

The Competition Index 2007–08

An Inter-Jurisdictional Comparison

Printed December 2008
Department of Treasury and Finance
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ISBN 978-0-7246-5080-4

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Copies of previous editions of the *Competition Index* and the methodology paper accompanying this report are available on the Treasury web-site:

www.treasury.tas.gov.au under 'publications'.



MESSAGE FROM THE TREASURER

Tasmania's economic fundamentals are strong and the economy is better placed than ever before to manage the increasingly unfavourable external economic environment. Economic growth continues to be very solid, with consumption, investment and exports at or near record levels. The labour market has mirrored this performance, with strong employment growth and a record low unemployment rate - well below the Australian average.

The *2007–08 Competition Index* shows Tasmania remains the most competitive State in Australia to run a business. The *Competition Index* highlights those areas in which Tasmania has a competitive advantage as a location for business and those where it is at a disadvantage compared to other jurisdictions. The *Competition Index* has been reviewed by KPMG to ensure the methodology is objective and does not favour Tasmania over any other state or territory.

The *Competition Index* is subject to ongoing review to ensure businesses cost factors are captured by the report. The first report in 2000 had only 12 indices. Following consultation with the Tasmanian Chamber of Commerce and Industry, an occupational health and safety index has been introduced this year, bringing the total to 35 indices.

The Government closely examines the results of the *Competition Index* to ensure that Tasmania remains attractive as a business location. The Government has addressed a number of issues that have been highlighted in past *Competition Index* reports as areas of relative disadvantage for Tasmania. Recent examples include harmonising Tasmania's payroll tax regime, the development of a natural gas market and the rollout of retail competition in electricity. Reforms and initiatives currently underway include areas such as broadband, water and sewerage, the *Tasmania Tomorrow* education reforms and the establishment of the Business Tax and Regulation Reference Group.

The results of the *Competition Index 2007–08* confirm that Tasmania is a very competitive location for investment.

A handwritten signature in black ink that reads "Michael Aird". The signature is written in a cursive style with a horizontal line under the name.

Michael Aird
Treasurer

Summary of Ranking of States and Territories – 2007–08

	NSW	Vic	Qld	SA	WA	NT	ACT	Tas	Tas Last Year
Factors of Production Indices									
Direct Labour Cost	6	5	4	2	8	3	7	1	1
Wages	7	6	4	2	8	3	4	1	1
Payroll Tax	8	4	3	2	7	5	6	1	1
Other Labour Costs	7	6	2	5	1	3	8	4	4
Labour Turnover	4	3	7	2	8	5	6	1	2
Industrial Disputes	6	7	3	4	8	5	2	1	1
Occupational Health and Safety	5	1	7	6	2	3	8	4	n.a.
Qualifications	2	4	5	7	3	6	1	8	8
Training Courses	4	5	2	6	3	7	1	8	8
Participation in VET	4	2	6	5	8	1	7	3	3
Labour Productivity	4	5	8	7	2	1	3	6	7
Unit Labour Costs	7	6	5	4	1	1	8	3	5
Land and Accommodation	7	3	6	2	4	n.a.	5	1	1
Regulatory Indices									
Taxation Severity	3	5	1	7	6	4	8	2	2
Business Licensing Costs	8	5	7	6	3	1	4	2	1
Utility Indices									
Energy Cost	1	2	2	7	4	n.a.	6	5	3
Electricity Cost	1	2	4	8	3	6	7	5	2
Electricity Reliability	2	1	8	4	7	5	2	6	6
Fuel Cost	5	4	1	3	2	8	5	7	6
Gas cost	2	1	5	3	5	n.a.	4	7	5
Water Cost	3	2	7	5	8	1	6	4	4
Telecommunications Cost	6	1	5	2	7	4	3	8	8
Telecommunications Reliability	1	3	3	6	8	7	1	3	3
Transport Indices									
Surface Freight Cost	3	2	6	4	8	7	1	5	5
Air Freight Cost	1	1	1	1	7	7	1	1	2
Air Travel Cost	1	5	6	2	7	8	4	3	6
Access to Ports	5	4	6	2	3	7	n.a.	1	1
Port Charges	4	2	1	5	3	n.a.	n.a.	6	6
Proximity to Markets	1	2	3	6	5	8	4	7	7
Industry-Based Indices									
Manufacturing	5	4	6	2	7	n.a.	3	1	1
Accommodation, Cafés and Restaurants	6	3	5	2	7	n.a.	4	1	1
Finance and Insurance	5	4	3	2	7	n.a.	6	1	1
Property and Business Services	6	4	5	2	7	n.a.	3	1	1
Other Indices									
Business Confidence	8	6	3	5	2	1	7	4	4
Business Confidence in Government	8	3	1	4	6	2	4	7	2

