

NORTH QUEENSLAND

BUSINESS PRIORITIES REPORT
APRIL 2013



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

SUMMARY OF NQ REGIONAL BUSINESS PRIORITIES:

1. Improve the NQ business operating environment and reduce costs.
2. Build a strategic and integrated infrastructure network.
3. Drive business innovation in NQ through technology and connectivity.
4. Create an attractive working environment and strong workforce base for NQ business.
5. Reduce the cost and burden of red tape and improve regulator engagement with regional business communities.
6. Promote NQ as a corporate tourism destination.
7. Improve the ability for small and medium businesses to gain access to finance.
8. Create a positive business and investment culture in NQ to secure the region's future prosperity.

"NQ business is well positioned to take advantage of domestic and international opportunities. For local businesses to benefit from the many lifestyle and business advantages, we need to be laying the foundations for future success now. This report outlines CCIQs continued support and commitment to regional Queensland's small and medium business community. I encourage all levels of government to seriously consider these recommendations as part of their economic development and small business reform agendas."
– Mark Menkens, CCIQ Director and NQ Regional Policy Chair.



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 business operations.

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 North Queensland (NQ) region.

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

BUSINESS PRIORITIES FOR NORTH QUEENSLAND

NQ businesses told us they are immensely proud of what they have achieved to date. With a unique tropical lifestyle, 300 days of sun per year and recognised as a central economic hub, local businesses have a positive outlook. There are however, a number of key constraints impacting on their ability to invest, grow and compete with operators from other regions and internationally. They want CCIQ to call on government to: reduce the cost of doing business, build a reliable infrastructure network, remove the barriers for businesses to digitalise their business, create the necessary environment to build a workforce for the future, remove unnecessary red tape, attract more international interest in NQ, improve access to finance and create a strong investment culture for the region.

These were your concerns – they are now our commitments.



NORTH QUEENSLAND

TOTAL AREA 277,610 KM²

16% QUEENSLAND'S
TOTAL AREA

RICH MINERAL DEPOSITS
ACROSS THE NORTH,
WEST & SOUTH AREAS

RESIDENT POPULATION

240,000



PROJECTED TO REACH (2031)

