



Submission to Queensland Competition Authority on Industry Assistance

CHAMBER OF COMMERCE AND INDUSTRY QUEENSLAND

30 May 2014

Overview

1. The Chamber of Commerce and Industry Queensland (CCIQ) is the state's peak body for small and medium businesses. CCIQ welcomes the opportunity to provide feedback to the Queensland Competition Authority (QCA) for reporting on and evaluating industry assistance.
2. CCIQ's advocacy is premised on governments improving the general business operating environment by driving down costs and removing barriers to business growth. This would reduce the need for industry assistance and allow Queensland businesses to compete within Australia and globally. However, CCIQ also recognises that achieving an optimal business environment will require substantial and long-term reform, including holistic tax reform, workplace reform and continuing microeconomic reform to boost productivity.
3. In the meantime, CCIQ maintains a pragmatic view that industry assistance can add value when helping Queensland build a competitive industry structure. This requires Queensland Government assistance to be broad-based, rather than backing particular sectors, and market-driven to encourage the private sector to make decisions about investment.
4. CCIQ recommends the inquiry (refer Table 1):
 - a. begin with a comprehensive stocktake of all industry assistance, including support to community, not-for-profit organisations and local governments;
 - b. develop a performance assessment framework that gives attention to whether the industry assistance is based on sound policy, is cost-effective and satisfies a net benefit test;
 - c. prioritise the evaluation on those assistance measures that receive high levels of funding, that are non-transparent, have selective impacts, lack coordination and are out of sync with community expectations; and
 - d. establish an independent monitoring and performance evaluation system that will guide reform options and continuous improvement of industry assistance.
5. Tax concessions publicly provided to small business through tax exemption thresholds have advantages over funding provided selectively to organisations that are less transparent. Options for reform should be consistent with existing Queensland Government commitments, specifically to foster business growth through low taxes.
6. CCIQ also supports consolidated and more efficiently delivered assistance measures. The large number of grant programs should be reduced and funding programs that share similar purposes should be administered by a single agency. Given the current State budgetary pressures, it is vital that any industry assistance measure represent quality spending.
7. Further details on these aspects are set out below. CCIQ's feedback is structured according to the tasks that the Queensland Competition Authority will undertake as part of this inquiry.

Table 1

	Stages of the Inquiry	Criteria	CCIQ Feedback	Reference
Stage 1	Report on Industry Assistance			
	Define industry assistance	Any measure to individual, organisation, business or local government that is not part of essential service delivery, is selective and benefits industry activities located in Queensland.	Public administration functions relating to health, education, transport, social welfare and natural disaster relief and recovery would be excluded.	Paragraphs 8-14
	Database structure	Focus on industry groupings and categories of assistance that have industry implications.	Database structure must guide prioritisation process by giving attention to individual measures with major impacts as well as the combined impact from multiple measures.	Paragraphs 15-19
	Measuring assistance	Consider the advantages and disadvantages of various types of assistance.	Assistance in the form of tax concessions offer advantages over direct grants.	Paragraphs 20-21
Stage 2	Develop performance assessment framework			
	Sound policy basis	Facilitates adjustments, addresses market failure and demonstrates additionality.	Labour market assistance programs, health and medical research, and industry waste strategy have sound policy basis.	Paragraphs 31-36
	Cost-effectiveness	Objectives being met, choice of assistance is appropriate and least cost.	Scope to reduce large number of assistance programs.	Paragraphs 37-45
	Net benefit test	Benefits - increase economic activity, improve productivity and demonstrate widespread spillovers.	Payroll tax exemption for small business, subsidies for the VET sector that are contestable, and health and medical research provide positive, widespread spillovers	Paragraph 48
		Costs - level of funding, administrative expenses, costs incurred by recipients and opportunity cost.	Grant programs have high levels of funding, very complex administrative arrangements that are not fully costed, and impose costs on recipients having to submit rigorous project applications.	Paragraph 22
		National focus on benefits and costs where relevant	Payroll tax exemption provided in every jurisdiction.	Paragraph 53
Stage 3	Prioritise industry assistance measures for evaluation			
	Prioritisation test	High level of funding, transparency, scope of impacts and degree of coordination.	Large number of non-transparent funding programs need to be evaluated to improve coordination and achieve savings.	Paragraphs 58-61
		Community expectations.	Green energy schemes are highly controversial given the impacts on electricity prices.	Paragraph 62
Stage 4	Establish monitoring and performance evaluation system			
	Existing measures	Clear agency responsibilities for monitoring and single reference point for reporting.	Improve central grants portal to be a useful tool for all industry assistance.	Paragraph 67
	New measures	Independent assessment of all new industry assistance.	QCA to apply performance evaluation framework to all new measures.	Paragraph 68

