

SUBMISSION TO THE QUEENSLAND GOVERNMENT'S 2016-17 STATE BUDGET

Economic Strategy: The 2016-17 State Budget should provide pro-growth economic policy for businesses to invest and employ in a stand out business operating environment in Australia; and, Work constructively with the business community to progress key infrastructure projects, reduce the regulatory shackles and costs on small business to allow them to grow and employ. **Fiscal Strategy:** The Queensland Government must continue to deliver responsible fiscal management through: Returning to a fiscal surplus in 2016-17; Reducing public sector debt; Ensuring government spending does not exceed 2.5 per cent growth per annum on average across the forward estimates; Capping the Queensland Public Service (FTE) at 4.1 per cent of our State's population and 8.7 per cent of the State's total employment; Broaden contestability increasing the share of government services provided by the private sector; and Embrace the sale or long term lease of State owned assets premised on improving price and service outcomes, paying down debt and reinvesting in priority infrastructure. **State Taxation:** Resist all calls to increase State taxation; Progressively lift the payroll tax exemption threshold from \$1.1 million to \$1.6 million; and Adjust duty rates to ensure that taxation receipts remain neutral to increasing insurance premiums and 2013-14 changes be reformed. **National Tax Reform:** The State Government should take a leadership role for holistic taxation reform with a view to reducing the large number of inefficient taxes by shifting to a greater reliance on broad-based consumption taxes such as the GST to raise revenue more efficiently. **Infrastructure:** The State Government must urgently finalise and roll out the State's Infrastructure Plan. The expeditious development and roll out of a Queensland Infrastructure Plan is the single best way to get Queensland moving. **Red Tape:** The State Government must improve the efficiency of regulation both by removing unnecessary and duplicative areas of compliance, stem the flow of new regulation and make it easier for business to comply. **Innovation:** Advance Queensland innovation programs need to be reorientated to capture interest from existing small business not just start-ups. Innovation programs need to support incremental innovations in already established small business in their changes to production, service and process. **Energy:** Remove the legacy cost of the Solar Bonus Scheme and do not implement any future rebates to incentivise the uptake of solar; Proceed with market monitoring in 1 July 2016; Shift the Uniform Tariff Policy from Ergon Energy Retail to a network based Community Service Obligation. **Education and Training:** The Queensland Government must ensure the State's future skills requirements are met by developing business relevant vocational education and training. **Revitalising Competition Policy:** Respond to the recommendations of the Harper Review; Oppose recommendations that would undermine the strength of small business and therefore reduce competition in the longer term.

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ROLE OF THE STATE GOVERNMENT

The State Government has a vital role in building and sustaining the economy. Queensland businesses predominantly see the responsibility of State Government as creating an environment which is conducive to economic growth. Every region in Australia is in competition with each other to attract and retain investment. As a result, Queensland needs to have a business operating environment that is the absolute standout as a region to do business in. Key policy levers available to the State Government to create a better business operating environment include:

ROLE OF THE STATE GOVERNMENT	STATE GOVERNMENT ROLE TO PLAY	CCIQ SUPPORT	SECTION
Sustainable government finances – enhance business and consumer confidence because taxation and expenditure policy settings are relatively predictable and provide government with the capacity to respond to emerging priorities.	✓	✓	3
Expenditure on capital works and economic infrastructure – supports jobs in the short term, while improving the productivity of labour and the efficiency of businesses in the longer term. This boosts economic activity and employment demand.	✓	✓	6
Taxation system – reduces the constraints on business to grow and invest. An efficient and competitive tax regime stimulates economic growth and increases employment.	✓	✓	4, 5
Regional development – supporting economic growth through both infrastructure delivery and support for new industry development in regional areas creates more local employment opportunities.	✓	✓	6, 8, 9, 10
Removing unnecessary regulation and providing business support – reducing red tape for business and non-government organisations enables them to grow and create more employment opportunities.	✓	✓	4, 7, 9
Science and research, innovation and entrepreneurship – fostering the development of knowledge and skills in high value, high growth areas will support new sunshine industry development in Queensland.	✓	✓	8
Efficient public service – a public service capable of efficiently delivering services to the community.	✓	✓	3

Source: Jobs Now, Jobs for the Future – Qld Government, CCIQ

“A budget designed to cement the State Government as a safe and competent pair of hands for business – laying a foundation for the future in the areas of infrastructure, competitiveness of our business operating environment and reduced government debt.”

1.0 INTRODUCTION AND OVERVIEW

- 1.1 The Chamber of Commerce and Industry Queensland (CCIQ) regards the State Budget as the Government's foremost instrument of economic and fiscal management within Queensland. As the peak association for business across Queensland, CCIQ believes the 2016-17 State Budget must provide a pro-growth fiscal and economic policy program to create the conditions for businesses to invest and employ in this proud State.
- 1.2 CCIQ continues to support the high-level emphasis on economic growth and job creation from the State Government. There are a number of State Government policies under the 'Jobs Now, Jobs for Future' package that benefit small business in Queensland and align with CCIQ's current policies. However in tandem to these, the 2016-17 State Budget must further stimulate economic activity and jobs, prioritise spending on infrastructure, work to restore the State's financial position and commit to taxation and federation reform. This will help to sustain business confidence and Queensland's future prosperity.
- 1.3 Queensland's domestic economy is contracting with State Final Demand over the year to the December quarter falling by 1.7 per cent compared to a national growth rate of 1.1 per cent with business investment in free fall. It is inevitable that unless economic activity lifts the State's remarkably resilient labour market will also start to deteriorate in 2016. Despite our support and the vision of Advance Queensland, the \$180 million program is not enough on its own to transition the \$305 billion Queensland economy post the resources boom. The State Government in 2016 needs to focus on progressing as a matter of priority key infrastructure projects across Queensland to grow the economy.
- 1.4 The Palaszczuk Government's legislative agenda to date has largely focused on unwinding LNP reforms and delivering outcomes driven by the unquestionable influence of the Queensland union movement's influence on this Government. Disappointingly key policies to reduce the impact of payroll tax on small business and lower workers compensation premiums were abandoned or unwound adding half a billion dollars to the costs of doing business in Queensland. At the same time, the Strong Choices campaign to pay down debt, reinvest in infrastructure and deliver lower electricity prices was a casualty of the election result.
- 1.5 2016 represents a key year for the State Government as it responds to reviews it has commissioned, deals with growing public sector debt and restarts domestic economic growth. The Palaszczuk Government finds itself at the cross roads following a promising start with the State Budget in July. Unfortunately the fiscal restraint evident in July 2015 has already been partly undone by an expanding public service as confirmed by the Mid-Year Fiscal and Economic Report (MYFER) in December.
- 1.6 The patience that has been afforded to the State Government by the Queensland Business Community in 2015 will be converted to holding the Palaszczuk Government to account in 2016 on what it is doing to help small business grow and employ. CCIQ's view is that this State Government must transition from a consultative approach that has centred on Ministers being networkers and ambassadors for their portfolios to Ministers being the champions and enablers of the change necessary to grow the Queensland economy.
- 1.7 CCIQ believes it is possible to provide well-targeted stimulus measures while concurrently improving the State's financial position with prudent management of government spending. In short, this State Budget must be one that invests in infrastructure.

This submission was provided to the State Treasurer and Opposition in Jan 2016

RECOMMENDATIONS

Economic Strategy

- The 2016-17 State Budget should provide pro-growth economic policy for businesses to invest and employ in a stand out business operating environment in Australia; and
- Work constructively with the business community to progress key infrastructure projects, reduce the regulatory shackles and costs on small business to allow them to grow and employ.

Fiscal Strategy

The Queensland Government must continue to deliver responsible fiscal management through:

- Returning to a fiscal surplus in 2016-17;
- Reducing public sector debt;
- Ensuring government spending does not exceed 2.5 per cent growth per annum on average across the forward estimates;
- Capping the Queensland Public Service (FTE) at 4.1 per cent of our State's population and 8.7 per cent of the State's total employment;
- Broaden contestability increasing the share of government services provided by the private sector; and
- Embrace the sale or long term lease of State owned assets premised on improving price and service outcomes, paying down debt and reinvesting in priority infrastructure.

State Taxation

- Resist all calls to increase State taxation;
- Progressively lift the payroll tax exemption threshold from \$1.1 million to \$1.6 million; and
- Adjust duty rates to ensure that taxation receipts remain neutral to increasing insurance premiums and reverse 2013-14 changes.

National Tax Reform

- The State Government should take a leadership role for holistic taxation reform with a view to reducing the large number of inefficient taxes by shifting to a greater reliance on broad-based consumption taxes such as the GST to raise revenue more efficiently.

Infrastructure

- The State Government must urgently roll out the State's Infrastructure Plan. The expeditious roll out of a Queensland Infrastructure Plan is the single best way to get Queensland moving.

Red Tape

- The State Government must improve the efficiency of regulation both by removing unnecessary and duplicative areas of compliance, stem the flow of new regulation and make it easier for business to comply.

Innovation

- Advance Queensland innovation programs need to be reorientated to capture interest from existing small business not just start-ups. Innovation programs need to support incremental innovations in already established small business in their changes to production, service and process.

Energy

- Remove the legacy cost of the Solar Bonus Scheme and do not implement any future rebates to incentivise the uptake of solar;
- Proceed with market monitoring in 1 July 2016; and
- Shift the Uniform Tariff Policy from Ergon Energy Retail to a network based Community Service Obligation.

Education and Training

- The Queensland Government must ensure the State's future skills requirements are met by developing business relevant vocational education and training; and
- Provide employer incentive payments for hiring apprentices and trainees.

Revitalising Competition Policy

- Oppose recommendations that would undermine the sustainability of small business and therefore reduce competition in the longer term.

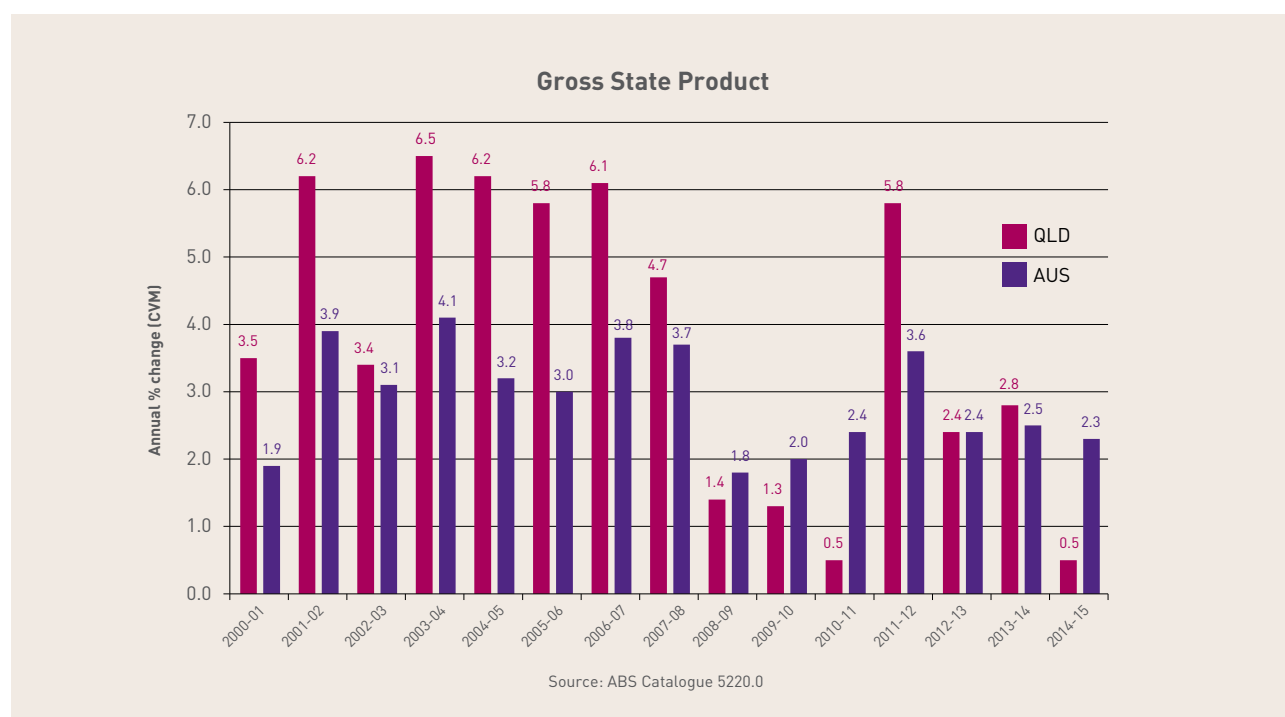
2.0 BACKGROUND ECONOMIC ENVIRONMENT

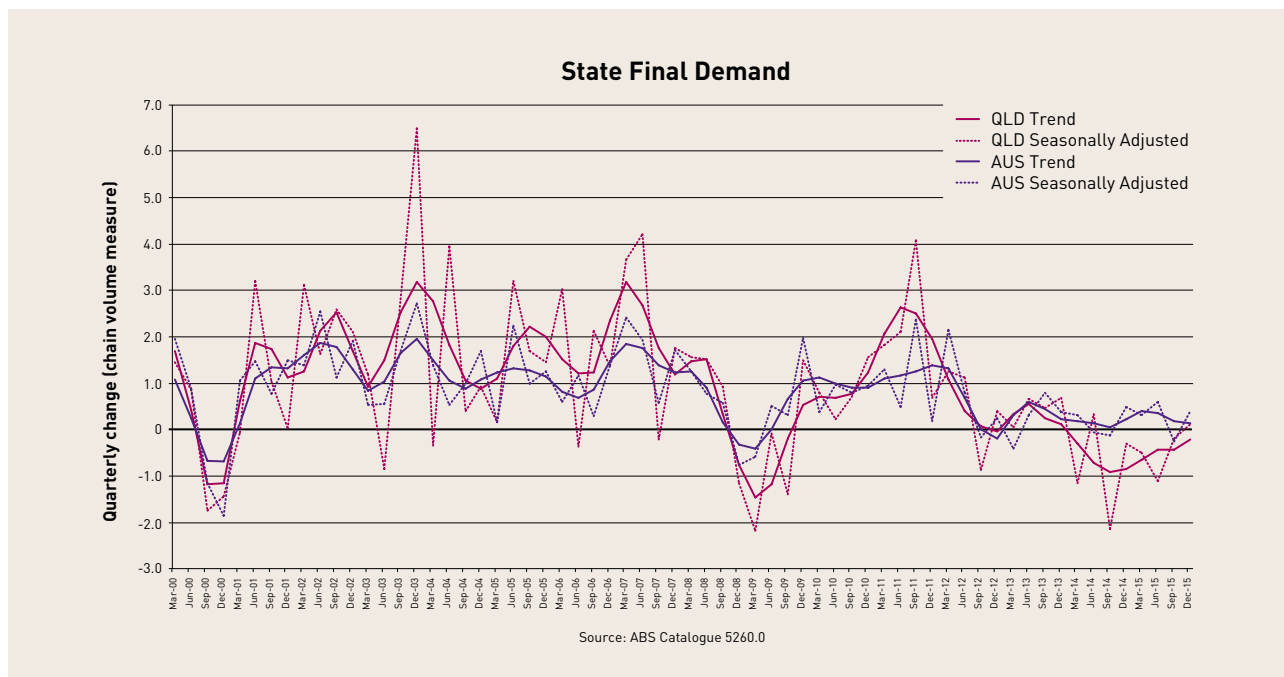
- 2.1 The recent MYFER on the surface confirms an improving outlook for the Queensland economy with Gross State Product (GSP) growth increasing from 0.5 per cent in 2014-15 to 4.0 per cent in 2015-16 and 4.50 per cent in 2016-17.

