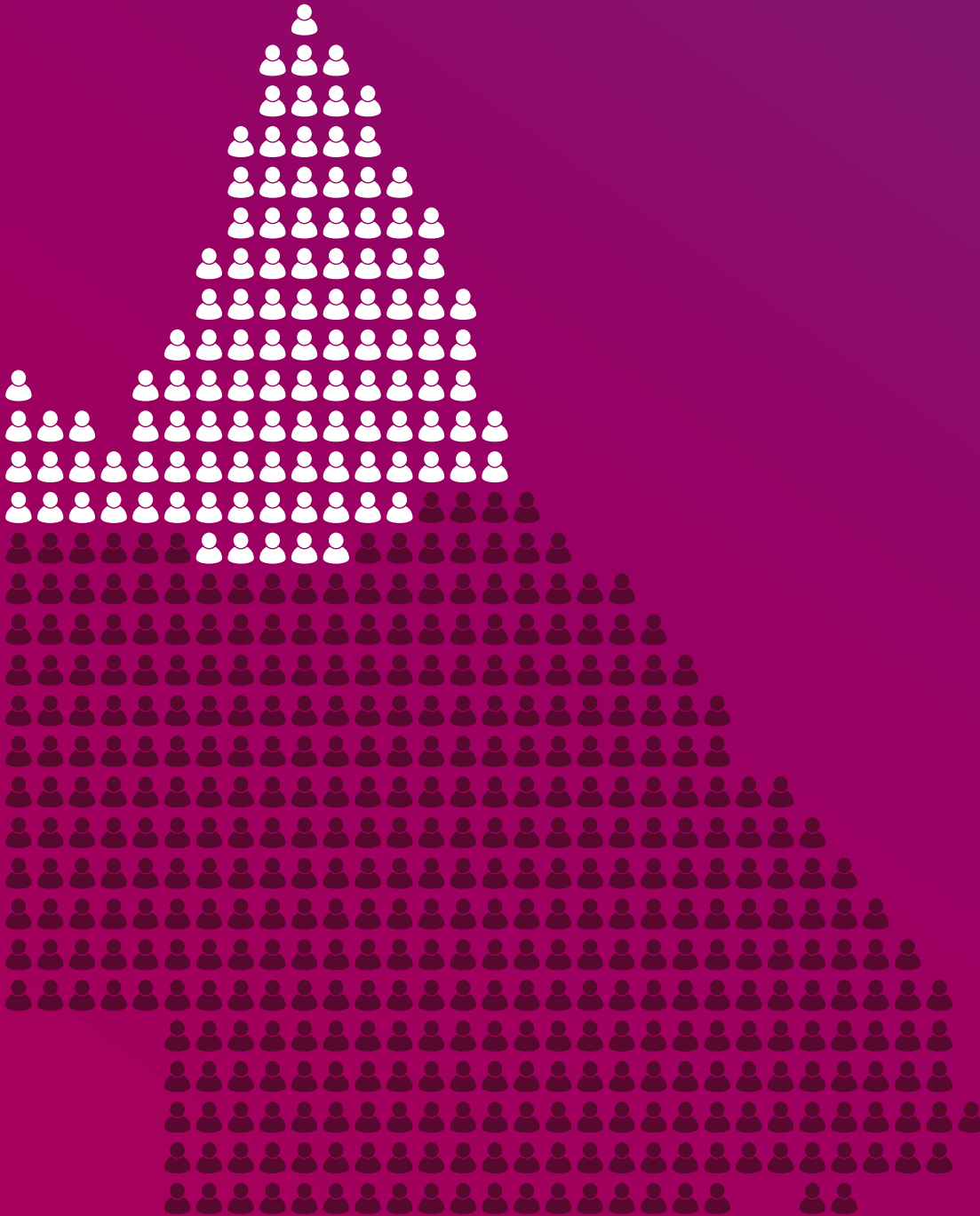


FAR NORTH QUEENSLAND

BUSINESS PRIORITIES REPORT
APRIL 2013



CCIQ is committed to representing regional small and medium businesses in Far North Queensland: a commitment central to the CCIQ policy and advocacy agenda.

SUMMARY OF FNQ REGIONAL BUSINESS PRIORITIES:

- Improving the business operating environment and reducing the cost of doing business in FNQ.
- Improving the connectivity and reducing the cost of freight transport through investment and efficiency improvements to the road, rail and air transport networks.
- Working with the FNQ regional business community to reduce the development constraints imposed by environmental regulation through a more balanced approach to environmental management.
- Reducing the cost and burden of red tape and improving engagement with regional business communities
- Facilitating small business access to finance through improved knowledge and awareness of FNQ industry strengths and economic opportunities.
- Achieve economic resilience by diversifying existing industries and attracting business investment for emerging industries.
- Alleviating current workforce constraints by developing the regions skills base, supporting mobility of labour and improving skilled migration programs.
- Supporting business and investor confidence through better communication of the regions business and economic strengths and opportunities.

“One of the strengths of Queensland’s economy is the dynamic nature and resilience of small and medium businesses that is clearly present in FNQ. This report outlines CCIQs commitment to supporting the continued growth and prosperity of small and medium businesses across our region. Given the recognised importance of small and medium business I would encourage all levels of government to implement the recommendations made to ensure business and the region remain strong.”

– Brett Moller, CCIQ Vice President and Far North Queensland Regional Policy Chair

CCIQ Powering
business
potential



INTRODUCTION

The Chamber of Commerce and Industry Queensland (CCIQ) is the State's peak business and employer organisation. We represent the views and issues of over 25,000 businesses across all industry sectors and regions of Queensland.

This task can often be difficult. There are common challenges that businesses face regardless of where they are located across Queensland, however every region has unique strategic advantages as well as specific business issues which require an intimate knowledge of the lay of the land in each region.

Accordingly regional issues are front and centre for CCIQ: Queensland's regional economies make an important economic contribution. Regional businesses provide the foundation for regional economic growth, make investments in economic and community infrastructure and provide employment opportunities. CCIQ values the resilience, strength and vibrancy of regional businesses and want to ensure that businesses across the state are provided every opportunity to be profitable, grow and employ.

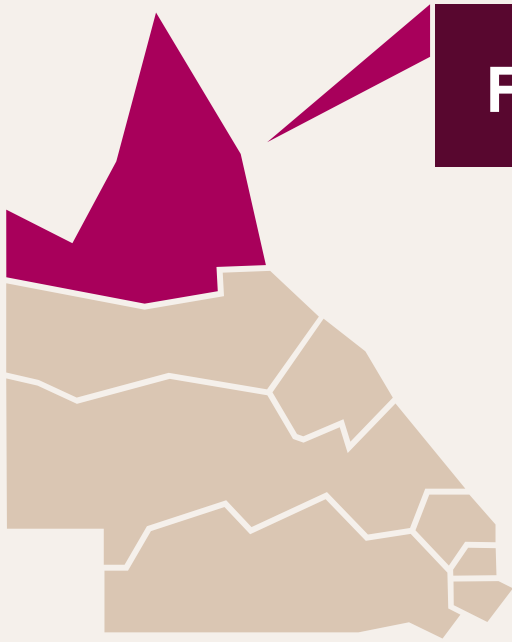
In 2012 regional businesses were given an opportunity to contribute to the CCIQ policy and advocacy agenda through a series of regional business workshops, consultation activities and direct one-on-one business case studies held across the Far North Queensland (FNQ) region.

That engagement has culminated in the development of a regional report for Far North Queensland. The 'FNQ Business Priorities Report' will serve as the key reference document for CCIQ's advocacy agenda over the coming twelve months. This includes meetings with local, state and federal government representatives, policy submissions on issues relevant to FNQ businesses and engagement with other key business stakeholders.

EIGHT PRIORITIES FOR FAR NORTH QUEENSLAND

FNQ businesses told us that they want the opportunity for the region to be recognised for its many positive attributes and economic opportunities. At the same time eight key business priorities were identified reflecting the current major constraints on business growth and economic diversification in Far North Queensland: improving the business operating environment, infrastructure constraints, environmental regulation and compliance, cost and burden of red tape, access to finance, industry diversification, workforce development and creating a positive business culture.

