Chamber of Commerce & Industry Queensland

Submission to the Queensland State Government

State Budget 2011–12 | February 2011

The Chamber of Commerce and Industry Queensland's Economic Recovery Plan

Invigorating Business

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Appendices

1.0 Introduction & Summary Recommendations

1.1 As the State's peak business organisation, the Chamber of Commerce and Industry Queensland (CCIQ) wishes to provide input for the 2011-12 State Budget. CCIQ regards the State Budget as the Government's foremost instrument of economic management within Queensland and will be a pivotal mechanism for the rebuild of Queensland post recent natural disasters. CCIQ's focus is on Budget fundamentals, business assistance to both directly and indirectly affected businesses, infrastructure rebuild and eliminating red tape following these natural disasters.

1.2 CCIQ recognises that at this point it is not practical to lobby for a significant improvement in the competitiveness of Queensland's business operating environment given the level of expense associated with recovering from the Queensland floods and Cyclone Yasi. CCIQ's representations provided as part of last year's budget consultation process have continuing relevance and must ultimately be adopted, however, CCIQ temporarily places on hold seeking their implementation.

1.3 Over the coming eighteen months, the most significant contribution Queensland businesses will be able to make to the State's flood and economic recovery will be providing stable and ongoing employment, delivering essential services to rebuild our communities and driving economic growth. However to do so, businesses will require an efficient and low cost environment to ensure they can return to normal business operation and start generating income and revenue. CCIQ believes that over the short to medium term significant goodwill should be provided to those businesses directly and indirectly affected by the Queensland floods and Cyclone Yasi.

1.4 Accordingly we caution the State Government against imposing additional costs on Queensland businesses. Rather CCIQ encourages the consideration of reduced business costs and providing red tape simplification to businesses suffering financial hardship and attempting to rebuild after the flood crisis and Cyclone Yasi. Outlined below are a range of measures that would ease the cash flow challenges and reduce administrative costs for Queensland businesses. These recommendations are broadly revenue neutral over a two year period.

1.5 CCIQ's recommendations, if adopted, are designed to assist in the economic recovery following the State's natural disasters. They include:

> The State Government must 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; use asset sales proceeds to retire debt or fund new infrastructure and not for recurrent expenditure; and commit to business assistance that will ensure Queensland's business recovery (pages 5–9).

> In assisting business the State Government must:

- Provide financial assistance with cash flow and concessional loans to meet debtor obligations and defer tax liabilities for 12 months for directly affected businesses and those businesses indirectly affected from the floods demonstrating financial hardship through lost revenue (pages 12 & 14).
- Implement a marketing campaign highlighting that Queensland is open for business and encourage Queenslanders to buy and holiday locally (page 15).
- Implement a Red Tape Reduction & Minimisation Action Plan (pages 16 & 17).
- Implement not just a Queensland Infrastructure Restoration but Enhancement Plan (page 18).
- Better utilise State regulatory and policy mechanisms to drive increased investment by employers and individuals in education and training (page 19).
- Implement a fundamental overhaul of the Business Retail Cost Index price setting methodology following QCA's decision for 2011-12 (pages 20 & 21).

1.6 It is troubling to see the burden placed on business following these natural disasters. These businesses have been the pillar of strength in helping Queensland withstand the recent global economic downturn and have done all that is humanly possible to keep staff on even when revenue did not necessarily warrant doing so. We must now assist these businesses following the natural disaster events as they have assisted their employees and their families.

2.0 Business Impact of Queensland's Natural Disasters

2.1 Much of Queensland has been adversely affected by the recent flood and cyclone events. The severe consequences for business, employment and the broader state economy are of considerable concern. All businesses across impacted areas have been impacted in some way. CCIQ has undertaken extensive research into the impact of the Queensland floods on businesses (see Appendix 2). Many of these findings have equal relevance to those businesses that were damaged from Cyclone Yasi particularly in respect to the assistance needed. Key findings include:

- One in five businesses in flood affected areas had to close as a result of full or partial water inundation, loss of power or were cut off from their business.
- The average number of days businesses were forced to close was eight (median of 4 days).
- The average anticipated number of days before their business returns to normal operations is 31 days (median of 10 days).
- The loss to property including plant and equipment, stock, buildings and motor vehicles to those businesses directly affected by the floods was on average $589,000 (median of $40,000).
- Business directly affected by the floods on average expect to lose in total $908,000 or approximately 11% of their annual turnover (median was $50,000 or 7% of annual turnover).
- Many businesses have also been indirectly impacted by the floods through affected customers, affected suppliers, through employee inability to attend work or through loss of appeal of Queensland as a tourism destination. These businesses are additionally losing significant income causing serious hardship.
- Unsurprisingly 22% of all businesses within Queensland have indicated that the floods have had a major to critical impact on their businesses' viability with the very real threat of job losses.

2.2 Queensland businesses across the state are already indicating they expect business conditions and the economy to be significantly impacted as a result of these natural disasters. The latest Pulse Survey unfortunately paints a difficult picture for the Queensland economy. Across all indicators there were worrying downward trends and based on expectations, businesses are not anticipating any reprieve from the effects of tightened consumer spending and a slowing economy (see Appendix 3).

12 Month Outlook: Australian and Queensland Economies

Australian Outlook			
	Dec-09	Sept-10	Dec-10
Weaker	11	18	29
Same	28	38	43
Stronger	61	44	28
Index	65.3	57.8	49.3

Queensland Outlook			
	Dec-09	Sept-10	Dec-10
Weaker	19	29	48
Same	34	36	30
Stronger	47	35	22
Index	57.7	51.6	39.8

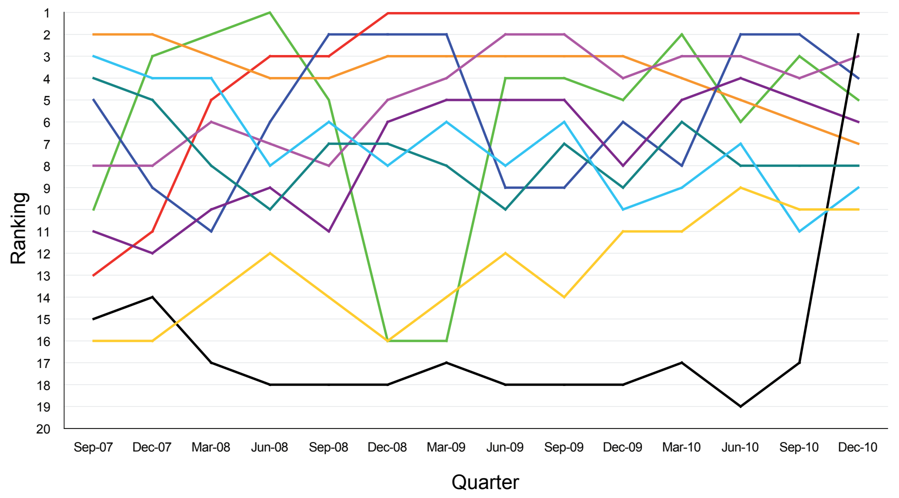
Scale – An Index level above 50 indicates that growth prospects are strengthening, while an Index level below 50 indicates that growth prospects are weakening.

Seasonally adjusted.

Commonwealth Bank CCIQ Pulse Survey – December Quarter 2010

2.3 While the recent Queensland natural disasters will place significant downward pressure on our State's economic growth, it is important to realise that Queensland's economy was facing challenges well before the impact of the recent natural disaster events. Queensland businesses indicate that the floods and Cyclone Yasi will only exacerbate an already difficult business trading environment and that there are a number of other issues undermining the viability of Queensland businesses including the level of demand and economic activity, the level of business taxes and interest rates.

Major Constraints on Business Growth



"I think the mining sector is the only sector driving the economy. Now with the floods the agriculture sector will struggle along with retail etc. I also think interest rates will continue to be a dampener on the economy".

Commonwealth Bank CCIQ Pulse Survey – December Quarter 2010

2.4 The road map forward for our economic recovery will need to recognise that significant constraints such as a tightened monetary policy, tightened lending criteria, the appreciation of the Australian dollar and the continued erosion of the attractiveness of the Queensland business environment are affecting almost all businesses. These problems will inevitably need to be addressed in conjunction with any natural disaster recovery program if the Queensland economy is to emerge unscathed and resume its place as the leading State.

2.5 Further to this CCIQ has prepared a comprehensive overview of Queensland's economic performance as measured by ABS data which confirms that the Queensland Economy was already clearly underperforming the national experience (see appendix 4). This is also confirmed by the recent MYFER that confirms Queensland's forecasted growth rates are below the nation for the period 2008-09 to 2010-11.

