

CENTRAL QUEENSLAND

BUSINESS PRIORITIES REPORT
MAY 2013



CCIQ is committed to representing regional small and medium businesses in Central Queensland: a commitment which forms a large part of the CCIQ policy and advocacy agenda.

SUMMARY OF CENTRAL QUEENSLAND REGIONAL BUSINESS PRIORITIES:

1. Improve the business operating environment in Queensland.
2. Infrastructure that supports economic growth.
3. Making the FIFO/DIDO phenomenon work for Central Queensland.
4. Reduce regulatory compliance costs on business.
5. A diversified and innovative industry base.
6. Improved procurement opportunities.
7. A future focused workforce.
8. A positive business and investment culture.

“The Central Queensland region has a strong, vibrant economy that owes much to the small and medium businesses it is home to, which have sought to harness the region’s existing strengths as well as look to the future for the opportunities that it holds. While there will be challenges along the way, this report affirms CCIQ’s commitment to supporting the continued growth and prosperity of businesses across the region. It also sends a strong message to all levels of government about how they can play their part in allowing Central Queensland businesses to reach their potential.” Victoria Bradshaw, CCIQ Regional Manager, Central Queensland and Central Coast



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 hard: whilst there are a number of common challenges that businesses face regardless of where they are located across Queensland, every region has unique strategic advantages as well as specific challenges affecting regional businesses.

These 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 our 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 Central Queensland region.

That engagement has culminated in the development of a regional report for Central Queensland. The 'Central Queensland 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 Central Queensland businesses and engagement with other key business stakeholders.

EIGHT PRIORITIES FOR THE CENTRAL QUEENSLAND REGION

Central Queensland 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 the Central Queensland region: improving the business operating environment, infrastructure, environmental regulation, reducing red tape, industry diversification, workforce development and creating a positive business culture.

These were your concerns – they are now our commitments.



CENTRAL QUEENSLAND

LAND AREA 117,421 KM²

6.8% QUEENSLAND'S
TOTAL AREA

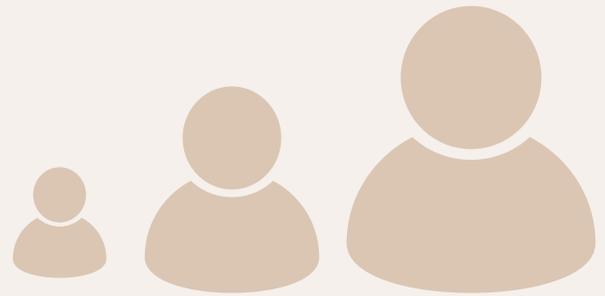
217,161

LIVING IN REGION



PROJECTED POPULATION (2031)

344,939



POPULATION
GROWTH

2.1%

20
YEARS

41.5%

OF RESIDENTS
BETWEEN 25-44
YEARS OF AGE

11.2%

LOW PROPORTION
OF POPULATION
AGED 65+

ANNUALLY
2011-2031

CCIQ PULSE SURVEY OF BUSINESS CONDITIONS

The Central Queensland region covers an enormous geographic area and encompasses a diverse range of communities that include Rockhampton, Gladstone, Emerald and Longreach. Within its bounds are some of Queensland’s most economically significant sites.

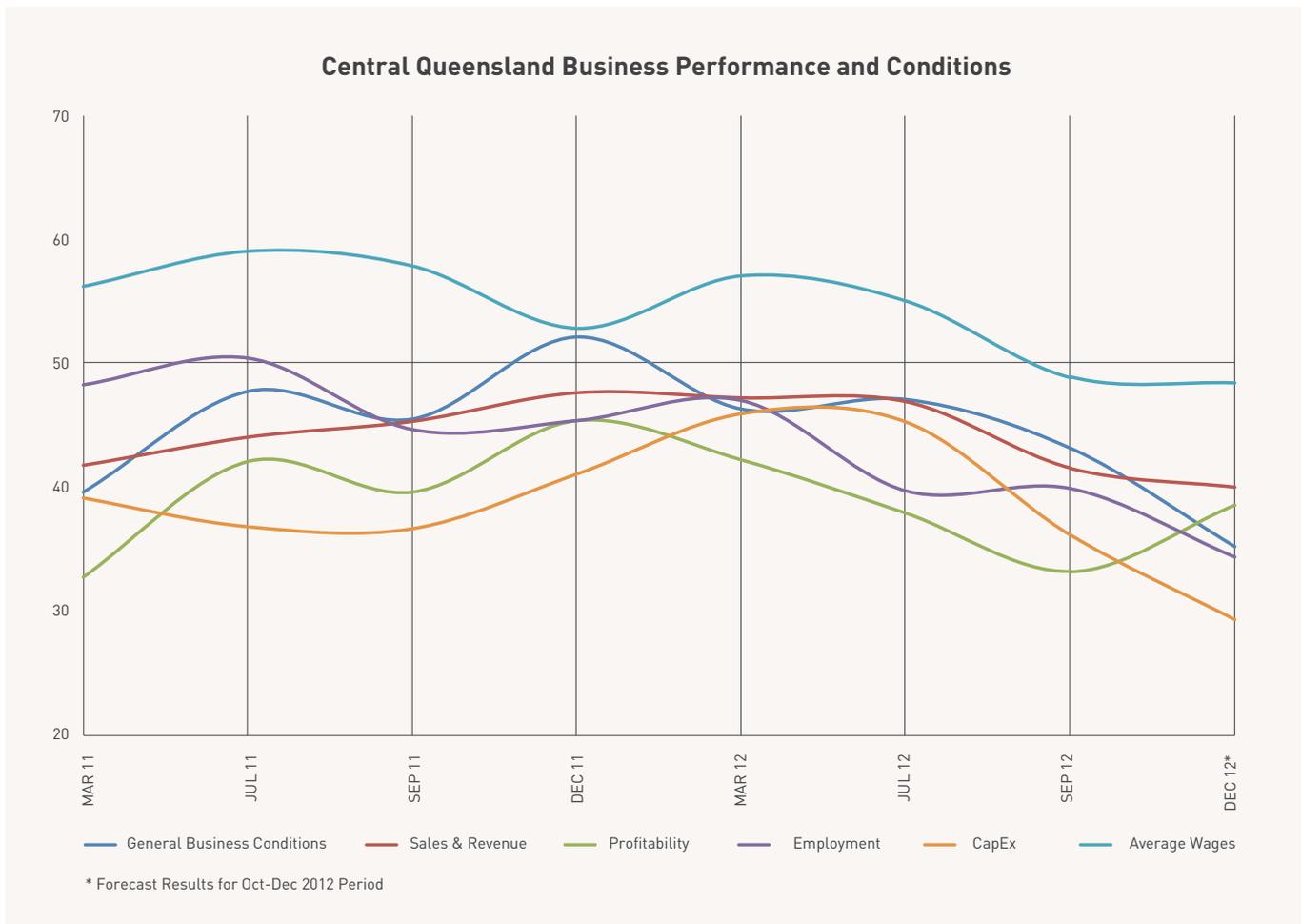
This has presented major opportunities, both direct and indirect for SMEs located across the region, and it is this that has seen Central Queensland become one of the state’s best performing regional economies in recent years. However, the benefits of the region also bring some unique challenges, while its overall prosperity has not shielded its business community from pressures that affect businesses across the state and the country.

