



# 2021-2022 QUEENSLAND PRE- BUDGET SUBMISSION

Transforming Queensland's economy to be diversified, resilient and competitive through sustainability.

## Overview of CCIQ

CCIQ is Queensland's peak industry representative for more than 445,800 businesses in Queensland. CCIQ advocates on local, state and federal matters to advance the interests of industry. CCIQ is Queensland's largest business organisation that holds state-wide membership across all industry sectors and has been providing representation for over 140 years.

CCIQ produces the largest quarterly survey reporting on business sentiment and conditions in Queensland. Consistent and timely reporting ensures that regular and comprehensive research and consultation is undertaken to drive policy decisions across the three tiers of Government in Queensland.

CCIQ consults with our Regional Chamber Network that spans across all corners of Queensland covering over 100 rural and regional chambers. There are many issues and opportunities depending on a business's location and CCIQ makes sure to actively engage and advocate on issues that are affecting businesses throughout Queensland.

## Executive summary

CCIQ's extensive experience within Queensland's business community shows a strong desire to shift government policy towards transforming Queensland to be more diversified, resilient and competitive through sustainability.

Transformation is a whole-of-economy opportunity that affects community and industry stakeholders across all sectors and areas of the state, and across all areas of government policy.

Prior to the 2020 State elections, we submitted five policy pillars and supporting priorities that have the potential to effect the transformational change required to support the growth of a sustainable, diversified, resilient and competitive Queensland. These pillars are as follows:

- **Sustainable Practices** – Developing and enhancing products and services for future sustainability.
- **Business Friendly Government** – Governments that reduce operating costs and complexity.
- **Connected Businesses** – Advancing technology to generate opportunities.
- **Smart Infrastructure** – Connecting regions to build resilience.
- **Skilled Workforce** – Support upskilling emerging industries and markets.

We have taken a 3-year approach that targets areas the step change is required over the next term to accelerate transformation approach through policy and budget levers. This allows the Queensland government and the business community to collaborate over multiple years over a clear set of agreed priorities.

CCIQ further recommends building upon the transformational priorities we presented to the Queensland government before the 2020 state elections. We also recommend taking a

longer-term approach to the budgeting exercise and sequencing our proposed priorities over a three-year horizon.

A summary of recommendations by the five policy pillars for horizon 1, 2021 – 2022, are listed overleaf.

## Summary of Recommendations

Pillar 1: Sustainable practices
<p><b>Transformation of communities</b></p> <ul style="list-style-type: none"> <li>• Commit funding for local councils to develop plans for transition to sustainable and resilient communities.</li> </ul>
<p><b>Support sustainable industries and business practices</b></p> <ul style="list-style-type: none"> <li>• Targeted funding for SME's to purchase (new or upgraded) technologies that improve sustainable practices.</li> <li>• Grants for SMEs to invest in products and/or technologies that accelerate business adoption of improved energy, water and waste usage.</li> </ul>
<p><b>ecoBiz</b></p> <ul style="list-style-type: none"> <li>• Longer-term funding commitment with increased coaching and partnership targets.</li> </ul>
<p><b>Boost investment in sustainability Research and Development</b></p> <ul style="list-style-type: none"> <li>• Support the development of a market for valuing natural capital.</li> <li>• Identify high value, high skilled industries for targeted R&amp;D support.</li> </ul>
Pillar 2: Business-friendly governments
<p><b>COVID recovery</b></p> <p>Commit to a further 3 years of grant funding for business support officers in regional Queensland.</p>
<p><b>Small Business Procurement</b></p> <ul style="list-style-type: none"> <li>• Break-up tenders for SMEs</li> <li>• Simplify tender processes</li> <li>• Dashboard for procurement</li> <li>• Cut payment terms to 5 days</li> </ul>
<p><b>Deregulation and regulatory reform</b></p> <p>Build on COVID reforms and streamline/simplify:</p> <ul style="list-style-type: none"> <li>• Liquor licensing – close collaboration with local govt to get it done.</li> <li>• Reduce complexity and processing times for permits and fees.</li> <li>• Address insurance premiums costs for disaster affected areas and businesses.</li> </ul>
<p><b>Remove or amend inefficient taxes</b></p> <ul style="list-style-type: none"> <li>• Payroll tax: Provide incentives, to achieve broader policy objectives, through concessions or waivers for new jobs created by businesses and targeted incentives for those adopting sustainable practices.</li> <li>• Begin using national cabinet as forum for advocating for broader holistic reform at a federal level including potential payroll tax reform.</li> </ul>
Pillar 3: Smart infrastructure
<p><b>Accelerate eco-efficient infrastructure</b></p> <ul style="list-style-type: none"> <li>• Prioritise and fund the pipeline of projects under the 10-year roadmap for resource recovery, waste and circular economy projects in key regional locations.</li> <li>• Ensure allocation of Waste levy funds towards the building of new circular economy projects.</li> <li>• Commit to City Deals for additional Qld regions as a vehicle for agreed projects and funding models.</li> <li>• Prioritise renewable energy integration without raising electricity costs.</li> <li>• Increase funding for hydrogen infrastructure.</li> <li>• Commit to developing and finalising business cases for priority water security projects.</li> </ul>