	2008-2009	2009-2010	Budget 2010-2011	MYFER 2010-2011	Budget 2011-2012	MYFER 2011-2012
Queensland						
GSP	0.80	2.30	3.75	1.25	4.50	5.00
Employment	2.20	0.90	2.75	0.75	3.25	3.25
Unemployment Rate	4.40	5.70	5.50	5.75	5.25	5.25
Inflation	3.70	2.70	3.00	3.25	3.00	3.00
Wage Price Index	4.20	3.30	3.50	3.50	3.75	4.00
Population	2.60	2.30	2.25	2.00	2.25	2.00

Australia						
GDP	1.00	2.20	3.25	3.25	4.00	3.75
Employment	0.10	2.40	2.25	2.50	2.00	2.00
Unemployment Rate	5.70	5.20	5.00	4.75	4.75	4.50
Inflation	1.50	3.10	2.50	2.75	2.50	3.00
Wage Price Index	3.80	3.00	3.75	3.75	4.00	4.00
Population	1.90	2.00	1.75	1.75	1.50	1.50

Annual Percentage Change
Source: MYFER

2.6 The Queensland business community is looking for decisive economic management. If the State Government proactively assists businesses in their recovery, then this will improve confidence and inevitably investment and employment. The 2011-12 State Budget must deliver meaningful actions that drive an economic recovery.

3.0 Funding Queensland's Economic Recovery

3.1 The State Government's recent 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. CCIQ's view is that our credit rating and what it represents should not be one of the casualties of the natural disasters. 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.

> Commit to business assistance that will ensure Queensland's business recovery.

3.2 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:

> Revenue for the period 2009-10 to 2013-14 is increasing by 6.7% yet expenditure is increasing by 7.0%;

> Consequently the budget position is being progressively eroded with actual and forecast deficits across the forward estimates;

> The deficit will peak at $3,959 million in 2011-12 and the budget will not return to surplus until at least 2015-16;

> 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	2008–2009	2009–2010	Budget 2010–2011	Revised 2010–2011	2011–2012	2012–2013	2013–2014
Revenue	37,008	39,729	40,606	41,829	41,796	43,731	44,633
Expenses	36,974	39,785	42,352	43,297	45,755	47,287	46,311
Net Operating Balance	35	-56	-1,746	-1,468	-3,959	-3,556	-1,678
Cash Surplus / Deficit	-2,839	-5,305	-6,396	-5,660	-7,406	-3,556	-1,677
Capital Purchases	6,960	8,767	8,335	7,883	7,328	5,930	4,763
Net Borrowing	3,728	5,182	7,629	81	8,928	6,947	3,898
Gross Borrowing	10,278	15,916	23,250	20,497	29,521	36,487	40,403
Net Worth	184,619	175,655	188,564	176,697	175,664	175,206	177,020
Net Debt	-19,281	-13,342	-6,743	-9,790	-1,576	4,614	7,502

Dollar values in millions and in current prices
Source: 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
Weatern Australia	Aaa	AAA
Victoria	Aaa	AAA
South Australia	Aaa	AAA
Tasmania	Aaa	AA+
Northern Territory	Aa1	na

Source: State Budget Papers

3.3 When Queensland is already running a deficit it stands to reason that when future expenses exceed future revenue the 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 one of the major contributing reasons for Credit Rating Agencies' poor assessments of our financial position.

State Budget Net Operating Balances

Source: State Budget Mid Year Reviews

3.4 The challenge for the State Government is to maintain its current commitment to sound fiscal management, while implementing natural disaster recovery. CCIQ believes the only way that this can occur is dramatically reigning in the expenditure of State Government. Accordingly CCIQ welcomes the following initiatives announced as part of the MYFER:

> Increasing the existing public service efficiency target from $400 million in 2012-13 to $450 million in 2013-14 and $500 million in 2014-15.

> A program of 3,500 voluntary separations from non service delivery areas over the period 2011-12 to 2012-13.

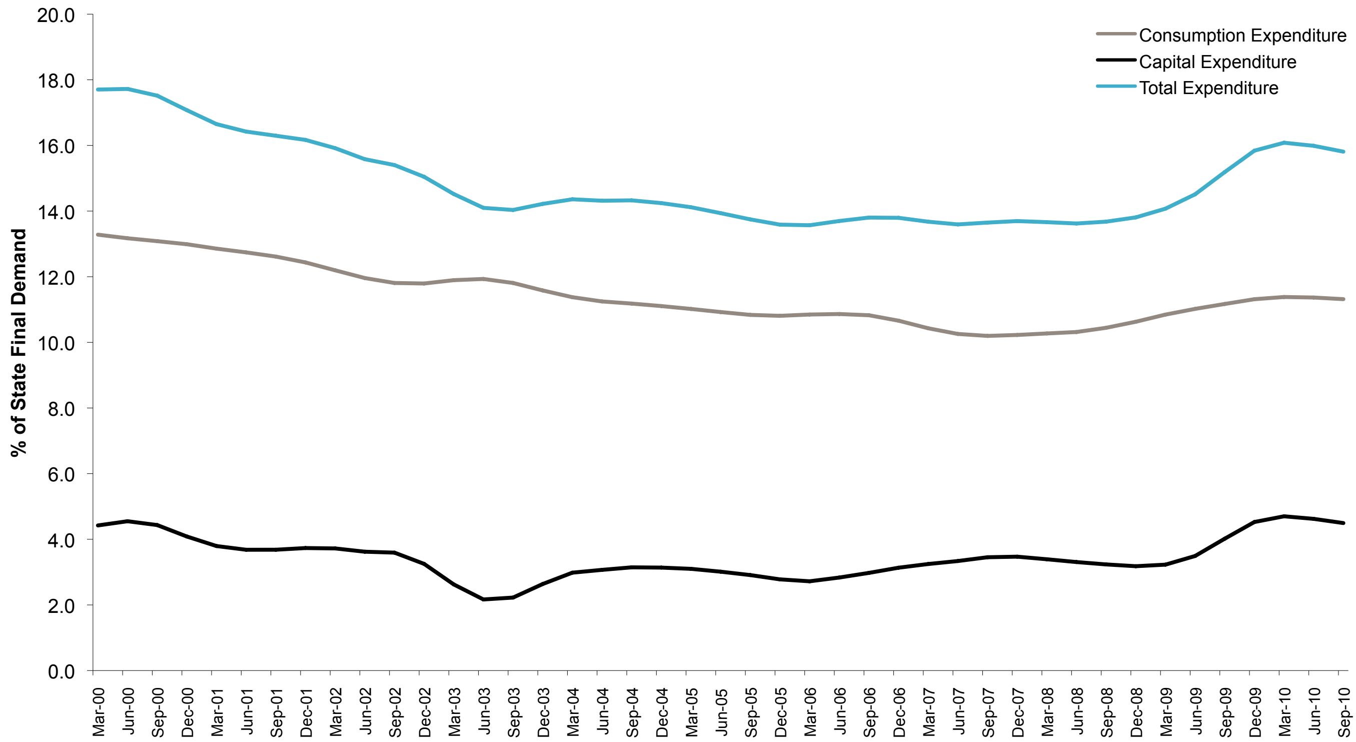
However to place in context these initiatives the Tasmanian Government with a budget 10 times smaller than Queensland's has announced a 2,300 FTE reduction in forthcoming years and efficiency savings of almost $200 million. This places in poor comparison the Queensland initiatives above.

3.5 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 mantra of protecting public service inefficiency is severely limiting its ability to address the budget deficit and State Government debt.

3.6 The announcement that the proceeds of the Abbot Point Coal Terminal will be used to fund the State's disaster recovery efforts is concerning. It is of vital importance that our net asset base is not eroded. Any asset sale proceeds must be used for debt retirement or replacement of economic infrastructure and not recurrent expenditure. Furthermore vital projects such as the Brisbane Cross River Rail Project that were understandably postponed will be able to commence much sooner if real steps are taken to cut State Government expenditure.

3.7 CCIQ highlights the positive trend experienced from 1999-2000 through to 2006-07 with the previous ALP State Government's recurrent expenditure steadily reducing as a percentage of the Queensland economy from 13.3% down to 10.2%. Since that period under the current ALP State Government this percentage proportion has increased back up to 11.3%. If Queensland is able to cap the percentage proportion at 10.0% then in 2009-10 budgetary savings of $3.265 billion would have been delivered changing a $56 million deficit into a $3.2 billion surplus.

