

Monday, September 23, 2019

Committee Secretariat  
Joint Standing Committee on Trade and Investment Growth  
PO Box 6021  
Parliament House  
Canberra ACT 2600  
Email: [jsctig@aph.gov.au](mailto:jsctig@aph.gov.au)

To Whom it May Concern,

**Re: Joint Standing Committee on Trade and Investment Growth Inquiry into supporting Australia's Export and Attracting Investment**

On behalf of the Mackay Isaac Whitsunday region, we would like to provide a response to the Inquiry into supporting Australian exports and attracting investment. Greater Whitsunday Alliance (GW3) and Regional Development Australia-Mackay Isaac Whitsunday (RDA MIW) commend the government and ministerial focus toward this inquiry.

It is estimated that Australian Exports total just over AUD \$440,349 M. The largest contributors to exports earnings coming from mining (26.5%), manufacturing (25%), construction (7.3%), Education and Training (5.9%), agriculture (4.4%), wholesale trade (3.82%) and information, media and Telecommunications (3.51%).

Over the same time period Australia imports totalled AUD \$446,864M with the largest contributions aligned to manufacturing (53.4%), construction (9.35%), mining (6.26%), transport and warehousing (5.52%), Accommodation and Food Services (4.28%) and Professional and Scientific Services (3.60%)

Output data or gross revenue generated for Australia is estimated at \$3.691 Trillion while national GDP is estimated to be AUD\$1.848 Trillion or \$79,107 per capita.

The Mackay Isaac Whitsunday region is a power house in terms of export and trade. It is estimated that the regional annual export value is AUD \$22,227M. The largest contributors to export earnings coming from mining (77%), manufacturing (8%), agriculture (4%), transport and warehousing (3%) accommodation and food services (2%) and Rental, Hiring and Real-estate Services (1%).

The Mackay Isaac Whitsunday region annual imports are AUD \$9,418M. The largest contributions aligned to Mining (38.3%), Manufacturing (18.8%) Construction (7.4%), Transport and warehousing (5.4%), Rental, Hiring and Real-estate Services (4.8%) and Accommodation and Food Services (4.7%)

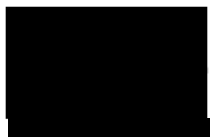
The above indicates a strong positive regional trade balance of AUD \$7,315M p.a. and a regional GDP per capita of \$131,308. This compares to the national trade balance deficit of AUD \$6,515M p.a. and a national GDP per capita of \$79,107. \*

As can be seen via the export and import data provided, the MIW region economy is heavily reliant on export and import trade and investment. The ability to ensure governments have regulatory process that support continued business growth and development and support large and small business ambitions is critical to regional and national prosperity, and community sustainability.

Regulation is an essential part of running a well-functioning economy and society, but must be carefully designed so as not to have unintended or distortionary effects, such as imposing unnecessarily onerous costs on those affected by the regulations or restricting competition. Assessing the impact of regulation, including analysing the costs and benefits, is therefore important to ensure that it delivers the intended objective without unduly causing adverse effects.

GW3 and RDA MIW remain committed to advocating for a well-functioning MIW regional economy. We look forward to working with the Federal Government to identify and deliver important regional growth, development and trade and investment outcomes for the Mackay Isaac Whitsunday region.

Yours Sincerely,



John Glanville – Chair  
Greater Whitsunday Alliance Ltd.