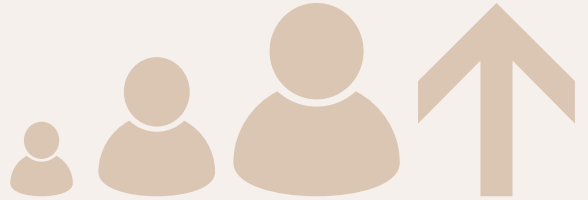
346,000

REGIONAL LABOUR FORCE

136,000



OF RESIDENTS
BETWEEN 25-44
YEARS OF AGE

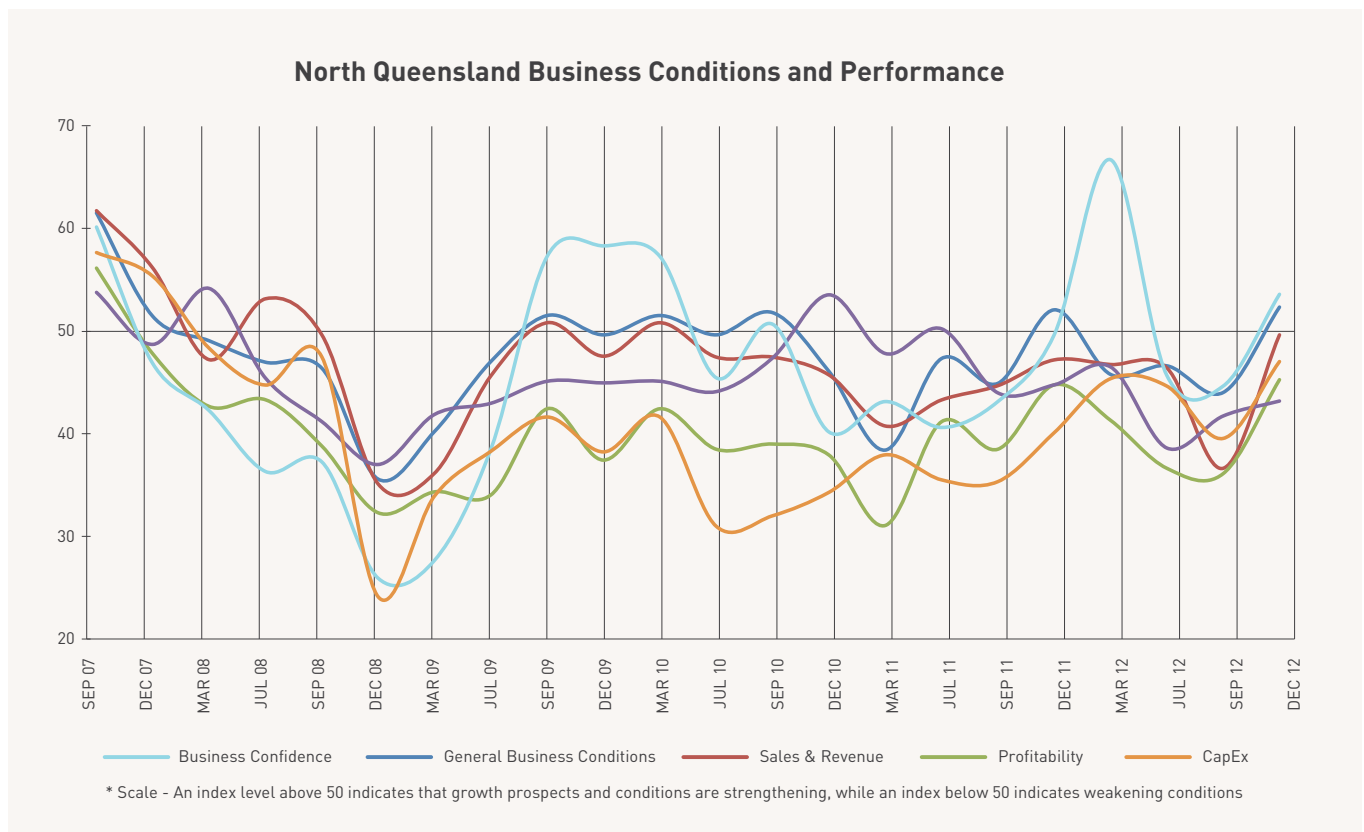


POPULATION
GROWTH
ANNUALLY
TOWNSVILLE 2.2%

NORTH QUEENSLAND: BUSINESS PERFORMANCE AND OUTLOOK

NQ is a vibrant regional hub that has the potential to drive Queensland's economy well into the 'Asian Century'. Boasting one of the most diverse industry bases in the state, strong links with the booming resources and agricultural sectors, close proximity to the emerging Asia-Pacific economies and attractive lifestyle benefits, the NQ region unquestionably makes a significant economic contribution to the state's overall prosperity

However, NQ has experienced less favourable business conditions over recent years. The CCIQ Westpac Group Pulse Survey of Business Conditions has tracked business performance across Queensland for over a decade. The graph below shows that NQ businesses have faced a difficult trading environment since 2008, with most Indicators remaining at negative growth levels.



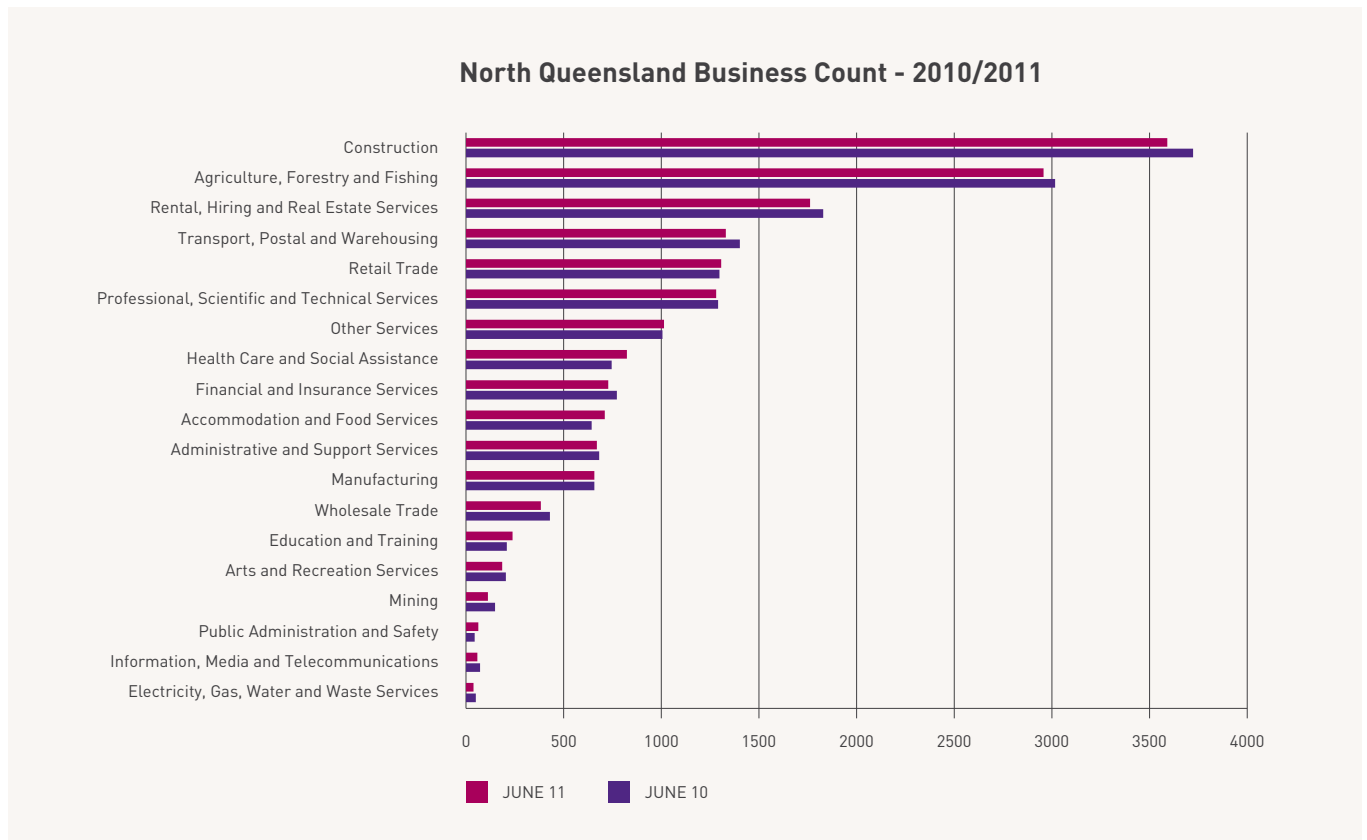
Source: CCIQ Pulse Survey of Business Conditions

Recent Pulse results demonstrate the NQ region is beginning to show signs of a steady overall improvement. Since the June Quarter 2012, business confidence and general business conditions have moved into positive growth levels, while the profitability, sales/revenue and capital expenditure indexes have grown to their strongest points in over two years. Overall the Pulse Survey indicates that the NQ region is showing positive signs of recovery.

According to the Australian Bureau of Statistics the industries with the most number of businesses in the region are;

- Construction (20.05%)
- Agriculture, forestry and fishing (16.51%) and
- Rental, Hiring and Real Estate Services (9.84%).

There are also a significant number of local businesses in the transport, retail and professional services industries, which confirms the diversity of NQ’s industry and economic base.

