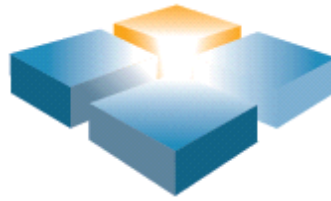


*innovating*



CHAMBER OF  
COMMERCE &  
INDUSTRY  
QUEENSLAND



FAIR WORK  
AUSTRALIA

## **Annual Wage Review 2010-11**

**Submission to Fair Work Australia**  
**Annual Wage Review 2010-11**

18 March 2011

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### Quotes from Businesses:

*"Before making any decision regarding the Annual Wage Review, the decision makers need to look at the economic situation for small business in Australia. Domestically the economy particularly in Qld and VIC has been badly affected by floods and cyclones and will take months to recover. The tourism industry is in terrible trouble at present and increased costs will not help. On the international scene the high cost of the Australian Dollar is dramatically affecting the Tourism Industry and the ability for manufacturing companies to remain competitive in the Export Market. I understand that people are probably struggling with price increases for essentials and utility costs but there needs to be a delay in the introduction of any Wage Review in order to allow the Small Business Sector to catch up and grow their businesses to achieve at least a retention of employment for their staff and perhaps an increase in employment opportunities."*

*"I just wish that as an employer I could take home a wage that falls into the award rates. At present I am well and truly under the award rate for someone my age and doing the work that I do. There is no financial assistance that I have been able to come across that will help the small business employer."*

*"Obviously any decision made has a ripple effect. Fair Work Australia need to realise that by increasing the minimum wage significantly it increases penalty rates, increases super payments and payroll tax for ALL crew not just full time seniors. At current we are trying to reduce our employable hours as much as possible so we can try to turn the stores around. Prices in store must go up to cover the extra payroll and the cost of delivery to get goods with the recent diasters throughout Australia. The less profit businesses make the less money the government is able to collect in tax. What would happen to the economy if all Retail businesses decided not to trade after 6pm and weekends due to these penalty rates."*

*"I understand that all prices are going up, but for struggling business in FNQ this might just close more doors as income is not coming in the door, but expenses all round keep going up. Honestly I think the next two years are going to be very hard financially for a lot of people, businesses and families."*

*"As a business significantly affected by recent weather events, we need all costs to be minimal in the next year. This will be a big catch up time to recoup lost business and revenue to cover ongoing costs which didn't stop when the income did!! The recovery process is very slow and added to that burden is the increase in costs of doing business in direct relation to local infrastructure restoration delays."*

*"The higher the minimum wage becomes, the more efficient business is forced to become in the way of labour resourcing. Simple jobs that might be paid lower wages are disappearing, in favour of using technology or other solutions."*

Source: CCIQ Annual Wage survey, March 2011

## 1.0 INTRODUCTION

- 1.1 As the peak business organisation in Queensland, the Chamber of Commerce and Industry Queensland (CCIQ) welcomes the opportunity to make a submission to Fair Work Australia's 2010-11 Annual Wage Review. This decision will be of pivotal importance to the Queensland business community following our State's recent natural disasters. In order to provide a Queensland business perspective on the Annual Wage review, CCIQ has undertaken a comprehensive survey of 800 Queensland businesses on their capacity to absorb any increase in their wages bill. Full details of the survey are contained in Appendix 1.
- 1.2 CCIQ supports a minimum wage for Queensland and Australia that is increased periodically based on economically responsible decision making. However CCIQ opposes a minimum wage set at too high a level that either prices employees out of the labour market, or leaves no room for productivity based wage bargaining. Overall, CCIQ believes it is essential that Queensland workplaces have flexible, creative and mutually beneficial working arrangements, which includes determining the appropriate Federal Minimum Wage (FMW) increase for the twelve months effective 1 July 2011.
- 1.3 Over the coming eighteen months, the most significant contribution Queensland businesses will be able to make to the State's flood and economic recovery will be providing stable and ongoing employment. However to do so, businesses will require a decision by Fair Work Australia that ensures they can return to normal business operations and start generating income and revenue. CCIQ believes that over the short to medium term significant goodwill should be provided to those businesses directly and indirectly affected by the Queensland floods and Cyclone Yasi.
- 1.4 Taking into consideration the impact of the State's natural disasters, the Queensland economy and businesses' capacity to absorb an increase at present, CCIQ seeks the deferral of the application of the FWA decision until 1 July 2012. Such a deferred increase should only be modest in nature and not exceed \$10 per week.
- 1.5 It is troubling to see the burden placed on business following these natural disasters. These businesses have been the pillar of strength in helping Queensland withstand the recent global economic downturn and have done all that is humanly possible to keep staff on even when revenue did not necessarily warrant doing so. We must now assist these businesses following the repeated floods and Cyclone Yasi as they have assisted their employees and their families.
- 1.6 CCIQ is the State's largest business organisation. It has a State-wide membership across all industry sectors and of business sizes. In total the Chamber represents in excess of 25,000 businesses - 3,700 members spread across the State with links to 135 local chambers of commerce and 60 industry associations. A full membership profile is attached in Appendix 5.

### Quotes from businesses:

*"We are a business that was NOT directly affected by the recent floods, cyclone, etc but we have been negatively affected by those events because our customers were affected. We are now seeing a cash flow problem due to non payment of accounts by our customers who were directly affected. The potential is for the largest amount of bad debts in our company's history. We are also suffering a lower turnover than anticipated. So, although not directly affected, we are significantly affected indirectly."*

*"Tourism in Far North Queensland has been severely impacted by the recent natural disasters. It has a negative affect on employees to the degree that their hours of work are significantly reduced due to reduced tourists visiting."*

*"From July to December 2010 our business lost money. We made a decision to cut our costs but keep all of our employees on. A few have left and we have not replaced them. We normally have 4 apprentices and we are down to 1 as we did not replace them as the older ones became tradesmen. We have been in business for 25 years and have survived so far but the increase in government fees are a killer. We have a global recession and Australia is doing ok because of mining. We need to freeze wages for a year or so as this is what is happening to business profitability."*

*"The last 6 months have been the most difficult trading conditions the company has faced in the last 16 years. We find ourselves in a position of having to restrict expenses in order to continue positive cashflow reinvestment in the company or face losing it altogether. Times are tough."*

Source: CCIQ Annual Wage Survey, March 2011

## 2.0 THE QUEENSLAND ECONOMY

- 2.1 Queensland's natural disasters will place significant downward pressure on the State's economic growth over the foreseeable future (the economic impact of Queensland's natural disasters is addressed in more detail in section 3.0). However, it is important to realise that Queensland's economy was facing significant challenges well before the impact of these natural disasters. Significant constraints such as tightened monetary policy, tightened lending criteria and the appreciation of the Australian dollar are affecting almost all major economic indicators.
- 2.2 CCIQ has prepared a snapshot of the Queensland economy prior to the natural disasters (included in Appendix 2). Across virtually every economic indicator Queensland is underperforming the National experience. This is also confirmed by the recent State Government's MYFER that demonstrates Queensland's forecasted growth rates are below the nation for the period 2008-09 to 2010-11.

	2008-09	2009-10	Budget 2010-11	MYFER 2010-11	Budget 2011-12	MYFER 2011-12
<b>Queensland</b>						
GSP	0.80	2.30	3.75	1.25	4.50	5.00
Employment	2.20	0.90	2.75	0.75	3.25	3.25
Unemployment Rate	4.40	5.70	5.50	5.75	5.25	5.25
Inflation	3.70	2.70	3.00	3.25	3.00	3.00
Wage Price Index	4.20	3.30	3.50	3.50	3.75	4.00
Population	2.60	2.30	2.25	2.00	2.25	2.00
<b>Australia</b>						
GDP	1.00	2.20	3.25	3.25	4.00	3.75
Employment	0.10	2.40	2.25	2.50	2.00	2.00
Unemployment Rate	5.70	5.20	5.00	4.75	4.75	4.50
Inflation	1.50	3.10	2.50	2.75	2.50	3.00
Wage Price Index	3.80	3.00	3.75	3.75	4.00	4.00
Population	1.90	2.00	1.75	1.75	1.50	1.50

Annual Percentage Change

Source: MYFER

- 2.3 Queensland has had the lowest growth of all state economies over the past 12 months. From December 2009 until December 2010, growth in Queensland is up by only 2% in trend terms and up 1.5% in seasonally adjusted terms, which represents growth significantly lower than the national average and all other states. It is likely that Queensland's natural disasters will significantly impact on this growth moving forward. The below table indicates that Queensland continues to not experience the same level of economic recovery as occurring elsewhere.

State Final Demand – Chain Volume Measures				
	Trend		Seasonally Adjusted	
	% change Sep 10 – Dec 10	% change Dec 09 – Dec 10	% change Sep 10 – Dec 10	% change Dec 09 – Dec 10
NSW	0.7	3.3	-	2.2
VIC	0.4	3.5	0.2	2.9
QLD	0.6	<b>2.0</b>	0.8	<b>1.5</b>
SA	0.6	2.7	1.9	2.9
WA	0.1	3.6	-0.4	3.1
TAS	1.1	3.2	1.6	3.4
AUS	0.5	3.2	0.3	2.7

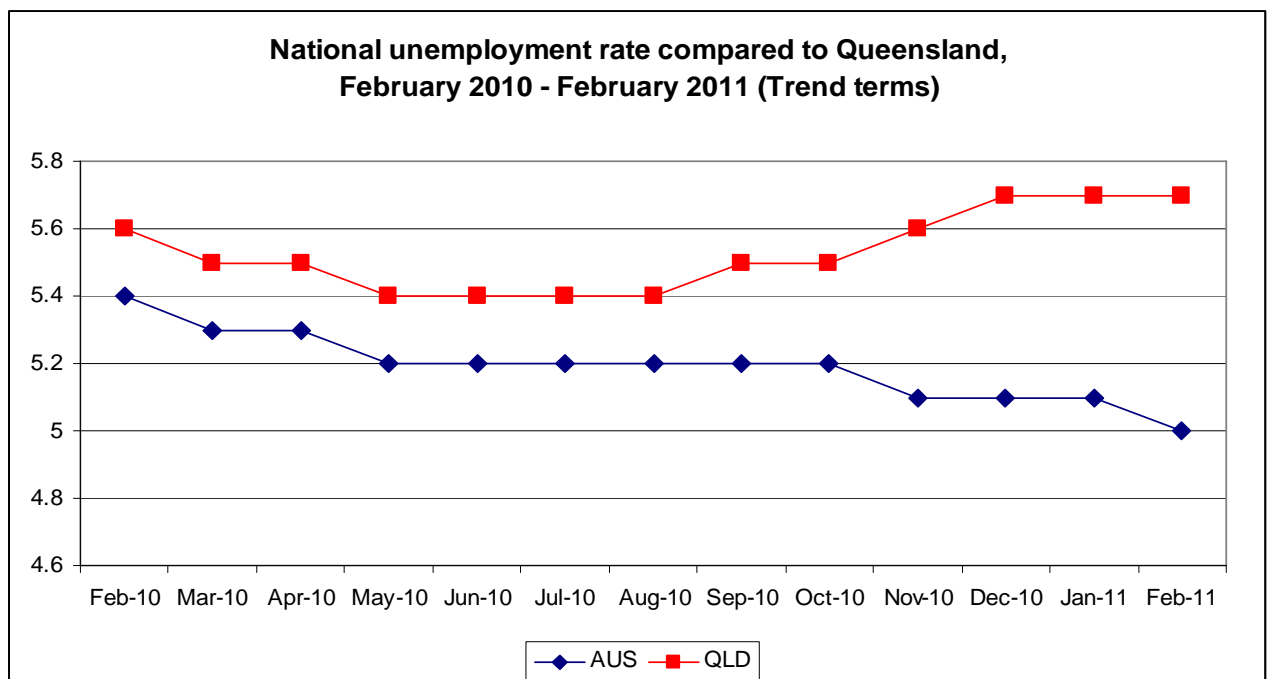
Source: ABS Catalogue 5206.0

- 2.4 In terms of unemployment, Queensland continues to have one of the highest unemployment rates in the country, both in trend and seasonally adjusted terms. Over the past year, the majority of States have seen a reduction in their unemployment rates which is also reflected in the national unemployment rate. However, Queensland's unemployment rate has gone up 0.1 percentage point (in trend terms).

Unemployment Rates										
	Trend					Seasonally Adjusted				
	Feb 10	Jan 11	Feb 11	% Δ Jan 11 – Feb 11	% Δ Feb 10 – Feb 11	Feb 10	Jan 11	Feb 11	% Δ Jan 11 – Feb 11	% Δ Feb 10 – Feb 11
NSW	5.6	4.8	4.8	0.0	-0.8	5.4	4.9	4.8	0.1	-0.6
VIC	5.3	5.1	5.0	-0.1	-0.3	5.3	5.1	5.0	-0.1	-0.3
QLD	5.6	5.7	5.7	0.0	0.1	5.6	5.6	5.6	0.0	0.0
SA	5.2	5.6	5.6	0.0	0.2	4.7	5.4	5.8	0.4	1.1
WA	4.9	4.4	4.4	0.0	-0.5	5.1	4.6	4.2	-0.4	-0.9
TAS	5.8	5.6	5.8	0.2	0.0	6.4	6.4	5.6	-0.8	-0.8
AUS	5.4	5.1	5.0	-0.1	-0.4	5.3	5.0	5.0	0.0	-0.3

Source : ABS Catalogue 6202.0

- 2.5 Over the past four months from November 2010, unemployment figures show a disturbing trend of Queensland's unemployment rising against a falling national unemployment rate. As at February 2011, Queensland's unemployment rate was 0.7 percentage points above the national unemployment rate. The natural disasters experienced across Queensland in recent times are expected to have a further negative impact on employment in some sectors, particularly agriculture.



Source : ABS Catalogue 6202.0

- 2.6 The latest regional unemployment data shows that many Queensland regions are significantly higher than Queensland unemployment rate (5.7%) in January 2011 including:
- South and East Brisbane (7.1%);
  - Gold Coast (6.9%) and Gold Coast North (13.2%);
  - Sunshine Coast (7.9%);
  - Darling Downs-South West (9.8%);
  - Far North (9.6%).
- 2.7 Several Queensland regions have experienced a substantial increase in unemployment rates over the last 12 months (from January 2010 to January 2011), particularly Gold Coast North, Darling Downs-South West and the Sunshine Coast.

Regional Unemployment Rates			
	January 2011 Unemployment rate	% change July 10-Jan 11	% change Jan 10 – Jan 11
Brisbane	5.3	0.5	-0.5
Brisbane City Inner Ring	5.3	1.0	1.1
Brisbane City Outer Ring	4.3	-0.8	-1.6
South and East Brisbane	7.1	0.8	-2.0
North Brisbane	6.1	3.0	1.0
Ipswich City	2.2	-2.4	-0.6
Balance of QLD	7.0	1.6	0.5
Gold Coast	6.9	1.3	0.5
Gold Coast North	13.2	6.1	7.4
Gold Coast South	6.1	0.7	-0.4
Sunshine Coast	7.9	1.9	2.3
West Moreton	3.8	0.1	2.1
Wide Bay-Burnett	6.5	0.0	-0.2
Mackay-Fitzroy-Central West	5.7	2.2	-0.2
Darling Downs-South West	9.8	5.4	6.1
Northern-North West	4.2	1.3	-2.0
Far North	9.6	-0.7	-2.7

Source: ABS Catalogue 6291.0.55.001

- 2.8 In light of the statistics and information provided throughout this section, CCIQ is overwhelmingly of the view that the Queensland economy is not experiencing the same level of economic recovery that is occurring elsewhere in Australia. Businesses continue to experience difficult trading conditions and need time to rebuild capital and to return to profitability, which is even more paramount in the face of recent natural disasters. A significant wage increase at this point in time would have a devastating impact on the Queensland economy.

**Quotes from Businesses in relation to the Queensland economy:**

*"A very price sensitive market and competitive pressures from National and International companies. Our customers are also experiencing similar issues and we therefore feel the same pain."*

*"Flat economy, we normally experience around 15% growth per annum, but last quarter was stagnant. Expect higher interest rates and cost of living is affecting disposable incomes."*

*"No one is spending, consumer confidence is very low. Lack of confidence in the Government to help the economy to get going."*

*"The Reserve Bank have misjudged how depressed the economy is in areas like Maryborough. Unemployment almost twice the national average means that there is not enough money in the local economy to stimulate growth. Unless sales growth is at least at the rate of inflation, we are going backwards."*

*"The ongoing battle to rebound from a financial crisis that has made consumers much more concerned with saving their money rather than spending."*

*"Cost of running a businesses is getting to the stage where it is unviable with penalty rates for employees, electricity and the general cost of goods making the profit margin for our business getting less and less."*

*"Lack of consumer demand. Small business owners have sacked all the staff they can & now will close if things don't begin to improve."*

*"Retail is sick, tourism is down and manufacturing is being exported overseas. Mining is going well but not having an impact on our local economy. We have more businesses closing than opening."*

*"Two speed economy is becoming more apparent and a lot of Queenslanders are starting to realise this. There is a lack of confidence within the business sector that will prevent growth in our industry."*

*"In my industry there is a noticeable squeeze happening, there are downward pressures on prices and a distinct upward pressure on costs - and the middle area is getting smaller and smaller."*

*"The economy is very weak at the moment, the mining industry is providing a false sense of where the economy is really at, another interest rate rise will cause a lot of heartache in the community."*

Source: Commonwealth Bank CCIQ Pulse Survey of Business Conditions, 2011

### 3.0 ECONOMIC IMPACT OF QUEENSLAND'S FLOODS

- 3.1 Much of Queensland has been adversely affected by the recent flood and cyclone events. Summer 2010/11 saw impacts from natural disasters that were unprecedented in Queensland. These events have resulted in 99% of Queensland (72 of 73 Local Government Areas) being activated under the joint State and Federal Government's natural disaster relief and recovery arrangements.
- 3.2 The Queensland Government estimates that this flooding, combined with much wetter than usual weather conditions since September 2010, has detracted 1.75 percentage points, or \$4 billion in real terms, from gross state product in Queensland in 2010-11. The below table compares forecasts in the MYFER with what forecasts would have been under normal conditions.