These were your concerns – they are now our commitments.



FAR NORTH QUEENSLAND

THE LARGEST & MOST GEOGRAPHICALLY DISPERSED OF ALL QUEENSLAND REGIONS

IT'S BIG!

ONE & HALF
SIZE OF VIC
EQUIVALENT
IN AREA TO
BRITISH ISLES

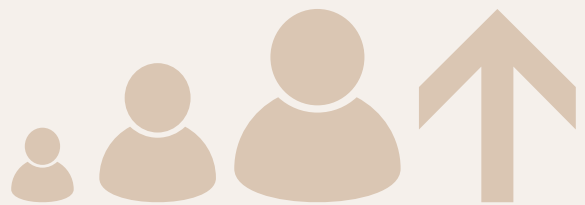
273,157.4
KM²

15.8%

QUEENSLAND'S
TOTAL AREA



POPULATION 269,650



1.5%

20

YEARS

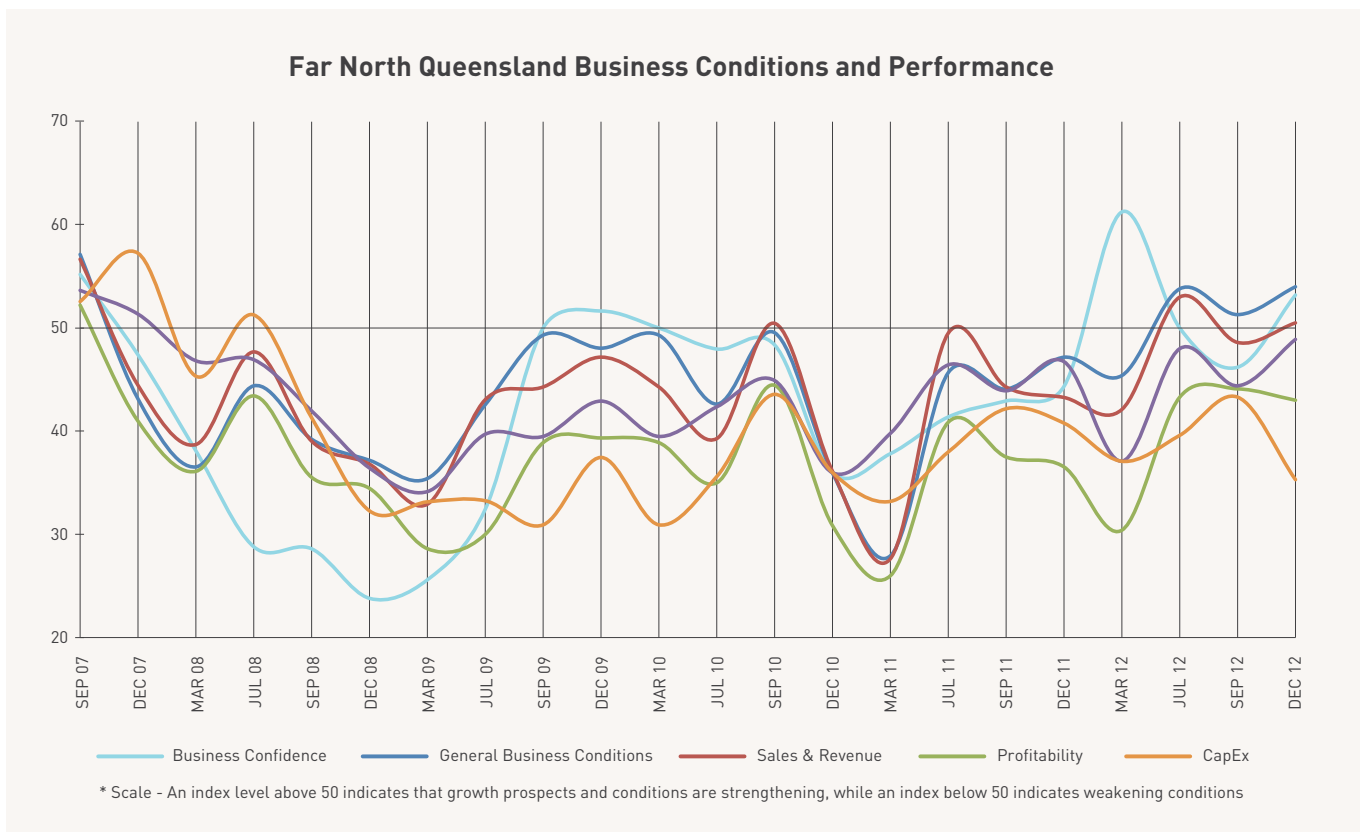
POPULATION GROWTH

FAR NORTH QUEENSLAND: BUSINESS PERFORMANCE AND OUTLOOK

The FNQ region has in general performed admirably over the past decade largely due to the efforts of the businesses and communities across the region. Despite facing some significant challenges over its more recent history, the economic fundamentals for the FNQ region are potentially quite strong and indicators point to there being a modest economic recovery underway.

Queensland’s leading business survey, the CCIQ Westpac Group Pulse Survey of Business Conditions provides insight into the performance of businesses in the FNQ region over recent years.

FNQ business conditions and performance has been weak for the past five consecutive years, reflecting what clearly were the effects of the global financial crisis, natural disasters, global economic uncertainty and the ongoing poor levels of consumer and business confidence across the state and national economies.



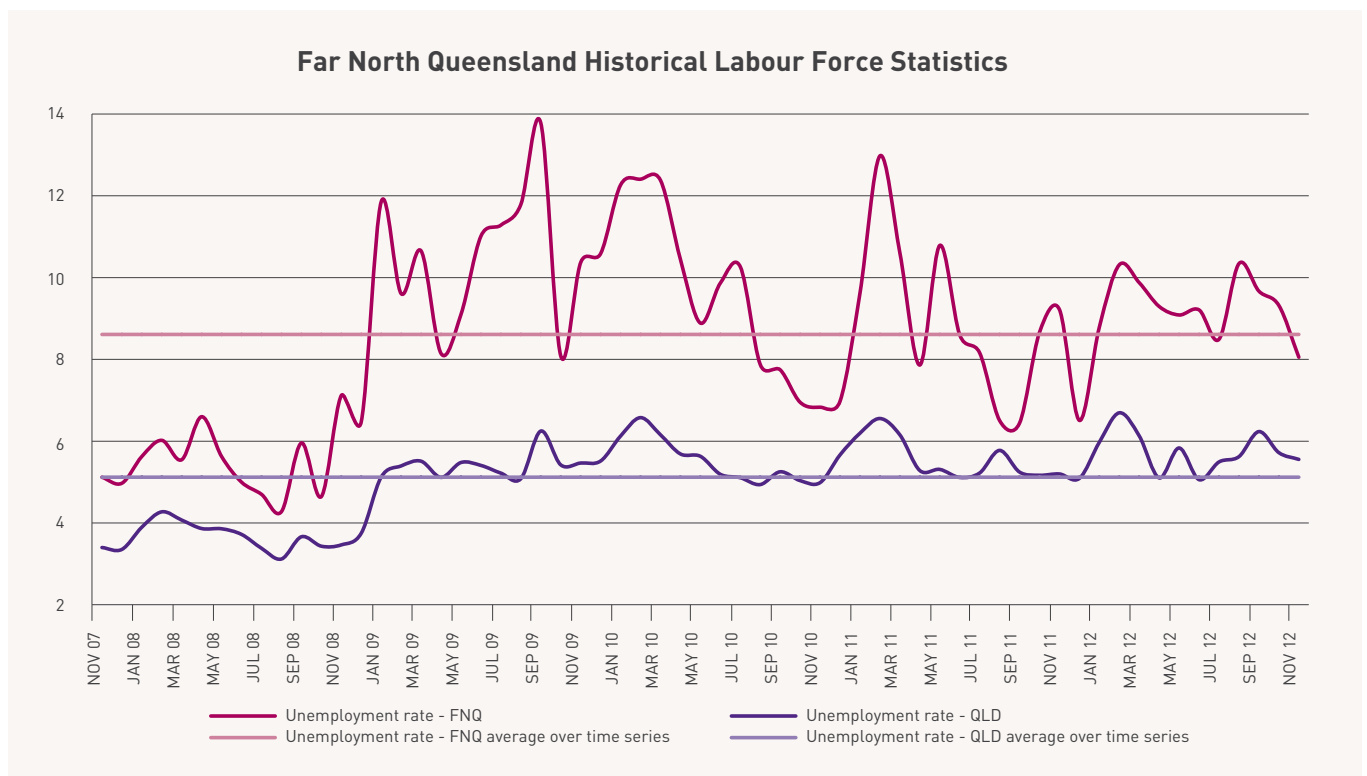
Source: CCIQ Pulse Survey of Business Conditions

“I think the worst is now behind us, business has been building month on month. There seems to be a much more positive attitude and outlook across all our customers and suppliers” – FNQ Business Owner, Mechanical Trades Industry

Whilst it is important to reflect on the past, it is of greater importance to focus on current conditions and the future outlook. Businesses across the FNQ region, after a long negative run, have adjusted their expectations to reflect an overall trend of positive improvements with most indicators (as of the December Quarter 2012) starting to trend upwards.

