging and rapidly growing industries.

Renewable Energy

As our climate changes and the price of carbon rises, the importance of promoting alternative energy sources is recognised by governments around the world. Victoria has excellent wind and solar energy resources.

Building a strong renewable energy industry will generate employment and economic growth for Victoria. Several regions across Victoria embraced the challenge of attracting investment in renewable energy industries to their communities.

According to a 2011 Bloomberg New Energy Finance report, \$36 billion in investment in renewable energy is forecast to occur in Australia by 2020.

Research commissioned by the Clean Energy Council of Australia released in 2010 revealed that under the policy settings of the former Victorian Labor Government, Victoria could have added 3000 megawatts of clean energy capacity by 2016. The construction and operation of renewable energy facilities was expected to create 650 new jobs every year over the same period.

However, the Baillieu Government has systematically destroyed renewable energy in Victoria by:

- scrapping the premium solar feed-in tariff scheme;
- introducing harsh planning restrictions on wind farm development; and
- reversing its support for renewable energy targets.

The buffers and powers of veto introduced by the Baillieu Government are the toughest planning restrictions on wind farms anywhere in Australia, and some of the most restrictive anywhere in the world.

These changes have sent a stark message to the renewable energy industry in Australia.

Victoria is now losing investment to South Australia—particularly in new wind farm construction.

In September 2012, the New South Wales Government introduced a Renewable Energy Action Plan.

→ *A future Victorian Labor Government will release an Action Plan to support investment and jobs in Victoria in renewable energies. The Action Plan will include a more sensible and balanced approach to planning controls for wind farms.*

Tapping into Australia's resources boom

Australia's resources boom presents huge opportunities for Victorian businesses. Resource projects and their associated infrastructure are particularly important when our Victorian firms are under pressure in our own State. However, the globally integrated resource sector presents many challenges for Victorian SMEs.

Although many Victorian firms have been involved in the resource sector through projects such as the Bass Strait fields, generally the connections to the new generation of projects in Western Australia and Queensland are less developed.

The Australian Government has sought to take action to maximise local supply opportunities in major resource projects by appointing a Resource Envoy, Resource Advocates and National Sector Managers for Mining and Oil and Gas.

However, in Victoria the Baillieu Government has failed to respond to the opportunities presented by the boom.

Victorian Labor believes that it is time that Victorian industry began to share fairly in the benefits from Australia's resources boom.

The large number and complexity of resource projects in Queensland and Western Australia make it difficult for Industry Capability Network (ICN) offices in those states to identify Australian companies from non-resource States capable of meeting the supply needs of these major projects.

→ *A future Victorian Labor Government will:*

- *co-locate an ICN person in the ICN WA (Perth) and ICN Queensland (Brisbane) offices to identify opportunities and Victorian capability;*
- *work with the Australian Government to*

maximise the benefits of the Australian Industry Participation (AIP) Policy, Enterprise Connect and Buy Australian Programs through the Resource Envoy, Advocates and National Sector Manager programs;

- *organise forums and appropriate trade missions so that Victorian SMEs can understand the requirements of the complex resource environment and meet procurement decision makers.*

Protecting Melbourne Airport

Melbourne Airport also has a critical role to play in connecting Victoria to key markets such as inbound tourism and education services. It is also a rapidly growing base for air freight to connect Victorian fresh food exporters and manufacturers of elaborately transformed products to global markets.

Melbourne Airport's curfew-free status has been an essential part of its success in securing additional services in recent years. That status is compromised by proposals that would see land use and development that have the potential to clash with flight corridors or that allow permit applications that are incompatible with the Melbourne Airport Environs Strategy Plan. Melbourne Airport's role as a referral authority has also been compromised as a result of the Baillieu Government's VicSmart planning assessment changes enacted this year.

- *A future Victorian Labor Government will act to categorically protect Melbourne Airport's curfew-free status from development proposals that are incompatible with the Melbourne Airport Environs Strategy Plan.*

Exports

Connecting Victorian businesses to global markets drives innovation, gives businesses access to scale and creates jobs. When Victorian Labor was in office we developed and released the Opening Doors to Export Plan in 2004. The Plan set Victoria the target of reaching \$30 billion worth of exports by 2010. That goal was realised.

Recent decades have seen a shift away from traditional markets in North America, Japan and Europe to new markets in China, India and the Middle East.

However, the high Australian dollar is having an impact on trade exposed sectors of the Victorian economy, particularly manufacturing, education services and tourism. Throughout the 1990s and up to 2007, the Australian dollar sat between \$0.50US and \$0.80US, ensuring that Victorian exports were in a position to compete globally.

Since October 2010 the dollar has stayed above \$0.96US. This has had a profound impact on some of our strongest industry sectors, including manufacturing, tourism and education services.

This means we must work harder to help Victorian exporters succeed.

The most significant development in Victoria's export performance over the past 10 years has been the dramatic rise in the importance of education service exports. This sector includes higher education, vocational training and secondary-level students.

