

The Challenges Ahead

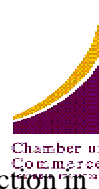
Dear Members,

The coming year is going to be filled with quite a few challenges for the business community and there will need to be a lot of cooperation between government and business if we are to successfully navigate our way to the end of the year and beyond. As a membership organisation, the Chamber is continually assessing business conditions and alerting government, at all levels, to the issues being faced by the business community. Due to a reshuffle of the Territory Cabinet at the end of 2009, there are a number of new Ministers with responsibilities for the economic prosperity of us all and, for them, the challenge will be to get on top of their portfolios as quickly as possible so that the right decisions can be made on a timely basis to assist in the continued growth and to take advantage of the many emerging opportunities.

Without a doubt, the three main issues in 2009 are set to remain major priorities. Skills shortages, housing affordability and land availability will dominate much of the business agenda going forward, particularly as the general economy recovers from the effects of the Global Financial Crisis and new projects start to come on stream. Other challenges include the new Industrial Relations legislation and Award Modernisation, the cost and availability of business credit, strategic infrastructure development and the cost, availability and reliability of power and water supplies. There is no doubt that the Territory did not feel the full impact of the GFC and that the majority of the business community enjoyed a successful year. As one member put it to me; “Unlike 2008 when the money just fell through the door we had to work in 2009 to make a profit”. The slow down provided some level of breathing space for many small businesses to assess their circumstances, review their future plans and identify the strategic decisions that they needed to make.

The Forward with Fairness legislation, National Employment Standards and Award Modernisation are all going to pose serious issues for the business community in the Northern Territory. For the first time many business enterprises will be subject to award terms and conditions, irrespective of the number of employees they have and their previous employment conditions. The first issue for many will be determining which award they now fall under and then how best to implement the terms and conditions that apply. Overarching the award conditions are the National Employment Standards, which all employers must now meet. Unless the enterprise has already taken steps to meet their obligations they are already behind the game because all of this came into force on 1 January 2010 and can be applied retrospectively back to that date. The Chamber’s Workplace Relations team will be working with all of our members to assist them through the process, particularly those that have been award free until now.

At the height of the Global Financial Crisis, when the share market collapsed in September 2008, the Chamber voiced concerns about the availability of finance for



small to medium enterprises once the economy started to pick up. One major consequence of the GFC that has gone unnoticed by many is the marked reduction in the number of lending institutions in the Australian market and the deliberate policy of the major lenders to concentrate activity into organisations they own or control. As a result many business borrowers have found that interest rates for loans have not followed the same downward trend as home mortgage rates and that the level of risk premium applying to commercial loans has increased. As we come out of the GFC and enterprises look to finance expansion activities the smaller end of the market could well struggle to access the necessary funds required. Given expected economic activity in the Territory, particularly towards the end of 2010, many local businesses may suffer from this.

There is every possibility that the oil & gas business in the Territory will expand considerably over the next few years. To attract both upstream as well as downstream business activity to our location is going to require a considerable commitment from the existing business community as well as expenditure by government to ensure that the required infrastructure is in place. Starting with the expansion of the current port facilities to ensure a smooth and timely turn around for oil & gas supply and service vessels through to the efficient handling of general cargo and bulk product shipments will be essential. To ensure that we are competitive as a location for significant industrial expansion the twin issues of capacity and capability need to be addressed quickly in relation to the provision of power and water supplies. It is not acceptable for the NT Government to expect that businesses need to make provision for their own power and water needs because the current systems are deficient. A serious review of our current generating capability and capacity needs to happen now. Why do we use inefficient equipment in the top end to generate power? There is also an urgent need to look at the next water source for the Darwin region. The lead time for the construction and commissioning of a new dam is ten to fifteen years. That process needs to start now, not when we find ourselves on water restrictions and are turning business opportunities away because we cannot meet their needs.

The coming year contains many challenges but it also holds a number of opportunities. By working together, we can conquer the challenges and position the business community to seize those opportunities that present themselves. May you have a prosperous 2010.

Chris Young
Chief Executive