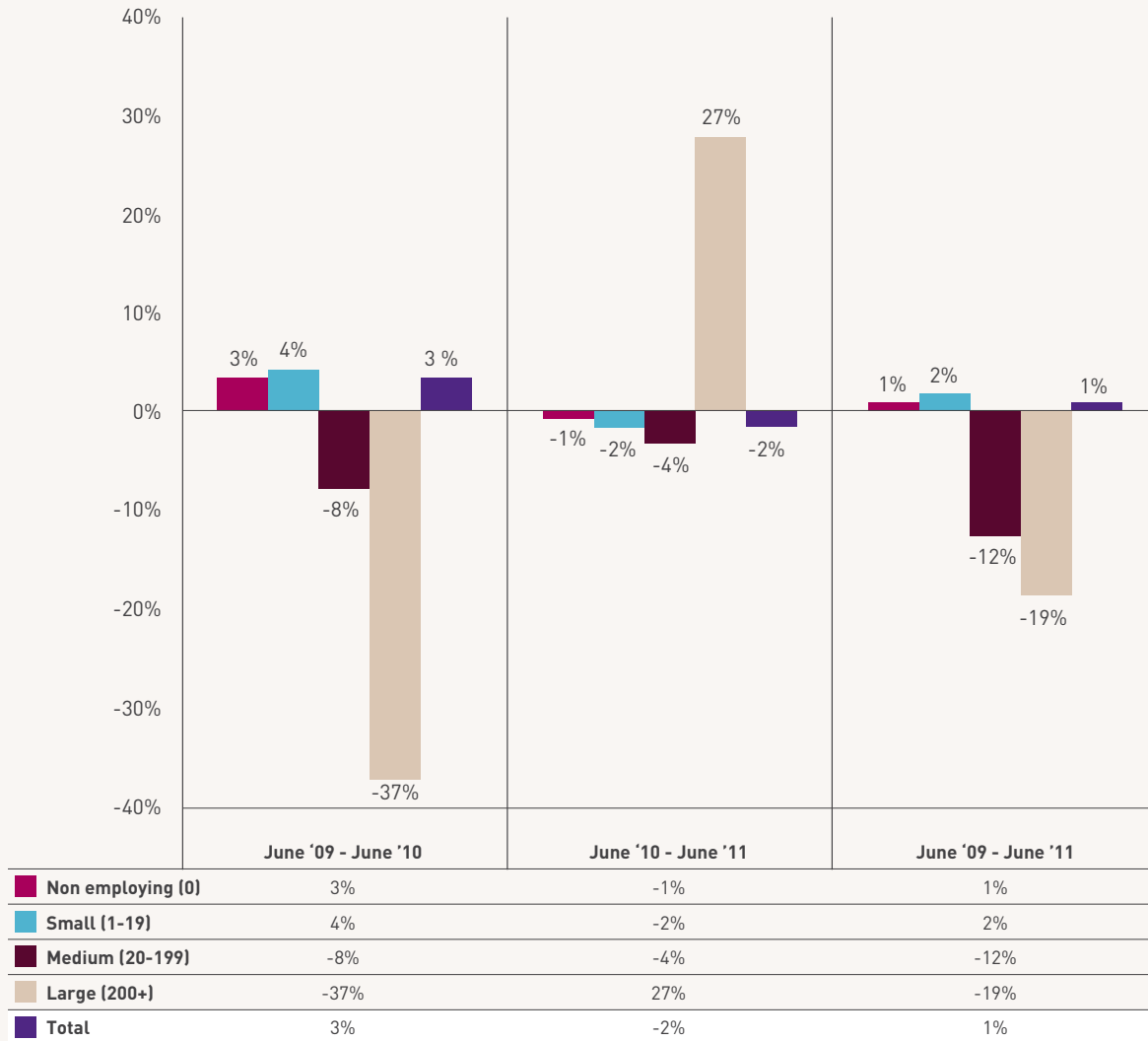


Source: ABS Catalogue 8165.0

“Townsville is a very diverse city and provides many services to all sectors”
 – NQ Business Owner, Construction

“Government needs to relocate focus from south east corner to decentralise and let the region thrive” – NQ Business Owner, Construction

North Queensland Business Change 2009-2011

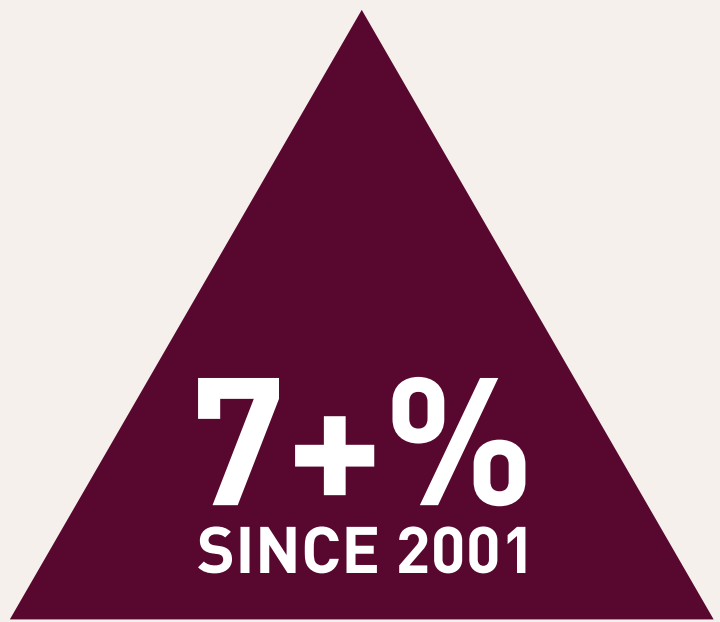


Source: ABS Catalogue 8165.0

The graph above highlights that over the 2 year period between June 2009 and June 2011 small business numbers increased 1.5 per cent. While this seems like a small increase, it is important to keep in mind that over 95 per cent of NQ businesses are classified as small, with a 1.5 per cent increase equating to over 17,000 new businesses. Both the medium and large business sectors experienced declines of 12 per cent and 19 per cent respectively. Although large businesses generally have the ability to employ a greater number of staff, small and medium enterprises across NQ continue to be important to the economic growth of the region.