Reporting on industry assistance in Queensland

Criteria for defining industry assistance

8. The terms of reference for the QCA inquiry define Queensland Government assistance measures as:

“any measures implemented and/or funded by the Queensland Government, directly or indirectly, that are intended to assist any industry in the State of Queensland as determined by the Authority as part of its investigation”.

9. QCA has determined industry assistance to be any measures that provide benefit to business or a group of businesses. CCIQ is concerned with this approach as it excludes all assistance provided to not-for-profit organisations, local government and community groups. If approached in this way, there is risk of compromising the integrity of the database as it would not capture the full range of industry assistance measures.
10. CCIQ notes that some not-for-profit and community organisations can have commercial interests. Similarly, while CCIQ agrees with the QCA that assistance provided by local government warrants a separate review in its own right, assistance provided to local government should be included as part of this inquiry (e.g. subsidy programs for commercial businesses that may impact competitive neutrality). Collectively, the cost of assistance provided to these groups can be substantial.
11. CCIQ does not question the merits of such assistance, only the exclusion of these measures in the QCA’s inquiry. CCIQ believes a full and comprehensive stocktake is a crucial element of this inquiry.
12. A more appropriate basis for determining industry assistance is to firstly distinguish between what is truly an assistance measure and what is outsourcing of government services. CCIQ considers funding to not-for-profit, community groups and local government which substitute for essential Queensland Government service provision should be treated as outsourcing. Any other assistance measures provided by the Queensland Government to these sectors or another external party, irrespective of ownership structure, should be treated as industry assistance.
13. Therefore, CCIQ recommends the following broad criteria to identify current industry assistance:
- any measures provided to an individual, organisation, business or local government that are not part of an essential service delivery function of the Queensland Government;
 - any measures that directly or indirectly benefit industry activities located in Queensland; and
 - any measures that are selective and in addition to support available generally.

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14. To further clarify, CCIQ considers essential service delivery to be public administration functions relating to health, education, transport, social welfare, and natural disaster relief and recovery. For example, the Natural Disaster Recovery Relief Arrangements (NDRRA), rental assistance for low-income households, the Dental Care Scheme and Patient Travel Subsidy would be excluded for the purposes of this inquiry.

Database on industry assistance

15. A comprehensive data set needs to be developed that highlights the level and distribution of all current assistance measures. Importantly, the structure of the database should draw attention to individual measures that have a major impact as well as instances where there is significant impact from multiple assistance measures. This would better inform the development of a prioritisation test to select those measures in need of evaluation. It would also provide a thorough basis for considering reform options, especially in terms of consolidating assistance measures and minimising the cost of delivering assistance.
16. CCIQ considers the database should be structured in a way that appropriately orients the QCA's review on assistance directed to a *specific industry* and on those measures intended for general economic development but have *industry implications*. This is similar to the Productivity Commission's estimates of industry assistance between 2006-07 and 2011-12.
17. For QCA's inquiry, the following groupings would be appropriate:
- Industry-specific (disaggregated where relevant)
 - Primary industries
 - Manufacturing
 - Mining
 - Electricity, gas and water
 - Construction
 - Wholesale and retail trade
 - Tourism
 - Transport and storage
 - Service sectors
 - Regional development programs
 - Environmental programs
 - Research, development and innovation programs
 - Business development programs
 - Export and trade programs
 - Investment attraction programs
 - Labour market (skills and training) programs
 - Unclassified programs

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18. Assistance measures reported by these groupings can then be separated out by the type of assistance being provided. CCIQ supports reporting on the four types of industry assistance measures outlined QCA's issues paper, namely:
- a. budgetary measures;
 - direct expenditure (e.g. grants, subsidies, credit and loans)
 - tax concessions (e.g. exemptions, deductions, rebates, preferential tax rates, deferred tax)
 - contingent liabilities (e.g. debt guarantees)
 - funding to organisations delivering services to industry
 - b. government purchasing preferences and local content requirements;
 - c. subsidised public infrastructure and services including, underpricing of services from government owned assets; and
 - d. restrictions on competition that benefit some businesses.
19. CCIQ recognises there are limits on the coverage of the database and QCA will need to give attention to those assistance measures that are currently in place. However, it may be useful to include all assistance measures provided since 2012. This would better support an evaluation of assistance measures in the context of the current Queensland Government's approach to industry policies.

