



Business Confidence Survey – TNQ region

March 2009

Prepared by:
[Advance Cairns – March 2009]

Executive Summary

The Advance Cairns Business Confidence Survey was conducted to gauge how Tropical North Queensland businesses are faring during these tough economic times, what impact the Global Financial Crisis is having on their operations, what plans they have for the future, and how the Federal Government can assist.

The results of the survey will be utilised by The House of Representatives Standing Committee on Infrastructure, Transport, Regional Development and Local Government in its inquiry into the key challenges facing regional Australia in light of the economic downturn.

The snapshot of business confidence levels in the region was compiled from the submissions of the 28 respondents to the survey, most of which indicated the location of their business was in Cairns (89.3%).

The survey results indicated a sharp decrease in the demand for products/services since this time last year, with 72% of respondents negatively affected.

Future proofing their businesses was paramount to respondents, with many indicating they re-negotiating supply terms, implementing staff training, with some increasing their marketing outputs to ensure their longevity.

There were a myriad of responses when asked how the Federal Government could act to improve the situation, varying from putting pressure on the State to amend state payroll taxes and spending money on infrastructure rather than cash handouts.

Methodology

The Business Confidence Survey was completed online via an email link that was sent to 134 businesses in the Tropical North Queensland region. Advance Cairns utilised the services of one of our member organisations to distribute the survey to a selection of clients on their database.

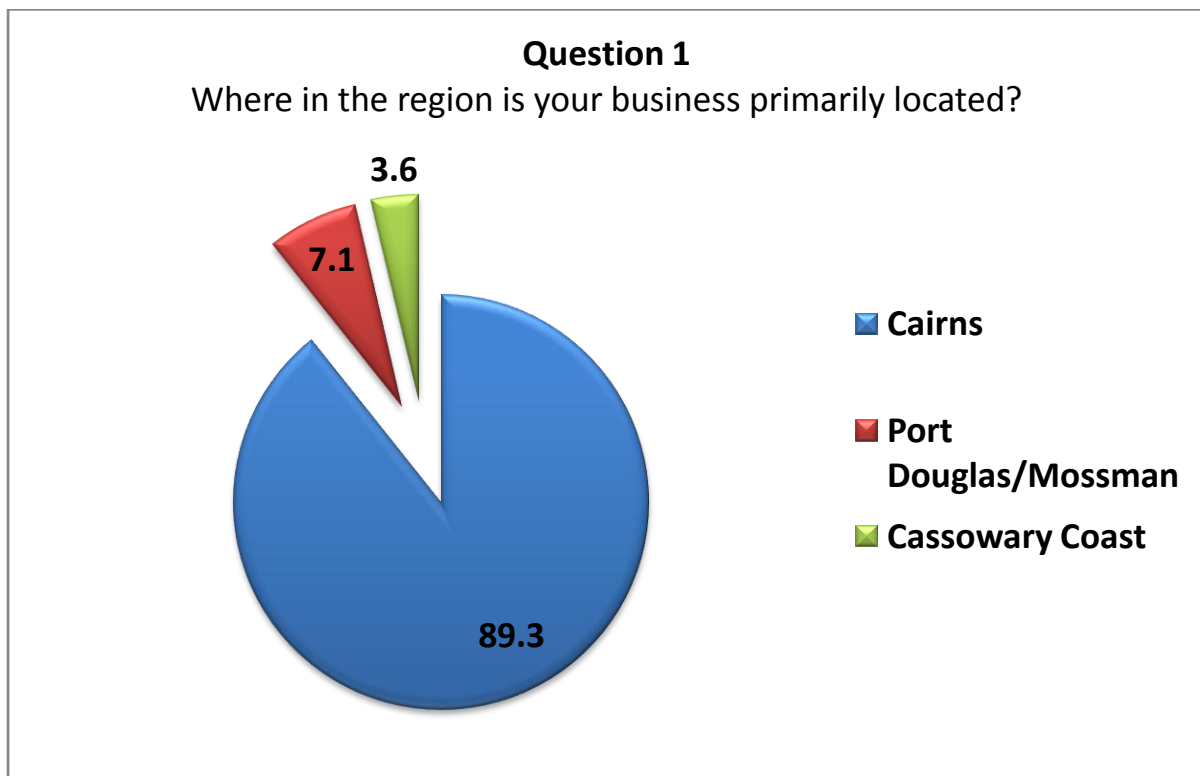
Respondents were given four working days to complete the seven-question survey and submit their results by the close of business on Thursday, March 26.

