

15 March 2014

Justice Iain Ross
President, Fair Work Commission
GPO Box 1994
MELBOURNE VIC 3001

By email: awr@fwc.gov.au

Dear Justice Ross,

RE: QUESTIONS FOR FINAL CONSULTATIONS – ANNUAL WAGE REVIEW 2013/14

We refer to your request for a response on behalf of the Chamber of Commerce and Industry Queensland (CCIQ) to questions for final consultations with respect to the Annual Wage Review 2013-14. Please see below a comprehensive response to the Fair Work Commission's inquiries, specifically with respect to industry exemptions and the impacts of the drought on Queensland businesses.

8.1 Question to Chamber of Commerce and Industry Queensland (CCIQ)

What mechanism is suggested to identify affected agriculture businesses and/or businesses in the agriculture supply chain for the purposes of such an exemption? What information is available as to the circumstances of such businesses?

Queensland is currently experiencing a significant drought event, with 79 per cent of the state drought declared (the largest area ever recorded).¹ Around half of Queensland's agricultural industry (21,590 businesses or 48.8 per cent) are located in drought declared areas. Key impacts being experienced include a significant reduction or no capital expenditure, loss of skilled staff and loss of crops and livestock. As the agricultural industry is a key economic driver in many rural communities, the impact of drought on the industry has significant ripple effects that can result in higher unemployment rates, reduced rural populations, and reduced economic activity.

Further, to re-iterate the key points made in CCIQ's original submission to the Commission, many businesses in the agriculture industry tend to be award-reliant, and subsequently, are highly exposed to annual increases to the minimum wage. Since 2010, the National Minimum Wage has increased by \$4,071.60 per annum or 14.4 per cent, well ahead of the 10.9 per cent increase in the

¹ The Honourable John McVeigh, Minister for Agriculture, Fisheries and Forestry (7 March 2014) The largest area of Queensland ever drought declared (media release). Available: <http://statements.qld.gov.au/Statement/2014/3/7/the-largest-area-of-queensland-ever-drought-declared>

Consumer Price Index (CPI) and 5.1 per cent increase in productivity levels. Businesses are concerned that minimum wage increases have less than needed regard to the economic conditions facing the industry, employers' capacity to pay and the subsequent impact on staff numbers, especially in difficult times such as drought.

With respect to the Commission's questions for final consultations, CCIQ suggests a number of possible formulae to identify businesses in both farming and the agriculture supply chain for the purposes of an exemption to an annual increase in the minimum wage. Firstly, the Commission may look to those farming and agricultural businesses that have applied for, and /or received, drought relief via the Drought Relief Assistance Scheme (DRAS) or the number of assistance measures provided by the Queensland Rural Adjustment Authority (QRAA). In this instance, the Commission is able to nominate individual businesses that have been directly affected by drought and, as a result, ease labour costs in the short-term by providing a one-off exemption to the annual minimum wage increase.

Second, the Commission may seek to define farming and agricultural businesses operating in Queensland using the Australian Bureau of Statistics (ABS) Standard Industrial Classification, which assigns an individual business entity to an industry based on its predominant activity.² CCIQ directs the Commission to consider linking the industrial classification data to businesses operating in Queensland's drought declared council areas.³ The industry classification approach will allow for select industries operating in a farming or agricultural capacity in declared areas an exemption from the annual increase in the minimum wage due to the devastating effects of drought.

Lastly, the Commission can approach introducing an exemption by round-fencing certain awards that cover the agricultural industry, such as the Horticulture Award 2010, Pastoral Award 2010, and Cotton Ginning Award 2010 to list a few. With respect to identifying businesses affected by the drought in the agricultural supply chain, the exemption may apply to those businesses in drought declared areas that fall under the General Retail Award 2010 or related manufacturing awards. CCIQ would invite the Commission to adopt similar methodology for the agricultural supply chain.

8.2 Question to CCIQ and National Farmers' Federation (NFF)

To what extent have the recent rains in parts of New South Wales and Queensland ameliorated the effects of the drought upon businesses and their employees in those regions?

CCIQ urges the Commission to note that the impacts of drought on farmers and businesses in the agricultural supply chain are far-reaching, and are therefore not simply restricted to the period in

² 1292.0 - Australian and New Zealand Standard Industrial Classification (ANZSIC), 2006 (Revision 2.0). Australian Bureau of Statistics.

³ The Honourable John McVeigh, Minister for Agriculture, Fisheries and Forestry (7 March 2014) The largest area of Queensland ever drought declared (media release). Available: <http://statements.qld.gov.au/Statement/2014/3/7/the-largest-area-of-queensland-ever-drought-declared>

which the drought is officially declared. To this end, the impact of the drought is still being felt by agricultural producers and related businesses, particularly in South West Queensland. Additionally, as Queensland is a de-centralised and geographically expansive state, the cost of fuel in drought conditions is still impacting the vast majority of agri-business. With these points in mind, CCIQ argues that the annual increase in minimum wage be deferred for farmers and agri-business and the agricultural supply chain affected by ongoing impacts of the drought.

CCIQ looks forward to continuing to work with the Fair Work Commission to ensure the best outcomes are achieved for Queensland business, our economy, and the community.

Yours Sincerely,

A handwritten signature in blue ink, appearing to read 'Nick Behrens', with a stylized flourish extending to the right.

Nick Behrens
General Manager, Advocacy
Chamber of Commerce and Industry Queensland