Measuring industry assistance

20. CCIQ believes it is important to establish a consistent measurement of assistance that will allow for meaningful comparisons of different types of industry assistance. While some budgetary measures like tax concessions can be accurately estimated on a continual basis, discretionary grants to organisations that in turn, provide indirect benefit to specific industries, are less transparent.
21. The approach to quantifying the level of assistance should allow for the advantages and disadvantages of these various forms of assistance measures to be explored. For example, assistance measures in the form of tax concessions offer significant advantages over assistance in the form of direct grants. This is because the incentives created via tax concessions are highly transparent, generic and apply to many different sectors of the economy. Moreover, businesses would be making the investment decisions so the costs of complex application processes are avoided.
22. CCIQ notes that the full cost of many grant programs are not measured. This is because there is an increasing amount of assistance provided both directly and indirectly under complex administration arrangements that do not allow for proper assessment of the costs. While the funding awarded to projects are publically announced, the selection process itself is determined by Ministerial discretion or a delegated departmental authority on the advice of assessment committees. It is therefore imperative that as part of the QCA inquiry, all government agencies provide thorough information on the costs associated with delivering grant programs.

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23. Where public administration functions confer benefit to specific industries, this should also be included in quantifying industry assistance. CCIQ acknowledges that this is challenging and may require separating out what is a public administration function and attributing only a proportion of the costs to the level of overall industry assistance. Nonetheless, CCIQ considers there is merit in including such estimates as it would better reflect the level of assistance being provided.
 24. CCIQ suggests the inquiry give attention to estimating the level of assistance provided via government purchasing preferences that benefit certain industries (e.g. QFleet vehicles buying ethanol fuel). The level of funding provided to organisations to help implement local content policies should also be quantified. As these arrangements are geared towards large scale projects, it confers a benefit on particular sectors, namely, the mining, manufacturing and construction industries.
 25. In terms of regulatory restrictions, CCIQ highlights that the key issues for small and medium businesses are to do with the impacts on competition (e.g. market dominance and anomalies with liquor licensing) and the impacts on compliance costs. These matters centre around the relative trading advantages between businesses of varying size and the overall burden of regulation on businesses generally. Accordingly, CCIQ considers the evaluation of regulatory restrictions is best undertaken as part of the current Federal Government review of competition laws and policy and the COAG processes aimed at national harmonisation (e.g. national licensing for trades and harmonisation of workplace health and safety laws).
 26. For the purposes of this inquiry, the QCA's assessment of Queensland Government regulatory restrictions should focus on how it affords advantages to a particular industry relative to another industry. For example, State planning restrictions affect interactions between agriculture and mining, restrictions on imported fresh produce can drive up input costs in the hospitality industry, and restrictions on information flows can influence how the insurance industry responds to market circumstances.
 27. Given the challenges of measuring the degree of industry assistance inherent in such regulatory restrictions, CCIQ suggests a qualitative assessment is appropriate. The inquiry should instead focus on quantifying the direct and indirect assistance in the form of government grants and subsidies, funding to organisations, purchasing preference schemes and underpricing of access to government-owned assets and services.

Develop a performance assessment framework

28. CCIQ considers the proposed evaluation framework set out in the QCA issues paper is appropriate. More specifically, CCIQ agrees that industry assistance can be in Queensland's economic interest when it:
 - is based on sound policy rationale with clear, outcomes and focused objectives;

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- achieves intended outcomes in a cost effective manner; and
 - satisfies a net benefit test.
29. In developing the performance assessment framework, it would be useful for QCA to consider an individual assistance measure as well as the collective impacts of multiple assistance measures. CCIQ believes this is necessary so there is perspective on how various forms of industry assistance interact and their relative contributions.