Executive Summary

The *Competition Index 2007–08* provides an objective assessment of the advantages and disadvantages of undertaking business in Tasmania relative to the other Australian jurisdictions and, where comparable data are available, New Zealand. The report is prepared using the most recent data available for 2007–08 as at 31 October 2008.

This is the eighth edition of the *Competition Index* and the third year in which comparisons with the Northern Territory and the ACT have been included.

Compared with other jurisdictions, Tasmania has a number of cost advantages for businesses, such as low labour costs, a stable workforce, low land and accommodation costs and good port access.

However, the level of qualifications held by the Tasmanian workforce and the amount of work-related training courses undertaken are lower than in any other jurisdiction. Tasmania's relative isolation may also be a barrier to the establishment of firms that rely on access to a large customer base or specialised financial and business services. These factors are reflected in the indices.

Overall, in 2007–08, Tasmania is ranked first for twelve of the 35 indices and is ranked least favourable in five indices.

Comparing this year's rankings to those of the previous report, Tasmania has improved its ranking in five indices and deteriorated in six indices.

All indices have been developed by the Department of Treasury and Finance and represent average costs and benefits. They do not necessarily reflect the conditions for any individual firm. Also, the indices have been prepared on the basis of the conditions that would likely be faced by a new firm setting up rather than those faced by existing firms. Financial assistance provided to new firms by state or territory governments has not been reflected in the calculations.

This is the fifth year that a comparison with New Zealand has been included in the *Competition Index*. New Zealand's proximity and similarity to Australia means that it is likely to be considered as a possible alternative location for some businesses in the region.

The methodology used to calculate the indices is outlined in a paper titled *The Competition Index: Background and Methodology*, available on the Department of Treasury and Finance website, www.treasury.tas.gov.au. KPMG has reviewed previous reports and found the methodology to be objective, robust and appropriate, and not designed to favour Tasmania or any other jurisdiction.

Findings

Each index has a base of 100 for the jurisdiction with the lowest cost or, in other cases, the lowest benefit. For those indices that are based on costs, a low index number reflects a favourable result, while for those indices that measure the market advantages of undertaking a business, a higher index number is more favourable.

This method provides both a ranking and a guide to the magnitude of the differences in the costs and benefits between the jurisdictions. The indices are based on the most recent data available for 2007–08 as at 31 October 2008. Rankings are based on the values or on the indices if the values are not presented.

Factors of Production Indices

Labour

The total cost of employing workers in Tasmania is the lowest of all jurisdictions. The direct labour cost index shown below incorporates all the major costs of employing labour: wages; payroll tax; fringe benefits tax; superannuation and workers' compensation premiums.

Direct Labour Cost Index

	NSW	Vic	Qld	SA	WA	NT	ACT	Tas
\$ (full-time/per week)	1 237	1 218	1 182	1 135	1 337	1 152	1 275	1 085
Index	114	112	109	105	123	106	118	100
Rank	6	5	4	2	8	3	7	1

Tasmania has the lowest full-time average weekly earnings of all states and territories.

Wages Index

	NSW	Vic	Qld	SA	WA	NT	ACT	Tas
\$ (average weekly earnings, full-time)	1 049	1 045	1 030	966	1 179	996	1 035	931
Index	113	112	111	104	127	107	111	100
Rank	7	6	4	2	8	3	4	1

Tasmania has the lowest average payroll tax burden of all the states and territories, while New South Wales has the highest payroll tax burden.

Payroll Tax Index

	NSW	Vic	Qld	SA	WA	NT	ACT	Tas
\$ (average payroll tax per week)	54.3	46.0	44.8	44.4	53.2	47.4	52.9	43.0
Index	126	107	104	103	124	110	123	100
Rank	8	4	3	2	7	5	6	1

The overall quality of the labour force has been assessed using four characteristics: labour turnover rates, industrial disputation, occupational health and safety and the qualification and training levels of the workforce.