CCIQ’s business survey, the **Westpac/CCIQ Pulse Survey of Business Conditions**, is conducted and released on a quarterly basis, and provides important insights into the performance of businesses in Central Queensland and across the rest of the state over recent years.

The graph below is a measure of business sentiment with respect to business performance and conditions in Central Queensland across a number of indicators, including general business conditions, sales and revenue, profitability, employment, capital expenditure and average wages.

The importance of the Pulse Survey and the results it yields lies in the fact that high level data often fails to reflect the reality that many employers face in their day to day operations as they are often skewed by the economic outcomes of high-performing industries (such as mining).

This is particularly the case in Central Queensland where the region’s high gross regional product, low unemployment rate and highly engaged workforce have not necessarily meant an easy ride for its SMEs.



Historically, business conditions and performance in Central Queensland have been weak to moderate, reflecting the effects of the global financial crisis, natural disasters, global economic uncertainty and the ongoing sunken levels of consumer and business confidence across the broader state and national economies. What the results also highlighted were disparities between high level economic data and the sentiment of local businesses.

It is clear from the above graph that this high level data, while certainly admirable and not to be discounted, may provide some temporary buoyancy to employer sentiment, but cannot counter the everyday experiences of individual businesses.

Clearly, capital expenditure remains weak and appears to be on a downward trajectory: this is concerning given that capital expenditure on building, plant and equipment is an indicator of business investment and business growth, and is a key lead indicator of future business confidence and overall economic growth. It may be observed that this is a result of businesses abstaining from making major purchasing decisions until the outcome of the 2013 federal election is known.

However, there are some positive signs in recent surveys of employer sentiment indicating that Central Queensland employers have adjusted their expectations, with the resultant data showing that conditions in the region are steadying or trending upwards. In the most recent September 2012 and December 2012 quarters, Pulse data showed that employer sentiment about general business conditions and profitability are showing good signs of recovery, suggesting that businesses were experiencing a turnaround in business activity. Average wages have also decreased slightly, suggesting pressures on wages may have eased slightly. However, employment levels have remained somewhat stagnant, indicating that employers do not have the confidence to take the all-important step of taking on new workers.

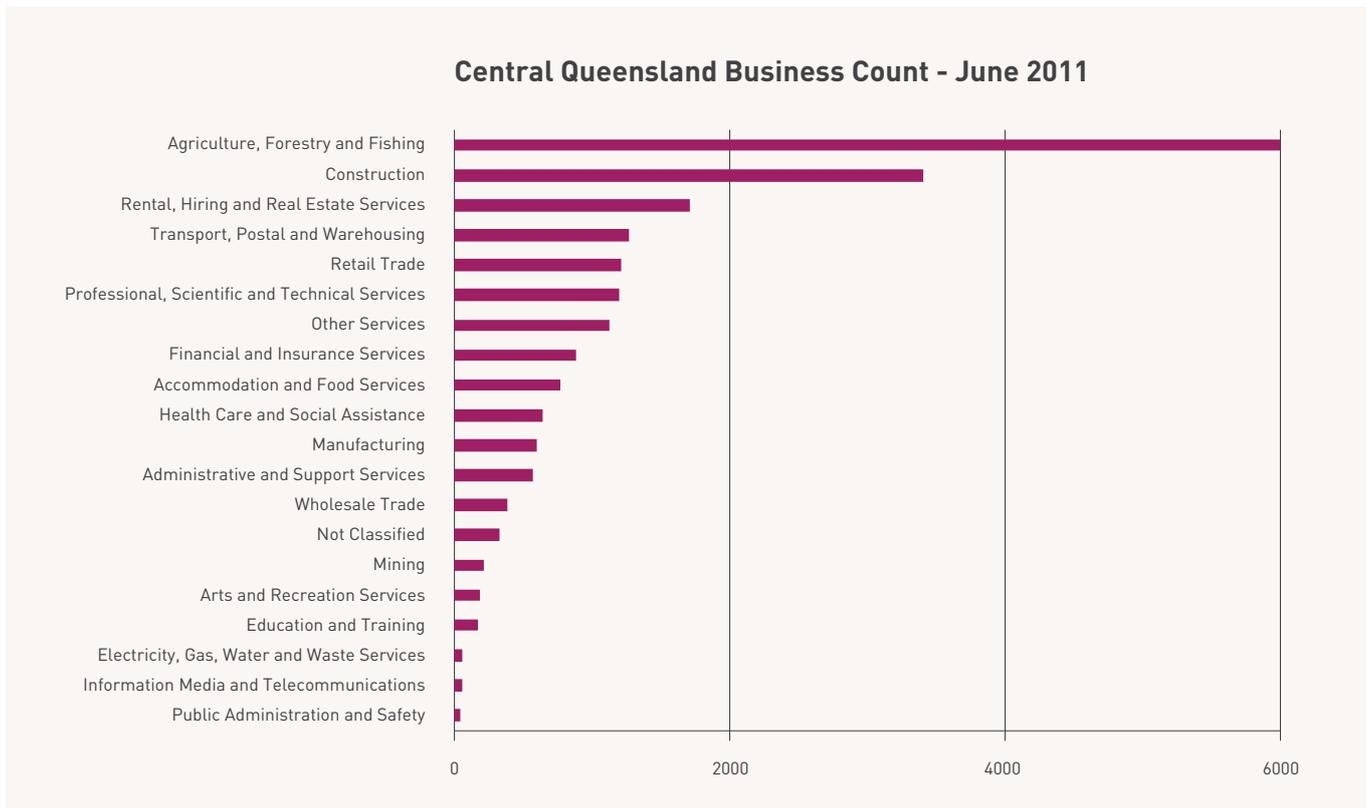
“All you hear about in our area is about how the mining industry is going gangbusters. But if you talk to local businesses around town, a lot of them will tell you that they haven’t seen a lot of the benefits of the boom.” - Survey Respondent, Central Queensland