Darryl Camilleri  
Acting Chair – RDA Mackay-Isaac-Whitsunday

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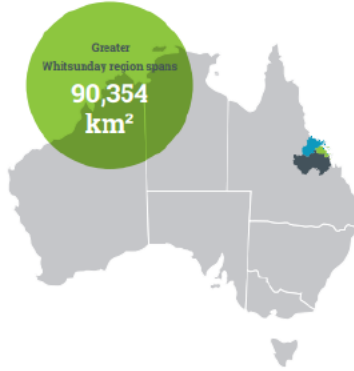
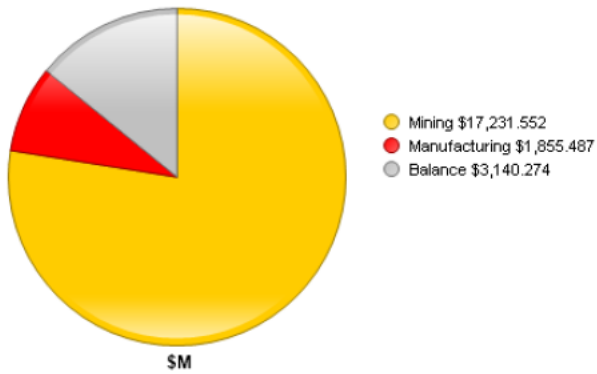
\* The regional GDP per capita for the MIW region sees a range of \$75,002 (Mackay), \$84,836 (Whitsundays) and \$517,026 (Isaac)

SOURCE: Remplan (Mackay, Isaac, Whitsunday)

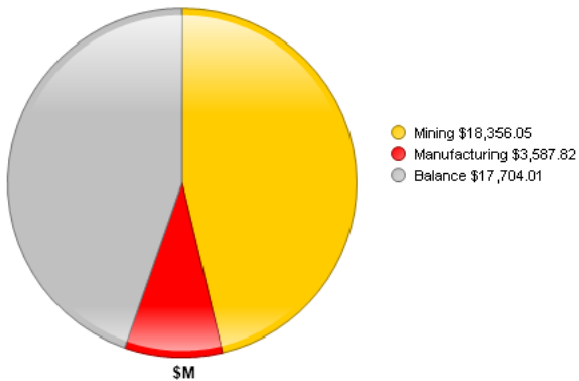
REGIONAL OVERVIEW

Greater Whitsunday Statistics, Source: RemPlan (Mackay, Isaac, Whitsunday)

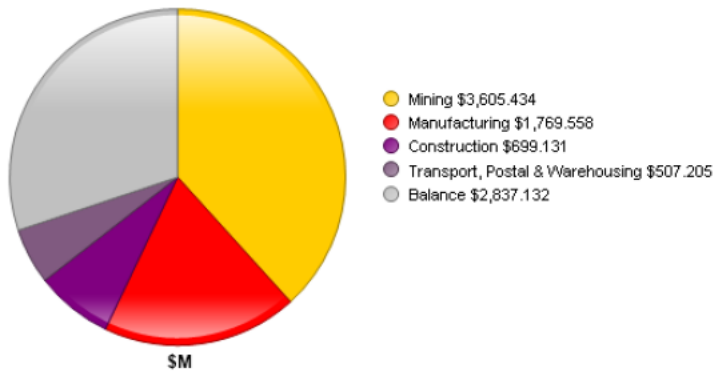
**Regional Exports**  
Mackay - Isaac - Whitsunday (SA4)



**Output**  
Mackay - Isaac - Whitsunday (SA4)

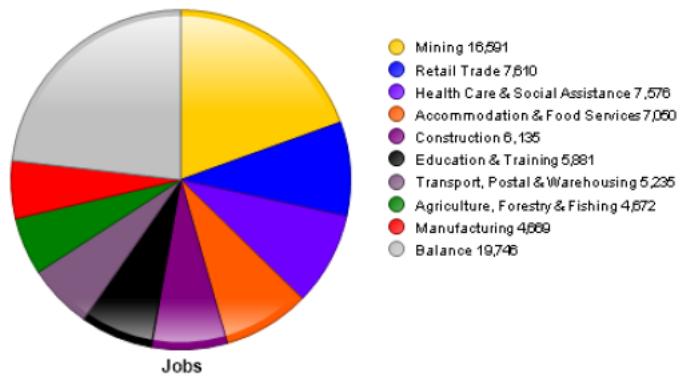


**Regional Imports**  
Mackay - Isaac - Whitsunday (SA4)



GRP Expenditure Method	\$M
Household Consumption	\$8,137.025
Government Consumption	\$2,795.648
Private Gross Fixed Capital Expenditure	\$3,056.215
Public Gross Fixed Capital Expenditure	\$738.441
<b>Gross Regional Expenses</b>	<b>\$14,727.329</b>
plus Regional Exports	\$22,694.771
minus Domestic Imports	-\$12,766.187
minus Overseas Imports	-\$2,374.466
<b>Gross Regional Product</b>	<b>\$22,281.447</b>
Population	169,688
Per Capita GRP (\$'000)	\$131.308
Per Worker GRP (\$'000)	\$261.627