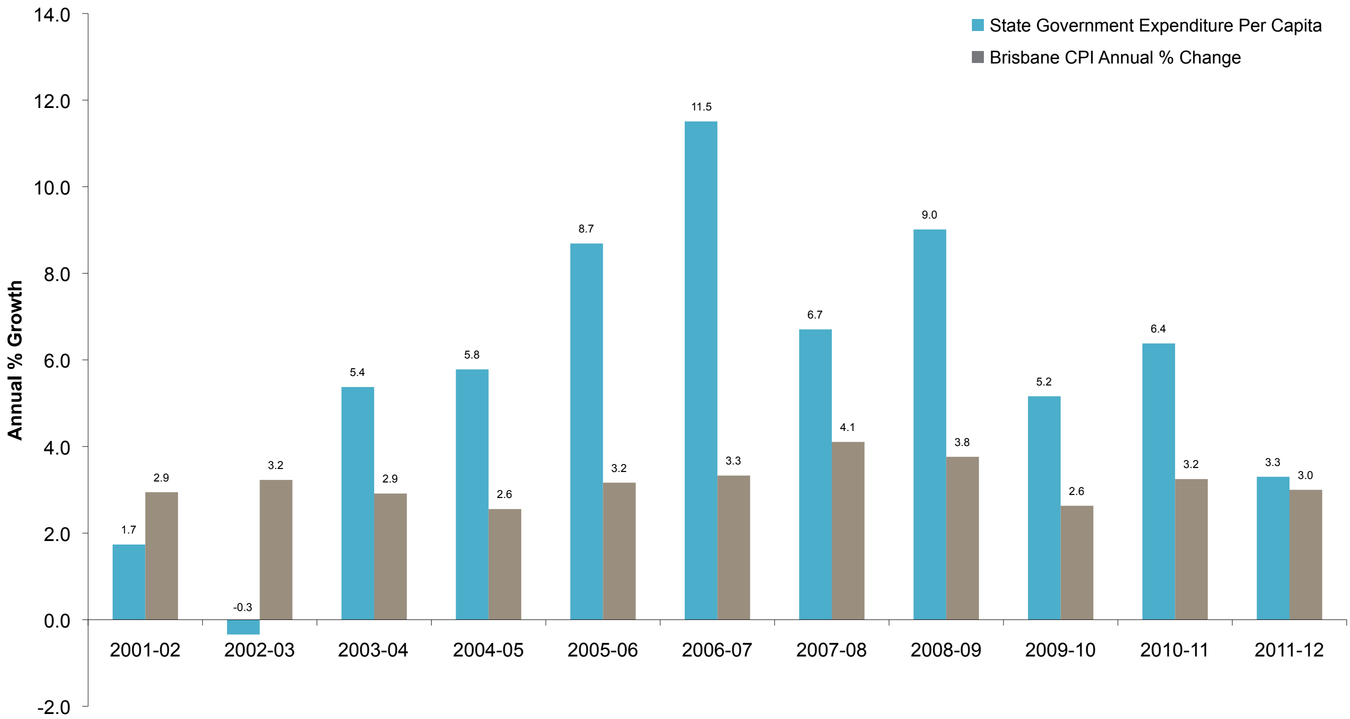
State Government Expenditure as a % of State Final Demand



Source: ABS Catalogue 5206.0

3.8 CCIQ understands the need for the size of State Government expenditure to increase relative to population growth and to keep track with inflation. Accordingly CCIQ has produced the following graph that analyses real terms percentage growth in State Government expenditure per capita. The Chamber's view is that the outcome of State Government expenditure per capita increasing at a rate almost double that of inflation over the past ten years is highly concerning and warrants explanation. CCIQ highlights if growth in State Government expenditure per capita remained unchanged in real terms during 2010-11 then budgetary savings of $1.3 billion would have been achieved or eroding 75% of the budget deficit.

Real Terms % Growth in State Government Expenditure Per Capita



Source: State Budget Papers, ABS Catalogues 6401.0 & 3101.0

3.8 CCIQ examples of potential efficiency savings include:

- State Government's employee expenses increased in 2010-11 by 6.2% an outcome inconsistent with Queensland's private sector. Indeed $955 million or 55% or of the forecasted 2010-11 budget deficit could be slashed if the wages bill was capped at 2009-10 levels. CCIQ believes that the Queensland community would understand that the public sector has to bear more responsibility for cost saving measures to address our disaster recovery.
- The potential of $1.1 billion in savings or 63% of the forecasted 2010-11 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 years State Budget submission.

3.9 More should be done to introduce efficiencies within State Government's public service. CCIQ's position is that the role of the public sector is to deliver services required by the taxpayers in the most efficient manner possible. 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. The Queensland Government must adopt strategies that achieve a more efficient and effective public sector. Such policies would bring about and facilitate the disaster recovery, a return to a budget operating surplus and restoration of the State's AAA credit rating.

REVENUE	2008–2009	2009–2010	Budget 2010–2011	Revised 2010–2011	2011–2012	2012–2013	2013–2014
Taxation revenue	8,877	9,474	10,192	9,766	10,627	11,528	12,345
Grants	17,476	20,375	18,872	20,832	19,522	20,316	20,142
Sales of good and services	3,568	3,928	4,077	4,196	4,427	4,523	4,745
Interest income	1,482	2,230	2,132	2,129	2,209	2,271	2,323
Dividends & Income tax equivalent income	1,180	1,005	1,460	1,360	1,099	1,235	1,387
Other	4,425	2,678	3,874	3,546	3,912	3,858	3,692
Total Revenue	**37,008**	**39,690**	**40,607**	**41,829**	**41,796**	**43,731**	**44,634**

EXPENSES	2008–2009	2009–2010	Budget 2010–2011	Revised 2010–2011	2011–2012	2012–2013	2013–2014
Employee expenses	14,305	15,395	16,221	16,350	17,560	18,064	18,771
Superannuation Interest Cost	858	1,329	1,261	1,174	1,221	1,231	1,234
Other Superannuation Expenses	2,012	2,019	2,103	2,149	2,225	2,300	2,350
Other Operating Expenses	7,185	8,124	8,502	9,524	10,244	10,400	8,938
Depreciation and amortisation	2,496	2,479	2,822	2,783	3,012	3,253	3,492
Other interest expenses	599	827	1,242	1,160	1,566	2,037	2,367
Grant Expenses	9,519	9,802	10,201	10,157	9,928	10,002	9,159
Total Expenses	**36,974**	**39,976**	**42,352**	**43,297**	**45,756**	**47,287**	**46,311**

BALANCE SHEET	2008–2009	2009–2010	Budget 2010–2011	Revised 2010–2011	2011–2012	2012–2013	2013–2014
Financial assets	57,523	57,319	58,518	52,060	53,063	54,282	56,063
Non-financial assets	172,326	180,982	189,493	182,159	189,820	195,683	200,077
Total Assets	229,849	238,301	248,011	234,219	242,883	249,965	256,140
Total liabilities	45,230	50,694	59,447	57,522	67,219	74,758	79,121
Net Worth	184,619	187,607	188,564	176,697	175,664	175,206	177,020
Net Financial Worth	12,293	6,625	-929	-5,462	-14,156	-20,477	-23,057
Net Financial Liabilities	11,660	18,273	25,576	22,913	31,829	38,370	41,508
Net Debt	-19,281	-13,206	-6,743	-9,790	-1,576	4,614	7,502

Dollar values in millions and in current prices
Source: Queensland State Budget Papers, Budget Strategy and Outlook, Budget Paper No.2 & MYFER

4.0 Natural Disaster Assistance

4.1 Queensland businesses will play a vital role in the recovery effort, however they need both immediate and ongoing support, particularly in regional areas, to get back on their feet if they are to provide the resources, services and employment required to rebuild flood and cyclone stricken communities and ensure they are able to continue contributing to the economy. Queensland business and industry will continue to need support and assistance of varying nature over the next eighteen months.

4.2 When asked what assistance is needed for businesses impacted by Queensland's natural disasters, a very clear picture emerges. Assistance needed includes:

- Financial assistance with cash flow and concessional loans from Government to help business meet their immediate debtor obligations;
- A marketing campaign highlighting that Queensland is open for business and as a tourism destination is unscathed;
- Deferral of tax and bank debt;
- Flood proof infrastructure;
- More effort to buy and holiday locally;
- Higher priority for business in power restoration; and
- Reduced red tape for businesses to get back up and running.