“Our small business is just making ends meet and we are now spending more time doing extra hours as proprietors to save on wages, which is impacting on profitability.” - Survey Respondent, Central Queensland

“Business is really starting to pick up and has become more consistent again. If only we didn’t have to pay so much of what’s coming through the door in tax!” - Survey Respondent, Central Queensland

BUSINESS DEMOGRAPHICS (ABS DATA)

Again, the headline data for Central Queensland is heartening: over the past two financial years, the total number of employing businesses in the region fell by less than 0.1 per cent. This can be contrasted to surrounding or nearby regions, which have experienced far greater decreases in the number of employing businesses.



Source: ABS Catalogue 8165.0

- The top growth industries in that time were:
 - » Arts and recreation services (42.86%);
 - » Administrative and Support Services (15.95%); and
 - » Health care and social assistance (13.24%).
- The industries experiencing the biggest decline over the 24 month period were:
 - » Education and Training (-33.33%);
 - » Wholesale Trade (-15.2%); and
 - » Financial and Insurance Services (-4.35%).

As of June 2011, the biggest employing industries were mining (12% or 13,599 people), construction (9.4%), retail (9.3%) and manufacturing (8.9%).

It should be noted that the number of businesses in a given industry is not necessarily commensurate with their value within or economic contribution to the Central Queensland region. Indeed, it may be observed that the construction industry, for example, has flourished in large part due to the strength of the mining industry. It is also positive to see that the Central Queensland region has a diverse array of industries, although it is important to ensure that the right policy settings are in place to allow emerging industries to flourish. This is particularly salient in light of the increasing volatility that has affected the resources sector in recent months, operating to create uncertainty amongst those businesses that rely on it, directly or indirectly.

8.0%

OF OVERALL
QUEENSLAND
GROSS STATE
PRODUCT 2010/11



8,000

BUSINESSES
HALF ARE SMES
\$2-200M ANNUAL TURNOVER

 **63%**

REGION'S ECONOMIC OUTPUT

FROM MINING
CONSTRUCTION &
MANUFACTURING

RETAIL, HEALTH
AND COMMUNITY
STILL IMPORTANT
FOR EMPLOYMENT

55,000

NEW JOBS IN
CONSTRUCTION
BY 2016



LNG-CSG PRODUCTION & EXPORT

EXPECTED TO PROVIDE
A MAJOR BOOST

60 COAL

DEVELOPMENTS
PLANNED BY 2016



4.5%

CENTRAL QLD UNEMPLOYMENT RATE QUEENSLAND AVERAGE 5.6%

REALISING THE ECONOMIC AND BUSINESS OPPORTUNITIES IN CENTRAL QUEENSLAND

What is very clear when reflecting on the economic conditions over recent years and the overall business and economic profile of the Central Queensland region is that in many ways, what defines the region's economic and industry advantages also creates the basis for the its economic risks and challenges.

The following table represents a summary of those strengths, weaknesses, opportunities and risks identified by Central Queensland businesses through CCIQ's regional engagement and consultation activities conducted during 2012. Some of these are discussed in greater detail with respect to the priorities that CCIQ has identified for the Central Queensland region.

STRENGTHS	OPPORTUNITIES
<ul style="list-style-type: none"> • Robust headline economic data showing high GRP, low unemployment and excellent levels of workforce participation. • Good seasonal climate allowing year round business activity for tourism markets and agricultural production. • A strong resources sector that also supports a range of mining adjacent industries in transport, construction and manufacturing. • World-class tourism attractions, supported by high levels of domestic visitors. • Excellent seaport and seaport infrastructure, and commitment from government to develop port opportunities, including rail links. • Strong projected population growth over the coming decades. • Residents enjoy high average weekly wages. • There is a large proportion of people of working aged in the region, i.e. aged between fifteen and 44. • A modern community with attractive liveability and lifestyle factors. • Clear recognition by employers of the importance of education and training in the workplace. 	<ul style="list-style-type: none"> • Capacity to enhance international tourism visits to the region through the establishment of an international airport. • Growth in mining activity projected to continue, providing economic opportunities and growth in 'resource adjacent' industries. • Value-adding to existing industries including minerals, agricultural and food processing. • Land available and identified for industrial and development activities, which may also promote more affordable housing in some areas. • Scope to grow and diversify existing major industries. • Potential for the expansion of seaport infrastructure and services beyond mining exports, which could bolster burgeoning industries. • Capacity for local businesses to take on supply opportunities with service providers for FIFO/DIDO workers. • Harnessing the potential benefits of the presence of a large contingent of FIFO/DIDO workers. • Funding from 'Royalties for the Regions' to pay for more social and community infrastructure. • Better use of government funding for education and training of staff. • The merger of Central Queensland University and the Central Queensland Institute of TAFE offers the possibility of better pathways between vocational and tertiary education.
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, and the 'trickle-down' effect this has for supply-chain/'resources adjacent' industries. • Maintenance and safety issues on the Bruce Highway and other major transport routes. • Brisbane/SEQ centric mentality continuing to affect confidence and investment in region • Difficulty attracting and retaining skilled workforce, and a lack of skills depth in existing population. • Competition with the resources industry for skilled workers. • Low proportion of educational attainment in higher education. • Liveability affected by high cost of goods and services, limited intra-regional public transport network and lack of social infrastructure. • Pressures placed on services and social infrastructure by FIFO/DIDO workers. • Difficulties in harnessing the economic benefits of FIFO/DIDO workers being present in the region. 	<ul style="list-style-type: none"> • The Minerals Resource Rent Tax places medium and long term strain on the resources sector, potentially threatening the viability of 'resources adjacent' industries. • Serious economic implications arising from the price on carbon and its impacts on businesses of all sizes in the region. • Continued departure of youth from region due to limited education, training and employment opportunities outside of the resources industry. • Lack of consistent messaging and collaboration between key advocacy organisations. • Infrastructure in the region is overly geared to the needs of the resources industries to the detriment of overall liveability and amenity in the community. • Clear evidence of a two-speed economy in the region, with the lack of economic and business confidence at odds with overall positive economic data for the region. • Regulation and policy reducing the competitiveness of businesses in domestic and international markets. • Inflated costs of living operating as a deterrent to relocating to the region on a permanent basis.