International trade in higher education services has grown rapidly. Demand is driven by excess demand for higher education in source countries, the need for internationally recognised qualifications in emerging countries and increasingly global markets for highly skilled labour. In Australia's context, this is coupled with strong demand for places in English-speaking

countries.

Australia is one of the top eight host countries in the world for international education, the other seven being New Zealand, the United Kingdom, the United States, Canada, France, Germany and Japan. Moreover, the data show that the total value of Australia's education exports continues to rapidly increase. In the case of Australia and New Zealand there are also a significant number of foreign students in secondary education and training. Given that some countries experiencing the strongest growth in student demand are clustered in South and West Asia, East Asia and the Pacific and Arab states, the medium-term prospects for continued growth remain strong. However, in recent years the sector has come under real pressure. The stronger Australian dollar, the impact of the GFC, increased competition from other countries, and high profile media coverage of violence against students pose real challenges for the education services market in Australia.

Source countries are increasingly investing in education opportunities for students in their own countries. If the Australian education services industry does not respond by moving up the value chain the Australian education services industry will be at risk.

→ *A future Victorian Labor Government will assist Victorian education institutions to focus on the most valuable sectors of the evolving market by moving up the value chain and improving the student experience.*

One impediment for student access is timely availability of appropriate visas. In some cases students face long waiting times and an inability to apply electronically. This puts Australia at a disadvantage compared to other markets.

→ *A future Victorian Labor Government will advocate to the Australian Government to improve access*

and timeliness of visas for international students. In some cases, this may include partnerships to co-locate staff from high-volume education institutions with in-country visa officials to assist in the timely issuing of visas.

Tourism has also been a great Victorian export success story. The high Australian dollar and fierce international competition pose real challenges for this sector.

In October, 2006 the former Bracks Government launched a 10 Year Tourism and Events Industry Strategy. The Strategic Responses contained in the Strategy were the result of extensive stakeholder consultation and focussed on the key challenges faced by the Victorian Tourism and Events Industry.

By 2014, it will be time to renew our Tourism and Events Industry Strategy.

→ *A future Victorian Labor Government will immediately begin the work on a new Plan for Victoria's Tourism and Events Industry. The Plan will be based on extensive stakeholder engagement, and some of the priorities will be:*

- *enhancing our business events infrastructure;*
- *facilitating new investment in regional Victoria;*
- *improving the visitor experience in our nature-based parks;*
- *working with Melbourne Airport to improve transport connections; and*
- *building on the work of recent governments to improve Victoria's presence in our fastest growing markets.*

The Victorian Government's Plan will work in partnership with the extensive planning that has been done by the Victorian Tourism Industry Council on

behalf of the tourism industry.

For 40 years Victoria has been a pioneer in efforts to create safer roads and to reduce the trauma and cost of transport-related accidents.

The Transport Accident Commission (TAC) created in 1986, has been at the forefront of these efforts. Powerful public education campaigns, treatment and support services for injured people and legislative leadership in areas such as seatbelt laws and drug testing have made Victoria the world's most innovative jurisdiction in this public policy field.

Under the Transport Accident Act 1986, the Commission is empowered to 'commercially exploit' its knowledge and expertise. With the move to Geelong now complete, the time has come for the TAC to develop an international commercial arm to market its expertise in overseas jurisdictions.

→ *A future Victorian Labor Government will work with the Transport Accident Commission to develop TAC International, to be operated on a commercial basis to market the various components of Victoria's successful road safety strategy to interested jurisdictions. These activities would be undertaken on a for-profit basis and not be cross-funded by TAC's existing services to the Victorian people.*

The Digital Economy

In recent decades the world has been transformed by new information and communications technologies which have enabled economic and social activities.

This digital economy is powering future economic growth and will be vital in driving the future competitiveness of the Victorian economy. The digital economy will improve productivity, create jobs, transform existing industries and lead to new export opportunities for innovative Victorian businesses as

the rapid expansion of the global digital economy diminishes the importance of distance.

The Australian Government's roll-out of the National Broadband Network (NBN) is set to drive Australia's digital economy by laying the foundations for Australia's digital infrastructure. By the completion of the physical build of the NBN in 2021, Australia is expected to be one of the world's leading digital economies. While the Australian Government is providing the lead in the provision of the physical infrastructure, all levels of Government and industry must play a part in achieving this outcome. The community needs to be digitally literate, industry needs to be digitally aware and skilled and Government must be digitally enabled.

Successive Victorian Governments have established Victoria as the hub of the national ICT industry. The Baillieu Government has failed to develop a plan to prepare Victoria for the digital economy. Victoria needs an overarching strategy to position the State for the opportunities presented by the Digital Economy.

→ *A future Victorian Labor Government will prepare an Action Plan that will detail the State's readiness for the digital economy and identify impediments and opportunities that the digital economy presents.*

→ *A future Victorian Labor Government will ensure state government services such as health care, aged care, education and emergency services are able to maximise use of the NBN to improve accessibility for Victorians and look at ways that high-speed broadband can lower the long-term cost of service delivery.*

Victorian Labor believes that the Australian Government's NBN roll-out will bring particular benefits to regional communities, especially in areas such as education and the provision of health services.