	2014-15	2015-16	2016-17	2017-18	2018-19
Queensland					
GSP	0.50	4.00	4.50	3.75	3.25
Employment	0.30	1.25	1.50	2.00	2.25
Unemployment rate	6.50	6.50	6.50	6.25	6.00
Inflation	1.90	2.00	2.50	2.50	2.50
Wage Price Index	2.40	2.25	2.75	3.00	3.25
Population	1.40	1.50	1.50	1.75	1.75
Australia					
GDP	2.20	2.50	2.75	3.00	3.00
Employment	1.50	2.00	1.75	1.50	1.50
Unemployment rate	6.00	6.00	6.00	5.75	5.50
Inflation	1.50	2.00	2.25	2.50	2.50
Wage Price Index	2.30	2.50	2.75	2.75	3.00
Annual Percentage Change					

Source: MTFER, MYEFO

- 2.2 However CCIQ highlights that the relatively robust economic growth rates for 2015-16 and 2016-17 are influenced by LNG exports that are having limited economic flow on to the broader domestic economy. When analysing State Final Demand (which excludes imports and exports), Queensland's domestic economy contracted by 1.7 per cent compared to a national growth rate of 1.1 per cent in the year to the December quarter 2015.





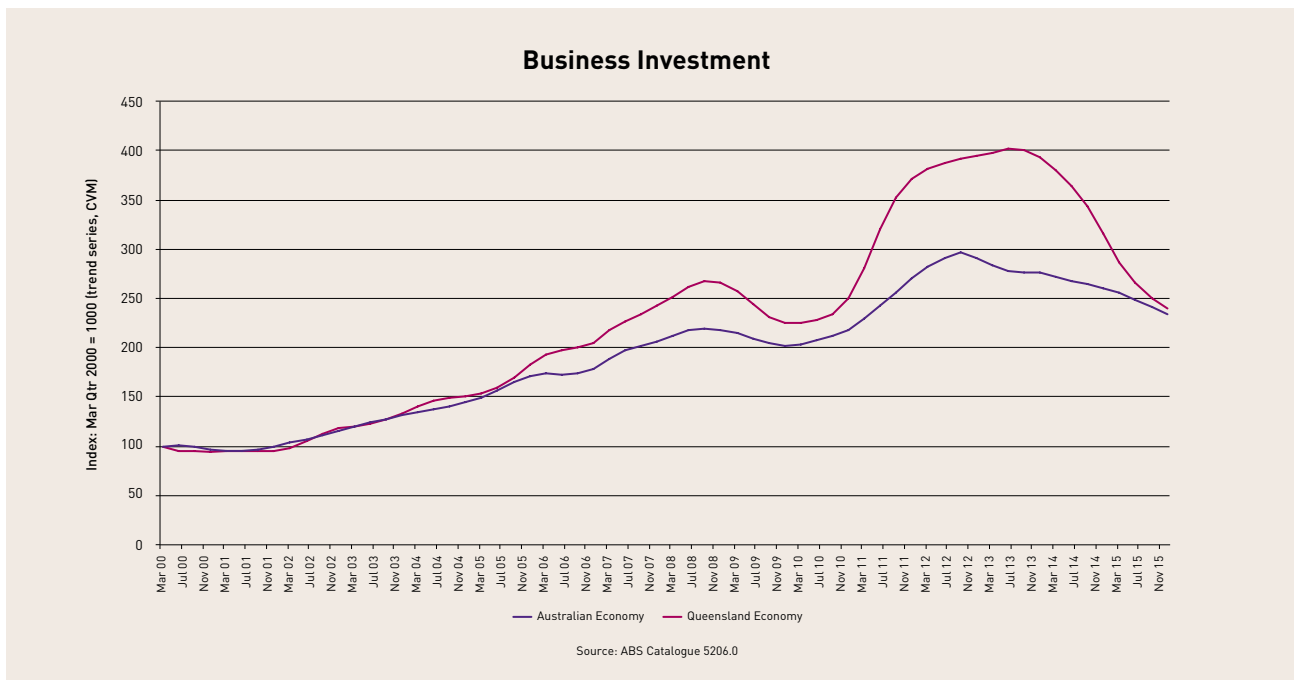
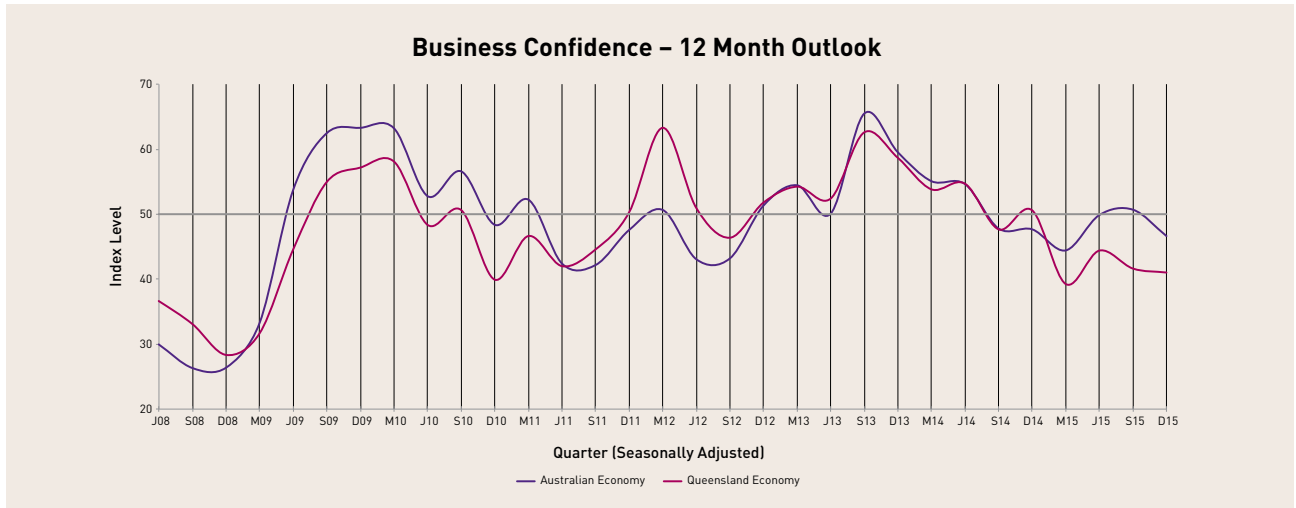
- 2.3 Furthermore Queensland only narrowly avoided recession with the State Accounts data confirming marginal growth for the Queensland economy in 2014-15 growing by just 0.5 per cent. This is broadly consistent with messaging from Queensland small businesses that it was an extremely difficult trading environment in 2014-15. The economic growth recorded in 2014-15 narrowly avoided claims that the Queensland economy experienced a technical recession, but only just.
- 2.4 Whilst growing in 2014-15, Queensland's economic growth rate was well below recent years and the decade average of 3.1 per cent. The Queensland growth rate is also significantly below the national growth for the same period of 2.3 per cent and was lowest of all States. The data confirms that the Queensland economy remains weak at present. Economic growth in 2014-15 came predominantly from household consumption, public expenditure and exports.

Gross state product: Chain volume measures % Change

	NSW	VIC	QLD	SA	WA	Tas	NT	ACT	AUS
Jun-05	1.6	4	6.2	1.8	3.2	2	1.6	2.2	3.2
Jun-06	1.8	1.8	5.8	0.8	5.9	2.4	2.8	2.6	3
Jun-07	1.8	3.5	6.1	2.1	7	2	4.3	5	3.8
Jun-08	2.6	3.4	4.7	5.4	5.2	3.1	2.5	1.5	3.7
Jun-09	1	1.5	1.4	2.7	3.4	2.4	9.2	3.3	1.8
Jun-10	1.9	1.8	1.3	1.6	4.3	0	-2.5	3	2
Jun-11	2.8	2.6	0.5	2.4	3.8	0.3	1.9	3.4	2.4
Jun-12	1.9	1.9	5.8	0.6	9.1	0.1	3.2	1.5	3.6
Jun-13	2	1	2.4	1.7	5.5	-1.2	6.6	2.9	2.4
Jun-14	2.3	1	2.8	0.8	5.6	1.3	3	0.7	2.5
Jun-15	2.4	2.5	0.5	1.6	3.5	1.6	10.5	1.4	2.3
10 Year Ave	2.1	2.1	3.1	2.0	5.3	1.2	4.2	2.5	2.8

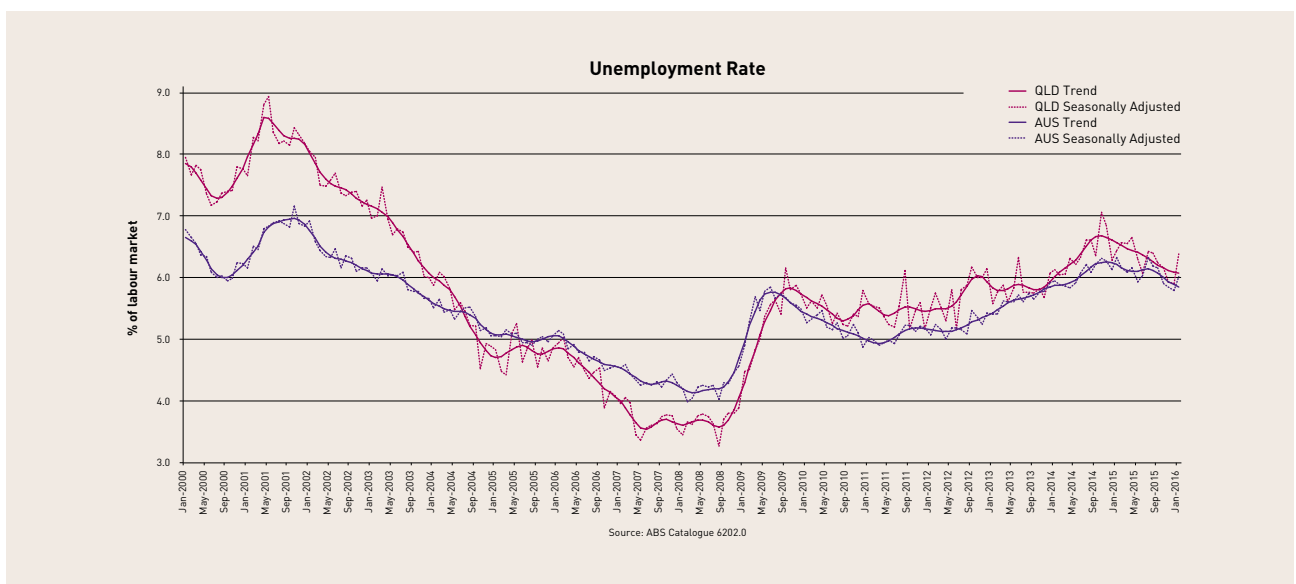
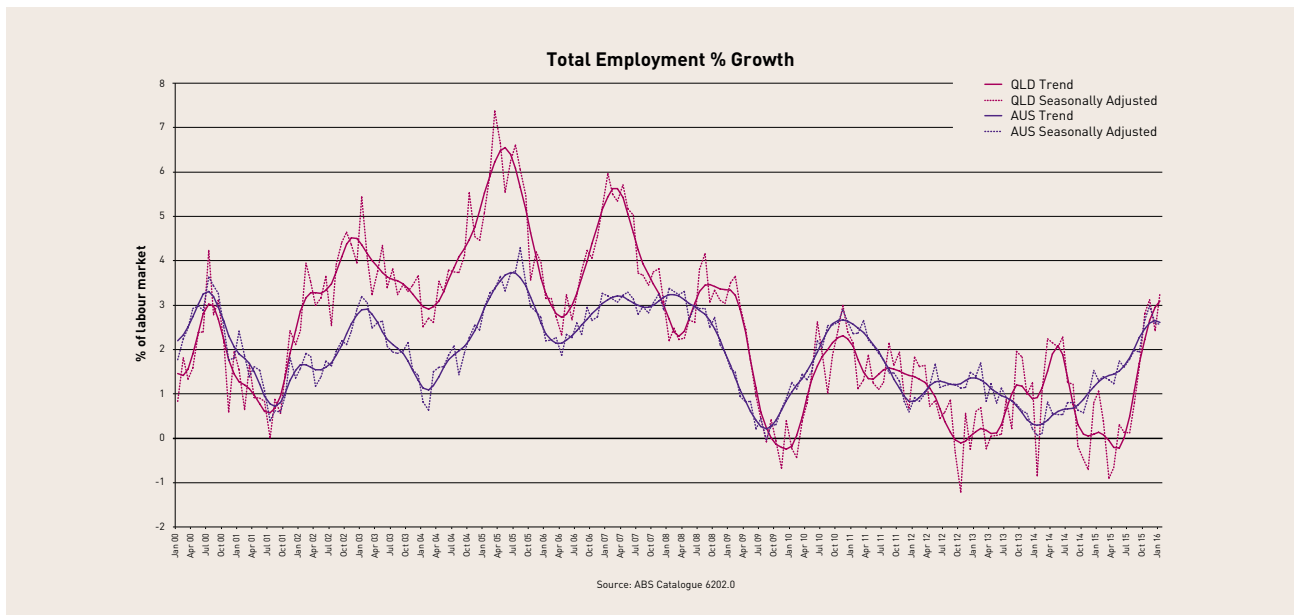
Source: ABS Catalogue 5220.0

2.5 Queensland small business confidence remains fragile with difficult business conditions reflected by sales that are only now starting to pick up and profitability well below where it needs to be. With soft business confidence it is unsurprising that there has been a large drop-off in private sector investment falling by 15.1 per cent over the year to the December quarter. Even allowing for the flow through of the building and construction of the LNG projects broader business investment has collapsed.



2.6 The labour market has strengthened over 2015 with 71,700 jobs created in trend terms and the State’s unemployment rate falling from 6.6 per cent to 6.1 per cent. Growth in employment came from healthcare and social services, education and training, and accommodation and food service sectors. The depreciation of the Australian dollar has provided a material boon to the State’s tourism sector spilling over into other sectors such as restaurants and food services. At the same time, expansionary monetary policy settings have boosted discretionary income serving to support retail sales in Queensland.

2.7 CCIQ notes on the downside that there are still 154,400 Queenslanders unemployed. Other headwinds facing Queensland include persistent drought conditions, a weak resource sector and global financial market uncertainty. With employment growth and the unemployment rate both lag indicators, it is clear that without a dramatic pick up in domestic economic activity the remarkable resilience of the Queensland’s labour market across 2015 cannot be sustained.



- 2.8 Adjusting to the structural changes currently underway in Queensland’s economy, most notably shifts from resource investment led growth to new sources of growth, will require strong leadership from the Palaszczuk Government. Advance Queensland and Skilling Queensland have been commended by CCIQ but the current economic picture highlights the need for the government to double down on promoting a clear economic platform for future growth in Queensland.
- 2.9 CCIQ calls on the Palaszczuk Government to prioritise the need for economic growth in all of its policies. Small businesses are calling on the government to show strong leadership in implementing a comprehensive economic plan that is dramatically strengthened. CCIQ encourages the State Government to work constructively with the business community to progress key infrastructure projects and reduce the regulatory shackles and costs on small business to allow them to grow and employ.

RECOMMENDATION:

The 2016-17 State Budget should provide pro-growth economic policy for businesses to invest and employ in a stand out business operating environment in Australia.

Work constructively with the business community to progress key infrastructure projects, reduce the regulatory shackles and costs on small business to allow them to grow and employ.