Priority	Type of Assistance	Timeframe	Quotes
19.5%	Financial Assistance with Cash flow	Short Term (ST)	*"Financial support to retain skilled workers, provide cashflow due to lost revenue, compensate for debtors who are unable to pay pre-existing accounts due to being flood affected."* *"Financially we have had a significant loss of trade due to forced closure during the flood crisis and prior to that for the whole of 2010. We are having major difficulty meeting our obligations to our creditors, as we have EXTREMELY limited cash flow."* *"Income support to supplement the losses suffered thus far. We will not be able to pay our rent this month and this will continue for some time. We also need advertising and incentives for people to come and visit."*
5.5%	Concessional Loans	ST	*"Interest free loan to ensure business cash flow can sustain this disruption to business."* *"Low interest loans or government grants for income loss to help keep paying employees until we are earning again."* *"Small short term loan for cash flow until Clients can pay accounts, clients include Government agencies."*
3.1%	Rental assistance	ST	
28.1%			
12.5%	Message Queensland is Open	ST	*"Advertising to say that most accommodation businesses in Queensland are still open for business."* *"Tourism – need to get the message across that people need to come to Brisbane for holidays still and not cancel bookings. There have been indications that even Gold Coast has lost bookings because overseas visitors don't know the difference."*
8.6%	Customers	ST	*"Marketing support advertising that the Qld holidays destinations have NOT been affected... and this includes the Sunshine Coast."*
3.1%	Tourism Promotion	ST	*"Marketing internationally and domestically to bring tourists to Australia, Qld and the Whitsundays in particular."*
1.6%	More Accurate Media Portrayal	Long term (LT)	*"Media letting people know not ALL of Qld is flooded and encouragement to get people to continue with their travel plans."* *"A clear message through media that we are open and trading as normal."*
25.8%			

Source: Impact of the Queensland Floods on Business – CCIQ Survey February 2011

Priority	Type of Assistance	Timeframe	Quotes
7.8%	Deferral of Taxes / Tax Relief	ST	*"Assistance in the form of means tested (review of P&L) program that enables simple and immediate access to concessions (grants, tax breaks etc) is immediately required."* *"Queensland business needs support from government items such as payroll tax are an unbearable burden not only is your business taxed because you employ more Australians but this nasty tax is not even indexed to profit its payable come what may. Then there is Workcover and all the other obstacles we need tax relief in desperate times and less governing obstacles."* *"Tax breaks - deferred BAS payments due to reduced cash flow."*
1.6%	Deferral of Creditor Payments	ST	*"Time from the ATO and Banks to get cash flow back to order."*
3.9%	Deferral of Bank Loan Repayments	ST	*"Bank assistance with regards to postponement of monthly loan payments and extending overdraft facility.* *Defer Loan Repayments to enable cash flow and pay wages/accounts."*
13.3%			
6.3%	Flood Proof Infrastructure	LT	*"A highway that is not flood affected for freight services."*
6.3%	Opened Transport Routes	ST	*"Get the major transit routes open to heavy vehicles."* *"Road infrastructure repairs so we can get supplies into and finished goods out of the business"*
12.6%			
3.9%	Buy Holiday Local	ST	*"Ensuring local tradesmen get the repair jobs and not fly in tradies Insurance companies, govt must spend their money locally to help local communities recover. Insurance companies in many cases will supply goods out of Sydney or other major capital cities & local govt is becoming the same."*
3.9%	Affected Customers back up and running	ST	*"My business relies on my customers to have healthy businesses that are operating. I need my clients to recover as quickly as possible."* *"Our clients' suppliers and customers to be back in full operation as soon as possible."*
3.1%	Earlier power restoration	ST	*"Resupply of power by supplier. Delay of several days since electrical switchboard certified OK."* *"We need to be able to get some reliable information from Energex as to why our business is not connected when it has been ready since Monday. There has not been major flooding in our building. We cannot get any information from Energex as to when we can have the power switched on or have a generator to power the building. The building next door has an Energex generator."*
0.8%	Abolish Stamp Duty on Insurance	Medium Term (MT)	*"Deleting stamp duty on all insurance policies would a) encourage all to take out insurance & thus reduce cost of policies indirectly, and b) it would immediately reduce the cost of taking out insurance for each individual. Insurance is a huge cost for my business, so any govt changes that encourage everyone to have a policy and ditching stamp duty would reduce the cost for everyone."*
0.8%	Reduced Red tape	ST / MT	*"Government and federal government assistance to process building approvals quickly."*

Source: Impact of the Queensland Floods on Business – CCIQ Survey February 2011

4.3 CCIQ believes it is important to support Queensland households in their recovery but it is equally important to assist businesses as they are the employers of many flood and cyclone victims. In doing so we are assisting business to be able to offer secure ongoing employment and resultantly a livelihood to natural disaster victims which is ultimately much more practical and valuable.

5.0 Business Recovery – Financial Assistance

5.1 As stated CCIQ places on hold the case for a significant competitive improvement in Queensland's business operating environment. However the financial assistance currently provided to business for disaster recovery by the State Government must change. Additionally there are many subtle things the State Government can do with its own taxation regime to assist business across 2011-12.

5.2 CCIQ believes that the State Government must continue to lobby the Commonwealth Government for the following assistance changes currently delivered through the Natural Disaster Relief and Recovery Arrangements (NDRRA):

5.2.1 In relation to the $25,000 Special Disaster Flood Assistance Grant (SDFAG), many businesses have not been inundated with flood water and as such are not eligible for this payment yet they have experienced power outage that has prevented them from trading. The resultant loss of income is currently not a criteria for the SDFAG payment yet they are experiencing significant financial hardship at present. Equally many businesses have had their customer base decimated as a result of the floods. CCIQ believes the $25,000 should be extended to those small businesses that have been adversely affected by the natural disasters by loss of income or are able to demonstrate significant financial hardship.

5.2.2 The $250,000 concessional loan is currently only available for small businesses which have sustained damage to property, plant and equipment or stock. Many medium sized businesses have also been impacted from the floods and through loss of income. They too should be eligible for this concessional loan. CCIQ believes the $250,000 loan should be extended to medium size businesses and possibly increased in amount for those who are able to demonstrate serious loss of income or business hardship.

5.3 CCIQ highlights that insurance premiums continue to be a hindrance to business and accordingly recommends a reduction or removal 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 believes it is time for the State Government to reconsider the burden placed on businesses through insurance taxes. This recommendation has particular relevance following the recent natural disasters.

5.4 CCIQ has developed the following nuisance tax minimisation and reduction plan to assist the Queensland business community to recover from the 2011 natural disasters.

Support Measure / Category	Responsible Department/ Level of Government	Tax Reduction Initiative	Cost Saving/Benefit to Business
All areas of taxes & charges	All levels of Government	> Agree to a 'No new taxes, fees or charges' moratorium for the following 12 months; > Place a hold on scheduled price increases for 2011/2012;	Reduces the cost pressures on recovering businesses.
Taxation and Taxation Reporting > Income tax > BAS > GST > FBT	Federal Government – Department of Finance; Australian Taxation Office (State Government to lobby)	For businesses directly and indirectly affected by the natural disasters: > Extension to reporting periods for BAS, FBT, and Income Tax; > Removal of penalties for record keeping due to loss of records; > Financial assistance to recover documentation required for taxation and reporting e.g. financial statements, group certificates etc; > Funded financial counselling and accounting services for these businesses; > Reduced rate of business taxation; > Extended period for payment of outstanding liabilities/ deferred payment to next period; > Broad communication to business community of above.	Ease cash flow issues and reduce stress over impending due dates
Payroll Tax	Queensland Government – Office of State Revenue, Queensland Treasury	> Raise threshold for minimum monthly wages to allow businesses to maintain current levels of employment and/or increase workforce to meet recovery and rebuild needs. > Provide exemptions (similar to the Apprentice and Trainee exemptions) to businesses that employ workers who lose their jobs due to closed/ directly impacted businesses. For businesses directly and indirectly affected by the natural disasters: > Defer payments of monthly returns for 2011-12 > Exemption for wages paid under forced annual or other leave categories.	Reduce administrative costs for business of approximately 6 hours of reporting and lodgement; Save business financial costs of tax liabilities.