Already, initiatives such as Breast Screen Victoria's

rural broadband digital mammography project are helping thousands of women access quicker and more efficient breast screening and diagnosis services.

The NBN roll-out will unlock the potential for more programs to support rural and regional communities.

- *A future Victorian Labor Government will support projects that use high-speed broadband to improve service delivery and lifestyles in regional Victoria by Government Departments and Agencies and, where appropriate, in partnership with the private sector.*

Growing the Whole State

Victorian Labor's Plan for Our Regions

One of Victoria's greatest assets is the strength and diversity of our regions. Regional Victoria is home to some of our most iconic manufacturers, world class food exporters, innovative farmers, spectacular tourism destinations and, above all, communities with a proud record of helping each other when times are tough.

Regional communities seek partnerships that can share the challenge of attracting investment, creating jobs and improving lifestyles.

Victorian Labor's partnership with regional Victoria produced remarkable results: more than 120,000 new jobs created, population growth to 1.45 million and \$62.6 billion contributed by our regions towards the state's economy, up a massive 30 per cent since 1999.

When Victorian Labor came to office in 1999 the first Act of Parliament of the new Government established Australia's first Regional Infrastructure Development Fund (RIDF). Victorian Labor invested \$871 million in the RIDF and it successfully leveraged additional local and private sector investment in new infrastructure projects throughout regional Victoria, creating new jobs and economic activity.

The Fund's explicit jobs and investment focus was a key component of its success. Having a standalone regional infrastructure fund in addition to investment in other regional programs provided confidence around the commitment by the Government to investing in regional infrastructure.

By contrast, the Baillieu Government has abolished

this dedicated infrastructure fund, forcing infrastructure projects to compete for precious funding with other regional proposals. Funds labelled as 'regional' can be and are being spent in metropolitan Melbourne, leaving less money for true regional projects.

→ *A future Victorian Labor Government will reinvigorate the successful Regional Infrastructure Development Fund to target priority infrastructure projects in each region, build better connections and create more job opportunities in regional Victoria. The infrastructure fund will stand alongside investment in other regional programs.*

Victorian Labor established Regional Development Victoria (RDV) as a statutory body to drive investment and create jobs in regional Victoria. Under the Baillieu Government, RDV no longer has this core economic role. It has been removed from the Department of Business and Innovation and its job creation focus has been diminished. Since the Baillieu Government came to office, thousands of people living in rural and regional Victoria have lost their jobs. Regional Victoria has seen jobs lost from major employers such as Heinz, SPC, Ford, IBM and Pasta Master.

→ *A future Victorian Labor Government will shift Regional Development Victoria to the heart of economic activity in government and direct its core role to be facilitating jobs and investment for regional communities.*

In June 2010, after extensive consultation, the former Victorian Labor Government released our regional blueprint, *Ready for Tomorrow*.

Ready for Tomorrow built on Victorian Labor's job creation and infrastructure investment by setting a state-wide context for strategic planning at the regional level. We recognised that local communities are best placed to develop their own priorities for future growth and development of their regions.

Victorian Labor established the framework for the development of Regional Strategic Plans that identified local initiatives tailored to the specific circumstances of regions and sub-regions. These are essential to increasing the diversity of regional economies and supporting sustainable communities over the long term. Land use and development planning components of Regional Strategic Plans are to be reflected in planning schemes over time and as appropriate.

During the consultation for Victorian Labor's *Plan for Jobs and Growth*, we visited Ballarat, Bendigo, Geelong, Gippsland, Horsham, Mansfield, Mildura, and Wodonga. Wherever we went, the message was consistent and firm: communities have put a lot of effort into establishing Regional Strategic Plans through the framework developed under *Ready for Tomorrow* and now they want them realised.

Each region's framework is different, and Victorian Labor will work with local communities to support the delivery of their priorities.

The framework had five strategies, and Victorian Labor will work with local communities to ensure their priorities in each area are delivered.

→ *A future Victorian Labor Government will resource the implementation of regional strategic plans across the state. To support the work of the Regional Strategic Planning Committees, effective state and regional level processes will be established to coordinate the development and delivery of regional plans. This will include the provision of information and support that will inform the*

development and ongoing management of plans and the implementation of regional priorities.