#### Refocus investments in road, rail, runway and ports

- Develop business cases on priority "Last mile" rail connectivity to ports of entry.
- Develop business cases on improving transport connectivity between population nodes.
- Invest in strategic airline route development to support regions and businesses recovering from the COVID economic downturn.

#### Lower Energy Costs:

- Commit the \$175 million allocated to renewable energy zones and ensure effectively allocated.
- Begin planning for reducing Regulatory Asset Base for Energy Queensland and removing competitive neutrality requirement for next revenue determination period.

### Pillar 4: Skilled workforce

#### Incentivise upskilling in emerging sectors

- Develop a model (like the traditional trainee and apprenticeship framework) for non-trade-based skills areas that incentivises businesses to employ and invest in new and emerging skills.
- Incentivise retraining in disrupted industries to support skills needs in emerging sectors.
- Strengthen investments in STEM skills.

#### Reinvigorate the regions

- Invest in attraction and retention program for seasonal workers.
- Simplify migration schemes to incentives skilled and seasonal workers to relocate to areas with skills shortages.

#### Improved funding arrangements

- Support education and training programs focused on sustainability, technology and data analysis.
- Extend apprentice and traineeship subsidies and focus on future skills needs.

### Pillar 5: Connected businesses

#### Improve digital capacity

- Prioritise high speed internet for regional Queensland.

#### Incentivise digital adoption

- Design a digital approach in government that promotes e-commerce as best practice.

#### Connecting business

- Targeted funding for digital grants for SMEs.

## **The importance of small business in Queensland**

Queensland is a small business state with more than 97 per cent of businesses operating as sole traders or employing teams of up to 19 staff. These businesses employ more than one in three working Queenslanders and contribute \$122B (or 33.9%) to the state's economy.

Small businesses are an intrinsic part of local communities particularly in regional Queensland. Not only do they provide substantial livelihoods to their employees and their families, but they act as focus points for residents to gather and provide significant support to community groups in their surrounding localities.

Queensland's SME's create investment opportunities in the economic and community infrastructure, stimulate regional economic growth, and allow for further employment opportunities.

## **The importance of regional small business**

Regional small business contributes over \$38.4 billion towards Queensland's economy (10.6%). There are 140,036 regional Queensland small businesses, representing 31.4 per cent of the Queensland's small businesses. Almost two thirds (90,169, or 64.4%) are non-employing and the remainder (49,867) employ between 1 and 19 employees.

Collectively, regional small businesses in Queensland supports 301,000 jobs, or 11.8 per cent of the State's total workforce. Toowoomba, Cairns, Townsville, Mackay and Bundaberg are the five largest local government centres for small business in regional Queensland, in terms of both regional employment and economic contribution, despite collectively having only 13,666 small businesses across their local government areas.

## **The Queensland economy**

Queensland has a modern and diversified economy, underpinned by strong traditional sectors including agriculture, resources, construction, tourism, manufacturing and services. However, the Queensland economy is currently undergoing a period of structural change and further diversification in an age of innovation, as it transitions from the historic surge in resources investment towards broader-based drivers of growth.

While the resources and agriculture sectors will continue to be important contributors to the Queensland economy, the shift in activity and employment towards services related industries and a knowledge-based economy is likely to continue, particularly in health, education, professional services and tourism. Emerging industries in STEM and sustainability will also play a critical role for many regions' future economic growth and diversification.

Currently impacting the Queensland economy are the COVID-19 pandemic, trade tensions, softer global economic demand, historically low interest rates, historically low wage growth, regular cyclone and flooding events, continuing drought conditions and volatility in commodity prices. Both population growth and a lower Australian dollar are helping our economy weather these impacts.