In the most recent December 2012 quarter, general business conditions and sales/revenue improved significantly on the long run average suggesting businesses in FNQ are seeing a turnaround in business activity. Whilst profitability remains subdued, it has improved marginally, and being somewhat of a lag indicator, will hopefully reflect the upturn in general business conditions and sales/revenue over coming quarters. Capital expenditure has also shown a significant improvement over the past twelve months, albeit remaining at less than optimal levels.

There is no doubt that business profitability, general business conditions and business confidence levels impact significantly on the broader community; businesses make a significant economic contribution to all regional economies through income generation, investment and the provision of employment. Not surprisingly with fluctuating business performance and economic conditions over the past five years, the FNQ unemployment rate has also fluctuated and continues to sit at much higher rates than the state average.

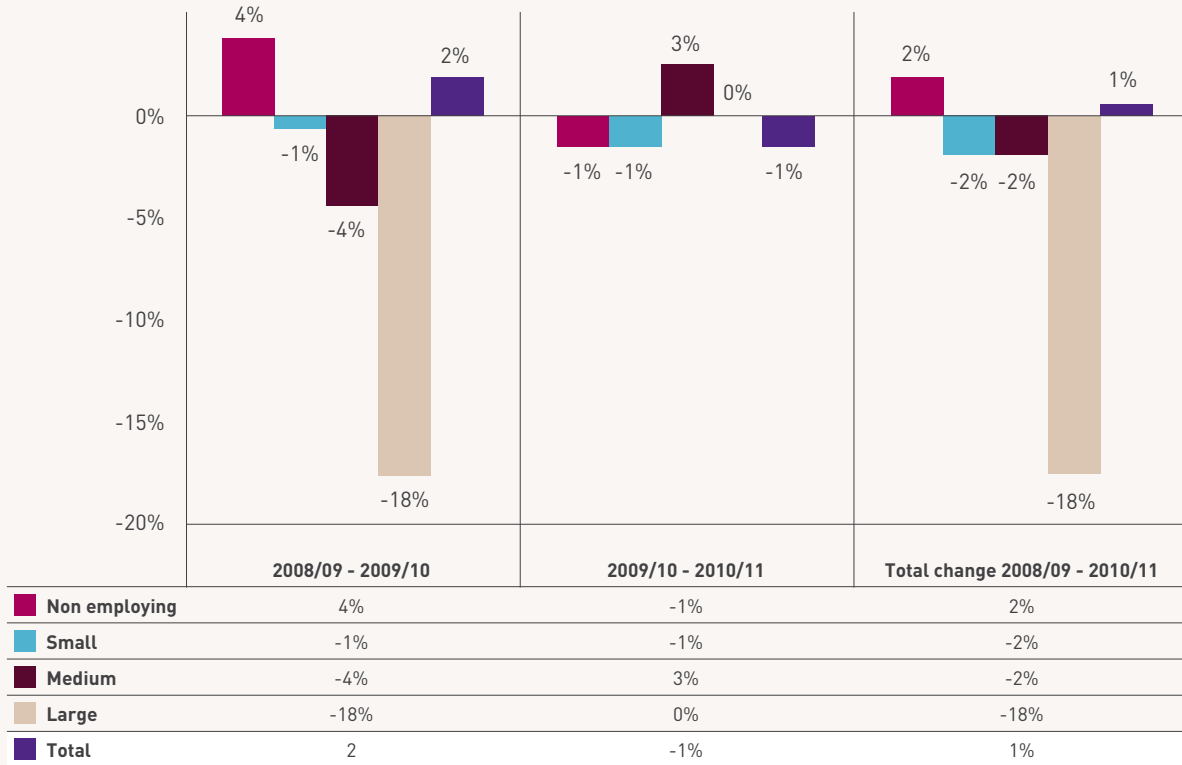


Source: ABS Labour Force Statistics December 2012

“Long distance for goods and supplies to travel, high transport costs and delays in receiving goods really puts us at a disadvantage – improving freight and accessibility would be my highest priority” – FNQ Business Owner, Retail Industry

The small and medium businesses sector is an important part of the FNQ economy. The region has a very strong private enterprise orientation due mostly to the nature of its industry composition which naturally lends itself to more private owned businesses. Accordingly FNQ has a higher percentage of SMEs and private enterprises than other regions and the majority of employment in the region is in the non-government sector.

Far North Queensland Business Change 2009-2011



Source: ABS Catalogue:8165 May 2011

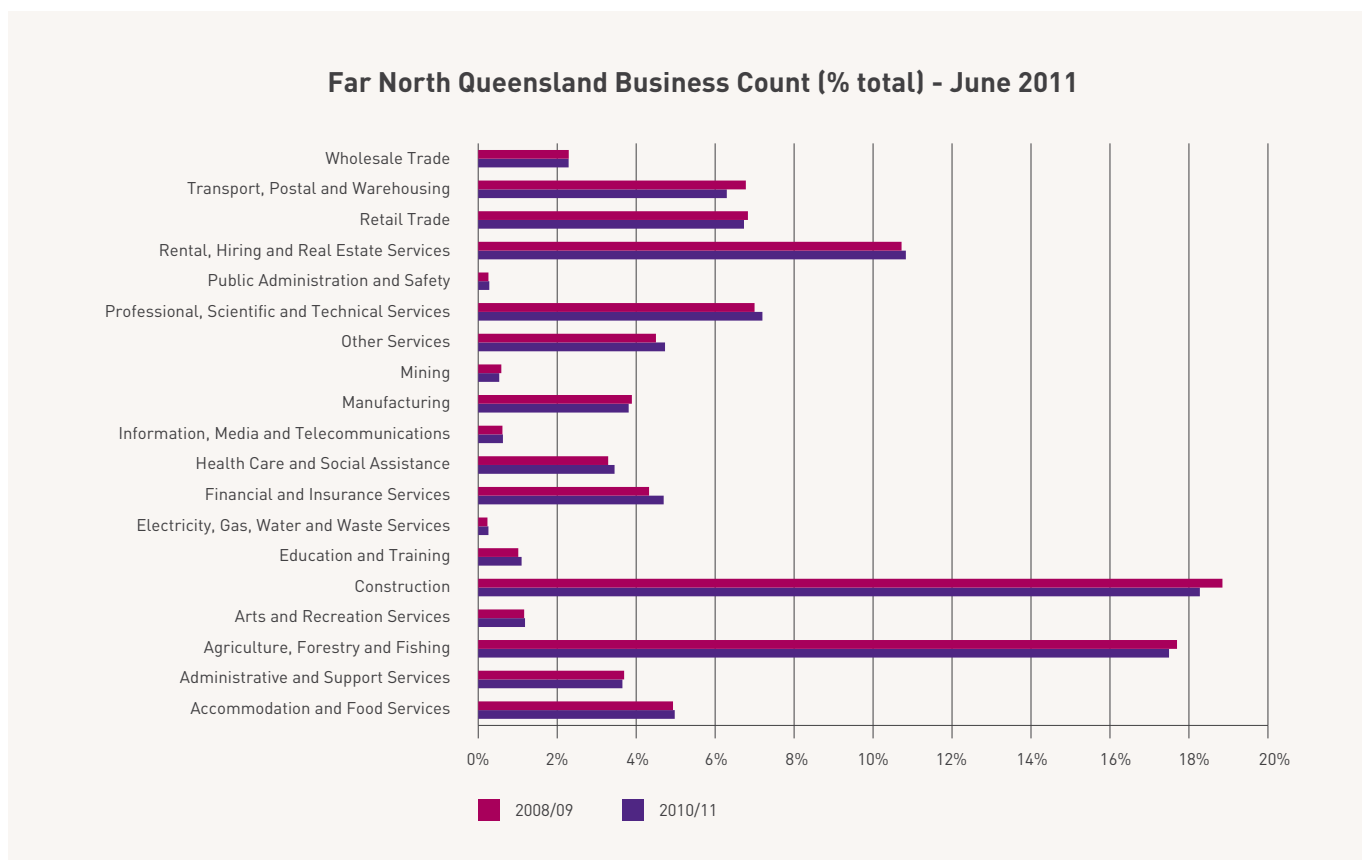
“The weather and climate is one of the key advantages to owning a business in the region – we can operate all year round – tourism come in summer for the sun, others come in winter to escape the cold” – FNQ Business Owner, Tourism Industry

