



CCIQ SUBMISSION

Agriculture Competitiveness Green Paper

CHAMBER OF COMMERCE AND INDUSTRY QUEENSLAND

12 December 2014

1. Introduction

- 1.1. The Chamber of Commerce and Industry Queensland (CCIQ) is the state's peak industry body for small and medium businesses, including agricultural producers in every Queensland region.
- 1.2. CCIQ supports the priority areas for reform outlined within the Agricultural Competitiveness Green Paper (Green Paper). CCIQ made a detailed initial submission to the Federal Government's Agricultural Competitiveness Issues Paper earlier this year.¹ A significant number of the policy ideas outlined in the Green Paper are consistent with our stated positions. A number of the policy ideas not covered within our initial submission are also supported.
- 1.3. CCIQ recognises that not all policy ideas can be taken forward into the Agricultural Competitiveness White Paper, and accordingly takes this opportunity to identify those policy ideas that CCIQ considers most significant to the competitiveness, growth and prosperity of Queensland's small and medium agriculture businesses.

2. Infrastructure

- 2.1. CCIQ considers infrastructure of critical importance to the competitiveness of the agricultural sector, particularly in Queensland. Four in five Queensland agriculture businesses are located in regional areas outside of South East Queensland. In order to ensure that these businesses can access and compete with national and international markets, transport and communications infrastructure issues must be resolved.
- 2.2. The Green Paper identifies three policy ideas (PI 1 -3) with respect to infrastructure, all of which CCIQ supports as vital to the advancement of agricultural competitiveness. In the absence of efficient and cost effective infrastructure (both transport and communications), Queensland agriculture is unable to realise its full potential.

Policy idea 1 – Building new transport infrastructure

- 2.3. Policy idea 1 identifies a number of suggestions for improving the gaps in existing infrastructure, which CCIQ supports. In particular, CCIQ notes the importance of the delivery of key Queensland transport infrastructure projects, such as the Bruce Highway upgrade and the Toowoomba Second Range crossing, as a matter of urgency.

Policy idea 2 – Improving existing infrastructure and transport regulation

- 2.4. It is imperative that existing infrastructure be improved. Businesses have told CCIQ that existing regional infrastructure networks are deficient and are not meeting the needs of the industry and the economy, and that particular attention and investment is required to improve the capacity and reliability of Queensland's agriculture transport and communications infrastructure.

¹ CCIQ's Submission on the Agricultural Competitiveness Issues Paper is available here: <https://www.cciq.com.au/advocacy/submissions/>

- 2.5. In Queensland, the transport of agricultural products to market generally relies on road transport predominantly due to the lack of alternative options in many regional areas. Accordingly, quality and affordable roads must be accessible. Currently, the quality of road conditions is forcing businesses to employ inefficient transport practices, and is hampering their business efficiency. An example of this is the impost of weight restrictions on export containers by the Department of Transport and Main Roads, which is causing one horticulture producer in the Wide Bay-Burnett region to transport containers to the port of Brisbane below full capacity. As a result this business is suffering increased transportation costs and a dramatic decrease in efficiency and productivity.
- 2.6. In the absence of alternative modes of transportation, the Government must support Queensland's agriculture businesses by ensuring that they have access to good quality and affordable road infrastructure.
- 2.7. In addition to improving existing infrastructure and transport regulation, CCIQ recommends developing and implementing strategies in partnership with industry to reduce transportation costs to business. Transportation costs, such as fuel costs which consistently impact the bottom line and substantially increase the cost of getting products to market and wharf costs, influence business operating costs and in turn reduce profit margins.
- 2.8. CCIQ supports the amendment or removal of transport regulation to improve the efficiency of the transport system and reduce business costs, including the removal of all regulations of access to coastal trading so as to lower coastal shipping costs for business.

Policy idea 3 – Enhancing communications

- 2.9. CCIQ strongly supports the need for Queensland agriculture businesses to be interconnected with both national and international customers and markets.
- 2.10. The lack of access to and the reliability of current communications infrastructure (both internet and mobile phone coverage) in regional Queensland is impeding Queensland agriculture businesses' ability to harness innovation. It reduces their ability to meet the needs of their customers, utilise online and digital technologies, and ultimately remain competitive in a global marketplace.
- 2.11. CCIQ considers that focus must be placed on ensuring that all Queensland regions receive reliable and affordable access to internationally competitive communications infrastructure if agriculture businesses are to compete in a global marketplace.²
- 2.12. Queensland businesses have expressed support for the NBN rollout, believing it will help them compete globally, work faster and reduce costs by bringing Australia's communications infrastructure more in line with competitors in other developed

² For more information see CCIQ Submission on the Draft Queensland Digital Economy Strategy, available at www.cciq.com.au

countries. However, they remain concerned about the delivery and availability of the NBN in the regions.