Despite many competitive advantages, such as our natural resources, climate and people, significant barriers remain and create a difficult landscape for small businesses to operate productively and remain competitive, particularly in regional areas.

## Challenges and opportunities for Queensland

There are major global shifts that are creating significant challenges and opportunities for Queensland. Queensland businesses were dealt a devastating blow when COVID-19 was declared a pandemic in March 2020. The Pulse Survey of Business Conditions returned the worst business confidence levels on record, far exceeding the Global Financial Crisis (GFC). Confidence levels improved somewhat in the September and December 2020 quarters, but businesses indicated their concern at the tapering off or ending of the various federal and state stimulus measures that had effectively propped up their businesses during the pandemic response.

The pandemic also affected Queensland's export performance. International travel restrictions reduced air traffic to Australia by 98%<sup>1</sup>. Since between 85% and 90% of airfreight travels in the belly of passenger aircraft, this dramatically reduced availability and simultaneously increased the cost of airfreight. Furthermore, several key markets for Australia slowed down or shut down economic activity as a direct result of the pandemic.

Queensland has always been susceptible to natural disasters, but the severity and frequency of natural disasters has escalated. The state has been hit by 80 significant disaster events in the past decade, necessitating \$15.7 billion of expenditure by the Queensland Reconstruction Authority (QRA.) Apart from the direct physical and psychological damage inflicted by natural disasters, insurance has increased in cost and declined in availability, particularly north of South East Queensland. Insurance premiums in North Queensland have risen exponentially, by 178% between 2007-08 and 2018-19<sup>2</sup>

The next external shock was the escalation of trade tensions between Australia and China. Live marine exports from Queensland were initially hit hard, but there is evidence of these trade tensions impacting more products, including thermal coal exports. These trade tensions have yet to be resolved and are likely to remain a part of the business landscape for the foreseeable future.

The external trends highlighted above also present an opportunity for Queensland. The following examples stand out:

- E-commerce and trade also allows businesses to capture a geographically wider customer base
- Queensland has always been well-endowed with natural resources such as coal, fertile soil and natural gas. Besides these traditional resources, Queensland is poised to take advantage of the rapid shift to renewable energy and the increasing availability of financing for clean energy technology

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<sup>1</sup> Bureau of Infrastructure and Transport Research Economics (BITRE)

<sup>2</sup> Northern Australia Insurance Inquiry second interim report, 2019

- Asia's population and economic growth also coincides with Australia's push to diversify its trade and investment profile. A focus on fast-growing Asian countries such as Indonesia, India and Vietnam offer an opportunity to establish economic links that stand to grow in the decades ahead.

## **The Goal: Transforming Queensland's economy to be diversified, resilient and competitive through sustainability.**

Sustainability led transformation is increasingly driven by global, national, state and local government imperatives. Achieving transformative industry diversification, and economic resilience and competitiveness is possible through the uptake of sustainable practices and approaches.

Government policy is also driving sustainability led transformation, with the Queensland government setting both a net-zero emissions target and an ambitious renewable energy target, both to be achieved by 2050. Other steps by the Queensland government include the ban on single-use plastics effective from September 2021. The Queensland government has also set targets for waste management and resource recovery. These targets include a 25% reduction in household waste, diversion of 90% of waste from landfill and 75% recycling rates across all waste types. Business needs to adapt, and the focus needs to be on accelerating that change through policy and budget settings to support the transformation.

The growing demographic of environmentally conscious consumers presents a new and rapidly growing market for businesses that adopt sustainable practices. Businesses that embrace changes such as consumer shifts to sustainability led practices will find themselves more resilient to shocks. To enable transformation requires government policy and budget levers that incentivise and accelerate business and communities to adopt sustainable practices. This acceleration requires pipeline of budgeted investments in enabling infrastructure for recycling, resource recovery and circular economy industries, incentives for businesses to invest in new technologies and the subsequent need for training and skills in new and emerging areas.

Queensland's natural resources and export profile have been a major economic boon and should continue to be supported into the future. However, this same profile drives export market concentration and makes Queensland particularly vulnerable to global commodity price swings and trade disputes with key partners. It could also undersell Australia's global reputation and competitiveness in other sectors, such as a competitive supplier of "clean, green" food or in the delivery of service industries such as ecotourism, in a world where these market segments are expanding.