“Bruce highway and rail upgrades are essential so that the region is not cut off for weeks during the wet season” – FNQ Business Owner, Café & Restaurant Industry

According to the most recently released Australian Business Register Database statistics, over the 24 month period since 2008/09, FNQ region experienced a 2.0% decline in the total number of employing businesses. This is no doubt a further reflection of the difficult trading environment over this period.

- The top growth industries in that time were: Arts and recreation services (13.08%), Personal and care services (3.78%) and Health care and social assistance (1.35%).
- The industries experiencing the biggest decline over the 24 month period were; Transport, postal and warehousing (-9.53%), Administrative and support services (-8.67%) and Retail trade (-6.44%).
- The largest industries according to business numbers in the Far North were; Construction (1,764), Agriculture, forestry and fishing (1,223) and Retail trade (1,017). All three of these industries experienced significant decline over the period.

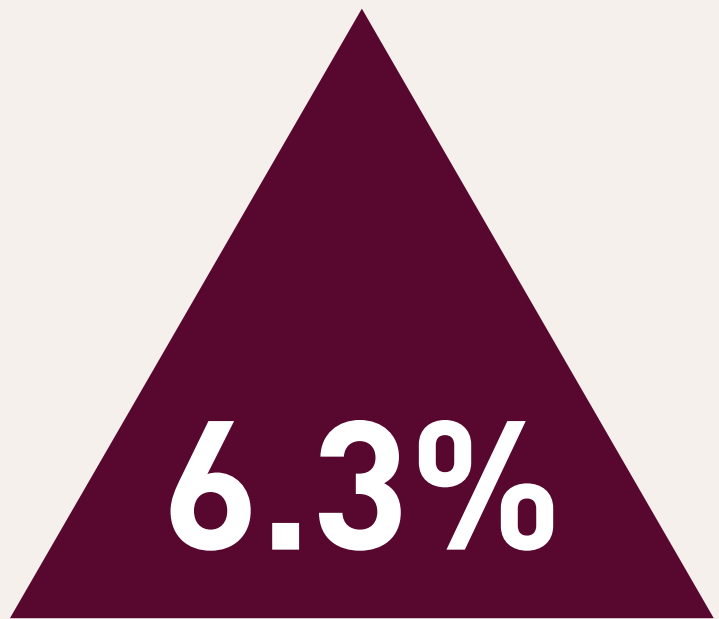
The results of the business data highlight that FNQ businesses have done it tough with the onset of the global economic downturn and various political decisions impacting on operating costs and efficiency. Whilst we are experiencing a mining boom, the picture of businesses outside of this industry shows a different picture all together.



Source: ABS Catalogue:8165 May 2011

“Tourism has been an important part of the region’s economic history – but in many ways we have become too reliant on tourism with its peaks and troughs”
 – FNQ Business Owner, Agriculture Industry

**\$12,286
MILLION
ESTIMATED
GROSS REGIONAL
PRODUCT**



**4.6%
OF OVERALL
QUEENSLAND
GROSS STATE
PRODUCT**

**10 YEAR
AVERAGE
ANNUAL
GROWTH RATE**



**MORE THAN
JUST A TOURISM
DESTINATION**



**PRIMARY
INDUSTRIES
MINING
SHIPPING+
MAINTENANCE
FREIGHT+
LOGISTICS
AVIATION
SERVICE
MANUFACTURING**

**23,000
REGISTERED
BUSINESSES**



REALISING THE ECONOMIC AND BUSINESS OPPORTUNITIES IN FNQ

Reflecting on the economic conditions over the past decade and the overall business and economic profile of the FNQ region it is clear that in many ways what defines the region's economic and industry advantages also creates the basis for the region's economic risks and challenges.

The table below represents a summary of those strengths, weaknesses, opportunities and risks identified by FNQ businesses through CCIQs regional engagement and consultation activities conducted during 2012.

STRENGTHS	OPPORTUNITIES
<ul style="list-style-type: none"> • Good seasonal climate allowing year round business activity for tourism markets and agricultural production • International airport with access into growing international markets and developing economies • Proximity to domestic and emerging domestic and international mining and resource regions • Seaport and associated infrastructure; and commitment from government to develop port opportunities • Strong regional and population growth • Modern and growing community and support services • Abundant, secure and reliable water supply • Liveability and lifestyle factors • Affordable housing 	<ul style="list-style-type: none"> • Access to growing Chinese, SE Asian and PNG markets • Predicted growth in mining activity providing economic opportunities and growth in supply chain and industry services • Opportunities to value-add to existing industries including minerals, agricultural and food processing • Identified as emerging renewable energy precinct • Land available and identified for industrial and development activities cope to grow and diversify existing major industries • Potential for the expansion of seaport infrastructure and services • Increased access to broadband network through NBN project delivery to Cairns
CHALLENGES	RISKS
<ul style="list-style-type: none"> • Vulnerability to climate and weather patterns and infrastructure limitations • Exposure of current major industries to international economic conditions. • Transport costs and inefficient freight transport and logistics systems; limited air freight opportunities. • Inter and Intra regional connectivity; absence of all-weather road and rail infrastructure • Limited external knowledge of the diversity of regional economy and opportunities; primarily a perceived reliance and importance of tourism • Brisbane/SEQ centric mentality continuing to affect confidence and investment in region • Access to finance for investment • Difficulty attracting and retaining skilled workforce; lack of skills depth in existing population. • Limited access to reliable and consistent high speed internet access and mobile phone service • Perceived isolation limiting migration • Liveability affected by high cost of goods and services and limited intra-regional public transport network • Decentralisation/locational clustering of industry composition and sectors 	<ul style="list-style-type: none"> • Mining tax • Adjusting to the economic implications of Carbon tax and its impacts on costs of goods and services. • Continued departure of youth from region due to limited education, training and employment opportunities (perceptions) • Lack of consistent messaging and collaboration between key advocacy organisations • Business and media negativity affecting consumer confidence and spending • Air, rail and road freight and transport systems currently at/exceeding capacity • Lack of economic and business confidence • Regulation and policy reducing the competitiveness of businesses in domestic and international markets • Limited regional delivery of NBN project beyond Cairns; competitive disadvantage to businesses sectors outside of NBN network

FNQ BUSINESS PRIORITIES

Although a range of issues were raised, particular challenges were consistently identified by businesses across the FNQ region which have been summarised into 8 broad themes. These are discussed in more detail in the following sections.

PRIORITY 1: IMPROVE THE BUSINESS OPERATING ENVIRONMENT

The operating environment for small and medium business is an important determinant of their overall competitiveness and viability. Queensland's business operating environment embraces business taxation, regulation and compliance requirements (red tape), wage rates and industrial relations conditions, energy costs, infrastructure and other input/supply costs.

