



**BIG3**  
FOR BUSINESS

**STATE & LOCAL GOVERNMENT  
ELECTION REPORT 2012**

BUSINESS PRIORITIES FOR  
QUEENSLAND'S STATE AND  
LOCAL GOVERNMENTS

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**CCIQ**  
Chamber of Commerce  
& Industry Queensland



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# What are the Big 3 for Business?

In late 2011, the Chamber of Commerce and Industry Queensland undertook a survey of businesses to identify their priorities in the run up to State and Local Government elections. Small and medium business is the lifeblood of Queensland communities creating wealth, opportunity and employment for millions of Queenslanders each year, and represent 99% of the state's business community. It is crucial that issues affecting business are prioritised for all political parties, who then must act and be held accountable for their support of business in our state.

As an organisation we are determined that business issues highlighted by our members should be at the forefront of the political process, to ensure that the next State and Local Governments restore the potential for Queensland's economic growth.

From our research, three main issues emerged, the Big 3 for Business. They are:



# 1. Overview

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- 1.1 The Chamber of Commerce and Industry Queensland (CCIQ) is determined that the needs of Queensland businesses are prioritised by the next State and Local Governments, and will lead the policy debate to keep them there. From low consumer confidence to being stuck in the slow lane of a two-speed economy, businesses across the state are doing it tough. To restore the potential for growth, Queensland businesses need a serious injection of support from State and Local Governments.
- 1.2 With so many challenges facing businesses, it's highly tempting to create a long list of priorities. But, based on the latest research on strategy execution, CCIQ notes that organisations lacking focus fail to deliver on any strategic outcomes, indeed organisations can only usually ever effectively achieve between one and three goals. This principle should now be applied to State and Local Governments.
- 1.3 Accordingly, CCIQ has focused on the 'Big 3 for Business': priorities of absolute critical importance. By focusing government efforts on these three major goals both leading into the election and through the next 3 year term, CCIQ believes this focus will have the greatest impact for Queensland businesses. Businesses are overwhelmingly clear on their big three issues:
  - Deliver better Economic and Fiscal Management;
  - Reduce Government costs on business; and
  - Reduce Government Red Tape.
- 1.4 CCIQ's 2012 Blueprint is a bluebook on Queensland business community issues and identifies key recommendations that must be delivered by the next Queensland State and Local Governments across these three themes. CCIQ recognises the challenging economic environment that the next State and Local Governments inherit but believes our recommendations, if adopted, will create the optimal environment in Queensland for business success.
- 1.5 This Blueprint builds upon our earlier 2009 CCIQ Blueprint for Growth and a range of other Blueprint documents released across the past two years. These were developed in consultation with our members and identify a range of major issues of concern for the Queensland business community including:
  - Blueprint for Fighting Queensland's Over-Regulation - Update Paper: 2011
  - Improving Queensland's transport networks to enhance productivity and drive economic growth: CCIQ Transport Blueprint
  - The Right People at the Right Time: Developing a Skilled Workforce that meets the needs of Queensland's Economy - Blueprint for Queensland's Education and Training System
  - Blueprint for Harnessing Queensland's Green Productivity Potential: A CCIQ Business Position Statement on Government's Carbon Pricing Mechanism
  - An Efficient, Productive and Sustainable Electricity Supply for Queensland: Blueprint for design, planning and management of Queensland's energy sector and electricity market
  - From Waste to Resource: Changing the way business views waste: CCIQ Blueprint for Waste Avoidance, Recovery and Management in Queensland
  - Planning for Queensland's Future Population and Economy: CCIQ Population and Infrastructure Blueprint
  - Blueprint for Fighting Queensland's Over-Regulation: Removing and minimising the cost of regulations to enable business to grow and employ
  - Blueprint for Growth: Policy Priorities for Queensland's State Government
  - Submission to the Queensland State Government - State Budget 2011-12
  - Submission to the Queensland State Government - State Budget 2010-11
- 1.6 A vibrant and competitive business sector is crucial to the continuing prosperity and growth of our State - it creates employment opportunities, generates wealth and drives economic growth. Indeed the single greatest thing a business can do to enhance the wellbeing of our State's community is to provide secure ongoing employment. CCIQ believes that Queensland's future is bright provided that we are highly active in bringing down the barriers for business.
- 1.7 The next State and Local Governments will have a crucial role in helping to shape and secure Queensland's economic future. CCIQ is nonpartisan, assesses policies on their merit and plays a major role in analysing and encouraging constructive debate. Queensland businesses are looking to politicians for genuine vision and policies which focus on the Big 3 issues. They are clear about where change is needed and about what the next State and Local Governments should be doing. It is important that these two tiers of Government implement a policy program that prioritises economic growth, responsible fiscal management, and enhances the overall business operating environment through less regulation and lower business costs.
- 1.8 The Chamber of Commerce and Industry Queensland (CCIQ) is the peak business organisation in Queensland, representing the interests of 25,000 businesses and 135 local chambers of commerce across the State. All of these businesses have a profound interest in the outcome of the 2012 elections.

## RECOMMENDATIONS

### Deliver better Economic and Fiscal Management

*The next State Government to:*

1. Deliver a budget operating surplus as soon as possible;
2. Reign in recurrent expenditure;
3. Improve infrastructure planning to incorporate the feedback of the Queensland business community to ensure it can meet the needs of the growing population and economy;
4. Develop a long term Queensland population policy;
5. Develop a Queensland regionalisation and decentralisation policy enhancing the competitiveness of the State's regional economies;
6. Work with industry to reduce the barriers currently experienced by businesses to participate in State Government and Major Project procurement opportunities;
7. Be stronger in standing up to the Federal Government on issues that affect the Queensland business community.

### Reduce Government costs on business

1. State and Local Governments should work together to offer a competitive business operating environment. Queensland's immediate target should be to have business costs as the clear stand out and lowest in Australia;

*The next State Government to:*

2. Index all business tax thresholds on 1 July each year;
3. Remove the diminishing exemption threshold for Payroll Tax and replace it with a flat exemption threshold set at least at \$2 million and then indexed to annual wages growth;
4. Commit to the long term phasing out of payroll tax from the Queensland tax stable through progressively lifting the exemption threshold;
5. Review stamp duties in detail with the aim of eliminating those that are detrimental to the competitiveness of businesses in Queensland;
6. Ensure to the fullest extent that electricity prices are competitive and sustainable;
7. Ensure the future electricity pricing methodology reflects as closely as possible a market based approach and encourages efficiency and performance improvements;
8. Ensure Queensland's energy policy and infrastructure plan focuses on increasing energy diversity that reduces barriers to the exploration, development and take-up of all energy sources and transport fuels;
9. Take immediate action to support business in energy efficiency with a particular focus on encouraging innovation and supporting the adoption of new technologies;
10. Immediately repeal the commercial waste levy;
11. Implement a 15% Whole Person Impairment (WPI) threshold for accessing common law to significantly reduce the increasing number of claims for minor injuries;
12. Work with Local Government to keep all property rate and water increases to a minimum.

### Reduce Government Red Tape

1. The next State Government must adopt a regulatory reform agenda that includes the following key components:
  - Undertake a baseline audit of all existing regulation;
  - Commit to a whole-of-government target for red tape reduction across all agencies and which includes strategies to reduce existing regulation and stem the flow of future regulation;
  - Establish high level political leadership by appointing a Minister for regulatory reform and make all ministers and their departments accountable for achieving the target;
  - Improve the processes for enacting regulation and consultation with key stakeholders to ensure the efficiency and effectiveness of essential regulation;
  - Monitor red tape reduction progress against the target and baseline and provide regular and transparent progress reports.

*The next State Government to:*

2. Commit to advocating improvements to the Fair Work Act during the 2012 review (through consultation with Queensland industry) that will enhance the fairness, flexibility and productivity outcomes in relation to industrial relations for all businesses;
3. Work with the Federal Government to implement an unfair dismissal law exemption for small and medium businesses;
4. Work with the Federal Government to investigate alternative approaches for retirement income policy in Australia that will reduce negative impacts on Queensland businesses;
5. Work with other jurisdictions to ensure the national model work health and safety laws are implemented nation-wide as soon as possible;
6. Maintain a strong commitment to work with industry to boost the understanding and compliance of Queensland businesses with the new WHS regime;
7. Ensure workplace health and safety inspectors focus on providing advice and support to businesses rather than investigating and prosecuting

## 2. Queensland's Economic Climate

- 2.1 Queensland's economic environment has changed for the worse in recent years and we must respond to this new challenge in a concerted and decisive manner. Queensland must lay the foundations immediately if the State is to ensure that it enjoys the strong economic growth and prosperity that it had become accustomed to in the recent past.
- 2.2 Since late 2008, the global economic downturn, high Australian dollar and the wide-spread impact of the 2010-11 natural disasters have resulted in a deterioration of Queensland economic conditions. Poor consumer confidence, reduced revenue and increasing operational costs have progressively eroded business profitability outside of the resources sector, leading to the emergence of a two-speed economy which is evidenced by the below table.

PERFORMANCE OVER CURRENT YEAR COMPARED TO PREVIOUS 12 MONTHS			
	<b>Good</b> (More than 50% said it was better)	<b>Bad</b> (Between 50 - 70% said it was worse)	<b>Worse</b> (More than 70% said it was worse)
REGION		<ul style="list-style-type: none"> <li>Wide Bay (57%)</li> <li>Central Coast (Mackay) (63%)</li> <li>Sunshine Coast (64%)</li> <li>Brisbane (68%)</li> </ul>	<ul style="list-style-type: none"> <li>South West Queensland (71%)</li> <li>Far North Queensland (Cairns) (75%)</li> <li>North Queensland (Townsville) (76%)</li> <li>Gold Coast (78%)</li> <li>Central Queensland (Rockhampton) (80%)</li> </ul>
INDUSTRY	<ul style="list-style-type: none"> <li>Communication Services (64%)</li> <li>Mining (100%)</li> </ul>	<ul style="list-style-type: none"> <li>Other (55%)</li> <li>Wholesale Trade (56%)</li> <li>Personal and Other Services (58%)</li> <li>Manufacturing (63%)</li> <li>Agriculture, Forestry &amp; Fishing (63%)</li> </ul>	<ul style="list-style-type: none"> <li>Property and Business Services (71%)</li> <li>Accommodation, Cafes &amp; Restaurants (78%)</li> <li>Finance and Insurance (80%)</li> <li>Retail Trade (80%)</li> <li>Construction (81%)</li> <li>Cultural and Recreational Services (83%)</li> <li>Education (86%)</li> <li>Health and Community Services (89%)</li> <li>Transport and Storage (89%)</li> <li>Electricity, Gas and Water Supply (100%)</li> <li>Government Administration &amp; Defence (100%)</li> </ul>

Source: CCIQ 2011 Snap Poll

- 2.3 The patchwork nature of Queensland's economy presents unique challenges, with some regions experiencing significant skills shortages and tight labour market conditions while others have increased unemployment and high rates of labour underutilisation. The economic inequality among Queensland regions is expected to continue with major coal and liquefied natural gas (LNG) projects in the pipeline.

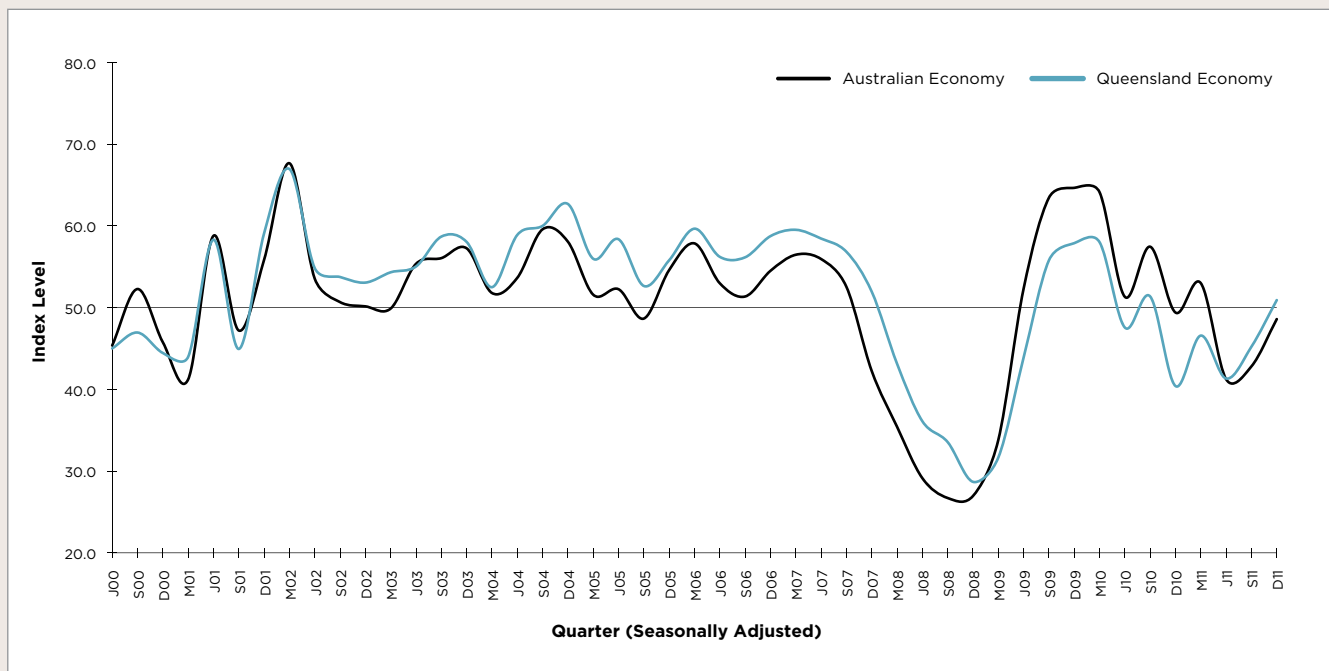
“The resources sector is the only part of the Australian economy moving forward and without that this country would be as bad as the rest of the world. The current State and Federal Governments needs to get out into their electorates to see that people in general are hurting and there is a risk of a major recession.”

– Queensland Business Operator



2.4 The Commonwealth Bank CCIQ Pulse Survey of Business Conditions for the December Quarter 2011 indicates a more tempered economic climate for the majority of Queensland businesses than the glossy headline State Final Demand numbers which are distorted by the spend occurring in the resources sector.<sup>1</sup>

**12 MONTH OUTLOOK: AUSTRALIAN AND QUEENSLAND ECONOMIES**



	Queensland Outlook			Australian Outlook		
	Dec 10	Sep 11	Dec 11	Dec 10	Sep 11	Dec 11
<b>Weaker</b>	48	41	27	29	47	28
<b>Same</b>	30	31	42	43	32	50
<b>Stronger</b>	22	27	31	28	21	23
<b>Index</b>	40.4	45.2	50.9	49.4	42.8	48.6

Scale - An index level of above 50 indicates that growth prospects are strengthening, while an Index level below 50 indicates that growth prospects are weakening.

Source: Commonwealth Bank CCIQ Pulse Survey of Business Conditions - December Quarter 2011

2.5 This tough economic climate is placing significant pressure on Queensland businesses, with many struggling to remain viable. The very last thing that businesses (especially those which are small and medium-sized) need in these challenging circumstances are additional cost imposts, red tape and poor fiscal and economic management.

“Consumer confidence is low and everyone is holding onto their cash until they know what is going to happen with interest rates and the overseas economies.”

“Everyone is currently struggling and cannot consider taking on new staff etc. so things will be at a standstill, resulting in an overall weakening.”

- Queensland Business Operators

2.6 The table below confirms that business profit margins, competitive pressures both domestically and internationally, and any ability to pass on costs to the customer are all conspiring to place business in an extremely poor position to withstand the implementation of continuing cost and red tape increases. Historical State and Local Government arguments that business can simply pass on cost increases flies in the face of the evidence presented below.

THINKING ABOUT YOUR BUSINESS CURRENTLY PLEASE INDICATE YOUR LEVEL OF BUSINESS PERFORMANCE IN THE FOLLOWING AREAS:						
	Very High	High	Average	Low	Very Low	Negative
Business margins and profitability	1.8%	18.1%	53.5%	17.6%	7.8%	1.1%
Competitive pressures from local and national businesses	15.3%	35.3%	37.7%	6.6%	3.9%	1.3%
Competitive pressures from international businesses	12.7%	18.2%	21.5%	17.6%	19.6%	10.5%
Ability to pass on higher costs to your customers	1.6%	9.6%	36.3%	26.1%	21.2%	5.1%

Source: CCIQ Snap Poll 2011

2.7 Nevertheless despite the difficult trading environment prevailing at present the future of Queensland remains bright. Queensland Treasury forecasts confirm that the outlook for the Queensland economy is encouraging following the disastrous 2008-09 through to 2010-11 period. The trick in these forecasts is ensuring that the flow on from the resource projects delivers a vitally needed boon for the broader Queensland business community. This issue is discussed in more detail in section 20.

	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
<b>Queensland</b>							
GSP	0.80	2.10	0.20	4.25	5.00	4.00	4.00
Employment	2.20	0.90	2.30	1.50	2.25	2.75	2.75
Unemployment Rate	4.40	5.70	5.50	5.50	5.25	5.00	5.00
Inflation	3.70	2.70	3.30	2.50	3.75	2.75	2.75
Wage Price Index	4.20	3.30	3.90	3.75	3.75	-	-
Population	2.60	2.30	1.70	1.75	2.00	2.25	2.25
<b>Australia</b>							
GDP	1.00	2.30	2.10	3.25	3.25	3.00	3.00
Employment	0.10	2.40	2.20	1.00	1.50	1.50	1.50
Unemployment Rate	5.70	5.20	4.90	5.50	5.50	5.00	5.00
Inflation	1.50	3.10	3.60	2.25	3.25	2.50	2.50
Wage Price Index	3.80	3.00	3.80	3.75	3.75	-	-
Population	1.90	1.50	1.40	1.50	1.50	1.50	1.50

Annual Percentage Change

Source: Queensland State Budget Papers, Budget Strategy and Outlook, Budget Paper No.2 & MYFER

2.8 The Queensland business community is looking for improved economic management. CCIQ believes that business needs to be sent a clear message that the next State and Local Governments are serious about enhancing their operating environment. If the State and Local Governments proactively assist businesses through reduced red tape and lower business costs, then this will improve confidence and inevitably increase investment and employment.

# 3. Business Priorities for the next State and Local Governments

- 3.1 In anticipation of the 2012 State and Local Government elections, CCIQ conducted its Big 3 for Business Survey. It is crucial that the incoming State Government and Councils are aware of the issues of concern to the business community and their priority. The survey covers Federal, State and Local issues however emphasis is placed on those issues specific to Queensland. Over 1,000 Queensland businesses provided their views on issues of importance for the next State and Local Governments. A full profile of the survey demographics is contained in Appendix One.
- 3.2 Ten issues stood out from the rest as needing priority attention. These are:
- Queensland businesses regard as essential the next State and Local Governments addressing the State's **red tape burden**. Imposed at all levels of Government and across all Departments the sum of all regulations creates a staggering regime that has blunted business from growing and employing.
  - **Reducing direct costs for business** was raised as a critical issue by Queensland businesses. Costs over the past three years have continued to escalate despite revenue stagnating which has delivered serious hardship for business and eroded competitiveness. Costs in particular relate to State Government taxes (Payroll Tax, Stamp Duties, Land Tax etc); energy costs including gas and electricity, water charges; transport costs and Council rates. The Federal Government's Carbon tax dominates all issues relating to direct costs on business.
  - **The economy** was cited as a critical concern with poor confidence from both consumers and businesses. As part of this issue the two speed economy was widely recognised with the resources sector masking a poor trading environment for the broader economy. CCIQ notes that this issue is a lag indicator however the next State and Local Governments can place the management of the economy as a central pillar in their agenda. Focus on the above and below issues as lead influencers/indicators in particular would have dramatic impact on this issue.
  - Whilst a Federal issue, the next State Government should exert influence to ensure that the **Fair Work Act** is reformed to address issues of eroded productivity, union powers, increasing wages, unfair dismissals and other labour costs including superannuation.
  - **Skills and education** continues to be a factor inhibiting Queensland business growth with many businesses citing difficulties in retaining their workforce or attracting additional skills and labour. Competition with the resources sector in this area has created significant challenges for small and medium businesses.
  - **State Government fiscal and economic management** was cited as a crucial priority capturing a range of issues including debt, bloated public service, lack of economic vision and questions of confidence in Government leadership.
  - **Infrastructure** remains a key business issue. Businesses have noted the massive infrastructure rollout over recent years, however much more is needed to meet the needs of the growing population and economy moving forward.
  - Queensland businesses would definitely like to see greater priority given by the next State Government in **assisting business** through tax incentives, Government subsidies, training incentives, guidance on accessing the digital economy and tourism marketing.
  - **Population** pressures in South East Queensland whilst at the same time underutilised capacity in regional Queensland gives rise for the need for the implementation of a regionalisation strategy both in terms of population and economic opportunities.
  - Queensland's **Workplace Health and Safety** System and the OHS harmonisation agenda is causing considerable angst for business at present and significant resourcing must be given to assisting business to meet their new obligations in this area.
- 3.3 Other State issues cited as part of the Big 3 for Business Survey but of lesser consolidated priority include council approval processes; retail tenancy laws; large business market dominance; media negativity; online retailing; natural disasters; daylight savings; access to finance; lack of regional focus; interest rates; insurance costs; cheap imports and distribution of mining wealth.
- 3.4 CCIQ, in assessing the major issues of importance to business, have categorised the majority of these into three themes or big issues for business. They are:
- Delivering better Economic and Fiscal Management
  - Reducing Government costs on business; and
  - Reducing Government Red Tape