Support Measure / Category	Responsible Department/ Level of Government	Tax Reduction Initiative	Cost Saving/Benefit to Business
Land Tax	Queensland Government – Office state Revenue, Queensland Treasury	For businesses directly and indirectly affected by the natural disasters: > Raise threshold for Commercial Land valuations (currently > 350K) > Provide exemptions (or reduced rate of liability) on Land Tax for the 2011-12 financial year > Clear any outstanding liabilities for previous period's land tax > Extended period for payment of outstanding liabilities/ payment plan facility for liabilities/deferred payment to next period for businesses experiencing financial hardship.	Ease cash flow issues and reduce stress over impending due dates
Transfer Duty – applicable to Business Assets	Queensland Government – Office State Revenue, Queensland Treasury	> Exempt transfer, sale and purchase of business assets to aid in economic recovery and provide incentive for business investment	Ensure businesses can return to normal operations as fast as possible and at minimal cost.
WorkCover Policy	Queensland Government – WorkCover Queensland	> Defer payments of premium for 2011-12 for businesses directly and indirectly affected by the natural disasters	Ease the cash flow issues and reduce stress over impending due dates
Employment and Wages	Federal Government – Department of Education, Employment and Workplace Relations; Fair Work Australia (State Government to lobby)	For businesses directly and indirectly affected by the natural disasters: > Negotiate temporary wage and conditions for employers and employees including stand-down provisions, leave entitlements, flexibly hours, casual and part-time employment > Provide direct wage subsidy/support to closed/reduced capacity businesses > Make additional/flexible income support available to employees and employers (removing conditions based on assets, employment status and duration out of work).	Accommodate flexibility in workplaces and maintain current employment levels.
Apprentices and Trainees	Queensland Government – Department of Employment, Economic Development and Innovation; Department of Education and Training Federal Government – Department of Education, Employment and Workplace Relations.	For businesses directly and indirectly affected by the natural disasters: > Pay, via the employers of apprentices and trainees, the equivalent of the income support (Centrelink payment) to ensure apprentices and trainees stay on the job rather than be made unemployed > Apprentices and Trainees may be able to be deployed to clean-up and recovery in the regions and receive government funded wage support. > Provide direct wage subsidy/support to cover apprentice and trainee wages during period of business closure and recovery > Provide/negotiate alternative training options including block training and temporary apprentice/trainee re-assignment to alternative workplaces.	Ensure apprentices and trainees remain in training and/or return to training following recovery period Ensure Queensland has the required skills base needed during rebuild and recovery period.

5.5 Into the longer term greater priority must be given to examining and bringing down the cost of doing business in Queensland on a more permanent basis. Having a once competitive advantage is no reason to be complacent. Queensland has unfortunately lost its low tax status with Western Australia and Victoria rising to the top. The competition is not standing still and a number of State Governments have sought to greatly improve their State's competitiveness in recent years. If Queensland does not respond to initiatives occurring elsewhere our attractiveness is diminished in the eyes of potential and existing investors. In order to maintain our competitiveness Queensland must improve its own taxation regime. Inevitably the trends that are clearly evident below must be addressed in the 2012-13 State Budget.

State Taxation Revenue	2000–2001	2001–2002	2002–2003	2003–2004	2004–2005	2005–2006	2006–2007	2007–2008	2008–2009	2009–2010	2010–2011 BUDGET	2010–2011 MYFER	% Increase $ Increase	% Increase 00-01 to 10-11
Payroll Tax	$1,170	$1,202	$1,334	$1,479	$1,674	$1,917	$2,232	$2,493	$2,754	$2,687	$2,888	$2,930	$1,760	150.4%
Stamp Duties														
Transfer	$700	$1,056	$1,382	$1,863	$1,744	$1,963	$2,542	$2,912	$1,806	$1,978	$2,229	$1,885	$1,185	169.3%
Vehicle registration	$167	$184	$234	$271	$267	$269	$289	$403	$433	$398	$467	$447	$280	167.7%
Insurance	$206	$238	$286	$315	$316	$328	$361	$386	$425	$443	$466	$471	$265	128.6%
Other duties	$222	$250	$279	$383	$316	$370	$368	$344	$40	$26	$21	$24	-$198	-89.2%
Total Duties	$1,294	$1,728	$2,182	$2,832	$2,642	$2,930	$3,560	$4,044	$2,704	$2,845	$3,183	$2,827	$1,533	118.5%
Gambling Taxes and Levies	$522	$568	$638	$726	$806	$841	$825	$889	$922	$927	$964	$954	$432	82.8%
Land Tax	$230	$231	$279	$313	$419	$404	$485	$610	$838	$1,033	$1,117	$1,052	$822	357.4%
Debits Tax	$207	$200	$191	$191	$189	$0	$0	$0	$0	$0	$0	$0	-$207	-100.0%
Motor Vehicle Registration	$558	$596	$649	$703	$767	$819	$887	$966	$1,041	$1,252	$1,311	$1,311	$753	134.9%
Fire Levy	$185	$192	$203	$213	$225	$239	$252	$265	$283	$298	$311	$317	$132	71.4%
Community Ambulance Cover	$0	$0	$0	$96	$112	$118	$115	$130	$140	$155	$154	$154	$154	na
Other Taxes	$620	$98	$122	$123	$119	$127	$127	$150	$194	$177	$262	$220	-$400	-64.5%
Total Taxes	$4,786	$4,815	$5,598	$6,676	$6,952	$7,396	$8,484	$9,546	$8,877	$9,375	$10,192	$9,766	$4,980	104.1%

Payroll Tax as a % of Total State Taxes	24.4%	25.0%	23.8%	22.2%	24.1%	25.9%	26.3%	26.1%	31.0%	28.7%	28.3%	30.0%		5.6%
Stamp Duties as a % of Total State Taxes	27.0%	35.9%	39.0%	42.4%	38.0%	39.6%	42.0%	42.4%	30.5%	30.3%	31.2%	28.9%		1.9%
Gambling Taxes as a % of Total State Taxes	10.9%	11.8%	11.4%	10.9%	11.6%	11.4%	9.7%	9.3%	10.4%	9.9%	9.5%	9.8%		-1.1%
Land Tax as a % of Total State Taxes	4.8%	4.8%	5.0%	4.7%	6.0%	5.5%	5.7%	6.4%	9.4%	11.0%	11.0%	10.8%		6.0%
Motor Vehicle Registration as a % of Total State Taxes	11.7%	12.4%	11.6%	10.5%	11.0%	11.1%	10.5%	10.1%	11.7%	13.4%	12.9%	13.4%		1.8%
Fire Levy as a % of Total State Taxes	3.9%	4.0%	3.6%	3.2%	3.2%	3.2%	3.0%	2.8%	3.2%	3.2%	3.1%	3.2%		-0.6%
Community Ambulance Cover as a % of Total State Taxes	0.0%	0.0%	0.0%	1.4%	1.6%	1.6%	1.4%	1.4%	1.6%	1.7%	1.5%	1.6%		1.6%

Commonwealth Revenue	2000–2001	2001–2002	2002–2003	2003–2004	2004–2005	2005–2006	2006–2007	2007–2008	2008–2009	2009–2010	2010–2011	2010–2011	% Increase $ Increase	% Increase 00-01 to 10-11
GST Revenue	$4,658	$5,019	$5,890	$6,515	$7,354	$7,773	$8,092	$8,549	$7,946	$8,181	$8,906	$8,906	$4,248	91.2%
Specific Purpose Payments	$3,637	$3,947	$4,115	$4,359	$4,730	$5,039	$5,808	$6,484	$9,017	$11,673	$9,441	$9,441	$5,804	159.6%
Total Australian Government Payments	$8,909	$9,638	$10,182	$10,962	$12,228	$12,991	$13,900	$15,033	$16,964	$19,854	$18,347	$18,347	$9,438	105.9%

GSP Growth	2000–2001	2001–2002	2002–2003	2003–2004	2004–2005	2005–2006	2006–2007	2007–2008	2008–2009	2009–2010	2010–2011	2010–2011	% Increase 00-01 to 10-11	
	5.7	3.3	6.1	5.1	6.2	5	4.2	4.2	0.2	1.6	3.75	1.25		43.8%

Consumer Price Index	2000–2001	2001–2002	2002–2003	2003–2004	2004–2005	2005–2006	2006–2007	2007–2008	2008–2009	2009–2010	2010–2011	2010–2011	% Increase 00-01 to 10-11	
Brisbane Index Numbers	132.4	136.3	140.7	144.8	148.5	153.2	158.3	164.8	171.0	175.5	180.8	181.2		36.9%

Interstate Competitiveness		2000–2001	2001–2002	2002–2003	2003–2004	2004–2005	2005–2006	2006–2007	2007–2008	2008–2009	2009–2010	2010–2011	2010–2011 MYFER	% Increase $ Increase	% Increase 00-01 to 10-11
Taxation Per Capita	QLD	$1,359	$1,211	$1,321	$1,480	$1,614	$1,708	$1,927	$2,226	$2,132	$2,109	$2,225	$2,136	$777	57.2%
	AUS	$1,734	$1,637	$1,757	$1,892	$2,056	$2,135	$2,272	$2,357	$2,499	$2,451	$2,643	$2,636	$902	52.0%
		-$375	-$426	-$436	-$412	-$442	-$427	-$345	-$131	-$367	-$342	-$418	-$500		
Taxation Effort	QLD	79.3	85.7	85.8	86.9	85.5	85.2	84.6	85.6	86.9					7.6
	AUS	100	100	100	100	100	100	100	100	100					0
Taxation as a % of GSP	QLD	3.9%	4.0%	4.4%	4.7%	4.4%	4.1%	4.3	4.5	3.6					-0.3
	AUS	4.9%	4.8%	4.9%	5.0%	4.7%	4.7%	4.8	4.8	4.1					-0.8

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

6.0 Business Recovery – Open for Business & Buying Locally

6.1 In the wake of the natural disasters it is essential that both the State Government and industry do what they can to ensure life returns to normal for the hundreds of businesses throughout the State who have been directly and indirectly impacted. CCIQ is supportive of two key actions to assist businesses on their road to economic recovery – a tourism campaign to encourage domestic and international visitors back to our state and a buy locally campaign to further boost the State economy.