The cost of doing business is a critical issue for all industry across Queensland, but is particularly relevant to FNQ at a time when businesses are looking to improve their competitiveness and when the region is focussing on industry diversification and investment attraction. Many within the business community believe that often costs disproportionately affect regional businesses compared to businesses located in major city and metropolitan areas.

Creating a strong business operating environment that allows local industries to compete nationally and globally is pivotal to the economic well-being of FNQ and the state.

CCIQ is committed to improving the business operating environment by:

- Industrial Relations: advocating improvements to the Fair Work Act that will enhance the fairness, flexibility and productivity outcomes in relation to industrial relations for all businesses.
- Wage and penalty rates: seeking Federal Government commitment to ensuring a balanced approach to wage determinations which reflect business' capacity to pay; and continuing to advocate for industry specific penalty rates which reflect the work hours of modern workplaces and consumer demand.
- Workplace health and safety: seeking State Government commitment to work with other jurisdictions to ensure a nationally consistent and simplified workplace health and safety framework; and continuing to support industry with understanding and compliance with the WHS regime.
- Workcover premiums: working with the State Government to ensure Queensland has the most competitive workers compensation scheme in terms of business premiums; and that the scheme does not support unnecessary access to common law compensation claims.
- Payroll tax and stamp duties: subsequent to recent State Government commitments to progressively increase the payroll tax exemption threshold, CCIQ will continue to advocate for the long term phasing out of payroll tax and the review of stamp duties with the view to addressing those that are detrimental to the competitiveness of Queensland businesses.
- Business taxation: seeking government commitment to reducing the corporate tax rate and simplifying business taxation reporting processes (reducing tax based red tape); CCIQ will continue to advocate for the long term review of the overall tax system to enhance the incentives for business growth and productivity.
- Electricity prices: advocating for a comprehensive review of the electricity sector to ensure to the fullest extent possible that electricity prices are competitive and sustainable; and advocating for measures that support business energy efficiency and which reduce the exposure of small businesses to electricity price volatility.
- Local opportunities and procurement: seeking government commitment to work with industry to reduce the barriers currently experienced by businesses to participate in State Government and major project procurement opportunities.

CCIQ will continue to advocate for significant reforms across these areas on behalf of the FNQ business community to ensure a competitive and viable business operating environment conducive to investment and business growth.

Throughout 2013 and in the lead up to the Federal election, CCIQ will seek bipartisan commitment to improve the business operating environment, with priority focus on key areas such as red tape reduction, a fairer industrial relations system, taxation reform and addressing infrastructure bottlenecks.

PRIORITY 2: INFRASTRUCTURE WHICH SUPPORTS ECONOMIC GROWTH

Infrastructure that supports economic activity is considered to be at the heart of the region's economic development and therefore essential to building a strong and confident economy.

The lack of suitable transport is seen as an impediment to the FNQ regions economic growth. Poor transport infrastructure limits expansion, access to markets, employment and job creation. Addressing the critical transport infrastructure and capacity constraints would improve the regions connectivity to domestic and international markets and result in greater industry diversification across the region.

Transport infrastructure is a critical issue for FNQ businesses in two senses. Firstly from a supply and logistics sense, the infrastructure capacity and services to deliver supplies into the region and products to markets outside of the region is limited and costly. Secondly from a passenger transport perspective, there is a clear absence of an integrated and reliable transport infrastructure network affecting the connectivity both within the region and across other regions.

The current transport infrastructure and service limitations affect businesses and the FNQ economy in a number of significant ways:

- Increases the cost of doing business and decreases the competitiveness of FNQ regional industries;
- Increases the costs of locally produced and manufactured products due to the high cost and inefficiencies of getting goods to market;
- Limits access to existing markets and expansion into new and emerging markets;
- Restricts the mobility of labour and skills both within the region and from outside the region;
- Increases the regions reliance on personal passenger vehicle use and road transport effectively tying the region to the threats of peak fuel prices and carbon emissions pricing; and
- Exposes the region to seasonal weather events affecting business and investment attraction.

Specific FNQ business priorities for transport include:

ROAD NETWORKS

Upgrades and weatherproofing of the Bruce Highway, being the main arterial access into and out of the region is vitally important and is top of any infrastructure priority list. The State Government has committed to a 10 year 'Bruce Highway Action Plan', which identifies over 80 safety, flood and capacity priority projects spanning the length of the Bruce Highway from Brisbane to Cairns. However many of the commitments are dependent on State and Federal Government funding at a time when there are obvious fiscal constraints.

There are a number of critical sub-regional road infrastructure projects which are considered high priority including the Kuranda Range Road, which is not currently suitable for B-double transport vehicles which significantly increases freight costs for primary producers and other businesses across the Tablelands.

The lack of all-weather access into and across the region is cited as an impediment to economic development. For example flood and weather proofing the inland routes via the Kennedy Highway and Hahn Highway (Greenvale to Charters Towers) and sealing many of the major unsealed access roads to the north and west of Cairns are seen as critical priorities to ensure year-round all weather access across the region.

CCIQ will continue to advocate for State and Federal Government priority funding for the Bruce Highway and the early delivery of FNQ priority projects such as the Innisfail bypass, Mulgrave Riverbridge upgrade and upgrades to flood prone sections to the south between Ingham, Cardwell, Innisfail and Cairns.

CCIQ will work with relevant FNQ stakeholders to highlight the economic significance of a number of other sub-regional road infrastructure projects and seek a commitment to sustained investment in the regions road infrastructure networks.

RAIL NETWORKS

There are 11 dedicated freight trains a week from Brisbane, seven trains by QRX and four by QR; there are two passenger train services, the SunLander and Tilt Train, that pass through the region operating on alternative days with stops in Cardwell, Tully, Innisfail and terminating at Cairns.

The main issues with rail freight capacity is both the inefficient travel time (average of 33 hours between Brisbane and Cairns) and the lumpy nature of capacity increases which are not easily accommodated. Currently most of the freight services operate to optimise efficiency and are already managed to capacity. From a passenger transport perspective, it is not possible to use the rail network to travel in any one direction and return the same day, the fares are costly and the travel time inefficient and inconvenient.

Accordingly the regional rail network does not operate as a viable alternative to road transport.

As greater significance is placed on food miles and carbon emissions, it is increasingly important to maximise the efficiency of existing freight and transport services and explore new and more efficient transport infrastructure services in order to maintain the competitiveness of FNQ based industries.

In particular better use of existing public and private rail corridors to run additional sub-regional services and the development of high speed state-wide rail infrastructure should be a state and national priority.

CCIQ will advocate for improved rail transport infrastructure and services for the FNQ region; CCIQ believes that expressions of interest should be sought from the private sector to fund and provide these projects and services.

CCIQ will highlight the potential significant impact that emissions pricing and reduction policies will have on FNQ region due to its heavy reliance on business freight services. Given the direct relationship between efficient transport and freight systems and reduced carbon emissions, CCIQ will advocate for funding to be made available under the Australian Governments various clean energy and emissions reduction programs to fund and provide these projects and services.

AIRPORT INFRASTRUCTURE

The FNQ business community has certainly welcomed the recent upgrade of the Cairns International Airport. Furthermore the State Government and Cairns Airport's success in attracting a number of new direct international flight routes for the region is a positive boost to the tourism sector. However to secure the economic and industry diversity of the region it is important that all competing commercial interests are acknowledged and that this important infrastructure continues to balance the needs of the region for international and domestic tourism, shipping, freight, general aviation and other air industry services.

Equally important is the significant opportunities that can be realised through the development of sub-regional airport infrastructure and services. In particular the Mareeba/Tablelands Airport Development project presents significant economic opportunity to attract new industry sectors and support regional business access to emerging market opportunities.

CCIQ will advocate to ensure that competing industry and business uses of the Cairns International Airport are recognised and accommodated within current and future infrastructure development plans.

CCIQ additionally believes there is opportunity to develop a number of sub-regional airports to increase visitor numbers and market exposure for businesses across the region and to relieve the capacity constraints on the Cairns International Airport.

Overall CCIQ supports a strategy to review the current costs and limitations of transport, freight and shipping required to support industry development, diversification and product market expansion.