3.0 CCIQ POSITION ON STATE FINANCES

- 3.1 State Budget fundamentals are a key determinant of business confidence and Queensland businesses are looking to the State Government to continue to strengthen the State’s financial position through responsible fiscal management.
- 3.2 CCIQ continues to remain supportive of the State Government’s commitment to improving the finances of the State by implementing policies to deliver a measured and responsible paying down of debt and management of revenue and expenditure.
- 3.3 **Reception of the 2015-16 State Budget**

CCIQ believed the State Government’s first Budget provided clarity around their fiscal and economic policy direction that invested in the future.

In respect to the State’s fiscal position, CCIQ was supportive of the operating surplus of \$1.2 billion to be delivered in 2015-16. This aligns with business expectations on Government to live within their means and spend less than they earn on a recurrent basis. The Chamber was particularly supportive of a relatively lean 2.8 per cent growth in expenditure for 2015-16 that evidenced fiscal discipline.

CCIQ noted that non-financial public sector borrowings would continue to rise over the forward estimates as a result of the State Budget which in our view would ultimately be of more influence to credit rating agencies than general government borrowings. As a result, CCIQ did not anticipate a favourable influence on the State’s credit rating and restoration of triple AAA credit rating.

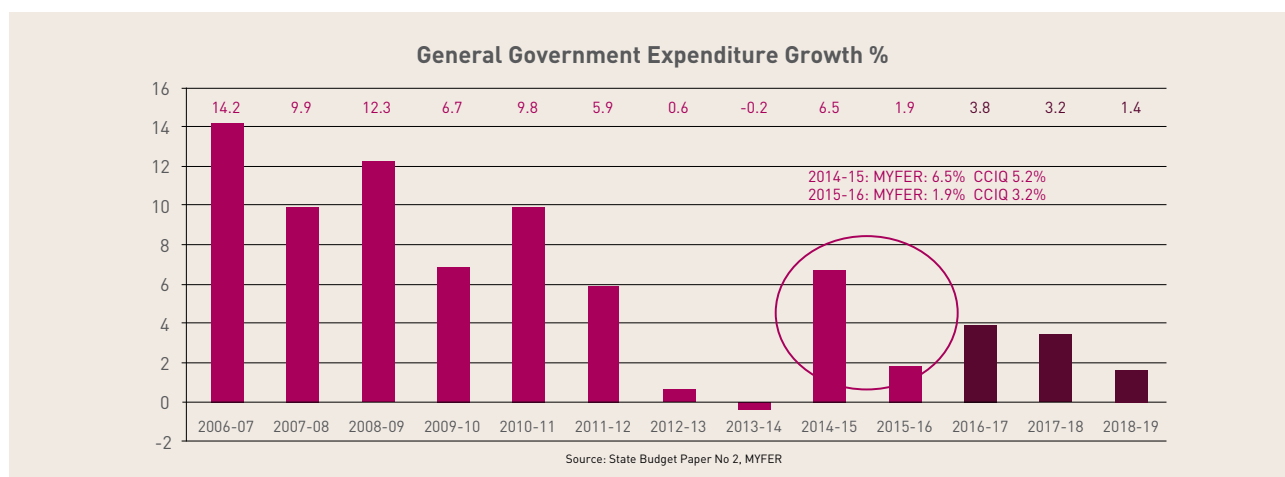
Undoubtedly the jewel in the crown of the State budget was the substantial investment in Queensland’s future economy through the \$180 million Advance Queensland program that included a \$40 million business development fund which complimented the \$240 million Skilling Queenslanders initiative.

In summary CCIQ believed that it was a State Budget that invested in our State’s economic future and sought to avoid any major conflict with the business community. In light of the above, CCIQ gave the Palaszczuk Government’s first State Budget a nod of tempered support.

3.4 2015 - 2016 MYFER

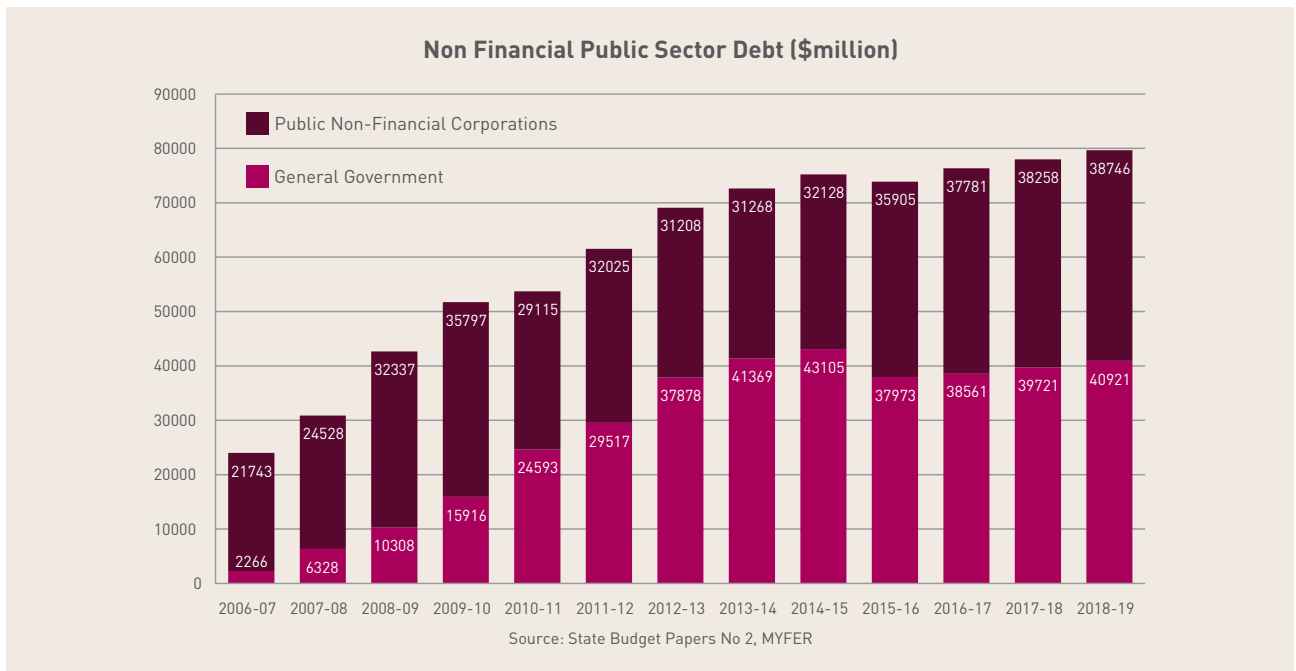
However CCIQ was disappointed with the Mid Year Financial and Economic Review (MYFER) released in December 2015. CCIQ noted that expenses (based on our estimate) grew 3.2 per cent* in 2015-16, higher than the 2.8 per cent promised by the State Government at the May Budget that subsequently served as our pass mark for the MYFER.

The MYFER additionally confirmed both general government borrowings and non-financial public sector borrowings are forecast to resume their upward trajectory after 2015-16. According to the MYFER, non-financial public sector borrowings will increase from \$73.9 billion in 2015-16 to \$79.7 billion in 2018-19. The continued upward trajectory in total state debt is a concern for the business community as CCIQ believes it will ultimately work against any favourable view taken by the ratings agencies.



In summary, CCIQ acknowledges that government revenues are largely outside the control of the government (well certainly with only 10 months of influence). However what governments can control are expenses and debt management strategies. With revenues clearly flattening, the State Government must focus on an expenditure strategy that is appropriate for a transitioning economy.

*2.8% was CCIQ’s pass mark and was calculated from the July budget comparing the expenditure growth between 2014-15 (\$48,615m) and 2015-16 (\$49,973m). When assessing whether the government in the MYFER stuck to an expenditure growth rate that is consistent with our ‘pass mark’ of 2.8%, CCIQ compared the 2015-16 MYFER expenditure (\$50,180m) with the July budget’s 2014-15 expenditure (\$48,615m) and calculated a growth rate of 3.2%. For CCIQ’s estimate of 3.2% to be reconciled with the State Government’s estimate of 1.9%, CCIQ would need a better understanding of the upwards revision by \$609m in expenditure for 2014-15 between the July budget (\$48,615m) and the MYFER (\$49,224m).

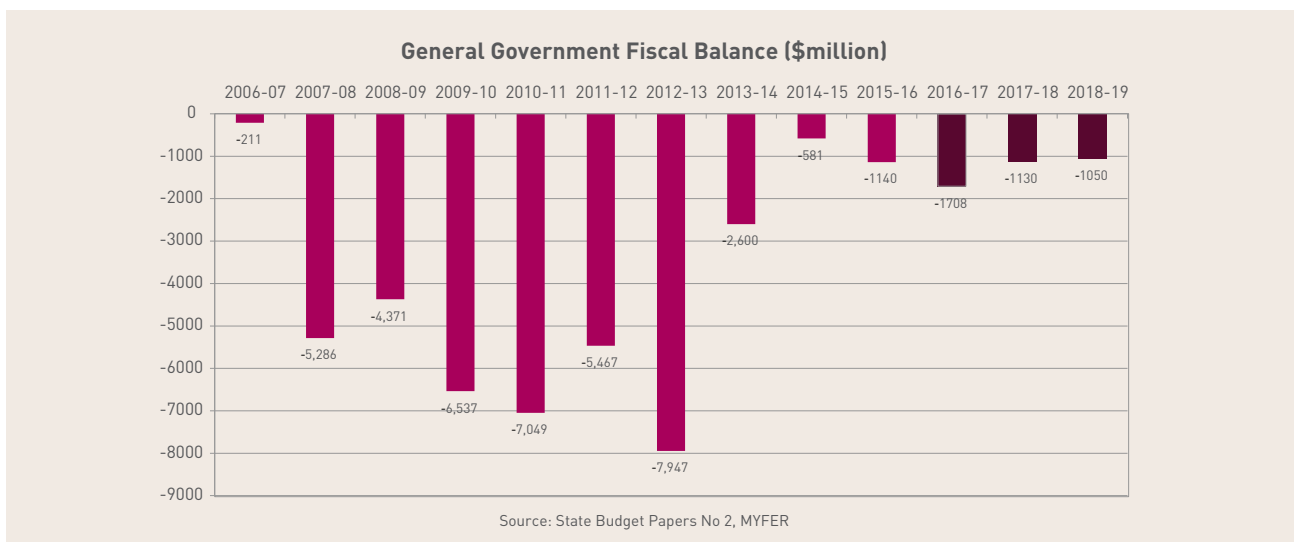


3.5 Credible path to fiscal surplus

CCIQ notes that slower growth from Queensland’s largest trading partners such as China and Japan has resulted in write down in royalty revenue for Queensland which is consistent with the Federal Government’s Mid-Year Economic and Fiscal Outlook (MYEFO), showing a weaker resource sector hurting government revenue. CCIQ acknowledges that the State Government has limited capacity to influence above the line revenue such as falling resource royalties. Nevertheless, the Palaszczuk Government is in the driver’s seat when it comes to expenditure reduction and debt management strategies to chart a course back to Queensland attaining its AAA credit rating.

Business stands shoulder to shoulder with the State Government in efforts to control government expenditure and deliver a fiscal surplus as well as an operating one. The State Government must pursue an aggressive approach to reigning in government expenditure in the context of returning to an affordable level of government service provision.

CCIQ notes the fiscal restraint that was evident in the State’s finances for 2012-13 and 2013-14. This is illustrated in the significant reduction in expenditure growth that unquestionably bought the budget closer to being in fiscal surplus and already in operating surplus. The approach of the State Government to moderate expenditure resonates with business community actions following the GFC. The same spending discipline that has been demonstrated across the past several years should continue under this State Government and be applied until such time as the State Budget is well and truly back into surplus and debt is better under control.



To this end the State Government must continue to monitor and seek out efficiencies in government department program delivery. Due to the dominance of the public sector in the economy, the efficiency and effectiveness of government is essential if productivity is to improve across the economy. Anything short of optimum efficiency in the delivery of public services means that taxpayers are paying more in taxes and charges than they would otherwise need to.

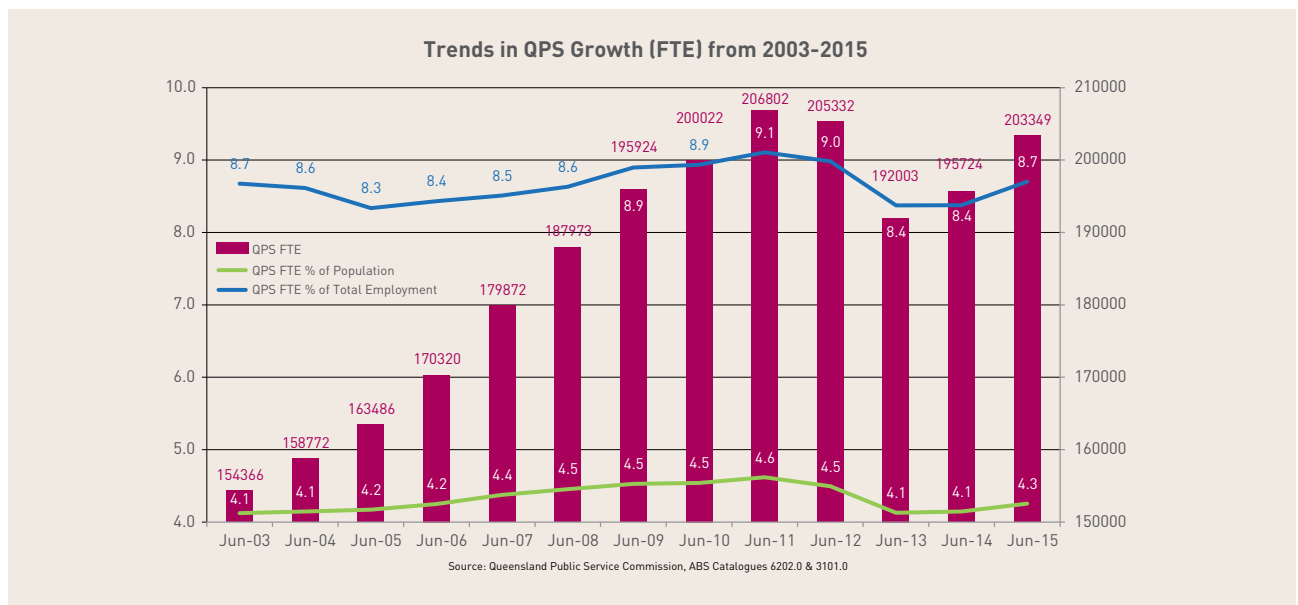
3.6 Reduce government debt

Higher government debt levels mean higher interest expenses; fewer funds for schools and hospitals; and leaves no room for the government to fund a reduction in inefficient state taxes such as payroll tax and stamp duty. Quite simply billions of dollars in interest is money that yields no value to the Queensland community. CCIQ supports the State Government resolve to pay down debt by \$12 billion over 10 years.

However CCIQ favours measures relating to public sector debt as this addresses any possibility of shifting debt between the general government and government owned corporations. The Treasurer's debt reduction plan includes re-gearing nominated government owned corporations with debt that was previously on the balance sheet of the general government. In CCIQ's opinion this is a cosmetic solution to a structural problem and is akin to shifting debt. The practical consequence is also that inevitably government owned corporations will pass on higher debt repayments to consumers raising essential service costs for businesses and residential users alike.

3.7 Queensland Public Service Head Count

CCIQ is concerned with the recent trend in 'Head Count' with the number of QPS FTES increasing by 1,868 in the September quarter following a 1,939 increase in the June quarter. This is unfortunately consistent with the 6.95% growth in employee related expenses in 2015-16 as reported by the MYFER. In CCIQ's view this is not a sustainable trend.