Recent projections are that by 2036 there will be 600,000 more people living in regional Victoria. Regional cities are well placed to accommodate this population growth, but the planning and infrastructure provision that commenced when Victorian Labor was in office must continue. As Regional Cities Victoria (RCV) has noted: 'Whilst local councils are responsible for planning in their cities, they vary in the level of resources they have to plan in advance of significant new population growth. Some are under significant pressure to release land for development, along with the infrastructure, services and jobs that will meet the needs of future communities.'¹

Victorian Councils do not have the borrowing capacity to undertake all of the development of infrastructure for industrial and residential development. Developer contributions are paid at the end of the development cycle, a cycle that often takes longer in regional areas than on the metropolitan fringe. Regional Cities Victoria has developed the Financing for Growth Model. The model draws on the practice in other states, where the state government can borrow or guarantee borrowings on behalf of local councils. For example, it could be possible for a municipal authority to borrow under the auspices of Treasury Corporation Victoria (TCV), thus utilising the State's Triple A credit rating. The local authority could pay a small premium to access the scheme (less than the cost of borrowing at the prevailing market rate). Such a scheme with suitable parameters around the type of infrastructure for which this borrowing could be undertaken would substantially expand the infrastructure capacity of some of Victoria's fastest growing regional locations.

→ *A future Victorian Labor Government will introduce*

¹ Regional Cities Victoria, 'Growth Strategy Project Brief', May 2012, p.2.

a facility for Treasury Corporation Victoria (TCV) to undertake borrowing on behalf of municipal authorities for approved infrastructure, subject to an assessment of the sustainability of the municipal authority to manage the liability.

This loan facility will be available to all Victorian local councils both regional and metropolitan that satisfy appropriate financial sustainability requirements.

A suitable local government debt product for institutional investors developed on a Victoria-wide basis would provide councils with the benefit of low finance costs and a government guarantee. In the medium term, organising this financing at the national level would not only increase the range of councils across Australia that could access such a product, it would also enhance the attractiveness of the debt product to institutional investors.

→ *A future Victorian Labor Government will work with the Australian Government, other states and most importantly the Australian Local Government Association to establish a national debt product backed by government guarantee.*

Communities in regional Victoria will be among those hardest hit by the Baillieu Government's savage cuts to TAFE. Keeping young people living locally is the key to the long-term prosperity of regional communities. Closing TAFE campuses will drive young people away from towns and regional centres in search of opportunities to obtain skills. The resultant skills shortages will act as a disincentive to new investment.

Victorian Labor's proposals to support a strong TAFE sector outlined in Victorian Labor's *Plan for Jobs and Growth* are particularly important for regional Victoria.

The Geelong Investment and Innovation Fund (GIIF) launched by the former Bracks Government was vitally important in supporting Geelong and its manufacturing

Case Study: Relocations Strengthen Regional Centres

The former Victorian Labor Government aggressively supported the relocation of major Victorian Government agencies to regional locations, underpinning investment in critical hubs. In 2001, the Bracks Government announced its decision to relocate a substantial portion of the State Revenue Office's functions to Ballarat. This was followed in 2002 with the announcement of the shift to Bendigo of the Rural Finance Corporation and, in 2005, the announcement that the Transport Accident Commission would relocate to Geelong, creating hundreds of local jobs and injecting millions of dollars into the surrounding economy. These successful relocations were built on in 2010 when Premier John Brumby announced that State Trustees would open a new Bendigo regional office with 100 jobs and a new 50-person VicRoads call centre in Ballarat. These, and other initiatives, created over 1200 new government jobs in regional Victoria.

Victorian Labor believes that establishing a significant government presence in cities throughout the State enables the Victorian Public Service to access the skills and experience of a broader cross section of Victorian workers. It also enables regional communities to benefit from the economic activity generated from such relocations.

heartland in the aftermath of the GFC. Since then, major announcements by Ford, Alcoa and Qantas at Avalon have seen a substantial investment response by the Australian Government. The Baillieu Government appears unable to constructively leverage its so-called 'Fighting Fund'.

- *A future Victorian Labor Government will seek a constructive partnership with the City of Greater Geelong, the Australian Government and local industry to ascertain the most effective use of State Government resources to support Geelong's economy in transition.*

Victoria has long been regarded as Australia's centre for research in our dairy industry. This research is funded by the Gardiner Foundation, established by the *Dairy Industry Act* in 2000.

Victoria is also home to a substantial share of Australia's horticulture industry. Recent significant investments in irrigation infrastructure highlight the importance of both industries to Victoria.

- *A future Victorian Labor Government will establish a foundation to support research for the horticultural industry.*

Local Spending, Local Jobs

Victorian Labor's Procurement Plan

The Victorian Government is the largest purchaser of goods and services in our state. Victorians expect to get value for money from the expenditure undertaken by Government Departments and agencies. But value for money is not just the lowest price. There may be higher risks or lower quality in accepting the cheapest price. Purchasing Australian or New Zealand goods and services and maximising opportunities for local companies to compete for government business strengthens local industry and secures jobs for local people.

Victorian Labor believes creating opportunities for SMEs to compete more effectively in government purchasing will assist in boosting economic activity throughout Victoria. Buying locally contributes to the longer term prosperity of our state as we all benefit from the multiplier effect of local investment and jobs.