TOP 20 BUSINESS CONCERNS BY REGION			
	All	South East Queensland	Regional Queensland
1	Carbon Tax	Level of energy costs	Carbon Tax
2	Level of energy costs	Overall level of State taxes	Government planning and investment for future infrastructure needs
3	Overall level of State taxes	Carbon Tax	Level of energy costs
4	Government planning and investment for future infrastructure needs	Level of economic activity and demand	Overall complexity of the Commonwealth tax system
5	Overall level of Commonwealth taxes	Overall level of Commonwealth taxes	Overall level of State taxes
6	Overall complexity of the Commonwealth tax system	Overall complexity of the Commonwealth tax system	Overall level of Commonwealth taxes
7	Overall complexity of the State tax system	State Government Budget Deficit	Overall complexity of the Federal industrial relations system
8	State Government Budget Deficit	Overall complexity of the State tax system	Overall complexity of the State tax system
9	Level of economic activity and demand	High level of government spending	State Government Budget Deficit
10	High level of government spending	Government planning and investment for future infrastructure needs	The WHS obligations of employers versus those of employees
11	Overall complexity of the Federal industrial relations system	Overall complexity of the Federal industrial relations system	Recruiting employees with appropriate skills
12	The WHS obligations of employers versus those of employees	The WHS obligations of employers versus those of employees	High level of government spending
13	Understanding obligations and regulatory requirements	Level of water costs	Understanding obligations and regulatory requirements
14	Overall complexity of the State's Workplace Health and Safety System	Understanding obligations and regulatory requirements	Level of economic activity and demand
15	Completing paperwork and reporting requirements	Overall complexity of the State's Workplace Health and Safety System	Understanding and interpreting the new WHS legislation commencing 1 Jan 2012
16	Workers compensation costs	Unfair dismissal legislation	Level of transport costs
17	Level of water costs	Completing paperwork and reporting requirements	Retaining skilled employees
18	Understanding and interpreting the new WHS legislation commencing 1 Jan 2012	Workers compensation costs	Council rates
19	Council rates	Level of interest rates/cost of finance	Overall complexity of the State's Workplace Health and Safety System
20	Finding information and monitoring changes	Finding information and monitoring changes	Completing paperwork and reporting requirements

Source: CCIQ's 2012 Big 3 for Business Election Survey - January 2012

**Legend**

**Theme 1:** Delivering Better Economic and Fiscal Management

**Theme 2:** Reducing Government Costs on Business

**Theme 3:** Reducing Government Red Tape

**Other:** Other Issues relating to Business

TOP 20 BUSINESS CONCERNS BY BUSINESS SIZE				
	All	Small (1-19 employees)	Medium (20-99 employees)	Large (100+ employees)
1	Carbon Tax	Level of energy costs	Carbon Tax	Carbon Tax
2	Level of energy costs	Carbon Tax	Overall level of State taxes	Government planning and investment for future infrastructure needs
3	Overall level of State taxes	Overall level of Commonwealth taxes	Level of energy costs	Overall level of State taxes
4	Government planning and investment for future infrastructure needs	Overall complexity of the Commonwealth tax system	The WHS obligations of employers versus those of employees	Level of energy costs
5	Overall level of Commonwealth taxes	Government planning and investment for future infrastructure needs	Overall complexity of the State tax system	Workers compensation claims including common law
6	Overall complexity of the Commonwealth tax system	Overall level of State taxes	Overall level of Commonwealth taxes	Overall complexity of the Federal industrial relations system
7	Overall complexity of the State tax system	Level of economic activity and demand	Overall complexity of the Commonwealth tax system	High level of government spending
8	State Government Budget Deficit	State Government Budget Deficit	Overall complexity of the Federal industrial relations system	Workers compensation costs
9	Level of economic activity and demand	Overall complexity of the State tax system	Government planning and investment for future infrastructure needs	Overall level of Commonwealth taxes
10	High level of government spending	High level of government spending	State Government Budget Deficit	Overall complexity of the Commonwealth tax system
11	Overall complexity of the Federal industrial relations system	Overall complexity of the Federal industrial relations system	Payroll Tax	Overall complexity of the State tax system
12	The WHS obligations of employers versus those of employees	Understanding obligations and regulatory requirements	Recruiting employees with appropriate skills	State Government Budget Deficit
13	Understanding obligations and regulatory requirements	The WHS obligations of employers versus those of employees	High level of government spending	Level of economic activity and demand
14	Overall complexity of the State's Workplace Health and Safety System	Level of water costs	Understanding obligations and regulatory requirements	Level of water costs
15	Completing paperwork and reporting requirements	Overall complexity of the State's Workplace Health and Safety System	Workers compensation claims including common law	Unfair dismissal legislation
16	Workers compensation costs	Council rates	Workers compensation costs	Payroll Tax
17	Level of water costs	Completing paperwork and reporting requirements	Completing paperwork and reporting requirements	Recruiting employees with appropriate skills
18	Understanding and interpreting the new WHS legislation commencing 1 Jan 2012	Finding information and monitoring changes	Understanding and interpreting the new WHS legislation commencing 1 Jan 2012	Retaining skilled employees
19	Council rates	Level of interest rates/cost of finance	Overall complexity of the State's Workplace Health and Safety System	Understanding and interpreting the new WHS legislation commencing 1 Jan 2012
20	Finding information and monitoring changes	Level of telecommunications costs	Unfair dismissal legislation	The WHS obligations of employers versus those of employees

Source: CCIQ's 2012 Big 3 for Business Election Survey - January 2012

#### Legend

**Theme 1:** Delivering Better Economic and Fiscal Management

**Theme 2:** Reducing Government Costs on Business

**Theme 3:** Reducing Government Red Tape

**Other:** Other Issues relating to Business

A photograph of a woman with shoulder-length brown hair, smiling warmly. She is wearing a white t-shirt and a black and white striped apron. She is standing behind a counter, likely in a cafe or coffee shop, with a professional espresso machine visible to her right. The entire image is overlaid with a semi-transparent green filter. The text 'Theme 1: Delivering Better Economic and Fiscal Management' is written in white, sans-serif font across the lower half of the image.

# Theme 1: Delivering Better Economic and Fiscal Management

# 4. Theme 1 – The Role of Government for Business

## 4.1 The Role of Government

The State Government has a vital role in building and sustaining the economy. Queensland businesses predominantly see the responsibility of State and Local Government as creating an environment which is conducive to economic growth. Every region in Australia is in competition with each other to some extent. As a result, Queensland needs to have a business operating environment that is the absolute standout as a region to do business in.

## 4.2 Sustainable Competitive Advantages

The things that Queensland does well happen because the market brings our sustainable competitive advantages to focus in these areas. The reality is that if the general business environment is right, the marketplace will determine the nature of our economic development. Queensland tends to either be leading the pack in terms of high business costs, or trailing the pack due to specific disadvantages. This means that in some industries Queensland has a genuine competitive advantage, while in others we must, where possible, overcome natural barriers.

The challenge for State and Local Government is to press home our advantages, and to ensure we maximise the benefits that these advantages can bring to our economy. At the same time, we must identify the areas where we can improve, and systematically address them. That is to 'lock in' those areas where we have a competitive advantage and improve those areas where we operate at a disadvantage. Having a historical competitive advantage on some aspects is no reason to be complacent about the rest. In those areas that are within our control, our target must be the best in every aspect affecting the business operating environment.

## 4.3 Clear and Measurable Goals

It is vitally important that we have a clear vision as to the State's economic development strategy over the next five to ten years. It is even more important that the Strategy is underpinned by challenging and achievable goals, which are measurable. It is not sufficient, for example, to say that we will promote economic growth unless there is a measurable target as to where our economy should be in a given time frame. To foster community ownership these targets or goals must be in the public domain and subject to regular progress reports.

## 4.4 Government Assistance for Industry

The Queensland business community does not seek significant direct financial assistance from State or Local Governments, particularly in areas where the same assistance is readily available from other sources. The emphasis on Government assistance should, in the main, be strategic rather than client focused. Examples whereby Government resources can make a significant difference include:

- Encouraging business take up of accredited training;
- Export development;
- Industrial Estates;
- Encouragement of industrial clusters;
- Business/Skills Migration; and
- Infrastructure Development.

## 4.5 Industry Consultation

It is essential that both Local and State Governments consult regularly with industry and commerce. The prime avenue for consultation should be through the existing business organisations such as the Chamber of Commerce movement.

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
The Government (Local and State) understands the needs of your business and adequately consult when implementing policy changes.	10.5%	4.8%	10.3%	26.7%	47.7%

Source: CCIQ's 2012 Big 3 for Business Election Survey – January 2012

4.6 CCIQ believes it is imperative that the next State Government demonstrates to the Queensland private sector that maintaining an environment where business can grow and employ is one of its key priorities. CCIQ believes it is time for the State Government to recommit to a much stronger competitive business environment in Queensland. The State Government can no longer rely upon Queensland's once competitive low tax State status. CCIQ believes it should be assessed on what it provides in initiatives each year to further stimulate the economy.

## RECOMMENDATIONS

CCIQ encourages fiscal responsibility and the enhancement of a competitive business operating environment within Queensland. CCIQ advocates the following interacting fiscal strategies as the framework to achieve a healthy sustainable Queensland economy.

**Budget Position:** Better management of the State's finances in a fiscally responsible manner. This principle must be adhered to whilst also pursuing the following budget principles:

**Red Tape:** To have the lowest red tape burden in Australia.

**Taxation:** To have a business tax regime which is the most competitive of all states and which promotes growth and encourages participation.

**Charges by Public Utilities:** To ensure that charges imposed by public utilities (water, energy, ports etc) are the most competitive of all States.

**Government Services:** Provision of a range and level of Government Services which meet reasonable community expectations at a cost consistent with best practice.

**Infrastructure:** To ensure that essential public infrastructure is maintained on a sustainable basis at a level which will encourage economic development and that maximises the use of the private sector.

“Queensland needs greater encouragement for growth in small business and less regulation.”

“There is a lot of mismanagement occurring at a State and Local Government level; hopefully the elections will ensure that they consider the small and medium operators more for the future.”

“Business regulation and compliance are a huge impost on business and employment.”

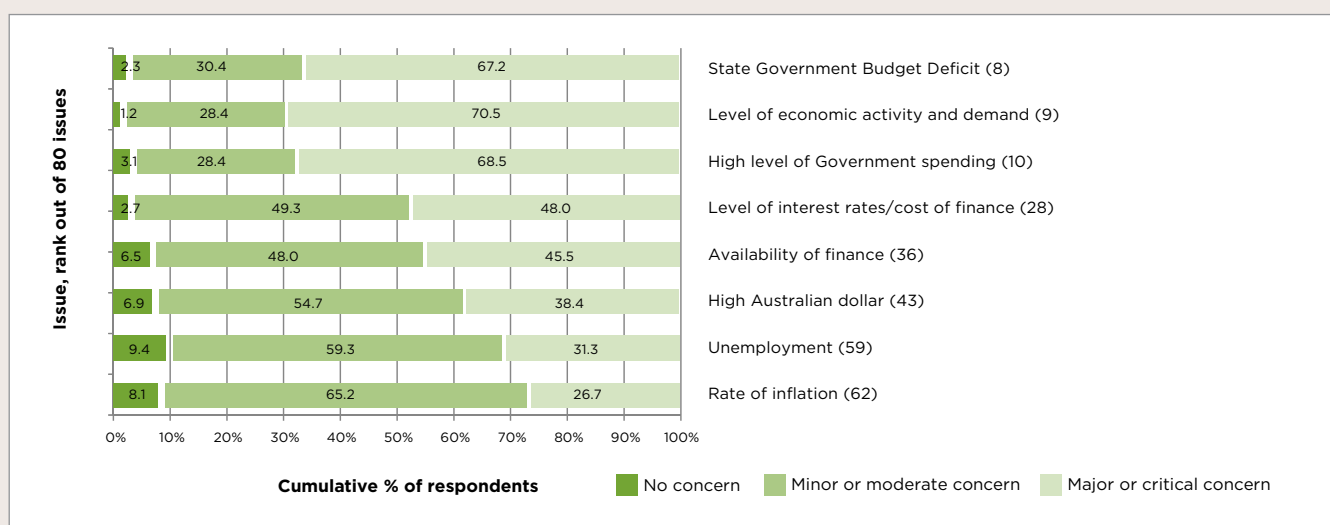
- Queensland Business Operators



# 5. Theme 1 – State Government Fiscal Management

5.1 The challenge for the next State Government is to identify the areas where Queensland can be improved, and systematically address them. Economic and Fiscal Management is one of these areas particularly given its ability to influence business and consumer confidence, spending and investment decisions

## ECONOMIC ISSUES



Source: CCIQ's 2012 Big 3 for Business Election Survey – January 2012

## THE BUDGET POSITION

5.2 The State Government's relative commitment to fiscal discipline and actions to commence bringing the State Budget closer to a sustainable position is commendable, however, it is not enough and will not restore the state's vitally needed AAA credit rating. The business community believes efforts to get the budget back into the black thus far are minimalist in approach and the State Government must increase its actions to:-

- Deliver a budget operating surplus as soon as possible;
- Reign in recurrent expenditure;
- Continue with its public sector infrastructure spending with emphasis given to encouraging private sector involvement in major public infrastructure projects; and
- Use asset sale proceeds to retire debt or fund new infrastructure and not used for recurrent expenditure.

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
It is absolutely essential that the Queensland State Government strive to return the budget to surplus as soon as possible.	32.9%	33.5%	20.5%	10.9%	2.1%

Source: CCIQ's 2012 Big 3 for Business Election Survey – January 2012

5.3 Inevitably the embedded structural deficit that exists within the State Budget must be addressed. Key points that can be readily discerned from the State's financial position:

- Expenditure is increasing at a significantly higher rate than revenue and CPI;
- Consequently the budget position is being progressively eroded with actual and forecast deficits across the forward estimates;
- The deficit will peak at \$4,213 million in 2012-13 and the budget will not return to surplus until at least 2014-15 and debt expected to reach \$89.7 billion by 2014-15; <sup>2</sup>
- Forward estimates do not contain trends that will restore the State's vitally needed AAA credit rating;

- All States have a prized triple-A credit rating except Queensland and Tasmania. Queensland has been the only State during recent years to have its credit rating adjusted downwards;
- Overall trend in recent years has been one of deterioration driven by growth in recurrent spending;
- Failure to reduce spending growth will threaten the sustainability of our public finances over the medium term and damage the economy's competitiveness through dependence on prevailing high business taxes and charges.

Summary	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
Revenue	31,430	37,008	39,729	41,957	44,416	43,631	48,150	50,257
Expenses	32,989	36,974	39,785	43,473	47,269	47,844	49,410	50,197
Net Operating Balance	-1,559	35	-56	-1,516	-2,853	-4,213	-1,261	60
Cash Surplus / Deficit	-4,922	-2,839	-5,305	-5,880	-6,914	-7,456	-3,807	-1,126
Capital Purchases	5,716	6,960	8,767	8,237	7,292	6,987	6,250	4,810
Net Borrowing	4,175	3,728	5,182	1,311	8,172	9,320	5,556	2,486
Gross Borrowing	6,328	10,278	15,916	25,089	32,158	41,490	47,049	49,549
Net Worth	155,178	184,619	175,655	171,222	171,282	171,271	173,719	178,195
Net Debt	-22,598	-19,281	-13,342	-9,047	-3,206	4,924	9,015	10,441

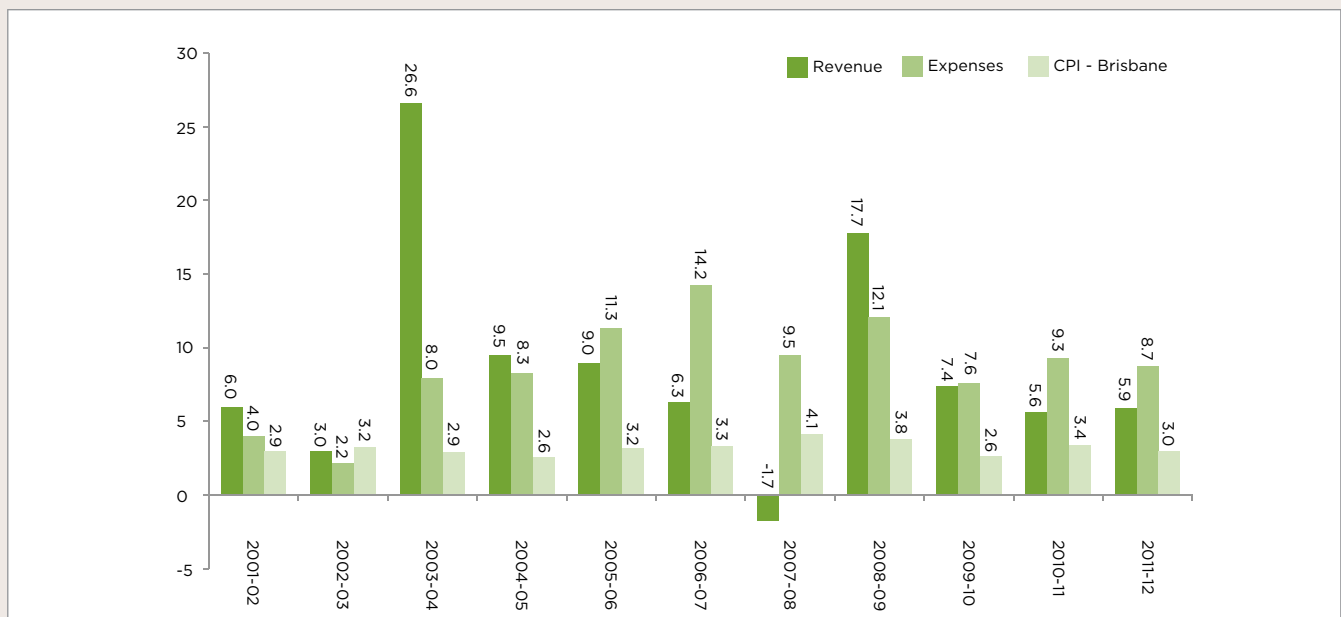
Dollar values in millions and in current prices

Source: ABS Catalogue 6401.0 and Queensland State Budget Papers, Budget Strategy and Outlook, Budget Paper No.2 & MYFER

	Moody's	Standard & Poors
New South Wales	Aaa	AAA
Queensland	Aa1	AA+
Australian Capital Territory	na	AAA
Western Australia	Aaa	AAA
Victoria	Aaa	AAA
South Australia	Aaa	AAA
Tasmania	Aaa	AA+
Northern Territory	Aa1	na

Source: State Budget Papers

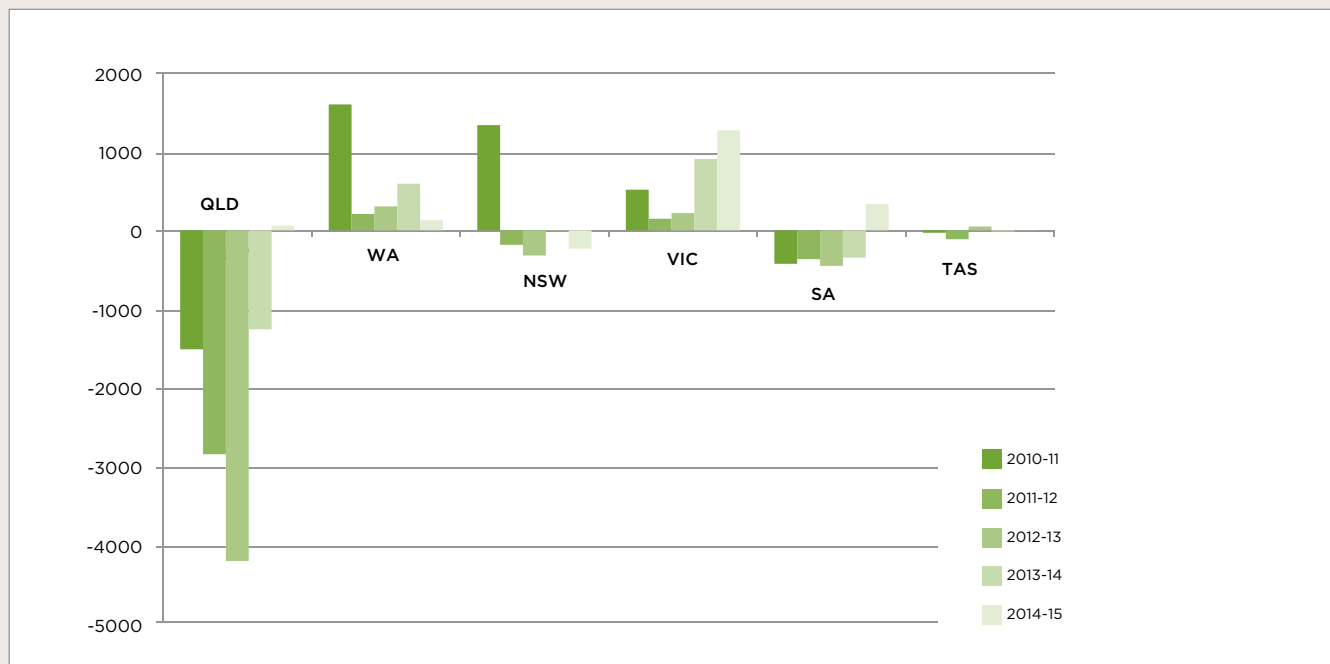
**% GROWTH IN STATE GOVERNMENT REVENUE & EXPENDITURE**



Source: ABS Catalogue 6401.0 and Queensland State Budget Papers, Budget Strategy and Outlook, Budget Paper No.2 & MYFER

5.4 When Queensland is already running a deficit it stands to reason that when future expenses exceed future revenue an embedded deficit will remain. The following graph highlights that Queensland appears to be dramatically out of sync with the budget positions of all other States. This is no doubt the major contributing reason for the Credit Rating Agencies' poor assessments of our financial position.

**STATE BUDGET SURPLUSES / (DEFICITS) (\$ MILLIONS)**



Source: ABS Catalogue 6401.0 and Queensland State Budget Papers, Budget Strategy and Outlook, Budget Paper No.2 & MYFER

5.5 If CCIQ had to crystal ball gaze, a further asset privatisation program will need to be considered; increases in taxes, fees and charges will be put forward; and further redundancies across the public sector will be mooted as solutions to address a brewing debt storm.

**GOVERNMENT EFFICIENCY**

5.6 The challenge for the next State Government is to improve its fiscal management. CCIQ believes the only way that this can occur is by dramatically reigning in the expenditure of the State Government. However there exists a business community perception that the current State Government appears reluctant to look at its own cost structure which is the underlying cause of its financial difficulties. During the most recent economic downturn the Queensland business community has had to look at its own expenditure in order to balance the books. Businesses are rightly asking the question why the State Government should be any different. The State Government's line of protecting public service inefficiency is severely limiting its ability to address the budget deficit and State Government debt.

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
There is considerable room for improvement in the efficiency and effectiveness of State Government service delivery	73.7%	20.8%	3.4%	1.3%	0.8%

Source: CCIQ's 2012 Big 3 for Business Election Survey - January 2012

5.7 The role of the public sector is to deliver services required by the taxpayers in the most efficient manner possible. The expense and delivery of Government services represents a significant business input cost in Queensland. The dominance of the public sector in the Queensland economy means the efficiency and effectiveness of government is essential to the performance of the State economy. Strong efforts must be made to ensure departmental operating expenses do not rise unchecked. Duplication and inefficiency in the government sector results in an unnecessary taxation burden on business. CCIQ supports the need for a small, flexible, highly skilled public sector with the knowledge and capacity to work cooperatively and engage with business.