Tasmania is ranked first in the labour turnover index.

Labour Turnover Index

	NSW	Vic	Qld	SA	WA	NT	ACT	Tas
Share of employees with less than 3 years with current employer	43.8	42.5	49.5	42.1	49.6	48.1	48.2	41.1
Index	113	117	100	118	100	103	103	121
Rank	4	3	7	2	8	5	6	1

Tasmania has the best industrial relations record in terms of days lost to industrial disputes per 1 000 employees.

Industrial Disputes Index

	NSW	Vic	Qld	SA	WA	NT	ACT	Tas
Days lost (per 1 000 employees)	29.2	34.9	9.3	10.6	40.6	23.5	7.5	4.9
Index	139	116	437	382	100	173	542	835
Rank	6	7	3	4	8	5	2	1

Tasmania is ranked fourth in the occupational health and safety index, behind Victoria, Western Australia and the Northern Territory.

The occupational health and safety index is calculated as a ratio of the actual incident rate of serious injury and disease claims per 1 000 employees to the incident rate that the jurisdiction would experience if it had the national industry incident rate. As a result, this index takes into account the impact of the different industry composition in each jurisdiction.

Occupational Health and Safety Index

	NSW	Vic	Qld	SA	WA	NT	ACT	Tas
Incident rate ratio – actual to expected using national industry rate	1.08	0.79	1.11	1.09	0.81	1.01	1.13	1.07
Index	105	143	102	104	140	112	100	106
Rank	5	1	7	6	2	3	8	4

Workforce reliability, in terms of labour turnover, rates of industrial disputation and occupational health and safety, can impact significantly on the competitiveness of businesses. Tasmania performs well in these measures. However, Tasmania ranks equal last in the qualifications index and the training courses index.

Qualifications Index

	NSW	Vic	Qld	SA	WA	NT	ACT	Tas
% (Certificate I and above)	54.2	52.4	51.0	49.1	53.1	49.7	61.6	47.6
Index	114	110	107	103	112	104	129	100
Rank	2	4	5	7	3	6	1	8

The relatively small proportion of qualified people in Tasmania reflects, in part, the structure of the State's industrial base. Tasmania has a smaller proportion of the workforce employed in professions requiring qualifications, as these tend to be more concentrated in larger metropolitan centres, particularly Melbourne and Sydney. Tasmania also has an older workforce compared to other Australian jurisdictions. This means that a higher proportion of workers do not have formal qualifications even though they may have considerable workplace skills and experience.

Training Courses Index

	NSW	Vic	Qld	SA	WA	NT	ACT	Tas
Population aged 15–64 that completed training courses in past year (%)	39.1	38.6	40.4	37.9	39.5	36.9	51.7	34.2
Index	114	113	118	111	115	108	151	100
Rank	4	5	2	6	3	7	1	8

No update from the 2005 Index because no new data are available.

The training courses index is based on a survey that the Australian Bureau of Statistics conducts every four years, most recently in 2005. The ABS survey measures work-related training in both private and public sectors completed in the 12 months prior to the survey. Work-related training for the purposes of the ABS survey is mainly short training courses, such as seminars and workshops. Therefore, the index measures a subset of total training activity that occurs. For example, on-the-job training and any type of "learn as you go" training are excluded, as are any courses that lead to an educational qualification.

An alternative measure of education and training is participation in Vocational Education and Training (VET). Tasmania ranks third in this measure, behind the Northern Territory and Victoria.

Participation in VET Index

	NSW	Vic	Qld	SA	WA	NT	ACT	Tas
Population aged 15 years and over participating in VET courses (%)	10.5	11.9	9.1	10.2	8.9	14.2	9.0	11.8
Index	119	134	102	115	100	160	102	133
Rank	4	2	6	5	8	1	7	3

Tasmania ranks sixth in labour productivity, which is a partial measure of the quality and effectiveness of an economy's workforce. However, while the quality of the labour force is an important determinant of labour productivity, it is not the sole determinant. Labour productivity can also be affected by factors such as the quality and amount of capital stock in the economy and the value of the output produced.

Tasmania's ranking has improved from seventh in the *2006–07 Competition Index* to sixth, ahead of Queensland and South Australia. Tasmania is ranked higher in labour productivity mainly due to Tasmania's real Gross State Product increasing by 2.1 per cent from the previous year, compared to an increase of only 0.8 per cent in South Australia over the same period.