It is also worth noting that the global trends, accelerated by the COVID-19 pandemic require a response that allows Queensland's small business community to survive now and thrive into the future. The priority is to respond by building on Queensland's current strengths to transform Queensland's economy to build and grow a more diversified, resilient, and competitive business community. Pursuing these objectives through a sustainability lens gives Queensland the best chance of success.



## Five pillars of sustainable transformation

Prior to the 2020 State elections, we submitted five policy pillars and supporting priorities that have the potential to effect the transformational change required to support the growth of a sustainable, diversified, resilient and competitive Queensland business community.

These pillars are as follows:

- **Sustainable Practices** – Developing and enhancing products and services for future sustainability.
- **Business Friendly Government** – Governments that reduce operating costs and complexity.
- **Connected Businesses** – Advancing technology to generate opportunities.
- **Smart Infrastructure** – Connecting regions to build resilience.
- **Skilled Workforce** – Support upskilling emerging industries and markets.

We have taken a 3-year approach that enables the step change required over the next term to accelerate transformation approach to support policy levers and budget. This allows the Queensland government and the business community to collaborate over multiple years over a clear set of agreed priorities.

## Pillar 1: Sustainable Practices

Adopting sustainable business practices have become an operational priority for many businesses looking to reduce production waste, save on utility expenditure, and leverage a high-quality reputation.

According to the most recent CCIQ Pulse Survey (December 2020), sustainable practices ranked as the second highest priority for businesses, behind Payroll Tax reform. Further, 41 per cent of SMEs were reported as seeking additional investment incentives for sustainable practices, as impacts such as utility costs consistently ranked as a major constraint on business growth.

This sustainability led change also responds to a growth in consumer preference and government policies across the globe demanding products and services with a lower or offset environmental footprint.

### Recommendations:

Sustainable practices			
Priority	Horizon 1 2021-2022	Horizon 2 2022 - 2023	Horizon 3 2023 - 2024
Transformation of communities	<ul style="list-style-type: none"> <li>- Commit funding for local councils to develop plans for transition to sustainable and resilient communities.</li> </ul>	<ul style="list-style-type: none"> <li>- Implement and fund regional transformation plans.</li> <li>- Invest in a low carbon living program.</li> </ul>	
Support sustainable industries and business practices	<ul style="list-style-type: none"> <li>- Targeted funding for SME's to purchase (new or upgraded) technologies that improve sustainable practices.</li> <li>- Grants for SMEs to invest in technologies that accelerate business adoption of improved energy, water and waste usage.</li> </ul>	<ul style="list-style-type: none"> <li>- Program support for SMEs to scale, grow and diversify products and services for domestic and international markets.</li> </ul>	<ul style="list-style-type: none"> <li>- Continued program support for SMEs to diversity, scale and grow sustainable products and services for domestic and international markets.</li> </ul>

Sustainable practices			
Priority	Horizon 1 2021-2022	Horizon 2 2022 - 2023	Horizon 3 2023 - 2024
ecoBiz	<ul style="list-style-type: none"> <li>- Longer-term funding commitment with increased coaching and partnership targets.</li> </ul>	<ul style="list-style-type: none"> <li>- Expansion of funding or use of tax/license fee credits to finance capital investment recommended under ecoBiz program.</li> </ul>	<ul style="list-style-type: none"> <li>- Program funding to support adoption of emerging sustainability enhancing technologies, practices and policies.</li> </ul>
Boost investment in sustainability Research and Development	<ul style="list-style-type: none"> <li>- Support the development of a market for valuing natural capital.</li> <li>- Identify high value, high skilled industries for targeted R&amp;D support.</li> </ul>	<ul style="list-style-type: none"> <li>- Prioritise financial mechanisms that respond to environmental risks.</li> <li>- Fund high value, high skilled industries for R&amp;D.</li> </ul>	<ul style="list-style-type: none"> <li>- Scale funding for high value, high skilled industries for R&amp;D.</li> </ul>

## Pillar 2: Business-Friendly Governments

Queensland businesses have done their part in leading the economic recovery following the COVID-19 crisis. Following significant stimulus support and diversification efforts by small businesses, the CCIQ Pulse Survey reported confidence exceeded pre-COVID-19 levels in December 2020 compared to the previous year. The December quarter however also saw the resurgence of key business challenges such as the disparate growth of business costs relative to turnover and profitability. While the boost in confidence was encouraging, business sentiment is expected to decline before the end of the 2021 financial year with the Job Keeper support package ceasing. Now more than ever, businesses are reliant on business-friendly governments seeking to unlock the potential of small businesses.