**5.8 CCIQ examples of potential efficiency savings include:**

- If growth in State Government expenditure remained unchanged in real terms during 2011-12 then budgetary savings of \$3.796 billion would have been achieved or eroding 133% of the budget deficit subsequently turning it into a surplus. <sup>3</sup>
- State Government's employee expenses increased in 2011-12 by 7.8% an outcome inconsistent with Queensland's private sector. Indeed \$1,317 million or 46.2% of the forecasted 2011-12 budget deficit could be slashed if the wages bill was capped at 2010-11 levels. CCIQ believes that the Queensland community would understand that the public sector has to bear more responsibility for cost saving measures. <sup>4</sup>
- The potential of \$1.1 billion in savings or 38.6% of the forecasted 2011-12 budget deficit if Queensland can match the outcomes achieved by the best performing State as measured by the Productivity Commission's Report of Government Service Provision which CCIQ highlighted in last year's State Budget submission. <sup>5</sup>

## RECOMMENDATION

The Queensland Government must adopt strategies that achieve a more efficient and effective public sector. Such policies would bring about a return to a budget operating surplus and restoration of the State's AAA credit rating.

REVENUE	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
Taxation revenue	8,877	9,474	9,876	10,509	11,337	12,315	13,364
Grants	17,476	20,375	20,081	21,898	19,426	22,331	22,732
Sales of good and services	3,568	3,928	4,113	4,510	4,835	5,113	5,290
Interest income	1,482	2,132	2,289	2,461	2,616	2,694	2,765
Dividends & Income tax equivalent income	1,180	1,005	1,335	1,038	1,174	1,467	1,753
Other	4,425	2,678	3,489	4,001	4,244	4,229	4,354
<b>Total Revenue</b>	<b>37,008</b>	<b>39,592</b>	<b>41,183</b>	<b>44,417</b>	<b>43,632</b>	<b>48,149</b>	<b>50,258</b>

EXPENSES	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
Employee expenses	14,305	15,395	16,955	18,272	18,898	19,737	20,741
Superannuation Interest Cost	858	1,329	1,265	1,221	1,235	1,324	1,325
Other Superannuation Expenses	2,012	2,019	2,128	2,259	2,318	2,374	2,416
Other Operating Expenses	7,185	8,124	8,659	9,560	9,588	9,561	9,499
Depreciation and amortisation	2,496	2,479	2,608	2,885	3,129	3,365	3,519
Other interest expenses	599	827	1,240	1,691	2,126	2,486	2,722
Grant Expenses	9,519	9,802	10,455	11,381	10,550	10,564	9,975
<b>Total Expenses</b>	<b>36,974</b>	<b>39,976</b>	<b>43,310</b>	<b>47,269</b>	<b>47,844</b>	<b>49,411</b>	<b>50,197</b>

BALANCE SHEET	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
Financial assets	57,523	57,319	57,209	57,390	59,415	61,884	64,168
Non-financial assets	172,326	180,982	181,778	184,040	192,167	198,456	203,730
<b>Total Assets</b>	<b>229,849</b>	<b>238,301</b>	<b>238,987</b>	<b>241,430</b>	<b>251,582</b>	<b>260,340</b>	<b>267,898</b>
Total liabilities	45,230	50,694	61,021	70,148	80,312	86,621	89,702
<b>Net Worth</b>	<b>184,619</b>	<b>187,607</b>	<b>177,966</b>	<b>171,282</b>	<b>171,271</b>	<b>173,719</b>	<b>178,195</b>
Net Financial Worth	12,293	6,625	-3,812	-12,758	-20,897	-24,737	-25,535
Net Financial Liabilities	11,660	18,273	22,720	29,702	38,461	43,112	44,805
<b>Net Debt</b>	<b>-19,281</b>	<b>-13,206</b>	<b>-9,989</b>	<b>-3,206</b>	<b>4,924</b>	<b>9,015</b>	<b>10,441</b>

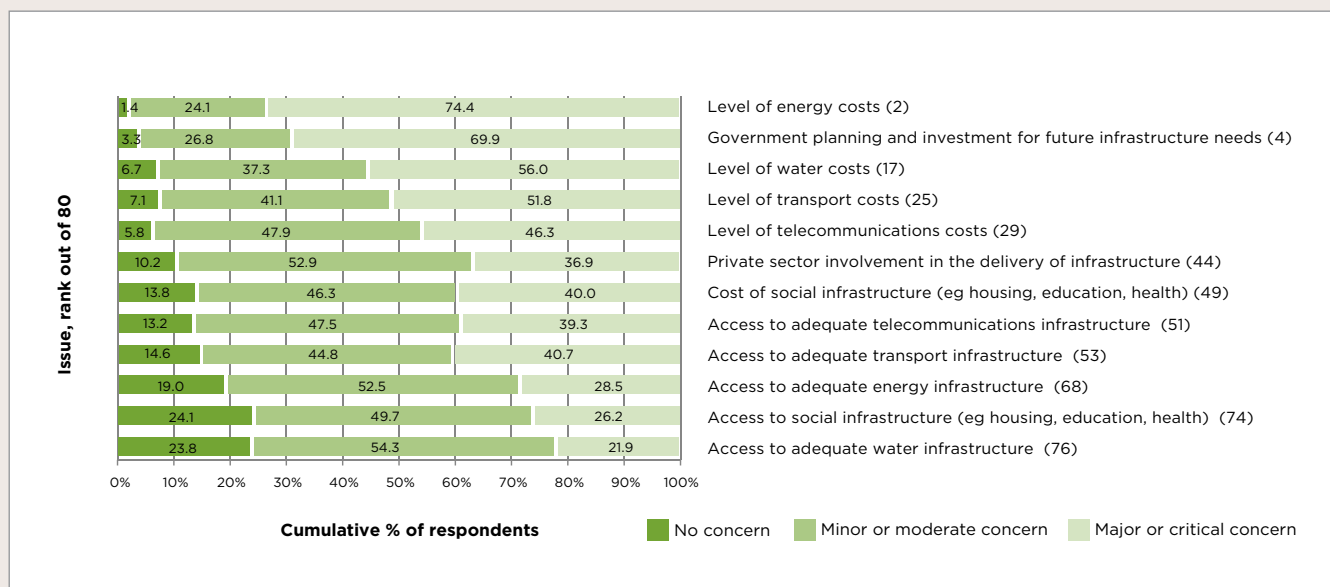
Dollar values in millions and in current prices

Source: Queensland State Budget Papers, Budget Strategy and Outlook, Budget Paper No.2 & MYFER

# 6. Theme 1 – Infrastructure

- 6.1 Queensland's infrastructure is vital to our economy. In order to grow and prosper, it is essential that our infrastructure is capable of meeting the needs of the State's economy today, and through better planning, construction and maintenance, meets the needs of our growing economy and population into the future.
- 6.2 The above average population growth currently being experienced is placing increasing pressure on Queensland's infrastructure networks. Queensland also faces additional challenges in meeting the state's infrastructure requirements due to its large geographical area and low population density, which means that the cost of maintaining infrastructure is high and shared among relatively few taxpayers without cross-subsidisation.
- 6.3 It is important that the State's infrastructure networks are able to cope with increasing demand in order to:
  - Encourage ongoing business investment and expansion into regional areas leading to positive impacts on population growth;
  - Drive above-average economic growth and ensure the future prosperity of all Queensland communities;
  - Enhance the competitiveness of the state in domestic and global marketplaces;
  - Reduce the negative impacts felt by businesses due to poor or inefficient infrastructure such as high business costs, reduced productivity, impacts on customer relationships, reduced availability of staff and delayed expansions of businesses.
- 6.4 The following graph indicates the range of issues that Queensland businesses prioritise in terms of infrastructure.

## INFRASTRUCTURE ISSUES



Source: CCIQ's 2012 Big 3 for Business Election Survey – January 2012

## PLANNING FOR QUEENSLAND'S FUTURE INFRASTRUCTURE NEEDS

6.5 Queensland businesses often raise concerns about the State's infrastructure networks not keeping pace with demand (shown in the above graph with 69.9% of businesses expressing major or critical concern with government planning and investment for future infrastructure needs). Population planning is seen as mainly reactive resulting in existing infrastructure and development catering only for the needs of the current population, not the growing population moving forward. The State Government is often seen to be playing "catch-up" in terms of delivering infrastructure that meets the needs of the growing population. There are also higher levels of discontent with infrastructure planning and delivery in regional Queensland compared to SEQ.<sup>6</sup> This situation needs to be rectified as a matter of urgency to alleviate the brake that infrastructure constraints place on economic growth and productivity.

6.6 In relation to planning for Queensland’s future infrastructure networks, Queensland businesses are strongly supportive of:

- Developing a long term planning approach that identifies key infrastructure needs within all Queensland regions and an associated timeline for their delivery;
- Ensuring infrastructure plans remain up-to-date with identified infrastructure priorities continuing to reflect the needs of businesses and the community;
- Regular audits and surveys should be undertaken to identify capacity constraints and infrastructure gaps, with associated strategies developed to address identified challenges in every region;
- Continual updating of timelines to provide increased certainty and direction for businesses that allow them to make informed decisions about investment and expansion activities;
- Equal focus on SEQ and regional Queensland.

### RECOMMENDATION

Improve infrastructure planning to incorporate the feedback of the Queensland business community to ensure it can meet the needs of the growing population and economy.

### PRIVATE SECTOR PARTICIPATION

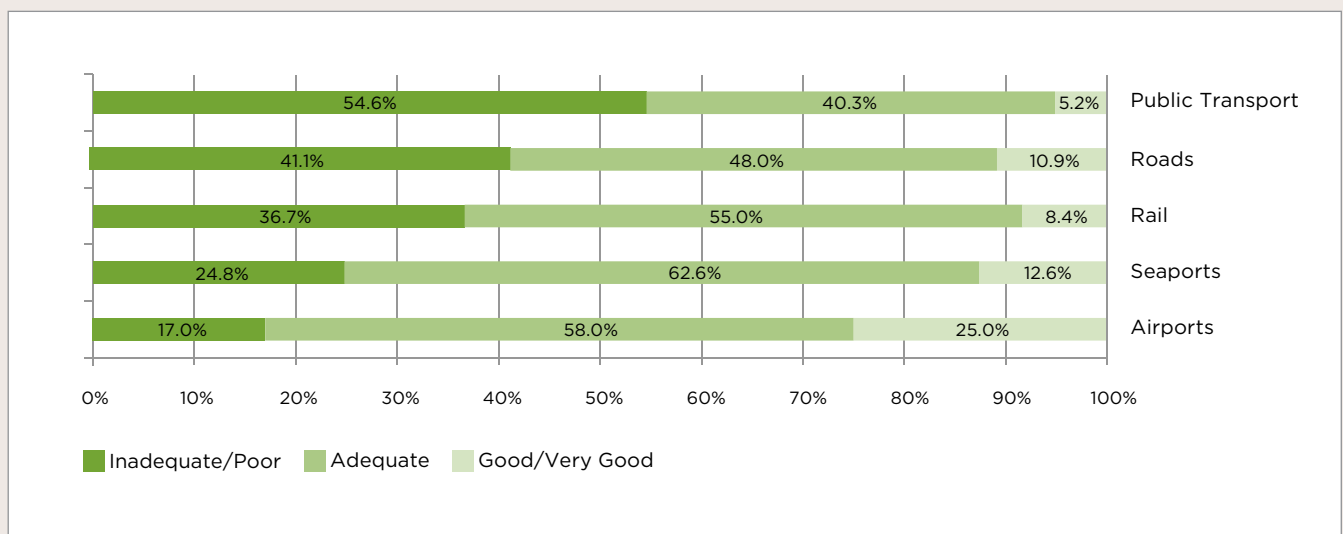
6.7 CCIQ is strongly supportive of placing increased attention on how to encourage and increase private sector participation in the delivery, management and operation of Queensland’s infrastructure networks. Queensland businesses have identified a number of impediments that currently discourage their participation in Public-Private-Partnerships including the lack of information available on the potential opportunities that exist, complicated application processes, excessive amounts of red tape and initial capital outlay requirements. The most appropriate ways to engage the private sector in infrastructure projects throughout all Queensland regions needs to be determined. For more information, see section 20 on increasing local opportunities.

### TRANSPORT INFRASTRUCTURE

6.8 CCIQ released a transport blueprint in 2011 that provides a Queensland business perspective of how to improve Queensland’s transport infrastructure to drive business and economic growth and enhance productivity. <sup>7</sup> This Blueprint found that demand on the state’s transport networks will only increase moving forward, with demand being driven by a strong population growth rate, significant projected increases in freight movement over the coming decade and the growing number of private vehicles on our roads.

6.9 Currently an efficient and reliable transport network is of high importance to around half of Queensland businesses. Businesses in regional areas have a significantly higher reliance on transport networks than those located in SEQ due to lower population densities and the vast distances travelled for business purposes. However, transport networks are rated quite poorly by businesses resulting in impacts such as increased costs, decreased efficiency/productivity, delayed deliveries, negative impact on staff retention and decreased customer satisfaction.

#### BUSINESS RATING OF QUEENSLAND’S TRANSPORT NETWORKS



Source: CCIQ Transport Blueprint

#### 6.10 Key recommendations in the CCIQ Transport Blueprint include:

- The State Government must commit to a major transport infrastructure agenda designed to improve the availability and capacity of networks in each region.
- Investigate alternative funding mechanisms that could be adopted for establishing and maintaining transport infrastructure in Queensland.
- Determine the most appropriate ways to engage the private sector in transport projects.
- Flood proofing and flood mitigation should be a key consideration during the development or maintenance of any transport network throughout the state.
- The Queensland Infrastructure Plan needs to outline strategies to overcome capacity constraints within all transport networks throughout the state in order to reduce bottlenecks and deliver a transport network that provides a competitive advantage to growing and productive businesses.
- Undertake initiatives aimed at delivering a more integrated public transport network in SEQ.
- State Government working with industry to develop a strategic vision on how to reduce our state's reliance on the road network by enhancing the feasibility of other modes of transport.
- Increased priority to be placed on enhancing the capacity, reliability and accessibility of regional transport networks.

## RECOMMENDATION

Implement the recommendations of CCIQ's Transport Blueprint.

## OTHER INFRASTRUCTURE PRIORITIES

#### 6.11 Other infrastructure priorities identified by our members include:

- Substantial improvements to social infrastructure access, including in regional areas. Key access issues relate to child care facilities, health services and affordable housing;
- Enhancing access to high speed broadband which has the potential to deliver a range of additional benefits for businesses including improved productivity, increased efficiency and cost savings;
- Reliable and affordable access to water infrastructure.

“The planning horizon is too short. Qld population has grown at roughly the same rate for the last 35 years - the current problems have not just materialised. The real issue was that planning for the future stopped in 1989 and was only recently recommenced.”

“Public transport remains a problem with no apparent major improvements in the pipeline. As long as they continue to spend money on roads, people will continue to drive to work in preference.”

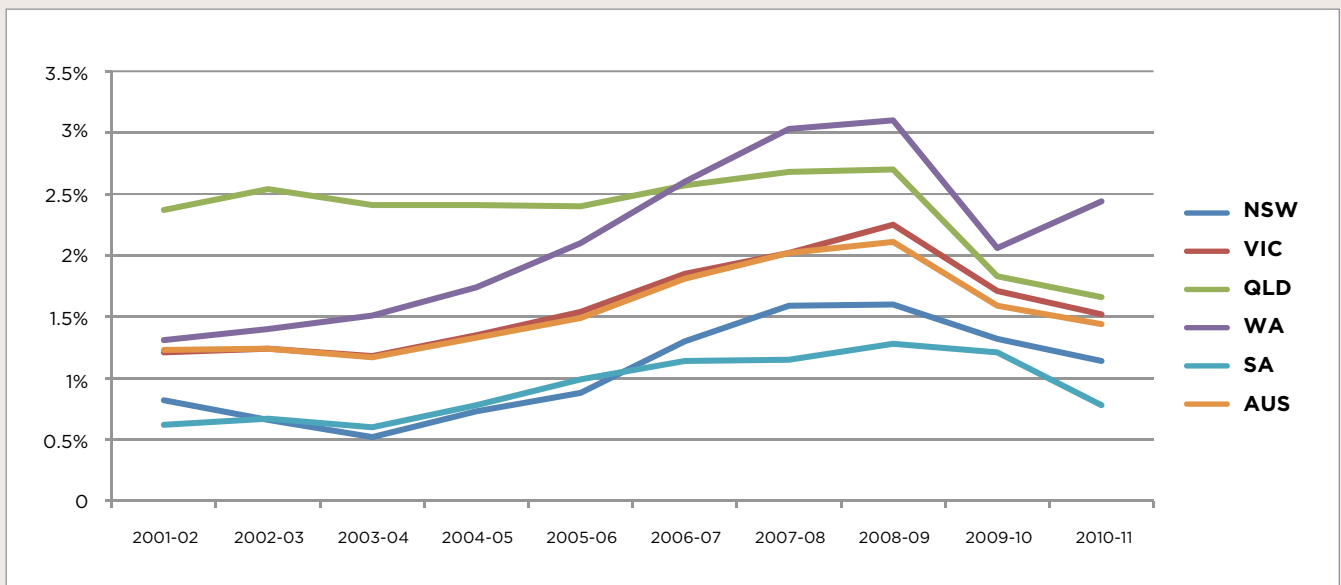
“There is still a lot of catching up to be done on infrastructure by our state government to catch up for twenty years of nothing being done.”

- Queensland Business Operators

# 7. Theme 1 – Population and Regionalisation Strategies

- 7.1 Queensland continues to maintain strong population growth which creates abundant opportunities as well as challenges for our state's economy and business community. It is essential that we capitalise on these opportunities whilst meeting challenges head on to secure Queensland's future prosperity.
- 7.2 At the beginning of 2012, Queensland's population was estimated at 4.62 million people, with an increase of one person every 6 minutes and 54 seconds.<sup>8</sup> Queensland has the third largest population in Australia with one fifth of the population residing in the State.<sup>9</sup> Queensland had the highest growth rate in Australia until 2007-08 when it was overtaken by Western Australia. Between 2008-09 and 2010-11, Queensland's annual population growth rate fell by 1.0% to 1.7% however it continues to be significantly higher than NSW (1.1%), Victoria (1.5%) and Australia (1.4%).<sup>10</sup>

**POPULATION GROWTH IN TOP 5 POPULATED STATES AND AUSTRALIA OVER THE LAST DECADE**



Source: ABS Australian Demographic Statistics, Cat No 3101.0

These growth patterns represent a significant challenge for the Queensland Government with much needing to be done to ensure the needs of the state's growing population are met moving forward.

## QUEENSLAND POPULATION POLICY

- 7.3 A growing population is very important for ensuring that Queenslanders continue to enjoy high standards of living, and for vibrant regional economies and communities. Queensland businesses have expressed concerns regarding business viability, business costs, business productivity and the impact on the state's economy and competitiveness if population growth were to taper significantly in Queensland.<sup>11</sup>
- 7.4 Overall, the Queensland business community is supportive of the Queensland Government taking a leadership and coordination role to ensure the most consistent, coherent and considered approach to population planning and infrastructure provision is undertaken state-wide.

## RECOMMENDATION

Develop a long term Queensland Population Policy.



7.5 A population policy should support the following strategies:

- Encouraging the settlement of the state's increasing population to regional Queensland;
- Planning and development of infrastructure networks that meet the needs of the growing population and economy (see section 6.0 on infrastructure);
- Marketing and promotional campaigns to increase the knowledge, awareness and attractiveness of Queensland's regions;
- Developing strategies to meet the labour and skills demands of business, encouraging investment and settlement in all Queensland regions (see section 19.0 on skills and education);
- Developing region and industry specific Industry Development Plans;
- Implementing strategies that enhance the tax competitiveness of Queensland regions (see section 9.0 on State taxation);
- Adopting innovative and practical ways to reduce the regulatory burdens impacting on Queensland businesses and communities (see section 15.0 on red tape reduction);
- Strengthening community engagement and consultation practices.

## REGIONALISATION AND DECENTRALISATION

7.6 The key component of any Queensland population strategy must be a focus on regionalisation and decentralising the population. Currently, two thirds of Queensland's population (66%) resides in South East Queensland.<sup>12</sup> Many Queensland businesses have expressed strong support for decentralising the Queensland population from the SEQ corner to ensure Queensland can reach its full potential while sustaining and capitalising on growth. Strengthening regional economies will have positive impacts on regional unemployment rates and on population growth whilst partially helping to alleviate growth pressures in SEQ.

## RECOMMENDATION

Develop a Queensland regionalisation and decentralisation policy enhancing competitiveness of the State's regional economies.

7.7 A regionalisation and decentralisation policy should incorporate the following priorities:

### Ensuring Adequate Infrastructure and Services

- Identification of ways to increase the accessibility of Queensland regions, including improvements to the quality and weather resilience of the roads network, increasing access to public transport and upgrading airport infrastructure.
- Development of long term comprehensive water and energy supply strategies for each region to ensure the ongoing adequacy and security of water and electricity supplies.
- Development and regular review of long term regional infrastructure and services plans linked to population mapping activities.

### Creating a Competitive Business Environment


- Adoption of innovative and practical ways to address barriers to increased business investment in Queensland regions, particularly through the reduction of inconsistent, duplicated and burdensome regulation.
- Development of regional skills plans to identify and address the needs of local businesses, the resource sector and its support industries.
- Development of regional and resource project plans that incorporate an assessment of the impact of the fly-in/fly-out workforce on local economies, infrastructure and services with a view to maximising the long-term stability of the region and opportunities for investment and local businesses.

### Attracting People and Business Investment to Regional Queensland

- Promotion and marketing of the lifestyle advantages of living and working in regional Queensland, directed at businesses, investors and metropolitan based workforces nationally with the aim of increasing investment and population flows into regional cities.
- Decentralisation of Queensland Government offices and functions, where appropriate.
- Development of strategies to address the significant disparity in the quality and availability of education and training opportunities in regional Queensland compared to South East Queensland.
- Alignment of social infrastructure and community service enhancement in line with projected population increases.
- Creation of a single entry point in government to support business investment and expansion in regional areas.

“Queensland’s population has been continually growing for many years now and state governments have not been keeping up with demand.”