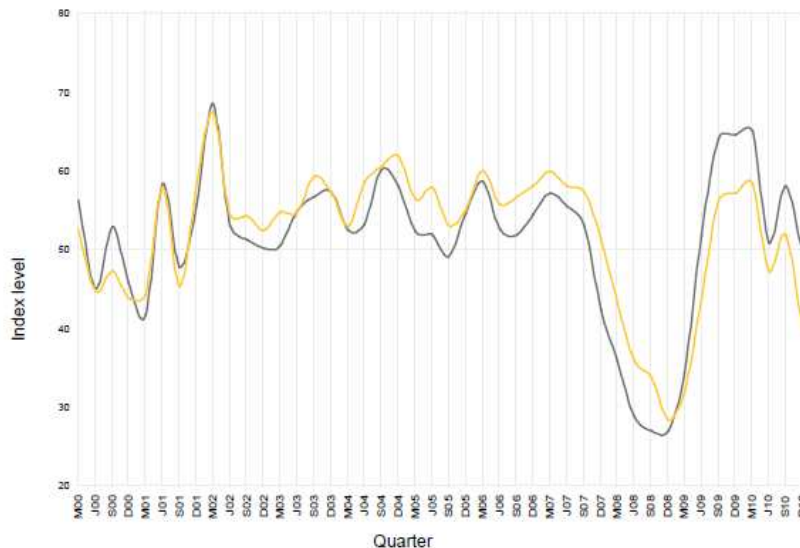
	2010-11		2011-12	
	MYFER forecast	Excluding floods	MYFER forecast	Excluding floods
Gross state product <sup>2</sup>	1¼	3	5	4¼
Employment	2¼	2¾	3¼	3
Unemployment rate	5¼	5¾	5¼	5½
Inflation	3¼	3	3	3
Wage Price Index	3½	3½	4	3¾
Population	2	2	2	2

Notes:  
1. All numbers are in year-average terms unless stated otherwise.  
2. CVM, 2007-08 reference year.  
Source: Queensland Treasury.

- 3.3 In the absence of floods, economic growth in Queensland would have been predicted to improve to 3% in 2010-11, rather than 1.25% as currently forecast. The loss of economic growth has been attributed to the direct impact of flooding on coal, rural and tourism exports, some delays to construction activity, as well as the flow-on effects to employment, private spending, wages and prices. It is important to note that these predictions were made prior to Cyclone Yasi crossing the Queensland coast, which is estimated to have caused up to \$800 million in further damages.
- 3.4 The severe consequences for business, employment and the broader state economy are of considerable concern. All businesses across disaster declared areas have been impacted in some way. CCIQ has undertaken extensive research into the impact of the floods on businesses (Appendix 4). Key findings of this research include:
- One in five businesses in Queensland has had to close as a result of the floods due to full or partial water inundation, loss of power or cut off from their business;
  - The average number of days business were forced to close was eight (median of 4 days);
  - The average number of days before their business returns to normal operations is 31 days (median of 10 days);
  - The loss to property including plant and equipment, stock, buildings and motor vehicles to those businesses directly affected by the floods was on average \$589,000 (median of \$40,000);
  - Business directly affected by the floods on average expect to lose in total \$908,000 or approximately 11% of their annual turnover (median was \$50,000 or 7% of annual turnover);
  - Unfortunately most businesses are currently unsure what their insurance covers them for with many businesses reporting difficulty in getting clear positions on where they stand;
  - Many businesses have also been indirectly impacted by the floods through affected customers, affected suppliers, through employee inability to attend work or through loss of appeal of Queensland as a tourism destination;
  - Unsurprisingly 22% of all businesses within Queensland have indicated that the floods have had a major to critical impact on their businesses' viability with the very real threat of job losses.

3.5 Queensland businesses across the state are already indicating they expect business conditions and the economy to be significantly impacted as a result of the natural disasters. The latest Pulse Survey unfortunately paints a difficult picture for the Queensland economy. Across all indicators there were worrying downward trends and based on expectations, businesses are not anticipating any reprieve from the effects of tightened consumer spending and a slowing economy (see Appendix 3).

## > 12 Month Outlook: Australian & Qld Economies



Australian Outlook			
	Dec-09	Sept-10	Dec-10
Weaker	11	18	29
Same	28	38	43
Stronger	61	44	28
Index	65.3	57.8	49.3

Queensland Outlook			
	Dec-09	Sept-10	Dec-10
Weaker	19	29	48
Same	34	36	30
Stronger	47	35	22
Index	57.7	51.6	39.8

— Australian economy  
— Queensland economy

\*\*Scale – An Index level above 50 indicates that growth prospects are strengthening, while an Index level below 50 indicates that growth prospects are weakening.  
Commonwealth Bank CCIQ Pulse Survey – December Quarter 2010

### Quotes from business regarding the impact of floods:

*“Accounts that were outstanding pre-floods will remain outstanding. Clients have cancelled appointments that have not been rescheduled. Staff have little to do. Cash-flow effects will be problematic for at least 3 months.”*

*“A lot of our customers are understandably focussing on their recovery / restoration work and discretionary spend will be significantly reduced for an extended period of time.”*

*“Destroyed cash flow, harmed suppliers’ ability to service and maintain equipment, could lead to business closure when banks foreclose due to missed payments, will have to lay off staff in the next week.”*

*“Devastated sales. While we had no direct flooding in our town, we have been effectively cut off from the outside world, especially Brisbane, which is where the bulk of our visitors come from. Sales are down approx 75-85%, making our business unviable at present.”*

*“Devastated. It will be years before the business can be in the same state it was prior. All our plans for expansion have had to be put on hold to survive!”*

*“Due to road closures and negative publicity about flooding in Qld visitor numbers to the Whitsundays have been drastically reduced over what should have been a busy Christmas holiday season. This means we don’t have the cash flow we need to carry our business over the normally quiet time of year, i.e. February/March. We have had to convert all full time staff to casual staff and put off much overdue repairs and maintenance. Depending on how long it takes for tourists to start visiting us, we may have to look at closing down our business temporarily and get a job somewhere else to pay our bills until business picks up.”*

*“Large mining contracts cancelled or suspended. Up to 2 months potential work lost as we have been affected by floods since early December.”*

*“Media has exaggerated the affect of the damage to the whole of Queensland, this has affected our business.”*

*“Our business could face a critical downturn as January and February can be our biggest months and clients are laying off staff, after the GFC we could face closure.”*

*“Our business is heavy reliant on the mining sector and regional Qld, due to the slow / stop of mining and the lack of access to most Qld mine sites the affects of the flooding could last for 6 to 12 months even though we were not directly affected.”*

*“Our revenue for the period 24/12/10 - 14/1/11 is short \$60 000 compared to the same period 2009 - 2010. Currently the floods are costing us \$20 - \$25k per week in lost revenue.”*

*“We are 42% down for January alone. Bookings forward are not looking positive. We have had to let go 2 staff members. We may not be able to make our loan repayments. Tourism Industry relies on this time of year to manage through the rest of the year.”*

Source: CCIQ flood survey, January 2011



## 4.0 CASE FOR QUEENSLAND DEFERRAL

- 4.1 In the preparation of this submission CCIQ and its members have given support for a 12 month deferral of the application of the FMW decision for Queensland. This deferral is warranted given the number of businesses who are seeking to rebuild following the flood events and Cyclone Yasi.
- 4.2 As stated, approximately 1 in 5 businesses were impacted by the recent natural disasters (ie business was fully or partially inundated with flood water, damage to business premise, loss of plant/equipment, significant loss of earnings due to loss of power or forced business closure). Of those businesses that were significantly impacted by Queensland's natural disasters, the majority believe there should be a deferral of the decision for 6-12 months to allow them time to recover.
- 4.3 Other support advocated by those businesses impacted by the natural disasters included:
- Maintain wages at current levels;
  - Tax concessions, including payroll tax, GST, BAS and PAYG concession and deferral;
  - Ongoing federal and local Government support services and initiatives, ie training subsidies and assistance to maintain staff (particularly apprentices and trainees);
  - Assistance for those businesses who are attempting to keep staff but are currently unprofitable;
  - Focus on reducing all the extra costs associated with modern awards;
  - Reducing red tape.

### Quotes by businesses in relation to impact of floods and a deferral of the FMW decision:

*"Perhaps an extension on the date the increase should apply from or the government could cover the increase for a certain amount of time while businesses are getting 'back on their feet'."*

*"Leave the wage rates as they are, even some support for those struggling to pay wages and make ends meet."*

*"After the flood, my existence is marginal. Any extra financial burden will make it pointless for me to continue."*

*"Delay roll-out as small business in Qld is struggling to make profit with decreased business (down 30%) generally and increased business costs."*

*"Businesses affected by the recent natural disaster need an extended period of uninterrupted trade in order for business condition to return to normal levels, once trading is back to normal businesses will be in a better position to be able to afford increase to the minimum wage. Should minimum wage increases be forced upon businesses still suffering from reduced trade there is a distinct possibility that businesses will have no other option than to reduce staff levels and creating higher unemployment."*

*"Why not leave things like they are for 6 to 12 months, let Queensland get back on their feet, and support each other first."*

*"If you increase pays now, while everything else has increased, like electricity, rates, insurances, stock, food, etc, employers cannot afford increases to all these plus wages. you will no doubt see large increase in casual employees losing hours of work to help cut down on the wage amounts been paid out. Now if this happens, less money for workers, not spending as much in others shops and retailers, and therefore the circle continues, loss of income to business- more staff cuts- less spending.... etc. etc."*

*"Wage assistance paid directly to the employers who retained staff when business was and still is substantially effected by floods, road closures and bad publicity. This would encourage them to continue employment and enable them to meet costs until the flood / disaster factor eases and customers return."*

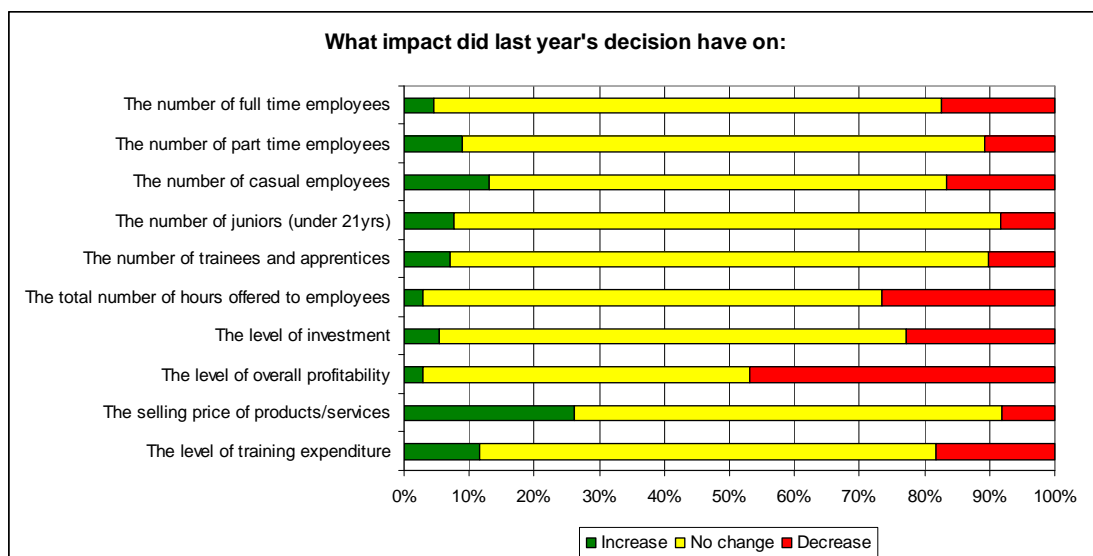
*"Hold on wages. We lost over \$25000 in turnover we still had to pay fulltime wages and our top level insurance didn't cover the first 48hrs. Further rises will mean laying off more staff or we shut the doors."*

*"Where businesses are struggling financially due to recent natural disasters wage increases could force many more small to medium enterprises out of business, which in turn means less jobs in smaller towns / regions. The increase of wages needs to be balanced with the fact that this could mean the difference between a 'job' or 'no job' for many people in small towns, with in turn forces people to have to move. There should be an exemption or a "phasing" approach to businesses who have suffered a loss of revenue of >10% Year on Year (or some measure)."*

Source: CCIQ Annual Wage Survey, March 2011

## 5.0 BUSINESS CAPACITY TO ABSORB AN INCREASE

- 5.1 This section relates to the deferred wage increase to apply for Queensland employers effective 1 July 2012.
- 5.2 There is a very strong relationship between wage costs and job levels. Any increase in wages will impact on the unemployed and low paid workers currently employed. Granting more than a modest wage increase will result in further job losses and less incentive for employers to recruit new employees. FWA must maintain the ability of Queensland employers to keep employees employed following the natural disasters.
- 5.3 This notion is clearly evidenced by the impact of last year's decision on Queensland employers. In 2010, FWA made the decision to grant an increase of \$26 per week to the federal minimum wage. This decision resulted in:
- Almost half of businesses (46.9%) seeing reduced overall profitability;
  - More than one in four businesses (26.6%) reducing the number of employment hours offered to their employees;
  - More than one in four businesses (26.1%) increasing the selling price of products and services offered;
  - 22.8% of businesses decreasing the level of investment;
  - One in five businesses reducing the level of training expenditure;
  - A significant reduction in the number of full time employees (17.5% of businesses reduced the number of full time employees in their business), linked with a similar increase in the number of casual employees (13.0%).



Source: CCIQ Annual Wage Survey, March 2011

- 5.4 CCIQ and its members believe that if FWA grants a significant wage increase it will result in a negative reaction from SMEs who are struggling to survive. The immediate future should be a period where we do everything possible to ensure that employees in all industries, especially in the low pay industries within Queensland that are predominately award employees, be retained amid a very difficult environment for businesses. As stated the single greatest contribution a business can make to support low paid workers is to provide secure ongoing employment.
- 5.5 As part of the CCIQ survey Queensland employers were asked what impact a particular wage increase would have on their business, more specifically employment, profitability and investment.

# Impact of Wage Increase on Employers\*

Aggregate % of employers indicating change in indicator

## 2011

		\$0.00 - \$4.99	\$5.00 - \$9.99	\$10.00 - \$14.99	\$15.00 - \$19.99	\$20.00 - \$24.99	\$25.00+
Employment	↓	26% 26%	15% 41%	13% 54%	10% 64%	14% 78%	23% 100%
Profitability	↓	40% 40%	14% 54%	13% 67%	9% 77%	7% 84%	16% 100%
Investment	↓	37% 37%	12% 49%	13% 62%	11% 73%	7% 80%	20% 100%

## 2010

		\$0.00 - \$4.99	\$5.00 - \$9.99	\$10.00 - \$14.99	\$15.00 - \$19.99	\$20.00 - \$24.99	\$25.00+
Employment	↓	34% 34%	25% 59%	20% 79%	11% 90%	10% 100%	0% 100%
Profitability	↓	47% 47%	22% 69%	17% 86%	8% 94%	6% 100%	0% 100%
Investment	↓	42% 42%	25% 67%	18% 85%	8% 93%	7% 100%	0% 100%

## 2009

		\$0.00 - \$4.99	\$5.00 - \$9.99	\$10.00 - \$14.99	\$15.00 - \$19.99	\$20.00 - \$24.99	\$25.00+
Employment	↓	32% 32%	19% 51%	30% 81%	12% 93%	7% 100%	0% 100%
Profitability	↓	68% 68%	6% 74%	17% 91%	5% 96%	4% 100%	0% 100%
Investment	↓	55% 55%	7% 62%	24% 86%	9% 95%	5% 100%	0% 100%

## 2008

			\$0.00 - \$9.99	\$10.00 - \$14.99	\$15.00 - \$19.99	\$20.00 - \$24.99	\$25.00+
Employment	↓		(29%) 29%	(25%) 54%	(24%) 78%	(11%) 89%	(11%) 100%
Profitability	↓		(40%) 40%	(23%) 63%	(22%) 85%	(8%) 93%	(7%) 100%
Investment	↓		(31%) 31%	(24%) 55%	(24%) 79%	(12%) 91%	(9%) 100%

### Legend:

#### Salary increase has

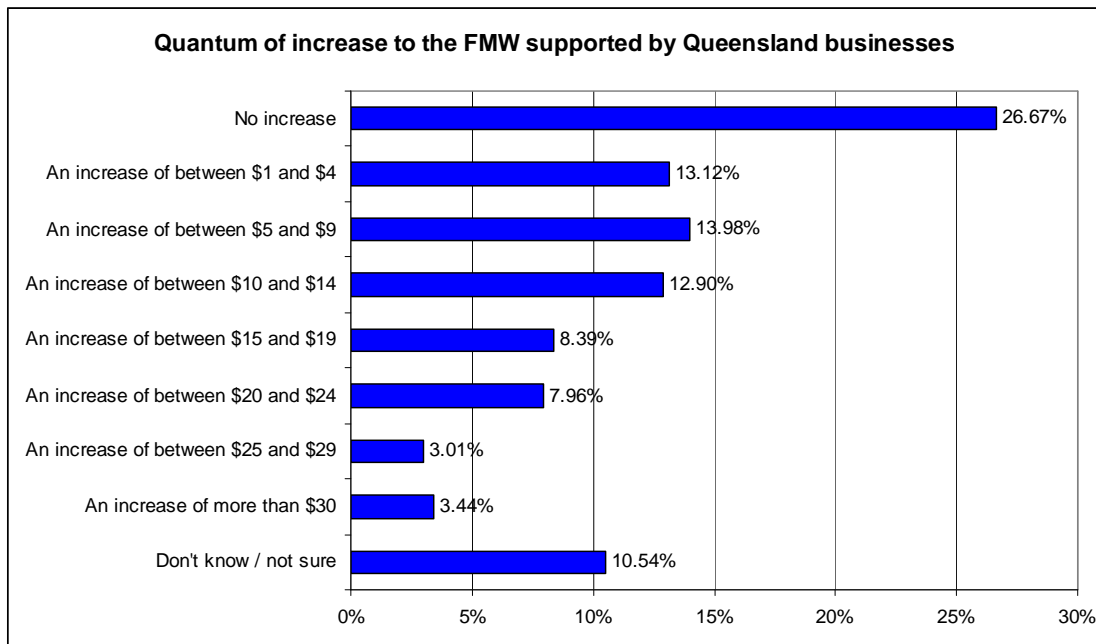
little impact
medium impact
major impact

↑ increase	aggregate % of employers indicating \$ range has an impact
↓ decrease	% of employers identifying specific \$ range as trigger point

Please indicate the point at which an increase in the minimum wage will have a negative impact on the following aspects of your organisation.