The Queensland business community has a strong interest in this area contributing approximately 65 per cent of taxation revenue through payroll tax, land tax, business stamp duties and motor vehicle registration. CCIQ notes that 46.6% of the State's operating expenses are apportioned as employee or superannuation expenses. Accordingly the nexus between business taxes and the State budget's employee expenditure is strong.

CCIQ notes that in recent years Queensland public sector wage increases have been largely in line with the private sector, which is a trend CCIQ is keen to continue.

Key statistics on Public Sector Wages

	COST PER YEAR
LNP Wage Offer 2.2%	\$84.5 million
State Government Wage Offer 2.5%	\$96.0 million
State Government one off \$1300 payment	\$62.4 million
1,939 extra FTE public servants in June Qtr 2015	\$155.0 million

Source: Queensland Police Sector Quarterly Workforce Profile

CCIQ recommends the State Government cap the Queensland Public Service (FTE) at 4.1 per cent of our State's population and 8.7 per cent of the State's total employment. These percentages represent the long term averages since 2003.

3.8 Contestability

As stated CCIQ believes the 2016-17 Budget must renew focus on saving measures, which necessitates a greater role for the private sector in service delivery. CCIQ believes this is best achieved through the use of a contestability framework that identifies the appropriate solution for each type of service – be that outsourcing, a shared service arrangement or strategic procurement. The approach should not be constrained by ideological positions on contestability, but instead focus on value-for-money outcomes that meet community expectations for quality services.

CCIQ urges the Queensland Government to continue to consider alternative ways to increase the share of government services provided by the private sector. Queensland businesses are well placed to deliver high quality of services and greater operational efficiency which will help promote economic growth. Contestability reduces the financial size of the State Government but not actual services to the public. It is a win for all Queenslanders.

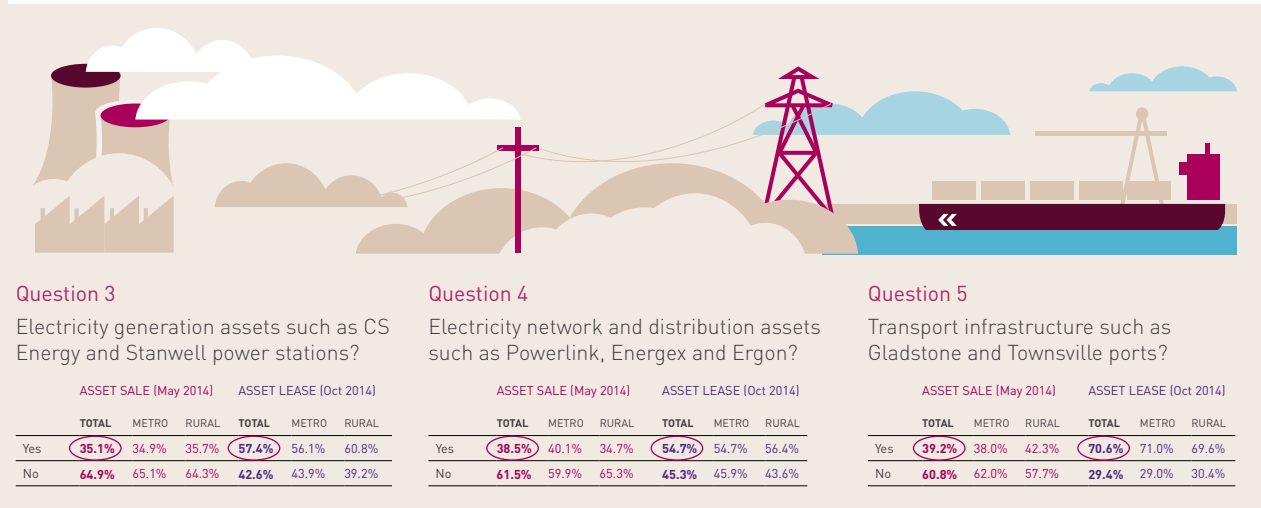
3.9 Privatisation

CCIQ believes there is strong merit in exploring both long-term leasing and sale of assets provided the proceeds of privatisation are used to pay down government debt and reinvested in priority infrastructure projects. For example the NSW electricity transmission business TransGrid recently sold to an Australian led international consortium for \$10.3 billion under a 99 year lease arrangement. The NSW State Government will net \$7bn assisting their \$20bn infrastructure program earmarked for new rail lines and roads And NSW is eligible for the Federal Government’s 15 per cent incentive payment under the National Partnership Agreement on Asset recycling – gaining an extra \$1bn on top of the \$7bn from the sale. And Western Australia is in the process of privatising the Perth Market Authority; Fremantle Port; TAB; Utah Point; and Forrest Product Commission.

Inevitably the State Government must reconsider the current Queensland Labor policy on privatisation. CCIQ believes privatisation of State-owned assets can improve the performance of essential service delivery, leading to lower prices and better quality service outcomes that will help raise the productivity of Queensland businesses.

Funding –Asset Recycling

Questions 3–6: Do you support the selling/leasing of the following State Government assets?



RECOMMENDATIONS:

The Queensland Government must continue to deliver responsible fiscal management through:

- Returning to a fiscal surplus in 2016-17;
- Reducing public sector debt;
- Ensuring government spending does not exceed 2.5 per cent growth per annum on average across the forward estimates;
- Capping the Queensland Public Service (FTE) at 4.1 per cent of our State’s population and 8.7 per cent of the State’s total employment
- Broaden contestability increasing the share of government services provided by the private sector; and
- Embrace the sale or long term lease of State owned assets premised on improving price and service outcomes, paying down debt and reinvesting in priority infrastructure.

KEY FISCAL AGGREGATES, 2006-07 TO 2018-19

	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	MYFER	Projection	Projection	Projection
	\$ million	\$ million	\$ million	\$ million	\$ million	\$ million	\$ million	\$ million	\$ million	\$ million	\$ million	\$ million	\$ million
GENERAL GOVERNMENT													
Total Revenue	31,982	31,424	37,078	39,727	42,013	45,801	41,755	46,705	49,765	51,354	53,520	55,392	55,630
Tax Revenue	8,484	9,546	8,866	9,375	9,981	10,608	10,937	11,840	12,575	12,788	13,265	13,925	14,599
Total Expenses	30,128	33,030	37,099	39,599	43,479	46,028	46,313	46,217	49,224	50,180	52,107	53,752	54,485
Employee Expenses	11,731	13,175	14,310	15,566	16,826	18,250	18,130	17,816	18,593	19,886	20,495	21,123	21,590
Net Operating Balance	1,855	-1,606	-21	128	-1,466	-226	-4,558	488	542	1,175	1,413	1,640	1,145
Capital Purchases	4,418	5,725	6,772	8,959	8,237	7,971	7,001	6,324	4,779	5,325	5,822	5,935	5,188
Net Capital Purchases	2,067	3,680	4,349	6,665	5,583	5,241	3,389	3,088	1,122	2,314	3,121	2,770	2,195
Fiscal Balance	-211	-5,286	-4,371	-6,537	-7,049	-5,467	-7,947	-2,600	-581	-1,140	-1,708	-1,130	-1,050
Borrowings	2,266	6,328	10,308	15,916	24,593	29,517	37,878	41,369	43,105	37,973	38,561	39,721	40,921
Net Debt		-22,586	-19,251	-13,354	-9,542	-5,720	2,399	5,208	5,772	4,060	4,453	5,621	6,884

NON-FINANCIAL PUBLIC SECTOR

Total Revenue	40,892	38,356	43,749	47,883	49,040	52,307	49,181	53,502	55,973	57,450	60,077	62,301	62,713
Capital Purchases	10,635	13,976	15,101	15,007	13,306	11,980	10,774	9,313	7,954	8,474	8,844	8,672	7,958
Borrowings	24,009	30,856	42,645	51,713	53,708	61,542	69,086	72,637	75,233	73,878	76,342	77,979	79,667

Source: Mid Year Fiscal and Economic Review

KEY FISCAL INDICATORS, 2006-07 TO 2018-19

	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	MYFER	Projection	Projection	Projection
	%	%	%	%	%	%	%	%	%	%	%	%	%
GENERAL GOVERNMENT													
Revenue/GSP	15.0	13.5	14.3	15.7	15.6	15.8	14.4	15.6	16.3	15.8	15.3	15.0	14.3
Tax/GSP	4.0	4.1	3.4	3.7	3.7	3.7	3.8	4.0	4.1	3.9	3.8	3.8	3.7
Own source		6.9	7.5	7.7	8.0	8.0	8.1	8.4	8.6	8.2	7.8	7.7	7.5
Expenses/GSP	14.1	14.2	14.3	15.7	16.1	15.9	15.9	15.5	16.1	15.4	14.9	14.6	14.0
Employee Expenses/GSP	5.5	5.7	5.5	6.2	6.2	6.3	6.2	6.0	6.1	6.1	5.9	5.7	5.5
Net Operating Balance/GSP	0.9	-0.7	0.0	0.1	-0.5	-0.1	-1.6	0.2	0.2	0.4	0.4	0.4	0.3
Capital Purchases/GSP	2.1	2.5	2.6	3.5	3.1	2.8	2.4	2.1	1.6	1.6	1.7	1.6	1.3
Net cash inflows fro /capital purchases		6.9	53.1	37.8	25.5	35.4	-35.5	43.0	88.5	82.4	82.6	84.7	79.6
Fiscal Balance/GSP	-0.1	-2.3	-1.7	-2.6	-2.6	-1.9	-2.7	-0.9	-0.2	-0.4	-0.5	-0.3	-0.3
Borrowings/GSP	1.1	2.7	4.0	6.3	9.1	10.2	13.0	13.9	14.1	11.7	11.0	10.8	10.5
Borrowings/Revenue	7.1	20.1	27.8	40.1	58.5	64.4	90.7	88.6	86.6	73.9	72.0	71.7	73.6
Revenue Growth	6.3	1.8	18.0	7.1	5.8	9.0	-8.8	11.9	6.6	3.2	4.2	3.5	0.4
Tax Growth	14.7	12.5	-7.1	5.7	6.5	6.3	3.1	8.3	6.2	1.7	3.7	5.0	4.8
Expenses Growth	14.2	9.9	12.3	6.7	9.8	5.9	0.6	-0.2	6.5	1.9	3.8	3.2	1.4
Employee Expenses Growth	10.5	12.3	8.6	8.8	8.1	8.5	-0.7	-1.7	4.4	7.0	3.1	3.1	2.2
NON-FINANCIAL PUBLIC SECTOR													
Capital Purchases/GSP	5.0	6.0	5.8	5.9	4.9	4.1	3.7	3.1	2.6	2.6	2.5	2.4	2.0
Borrowings/GSP	11.2	13.3	16.4	20.4	19.9	21.3	23.8	24.3	24.6	22.7	21.9	21.1	20.4
Borrowings/Revenue	58.7	80.4	97.5	108.0	109.5	117.7	140.5	135.8	134.4	128.6	127.1	125.2	127.0
Net Financial Liabilities/Revenue	27.0	75.4	97.4	112.5	96.2	115.6	133.4	129.8	125.6	124.8	121.6	118.2	118.6

Source: Mid Year Fiscal and Economic Review

4.0 QUEENSLAND'S TAX SYSTEM

- 4.1 CCIQ continues to support the commitment by the State Government to not increase or introduce any new taxes, fees and charges as promised as part of the State Election. Increasing taxes reduces economic growth and costs jobs, with both ultimately impeding tax collections to government in future years. The commitment to not introduce any new taxes is significant and it creates certainty and confidence for the business community that will in turn further encourage investment and employment.
- 4.2 Additionally it maintains the competitiveness of our business operating environment that enhances our ability to retain and attract investment and jobs. Having a low tax state for business is a means of growing revenue as it will inevitably attract business that further stimulates economic activity and taxation receipts
- 4.3 CCIQ wishes to highlight that business taxation is increasing through threshold creep. There is a tendency among governments to index fees and charges but not tax thresholds. This damaging and distorting practice means that businesses are quickly caught in the 'tax trap' due to the economy's inflationary trends. To counteract this impact CCIQ recommends indexation of all business tax thresholds. Lifting the payroll tax exemption threshold is a perfect example of this initiative.

		2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	\$ Increase 2005-06 -2015-16	% Increase 2005-06 -2015-16
Payroll Tax	(\$ million, current prices)	\$1,917	\$2,232	\$2,493	\$2,754	\$2,687	\$3,023	\$3,462	\$3,751	\$3,914	\$3,782	\$3,795	\$3,950	\$4,204	\$4,475	\$1,878	98.0%
Transfer Duties	(\$ million, current prices)	\$1,963	\$2,542	\$2,912	\$1,806	\$1,978	\$1,933	\$2,023	\$1,887	\$2,403	\$3,082	\$3,117	\$3,130	\$3,224	\$3,320	\$1,154	58.8%
Other Duties	(\$ million, current prices)	\$967	\$1,018	\$1,133	\$898	\$867	\$948	\$1,053	\$1,164	\$1,281	\$1,366	\$1,383	\$1,469	\$1,538	\$1,615	\$416	43.0%
Gambling Taxes and Levies	(\$ million, current prices)	\$841	\$825	\$889	\$922	\$927	\$945	\$998	\$1,034	\$1,044	\$1,077	\$1,141	\$1,190	\$1,242	\$1,296	\$300	35.7%
Land Tax	(\$ million, current prices)	\$404	\$485	\$610	\$838	\$1,033	\$1,042	\$1,013	\$990	\$986	\$977	\$996	\$1,057	\$1,132	\$1,200	\$592	146.5%
Motor Vehicle Registration	(\$ million, current prices)	\$819	\$887	\$966	\$1,041	\$1,252	\$1,336	\$1,437	\$1,486	\$1,543	\$1,571	\$1,632	\$1,692	\$1,760	\$1,831	\$813	99.3%
Other Taxes	(\$ million, current prices)	\$484	\$494	\$545	\$617	\$630	\$747	\$622	\$645	\$674	\$719	\$724	\$778	\$825	\$863	\$240	49.6%
Total Taxes	(\$ million, current prices)	\$7,396	\$8,484	\$9,546	\$8,877	\$9,375	\$9,974	\$10,608	\$10,957	\$11,845	\$12,575	\$12,788	\$13,265	\$13,925	\$14,599	\$5,392	72.9%
GST Revenue	(\$ million, current prices)	\$7,773	\$8,092	\$8,549	\$7,946	\$8,090	\$8,412	\$8,681	\$9,470	\$10,896	\$11,816	\$12,990				\$5,217	67.1%
Specific Purpose Payments	(\$ million, current prices)	\$5,039	\$5,808	\$6,484	\$9,017	\$11,560	\$11,291	\$13,513	\$8,522	\$10,519	\$11,162	\$11,213				\$6,174	122.5%
Total Australian Gov Payments	(\$ million, current prices)	\$12,991	\$13,900	\$15,033	\$16,964	\$19,650	\$19,703	\$22,194	\$17,985	\$21,415	\$22,978	\$24,203				\$11,212	86.3%
Gross State Product	(\$ million, current prices)	\$192,823	\$214,833	\$232,195	\$259,902	\$252,946	\$269,289	\$289,077	\$290,416	\$298,680	\$305,354	\$317,568	\$331,858	\$344,303	\$355,493		64.7%
Employment	Total Employment (000's trend)	1984	2079	2143	2206	2214	2255	2285	2287	2317	2321	2350	2385	2433	2488		18.4%
Consumer Price Index	Brisbane Index Numbers	82.9	85.6	89.2	92.5	95	98.1	100	102	104.9	106.8	108.9	111.7	114.5	117.4		31.4%
Wage Prices Index	Total Hourly Rates excluding bonuses	88.1	92.1	96	100	103.3	107.3	111.3	114.7	117.7	120.5	123.2	126.6	130.4	134.6		39.8%

Source: State Budget Paper No 2 & ABS Catalogues 5220.0, 6202.0, 6401.0, 6345.0

RECOMMENDATION:

Resist all calls to increase State taxation

PAYROLL TAX

- 4.4 One of the most burdensome taxes upon business is payroll tax which directly impedes employment and growth and acts as a substantial disincentive for investment and has no regard for the capacity of the business to pay it.