Labour Productivity Index

	NSW	Vic	Qld	SA	WA	NT	ACT	Tas
GSP per hour worked (\$)	56.8	56.4	51.1	52.4	68.1	69.9	66.2	52.5
Index	111	110	100	103	133	137	130	103
Rank	4	5	8	7	2	1	3	6

Unit labour cost is an alternative measure of the effectiveness of labour. Tasmania ranks third, behind Western Australia and the Northern Territory. Tasmania's ranking reflects, in part, the relatively small proportion of the labour force in Tasmania employed in high value-adding industries (such as finance), which tend to pay greater wages and salaries.

Unit Labour Cost Index

	NSW	Vic	Qld	SA	WA	NT	ACT	Tas
Index	144	139	132	130	100	100	172	117
Rank	7	6	5	4	1	1	8	3

Land and Accommodation

Tasmania continues to have the lowest aggregate land and accommodation costs of all jurisdictions. Tasmania's relatively low land and accommodation costs result from the relatively low average land and property values in the State.

In addition to the cost of land rental and purchase, the land and accommodation cost index includes state or territory government land taxes and municipal rates. Land tax generally only applies to land that is used for purposes other than as a principal place of residence and primary production. Therefore, the major burden of land tax falls on businesses and property investors.

Land and Accommodation Cost Index

	NSW	Vic	Qld	SA	WA	NT	ACT	Tas
\$ Annual rental, land tax and rates (300 m² property)	86 170	45 869	65 777	41 496	47 368	n.a.	53 910	32 607
Index	264	141	202	127	145	n.a.	165	100
Rank	7	3	6	2	4	n.a.	5	1

The land tax component indicates that the burden on businesses in Tasmania is the third lowest of all states and territories, behind Victoria and Western Australia. The highest land tax burden is in Queensland. However, the Northern Territory, which has not been included in this index because of data unavailability, does not impose land tax.

Regulatory Indices

Taxation Severity

Tasmania has the second lowest taxation severity of all states and territories, behind Queensland.

Taxation Severity Index

	NSW	Vic	Qld	SA	WA	NT	ACT	Tas
Ratio	98.5	105.6	84.3	115.5	114.9	103.4	118.7	92.2
Index	117	125	100	137	136	123	141	109
Rank	3	5	1	7	6	4	8	2

The taxation severity index compares the relative rates of a combination of selected taxes for each jurisdiction. The index is based on the revenue raising effort calculated by the Commonwealth Grants Commission. The Commission's estimate of the revenue effort compares the actual revenue receipts of each jurisdiction with the revenue the Commission calculates that each jurisdiction could raise if a national average tax rate were applied to that jurisdiction's revenue base.

Tasmania has a relatively high tax severity for duty on motor vehicle registrations and transfers (ranks fifth) but a relatively low tax severity for duties on other vehicle registration fees and taxes (ranks third). Tasmania ranks second in duty on conveyances, behind Queensland and ranks third in insurance tax, behind New South Wales and Queensland.

Tasmania abolished the duty on non-real-property (business) conveyances from 1 July 2008. Non-real-property covers business assets such as goodwill, statutory business licences, business names, rights under franchise agreement and intellectual property. With the removal of this tax, Tasmania has completed its abolition of minor business taxes, several years ahead of most states, as part of the tax reforms agreed to under the *Intergovernmental Agreement on the Reform of Commonwealth State-Financial Relations*, as well as the State Government's own reform program.

Business Licensing Costs

Tasmania has the second lowest business licensing costs of all jurisdictions in Australia, behind the Northern Territory only.

Business Licensing Costs Index

	NSW	Vic	Qld	SA	WA	NT	ACT	Tas
Index	255	177	221	194	146	100	156	105
Rank	8	5	7	6	3	1	4	2

The business licensing costs index is based on the number of licences and permits required in each jurisdiction for these businesses, on the fees charged for these licences and permits, and on the number of different state, territory and local government regulatory authorities that each of the businesses must deal with. All Australian Government regulatory requirements are excluded as they equally apply to businesses in all states and territories.

Of the three components that the business licensing cost index is based on, Tasmania ranks second in two - the fees charged for licences and permits, behind the Northern Territory and the number of regulatory bodies that must be dealt with, behind the ACT. However, Tasmania ranks sixth in the number of licences required.