**Employment**  
Mackay - Isaac - Whitsunday (SA4)



## INTRODUCTION

This is a joint submission between Greater Whitsunday Alliance Ltd (GW3) as the lead regional economic development organisation for the Mackay-Isaac-Whitsunday Region and Regional Development Australia Mackay-Isaac-Whitsunday Inc. (RDA MIW) one of 55 Regional Development Australia bodies nationally.

This a submission in response to the Joint Standing Committee Inquiry on Trade and Investment Growth toward supporting Australia's Export and Attracting Investment

## BACKGROUND

This submission will provide responses toward the three respective areas of the enquiry as they relate to:

- Understanding Australian (in this case the MIW region) business ambitions to grow via export and attracting investment.
- Identifying local regulatory barriers to business being able to realise their ambitions; and
- Identifying best practice regulation that evidence show supports export and investment growth, while protecting the national interest.

## UNDERSTANDING MACAY ISAAC AND WHITSUNDAY REGION BUSINESS AMBITIONS TO GROW EXPORTS AND ATTRACT INVESTMENT

Until recently the MIW region has had limited ability to articulate and understand regional sector and business ambitions relating to export and trade opportunities. Despite the region's recognition as a global leader in METS, Tourism, Education and Agribusiness services and products, little was understood of the range of service and products offered or the capabilities of the region's suppliers and or their current product and service supply chain arrangements.

Through the financial support of Australian government (SME Export Hub Initiative) and Queensland Government and industry groups and coordinated via working groups involving economic development and trade and investment regional groups and industry, the MIW region has recently embarked on project actions across the Agribusiness and METS sectors to:

- Develop and implement targeted export strategies for the MIW METS and agribusiness sectors respectively.
- Provide dedicated resources (staff and funding to foster and drive export focussed activities.
- Accelerate and commercialise export pathways.
- Identification of a wider ecosystem of potential participants in the MIW region.
- Greater access to export specific training, market intelligence and financial support for export businesses and sectors.
- Establishment of the MIW export brand for respective commodities.
- Complete current and future international market analysis.
- Better inform, educate and train METS and agribusiness SME stakeholders in the export function and markets.
- Establishment the MIW METS sector as a centre for world's best practice in global resource supply chains.



- Establish an agribusiness agtech hub and Institute to support imports and exports of agribusiness innovation, research and development. This includes working with research and groups like DFAT to fast track biosecurity solution procedures for food products into global markets.

Post the delivery of these short term-funded programs and projects – the challenge will be how the region maintains resources to help facilitate ongoing capability and capacity for the regions businesses to grow exports.

As a region we recommend the adoption of a key set of actions to support our region's ability to grow exports:

