



6 August 2009

Economic Development Committee

Mr Evan Moorhead MP, Chair, Member for Waterford  
Ms Fiona Simpson MP, Deputy Chair, Member for Maroochydore  
Ms Tracy Davis MP, Member for Aspley  
Ms Jan Jarratt MP, Member for Whitsunday  
Mr Shane Knuth MP, Member for Dalrymple  
Mr Jason O'Brien MP, Member for Cook  
Ms Lillian van Litsenburg MP, Member for Redcliffe  
Parliament House, George Street  
BRISBANE QLD 4000

Dear Committee Member

As the State's peak business organisation, the Chamber of Commerce and Industry Queensland (CCIQ) welcomes the opportunity to participate in the Economic Development Committee's Inquiry into Employment Creation Opportunities in Queensland.

On behalf of the Queensland Business Community it is with pleasure that I enclose a copy of CCIQ's Pulse Survey of Business Conditions for the June Quarter 2009, Blueprint for Growth: Policy Priorities for Queensland's Government and CCIQ's Blueprint for Fighting Queensland's Overregulation.

These reports will greatly aid the Committee's consideration of employment creation opportunities in Queensland particularly for the Inquiry's terms of reference items:

- (c) Areas in which Queensland has a demonstrated comparative advantage
- (d) The current and future skills requirements of the Queensland economy
- (e) The impact of regulation on economic growth and recovery.

By way of background CCIQ is the State's largest business organisation. It has a state-wide membership across all industry sectors. 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. CCIQ is extremely well placed to provide expert commentary on creating employment opportunities within Queensland.

**Pulse Survey of Business Conditions for the June Quarter 2009.**

A recent rebound in business confidence has continued to gain momentum over the three months to June 2009. Over one-third of businesses now expect national economic conditions to improve over the next twelve months. Business confidence in the Queensland economy however remains at unsatisfactory levels, with nearly half of businesses forecasting a further deterioration in the State's economy over the coming year.

.... / 2

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

ABN 55 009 662 060

t > 07 3842 2244  
f > 07 3832 3195  
e > info@cciq.com.au

Employer Advice Line  
1300 135 822

**Regional Offices**  
Gold Coast, Sunshine Coast,  
Toowoomba, Rockhampton,  
Mackay, Townsville, Cairns



Other key findings include:

- Businesses believe that global economic conditions, unemployment and consumer confidence will be the major influences on the domestic economy over the next twelve months;
- All of the individual benchmarks (sales, profitability, employment and capital expenditure) have rebounded but remain at less than satisfactory levels. The recovery in these benchmarks is expected to continue in the September quarter 2009; and
- Business conditions and confidence have recovered in all regions of the State but remain at less than satisfactory levels. Far North Queensland, the Gold Coast and Central Queensland experienced the toughest trading conditions in the June quarter 2009.

### **Blueprint for Growth: Policy Priorities for Queensland's Economy**

This document has the most relevance to this Inquiry. It essentially represents what the Chamber believes is the best way to create employment opportunities within Queensland at present and was prepared as a blueprint for maintaining Queensland's economic growth amid a troubling economic environment. It identifies key recommendations that we strongly believe must be delivered by the Queensland Government.

The single greatest contribution a business can make to enhance the wellbeing of our State's community is to provide secure ongoing employment. CCIQ believes that Queensland's future is bright, provided the State Government is highly active in bringing down the barriers for business to employ and grow.

The Blueprint has been developed in consultation with our members and identifies the major issues of concern for the Queensland business community – taxation, economic and fiscal management, infrastructure, red tape, education and training, workplace relations, workplace health and safety and the environment.

This State Government has a crucial role in helping to shape and secure Queensland's economic future. Queensland business is looking to our politicians for genuine vision and policies which focus on a strong economy. They are clear about where change is needed and about what the next State government should be doing.

### **Blueprint for Fighting Queensland's Overregulation**

CCIQ has recently released its Blueprint for Fighting Queensland's Overregulation which has significant relevance to this Inquiry. Queensland has an extremely poor record in this area and Government regulation continues to impose substantial cost and compliance burdens on business. CCIQ has estimated the annual cost of Government regulation to be \$17.9 billion within Queensland. Sections of this Blueprint include:

- Business experience with regulatory requirements,
- Cost to Business in complying with regulatory requirements,
- Specific examples of State regulatory requirements impacting inappropriately on Queensland business.
- Seven Point Action Plan to Reduce the Regulatory Burden

Inappropriate and inefficient regulation acts as a constraint on business growth, productivity, investment, employment and reduces Queensland's competitiveness both nationally and internationally. Government regulation therefore is a key issue for the Queensland business community and more must be done to reduce the burden on business and create a more positive environment for business to employ.

### **Closing Statement on Government's Role in Creating Employment Opportunities**

CCIQ believes that this Inquiry must recognise the vital role that the State Government plays in building and sustaining the economy. To this end CCIQ sees the responsibility of State Government as creating an overall environment which is conducive to economic growth. No more or no less.

Greater priority must be given to examining and reducing the cost of doing business in this State. Creating a strong business operating environment that allows local industries to compete globally is pivotal to the economic well-being of business and employment creation.

Further to this, every region in Australia is in competition with each other to some extent in the area of investment attraction and retention through competitive business cost and taxation regimes. As a result, Queensland needs to have a business operating environment that is the most competitive.

Business in this State is facing increasingly tough competition not only from domestic markets but from overseas. Our competition is never standing still and if Queensland does not respond to initiatives occurring elsewhere our attractiveness is diminished in the eyes of potential and existing investors.

The notion of creating a competitive business operating environment has the single greatest influence on employment opportunities in the Chamber's view. Quite simply it is not up to Government to determine where the strongest opportunities for employment rest. It is up to the private sector, and Government's role is to implement an environment where these decisions can be made

We would like to thank the Committee for the opportunity to provide written comment to this Inquiry. The Chamber would be delighted to expand upon points raised within these documents at the Public Hearings scheduled for September 2009.

Yours sincerely



Beatrice Booth  
**PRESIDENT**

---

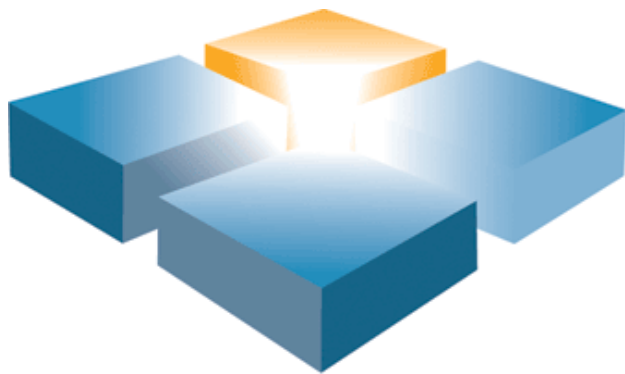
---

# **Blueprint for Growth Policy Priorities for the Next Queensland Government**

---

---

*An Economic Blueprint for maintaining  
Queensland's Economic Growth*



CHAMBER OF  
COMMERCE &  
INDUSTRY  
QUEENSLAND

**February 2009**

---

## Contents

1.0	Overview	
	Introduction	
	The Chamber of Commerce and Industry Queensland	
	An economic blueprint for Queensland	
	Methodology	
	Political Leadership	
2.0	Queensland's Economic Climate	
3.0	Business Priorities	
	Key Themes	
	Top 20 Concerns by Business Size	
	Top 20 Business Concerns by Region	
4.0	Economic and Fiscal Management	
	Current Environment	
	Economic and Fiscal Management Principles	
	Infrastructure Investment	
	Government Efficiency	
	Recommendations	
5.0	Taxation	
	The Case for Business Tax Reform	
	Tax Reform Funding	
	Business Priorities	
	Recommendations	
6.0	Government Regulation	
7.0	Workplace Relations	
8.0	Infrastructure	
	Where are the Infrastructure Problems	
	Infrastructure Problems by Region	
	How Infrastructure Impacts on Business	
	Private Sector Involvement in Infrastructure	
	Identified Infrastructure Projects / Priorities by Region	
	Recommendations	
9.0	Skill Shortages, Education and Training	
	Recognising Progress	
	The Changing Economy for Skills	
	Recruitment and Retention	
	Existing Workforce Upskilling	
	Efficiency and Effectiveness	
	Recommendations	
10.0	Workplace Health and Safety	
11.0	Environment	
	Appendices	
A1.0	CCIQ Profile .....	
A2.0	Global Financial Crisis Survey .....	
A3.0	CCIQ Taxation Policy Principles .....	
A4.0	CCIQ Infrastructure Policy Principles .....	

---

## 1.0 Overview

### Introduction

- 1.1 Queensland's economic environment has changed dramatically and we must respond to this new challenge in a concerted and decisive manner. Queensland must lay the foundations immediately if the State is to ensure that it continues to enjoy the strong economic growth and prosperity that it has become accustomed to in the recent past. This document has been prepared as a blueprint for maintaining Queensland's economic growth amid a troubling economic environment and identifies key recommendations that must be delivered by the next Queensland State Government. The Chamber of Commerce Industry Queensland (CCIQ) recognises the difficult economic environment that the next State Government inherits but believes our recommendations, if adopted, will create the optimal environment in Queensland for business success, laying the foundations for a strong economy and a prosperous Queensland community despite the Global Economic Crisis.

### The Chamber of Commerce and Industry

- 1.2 CCIQ is the State's largest business organisation. It has a state-wide membership across all industry sectors. In total we represent 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 contained in Appendix One.

### An economic blueprint for Queensland

- 1.3 This Blueprint provides the foundations for growth building upon earlier 2004 and 2006 CCIQ Policy Blueprints. It was developed in consultation with our members and identifies the major issues of concern for the Queensland business community – taxation, infrastructure, economic and fiscal management, education and training, workplace health and safety, workplace relations and red tape. A vibrant and competitive business sector is crucial to the continuing prosperity and growth of our State – it creates employment opportunities, generates wealth and drives economic growth. Indeed the single greatest thing a business can do to enhance the wellbeing of our State's community is to provide secure ongoing employment. CCIQ believes that Queensland's future is bright provided that we are highly active in bringing down the barriers for business.

### Methodology

- 1.4 In anticipation of the 2009 State Election the CCIQ conducted a Pre-State Election Survey of Queensland's business community. This survey was used to prepare the Chamber's Economic Blueprint. It is crucial that the incoming Government is aware of the issues of concern to the business community and their priority. The survey covers both Federal and State issues however emphasis is placed on those issues specific to Queensland. The inclusion of Federal issues is only made to provide context to the importance of State issues.

### Political Leadership

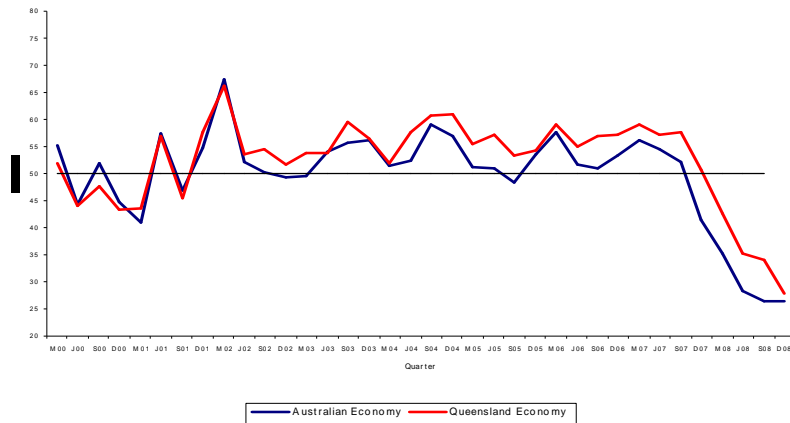
- 1.5 The next State Government will have a crucial role in helping to shape and secure Queensland's economic future. The Chamber is an apolitical organisation which assesses policies on their merit and plays a major role in analysing and encouraging constructive debate. Queensland business is looking to politicians for genuine vision and policies which focus on a strong economy. They are clear about where change is needed and about what the next State government should be doing. It is important that the next State Government implements a policy program that prioritises economic growth, responsible economic management, and enhances the overall business operating environment.

## 2.0 Queensland's Economic Climate

- 2.1 Over the past 12 months the St George - CCIQ Pulse Survey has revealed a significant decline in business confidence, with business expectations for the Queensland and Australian economies falling to their lowest levels on record. This downturn is overwhelmingly attributed to considerably reduced consumer spending and confidence as a result of the Global Financial Crisis.



### The Year Ahead – 12 Month Economic Outlook



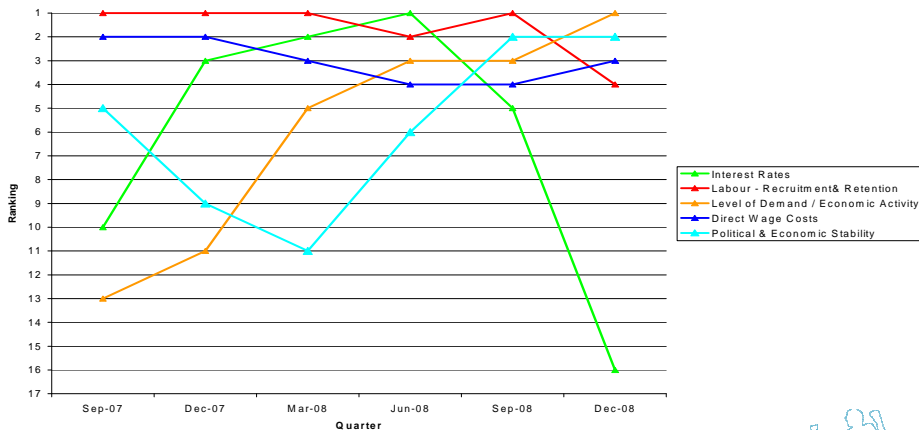
Invigorating Business

St George CCIQ Pulse Survey – December Quarter 2008

- 2.2 As part of the Pulse Survey respondents are asked to indicate the level of constraint that various factors place on their business' growth. The levels of 'demand and economic activity' and 'political and economic stability' are now firmly entrenched as the top constraints for the Queensland business community.