Victorian Labor's Record

When Victorian Labor came to office in 1999, it was revealed that the Kennett Government had signed contracts for the replacement of rolling stock on our metropolitan train and tram network that did not include any requirement for local industry participation. This decision presented a profound threat to Victoria's rolling stock manufacturing industry. As a result the Labor Government introduced the Victorian Industry Participation Policy (VIPP) in 2001. VIPP required all short-listed bidders for public sector projects with a value of over \$3 million in Melbourne and over \$1 million in regional Victoria to provide a VIPP statement reporting on local content levels, new jobs and possible skills and technology transfer generated by

the project.

VIPP recognised that the majority of Victorian businesses are SMEs and it was essential to boost local involvement in major projects by forcing leading Australian and international companies to identify the benefits of utilising local companies in their tenders to win state government work.

The Brumby Government strengthened the VIPP in 2009 by setting a target of a minimum percentage of the procurement value (on either a project capital cost or a whole of life basis) to be composed of local content on projects of strategic importance to the Victorian economy. A Strategic Project is a project with a whole of life cost of at least \$250 million or a project capital cost of at least \$100 million. In the case of rail rolling stock projects the minimum local content target was 40 per cent.

By 2010 the VIPP had:

- been applied to 1405 projects valued at over \$27 billion;
- assisted in the generation of over 27,200 new jobs;
- achieved average local content levels of approximately 85.7 per cent;
- achieved a cumulative total of over \$618 million of import replacement—orders for local industry that would have otherwise gone overseas; and
- encouraged the local manufacture of new trams for the first time in Victoria for over 12 years.

The future of the VIPP has been questioned by the Baillieu Government. The Baillieu Government has indicated that it will drop minimum local content targets in government procurement. This risks the loss of thousands of Victorian jobs in projects of major strategic significance, including transport, health and public infrastructure.

Strengthening and Streamlining VIPP Based on Value for Money Principles

Value for Money

The VIPP requires a commitment from Victorian departments and government agencies for it to be effectively implemented. Local content is meant to be a formal consideration in the assessment of VIPP Plans but its inclusion in the evaluation process is often arbitrary and ad hoc.

- *A future Victorian Labor Government will emphasise the importance of the VIPP to all departments and agencies and ensure that appropriate resources and training are provided so that purchasing officers can properly assess value for money considerations including quality levels, performance standards and risk exposure as well as price.*

Under the VIPP, value for money principles are consistent with applicable government procurement arrangements for purchases above or below the VIPP's existing thresholds. The challenge is ensuring that value for money principles are being implemented appropriately, addressing industry perceptions that the 'lowest price' always wins. The 'lowest price' may merely reflect dumped or subsidized product from offshore.

Local Content: Evaluations and Targets

Victorian Labor is concerned that the Baillieu Government is seeking to undermine the VIPP by

scrapping local content evaluations and targets. Victorian Labor believes that this is a flawed approach. Local content targets have contributed to increasing incomes in Victoria from local procurement opportunities rather than see these go offshore based only upon price rather than the suite of value for money considerations.

- *A future Victorian Labor Government will retain minimum local content targets in Strategic Projects.*

Local Content: Weighting

Victorian Labor believes that a more consistent appraisal of local content through a formal weighting system across VIPP projects is required to inform the assessment of value for money by purchasing agencies and to make VIPP Plans more relevant to local industry.

Local content will therefore be used as a formal weighted evaluation criterion in the procurement assessment process by government departments and agencies with a minimum weighting of 10 per cent.

Victorian Labor believes that a formal weighting system for local content will maximise opportunities for local companies to compete for government business and strengthen local industry, securing jobs for local people.

- *A future Victorian Labor Government will introduce a formal weighting system in the evaluation of all VIPP Plans and VIPP Local Industry Development Plans that will give a minimum 10 per cent weighting in tender evaluations to projects that contain higher levels of local content commitments.*

Cutting Red Tape: Streamlining VIPP Plans

Introducing a formal weighting system in the evaluation of all VIPP Plans makes procurement more effective by ensuring that the value for money benefits of sourcing locally are formally considered by purchasing

agencies and departments.

- ➔ *A future Victorian Labor Government will cut red tape by streamlining VIPP Plans and Local Industry Development Plans (used for Strategic Projects).*

Strategic Projects: Threshold

The Brumby Government introduced the concept of Strategic Projects in 2009. Since then five Strategic Projects have been declared. Reducing the threshold for Strategic Projects will increase the number of major projects being declared Strategic Projects in recognition of their economic contribution to Victoria.

- ➔ *A future Victorian Labor Government will lower the value of the threshold for Strategic Projects from \$250 million on a whole of life cost basis and \$100 million on a project capital cost basis down to \$125 million on a whole of life cost basis and \$50 million on a project capital cost basis.*

Strategic Projects: Local Content Calculation

Calculating local content on a whole of life basis can be misleading since it captures activities that are difficult to perform outside Australia, such as maintenance and services.

- ➔ *A future Victorian Labor Government will calculate minimum local content targets for Strategic Projects based on up-front project capital costs rather than on a whole of life cost basis where appropriate.*

Strategic Projects: Planning

Victorian Labor understands that planning for the future is vital. Local industry benefits when it can plan its tender bids on a known pipeline of up coming major projects.