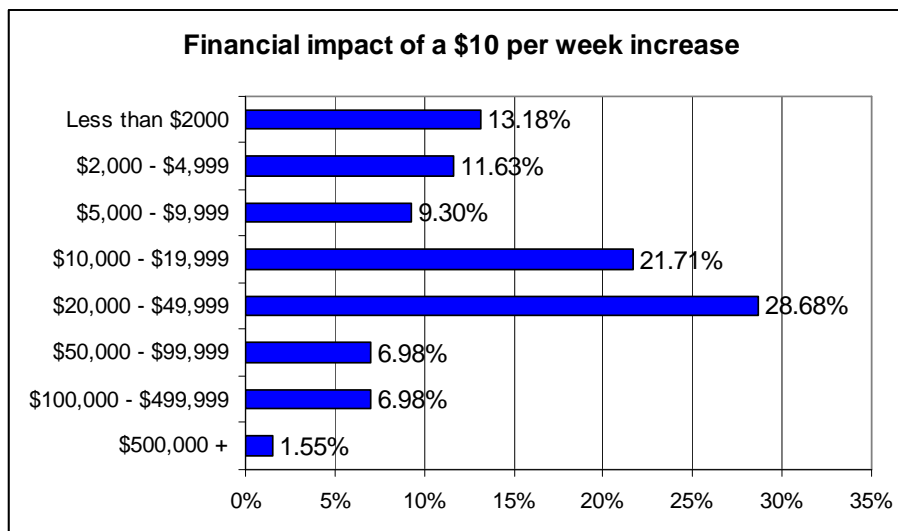
Source: March Quarter 2008, 2009 & 10 Pulse Survey, 2011 Annual Wage Review survey

- 5.6 54% of employers indicated a wage increase of \$15 or less a week would have an adverse impact on employment in their business. This level of increase would also adversely impact on the profitability and investment for nearly two thirds of businesses. An increase of greater than \$15 would result in almost all businesses experiencing greatly reduced profits and in turn capacity to retain their current employment and investment levels.
- 5.7 More than one in four businesses supported no increase in the FMW in the 2010-11 Annual Wage Review, primarily due to the impact of natural disasters in Queensland and the associated cost impacts on business. Half of businesses (49.7%) supported a wage increase of between \$5 and \$9 per week.



Source: CCIQ Annual Wage Survey, March 2011

- 5.8 Businesses were asked what impact a wage increase of \$10 week would have on their business. Nearly 30% indicated that a \$10 increase would increase costs by between \$20,000 and \$50,000 a year. A further two in five businesses indicated that it would increase costs by between \$10,000 and \$20,000 a year.



Source: CCIQ Annual Wage Survey, March 2011

- 5.9 An increase in the federal minimum wage would not be the only financial impact on businesses. Businesses are also required to pay increased costs in relation to payroll tax, superannuation, workers compensation premiums, penalty rates and so on. Many businesses also indicated that if the federal minimum wage was to increase, the remuneration for staff on salaries would also need to be reviewed and most likely increased in order to maintain the status quo.
- 5.10 Businesses were asked what an increase in the federal minimum wage of greater than \$10 a week would have on their business in the coming financial year. Common responses included:
- Significant impact on profitability;
  - Many businesses will close;
  - Decreases in staff numbers and the number of employment hours offered to staff;
  - Reduce the number of apprentices and trainees;
  - Not employ new staff;

- Change some permanent staff to casuals;
- Increasing the price of goods and services offered;
- Considering taking business offshore or being internet based;
- Scale back planned investments, upgrades, training and R&D;
- Put on hold business expansion plans;
- Impact on family life due to more hours worked by business managers/owners.

**Quotes by businesses in relation to a significant increase in the FMW:**

*"All increases in wages have a negative impact on profitability. Wages comprise more than 50% of costs. No increases in costs can be passed on as all product sold in central markets. With unit price return to farmer not improving in the last 10 years farmers have become ingenious at surviving on reducing margins but eventually they stop producing and Australia will be the loser relying on imported food."*

*"Currently we have already cut overall employment hours as we cannot simply afford to pay such high amounts on payroll."*

*"Due to penalty rates, which is our major wages expenditure, a \$10 increase equates to from \$15 to \$17.50 increase per hour."*

*"Our profit would decrease by a minimum of \$20,000 and the general market place will not pay extra for their goods to compensate as they are already struggling with flood damage; cyclone damage; loss of business due to these events; cash flow problems due to recent events; higher prices on fuel & financing costs; higher costs to keep up to date with legislative changes and insurance risk assessment conformance....the list goes on."*

*"With wages increasing, but people slowing down on their spending, the inevitable will start happening and businesses will close."*

*"Would need to increase prices significantly and as we are in a remote location and with a population of two thousand people, it is very hard to pass on price increases at any time. We did not pass on the last wage increase for the above reasons."*

*"Any increase will negatively impact on our profitability, and put further pressure on removing labour from our operation through automation. Pricing is already under pressure due to the world oil and commodity markets, with many customers loathe to take the increases."*

*"As a not for profit organisation, any increase will have some impact on our service delivery as our income is fixed. The higher the increase the less service we can provide. This means that the organisation no longer provides a value for money service."*

*"Due to increasing wages and decreases in the tourism numbers to Far North Queensland, it is possible that these changes may have a fatal effect on our business."*

*"I compete with Chinese made products and any increase in my costs which forces my selling price to go up will result in less sales and as a result I will need less staff."*

*"I have kept all my employees on during the GFC but if I have to increase their wages then I will lay workers off."*

*"I will employ less staff and be required to work 7 days a week myself. I am already experiencing a severe downturn in earnings this year due to bad weather and less tourists in my area which is where 90% of my business comes from."*

*"In the absence of a return to pre-GFC trading conditions we will have to start trimming full time employment."*

*"Increased costs may reduce our competitive edge of acquiring new business. Reduced business will mean reducing staff levels to facilitate level of business. This is already happening with the downturn in business due to building price increases, high interest rates, increased petrol costs etc."*

*"An increase now means we cannot sustain the level of employment that we have had."*

*"It puts pressure on our payroll expenses. We could not afford increase our current salary levels within the business, therefore we would be forced to lose the advantage of recruiting quality staff by paying above award salary. In this salary market we can't employ as many people - preferring for current employees to absorb extra workload when attrition occurs."*

*"Likely to go bust as we already have had to sustain a major change in the last year due to the introduction of overtime payments plus public holiday payments. Fuel charges have increased dramatically, tourism numbers are currently at 25% to what they should be and we no longer make money."*

*"Make it harder to survive and keep on employing people. It's hard up here in FNQ - few tourists - no business - don't need to have any increases forced on us at the moment"*

*"Most small business is doing it pretty tough at the moment mine included and things look to be staying fairly quiet for a while yet so any wage increase will impact on small business as all our other costs are going up - electricity etc."*

*"Negative financial impact and therefore for us to compensate without putting our prices up and lose business as a result, we would have no option but to decrease our expenses. Our biggest expense, by far, is wages & superannuation. It will cost jobs."*

*"The building industry in Queensland is currently going through times worse than the introduction of GST. Anyone associated with this industry is suffering from sales/production in the vicinity of 50% or worse, with extreme pressure on prices and falling profitability. Any increase in this environment will be difficult to accept."*

Source: CCIQ Annual Wage Survey, March 2011

## 6.0 CCIQ'S POSITION ON THE 2010/11 ANNUAL WAGE REVIEW

- 6.1 The Queensland economy is not experiencing the same level of economic activity that is occurring nationally with the State's labour market in a precarious position.
- 6.2 The recent natural disasters will only serve to further negatively compound what is a very difficult trading environment for Queensland businesses at present.
- 6.3 It is troubling to see the burden placed on business following these natural disasters. These businesses have been the pillar of strength in helping Queensland withstand the recent global economic downturn and have done all that is humanly possible to keep staff on even when revenue did not necessarily warrant doing so. We must now assist these businesses following the repeated floods and Cyclone Yasi as they have assisted their employees and their families.
- 6.4 Queensland businesses are not in a position to absorb any increase in wage levels at present. Accordingly, Queensland businesses require a deferred minimal wage increase in order to recover from the natural disasters and maintain / sure up existing employment levels.
- 6.5 There exists a compelling argument for the deferral of any wage increase for Queensland businesses as part of the 2010-11 FWA FMW decision.
- 6.6 Taking into consideration the impact of the State's natural disasters, the Queensland economy and businesses' capacity to absorb an increase at present, CCIQ seeks the deferral of the application of the FWA decision until 1 July 2012. Such a deferred increase should only be modest in nature and not exceed \$10 per week.

### Additional comments from businesses:

*"Any wage increase will simply put pressure on prices and therefore drive inflation. No business owner I know got anything from the government during the recent cyclone/floods for loss of business income but we all still had to pay fixed costs. Yet almost everyone who works for us got their \$1000 even those who didn't lose power!!!! They have effectively had a \$20 a week wage raise so why does our business need to be pushed even closer to the breadline and fund another rise which we just cant afford?"*

*"As a retailer, it is becoming more difficult to trade in a profit situation. There are some 30% of shops vacant in our town and I believe more to close in near future, in this situation, how can you hope to give your staff a wage rise when facing an uphill battle just to keep them employed."*

*"As a sole trader I implemented the new modern award in Jan 2011. This included the increase in last year's case. To implement another review now whilst appropriate on a national platform is a double whammy for businesses that have only just implemented the new award at a significant weekly increase."*

*"Australia very much has a two speed economy. Those of us in small business that do not have any association with the mining industry have slowed down or gone backwards."*

*"Consideration needs to be had of the wider impact of the QLD Natural disasters. Though Cairns wasn't effected physically, our current key industry and employment driver is Tourism, and though business have no damage, the visitors have stopped coming and the industry is struggling. They are struggling to cope with increases in costs already associated with Fair Work Act and a multitude of other state and federal increases. They now face increases in insurance and rates (thanks to state disaster insurance)."*

*"I also own a small business personally. With the introduction of the modern award, and then transitional rates and transitional penalties, my wage bill has gone up by about 20%. We provide all staff a tshirt to wear on shift to protect there own clothing, and now I have to pay a laundry allowance because we do this. These increases have meant we have had to reduce staff hours, including terminating some. We have gone from 22 staff to 14 staff because of this. Another increase in minimum wages and an increase because of transitional rates and penalties will mean more staff cuts in my business. This is only penalising the workers."*

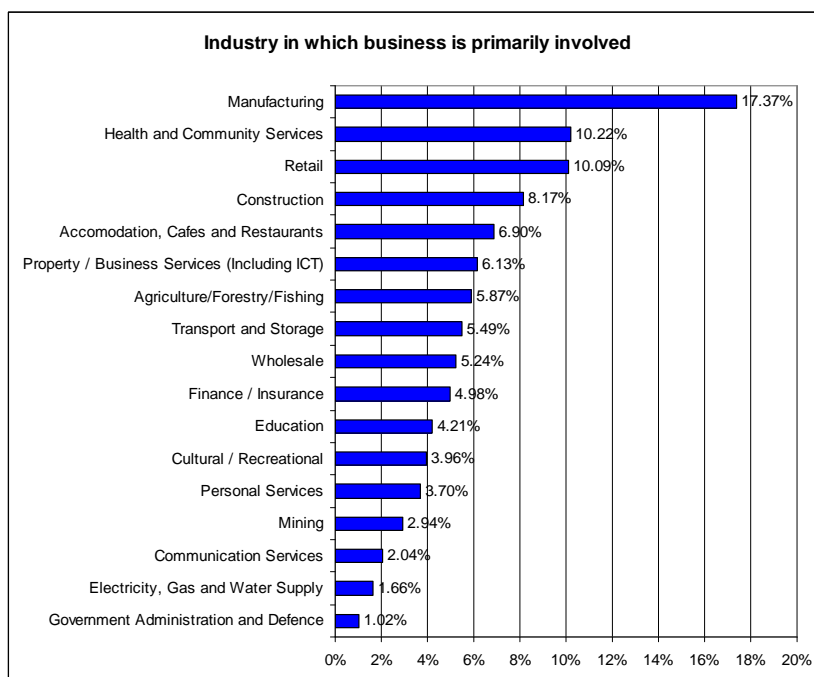
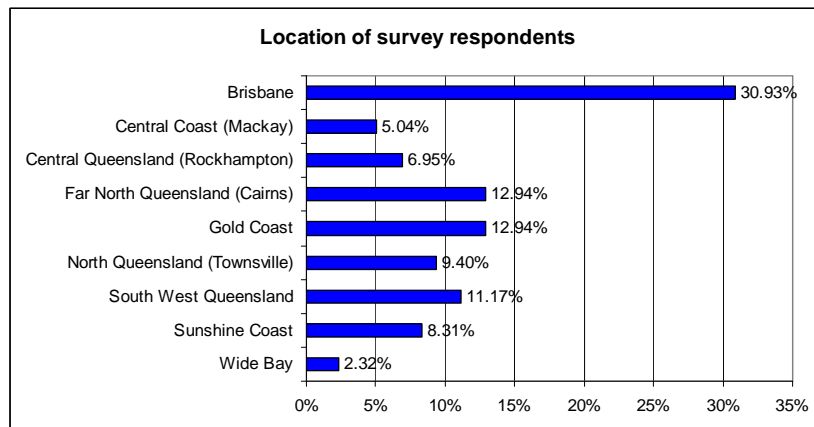
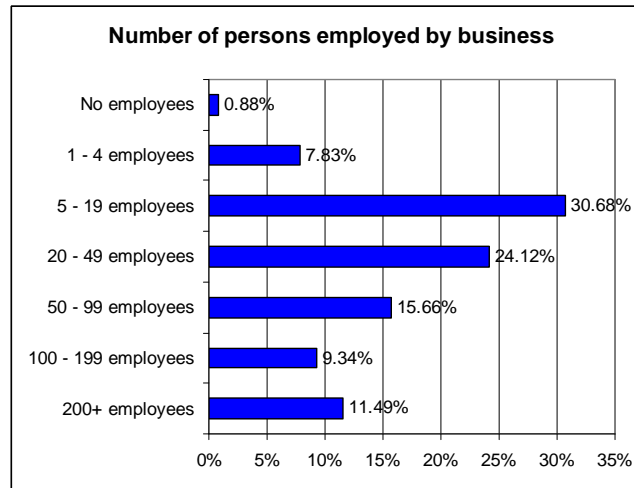
*"I am a small business person who operates a cafe with about 22 staff. I work seven days a week and can barely take a wage out of the income. I would gladly go and work for someone else but I have my mortgage tied up in this business and would need someone to buy it from me. WHO? Who is their right mind would buy a business which shows an annual profit of \$40K - and this is decreasing every year. We should be allowed to have some sort of negotiating allowance available for us to negotiate wages with OUR employees and not have the government take control."*

*"We are in regional south east qld which feels like it is in a recession. Wage increases seem to be outstripping CPI increases and penalty rates for businesses like ours on weekends are making things extremely difficult to make ends meet."*

Source: CCIQ Annual Wage Survey, March 2011

## Demographics of survey respondents

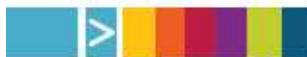
CCIQ conducted the Annual Wage Survey of Queensland businesses during March 2011 receiving in excess of 800 responses. The majority of businesses (80%) were trading as a corporation (Pty Ltd or Ltd) and overall, survey respondents employed well in excess of 50,000 people in Queensland. The location of these survey respondents, as well as the industries they are primarily involved in, is included in the tables below.