### Recent Trends in Key Business Constraints



Invigorating Business

St George CCIQ Pulse Survey – December Quarter 2008

- 2.3 CCIQ has surveyed our State's business community (please see Appendix 2) on how the Global Financial Crisis is impacting on their operations. Key findings from the survey include:
- The largest issue for business at present is the devastating impact that the GFC is having on consumer and business confidence and accordingly their willingness to spend.
  - One in three businesses has experienced a major to critical impact from the GFC with a commensurate downturn in their sales revenue.
  - In looking forward there exists a real perception that things will get worse before they improve. Two thirds of Queensland businesses believe that their growth prospects over the next six months will be weaker in light of the GFC.
- 2.4 Both the Commonwealth Government and current State Government's Mid Year Fiscal and Economic Reviews confirm a significant revising down of annual economic growth rates for the 2008-09 financial year, a further reflection of the difficult economic environment currently confronting Queensland business operators.

	2006-07	2007-08	2008-09	2008-09 MYFER	2009-10 to 2011-12
<b>Queensland</b>					
Gross State Product	5.70	5.10	4.25	3.00	4.50
Employment	4.60	2.80	2.50	2.25	2.50
Unemployment Rate	4.00	3.70	3.75	4.25	na
Inflation	3.30	4.10	3.50	4.25	2.50
Wage Price Index	4.50	4.50	4.50	4.25	4.00
Population	2.20	2.30	2.25	2.25	2.25

	2006-07	2007-08	2008-09	2008-09 MYFER	2009-10 to 2011-12
<b>Australia</b>					
Gross Domestic Product	3.20	3.70	2.75	2.00	3.00
Employment	2.70	2.50	0.75	0.50	1.25
Unemployment Rate	na	4.30	4.75	5.00	na
Inflation	2.90	4.50	3.25	3.50	2.50
Wage Price Index	4.00	4.20	4.25	4.25	4.00
Population	1.50	1.50	1.50	na	1.50

*Annual Percentage Change*

*Source: Commonwealth & Queensland Budget Papers 2008-09 & MYFER*

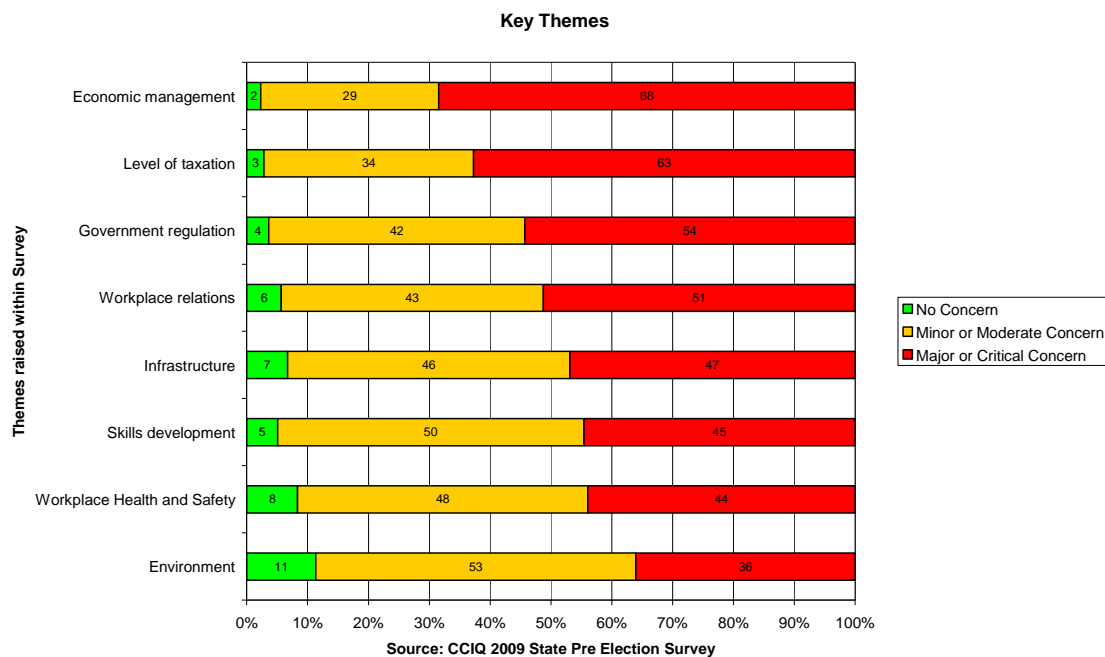
- 2.5 The damage at this time is recoverable from however ongoing business viability is already under serious threat for many Queensland business operators. Little time remains for these businesses in which they will have the ability to recover.
- 2.6 The Queensland business community is now looking for decisive economic management to allay growing concerns. CCIQ believes that if the business community is sent a clear message that the next State Government is serious about enhancing the business operating environment within Queensland and proactively assisting businesses through this difficult economic climate then this would be a positive in improving confidence and inevitably investment and employment. The next State Government must deliver meaningful actions that lower the costs of doing business.



## 3.0 Business Priorities

### Key Themes

3.1 Queensland businesses have placed the management of the economy at the front and centre of its agenda for the next State Government. The level of economic activity and demand is perhaps the most crucial issue of all as we head into 2009. The Queensland business community wants the next State Government to sure up business confidence and in turn the economy. Further to this, businesses want a competitive operating environment that delivers the ability to employ that will in turn provide an overall robust level of economic activity. This is clearly apparent from the various business taxes that feature so prominently in the top twenty concerns. This represents a clear message to our State's existing and future parliamentarians to reduce the level of impost created by our State's taxes.



3.2 The next issue for business is the tricky one of regulation. Both Commonwealth and State tax and industrial relations systems continue to create major headaches for business. The problem with this finding is that each individual regulation can normally be justified by Government using a cost benefit test. The trouble is that when we sum all these individual regulations together it creates a staggering regime that essentially blunts business from growing and employing.

3.3 CCIQ recognises that the majority of workplace relations concerns featuring in the top 20 are a Commonwealth responsibility such as unfair dismissals, leave provisions, wage levels and increase. 85% of all Queensland employees are covered under by the Federal workplace relations system. Businesses overwhelmingly support the State Government transferring its workplace relations powers and functions to the Commonwealth.

3.4 Queensland's infrastructure is an important determinant of the future strength and direction of our economy. Two of the hot spots identified by business are telecommunications and transport costs created by our State's road congestion. If the economy is to continue growing then these issues will need to be continually addressed.

3.5 Interestingly despite our economy's rapid slowing, skill shortages continue to be a problem. The three underlying causes of skill shortages namely population, participation and productivity will continue to simmer ensuring that this issue remains at the forefront of business concerns for the foreseeable future.

3.6 The largest issue relating to the environment is the pending implementation of the Commonwealth's Carbon Pollution Reduction Scheme. Business is overwhelmingly of the view that the next State Government should lobby the Commonwealth for the delayed implementation of the scheme.

## Top 20 Business Concerns by Business Size

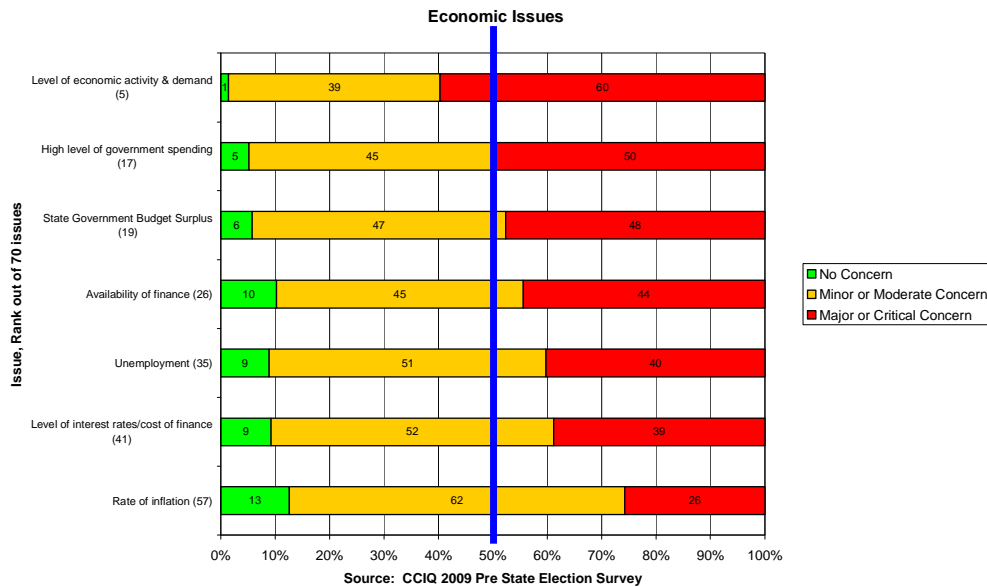
	All	Small (1 – 19 employees)	Medium (20 – 99 employees)	Large (100 + employees)
1	Overall complexity - Commonwealth tax system	Overall complexity of the Commonwealth tax system	Overall complexity of the Commonwealth tax system	Overall complexity of the Federal IR system
2	Overall complexity of the State tax system	Overall complexity of the State tax system	Payroll Tax	Overall complexity of the State tax system
3	Overall level of Commonwealth taxation	Overall level of Commonwealth taxation	Overall complexity of the State tax system	Overall complexity of the Commonwealth tax system
4	Overall level of State taxation	Overall level of State taxation	Recruiting employees with appropriate skills	Level of economic activity and demand
5	Level of economic activity and demand	Level of telecommunications costs	Overall level of State taxation	Level of energy costs
6	Recruiting employees with appropriate skills	Level of economic activity and demand	Level of economic activity and demand	Recruiting employees with appropriate skills
7	Overall complexity of the Federal IR system	Level of energy costs	Overall complexity of the Federal IR system	Overall level of Commonwealth taxation
8	Level of energy costs	Overall complexity of the Federal IR system	Unfair dismissals legislation	Payroll Tax
9	Overall complexity of the State IR system	Recruiting employees with appropriate skills	Overall level of Commonwealth taxation	Overall level of State taxation
10	Level of telecommunications costs	High level of government spending	Overall complexity of the State IR system	Wage levels & increases
11	Unfair dismissals legislation	Overall complexity of the State IR system	Retaining skilled employees	Overall complexity of the State IR system
12	Leave provisions (eg. parental, personal carers)	Leave provisions (eg. parental, personal carers)	Level of energy costs	Workers compensation costs
13	Wage levels & increases	Unfair dismissals legislation	Leave provisions (eg. parental, personal carers)	Level of transport costs
14	Access to adequate telecommunications infrastructure	Access to adequate telecommunications infrastructure	Wage levels & increases	Access to adequate telecommunications infrastructure
15	Payroll Tax	State Government Budget Surplus	Stamp Duties	Retaining skilled employees
16	Stamp Duties	Stamp Duties	WHS obligations of employers versus those of employees	Level of telecommunications costs
17	High level of government spending	Wage levels & increases	Level of telecommunications costs	Restrictions on individual agreements
18	Retaining skilled employees	Need for one stop shop for Government services	Workers compensation costs	Unfair dismissals legislation
19	State Government Budget Surplus	Personal Tax (PAYG)	Level of transport costs	Access to adequate transport infrastructure
20	Level of transport costs	Level of transport costs	Access to adequate telecommunications infrastructure	Leave provisions (eg. parental, personal carers)

## Top 20 Business Concerns by Region

	All	SEQ	Regional Queensland
1	Overall complexity - Commonwealth tax system	Overall complexity of the Commonwealth tax system	Overall complexity of the Commonwealth tax system
2	Overall complexity of the State tax system	Overall complexity of the State tax system	Overall complexity of the State tax system
3	Overall level of Commonwealth taxation	Overall level of State taxation	Recruiting employees with appropriate skills
4	Overall level of State taxation	Overall level of Commonwealth taxation	Overall complexity of the Federal industrial relations system
5	Level of economic activity and demand	Level of economic activity and demand	Overall level of Commonwealth taxation
6	Recruiting employees with appropriate skills	Overall complexity of the Federal IR system	Overall level of State taxation
7	Overall complexity of the Federal IR system	Recruiting employees with appropriate skills	Overall complexity of the State industrial relations system
8	Level of energy costs	Level of energy costs	Level of economic activity and demand
9	Overall complexity of the State IR system	Leave provisions (eg. parental, personal carers)	Level of energy costs
10	Level of telecommunications costs	Overall complexity of the State IR system	Level of telecommunications costs
11	Unfair dismissals legislation	Level of telecommunications costs	Unfair dismissals legislation
12	Leave provisions (eg. parental, personal carers)	Unfair dismissals legislation	Leave provisions (eg. parental, personal carers)
13	Wage levels & increases	Payroll Tax	Retaining skilled employees
14	Access to adequate telecommunications infrastructure	Stamp Duties	Wage levels & increases
15	Payroll Tax	High level of government spending	Access to adequate telecommunications infrastructure
16	Stamp Duties	Wage levels & increases	Level of transport costs
17	High level of government spending	Access to adequate telecommunications infrastructure	Workers compensation costs
18	Retaining skilled employees	State Government Budget Surplus	WHS obligations of employers versus those of employees
19	State Government Budget Surplus	Retaining skilled employees	High level of government spending
20	Level of transport costs	Level of transport costs	Payroll Tax

## 4.0 Economic and Fiscal Management

4.1 The State Government has a vital role in building and sustaining the economy. To this end CCIQ sees the responsibility of State Government as creating an environment which is conducive to economic growth. Greater priority must be given to examining and bringing down the cost of doing business in each State. Building a strong business operating environment that allows local industries to compete globally is pivotal to the economic well-being of business. The challenge for the next State Government is to identify the areas where we can improve, and systematically address them. State taxation is particularly one of these areas.