Tasmania's ranking has moved from first in the previous year to second this year. This reflects the combined impact of the increased fees charged in Tasmania and lower overall business fees in the Northern Territory.

Utility Indices

Energy Costs

The energy cost index comprises components for each of the major types of energy: electricity price (including electricity reliability), fuel price and gas price. Tasmania is ranked fifth in the energy cost index, ahead of the ACT and South Australia. The Northern Territory is not included in the overall energy cost index because natural gas prices were not available.

Energy Cost Index

	NSW	Vic	Qld	SA	WA	NT	ACT	Tas
Index	100	101	101	124	108	n.a.	119	114
Rank	1	2	2	7	4	n.a.	6	5

Tasmania ranks fifth in electricity price, behind New South Wales, Victoria, Western Australia and Queensland. Average Tasmanian electricity prices have historically been competitive, with the primary beneficiaries being the major industrial customers.

The ranking of the Tasmanian electricity cost index has deteriorated from second in the previous year to fifth. This is partly due to the higher costs of electricity supply in Tasmania as a result of the very low inflows into Hydro Tasmania's dams and greater reliance on electricity from higher cost sources such as Basslink and the gas-fired power station at Bell Bay.

Electricity Cost Index

	NSW	Vic	Qld	SA	WA	NT	ACT	Tas
\$ (cents per kWh)	14.4	14.6	16.3	21.1	15.8	17.5	18.5	16.9
Index	100	101	113	147	110	122	128	117
Rank	1	2	4	8	3	6	7	5

Electricity reliability may be as important to some businesses as electricity prices, particularly for those businesses whose continuous electricity supply is a vital element of production. The electricity reliability experienced by customers reflects the performance of each of the generation, transmission and distribution systems.

There is no single measure that is reported nationally to capture customer experience. The electricity reliability index is based on the system average interruption duration index. It captures the number of minutes of electricity lost per customer per year from outages in the distribution network.

Tasmania is ranked sixth in the electricity reliability index, ahead of Western Australia and Queensland.

Electricity Reliability Index

	NSW	Vic	Qld	SA	WA	NT	ACT	Tas
Minutes lost (per customer per year)	184.2	158.9	629.9	193.3	250.0	207.0	184.2	243.0
Index	342	396	100	326	252	304	342	259
Rank	2	1	8	4	7	5	2	6

Tasmania is ranked seventh in the fuel cost index, ahead of the Northern Territory only. Queensland has the lowest fuel prices, around five per cent below the prices in the second ranked state (Western Australia).

Fuel Cost Index

	NSW	Vic	Qld	SA	WA	NT	ACT	Tas
\$ (per litre)	134.0	133.8	126.2	132.8	133.1	144.1	134.0	138.9
Index	106	106	100	105	105	114	106	110
Rank	5	4	1	3	2	8	5	7

Fuel costs are measured by petrol prices, which vary across jurisdictions mainly due to differences in the costs of transporting the fuel from refineries and in the competitive structure of the market in each state and territory. Petrol prices have increased significantly in all states and territories over the past year due to the significant increase in the international oil price.

Tasmania has the highest gas price in all jurisdictions. Victoria has the lowest gas cost, followed by New South Wales.

Gas Cost Index

	NSW	Vic	Qld	SA	WA	NT	ACT	Tas
\$ (per GJ)	10.0	8.0	17.0	14.0	17.0	n.a.	16.0	18.0
Index	125	100	213	175	213	n.a.	200	225
Rank	2	1	5	3	5	n.a.	4	7

Water

Tasmania is ranked fourth in the water cost index, behind the Northern Territory, Victoria and New South Wales.

Water Cost Index

	NSW	Vic	Qld	SA	WA	NT	ACT	Tas
Average annual representative cost (\$)	1 741	1 382	2 161	1 835	3 281	1 077	1 965	1 755
Index	162	128	201	170	305	100	182	163
Rank	3	2	7	5	8	1	6	4

Water costs consist of an access charge and in some cases a variable charge. The index provides an approximate guide only to water charges faced by businesses in each jurisdiction, as different jurisdictions apply different pricing regimes.

The capital cities in South Australia, Western Australia and Tasmania, for example, currently have some proportion of their water charges determined by the assessed annual value of the property. All other things being equal, an increase in property prices would result in an increase in water charges. In these jurisdictions, property-based charging in the case of high value properties means that businesses that consume relatively small volumes of water pay a relatively high average price for the water they use.