- 2.13. Further, due to the nature and requirements associated with agriculture operations, the expansion of the sector will bring its own complexities as farms are expanded and established outside the reach of existing communications technologies. Cost effective solutions to limited communications access in rural and regional Queensland must be considered in order to encourage growth within the sector.

3. Working with the States and Territories

Policy idea 4 –State Government deregulation

- 3.1. CCIQ membership has raised workplace health and safety (WHS) regulations and workers' compensation as one of the largest areas of compliance and complexity for agriculture businesses. Particular areas of concern include:
 - a. Overly complex, difficult to interpret/understand compliance requirements;
 - b. Excessive paperwork and documentation requirements;
 - c. Lack of employee duty of care;
 - d. Extensive risk assessment requirements;
 - e. Costly and burdensome training requirements; and
 - f. Focus on compliance and enforcement, rather than assisting businesses to deliver improved safety outcomes.³ CCIQ notes there has been significant progress in this area by Workplace Health and Safety Queensland.
- 3.2. CCIQ firmly believes a national strategy to enhance the responsibilities of employees in relation to their own actions in achieving workplace health and safety outcomes will achieve improved safety outcomes for small and medium business overall and encourage continued progress toward greater employer/employee balance.
- 3.3. Labour costs were identified as a key area of concern for CCIQ members, with a number of recommendations made in relation to the penalty rate regime, superannuation and minimum wage setting processes.⁴ The costs and compliance burdens resulting from the current Fair Work Act and regulations have also been raised as an area of significant concern, including unfair dismissal claims and the lack of flexibility in workplace arrangements.
- 3.4. While the Green Paper recognises the imposition of labour costs on agriculture businesses, it does not address policy ideas for workplace relations reform. CCIQ urges the Government to honour its election commitment to engage the Productivity Commission to review Industrial Relations, under which CCIQ will be providing a detailed submission on the substantial burden faced by small and medium agriculture businesses under the current regime.

³ For more information, see CCIQ's initial submission on Agricultural Competitiveness, April 2014, available at: www.cciq.com.au.

⁴ Please see also, CCIQ's Workplace Relations Blueprint: A Workplace Relations Framework for Modern Businesses (2013) available at www.cciq.com.au.

Policy idea 5 – Protecting the resource base

- 3.5. CCIQ supports policy idea 5, which recognises the importance of protecting the natural resource base, particularly in light of significant exploratory work being undertaken across regional Queensland by the resources sector to assess the existence of economically viable wells.
- 3.6. CCIQ's membership are concerned that exploratory work, in particular Coal Seam Gas (CSG) projects, is going ahead at the expense of agriculture, and will lead to the loss/contamination of good quality agricultural land, the depletion of groundwater, and the associated impacts on food production in Queensland.
- 3.7. Accordingly, a balance must be struck between mining and agricultural activities. Industry and landholders should work together to create ongoing mutually beneficial working partnerships, with mitigation activities put in place to ensure that primary producers continue to have access to good quality agricultural land. Sensitivity to land use issues such as stock control and movement, prevention of weed spreading and crop integrity are critical issues and must be appropriately managed by exploration licence holders.
- 3.8. CCIQ recommends that the Government implement regional planning policies that support viable primary industries and recognise that without long term security and unambiguous arrangements businesses do not have a profitable and sustainable future, particularly in peri-urban areas.
- 3.9. CCIQ would like to see education strategies included within the parameters of policy idea 5. Many landholders remain uncertain as to the benefits of and rights associated with exploration requests made against their land, particularly in relation to CSG projects. In order to protect the natural resource base, the Australian and Queensland Governments must equip Queensland landholders with the knowledge necessary to make strategic decisions in relation to exploration and exploration requests. This will also assist in ensuring that negotiations for access to land are undertaken on a more even playing field, with transparency and effective compensation and reparation outcomes.

Policy idea 6 –Strengthening farm businesses

- 3.10. CCIQ is strongly supportive of implementing initiatives aimed at improving the business operating environment and increasing the efficiency and competitiveness of Australia's agriculture industry. This includes taking action across numerous areas, including operating costs, workforce and skills, market access, regulatory environment, infrastructure and the natural environment.