Policy rationale

30. There should be a sound justification for providing industry assistance in the first place. CCIQ believes assistance measures that have a sound policy rationale are those that:
- facilitate adjustment within and between industry sectors in response to competitive market pressures;
 - address a genuine market failure and are time limited to the duration of that failure; and
 - support activities that would not have otherwise occurred.
31. For example, CCIQ believes that labour market assistance programs that target skills and training needs can have a sound policy rationale (e.g. \$86M Pathway to a Skilled Trade Future – 10,000 Apprentices Boost and \$10M Supporting Women in the Professions). These directly support increased labour market participation and when combined with proper workforce planning, can help address skills shortages in high growth industries.
32. Where Queensland Government assistance is aimed at supporting the level of production in a relative uncompetitive sector of the economy, the policy rationale is less convincing.
33. The Productivity Commission has aptly noted that the long term fundamentals for an industry are rarely changed by assistance. CCIQ suggests that in reviewing the policy rationale of industry assistance, the QCA establish a strict basis for determining market failure to limit the extent of industry assistance and close the gap between expectations of government and capacity to fund. Natural cycles of industry contraction and expansion are not market failure and assisting industries in decline is inappropriate.
34. CCIQ prefers an approach to assistance that facilitates industry adjustments (e.g. \$10M Commercial Fishing Industry Buyback Scheme and \$15M Industry Driven Waste Strategy). Such measures have a practical policy basis because they assist with a transition to more sustainable practices. In a similar manner, the Workplaces for Wellness funding program is encouraging best practice strategies for healthy workplaces across various industries, thereby contributing to productivity.
35. CCIQ believes there is a sound policy basis for assistance measures directed at scientific research and innovation as they offer widespread application and would not have otherwise occurred (e.g. Tropical Health and Medicine research). However, CCIQ questions the policy

rationale for industry-specific research assistance and assistance aimed at commercialisation of research and innovation that concentrates benefits to a particular industry or group of businesses.

36. CCIQ also questions the policy rationale behind assistance for industry specific infrastructure. By contrast, there is a clear role for government involvement in developing critical and strategic infrastructure such as the Bruce Highway for which there is a shared dependency by most sectors of the State's economy.

Assessing effectiveness

37. CCIQ suggests the focus for assessing effectiveness is to firstly consider whether the objectives of the assistance are being met and secondly, whether the choice of assistance measure is the most appropriate and least cost. In particular, CCIQ recommends the QCA give attention to improving the effectiveness of assistance measures by:
- consolidating the number of existing assistance measures;
 - minimising the cost of delivering assistance measures, especially through improved coordination between Queensland Government agencies;
 - implementing clear key performance indicators for measuring and benchmarking; and
 - removing assistance measures that duplicate programs offered by the Federal Government.
38. The National Commission of Audit recently recommended abolishing or merging all industry assistance programmes with a budget impact of less than \$5 million per year to reduce departmental costs. This included abolishing assistance measures such as Enterprise Connect, Commercialisation Australia and Small Business Advisory Services. These programs currently fund services that could be readily provided by the private sector. CCIQ recommends a similar approach be taken in Queensland.
39. CCIQ maintains that support to small and medium businesses in many instances represents a value-for-money proposition as it helps stimulate activity across all sectors, all regions and therefore a vital part of diversifying Queensland's future economic growth. However, we also believe that the Queensland Government should continue to seek opportunities to improve delivery of this assistance in the least cost manner, consistent with our calls for responsible fiscal management of the State budget.
40. The effectiveness of various assistance intended to support research and development or innovation could be improved through consolidation. CCIQ considers there should be a rationalisation of funding provided by Queensland Government departments for discrete research areas (e.g. forest and wood products research) in favour of assistance for applied research that targets universities or Queensland based research organisations (e.g. Accelerate Partnerships, Accelerate Fellowships and Smithsonian Fellowships). There is also scope to consolidate the range of innovation initiatives to improve the effectiveness of these networks.