Overall, the 2 year period between June 2009 and June 2011 saw an increase of close to 130 new businesses. This is a particularly encouraging result when compared with other regions in the State, most of which experienced an overall decline in the number of business.

**\$18.434
BILLION
ESTIMATED
GROSS REGIONAL
PRODUCT**



6.8%
OF OVERALL
QUEENSLAND
GROSS STATE
PRODUCT

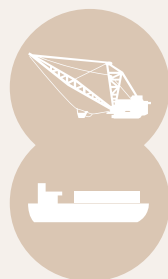
**AVERAGE
ANNUAL
ECONOMIC
GROWTH RATE**

THE MOST DIVERSIFIED INDUSTRY MIX IN QLD

NO SINGLE SECTOR CONTRIBUTING MORE THAN 15 PER CENT TO THE ECONOMY



**STRONG
FARMING
AND
AGRICULTURE**



**CLOSE LINKS TO
RESOURCE SECTOR.
PORT PROCESSING
OVER 10M TONNES
OF THROUGHPUT**

REALISING THE ECONOMIC AND BUSINESS OPPORTUNITIES IN NQ

The NQ business community are acutely aware of the region's economic and industry advantages. However, the economic conditions and volatility over recent years demonstrates that the region still faces a number of economic risks and challenges which must be managed to ensure a positive future for NQ businesses.

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

STRENGTHS	OPPORTUNITIES
<ul style="list-style-type: none"> • Diverse industry mix • Attractive tropical lifestyle and environment • Proximity and natural service point for the North-West and North East mineral deposits • Minerals processing facilities • High capacity commercial port • Airport with international capacity • Agricultural expertise • Expertise in the tropical field • Natural resilience of local businesses • Strong links to and presence of the Australian army • Strategically placed to service Asian economies • Strong sporting and events culture • Affordable housing and industrial land • Prominent university and research institutes • Large government presence • Urban/Rural liveability 	<ul style="list-style-type: none"> • Younger population demographic than elsewhere • Potential hub for Fly-in Fly-out • Potential for Townsville to create something similar to 'Silicon Valley' • Planned infrastructure developments (transport, health, education, communications) • International standing • Strong local industry ready to expand • Servicing developments at Abbot Point • Ability to host large events • Future land development • Future corporate tourism hub
CHALLENGES	RISKS
<ul style="list-style-type: none"> • Lack of regional identity to attract tourism • Sub-standard quality of Bruce Highway leading to capacity constraints • Poor communications infrastructure • Restriction on land development due to environmental considerations • Tyranny of distance from Brisbane • Inadequate resort accommodation • Business costs: (Energy, environmental, insurance, tax and workplace relations) • Labour shortage with difficulty attracting and retaining employees • Lack of particular specialist medical services • Rural ageing population • Fluctuating economy driving business and investment elsewhere 	<ul style="list-style-type: none"> • Impact on business cost and competitiveness caused by red tape compliance burden • Access to finance constraining take up of new business opportunities • Competition with other Ports • Energy costs • Poor road infrastructure • Skills and labour shortages • Lack of focus on Northern region by State and Federal Governments • Migration of young people to SEQ reducing future workforce • High Australian dollar impacting competitiveness of local industries • Agriculture (soil fertility and water resource management) • On-going reduced capacity for business to operate online and adopt digital technology

NQ BUSINESS PRIORITIES

Drawing on business feedback, government initiatives, industry reports, research and in-house projects, CCIQ has identified the priority areas that need to be addressed across all levels of government in order to drive business growth in NQ in 2013 and beyond.

PRIORITY 1: IMPROVE THE BUSINESS OPERATING ENVIRONMENT

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

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

Creating a strong business operating environment that allows local industry to compete nationally and globally is pivotal to the economic well-being of NQ and the state. CCIQ is committed to improving the business operating environment through:

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

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

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

PRIORITY 2: A STRATEGIC AND INTEGRATED INFRASTRUCTURE NETWORK FOR NQ

Being remotely located, NQ businesses rely heavily on efficient, reliable and affordable freight to transport supplies into the regions, local products to state, national and international markets. Transport infrastructure including rail, road, freight, air and sea is therefore central to supporting business activity and driving economic growth in NQ. A more strategic and integrated approach to the planning, development, use and management of existing and future infrastructure is important to help realise the significant industry opportunities emerging across the region.

At present the major transport arterial in and out of the region is primarily the Bruce highway, with the Flinders Highway connecting Charters Towers, Hughenden and Mount Isa with the east coast. The region also features a number of north-south and east-west rail networks (some are privately owned and dedicated mining infrastructure). The region's seaport and domestic airport are both located in Townsville.

But while there is an adequate base of regional infrastructure, NQ businesses identify transport and connectivity as one of the major barriers to business growth and investment attraction. With a higher projected population growth than the Queensland average, NQ and Townsville have an opportunity to experience positive future population and industry growth, but this cannot occur without significant holistic and practical planning for the region's future infrastructure needs.

ROAD INFRASTRUCTURE

Road infrastructure is crucial to the future prosperity of the NQ region. The Bruce Highway is Queensland's major north-south corridor, connecting coastal population centres from Brisbane to Cairns and providing critical linkages for freight movements and business supplies, access to regional and interstate markets, and visitor and tourist access to the region. Equally important to regional businesses are the sub-regional road networks including the Flinders Highway which provides an important connection out through Charters Towers to Mt Isa.

The main challenges going forward for NQ highways is how to cater for expected growth and improve the safety, efficiency, reliability and cost-effectiveness of freight and passenger transport along the entire road corridor.