- Continue the development of sector specific collaborations and partnerships in support of export services and products growth and support for regional businesses capability enhancement. Directly this requires grants funding support (matched with sector investment) to have staff and resources able to coordinate and facilitate local and regional exports development programs.
- Build SME business capacity and capability to realise export potential via training, mentoring and coaching – ideally these programs would be co-funded via government grants programs (plus matching private investment) to support business development, relationship development and funding to help market and trial products and services within export markets.
- Better understand MIW trade and Investment opportunities via sound market intelligence – this may include the delivery of out-bound and in-bound missions.
- Have co investment from government and industry sectors to identify and support catalytic projects that support investment attraction to the MIW region and specific service and product suppliers. For example, the development of export prospectus material and spatial information data portals focused on global investment into the MIW region.
- Continue analysis of markets and products/services desired by global customers - at a minimum these studies would be completed every five years.
- Continue the analysis of effectiveness and efficiency of supply chains in Australia, Queensland and regions and between regions – these studies highlighting what are often fundamental infrastructure upgrades that can dramatically improve productivity. For example, freight transport infrastructure solutions that maybe limiting produce supply to a global network.
- Actively build cross regional relationships to understand and explore North Queensland or Northern Australia export market strengths, weaknesses, opportunities and threats across commodity sectors and markets and in doing so develop cross regional solutions aligned to freight, transport, processing, research and development and access to labour and energy resources. These cross regional collaborative actions would ideally focus toward shared export infrastructure, research and development, policy and regulations. The Australian government in support of the Northern Australia Agenda could establish an ONA facilitated working group comprised of regional stakeholders and Northern Australia agencies to find policy and operational solutions in support of cross regional development solutions.
  - For example, the CRC Northern Australia (along with project proponents) has funded a series of separate agribusiness export hub studies covering the land area from Sarina to Mossman and west to the border. These studies provide an opportunity to identify agribusiness products and services and required support infrastructure that could be centralised within North Qld or North Australia. This solution focus would ensure that studies/analysis is completed that reduces

cross regional duplication of agribusiness export infrastructure, products and services, but more importantly identifies domestic operations and infrastructure solutions best able to support an integrated supply chain model for export of agribusiness products and services at the most cost-effective rate.

- Apply the same methodology currently supporting the METS and agribusiness export regional studies and strategies to other industry sectors - namely tourism and education.

## IDENTIFYING REGULATORY BARRIERS TO REGIONAL BUSINESSES BEING ABLE TO REALISE THEIR AMBITIONS

Global efforts to reduce trade protection date back to the lessons learnt from the 1930's "Great Depression". Since then to now we have seen liberalisation of international trade agreements continue to be expanded and under the WTO member countries a process of fair competition has been in place. However, since the "Global Financial Crises" (GFC), there have been signs of Significant shift in rhetoric and reality of trade protectionism. For example, the US has undertaken a fundamental change in trade policy, EU populists are shaping policy that is opposed to free trade agreements, and India's Sugar Industry has recently provided large subsidies to its millers and farmers which in turn drives over supply of global sugar volumes. More recently at the G20 discussions in 2017, showcased some early evidence of a backing away from a commitment to reject all forms of protectionism.

Rising protectionist sentiment has already been matched by action in some countries. Since 2009, the number of new protectionist measures recorded by both the WTO and Global Trade Alert has exceeded the number of liberalising measures. By mid-October 2016, the WTO had recorded a total of 1671 new measures. About 60 per cent of these have been trade remedies (particularly anti-dumping measures), and about 30 per cent have been import-limiting measures including increases in tariffs. Over time, only a quarter of these new measures have been removed.

International trade and investment are vitally important to the Australian economy. Trade generates new jobs, benefits consumers by making business more competitive and increases the wellbeing of the community through greater economic activity and access to a wider range of products. Similarly, foreign direct investment lifts productive capacity, generates new jobs, brings new technology into Australia, upgrades skills and strengthens competition, supporting productivity improvements and through that, national income growth. Therefore, if the international trade and investment environment changes, the impacts for Australia, as well as nearly every other country in the world, are likely to be substantial. Barriers to trade and investment pose a risk to Australia's and our regions ongoing growth and wellbeing. Of concerns is the more recent decrease in global trade growth resulting from the introduction of protectionism policies and behaviour within key exports markets. A study conducted by the Australian Productivity Commission in July 2017 indicates and comments toward

*"worldwide increases in tariffs of 15 percentage points would see a reduction in Australia GDP of more than one percent lower in each year - this is the equivalent of removing about half a year of growth from the economy or in employment terms would be 100,000 jobs. For every \$1.00 increase in Australian tariff revenue, economic activity in Australian would fall by \$0.64. For the average Australian house hold this would mean an income cut of about \$1500 p.a."*



The impact in MIW region would be larger given our region's economy has a very high level of Trade exposure (exports and import) and its direct linkage to regional jobs and services.