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41. For various promotional and investment attracting assistance measures, there is insufficient information to give a clear indication of performance. It is difficult to assess whether the gains in business opportunities have outweighed the relative high costs of these services.
 42. CCIQ believes there is scope to reduce the large number of assistance measures related to environmental programs that confer benefits to certain industries or particular organisations.
 43. Similarly, CCIQ questions the effectiveness of Queensland Government assistance designed to support the renewables sector. While the aim may be to encourage positive spillovers to other industries from technological innovation, it instead involves the rollout of current high cost technology, resulting in increased energy costs and less reliable supply. CCIQ believes more consideration is needed about whether the project funding represents value-for-money.
 44. Where assistance measures interact with Federal Government policies and programs, CCIQ believes there is a case for close scrutiny to ensure least cost implementation. For example, drought assistance is delivered by both State and Federal Government to affected farmers, with the processes for applying for assistance complex and time-consuming because of the numerous agencies involved in administration depending on the type of assistance and the relative roles of each level of government.
 45. CCIQ considers that the provision of community service obligations can be an effective form of industry assistance when it is applied indiscriminately between both public and private sector providers. CSO payments can be reported transparently as part of the State budget and can force providers to quantify the costs of delivering services to a desired outcome. However, CCIQ emphasises that the CSO payments should only relate to the non-commercial aspects and not be used to cross-subsidise activities of public sector providers. CCIQ believes that Queensland Government subsidies for electricity that provide benefits to regional businesses should be examined as part of this inquiry. There has been a significant increase in CSO payments and there is scope to look at alternative ways to provide assistance (e.g. as a network subsidy and encourage a competitive retail component). CCIQ recognises that such reform warrants a full cost-benefit assessment as is currently part of a separate QCA inquiry on electricity price regulation in regional Queensland.

Net benefit test

46. CCIQ believes the benefit of any industry assistance should be measured based on how it effects the level and nature of economic activity (e.g. in terms of jobs, investment and exports), how it contributes to productivity growth (e.g. technology development, product innovation, and process improvements) and the degree of participation from Queensland recipients. **To provide high level of benefit, an industry assistance measure would need to increase economic activity, improve productivity and demonstrate existence of widespread benefits over and above the costs to implement and the opportunity cost of alternative approaches.**

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47. CCIQ notes that QCA has not given any indication of possible weightings to assign to each aspect of the net benefit test. A straightforward application involves giving all aspects equal weight so that on balance, the positives must outweigh the negatives for an assistance measure to satisfy the net benefit test. However, CCIQ highlights that not all benefits are the same from a State interest perspective. Circumstances relevant to Queensland should influence the evaluation of benefits. Other considerations in the evaluation of benefits include:
- distributional impacts and whether the outcomes are equitable;
 - whether the benefits are immediate or realised over a longer timeframe; and
 - whether the benefit is uncontroversial with a low level of concern from the community.
48. To create genuine positive spillovers that are widespread, government assistance must aim to create a competitive industry structure in Queensland. For this to occur, the Queensland Government must promote industry assistance that provides a common good, rather than assistance that favours one industry above others or a particular region over other areas of the State. CCIQ reiterates that the payroll tax, land tax and duty exemption thresholds for small business, subsidies for the vocational education and training sector that are contestable, and health and medical research are examples of assistance measures that provide widespread, positive spillovers.
49. To properly evaluate costs, it will be critical for QCA to consider the administrative costs to government, the costs incurred by recipients of assistance and the opportunity costs of alternative approaches.
50. In terms of administrative costs, there are substantial variances across government agencies and no consistent basis for assessing both the actual cost associated with delivering the assistance (e.g. budgetary and in-kind) and the implicit costs given the trade-offs with other priority areas. CCIQ believes it is important to include all departmental and employee costs, including for delivery of the State Government's four pillars of growth strategy based on the agriculture, mining, tourism and construction sectors.
51. CCIQ is also concerned with the lack of transparency about the objectives and costs of some industry assistance measures, for example:
- incentives to major projects such as discounted royalties for greenfield resource developments, preferential port access arrangements and co-funding infrastructure;
 - tax holidays to major businesses for relocating in Queensland;
 - facilitation services to accelerate major project approvals; and
 - commitments made under the Queensland Investment Incentives Scheme funding.
52. A proper assessment of costs will also require consideration of the costs incurred by the recipients of assistance. The process of applying for a grant can be costly and then there are the compliance burdens associated with having to enter into complex contracts arrangements and reporting requirements for acquitting grants. CCIQ believes grant application processes should

be simplified with good information dissemination of the assistance measure to ensure optimal take-up.