4. Competition and regulation

Policy idea 7 – Improving Market Conditions

- 4.1. Generally, agricultural producers tend to be price takers, with little power to improve farm gate returns. Despite rising production costs, producers are faced with little or no capacity to pass cost increases up the supply chain.
- 4.2. CCIQ's agriculture members raise production costs (including material inputs such as high feed prices, and commodity prices) as one of the largest constraints on their businesses, impacting many areas including profitability levels, capital expenditure, employment and the ability to access new markets or explore new opportunities. Businesses are requesting a greater recognition of these cost impacts on their bottom line.
- 4.3. CCIQ would like to see increased support for producers to manage rising input costs by including standard clauses in contract (such as 'rise and fall' clauses) to allow for fluctuating on-farm costs to be shared with the supply chain (processors, retailers) rather than borne solely by the producer.

Policy idea 8 – Strengthening competition laws

- 4.4. CCIQ welcomes the release of the Harper Competition Review Draft Report, and has provided a submission to the Government commenting on the recommendations put forward in same.⁵
- 4.5. In particular, CCIQ strongly supports draft recommendation 25 of the Harper Competition Review Draft Report, which suggests the inclusion of an 'effects test' to current misuse of market power provisions as per section 46 of the *Competition and Consumer Act 2010*.
- 4.6. CCIQ believes the inclusion of an 'effects test' will allow for more scrutiny of businesses that purposefully damage their competitors, many of whom are often smaller firms. An 'effects test' will also offer greater protection to smaller operators from the predatory pricing practices of larger companies, and will go a long way in protecting small business against the monopolistic actions of powerful market operators.
- 4.7. Similarly, the Chamber supports courts being granted powers to order the divestiture of assets by a firm found to have misused market power, and believes this will act as an effective deterrent against anti-competitive behaviour of the market majors.
- 4.8. The duopoly of Woolworths and Coles undermines the notion of competition as a central component of a functional market economy. The effects of the duopoly are felt in very real and practical terms by agriculture businesses across rural, regional, and urban Queensland, with the major retail chains using their market power to drive down prices and push risk and responsibilities back down the supply chain.

⁵ For more information, see CCIQ's Submission in response to Harper Competition Review Draft Report, available at: www.cciq.com.au

Policy idea 9 – Improved regulation

- 4.9. CCIQ supports the improvement of Country of Origin Labelling. There is currently a lack of consistency in international markets in relation to promoting Australian agricultural products. Queensland agriculture businesses support the delivery of a united brand to increase export opportunities and enhance the image of Australian products in international markets (such as the 100% pure initiative undertaken in New Zealand). Businesses have also shown support for expanding the “Australian Grown” brand.
- 4.10. Access to chemicals is also an area of concern raised by CCIQ members, who are unable to access a range of chemicals at prices comparable to their international competitors. A relatively small market place, a lack of competition, and the expense of registering chemicals in Australia have all been raised as issues contributing to a lack of chemical access, which need to be addressed.

5. Finance, Business structures and taxation

Policy idea 10 –Improving access to finance

- 5.1. CCIQ supports the policy objectives that support improving access to finance for agriculture businesses. Stricter lending requirements post-GFC has limited the avenue for small business to access finance for working capital, investment and business expansion. While the banking sector has a responsibility to effectively manage lending risks, CCIQ notes that existing regulations are restrictive and fail to accommodate viable businesses.⁶
- 5.2. Agriculture businesses in particular have raised concerns regarding the lack of support from banks for businesses and projects in the agriculture industry, as well as stricter lending requirements and tightening covenants.
- 5.3. CCIQ supports the continuation of current drought assistance measures including concessional loans, and believes that this assistance should also be extended to businesses in the supply chain of drought-affected regions.

Policy idea 11 –Improving tax system efficiency and equity

- 5.4. CCIQ has consistently advocated for reform of the overall tax system to stimulate business growth. Transforming the Federal-State fiscal relationship and changing the rate and scope of the GST are fundamental to this reform. The efficiency gains from holistic tax reform could then support specific changes to business taxes, including reduction to the corporate tax rate, phasing out payroll tax and removing duty on business transactions.
- 5.5. CCIQ will provide a detailed submission with respect to the Australian Government’s Tax White Paper in support of holistic tax reform for the benefit of Queensland small and medium business.

⁶ For more information, see CCIQ’s Submission to the Financial System Inquiry Interim Report, available at: www.cciq.com.au.

Policy idea 12 –Farm business improvement

- 5.6. CCIQ supports the promotion of more competitive farm businesses with better support for farmers. Farmers are well versed in the art of being farmers (that is, managing the land and livestock), however they do not necessarily hold the business and negotiation skills necessary to obtain the best outcomes at the farm gate.
- 5.7. In addition to the requisite business advice suggested at policy idea 12, CCIQ would like to see the Government invest in the business aptitude of Australia’s agricultural producers to ensure that they have the necessary business and negotiation skills required to enable them to remain competitive and viable into the future.