A total of 28 responses to the survey were received, representing a response rate of 20.9%.

Survey Results – March 2009

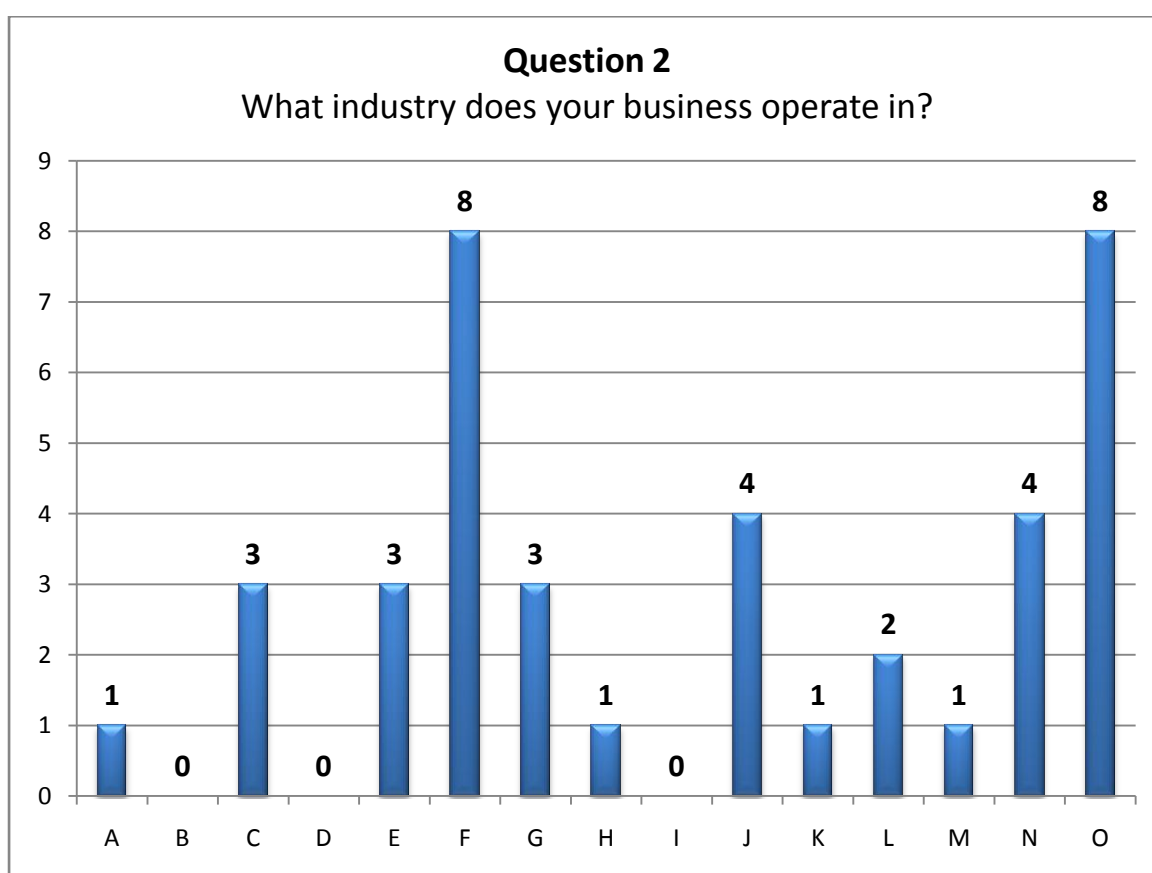
Respondent Location

The majority of the 28 respondents to the survey are located in the Cairns region. The question also included the option of choosing the Tablelands region, but none of the respondents were in that location.