53. CCIQ considers there are circumstances which warrant a national focus on costs and benefits in evaluating assistance measures. Assistance that is offered by other State Governments (e.g. payroll tax, land tax and duty exemption thresholds for small business) is relevant to Queensland's competitiveness. Such measures are necessary to ensure Queensland remains competitive by stimulating economic growth, which in turn can help return the budget to surplus and pay down accumulated debt. The situation in other jurisdictions is therefore relevant. The Victorian Government, for instance, is cutting payroll tax and abolishing stamp duty on life insurance. This action is possible because of the Victorian Government's stable triple-A credit rating and projected budget surpluses over the next four years. CCIQ is a strong proponent of competitive federalism in respect to state tax arrangements for all businesses.
54. Conversely, a national focus may help highlight assistance measures that are counter-productive or incompatible with national policies. CCIQ does not believe that taking a national view should be a determining factor, rather just another consideration within the broader performance assessment framework.

Prioritising assessment

55. QCA's proposed prioritisation questions are reasonable. However, more detail is required so there is a shared understanding of how these prioritisation questions will be interpreted.
56. By way of example, CCIQ's application of the proposed prioritisation questions reconfirms our view that the payroll tax exemption threshold for small business is not a high priority measure in need of evaluation (see Table 2). This is consistent with the State Government's commitment to foster business growth through low taxes.

Table 2

QCA's Proposed Prioritisation Questions	CCIQ's interpretation to payroll tax exemption threshold
What is the probable economic impact of the assistance measure?	<p>Significant positive impacts. This measure has an immediate, positive impact on business activity with value added across all industry sectors and all regions in Queensland.</p> <p>Further, this measure helps address an enduring problem of Australia's tax system. The Henry Tax Review found that payroll tax is highly inefficient and should ultimately be abolished. As a tax on jobs, it distorts labour supply decisions. There is also an equity problem, with small and medium businesses less capable of paying this tax.</p>
Has a review of the assistance measure been undertaken recently (effectiveness and economic impact)?	<p>Yes – annual audits and reviewed in 2012. The Office of State Revenue conducts annual audits as part of its Investigation Program for payroll tax compliance. Estimate of the benefits was identified as part of analysing the State Government's commitment to lift the payroll tax exemption threshold by \$100,000 over 6 years to \$1.6M by July 2017. The analysis shows lower tax benefits to 20,000 small businesses resulting in the creation of 4000 jobs.</p>
How great are the risks of the assistance measure in terms of unintended consequences?	<p>Low risk of unintended consequences. The Office of State Revenue has a consistent and transparent process for determining eligibility. There may be some disincentive for employment for businesses that are at the margins of eligibility. However, evidence from small business surveys confirms that employment decisions are based predominantly on levels of business profitability and not the marginal impact of specific tax concessions, such as the payroll tax exemption threshold. Although, CCIQ notes anecdotal evidence that some businesses structure themselves to remain under the threshold.</p>
What is the level of assistance being provided?	<p>Level of assistance proportionate to the outcomes. Forgone revenue is estimated at \$1.4 billion. This represents 28% of the total payroll tax revenue of \$4.1 billion in 2013-14.</p>
To what extent is the assistance selective?	<p>Low level of selectivity. The payroll tax exemption threshold is currently set at \$1.1million in wages. This is intended to remove small businesses. Since SMEs represent 96% of all Queensland businesses, the application of this measure is widespread.</p>
To what extent is there scope for the measure to distort capital investment?	<p>Minimal risk of distorting capital investment. Small business capital investment decisions are driven largely by profitability, which in turn depends on consistently high business confidence indicators.</p>

57. There remains a compelling case for retention of the payroll tax exemptions in the absence of reforms to taxation and Australia's federalism. The Federal Government's white paper on taxation will afford appropriate opportunity to consider the taxation system as a whole and identify areas most in need of reform, including the State's heavy reliance on inefficient payroll tax. Likewise, the white paper on federalism will provide opportunity to reform the vertical

fiscal imbalance between the Commonwealth and the States. CCIQ believes that until these reforms occur, it is premature to consider any change to existing payroll tax exemptions in Queensland.