Trade is vitally important to the MIW economy

- Trade (export) equates to about 95% of MIW regional GDP.
- Over the past 25 years our regional economy has doubled in size, exports have accounted for over a quarter of this growth.
- Most of the MIW jobs rely on trade, about 1 in 3 workers are ultimately involved in the production of exports or are involved in import related activity. All up over 60% of employment expenditure relates to trade (export and import) aligned jobs and services.
- Consumers are big beneficiaries of trade. Trade means access to wider variety of goods and services at more competitive prices, boosting living standards.
- Exporting businesses and sector are typically more successful. They are larger, more productive, pay higher wages and are more likely to survive than non-exporters.
- Imports reduce Australian production costs and increase employment. Overall Australian imports are essential inputs that business use to produce goods locally.
- Exposure to competition from overseas compels Australian business to innovate and adopt more efficient production methods. More efficient resources use boosts economic growth.
- Foreign investment helps fund the growth and development of industry in Australia.

However, it is understood that a range of general, regulatory barriers impacting on MIW trade can have a large impact on our regional economy. Discussions with regional trade service and product suppliers highlights the following as key barriers to business export and import growth;

- Domestic Barriers
  - Regulations which prohibit the importation of products and services can have negative impacts by reducing product availability and or increasing domestic cost of goods and services. While it is understood that Australia must protect itself from biosecurity risks, we should also be evaluating new innovative technology and solutions which may allow for importation of products with lower risk and cost.
  - Increasing cost of production associated with safety, employment, social standards and sustainability regulations. While the focus of these domestic regulations is toward domestic production improvements and increased competition capability, the ability for Australian product makers and service suppliers to then compete globally for the provision of such products and services is challenging – especially when the global buyer is not directly offering product premium or preferential market supply for the provision of products and services produced more safely or with higher social or environmental standards.
  - Other potential barriers to growth of exports include, visa processing arrangements for short term visitors and international students, liberalisation of air service arrangements, simplifying Australia's regime of withholding taxes, and limitation in attracting skilled employees and lack of support for export schemes.
- International Barriers

- Are effectively trade barriers established by government to introduce restrictions on international trade and enforce an imposition of some sort or cost on trade that raises the price of the traded products. Trade barriers are often criticized for the effect they have on the developing world but in today's environment we are also seeing developing countries implementing more domestic protections. Trade barriers, such as taxes on food imports or subsidies for farmers in developing economies, lead to overproduction and dumping on world markets, thus lowering prices and hurting farmers.
- Australian and State Governments through collaboration between agencies, industry peaks and community economic development groups must continue focus toward trade liberalisation and the removal of trade barriers.
- The largest benefit for MIW trade (export and import) growth aligns with Australia's successful actions and operations regarding trade agreements and active engagement with entities such as WTO. These actions will hopefully reduce the impacts of trade barriers and determine solutions to manage Anti- Globalisation movements and protectionism policies. These include the reduction of ethical barriers, arguments against international trade, anti-globalisation movements, cultural barriers, technological barriers and regulatory barriers, tariffs, non-tariffs, quotas, import and export licenses, subsidies, voluntary export restraints and so on.

## IDENTIFYING BEST PRACTICE REGULATION THAT EVIDENCE SHOW SUPPORTS EXPORT AND INVESTMENT GROWTH, WHILE PROTECTING THE NATIONAL INTEREST

Regulation refers to the range of legally enforceable instruments which impose mandatory requirements upon business and the community, as well government voluntary codes and advisory instruments for which there is a reasonable expectation of widespread compliance.

Regulation is an essential part of running a well-functioning economy and society but must be carefully designed so as not to have unintended or distortionary effects, such as imposing unnecessarily onerous costs on those affected by the regulations or restricting competition. Assessing the impact of regulation, including analysing the costs and benefits, is therefore important to ensure that it delivers the intended objective without unduly causing adverse effects.