		2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	\$ Increase 2005-06 -2015-16	% Increase 2005-06 -2015-16
Payroll Tax	(\$ million, current prices)	\$1,917	\$2,232	\$2,493	\$2,754	\$2,687	\$3,023	\$3,462	\$3,751	\$3,914	\$3,782	\$3,795	\$3,950	\$4,204	\$4,475	\$1,878	97.97%
Total State Taxes	(\$ million, current prices)	\$7,396	\$8,484	\$9,546	\$8,877	\$9,375	\$9,944	\$10,608	\$10,957	\$11,845	\$12,575	\$12,788	\$13,265	\$13,925	\$14,599		72.90%
Gross State Product	(\$ million, current prices)	\$192,823	\$214,833	\$232,195	\$259,902	\$252,946	\$269,289	\$289,077	\$290,416	\$298,680	\$305,354	\$317,568	\$331,858	\$344,303	\$355,493		64.69%
Employment	Total Employment (000's trend)	1984	2079	2143	2206	2214	2255	2285	2287	2317	2321	2350	2385	2433	2488		18.45%
Consumer Price Index	Brisbane Index Numbers	82.9	85.6	89.2	92.5	95.0	98.1	100.0	102.0	104.9	106.8	108.9	111.7	114.5	117.4		31.36%
Wage Prices Index	Total Hourly Rates excluding bonuses	88.1	92.1	96.0	100.0	103.3	107.3	111.3	114.7	117.7	120.5	123.2	126.6	130.4	134.6		39.84%
Payroll Tax as a % of Total State Taxes		25.92%	26.31%	26.12%	31.02%	28.66%	30.40%	32.64%	34.23%	33.04%	30.08%	29.68%	29.78%	30.19%	30.65%		3.76%
Payroll Tax as a % of GSP		0.99%	1.04%	1.07%	1.06%	1.06%	1.12%	1.20%	1.29%	1.31%	1.24%	1.20%	1.19%	1.22%	1.26%		0.20%

Source: State Budget Paper No 2 & ABS Catalogues 5220.0, 6202.0, 6401.0, 6345.0

ECONOMIC STRATEGY

- The 2016-17 State Budget should provide pro-growth economic policy for businesses to invest and employ in a stand out business operating environment in Australia; and
- Work constructively with the business community to progress key infrastructure projects, reduce the regulatory shackles and costs on small business to allow them to grow and employ.

FISCAL STRATEGY

The Queensland Government must continue to deliver responsible fiscal management through:

- Returning to a fiscal surplus in 2016-17;
- Reducing public sector debt;
- Ensuring government spending does not exceed 2.5 per cent growth per annum on average across the forward estimates;
- Capping the Queensland Public Service (FTE) at 4.1 per cent of our State's population and 8.7 per cent of the State's total employment;
- Broaden contestability increasing the share of government services provided by the private sector; and
- Embrace the sale or long term lease of State owned assets premised on improving price and service outcomes, paying down debt and reinvesting in priority infrastructure.

STATE TAXATION

- Resist all calls to increase State taxation;
- Progressively lift the payroll tax exemption threshold from \$1.1 million to \$1.6 million; and
- Adjust duty rates to ensure that taxation receipts remain neutral to increasing insurance premiums and reverse 2013-14 changes.

NATIONAL TAX REFORM

- The State Government should take a leadership role for holistic taxation reform with a view to reducing the large number of inefficient taxes by shifting to a greater reliance on broad-based consumption taxes such as the GST to raise revenue more efficiently.

INFRASTRUCTURE

- The State Government must urgently roll out the State's Infrastructure Plan. The expeditious roll out of a Queensland Infrastructure Plan is the single best way to get Queensland moving.

RED TAPE

- The State Government must improve the efficiency of regulation both by removing unnecessary and duplicative areas of compliance, stem the flow of new regulation and make it easier for business to comply.

INNOVATION

- Advance Queensland innovation programs need to be reorientated to capture interest from existing small business not just start-ups. Innovation programs need to support incremental innovations in already established small business in their changes to production, service and process.

ENERGY

- Remove the legacy cost of the Solar Bonus Scheme and do not implement any future rebates to incentivise the uptake of solar; and
- Proceed with market monitoring in 1 July 2016;
- Shift the Uniform Tariff Policy from Ergon Energy Retail to a network based Community Service Obligation.

EDUCATION AND TRAINING

- The Queensland Government must ensure the State's future skills requirements are met by developing business relevant vocational education and training; and
- Provide employer incentive payments for hiring apprentices and trainees.

REVITALISING COMPETITION POLICY

- Oppose recommendations that would undermine the sustainability of small business and therefore reduce competition in the longer term.

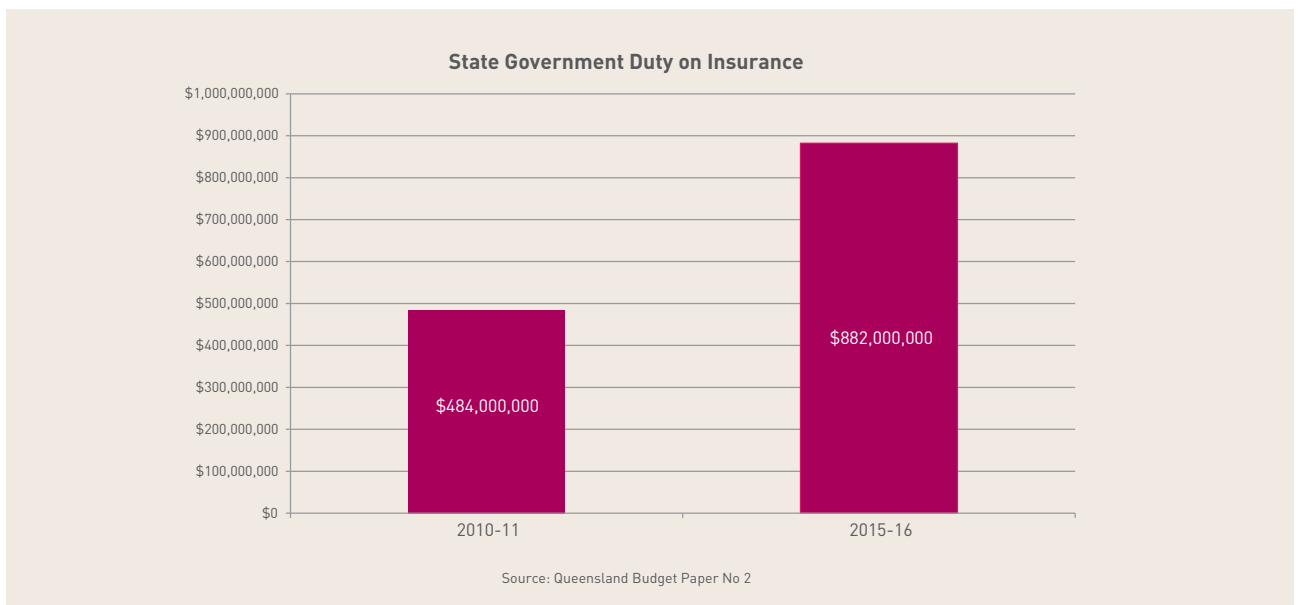
- 4.5 CCIQ is alarmed at the increasing reliance of payroll tax to State Government tax receipts. Payroll tax represents just under one-third (29.7%) of total State taxation revenue and the Queensland Government is increasingly relying on payroll tax to fund services. Across the past 10 years payroll tax receipts have grown by 98 per cent compared to just 18.45 per cent growth in employment, 39.8 per cent growth in wages and 64.7 per cent growth in the economy. Accordingly payroll tax receipts as a percentage of the economy have grown from 0.99 per cent in 2005-06 to 1.2 per cent in 2015-16. Forward estimates confirm that this startling trend will continue.
- 4.6 Recognising that the complete phase-out of this tax is dependent upon longer-term tax reform and is unrealistic in the short-term, there should be immediate payroll tax relief for small businesses through raising the threshold. CCIQ recommends lifting the payroll tax threshold from \$1.1 million to \$1.6 million to boost additional employment opportunities.
- 4.7 Lifting the payroll tax threshold addresses two flaws with this tax. Firstly, many small businesses are presently structuring their workforces to sit just under the threshold. By lifting the threshold we are allowing those small businesses to grow their workforces.
- 4.8 Secondly, because of wages creep many small businesses are inadvertently growing into having to pay a tax on giving their existing employees a job. There is a clear case for a further increase in the threshold given bracket creep which has occurred through wage and wage 'on cost' increases both of which have whittled away considerably at the value of the threshold.
- 4.9 Finally CCIQ supports the 125 per cent payroll tax rebate on employing apprentices and trainees but believes further consideration should be given to exempting broader business training expenditure.

RECOMMENDATION:

The State Government should progressively lift the payroll tax exemption threshold from \$1.1 million to \$1.6 million.

DUTIES

- 4.10 CCIQ is a strong believer in the concept of competitive federalism where each State actively competes against each other in order to attract and retain business investment. CCIQ highlights that competitive federalism is alive and well with the South Australian Government abolishing stamp duties to make "South Australia the best place to do business" by "creating the lowest taxing state in Australia for business."
- 4.11 CCIQ believes it is time for the State Government to reconsider the burden placed on Queensland businesses through insurance taxes. CCIQ highlights that insurance premiums are actively discouraging companies from adequately protecting their assets with appropriate insurance. CCIQ urges the State Government to adjust duty rates to at a minimum ensure that taxation receipts remain neutral to increasing insurance premiums. CCIQ highlights that the State Government now gouges an additional \$398m (82%) each year in duty on insurance since the floods & Cyclone Yasi as premiums rose.



- 4.12 On top of this Queenslanders felt further pressures resulting from the former State Government's increase in stamp duty on insurance in the 2013-14 State Budget which saw the rate of duty on insurance premiums for Class 1 (fire, business interruption and liability insurance) increase from 7.5 per cent to 9 per cent; and Class 2 (motor vehicles, professional indemnity and directors and officers) increase from 5 per cent to 9 per cent. These changes should be reversed.
- 4.13 Stamp duty on the GST inclusive amount of fees and charges is a tax on a tax and is a significant design flaw of the current taxation system. CCIQ recommends the removal of stamp duty on the GST inclusive amount of fees and charges.

Stamp Duties													Increase			% Increase	
		2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2005-06 - 2015-16	2005-06 - 2015-16
Transfer	(\$ million, current prices)	\$1,963	\$2,542	\$2,912	\$1,806	\$1,978	\$1,933	\$2,023	\$1,887	\$2,403	\$3,140	\$3,009	\$3,130	\$3,224	\$3,320	\$1,046	53.3%
Vehicle registration	(\$ million, current prices)	\$269	\$289	\$403	\$433	\$398	\$432	\$461	\$509	\$486	\$488	\$495	\$520	\$546	\$573	\$226	84.0%
Insurance	(\$ million, current prices)	\$328	\$361	\$386	\$425	\$443	\$484	\$556	\$616	\$767	\$833	\$882	\$938	\$998	\$1,062	\$554	168.9%
Other duties	(\$ million, current prices)	\$370	\$368	\$344	\$40	\$26	\$33	\$35	\$39	\$28	\$44	\$46	\$48	\$51	\$53	-\$324	-87.6%
Total Duties	(\$ million, current prices)	\$2,930	\$3,560	\$4,044	\$2,704	\$2,845	\$2,881	\$3,076	\$3,051	\$3,684	\$4,505	\$4,433	\$4,636	\$4,818	\$5,009	\$1,503	51.3%
Total State Taxes	(\$ million, current prices)	\$7,396	\$8,484	\$9,546	\$8,877	\$9,375	\$9,944	\$10,608	\$10,957	\$11,845	\$12,575	\$12,788	\$13,265	\$13,925	\$14,599		72.90%
Gross State Product	(\$ million, current prices)	\$192,823	\$214,833	\$232,195	\$259,902	\$252,946	\$269,289	\$289,077	\$290,416	\$298,680	\$305,354	\$317,568	\$331,858	\$344,303	\$355,493		64.69%
Employment	Total Employment (000's trend)	1984	2079	2143	2206	2214	2255	2285	2287	2317	2321	2350	2385	2433	2488		18.45%
Consumer Price Index	Brisbane Index Numbers	82.9	85.6	89.2	92.5	95.0	98.1	100.0	102.0	104.9	106.8	108.9	111.7	114.5	117.4		31.36%
Wage Prices Index	Total Hourly Rates excluding bonuses	88.1	92.1	96.0	100.0	103.3	107.3	111.3	114.7	117.7	120.5	123.2	126.6	130.4	134.6		39.84%
Insurance Duties as a % of Total State Taxes		4.43%	4.26%	4.04%	4.79%	4.73%	4.87%	5.24%	5.62%	6.48%	6.62%	6.90%	7.07%	7.17%	7.27%	2.46%	
Insurance Duties as a % of GSP		0.17%	0.17%	0.17%	0.16%	0.18%	0.18%	0.19%	0.21%	0.26%	0.27%	0.28%	0.28%	0.29%	0.30%	0.11%	

Source: State Budget Paper No 2 & ABS Catalogues 5220.0, 6202.0, 6401.0, 6345.0

RECOMMENDATION

CCIQ recommends the State Government adjust duty rates to ensure that taxation receipts remain neutral to increasing insurance premiums and that the 2013-14 changes be reversed.

LAND TAXES

- 4.14 CCIQ supports making better use of land tax as it is more efficient and stable source of revenue for government and does not distort decisions about investment. However, any reform of land tax arrangements must consider the exemption currently placed on 'primary place of residence' and must be done in parallel with removal of inefficient stamp duty on property transfers.

RECOMMENDATION

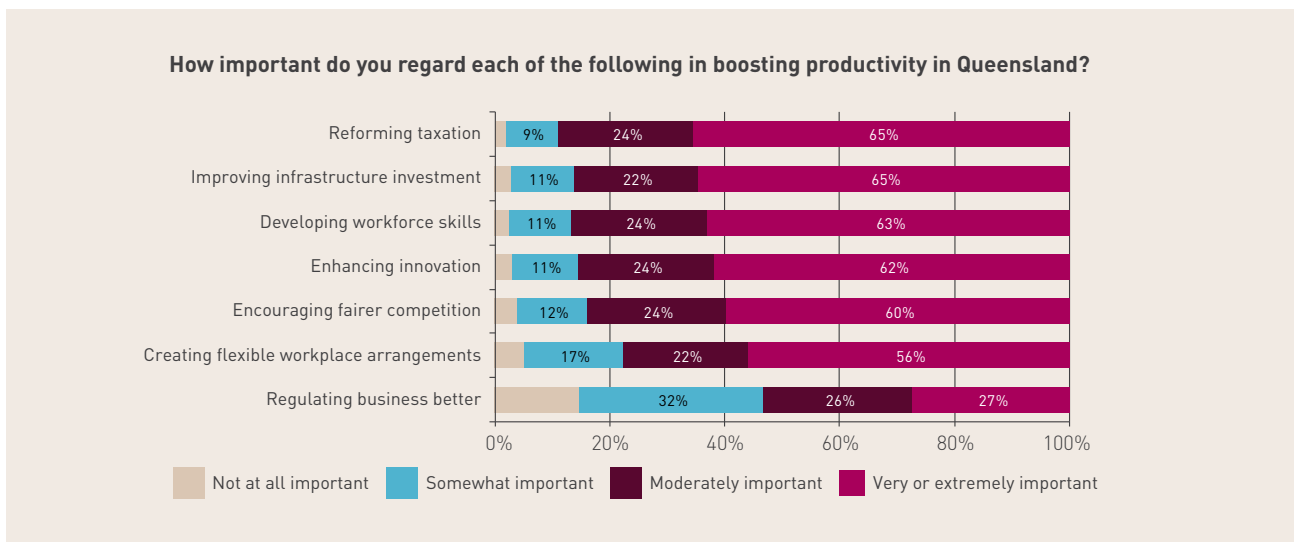
There should be a gradual shift to making better use of a broad-based land tax while committing to a corresponding phase-out of duties to property transactions.