### *Business support officers*

The Queensland Government provided funding to CCIQ to proactively support the needs of local businesses through a network of Business Support Officers (BSOs) supporting local Chambers of commerce throughout the state as part of COVID recovery initiatives. Businesses play a crucial role in growing Queensland's economy, but most do not regularly engage with government. As a result, business owners continue to miss out on the valuable support and information that government provides to help them survive, succeed and grow in these testing times.

### *Regulatory reform*

Business often stress that growing regulatory compliance and costs have limited their potential capacity. The Queensland Productivity Commission report that complying with state regulation costs Queensland business between \$3.5 billion and \$7 billion per year, equating to between \$7,500 and \$15,200 per business. When accounting for Commonwealth legislation, this figure grows to between \$14 and \$21 billion per year, or a cost of \$30,400 to \$45,600 per business.

Feedback from the CCIQ Pulse Survey on the cost and complexity of doing business is cited as a consistent and major constraint for Queensland's businesses. This burden is particularly heavy for small and medium enterprises which do not have the specialised personnel to navigate the complexity. CCIQ's most recent Red Tape Survey (2017) also observed that for 43% of SMEs, the efforts of management are diverted to compliance efforts that predominately consume up to five hours per week (41%). This is a significant impact on the productivity of small businesses.

### *Payroll Tax*

In addition to navigating the regulatory burden, businesses also face growing taxes such as Payroll Tax impacting on their ability to grow and remain competitive. In December 2020, Queensland's strongest reported month for business performance following the COVID-19 crisis, State based taxes and government charges ranked as the second highest constraint on business growth for small businesses. Payroll tax was noted by more than half of business respondents as requiring immediate reform to aid in the ongoing recovery of the economy. The sentiment among Queensland businesses is that payroll tax is a tax on employment and a disincentive for growing the business above a certain point. While the \$4

billion that Queensland receives in payroll tax revenue is difficult to replace, CCIQ submits that our phased budgetary approach gives the government scope to enact the required changes and remove this impediment to growth.

### *Procurement processes*

Opportunities exist for the government to unlock the potential of small businesses through procurement processes. As it stands, the Queensland Government spends approximately \$4 billion on general goods and services, in addition to more than \$50 billion over a four-year horizon on an extensive capital works program. Small businesses have the capacity to supply a significant proportion of this while delivering favourable outcomes for their region.

CCIQ frequently hears from small businesses that have either missed out on opportunities, as well as those which are simply unwilling to engage in tendering processes due to the perceived time and monetary costs.

### **Recommendations:**

<b>Business friendly government</b>			
<b>Priority</b>	<b>Horizon 1 2021-2022</b>	<b>Horizon 2 2022 - 2023</b>	<b>Horizon 3 2023 - 2024</b>
<b>COVID recovery</b>	<ul style="list-style-type: none"> <li>- Commit to a further 3 years of grant funding for business support officers in regional Queensland.</li> </ul>	<ul style="list-style-type: none"> <li>- Continuation of funding for officers in regional Queensland.</li> </ul>	<ul style="list-style-type: none"> <li>- Continuation of funding for officers in regional Queensland.</li> </ul>
<b>Small Business Procurement</b>	<ul style="list-style-type: none"> <li>- Break-up tenders for SMEs</li> <li>- Simplify tender processes</li> <li>- Dashboard for procurement</li> <li>- Cut payment terms to 5 days</li> </ul>	<ul style="list-style-type: none"> <li>- Whole of government delivery model for SMEs that shifts the procurement online.</li> </ul>	<ul style="list-style-type: none"> <li>- Target key sectors and deepen SME participation through supply-chains.</li> </ul>
<b>Deregulation and regulatory reform</b>	Build on COVID reforms and streamline/simplify: <ul style="list-style-type: none"> <li>- Liquor licensing – close collaboration with local govt to get it done.</li> <li>- Reduce complexity and processing times for permits and fees.</li> </ul>	<ul style="list-style-type: none"> <li>- Remove GST on insurance premiums.</li> <li>- Begin shift towards reallocation of disaster funds to prevention and mitigation.</li> </ul>	Broaden and accelerate reform agenda: <ul style="list-style-type: none"> <li>- Work with federal government to create reinsurance pool to cover extreme weather events.</li> <li>- Continue shift towards disaster</li> </ul>