6.2 Tourism industry support package

6.2.1 The tourism industry is undoubtedly one of the most important industries in Queensland, contributing $9.2 billion to our economy and directly employing 122,600 people. However, the tourism industry has received a significant blow from the recent natural disasters, threatening the livelihoods of numerous Queenslanders and placing stress on many of the 115,500 tourism related businesses that currently operate throughout our state.

6.2.2 Many businesses and tourism destinations remain unscathed by recent events. Others are well on the road to recovery and are keen to welcome tourists back to their regions. However, the media's portrayal of the state during the summer of 2010-11 has left devastating and heartbreaking images on the minds of thousands of potential domestic and international visitors. This negative media portrayal has led to the impression that the whole of Queensland has been devastated and that the state is "closed". As a result, bookings continue to be cancelled and tourist numbers continue to decline. Maintaining this industry is essential to supporting Queensland's economic recovery, as positive flow on effects from the tourism industry are felt throughout the economy.

6.2.3 CCIQ's supports the State and Federal Government's announcement of a $10 million Tourism Industry Support Package to help boost the tourism industry that will be used to roll out an interstate and international marketing campaign to assure potential travellers that Queensland is open for business. However CCIQ believes significantly more funding must be allocated to this task. For example South Australia's "Isn't it about time" campaign used more than $6 million just to target key markets in Melbourne and Sydney, and the NSW Government dedicated $10 million to their Sydney only tourism campaign "Sydnicity". More than $180 million was dedicated to the "where the bloody hell are you" campaign. CCIQ believes that a significant further injection is required in order to deliver a strong and powerful message to potential visitors in both domestic and international markets that Queensland is once again open for business and is as beautiful and better than ever.

Recommendation: The State Government should dedicate further significant funding towards domestic and international marketing campaigns to promote the message that Queensland is open for business. This will deliver a significant economic boost to the economy (well in excess of the funding provided for the campaign) and will ensure that thousands of Queensland jobs are protected.

6.3 Buy and Holiday Locally

CCIQ continues to urge Queensland consumers to buy and holiday locally wherever possible due to the significant benefits that accrue to local businesses. Examples of buying local would include purchasing locally-grown produce, using the services of local tradesman and holidaying within the state. The buy Queensland concept can be a real win win outcome. Queenslanders due to their proud nature have a desire to buy local and rightly so as our products and services are world class delivering very high satisfaction for the customer. Queensland products also offer considerable variety, excellent quality and price competitiveness. Perhaps even more importantly though is the benefit that purchasing locally brings to our State. Increasing Queensland sales delivers more dollars circulating within our State which drives the economy and creates jobs. If each employed Queenslander was to spend just an additional $10 per week on Queensland products and services that would amount to an additional $23 million circulating in our economy each week or close to $1.2 billion each year. This would provide a significant boost to the Queensland economy and potentially create up to 20,000 jobs without any real effort.

Recommendation: The State Government to undertake an intrastate campaign encouraging Queenslanders to buy and holiday locally.

7.0 Business Recovery – Red Tape

7.1 Inappropriate and inefficient regulation is a major constraint on business growth, productivity and investment and is reducing Queensland's competitiveness at a time when Queensland's economy is endeavouring to recover from the recent natural disasters.

7.2 Since CCIQ released its Blueprint for Fighting Queensland's Over-Regulation in 2009 the State Government has introduced 68 new acts of parliament, passed 7,928 pages of new or amended legislation, and passed 439 regulations and subordinate legislation. This represents an increase of over 13% in regulatory burden impacting Queensland businesses and the community during the 2009-10 year. CCIQ has estimated that the increase in Queensland-based regulation has added an additional cost of $780 million to the business community during 2009-10, bringing the total annual impact of state-based red tape on the Queensland economy to $6.5 billion.

7.3 During 2010 CCIQ conducted a series of Red Tape Case Studies with Queensland businesses. These case studies aimed to demonstrate the cumulative effect of government regulation on the business community. Examples and finding s of two case studies are provided below:

7.3.1 A case study was taken on a wholesale commercial bakery located in Mackay. Its key business activity is the manufacture and distribution of bakery products, employing 25 full time and part time staff including 3 apprentice bakers. The ongoing compliance cost for this business exceeds $356,000 per year and the average time spent by the business owners on compliance activities is over 35 hours per week. It is also estimated that this business outlays approximately $27,712 per annum in fees, permits and licences. The business is required to comply with over 60 statutory instruments at the state and local level and an estimated 330 pages of forms, applications and reports are completed annually by the business in accordance with regulation.

7.3.2 A second case study was taken on a manufacturer of household and commercial water and wastewater products. The organisation's head office is located in Brisbane with offices in Melbourne, Sydney, Perth and Cairns. They employ between 200 and 300 people across each of their business premises. The ongoing compliance cost for this business within Queensland exceeds $1 million per year ($1,075,669) and the average time spent on compliance with government regulation was 140.5 hours per week (28.2 hours per day) or the equivalent of 3.6 full time employees. Government fees, permits and licences cost this business approximately $138,000 per year and this business complies with over 100 statutory instruments at the federal, state and local level. Financial reporting, workplace health and safety and environmental regulation are the most significant concern for this business and impose the largest burden and cost.

7.4 As previously stated over the coming twelve months the most significant contribution Queensland businesses will be able to make to the State's flood and natural disaster recovery will be providing stable and ongoing employment, delivering essential services to rebuild our communities and driving economic growth. However to do so, businesses will require an efficient and low cost environment to ensure they can return to normal business operation and start generating income and revenue.

7.5 Accordingly CCIQ believes this is not a time for the Queensland Government to lose focus on the Smart Regulation Reform Agenda. CCIQ encourages the consideration of reduced business costs and providing red tape simplification to businesses suffering financial hardship and attempting to rebuild after the flood crisis. In particular, CCIQ recommends the following:

- Introduce a no new regulation moratorium over 2011-12 and place a temporary hold on scheduled price increases to fees, permits and licences;
- Investigate simplification measures including automatic renewal on licences and permits that expire during 2011-12 (see next page) for natural disaster affected businesses;
- Limit the growth of regulation in Queensland by making Ministers more accountable for demonstrating the need for additional regulation, introducing a 'zero-net growth' in regulation policy and/or applying a 'one-in, one-out principle' for proposed new regulation.

Support Measure / Category	Responsible Department/ Level of Government	Nuisance Tax or Red Tape Reduction Initiative	Cost Saving/Benefit to Business
All areas of Business Regulation	All levels of Government	> Agree to a 'No new taxes, fees or charges' moratorium for the following 12 months; > Place a hold on scheduled price increases for 2011/2012; > Restrict the introduction of new regulation to limit the cumulative effect.	Red tape currently costs the Queensland economy $6.5 billion and the average business >$350,000 in compliance costs, fees and charges.
Business names and registration	Queensland Government – Office Fair trading	> Provide automatic rollover/renewal for business registrations expiring between 1 July 2011 and 30 June 2012; > Cancel business registration renewal fees for the same period.	Reduce administrative costs for business of approximately 1-2 hours on forms and renewal; Save purchase costs of $81.50 per business licence renewal.
Other Business Licences > Food Business Licence > Building and Contractors > Plumbers and Drainers > Motor Dealers and second hand dealers	Queensland Government – Department of Local Government; Queensland Health; Department of Infrastructure and Planning; Department of Fair Trading; Queensland Building Services Authority Local Government	> Provide automatic rollover/renewal for business registrations expiring between 1 July 2011 and 30 June 2012; > Cancel business registration renewal fees for the same period.	Reduce administrative costs for business of approximately 1-2 hours on forms and renewal; Save purchase costs for licence renewal e.g. > Food Business Licence ($530pa) > Building and Contractors ($211-$477 pa) > Plumbers and Drainers ($28 > Motor Dealers and second hand dealers ($554pa)
Building Codes and regulations > Integrated Planning Act/ Building approvals and building works > Asbestos Management and Compliance	Queensland Government – Department of Infrastructure and Planning; Local Government	> Clarify building works approval requirement on rebuild and construction of flood affected properties; > Fast-track required building approvals for flood affected properties; > Remove application fees for approval of building works for flood affected properties.	Ensure businesses can return to normal operations as fast as possible and at minimal cost.
Environmentally Relevant Activities (ERAs) (applicable to: Motor vehicle workshops, boiler makers, manufacturers, printing industry, metal workers.)	Queensland Government – Department of Environment and Resource Management Local Government	> Provide automatic rollover/renewal for business registrations expiring between 1 July 2011 and 30 June 2012; > Cancel business registration renewal fees for the same period; > Defer annual/periodic audits and inspections, and reporting requirements for 2011-12; > Extended period for payment of outstanding ERA liabilities/payment plan facility for liabilities/deferred payment to next period for businesses experiencing financial hardship.	Reduce administrative costs for business of approximately 6-8 hours on reporting, audits, forms and renewal; Save purchase costs for licence renewal and ERA licence fees ($515 - $65,096pa).
Queensland Commercial Waste Levy	Queensland Government – Department of Environment and Resource Management	Delay introduction of Commercial Waste Levy for 12 months;	Save purchase costs on Waste Collection and Disposal Fees (Average $118 - $240pa and up to $2,080 for some businesses).
Trade Waste Licence	Queensland Government – Department of Environment and Resource Management Local Government	Provide automatic rollover/renewal for business registrations expiring between 1 July 2011 and 30 June 2012; Cancel business registration renewal fees for the same period; Defer annual/periodic audits and inspections, and reporting requirements for 2011-12.	Reduce administrative costs for business of approximately 6-8 hours on reporting, audits, forms and renewal; Save purchase costs for licence renewal and fees ($85 – 13,000pa).