Land Tax													Increase			% Increase	
		2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2005-06 - 2015-16	2005-06 - 2015-16
Land Tax	(\$ million, current prices)	\$404	\$485	\$610	\$838	\$1,033	\$1,042	\$1,013	\$990	\$986	\$977	\$996	\$1,057	\$1,132	\$1,200	\$592	146.5%
Total State Taxes	(\$ million, current prices)	\$7,396	\$8,484	\$9,546	\$8,877	\$9,375	\$9,944	\$10,608	\$10,957	\$11,845	\$12,575	\$12,788	\$13,265	\$13,925	\$14,599		72.90%
Gross State Product	(\$ million, current prices)	\$192,823	\$214,833	\$232,195	\$259,902	\$252,946	\$269,289	\$289,077	\$290,416	\$298,680	\$305,354	\$317,568	\$331,858	\$344,303	\$355,493		64.69%
Employment	Total Employment (000's trend)	1984	2079	2143	2206	2214	2255	2285	2287	2317	2321	2350	2385	2433	2488		18.45%
Consumer Price Index	Brisbane Index Numbers	82.9	85.6	89.2	92.5	95.0	98.1	100.0	102.0	104.9	106.8	108.9	111.7	114.5	117.4		31.36%
Wage Prices Index	Total Hourly Rates excluding bonuses	88.1	92.1	96.0	100.0	103.3	107.3	111.3	114.7	117.7	120.5	123.2	126.6	130.4	134.6		39.84%
Land Tax as a % of Total State Taxes		5.46%	5.72%	6.39%	9.44%	11.02%	10.48%	9.55%	9.04%	8.32%	7.77%	7.79%	7.97%	8.13%	8.22%	2.33%	
Land Tax as a % of GSP		0.21%	0.23%	0.26%	0.32%	0.41%	0.39%	0.35%	0.34%	0.33%	0.32%	0.31%	0.32%	0.33%	0.34%	0.10%	

Source: State Budget Paper No 2 & ABS Catalogues 5220.0, 6202.0, 6401.0, 6345.0

5.0 NATIONAL TAX REFORM

- 5.1 CCIQ highlights the mutual dependency between taxation and economic growth. By creating a low taxation business operating environment with minimal compliance costs, we are laying the foundation for increased business investment, which leads to employment and wages growth and ultimately, higher living standards and taxation receipts to Government.
- 5.2 Australia's tax system faces a number of challenges, including technological change, an ageing population and increased mobility of investment, all of which make the revenue from traditional tax bases more volatile. While the economic environment has changed substantially, Australia's tax mix has remained fairly static. The tax system is now considered by Queensland businesses to be outdated and a brake on economic growth.
- 5.3 CCIQ believes that a generational update to our tax system is needed to respond to these economic challenges and underpin our nation's productivity growth and future living standards. All levels of government must commit to comprehensive tax reform in a collaborative and decisive manner, recognising the transformational effect tax reform can have on our economy, especially if combined with federation reform.



CCIQ State Election Survey, January 2015

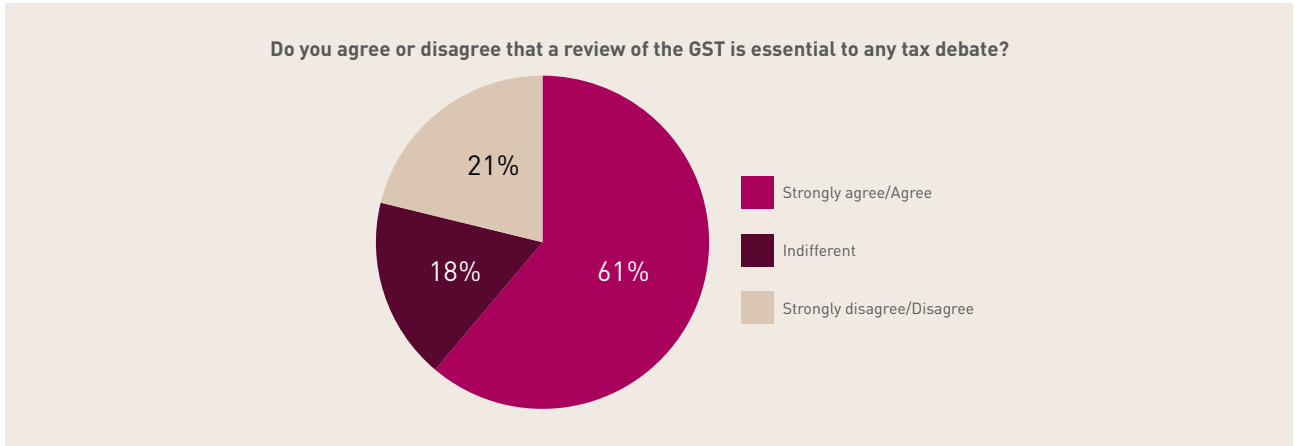
- 5.4 The priority for the Queensland business community is for the reform process to consider the taxation system holistically, with a focus on addressing the complexity of the system and reducing the reliance on income taxes in favour of consumption taxes like the Goods and Services Tax (GST), which will enable the removal of inefficient State taxes.
- 5.5 Tax reform is inevitable yet leadership on this issue in our view is not yet there. CCIQ urges both the Commonwealth and State Governments to play a leadership role in forging unanimous agreement for changes to the GST as part of comprehensive taxation reform. It appears the State Government has been ruling changes out rather than constructively building the groundwork for a modern tax system that allows businesses to innovate, grow and employ more Queenslanders.
- 5.6 CCIQ encourages the State Government to instead work proactively with other jurisdictions to ensure that all options, including the GST and inefficient state taxes, are considered. For example, if all States including Queensland could agree to the implementation of the GST in 1999, then consideration of broadening the GST based or increasing the rate payable should not be placed in the too hard basket.

RECOMMENDATION:

The State Government to take a leadership role for holistic taxation reform with a view to reducing the large number of taxes by shifting to a greater reliance on broad-based consumption taxes to raise revenue more efficiently.

GOOD AND SERVICES TAX

5.7 CCIQ believes improving the use of GST offers the most sensible solution to achieving an efficient and sustainable taxation mix. It is imperative that GST is given priority consideration in the tax reform agenda. The majority of Queensland businesses believe review of the GST is essential to any tax debate. CCIQ believes tax reform must consider increasing the rate or broadening the scope of the GST base by removing exemptions. Both approaches would need to be complemented by assistance measures for low-income households to maintain equity of the tax system.

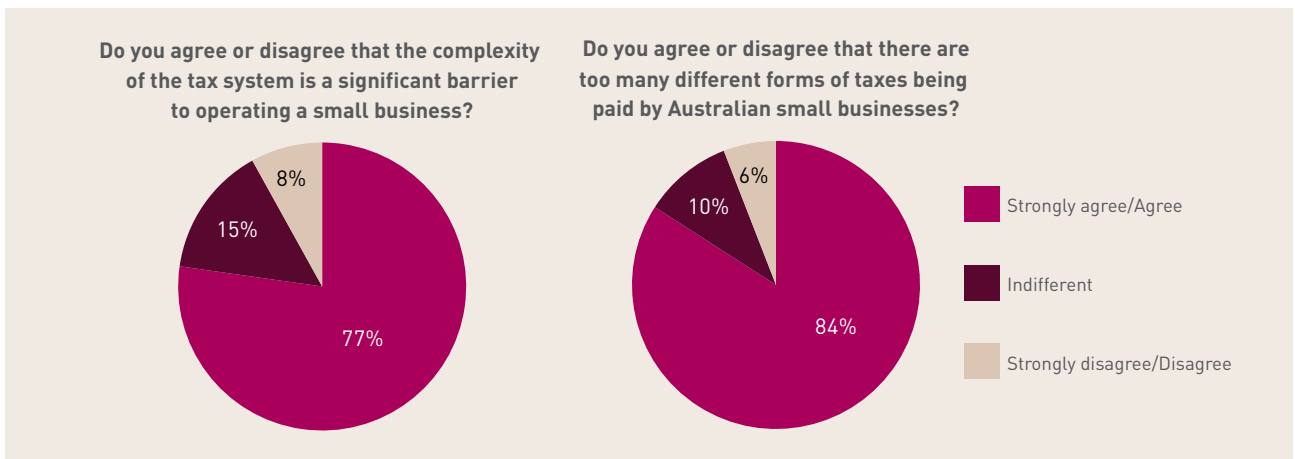


CCIQ ReachTEL Survey on Taxation, May 2015

5.8 Currently, the GST is underutilised as a source of taxation revenue. The GST has a narrow consumption base, with high growth sectors such as food, education and health services excluded. GST exemptions are estimated to cost around \$20 billion in foregone GST revenue. The Commonwealth Treasury notes that GDP activity covered by the GST currently captures only 47 per cent of overall economic activity. A few years ago it was 56 per cent.

SMALL BUSINESS INTERESTS

- 5.9 The current tax system does not adequately cater for small business interests. The complexity of existing business tax arrangements places a particularly high burden on small businesses. The tax reform process should consider small business company arrangements that could address this complexity.
- 5.10 Tax simplification must be a key priority for the tax reform process to help reduce business tax compliance costs and allow businesses to focus on growth and job creation. Valuable time and resources are currently being spent on tax compliance and these costs are proportionally greater for small businesses. Compliance with the Australian tax systems is estimated to cost taxpayers approximately \$40 billion each year.



CCIQ ReachTEL Survey on Taxation, May 2015

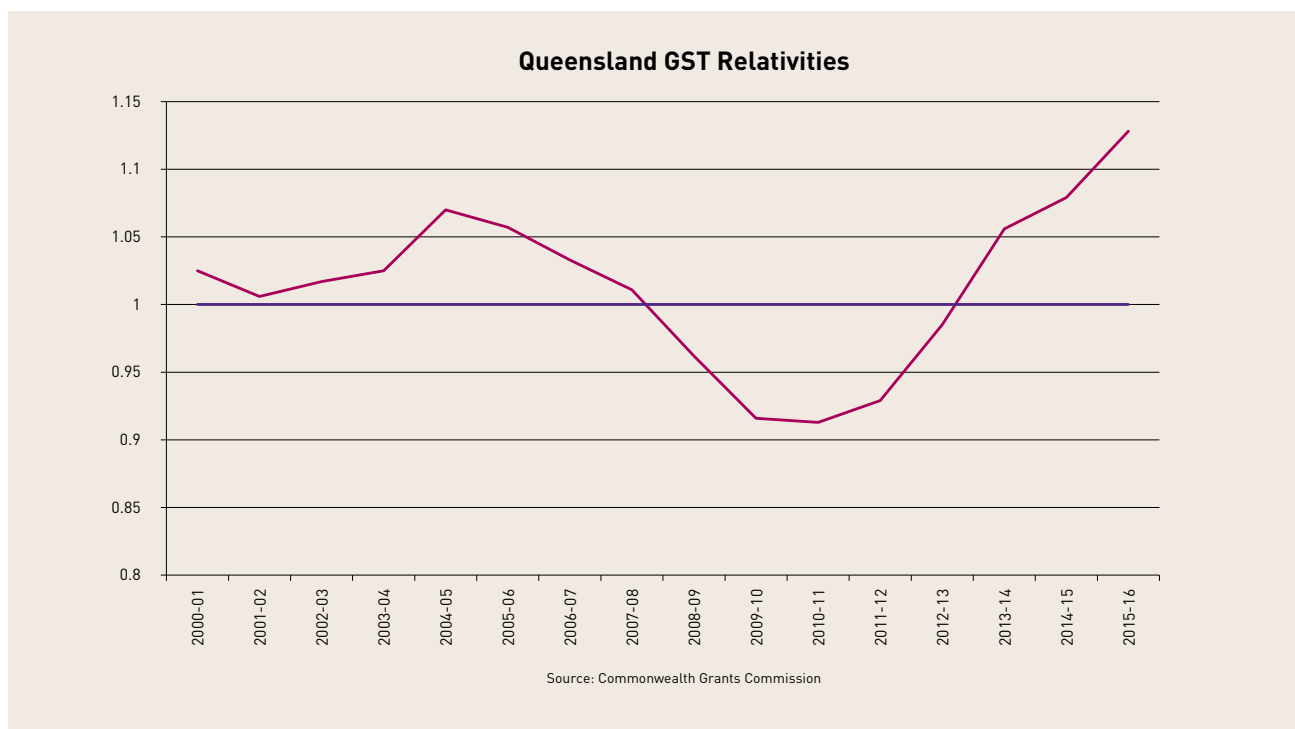
RECOMMENDATION:
 Ensure the tax system adequately caters for small business needs

PAYROLL TAX HARMONISATION

- 5.11 CCIQ has provided strong opposition to proposals to standardise the payroll tax rate across all Australian States. The Commonwealth Treasury modelled the impacts of standardising payroll tax rates across all Australian States at 6 per cent and also standardising the exemption threshold.
- 5.12 CCIQ is vehemently opposed to this proposal as it would conservatively slug Queensland businesses \$2.6 billion, costing at least 45,000 jobs. Under the proposal, depending where the exemption threshold is set, thousands of additional Queensland small businesses would also be slugged with this tax.
- 5.13 Queensland has the lowest payroll tax rate in Australia set at 4.75% with the highest payroll tax exemption threshold at \$1.1 million. CCIQ is a strong proponent of competitive federalism in respect to state tax arrangements. There is no question that Queensland has attracted and retained business investment as a result of having a more competitive tax regime than other states. The tax reform process should seek to encourage this competitive federalism, recognising that if all jurisdictions adopted this approach then Australia would dramatically improve its international competitiveness.