### Current Environment

4.2 Against the background of deteriorating global and domestic economic circumstances the budgeted deficit announced as part of the 2008/09 Mid Year Fiscal and Economic Review (MYFER) is unsurprising. However it is crucially important that the next State Government continues to work towards achieving a budget operating surplus as soon as possible through stronger efforts to reduce departmental operating expenses. The challenge for the next State Government is to maintain its current commitment to sound economic and financial management, while continuing to invest in growth and competitiveness. This State Budget will need to be carefully managed in order to help ensure future budgets retain the ability to respond to changes in the economic climate and continue to implement policies supportive of growth.

Source: CCIQ 2008 Pre State Election Survey	Strongly Agree %	Agree %	Neutral %	Disagree %	Strongly Disagree %
It is absolutely essential that the Queensland Government continue to run a budget surplus.	18.4	28.3	29.9	17.5	5.9

### Economic and Fiscal Management Principles

4.3 CCIQ urges the next State Government to continue on a path of responsible economic management and pro-business policy settings. It is important that the State Government:

- Delivers a budget operating surplus as soon as possible;
- Keeps recurrent expenditure under control;
- Continues with its increased public sector infrastructure spending with emphasis given to encouraging private sector involvement in major public infrastructure projects; and
- Commits to business tax reform that will improve Queensland's business tax competitiveness.

#### 4.4 Infrastructure Investment

Sale of assets, borrowing or running a budget deficit to finance capital should only be undertaken for additions to capital stock, not for maintenance or replacement of existing assets; and should be repaid over a period no longer than the lifetime of the asset.

#### 4.5 Government Efficiency

The role of the public sector is to deliver services required by the taxpayers in the most efficient manner possible. The Queensland business community sees itself as a major customer of State Government. The cost and delivery of Government services represents a significant business input in Queensland. The dominance of the public sector in the Queensland economy means the efficiency and effectiveness of government is essential to the performance of the State economy. Strong efforts must be made to ensure departmental operating expenses do not rise unchecked. Duplication and inefficiency in the government sector results in an unnecessary taxation burden on business. CCIQ supports the need for a small, flexible, highly skilled public sector with the knowledge and capacity to work cooperatively and engage with business.

Source: CCIQ 2008 Pre State Election Survey	Strongly Agree %	Agree %	Neutral %	Disagree %	Strongly Disagree %
There is considerable room for improvement in the efficiency and effectiveness of State Government service delivery.	48.4	30.1	14.0	3.6	3.9

4.6 CCIQ believes it is imperative that the next State Government demonstrates to the Queensland private sector that maintaining an environment where business can grow and employ is one of its key priorities. CCIQ believes it is time for the State Government to recommit to a much stronger competitive business environment in Queensland. The State Government can no longer rely upon Queensland's once competitive low tax State status. CCIQ believes it should be assessed on what it provides in initiatives each year to further stimulate the economy. CCIQ sees it is both timely and now more than ever particularly important that the next State Government provides an increase in the level of funding devoted to business tax relief to ease the difficult environment currently facing the Queensland business community.

#### 4.7 Recommendations

CCIQ encourages fiscal responsibility and the enhancement of a competitive business operating environment within Queensland. CCIQ advocates the following interacting fiscal strategies as the framework to achieve a healthy sustainable Queensland economy.

##### **Budget Position**

*Management of the State's finances in a fiscally responsible manner.*

***This principle must be adhered to whilst also pursuing the following budget principles which are in order of CCIQ priority:***

##### **Taxation**

*To have a business tax regime which is the most competitive of all states and which promotes growth and encourages participation.*

##### **Infrastructure**

*To ensure that essential public infrastructure is maintained on a sustainable basis at a level which will encourage economic development and that maximises the use of the private sector.*

##### **Charges by Public Utilities**

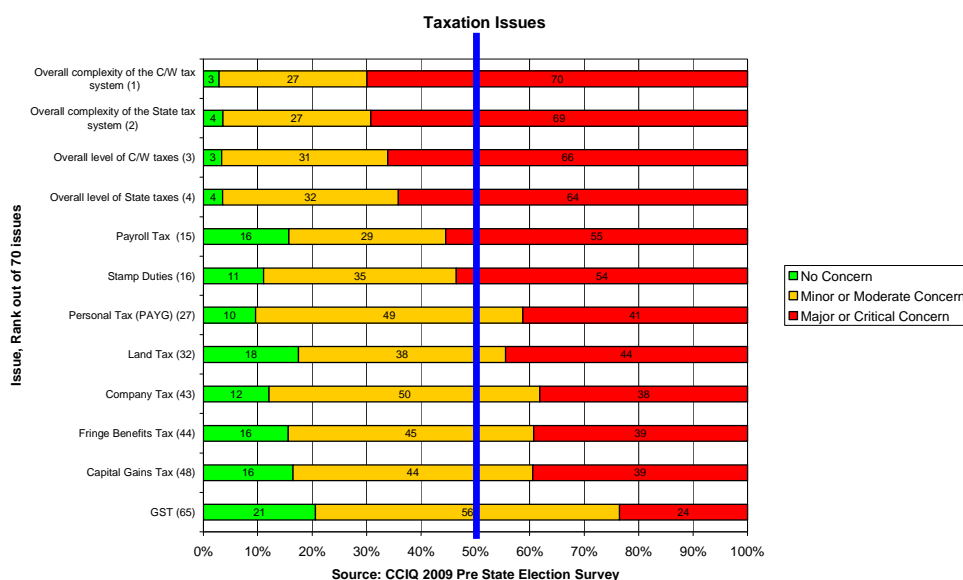
*To ensure that charges imposed by public utilities (water, energy, ports etc) are the most competitive of all States.*

##### **Government Services**

*Provision of a range and level of Government Services which meet reasonable community expectations at a cost consistent with best practice.*

## 5.0 Taxation

5.1 Queensland's economy has become more dynamic, efficient and productive over recent decades. However, the State's tax system has adapted slowly to these changes. As a result, the State's taxes are now considered by Queensland businesses to be a brake on the State economy achieving its full potential and being as internationally competitive as it can be. The State Government has acknowledged the central importance of an attractive cost environment but has largely ignored business taxation reform over recent years. CCIQ believes that the State Government must take action to ease the taxation burden on business in this State in order to minimise the impact of the current economic downturn on the business community.



### The case for business tax reform

5.2 Every region in Australia is in competition with each other in the area of investment attraction through competitive taxation regimes. Having a historical competitive advantage is no reason to be complacent. In those areas that are within our control, our target must be to become the best in every aspect affecting the business operating environment. Queensland needs to have a business operating environment that is the most competitive. Business in the State is facing increasingly tough competition not only from domestic markets but from overseas. The competition is not standing still and a number of State Governments have sought to greatly improve their State's competitiveness in recent years. If Queensland does not respond to initiatives occurring elsewhere our attractiveness is diminished for potential and existing investors. In order to maintain our competitiveness Queensland must improve its own taxation regime. It is important to note that if all State's adopted this 'competitive federalism' approach then Australia would dramatically improve its international competitiveness.

Interstate Competitiveness		2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2008-09 MYFER	\$ Increase	% Increase
Taxation Per Capita	QLD	\$1,359	\$1,211	\$1,321	\$1,480	\$1,614	\$1,708	\$1,927	\$2,226	\$2,342	\$2,132	\$773	56.9%
	AUS	\$1,734	\$1,637	\$1,757	\$1,892	\$2,056	\$2,135	\$2,272	\$2,357	\$2,616	\$2,499	\$765	44.1%
		2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2006-07 MYFER				
Taxation Effort	QLD	79.3	85.7	85.8	86.9	85.5	85.2	84.6	84.6	00-01 to 08-09			
	AUS	100	100	100	100	100	100	100	100	5.3			
											0.0		
Taxation as a % of GSP	QLD	3.9%	4.0%	4.4%	4.7%	4.4%	4.1%	4.3	4.5	0.6%			
	AUS	4.9%	4.8%	4.9%	5.0%	4.7%	4.7%	4.8	4.7	-0.2%			

Dollar values in millions and in current prices

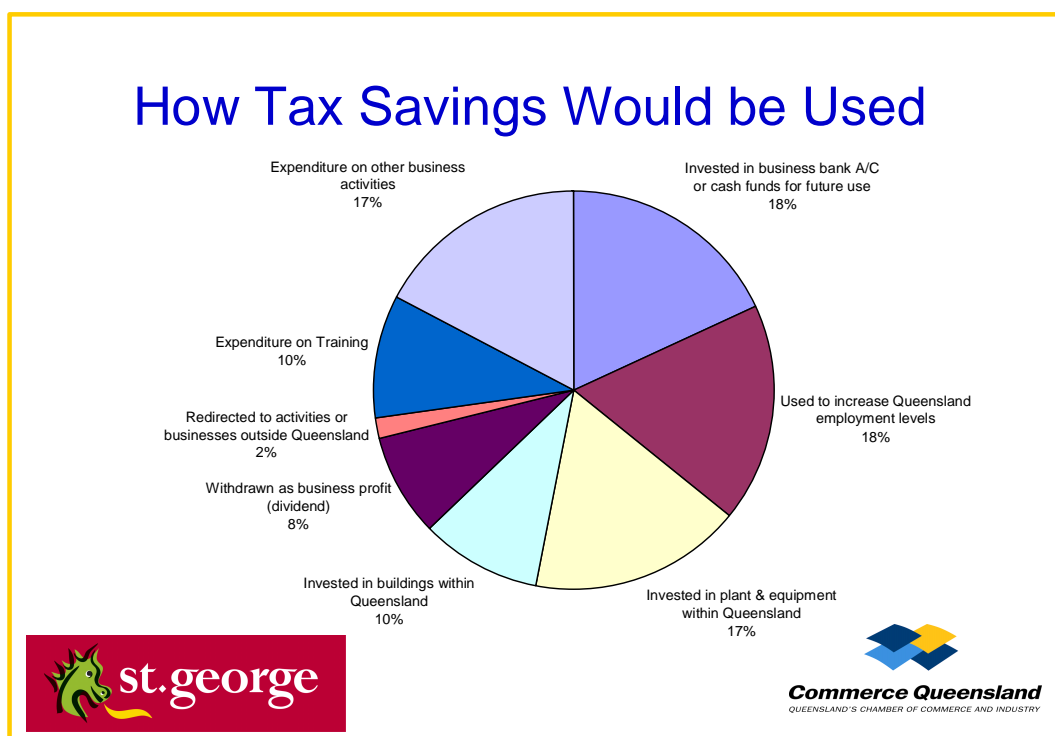
Source: ABS Catalogue 6401.0 and Queensland State Budget Papers, Budget Strategy and Outlook, Budget Paper No.2 & MYFER

Queensland's tax system continues to be attractive however its competitiveness has been eroded since 2000-01. Taxation per capita in Queensland since 2000-01 has increased by 56.9% to \$2,132 but nationally it has only increased by 44.1% to \$2,499. Accordingly the difference has narrowed over this period.

Taxation revenue as a percentage of GSP since 2000-01 in Queensland has increased by 0.6% whilst decreasing nationally by 0.2%. CCIQ urges the next State Government to adopt a longer term

strategy that will ensure that we continue to have a business tax regime that is the most competitive of all states. Furthermore we urge the next State Government to lobby the Australian Government to embrace a strategy that ensures Australia's business tax regime is internationally competitive as part of Australia's Future Tax System Review.

- 5.3 CCIQ believes that positive action by the next State Government to improve the business environment will ultimately safeguard its taxation receipts amid these troubling economic times. Carefully crafted business tax reductions ultimately do not reduce Government income as they generate significant improvement in economic activity further stimulating tax receipts. A competitive business taxation regime does to some extent involve a leap of faith as in the short term there are possible revenue implications. There can be no doubt however that the best way to protect Government revenue is to generate private sector economic activity. Queensland's strong growth in employment and population and increased business tax receipts can undoubtedly be attributed to Queensland's once historical low tax state status.



St George CCIQ Pulse Survey – December Quarter 2007

As part of the St George CCIQ Pulse Survey, survey respondents were asked to indicate that if taxes were to be reduced how the tax savings would be allocated. The above chart indicates that derived savings would be used to contribute to employment and the economy. Businesses indicated they would predominantly spend any savings on investment in plant and equipment, employment of more staff, investment for future use and training of staff. These results provide strong evidence that tax savings are utilised to the direct benefit of the economy and that tax reductions lead to increased investment and employment and not merely boosted profits or funds being redirected elsewhere. It adds weight to CCIQ representations that carefully crafted business tax reductions ultimately do not reduce Government income as they generate significant improvement in economic activity further stimulating tax receipts.

- 5.4 A key consideration when setting taxes is the tension between taxation acting as an impediment to business growth and taxation providing a revenue stream to deliver social and economic benefits to the broader community. CCIQ believes tax reform will assist in meeting the State Government's social goals by providing higher employment levels, resulting in improved community wealth and greater social inclusion through increased participation in society. It will also result in greater economic development which will allow the Government to provide increased funding to social and environmental areas.

## Initiative Funding

- 5.5 Regardless of the prevailing economic environment the next State Government has some flexibility to pursue business tax initiatives. Rather than channelling funds entirely into social and infrastructure initiatives as has been the case in recent years the State Government should commit at least some of the consolidated funds into assisting business through these difficult economic times and ultimately creating an incentive for business to deliver greater economic dividends to society.
- 5.6 The Queensland business community has delivered a robust revenue base for State Government over recent years.