CENTRAL QUEENSLAND BUSINESS PRIORITIES

This report has so far identified the overall environment in which businesses operate in the Central Queensland region, highlighting the strengths, opportunities and challenges that the region presents. Accordingly, CCIQ has developed a number of key policy priorities in light of this information, and as a result of our consultation with Central Queensland's SMEs. They broadly encompass those issues that businesses told us are most important to them: these range from localised problems specific to the region, to matters that affect businesses across the state and the country.

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PRIORITY 1: IMPROVE THE OVERALL BUSINESS OPERATING ENVIRONMENT IN QUEENSLAND

The operating environment for SMEs is an important determinant of their overall competitiveness and viability. Queensland's business operating environment is comprised of a number of policy areas that include:

- business taxation;
- regulation and compliance requirements (red tape);
- workplace relations laws;
- energy costs;
- infrastructure; and
- other input/supply costs.

All of these issues go to the every day cost of doing business and pose critical issues for industries across Queensland but even more so for businesses in regional areas, where these costs can often be higher than in major centres and metropolitan areas. Indeed, this is particularly relevant in the Central Queensland region, where SMEs are often at a disadvantage because of their proximity to mining operations: wages are pushed up, staff retention is more difficult, and everyday costs, such as rents, are dramatically inflated.

Government regulation should not be adding to these already considerable pressures. Rather, changes need to be made in order to create a business operating environment that helps regional SMEs in recognition of the challenges that they face so that they are able to compete in an increasingly global business environment.

CCIQ considers that the business operating environment in Central Queensland could be improved by making changes to the following key levers:

WORKPLACE RELATIONS

- CCIQ will continue to advocate for improvements to the Fair Work Act 2009 in order to create a workplace relations system that creates fairness, flexibility and productivity outcomes for all businesses. **Employers in Central Queensland working outside of the resources industry need to be able to offer flexible working arrangements – this will assist employers in competing with the resources sector for staff, as well as to retain them.**
- We will seek a federal government commitment to ensuring a balanced approach to wage determinations which reflects businesses 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

- CCIQ is seeking a commitment from the State Government to work with other jurisdictions to ensure that the harmonised workplace health and safety legislation currently in operation in Queensland is genuinely consistent with that passed by other jurisdictions, and is simple, practical and easy to use. **Central Queensland businesses identified changes and inconsistencies in Queensland's WHS legislation as a major impost on their time and costs. This compliance burden is felt particularly by businesses in the region's construction industry, which has extensive compliance obligations under WHS legislation.**
- We will continue to support industry in understanding and complying with Queensland's WHS regime, and to reduce associated costs.

WORKCOVER PREMIUMS

- CCIQ is working with the State Government to ensure Queensland has the country's most competitive workers' compensation scheme in terms of business premiums, and that the scheme does not support unnecessary access to common law compensation claims. **Central Queensland employers told us that they work hard to create safe workplaces for their employees in a range of diverse circumstances, and that they want a sustainable WorkCover scheme that is focused on rehabilitating injured workers, and is available at a low premium.**

PAYROLL TAX AND STAMP DUTIES

- CCIQ will continue to oppose these inefficient taxes, which are detrimental to the competitiveness of Queensland businesses. CCIQ welcomed the State Government's move to progressively increase the payroll exemption threshold but remains committed to ensuring that it is phased out entirely.
- We will continue to call for a review of stamp duties and for broader exemptions to be issued.

BUSINESS TAXATION

- CCIQ is seeking a commitment from the Federal Government 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 base to enhance the incentives for business growth and productivity.

ELECTRICITY PRICES

- CCIQ is dedicated to keeping electricity prices down in Queensland in recognition of the extreme financial and operational impacts price hikes can have on the everyday operation of SMEs. **Manufacturing businesses are major employers in the Central Queensland region but their operations are becoming increasingly marginal as a result of continued and significant electricity price rises. Businesses in the hospitality sector, including cafes, bakeries and hotels, are also impacted by electricity costs.**
- We are:
 - » advocating for a comprehensive review of the electricity sector to ensure that electricity prices are competitive and sustainable;
 - » contributing annually to the process of setting regulated electricity tariffs; and
 - » advocating for measures that support business energy efficiency and which reduce the exposure of SMEs to electricity prices.

LOCAL OPPORTUNITIES AND PROCUREMENT

- CCIQ is seeking commitments from the State and Federal Government to work with industry to reduce the barriers currently experienced by businesses when it comes to participating in major project procurement opportunities. **This will ensure that Central Queensland businesses can access major government and resources projects, which local construction and engineering businesses identified as an essential issue for them.**

CARBON TAX/MINERALS RESOURCE RENTAL TAX (MRRT)

- CCIQ will continue to communicate its concerns about these taxes to the Federal Government and the Federal Opposition.
- While the carbon tax (to become a carbon price in 2015) is borne only by large businesses, these costs are passed on to their small and medium counterparts. In the Central Queensland region, this impact has been clearly felt by SMEs that have either had to absorb additional costs, or pass them on to customers. Construction and manufacturing businesses reported that they had, in particular, noticed a clear rise in the price of steel and concrete since the introduction of the tax in July 2012. Other intensive users of electricity, such as meatworks, have also experienced unsustainable increases to their bills. **CCIQ will continue to work with businesses on Central Queensland to determine the impact of the carbon tax/price is having on regional communities, and convey this to both the Federal Government and the Federal Opposition.**
- The MRRT has negatively impacted the view resources companies hold of the overall business operating environment in Australia, and the costs of doing business. Local SMEs fear that this may impact decisions made by those companies about whether to make further investments in the region, or to keep current resources projects in operation. **CCIQ will continue to work with the State and Federal Government about the most efficient ways to harness the benefits of the resources boom in Australia.**

CCIQ will continue to advocate for significant reforms across these areas, which collectively contribute to the business operating environment in Queensland and the Central Queensland business community.