- Queensland Business Operator



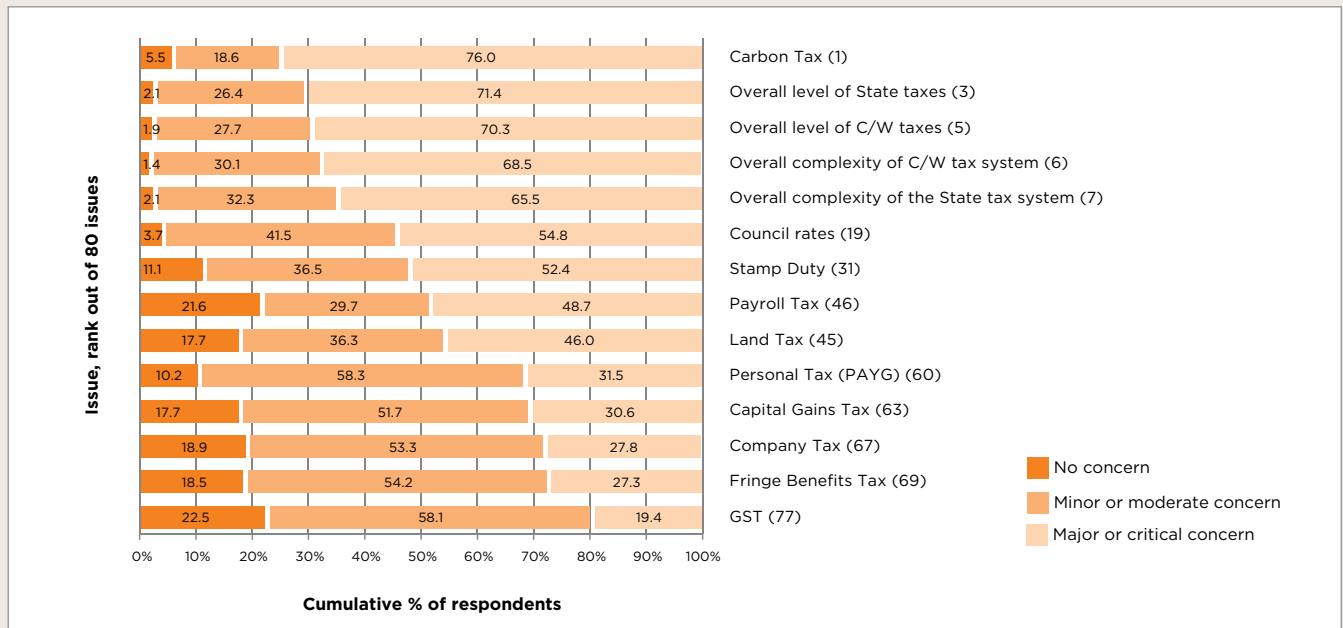
# Theme 2: Reducing Government Costs on Business



# 9. Theme 2 – State Taxation

9.1 Queensland's economy has become more dynamic, efficient and productive over recent decades. However, the State's tax system has adapted slowly to these changes. As a result, the State's taxes are considered by Queensland businesses to be a brake on the State economy achieving its full potential and being as internationally competitive as it can be. CCIQ believes that the State Government must assist business by easing the taxation burden.

## TAXATION ISSUES



Source: CCIQ's 2012 Big 3 for Business Election Survey - January 2012

## INDEXING OF THRESHOLDS

9.2 There is a tendency amongst policymakers to index fees and charges but not tax thresholds. This damaging and distorting practice means that businesses are quickly caught in the 'tax trap' due to the economy's inflationary trends.

## RECOMMENDATION

The State Government index all business tax thresholds on 1 July each year.

## PAYROLL TAX

9.3 One of the most burdensome taxes upon business is payroll tax and changes to reduce the complexity and burden of payroll taxes are necessary if Queensland businesses are to remain competitive. Payroll tax directly impedes employment and industry growth. Payroll tax acts as a direct disincentive to employers expanding their workforce above the payroll tax threshold. It moves resources away from business investment and expansion.

9.4 CCIQ recognises the relative importance of payroll tax to Queensland State Government receipts but believes that the negative effects of this regressive taxation and its adverse impact on international competitiveness clearly places it at the head of any taxation reform strategy. Accordingly CCIQ recommends a long term view of completely phasing out payroll tax through progressively lifting the exemption threshold.

9.5 Queensland Government is increasingly relying on payroll tax to fund State services. The demonstrated growth in payroll tax from 25.0% to 33.2% of State taxation revenue shows an increasing dependency on payroll tax for the generation of state taxation revenue.

State Taxation Revenue												% Increase	
	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	\$ Increase	01-02 to 11-12
Payroll Tax	\$1,202	\$1,334	\$1,479	\$1,674	\$1,917	\$2,232	\$2,493	\$2,754	\$2,687	\$3,023	\$3,492	\$2,290	190.5%
Payroll Tax as a % of Total State Taxes	25.0%	23.8%	22.2%	24.1%	25.9%	26.3%	26.1%	31.0%	28.7%	30.3%	33.2%		8.3%

Dollar values in millions and in current prices

Source: ABS Catalogue 6401.0 and Queensland State Budget Papers, Budget Strategy and Outlook, Budget Paper No.2 & MYFER

9.6 Queensland is the only State whereby the payroll tax exemption threshold reduces to zero for payrolls between \$1 and \$5 million. Employers with payrolls just over \$5 million do not enjoy any benefit of an exemption threshold. For a band of employers in Queensland approaching \$5 million and over \$5 million they are at a competitive disadvantage with several other States. CCIQ recommends the removal of the diminishing exemption threshold to be replaced by a flat exemption threshold set at at least \$2 million.

9.7 In the interim period of phasing out payroll tax there is a clear case for indexing the threshold given bracket creep. The Payroll tax threshold should be indexed to annual wages growth. Adjustments should also be made if there are legislative changes to other components of payroll tax, such as the superannuation guarantee levy.

## RECOMMENDATIONS:

- The next State Government remove the diminishing exemption threshold and replace it with a flat exemption threshold set at least at \$2 million and then indexed to annual wages growth.
- The next State Government commit to completely phasing out payroll tax from the Queensland tax stable through progressively lifting the exemption threshold.

## STAMP DUTIES

9.8 Duties on insurance, transfer of property and other business assets, and vehicle registration are of critical importance to Queensland businesses. CCIQ urges the Queensland State Government to take further action in increasing the competitiveness of Stamp Duties. Stamp duties since 2001-02 have increased by \$1.2 billion or 72%.

State Taxation Revenue												% Increase	
	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	\$ Increase	01-02 to 11-12
<b>Stamp Duties</b>													
Transfer	\$1,056	\$1,382	\$1,863	\$1,744	\$1,963	\$2,542	\$2,912	\$1,806	\$1,978	\$1,933	\$1,960	\$904	85.6%
Vehicle registration	\$184	\$234	\$271	\$267	\$269	\$289	\$403	\$433	\$398	\$432	\$440	\$256	139.1%
Insurance	\$238	\$286	\$315	\$316	\$328	\$361	\$386	\$425	\$443	\$483	\$538	\$300	126.1%
Other duties	\$250	\$279	\$383	\$316	\$370	\$368	\$344	\$40	\$26	\$33	\$31	-\$219	-87.6%
Total Duties	\$1,728	\$2,182	\$2,832	\$2,642	\$2,930	\$3,560	\$4,044	\$2,704	\$2,845	\$2,881	\$2,969	\$1,241	71.8%
Stamp Duties as a % of Total State Taxes	35.9%	39.0%	42.4%	38.0%	39.6%	42.0%	42.4%	30.5%	30.3%	28.9%	28.3%		-7.6%

Dollar values in millions and in current prices

Source: ABS Catalogue 6401.0 and Queensland State Budget Papers, Budget Strategy and Outlook, Budget Paper No.2 & MYFER

9.9 The Queensland Government under the terms of the 1999 Intergovernmental Agreement on the Reform of Commonwealth-State Financial Relations committed itself to review the need for inefficient stamp duties, including those applied to non residential conveyances, leases, credit and rental arrangements, and unquoted marketable securities. CCIQ acknowledges that the State Government has removed some duties, in accordance with the Intergovernmental Agreement. Taxes and duties that remain in place must now be reviewed in detail with the aim of eliminating those that are detrimental to the competitiveness of businesses in Queensland.

9.10 CCIQ highlights that insurance premiums continue to be a hindrance to business operating circumstances and accordingly recommends a reduction in stamp duty on insurance for businesses. Taxes on insurance in Queensland are inequitable and are actively discouraging companies from adequately protecting their assets with appropriate insurance. CCIQ urges the Queensland State Government to further adjust duty rates to at a minimum ensure that taxation receipts remain neutral to increasing insurance premiums. CCIQ believes it is time for the State Government to reconsider the burden placed on businesses through insurance taxes.

## RECOMMENDATION

Stamp duties should be reviewed in detail with the aim of eliminating those that are detrimental to the competitiveness of businesses in Queensland.

## LAND TAX

9.11 In recent years, due to significant rises in property prices, the issue of land tax has become increasingly important to business. Rising land tax costs have put enormous pressure on small businesses as the unrealised gain in the value of property has not been met by an increase in profit margins or revenue. Land tax receipts since 2001-02 have increased by over \$816 million or 353% with its proportion of State taxation revenue increasing from 4.8% to 10.0%.

State Taxation Revenue												% Increase	
	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	\$ Increase	01-02 to 11-12
Land Tax	\$231	\$279	\$313	\$419	\$404	\$485	\$610	\$838	\$1,033	\$1,042	\$1,047	\$816	353.2%
Land Tax as a % of Total State Taxes	4.8%	5.0%	4.7%	6.0%	5.5%	5.7%	6.4%	9.4%	11.0%	10.4%	10.0%		5.2%

*Dollar values in millions and in current prices*

*Source: ABS Catalogue 6401.0 and Queensland State Budget Papers, Budget Strategy and Outlook, Budget Paper No.2 & MYFER*

## RECOMMENDATION

The State Government should consider increasing the land tax threshold and reduce the rates payable to cap the level of land tax at 2009-10 levels.

## COMPLIANCE COSTS

9.12 There exists a high compliance burden facing business in relation to business taxes. CCIQ would like to work with Federal, State and Local tiers of Government to lower the compliance costs of regulations and taxes. Taxation simplification whilst not significantly impacting on revenues has the potential to deliver enormous benefits to business and accordingly CCIQ recommends reducing the compliance and paperwork burden on all businesses, but on small business in particular. This is discussed in greater detail in Section 15.0.

## RECOMMENDATION

The compliance and paperwork burden of taxes on all businesses must be reduced.

“To boost employment reduce business tax. Reduce stamp duty, stop the Carbon tax and we need the State and Local Governments to live within their budgets.”

“We were a low tax state once but not anymore.”

“The Government should abolish stamp duty and payroll tax if they want the economy to flourish.”

- Queensland Business Operators

# 10. Theme 2 - Funding State Business Cost Reductions

10.1 CCIQ has consistently stated that positive action by the State Government to improve the business environment will ultimately safeguard its taxation receipts. Carefully crafted business tax reductions ultimately do not reduce Government income as they generate significant improvement in economic activity further stimulating tax receipts. A competitive business taxation regime does to some extent involve a leap of faith as in the short term there are possible revenue implications. There can be no doubt however that the best way to protect Government revenue is to generate private sector economic activity. CCIQ research overwhelmingly concludes that savings would be used by businesses to contribute to employment and the economy by investing in plant and equipment, employing more staff, investing for future use and training of staff. These results provide strong evidence that tax savings will directly benefit the economy.

10.2 The Queensland business community has delivered a robust revenue base for the Queensland State Government over recent years.

- Payroll tax receipts since 2001-02 have increased by nearly \$2.3 billion or 190.5%.
- Stamp duties since 2001-02 have increased by over \$1.2 billion or 72%.
- Total state taxation receipts since 2001-02 have increased by nearly \$5.7 billion or 118%.

State Taxation Revenue												% Increase	
	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	\$ Increase	01-02 to 11-12
<b>Payroll Tax</b>	\$1,202	\$1,334	\$1,479	\$1,674	\$1,917	\$2,232	\$2,493	\$2,754	\$2,687	\$3,023	\$3,492	\$2,290	190.5%
<b>Stamp Duties</b>													
Transfer	\$1,056	\$1,382	\$1,863	\$1,744	\$1,963	\$2,542	\$2,912	\$1,806	\$1,978	\$1,933	\$1,960	\$904	85.6%
Vehicle registration	\$184	\$234	\$271	\$267	\$269	\$289	\$403	\$433	\$398	\$432	\$440	\$256	139.1%
Insurance	\$238	\$286	\$315	\$316	\$328	\$361	\$386	\$425	\$443	\$483	\$538	\$300	126.1%
Other duties	\$250	\$279	\$383	\$316	\$370	\$368	\$344	\$40	\$26	\$33	\$31	-\$219	-87.6%
<b>Total Duties</b>	\$1,728	\$2,182	\$2,832	\$2,642	\$2,930	\$3,560	\$4,044	\$2,704	\$2,845	\$2,881	\$2,969	\$1,241	71.8%
<b>Gambling Taxes and Levies</b>	\$568	\$638	\$726	\$806	\$841	\$825	\$889	\$922	\$927	\$945	\$992	\$424	74.6%
<b>Land Tax</b>	\$231	\$279	\$313	\$419	\$404	\$485	\$610	\$838	\$1,033	\$1,042	\$1,047	\$816	353.2%
<b>Debits Tax</b>	\$200	\$191	\$191	\$189	\$0	\$0	\$0	\$0	\$0	\$0	\$0	-\$200	-100.0%
<b>Motor Vehicle Registration</b>	\$596	\$649	\$703	\$767	\$819	\$887	\$966	\$1,041	\$1,252	\$1,336	\$1,383	\$787	132.0%
<b>Fire Levy</b>	\$192	\$203	\$213	\$225	\$239	\$252	\$265	\$283	\$298	\$314	\$330	\$138	71.9%
<b>Community Ambulance Cover</b>	\$0	\$0	\$96	\$112	\$118	\$115	\$130	\$140	\$155	\$152	\$30	\$30	na
<b>Other Taxes</b>	\$98	\$122	\$123	\$119	\$127	\$127	\$150	\$194	\$177	\$219,282	\$266	\$168	171.4%
<b>Total Taxes</b>	\$4,815	\$5,598	\$6,676	\$6,952	\$7,396	\$8,484	\$9,546	\$8,877	\$9,375	\$9,975	\$10,509	\$5,694	118.3%
<b>GSP Growth</b>	<b>3.3</b>	<b>6.1</b>	<b>5.1</b>	<b>6.2</b>	<b>5.0</b>	<b>4.2</b>	<b>4.2</b>	<b>0.2</b>	<b>2.1</b>	<b>0</b>	<b>5</b>		<b>49.8%</b>
<b>Consumer Price Index - Brisbane</b>	<b>2.9</b>	<b>3.2</b>	<b>2.9</b>	<b>2.6</b>	<b>3.2</b>	<b>3.3</b>	<b>4.1</b>	<b>3.8</b>	<b>2.6</b>	<b>3.4</b>	<b>3.0</b>		<b>37.1%</b>

Dollar values in millions and in current prices

Source: ABS Catalogue 6401.0 and Queensland State Budget Papers, Budget Strategy and Outlook, Budget Paper No.2 & MYFER

10.3 This table represents a very high and growing level of reliance on businesses to fund Government services. Queensland business is understandably alarmed by this trend. Business acknowledges and accepts that certain levels of taxation are necessary to ensure the provision of social and business services. However the State Government must take steps to limit its dependency on the Queensland business community to fund General Government expenditure.

10.4 Despite State Government claims to the contrary, Commonwealth revenue has and will continue to be a growing revenue stream which has already created greater flexibility in meeting various State Government funding priorities. GST revenue since 2001-02 has increased by over \$4.1 billion or 82% with total Australian Government payments to Queensland increasing by over \$10.1 billion or 105%.

Commonwealth Revenue												% Increase	
	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	\$ Increase	01-02 to 11-12
GST Revenue	\$5,019	\$5,890	\$6,515	\$7,354	\$7,773	\$8,092	\$8,549	\$7,946	\$8,090	\$8,414	\$9,139	\$4,120	82.1%
Specific Purpose Payments	\$3,947	\$4,115	\$4,359	\$4,730	\$5,039	\$5,808	\$6,484	\$9,017	\$11,560	\$11,153	\$10,620	\$6,673	169.1%
Total Australian Government Payments	\$9,638	\$10,182	\$10,962	\$12,228	\$12,991	\$13,900	\$15,033	\$16,964	\$19,650	\$19,567	\$19,759	\$10,121	105.0%
GSP Growth	3.3	6.1	5.1	6.2	5.0	4.2	4.2	0.2	2.1	0	5.0		49.8%
Consumer Price Index - Brisbane	2.9	3.2	2.9	2.6	3.2	3.3	4.1	3.8	2.6	3.4	3.0		37.1%

Dollar values in millions and in current prices

Source: ABS Catalogue 6401.0 and Queensland State Budget Papers, Budget Strategy and Outlook, Budget Paper No.2 & MYFER

- 10.5 As discussed in section five an improvement in the efficiency of Government Agency service delivery offers significant scope for enhanced budget flexibility that can be directly used to fund business assistance initiatives.
- 10.6 A key consideration when setting taxes is the tension between taxation acting as an impediment to business growth and taxation providing a revenue stream to deliver social and economic benefits to the broader community. CCIQ believes tax reform will assist in meeting the State Government’s social goals by providing higher employment levels, resulting in improved community wealth and greater social inclusion through increased participation in society. It will also result in greater economic development which will allow the Government to provide increased funding to social and environmental areas. The single greatest contribution a business can make to enhancing Australia’s social wellbeing is quite simply providing a job.

### RECOMMENDATION

The State Government must implement a more competitive business taxation regime.

“Encourage and support industry and businesses that are providing wealth, rather than increasing taxes and subsidising lost causes. Give wealth back to regional areas and they will provide employment, reduce housing and social pressures, and provide more sustainable growth.”

“I can see that staff reductions are the only way we have left to actually be in a position to pay the mounting fees, taxes and levies imposed by this state government.”

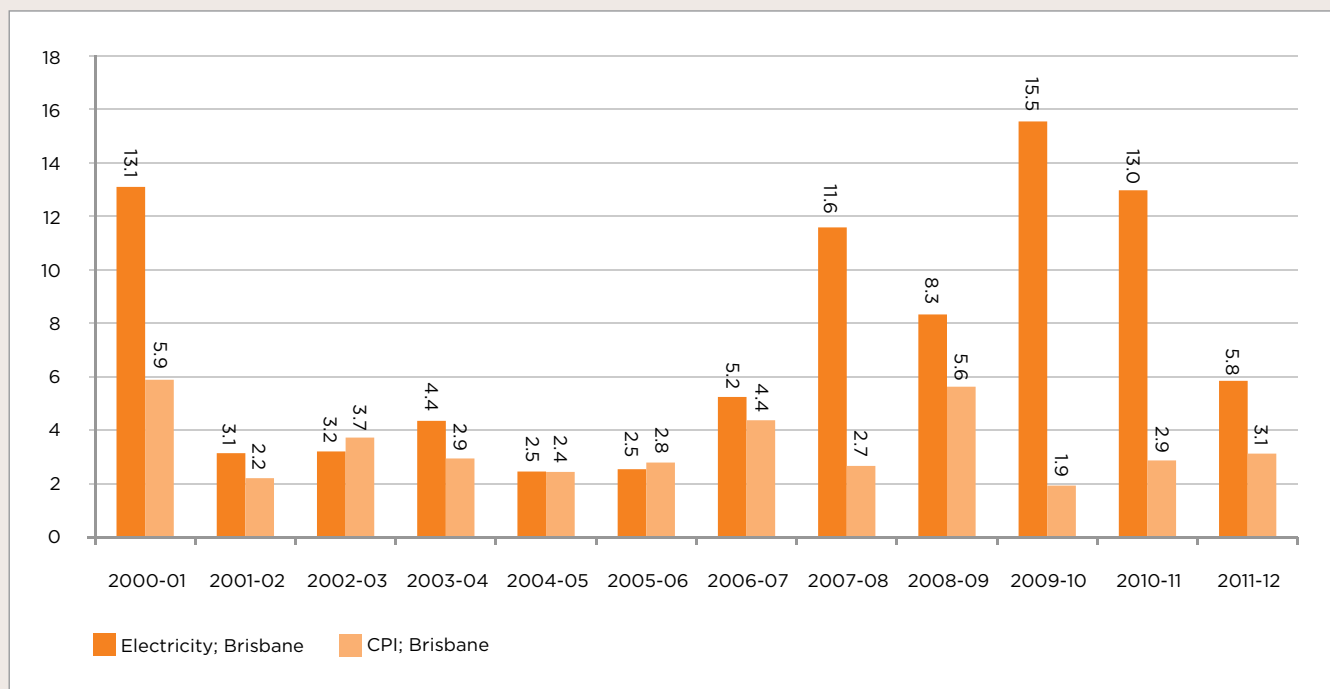
- Queensland Business Operators



# 11. Theme 2 – Energy Costs

11.1 Electricity is an essential input into nearly every good or service and accordingly its price represents a key influence on the competitiveness of Queensland businesses. Given the significant cost increases in the energy sector over recent years, including a 64 per cent increase in electricity prices over the past five years,<sup>13</sup> it is not surprising that the cost of energy is the second most significant issue for all Queensland business, and is the most significant issue for small businesses.

## ELECTRICITY CHARGES (% INCREASE)



Source: ABS Catalogue 6401.0 - Consumer Price Index, Australia, Sep 2011

11.2 A number of factors are placing upward pressure on the cost of supplying electricity including the cost of fuel sources, increasing energy demand and policy interventions to reduce emissions. These pressures are likely to intensify over the coming years meaning that the energy prices are likely to increase further.

11.3 CCIQ firmly believes that ongoing price increases are unsustainable. Queensland businesses cannot continue to absorb these additional costs without sizable reductions in employment and/or economic output and ultimately business closures occurring. Therefore efficient planning and management of the energy sector and emerging issues such as climate change mitigation strategies and energy efficiency are of critical importance if Queensland electricity prices are going to be sustainable and competitive.

## RECOMMENDATIONS

- The next State Government ensure to the fullest extent that electricity prices are competitive and sustainable;
- The State Government to play a major role in supporting Queensland businesses to adapt to the challenges of a carbon constrained economy and stimulate business demand for energy efficient and sustainable business products and technologies.

## ELECTRICITY PRICING METHODOLOGY

11.4 The Queensland Competition Authority is currently developing a new price setting methodology and tariff structure for regulated tariffs in Queensland and has recommended a cost-reflective network (N) + retail (R) cost build-up approach and a shift to a block tariff structure.