Business friendly government			
Priority	Horizon 1 2021-2022	Horizon 2 2022 - 2023	Horizon 3 2023 - 2024
	<ul style="list-style-type: none"> <li>- Address insurance premiums costs for disaster affected areas and businesses.</li> </ul>		prevention and mitigation funding.
Remove or amend inefficient taxes	<p>Payroll tax:</p> <ul style="list-style-type: none"> <li>- Provide incentives, to achieve broader policy objectives, through concessions or waivers for new jobs created by businesses and targeted incentives for those adopting sustainable practices.</li> <li>- Begin using national cabinet as forum for advocating for broader holistic reform at a federal level including potential payroll tax reform.</li> </ul>	<ul style="list-style-type: none"> <li>- Continue using national cabinet as forum for advocating for broader holistic reform at a federal level including payroll tax reform.</li> </ul>	Abolish Payroll tax

## Pillar 3: Smart infrastructure

Smart infrastructure is critical for connecting a state as geographically large as Queensland, and for supporting business viability and competitiveness. Infrastructure is also required to enable exporters to efficiently traverse the distance from production to customer, particularly critical for our major resources and agricultural sectors.

As Queensland’s high-value agricultural exports grow in volume and value, effective investment in infrastructure will unlock even more opportunities. A Deloitte Access Economics (DAE) study confirmed that moving 35% of freight to rail by 2035 could have an \$820 million economic benefit for Queensland. A dedicated rail link to the Port of Brisbane is a crucial part of this plan and could increase Gross Regional Product by \$5.4 billion between 2018 and 2045.

Queensland’s population continues to expand, in the face of regular disruptive natural disasters and growing difficulties on water security. The investment in smart and resilient infrastructure is critical, as well as infrastructure which provides security and connectivity for businesses and communities. The social and economic return can be further enhanced by supporting the creation of and scaling of emerging and sustainable industries such as renewable energy.

### Recommendations:

Smart infrastructure			
Priority	Horizon 1 2021-2022	Horizon 2 2022 - 2023	Horizon 3 2023 - 2024
Accelerate eco-efficient infrastructure	<ul style="list-style-type: none"> <li>- Prioritise and fund the pipeline of projects under the 10-year roadmap for resource recovery, waste and circular economy projects in key regional locations.</li> <li>- Ensure allocation of Waste levy funds towards the building of new circular economy projects.</li> <li>- Commit to City Deals for additional Qld regions as a vehicle for agreed projects and funding models.</li> </ul>	<ul style="list-style-type: none"> <li>- Attract private investment to scale sustainable infrastructure projects in regions, building on 10-year roadmap for resource recovery, waste and the circular economy.</li> </ul>	<ul style="list-style-type: none"> <li>- Further scale sustainable infrastructure projects in the regions, building on 10-year roadmap for resource recovery, waste and the circular economy.</li> </ul>

Smart infrastructure			
Priority	Horizon 1 2021-2022	Horizon 2 2022 - 2023	Horizon 3 2023 - 2024
	<ul style="list-style-type: none"> <li>- Prioritise renewable energy integration without raising electricity costs.</li> <li>- Increase funding for hydrogen infrastructure.</li> </ul>	<ul style="list-style-type: none"> <li>- Ensure Renewable Energy Zones are adequately resourced and expanded.</li> <li>- Scale up hydrogen infrastructure.</li> </ul>	<ul style="list-style-type: none"> <li>- Expansion of renewable energy zones beyond first 3.</li> <li>- Scale up hydrogen infrastructure beyond the Redlands and Gladstone regions</li> </ul>
	<ul style="list-style-type: none"> <li>- Commit to developing and finalising business cases for priority water security projects.</li> </ul>	<ul style="list-style-type: none"> <li>- Continue developing and prioritising business cases for water security projects.</li> </ul>	<ul style="list-style-type: none"> <li>- Make firm financial commitments to priority water security projects.</li> </ul>
Refocus investments in road, rail, runway and ports	<ul style="list-style-type: none"> <li>- Share data and business cases on priority "Last mile" rail connectivity to ports of entry.</li> </ul>	<ul style="list-style-type: none"> <li>- Make firm financial commitments to priority "last mile" rail connectivity projects.</li> </ul>	<ul style="list-style-type: none"> <li>- Build "last mile rail connectivity projects".</li> </ul>
	<ul style="list-style-type: none"> <li>- Share data and business cases on improving transport connectivity between population nodes.</li> </ul>	<ul style="list-style-type: none"> <li>- Use data and business cases, as well as 2032 Olympic priorities to select priority transport connectivity projects.</li> </ul>	<ul style="list-style-type: none"> <li>- Begin and accelerate rollout of priority infrastructure projects to improve transport connectivity between population nodes.</li> </ul>
	<ul style="list-style-type: none"> <li>- Invest in strategic airline route development to support regions recovering from the COVID economic downturn.</li> </ul>	<ul style="list-style-type: none"> <li>- Commit to specific airline routes that secure accessibility in regions.</li> </ul>	
Lower Energy Costs	<ul style="list-style-type: none"> <li>- Ensure \$175 million allocated to renewable energy zones is effectively utilised.</li> </ul>	<ul style="list-style-type: none"> <li>- Ensure \$175 million allocated to renewable energy zones is effectively utilised.</li> </ul>	<ul style="list-style-type: none"> <li>- Increase allocation towards new, renewable energy zones.</li> </ul>