58. CCIQ urges the QCA to also consider the following factors when identifying the high priority industry assistance measures in need of evaluation:
- is the assistance measure transparent with widespread impacts;
 - to what extent is the assistance measure provided in an integrated and coordinated manner; and
 - does the assistance measure align with community expectations in the national context.
59. CCIQ believes that industry assistance measures most in need of evaluation are those that have targeted impacts and are non-transparent.
60. In addition, refining the prioritisation test to specifically give attention to whether assistance is coordinated will help identify high priority assistance measures to evaluate and potentially reform through consolidation. Currently, there are a large number of funding programs intended to support regional development and business development, including various general business assistance services provided by Departments. CCIQ reiterates that there is a high degree of duplication, poor coordination and the benefits of these programs tend to be diluted because of poor take up.
61. CCIQ supports action to reduce the overall number of assistance measures to improve implementation efficiencies. The savings could then be redirected toward promoting a competitive business operating environment through lower taxes, improved labour market flexibility and less red tape.
62. As all industry assistance is delivered in the context of multiple, interconnected policy issues, some consideration should be given to how the measure aligns with community expectations. CCIQ believes assistance should be considered relative to what may be provided in other States. For example, support for the tourism industry via government promotion and marketing occurs in all Australian States and Territories so there is expectation for retention. Conversely, the level of community interest about an assistance measure can signal whether changes to the assistance would be controversial (e.g. funding for desalination plants and assistance for green energy schemes and the resulting impact on electricity prices).

Monitoring and performance evaluation

63. CCIQ agrees there is a need to establish a monitoring and performance evaluation system, with appropriately defined agency responsibilities, to ensure existing and new industry assistance measures continue to add value to Queensland's economy. However, more detail is needed on

how this monitoring and performance evaluation system will guide decision making with respect to reform options for industry assistance.

64. The proposed performance evaluation framework implies that for an individual assistance measure, the assessment will determine whether to retain the assistance, cease the assistance or redesign the assistance measure to improve effectiveness and efficiency. CCIQ highlights that different institutional arrangements may be needed depending on results of the performance evaluation and the nature of the reform options. For example:
 - a. Administering agencies with strong technical knowledge may be best placed to monitor high performing industry assistance where there will only be limited reform to improve design features of an assistance measure.
 - b. Central agencies (e.g. Treasury or Premier and Cabinet) may be able to make objective decisions on reducing the level of assistance or ceasing the assistance measure altogether, whereas it may be difficult for the administering agency to be impartial given historical resource allocations.
 - c. an independent body like the QCA would be best placed to evaluate a range of similar or duplicative assistance measures and consider consolidation options.
65. CCIQ recognises the existing policy and legislative development processes within government include to some extent the evaluation of industry assistance measures. However, these typically do not include a full cost benefit analysis of proposals. Moreover, the evaluation of most industry assistance is undertaken by the agency administering the program, which means there is a lack of independent analysis.
66. Industry assistance in the form of budgetary measures is reported as part of the Queensland State Budget and estimates processes for individual agencies. While direct grants and tax concessions are transparently reported as part of the State Budget process, the level of assistance provided to individual organisations are less obvious. Some of the assistance is reported as part of the Service Delivery Statements but this is usually aggregated by initiative and does not reflect assistance provided to individual organisations. It is also difficult to ascertain the level of assistance received.
67. There is scope to advance the Queensland Governments Grants portal so it is a more useful, single point of reference for all industry assistance. This could reduce search costs for potential recipients and help with a gradual move toward standardised application processes with common templates and consistent contract management arrangements for grant funding. CCIQ also suggests setting up key performance indicators and using benchmarking across States, programs and over time.
68. Current policy processes can be improved to ensure industry assistance measures add value to Queensland's economic performance. CCIQ suggests all new assistance measures be assessed by the QCA using the performance evaluation framework, with the assessment having regard to

the complexity of the assistance, the level of funding involved and the anticipated extent of community concern about the outcomes.

69. CCIQ would also support the QCA having responsibility for monitoring and reporting on all current State Government industry assistance. CCIQ suggests establishing a best practice approach for industry assistance, similar to what is provided via the Office of Best Practice Regulation. This would embed a discipline within Queensland Government Departments to have to justify any new industry assistance and also establish a formal process for ongoing review of existing assistance. A timetable for monitoring and reporting should be established, with the outcomes of industry assistance reviews made publicly available.