Industry sector

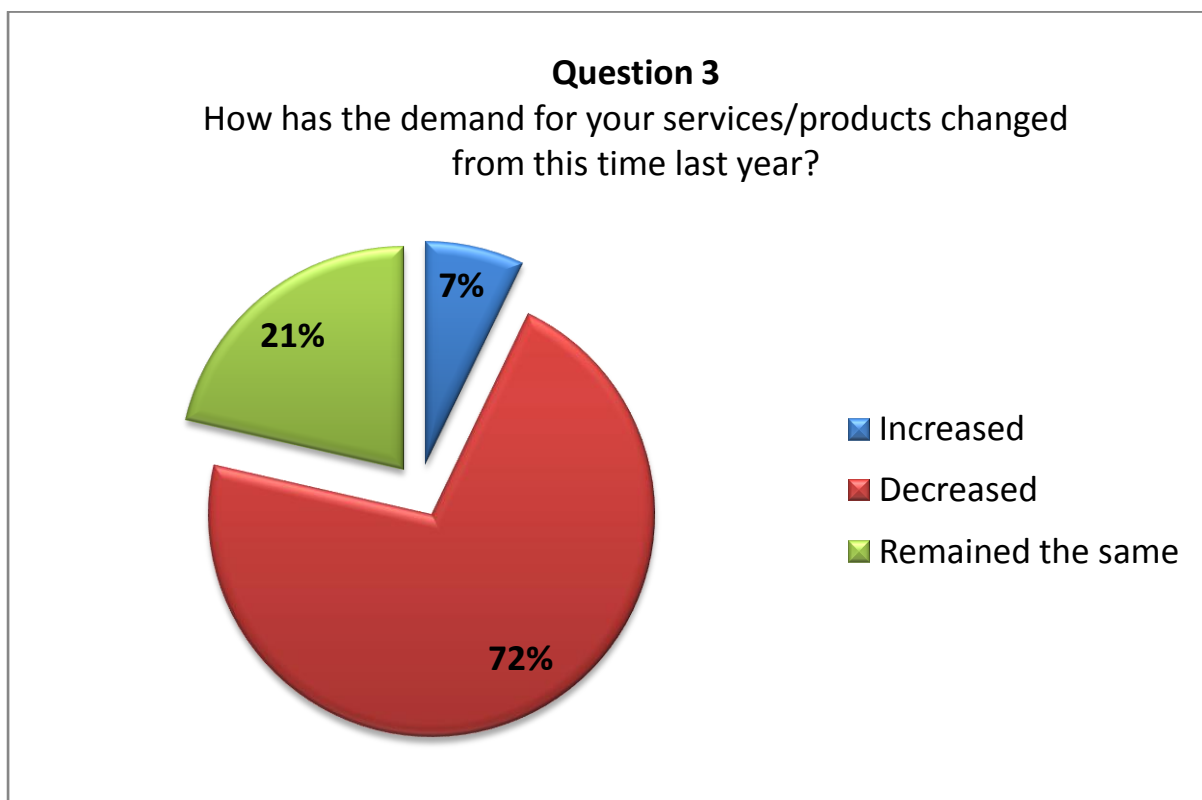
All but three of the suggested industry sectors were represented, with the majority of respondents identifying their core business as being in the retail and wholesale trade sector (28.6%). The next highest represented industries were finance, industry, property (4%), and tourism (4%). Other industries identified by respondents included real estate, recruitment and legal and professional services, and made up 28.6% of the sectors represented by respondents.