Source: CCIQ Annual Wage Survey, March 2011

Invigorating  
Business

## Queensland's Economic Performance January 2011



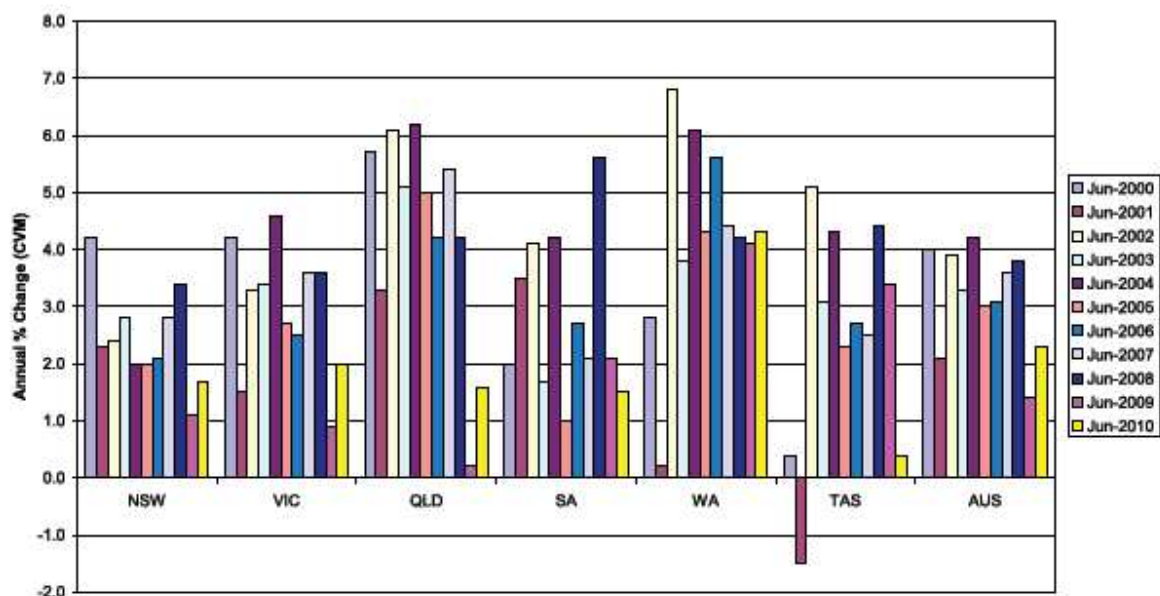


## Introduction

While the recent Queensland flood disaster will place significant downward pressure on our State's economic growth, it is important to realise that Queensland's economy was facing challenges well before the impact of the recent flood events. It is crucially important for transparency and accountability that an assessment is now recorded reflecting the point in time immediately before the floods impacted the Queensland economy.

The road map forward for economic recovery will need to recognise that significant constraints such as a tightened monetary policy, tightened lending criteria, the appreciation of the Australian dollar and the continued erosion of the attractiveness of the Queensland business environment were effecting almost all major economic indicators. These problems will inevitably need to be addressed in conjunction with any flood recovery program if the Queensland economy is to emerge unscathed from the flood disaster and resume its place as the leading State.

### Gross State Product



Source: ABS Catalogue 5220.0

Gross State Product Annual % Change (trend series, cvm)		
	2008-09	2009-10
NSW	1.1	1.7
VIC	0.9	2.0
QLD	0.2	1.6
SA	2.1	1.5
WA	4.1	4.3
TAS	3.4	0.4
AUS	1.4	2.3

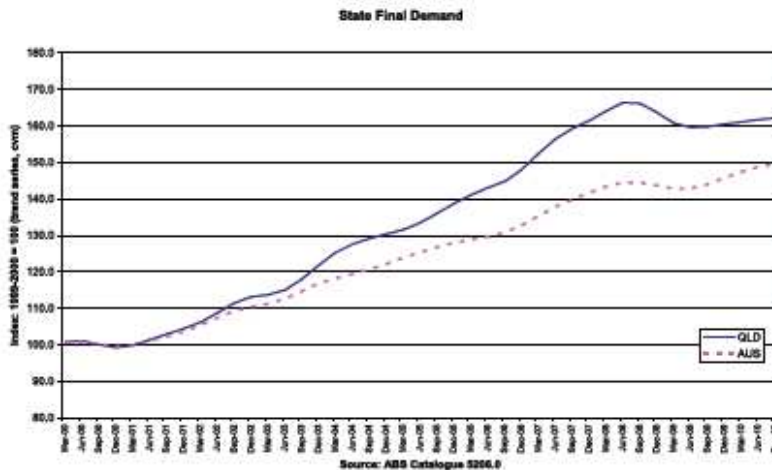
Source: ABS Catalogue 5220.0

Growth in the Queensland economy improved in 2009-10 but registers at a less than modest 1.6%, following negligible growth (0.2%) in 2008-09 during the onset of global financial crisis.

Queensland has had the lowest average growth rate of all States over the last two years.

There is no doubt that the affect of the Queensland floods (estimated to cost up to \$20 billion) will have a dramatic negative affect on the 2010-11 growth rate for the Queensland economy, but will be inevitably positive in the following years.





State Final Demand (trend series, cvm)		
	% change Sep Qtr 08 to Sep Qtr 09	% change Sep Qtr 09 to Sep Qtr 10
NSW	0.9	4.2
VIC	0.8	4.6
QLD	-3.8	1.5
SA	1.2	2.9
WA	1.2	5.9
TAS	-2.0	1.5
AUS	-0.3	4.0

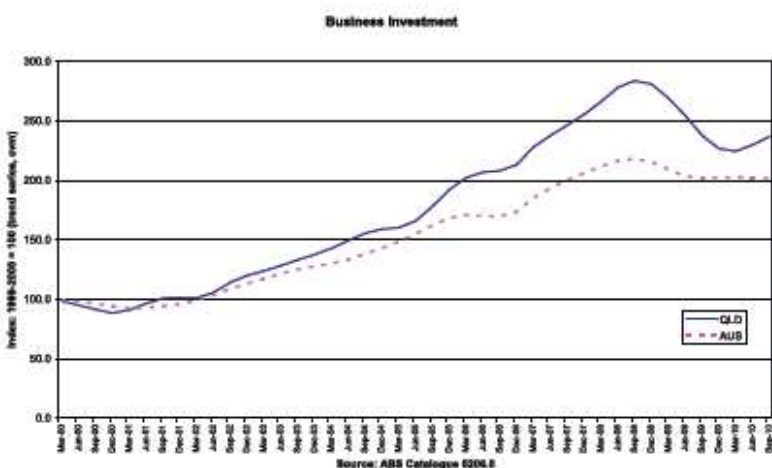
Source: ABS Catalogue 5206.0

Similarly Queensland has had the lowest growth in SFD in the past twelve months and also in the past 24 months.

Since the peak prior to the GFC the Australian economy has grown by 3.6% where as the Queensland economy has contracted by 2.5%.

Queensland's exports have been the mainstay of economic growth in 2009-10 with the public sector also supporting growth driven by increased State Government spending as well as Federal Government infrastructure stimulus.

In contrast, private domestic economic activity has unfortunately contracted dramatically and is now only recently showing signs of a recovery.



Business Investment (trend series, cvm)		
	% change Sep Qtr 08 to Sep Qtr 09	% change Sep Qtr 09 to Sep Qtr 10
NSW	-3.9	0.4
VIC	-4.8	-1.5
QLD	-16.1	-0.5
SA	-4.1	-4.8
WA	-2.5	7.8
TAS	-28.4	-13.4
AUS	-7.4	-0.1

Source: ABS Catalogue 5206.0

Queensland has had the worst contraction in business investment of any State aside from Tasmania.

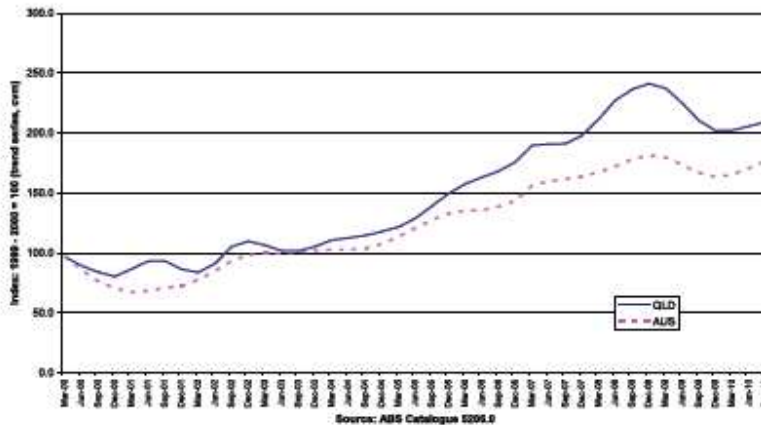
Business investment declined by 16.7% over the 24 months to the September quarter 2010 detracting significantly from the State's economic growth.

Despite the benefits of both the Federal Government tax incentives and an appreciation of the \$AUD, making machinery and equipment cheaper, investment has fallen sharply. This is also a reflection of weaker business confidence that has prevailed over the past 2 years.

Additionally consumer demand has been subdued placing pressure on business profitability and lending conditions remain tight in the aftermath of the global economic downturn, hindering investment.

Encouragingly there has been a recent recovery in business capital spending recovering particularly in the area of machinery and equipment.

### Non Residential Building Construction



	% change Sep Qtr 08 to Sep Qtr 09	% change Sep Qtr 09 to Sep Qtr 10
NSW	-6.2	1.9
VIC	-7.9	-0.7
QLD	-11.0	-0.6
SA	2.5	-1.0
WA	2.1	22.5
TAS	-30.6	3.5
AUS	-6.3	5.7

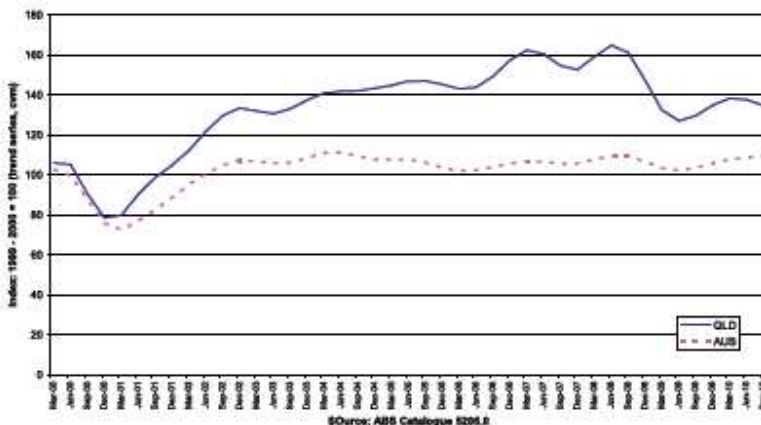
Source: ABS Catalogue 6206.0

A contraction in Queensland's non residential building construction has also occurred.

Queensland's non-residential construction has declined by 11.7% in the 2 years to the September quarter 2010 and a gain, aside from Tasmania, is the worst of all the States.

This decline is a reflection of lower business confidence, lower investment demand and tighter lending practices.

### Residential Building Construction



	% change Sep Qtr 08 to Sep Qtr 09	% change Sep Qtr 09 to Sep Qtr 10
NSW	-4.3	13.4
VIC	4.9	5.8
QLD	-19.6	4.0
SA	-1.7	-4.8
WA	-3.1	2.3
TAS	-4.3	2.0
AUS	-5.3	5.9

Source: ABS Catalogue 6206.0

A contraction in Queensland's residential building construction over the past two years is clearly evident, although there has been some recent improvement.

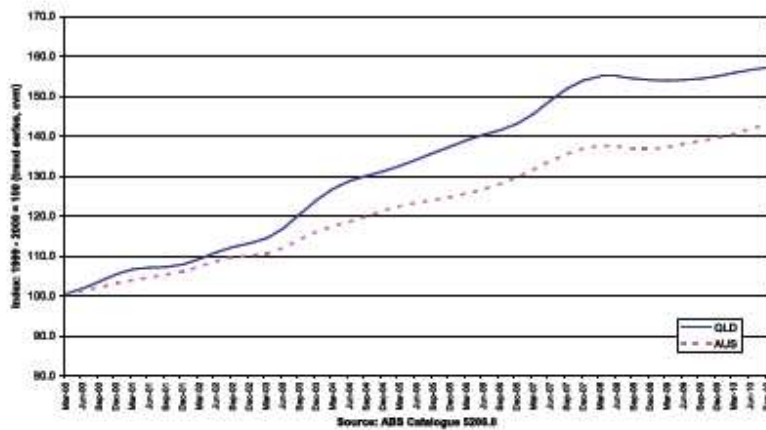
Again the sustained period of monetary tightening, combined with the passing of the federal housing stimulus, contributed to the fall in housing construction.

The weakness in medium-to-high density dwelling construction was also a key driver of the fall in housing construction as a result of tighter credit conditions and uncertainty over the global economic outlook weighing on housing investor activity.

This area of the economy will benefit from the recovery efforts of the recent floods.



### Household Final Consumption



Household Consumption (trend series, cym)		
	% change Sep Qtr 08 to Sep Qtr 09	% change Sep Qtr 09 to Sep Qtr 10
NSW	1.8	2.6
VIC	1.8	3.7
QLD	0.0	1.8
SA	0.4	3.5
WA	1.9	5.0
TAS	1.6	-0.3
AUS	1.4	3.0

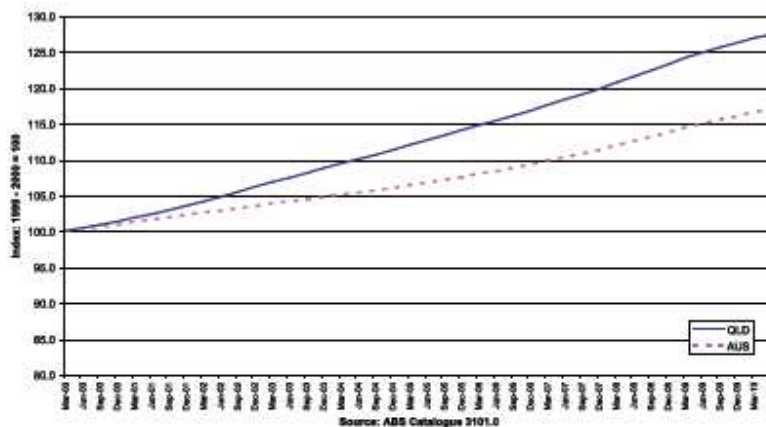
Source: ABS Catalogue 6206.0

Queensland households are proving very reluctant to spend which is impacting on retail turnover for the Queensland business community.

Household consumption rose 1.8% in the year to the September quarter 2010 a rate well below the National average and the State average over the past decade.

While household consumption was supported by solid population growth, as well as growth in average wages, the seven rate rises since October 2009 have constrained disposable income growth and discretionary spending. Softer jobs growth and the conclusion of federal government stimulus payments have also impacted on this indicator.

### Population



Population Growth		
	% change June Qtr 08 to June Qtr 09	% change June Qtr 09 to June Qtr 10
NSW	1.7	1.5
VIC	2.3	1.8
QLD	2.8	2.0
SA	1.3	1.2
WA	3.2	2.2
TAS	1.1	0.9
AUS	2.2	1.7

Source: ABS Catalogue 3101.0

Australians continue to relocate to Queensland looking for better lifestyle and employment opportunities which are no longer necessarily present.

Queensland has recorded faster population growth than the average for the rest of Australia in each year since 1970-71. Queensland's population has grown at an average annual rate of 2.3% over the past two decades, around double the 1.1% recorded in the rest of Australia and is only now starting to slow.

Historically, faster population growth in Queensland has been largely attributable to a higher level of net interstate migration relative to other states.

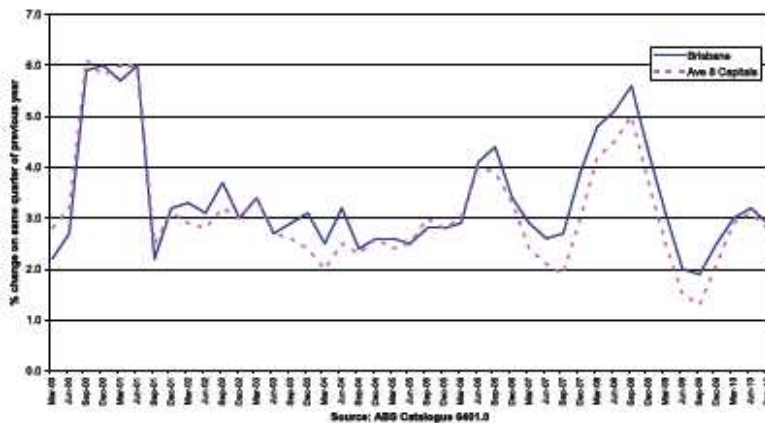
While net interstate migration to Queensland remains much higher than any other State, it has generally eased since 2002-03.

This reflects a narrowing in the house price gap between Brisbane and Sydney and a period of weaker economic growth.

Net overseas migration has been the primary driver of recent population growth in Australia as a result of widening economic growth differential between Australia and countries which are the main source of overseas migrants. However, net overseas migration across major states, including Queensland, has begun to ease reflecting changes to migration rules made by the Australian Federal government.