11.5 A key concern for CCIQ in relation to this review is protecting the profitability and efficiency of Queensland businesses. The majority of Queensland businesses are unhappy with the previous consecutive years of electricity price rises, the methodology by which price increases have been determined and the efficiency, productivity and performance of the electricity industry over recent years.

- 11.6 CCIQ supports the general direction of these reforms and encourages the next State Government to ensure that wherever possible the electricity supply industry is as competitive and efficient as possible. CCIQ firmly believes that the future methodology for setting regulated retail prices has an opportunity to address the concern of business.

## RECOMMENDATION

Ensure the future methodology reflects as closely as possible a market based approach and encourages efficiency and performance improvements.

## SECURITY OF SUPPLY

- 11.7 The State Government must adequately plan for and manage the growing energy needs associated with strong population and economic growth. It is disappointing that the only strategy the Queensland Government currently has for managing the energy challenges associated with a growing population and industry and economic growth is to institutionalise energy efficiency, penalise high energy users through higher prices and avoid unnecessary infrastructure investment.
- 11.8 Diversifying Queensland's energy sources to include greater renewable generation capacity and funding a range of demand management initiatives are important priorities. However, planning for our future energy infrastructure is also important and needs to form part of a wider strategic plan for the economic development of the State. Energy, being such an important part of our economic development, should form the basis for longer term planning around issues such as regional development, water, project approvals, taxation, and labour and skills shortages. This can only be achieved if the separate areas of government responsible for energy policy, industry development, planning and infrastructure, climate change and emissions management and renewable energy are more closely aligned.
- 11.9 It is also important to recognise that energy diversification is not limited to developing clean energy sources or alternative fuels, but should also pursue diversity in the number and location of energy sources, both traditional and clean. Regional energy networks in particular need greater attention. The majority of Queensland's electricity generation infrastructure is located in central and southern parts of the State. This not only escalates the cost of transmission and distribution as extensive networks are required to provide electricity across the grid to meet the needs of growing regions, but also creates challenges for the continuity, security and emergency planning aspects of energy infrastructure.

## RECOMMENDATIONS

- The next State Government must develop a long-term energy policy complemented by a strategic energy infrastructure plan for Queensland.
- Queensland's energy policy and infrastructure plan must focus on increasing energy diversity by setting an efficient regulatory framework that reduces barriers to the exploration, development and take-up of all energy sources and transport fuels.

## BUSINESS ENERGY EFFICIENCY

- 11.10 The State Government must make business energy efficiency a high priority as it not only reduces energy demand and energy costs, but it also leads to significant gains in business innovation, productivity and economic growth.
- 11.11 The uptake of business energy efficiency is limited to the availability of efficient technologies and production process as well as constrained by the significant cost of plant and equipment. Furthermore a range of barriers continue to inhibit take-up, particularly by smaller and medium-sized firms. This includes existing and conflicting regulatory frameworks (health and safety and industrial relations requirements place additional restrictions on the ability of businesses to implement energy efficiency measures and manage peak demand), detailed industry specific information on energy efficiency and best practice operations, and most significantly a lack of financial support to adopt and invest in best practice processes and equipment.

## RECOMMENDATION

The State Government must take immediate action to support business in energy efficiency with a particular focus on encouraging innovation and supporting the adoption of new technologies.

“Energy costs in my business have risen 25% in less than 6 months and I have actually reduced usage. Electricity is too expensive - something needs to be done to stop the rising costs.”

- Queensland Business Operator

## 12. Theme 2 – Environment Costs

12.1 In May 2010, the Queensland Government announced a significant reform package for waste management and resource efficiency. A key element of the reform package was the introduction of a commercial waste disposal levy designed to complement and fund a new waste reduction and avoidance strategy for Queensland. The commercial waste levy, a levy on commercial and industrial, construction and demolition, and hazardous waste streams, commenced in Queensland from 1 December 2011. Household (or municipal) waste was excluded from the levy.

12.2 While Queensland businesses are supportive of the aim to reduce waste and increase the re-use and recycling of resources, they are strongly opposed to the introduction of the Commercial Waste levy. CCIQ continues to object to the imposition of a waste levy on Queensland businesses for a number of key reasons:

- The waste levy increases the cost of running a business and threatens business viability.
- Many businesses do not have the financial capacity to absorb additional waste costs nor do they have the resources to investigate and make changes to their waste practices and systems. The additional cost will significantly affect the profitability and viability of many Queensland businesses.
- The financial impact of the waste levy will be particularly significant for businesses located outside of SEQ where mature waste markets and opportunities for recycling and reuse are limited.
- Advice received from the waste industry suggest that additional administrative and reporting costs will be passed through to waste customers and could represent up to an additional 20% to 30% cost increase (in addition to the per tonne waste levy cost).
- The starting price of \$35 per tonne for C&I and C&D and \$50-\$150 per tonne for hazardous waste categories is considered too high a starting point in light of the significant transition required by industry and the waste sector. Most other jurisdictions when introducing similar legislation did so with a low transitional price (e.g. NSW commencement price was \$5 per tonne and Victoria introduced their waste levy at a starting price of \$5 per tonne).
- The Commercial Waste Levy is inconsistent with other emerging environmental policies: The policy intent of the introduction of the commercial waste levy is to create a price incentive for waste generators to reduce the amount of waste they send to landfill. It places a price on the environmental externality for waste. As the unintended consequences of the introduction of a carbon pricing mechanism will increase the cost of waste sent to landfill, CCIQ believes that there will be significant regulatory duplication as both policies have the same intended outcomes and price the same environmental externality.
- The Waste Levy unfairly targets the business community: CCIQ continues to maintain that the exclusion of municipal/household waste from the levy not only unfairly taxes the business community but also creates a number of complexities within the legislation which significantly further increases red tape for business and the waste industry. CCIQ does not believe there is any strong argument (other than for political reasons) to exclude household waste from the levy, especially when the overall objective of the Waste Strategy is to reduce waste to landfill and the household sector is Queensland's largest growing contributor of waste. The Act subsequently represents poor policy at odds with best practice.

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
The Queensland State Government should repeal the waste levy in order to reduce the burden on businesses.	34.4%	34.4%	20.9%	8.6%	1.7%

Source: CCIQ's 2012 Big 3 for Business Election Survey – January 2012

### RECOMMENDATION

The State Government should immediately repeal the commercial waste levy.

“Costs must be shared evenly across the community. There is no logic in only one sector of a population paying for all essential services used by an entire population.”

- Queensland Business Operator

# 13. Theme 2 – Workers’ Compensation Costs

- 13.1 CCIQ is keen to work with the next State Government to ensure Queensland has the most competitive workers’ compensation scheme in the country; one that encourages best practice, operates efficiently, and delivers the best outcomes for both employers and employees.
- 13.2 In early 2010, the State Government undertook a consultation process on Queensland’s workers’ compensation scheme following concerns about WorkCover’s deteriorating financial position due to a substantial growth in net claims expenditure (primarily common law claims).<sup>14</sup>
- 13.3 Following this review, the Queensland Government ruled out placing any restrictions on injured workers’ access to common law claims and increased the average premium rate by 13% to \$1.30 per \$100 of wages paid in 2010-11 (which was subsequently raised a further 9.2% to \$1.42 per \$100 wages paid in 2011-2012). The Queensland Government has committed to reviewing the changes made to the workers’ compensation scheme by the end of 2012 to determine their overall effectiveness on the viability of the current scheme and to determine whether more significant reforms are needed.<sup>15</sup> CCIQ is supportive of the following being actioned in the upcoming review:

## REDUCING WORKERS’ COMPENSATION COSTS

- 13.4 The majority of Queensland businesses (55.6%) have expressed significant concerns about the cost of workers’ compensation. Over the past 3 years, the Queensland Government has increased the average workers’ compensation premium rate by 23.5% from \$1.15 per \$100 of wages paid in 2009-10 to \$1.42 per \$100 wages paid in 2011-12. This means that Queensland no longer holds the record of the lowest average premium of any rate in Australia, now coming second to Victoria.<sup>16</sup> If increases to workers’ compensation premiums continue at the current rate, Queensland is likely to have the highest average premium rates in Australia by the end of the decade, significantly impacting our competitive advantage in this area.
- 13.5 CCIQ is also supportive of implementing a range of initiatives to ensure premiums appropriately reflect the experience of individual businesses and actively encourage more safety conscious workplaces. For example, initiatives supported include bonuses for being under the industry average, employers’ premiums not being negatively impacted if an employee is found to be at fault in an incident, a no claim bonus and incentives for rehabilitation and early return to work outcomes.

## RECOMMENDATION

Action to be taken to reduce average premium rates and ensure Queensland once again has the lowest average premium rate in the country. Initiatives should also be implemented to ensure premiums appropriately reflect the experience of individual businesses.

## REDUCING THE NUMBER OF COMMON LAW CLAIMS

- 13.6 The majority of Queensland businesses (52.9%) expressed major or critical concern regarding workers’ compensation claims, particularly common law claims (see graph in section 18.0). Businesses are strongly supportive of access to common law and compensation for employees who are genuinely injured through a work related injury. However, many employers believe that the current system is being exploited, with the majority of common law claims for minor injuries only. Over the past 7 years, the majority of claims have fallen within the 10-15% WRI (Work Related Impairment) band or below. Furthermore, the majority of these (around 30% to 46% of total claims) are within the 0% WRI threshold meaning that the worker has not sustained any degree of permanent impairment.<sup>17</sup>
- 13.7 Currently, Queensland and the ACT are the only jurisdictions that provide unlimited access to common law (no threshold test). Queensland employers are strongly supportive of reducing employees’ access to common law claims in line with other states (access to statutory claims would remain available), while also ensuring employees with genuine claims for serious injuries maintain access to this compensation avenue. This is not about denying access to compensation for employees who are genuinely injured in the workplace, rather it is about achieving the most efficient means for delivering outcomes for all stakeholders.

## RECOMMENDATION

A 15% Whole Person Impairment (WPI) threshold for accessing common law should be implemented to significantly reduce the increasing number of claims for minor injuries.

13.8 Queensland businesses also strongly believe that increased solicitor involvement and engagement is significantly influencing the increasing number of common law claims. In particular, “no win, no fee” advertising, aggressive action by lawyers that encourage workers to make a claim even for minor injuries and the sheer number of lawyers profiting from the current scheme are of key concern.<sup>18</sup>

## RECOMMENDATION

Further action is required to curtail the negative and exploitive activities of legal professionals in relation to pushing employees to make claims for minor injuries.

## OTHER

13.9 Queensland employers are also supportive of the following:

- Changing the “no-fault” basis for making statutory claims to ensure employees are taking some responsibility and accountability for their own actions or negligent behaviours;
- Stronger penalties for those found to be making fraudulent or exaggerated claims. This will also help combat the impression that claims are “easy money”;
- Introducing an earlier step down in weekly benefits from week 13 to encourage an earlier return to work;
- Removing journey claims from Queensland’s workers’ compensation scheme;
- WorkCover adopting a range of initiatives that improve their provision of workers’ compensation insurance to businesses including improved management of claims, increased investigation of claims and deterring fraudulent behaviours.

## RECOMMENDATION

The concerns of Queensland businesses should be addressed in the planned 2012 review of Queensland’s workers’ compensation scheme.

“Too many people are winning significant payouts from claims that shouldn’t be allowed. This is influenced by the ‘no win no pay’ style of lawyers - they have nothing to lose and WorkCover/ employer foot the bill.”

“Common law is much too easy to access in this state. With law firms freely advertising that they can obtain a slightly injured worker a lot of money, employers are on the backfoot.”

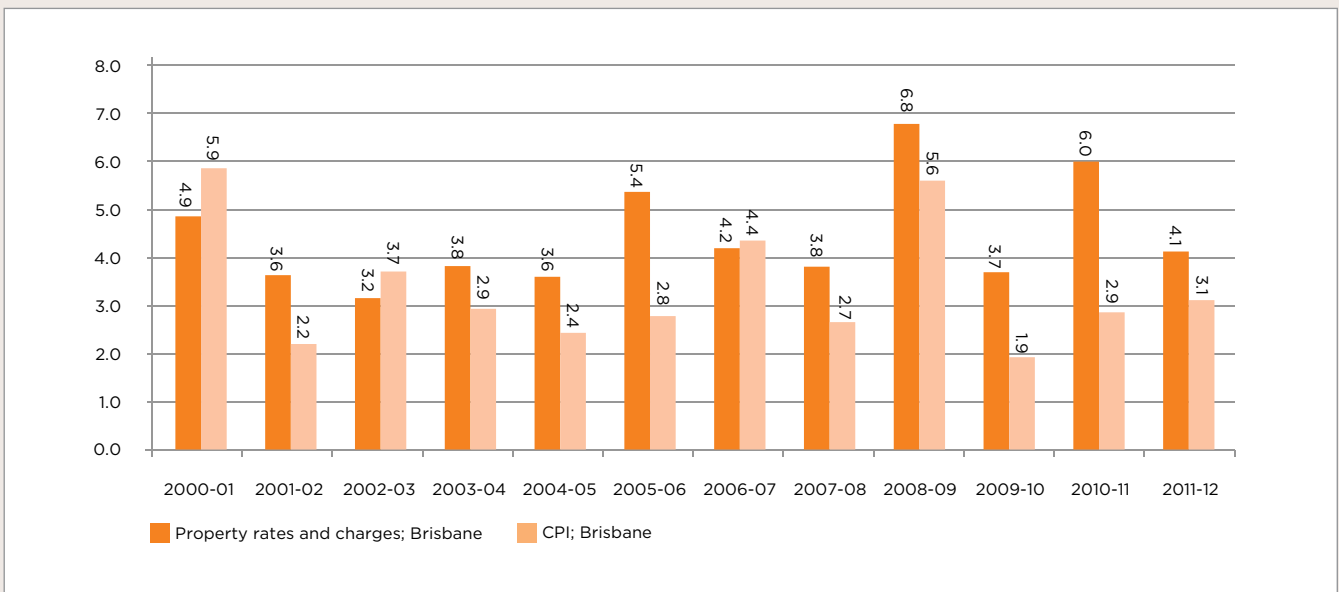
“The premiums do not reflect our company’s safety record, level of expenditure, training for employees, or what employees do in their own time that might cause or contribute to the injury.”

- Queensland Business Operators

# 14. Theme 2 - Council Rates and Water Charges

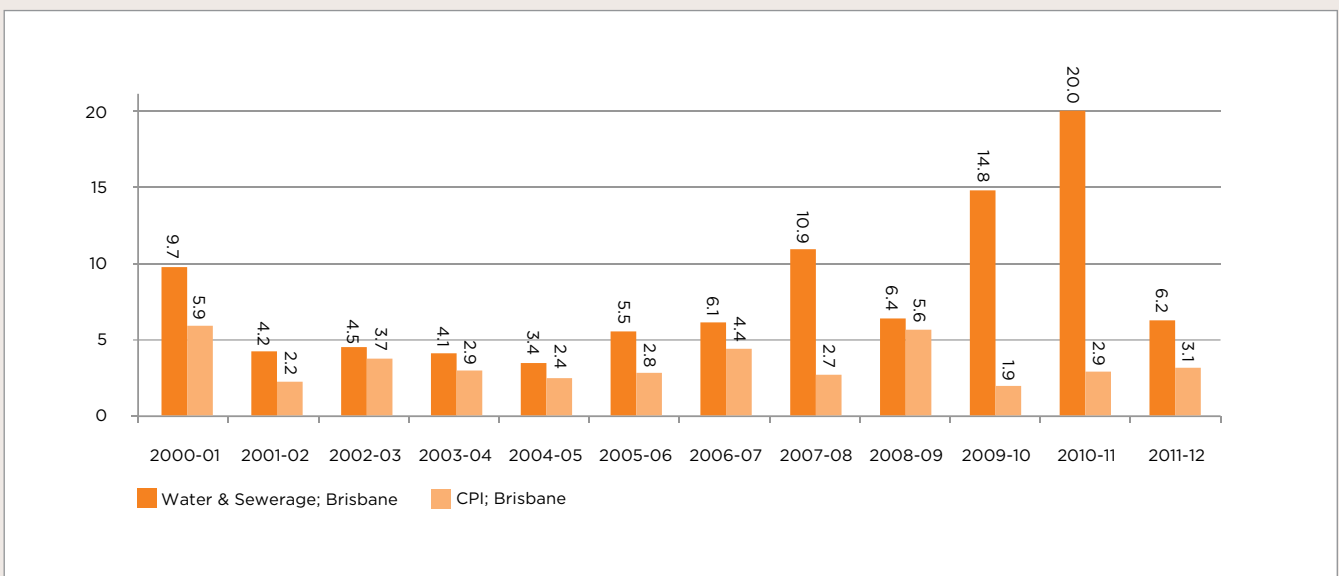
14.1 CCIQ notes that property rates and water charges have increased over the past decade, significantly in excess of the consumer price index (CPI). As an example, information related to Brisbane is shown below. Similar experiences are also seen in regional Queensland.

### PROPERTY RATES & CHARGES (% INCREASE)



Source: ABS Catalogue 6401.0 - Consumer Price Index, Australia, Sep 2011

### WATER & SEWERAGE CHARGES (% INCREASE)



Source: ABS Catalogue 6401.0 - Consumer Price Index, Australia, Sep 2011

14.2 These results highlight the plight of many struggling businesses right across our state. The lack of harmony between State and Local Governments in dealing with ongoing price increases in both property and water is of concern to the Queensland business community and CCIQ calls on State and Local Governments to engage on a deeper level to bring about more sustainable increases in these business cost areas in order to stimulate economic activity.

### RECOMMENDATION

The State and Local Governments to work towards keeping all property rate and water increases to a minimum.

“The cost of living (council rates and charges and State Government charges) in Queensland are making it extremely hard for businesses to operate and stay afloat.”

There is a vital need to provide funding to help business expand. In particular grants for capital expenditure are needed to use on new equipment. Reduce government red tape & local government charges at all levels.”

“Turnover has been bad since 2010 but we are facing rising costs from every angle - electricity, food, petrol prices – and we are not able to increase our prices to cover these costs.”

- Queensland Business Operators

A man wearing a white hard hat and a white work shirt with a dark collar is standing in a server room. He has his arms raised in a celebratory gesture. The background is filled with server racks and cables, with some red lights visible. The entire image has a red color overlay.

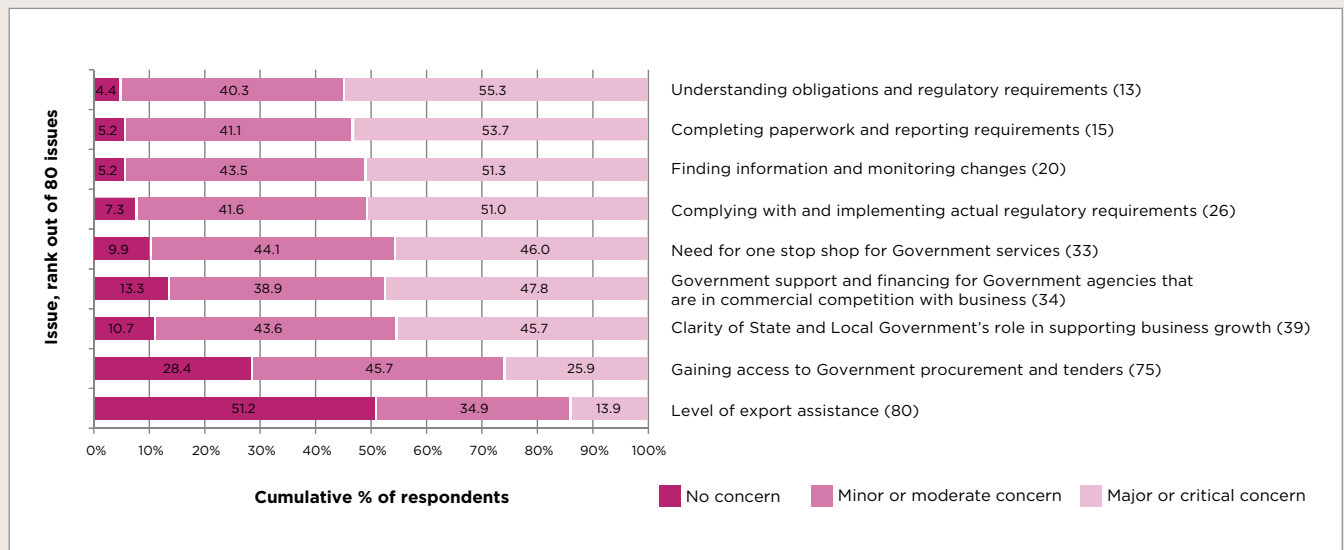
# Theme 3: Reducing Government Red Tape



# 15. Theme 3 – General Government Red Tape Reduction

- 15.1 The cost and burden of dealing with all tiers of government continues to be the significant issue for Queensland businesses. Understanding regulatory obligations, paperwork and reporting requirements and finding information and monitoring changes in regulation all appeared in the top 20 business concerns in the CCIQ Big 3 for Business survey. The complexity of State Taxation, WHS and Environment laws are equally cemented in the top 20 concerns for business.
- 15.2 The issue of government regulation is of greatest concern for small businesses which typically have fewer resources to deal with red tape. For these businesses, understanding their regulatory obligations, staying up to date with changes and completing paperwork and reporting requirements cost them a comparatively greater proportion of their revenue than it does for larger businesses.