Smart infrastructure			
Priority	Horizon 1 2021-2022	Horizon 2 2022 - 2023	Horizon 3 2023 - 2024
	- Begin planning for reducing Regulatory Asset Base for Energy Queensland and removing competitive neutrality requirement for next revenue determination period.	- Continue planning for reducing Regulatory Asset Base for Energy Queensland and removing competitive neutrality requirement for next revenue determination period.	- Confirm plans for reducing Regulatory Asset Base for Energy Queensland and removing competitive neutrality requirement for next revenue determination period.

## Pillar 4: Skilled Workforce

The Pulse Business Index for Employment increased by 0.9% which aligned with ABS data showing an increase in Queenslanders finding work. This statistic, however, belies a structural problem with persistent unemployment. Prior to COVID, Queensland had a high unemployment rate relative to other states and territories. The latest data puts the unemployment rate at 7% but shows the youth unemployment rate at a concerning 15.8%.

Despite this high unemployment rate, there is an opportunity to train workers, particularly the youth in new and emerging skills. The National Skills Commission has used data to identify a number of emerging occupations that need to be supported. These skills are identified below:

- Data analytics (data analysts, data scientists)
- Sustainability engineering and trades (solar installers, energy efficiency engineers, wind turbine technicians, hazardous materials labourers)<sup>3</sup>
- Emerging business practices (agile coaches, developers, engineers, logistics analysts)
- Health (biostatisticians, nurse liaisons)
- Online engagement (Digital marketing analysts, social media specialists, user experience analysts)
- Regulatory (risk analysts, regulatory affairs specialists, energy auditors)

In addition to this, Science Technology Engineering and Mathematics (STEM) occupations have seen growth despite the labour market shock caused by COVID-19. Between Feb 2015 and Feb 2020 STEM grew by 17.7% (1.5 times faster than the growth rate of non-STEM jobs.) In fact, STEM occupations sitting at 99.8% of their pre-COVID-19 levels and, prior were forecast to grow by 11.7% compared to 7.6% of non-STEM occupations over the same period<sup>4</sup>.

The Vocational Education and Training (VET) sector is critically important for Queensland's skills landscape but has seen declines in numbers over the past 10 or more years. Based on 2019 figures, the number of apprentices and trainees in training has fallen by 35 per cent since 2009 and 20 per cent since 2014. Apprentices employed in trade pathways have reduced 12.5 per cent and 7 per cent over the same periods.

The completion rates of apprentices and trainees who commenced training in 2014 have decreased to 56.7 per cent (down from 59.9 per cent for those commencing in 2013).

A component of this decline in engagement with apprenticeships and traineeships is likely associated with factors including:

- qualifications which have not adapted to changes in the labour market,
- a consumer shift to shorter skilling approaches and micro-credentials, and

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<sup>3</sup> <https://www.nationalskillscommission.gov.au/emerging-occupations>

<sup>4</sup> <https://www.nationalskillscommission.gov.au/media-hub/no-stem-ing-growth-aussie-jobs>

- demographic changes making the pathway less attractive to young people and policy and funding changes.<sup>5</sup>