### Consumer Price Index



Consumer Price Index		
	% change Sep Qtr 08 to Sep Qtr 09	% change Sep Qtr 09 to Sep Qtr 10
Sydney	1.3	2.6
Melbourne	0.6	3.1
Brisbane	1.9	2.9
Adelaide	1.4	2.6
Perth	1.2	3.1
Hobart	1.8	2.8
Average 8 Capitals	1.3	2.8

Source: ABS Catalogue 6401.0

The Brisbane Consumer Price Index (CPI) increased 2.9% in the year to the September quarter 2010 which is generally regarded as a moderate rise for this indicator following the 1.9% in the preceding 12 months.

The relatively modest CPI rate at present reflects a continued unwinding of factors which drove strong inflation in previous years, such as higher oil prices, buoyant economic growth and domestic capacity constraints.

Inflation typically closely matches the heat in the economy and accordingly as Queensland's economy has slowed CPI has fallen back towards the national average.

Australia's inflation rate is back within the RBA's 2-3% target band.

### Labour Price Index



Labour Price Index (Ordinary time hourly rates of pay excluding bonuses)		
	% change Sep Qtr 08 to Sep Qtr 09	% change Sep Qtr 09 to Sep Qtr 10
Sydney	3.6	3.4
Melbourne	3.0	3.5
Brisbane	3.5	3.9
Adelaide	3.4	3.3
Perth	4.1	3.9
Hobart	4.2	3.2
Average 8 Capitals	3.4	3.6

Source: ABS Catalogue 6345.0

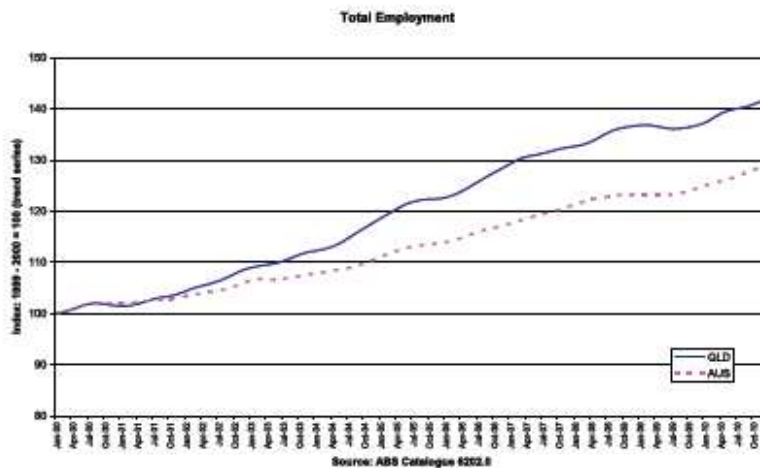
There currently exists a disconnect between wages growth and the relatively subdued economic activity within Queensland. Historically lower wage outcomes based on more subdued economic activity would be evident, however this has not occurred and is largely influenced by public sector wage outcomes.

Despite slower employment growth and a rise in the unemployment rate, wages growth in Queensland remained strong in the twelve months to the September quarter 2010 reflecting the lagged impact of tight labour market conditions in prior years and public sector wages growth.

The Labour Price Index (LPI) in Queensland rose by 3.9% in the most recent twelve months increasing from the 3.5% growth in the twelve months prior.

The public sector LPI throughout and since the period of the GFC has consistently been at least one per cent higher than private sector wages growth.

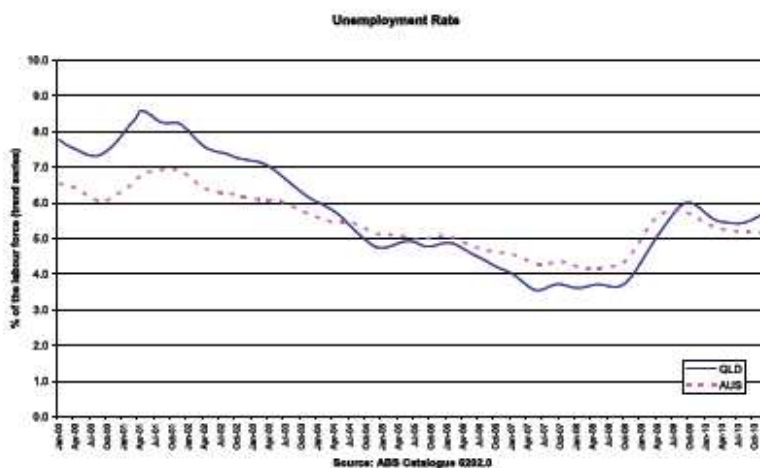




	% change Dec 08 to Dec 09	% change Dec 09 to Dec 10
NSW	0.0	5.0
VIC	3.1	3.2
QLD	0.2	3.4
SA	1.5	1.3
WA	-0.4	3.3
TAS	-3.0	2.1
AUS	1.2	3.3

Source: ABS Catalogue 6202.0

Given the significant infrastructure spend by the State Government and our State's prosperous resources sector recent Queensland jobs growth is encouraging. However it has failed to match that of New South Wales, Victoria and Western Australia throughout 2010. In line with a contraction in private sector activity elsewhere in the Queensland economy, employment growth in Queensland has been modest.



	% Dec 09	% Dec 10
NSW	5.8	4.9
VIC	5.4	5.2
QLD	5.8	5.7
SA	5.2	5.6
WA	5.1	4.6
TAS	5.6	5.0
AUS	5.5	5.1

Source: ABS Catalogue 6202.0

Queensland has maintained an unemployment rate higher than the national average for the past two consecutive years.

Over this period Queensland's unemployment rate has also remained generally higher than that of Western Australia and Victoria, and at 5.7% (as at Dec 2010) is currently the highest rate out of all states.

Unemployment can reasonably be expected to rise over the coming 12 months as the full effects of the Queensland floods flow through to the whole economy.



The Pulse Survey has been measuring Queensland business confidence and expectations for over 20 years and is conducted in conjunction with the Australian Chamber of Commerce and Industry's National Survey of Business Expectations. It is published in cooperation with the Commonwealth Bank.

The survey publishes quarterly the results from key questions put to the Queensland business community on National, State and individual economic performances.

The survey is unchallenged in terms of being the most authoritative, timely and comprehensive snapshot of Queensland business sentiment with over 750 Queensland businesses interviewed as part of each survey.

The survey contains data from the largest firms in Queensland through to the smallest, and provides a sample covering the entire business community.

## > Pulse Business Index

The analysis undertaken by CCIQ in the preparation of this Pulse Survey Report is based on survey responses from Queensland business.

The report uses the Pulse Business Index (PBI) as well as the (base) statistical data provided from the survey responses to effectively measure respondent's views as to how current or future activity (eg. three months ahead) compares with the previous quarter.

A **PULSE INDEX** reading of above 50 indicates conditions have improved over the previous quarter. A reading of 50 indicates conditions have remained the same and less than 50 indicates conditions have deteriorated.

The following guide is useful in interpreting the PBI results into broad indicative performance classifications.

Very Poor	0 - 29.99 Points
Poor	30 - 49.99 Points
Satisfactory	50 - 64.99 Points
Good	65 - 74.99 Points
Very Good	75 - 84.99 Points
Excellent	85 - 100 Points

The statewide PBI results have been seasonally adjusted.

The Pulse Business Constraints Index (BCI) measures the level of key impediments on business growth. The following guide is used in interpreting the BCI results.

Degree of Constraint	Index
Critical	70 - 100
Large	50 - 69.99
Moderate	40 - 49.99
Slight	30 - 39.99
No Constraint	0 - 29.99



Contact:  
Nick Behrens  
General Manager Policy  
t > 07 3842 2244  
e > nbehrens@cciq.com.au  
w > www.cciq.com.au

Chamber of Commerce & Industry Queensland  
Industry House  
375 Wickham Terrace  
Brisbane Q 4000


t > 07 3842 2244  
f > 07 3832 3185  
e > info@cciq.com.au




## Commonwealth Bank CCIQ Pulse Survey of Business Conditions

December Quarter 2010



**Determined to be different.**



CHAMBER OF  
COMMERCE &  
INDUSTRY  
QUEENSLAND

## > Introduction

The December Quarter Pulse Survey unfortunately paints a generally bleaker picture of the Queensland economy. Based on the results from the December survey Queensland businesses have less to look forward to over the coming twelve months. Across all indicators there were worrying downward trends and based on expectations, businesses are not anticipating any reprieve from the effects of tightened consumer spending and a slowing economy.

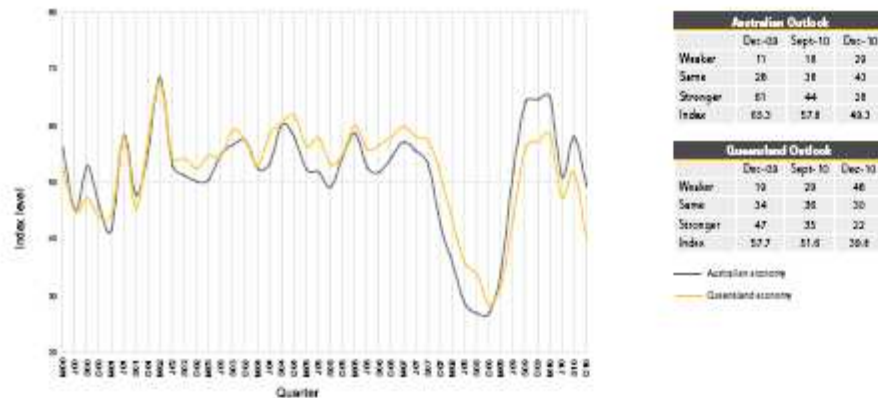
While the Queensland and interstate floods will certainly be a key factor impacting business performance over the coming period, businesses generally indicated that the floods would only exacerbate the already struggling state economy and that there are a number of other underlying issues undermining the viability of Queensland businesses.

"There is an ongoing battle to rebound from a financial crisis that has made consumers much more concerned with saving their money rather than spending".

"Massive flooding throughout the country and the poor condition of the economy prior to these events will affect all businesses".

"Floods, unemployment, interest rates, government taxes and increasing cost of living expenses leaves the everyday person struggling to make ends meet".

## > 12 Month Outlook: Australian & Qld Economies



\*Scale - As Index level above 50 indicates that growth prospects are strengthening, while an index level below 50 indicates that growth prospects are weakening

\*\*Seasonally adjusted

### Australian Economy

> Confidence in the Australian economy has fallen this quarter, with the Pulse Australian Outlook Index falling 8.5 basis points to 48.3 since the previous September Quarter, and down 16 basis points from its high point of 65.3 in December 2009.

### Queensland Economy

> Business expectations for the Queensland economy are of greater concern. Nearly 50 per cent of respondents believe the Queensland economy will be weaker over the coming 12 months which is a significant change from the previous quarter when the majority of respondents were expecting the state economy to remain stable or get stronger. Accordingly the Pulse Index has fallen by 11.8 basis points to 39.8.

## > Survey Analysis: Factors Affecting the 12 Month Outlook...

The issue of greatest influence on this Quarter's Pulse Survey was the Queensland floods which is covered as part of the Hot Topic on page 7. However respondents were significantly concerned by a number of other underlying trends.

Respondents commented that government charges and increasing business costs are strangling businesses and eroding profitability. Additionally the escalating cost of living brought about by government charges and rising utility costs is forcing consumers to reduce their spending and is impacting on business activity across the state.

Businesses also expressed frustration over the multiple interest rate rises during 2010 and the prospect of further rate rises during 2011. Interest rate rises have placed further downward pressure on consumer spending and curtailed business investment. Businesses commented that the Reserve Bank's analysis of Australia's economic performance is not accounting for the differences in state economies and the fact that a "two-speed economy" exists in Queensland. There was also a view shared amongst respondents that inflationary pressures have been driven largely by government spending and public sector wage increases not occurring elsewhere in the economy. Global economic conditions, lack of finance, instability in the property markets and uncertainty over the negotiated outcome of the Federal Government's mining tax were further issues thought to be having a major impact on the Queensland and National economic outlooks.

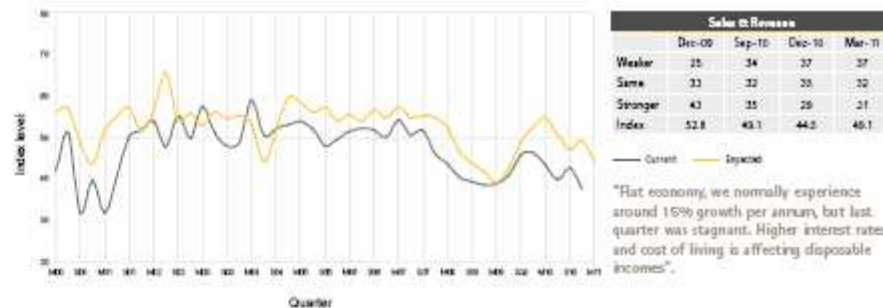
As a result of the depressed business environment, businesses are starting to make the "hard decisions" that the State and Federal Governments have failed to make. A number of respondents indicated they had reduced costs, scaled back business operations and cut staff and wage costs over the previous quarter. Further cut backs and business closures were foreshadowed should conditions not improve over the coming six to twelve month period.

"Mainly interest rates, if the Reserve Bank persists with punishing the rest of the economy because the mining sector is booming, things are only going down from here".

"Government charges! It seems everyone else is dropping prices except for all levels of Government - they are the main reason for fuelling inflation in my opinion".

"I recently closed my shop (opened market stall as its less rent) and let all my employees go. I intend to stay as sole trader until I retire because I'm fed up with costs and regulations associated with being an employer".

## > Sales & Revenue



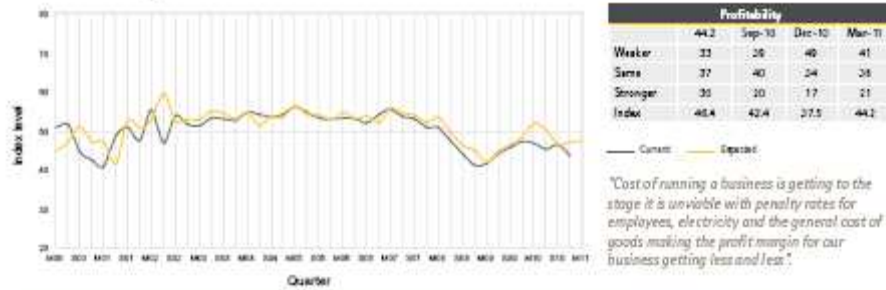
> Sales and revenue for the December quarter were down. Despite there being strong expectations for the end of year and Christmas period, the majority of businesses (37 per cent) experienced weaker sales. Only 28 per cent of respondents enjoyed improved sales and revenue over the period. Accordingly the Pulse Sales and Revenue Index fell 4.6 basis points to 44.5 for the December 2010 Quarter.

> A similar trend is expected for the coming 3 month period with the majority of businesses (37 per cent) again expecting sales and revenue to be weaker over the March 2011 quarter.

"Mining is going well but not having an impact on our local economy - retail is sick, tourism is down and manufacturing is being shifted overseas. We have more businesses closing than opening".

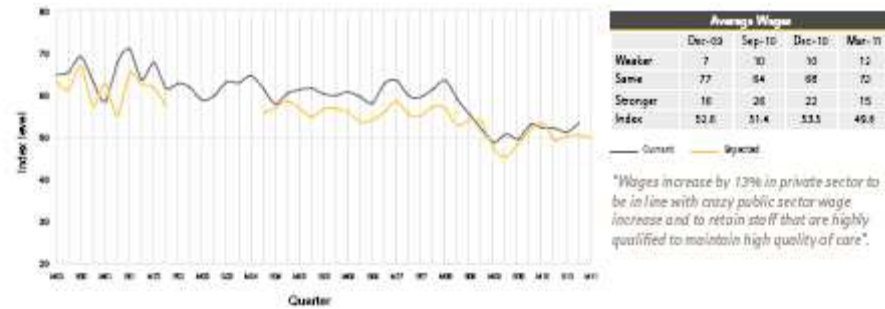


## > Profitability



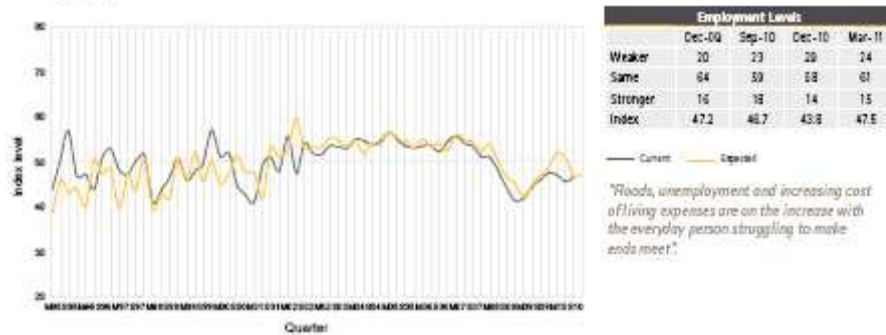
- > Business profitability suffered as a result of depressed sales and revenue. The Pulse Profitability Index fell 4.9 basis points to 37.5, its lowest point since September 2008. Nearly half (49 per cent) of businesses experienced weaker profitability over the last three month period of 2010.
- > The three month outlook for the March quarter 2011 does not indicate any improvement, with the majority of businesses expecting weaker (41 per cent) or similar (38 per cent) profitability to the last quarter.