As NQ is subject to the frequent weather and flood events associated with its tropical location, the road transport network is frequently closed at various points. In particular, along the Bruce Highway between Brisbane and Townsville, there are nine locations which on average close annually for greater than 48 hours and six locations which close for greater than five days. Specific NQ examples include the Sandy Creek and Haughton River Bridge crossings on the Bruce highway to the south of Townsville.

Highway and road flooding causes destruction of road pavements and structures, resulting in poor and unsafe driving conditions on damaged surfaces. Reconstruction then results in further delays to traffic. Frustrating businesses more is the current patchwork approach focused more so on road repair and maintenance rather than long term flood mitigation upgrades. For example, rather than continuing to patch the road damage that occurs at the Sandy Creek river crossing, NQ businesses suggested the need to lift the road level above the flood plain to protect against any future flood damage.

Congestion, both along the highway networks between major NQ regional centres as well as on the major roads within the major city centre of Townsville is occurring due to rapidly expanding outlying residential estates, development of new industrial parks in outer suburbs and traffic associated with major industrial development such as the Townsville Port. Businesses in Townsville expressed frustration with the fact that traffic congestion was rapidly increasing to levels associated with major capital cities such as Brisbane or Sydney. Traffic congestion increases operating costs for businesses and creates workforce challenges when employees are late for work and less willing to travel long distances to work. Whilst there have been a number of major local road upgrades occurring over recent years, many have been to address current congestion and travel volumes, rather than future business and population growth forecasts.

The State Government has committed to a 10 year 'Bruce Highway Action Plan', which identifies over 80 safety, flood and capacity priority projects spanning the length of the Bruce Highway from Brisbane, through NQ and up to Cairns. There are 13 priority projects that are situated within NQ.

Over the short term (1-4 years) these include:

- Burdekin road safety audit outcome;
- Sandy corner to Collinsons Lagoon upgrade;
- Stage 1 of Townsville Southern Access Corridor;
- Townsville Douglas Arterial duplication; and
- the Townsville Ring Road and the Cardwell Range realignment.

These six projects are deemed critical to improving the safety and efficiency of the Bruce Highway as it relates to NQ.

Over the medium term (5-10 years) the priority projects include; Yellow Gin Creek bridge upgrade, Haughton River Bridge, stage 2 of Townsville Southern Access Corridor and the Cattle and Frances Creek upgrades. Longer term (11-20 years) projects include the Townsville Northern Access Corridor upgrade, Burdekin deviation and the Ingham to Cardwell Range Deviation. A number of these commitments are dependent on State and Federal Government funding at a time when there are obvious fiscal constraints, however NQ businesses believe that in order to reduce costs and improve productivity, road infrastructure needs to improve.

CCIQ will continue to advocate with local chambers for State and Federal Government priority funding of crucial NQ road infrastructure upgrades and the early delivery of NQ priority projects such as the road networks travelling north from Bowen around Sandy Creek, the Burdekin deviation and the Ingham to Cardwell deviation.

CCIQ will work with relevant NQ stakeholders to highlight the economic significance of improving the region's road and transport infrastructure close to Townsville and in the regional areas.

CCIQ will engage with the relevant state and local road and infrastructure planning authorities to highlight the impact that traffic congestion within NQ's regional centres has for business cost and the attractiveness of the region for business investment and call for immediate planning considerations to be given to better road infrastructure, freight and traffic management.

RAIL INFRASTRUCTURE AND SERVICES

The current rail system servicing NQ is not adequately meeting the needs of passengers and business operations. The Sunlander and Tilt Train's service the Townsville to Brisbane route on alternative days stopping in Giru, Ayr, Townsville and Ingham and the Inlander provides passenger services between Townsville and Mt Isa twice weekly. Aurizon transports coal to Abbot Point Coal Terminal and domestic coal to the Queensland Nickel Refinery and the Bowen Coke Works.

NQ's regional rail system is not meeting the needs of local businesses. Projected population growth, increasing fuel and transport costs are key factors pointing to the need for a reliable and efficient rail network. Passengers are restricted by long transport times and a small number of departure options which will continue to prevent rail transport from replacing road and air as a leading mode of transport.

The development of a high speed rail network in NQ would play an important role in attracting greater numbers of regional tourism and business activity. With business costs increasing, the future development of an efficient rail network in NQ is of state and national importance.

To reduce the cost of doing business in NQ CCIQ will continue to advocate for a major improvement in the region's rail network to improve efficiency and reliance; CCIQ believes that expressions of interest should be sought from the private sector to facilitate this process.

AIRPORT INFRASTRUCTURE

Businesses located across the NQ region are relatively isolated from state and interstate cities, making air transport a critical feature of NQ's transport mix. The two main airports in the region are Townsville and Mount Isa domestic airports. The critical issue for business is that neither regional airport offers direct flights to a number of interstate capital cities meaning that business and tourism passengers must get connecting flights via other airports.

Whilst the Townsville airport is considered to have capacity to service both domestic and international carriers, at present there are no international airlines operating services into or out of the Townsville airport. At present these two issues affect the attractiveness of the region to business investment, skilled workers and also limits the opportunity for the region to become a fly-in-fly-out hub to service the mining industry across the region.

Regional businesses believe that the state government should be investigating ways to increase the number of direct routes and service offerings to other major capital cities across Australia. Local businesses also believe more should be done to attract the presence of international airlines, to enhance inbound/outbound tourism and to create further international business opportunities.

CCIQ believes Townsville Airport should be upgraded across the terminals, ring roads and aircraft parking, as well as water and sewerage to increase its capacity. With this should come an increased effort to attract the presence of international airline.

CCIQ also believes there is opportunity for NQ to develop sub-regional airports to take pressure off Townsville and increase business opportunities across the region.