“The problem with a fluctuating economy is that we keep losing good skilled workers – when times are tough they leave and go south to the city, then we don't have anyone when business picks up” – FNQ Business Owner, Manufacturing Industry

PRIORITY 3: BALANCED APPROACH TO ENVIRONMENTAL MANAGEMENT

It is undeniable that FNQ has a number of unique and highly valuable environmental and cultural assets that must be protected and managed. The region hosts two of Australia's world heritage areas, the northern half of the Great Barrier Reef and the Daintree Rainforest. Much of the remaining region has international biodiversity and cultural values.

FNQ businesses readily acknowledge the need to balance environmental management with business and industry development and have demonstrated significant expertise and innovation in the area of environmental best practice. Indeed many FNQ businesses have invested in gaining international environmental accreditation under programs such as the EarthCheck, Eco Tourism Australia, and ISO Environmental Management programs.

However businesses strongly believe that environmental assets are given higher value in FNQ than in other regions that in turn impact on development, investment and flexibility of businesses. Accordingly there exists an anti-development and anti-business culture across responsible government agencies who apply a restrictive and uniform approach to environmental management and conservation within the region.

All levels of government need to work closer with the business community to develop mutually beneficial policy and regulatory outcomes, rather than simply restricting businesses through fees, licences and reporting requirements.

There are a number of ways in which a more balanced approach to environmental management can be achieved whilst allowing for industry and business growth across the region:

- Providing clarity to the business community on regional development outcomes through the local government planning schemes.
- Better consulting with the business community to help them understand upfront how planning schemes and related instruments will impact business operations; and how planning schemes can support business and economic growth across the region.
- Identifying opportunities to link development approval and environmental licencing requirements to best practice standards or environmental accreditation programs to reduce duplication and business costs.

CCIQ notes that due to its proximity to a number of state and federal regulated environmental heritage sites, businesses in FNQ face increased complexity and compliance costs. Accordingly CCIQ strongly supports commitments made through the Business Advisory Forum to the Council of Australian Governments (COAG) to streamline environmental regulation across the three tiers of government.

IMPACT OF MARINE PARK ZONING DECLARATIONS

In 2012 the Federal Government proclaimed a number of new marine park conservation reserves under Commonwealth environmental laws (the EPBC Act) and from July 2014 marine park management plans which provide for the protection and conservation of the marine reserves will be in effect. The declared Marine Parks and associated management plans apply to the Coral Sea and North zones which represent an area nearly half the size of Queensland and cover nearly two thirds of waters along Queensland's coast line. Accordingly the declaration may have broad and far reaching impacts for FNQ communities including Cairns, Ayr, Innisfail, Karumba, Weipa and Port Douglas.

What is important to recognise is that whilst the professional fishing industry is impacted by this change, so are many others, including businesses that rely on and/or provide supply and support services to the fishing sector in the many regional communities across the Far North: these include charter and recreational fishers, marine tourism operators, and marine transport operators. What is additionally important is that the Commonwealth Marine Parks and associated management plans represent an additional layer of complexity, compliance and permits for many businesses already restricted in their operations by existing state and federal environmental, water quality, coastal, Great Barrier Reef, heritage and fisheries management and protection regulations.

The Federal Government has committed to providing structural adjustment assistance, however the allocated \$100 million is insignificant when compared to the contribution that industries such as commercial and recreational fishing, marine services, and tourism make to the region's economy.

Additionally the current draft package provides no assistance for:

- Loss of asset values in the professional fishing industry;
- Investments already made for fishing in the future;
- Impacts on the recreational and charter fishing industry;
- On-shore businesses that support and rely on the fishing industry; and
- Affected local communities.

Whilst the FNQ business community recognise the environmental and economic significance of the protected marine park zones, there is significant concern in FNQ for the direct and indirect impacts on upstream and downstream small businesses and regional economies. Therefore CCIQ strongly believes the Federal Government need to reconsider the marine park zoning or alternatively reconsider the scope and elements of the adjustment package to ensure fair and equitable assistance to those impacted by the marine reserves network.

CCIQ will argue the case for changes to the recently established marine park zones and associated marine park management plans to minimise adverse impacts on the ability of marine, fishing and tourism businesses to operate within the relevant zones in the Far North region.

CCIQ will advocate for a more equitable adjustment assistance package, that would cover not only displaced commercial and recreational fishers but also those businesses indirectly affected and who provide supply and supply services.

CCIQ will work with federal, state and local government to ensure that businesses are not adversely affected by additional red tape associated with the introduction of the Marine Park Management Plans and that duplication with existing coastal and marine protection schemes is minimised.

“We have a great lifestyle and climate and there are many employment and business opportunities” – FNQ Business Owner, Tourism Industry

“We continue to struggle from a perception of remoteness and isolation – more needs to be done to showcase the innovation and entrepreneurialism that is present”
– FNQ Business Owner, Property and Business Services Industry

“There are great opportunities emerging across the Pacific/Asia region – the council and government needs to promote FNQ as a new business hub to help us get our foot in the door to those markets” – FNQ Business Owner, Retail Industry

PRIORITY 4: REDUCE BUSINESS REGULATORY COMPLIANCE COSTS

An efficient and effective business operating environment, free from the constraints of burdensome regulation and costly compliance obligations is the key to the ongoing competitiveness of Queensland businesses. Removing the barriers to business investment and growth by reducing unnecessary red tape is a key priority for FNQ businesses.

SNAPSHOT: RED TAPE CASE STUDY

The cost and burden of red tape was identified as a common barrier to FNQ business growth in the consultation undertaken by CCIQ.

As an example of the impact of regulatory compliance on small and medium businesses in the FNQ region, the following table presents the findings from a recent CCIQ red tape case study. For this business, operating in the tourism industry sector, red tape compliance costs over \$95,000 each year, with the business manager spending on average nearly 30 hours each week monitoring, reporting and completing compliance activities.

COMPLIANCE COST SNAPSHOT

	ONGOING COMPLIANCE COST PER YEAR	ADDITIONAL UP FRONT COMPLIANCE COST
Business name registration	\$2,890	-
Finance reporting	\$9,640	-
Building codes and regulations	\$2,040	\$10,480
Environmental regulations	\$9,851	\$4,420
Health and safety regulation	\$21,412	\$12,740
Transport regulation	\$33,698	\$4,700
Taxation and other fees and charges	\$18,200	-
Total compliance cost	\$97,821	\$32,340

BUSINESS TIME (HOURS) SPENT ON COMPLIANCE ACTIVITIES EACH YEAR

	ONGOING	UPFRONT	TOTAL	Average hours spent per week undertaking compliance activities: 27.25 (0.7 FTE Equivalent)
Business name registration	15	-	15	
Finance reporting	64	-	64	
Building codes and regulations	8	116	124	
Environmental regulations	190	8	198	
Health and safety regulations	393	8	401	
Transport regulation	577	50	627	
Taxation and other fees and charges	170	-	170	
Total time required	1417	182	1588	

The Queensland Government has committed to reduce red tape by 20 per cent and is currently working towards identifying a number of priorities for red tape reduction and simplification. CCIQ strongly supports the State Government's red tape reduction commitment and now looks to government agencies to get on with the job of reducing the cost of red tape compliance for Queensland businesses as an immediate priority.

CCIQ will present the findings of our FNQ red tape case studies together with the key red tape issues identified through our regional consultation in a red tape submission to the State Government; CCIQ will continue to work with FNQ businesses to identify costly, complex and burdensome areas of red tape.

In FNQ there is a collective view that many policy and regulatory decisions are made in Brisbane without appreciation for the regional context and impacts on the local business environment.

A number of businesses also raised issues with the removal of local environmental, development assessment and business compliance officers and the transfer of some regulatory and business licensing responsibilities back to centralised Brisbane or regional offices. There are significant advantages for business in having assessment/approval officers who understand the regional context and business operational environment. Businesses provided a number of examples where centralised decision making has delayed registration, permit and development approval processing and increased costs for business.

CCIQ believes there needs to be greater consideration by Government of the regional challenges and business operating environment when making legislative changes and recognition that a 'one size fits all' approach does not work for the 'disperse and diverse' nature of regional economies. CCIQ believes that State and Federal Governments need to improve their communication and engagement with regional business communities. CCIQ also recommends that where feasible, government departments should delegate back to a local level decision making authority and put in place local business liaison officers for business compliance and licencing.