A – Agriculture, Forestry & Fishing; B – Mining; C – Manufacturing; D – Electricity, Gas & Water; E – Construction; F – Retail & Wholesale Trade; G – Accommodation, Cafes & Restaurants; H – Transport & Storage; I – Communication Services; J – Finance/Insurance/Property; K – Government; L – Education; M – Health & Community Services; N – Tourism; O – Other

Demand for Products and Services

Survey participants were asked whether there had been a change in the demand for the services/products in the last 12 months. A high number of respondents indicated there had been a sharp decline in the demand (72%); a small percentage had experienced an increase in demand for their services/products (7%), while 21% of respondents said demand had remained steady.



Global Financial Crisis

Respondents were asked how their businesses were faring in the current economic downturn, and what impact the Global Financial Crisis was having on their operations, if at all. Their written responses were varied, with terms such as 'reduction in sales' and 'slowdown in demand', prominent in their explanations. There were some promising indications of businesses capitalising on the slowdown to look at further opportunities to diversify or expand their businesses. A selection of the responses are listed below and broken down into industry sectors.

Question 4

Describe what impact, if any, the Global Financial Crisis has had on your business.

Industry	Response
Tourism	Fewer travellers, fewer diners, substantial price discounting in the market. Have laid off 40% of staff.
	Our business is currently for sale. The buyer had verbal approval for finance just prior to the GFC. However when they went to their financier after GFC, the finance was no longer available to them. They are currently trying to access other funding to complete the purchase.
Retail	While demand for our products has remained steady, there is greater discounting by our competitors to gain/retain market share, therefore margins are under pressure. All major suppliers, mainly overseas based (USA), are demanding strict payment in 30 days with no room for movement.
	Reduction in new equipment sales, general increase in servicing work, huge increase in business owing us money entering administration and liquidation, increase in cost of product due to lower A\$
	Slight downturn in retail sales. Seasonal conditions however have helped us claw back some lost of turnover.
Retail/ Manufacturing	Diminishing private commercial activity
	Customers have been cautious about spending on new equipment and we will not see a change until we have

	market confidence, in saying that we have noticed in the last couple of weeks an upturn in sales and manufacturing inquiries.
Legal	Much less property development and commercial legal work. While litigation is getting busier by the day almost, but not quite, balancing shortfall in commercial.
Finance/Insurance/ Property	Direct decrease in revenue due to income being partly related to financial asset values.
	Sales reduced 35% and Property Management 5%.
	Reduction of Base Income and New Business Income
Recruitment	Total collapse of sales in the trades sector and hospitality. The commercial sector and human services sector are still strong.
Construction	There has been downward pressure on available work and prices. Cash flow has become an issue and builders are struggling to pay their accounts.
Education/ Health & Community Services	High end on-site training courses have taken a down turn, equipment sales are down, debtor payments are very slow, a lot of time and effort is being taken up by accounts to collect money. It has made us look at our business and new markets, which is a good thing.
Advertising & Marketing	Trading has remained constant, if not slightly better. Our client base is large and diverse with some faring better than others. More demand has been placed on our services.
Smash Repairs	Tightened up cash flow.
Surveying	Less work, one casual employee less.
Petroleum	As silly as it sounds, business has accelerated over the last 12 months.

Future Proofing

Survey participants were asked to identify the steps they had taken to ensure the longevity of their businesses. Cost cutting and reduction in staffing levels and/or hours were the most frequent responses. A selection of the responses are listed below and broken down into industry sectors.