MAXIMISING PORT INFRASTRUCTURE

The Port of Townsville connects both Queensland and Australia to business partners and clients around the world. More than an eighth of Queensland's international trade and 75 per cent of metals from Queensland travel through the port. Endowed with nine berths on the premises, the Townsville Port plays a major role in driving the NQ and state economies. Given that the vast majority of trade transported to and from the Townsville port is via rail, it is essential that both Port and Rail infrastructure are planned and developed with the other in mind.

There are two key strategic projects that will bring significant benefit to the NQ business community and improve the attractiveness of the region for business investment:

- The Townsville Port Access Road (TPAR) corridor has the potential to expand into four lanes, catering for an easement for a conveyor to transport goods directly to the Port of Townsville; and
- The Townsville Eastern Access Rail Corridor (TEARC) will be able to link the existing rail network directly to the port, bypassing the central Townsville area. The TEARC's purpose is to amongst other things; facilitate the use of 1400m long trains (as opposed to the current 1000m on the Mount Isa line or 650m on the North Coast line); reduce bottlenecks in the Port of Townsville and improve urban amenity for suburbs of Townsville. It will form part of the existing Mount Isa to Port of Townsville rail system, which stretches over 1000 kilometres.

Both these projects work to enhance the efficiency and capacity of the freight and transport services for the region. This will result in a more peaceful business environment in central Townsville, reduce traffic congestion within the CBD and increased capacity at the Port of Townsville to service the wider regional business community.

Further development of the Port's capacity and operations is needed, including development in the vicinity around the Port. CCIQ will work with State Government and the private sector to ensure this vital artery of the economy performs at optimum levels.

STATE DEVELOPMENT AREAS (SDA)

Local businesses have reported that developing the land around the Townsville Port will increase business activity, productivity and attract further commercial interests from outside the region. By enhancing the capacity of the Townsville SDA's the region will be considered a prime investment location for national and international business operators.

The Townsville SDA (TSDA) together with the Abbot Point SDA in Gladstone link into the State Government's 'Northern Economic Triangle Infrastructure Plan 2007-2012' which seeks to see the 'emergence of Mount Isa, Townsville and Bowen as a triangle of industrial development and mineral processing over the course of the next half century'.

The development of the TSDA would see a number of opportunities present themselves for many types of industries, including; wholesale trade and manufacturing, small to medium scale port related industrial activities, rail and port dependent activities, heavy industry, extractive industries, materials/transportation services and environmental conservation.

The Office of the Coordinator-General released its plans for the TSDA in early 2013. Plans have been developed in conjunction with a number of policy reviews being undertaken by the Office of the Coordinator-General, including; Single State Planning Policy, Great Barrier Reef Coastal Zone Strategic Assessment, Great Barrier Reef Ports Strategy and the Galilee Basin Infrastructure Policy. As mentioned earlier in this report, the TEARC would also assist with the development and overall success of the TSDA by enhancing operational productivity.

In order to attract national and international interest in the region and to encourage local content in the supply chain, local businesses consider the development of the TSDA to be highly valuable.

Given its strategic location the TSDA is a priority area for development as a means of attracting future business to the region. In particular, the proposed amendments by the State Government to recommendations and priority actions contained in the 'Development Opportunities Strategy' should be expedited in 2013.

CCIQ will continue to advocate for private sector involvement with any future development plans and believes the TSDA will play an important role in meeting future business demand for the region.

PRIORITY 3: DRIVING NQ BUSINESS INNOVATION THROUGH TECHNOLOGY

CCIQ's 'Queensland's Digital Readiness Report' found that over 60 per cent of businesses believe internet speed and coverage is a key barrier preventing them from adopting and moving their operations online. This research demonstrates the crucial role the internet plays in Queensland businesses' operations. Of the 88 per cent of businesses that have a website, only 10 per cent of revenue is generated from this medium. This data clearly indicates there is an opportunity to assist Queensland businesses in better understanding the use and benefits of technology. NQ in particular is well placed to take advantage of digital revolution, with local businesses keen to develop the technology industry in the region.

For this vision to become a reality there needs to be an improvement of NQ's communications infrastructure to help drive growth businesses and tap into the emerging technology market. Townsville city and outlying surrounds are the main areas scheduled to receive the National Broadband Network (NBN) rollout, but many of the central points across NQ will miss out in the short term. There are 11 sites currently operating with fibre-optic cable, approximately 27 have commenced construction with further roll-outs planned over the coming 1-3 years.

Without adequate capacity and connectivity, the expansion of the technology sector in NQ will be slow. If digital facilities are improved, sustainable industries such as Solar and Waste Management have the potential to thrive in a NQ 'Silicon Valley' equivalent precinct. Access to high speed broadband and associated technologies also help build the right environment to attract investment and encourage business start-ups and growth.

A significant and immediate improvement is required not only to enable NQ business to keep pace with technological improvements, but also to attract investment and improve the business operating environment generally. If this can be achieved, new and dynamic businesses will be attracted to the region and the seeds of economic growth will be planted for future prosperity.

CCIQ will write to and seek a commitment from both major parties to prioritise the roll out of the National Broadband Network across Queensland.

In order to put the case to the Federal Government, CCIQ will undertake technology-specific case studies to build the case for expedited roll-out of the NBN in NQ and the establishment of a new technology-based industry in the NQ region.

CCIQ believes any future rollout of broadband should focus on improving internet access, and connection speeds while keeping the cost to business as low as possible.

We are the second capital of Queensland and the capital of NQ, so we need the government to focus on crucial infrastructure" – NQ Business Owner, Engineering Services

"Our business needs access to reliable internet for our operations. When we travel across the NQ region our services are significantly hampered because we struggle to connect and use our digital technology" – NQ Business Owner, Communications Services

PRIORITY 4: CREATING A STRONG ENVIRONMENT FOR SKILLS AND EMPLOYMENT

A skilled workforce is essential to a sustainable and diversified economic base. A large government sector and strong demand from the resources sector is placing pressure on NQ businesses to meet their workforce needs. 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.