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 areas such as red tape reduction, a fairer workplace relations system, taxation reform and addressing infrastructure bottlenecks.

PRIORITY 2: INFRASTRUCTURE THAT SUPPORTS ECONOMIC GROWTH

Why? Infrastructure that supports economic activity is crucial to encouraging investment and development as well as ensuring that growth is sustainable and meets the broad needs of the region. Central Queensland has a number of characteristics that underpin its infrastructure needs: it is a hub for FIFO and DIDO workers; vast amounts of resources and agricultural goods are transported by road to ports in the region and surrounding regions; the region is often affected by floods, which isolate the region and disrupt businesses across the region; and it is important to remember that better quality roads are essential to enhancing the overall 'liveability' of the region.

There exist clear opportunities for better strategic planning, expansion and improvement across not only the region's air, sea and road infrastructure, but its social infrastructure as well. This will operate to maximise tourism opportunities, fully exploit the region's primary production industries, and also reduce pressures caused by FIFO and DIDO workers on local communities.

The economic contribution of Central Queensland is immense, and the sheer volume of economic activity that occurs within it sits uncomfortably with some of the deficiencies in infrastructure that exist across the region. While the current transport infrastructure across Central Queensland is often better than that found in some of its regional counterparts, there remain limitations that affect businesses in the region in a number of ways:

- The cost of doing business is increased, and thus lessens the overall competitiveness of regional businesses;
- The attractiveness of the region as a tourism destination is weakened as tourists are put off by a lack of direct flights into the Central Queensland region, and roads that are often dangerous or subject to restricted access during periods of natural disaster;
- The 'liveability' of the region falls, as the expense and difficulty of travel acts as a deterrent to those who may otherwise consider relocating to the region on a permanent basis, as does the lack of social infrastructure, such as doctors' clinics and schools;
- Access to existing markets and expansion into new and emerging markets is curtailed as certain opportunities cannot be fully exploited due to lack of access to appropriate transport;
- The mobility of labour and skills both within the region and from outside the region is restricted; and
- The region is vulnerable to seasonal weather events that affect business and deter investment attraction.

Specific Central Queensland business priorities for infrastructure are set out below.

ROAD NETWORKS

Bruce Highway: Upgrades to and weatherproofing of the Bruce Highway are essential: it is the main arterial access road into and out of the Central Queensland region and as such, is one of the most vital parts of its transport infrastructure. This is not an issue of importance for Central Queensland alone, but for communities along the length of the Queensland coast.

As the region has grown and economic activity has increased, there has been a corollary rise in freight and commercial traffic as goods are shipped to ports and other regional or major centres. Moreover, flooding often results in the region being isolated, which has in turn proved disruptive for all businesses across all the region's industries. Three highways start in Rockhampton (the Capricorn, Burnett and Leichardt), and it is estimated that flood interruptions to transport corridors around Rockhampton can cost around \$5 million per day.

"A huge amount of this state's economic activity happens on those roads – it's what is in the back of those trucks that keeps Queensland running. You would think the Government would be keen to make sure that the roads are safe, and actually fit for purpose."

- Survey Respondent, Central Queensland

The State Government has committed to a long term Bruce Highway Upgrade strategy, which identifies 60 short, medium and long-term priorities 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 budget constraints. There is also a very strong perception held by a number of Central Queensland businesses that higher priority is placed on funding road upgrades in the state's south-east, despite the volume of economic activity carried out on highways in the Central Queensland region.

The importance of these upgrades being actioned cannot be understated: it provides supply chain access to mining, construction and agriculture, and when natural disasters such as flooding occur, the region becomes isolated (at a considerable cost to local businesses). Indeed, Central Queensland businesses were virtually unanimous in their message to CCIQ that the Bruce Highway must be flood-proofed, particularly at the southern entrance to Rockhampton, which was cut for over two weeks during the January 2011 floods.

CCIQ is eager for the State and Federal Governments to work closely together to progress the planning and completion of the Yeppen Floodplain Upgrade, which would keep crucial connections in and out of Rockhampton open during intense flooding.

CCIQ will write to the relevant State and Federal Government ministers to highlight the need for the prioritisation of key road infrastructure projects in Central Queensland, and for both levels of government to work together with respect to funding of these projects.

Gracemere Industry Park: The planned Gracemere Industry Area in Rockhampton has been developed at the entrance to the recently completed Gracemere overpass, and will be the only industrial park in the Rockhampton where road trains may be used. The park will cater for small, medium and large businesses and provides direct access to the regional road system connecting the area to all of the major mining and business communities in Central Queensland. CCIQ considers that this is an excellent initiative that demonstrates how government and business can work together to reach practical and useful outcomes.

SEAPORT INFRASTRUCTURE

Central Queensland's only export site is the Port of Gladstone, which has an annual capacity of around 75 million tonnes per annum (as of 2009-2010) and is Queensland's biggest multi-capacity port. It has been an important part of infrastructure for the region's mining boom: coal makes up 70 per cent of total exports from the Port of Gladstone, and it also has good rail links via the Blackwater and Moura lines, which together form the Capricornia Coal Chain. The Port is also currently undergoing expansion in liaison with Santos to facilitate increased exports of LNG. However, there is room for greater diversification of exports, with agricultural products, including meat and fresh produce, and well as 'value-added' primary produce, still representing a relatively low component of total exports. Arguably, this would be in part facilitated by greater innovation and diversification of industry within the Central Queensland region, including through the strengthening of 'value-added' manufacturing with respect to food and agricultural products.