In Tasmania, two-part pricing of water services will be phased in from 1 July 2009 and therefore water prices will no longer be linked to the assessed annual value of property.

Telecommunications Cost

Tasmania has the highest telecommunication costs of all jurisdictions. The telecommunications cost index is based on the monthly fee charged by Internet service providers (ISPs) for broadband Internet services. This is the main business telecommunication cost for which price variations between jurisdictions exist. Other telecommunications services, such as telephone and Ethernet, are generally provided by carriers at a single national rate and therefore have not been included in the comparison.

Telecommunications Cost Index

	NSW	Vic	Qld	SA	WA	NT	ACT	Tas
\$ (average monthly cost)	57.0	49.0	52.5	49.5	59.1	52.4	51.0	65.0
Index	116	100	107	101	121	107	104	133
Rank	6	1	5	2	7	4	3	8

Variations in broadband pricing between jurisdictions arise due to ISPs that only provide services in a specific metropolitan area. Such providers are quite rare, as the vast majority of metropolitan services are offered by ISPs that operate nationally. Where localised services are available, they tend to be located in regional areas rather than metropolitan areas, and focus on wireless connectivity as opposed to digital subscriber line. Tasmania's ranking in the telecommunications cost index reflects the very small number of local ISPs in the State and consequent lack of competition.

Telecommunications Reliability

Tasmania, along with Victoria and Queensland, ranks third on the telecommunications reliability index. The index has been constructed based on data collected by the Australian Communications and Media Authority. The index measures the performance of Telstra and Optus against the Customer Service Guarantee timelines for connections and fault rectification. It also includes compensation payments made for not meeting the timelines for faults and connections.

Telecommunications Reliability Index

	NSW	Vic	Qld	SA	WA	NT	ACT	Tas
Index	106	105	105	103	100	102	106	105
Rank	1	3	3	6	8	7	1	3

Transport Indices

Surface Freight

Tasmania is ranked fifth in the surface freight cost index. This index reflects the relative cost of interstate freight and does not include the cost of transporting goods internationally. The surface freight cost index compares the cost of sending goods to market for a representative business.

Surface Freight Cost Index

	NSW	Vic	Qld	SA	WA	NT	ACT	Tas
\$ (per 20 foot equivalent unit)	1 563	1 503	1 899	1 676	4 018	3 843	1 194	1 877
Index	131	126	159	140	337	322	100	157
Rank	3	2	6	4	8	7	1	5

No update from the 2005 Index because no new data are available.

Air Freight

Tasmania, along with New South Wales, Victoria, Queensland, South Australia and the ACT, ranks first in the air freight cost index. Western Australia and the Northern Territory are equally ranked seventh, reflecting the distance from Adelaide to Perth and Darwin.

Air Freight Cost Index

	NSW	Vic	Qld	SA	WA	NT	ACT	Tas
\$ (10 kilo package)	72.5	72.5	72.5	72.5	180	180	72.5	72.5
Index	100	100	100	100	248	248	100	100
Rank	1	1	1	1	7	7	1	1

The air freight cost index assumes that a business in each capital city requires overnight air freight services from the closest neighbouring major population centre, for example, for the supply of a critical spare part. This reflects the use of air freight by businesses, where most air freight is drawn from the nearest capital city.

In the previous years, a basic fixed charge and a per kilo charge, which varied from each capital city to the closest neighbouring capital city, were used for calculating the air freight index. However, the major transport company used to calculate the index changed its methodology this year. As a result, the basic charge no longer applies. The air freight charge is based on the weight and volume of the package and is uniform for freight services between capital cities that are less than 1 000 km apart. The charge is greater for larger distances between capital cities.

Air Travel

Tasmania is ranked third in the air travel cost index, behind New South Wales and South Australia, which have significantly lower air travel costs than the other states and territories.

Competition in air travel services has resulted in substantial reductions in airfares across Australia over the past few years. This index does not reflect reliability and scheduling for business travel.

Air Travel Cost Index

	NSW	Vic	Qld	SA	WA	NT	ACT	Tas
Index	100	108	118	105	185	337	107	106
Rank	1	5	6	2	7	8	4	3

The calculation of this index is based on the lowest price for the next available day. Thus, the indices for the states and territories may be affected by the price on that particular day.