NQ businesses want their employees to undergo training but often cannot afford to send them to their preferred training provider due to costs associated with travel. Finding out about funding available through State and Federal Government programs for training and workforce planning is difficult. There has also 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.

NQ businesses are finding it difficult to retain high quality employees given the current level of competition for skilled labour between industry sectors. The problem for local businesses lies in attracting the right mix of staff, both skilled and non-skilled. Often workers will undertake apprenticeships or training paid for by local employers. It is understandable local businesses are becoming increasingly reticent about investing in employees who they are likely to lose to the high-paying resources and government sectors.

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

QUALITY TRAINING FACILITIES AND BUSINESS RELEVANT TRAINING OPTIONS

Townsville already boasts significant tertiary education institutions in James Cook University and Barrier Reef TAFE. There must be continued investment in the regions education and training facilities to ensure funding is available for skills development and qualifications relevant to the regions existing and emerging industries. This is consistent with CCIQ's submission to the Queensland Government's Skills and Training Taskforce report on reform to skills and training in Queensland (September 2012), and was reflected in the Government response to the Taskforce's report. Specifically:

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

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

“Currently having to pay fitters to compete with mine wages means we are paying underperforming fitters better rates” – NQ Business Owner, Mining

ATTRACTING AND MAINTAINING THE WORKFORCE

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

Local businesses are noticing the increasing departure of young people and graduates who are seeking employment and lifestyle opportunities in south-east Queensland and other larger interstate business centres. Businesses attributed this to a lack of knowledge and appreciation of the opportunities that exist within the region and a poor relationship that exists between the business sector and education facilities. There needs to be a greater focus on strategies to engage with the 18-35 age groups and promote the benefits of living and working in the region.

Better support for workforce planning practices would help NQ employers to identify their skills needs.

CCIQ suggests the following:

- There needs to be a better delineation of where employers can seek assistance to identify and address skills requirements, and rationalising the various agencies that perform these functions – that is, industry skills councils, apprenticeships centres and training centres should have the capacity to act as a 'one stop shop' for coordinating advice and assistance.
- There is funding available for employers and employees for vocational training through the recently established National Workforce Development Fund. However, to access the services small employers must make a co-contribution of 33 per cent. This should be reduced to ten per cent to allow more employers to take advantage of the Fund.
- The Queensland Government should work with its Commonwealth counterpart to broaden the availability of the VET FEE-HELP scheme to a wider range of courses and providers.

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

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

CCIQ has released a Workplace Relations Blueprint that calls for a more flexible approach for employers. A key focus of this report is on workforce participation and tapping into the working age demographics.

“As a small owner operated business we have to comply with the same government regulations (particularly WH&S issues) as the big companies with specialist staff to take care of it. As a result it takes a larger percentage of available man hours for us to comply”
– NQ Business Owner, Construction

PRIORITY 5 –REDUCING COMPLIANCE AND ASSOCIATED COSTS

To secure a competitive and productive future for NQ businesses, unnecessary compliance obligations and burdensome regulation need to be addressed. NQ businesses spend large amounts of their time filling in forms rather than running their business. In late 2012, CCIQ conducted a number of case studies with NQ businesses to determine their levels of regulatory compliance.

SNAPSHOT: RED TAPE CASE STUDY

CCIQ met with a local motor dealership in Townsville to assess their regulatory and compliance levels. As an example of the impact of regulatory compliance on small and medium businesses in the NQ region, the following table presents the findings from a recent CCIQ red tape case study. For this business, red tape compliance costs total over \$246,000 each year, with the business manager spending on average 34 hours each week monitoring, reporting and completing compliance activities.

MOTOR DEALERSHIP –NORTH QUEENSLAND

The business is a family owned/run motor dealership, operating the North Queensland region since 1998. The business specializes in the sale of new and used motorcycles, scooters, ATV, golf carts, WaveRunners and new generators. They also hire scooters and motorcycles for recreational use. As well as selling a range of machines, the business provides finance and insurance, operates a repairs and servicing workshop, and stock/retails a range of tyres, accessories, parts, maintenance products, and clothing. The company is run/managed jointly by 3 family members as well as employing 20 people (sales staff and mechanical trade qualified).

Estimated costings based on 400 vehicles per year

COMPLIANCE COST SNAPSHOT		
	COMPLIANCE COST PER YEAR	UP FRONT COMPLIANCE COST
Business name and registration	\$500	-
Finance reporting	\$22,500 fees/premiums	-
Fair trading	\$118,580	\$24,390
Environmental regulations	\$3,300	-
Health and safety regulation	\$19,135 (plus \$45,00 fees/premiums)	-
Employment and workplace relations	\$2,400	-
Transport regulation and vehicle registration	\$35,200	\$24,525
Total compliance cost	\$246,115 (including \$67,000 in compulsory premiums)	\$48,915

BUSINESS TIME (HOURS) SPENT ON COMPLIANCE ACTIVITIES EACH YEAR			
	ONGOING	UPFRONT	TOTAL
Business name and registration	1	-	1
Finance reporting	-	-	-
Fair trading	1189	197	1386
Environmental regulations	8	-	8
Health and safety regulation	45	120	145
Employment and workplace relations	24	-	24
Transport regulation and vehicle registration	432	120	552
Total time required (hr)	1699	437	2116

Average hours spent per week undertaking compliance activities:
34 hours
(approx 1 FTE Equivalent)

The business reported that workplace health and safety, financial reporting, employment and taxation were costing them a substantial amount in dollar terms without enhancing safety or improving operational efficiency and take up significant time to complete (approximately 34 hours per week). Of particular note, Fair Trading regulation requires the business to spend close to 1200 hours per year, amounting close to \$120,000 annually.

Governments need to give greater consideration to the challenges faced by small business. A 'one size fits all' approach does not work for the decentralised regional economies. State and Federal Governments need to improve their communication and engagement with regional business communities.