CCIQ will work with Central Queensland businesses to determine whether an increased export capacity for non-commodity products at the Port of Gladstone would facilitate or encourage greater innovation or diversification of industries.

AIRPORT INFRASTRUCTURE

Central Queensland has airports located in Rockhampton, Gladstone and Emerald. The Rockhampton Airport in particular is noted for its good commercial and heavy-lift capabilities. However, while recent improvements in some of Central Queensland's airports is a positive development for the region, feedback from regional businesses suggests that the region's airports do not have the capacity to accommodate a diverse market that includes FIFO workers, tourists and other business travellers. CCIQ considers that there is opportunity to expand a number of sub-regional airports to increase visitor numbers and market exposure and to reduce pressures put on airport traffic by FIFO workers. As such, we consider that a holistic review and strategy should be undertaken in this respect.

CCIQ will highlight and advocate for opportunities to expand a number of sub-regional airports to increase visitor numbers and market exposure and to reduce pressures put on airport traffic by FIFO workers. In this respect, CCIQ will work with relevant stakeholders with a view to a review being conducted of the capacity and capabilities of Central Queensland airports.

PRIORITY 3: MAKING THE FIFO/DIDO PHENOMENON WORK FOR CENTRAL QUEENSLAND

CFIFO phenomenon: The FIFO/DIDO phenomenon, that is, the significant influx of non-permanent workers into Central Queensland, has been the subject of significant debate in the region, which has largely centred on whether or not this model of working arrangement has resulted in any significant economic benefits to the region, particularly when its impact on the availability of services, housing affordability and social cohesion is considered.

CCIQ strongly believes that it is necessary to achieve a balance between the skills needs of the resources sector and those of local business, industry and the community.

However, it is necessary to acknowledge that given the prevalence of this practice, appropriate measures must be put in place that not only allay the impact of this large, temporary population in the Central Queensland region, but allow the region to benefit from it:

- Ensuring that funding through the 'Royalties for the Regions' program is appropriately directed to those areas that require it to support social infrastructure and enhance the 'liveability' of Central Queensland. Regional businesses told us that FIFO/DIDO workers are making it harder to access essential services such as medical and ambulance services, place stress on town services such as water and sewerage, and negatively impact housing affordability. This has meant that many businesses cannot fill positions because it is neither affordable nor practical for people to relocate to the region. Funding should also be allocated to the maintenance and upgrade of roads in the region to ensure that they are safe in light of the increased traffic that derives both from workers travelling to the region, and mining activity itself.
- Resources companies that wish to undertake a project in the area must be encouraged to engage with local businesses with respect to meeting the needs of FIFO/DIDO communities. Limited opportunity has been provided to local SMEs to harness the benefits of the presence of the FIFO/DIDO workers themselves (as distinct from the mining operations on which they work). Work camps are set apart from existing communities, so that workers make purchases at onsite convenience stores rather than with local businesses. Moreover, regional businesses reported difficulties in obtaining supply chain contracts for the camps (i.e. for meals).
- Tourism authorities should work with local governments and other relevant stakeholders (including airlines, airports and resources companies) to determine how FIFO workers can be processed in such a way that it does not unduly affect other travellers. Regional tourism has been affected by the fact that flights and accommodation are being 'crowded out' by business and employment use. This has lessened the capacity of some areas in Central Queensland region that have not traditionally embraced tourism to diversify and attract more of the tourist market.

CCIQ will support a holistic approach to the challenges presented by FIFO and DIDO workers in the Central Queensland. This will include:

- Seeking feedback from regional stakeholders on whether they want to see the implementation of recommendations from the report produced by the House of Representatives Committee's Inquiry into the use of FIFO workforce practices in regional Australia;
- Work to improve access to procurement opportunities for local businesses;
- Write to the State Government and to other local stakeholders, such as local governments and regional airports, in support of a more streamlined approach to the management of FIFO and DIDO work practices to ensure that their accommodation and travel requirements do not negatively affect industries such as tourism; and
- Continue consultation with the Central Queensland community to ensure that funds from the 'Royalties for the Regions' initiative are used in a targeted and appropriate manner.

CCIQ will seek commitments from the Queensland Government and the Federal Government to better planning and investment in necessary infrastructure in the Central Queensland region that is designed to promote growth and improve liveability in the region.

PRIORITY 4: REDUCE REGULATORY COMPLIANCE COSTS ON BUSINESS

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

SNAPSHOT: RED TAPE CASE STUDY

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

As an example of the impact of regulatory compliance on small and medium businesses in the Central Queensland region, the following table presenting the findings from a recent CCIQ red tape case study. For this business, operating in the tourism industry sector, red tape cost them over \$850,000 each year, with the business spending on average nearly 2,000 hours annually monitoring, reporting and completing compliance activities.

COMPLIANCE COST SNAPSHOT		
	ONGOING COMPLIANCE COST PER YEAR	ADDITIONAL UP FRONT COMPLIANCE COST
Business name and registration	-	\$815
Financial reporting	\$26,880	-
Building codes and regulations	-	\$45,000
Environmental regulations	\$29,050	-
Health and safety regulation	\$83,690	\$39,000
Employment and workplace relations	\$10,640	\$3,200
Taxation and other fees and charges	\$624,140	\$5,000
Total compliance cost	\$744,400	\$93,015

BUSINESS TIME (HOURS) SPENT ON COMPLIANCE ACTIVITIES EACH YEAR			
	ONGOING	UPFRONT	TOTAL
Business name and registration	-	3	3
Financial reporting	416	-	416
Environmental regulations	208	-	208
Health and safety regulation	615	195	810
Employment and workplace relations	96	80	176
Taxation and other fees and charges	299	-	299
Total time required (hr)	1,634	278	1,912

Hours spent per year undertaking compliance activities: 1,912 hours

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 but now looks to state government agencies to get on with the job of reducing the cost of red tape compliance for Queensland businesses as an immediate priority.

In Central Queensland, 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 regional 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.

RECOMMENDATIONS

CCIQ believes there needs to be:

- greater consideration by governments 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;
- state and federal governments need to improve their communication and engagement with regional business communities; and
- 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.