State Taxation Revenue	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2008-09 MYFER	\$ Increase	% Increase 00-01 to 08-09
Payroll Tax	\$1,170	\$1,202	\$1,334	\$1,479	\$1,674	\$1,917	\$2,232	\$2,482	\$2,702	\$2,766	\$1,596	136.4%
Stamp Duties												
Transfer	\$700	\$1,056	\$1,382	\$1,863	\$1,744	\$1,963	\$2,542	\$2,970	\$3,141	\$2,250	\$1,550	221.4%
Vehicle registration	\$167	\$184	\$234	\$271	\$267	\$269	\$299	\$380	\$518	\$465	\$298	178.4%
Insurance	\$206	\$238	\$296	\$315	\$316	\$328	\$361	\$386	\$403	\$386	\$180	87.4%
Other duties	\$222	\$250	\$279	\$383	\$316	\$370	\$368	\$341	\$29	\$46	-\$176	-79.3%
Total Duties	\$1,294	\$1,728	\$2,162	\$2,832	\$2,642	\$2,930	\$3,560	\$4,077	\$4,091	\$3,147	\$1,853	143.2%
Gambling Taxes and Levies	\$522	\$568	\$638	\$726	\$806	\$841	\$825	\$886	\$950	\$931	\$409	78.4%
Land Tax	\$230	\$231	\$279	\$313	\$419	\$404	\$485	\$622	\$797	\$797	\$567	246.5%
Debits Tax	\$207	\$200	\$191	\$191	\$189	\$0	\$0	\$0	\$0	\$0	-\$207	-100.0%
Motor Vehicle Registration	\$558	\$596	\$649	\$703	\$767	\$819	\$887	\$945	\$991	\$1,003	\$445	79.7%
Fire Levy	\$185	\$192	\$203	\$213	\$225	\$238	\$252	\$264	\$279	\$281	\$96	51.9%
Community Ambulance Cover	\$0	\$0	\$0	\$96	\$112	\$118	\$115	\$128	\$133	\$133	\$136	
Other Taxes	\$620	\$98	\$122	\$123	\$119	\$127	\$127	\$148	\$163	\$163	-\$457	-73.7%
Total Taxes	\$4,786	\$4,815	\$5,598	\$6,676	\$6,952	\$7,396	\$8,484	\$9,552	\$10,106	\$9,222	\$4,436	92.7%
Consumer Price Index - Brisbane	132.4	136.3	140.7	144.8	148.5	153.2	158.3	164.8	170.6	171.8		29.8%

Dollar values in millions and in current prices

Source: ABS Catalogue 6401.0 and Queensland State Budget Papers, Budget Strategy and Outlook, Budget Paper No.2 & MYFER

- Payroll tax receipts since 2000-01 have increased by over \$1.5 billion or 136.4%.
- Stamp duties since 2000-01 have increased by nearly \$1.8 billion or 143%.
- Total state taxation receipts since 2000-01 have increased by over \$4.4 billion or 92.7%.

The Mid Year Fiscal and Economic Review confirms continuing economic growth for the State and particularly ongoing increases in Payroll Tax receipts. This represents a very high and growing level of reliance on businesses to fund Government services. Queensland business is understandably alarmed by this trend. Queensland needs a state tax system that does not penalise employers for working hard, expanding and making a positive contribution to the economy. Business acknowledges and accepts that certain levels of taxation are necessary to ensure the provision of social and business services. The Queensland Government's response to previous CCIQ representations for reviewing state taxes has been to highlight Queensland's position as the 'low tax state' – asserting that there is no justification for making significant changes to the current tax arrangements. However increasingly sourcing State revenue from Queensland businesses has eroded our competitive position over recent years both domestically and internationally. The Mid Year Fiscal and Economic Review confirms that tax receipts in real terms continue to remain well above 2006-07 levels.

- 5.7 Queensland has profited significantly from buoyant economic conditions through increased business taxation receipts and it is time some of these gains were used on properly targeted business tax initiatives. It is clear that the Queensland State Government has received unexpectedly larger returns from various forms of state taxation and accordingly has an obligation to reinvest some of this windfall into the future growth of the State. These greater than expected taxation receipts have repeatedly been received over recent years. Receipts from business taxes in particular have led to greater taxation receipts than expected. Over the 2005-06 to 2007-08 financial years the State Government has received above their own forecasts an additional:
- \$342 million in payroll tax receipts or a 5.8% windfall;
  - \$843 million in stamp duties or a 15% windfall; and
  - \$345 million in GST revenue or a 1.4% windfall and \$1 billion from the C/W or a 2.5% windfall.

In light of these outcomes it would not be unreasonable for the State Government to hand back some of this windfall to the business community through tax initiatives arising from the 2009-10 State Budget.



State Taxation Revenue	2005-06			2006-07			2007-08			3 Year \$ Windfall	Ave 3 Year % Windfall
	Budgeted	Actual	% Difference	Budgeted	Actual	% Difference	Budgeted	Actual	% Difference		
Payroll Tax	\$1,767	\$1,917	8.5%	\$2,054	\$2,175	5.9%	\$2,411	\$2,482	2.9%	\$342	5.8%
Stamp Duties											
Transfer	\$1,582	\$1,963	24.1%	\$2,116	\$2,450	15.8%	\$2,842	\$2,970	4.5%	\$843	14.8%
Vehicle registration	\$259	\$269	3.9%	\$279	\$285	2.2%	\$385	\$380	-1.3%	\$11	1.6%
Insurance	\$332	\$328	-1.2%	\$346	\$366	5.8%	\$393	\$386	-1.8%	\$9	0.9%
Mortgage	\$237	\$297	25.3%	\$310	\$345	11.3%	\$300	\$335	11.7%	\$130	16.1%
Other duties	\$76	\$73	-3.9%	\$26	\$25	-3.8%	\$14	\$6	-57.1%	-\$12	-21.6%
Total Duties	\$2,487	\$2,930	17.8%	\$3,078	\$3,471	12.8%	\$3,935	\$4,077	3.6%	\$978	11.4%
Gambling Taxes and Levies	\$892	\$841	-5.7%	\$881	\$826	-6.2%	\$868	\$886	2.1%	-\$88	-3.3%
Land Tax	\$431	\$404	-6.3%	\$500	\$523	4.6%	\$622	\$622	0.0%	-\$4	-0.6%
Motor Vehicle Registration	\$793	\$819	3.3%	\$846	\$865	2.2%	\$900	\$945	5.0%	\$90	3.5%
Fire Levy	\$232	\$239	3.0%	\$247	\$252	2.0%	\$264	\$264	0.0%	\$12	1.7%
Community Ambulance Cover	\$112	\$118	5.4%	\$121	\$123	1.7%	\$128	\$128	0.0%	\$8	2.3%
Other Taxes	\$130	\$127	-2.3%	\$144	\$140	-2.8%	\$144	\$148	2.8%	-\$3	-0.8%
Total Taxes	\$6,843	\$7,396	8.1%	\$7,871	\$8,375	6.4%	\$9,272	\$9,552	3.0%	\$1,337	5.8%
<b>Commonwealth Revenue</b>											
GST Revenue	\$7,721	\$7,773	0.7%	\$7,972	\$8,053	1.0%	\$8,384	\$8,596	2.5%	\$345	1.4%
Specific Purpose Payments	\$4,852	\$5,039	3.9%	\$5,280	\$5,729	8.5%	\$6,348	\$6,399	0.8%	\$687	4.4%
Total Australian Government Payments	\$12,756	\$12,991	1.8%	\$13,253	\$13,782	4.0%	\$14,732	\$14,995	1.8%	\$1,027	2.5%

Dollar values in millions and in current prices

Source: Queensland State Budget Papers, Budget Strategy and Outlook, Budget Paper No.2

5.8 The Goods and Services Tax (GST) is and will continue to be a growing revenue stream which has already created greater flexibility in meeting various State Government funding priorities. GST revenue since 2000-01 has increased by over \$4 billion or 87% with total Australian Government payments to Queensland increasing by over \$6.3 billion or 70.3%. The introduction of the GST had the goal of replacing many of the inefficient State taxes levied on businesses. While the scope of the GST fell short of what was originally intended, over time revenue from the GST has risen above expectations and should be used to fund tax initiatives replacing existing business taxes. Even with the Mid Year Fiscal and Economic Review confirming that the State will collect \$241 million less in GST receipts for 2008-09, receipt levels remain well in excess of 2006-07 levels.

Commonwealth Revenue	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	\$ Increase	00-01 to 08-09
GST Revenue	\$4,658	\$5,019	\$5,890	\$6,515	\$7,354	\$7,773	\$8,092	\$8,596	\$8,686	\$4,028	86.5%
Specific Purpose Payments	\$3,637	\$3,947	\$4,115	\$4,359	\$4,730	\$5,039	\$5,808	\$6,399	\$6,486	\$2,849	78.3%
Total Australian Government Payments	\$8,909	\$9,638	\$10,182	\$10,962	\$12,228	\$12,991	\$13,900	\$14,995	\$15,172	\$6,263	70.3%
Consumer Price Index - Brisbane	132.4	136.3	140.7	144.8	148.5	153.2	158.3	164.8	170.6		28.9%

Dollar values in millions and in current prices

Source: Queensland State Budget Papers, Budget Strategy and Outlook, Budget Paper No.2

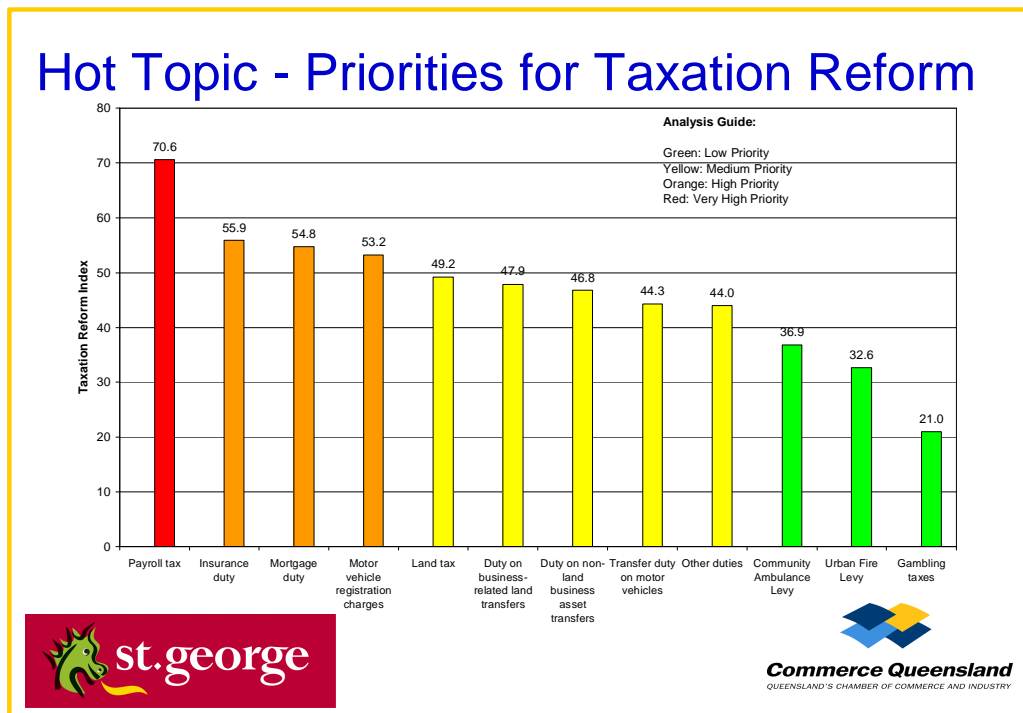
5.9 Government must continue to monitor and seek out efficiencies in the delivery of government programs. Due to the dominance of the public sector in the economy, the efficiency and effectiveness of government is essential if productivity is to improve across the economy. Anything short of optimum efficiency in the delivery of public services means that taxpayers are paying more in taxes and charges than they would otherwise need to. An improvement in the efficiency of government agency service delivery offers significant scope for enhanced budget flexibility which in turn can be directly used to fund taxation initiatives.

## Business Priorities

5.10 The St George CCIQ Pulse Survey confirms that payroll tax is the number one tax constraint on Queensland business and should therefore be a very high priority for reform over the next three years. Other State taxes considered to have high priority for reform include insurance duty, mortgage duty and motor vehicle registration charges. Of particular interest is that the importance of payroll tax does not vary significantly among business sizes. 95% of the Queensland business community do not currently pay payroll tax yet these businesses believe the tax should have high priority for reduction offering them seemingly no immediate financial benefit.

CCIQ believes this is a reflection that many business owners are aspiring to grow their businesses and believe the tax will become an issue for them in the future or are intentionally capping themselves so they do not pay the tax. CCIQ also believes that small businesses are mindful that much of their economic activity derives from businesses who pay payroll tax and accordingly some of the benefit of reduction in this tax would ultimately be passed on to them. Additionally general business community sentiment is that payroll tax impedes economic activity and is ultimately a tax on employment impacting on the entire Queensland community.

## Hot Topic - Priorities for Taxation Reform



St George CCIQ Pulse Survey – December Quarter 2007

Also interesting is the significant importance of payroll tax to medium and large-sized businesses. Medium sized businesses are particularly concerned about payroll tax as they compete against small businesses that do not have to pay the tax. Payroll tax adds to their cost base and places them at a competitive disadvantage to their small rivals.

### Specific Recommendations

#### 5.11 Indexing of Thresholds

There is a tendency amongst policymakers to index fees and charges but not tax thresholds. This damaging and distorting practice means that businesses are quickly caught in the 'tax trap' due to the economy's inflationary trends.

CCIQ recommends that the next State Government index all business tax thresholds on 1 July each year.

#### 5.12 Payroll Tax

##### 5.12.1 Payroll tax impedes economic growth

One of the most onerous taxes on business is payroll tax and changes to reduce the complexity and compliance burden of payroll tax is necessary if Queensland businesses are to remain competitive. CCIQ believes that the next State Government has the opportunity to provide substantial payroll taxation relief to the business community to enable improved employment outcomes, increased productivity and a stronger economy. Payroll tax directly impedes employment and industry growth and creates a substantial disincentive for business expansion and relocation. The burden of payroll tax invariably falls upon labour intensive industries such as mining, manufacturing and communications. Payroll tax acts as a direct deterrent to employers expanding their workforce above the payroll tax threshold.