## > Average Wages



- > Wage pressures have increased slightly for employers over the previous quarter. The Pulse Average Wage Index increased by 2.1 basis points to 53.5 in the December Quarter 2010.
- > However these wage pressures are expected to ease back slightly over the coming three month period, with more respondents indicating wage pressures to remain the same (73 per cent) or weaker (12 per cent).

## > Employment Levels



- > Obviously conscious of the period of historical skills shortages, employers have made efforts to retain staff where possible. However the Pulse Employment Index fell further to 43.8 in the December Quarter, signalling that employers, facing depressed sales and profitability, are starting to make tough decision regarding their workforce.
- > Only a modest improvement is anticipated for the March quarter 2011.

## > Capital Expenditure



- > Capital expenditure continues its less than favourable trend, remaining at subdued low levels for the twelfth consecutive quarter since March 2008. The Pulse Capital Expenditure Index remained relatively steady at 42.9, with the majority of respondents indicating capital expenditure on buildings, plant and equipment had remained the same (47 per cent) or weaker (33 per cent) over the three months to December 2010.
- > Little change is expected in this indicator for the March quarter 2011 with the Pulse Capital Expenditure Index expected to remain at 42.6.

*"Lack of consumer demand - small business owners have sacked all the staff they can & now will close as leases end."*

## > Regional Analysis

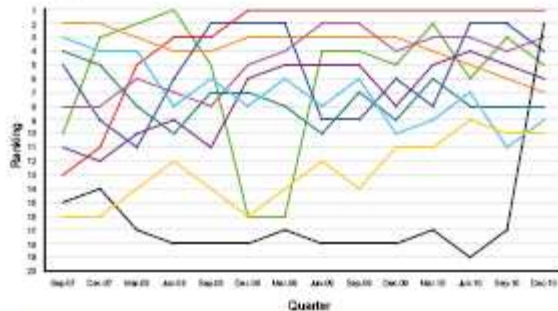
Current	Brisbane	Sunshine Coast	Gold Coast	South West Queensland	Central Queensland	Central Coast	North Queensland	Far North Queensland
12 Month Outlook - Queensland	↓ 43.0	↓ 37.5	↓ 38.5	↓ 33.8	↓ 44.8	↓ 41.2	↓ 40.9	↓ 36.0
General Business Conditions	↓ 52.2	↓ 44.9	↓ 44.5	↑ 44.1	↓ 42.7	↑ 50.9	↓ 48.6	↓ 35.9
Total Sales/Revenue	↓ 51.9	↑ 47.2	↓ 45.1	↑ 42.8	↓ 39.5	↓ 54.7	↓ 48.3	↓ 36.1
Profitability	↓ 44.0	↓ 37.7	↓ 37.2	↑ 35.3	↓ 38.5	↑ 45.7	↓ 38.8	↓ 30.9
Average Wages	↑ 55.8	↑ 50.0	↓ 37.2	↓ 51.5	↓ 48.9	↑ 55.9	↓ 54.8	↓ 48.8
Employment Levels	↓ 47.3	↓ 43.0	= 52.2	↑ 44.1	↓ 39.5	↓ 47.1	↓ 53.8	↓ 36.0
Capital Expenditure	↑ 47.2	↑ 45.8	↑ 37.9	↑ 49.6	↑ 43.3	↑ 52.1	↑ 35.2	↑ 38.0

↑ index increased from previous Qtr; = index unchanged from previous Qtr; ↓ index decreased from previous Qtr.

- The depressed economic conditions were mirrored across most regions of the state, due to the coverage of the recent flood disaster across almost every region of the state and the flowing effects this disaster has had on the whole economy.
- All regions have experienced a downturn in the economic outlook and sales and revenue figures. General business conditions and profitability remain strongest in the Central Coast/Mackay region, demonstrating the significant benefit that mining and related industries bring to the region.
- Of greatest concern, Far North Queensland, one of the only regions spared from the widespread flooding, has experienced the most significant economic downturns of all regions. All indicators for this region have decreased by an average of 10-15 basis points suggesting that the economy and businesses in this region are facing significant challenges.

*"The Reserve Bank have misjudged how depressed the economy is in areas like Marlborough. With unemployment above the national average, it means that there is not enough money in the local economy to stimulate growth. Unless sales growth is at least at the rate of inflation, we are going backwards".*

## > Major Constraints on Business Growth



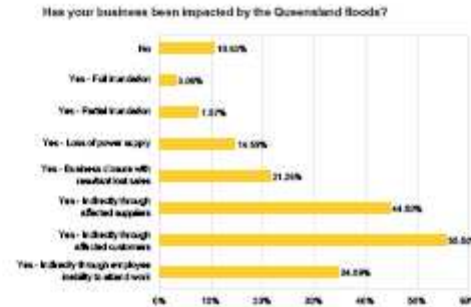
*"I think the mining sector is the only sector driving the economy. Now with the floods the agriculture sector will struggle along with retail etc. I also think interest rates will continue to be a dampener on the economy".*

- Level of demand and economic activity continues to be the largest constraint on businesses in Queensland at present. As previously noted, consumer spending due to increased cost of living slowed considerably over most of 2010.
- Not surprisingly climatic conditions rose in prominence as a significant constraint on business growth for the previous quarter. Businesses have experienced prolonged rain periods culminating in the recent flood disaster effecting nearly 75 per cent of the state.
- Level of business taxes and political and economic stability are also significantly impacting on business growth prospects. With reduced sales and revenue and profitability, the Queensland business community are struggling to meet increased business costs. The failure to take action to reduce the escalating costs of doing business is undermining confidence.
- Since December 2008 energy costs has also been slowly moving higher up the list as a major constraint on business growth reflecting the concern across the business community regarding the effect of three consecutive years of significant energy price rises in Queensland. As energy is a major business input, energy price rises will further impact business profitability.

## > Hot Topic - Impact of the Floods on Queensland Business Viability

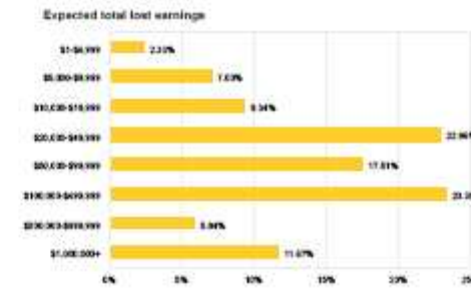
While the residential impact of the floods across many areas of Queensland is widely acknowledged and of utmost priority, the severe consequences for business, employment and the broader state economy is of significant concern.

Nearly 90 per cent of businesses across flood affected areas of Queensland claim they have been affected by this flood disaster in some way. While only 10.6 per cent have been directly impacted by full or partial flood inundation, a further 35.8 per cent have suffered losses due to forced business closure and loss of power supply. More than half of affected businesses have been impacted indirectly due to delays in supply of goods or services, the impact of flooding on local and state infrastructure, or on their customers, suppliers and staff.



*"Businesses affected by the floods won't pay their bills on time. This will then prevent us small companies from paying our accounts and staff wages, thus starting a domino effect across the whole economy".*

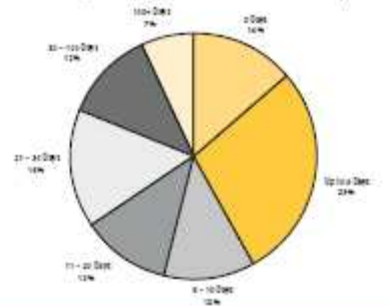
Of those businesses experiencing losses, around 40% expect to lose between \$20,000 and \$100,000 in lost earnings. A further 23 per cent expect to lose between \$100,000 and \$499,000. One in ten businesses expect to lose more than \$1 million as a result of the floods.



*"A key problem will be getting back to normal business function after the floods especially when the bills keep coming in - there will be higher prices for fuel, food, electricity, water, rates and other business requirements such as licenses, regs, transport - bet taxes will go up too".*

Queensland businesses will play a vital role in the recovery effort, however they need both immediate and ongoing support, particularly in regional areas, to get back on their feet if they are to provide the resources, services and employment required to rebuild flood stricken communities and ensure they are able to continue contributing to the economy and providing employment to devastated communities.

Bestest Days Following the Flood until back to Normal Operations



*"Availability of skilled personnel that may be taken from the work force for flood repair will equal rising costs for employment and wages due to skills shortages".*

While the majority of businesses (43 per cent) indicated they would be back to normal business operation within 5 days following the flood, and a further 12 per cent within 10 days, it will be vitally important that the remaining 45 per cent of businesses taking longer than 2 weeks to return to normal business operation are supported appropriately.

Invigorating  
Business

# Impact of the Queensland floods on business

CCIQ survey | February 2011



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### 1.0 Introduction and Summary

1.1 December 2010 and January 2011 saw floods on a scale that were unprecedented in Queensland. This event saw three quarters of the state declared a disaster zone, affecting thousands of residents, visitors and businesses.

1.2 The Chamber of Commerce and Industry Queensland (CCIQ) undertook a survey of Queensland businesses for the week commencing the 18/01/2011 until the 25/01/2011. Demographics of the 555 survey respondents are included in Appendix A.

Key findings include:

- > One in five businesses in Queensland has had to close as a result of the floods due to full or partial water inundation, loss of power or cut off from their business.
- > The average number of days business were forced to close was eight (median of 4 days).
- > The average number of days before their business returns to normal operations is 31 days (median of 10 days).
- > The loss to property including plant and equipment, stock, buildings and motor vehicles to those businesses directly affected by the floods was on average \$589,000 (median of \$40,000).
- > Business directly affected by the floods on average expect to lose in total \$908,000 or approximately 11% of their annual turnover (median was \$50,000 or 7% of annual turnover).
- > Unfortunately most businesses are currently unsure what their insurance covers them for with many businesses reporting difficulty in getting clear positions on where they stand.
- > Many businesses have also been indirectly impacted by the floods through affected customers, affected suppliers, through employee inability to attend work or through loss of appeal of Queensland as a tourism destination.
- > Unsurprisingly 22% of all businesses within Queensland have indicated that the floods have had a major to critical impact on their businesses' viability with the very real threat of job losses.

1.3 When asked what assistance is needed a clear picture emerges:

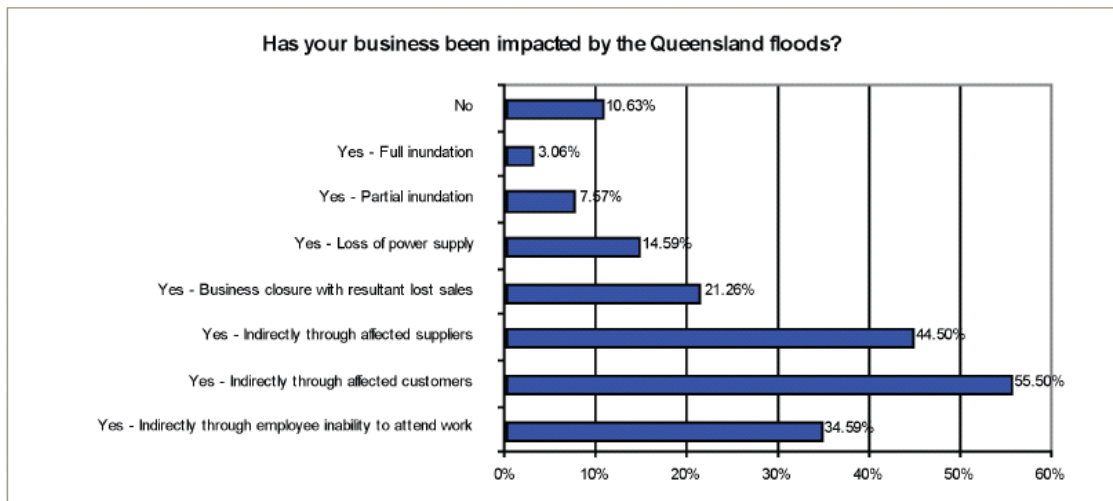
- > Financial assistance with cash flow and concessional loans from Government to help business meet their immediate debtor obligations;
- > A marketing campaign highlighting that Queensland is open for business and as a tourism destination is unscathed;
- > Deferral of tax and bank debt;
- > Flood proof infrastructure;
- > More effort to buy and holiday locally;
- > Higher priority for business in power restoration; and
- > Reduced red tape for businesses to get back up and running.



## 2.0 Businesses impacted by the Queensland floods

2.1 The CCIQ survey found that:

- > One in ten businesses had either been fully or partially inundated by flood water;
- > One in five businesses had been impacted through forced business closures with resultant lost sales;
- > 15% had been impacted through the loss of power;
- > Many businesses had been impacted by the floods indirectly through affected customers (55.5%), affected suppliers (44.5%) or through employee inability to attend work (34.59%)



Source: CCIQ survey on impact of Queensland floods on businesses, January 2011

2.2 In addition to the above, other impacts that have been experienced by Queensland businesses include:

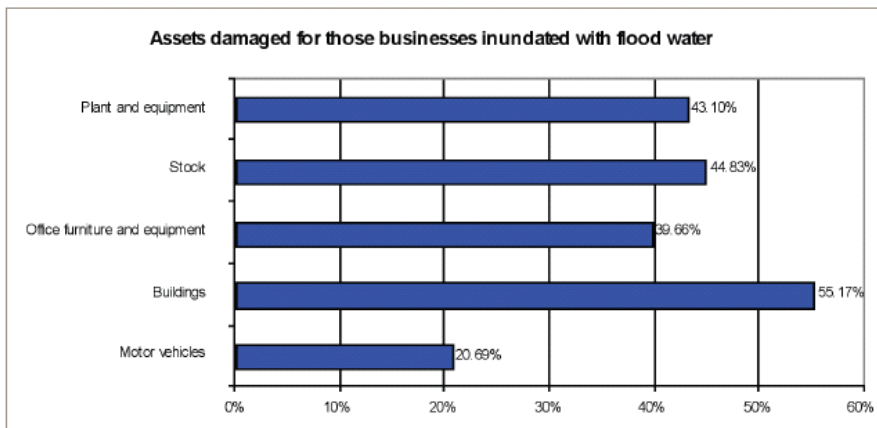
- > Road closures and other impacts on transport infrastructure, including weight limits on roads;
- > Perceptions that all businesses/Queensland has been impacted, particularly driven through the negative portrayal of some areas by the media;
- > Cancellation of bookings/business services and reduced sales;
- > Reduced tourist numbers;
- > Business/customers/suppliers isolated by water;
- > Unable to move/receive freight by road or ports;
- > Impact of the weather conditions on normal business activities, ie unable to get to clients, ground too wet to drill, unable to harvest crops etc;
- > Loss of stock/crops etc;
- > Clean up activities taking longer than expected, or businesses sending their staff to assist others;
- > Loss of communication networks ie internet, connections to servers, telecommunications etc;
- > Moving stock/furniture out of business and then moving it back;
- > Loss of office records;
- > Increased prices of some goods ie fresh produce.

2.3 A few businesses also reported increases in sales/business due to stock they had that others did not or through increased traffic in their area.



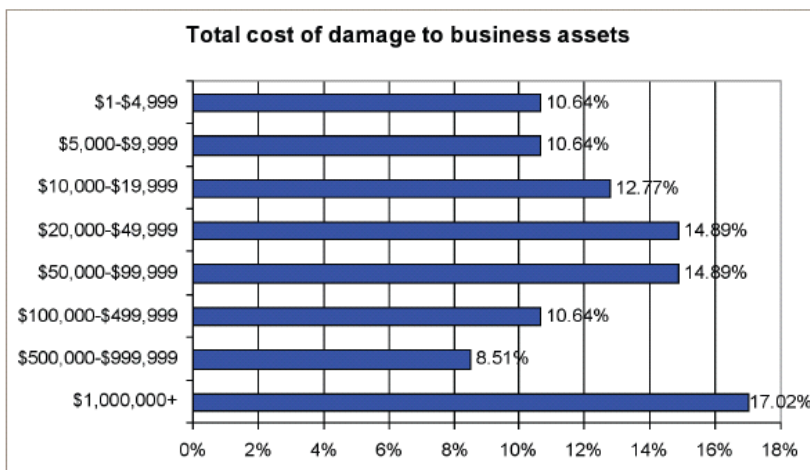
### 3.0 Impact on businesses directly affected by water damage

- 3.1 More than half of the businesses (55.17%) who indicated that they had been fully or partially inundated by flood water had buildings affected. Many also had plant and equipment (43.10%) and stock (44.83%) affected. Two in five businesses had office furniture and equipment affected and one in five had motor vehicles affected.
- 3.2 Other assets that businesses identified had been affected by water damage included:
- > Entry roads to the business and carparks;
  - > Communication links;
  - > Land ie grazing paddocks, vineyards;
  - > Office records;
  - > Loss of stock stuck on freight vehicles;
  - > Fences.
- 3.3 Some businesses also lost stock that was stored at customer premises, who were subsequently inundated with flood water.



Source: CCIQ survey on impact of Queensland floods on businesses, January 2011

- 3.4 Of those businesses that had either been fully or partially inundated by flood water, or had lost power supply as a result of the floods, 17% indicated the total cost of damage was more than \$1 million. About 30% indicated that the damage bill would be between \$10,000 and \$50,000.