CCIQ will present the findings of our Central Queensland red tape case studies, together with other red tape issues identified through our regional consultation, as part of a red tape submission to the State Government. Moving forward, CCIQ will continue to work with Central Queensland businesses to identify costly, complex and burdensome areas of red tape.

PRIORITY 5 –A DIVERSIFIED AND INNOVATIVE INDUSTRY BASE

A narrow economic base poses a threat to Central Queensland's region's economy (as 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 that Central Queensland can continue to harness its natural advantages as well as allow formative industries to grow and spread greater opportunity across the region.

Recent developments, including the high Australian dollar, the GFC and the resources boom have highlighted the fact that the Central Queensland economy is particularly exposed to national and international volatility. Changes in iron ore and coal prices affect the viability of mining operations, while the high dollar has made the region's tourism resorts less attractive to international visitors.

OPPORTUNITIES

CCIQ's engagement and consultation with Central Queensland businesses, as well as recent economic data, has uncovered a number of emerging industries that have the potential to make a significant contribution to the resilience and stability of the region's economy.

- Whilst in their infancy and not necessarily making the same economic contribution as the resources sector, they are nonetheless cementing a more diversified economic future for the region.
- Central Queensland 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 region's overall economic base.

EXISTING INDUSTRIES

Whilst the foundations of the Central Queensland economy have historically been mining, construction, primary production and manufacturing, other industries have also played a significant role in the economic profile of the region (although the performance of all of these industries have fluctuated from time to time).

- It is readily acknowledged, however, 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 (and the increasing recognition of this can be seen in the approval of the development of the Great Keppel Island resort).
- There is also capacity to more fully exploit the region's strengths as a producer of beef cattle, fruit, vegetables, seafood and sugar cane. Opportunities exist for greater value-adding to these products to return greater profit margins back to the region, as well as creating new business and job opportunities.

NEW INDUSTRIES

Central Queensland has seen a number of new and emerging industries come into existence over recent years, as businesses seek to lessen their reliance on mining, construction, and manufacturing. While only in their formative stages, these new and emerging industries include:

- Recycling, 'clean' coal and bio-fuels;
- Financial services;
- Value add manufacturing; and
- Government administration and agencies.

CCIQ believes that strategic government investment and assistance in these newer industries is required as a means of ensuring the long-term sustainability and reliance of the region.

CCIQ recognises the importance of fostering a diversified set of base industries, and will work with all levels of government to:

- Ensure that the necessary mechanisms and support are in place to help grow new businesses;
- Advocate for the removal of barriers to investment and business growth; and
- Continue to strongly lobby for a more streamlined governmental approach to fostering innovation in business, such as creating a single portal for all information on innovation program funding, information and guidelines.

“Mining has been good for the Central Queensland over the years, and still is, but there seem to be more and more jobs going from big projects. We really need to come together and start thinking out of the box about what we are going to do when the boom is over.”
- Survey Respondent, Central Queensland .

It's just so frustrating when all you hear is that Central Queensland is booming, but our company, a high quality business, can't get a look in at some of the big work on or around the mines.” - Survey Respondent, Central Queensland

PRIORITY 6: IMPROVED PROCUREMENT OPPORTUNITIES

One of the main issues raised by Central Queensland businesses is that despite the extent of major resources and development projects in the region, their access to major project and procurement opportunities has been minimal. The issues are certainly not related to the amount of work available: there are 60 coal development projects planned in Central Queensland leading up to 2016, as well as a further twelve minerals development projects and eighteen energy development projects. Away from the resources industry, the \$600 million development of the Great Keppel Island resort has been approved by both the Queensland and Federal Government and offers an excellent opportunity for local businesses to provide their services.

However, during the course of CCIQ's consultation with Central Queensland businesses, a number of told us that they felt that they had been shut out of local procurement opportunities. Engineering and construction businesses, for example, were of the view that resources companies operating in the area preferred to use large, national companies, or even overseas companies, that they felt were better able to meet a number of stringent requirements. With respect to procurement opportunities with the Queensland Government, many businesses told us that they felt that tender requirements were overly complex and confusing.

It appears that much needs to be done to improve the following aspects of procurement processes in both the public and private spheres, including:

- Improved support and assistance provided by the agency or project tender manager;
- Fairness and equity of the tender selection process;
- Delivery of project and procurement and reporting requirements; and
- The application process and documentation required.

Currently, many Central Queensland businesses are spending valuable time and money on applications for tenders when they are uncertain if they are meeting the necessary criterion for a formal tender, or whether they are likely to be considered. This can be a significant deterrent for some smaller businesses; and while some employ procurement specialists to increase their chances of winning work, this obviously increases overheads.

There are a number of programs and organisations that encourage and assist businesses in securing procurement for major local projects, both private and public. However, businesses (and in particular, smaller businesses) need more practical support if they are to win local tenders, including the simplification of tender processes, the facilitation of 'clustering' by small businesses on joint tenders for both private and public procurement, and the provision of pricing advantages for tenders leading to contract.

In order to deliver improvements, there is strong business support for:

- Improving policy and providing greater preference to local businesses;
- Maintaining a database of local suppliers interested in accessing major projects' supply chains;
- Enhancing local industry competitiveness and creating more efficient local markets;
- Supporting local industry with applications for major project tenders;
- Providing a central portal for information on upcoming and current tender opportunities;
- Reducing red tape, duplication and inconsistencies, including simplifying tender processes; and
- Improving access to finance to allow businesses to apply for contracts.

CCIQ are actively involved in the State Government Procurement Policy (SPP) Review Process to ensure the voices of small businesses are considered in any adjustments to State Government procurement policies. Our contribution is focused on simplifying the SPP to facilitate greater private sector service provision and delivery, with a view to private enterprise also adopting a simplified approach to its procurement of services.

CCIQ are also working closely with the Industry Capability Network to help connect businesses with local opportunities in Central Queensland and across the state and maximise public and private sector opportunities for small businesses.

CCIQ will work with local councils and chambers to help provide Central Queensland businesses with the tools and resources needed to get involved in big projects.

CCIQ recently partnered with the Queensland Government to promote a “Buy Locally” campaign that is directed at consumers and businesses, encouraging the utilisation of local products and services both domestically and in business.