## DEALING WITH GOVERNMENT ISSUES



Source: CCIQ's 2012 Big 3 for Business Election Survey – January 2012

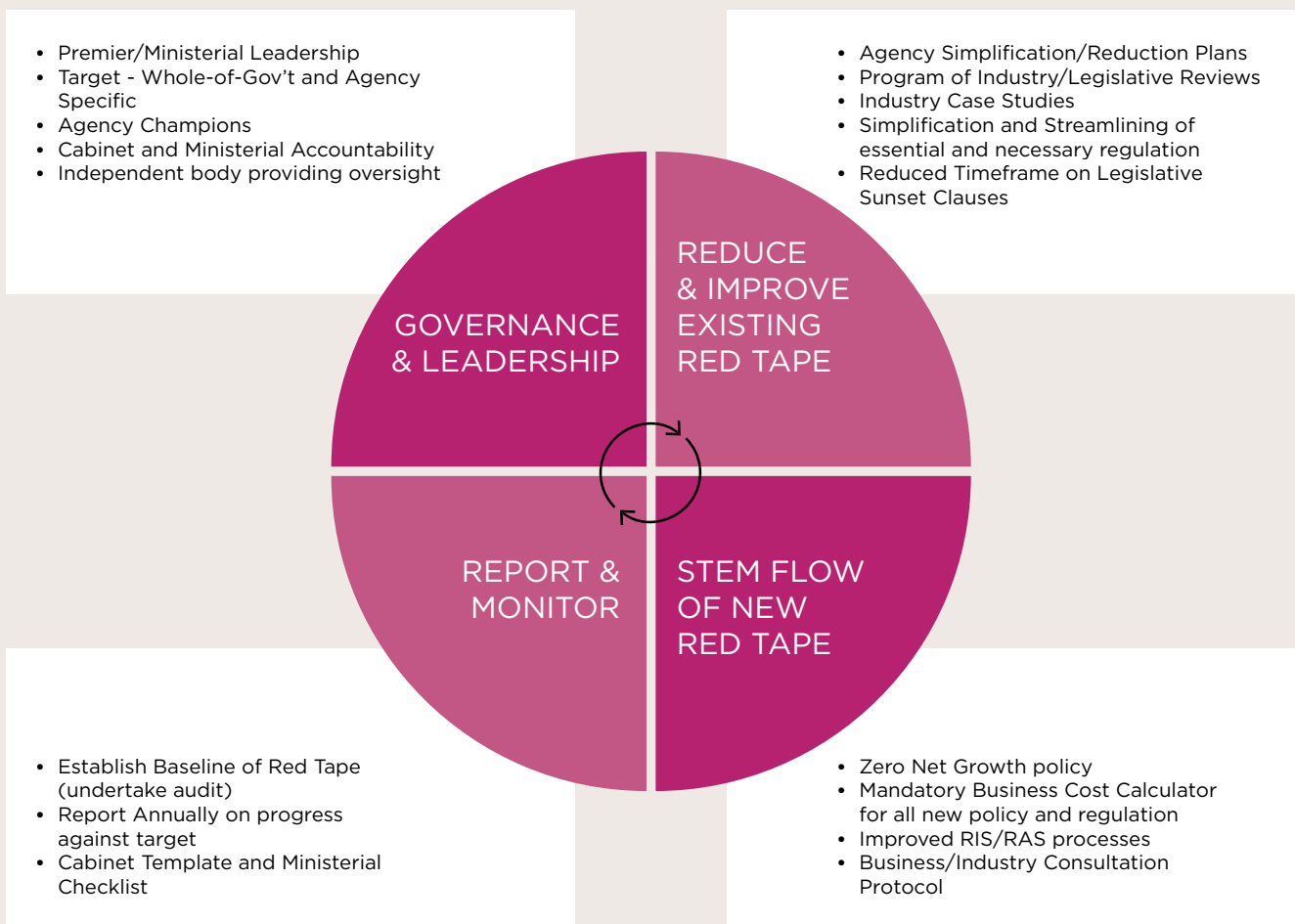
- 15.3 CCIQ's 2011 Red Tape Survey and 2011 Red Tape Update Paper<sup>19</sup> highlighted the alarming rate at which red tape has increased in Queensland and the significant cost that excessive, unnecessary and burdensome government regulation imposes on Queensland businesses. Over the past three years, the number and pages of regulations that Queensland businesses are required to comply with has grown by over 30 per cent such that Queensland businesses are now required to comply with over 92,172 pages of red tape. Accordingly, CCIQ has calculated that compliance with state based regulation costs Queensland businesses and the economy over \$7 billion every year. Refer to CCIQ's Blueprint for Fighting Queensland's Over-Regulation: Update Paper 2011 for full details on the above estimates.
- 15.4 CCIQ believes that while the level and cost of regulation continues to increase that the competitiveness and viability of Queensland businesses will continue to be eroded and Queensland's attractiveness as a place to do business will decrease affecting employment and the State's economic growth. While the trend of increasing regulation is not confined to Queensland and can be attributed to a combination of Commonwealth and State Government reforms, it highlights an urgent need to review Queensland's regulatory reform agenda to ensure it delivers real reductions in compliance burdens that can be seen and felt by business and the community.
- 15.5 The State Government must make a significant commitment to review and reduce the existing stock of regulation, stem the flow of new regulation and improve the efficiency of essential regulation. In particular the State Government must address the cumulative regulatory burden impacting on businesses rather than target priority or specific areas of regulatory burden. CCIQ firmly believes that it is the cumulative effects of regulation (or the sum of all regulation, paperwork, fees and compliance requirements) rather than any particular excessive, unnecessary or overly complex aspect of regulation that creates the problem of red tape burden.

- 15.6 CCIQ acknowledges that some level of regulation is necessary and provides a level of protection and benefit to business and the community. However regulatory design and the process of regulation making when not rigorous, when under the influence of political agendas, or in the absence of effective review and evaluation processes, often leads to regulation that does not achieve its desired outcomes, has unintended consequences or becomes redundant over time.
- 15.7 CCIQ also highlights the business communities' poor rating of government consultation processes, communication of regulatory changes and provision of clear information regarding compliance requirements. Only five per cent of Queensland businesses believed the Queensland Government consulted and engaged well with businesses prior to the introduction of new regulation and legislation. The majority rated the Queensland Government as very poor (32.4%), poor (26.8%) or average (28.0%) in this regard.
- 15.8 The State Government therefore must better engage with the business community to improve the way regulation is designed, implemented and communicated. Government agencies must work with the business community and review regulatory development and review processes to ensure consultation and regulatory costing frameworks accurately reflect the full cost on the business community.

## RECOMMENDATION

To appropriately address the cumulative regulatory burden, the State Government must adopt a regulatory reform agenda that includes the following key components:

- Undertake a baseline audit of all existing regulation;
- Commit to a whole-of-government target for red tape reduction across all agencies and which includes strategies to reduce existing regulation and stem the flow of future regulation;
- Establish high level political leadership by appointing a Minister for regulatory reform and make all ministers and their departments accountable for achieving the target;
- Improve the processes for enacting regulation and consultation with key stakeholders to ensure the efficiency and effectiveness of essential regulation;
- Monitor red tape reduction progress against the target and baseline and provide regular and transparent progress reports.



Source: CCIQ Blueprint for Fighting Queensland's Over Regulation (2011)

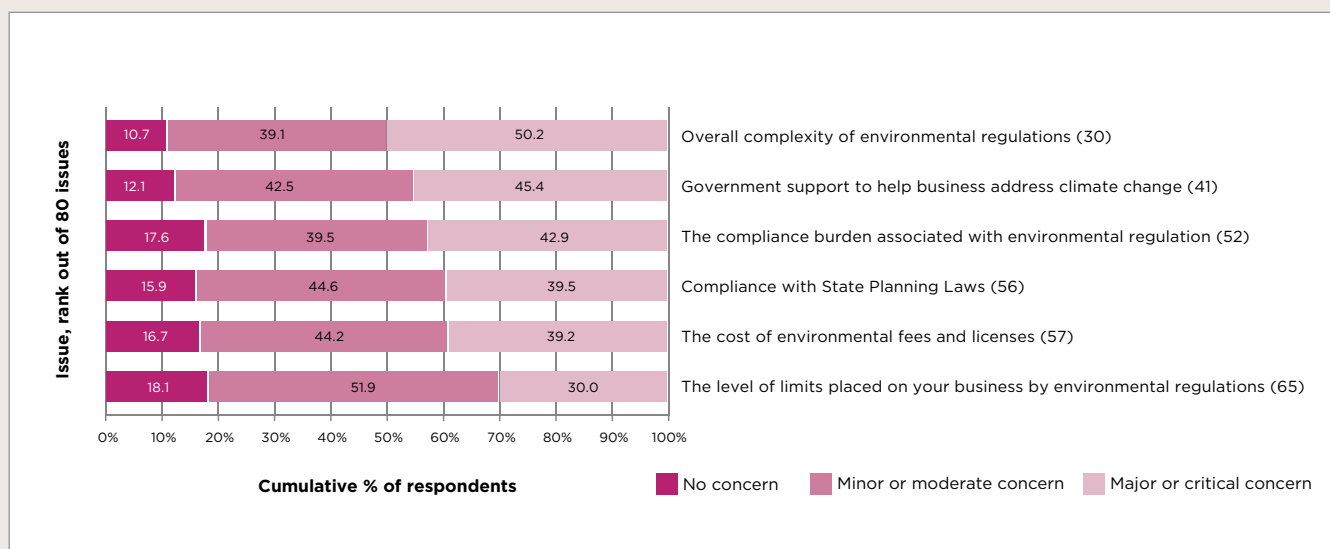
# 16. Theme 3 – Green Tape Reduction

- 16.1 The Queensland business community is aware it has a social responsibility to minimise the impacts its activities have on the environment and is committed to protecting Queensland’s natural heritage not only for future generations but also because of the recognised benefit it brings to businesses and the economy.
- 16.2 However, environmental management and related regulation consistently arises as a key issue for Queensland businesses. In particular the overall complexity of environmental regulation and the high cost of environmental compliance are amongst the top concerns for businesses who over the past three years have been subject to increasing amount of “green tape” and environmental levies, fees and charges.
- 16.3 The State Government must ensure a balance is achieved between environmental outcomes and business sustainability. Doing this requires a best practice approach to regulation making that includes a realistic account of the costs and impacts for business and adequate level of consultation and engagement with the business community.
- 16.4 Environmental protection and management should not come at the expense or limitation of business growth and is not a cost that should be born solely by the business community. The State Government must ensure state-based environmental protection measures are warranted and achieve their aims at the lowest cost to the Queensland community.
- 16.5 CCIQ believes there is a significant degree of duplication across the various areas of environmental policy and that businesses are being forced to undertake management planning, apply for licences and permits, pay fees, levies and charges and comply with various operational policies, guidelines and standards across many environmental policy areas including emissions, solid waste, liquid waste and land use.

## RECOMMENDATION

The State Government should continue the good will achieved under the green tape review project and commence an ongoing review and simplification process across all areas of environmental regulation.

### GREEN TAPE ISSUES

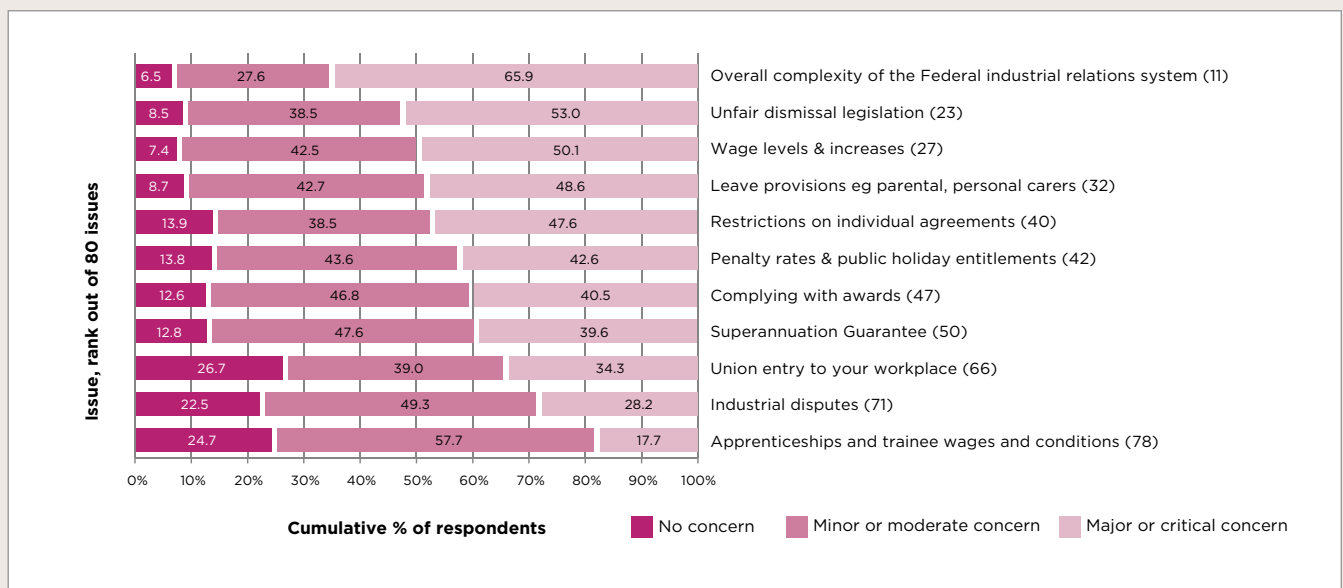


Source: CCIQ’s 2012 Big 3 for Business Election Survey – January 2012

# 17. Theme 3 – Workplace Relations

17.1 It is essential that employers have in place flexible, creative and mutually beneficial working arrangements. The following graph indicates the range of issues that Queensland businesses prioritise in terms of workplace relations. Although the majority of these issues are covered under the Federal industrial relations system, it is essential that the State Government maintains an awareness of the concerns of businesses in order to advocate on their behalf to the Federal Government and help encourage the required changes.

## WORKPLACE RELATIONS ISSUES



Source: CCIQ's 2012 Big 3 for Business Election Survey - January 2012

## ENHANCING FLEXIBILITY, FAIRNESS AND PRODUCTIVITY OUTCOMES

17.2 The majority of Queensland businesses (65.9%) have expressed major or critical concern regarding the complexity of the industrial relations system. Major concerns have also been raised about several aspects of the legislation including unfair dismissal laws, wage levels and increases, leave provisions, restrictions on individual agreements, penalty rates and public holiday entitlements.

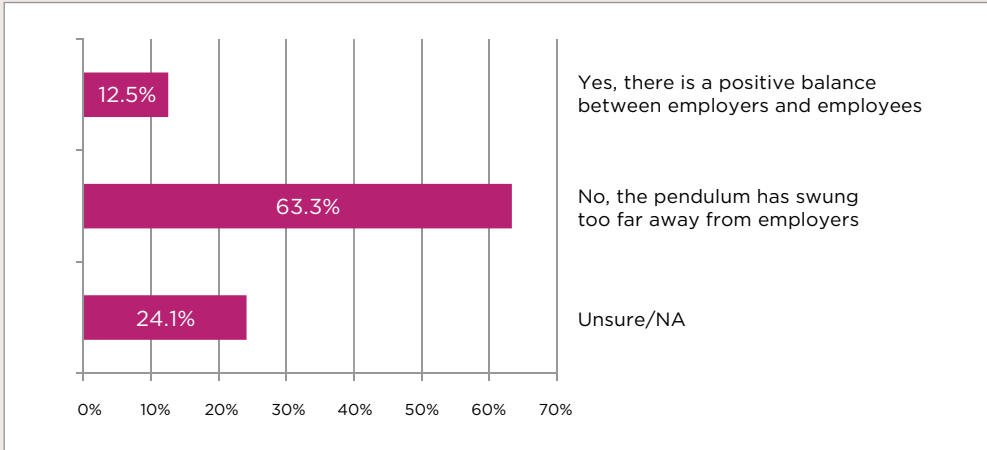
17.3 The key findings of a recent CCIQ survey of 400 businesses on the Fair Work Act found that:

- Red tape had actually increased for 56% of businesses since the introduction of the Act;
- The overall cost of compliance with the Fair Work Act has increased for 48% of businesses;
- 36% of businesses have experienced a decrease in workplace flexibility;
- Workplace productivity has decreased in 30% of businesses as a result of the Fair Work Act;
- 46% of businesses have had a decrease in business profitability;
- Around 30% of businesses have seen a decrease in staff levels (particularly casuals, apprentices/trainees and full time staff);
- One in four have seen a reduction in staff hours and an increase in penalties and overtime paid under the modern awards;
- 36% of businesses have seen an increase in wages as a result of moving to modern awards. <sup>20</sup>

17.4 The survey also found that many businesses are concerned about increasing employment costs which are not being offset with increases in productivity. These concerns linked with increased red tape are restricting the number of people being employed. Employers also continue to remain concerned about the amount of power given to unions in the workplace and the costs associated with understanding obligations and ensuring compliance.

17.5 Currently, the majority of Queensland businesses (63%) believe that Government has not got the balance right with the current Act, which is seen to overwhelmingly favour employees.

**HAS THE GOVERNMENT GOT THE BALANCE RIGHT WITH THE FAIR WORK ACT?**



Source: Commonwealth Bank CCIQ Pulse Survey, November 2011 <sup>21</sup>

17.6 Overall, Queensland businesses are highly supportive of reviewing the Fair Work Act to reduce the negative impacts on their business and to enhance their capacity to employ and retain staff. There are high expectations that the 2012 review of the Act will deliver flexibility improvements and enhance productivity.

**RECOMMENDATION**

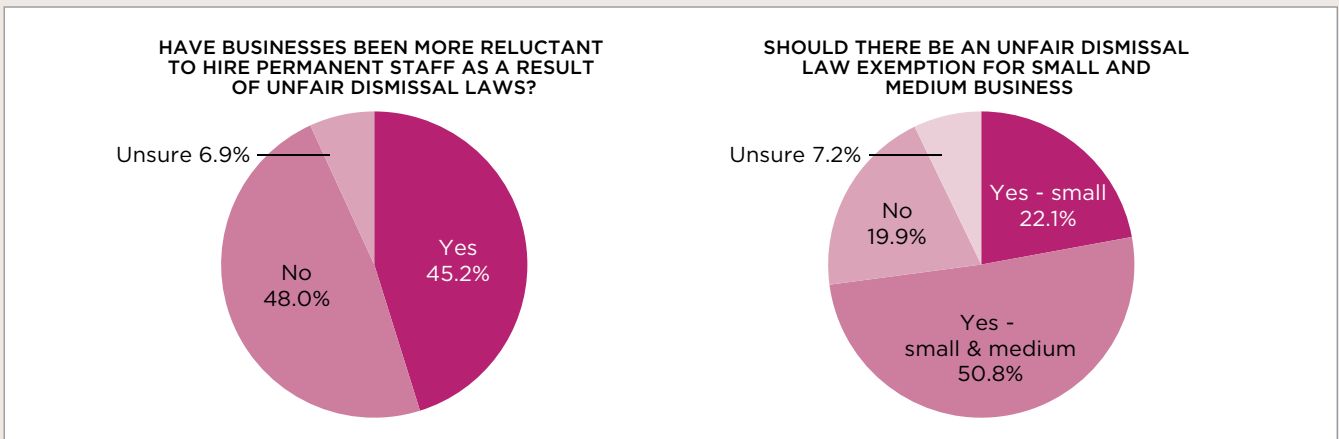
The Queensland Government commit to advocating improvements to the Fair Work Act during the 2012 review (through consultation with Queensland industry) that will enhance the fairness, flexibility and productivity outcomes in relation to industrial relations for all businesses.

17.7 The 2012 review needs to address a number of recommendations made by businesses to achieve more harmonious and productive workplaces including:

- Simplifying the Act;
- Allowing more flexible arrangements to be negotiated between employers and employees;
- Amending unfair dismissal laws;
- Limiting the involvement of unions;
- Increasing support for businesses to ensure compliance and understanding;
- Reviewing overtime and weekend penalty rates for industries trading 7 days a week. <sup>22</sup>

**UNFAIR DISMISSAL LAWS**

17.8 Of concern, a significant number of businesses (45%) have indicated that they are more reluctant to hire permanent staff as a result of unfair dismissal laws. This is unsurprising considering that 85% of businesses believe it is too easy for employees to sue them for unfair dismissal. Subsequently, 73% of businesses believe there should be an unfair dismissal law exemption put in place; 22% supported such an exemption for small businesses and 51% supported an exemption for small and medium businesses. <sup>23</sup>



Source: Commonwealth Bank CCIQ Pulse Survey, November 2011

## RECOMMENDATION

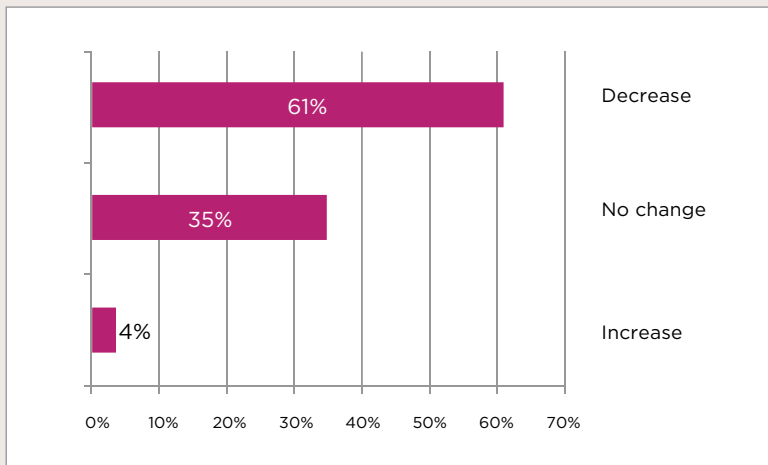
The Queensland Government to work with the Federal Government to implement an unfair dismissal law exemption for small and medium businesses.

## SUPERANNUATION

17.9 Queensland businesses are strongly opposed to increasing the employer superannuation guarantee levy from 9 per cent to 12 per cent. Increasing the superannuation guarantee by 3 per cent will have significant economic impacts for Queensland businesses including impacts on business profitability with negative flow-on implications for employment. CCIQ estimates that this move will amount to an extra \$4 billion per year in superannuation payments for Queensland employers alone.

17.10 A snap poll held of 400 businesses on the CCIQ website found that 61 per cent of employers will decrease employment levels in their business if superannuation contributions increase by 3 per cent. Only 4 per cent of businesses indicated they would increase employment levels.

### WHAT EFFECT WILL A 3 PER CENT INCREASE IN SUPERANNUATION CONTRIBUTIONS HAVE ON YOUR BUSINESS'S EMPLOYMENT LEVELS?



Source: CCIQ snap poll, November 2011

17.11 The majority (78%) of Queensland employers are supportive of increasing the superannuation guarantee. However, support is only provided for this increase to be funded by employees themselves, with 38.3% supporting a voluntary employee increase and 22.1% supporting a mandatory employee funded increase. Only 17.8% of businesses support an increase funded by employers on the basis of it being offset by future wage negotiations.<sup>24</sup>

17.12 It is clear that the next stage of retirement incomes policy should focus on increasing the self-reliance of employees and enhancing their capacity to adequately plan for retirement, subsequently encouraging more ownership of their financial future. Any increase in superannuation should be made through the introduction of employee contributions rather than further demands on already over-burdened employers.

## RECOMMENDATION

The State Government to work with the Federal Government to investigate alternative approaches for retirement income policy in Australia that will reduce the negative impacts on Queensland businesses.

“3% is a large increase and is not just limited to that 3% - Payroll Tax, Work Cover Premiums, Insurance costs etc will increase also as a direct result of this. Our business, and I’m sure most other SME businesses, will have this amount directly taken from already low profit margins.”