- ➔ *A future Victorian Labor Government will require the Industry Capability Network (ICN) and the*

Department of Business and Innovation to develop a forward plan outlining expected future Strategic Projects.

Automotive Procurement Policy

The automotive industry has been at the heart of Victoria's manufacturing for decades. The automotive industry is of critical importance to the Victorian (and national) economy, as it drives jobs, investment, technology transfer, innovation and skills acquisition. The multiplier effect is especially prominent in the automotive industry, with around four jobs created in Victoria for every person directly employed by GM Holden, Ford and Toyota.

The automotive industry continues to undergo massive transformation as it becomes an increasingly technologically driven industry, with car manufacturing driving innovation in engineering, computer systems, information technology, materials processing, design initiatives and clean car technology.

Notwithstanding the importance of the automotive industry to Victoria, demand for Australian-made vehicles has been in steady decline over the last decade as imported vehicles have increased their market share. For the Australian automotive industry to survive, demand for Australian-made vehicles must increase.

As significant purchasers of vehicles, governments can have a direct impact on the quantity of locally built vehicles sold in the Australian market. During 2011 Australian governments purchased 60,000 new vehicles, but less than one third were built locally. In Victoria, the heart of the Australian car industry where all three car makers are based, the proportion of Australian-made vehicles purchased by the Victorian Government was higher at 59 per cent.

- *A future Victorian Labor Government will use the COAG process to advocate for policies that improve the share of Australian-made vehicles in Government-owned car fleets throughout Australia.*
- *A future Victorian Labor Government will mandate the purchase of locally manufactured vehicles (where a fit for purpose vehicle is available) by all Victorian Government Departments and Agencies (including executives entering into salary sacrifice arrangements) and Victorian Local Government Authorities.*

Only 13 countries world-wide have the capacity to undertake the entire process of motor vehicle manufacturing from concept and design right through to making sales on the show room floor. Australia is one of them. This capability means that skills in design and engineering are world-class and the continuation of vehicle manufacturing is vital to ensuring Australia's engineering capabilities are maintained.

All states and territories in Australia and New Zealand use Mercedes Benz and Volkswagen ambulances in their government-owned fleets. Thousands of these vehicles are purchased each year.

- *A future Victorian Labor Government will explore the viability of designing and manufacturing the next generation of ambulances for the Australian and New Zealand fleet in Victoria.*

A National Rolling Stock Plan

Victoria is home to Australia's most innovative and significant rolling stock manufacturers. These companies manufacture and assemble parts, components and systems for metropolitan heavy and light rail trains, regional passenger trains and freight trains. Victoria is also home to a significant rolling stock maintenance industry. The jobs created

by this industry are high skilled and many of the companies export systems and capabilities overseas. However, rolling stock ordering is characterized by large orders that generate significant employment followed by long periods when work is scarce. This is a major barrier to investment and the retention of the workforce required to support the needs of this industry nationally. If governments across Australia coordinated their rolling stock replacement plans, a more consistent and predictable order book would be created. In the long term, such a strategy would have substantial industry development implications, improve outcomes for governments by reducing turnaround time, save taxpayers money and improve public transport services.

- *A future Victorian Labor Government will advocate through the Council of Australian Governments (COAG) for a national rolling stock Procurement and Maintenance Plan.*

Government as a Model Purchaser

The Victorian Government must ensure that its procurement policies generate jobs for Victorians and deliver value for money. However, Government also has a responsibility to demonstrate leadership as a model purchaser. Victorian Labor will release further proposals to ensure that Victorian Government procurement practices meet appropriate ethical and sustainability standards.

Manufacturing Council

The current Minister for Manufacturing undertook to establish a Manufacturing Industry Advisory Council. Two years have now passed since he came to office and he has still failed to do so. Obtaining the expert views of organisations and individuals is vital to the development of a successful manufacturing policy.

- *A future Victorian Labor Government will establish a truly representative Manufacturing Advisory Council including industry associations, unions, employers and other organisations to assist government in implementing a Victorian Manufacturing Strategy.*

DELIVERING OUR COMMITMENTS

Since coming to office the Baillieu Government has harshly cut funding for public services.

The Government's 2012-13 Budget Papers revealed combined cuts of \$6.352 billion over the estimates period.

	(\$m)			
	2012-13	2013-14	2014-15	2015-16
2011-12 Budget Cuts	511	520	537	545
2011-12 Budget Update Cuts	404	661	943	1215
2012-13 Budget Cuts	242	266	268	240
Total Cuts	1157	1447	1748	2000

(Source: Victorian Budget 2012-13 Budget Paper 2, p.5)

These figures represent significant reductions in public services including:

- \$290 million cut from TAFE;
- 4,200 public servant jobs gone;
- Educational Maintenance Allowance and School Start Bonus cut, hurting low income families;
- Take a Break Childcare program ended;
- First Home Owners Bonus scrapped; and
- Failure to deliver the promised 800 new hospital beds.