We recognise the relative importance of payroll tax to State Government revenue but believe that the negative effects of this regressive taxation and its adverse impact on international competitiveness clearly places it at the head of any taxation reform strategy. Accordingly CCIQ recommends a long term view of completely phasing out payroll tax and that consideration be given to an immediate reduction in the payroll tax rate from 4.75% to 4.50% saving the business community in excess of \$127 million and an increase in the exemption threshold. CCIQ also argues that the significance of payroll tax requires it be addressed in a transparent and programmed manner.

## 5.12.2 Increasing Reliance on Payroll Tax

Queensland Government is increasingly relying on payroll tax to fund State services. The demonstrated growth in payroll tax from 24.4% to 30.0% of State taxation revenue shows an increasing dependency on payroll tax for the generation of state taxation revenue. CCIQ was alarmed to see in the Mid Year Fiscal and Economic Review a revising up of payroll tax receipts by \$64 million in light of the difficult economic environment currently confronting Queensland businesses.

State Taxation Revenue	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2008-09 MYFR	\$ Increase 00-01 to 08-09	% Increase 00-01 to 08-09
Payroll Tax	\$1,170	\$1,202	\$1,334	\$1,479	\$1,674	\$1,917	\$2,232	\$2,482	\$2,702	\$2,766	\$1,596	136.4%
Payroll Tax as a % of Total State Taxes	24.4%	25.0%	23.8%	22.2%	24.1%	25.9%	26.3%	26.0%	26.7%	30.0%		5.5%

Dollar values in millions and in current prices

Source: Queensland State Budget Papers, Budget Strategy and Outlook, Budget Paper No.2 & MYFER

## 5.12.3 Reducing Exemption Threshold

Queensland is the only State whereby the payroll tax exemption threshold reduces to zero for payrolls between \$1 and \$5 million. The change announced in the last State Budget was welcome however the distortion has in reality only been shifted. Employers with payrolls just over \$5 million do not enjoy any benefit of an exemption threshold. For a band of employers in Queensland approaching \$5 million and over \$5 million they are at a competitive disadvantage with several other States. CCIQ recommends the removal of the diminishing exemption threshold to be replaced by a flat exemption threshold set at at least \$1 million.

## 5.12.4 Indexing of Payroll Tax Threshold

There is a clear case for a major upgrade of the threshold given bracket creep which has occurred through wage and wage 'on cost' increases all of which has whittled away considerably at the value of the threshold. The Payroll tax threshold should be indexed to annual wages growth. Adjustments should also be made if there are legislative changes to other components of payroll tax, such as the superannuation guarantee levy. The threshold set at \$1.0 million several years ago was not factored on Queensland employment numbers and wages rising to the current extent.

### Recommendations:

- The impost of payroll tax on the business community must be reduced to remove the disincentive this presents to business growth.
- An immediate reduction in the payroll tax rate from 4.75% to 4.5% to ensure Queensland remains internationally competitive.
- The immediate removal of the diminishing exemption threshold to be replaced by a flat exemption threshold set at least at \$1 million and then be indexed to annual wages growth.
- The State Government commit to completely phasing out payroll tax from the Queensland tax stable.

## 5.13 Stamp Duties

### 5.13.1 Importance of Stamp Duty

Duties on insurance, transfer of property and other business assets, vehicle registration and mortgages are of critical importance to Queensland businesses. CCIQ urges the Queensland State Government to take further action in increasing the competitiveness of Stamp Duties.

### 5.13.2 Increasing Reliance on Stamp Duties

Stamp duties since 2000-01 have increased by \$1.8 billion or 143% with its proportion of State taxation revenue increasing from 27% to 34.1%.

State Taxation Revenue	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2008-09 MYFR	\$ Increase 00-01 to 08-09	% Increase 00-01 to 08-09
Stamp Duties												
Transfer	\$700	\$1,056	\$1,382	\$1,863	\$1,744	\$1,963	\$2,542	\$2,970	\$3,141	\$2,250	\$1,550	221.4%
Vehicle registration	\$167	\$184	\$234	\$271	\$267	\$269	\$289	\$380	\$518	\$465	\$298	178.4%
Insurance	\$206	\$238	\$286	\$315	\$316	\$328	\$361	\$386	\$403	\$386	\$180	87.4%
Other duties	\$222	\$250	\$279	\$383	\$316	\$370	\$368	\$341	\$29	\$46	\$176	-79.3%
Total Duties	\$1,294	\$1,728	\$2,182	\$2,832	\$2,642	\$2,930	\$3,560	\$4,077	\$4,091	\$3,147	\$1,853	143.2%
Stamp Duties as a % of Total State Taxes	27.0%	35.9%	39.0%	42.4%	38.0%	39.6%	42.0%	42.7%	40.5%	34.1%		7.1%

Dollar values in millions and in current prices

Source: Queensland State Budget Papers, Budget Strategy and Outlook, Budget Paper No.2 & MYFER

### 5.13.3 Intergovernmental Agreement

The Queensland Government under the terms of the 1999 Intergovernmental Agreement on the Reform of Commonwealth-State Financial Relations committed itself to review the need for inefficient stamp duties, including those applied to non residential conveyances, leases, credit and rental arrangements, and unquoted marketable securities. CCIQ acknowledges that the State Government has removed some duties, in accordance with the Intergovernmental Agreement. Taxes and duties that remain in place must now be reviewed in detail with the aim of eliminating those that are detrimental to the competitiveness of businesses in Queensland.

### 5.13.4 Removal of stamp duty on the GST inclusive amount of fees and charges.

CCIQ also recommends the removal of stamp duty on the GST inclusive amount of fees and charges (as the first step towards phasing out stamp duty on business transactions). Stamp duty on the GST inclusive amount of fees and charges is a tax on a tax and is a significant design flaw of the current taxation system.

### 5.13.5 Stamp Duties on Property Transfers

In recent years, due to the large increase in property prices, stamp duty paid on both residential and non-residential transactions has come to the fore as an issue requiring an immediate solution. Rising land tax costs have put enormous pressure on small business as the unrealised gain in the value of property has not been met by increased revenue. This has created a perverse situation where the Queensland State Government has significantly benefited from a cash windfall stemming from stamp duty on business property transfers.

### 5.13.6 Stamp Duties on Insurance

CCIQ highlights that insurance premiums continue to be a hindrance to business operating circumstances and accordingly recommends a reduction in stamp duty on insurance for businesses. Taxes on insurance in Queensland are inequitable and are actively discouraging companies from adequately protecting their assets with appropriate insurance. CCIQ urges the Queensland State Government to further adjust duty rates to at a minimum ensure that taxation receipts remain neutral to increasing insurance premiums. CCIQ believes it is time for the State Government to reconsider the burden placed on businesses through insurance taxes.

#### Recommendations:

- Stamp duty on GST inclusive amounts should be immediately removed.
- Stamp duties should be reviewed in detail with the aim of eliminating those that are detrimental to the competitiveness of businesses in Queensland.

## 5.14 Land Tax

### 5.14.1 Increasing reliance on Land tax

In recent years, due to significant rises in property prices, the issue of land tax has become increasingly important to business. Rising land tax costs have put enormous pressure on small businesses as the unrealised gain in the value of property has not been met by an increase in profit margins or revenue. Businesses have frequently found their land tax bill double that paid previously. Land tax receipts since 2000-01 have increased by over \$567 million or 247% with its proportion of State taxation revenue increasing from 4.8% to 8.6%

State Taxation Revenue	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2008-09 MYFR	% Increase \$ Increase 00-01 to 08-09	
Land Tax	\$230	\$231	\$279	\$313	\$419	\$404	\$485	\$622	\$797	\$797	\$567	246.5%
Land Tax as a % of Total State Taxes	4.8%	4.8%	5.0%	4.7%	6.0%	5.5%	5.7%	6.5%	7.9%	8.6%		3.8%

Dollar values in millions and in current prices

Source: Queensland State Budget Papers, Budget Strategy and Outlook, Budget Paper No.2 & MYFER

#### Recommendations:

- The Queensland State Government should consider increasing the land tax threshold and reduce the rates payable.

---

### 5.15 Compliance Costs

There exists a high compliance burden facing business in relation to business taxes. CCIQ would like to work with the next State Government to lower the compliance costs of regulations and taxes. The next State government through COAG should seek to establish and fund a permanent consultative body of business representatives and policy makers to research and develop practical ways to lower this burden on business. Taxation simplification whilst not significantly impacting on revenues has the potential to deliver enormous benefits to business and accordingly CCIQ recommends reducing the compliance and paperwork burden on all businesses, but on small business in particular.

#### Recommendation:

- The compliance and paperwork burden of taxes on all businesses must be reduced.

---

## 6.0 Government Regulation

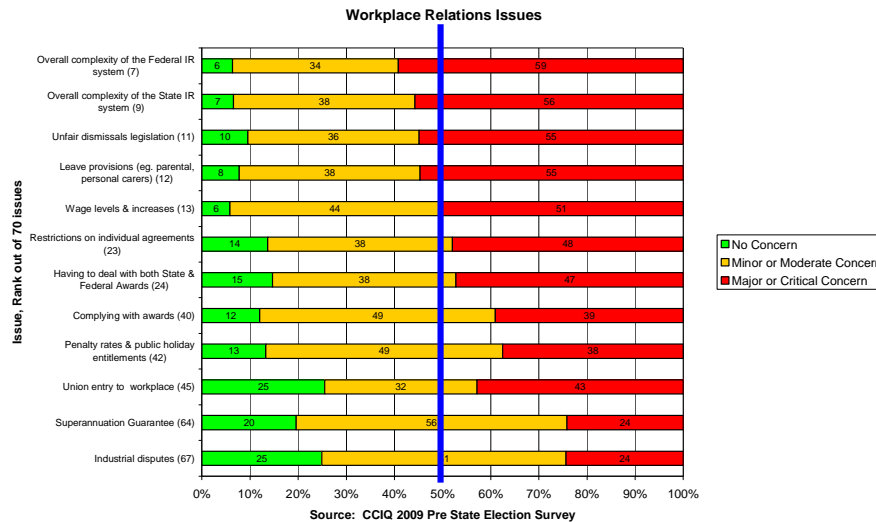
- 6.1 Government regulation continues to impose substantial cost and compliance burdens on business. CCIQ has estimated the annual cost of Government regulation to be \$17.9 billion within Queensland. Inappropriate and inefficient regulation acts as a constraint on business growth, productivity and investment and reduces Queensland's competitiveness both nationally and internationally. Government regulation therefore is a key issue for the Queensland business community and more must be done to reduce the burden on business and create a more positive environment for business.
- 6.2 The importance of regulation and red tape to business is highlighted by the many examples of regulation featuring prominently in the top 20 constraints on business growth listed section 3.0. Notwithstanding those concerns, CCIQ acknowledges that effective regulation can deliver positive outcomes for business, by improving operating and governance arrangements and by providing a more stable economic environment. While some regulations are reasonable and should continue to govern aspects of the way business operates, it is essential that the next State Government review regulations to identify areas where surplus, overlapping or outdated regulation exists. It is not only that current levels of red tape be reduced, but that systems are put in place to restrict future levels.
- 6.3 The next State Government must aim to minimise the impact of regulations on business compliance by continuing to refine existing scrutiny and consultation processes. In short, no new business regulation should be contemplated without a thorough, independent and public process involving cost-benefit analysis including the full consideration of the impact of proposed legislative changes on Queensland industry generally and small and medium-sized enterprises (SMEs) in particular. The State Government should have an overriding objective of easing compliance, cutting red-tape and generally reducing the regulatory burden for all businesses across all areas. Essentially the aim must be to make regulation more efficient.
- 6.4 The next State Government needs to adopt regulatory approaches which recognise and minimise the burden that regulation imposes on business. A review of the efficacy of the existing Regulatory Impact (RIS) processes also needs to occur. We must break down the culture among some Departments that RISs are used as a means to justify regulation, as to its original intention to validate the need for regulation. In addition, we believe clear targets for regulation reform among Government Departments needs to be established and systematically monitored. Examples could include:
- Reducing the compliance burden of a Department's client base.
  - Improving the level of consultations with business on regulatory issues.
  - Increasing the speed and accuracy of information provided to business on their regulatory requirements.
  - Increasing the ratio of non-regulatory approaches to regulatory standards.
- 6.5 The next State Government must facilitate a systematic and cultural change required within the machinery of government to contain the exponential growth in regulation. A change in culture and attitude is required. A number of measures must be implemented to ensure that the Queensland State Government is not adding to the overall cost of doing business.

### Recommendations:

- Tougher rules for the making of new regulations, including rigorous cost benefit analysis and the adoption of a 'one in one out' approach to regulation whereby policy makers can only introduce a new regulation if they remove a redundant or superseded regulation.
- Introduction of an annual regulatory statement in the State Budget to review the regulations that have been introduced in the previous year and are planned to be introduced in the coming year.
- State Government to obtain a count measure of the current stock of regulation and set a target for its systematic reduction.
- Establish a one-stop shop for business to access State Government.
- A regulatory review process where existing regulation is reviewed at least once every five years.
- Government to better consult with the business community before any introduction of regulation.
- Implement measures to change the culture of regulatory bodies, in order to reward good behaviour, rather than the current punitive regime.

## 7.0 Workplace Relations

7.1 Workplace relations is a key issue for the Queensland business community and it is essential that employers have in place flexible, creative and mutually beneficial working arrangements. The following graph indicates the range of issues that Queensland businesses prioritise in terms of Workplace Relations. Clearly evident is the limited scope for the State Government to materially alter a number of these issues as they are determined predominantly by Commonwealth legislation.