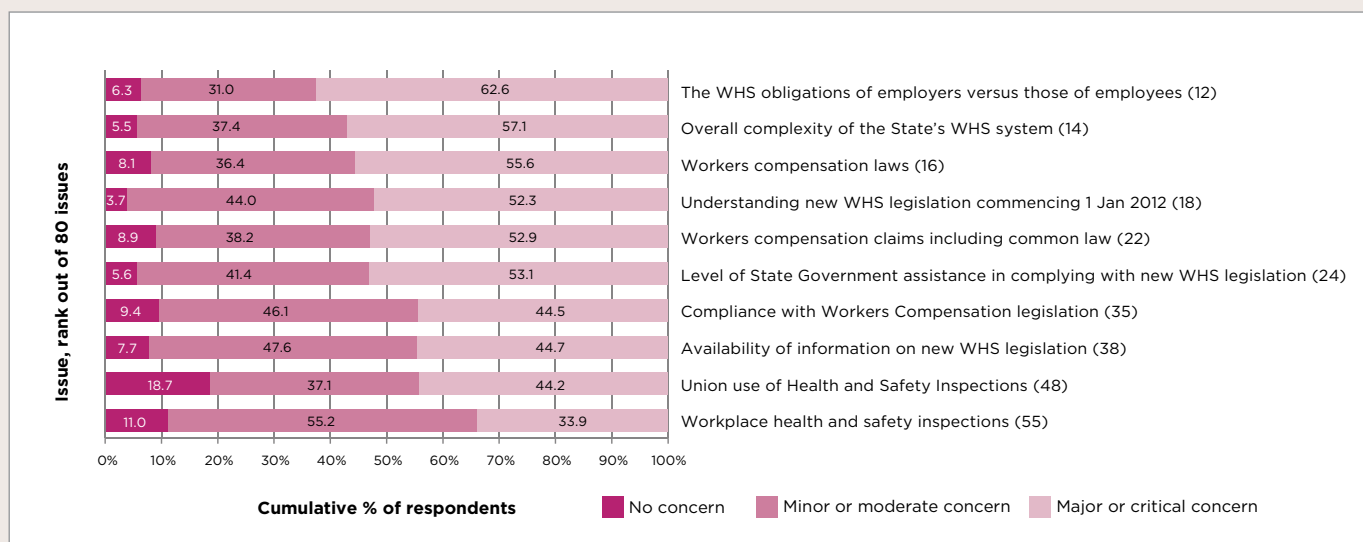
- Queensland Business Operator

# 18. Theme 3 – Workplace Health & Safety

18.1 CCIQ is committed to achieving a Workplace Health and Safety (WHS) system for all Queensland businesses where every person in the workplace has a safe place to work and a safe method of working. 2012 represents a significant change in the WHS landscape in Queensland with the commencement of the national model laws and subsequently Queensland businesses will require assistance to adapt to the new regime. It is essential that all employers and employees understand their obligations and responsibilities under the new system to ensure WHS continues to receive the attention it deserves.

18.2 The below graph outlines the key concerns of Queensland businesses relating to workplace health and safety. These concerns are addressed in the sections below.

## WORKPLACE HEALTH AND SAFETY ISSUES



Source: CCIQ's 2012 Big 3 for Business Election Survey – January 2012

## NATIONAL CONSISTENCY

18.3 On the 1 January 2012, Queensland businesses began operating under the national model work health and safety laws contained in the *Work Health and Safety Act 2011*. Despite an ongoing consultation process between Governments, industry, unions and other stakeholders, the implementation of the new system throughout the country has been significantly flawed with substantial delays experienced in many jurisdictions. Several have still failed to implement the new laws in their state.

18.4 CCIQ is strongly supportive of the implementation of a national model of workplace health and safety. In principle, a nationally consistent model will reduce red tape, unnecessary complexity and cost especially for employers who operate across jurisdictions. It should allow obligation holders to spend more time and effort on reducing risks and the practical implementation of safer workplace practices and systems instead of having to focus efforts on compliance with complex and inconsistent legislation. For these reasons, it is essential that the model Act is implemented in all jurisdictions throughout Australia as soon as possible.

## RECOMMENDATION

The Queensland Government to work with other jurisdictions to ensure the national model work health and safety laws are implemented nation-wide as soon as possible.

## ASSISTING BUSINESSES TO COMPLY WITH THE NEW REGIME

- 18.5 In Queensland, the model Act's regulations were not gazetted until 24 November 2011.<sup>25</sup> Therefore it is unsurprising that the majority of businesses (52.3%) have expressed major or critical concern regarding their understanding and interpretation of the new WHS legislation. 53.1% of Queensland businesses expressed major or critical concern regarding the level of State Government assistance on complying with the new WHS legislation and 44.7% were also majorly or critically concerned about the availability of associated information.
- 18.6 It is essential that seminars and information sessions are held across all Queensland regions over the coming year. Information and educational resources also need to be distributed much more widely throughout the business community. More focus is also required on assisting businesses to comply with those obligations that are currently subject to a transition period.

## RECOMMENDATION

The Queensland Government to maintain a strong commitment to work with industry to boost the understanding and compliance of Queensland businesses with the new WHS regime.

## PROSECUTIONS

- 18.7 Considering the limited lead-in times associated with the passing and commencement of the Act and regulations in Queensland, CCIQ is strongly supportive of the Queensland Government focusing on providing advice and support to businesses in complying with the new regime as opposed to investigation and prosecution. A proactive and supportive approach is likely to deliver the best outcomes for both employers and employees rather than the heavy handed approach.

## RECOMMENDATION

During the transition period to the new WHS regime, workplace health and safety inspectors should focus on providing advice and support to businesses rather than investigating and prosecuting.

## ADDITIONAL CONSIDERATIONS

- 18.8 CCIQ notes one of the key ongoing concerns of employers is the lack of accountability on employees to take responsibility for their own actions (demonstrated by the 62.6% of survey respondents who expressed major or critical concern regarding the workplace obligations of employers versus employees). One of the key changes between the previous Queensland WHS laws and the new system is that duty of care is quantified by the term "reasonably practicable", meaning that employers will be required to do what is reasonably practicable to ensure the WHS of their employees, rather than their previous obligation to "ensure" the WHS of their employees (an absolute duty of care). This is a move strongly supported by businesses. CCIQ is also optimistic that the new WHS system will address employer concerns regarding the complexity of the WHS system.

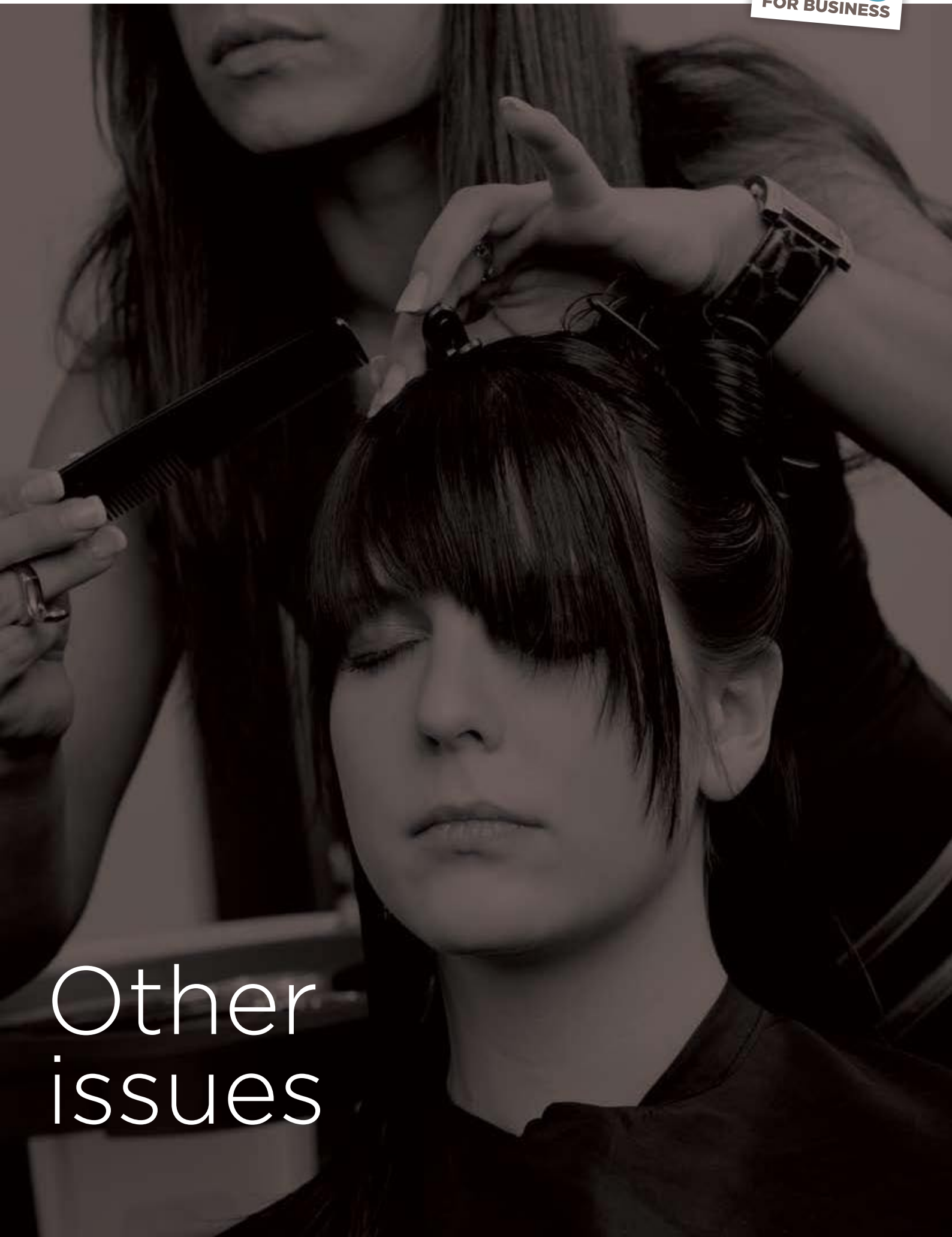
## RECOMMENDATION

The State Government should continue to work with other jurisdictions and the Commonwealth to ensure the national WHS system remains outcomes focused where possible and not overly focused on prescriptive processes that do not allow businesses to be proactive in achieving improved safety outcomes for their organisation and their employees.

"I am concerned about understanding & being fully aware of the legislation, knowing how to implement changes, knowing how to protect your business & employees, increases in costs for WHS in a very tough economic time, being penalised for WHS although the business is trying hard to follow new legislation, authorities coming down hard on business owners despite no previous accidents & business owners sincere attempts to follow legislation."

- Queensland Business Operator





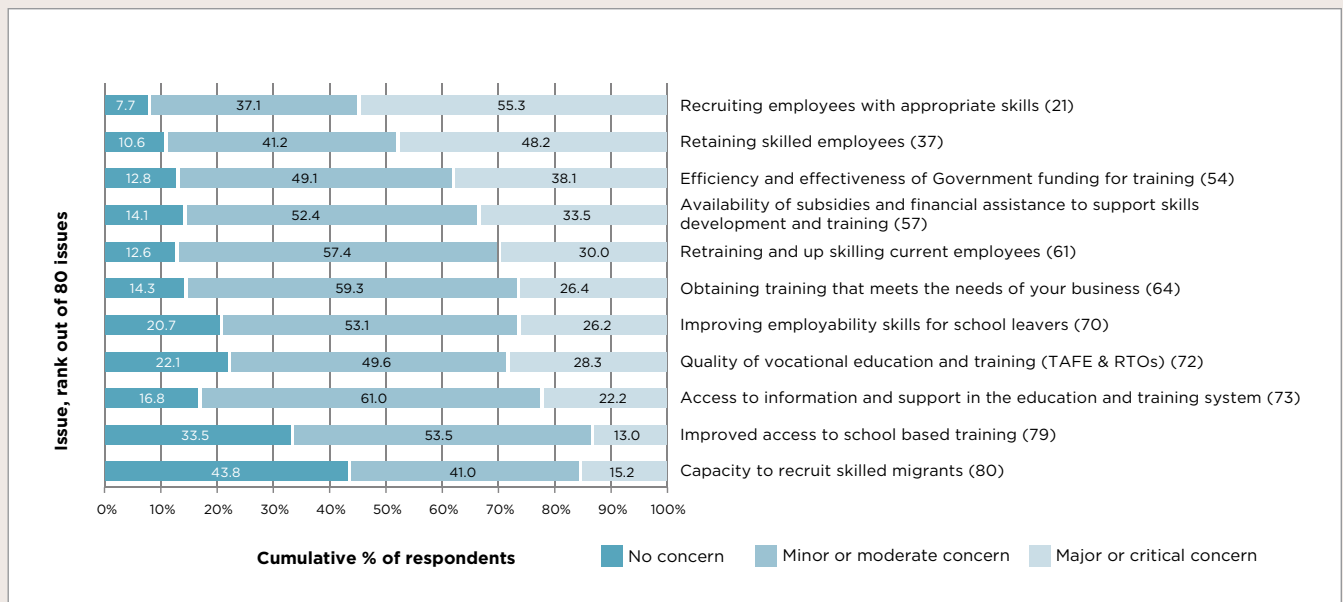
# Other issues

# 19. Skills, Education & Training

19.1 The strength of Queensland's education and training system and skills development framework underpins individual, business and statewide economic prosperity. Over the past decade, State and Federal Governments have undertaken significant reforms to the vocational education and training system, resulting in improved operation, recognition and participation in accredited training. Despite significant reforms, there remains room for improvement to ensure that Queensland has one of the best education and training systems both nationally and internationally.

19.2 The availability of a skilled and productive workforce continues to be a factor inhibiting Queensland business growth, with many businesses citing difficulties in retaining their workforce or attracting additional skills and labour. The ability to recruit and retain skilled workers will be a critical factor impacting the capacity of Queensland businesses to take advantage of opportunities as the economy recovers. The key concerns of Queensland businesses in relation to skills and training are depicted in the following graph and addressed in the sections below.

## SKILLS AND TRAINING ISSUES



Source: CCIQ's 2012 Big 3 for Business Election Survey - January 2012

## RECOMMENDATION

The Queensland Government must build on the current reform agenda and deliver the necessary policy frameworks to drive skills development and greater participation in education and training by all Queenslanders.

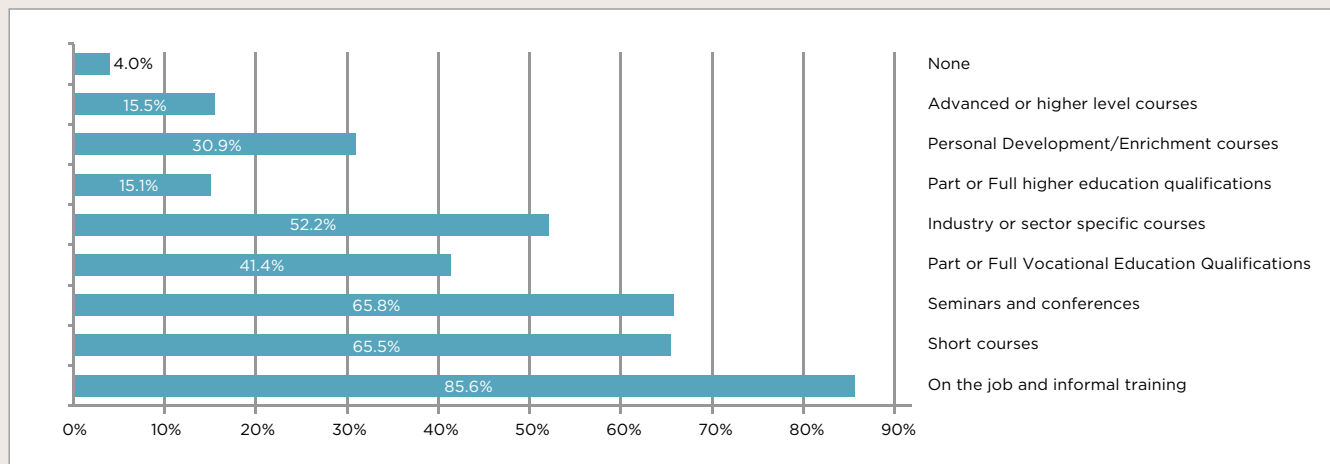
## QUALITY AND ACCESSIBILITY OF TRAINING

19.3 The vocational education and training system must become more industry and demand driven such that it meets the needs of employers and individuals. Industry continues to report significant concerns with the quality, flexibility and accessibility of training and the ability to access training that meets the needs of businesses. As a result, the most common forms of training provided to employees are on the job and informal training, seminars and conferences and short courses, which do not lead to formal qualifications for employees.<sup>26</sup>

19.4 Businesses have indicated a strong willingness to increase participation in accredited vocational training, dependent on increases to the quality of training providers and outcomes and a reduced bureaucracy and complexity in the training system.<sup>27</sup> It is essential that this training is accessible to businesses and aligns with industry needs and current workplace practices.

19.5 In particular, reduced quality, flexibility and accessibility of training in regional Queensland is impacting on industry investment in skilling the workforce through accredited training. Training provision in regional Queensland is less economical than in metropolitan areas, resulting in businesses absorbing significantly higher training costs and often requiring individuals to travel vast distances to participate in institution based training.

**TRAINING PROVIDED BY EMPLOYERS OVER THE PAST 12 MONTH PERIOD**



Source: CCIQ Education and Training Survey 2010

19.6 CCIQ strongly believe there is insufficient innovation and best practice in the training market and minimal incentive for training providers to reform. Technology provides unlimited opportunities for remote training delivery, however, the uptake of such technologies and practices to date has been limited.

**RECOMMENDATIONS:**

- Reform the vocational training system to make it more industry and demand driven.
- Develop initiatives to improve the quality and accessibility of training in regional Queensland.
- Develop strategies to encourage increased innovation and best practice in the training market.

**FUNDING SKILLS DEVELOPMENT**

19.7 Responsibility for the formation, development and efficient utilisation of skills is shared by both public and private sectors, requiring Government and industry to work together to deliver a workforce that meets the needs of the economy. Unfortunately, business capacity to invest in training is particularly vulnerable to economic cycles, with Australian Apprenticeship commencement and completion rates most likely to be impacted. Maintaining and building a skilled workforce will require innovative approaches from Government and industry to ensure that Queensland businesses are in a position to take advantage of opportunities as the economy improves.

19.8 Costs for training and courses in Queensland is currently funded primarily by employers (48.8 per cent). Only 28.9 per cent of training was funded or subsidised by the government and a further 22.3 per cent was funded by the employee. Businesses report that government funding and subsidies are often not practical or applicable to training that meets their skills needs.<sup>28</sup>

19.9 While Government funding is not a core driver of training investment, it provides an incentive for businesses to access quality accredited training. Identifying incentives and funding for training and navigating the training system is particularly confusing for businesses as a result of the complexity of the training system. Increasing business awareness of the incentives and benefits of training during the next term of government will be critical.

19.10 CCIQ strongly believes a significant fault in funding of the education and training system is that it inherently gives preference to young people. Defining eligibility for incentives and funding by centrally determined "skills in need" lists skews the supply and demand for training. As such the system fails to recognise and support existing workers in increasing their skills and prevents skills development in niche and emerging industries.

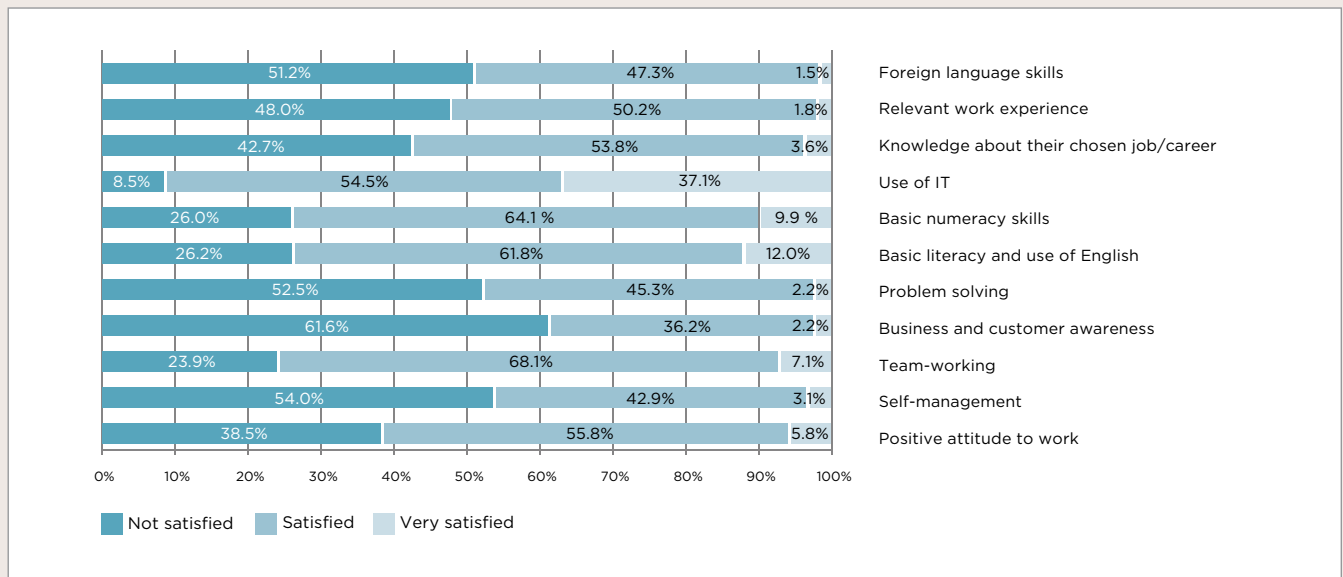
**RECOMMENDATIONS:**

- Develop initiatives to address reduced private sector capacity to invest in training.
- Increase transparency and business awareness of training incentives and funding for business.

## FOUNDATIONS FOR SKILLS DEVELOPMENT

- 19.11 Improving levels of foundation and employability skills is essential to increasing workforce participation and productivity rates. Unfortunately, the level of literacy and numeracy for a significant portion of the workforce, across all age groups, is below the standard required to participate effectively in work or training. Greater than 40 per cent of businesses report literacy and numeracy problems in their current workforce, particularly Australian Apprentices, school-age students and recent school leavers.<sup>29</sup>
- 19.12 Queensland employers identify significant opportunity for improvement of the outcomes being achieved from Queensland's education system and do not believe that young people are graduating with the full ability to successfully move into work or further education.