As well as cutting vital public services, the Baillieu Government has broken key promises, including protecting public sector jobs and making teachers the best paid in Australia.

While the Baillieu Government has been cutting services, it has revealed a disturbing willingness to

increase expenditure for highly paid executives, and entertainment and legal expenses in Departments which are cutting critical services.

The savings measures outlined below are examples of how Victorian Labor would fund the initiatives outlined in this Plan in the current financial circumstances.

Victorian Labor will take a fully costed and funded package of policies to the next election. The costings will be based on the actual financial circumstances of 2014.

→ A future Victorian Labor Government will continue to maintain a budget operating surplus of at least \$100 million.

Savings Measures

Between 30 June 2011 and 30 June 2012 there was an increase in the number of executives employed in the Departments of Education and Early Childhood Development, Health, Justice, and Premier and Cabinet.

There are significant costs associated with each of these additional departmental executives. Victorian Labor believes that these increases are unjustifiable at a time when such large cuts are being made to services.

→ A future Victorian Labor Government will reduce the number of Senior Executives, saving \$3.2 million in 2015-16.

Between 2010-11 and 2011-12 expenditure on legal costs increased across the Departments of Business and Innovation, Education and Early Childhood Development, Health, Premier and Cabinet, Primary Industries, and Treasury and Finance.

The total increase in legal expenses across these departments was over \$14.9 million.

→ *A future Victorian Labor Government will reduce legal expenses in key Departments by \$4.1 million in 2015-16.*

Between 2010-11 and 2011-12 expenditure on entertainment expenses increased across the Departments of Business and Innovation, Education and Early Childhood Development, and Justice. The total increase in entertainment expenses in these departments was \$0.776 million.

Victorian Labor believes that these increases are unnecessary and unjustifiable at a time when such large cuts are being made to services.

→ *A future Victorian Labor Government will reduce entertainment expenses in key Departments by \$0.776 million in 2015-16.*

In the financial year 2015-16, the first Budget year of an incoming Victorian Labor Government, the amount to be saved through the measures outlined in Victorian Labor's *Plan for Jobs and Growth* will be:

- reducing the number of executives in key departments: \$3.2 million;
- reducing legal expenses in key departments: \$4.1 million; and
- reducing entertainment expenses in key departments: \$0.776 million.

The total amount to be saved in 2015-16 will be \$8.07 million.

These savings would be ongoing.

Expenditures

In 2015-16 expenditure associated with the projects announced in Victorian Labor's *Plan for Jobs and Growth* will be:

- Labour Market Program for the Long-Term Unemployed: \$2.0 million;
- China and India Scholarship Program: \$1.0 million;
- Reinstating the position of Commissioner in the Frankfurt VGBO: \$0.45 million;
- Support for initiatives to tap into the resources boom: \$1.0 million;
- Support for Regional Planning: \$1.5 million; and
- Horticultural Research Foundation: \$1.0 million.

The total expenditure for these new initiatives during 2015-16 will be \$6.95 million.

Funding to support TAFEs to meet their Community Service Obligations will be derived as follows:

- First, from resources within the existing training budget following the crackdown on poor quality providers and those who rort the system;
- Additional funding required will be the first call on any projected Budget surplus and contingencies following the provision of a minimum \$100 million operating surplus.

The decision to use the surplus (above the minimum threshold) demonstrates the importance that Victorian Labor attaches to supporting TAFEs to meet their Community Service Obligations.

The financing of Infrastructure Victoria will be treated separately from other initiatives. The cost for the establishment and operation of Infrastructure Victoria is estimated to be \$11 million in 2015-16.

While over time it is expected that Infrastructure Victoria will deliver significant savings through improved project planning, those savings will not be realised immediately.

The 2012-13 Victorian Budget identifies contingency provisions for expenses that have not been determined at the time of the budget's preparation. One of the purposes of contingency provisions is to fund new initiatives released in future budgets. The output contingencies identified in the 2012-13 Budget for 2015-16 were \$2.1323 billion.

→ *A future Victorian Labor Government will fund the establishment and operational costs of Infrastructure Victoria through the allocation of \$11 million from output contingencies in 2015-16.*

Projects Victoria will be funded in the same way that Major Projects Victoria (which will be absorbed by it) is currently funded: through cost recovery charges on client departments and agencies.

CONCLUSION

Victorian Labor's *Plan for Jobs and Growth* recognises that the Victorian Government has a key role to play in creating jobs and generating economic growth.

When economic times are tough that role is more important than ever. Victorian Labor demonstrated that when the GFC hit our State.

The Baillieu Government has had two years to develop a plan to support growth and protect Victorian jobs—it has failed to do so.

Victorian Labor's *Plan for Jobs and Growth* is the first step in showing Victorians that there is a better way.

Denying there is a problem is not a Plan.

Blaming others is not a Plan

Decimating our training system is not the answer.

Turning off our infrastructure pipeline is not the answer.