7.2 Queensland operates its own individual workplace relations system parallel to the current federal system. This results in business being overly regulated by a confusing and complex range of systems that negatively impact on productivity and employment growth. To resolve this situation the next State Government should act immediately to refer its powers for workplace relations legislation to the Federal Government, delivering a single workplace relations system for all Queensland employers. It will also dramatically reduce the level of workplace relations regulation on business. A single workplace relations system will deliver simplicity and certainty with clear and understandable rights and responsibilities for both employers and employees. Taxpayers' interests are also served well saving significant public expenditure for just 15% of the State's private sector employees.

7.3 Ultimately CCIQ supports a single, national industrial relations system, however this is not a prerequisite for the State Government to relinquish its own rights. This should occur irrespective of similar commitments from South Australia, New South Wales, Western Australia and Tasmania. Inevitably the establishment of a unitary federal system of labour law regulation is favored as it is consistent with the evolving nature of the Australian and Queensland economies. As an example Victoria led the way in 1997 with the straightforward, essentially unconditional referral of legislative powers to the Commonwealth. This Victorian approach, with only minimal changes, should be the model for the transfer of legislative powers by Queensland.

Source: CCIQ 2008 Pre State Election Survey	Strongly Agree %	Agree %	Neutral %	Disagree %	Strongly Disagree %
The State government should refer its power to the Commonwealth to legislate workplace relations so that Australia can have a single national workplace relations system.	57.5	20.5	11.8	4.8	5.4

7.4 Queensland should be involved in discussions about the transition to the Commonwealth - as should business and union interests. However, the focus of those discussions should be on how large and expensive State infrastructure can be best utilised within a national system, not about future control over national policy.

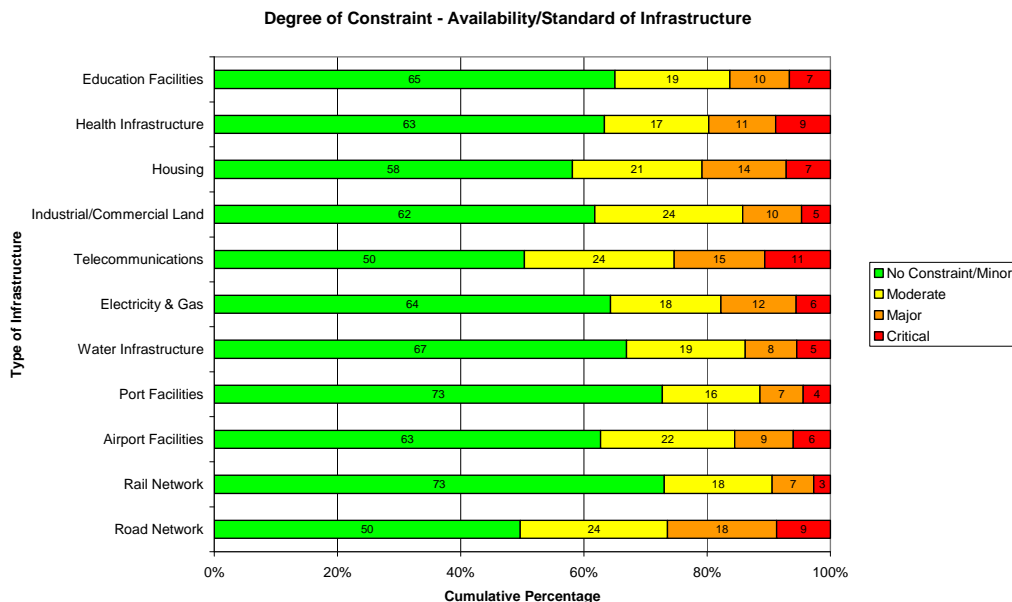
### Recommendation

- the next State Government should refer its powers for workplace relations legislation to the Federal Government, delivering a single workplace relations system for all Queensland employers.

## 8.0 Infrastructure

- 8.1 Adequate and reliable infrastructure is essential to a growing Queensland economy and is central to the standard of living enjoyed by all Queensland residents. It is absolutely essential that the State's infrastructure network is capable of meeting the needs of Queensland economy both now and into the future. If the business community is going to be encouraged to invest in Queensland then it needs to know basic infrastructure will be available and bottlenecks addressed.
- 8.2 Whilst it is generally recognised that there are infrastructure shortages in various areas of the Queensland economy there is little evidence that these shortages currently constitute a crisis. Research indicates that other issues are of greater importance to Queensland business. While infrastructure is not a critical concern for the majority of businesses, it is likely to be a very important concern for a minority of business. Businesses are of the view that even though infrastructure constraints may not directly be affecting their businesses at the moment, they believe that constraints arising from infrastructure are having an adverse effect on the wider economy and will impact on their business in future. The costs of infrastructure investment are readily identifiable, yet the greater cost of failing to invest in appropriate infrastructure can be largely invisible.
- 8.3 As part of the development of this Economic Blueprint CCIQ commissioned a special survey to gather valuable feedback from the Queensland business community on what infrastructure problems currently exist within Queensland; how these problems impact on business; and immediate infrastructure priorities for Queensland businesses to fix these problems. This information was gathered as part of CCIQ's quarterly Pulse Survey.
- 8.4 Where are the Infrastructure Problems

Queensland businesses overwhelmingly point to the State's road network and telecommunications services as being hot spots in terms of the availability / suitability of these types of infrastructure acting as a constraint on business. Housing and health infrastructure were also identified as constraining infrastructure.

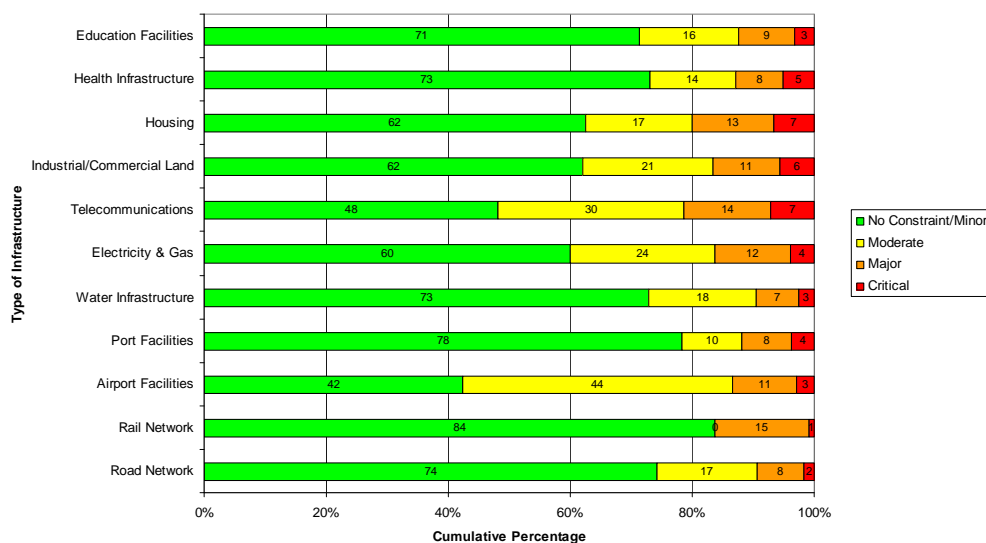


Source: St George Bank CCIQ Pulse Survey of Business Conditions

In respect to price as a constraint on business, airport facilities and again telecommunications were identified as trouble areas. The costs of these services limit the ability of some businesses to obtain the maximum economic benefits from their availability. Electricity and gas, the cost of industrial and commercial land and housing were also key constraining areas on Queensland business in terms of price. As with availability of housing, the price of housing was regarded as a key constraint on business due to the negative impact that it has on the ability of businesses to attract and retain staff.



**Degree of Constraint - Price of Infrastructure**



Source: St George Bank CCIQ Pulse Survey of Business Conditions

**8.5 Problems by Region**

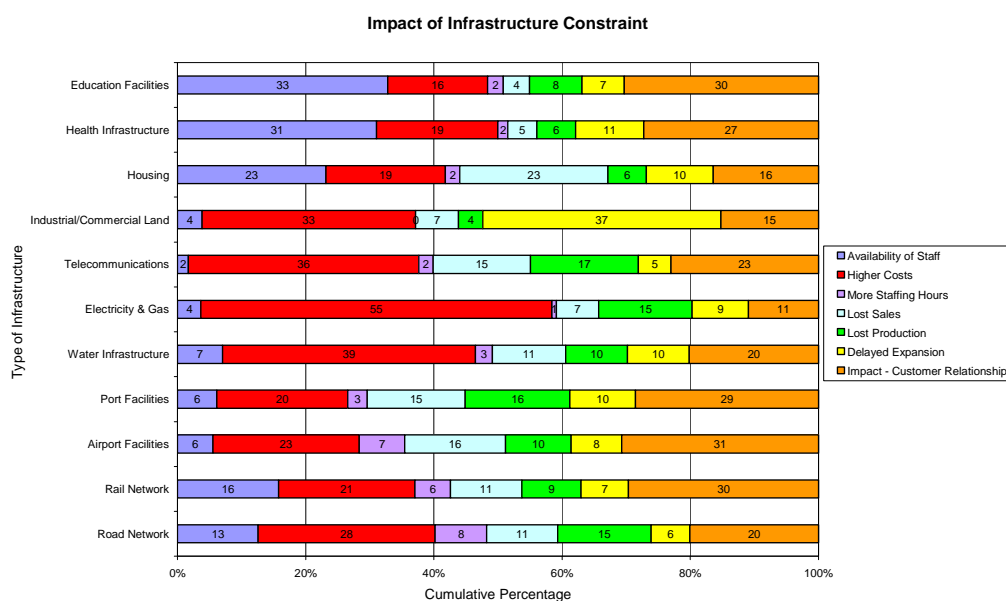
Road networks, telecommunications and housing appear to be relatively important for most regions of Queensland, however four additional trends emerge when analysing results by region. These are the importance of social and access infrastructure for remote regional communities, the importance of access infrastructure particularly airport facilities for tourism destinations, the importance of transport infrastructure for mining regions and water infrastructure for those areas of Queensland that rely on water and are being negatively impacted by drought. Section 7.8 identifies those specific projects that are needed urgently to address each of the following infrastructure problems within a specific region.

	Availability / Standard	Price
Brisbane	1. Road Network 2. Telecommunications 3. Housing	1. Telecommunications 2. Port Facilities 3. Industrial / Commercial Land
Sunshine Coast	1. Telecommunications 2. Road Network 3. Housing	1. Telecommunications 2. Housing 3. Electricity & Gas
Gold Coast	1. Road Network 2. Telecommunications 3. Housing	1. Housing 2. Telecommunications 3. Electricity & Gas
South West Queensland	1. Water Infrastructure 2. Airport Facilities 3. Road network	1. Telecommunications 2. Water Infrastructure 3. Airport Facilities & Rail Network
Central Queensland	1. Telecommunications 2. Industrial / Commercial Land 3. Airport Facilities	1. Industrial / Commercial Land 2. Housing 3. Telecommunications
Central Coast Queensland (Mackay)	1. Housing 2. Industrial / Commercial Land 3. Road Network	1. Housing 2. Industrial / Commercial Land 3. Rail Network
North Queensland	1. Road Network 2. Telecommunications 3. Housing	1. Telecommunications 2. Industrial / Commercial Land 3. Port Facilities
Far North Queensland	1. Airport & Port Facilities 2. Road Network 3. Telecommunications	1. Rail 2. Electricity & Gas 3. Housing
Queensland	1. Road Network 2. Telecommunications 3. Housing	1. Telecommunications 2. Housing 3. Industrial / Commercial Land

An increasingly important issue for companies with projects in regional and rural Queensland is the provision of adequate social infrastructure and community services for employees and their families. The development of a strong network of social infrastructure helps to foster economic development to the extent that people are attracted not only to the economic opportunities that exist, but also the lifestyle advantages. Regional Queensland is not serviced well in this regard. In a tight labour market, this situation makes it more difficult for project developers and operators to compete for quality residential labour. This is reflected in the increasing use of fly-in fly-out employment practices. Additionally the tourism industry is underpinned by connectivity between assets and accessibility to potential markets. Accessibility to the regions is crucial for tourism development throughout the state, where vast distances and remoteness play a large part in the destination's competitiveness and ultimately its attraction. The provision of quality road services, public transport and airports providing increased accessibility is essential.

## 8.6 How Poor Infrastructure Impacts on Business

The impact of poor infrastructure has a predominantly negative impact on customer relationships and significantly higher business costs. This was the case for substandard or poor availability of road and rail networks; telecommunications; airport and port facilities; and water infrastructure.



Source: St George Bank CCIQ Pulse Survey of Business Conditions

The resultant impact of poor social infrastructure such as housing, education facilities and health infrastructure is subtly different with reduced availability of staff. Problems with electricity and gas mostly impact on higher costs and lost production. Poor availability of industrial and commercial land also impacts on higher costs but equally impacts on delayed expansion of a business.

## 8.7 Private Sector Involvement in Infrastructure

Decisions on whether to privatise an asset or to contract out should be determined according to which form of service delivery represents the best value for money for the community. There should be no ideological presumption either in favour of or against private provision. Sometimes the private sector is more efficient and effective at delivering services, sometimes the government is. These considerations should be the ones guiding whether or not infrastructure is privatised. Of central importance is the fact that the rate of spending necessary for continued infrastructure investment and development in Queensland will not be sustainable without using the Private Sector.

Accordingly Government should actively consider alternative financing mechanisms to free itself from direct investment in costly infrastructure through mechanisms such as Private Public Partnerships (PPPs), privatisation, contracting out and competitive tendering. By moving out of activities that the private sector can do better, government frees resources to provide the infrastructure that only it can supply. The private sector has the potential to deliver significant benefits including improved quality at lower cost. Greater private sector involvement will diversify and enlarge the pool of funds available to finance the construction and maintenance of infrastructure, enabling some projects to be brought

---

forward and completed earlier than otherwise would have been the case. The utilisation of private sector participation in the provision of essential infrastructure will inevitably lead to an improvement in Queensland's building industry, investment growth and employment opportunities. For these reasons CCIQ has been very active in encouraging constructive debate on what role the private sector can play and in infrastructure provision and is actively encouraging Government to consider the benefits that the private sector can provide in the delivery of sustainable infrastructure.