### EMPLOYER SATISFACTION WITH SKILLS OF YOUNG PEOPLE



Source: CCIQ Education and Training Survey 2010

- 19.13 CCIQ believes it is important not to transfer the burden of poor educational outcomes onto employers who are currently bearing the cost of low productivity, skills shortages and training costs resulting from the failure of our education system. Queensland needs to invest heavily in young people and in up-skilling all individuals in the workforce who have poor literacy and numeracy skills.

## RECOMMENDATIONS

- Improve the quality of school education to ensure all Queenslanders acquire the basic foundation skills required to succeed in work and life.
- Invest in programs and training opportunities to assist individuals with low foundation skills.

## WORKFORCE PLANNING, RECRUITMENT AND RETENTION

- 19.14 While workforce planning has become a popular concept in government and industry bodies, most businesses do not have the capacity internally to undertake or implement workforce planning processes. The Queensland Government will need to work with industry in developing innovative mechanisms to increase the capacity of businesses to plan for their future skills needs.
- 19.15 Businesses are highly supportive of the development of workforce modeling at the local, regional and industry levels to identify current and future skills needs to enable a targeted response to identified labour force gaps. Improving the information available to employers and business owners on their local and regional labour markets will be particularly important in achieving a balance between the skills needs of the resources sector and the needs of local business, industry and the community.
- 19.16 Continued and innovative approaches to skills and workforce development in Queensland will be essential.

## RECOMMENDATIONS

- Develop strategies to address the capacity of the business community to undertake workforce planning and clearly articulated pathways for business and industry to communicate future workforce demands to government and training sectors.
- Development and regular review of workforce modeling at local and regional levels.

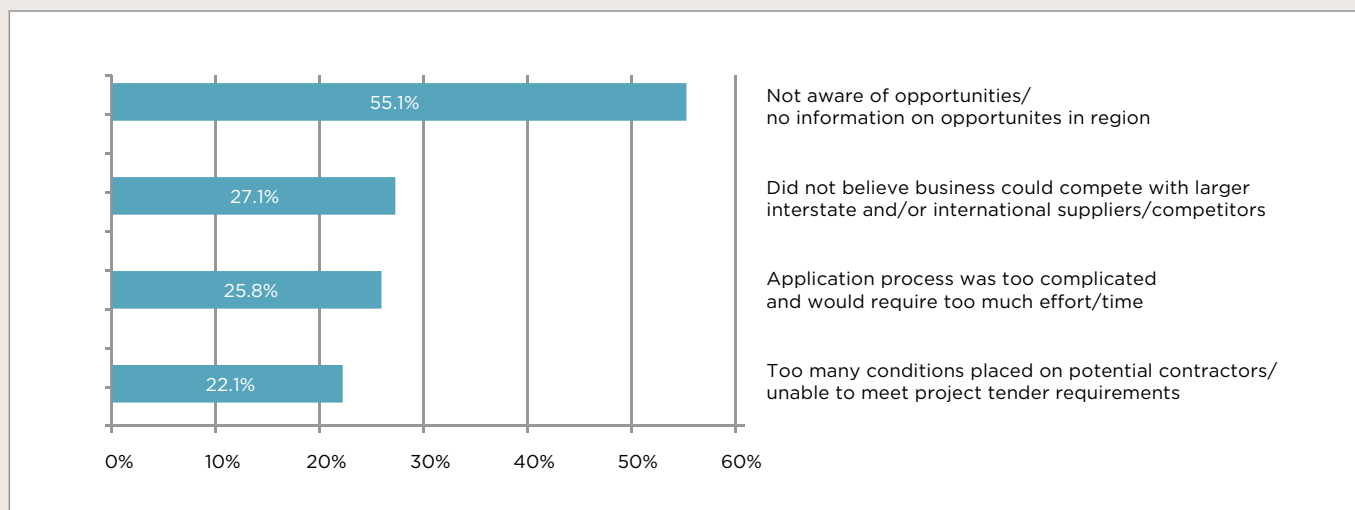
## 20. Increasing Local Opportunities

- 20.1 CCIQ is strongly supportive of initiatives that increase the involvement of Queensland businesses in both public and private sector major projects due to the positive impacts on employment and business growth. Increasing local opportunities will also have positive flow-on effects such as encouraging innovation and the adoption of new technologies, driving productivity and the establishment of best practice methods, increasing standards of living in regional areas and enhancing the competitiveness of local industries.
- 20.2 CCIQ recently undertook a survey of 800 businesses to determine the current level of involvement in government projects and to identify ways to increase the opportunities available to local businesses.<sup>30</sup> The majority of Queensland businesses (64%) had not participated in government procurement opportunities for goods, services or capital projects.

### ELIMINATING BARRIERS TO PRIVATE SECTOR INVOLVEMENT

- 20.3 Of those businesses that had been directly or indirectly involved in procurement opportunities, 44% rated the whole process and experience as average and a further 27% rated the process as poor or very poor. These businesses also identified the need for much more to be done in relation to the following aspects of the procurement process to encourage businesses to continue their participation in procurement opportunities:
- Support and assistance provided by the agency or project tender manager;
  - Fairness and equity of the tender selection process;
  - Delivery of project and reporting requirements;
  - The application process and documentation required.
- 20.4 The key reason identified by businesses for why they had not previously been involved in procurement opportunities was their lack of awareness of the opportunities available, especially at a regional level. There is a growing perception that local small businesses can not compete against larger national and international companies, particularly due to their size, inability to complete complex applications/ tender processes and the substantial time and effort required to do so. There are also concerns regarding the excessive conditions placed on potential contractors with many businesses being unable to meet project tender requirements.

### MAIN REASONS FOR NOT ACCESSING PROCUREMENT OPPORTUNITIES



Source: CCIQ Local industry participation survey 2011

20.5 Other reasons identified by businesses for their low participation in government procurement opportunities include:

- Limited or no opportunities available in particular industries or for regional businesses;
- Limited capacity, too complex and initial capital outlay too much to participate, especially for small businesses;
- Too much red tape;
- Businesses' products or services not suitable for government procurement opportunities;
- Government is currently a major competitor;
- Government procurement not a priority for the business;
- Difficult to get your foot in the door.

## RECOMMENDATION

The State Government to work with industry to reduce the barriers currently experienced by businesses to participate in State Government and Major Project procurement opportunities.

20.6 CCIQ provides particular support for the following strategies in the aim to eliminate barriers to private sector involvement:

- Support for Small and Medium Businesses: CCIQ is strongly supportive of working with small and medium businesses to enhance their capacity to participate in the local opportunities available to them. Four out of five businesses support local industry being provided with more support to complete applications for major project tenders. This includes encouraging the clustering of small businesses to compete and tender for local opportunities.
- Increasing awareness and engagement: The main reason identified by businesses for not accessing procurement opportunities was a lack of awareness of such opportunities or no information on the opportunities available in their region. Subsequently, CCIQ believes that much more needs to be done to increase the awareness of and engagement surrounding the opportunities available to local businesses. Businesses express strong support for maintaining a database of local suppliers interested in accessing major projects' supply chains (CCIQ acknowledges the existence of the ICN, however our survey results indicate that more needs to be done to educate businesses on the existence of this initiative). Businesses are also supportive of a central portal for information on upcoming and current tender opportunities.
- Reducing red tape and duplication: Queensland businesses provide strong support for reducing red tape, duplication and inconsistencies, including simplifying tender processes. It is also important to improve access to finance to allow businesses to apply for contracts.

## INCREASING OPPORTUNITIES FOR LOCAL BUSINESSES

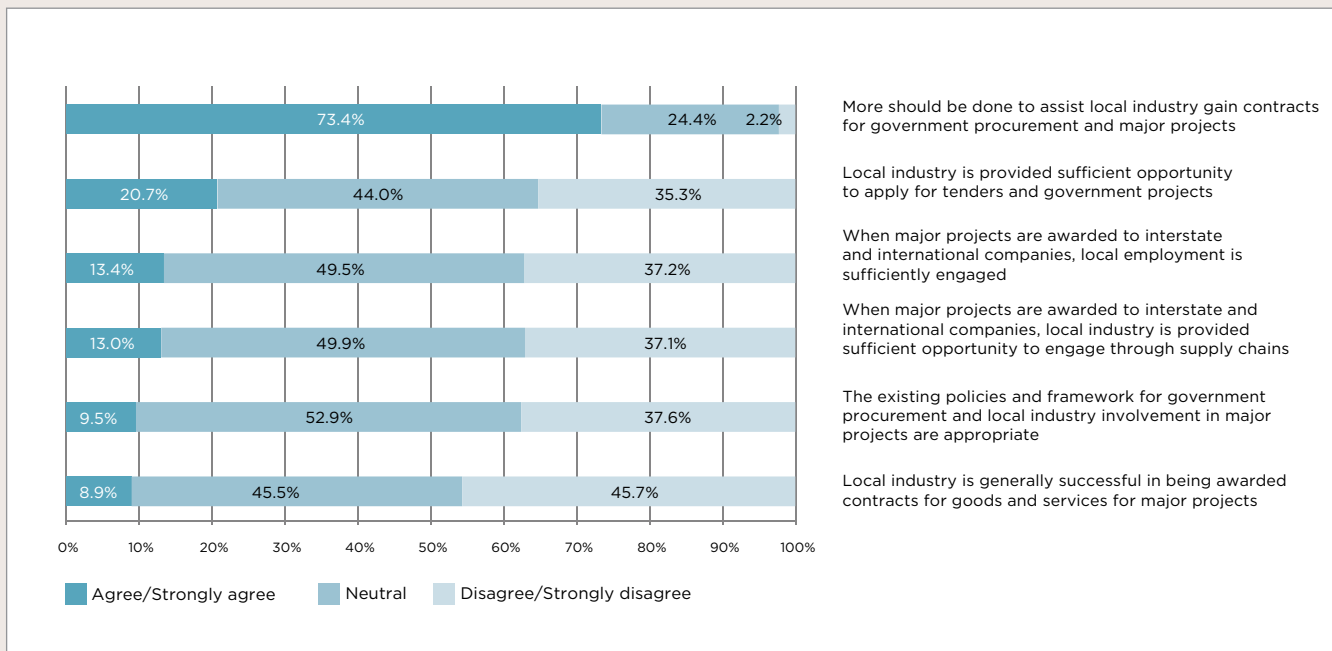
20.7 The majority of businesses (51%) believe insufficient opportunity is provided to SMEs and locally based businesses when awarding contracts for goods and services on major projects. A further 46% of businesses believe that local industry is generally not successful in being awarded contracts. Subsequently, 73% of businesses believe more can and should be done to assist local industry in gaining contracts for government procurement and major projects. More than one in three businesses believe:

- Existing policies for local industry involvement in major projects is not appropriate;
- Local industry is not provided with sufficient opportunity to engage with interstate and international companies through supply chains for major projects that have been awarded;
- Local employment is not sufficiently engaged when major projects are awarded to interstate and international companies;
- Local industry is not provided with sufficient opportunity to apply for tenders/major projects.

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
The nature of the two speed economy in Queensland is hurting small and medium business and the government should do more to help them be more competitive.	51.5%	34.3%	10.5%	3.1%	0.6%

Source: CCIQ's 2012 Big 3 for Business Election Survey - January 2012

QUEENSLAND BUSINESS SUPPORT FOR THE FOLLOWING:



Source: CCIQ Local industry participation survey 2011

20.8 80% of businesses provide support for enhancing local industry competitiveness and creating more efficient local markets. This could include a focus on up-skilling local businesses and employees, delivering productivity improvements, strengthening regional economies, enhancing supply chains, building specific industry capability in areas where there is demand and promoting the successes of local businesses. Strengthening local businesses and communities is likely to have positive flow on effects on the level of local business opportunities that are made available. It is also important that governments and large businesses are encouraged to engage with local businesses to fulfil their procurement requirements.

**RECOMMENDATION**

The State Government to work with industry to enhance the competitiveness of local industries and businesses to subsequently increase their capacity to compete with national and multi-national companies.

- 20.9 CCIQ is also strongly supportive of strengthening reporting requirements around how companies have attempted to engage with Queensland industry including an indication of the proportion of total opportunities that were provided to Queensland businesses.
- 20.10 CCIQ remains committed to increasing local opportunities for Queensland businesses to be involved in both public and private sector projects. CCIQ is currently developing a local opportunities Blueprint to be released in 2012 that will include a number of more detailed recommendations on how to positively progress this issue moving forward.

“More focus on what type of small to medium businesses in the region would benefit and find ways to involve them rather than just be demand driven.”

“Support local businesses to form consortia to become more competitive.”

- Queensland Business Operators

# 21. Standing Up to the Federal Government

## CARBON PRICING MECHANISM

- 21.1 CCIQ is concerned about the impact of the Federal Government’s implementation of a Carbon Pricing Mechanism (CPM), which comes into effect in Australia on 1 July 2012. Alarming, the Federal Government has gone ahead with its plan to introduce the CPM without a binding global agreement. The Australian business community now faces the likelihood of higher costs than those of their international competitors. CCIQ and the Australian business community is now relying on the State Government to strongly engage with the Federal Government to either rescind the tax, or secure a global agreement, placing the same costs on international businesses as it does on Australian businesses.
- 21.2 Without global action, the Australian business community will face the extraordinary challenge of competing against international businesses with much lower operating costs. Queensland in particular is most vulnerable. With a decentralised economy and large geographical area, the carbon tax will flow through the Queensland economy affecting the price of all goods and services and increasing costs for all businesses including those without a direct carbon liability.<sup>31</sup> The prospect of higher energy and transportation costs has eroded the confidence of many in the Queensland business community, with over seventy-five per cent of recently surveyed businesses indicating the tax would have a negative impact on their business.<sup>32</sup>

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
The State Government should encourage the Federal Government to scrap the implementation of the proposed Carbon Pricing Mechanism.	71.2%	13.1%	6.7%	3.2%	5.9%

Source: CCIQ’s 2012 Big 3 for Business Election Survey – January 2012

## MINERALS RESOURCE RENT TAX

- 21.3 CCIQ’s position on the Minerals Resource Rent Tax (MRRT) relates to the negative impact that it is already having on Queensland business confidence and investment decisions. Queensland’s mining industry provides the basis for many value-adding industries that underpins much of the state’s prosperity. CCIQ is supportive of sound tax reform, but it should be based upon three core principles:
- Any new tax must promote fair competition within the Australian mining industry;
  - Any new tax must not erode the Australian mineral resources industry investment levels and spend within the Australian domestic economy;
  - Any new tax should not erode the international competitiveness of the Australian and Queensland mineral resources industry.

## COMMONWEALTH TAX DISTRIBUTIONS

- 21.4 Currently the Commonwealth Grants Commission (CGC) uses a specific formula to re-allocate the Goods and Services Tax (GST) according to perceived measures of equality across different States within Australia. The aim of the process is to ensure that Commonwealth funding and GST revenues are distributed to allow for each state to have the appropriate fiscal capacity to deliver services to their population.<sup>33</sup> The State Government must ensure that Queensland continues to receive its fair share of GST revenue raised.

## RECOMMENDATION

CCIQ calls for the next State Government to be stronger in standing up to the Federal Government on issues that affect the Queensland business community.



## 22. Climate Change

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- 22.1 Climate change is undoubtedly one of the most important challenges facing Queensland businesses and the broader Queensland community. As a national carbon tax has been adopted by the Australian Government as Australia's principal mechanism to reduce greenhouse emissions and limit the effects of climate change, CCIQ strongly believes that any existing state-based greenhouse gas abatement schemes which stand to both undermine the effectiveness of the national mitigation strategy and further escalate costs for the business community must be halted before the commencement of the carbon tax in July 2012.
- 22.2 A key concern of business highlighted in the CCIQ pre-election survey is the level of support offered by government to assist businesses to adapt to climate change policies. Pricing carbon on its own will achieve little if our emissions and energy intensive industries and businesses do not have the information, tools and technologies available to change the way they operate and adapt to a low carbon economy. The Queensland Government has a key role to play in assisting Queensland businesses to understand their obligations and adapt in order to protect the viability of our businesses and the competitiveness of our economy.
- 22.3 The State Government can assist Queensland businesses by:
- Reviewing any existing state based climate change and emissions related regulation that overlaps or duplicates the intentions of the Federal Government's Carbon Tax, in particular the Queensland Gas Scheme;
  - Providing targeted industry specific information and support services to the business community to assist them to understand any obligations under the Carbon Tax, to make informed choices about reducing their emissions and energy intensity and accessing alternative fuel sources and technologies;
  - Providing access to financial assistance and loan schemes to assist with the transition to low carbon and less energy intensive technologies and business processes, especially to those sectors and small businesses not captured under the Federal Government's assistance programs.

**“We are a high infrastructure business, the only way we can reduce our own emissions is to have our products manufactured overseas - this in turn will increase emissions overseas. In addition, we cannot simply replace our infrastructure for low emission alternatives, because these alternatives are either not available - or are prohibitively expensive to implement.”**

**“To reduce energy consumption will require capital investment. This investment will not increase sales or business productivity and as such will put increased pressure on capital available to invest into business growth and development.”**

**- Queensland Business Operators**

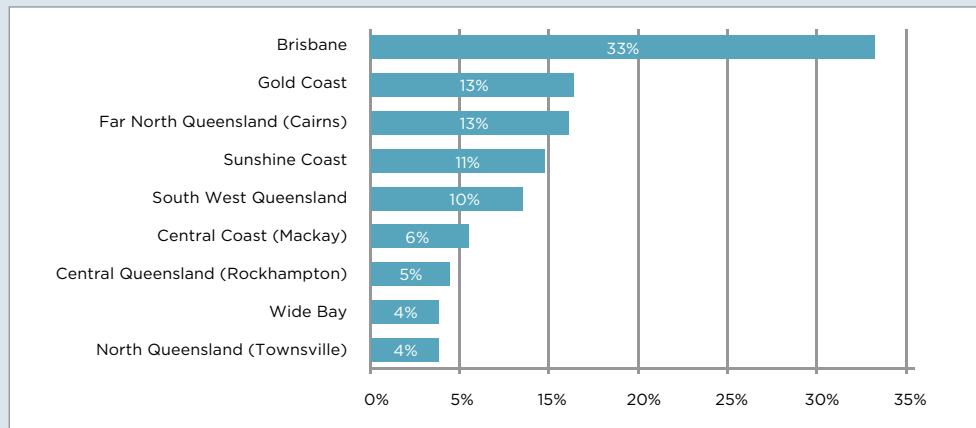


# Appendix & References

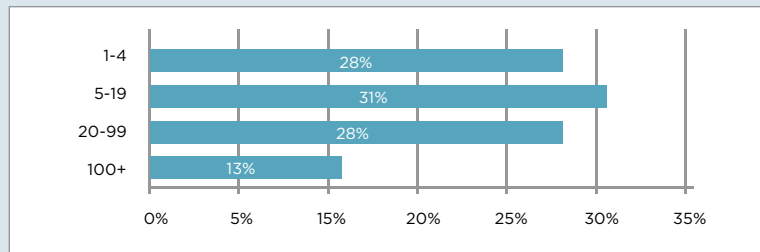
# Appendix 1: Big 3 for Business Survey Demographics

Date: 14th December 2011 - 13 January 2012. Number of respondents: 1019

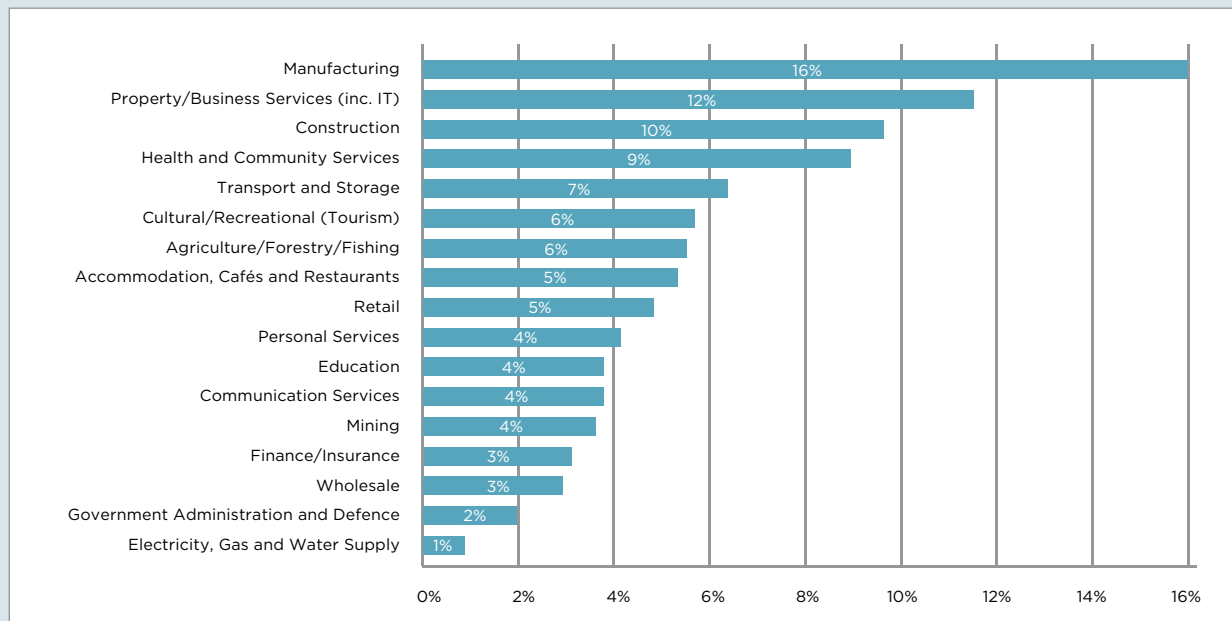
## LOCATION OF BUSINESSES



## NUMBER OF EMPLOYEES



## INDUSTRY SECTORS



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“There must be significant change at the upcoming State and Local Government elections to ensure that there is more focus on making Queensland affordable, making it easier to do business and also distributing the wealth from the resources boom through the construction of social, community and traditional infrastructure.”

“Increased population will lead to more pressure on existing infrastructure however with good management and planning a population increase will lead to more jobs.”

“Give the control of running their business back to the owners. There is so much compliance and hurdles to cross that business is choking under the paperwork.”

“Government does not understand the current state of small businesses in Australia. Regulation is stifling our business. It has taken them far too long to realise that small businesses are suffering significantly, whilst the mining boom rolls on.”

“Remove unfair dismissal laws for small to medium enterprises, thus giving us the ability to grow our business and the economy by employing more staff without the worry of being sued.”

“We operate in the manufacturing sector and use steel as an input - this will affect our industry and make it even harder to compete with cheap Chinese product on the market - introducing a carbon tax will be suicide for Australian industry.”

- Queensland Business Operators

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