Victorian Labor's *Plan for Jobs and Growth* contains affordable proposals that can be undertaken now. The Plan also looks to the long-term and outlines measures to prepare our State for the decades ahead.

Victorian Labor will continue our discussion with Victorians about what else an effective State Government can do to create jobs and generate economic growth.

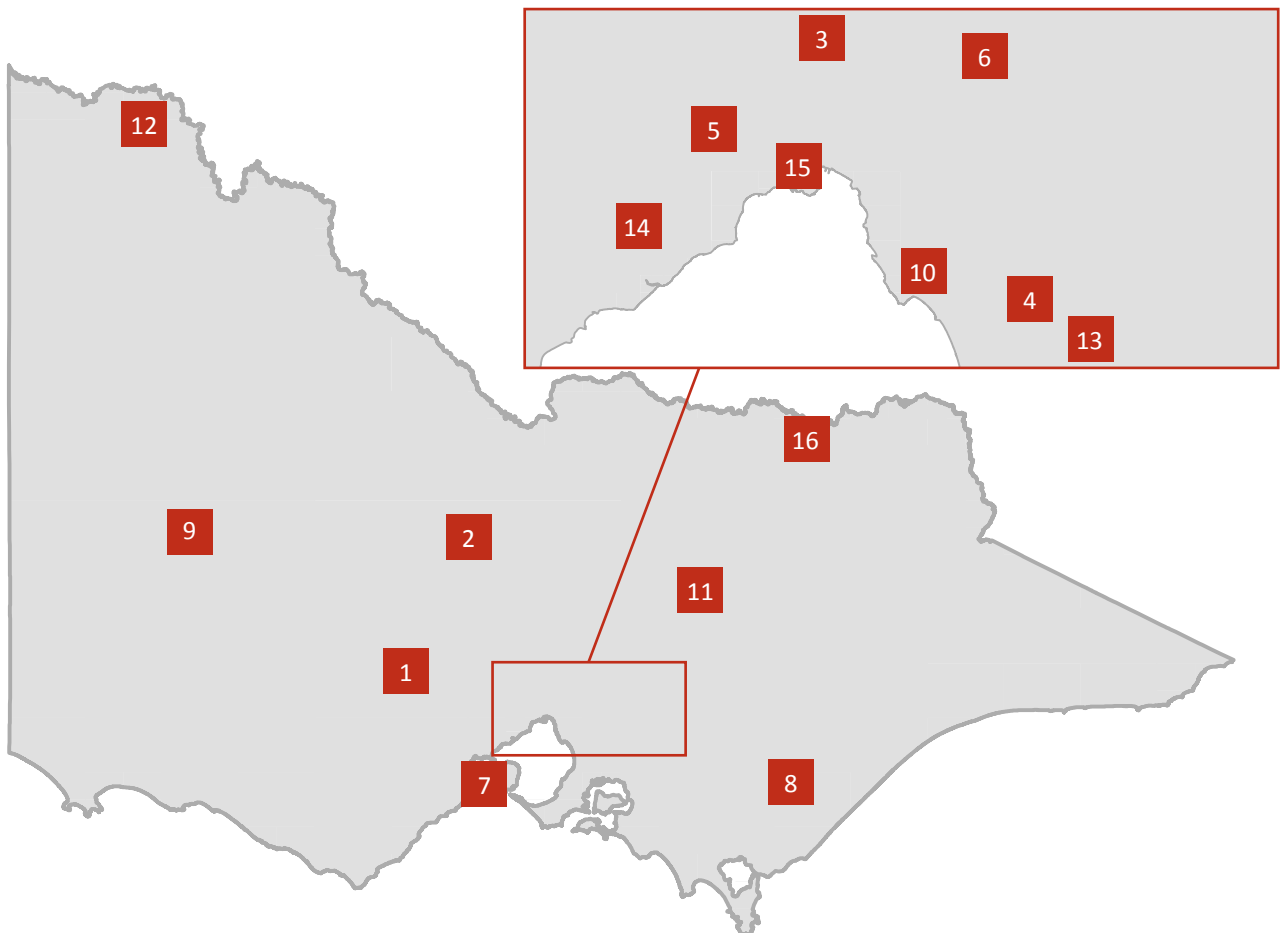
In the lead-up to the next Election, Victorian Labor will continue to release our Plans to promote jobs and create a better community for all Victorians.

APPENDIX: CONSULTATIONS

As part of Victorian Labor's *Plan for Jobs and Growth* forums and consultations were conducted in:

- | | |
|-----------------|------------------------|
| 1. Ballarat | 11. Mansfield |
| 2. Bendigo | 12. Mildura |
| 3. Broadmeadows | 13. Narre Warren South |
| 4. Dandenong | 14. Werribee |
| 5. Derrimut | 15. Williamstown |
| 6. Eltham | 16. Wodonga |
| 7. Geelong | |
| 8. Gippsland | |
| 9. Horsham | |
| 10. Cheltenham | |

Industry specific consultations were also held with the tourism, services and building and construction industries.



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