### Recommendations:

Skilled workforce			
Priority	Horizon 1 2021-2022	Horizon 2 2022 - 2023	Horizon 3 2023 - 2024
Incentivise upskilling in emerging sectors	<ul style="list-style-type: none"> <li>- Develop a model (like the traditional trainee and apprenticeship framework) for non-trade-based skills areas that incentivises businesses to employ and invest in new and emerging skills.</li> <li>- Incentivise retraining in disrupted industries to support skills needs in emerging sectors.</li> <li>- Strengthen investments in STEM skills.</li> </ul>	<ul style="list-style-type: none"> <li>- Fund the new model to target new and emerging skills areas.</li> <li>- Expand retraining in disrupted industries to support skills needs in emerging sectors.</li> <li>- Continue investments in STEM skills.</li> </ul>	
Reinvigorate the regions	<ul style="list-style-type: none"> <li>- Simplify migration schemes and target incentives for skilled and seasonal workers to relocate to areas with skills shortages.</li> <li>- Commit to workforce planning program across all regions to target skills and training needs.</li> </ul>	<ul style="list-style-type: none"> <li>- Implement the workforce planning findings to strengthen linkages between universities and TAFE to provide flexibility in delivery and access to training and skills that better meet regional workforce needs.</li> </ul>	<ul style="list-style-type: none"> <li>- Scale up market diversification support for export ready SMEs.</li> <li>- Increase number of STEM graduates in Queensland from 2022 base year.</li> <li>- Increase number of dual TAFE and University campuses in the regions.</li> </ul>

<sup>5</sup> <https://www.dese.gov.au/uncategorised/resources/vocational-education-and-training-vet-reform-roadmap-consultation-draft>

Skilled workforce			
Priority	Horizon 1 2021-2022	Horizon 2 2022 - 2023	Horizon 3 2023 - 2024
	<ul style="list-style-type: none"> <li>- Deliver market diversification support for export ready SMEs.</li> </ul>	<ul style="list-style-type: none"> <li>- Scale up market diversification support for export ready SMEs.</li> </ul>	<ul style="list-style-type: none"> <li>- Scale up collaboration between business and government to increase market diversification support for export ready SMEs.</li> </ul>
Improved funding arrangements	<ul style="list-style-type: none"> <li>- Support education and training programs focused on sustainability, technology and data analysis.</li> <li>- Extend apprentice and traineeship subsidies and focus on future skills needs.</li> </ul>	<ul style="list-style-type: none"> <li>- Extend education and training programs focused on sustainability, technology and data analysis.</li> <li>- Extend apprentice and traineeship subsidies and focus on future skills needs.</li> </ul>	<ul style="list-style-type: none"> <li>- Expand education and training programs focused on sustainability, technology and data analysis.</li> <li>- Extend apprentice and traineeship subsidies and focus on future skills needs.</li> </ul>

## Pillar 5: Connected Businesses

The COVID-19 pandemic created a business environment which required rapid adoption of digital technology and practices. Many businesses now see the need and potential benefits of investment in digital assets and further technological advancement of their business in general for their resiliency, sustainability and competitiveness.

The COVID-19 pandemic has delivered years of ecommerce growth in a condensed period. According to Australia Post, online shopping grew by 31 per cent as 200,000 new shoppers entered the online market, shopping online for the first time in 2020. At the same time, many businesses without an online presence have needed to offer online sales, and also manage staff in a newly adopted virtual working environment as well.

This digital expansion will require government assistance in supporting better cyber security as businesses move to online storage, as well as a focus on supporting businesses adopt new digital skills and capability.

The 2020 CCIQ Digital Readiness Survey showed that Queensland's business community is optimistic about using technology into the future. 78% of businesses surveyed expressed optimism about using technology, although it is worth noting that this percentage declined from a high of 90% in 2016. In the same period, 47% of businesses surveyed believed that the Queensland government was not doing enough to help them remain competitive in the digital world. The decline in business optimism about using technology and the desire for more state government support leads us to the policy recommendations outlined below:

### Recommendations:

Connected businesses			
Priority	Horizon 1 2021-2022	Horizon 2 2022 - 2023	Horizon 3 2023 - 2024
Improve digital capacity	- Prioritise and fund high speed internet for regional Queensland.	- Continue rollout of high-speed internet for regional Queensland.	- Scale rollout of high-speed internet for regional Queensland.
Connecting with businesses	- Targeted funding for digital grants for SMEs.	- Invest in whole-of-government knowledge sharing and collaborative platforms for interactions with SMEs.	
Incentivise digital adoption	- Design a digital approach in government that promotes e-commerce as best practice.	- Implement and invest in a digital approach in government that promotes e-commerce as best practice.	- Scale a digital approach in government that promotes e-commerce as best practice.