Access to Ports

Tasmania is ranked first in the port access index. This reflects that a large proportion of Tasmania's population, and therefore businesses, are relatively close to a port.

Access to Ports Index

	NSW	Vic	Qld	SA	WA	NT	ACT	Tas
% (population within 50 km radius of a port)	72.2	78.2	57.7	83.5	82.3	53.2	n.a.	91.3
Index	136	147	108	157	155	100	n.a.	172
Rank	5	4	6	2	3	7	n.a.	1

No update from the 2004 Index because no new data are available.

Port Charges

Tasmania is ranked sixth in the port charges index. However, this index should be interpreted with caution, as:

- the data used relate to only one port in each state;
- ports in each state provide volume discounts, resulting in commercial rates that can be substantially below the scheduled rates that have been used to construct the port charges index; and
- no index has yet been produced on relative port efficiency, which can have a significant impact on overall business costs.

Port Charges Index

	NSW	Vic	Qld	SA	WA	NT	ACT	Tas
\$ (per 20 foot equivalent unit)	257.0	236.4	234.4	269.8	239.1	n.a.	n.a.	286.5
Index	110	101	100	115	102	n.a.	n.a.	122
Rank	4	2	1	5	3	n.a.	n.a.	6

Proximity to Markets

Tasmania ranks seventh in terms of proximity to domestic markets, ahead of the Northern Territory.

Proximity to Markets Index

	NSW	Vic	Qld	SA	WA	NT	ACT	Tas
Index	2 030	1 738	1 317	618	622	100	846	284
Rank	1	2	3	6	5	8	4	7

No update from the 2005 Index because no new data are available.

As would be expected, the range of the index values is large and reflects the significant disadvantage faced by some Tasmanian businesses as a result of a small local market. New South Wales, and to a lesser extent Victoria, have an overwhelming advantage over Tasmania and the other jurisdictions.

However, the importance of a large local market differs between firms according to the nature of the product or service involved. For example, for commodities traded on the world market, ease of access to markets depends on access to, and the costs of, an international port and the quality and cost of international shipping services. Alternatively, for goods that are produced primarily for domestic consumption, the proximity to a large population base within Australia is important.

Other Indices

Business Confidence

On average, in the year to May 2008, Tasmanian small and medium sized businesses reported the fourth highest confidence levels regarding business expectations of all states and territories, behind the Northern Territory, Western Australia and Queensland.

The business confidence index has been constructed using the Sensis Business Index, which surveys small and medium sized businesses. The results in the Index are reported as a net balance, which represents the total number of positive responses minus the total number of negative responses.

The net balance of businesses who have been confident in their own business prospects over the 12 months after each survey (an average of almost 53 per cent) indicates that the majority of Tasmanian businesses have recently been confident about their business prospects.

Business Confidence Index

	NSW	Vic	Qld	SA	WA	NT	ACT	Tas
Confidence in own business prospects over next 12 months - net balance (%)	35.0	48.0	55.3	48.3	61.0	68.0	44.5	52.5
Index	100	137	158	138	174	194	127	150
Rank	8	6	3	5	2	1	7	4

The *Tasmanian Survey of Business Expectations* released by the Tasmanian Chamber of Commerce and Industry and the Commonwealth Bank cannot be used for this analysis, as there are no identical surveys in other jurisdictions.

Business Confidence in State and Territory Government

Tasmania ranks seventh, ahead of New South Wales only, in the confidence in state and territory government ranking, despite Tasmania's credit rating from Moody's being equal to the other states and the ACT.

Business Confidence in State and Territory Government Index

	NSW	Vic	Qld	SA	WA	NT	ACT	Tas
Rank	8	3	1	4	6	2	4	7

Comparison with New Zealand

New Zealand's proximity and similarity to Australia means that it is likely to be considered by business as an alternative location in the region. In this context, New Zealand is a competitor to Tasmania as a business location because of the climatic similarity and comparable labour market conditions. The comparison with New Zealand is also useful because many Tasmanian producers, particularly primary sector producers, compete with New Zealand producers on the world market.

As shown in the following table, New Zealand labour costs are below those in Tasmania. New Zealand also has lower overall energy costs. However, water costs are higher in New Zealand than Tasmania. Both perform relatively poorly regarding proximity to markets and the qualifications of the labour force.