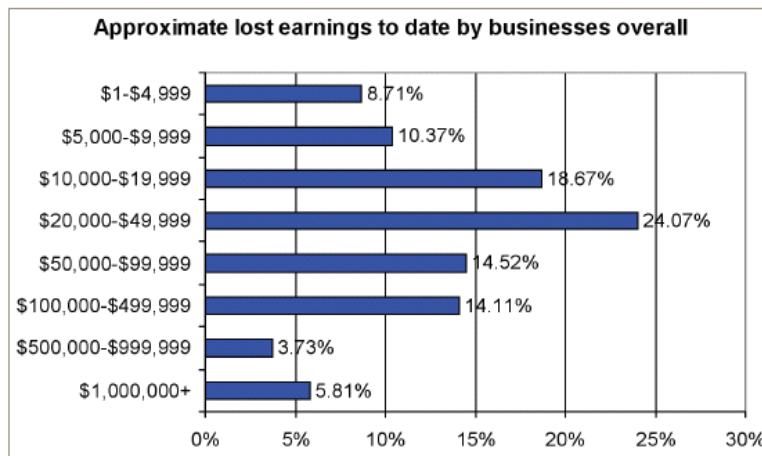
Source: CCIQ survey on impact of Queensland floods on businesses, January 2011

- 3.5 The total asset damage bill for respondents that had either been fully or partially inundated by flood water, or had lost power supply as a result of the floods, was \$27.7 million, representing an average bill of \$588,689. However, given a relatively small number of very high damage bills, the median bill for damage to business assets was \$40,000.



## 4.0 Lost earnings experienced by businesses to date

- 4.1 Of those businesses that had experienced financial losses, around one in five businesses indicated that they had lost less than \$10,000 in earnings to date as a result of the floods. 42.7% of businesses indicated that they had lost between \$10,000 and \$50,000 in earnings to date. Around 5% have lost more than \$1 million.
- 4.2 The total lost earnings to date by survey respondents was \$58.2 million (average lost earnings to date was \$247,901). Again, the average was distorted by some very high losses to a relatively small number of businesses. Accordingly, the median total lost earnings to date was \$28,000.



Source: CCIQ survey on impact of Queensland floods on businesses, January 2011

- 4.3 The lost earnings to date are substantially higher for those businesses that were directly impacted by the flood (ie were fully or partially inundated by flood water, had loss of power supply or forced business closure) compared to those who were indirectly impacted (ie through affected suppliers, customers or through employee inability to attend work). Just over 30% of directly affected businesses had lost more than \$100,000 to date compared to 15% for businesses who were indirectly affected. The median lost earnings to date for businesses directly affected by the flood was \$35,000 compared to \$20,000 for those indirectly affected.

### Approximate lost earnings to date

Lost earnings	Overall	Directly affected businesses	Indirectly affected businesses
\$1-\$4,999	8.71%	8.47%	8.62%
\$5,000-\$9,999	10.37%	9.32%	11.21%
\$10,000-\$19,999	18.67%	13.56%	25.00%
\$20,000-\$49,999	24.07%	24.58%	23.28%
\$50,000-\$99,999	14.52%	12.71%	16.38%
\$100,000-\$499,999	14.11%	19.49%	8.62%
\$500,000-\$999,999	3.73%	2.54%	4.31%
\$1,000,000 +	5.81%	9.32%	2.59%
Total lost earnings to date	\$58,254,740	\$44,347,840	\$13,906,900
Average lost earnings to date	\$247,901	\$375,829	\$119,887
Median lost earnings to date	\$28,000	\$35,000	\$20,000

Source: CCIQ survey on impact of Queensland floods on businesses, January 2011



## 5.0 Expected total lost earnings by businesses

- 5.1 Of those businesses experiencing losses, around 40% expect to lose between \$20,000 and \$100,000 in lost earnings over the full duration of the flood and recovery period. A further 23% expect to lose between \$100,000 and \$499,000. One in ten businesses expect to lose more than \$1 million, with one large business in Brisbane indicating that they expect to lose \$30 million.
- 5.2 The total expected lost earnings by survey respondents totals \$147.8 million, with an average of \$600,349. The median total expected lost earnings however is \$50,000.



Source: CCIQ survey on impact of Queensland floods on businesses, January 2011

- 5.3 The estimated total lost earnings are substantially higher for those businesses that were directly impacted by the flood (ie were fully or partially inundated by flood water, had loss of power supply or forced business closure) compared to those who were indirectly impacted (ie through affected suppliers, customers or through employee inability to attend work). One in two businesses directly affected by the flood estimated their total lost earnings as more than \$100,000 compared to one in three business who were indirectly affected. The median estimated total lost earnings for businesses directly affected by the flood was \$70,000 compared to \$45,000 for those indirectly affected.

### Estimated total lost earnings

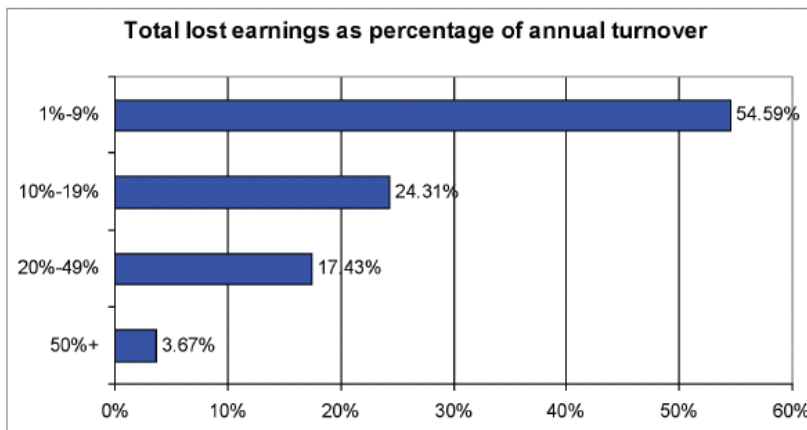
Lost earnings	Overall	Directly affected businesses	Indirectly affected businesses
\$1-\$4,999	2.33%	1.82%	2.33%
\$5,000-\$9,999	7.00%	9.09%	5.43%
\$10,000-\$19,999	9.34%	2.73%	14.73%
\$20,000-\$49,999	22.96%	20.00%	27.13%
\$50,000-\$99,999	17.51%	17.27%	17.05%
\$100,000-\$499,999	23.35%	25.45%	23.26%
\$500,000-\$999,999	5.84%	8.18%	3.88%
\$1,000,000 +	11.67%	15.45%	6.20%
Total lost earnings	\$147,787,080	\$108,970,480	\$38,816,600
Average lost earnings	\$600,349	\$908,087	\$300,904
Median lost earnings	\$50,000	\$70,000	\$45,000

Source: CCIQ survey on impact of Queensland floods on businesses, January 2011

- 5.4 The majority of businesses (54.59%) who will experience losses as a result of the floods, indicated that the total lost earnings would be less than 10% of their annual turnover. One in four businesses indicated that the lost earnings would represent between 10% and 20% of their annual turnover. The average percentage of annual turnover that businesses expected to lose in total earnings was 11%. The median was 7%.







Source: CCIQ survey on impact of Queensland floods on businesses, January 2011

- 5.5 The estimated percentage of annual turnover expected to accrue in lost earnings for those businesses that were directly impacted by the flood is substantially higher than those who were indirectly impacted. The median percentage for those businesses directly affected by the flood is 7% compared to 5% for those businesses who were indirectly affected.

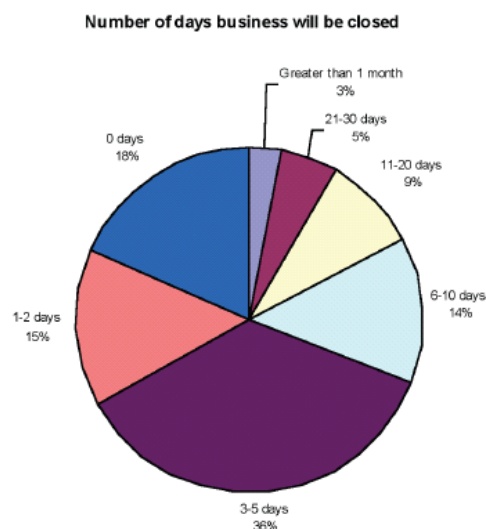
**Total lost earnings as a percentage of annual turnover**

Percentage of annual turnover	Overall	Directly affected businesses	Indirectly affected businesses
1-9%	54.59%	53.61%	56.25%
10%-19%	24.31%	25.77%	22.32%
20%-49%	17.43%	13.40%	20.54%
50% +	3.67%	7.22%	0.89%
Average percentage	11%	13%	10%
Median Percentage	7%	7%	5%

Source: CCIQ survey on impact of Queensland floods on businesses, January 2011

## 6.0 Business closures due to floods

- 6.1 For those businesses that were forced to close due to the floods, the majority (51%) were closed for five days or less. The average number of days that businesses were forced to close due to floods was 8 days, with a median of 4 days.



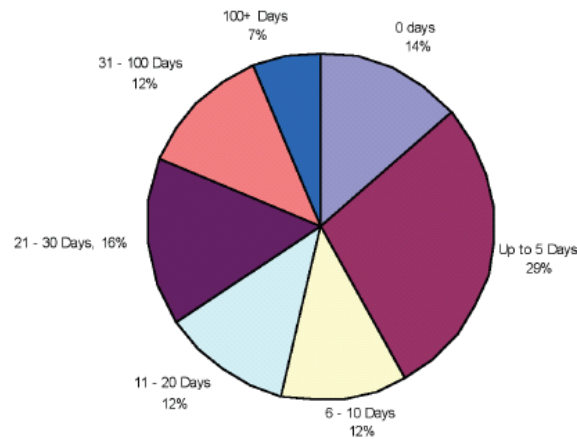
Source: CCIQ survey on impact of Queensland floods on businesses, January 2011



## 7.0 Return to normal operations

- 7.1 While the majority of businesses (43%) indicated they would be back to normal business operation within 5 days of the flood, and a further 12 per cent within 10 days, it will be vitally important that the remaining 45 per cent of businesses taking longer than 2 weeks to return to normal business operation are supported appropriately. The average number of days indicated by survey respondents until their business is back to normal operations was 30 days, with a median of 10 days.

**Number of days after the flood that business will be back to normal operations**



Source: CCIQ survey on impact of Queensland floods on businesses, January 2011

- 7.2 There were similar results across those businesses directly affected by the floods compared to those who were indirectly affected by the floods in terms of getting back to normal operations. This indicates the significant impact of the Queensland floods on all businesses.

**Business days following the flood until back to normal operations**

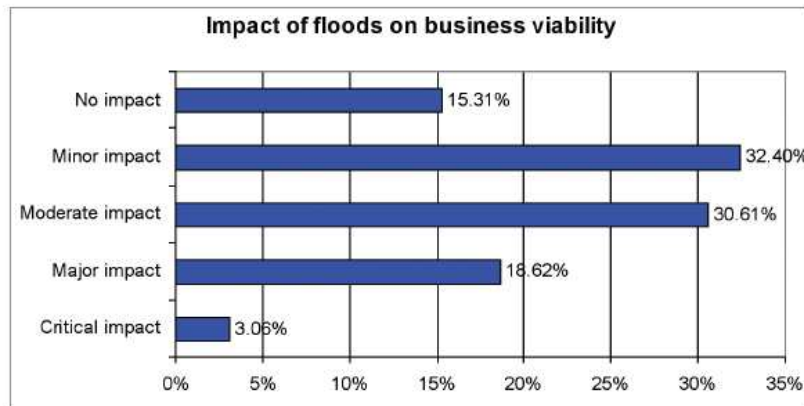
Business days	Overall	Directly affected businesses	Indirectly affected businesses
0 days	14%	8%	21%
Up to 5 days	29%	34%	21%
6 - 10 days	12%	13%	11%
11 - 20 days	12%	11%	14%
21 - 30 days	16%	17%	13%
31 - 100 days	12%	10%	13%
100 + days	7%	7%	7%
Average days until back to normal	30 days	31 days	30 days
Median days until back to normal	10 days	9 days	10 days

Source: CCIQ survey on impact of Queensland floods on businesses, January 2011



## 8.0 Business viability

- 8.1 The majority of businesses (63%) indicated that the floods would have a minor to moderate impact on the viability of their business. One in five businesses indicated that it would have a major to critical impact.



Source: CCIQ survey on impact of Queensland floods on businesses, January 2011

## 9.0 Insurance

- 9.1 Many businesses were currently unsure of what their insurance company would cover them for, with some businesses losing paperwork in flooded buildings or have not yet received confirmation from their policy issuer. Feedback gathered from businesses on interactions with their insurance provider to date included:

- > Some insurance providers have provided businesses with useful information and provided valuable assistance to progress claims;
- > Other businesses are having difficulties getting clear positions on where they stand;
- > Claims and inquires are moving along at a slow pace;
- > Many businesses have made a claim only to realise they are not covered for the damage that has occurred;
- > Difficulties in getting cover / compensation for certain things including loss of income and business interruption;
- > Differing definitions of flood, flash flooding and storm damage between providers;
- > If businesses are not covered for flood damage and the property is flooded, it negates claims for other things including business interruption, power loss etc.

Quotes from businesses relating to insurance have included:

*"Our insurers have advised that the only claim we could make is in relation loss of power supply, however, as flood was the root cause, we will not be covered."*

*"We have "comprehensive" insurance cover on all major assets, but the fine print shows we do not have comprehensive cover as flood is excluded."*

*"Advised our broker and he has liaised with us and advised on what action and procedures to follow."*

*"We have found we are grossly under-insured, however we do have substantial business interruption insurance but the insurance company can't or won't explain how I access this money and what it actually entails."*

*"The insurance provider has stated that we have no claim for business interruption because water did not breach our doors. There has to be a trigger for business interruption to come into effect."*

*"Flooded stock in transit is not covered by our business's flood insurance nor by the carrier's insurance so we have had to write it off at cost."*

*"Have lodged a claim but there appears to be some debate as to what type of flood it was. We are covered for water backing up through drains which is the claim we made, but there is debate as to whether it was this water that caused the damage or river water."*



## 10.0 Assistance required by business

Assistance needed by businesses has been outlined in the table below:

Priority	Type of Assistance	Time-frame	Quotes
19.5%	Financial Assistance with Cash flow	Short Term (ST)	<p>"Financial support to retain skilled workers, provide cashflow due to lost revenue, compensate for debtors who are unable to pay pre-existing accounts due to being flood affected."</p> <p>"Financially we have had a significant loss of trade due to forced closure during the flood crisis and prior to that for the whole of 2010. We are having major difficulty meeting our obligations to our creditors, as we have EXTREMELY limited cash flow."</p> <p>"Income support to supplement the losses suffered thus far. We will not be able to pay our rent this month and this will continue for some time. We also need advertising and incentives for people to come and visit."</p>
5.5%	Concessional Loans	ST	<p>"Interest free loan to ensure business cash flow can sustain this disruption to business."</p> <p>"Low interest loans or government grants for income loss to help keep paying employees until we are earning again."</p> <p>"Small short term loan for cash flow until Clients can pay accounts, clients include Government agencies."</p>
3.1%	Rental assistance	ST	
<b>28.1%</b>			
12.5%	Message Queensland is Open	ST	<p>"Advertising to say that most accommodation businesses in Queensland are still open for business."</p> <p>Tourism - need to get the message across that people need to come to Brisbane for holidays still and not cancel bookings. There have been indications that even Gold Coast has lost bookings because overseas visitors don't know the difference."</p>
8.6%	Customers	ST	"Marketing support advertising that the Qld holidays destinations have NOT been affected.....and this includes the Sunshine Coast."
3.1%	Tourism Promotion	ST	"Marketing internationally and domestically to bring tourists to Australia, Qld and the Whitsundays in particular."
1.6%	More Accurate Media Portrayal	Long term (LT)	<p>"Media letting people know not ALL of Qld is flooded and encouragement to get people to continue with their travel plans."</p> <p>"A clear message through media that we are open and trading as normal."</p>
<b>25.8%</b>			
7.8%	Deferral of Taxes / Tax Relief	ST	<p>"Assistance in the form of means tested (review of P&amp;L) program that enables simple and immediate access to concessions (grants, tax breaks etc) is immediately required."</p> <p>"Queensland business needs support from government items such as payroll tax are an unbearable burden not only is your business taxed because you employ more Australians but this nasty tax is not even indexed to profit its payable come what may. Then there is Workcover and all the other obstacles we need tax relief in desperate times and less governing obstacles."</p> <p>"Tax breaks - deferred BAS payments due to reduced cash flow."</p>
3.9%	Deferral of Bank Loan Repayments	ST	<p>"Bank assistance with regards to postponement of monthly loan payments and extending overdraft facility."</p> <p>"Defer Loan Repayments to enable cash flow and pay wages/accounts."</p>
1.6%	Deferral of Creditor Payments	ST	"Time from the ATO and Banks to get cash flow back to order."
<b>13.3%</b>			



Priority	Type of Assistance	Timeframe	Quotes
6.3%	Flood Proof Infrastructure	LT	"A highway that is not flood affected for freight services."
6.3%	Opened Transport Routes	ST	"Get the major transit routes open to heavy vehicles." "Road infrastructure repairs so we can get supplies into and finished goods out of the business"
<b>12.6%</b>			
3.9%	Buy Local	ST	"Ensuring local tradesmen get the repair jobs and not fly in tradies Insurance companies, govt must spend their money locally to help local communities recover. Insurance companies in many cases will supply goods out of Sydney or other major capital cities & local govt is becoming the same."
3.9%	Affected Customers back up and running	ST	"My business relies on my customers to have healthy businesses that are operating. I need my clients to recover as quickly as possible." "Our clients suppliers and customers to be back in full operation as soon as possible."
3.1%	Earlier power restoration	ST	"Resupply of power by supplier. Delay of several days since electrical switchboard certified OK." "We need to be able to get some reliable information from Energex as to why our business is not connected when it has been ready since Monday. There has not been major flooding in our building. We cannot get any information from Energex as to when we can have the power switched on or have a generator to power the building. The building next door has an Energex generator."
0.8%	Abolish Stamp Duty on Insurance	Medium Term (MT)	"Deleting stamp duty on all insurance policies would a) encourage all to take out insurance & thus reduce cost of policies indirectly, and b) it would immediately reduce the cost of taking out insurance for each individual. Insurance is a huge cost for my business, so any govt changes that encourage everyone to have a policy & ditching stamp duty would reduce the cost for everyone."
0.8%	Reduced Red tape	ST / MT	"Government and federal government assistance to process building approvals quickly."
<b>Other</b>			
2.3%	Physical assistance with Site restoration	ST	
2.3%	Understanding from Clients	ST	
1.6%	Purchase of Equipment – Deferred Payment	ST	
0.8%	Alternate Accommodation	ST	
0.8%	Future disaster planning	LT	

#### 10.2 Other issues identified by businesses included:

*"Being a non for profit that solely fundraisers in Queensland, we will be in vital need of funding support / supplement. We are unable to compete for funds while everyone is either donating to the flood relief appeal or affected by the floods. It is hard to continue to provide support to people with a disability through community engagement and education, sport and healthy activity while our funding is seriously affected."*

*"Exposure to companies who will benefit from government funded training opportunities to help focus on rebuilding their businesses. It is critical that we acknowledge that the skills of our people are the best guarantee of future prosperity in our organisations and the Government Funding that our courses attracts can help cover the full cost relieving budget constraints for businesses."*

*"Pressure on Banks for assistance and review of strict lending criteria."*

## 11.0 Further quotes from Queensland businesses

"A few of our suppliers have had to delay deliveries, our photocopier supplier was off line for a week, which was inconvenient as our copier broke down and future suppliers of timber may have resource issues over the coming months, although this hasn't been confirmed or denied as yet."