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

PRIORITY 6: PROMOTING NORTH QUEENSLAND AS A CORPORATE TOURISM DESTINATION

NQ's geographical location and natural environment provides unique business and tourism offerings to both domestic and international markets. A key goal for local businesses is to raise awareness about the region's offerings as a tourism location, in particular for business and corporate events.

Endowed with a fantastic position between Far North Queensland and the Whitsundays, offering a great combination of city life and natural heritage, NQ has great potential. While many in the region understand they are up against formidable local competition with Cairns, Port Douglas, the Whitsundays and other proximate tourism locations, there is an opportunity to present NQ as a key destination for corporate tourism, such as conferences and conventions and to promote the already established and growing festivals and events that take place in the region.

According to Tourism Queensland statistics, in September 2012, 77 per cent of all international visitors to NQ were for holidays, and 5 per cent for business. Domestically, the figures were more balanced with 33 per cent holidaying and 26 per cent for business, the remainder visiting friends and relatives. These statistics indicate the potential for expansion of the business tourism market particularly international corporate tourism. Redeploying the campaigns and strategies used to lure domestic corporate tourism to attract international businesses to the region would be a start. However, creating the tourism infrastructure that caters for both holiday makers and businesses will be essential if NQ is to attract a larger share of Australia's tourism market generally. This means significant investment in upgrades to existing infrastructure and establishing the right environment to attract greater investment in new infrastructure.

There are a number of challenges that have prevented NQ from capitalising on its tourism potential, including environmental constraints on development in some key areas, limited tourism infrastructure, lack of accommodation capacity, international flight restrictions at Townsville airport, and poor intra and inter-region transportation and connectivity. Although there is some effort being made to promote NQ in recent times, more needs to be done to secure the region's future as a domestic and international tourism destination and to ensure that local businesses are included in the roll-out of any strategy.

Through the regional policy council and local chamber network in conjunction with CCIQ Advocacy, CCIQ will work with key stakeholders including the Queensland Government and Tourism Queensland to ensure that a realistic and achievable tourism strategy is implemented in the NQ region. The strategy will pay particular attention to the role of local businesses in the roll-out and adopt the principles of the recently launched "Buy Locally" partnership agreement between CCIQ and the Queensland Government.

"We have the best conditions for tourism across Queensland, but it seems that the message isn't getting out there. More emphasis needs to be placed on NQ as a hub for culture and tourism" – NQ Business Owner, Accommodation, Cafes and Restaurants.

PRIORITY 7 – IMPROVING AND SIMPLIFYING ACCESS TO FINANCE

Access to finance is critical for the ongoing development of businesses, as they rely on credit to fund almost all facets of a business life cycle, including start-up costs, expansion and supporting business operations during times of low cash flow. Banks have a broad responsibility to provide reasonable access to finance for local businesses, with many businesses believing that lenders misunderstand their operational needs. Investment, property and land developments and expansions of existing commercial real estate are the core areas in which businesses struggle to receive assistance.

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

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

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

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

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

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

CCIQ is engaging with key stakeholders in the banking sector to ensure the flow of funds to creditworthy small business borrowers and is seeking commitments to from key financial institutions to improve the skills of business lending managers and credit departments with a particular focus on small and medium business customers.

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

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

"Our business is faced with many cost burdens. How are we supposed to reinvest in our operations when banks are less likely to lend?" – NQ Business Owner, Accommodation, Cafes and Restaurants

PRIORITY 8: A POSITIVE BUSINESS AND INVESTMENT CULTURE

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

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

Accordingly this report is intended to act as a catalyst for greater engagement between CCIQ, the NQ business community and key decision makers at a local, state and federal level. As previously outlined engagement with NQ regional 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 the local chambers of commerce, local and state governments and media outlets to ensure relevant economic and business data and business opportunities contribute to a positive business outlook for NQ.

CCIQ will provide ongoing advocacy updates to the NQ business community about the progress made towards addressing the 8 regional business priorities raised in this report and summarised at the beginning of this report.

“NQ needs an improved Bruce Highway so we can improve our freight capacity”
– NQ Business Owner, Manufacturing

SUMMARY OF REGIONAL BUSINESS PRIORITIES:

1. Improve the NQ business operating environment and reduce costs.
2. Build a strategic and integrated infrastructure network.
3. Drive business innovation in NQ through technology and connectivity.
4. Create an attractive working environment and strong workforce base for NQ business.
5. Reduce the cost and burden of red tape and improve regulator engagement with regional business communities.
6. Promote NQ as a corporate tourism destination.
7. Improve the ability for small and medium businesses to gain access to finance.
8. Create a positive business and investment culture in NQ to secure the region's future prosperity.

“NQ requires a better transport network with road & rail - any investment in our region is discouraged due to high federal taxes & QLD payroll tax acts as a disincentive”
– NQ Business Owner, Manufacturing

“Get rid of government regulations that slow business with no gain for either the climate or the health and safety of workers” – NQ Business Owner, Retail



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**.

CCIQ OFFICES

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

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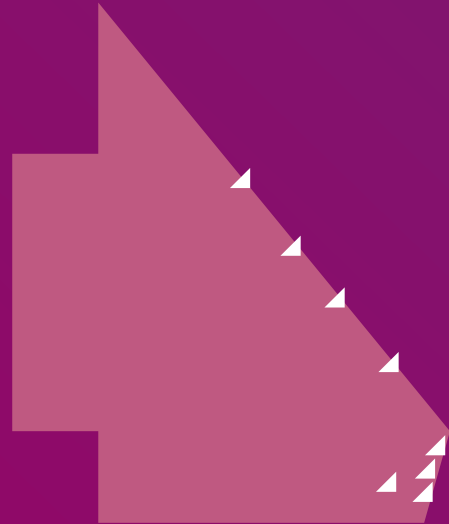
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