Question 5

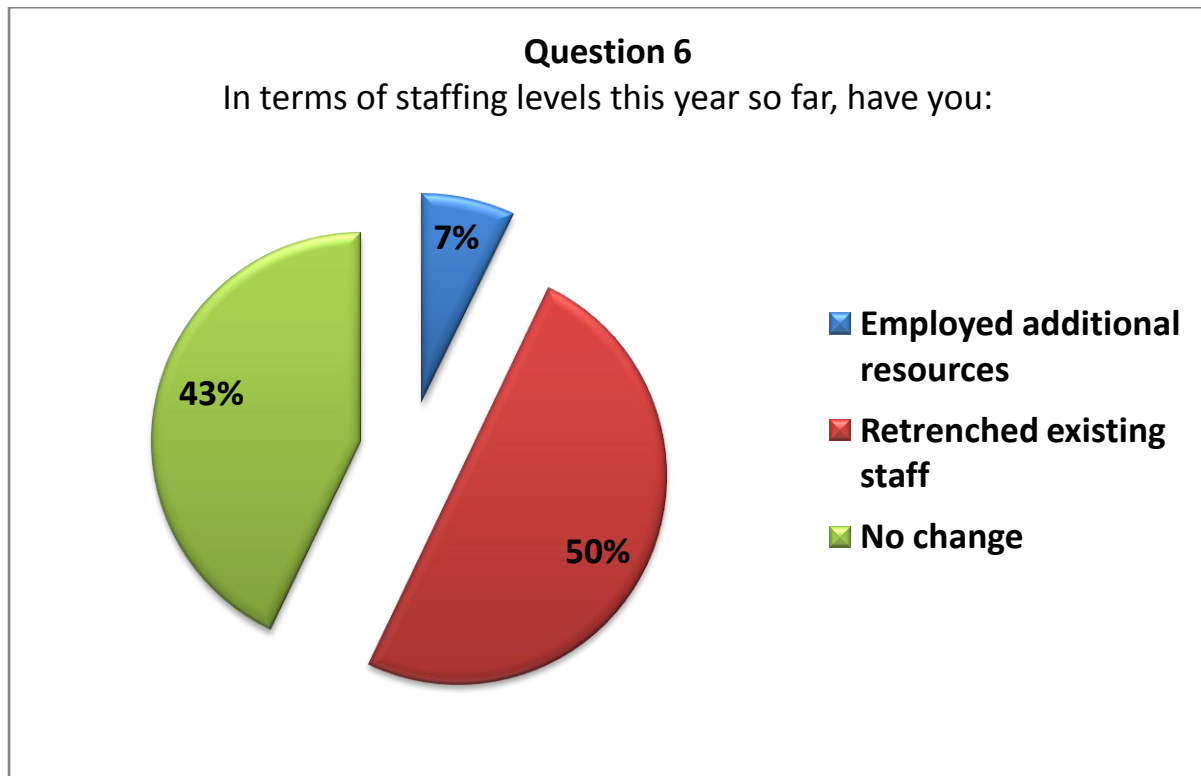
What actions have you taken to future proof your business? I.e. Cost cutting, staff training, changing suppliers or re-negotiating terms

Industry	Response
Tourism	Staff reductions, review of tariffs, supplier reviews, system reviews, staff productivity analysis.
	Reduced operating hours, monitoring all expenditure and deferring capital expenditure.
Retail	Batten down the hatches
	No longer been liberal with accounts paying beyond 30 days, debt reduction a priority, looking to find an edge in our marketing, retaining staff a priority at this stage.
	Increased product, spare parts, consumables and maintenance contracts. Allowing retail and administrative staff numbers to fall by not replacing them. Selling off excess fleet vehicles. Preparing for a full Managed Services proposition in both computing and printing streams of our business.
Retail/ Manufacturing	Last year we started by rebranding the company, evaluating the staff and the roles they undertake, making sure we have the right people on board, reviewing all our costs and are in the process of developing and implementing policies, procedures and quality control.
	Cost cutting, downsizing staff levels, more in-house production, less outsourcing, changing suppliers and staff training.
Legal	We have replaced a staff member who has moved on and cut costs in some areas such as stationery.
	Identified new growth areas in current climate and putting on resources to compete in those markets.
Finance/Insurance/ Property	Increase in marketing activities.