"A lot of our clients were affected - either directly or indirectly, this has caused a knock on effect. We are now having major supply issues, we had problems with staff not being able to get to work either because of transport or other flood related problems, this meant we had to shut down as we had no staff to do the work that was required."

"Accounts that were outstanding pre-floods will remain outstanding. Clients have cancelled appointments that have not been rescheduled. Staff have little to do. Cash-flow effects will be problematic for 3 months."

"Affected clients and may affect their ability to pay me."

"Many of our customers are understandably focussing on their recovery / restoration work and discretionary spend will be significantly reduced for an extended period of time. There will be a number of industries such as building and retailers of furniture and white goods who will undoubtedly be impacted in a positive way however discretionary retailers such as mid to high end fashion will be feeling it for some time."

"Approximately 50% or more of our bookings come from the local drive market, that being Brisbane and Toowoomba. As these areas have been through the worst, we have lost and will continue to lose business from those areas affected."

"Before the floods even started the landscape and construction industry was hurting from the rain since September. Once the flood came, everyone realised there was nothing that could be done."

"Being a manufacturing jewellery store in a coal mining industry town near Emerald, our business has been affected due to jewellery being the last thing on peoples minds and also we had no mail for 5 weeks. Customers had to wait for pre-ordered items. A major portion of our hand made jewellery items is for customers in Emerald who at this stage cannot afford to pay for items ordered due to flooding of their homes/businesses."

"Currently there is no assistance available. We have had to delay several jobs due to clients losing homes and building materials being undeliverable. The main affect is immediate cashflow. We have gone from a production quantity in January of 8 boats to 1.5 boats meaning a loss of turnover of \$58500. We are lucky enough that we will be able to make this up over the next 6 months but it has had a major impact on short term trading."

"Biggest impact is on our customer base."

"Cancelled existing bookings and uncertainty regarding whether to make future bookings."

"Clients due to pay invoices since 07/01/11 have been delayed, I am concerned at how long payment delays will be and if this money will be absorbed into keeping their businesses alive."

"Destroyed cash flow, harmed suppliers ability to service and maintain equipment, could lead to business closure when banks foreclose due to missed payments, will have to lay off staff in the next week."

"Devastated sales. While we had no direct flooding in our town, we have been effectively cut off from the outside world, especially Brisbane, which is where the bulk of our visitors come from. Sales are down approx 75-85%, making our business unviable at present."

"Devastated. It will be years before the business can be in the same state it was prior. All our plans for expansion have had to be put on hold to survive!"

Due to road closures and negative publicity about flooding in Qld visitor numbers to the Whitsundays have been drastically reduced over what should have been a busy Christmas holiday season. This means we don't have the cash flow we need to carry our business over the normally quiet time of year, i.e. February/March. We are owner/operators and can't afford to close our business as it is our only form of income, but it is seriously affecting our ability to pay bills and we have had to convert all full time staff to casual staff and put off much overdue repairs and maintenance. Depending on how long it takes for tourists to start visiting us, we may have to look at closing down our business temporarily and get a job somewhere else to pay our bills until business picks up."

"I am a photographer and my business relies on my clients to have healthy, outward looking businesses. Therefore, if my clients are focused internally on their recovery then photography, advertising and stock cataloguing is not a priority of theirs, and will not be for at least three, up to 12 months after they have recovered, if they have insurance. If they have no insurance, this could be years."

"I think for us, like many others, it is the unknown factor. We are in the professional services (recruitment) and we really are yet to find out the long term implications this will have on us in terms of companies hiring/ firing, projects delayed and candidate shortages."

"It is like the economy has stopped. Very little going on."

"Its affected our income due to suppliers being closed & roads blocked, and customers watching their pennies in case they lose jobs or have to pay for new items. As it is so draining we have had staff want to resign due to the immense pressure & stress of cleaning up and salvaging the items."

"Large mining contracts cancelled or suspended. Up to 2 months potential work lost as we have been affected by floods since early December."

"Loss of trade is the greatest impact. Firstly through lack of supplies (bread/milk) and then the lack of money in the community. In a rural area, a number of people are employed in primary production (picking/ packing) and most are casual workers. This lack of income is very severe and has a major impact on a small retail business."

"Major disruption to income generating work while experiencing additional costs. I am disappointed to find the insurance companies attitude to comprehensive business cover."

"Media has exaggerated the affect of the damage to the whole of Queensland, this has affected out business."

"Most immediate thing has been to contribute to community stability. Business levels are very low at present and general industry partners are uncertain when business will pick up again. We are expecting very subdued sales for the remainder of January and through to mid-March."



"Our business could face a critical downturn as January and February can be our biggest months and clients are laying off staff, after the GFC we could face closure."

"Our business is heavy reliant on the mining sector and regional Qld, due to the slow / stop of mining and the lack of access to most Qld mine sites the affects of the flooding could last for 6 to 12 months even though we were not directly affected."

"Our entire office went under water including records and vital information. Our workshop was flooded to the height of 2.5 meters. All of our everyday tooling, machinery and stock have been affected. Also we had approximately \$700 000.00 of customers items on our shop floor. Due to the highly specialised equipment we are afraid that the loss will be catastrophic as we have little funds to commence the clean up and entering the workshop is extremely dangerous. Shelves are collapsing and oil is a-mix with the flood water. We also lost our primary Service Vehicle."

"Our retail sales improved after a couple of days of very poor trading, long term there will be less disposable dollars and this will impact heavily on sales."

"Our revenue for the period 24/12/10 - 14/1/11 is short \$60 000 compared to the same period 2009 - 2010. Currently the floods are costing us \$20 - \$25k per week in lost revenue."

"Power went out for 52 hours- all business equipment and materials were relocated. Customer orders have been delayed. Suppliers of customers have been affected. Customers orders have slowed down. Employees homes flooded."

"Funds which could be going to infrastructure and new projects will now be channelled to rebuilding victims of floods."

"The business is up and running but not to the same level of efficiently. It will be some time before we are properly organised."

"The floods have prevented contact with our clients and has frightened investment away from the Rockhampton region due to the high risk of access issues during floods."

"The floods stalled an already depressed market."

"The main impact is through the fact that we supply service to large volumes of small, regional businesses, many of whom have been severely affected by the floods."

"Unexpected disruption meant schedules could not be kept so rework and reorganising meant lost productivity. Problem increased because other people have also become disorganised."

"We are 42% down for January alone. Bookings forward are not looking positive. We have had to let go 2 staff members. We may not be able to make our loan repayments. Tourism Industry relies on this time of year to manage through the rest of the year."

"We are an industrial supply business for Safety Equipment products and services. Our business has experienced mixed impacts from the flooding. On one hand, our regular construction customers and some of our manufacturing customers have not been able to get on site and therefore we have lost sales because their normal operations have been disrupted. On the other hand, demand for safety products for the clean up has been very strong and this has offset the loss of sales from our regular customers. Overall, we expect the floods to have a positive impact upon our business as the short term impact of the floods gives way to longer term higher economic activity through the rebuilding phase. However, it may be some time before our regular customers recover and those sales return to normal levels."

"We are subcontractors to the Building Industry. Site closure and loss of income will have the most impact. The downturn in income will present problems in trying to secure funding for cashflow to tied us over. Overall we should see an increase in business but potentially not for at least 6 months. It will be a trial to get through this time if additional borrowings are not able to be secured."

"We have been without power during and since the flood. We are a serviced office business with at least 50 businesses using our offices and services. These people, our clients, have not been run their businesses properly. We were not allowed into the building to retrieve essential items for business, for safety reasons, until Wednesday. I have people ringing me all the time asking for an update on the situation and I can't get any information to give them. Most of the buildings on Coronation Drive near us seem to be switched on but we don't know if it will be today, next week or next year."

"We have had apprentices and labour hire staff stood down as their host employer has been affected by the floods. We are continuing to pay the wages of these staff as a goodwill gesture so it is costing our organisation money and loss of income. We have been trying to provide assistance to our clients who have been affected by the floods by assisting with clean up operations."

"We were closed new years eve by police for fear of impending flooding which did not reach the predicted heights but did cut roads. 5 days later and are still closed now (20/1/11). New Years Eve is our biggest event of our year and presently we are really struggling with no thru traffic and lots of new year eve stock on hand. A quiet time ahead...we need people to get mobile again and Government to aggressively help us with marketing our small vulnerable communities. Our Town population is 9 and we are 45klms from nearest town of St George. We need help as this is the second major flood event we have had in 10 months. March last year we were inundated by our largest ever flood and our business got no assistance from Governments nor Council. Like I said we know where we stand, on our own, as we are too remote to worry about at Nindigully."

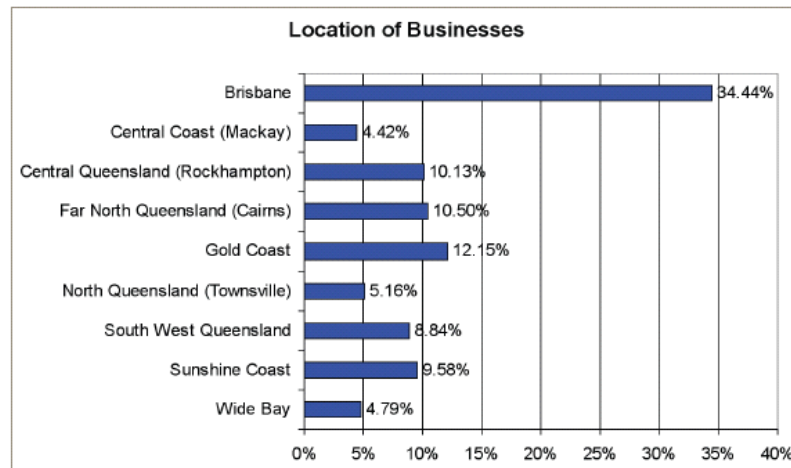
"Whilst we are nice and dry, presently 50% of moneys owed to me are from people/businesses in flood damaged areas, I am expected to show compassion (and will) but I fail to be convinced that those further back the line will. I don't want hand outs but we do need time!"

"Zero discharge site required DERM approval to handle water volumes."

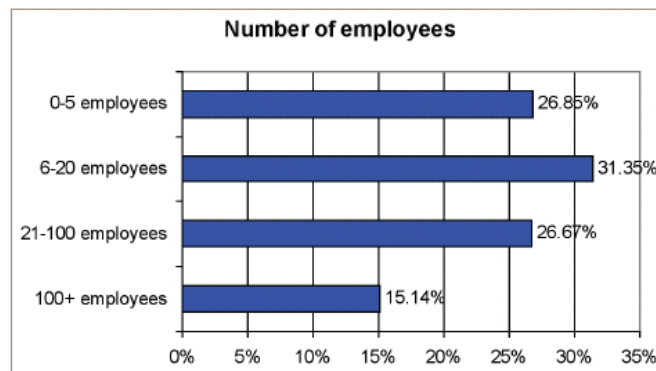


## Appendix A Business Respondent Demographics

- > 555 responses were received
- > The majority of survey respondents were located in Brisbane (34.44%).
- > The majority of businesses (58.2%) had 20 employees or less, 26.67% had between 21 and 100 employees and 15.14% had more than 100 employees.



Source: CCIQ survey on impact of Queensland floods on businesses, January 2011



Source: CCIQ survey on impact of Queensland floods on businesses, January 2011





# Chamber of Commerce & Industry Queensland Profile



CHAMBER OF  
COMMERCE &  
INDUSTRY  
QUEENSLAND

Chamber of Commerce & Industry Queensland is the state's peak industry body, representing the interests of 25,000 businesses, across all industry sectors and in all regions. We champion business to gear up for the future today with the right set of solutions for success in tomorrow's world.

Chamber of Commerce & Industry Queensland is a non-government organisation that seeks to work with Government and other groups to shape Queensland's economic and social environments in a way that promotes business growth and community prosperity.

Chamber of Commerce & Industry Queensland is called upon by thousands of enterprises to deliver a broad range of business services including business representation, business compliance, business skills, business safety, business sustainability, business connections and business globally. We are commercially-minded and expertly-qualified.

Chamber of Commerce & Industry Queensland is a founding member and influential partner of the Australian Chamber of Commerce and Industry (ACCI) and part of the worldwide network of Chambers of Commerce and affiliated business service organisations.

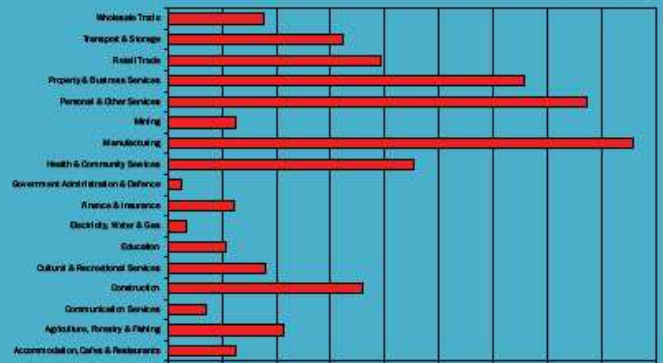
Chamber of Commerce & Industry Queensland has in excess of 3,700 members across 8 regional offices and represents over 135 local chambers of commerce and 60 trade and professional associations.

Our vision is to invigorate business success in Queensland.

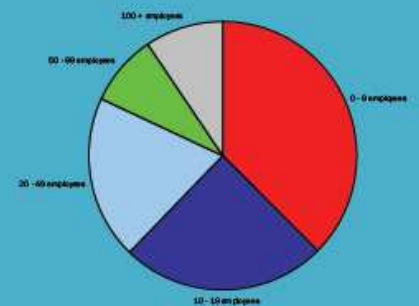


The diversification of Chamber of Commerce & Industry Queensland's membership is illustrated in the following charts:

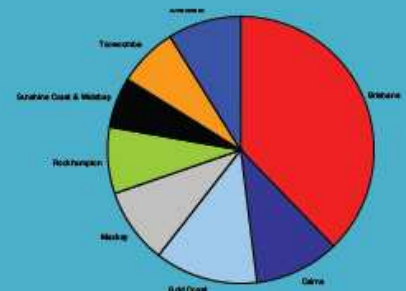
Commerce Queensland members by Industry



Commerce Queensland members by Employment Size



Commerce Queensland members by Region



invigorating

# CCIQ – Solutions for Business Success

Chamber of Commerce & Industry Queensland (CCIQ) represents over 25,000 businesses in Queensland. We are committed to ensuring our customers have the right tools to achieve real results in their business.

At CCIQ we harness the results of our research, lobbying and policy achievements to offer the best possible business support solutions to invigorate growth statewide, nationally and globally. By joining CCIQ you support the organisation that supports the Queensland business community.

Membership also ensures you are an integral part of an organisation dedicated to providing first class services to assist Queensland industry with relevant and practical business solutions. Not only is membership your connection to information, industry best practice, training and consultancy services, it also allows you to take advantage of the many benefits CCIQ offers.



Our success is success for all Queensland businesses.

Chamber of Commerce & Industry Queensland members are informed and connected business people. Whether you run a small business or form part of a large industry sector, call us today to take advantage of the opportunity to associate yourself with the CCIQ brand.

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Chamber of Commerce &  
Industry Queensland  
Industry House  
375 Wickham Terrace  
Brisbane Q 4000

t > 07 3842 2244  
f > 07 3832 3195  
e > [info@cciq.com.au](mailto:info@cciq.com.au)

Call > 07 3842 2244

[www.cciq.com.au](http://www.cciq.com.au)