6. Foreign investment

Policy idea 13 –Improving the transparency of foreign investment

- 6.1. CCIQ strongly supports foreign investment and recognises the importance of foreign investment for future growth and prosperity.
- 6.2. CCIQ is supportive of the establishment of a national register of foreign interests in agricultural land, water and business (in principle). However, CCIQ recommends a cautious approach to the establishment of the register, in particular the implementation of a threshold. Whilst there is a lack of comprehensive data available (and there is merit in establishing such data), the imposition of a threshold needs to be examined in detail. A low range threshold (suggested in the Coalition’s discussion paper⁷ at \$15 million) would increase the administrative burden on the FIRB and other entities involved in such transactions.
- 6.3. Foreign investment in all industries requires a certain degree of scrutiny to be applied to ensure that Australia’s national interest is first and foremost in the exercise of ministerial discretion. However, it should not be at the risk of dis-incentivising foreign investment in Australia.

7. Education, skills and training, and labour

Policy idea 14 –Strengthening agricultural education

- 7.1. CCIQ encourages the Government to introduce/support initiatives aimed at enhancing public perceptions of the industry and the career opportunities that are available. This should include increasing the understanding of students, parents, teachers and career advisors on the extent of opportunities available in the industry and emerging specialised skill needs (such as robotics, R&D and precision agriculture).
- 7.2. Alongside the attraction strategies outlined in policy idea 14, CCIQ would like to see the Government place some focus on retention strategies, including encouraging employers to up-skill their existing workforce, and the reintroduction of meaningful provisions that enable the agriculture industry to offer flexible working arrangements. Many agriculture

⁷ The Coalition’s Policy Discussion Paper on Foreign Investment in Australian Agricultural Land and Agribusiness, August 2012 (http://shared.liberal.org.au/Share/Foreign_investment_discussion_paper.pdf).

businesses are located in regional and remote areas where the resources sector is also active. As the resources sector is well known for paying higher wages, many potential and actual agriculture employees are attracted to the opportunities and money being offered in this sector in Queensland.

Policy idea 15 –Strengthening labour availability

- 7.3. CCIQ supports expanding the Working Holiday Maker (417) visa, along with a concerted effort to ensure that they are fit for purpose as flexible schemes that allow employers to easily fill short term unskilled and semi-skilled positions. This includes removing the requirement to pay superannuation contributions for working holiday visa holders.
- 7.4. CCIQ also encourages the Government to explore the potential of implementing a “blue card” initiative or passport for the agriculture industry, as a way to identify workers that have successfully completed training and assessment in areas such as workplace health and safety. This will reduce ongoing training costs for businesses who employ a large number of seasonal and/or itinerant workers, which is a particular concern of agriculture businesses in Queensland.
- 7.5. CCIQ supports broadening the skill coverage of the Temporary Work (Skilled) visa (subclass 475). Nation-wide skills demands as reflected in the Consolidated Sponsored Occupations List do not always line up with skills shortages in rural and remote areas, where access to labour is severely reduced due to population and labour mobility. CCIQ also calls for repeal of the 2013 amendments to the subclass 457 visa program, in particular labour market testing.⁸
- 7.6. In addition to streamlining visa programs, CCIQ refers to the Productivity Commission’s Research Report Geographic Labour Mobility (released 6 May 2014) and encourages the Government to work with the Queensland Government to improve labour mobility, including:
 - a. an increased focus on attracting skilled workers to regional and remote areas - initiatives could include promoting the ‘liveability’ of Queensland’s regions, and establishing better linkages between regional employers, RTOs and communities.
 - b. ensuring that skilled migration programs meet the needs of the agriculture industry by reintroducing regional concessions for small regional business sponsors, and initiating dedicated strategies to market opportunities to potential workers (which should be premised around building better relationships and cultural engagement with our Asian neighbours).

8. Drought

Policy idea 16 –Increasing drought preparedness

- 8.1. One of the key challenges faced by the agriculture industry is planning and managing for climate variability, including significant drought events. For the agriculture industry to

⁸ For more information see, CCIQ’s Submission in response to the Department of Immigration and Border Protection Discussion Paper – Reviewing the Skilled Migration and 400 Visa Series Programmes, available at: www.cciq.com.au.

remain competitive farmers must become better at adapting to or mitigating the risks associated with climate variability (or climate change). Accordingly, it is essential that individual businesses incorporate strategies and risk management practices that ensure their future viability without relying on government support payments for an extended period of time.