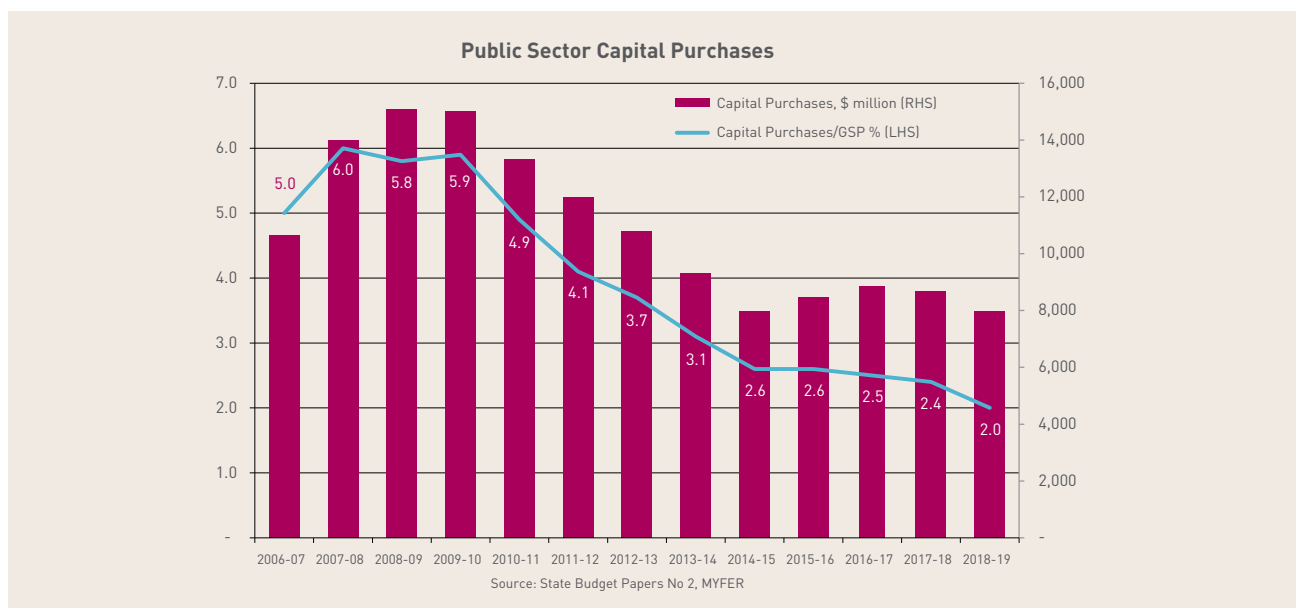
REVITALISING THE COMMONWEALTH-STATE FISCAL RELATIONSHIP

- 5.14 CCIQ highlights all states and territories must commit to collaborating with the Federal Government on the federation white paper to set out a progressive agenda for achieving sustainable fiscal relations across levels of government.
- 5.15 A sustainable, long-term fiscal strategy will depend on a correction of the current vertical fiscal imbalance, whereby the Commonwealth raises the majority of the revenue and the States spend the majority of the money. This vertical fiscal imbalance means there is disconnection between spending responsibilities and revenue raising capacity.
- 5.16 The full scope of Commonwealth-State fiscal relations needs to be investigated, including:
- reviewing the methodology for GST distribution to the States;
 - reviewing the effectiveness of the Intergovernmental Agreement on the Reform of Commonwealth-State Financial Relations;
 - improving institutional arrangements of the federation; and
 - improving the future tax mix that would enable streamlining of inefficient State taxes.



6.0 INFRASTRUCTURE

- 6.1 Reliable, affordable and capable infrastructure plays a crucial role in determining the strength of economic growth. An investment in infrastructure represents an investment in the future prosperity of our proud state. Infrastructure Australia has estimated that infrastructure provides a \$33.9 billion dollar economic contribution to Queensland with this forecast to grow to \$71.2 billion over the next 20 years.
- 6.2 It is important that the state's infrastructure networks are the enablers of future economic growth by driving ongoing private business investment and expansion into regional areas; enhancing the competitiveness of business in both domestic and global marketplaces. This will allow for the future prosperity for all Queensland communities.
- 6.3 Queensland faces unique challenges of investing and maintaining a geographically expansive transport, energy, water and telecommunications infrastructure network. Currently, inadequate and costly infrastructure is adversely impacting the efficiency of business operations. Infrastructure Australia estimates that if the inadequate transport networks in Queensland are not addressed the macroeconomic cost will total \$9 billion by 2031.
- 6.4 For business, the practical impact of this \$9 billion dollars represents higher costs of doing business; decreased efficiency and productivity; reduced access to existing markets and expansion into new and emerging markets; vulnerability to seasonal weather events; delayed business expansion activities; and the reduction in the liveability of a region and in turn workforce.
- 6.5 CCIQ is concerned at the decreasing proportion of the State Budget that is being allocated to infrastructure. As a percentage of the Queensland economy, the proportion of non-financial public sector capital expenditure has declined from a peak of 6 per cent in 2007-08 to just 2.6 per cent in 2015-16. This is anticipated to decrease to 2 per cent across the forward estimates.



- 6.6 CCIQ has previously urged the State Government to commit to the renewal and new tier of infrastructure needed to drive Queensland forward. A significant amount of investment is required in Queensland's infrastructure and our strongest advice to the Palaszczuk Government is to roll out the State's Infrastructure Plan urgently. The expeditious roll out of a Queensland Infrastructure Plan we believe is the single best way to get this State moving.
- 6.7 Queensland businesses are strongly supportive of:
- developing a long term planning approach that identifies key infrastructure needs within all Queensland regions and an associated timeline for their delivery as a must;
 - ensuring infrastructure plans remain up-to-date with identified infrastructure priorities continuing to reflect the needs of businesses;
 - regular audits and surveys should also be undertaken to identify emerging capacity constraints and infrastructure gaps; and
 - continual updating of timelines to provide the certainty and direction for them to make informed decisions about investment and expansion activities;

RECOMMENDATIONS:

The State Government must urgently roll out the State's Infrastructure Plan. The expeditious roll out of a Queensland Infrastructure Plan we believe is the single best way to get this State moving.

INFRASTRUCTURE

State-wide

- Delivery of the Toowoomba Second Range Crossing
- Bruce Highway upgrade
- Improved ICT infrastructure

Brisbane

- Second Rail Crossing
- Upgrade of Coomera Interchange (Exit 54) on Pacific Motorway
- Expansion of Australia TradeCoast

Sunshine Coast

- Sunshine Coast University Hospital
- Expansion of the University of the Sunshine Coast
- Sunshine Motorway upgrades to improve linkages between Noosa, Maroochydore, Mooloolaba, Marcoola, and surrounds.
- Bruce Highway Upgrade Caloundra Road to Sunshine Motorway
- Alternative Bruce Highway Link to Caloundra
- Delivery of the Sunshine coast Airport Master Plan
- Extension of Sunshine Coast rail line from Beerwah to Maroochydore
- Improved intra-regional connectivity via light rail

Gold Coast

- Continued upgrades to the Pacific Motorway connecting Brisbane and the Gold Coast
- Direct connectivity between heavy and light rail
- Redevelopment of old Gold Coast hospital site
- Establishment of a health and knowledge precinct

Far North Queensland

- Upgrades and weatherproofing of the Bruce Highway
- Complete sealing of Kennedy and Hahn highway
- Upgrade of Kuranda Range Road for B Doubles
- Mareeba Tableland Airport development
- Nullinga Dam project for the region's future water security

Central Coast

- Upgrades and weather proofing of the Bruce Highway
- Sub-regional road infrastructure projects such as Peak Downs Highway upgrade and Mackay Ring Road
- Expand seaports for non-resource purposes
- Upgrades to Mackay and Whitsunday Airports
- Abbot Point expansion project

North Queensland

- Flood-proofing of the Bruce Highway, including the Sandy Creek and Haughton River Bridge
- Townsville Southern Access Corridor for improved connectivity to support the Townsville State Development Area
- Completion of Townsville Ring Road
- Further development of Townsville Port and Air capacity
- Townsville stadium

Central Queensland

- Delivery of Yeppen South Project
- Execution of Gracemere Industry Area, Rockhampton
- Increase export capacity for non-commodity exports at Port of Gladstone
- Expansion of sub-regional airports

South West

- Delivery of Toowoomba Second Range Crossing
- Wellcamp Airport interlinking infrastructure
- Fast passenger rail service between Brisbane and Toowoomba
- Further development of regional aerodromes
- Upgrades to the Warrego, Cunningham and New England Highways

FUNDING OPTIONS

CLOSED OFF FUNDING OPTIONS

Fiscal Restraint

Minimise recurrent expenditure to maximise capital expenditure. Ruled out any further cuts to public sector
(State Gov position not supported by CCIQ)

Contestability

Opposition to any further contestability of public service provision
(State Gov position not supported by CCIQ)

Taxation

Ruled out raising or any new taxes
(State Gov position supported by CCIQ)

Balance Sheet

Ruled out asset recycling – ie long term lease of Energex, Ergon and Queensland Ports
(State Gov position not supported by CCIQ)

C/W Government Asset Recycling Boost

Ruled out 15% funding boost from the C/W to States for recycling of State infrastructure
(State Gov position not supported by CCIQ)

Taxation Reform

Ruled out holistic tax reform by opposing change to existing GST arrangements
(State Gov position not supported by CCIQ)

FUNDING OPTIONS STILL AVAILABLE

Public Private Partnerships

Utilisation of Market Led Proposals
(Supported by CCIQ)

Infrastructure Levy

Consideration of a Queensland infrastructure levy on all residential and commercial land owners.
(Not supported by CCIQ)

Sale Lease Back Arrangements

Lease schools and hospitals to be leased back from private sector to save on capital works program. Divert savings in capital works program to new infrastructure projects.
(Supported by CCIQ)

Build new infrastructure

Build new infrastructure with caveat that infrastructure will be sold to the private sector within a defined timeframe.
(Supported by CCIQ)

Sale of Future Rights

Sell to the private sector the 'option rights' to build future specific infrastructure.
(Supported by CCIQ)

Debt

Go further into Debt
(Not supported by CCIQ)

Commonwealth Funding

Negotiate with C/W for more funding of major projects
(Supported by CCIQ)

Infrastructure Efficiency Fund

2.5% efficiency dividend applied to all portfolios to fund major infrastructure
(Supported by CCIQ)

State Tax Natural Growth

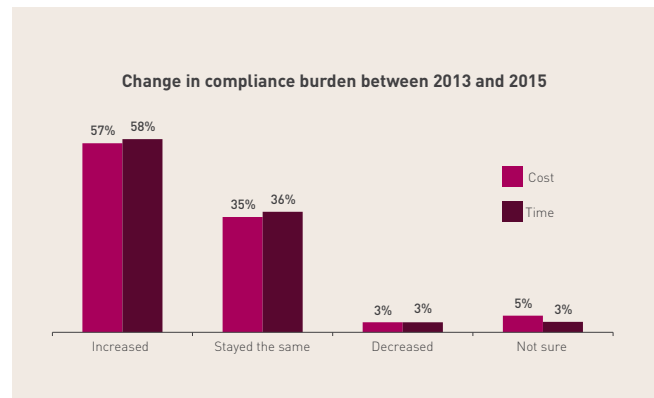
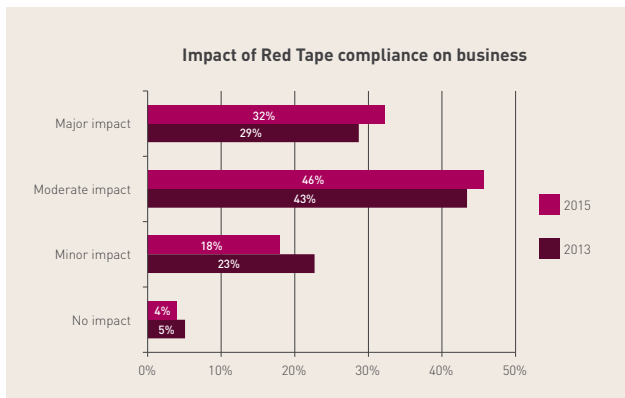
Quarantining all future natural growth in State taxes to fund infrastructure
(Not supported by CCIQ)

GOC Dividends

Increase dividend payments from Government owned corporations to a quarantined major projects fund
(Not supported by CCIQ)

7.0 RED TAPE

- 7.1 It is crucial that as a State we address the significant regulatory burden facing small businesses that unquestionably stifles their capacity to grow and employ. CCIQ has been conducting its biannual Red Tape Baseline Survey since 2009 to understand the impact that red tape has on small business and track changes to the burden of regulatory compliance.
- 7.2 Findings from the latest survey reveal that Queensland businesses experience a moderate to major impact from complying with government regulation and that one in four businesses state that red tape compliance has prevented them from making changes to grow their business. Key facts include:
- 78 per cent of businesses experience a moderate to major impact from complying with government regulation.
 - 44 per cent reported that they now spend six or more hours per week complying with government regulatory requirements.
 - 58 per cent indicated that their time dealing with red tape had increased.
 - 57 per cent indicated that costs had increased.
 - 25 per cent indicated that red tape had prevented them making changes to grow their business.
 - One in three highlight that understanding regulatory obligations and finding information is the most costly aspect of regulatory compliance.
 - Only 8 per cent indicated the Queensland Government’s consultation was good or very good.
- 7.3 Achieving meaningful outcomes in this area requires a systematic and top-down approach and CCIQ’s long-standing methodology to tackle red tape burden includes:
- Deregulate where possible through imposing constraints on regulators with transparent targets, high level political leadership and a baseline measure of ‘red tape’ to achieve Ministerial and government accountability;
 - Stem the flow through restricting the future growth of regulation. Examples are the WHS Bill 2015 blocked in parliament recently and ensuring initiatives such as container deposit legislation and restrictions on single-use plastic bags are only implemented with minimal impact to small business;
 - Streamline compliance through improving the way we communicate with small business, develop tools to aid with compliance, schedule compliance at times most suitable to circumstances and adjust frequency of compliance for low risk activities and those with good compliance histories.
- 7.4 Quite simply, governments must improve the efficiency of regulation, both by removing unnecessary and duplicative areas of compliance and make it easier for business to comply. The red tape burden as it stands today has accrued from all tiers of government and under many governments. However the government of the day in the eye of business has a clear and unmistakable responsibility to address this burden.
- 7.5 The Queensland small business community has a rightful and clear expectation that the State Government meaningfully drive down the cumulative regulatory burden. The Chamber has indicated that it is willing to work with the State Government and currently sits on the Red Tape Reduction Advisory Council. In short this initiative is going to have to deliver real actions that assist small business in 2016.



Source: CCIQ Red Tape Survey 2015

8.0 ADVANCE QUEENSLAND

- 8.1 CCIQ's research shows 85 per cent of Queensland businesses think innovation is only something possible for large corporate businesses and less than 4 per cent consider innovation to be essential to their future competitiveness. CCIQ believes it is imperative that these perceptions are corrected.
- 8.2 CCIQ is supportive of the suite of initiatives under the \$180 million Advance Queensland Plan. Through our engagement with businesses, CCIQ has valuable insights on business perceptions on innovation, the barriers to innovation and successes in innovation among small businesses.

The \$76 million Advance Queensland Business Investment Attraction package will improve access to finance and management support for start-ups and small to medium enterprises.

Startup Queensland Program	\$24 million	The Startup Queensland Program will attract, grow, champion, cluster and harness startups to advance the Queensland economy. The program aims to increase the rate of startup formation, attract more businesses to Queensland and encourage growth in existing small to medium enterprises. Startups can reshape entire industries through technology and business model innovation. They are vital to job creation and prosperity and help ambitious businesses to access the support needed for accelerated growth.
Advance Queensland Commercialisation Program	\$12 million	The Advance Queensland Commercialisation Program will support proof-of-concept projects, designed to lead to new products and services.
Business Development Fund	\$40 million	The Business Development Fund will provide co-investment to match and encourage greater angel and venture capital investment in Queensland businesses. It will help many Queensland businesses translate their ideas into products and services and access global export markets.