"The international airport is a huge asset to the region and secures a good flow of visitors – but is also starting to create domestic transport and freight bottlenecks"
– FNQ Business Owner, Cultural and Recreational Industry

"We continue to struggle from a perception of remoteness and isolation – more needs to be done to showcase the innovation and entrepreneurialism that is present"
– FNQ Business Owner, Property and Business Services Industry

"The banks just see the ups and downs of tourism and construction – and then will not lend money to other sectors" – FNQ Business Owner, Tourism Industry

PRIORITY 5: FACILITATING ACCESS TO FINANCE FOR INVESTMENT

Access to finance is critical for the ongoing development of businesses, as they rely on credit to fund almost all facets of a business life cycle, including start-up costs, expansion and supporting business operations during times of low cash flow.

Reasonable access to finance for SMEs is also critical to improving Australia's productivity and competitiveness. Businesses wishing to invest to improve their own productivity or produce higher value products and services will invariably require finance to make such investments. Given the reliance that small-to-medium enterprises (SME) have on banks as a source of finance, reasonable access to finance on appropriate terms and cost for SMEs is a critical economic issue for FNQ.

However a significant number of businesses in FNQ are claiming it is now almost impossible to obtain finance at a level and affordable price to enable them to grow. Businesses noted particular difficulty in accessing funds for business investment, land development, housing and property developments and other medium sized projects.

The predominant reasons why FNQ businesses considered accessing finance a challenge included:

- Difficulty in finding a lender willing to provide funding to their industry, primarily due to banks becoming more risk adverse and overly conservative in their small business lending.
- Reluctance of major banks to lend to business in FNQ due to inaccurate perceptions of economic risk linked directly to the natural disasters and tourism industry and poor on-the-ground understanding about the broader economy and industry performance in the FNQ region.
- Inexperienced business bankers without the necessary skills to appropriately assess credit applications including an inadequate understanding of small business cash flow management practices and reporting/accounting practices.

While it is understandable that banks may have found it necessary to rebalance their lending portfolios for prudential and risk reasons, enhancing the capacity of small businesses to access finance will go a long way towards increasing economic activity, employment and industry diversification needed in FNQ.

CCIQ wants to work with key stakeholders in the banking sector to ensure credit flows to creditworthy small business borrowers and for a commitment to improving skills of business lending managers and credit departments with a particularly focus on small and medium business customers.

CCIQ will undertake to bring the issue of small business difficulties in accessing finance to the attention of the Federal Small Business Ombudsman and the Federal Minister for Small Business.

CCIQ, through its membership on the Queensland Small Business Advisory Committee will also raise the issue and recommend to the State Government the urgent need to improve small business access to finance.

CCIQ also supports Recommendation 6 of the 2010 Senate Economics Committee report, Access of Small Business to Finance, being "that the Australian Bankers' Association meet with small business representatives to develop a code of practice for lending to small business" and strongly urges the Australian Government to implement this recommendation.

"We support a regionalisation strategy - relating government departments will in turn promote growth in other private sector industries" – FNQ Business Owner, Property and Business Services Industry

PRIORITY 6: A DIVERSIFIED AND INNOVATIVE INDUSTRY BASE

A narrow economic base poses a threat to the FNQ region's economy (indeed it does to all regions). Whilst economic diversification comes naturally over time as population and market demand increases and regional output improves, an economic strategy and concerted action to attract new industries and capitalise on emerging market opportunities will ensure FNQ can be at the forefront of the 'New Asian Century' and continue to punch above its weight on a state and national scale.

FNQ businesses identified that economic and industry diversification was necessary from two perspectives: the diversification and renewal of existing industries to ensure they continue to evolve to meet world class expectations; and the broader diversification of the regions overall economic base.

DIVERSIFICATION AND RENEWAL OF EXISTING INDUSTRIES

It is readily acknowledged that the prolonged period of reduced economic activity and business profitability in the region has constrained the ability of existing businesses to invest in continual improvement and innovation. In particular major and strategic reinvestment is needed across the tourism sector to support product diversification and build resilience of the sector. Priorities for this sector included promotion of significant sub-regional tourism precincts and the development of industry skills and business capabilities in order to meet international market demands and service expectations. Critical to these priorities is improved access to small business finance (previously addressed in Priority 5) as well as targeted industry development and grant funds to support industry innovation and renewal.

IDENTIFYING AND SUPPORTING NEW AND EMERGING INDUSTRIES

Recent developments, including the high Australian dollar, the GFC and the national resources boom have highlighted the fact that the FNQ economy is particularly exposed to national and international volatility. CCIQs engagement and consultation across the region has uncovered a number of emerging industry bases, whilst in their infancy and not necessarily making the same economic contribution as tourism and the resources sector, are nonetheless cementing a more diversified economic future for the FNQ region.

For example, opportunities to develop and further expand regionally based processing and value add manufacturing to support existing industry sectors such as the agriculture and resources sector; as well as continued growth and investment in other industries ideally positioned to capitalise on the regions proximity to developments in PNG and SE Asia (e.g. ICT, Agriculture, Fisheries, Marine, Community and Professional Services and Transport) were also identified. However there was concern that there continues to be a narrow perception of the key industry bases in the region resulting in competition between sectors for limited government financial support and business development grants.

CCIQ will continue to highlight the full depth and breadth of industry capability across the FNQ region and ensure that funding, policies and grant programs are targeted to a greater mix of industry sectors.

"We have abundant fresh water and great land availability – something many other regions and countries would be envious of – huge opportunities for food production"
– FNQ Business Owner, Personal Services

PRIORITY 7: FUTURE FOCUSED WORKFORCE

A skilled workforce is an important resource for a growing and competitive regional economy. The FNQ region needs a skilled and readily available workforce to support the growth of its existing industries and to facilitate new economic ventures. Employers must either be able to access the skilled workers that they need to staff their businesses, or have the necessary tools in the form of appropriate training and higher education institutions to provide workers with these skills.

FNQ businesses identified a number of problems around education, skills and training that prevent them from fully exploiting the economic opportunities that exist in the region. In particular small and medium businesses across many industry sectors continue to face significant challenges in attracting, recruiting and retaining staff with the appropriate skill and experience.

There are a number of ways that FNQ businesses and the State and Federal Governments can work together to ensure a readily available and capable workforce in FNQ.

QUALITY TRAINING FACILITIES AND BUSINESS RELEVANT TRAINING OPTIONS

There must be continued investment in the regions education and training facilities to ensure funding is available for skills development and qualifications relevant to the regions existing and emerging industries. A particular focus needs to be placed on work readiness and 'softer' employability skills as FNQ businesses highlighted issues such as reliability and work ethic to be a particular problem. Greater recognition, funding and training options are also needed to ensure ongoing competitiveness and innovation in the tourism industry sector where there is perceived declining value being placed in the existing qualifications framework (predominantly traineeships at Certificate 2 and 3 level) for that sector.

This is consistent with CCIQ's submission to the Queensland Government's Skills and Training Taskforce report on reform to skills and training in Queensland (September 2012), and was reflected in the Government response to the Taskforce's report. Specifically:

- Ensuring that TAFEs continue to operate in markets where they are most needed, but do not prevent private training organisations from entering the market where there is a need for particular training. TAFEs must also be required to adhere to strict key performance indicators based on quality and with a strong 'client-focus' on employers.
- CCIQ has been a strong supporter of flexible learning arrangements that ease the 'tyranny of distance' problem that many Queensland businesses and employees experience with respect to obtaining appropriate training
- Decentralise aspects of VET decision-making so that decisions about how funding for skills and training can be made within the FNQ region. This will empower local authorities to be more responsive to the skills needs of local businesses.

CCIQ will continue to advocate for and pursue policies that support the development of a sustainable and diverse workforce that meets not only the existing labour requirements of the FNQ region but can service new and emerging industries.

ATTRACTING AND MAINTAINING THE WORKFORCE

It is critical that the mobility of skilled workers across the region is supported and enhanced by reducing the current barriers and improving the attractiveness of the FNQ region. This should include ensuring that the liveability advantages and significant employment opportunities are recognised and promoted to attract skilled workers to the region; and providing relocation assistance to make relocation to FNQ attractive and affordable for working families.