PRIORITY 7 – A FUTURE FOCUSED WORKFORCE

A skilled workforce in Central Queensland is essential to support the continued strength of its existing industries as well as to ensure that it can confidently venture into new and emerging industries. 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.

PROBLEMS

Central Queensland employers identified several problems around education, skills and training that mean they cannot fully exploit the economic opportunities that exist in the region. These include:

- Employers are not confident in the ability of local training institutions to provide good quality training to their staff, and prefer to provide in-house (non-accredited) training. This is also to prevent staff leaving to take up jobs with the resources industry once they have completed training.
- Employers report that young people that leave the region to attend university often do not return to the region, resulting in the number of people living in the region that hold bachelor degrees being well below the state average. This is exacerbated by perceived problems with ‘liveability’ relating to problems with infrastructure and essential services: professionals are often unwilling to relocate with their families to the Central Queensland region on this basis, while local employers (outside the resources sector) cannot afford to employ staff on a FIFO/DIDO basis.
- Central Queensland employers want their employees to undergo training but often cannot afford to send them to their preferred training provider due to travel costs. They also note that finding out about funding available through State and Federal Government programs for training and workforce planning is difficult. There has been some inconsistency around the availability of employer incentives for ‘non-priority’ training and apprenticeships, which have traditionally helped employers in non-resources sector industries with the costs of training workers.
- Central Queensland employers that have consistently struggled with obtaining workers for their businesses would like to be able to bring in migrant workers under the 457 skilled work visa, but have discovered that doing so is complex and expensive, and attracting workers to regional areas is still difficult.

“Our biggest problem is with the young people here. They don’t seem to have a lot of the basics when they finish school – for example, knowing that the need to show up on time, that they have to come to work if they are rostered on, not talking on their mobile at the front desk. Sometimes these softer skills can be really hard to find.”
- Survey Respondent, Central Queensland

There are also specific challenges that arise directly from the dominance of the resources industry in the region.

- Staffing across many industry sectors is a challenge and that finding retaining high quality employees is increasingly difficult given the current level of competition for skilled labour between industry sectors. This is particularly the case given the presence of large resources projects in the region, and the corollary demand for 'skilled up' workers with trades. However, these workers have often undergone apprenticeships or received training paid for, in full or in part, by local employers, who report that they are becoming increasingly reticent about investing in employees who they are likely to lose to the high-paying resources sector.
- An effect of the mining boom has been to inflate every day expenses in the region. Many non-resource sector employers have had to, by virtue of skills shortages, seek workers from outside the Central Queensland region; however, as they cannot afford to pay the high wages offered by the resources sector, living in some areas of the region has become unaffordable for some potential employees. Further, employing FIFO/DIDO workers is generally not an option for SMEs in regional areas, as the additional costs associated with such an arrangement, when added to the already high cost of wages, makes doing so unaffordable.

RECOMMENDATIONS

There are a number of ways that Central Queensland businesses can work with government to ensure that current and future workforce needs are met.

- There must be continued investment in the region's education and training facilities so that funding is available for skills development and qualifications relevant to the region's existing and emerging industries. 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, 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 Central Queensland region. This will empower local authorities to be more responsive to the skills needs of local businesses.
- The Queensland Government and the Federal Government should work together to finalise the merger between Central Queensland University and Central Queensland Institute of TAFE. This will ensure the financial viability of both institutions, and provide a greater range of educational choice throughout the Central Queensland region. It will also create defined pathways between vocational training and higher education within the region.
- There needs to be better support for workforce planning practices that would help employers to identify their skills needs.
 - » This requires better delineation of where employers can seek assistance in this regard, and rationalising the various 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 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 the Commonwealth 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. 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 Central Queensland and should be reinstated. Particular industries (particular service industries) no longer have the benefit of this funding to offset some of the costs of taking on apprentices and training.
- Support the mobility of skilled workers across the region by reducing the current barriers and improving the attractiveness of Central Queensland. 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 the Central Queensland region attractive and affordable for working families.

- Improve business access to skilled migration programs to fill short to medium term workforce shortages. Businesses in regional areas are often precluded from accessing the benefits of skilled foreign labour, as there are few mechanisms by which regional areas are able to attract these workers (particularly when they are competing with resources companies for the limited numbers of migrant workers that come to the region). The State and Federal Governments should be exploring the possibility of putting in place Regional Migration Agreements, and work with regional employers to determine their skilled labour needs.

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 Central Queensland region but can service new and emerging industries.

PRIORITY 8: A POSITIVE BUSINESS AND INVESTMENT CULTURE

CCIQ will provide ongoing advocacy updates to Central Queensland's business community about the progress made towards addressing the regional business priorities set out in this report.

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, even as businesses remain aware of current and future challenges that may affect their region. 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.

To this end, it is crucial that regional hubs, including Rockhampton, Gladstone and Yeppoon, work together to gain positive outcomes for the Central Queensland region. This includes local councils and other key regional stakeholders presenting a united front to the State and Federal Governments on issues of greatest importance to the region, including improving road infrastructure and attracting development projects.

Accordingly this report is intended to act as a catalyst for greater engagement between CCIQ, the Central Queensland business community and key decision makers at a local, state and federal level. As previously outlined engagement with Central Queensland businesses will inform CCIQ's 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 local chambers of commerce in the Central Queensland region, local, state and federal government, and media outlets to ensure relevant economic and business data and business opportunities contribute to a positive business outlook for the region.



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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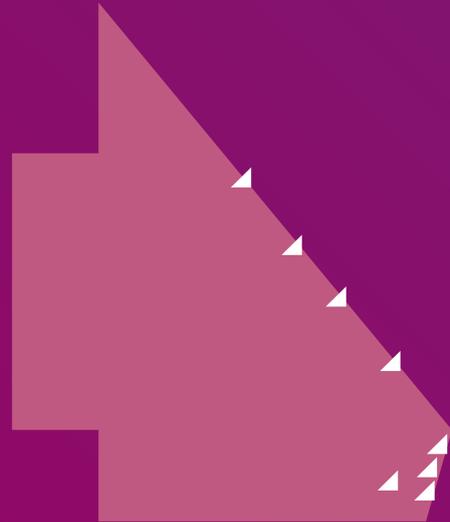
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