- 8.2. CCIQ is therefore strongly supportive of shifting the focus of drought policy from drought relief to drought preparedness, risk management and self-reliance as the first line of defence against drought events.
- 8.3. Concerns with current policy include difficulties in accessing current assistance measures and the tendency to discriminate against farmers who successfully, or better plan and manage for drought compared to others. The policy framework must deliver sound, consistent and equitable programs that respond to the real needs of the agriculture industry and are apolitical.
- 8.4. CCIQ recommends that the Government enhance the capacity of the industry to manage drought events by reallocating government funding (in the absence of a major drought event like that currently being experienced in Queensland) to help the agriculture industry identify what risk management strategies and tools they require to manage ongoing climate variability/change and subsequently assist the industry to implement them.

Policy idea 17 – In drought support

- 8.5. Irrespective of above, it remains important that a basic welfare safety net is maintained to ensure farmers are protected against climatic events which are beyond even the most vigilant producers' capacity to manage or plan for.
- 8.6. The Government should continue current drought assistance measures including concessional loans, deferring of tax liability and social support services. This assistance should also be extended to businesses in the supply chain of drought-affected regions.
- 8.7. CCIQ strongly supports imposition of a moratorium on all forced farm foreclosures in drought-affected Queensland regions to address the current farm debt crisis.
- 8.8. CCIQ also supports the provision of additional mental health support for agricultural producers during times of drought.

9. Water and natural resource management

Policy idea 18 –improving water infrastructure and markets

- 9.1. Continued investment in dams and water-use infrastructure is integral to the prosperity of many rural and regional communities in Queensland. Apart from providing a life-sustaining resource, dams are critical to agricultural producers, agricultural supply chains, mining, irrigation, electrical generation, flood control, drought relief, water storage, and recreation.

- 9.2. CCIQ supports both the construction of new dams and the expansion of existing dams in order to support the growth of Queensland's agriculture and mining industries.

Policy idea 19 – Natural resource management initiatives

- 9.3. CCIQ strongly supports the observation that regulation needs to appropriately recognise the interests of rural landowners, and encourages the State and Federal Governments to continue ongoing efforts to reduce red tape and regulatory burdens for small and medium businesses.

10. Research, development and extension (RD&E)

Policy idea 20 – Strengthening the RD&E system

Policy idea 21 – Improving the rural RDCs

- 10.1. The Queensland Government released Queensland's Agriculture Strategy in mid-2013. The aim of the strategy is to double Queensland's agriculture production by 2040. The strategy outlines 60 initiatives aimed at achieving the strategy's objective, including:

- a. Implementing a research, development and extension plan that sets clear targets for transformational research, capability, industry development, sustainability and improved international linkages;
- b. Enhancing science and technology capability to provide practical research that boost productivity.

- 10.2. CCIQ recommends that the Government consider the initiatives already underway to deliver Queensland's agriculture strategy and actions that are delivering successful outcomes in an effort to build on those at a national level.

11. Biosecurity

Policy idea 22 – Improving legislation

Policy idea 23 – Improving the biosecurity system

- 11.1. CCIQ supports policy initiatives that foster a streamlined and strengthened biosecurity system. The prevention of pest and disease incursions is of vital importance to the viability of all rural industries. Australia's unique biodiversity and relatively disease free status, along with our reputation as a supplier of fresh, high quality, clean produce must be maintained. Freedom from many of the world's major pests and diseases is a clear advantage in both domestic and global markets. Incursions can have a significant and long-term impact on the industry and need to be avoided.

12. Accessing international markets

Policy idea 24 – Strengthening Australia's overseas market efforts

- 12.1. CCIQ supports the Government's continuing activities to reduce global trade distortions and open up more market opportunities for Queenslanders. To assist in this endeavour, CCIQ would like to see the Government undertake a window mapping exercise to

identify what market gaps exist in agricultural product supply to international markets, and assist producers to take advantage of those opportunities.

Policy idea 25 Improving Australia's export and import systems

12.2. CCIQ supports policy objectives that encourage a reduction in compliance costs associated with exporting local goods to international markets. CCIQ members have raised concerns regarding the costs imposed on agricultural producers to export product, and in some cases producers have determined that it is unfeasible to proceed with export plans. A review of the Department of Agriculture's systems with a view to increasing functionality and reducing compliance costs will go some way to ensuring that Queensland producers are able to export their products and remain competitive in a global marketplace.

13. Conclusion

13.1. CCIQ appreciates the opportunity to provide further input into the development of the Agricultural Competitiveness White Paper. Overall, CCIQ is strongly supportive of implementing policies and initiatives that are aimed at improving the business operating environment and competitiveness of agricultural producers to enhance farm gate returns and ensure the viability, profitability and sustainability of this important industry into the future.