- 8.3 However CCIQ believes that innovation programs need to be reorientated to capture interest from existing small businesses not just start-ups. Innovation programs need to support incremental innovations in already established small business in their changes to production, service and process.
- 8.4 The State Government must take action to cultivate a business innovation system through policy settings that support risk taking and enable businesses at all stages of their life cycle to create value from new ways of doing things. CCIQ highlights the following priorities for Queensland business innovation:
- create a business operating environment conducive to innovation;
 - foster a small and medium business innovation culture;
 - remove regulation that is a barrier to innovation;
 - deliver sufficient and appropriately targeted government programs;
 - facilitate greater collaboration between business and academia domestically and internationally;
 - improve workforce capability with innovation skills;
 - improve availability of finance;
 - enabling physical infrastructure; and
 - government that leads by example.
- 8.5 CCIQ has opened the first in a network of Innovation Centres. In an Australian first, CCIQ and BlueChilli have created Collaborate, a unique co-working environment designed to build businesses focused on solving the problems of business. Collaborate will offer free-of-charge residency, access to programs, resources, mentors and opportunities to businesses, entrepreneurs and thinkers which can meet the requirements for entry. Available to businesses regardless of their life stage, industry or background, Collaborate is different because we will be focused on solving specific challenges and problems to build businesses. There is opportunity to use CCIQ's planned innovation centres to progress the State Government's Advance Queensland initiative.

RECOMMENDATIONS:

Advance Queensland innovation programs need to be reorientated to capture interest from existing small business not just start-ups. Innovation programs need to support incremental innovations in already established small business in their changes to production, service and process.

9.0 ENERGY

- 9.1 CCIQ provided submissions to the Queensland Productivity Commission (QPC) Issues Papers for electricity pricing in Queensland and solar feed-in pricing. Electricity price rises since 2007 have taken a toll on small businesses with an effective doubling in prices across this period. This in turn impacts on Queensland's economy as increases in the price of power increase the cost of doing business and the cost of all goods and services in Queensland.
- 9.2 CCIQ believes that the energy sector must deliver greater certainty, operational efficiency, future focused planning and investment, and be harmonised with energy efficiency policy. Above all, it must be conducive to and support business and economic growth in Queensland.
- 9.3 Encouraging a more sustainable and competitive energy sector in Queensland will provide a platform for businesses to continue growing and employing over the coming decades. CCIQ recommendations to the QPC Inquiries on Electricity Pricing and Solar Feed-in Pricing include:

ELECTRICITY PRICING IN QUEENSLAND INQUIRY

Distribution Revenue Determination Outcome:

CCIQ recommends that more efficiency can be found across the network businesses through the revenue determination process.

Solar Bonus Scheme:

CCIQ recommends that the Queensland Government seek to remove the legacy cost of the Solar Bonus Scheme. CCIQ recommends that the State Government should not implement any future rebates to incentivise the uptake of solar.

Retail Price Deregulation in South East Queensland:

CCIQ urges the State Government to proceed with market monitoring on 1 July 2016.

Uniform Tariff Policy and regional competition:

CCIQ supports retaining the Uniform Tariff Policy. CCIQ would support shifting the allocation of the Uniform Tariff Policy from Ergon Energy Retail to a network based Community Service Obligation. CCIQ supports the retention of the UTP on the basis of encouraging regional development and uniformity of operating costs for small businesses regardless of location.

Network Tariff Reform:

CCIQ recommends that the network businesses focus on collecting more customer load profile data for small businesses as part of the network tariff reform process.

Reduced Demand:

CCIQ recommends that the QPC investigate stranded assets and examine the overall value of the Regulatory Asset Base.

Asset Privatisation:

CCIQ recommend that the debate on asset ownership should be considered as part of the options presented to government to achieve reduced costs for Queensland small businesses.

Energy Company Merger:

CCIQ recommends against the merger of generation companies Powerlink, CS Energy and Stanwell.

SOLAR FEED-IN PRICING IN QUEENSLAND INQUIRY

Renewable Energy and Small business:

CCIQ asserts that cost remains the most important factor in determining the appropriateness of adopting solar and other renewable sources into a business

Feed-in Tariffs in Queensland:

CCIQ recommends that regulation of feed-in tariff prices should only occur where market failure exists.

Payment of Feed-in Tariffs:

CCIQ recommends that small businesses be provided with the option of choosing whether their tariffs are paid through a net or a gross metering arrangement.

Government Subsidies:

CCIQ recommends the State Government use other means to incentivise the uptake of solar, such as the removal of regulatory burdens.

10.0 EDUCATION AND TRAINING

- 10.1 CCIQ welcomes the commitment from the State Government to stimulate jobs creation, more specifically the \$240 million for Skilling Queenslanders for Work initiative; \$45 million for Payroll Tax Rebate scheme; and the \$40 million for the Jobs Queensland roundtable authority.
- 10.2 Businesses will benefit from the Skilling Queenslanders for Work initiative provided that input from employers occurs that ensures training provided aligns with those skills most in demand by the business community.
- 10.3 CCIQ is also pleased with the commitment for 10 per cent of workers on major projects to be apprentices and trainees and extending this requirement to government-owned corporations as it will provide skilled pathways for our youth. This commitment alongside the Get Set for Work, Ready for Work and Youth Skills programs are positive steps towards lowering youth unemployment particularly in regional and rural areas. CCIQ further recommends that the State Government support the Federal Government in progressing workplace reforms which would encourage businesses to take on young workers, including reforms to penalty rates and onerous unfair dismissal laws.
- 10.4 The payroll tax rebate for apprentices and trainees scheme (an estimated \$45 million in tax savings for businesses over three years) is a step in the right direction. However, it is limited in application to those 11,000 Queensland businesses that have an annual wages bill over \$1.1 million and currently pay payroll tax. CCIQ considers this scheme could be further leveraged if combined with employer incentive payments for hiring apprentices and trainees, which have proven to be extremely effective in boosting commencements. Employer incentive payments would extend to the 403,000 Queensland small businesses that otherwise do not benefit from the State Government's payroll tax rebate.
- 10.5 CCIQ would welcome opportunity to provide input to the new Jobs Queensland authority on emerging workforce challenges and needs of small and medium businesses. Increased engagement with the business community is vital to improve the quality of information and accuracy of future skills forecasts.
- 10.6 Given our aging population issues, the Queensland Government must start looking at adult education and lifelong learning in order to enhance and maintain the depth and diversity of skills in our economy. CCIQ believes the education and training system and funding models target mostly young people and school leavers. By removing barriers which prevent existing, adult and mature age workers participating in further learning, up-skill and reskilling has the potential to further drive improvements in the quality and availability of training and facilitate a more demand led VET system.
- 10.7 CCIQ recognises TAFE Queensland as a leading provider of vocational education and training (VET) in Queensland. CCIQ considers the State Government's commitment of \$34 million over three years for TAFE Queensland has merit, provided implementation of this initiative contributes to the development of a business relevant VET sector that improves outcomes for employers.
- 10.8 Queensland businesses consistently highlight the need for choice of providers to ensure VET delivery provides our youth with the skills and qualifications to be workforce ready. CCIQ believes that these outcomes are best achieved through a contestable training market, which encourages continuous improvement in service delivery and leads to better outcomes for both prospective students and businesses.

RECOMMENDATIONS:

The State Government must ensure the State's future skills requirements are met by developing business relevant vocational education and training.

A partnership between the Queensland Government and industry should be established to determine skills and workforce needs both in the short term and long term to ensure skills supply meets demand.

Provide employer incentive payments for hiring apprentices and trainees

The State Government should explore opportunities to provide tuition loans for vocational education. This requires working with the Australian Government to expand eligibility criteria to provide income support for existing workers and mature age people who return to study.

11.0 CCIQ & STATE GOVERNMENT COLLABORATION

11.1 Small Business Week

Small business and their employees are the heart of the Queensland economy and the driving force behind our thriving local communities. Queenslanders are right to be proud of their local small businesses who deliver a diverse and world class range of goods and services. CCIQ commends the State Government for celebrating the contribution that small businesses make through the Small Business Week to be held in May 2016. The State Government through this week will highlight the crucial contribution that small business makes to our State's communities. The week is a great initiative as it also provides essential tools, services and knowledge to small business to help them to grow and employ. Queenslanders due to their proud nature have a desire to support local small businesses and it is great to see the State Government doing likewise. CCIQ is exceptionally proud to be working with the Department of Tourism, Major Events, Small Business and Commonwealth Games in assisting small business through this great idea.

11.2 Ecobiz

CCIQ's Ecobiz program connects small to medium enterprises (SMEs) with emerging technology solutions to promote opportunities for business to reduce energy, water and waste cost. CCIQ ecoBiz program is a key contributor to increasing Queensland business profitability by improved environmental performance and business sustainability. With SMEs in Queensland contributing to 70 per cent of carbon emissions in the state, the collaborative partnership between CCIQ and University of Southern Queensland (USQ) is an innovative and cost-effective solution to mitigate the environmental and economic impacts of SMEs on Queensland. Since 2013, the program has achieved the following metric savings for businesses that have completed the suggested action plan and tracked their environmental metric consumption/production.

METRIC	CCIQ ECOBIZNESSES
Energy	Average savings: 35% Total saving: 21,893 GJ and \$640,238
Water	Average savings: 34% Total saving: 16,774 kL and \$45,232
Waste	Average savings: 37% Total saving: 127 t and \$7,117

30 Nov 2015

The current funding model supported by Department of Environment and Heritage Protection has a three year contract, finishing 30 June 2016. Renewed funding for the next three years will support the program in achieving exponential growth in the reduction of energy, water, waste and carbon emissions by businesses, and an increase the proportion of SMEs engaging in the program to commence their sustainability journey. A new proposal has been forwarded to the State Government that builds on continued support to help transition Queensland from a resource dependent, industrial economy to a modern, vibrant, digital and low-carbon economy. In addition to the current model, CCIQ proposes an ecoTech component to support businesses that have engaged with ecoBiz and have a vision to innovate and develop technologies that support the community and drive the Queensland economy. ecoTech will also allow for small-seed funding of outstanding eco-tech ideas. CCIQ are currently connecting with government and key stakeholders on continuation of the program to continue to mitigate the risk that Queensland businesses have on the environment and the economy.

11.3 Small Business Trade and Export Advice

CCIQ believes significant additional opportunity is now available to Queensland small business exporters following the depreciation of the Australian dollar and the successful negotiation of the China, Korea and Japan Free Trade Agreements. CCIQ's experience in this area is that small businesses struggle with the complexity, time, understanding and how to take advantage of overseas opportunities. CCIQ wishes to explore with Trade and Investment Queensland increasing the capability of Queensland small businesses to successfully export.

12.0 REVITALISING COMPETITION POLICY

- 12.1 CCIQ encourages the State Government to respond to the recommendations of the Harper Review for the benefit of current and future Queenslanders. The Review was an exciting opportunity to provide a generational update to Australia's competition policies, laws, and institutions. Queensland small business wants to see the recommendations considered and acted upon where appropriate.
- 12.2 CCIQ supports the range of quality policy recommendations including the formation of the Australian Council for Competition Policy, strengthening obligations on government to compete fairly against the private sector, a review of regulations that restrict competition and changes to the misuse of market power provisions.
- 12.3 However, recommendations relating to the full deregulation of shopping trading hours, the sale of pharmaceutical products in supermarkets, and an introduction of competition principles in planning and zoning rules are all likely to undermine the viability of the small business community that in turn diminishes competition in the longer term. More broadly, these measures would have significant negative consequences for the health and productivity of Queensland's economy as a whole.
- 12.4 CCIQ wishes to draw the State Government's attention to the following key recommendations:

RECOMMENDATION 9:

Planning and zoning: State and territory governments should subject restrictions on competition in planning and zoning rules to the public interest test, such that the rules should not restrict competition unless it can be demonstrated that the benefits of the restriction to the community as a whole outweigh the costs, and the objectives of the rules can only be achieved by restricting competition.

While CCIQ understands the desire to introduce competitive principles in planning and zoning rules and regulations, the Chamber expresses concern as to what impact this recommendation would have on small and medium retailers if adopted by local government in Queensland. Planning policy must be carefully designed to strike the right balance between allowing firms to enter new and local markets, while ensuring existing small and medium retailers are not unfairly targeted by larger firms with greater capacity that have repeatedly undermined competition through anti-competitive practices.

RECOMMENDATION 12:

Retail trading hours: Remaining restrictions on retail trading hours should be removed. To the extent that jurisdictions choose to retain restrictions, these should be strictly limited to Christmas Day, Good Friday and the morning of ANZAC Day, and should be applied broadly to avoid discriminating among different types of retailers. Deregulating trading hours should not prevent jurisdictions from imposing specific restrictions on trading times for alcohol retailing or gambling services in order to achieve the policy objective of harm minimisation.

CCIQ strongly opposes the recommendation to deregulate shop trading hours. CCIQ believes trading hours' legislation is the most effective mechanism for small business to address the market dominance of the major retailers. In this light, full deregulation of shop trading hours would make it impossible for small and medium businesses to compete against the major market players in Coles and Woolworths in Queensland. CCIQ recommends the State Government rule out this recommendation.

- 12.5 The Review has correctly identified some of the significant impediments faced by small business in the marketplace, and has provided a number of recommendations that support greater choice and better competition. However, recommendations that would undermine the sustainability of the small business community and therefore reduce competition in the longer term should be approached with caution by the State Government.

RECOMMENDATIONS:

- Oppose recommendations that would undermine the sustainability of the small business community and therefore reduce competition in the longer term.



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**.

Economic Strategy: The 2016-17 State Budget should provide pro-growth economic policy for businesses to invest and employ in a stand out business operating environment in Australia; and, Work constructively with the business community to progress key infrastructure projects, reduce the regulatory shackles and costs on small business to allow them to grow and employ. **Fiscal Strategy:** The Queensland Government must continue to deliver responsible fiscal management through: Returning to a fiscal surplus in 2016-17; Reducing public sector debt; Ensuring government spending does not exceed 2.5 per cent growth per annum on average across the forward estimates; Capping the Queensland Public Service (FTE) at 4.1 per cent of our State's population and 8.7 per cent of the State's total employment; Broaden contestability increasing the share of government services provided by the private sector; and Embrace the sale or long term lease of State owned assets premised on improving price and service outcomes, paying down debt and reinvesting in priority infrastructure. **State Taxation:** Resist all calls to increase State taxation; Progressively lift the payroll tax exemption threshold from \$1.1 million to \$1.6 million; and Adjust duty rates to ensure that taxation receipts remain neutral to increasing insurance premiums and 2013-14 changes be reformed. **National Tax Reform:** The State Government should take a leadership role for holistic taxation reform with a view to reducing the large number of inefficient taxes by shifting to a greater reliance on broad-based consumption taxes such as the GST to raise revenue more efficiently. **Infrastructure:** The State Government must urgently finalise and roll out the State's Infrastructure Plan. The expeditious development and roll out of a Queensland Infrastructure Plan is the single best way to get Queensland moving. **Red Tape:** The State Government must improve the efficiency of regulation both by removing unnecessary and duplicative areas of compliance, stem the flow of new regulation and make it easier for business to comply. **Innovation:** Advance Queensland innovation programs need to be reorientated to capture interest from existing small business not just start-ups. Innovation programs need to support incremental innovations in already established small business in their changes to production, service and process. **Energy:** Remove the legacy cost of the Solar Bonus Scheme and do not implement any future rebates to incentivise the uptake of solar; Proceed with market monitoring in 1 July 2016; Shift the Uniform Tariff Policy from Ergon Energy Retail to a network based Community Service Obligation. **Education and Training:** The Queensland Government must ensure the State's future skills requirements are met by developing business relevant vocational education and training. **Revitalising Competition Policy:** Respond to the recommendations of the Harper Review; Oppose recommendations that would undermine the sustainability of small business and therefore reduce competition in the longer term.

For general enquiries,
please call **1300 731 988**.

For the Employer Assistance
Line, please call **1300 731 988**.



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