## 8.8 Identified Infrastructure Projects / Priorities by Region

The following list details the infrastructure priorities identified by members of CCIQ. Whilst these infrastructure priorities have not been subject to a cost benefit analysis to determine whether they are economically viable, they do highlight the range of issues identified by Queensland businesses. CCIQ recommends that particular priority should be given to infrastructure roll out for those regions within Queensland that have experienced the greatest economic downturn such as Far North Queensland and the Gold Coast. A full State Government infrastructure spending analysis by region is enclosed in Appendix Six.

### 8.8.1 Brisbane

Two in every three businesses within Brisbane identified an urgent need for the dramatic improvement of the city's road and public transport systems. Priorities ranged across the Gateway upgrade, ring roads, tunnels and upgraded passenger rail services. Many businesses identified Brisbane's Trade Coast precinct as also a high priority area. A significantly high number of businesses identified transit times to and from the Brisbane International Airport together with a major upgrade for the Port of Brisbane itself as having a high priority.

### 8.8.2 Gold Coast

Projects identified as having a high priority for the Gold Coast included major highway upgrade (although the Tugan bypass should address much of this feedback) and upgrading of arterial roads from the M1. The light rail passenger system for the Gold Coast through to the Coolangatta airport was also cited many times. Further upgrades to the Coolangatta Airport and the regions telecommunications namely broadband services were identified.

### 8.8.3 Sunshine Coast

Most projects identified for the Sunshine Coast focused on improving the mobility of persons. Accordingly improved public transport and a road system was a common theme with many businesses highlighting the need for passenger rail services between major population centres on the Sunshine Coast. Further upgrades for the Sunshine Coast Airport were also cited. Improved broadband services were also regarded as highly important for the region.

### 8.8.4 South West Queensland

Unsurprisingly given the prevailing drought conditions within South West Queensland a dramatic improvement to the regions water infrastructure was regarded as the stand out infrastructure project.

### 8.8.5 Central Queensland

No clear infrastructure priorities were identified for Central Queensland although road and airport upgrades were identified as having high priority. The availability of industrial and commercial land was also cited although CCIQ notes the difficulty in addressing this need by State and Commonwealth Governments through any one infrastructure project. See section 5.7 for possible solution to this issue through improved Local and State Government Planning laws.

### 8.8.6 Central Coast (Mackay)

The Central Coast's importance in the export of mining materials inevitably causes the identification of rail and ports to be of high importance to the region. The Bruce Highway was also identified by many businesses within the region as needing improvement.

---

### 8.8.7 North Queensland

Similarly North Queensland's increasing reliance on resources accordingly leads to the projects identified centring on ensuring adequate rail and ports for the export of raw materials and adequate roads to the mining centres. The Bruce Highway and telecommunications were also cited as highly desirable priorities.

### 8.8.8 Far North Queensland

Unsurprisingly given that the tourism appeal of remote Far North Queensland the continuing major upgrade of the Bruce Highway and Cairns International Airports were the projects identified as vitally needed for the region. Other identified priority projects included a commitment to the building of a new hospital that will cater for the long term health needs of Far North Queensland residents to at least 2030; the continued major upgrade of the Port of Cairns and broadband services in Far North Queensland.

### 8.8.9 Social Infrastructure

Responses from businesses continually referred to the need for social infrastructure. Priorities identified by Queensland businesses across the State included:

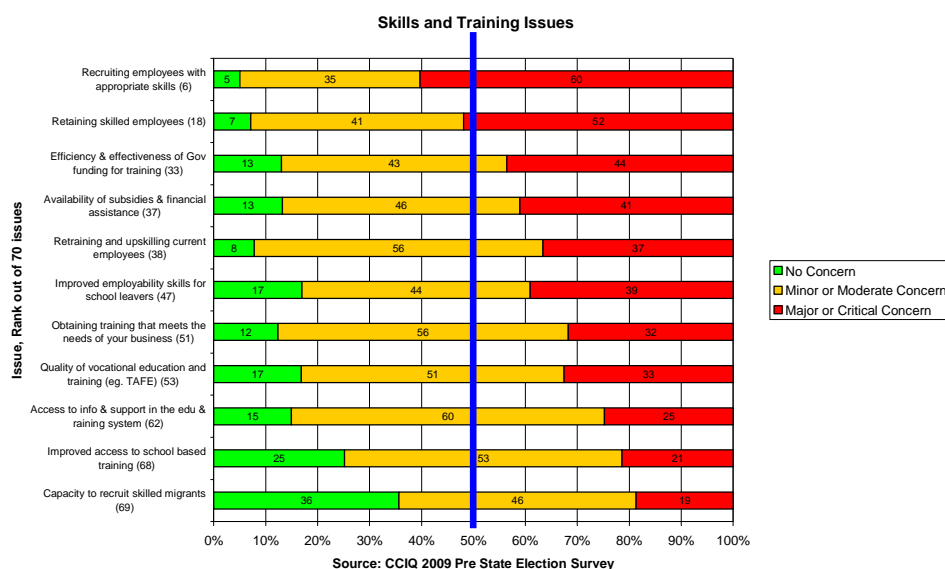
- Improved housing options and availability of residential land;
- Child care, primary, secondary and tertiary education;
- Health services;
- Development of improved social infrastructure including sporting facilities;
- Infrastructure supporting broadband Internet, cable TV and telecommunications;
- Services such as emergency, fire and ambulance services; and
- Improved transport infrastructure and competitive transport services.

## Recommendations

- A holistic approach should be taken to infrastructure planning across all physical infrastructure and across all levels of government to ensure an effective and consistent approach.
- Fast tracking and better planning in respect to Queensland's future infrastructure needs;
- Increased investment in key infrastructure assets to ensure that the State's infrastructure network is of an acceptable standard and capable of meeting forecast demand. Particular priority should be given to infrastructure roll out for those regions within Queensland that have experienced the greatest economic downturn such as Far North Queensland and the Gold Coast.
- A transparent and equitable pricing regime which does not adversely affect the competitiveness of Queensland business and industry.
- Government to establish a target list of projects able to be delivered by the private sector through the public/private partnership (PPP).
- Greater private sector involvement in the planning, development, construction, operation of Queensland infrastructure.
- Recognition that all communities in Queensland should have access to a reasonable standard of infrastructure and taxpayer-funded services.

## 9.0 Skill Shortages, Education and Training

9.1 Investment in vocational education and training programs and the implementation of reforms and initiatives have improved the operation, recognition and participation in vocational education and training. Most notably we have seen a significant increase in the number of apprentices and trainees in skill shortage areas, increased awareness of skills shortages and recognition of the vocational education and training options available to employers.



### The changing economy for skills

9.2 The global economic crisis and slowing Australian economy will have dramatic impacts on Queensland's labour force. According to current forecasts, Queensland's unemployment rate is expected to rise from its current generation-low of 3.75% to 4.25% in 2009.

9.3 Apprenticeship commencements from 2009 onwards are expected to be significantly less than previous years. The majority of respondents in the Pre-election survey supported this trend indicating a view that as a result of the current economic slowdown the capacity of businesses to recruit apprentices and invest in training would be reduced (Table xx). This places Queensland at significant risk of a worsening skills shortage when the economy recovers.

9.4 Therefore it is important that government and industry recognise the importance of sustaining investment in skills, education and training. The current economic slowdown should not be viewed as an easing of pressures on critical skills shortages, but rather an opportunity to overcome previous challenges and for skills development to outpace skills shortages and the aging population.

#### Recommendation:

New initiatives, innovative reforms and additional funding for education, training and skills development should be a high priority for the next government.

	Strongly Agree %	Agree %	Neutral %	Disagree %	Strongly Disagree %	Index %
The deterioration of the Australian economy will ease the pressure of the current skills crisis in Queensland.	5.2	32.9	27.9	24.9	9.1	50.0
The current slow down in the Queensland economy will reduce your business's capacity and interest to employ new apprentices and trainees.	23.3	30.3	26.5	14.1	5.8	62.8
As a consequence of the current slow down in the Queensland economy, our business will be forced to reduce its spending on training.	20.0	27.6	22.9	22.2	7.3	57.7

---

## Recruitment and Retention

9.5 The recruitment and retention of skilled employees were among the top 20 priorities identified in the 2009 Pre-State Election survey with over 50 per cent of respondents indicating it was a major concern for them (Refer Figure XX). These results indicate a need for continued and innovative approaches to skills and workforce development in Queensland.

### Recommendation:

Regional and industry skill and labour force needs should be met through improved identification and modelling arrangements.

- 9.6 We must plan for future skills needs so, as Queensland emerges from the global financial crisis, we have the required pool of skills and knowledge, available in the right areas, to drive productivity and economic growth.
- 9.7 All businesses must have access to effective business planning and workforce development diagnostic tools and training needs analysis. This will enable employers to identify areas of potential productivity growth, facilitate training for existing workers to meet skills needs, and where required enable recruitment of new staff.
- 9.8 Business planning should be complemented by broader work force modelling at the local, regional and industry levels that will identify current and future skills needs and enable targeted and proactive responses to meet identified skills and labour force gaps.

### Recommendation:

Specialised programs and initiatives are required to support SMEs engage in education and training system.

- 9.9 Small and medium sized businesses employ more than 90 per cent of the Queensland workforce. However, these businesses are generally less able to access and engage in the training system, and many due to either poor past experience or lack of information and support have become disengaged. The special needs and circumstances of small and medium sized businesses should be acknowledged in the design and delivery of training policy and programs. In particular SME's should have access to:
- additional incentives, including tax incentives, funding and training rebates to cover the full cost of employee training;
  - coordinated access to local and regional networks of employers to share and pool education and training resources;
  - Support for the implementation of flexible workplaces that will more readily facilitate training.
- 9.10 Industry associations have, and will continue, to play a valuable role in supporting small and medium sized businesses interact with the training system and communicating the importance of workplace and skills planning to these businesses.

## Existing Workforce Upskilling

9.11 Retraining and upskilling current employees was viewed as a concern for 97 per cent of respondents to the 2009 Pre-State Election Survey suggesting the need for policies and programs to better support this key segment of the Queensland workforce.

### Recommendation:

Greater effort to mainstream and promote mature-age and existing worker upskilling

9.12 Increased commitment to upskilling existing and mature-age workers to trade level or higher level qualifications is an approach that minimises training costs and maximises return on investment. In many cases, existing workers have a sound level of knowledge of the work environment and the required job specific skills base. Existing workers also have had exposure to the industry, and unlike many new entrants, will have formed an understanding of the nature of the work and preconceived expectations of their employment within the industry, and thus have increased likelihood to complete training.

- 
- 9.13 As the success of Apprenticeship programs have proven, greater recognition and participation is best achieved in the presence of financial incentives and support. Increased promotion of the benefits to employers and the economy, targeted financial incentives to employers, and wage and study assistance that complement productivity places and FEE HELP programs should be pursued.

**Recommendation:**

Greater simplification of RPL processes is required to meet the needs of business and industry

- 9.14 Despite efforts to reform, promote and fast-track RPL processes, business and employer feedback indicates the process remains overly complicated and time consuming. This acts as a disincentive to engage in the process of having qualifications recognised with people undertaking unnecessary training or not gaining qualifications at all. The opportunity and actual costs to government and the community as a result of an inefficient RPL processes is therefore high.
- 9.15 Ongoing review and reform of RPL processes and support systems is required. The option to access self-guided and online RPL assessment tools should be viewed as a high priority.

**Recommendation:**

The delivery of the Productivity Places Program for existing workers must be fast-tracked.

- 9.16 There has been significant enquiry from the community regarding the Productivity Places Program (PPP). Now, more so than ever, access to funding for the completion of training courses and qualifications is needed and must be in place immediately. With businesses facing tougher times and the unemployment figures rising there is likely to be a significant increase in people seeking to enter training. Productivity Places Program funding for existing worker training will assist employers increase business productivity, offer alternative short-term strategies to redundancies, and assist employees facing unemployment, by making them more employable and able to shift across industries.

**Recommendation:**

Develop the capacity of the industry and employers to drive skills development across the community.

- 9.17 Solutions to skill and workforce shortages requires capable and skilled educators, trainers and mentors. Greater incentives are required to engage experienced and skilled workers in Training and Assessment (TAA) qualifications to ensure the community has the capacity to develop the skills base of their colleagues, employees and students.
- 9.18 In particular, employers of apprentices need to develop mentoring and training skills to assist in keeping apprentices engaged for the duration of their tenure and ensuring the most effective transfer of skills from employer to apprentice is achieved.
- 9.19 Mature-age workers considering existing from a trade should be specifically targeted for this approach. The upskilling of tradespeople with the TAA qualifications would have also positive benefits for the Vocational Education and Training workforce.

**Efficiency and Effectiveness**

- 9.20 The efficiency and effectiveness of the education and training system in Queensland, including government funding, quality training, and information and support were among the remaining concerns for respondents to the 2009 Pre-State Election Survey. This indicates continued need to ensure that the education and training system in Queensland is responsive to the needs of business and the community.