If regulatory options are being considered (such as self-regulation where governments expect business to comply, quasi-regulation, co-regulation and 'black letter law') then governments must subject these options to a regulatory impact assessment process through the preparation of a draft and final Regulatory Impact Statements. (RIS)

The purpose of a draft RIS for consultation is to canvass the regulatory options under consideration, in order to determine the relative costs and benefits of those options. The purpose of a final RIS for decision makers is to draw conclusions on whether regulation is necessary, and if so, on what the most efficient and effective regulatory approach might be, considering the outcomes of the consultation process. The basic feature of a RIS is the systematic examination of the advantages and disadvantages of possible methods of achieving the objective. Several quantitative approaches exist to assist in evaluating options as part of the regulatory impact assessment including:



- **risk analysis** – methodology to address if the issue has reached a threshold of whether to regulate;
- **cost-benefit analysis** – validation of major costs and benefits within a monetarised assessment and thus comparable terms to facilitate a decision;
- **measuring business compliance costs** – includes consideration of compliance burden on business, often this can be determined through a set of threshold questions; and
- **assessing effects on competition** – analysis and conclusion of options being considered and the level of net benefit for the community.

GW3 and RDA MIW consider that best practice regulation can be aligned to eight basic principles that should apply to government, ministerial councils and intergovernmental bodies and regulation development process adopted by all levels of government.

#### PRINCIPLE 1: ESTABLISHING A CASE OF ACTIONS BEFORE ADDRESSING THE PROBLEM

An important first step before considering any action is to examine closely whether there is a problem, and to make an initial decision on whether any action is required.

#### PRINCIPLE 2: A RANGE OF FEASIBLE POLICY OPTIONS MUST BE CONSIDERED, INCLUDING SELF - REGULATORY, CO-REGULATORY AND NON-REGULATORY APPROACHES, AND THEIR BENEFITS AND COSTS CONSIDERED

Once the problem has been examined and a case for government intervention has been established, agencies should identify the objectives for any intervention and consider all feasible options, of both a regulatory and non-regulatory nature, that could wholly or partly achieve these objectives. Working from an initial presumption against new or increased regulation, the overall goal is the effective and efficient achievement of the stated objectives. The 'status quo' and effectiveness of existing regulations should be considered as an option for meeting the objectives.

#### PRINCIPLE 3: ADOPTING THE OPTION THE GENERATES THE GREATEST NET BENEFIT FOR THE COMMUNITY

This requires a rigorous regulation impact assessment of all the feasible policy options available to address the identified problem. Decision makers should adopt the option which provides the greatest net benefit to the community. Decisions about whether regulatory action is in the public interest should be informed by an assessment of the effectiveness of the proposed action in meeting the identified objective, and the costs and benefits of the proposed action for the community.

#### PRINCIPLE 4: LEGISLATION SHOULD NOT RESTRICT COMPETITION UNLESS IT CAN BE DEMONSTRATED THAT THE BENEFITS OF THE RESTRICTIONS TO THE COMMUNITY AS WHOLE OUTWEIGH THE COSTS AND THE OBJECTIVES OF THE REGULATION CAN ONLY BE ACHIEVED BY RESTRICTING COMPETITION

Many existing and proposed regulations and requirements restrict competition, including by imposing barriers to entry, exit, or innovation, and can have the effect of restricting consumer choice, raising prices and reducing overall economic efficiency and productivity.

As far as possible, restrictions on competition should be avoided or minimised. Regulation should only restrict competition where this is necessary to achieve the objective, and the benefits of restricting competition outweigh the costs.

#### PRINCIPLE 5: PROVIDING EFFECTIVE GUIDANCE TO RELEVANT REGULATORS AND REGULATED PARTIES IN ORDER TO ENSURE THAT THE POLICY INTENT AND EXPECTED COMPLIANCE REQUIREMENTS OF THE REGULATION AREA CLEAR

When making a decision to adopt a regulatory solution to a problem in order to deliver the greatest net benefit for the community, it is necessary to clearly articulate any decision and new regulations for the benefit of regulators administering the solution as well as regulated parties.