8.0 Business Recovery – Transport Infrastructure Restoration

8.1 The indirect, longer-term impact of flooding on the revenue of local businesses and the broader economy will be influenced by the pace of recovery of the tourism, mining and agricultural sectors, which in turn will depend on how quickly the full capacity of local transport infrastructure can be restored.

8.2 Queensland's transport system is an integral part of the community and has a large impact on the productivity, profitability and competitiveness of all businesses. This has been demonstrated to the highest degree during the recent Queensland natural disasters which saw many communities and businesses significantly impacted through damage sustained to transport infrastructure and through particular networks being unable to operate or be used to their full capacity.

8.3 The damage sustained to the Queensland transport network during the latest weather events is extraordinary and substantial investment and time will be required to bring the network back to its original integrity. However the rebuilding task is not the only challenge. Common feedback received in relation to previous planning and development of Queensland's transport networks is that it has failed to meet the needs of the growing economy, with government continuing to operate in "catch-up mode". Furthermore, businesses continue to express frustration that Government focuses on SEQ, with limited focus on regional communities and metropolitan areas outside of the south east corner.

8.4 It is crucially important that a focus on rebuilding efforts does not result in Queensland taking a significant backward step in terms of increasing the capacity, quality and reliability of the State's transport networks. Planning must take into consideration what enhancements can be made to the system at the same time that rebuilding activities are undertaken, resulting in reduced infrastructure costs overall and an improved transport network in Queensland.

8.5 CCIQ recommendations in relation to Queensland's transport networks include:

- As part of the Queensland Infrastructure Plan, the Queensland Government should develop a comprehensive Transport Plan that outlines key priorities in relation to all transport networks. This plan should embrace a forward planning approach to ensure the needs of the future population are met, as well as develop a clear list of priorities and a timetable for when infrastructure projects will be delivered.
- Reduce or eliminate key capacity constraints on existing transport networks. This needs to include flood proofing/flood mitigation activities in relation to the state's road network, a clear map forward for tackling traffic congestion and strengthening road freight networks through high capacity connections to other modes of transport.
- Enhance transport networks in regional areas to link with the Government's commitment to build stronger regions to ensure growth and economic opportunities are shared throughout the state. Activities to include increasing the proportion of budget spending for road infrastructure outside of SEQ, increasing the accessibility of regions through improved rail and airport networks and boosting the availability of public transport in all regions.
- Ensure existing infrastructure is used to its full capacity, particularly rail networks in regional areas and tolls roads in SEQ.
- Provide businesses and the community with more options by increasing the competitiveness of rail, air and sea freight compared to road freight.
- Enhance land transport connections to airports and seaports to deliver more efficient supply chain links.

8.6 The Queensland business community is keen to tackle the rebuilding and enhancement challenge head on to deliver a world class transport network that sets Queensland apart from the rest of Australia and our international competitors. As a result, CCIQ has developed a transport blueprint to provide a Queensland business perspective of how to rebuild Queensland's transport infrastructure with a focus on delivering an even better transport system that drives business and economic growth moving forward. This Blueprint includes a more detailed list of recommendations that need to be considered by the State Government and will be released in March 2011.

9.0 Business Recovery – Skills, Education and Training

9.1 The Queensland Government, business and industry are facing significant challenges as a result of the natural disasters and the subsequent rebuilding efforts. The ability to recruit and retain skilled workers, which significantly impacts on business productivity and competitiveness, will be critical to Queensland's recovery. The efficiency and effectiveness of the State's education and training system will therefore be a high priority for Queensland business and industry in 2011-12. The Queensland Government must build on its strong performance in this area and deliver the necessary policy and budget frameworks to drive skills development and greater participation in education and training by all Queenslanders.

9.2 In the short-term, Queensland's reconstruction efforts will result in increased pressure and demands on the state's skilled workforce. Consequently, local and regional skills shortages, particularly in the traditional trades, are likely to re-emerge as a major constraint on business growth and productivity.

9.3 Consideration also needs to be given to the long-term skills needs of business and industry. Reduced business activity during 2011-12 will impact on the capacity of businesses to commence Australian Apprenticeships and to invest in workforce skills development. This will further compound anticipated future skills shortages and further reduce business confidence in the capacity of the workforce to meet skills needs.

9.4 Successful management of the short and longer term skills needs of business and industry will require measures to provide additional support and incentives to encourage business investment in workforce development.

9.5 **Drive Participation and Cultural Change**

New initiatives and innovative approaches to subsidise employer's investment in education and training and drive the creation of a strong workplace training culture are recommended. It is widely acknowledged that employer incentive payments meet only a small percentage of the actual cost of employing an apprentice or trainee. There also remains a significant opportunity to provide incentives for existing worker upskilling and adult learning activities. There remains greater opportunity to offset employer investment and commitment to education and training through other policy areas including business regulation and licensing, payroll tax, government procurement and business rebates.

Businesses must be supported to identify and plan for the changing workforce and their skills needs. CCIQ advocate funding and programs to assist small and medium sized businesses to undertake workforce planning activities. Enabling employers to identify their current and future training needs and realise emerging workforce challenges is a strategic approach to driving local employment and greater employer investment in education and training.

9.6 **Information and Skills to Support Workforce Development**

Queensland's skills needs will best be met if the market (employers and individuals) are adequately informed of the broad based skills supply and demand factors within our economy. Career advice and information about education and training options for both young and mature-aged people is currently poorly delivered and significantly under-funded in Queensland. Funding is urgently needed to improve career advice, engage industry, and build the capacity of career advisors to support workforce development. In particular programs which encourage partnerships with industry to facilitate the transition from school to employment should be developed.

Improving the information available to employers and business owners on their local and regional skill and labour markets is equally important. This will assist industry to employ local workers and invest in training to ensure that their short and long term needs are met. Employers and business managers must also have the skills to identify business opportunities, plan their future skills needs and utilise the skills of their existing workforce. SMEs should be provided opportunities to re-skill and up-skill; to develop their entrepreneurial skills and innovative abilities through coaching and mentoring opportunities, targeted training programs and access to business networks and research and development.

9.7 **Industry Engagement**

CCIQ welcomes the establishment of Skills Queensland as an industry-led body to drive reforms and ensure that the workforce has the skills to meet the needs of business and industry. CCIQ looks forward to working closely with Skills Queensland as it faces the challenge of delivering a balanced labour market during the rebuild, while ensuring that education and training investment delivers a workforce with the skills required to address business and industry needs in the longer term.

Recommendations

Better utilise State regulatory and policy mechanisms including business regulation and licensing, payroll tax, government procurement and business rebates, to drive increased investment by employers and individuals in education and training.

Review financial support arrangements provided to all individuals (young people, adult workers, and mature-age) to encourage a life-long learning culture in Queensland workplaces.

Implement an educative process for SMEs to support increased innovation and to improve skills development and utilisation in the workplace; and provide assistance for Queensland businesses to undertake workforce planning activities.

In collaboration with industry, provide a comprehensive career information and advice mechanism for Queensland and build the capacity and knowledge of career advisors.