	Staff cuts of approx 15% have occurred.
	Again due to the nature of our business have focussed on ensuring clients are financially safe and defensive in this period. We have cut back on marketing but do still have seminars and marketing to existing client base. A rise in enquiries by new clients, or clients not happy with the current stock broker or financial planner has increased due to the negative impact of GFC on portfolios and investments - so working on profile with client. This includes ongoing staff training and the addition of staff in the past two months.
Recruitment	Focus on a core team that brings in revenue, cut admin staff and other costs, trained all staff to be sales focused, cut advertising by 50%, focus on one-to-one client relationships.
Construction	We have been negotiating prices with our suppliers, staff cuts have been necessary and bottom line items are being trimmed.
Education/ Health & Community Services	Looking at all our costs, especially in regards to the everyday running of the business, however not necessarily cost cutting with wages. We have changed our strategy with roles and positions; we have actually hired a new high end position that the business has never had before to take us to our new level of training services. We are looking at our business development, getting back in touch with our clients. Looking at business we have never chased and now chasing. Increasing our alignment with strategic partners to keep us moving forward.
Advertising & Marketing	We are far more diligent with our accounts, strict 30 day payment policy. Internally embarked on increasing efficiency and effectiveness.
Smash Repairs	Demand quicker payments.
Petroleum	Re-negotiating.

Staffing Levels

Respondents were asked to identify how their staffing levels had changed since the start of the year, if at all. Half of them indicated they had retrenched staff, 7% employed additional staff, while 43% revealed their staffing levels had not changed this year so far.



How can the Federal Government improve the situation?

Respondents were asked for their suggestions on how the Federal Government can assist to improve the situation. The responses were varied, with state payroll taxes, suggestions to spend money on infrastructure rather than cash handouts, and positive action high on the agenda. A selection of the responses are listed below and broken down into industry sectors.

Question 7

What actions/initiatives can the Federal Government take to improve the situation?

Industry	Response
Tourism	Have some sort of positivity in their talk and actions instead of doom all the time. They have the ability to talk Australians into serious recession or talk us out of it. Seriously reduce small business compliance costs.
	Stop wasting monies on cash handouts, force the states to reduce red tape and onerous regulations which are almost impossible to comply with, bring back flexibility in wage negotiations. Stop rabbiting on about how bad things are and get positive.
	Spend money on sustainable projects, not hand outs.
Retail	So far the Federal Government has been effective in limiting the damage but we believe weekly reductions in PAYG instead of one-off handouts may have had a longer term impact on spending than the existing situation.
	We are hoping the economic stimulus package creates domestic confidence which will increase our retail sales and flow through to general business confidence. We are hopeful the 30% extra depreciation on offer this financial year will lift our capital equipment supply and associated projects to our business clients.
Retail/ Manufacturing	We are currently relying on Government projects and infrastructure investment to maintain our business activities, hopefully this will continue at least until the commercial activity resumes.
	Abolish government taxes associated with employing staff, enable employers to dismiss poor quality staff without too many barriers.
Legal	Things like the investment allowance on assets purchased

	over a certain amount etc, is a good idea.
Finance/Insurance/ Property	Focus on infrastructure spending rather than handouts to individuals.
	Keep up the first home owners grant and reduce payroll tax.
	Spend money more wisely. Remove additional costs relating to hiring staff, e.g. state payroll taxes.
	Support the Financial Services Industry instead of knocking it. Stop talking down the economy. Recession could be a self-fulfilling prophecy.
Recruitment	Instead of wasting billions on small handouts to the bracket of society that is likely to keep Labor in power, do something to encourage small businesses. Grants, tax cuts, etc, etc.
Construction	Write into contracts that products are to be locally sourced/ made, if not Queensland at least Australian made. In regards to the Cairns Airport they have used non-Queensland builders and contractors - keep the work with locals.
	Offer incentives for home buyers to move now.
Education/ Health & Community Services	The Federal Government can start by coming down on state governments with ensuring that the Competitive Neutrality Policy Statement of June 1996, that was agreed by state governments is policed and adhered to. State governments need to ensure that their departments that compete against private enterprise are doing so on an even playing ground - costs of their services to reflect true cost recovery. This would mean that SME's can continue to grow, thus, keeping their staff gainfully employed and families in the region. Increasing our alignment with strategic partners to keep us moving forward.
Smash Repairs	Tax cuts/tax relief for small to medium businesses.
Petroleum	Stimulus package has been an incentive to buy new equipment.
Surveying	Inject money into small business.