Particular attention needs to be given to arresting the significant departure of young people and graduates who are seeking employment and lifestyle opportunities in south-east Queensland and other larger interstate business centres. Businesses attributed this to a lack of knowledge and appreciation of the opportunities that exist within the region and a poor relationship that exists between the business sector and education facilities.

There also needs to be better support for workforce planning practices that would help FNQ employers to identify their skills needs.

- This requires better delineation of where employers can seek assistance in this regard, and rationalising the various agencies that perform these functions – that is, industry skills councils, apprenticeships centres and training centres should have the capacity to act as a ‘one stop shop’ for coordinating advice and assistance.
- While there are large amounts of funding available to employers and employees for vocational training through the recently established National Workforce Development Fund, the co-contribution that employers must make if they wish to access the workforce planning services that it provides currently stand at 33 per cent for small employers - this should be reduced to ten per cent to allow more employers to take advantage of the Fund.
- The Queensland Government should work with its Commonwealth counterpart to broaden the availability of the VET FEE-HELP scheme to a wider range of courses and providers.

The Federal Government must take a consistent approach to the availability of employer incentives for apprenticeships and training, both trade and non-trade. The removal of incentives for certain diploma courses, non-trade apprenticeships and certain classes of apprentices, including mature-aged apprentices, has heightened the impact of the ‘two-speed economy’ in the FNQ region and should be reinstated. Particular industries (e.g. service industries, tourism and hospitality) no longer have the benefit of this funding to offset some of the costs of taking on apprentices and training.

CCIQ recognises the importance of employer incentive payments and programs which support businesses with the financial costs of training and reward employers for their contribution to workforce development; CCIQ will continue to argue for the retention of employer incentive payments and programs, particularly for regional small and medium businesses.

RECOGNISING THE VALUE AND CONTRIBUTION OF SKILLED MIGRATION

Whilst employers have a strong preference to recruit from the local and regional community, FNQ businesses highlighted the increasing reliance that they place on skilled migration programs given the intense competition between industry sectors for skilled workers.

It was recognised that the FNQ regions close proximity to PNG and South-East Asia provides opportunity for a two-way exchange of skilled workers and significant business opportunities in the service and knowledge sectors.

Anecdotal evidence suggests that obtaining skilled worker visas is constraining the flow of workers between Australia and PNG and South-East Asia. Businesses also believed that the existing skilled migration program did not address very real skills and labour shortages across a number of industry sectors and that the existing administration processes and red tape associated with securing skilled migration visas meant that the program failed to provide a timely and responsive option to immediate skills shortages.

Accordingly business access to skilled migration programs to fill short to medium term workforce shortages (where there is a genuine need) must be both improved and streamlined. The State and Federal Governments should be exploring the possibility of putting in place regional migration agreements for regional communities and work with regional employers to ensure the skill areas identified as ‘priority’ and ‘in need’ accurately reflect skilled labour needs and that the program is meeting its intended purpose of supporting industry and economic growth.

CCIQ will highlight the important role that skilled migration has in the overall context of national workforce development and will seek State and Federal Government commitment to: improve small and medium business access to the program to meet region skills shortages; and improve the efficiency of the program through reduced paperwork and application costs.

PRIORITY 8: A POSITIVE BUSINESS AND INVESTMENT CULTURE

Economic growth requires a positive business and investment culture which recognises and builds on the competitive advantages, economic successes and opportunities of the region. Business and consumer confidence above everything else will define the economic outlook and business investment in the region into the future.

Business feedback reflected throughout this report highlights a picture of overall optimism, economic diversity and significant opportunity for growth. This sentiment needs to be promoted both within the region and outwardly across Queensland. The business community itself also needs to be better at communicating who they are, what they do, the extent of their professional capabilities and market sophistication to state, national and international markets to attract the investment streams currently focused on capital cities.

Accordingly this blueprint is intended to act as a catalyst for greater engagement between CCIQ, the FNQ business community and key decision makers at a local, state and federal level. As previously outlined engagement with FNQ regional businesses will inform CCIQs policy and advocacy agenda throughout 2013 and beyond.

CCIQ, as the state's peak body will commit to working with other key regional stakeholders including the local chambers of commerce, local and state governments and media outlets to ensure relevant economic and business data and business opportunities contribute to a positive business outlook for FNQ.

CCIQ will provide ongoing advocacy updates to the FNQ business community about the progress made towards addressing the 8 regional business priorities raised in this blueprint and summarised below.

SUMMARY OF FNQ REGIONAL BUSINESS PRIORITIES:

- Improving the business operating environment and reducing the cost of doing business in FNQ.
- Improving the connectivity and reducing the cost of freight transport through investment and efficiency improvements to the road, rail and air transport networks.
- Working with the FNQ regional business community to reduce the development constraints imposed by environmental regulation through a more balanced approach to environmental management.
- Reducing the cost and burden of red tape and improving engagement with regional business communities
- Facilitating small business access to finance through improved knowledge and awareness of FNQ industry strengths and economic opportunities.
- Achieve economic resilience by diversifying existing industries and attracting business investment for emerging industries.
- Alleviating current workforce constraints by developing the regions skills base, supporting mobility of labour and improving skilled migration programs.
- Supporting business and investor confidence through better communication of the regions business and economic strengths and opportunities.



ABOUT CCIQ

For almost 150 years, we've been taking care of business in Queensland.

We listen to you, and then we speak.

Through influence and persistence, we are a loud and clear voice for Queensland business to the media and every political party.

We work hard for you.

Business is the engine of our nation's economy, and we are tireless in our efforts to ensure governments at all levels create the best possible conditions for your business to succeed.

We make you more competitive.

Through industry-certified training, we skill your workforce and enhance your business performance.

We keep you safe.

We comprehensively protect our members by providing members-only hotlines on OHS, workers' compensation and employee relations, as well as expert legal services.

We share what we know.

We keep our members up to date by sharing real business intelligence and research.

We network so you can grow.

We create business networks and commercial partnerships so you can leverage your membership into opportunities for your business to reduce costs and grow.

BECOME A MEMBER OF CCIQ

It doesn't matter whether you're a new business or at the big end of town. Either way, your membership buys you the knowledge, protection and power that come from belonging to

Queensland's leading business body.

Your membership with CCIQ comes with exclusive benefits

Protection

Your membership buys you instant, over-the-phone support from our Employer Assistance Line.*

News

Inform, our monthly member magazine, will be delivered to your inbox.

Research

Use your exclusive access to our quarterly Pulse research into Queensland business sentiment to set future plans with confidence.

Knowledge

You'll receive free access to our regular webinars, seminars and policy reports.

Networks

Events, held frequently throughout the state, are ideal opportunities to build your networks.

MyCCIQ

Your membership gives you access to our special member portal, where you can search our extensive resources, manage your account and book training and events.

Offers and trials

As a member, you're offered free product trials and heavily discounted partner offers.

Promotion

We list participating members in our exclusive CCIQ Member Directory.

* Not available to Opportunity members.

To find out more about becoming a member of CCIQ, visit www.cciq.com.au/join or call **1300 731 988**.

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We have regional representatives in offices throughout Queensland, and are affiliated with more than 100 chambers of commerce throughout the state.

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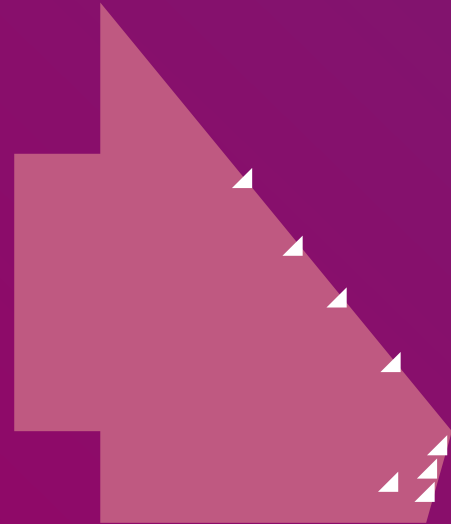
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