Regulation should have clearly identifiable outcomes and unless prescriptive requirements are unavoidable in order to ensure public safety in high-risk situations, performance-based requirements that specify outcomes rather than inputs or other prescriptive requirements should be used.

Good regulation should attempt to standardise the exercise of bureaucratic discretion, to reduce discrepancies between government regulators, reduce uncertainty and lower compliance costs. Regulatory measures should contain compliance strategies which ensure the greatest degree of compliance at the lowest cost to all parties.

Where possible, regulatory instruments should be drafted in 'plain language' to improve clarity and simplicity, reduce uncertainty and enable the public to understand better the implications of regulatory measures.

#### PRINCIPLE 6: ENSURING THAT REGULATION REMAINS RELEVANT AND EFFECTIVE OVER TIME

To ensure regulation remains relevant and effective over time, it is important that all regulation be reviewed periodically. All governments should commit to reviewing annually existing regulations with a view to encouraging competition and efficiency, streamlining the regulatory environment, and reducing the regulatory burden on business arising from the stock of regulation.

Ensuring that regulation remains relevant and effective over time may be achieved through planning for monitoring and review of regulation as part of the development of new regulatory proposals, or by incorporating sunset provisions or review requirements in legislative instruments.

#### PRINCIPLE 7: CONSULTING EFFECTIVELY WITH AFFECTED STAKEHOLDERS AT ALL STAGES OF THE REGULATORY CYCLE

There should be effective consultation with affected key stakeholders at all stages of the regulatory cycle. Public consultation is an important part of any regulatory development process. Consultation should occur when the options for regulatory action are being considered and a draft Regulatory IS (also known as the 'Consultation RIS') has been produced. This will give interested parties a range of options and in some cases a firm proposal to consider. Consultation on regulatory options can improve the quality of the solution adopted by:

- ensuring that both those affected by regulation, and the actioning agencies, have a good understanding of what the problem is;

- providing perspectives and suggestions, on alternative options to address the problem, from those parties that will be affected by the government action;
- helping regulators assess competing interests;
- providing a check on the regulator's assessment of costs (including compliance costs) and benefits and whether/how the proposed option will work in practice, thus reducing the risk of unintended consequences if a option is adopted;
- identifying interactions between different types of regulations; and
- possibly enhancing voluntary compliance through greater understanding and acceptance of a proposal, thereby reducing reliance on enforcement and sanctions.

#### PRINCIPLE 8: GOVERNMENT REGULATORY ACTION SHOULD BE EFFECTIVE AND PROPORTIONAL TO THE ISSUE BEING ADDRESSED

In all responses to identified problems, government action should be effective and proportional to the issue being addressed. Effectiveness should be judged in terms of meeting the specified objective. Consideration should be given to the effectiveness of implementation and administration and, as relevant, an assessment of likely compliance rates should be made considering matters such as incentive structures and costs to regulated parties.

Proportionality involves ensuring that government action does not 'overreach' or extend beyond addressing a specific problem or achieving the identified objective. The scope or nature of government action should be commensurate with the magnitude of a problem, its impacts, or the level of risk without action. The principle of proportionality applies equally to the implementation of regulation, including the development of frameworks for ensuring compliance.

#### CONCLUSION

Greater Whitsunday Alliance (GW3) and Regional Development Australia-Mackay Isaac Whitsunday (RDA MIW) are of the belief that well-developed regulation and policy is fundamental base structure to support trade and investment growth. By adopting the recommendation highlight in this submission we believe that community, business and government can move forward in collaboration and trust that can underpin growth and community sustainability

Once again, Greater Whitsunday Alliance (GW3) and Regional Development Australia-Mackay Isaac Whitsunday (RDA MIW) commend the Minster and Parliamentary Standing Committee for its diligence in recommending and completing this inquiry.