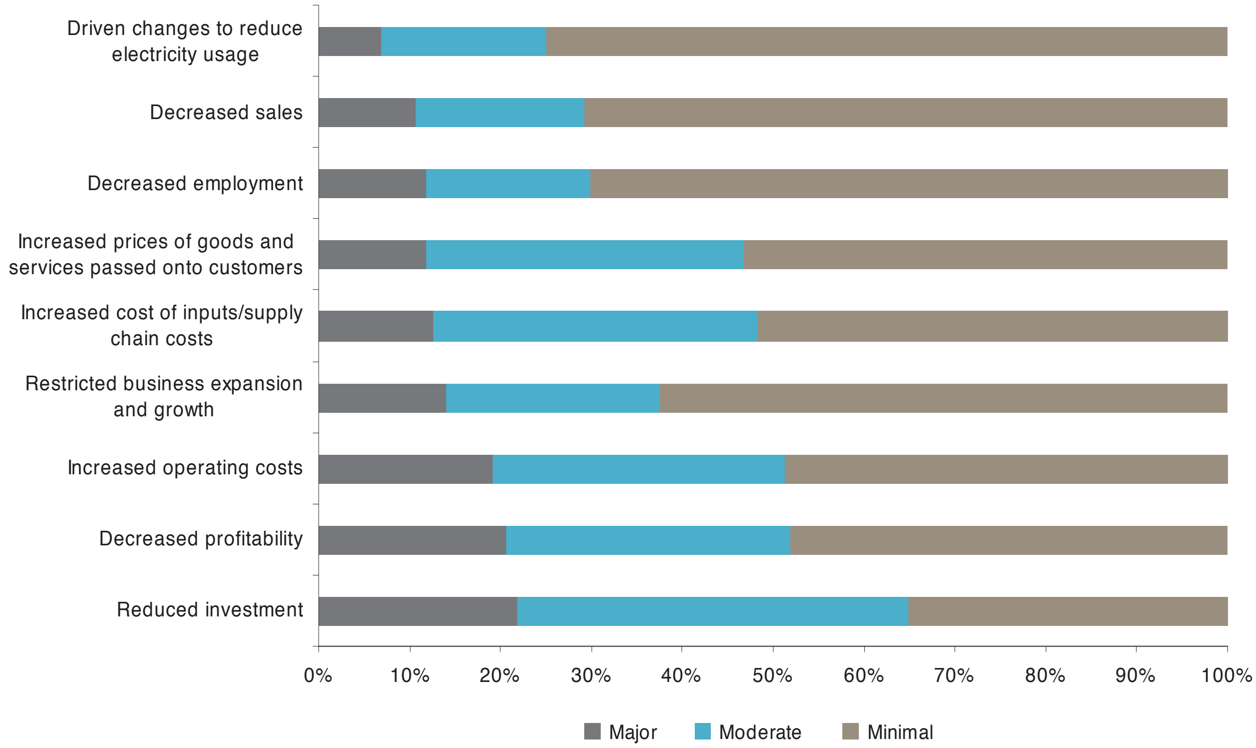
10.0 Business Recovery – Energy Prices

10.1 Electricity is an essential input into nearly every good or service and accordingly its price is a key influence on the competitiveness of Queensland businesses. It is essential that careful consideration be given to the actual outcomes of the Queensland Competition Authority's price reviews. Queensland's electricity costs represent a major area where we can either stimulate or suppress ongoing economic growth. As with other 'costs of doing business' CCIQ believes we should champion the need to drive them down and be both nationally and internationally competitive.

10.2 CCIQ strongly disagrees with previous decisions that have awarded Queensland's energy market significant revenue and profit margins. Indeed in 2009-10 the two Government-Owned Corporations, Energex and Ergon enjoyed profit increases of 44% and 28% respectively. Equally in the retail sector, Origin increased profitability by 10% and AGL by 3.2% in the last financial year. These profits come at the expense of the struggling Queensland business community who over the same period have experienced subdued business conditions and negative profit growth.

10.3 CCIQ strongly opposes any further increases in electricity costs for Queensland on the basis that it stands to further erode the extremely volatile business environment that currently exists and compromises Queensland's flood recovery. Given the economic and business climate in Queensland, the energy sector should equally be pursuing cost cutting measures and the QCA should apply a revenue and profit discount factor and not award the energy sector revenue and retail margins disproportionate to the rest of the business community.

Impact of rising electricity prices on business operations



Source: CCIQ Pulse Survey Hot Topic Question – Jan 2011

10.4. CCIQ believes that the current approach of determining forward electricity prices under the BRCI methodology has proven itself to be esoteric with little relevance to real world business practices and that a new approach to the determination of future electricity prices needs to be explored. In theory the BRCI process was a methodical and transparent means of calculating charges, however in practice it has resulted in pricing outcomes that are unsustainable to the Queensland business community. Queenslanders will not accept continued energy cost increases when there is no commensurate improvement in infrastructure, reliability and service. CCIQ recommends a fundamental overhaul of the BRCI price setting methodology including consideration of customer expectations and sustainability of this approach be completed immediately following the final decision for 2011-12 and prior to the commencement of the 2012-13 review.

Business electricity bill increases in each of the past 3 years

	0–5%	5–10%	10–15%	15–20%	20–25%	>25%
2010–11	7.6%	19.3%	29.0%	19.6%	10.9%	13.6%
2009–10	11.7%	33.3%	29.2%	13.7%	7.2%	4.9%
2008–09	25.9%	38.7%	19.3%	9.1%	3.8%	3.2%

Source: CCIQ Pulse Survey Hot Topic Question – Jan 2011

> Chamber of Commerce & Industry Queensland Profile

Chamber of Commerce & Industry Queensland

Chamber of Commerce & Industry Queensland is the state's peak industry body, representing the interests of 25,000 businesses, across all industry sectors and in all regions. We champion business to gear up for the future today with the right set of solutions for success in tomorrow's world.

Chamber of Commerce & Industry Queensland is a non-government organisation that seeks to work with Government and other groups to shape Queensland's economic and social environments in a way that promotes business growth and community prosperity.

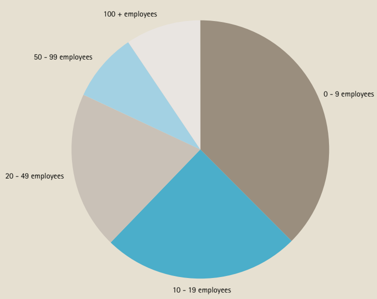
Chamber of Commerce & Industry Queensland is called upon by thousands of enterprises to deliver a broad range of business services including business representation, business compliance, business skills, business safety, business sustainability, business connections and business globally. We are commercially-minded and expertly-qualified.

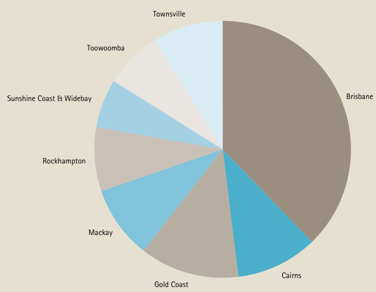
Chamber of Commerce & Industry Queensland is a founding member and influential partner of the Australian Chamber of Commerce and Industry (ACCI) and part of the worldwide network of Chambers of Commerce and affiliated business service organisations.

Chamber of Commerce & Industry Queensland has in excess of 3,700 members across 8 regional offices and represents over 135 local chambers of commerce and 60 trade and professional associations.

Our vision is to invigorate business success in Queensland.

The diversification of Chamber of Commerce & Industry Queensland's membership is illustrated in the following charts:





CCIQ - Solutions for Business Success

Chamber of Commerce & Industry Queensland (CCIQ) represents over 25,000 businesses in Queensland. We are committed to ensuring our customers have the right tools to achieve real results in their business.

At CCIQ we harness the results of our research, lobbying and policy achievements to offer the best possible business support solutions to invigorate growth statewide, nationally and globally. By joining CCIQ you support the organisation that supports the Queensland business community.

Membership also ensures you are an integral part of an organisation dedicated to providing first class services to assist Queensland industry with relevant and practical business solutions. Not only is membership your connection to information, industry best practice, training and consultancy services, it also allows you to take advantage of the many benefits CCIQ offers.

Our success is success for all Queensland businesses.

Chamber of Commerce & Industry Queensland members are informed and connected business people. Whether you run a small business or form part of a large industry sector, call us today to take advantage of the opportunity to associate yourself with the CCIQ brand.

CHAMBER OF COMMERCE & INDUSTRY QUEENSLAND

Chamber of Commerce & Industry Queensland
Industry House
375 Wickham Terrace
Brisbane Q 4000

t > 07 3842 2244
f > 07 3832 3195
e > info@cciq.com.au