New Zealand may, therefore, be a significant competitor with Tasmania for firms that do not need to be close to their markets and are labour intensive, or rely on relatively low skilled labour or have relatively intensive energy use.

Summary of Ranking Including New Zealand – 2007–08

	NSW	Vic	Qld	SA	WA	NT	ACT	Tas	NZ
Labour Cost	7	6	5	3	9	4	8	2	1
Industrial Disputes	7	8	3	4	9	6	2	1	5
Qualifications	2	4	5	8	3	6	1	9	7
Training Courses	5	6	3	7	4	8	1	9	2
Land and Accommodation	8	3	7	2	4	n.a.	6	1	5
Energy Cost	1	2	2	8	5	n.a.	7	6	4
Electricity Cost	1	2	5	9	4	7	8	6	3
Electricity Reliability	2	1	9	4	8	6	2	7	5
Fuel Cost	5	4	1	3	2	9	5	7	8
Gas Cost	2	1	6	3	6	n.a.	5	8	4
Water Costs	3	2	8	5	9	1	6	4	7
Air Travel Cost	1	2	6	4	7	9	3	5	8
Proximity to Markets	1	2	3	6	5	9	4	8	7

Tasmania's Rankings Since 2000

	2000	2001	2002	2003	2004	2005 [^]	2006-07	2007-08
Factors of Production Indices								
Direct Labour Cost	1	1	1	1	1	1	1	1
Wages	1	2	2	1	1	1	1	1
Payroll Tax	5	2	2	2	2	2	1	1
Other Labour Costs	1	1	1	1	2	2	4	4
Labour Turnover	1	1	1	1	1	1	2	1
Industrial Disputes	1	1	2	1	1	2	1	1
Occupational Health and Safety	...	...	...	...	...	...	...	4
Qualifications	...	...	6	6	6	8	8	8
Training Courses	...	...	1	1	1	8	8	8
Participation in VET	...	...	...	...	...	3	3	3
Labour Productivity*	...	...	...	...	...	7	7	6
Unit Labour Costs	...	...	...	...	...	5	5	3
Land and Accommodation	2	1	1	1	1	1	1	1
Regulatory Indices								
Taxation Severity	...	...	2	2	2	2	2	2
Business Licensing Costs	...	...	...	1	1	1	1	2
Utility Indices								
Energy Cost	5	6	6	6	3	4	3	5
Electricity Cost	...	...	2	3	2	2	2	5
Electricity Reliability	...	...	6	6	5	7	6	6
Fuel Cost	...	...	6	6	6	8	6	7
Gas Cost	...	...	6	6	4	5	5	7
Water Cost	...	...	...	...	5	7	4	4
Telecommunication Cost	...	...	...	4	4	6	8	8
Telecommunication Reliability	...	...	...	2	1	6	3	3
Transport Indices								
Surface Freight Cost	6	6	6	6	4	5	5	5
Air Freight Cost	...	5	5	5	1	2	2	1
Air Travel Cost	...	4	5	4	5	6	6	3
Access to Ports	1	1	1	1	1	1	1	1
Port Charges	...	...	...	5	4	5	6	6
Proximity to Markets	6	6	6	6	6	7	7	7
Industry-Based Cost Indices								
Manufacturing	3	5	4	4	1	1	1	1
Accommodation, Cafés and	3	2	1	1	1	1	1	1
Finance and Insurance	1	2	2	1	1	1	1	1
Property and Business Services	1	1	1	1	1	1	1	1
Other Indices								
Business Confidence	...	...	1	1	1	5	4	4
Business Confidence in Government	...	...	2	2	2	1	2	7
Indices improved from previous year		3	2	4	9	1	8	5
Indices deteriorated from previous year		4	2	1	2	4	5	6
Percentage No. highest ranked	53	41	35	43	48	32	32	34
Percentage No. lowest ranked	13	18	27	30	13	9	12	14

[^] The Northern Territory and ACT were included in the Competition Index for the first time in 2005. A deterioration in ranking is not noted for that year if it arose solely due to the inclusion of the territories rather than due to a relative decline compared to other states. The port charges index is also not noted as a deterioration in 2005 as this was the first year South Australia was included in the port charges index.

* The ABS changed its methodology for producing the data that were used to calculate the index.

... This stands for the indices that are not available. For example, the occupational health and safety index is included for the first time in 2007-08.

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