**Recommendation:**

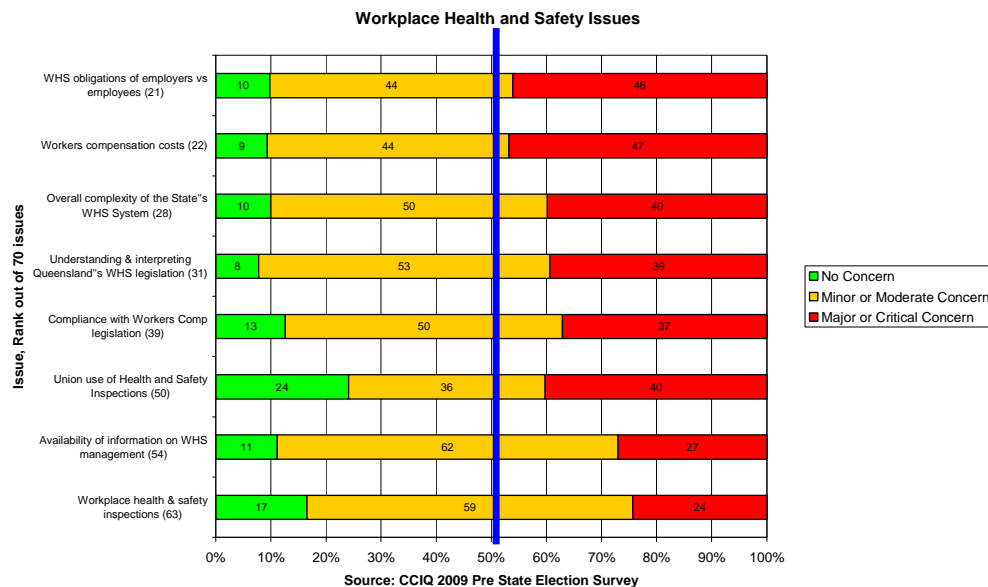
Continue and improve industry engagement and ensure VET system is responsive to industry and individual needs.

- 
- 9.21 The business community has a major role in ensuring that government effort is focused on those sectors of the economy where it is most needed.
- 9.22 The State Government should continue to place a high priority on ensuring strong industry involvement and leadership in the training system. The Chamber of Commerce and Industry Queensland supports industry advisory arrangements that allow an effective voice for industry in determining skill formation and training needs across the State. The State Government needs to ensure that the TAFE sector, as the major public training provider, is responsive to the needs of industry and has the capacity to provide industry with a world-class training system. Queensland also has a vibrant private training provider sector which makes a valuable contribution to skill formation in the state.
- 9.23 An efficient and effective training system requires employees and the employer to exercise a choice about the type of training and training provider that best suits their needs. Therefore The Chamber of Commerce and Industry advocates a fully competitive 'User Choice' approach to training policy and greater transparency in funding allocation.



## 10.0 Workplace Health and Safety

10.1 CCIQ is committed to the achievement of a Workplace Health and Safety system for Queensland businesses where every person in the workplace has a safe place of work and a safe method of working. Under current arrangements in Queensland, employers have great difficulty in fully understanding their responsibilities under our State's workplace health and safety regime. Employers are perplexed by the system and its requirements and many small to medium enterprises in particular are unsure of what their obligations are. The result is that many employers are not treating workplace health and safety with the degree of attention it deserves.



### WHS Principles

10.2 The Chamber supports the creation of a WHS framework that recognises employers and employees have a joint responsibility to ensure that workplaces are healthy and safe. Accordingly CCIQ encourages both employers and workers to take actions that improve health and safety in their workplaces. CCIQ believes that WHS Legislation must embrace the following principles:

- A common sense and fair approach to determining the obligations of employers;
- Consistent enforcement of clear, workplace health and safety guidelines;
- A partnership-based approach to ensuring healthy and safe workplaces in Queensland;
- Encouraging employers to provide safer workplaces through incentives; and
- Raising awareness amongst employers and employees of the importance of improved Workplace Health and Safety.

### Legislative Approach

10.3 Queensland employers are concerned with the continual increase in the amount of regulation relating to WHS. Instead of continually developing endless prescription regulation, Queensland's WHS system should be principle and outcome based and supported by authorities who provide advice in preference to enforcement. WHS legislation should be written in plain English to allow for maximum understanding by all duty holders. Significant focus should be placed on providing support and education to assist duty holders to fully understand the legislation and embrace the principles of:

- requiring employers to eliminate or reduce risk *so far as is reasonably practicable* (which is defined by a number of matters such as the likelihood of a hazard or risk occurring and what the employer ought reasonably know about the hazard or risk); and
- requiring workers to take reasonable care of their own health and safety and the health and safety of others.

---

## One Stop Shops

10.4 Employers need to deal with a multitude of different agencies and agents. At times there is inconsistent advice from agents from different agencies and even the same agency about how legislation is interpreted and implemented. Accordingly there is difficulty in understanding all the different pieces of legislation that are relevant to managing WHS in business. Solutions include rationalisation of legislation and / or a simple ready reckoner or guide to assist employers to identify the legislation that they need to comply with and a central call centre to answer queries for all WHS matters

## Prosecution

10.5 CCIQ believes that more balance must be given towards advice and support and that the current balance of effort is skewed towards investigation and prosecution. The principal focus of any WHS system should be to encourage and support the implementation of healthy and safety practices that give scope for enterprises to establish their own approaches for duty of care. Successful preventive programs can only be achieved through the full support of all those who can directly influence workplace practices. Only employers and employees working together can put into effect real workplace change. Any enforcement and prosecution framework should provide employers with incentives to improve workplace health and safety in their business. A proactive approach to safety management is essential if industry is to achieve best practice.

## Responsibilities of all Parties

10.6 The achievement of a safety culture in the workplace requires the commitment and participation of everyone involved in that workplace. WHS regulation should recognise the obligation on all workplace parties to carry out their work activities in a safe manner and clearly identify the roles and responsibilities of all workplace parties and encourage a consultative and participative approach in the workplace

## National Consistency

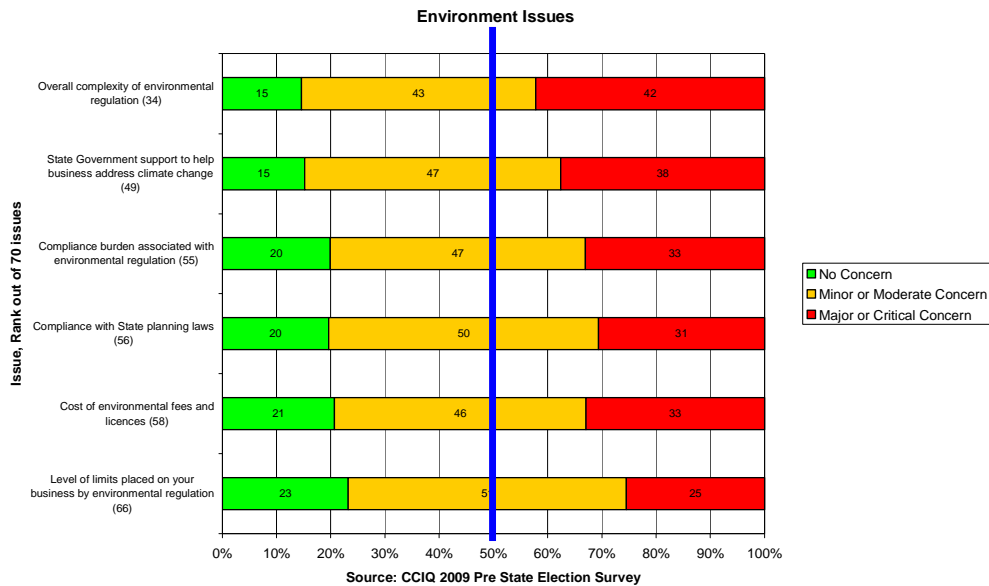
10.7 The Queensland business community strongly supports a nationally consistent model of OHS regulation that will apply across all jurisdictions. A nationally consistent model will reduce red tape and unnecessary complexity and cost especially to employers that operate across jurisdictions. A nationally consistent model will allow obligation holders to spend more time and effort on reducing risk and the practical implementation of safer workplace practices and systems instead of having to focus efforts on compliance with complex and inconsistent legislation.

## Recommendations

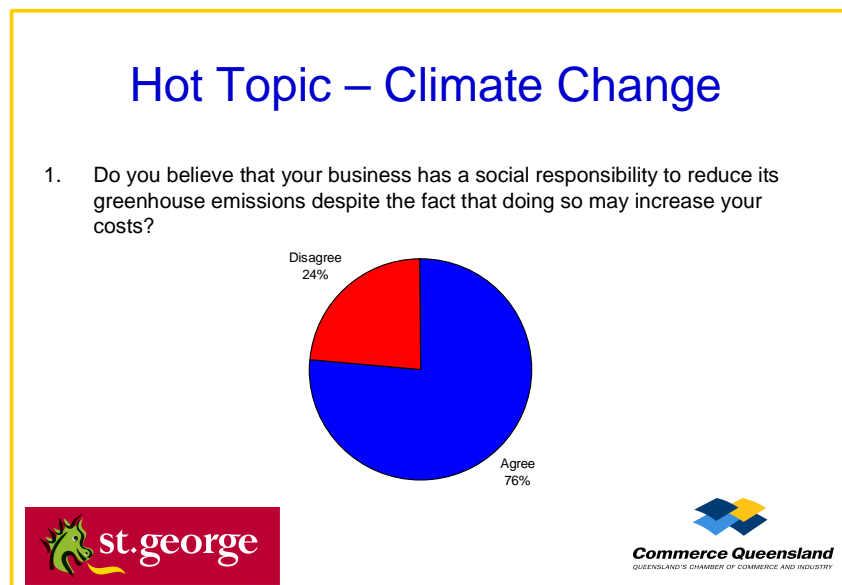
- The role of State government agencies should be to assist and facilitate change through the provision of guidance and advice developed in consultation with industry. Enforcement of regulatory requirements should not be the primary focus of policy.
- The government needs to make Queensland businesses more aware of the range of WHS legislation in which they need to comply. This can be achieved through the establishment of establishing a 'one-stop' shop for business to access information on WHS. For example a central '1300 safety' number where businesses can seek advice on all aspects of WHS legislative compliance.
- Greater consideration needs to be given to the rationalisation of WHS legislation and responsible authorities.
- All WHS related legislation should be written with a consistent structure and use of language. For example consideration should be given to using a consistent set of obligations across all WHS related legislation.
- Training and education initiatives should play a vital role in ensuring that everyone in the workplace is aware of their responsibilities under the Workplace Health and Safety Act and that they are equipped with the necessary WHS knowledge and skills.
- CCIQ recommends that WHSQ rebadge the support and advice function of the Department as WorkSafe (or similar) and promote them as a support and advice agency.
- CCIQ recommends amending the Queensland Workplace Health and Safety Act so that employers' responsibility for managing workplace risks is limited to incidents that are foreseeable; and the responsibility for workplace health and safety is fairly distributed between employers and employees.
- The State Government should participate, support and embrace the harmonisation of National OHS Legislation and accordingly recommendations from the National Review into Model OHS Laws.

## 10.0 Environment

- 10.1 The environment is becoming an increasingly important issue for businesses around the State as the level of environment-related regulation grows at the local, state and federal level.



- 10.2 The Queensland business community is aware that it has a social responsibility to minimise the impacts that its activities have on the environment. They are also aware that they need to work cooperatively with government and the wider community to find feasible solutions to important challenges such as climate change and environmental degradation.



- 10.3 While other environmental issues are important, climate change is undoubtedly the most important challenge facing Queensland business and the broader Queensland community. It is a global problem which must be addressed both domestically and internationally. All levels of government in Australia have an important role to play in addressing climate change and minimising its adverse impacts.
- 10.4 Given the scale and scope of the climate change challenge, CCIQ strongly believes that the principal climate change mitigation strategies must be developed and implemented at a national level. A clear national plan for addressing climate change will provide businesses with the certainty they need to make investment decisions, both now and in the future. CCIQ therefore does not support state-based greenhouse gas abatement schemes or measures which will undermine the effectiveness of the national mitigation strategy.

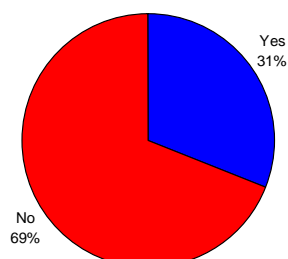
- 10.5 While the major policy issues associated with climate change will be the responsibility of the Australian Government, CCIQ considers that the Queensland Government still has a crucial role to play in representing the interests of Queensland in the national discussions on climate change and greenhouse gas mitigation. This is an important responsibility in light of the serious impact that the CPRS will have Queensland business and the wider Queensland community. The Queensland Government must also ensure that the State does not bear an undue share of the burden of reducing Australia's greenhouse gas emissions.
- 10.6 The State's businesses, large and small, face the prospect of higher cost structures as the imposition of a price on carbon flows through to emissions intensive products such as electricity and fuel. CCIQ is concerned that these higher costs will damage the international competitiveness of local businesses and industries (both exporting and import-competing) particularly given that many of their overseas competitors will not face similar cost imposts. CCIQ therefore considers that it is imperative that Australian action on climate change mirrors that undertaken by other major industrialised countries. This will ensure that Australia preserves its international competitiveness while also making a meaningful contribution to global efforts to address climate change.
- 10.7 CCIQ believes that the next Queensland Government must also ensure that the State's climate change initiatives provide effective support for the national climate change response. The Queensland Government must avoid introducing regulation which addresses aspects of climate change which are more appropriately dealt with at a national level. Overlapping regulation simply creates unnecessary duplication, generates a compliance burden for affected businesses and undermines the effectiveness of national mitigation measures.
- 10.8 While CCIQ generally supports the introduction of the CPRS, it has some serious reservations about the proposed starting date of July 2010. In particular, CCIQ believes the current proposed time frame is too tight and significantly increases the risk that there may design flaws in the CPRS framework. Given the magnitude of the proposed reform, CCIQ strongly believes that the Australian Government must take a more cautious approach to the implementation of the CPRS and delay the scheme's commencement until 2012. This view is supported by the results of the CCIQ pre-election survey, with an overwhelming majority of businesses of indicating that the Queensland Government should encourage the Australian Government to delay the implementation of the CPRS.

	Strongly Agree %	Agree %	Neutral %	Disagree %	Strongly Disagree %
The State Government should encourage the Federal Government to delay implementation of the proposed Carbon Pollution Reduction Scheme.	30.8	16.6	21.8	17.7	13.2

- 10.9 CCIQ also believes that the current economic circumstances further strengthen the case for delaying the commencement date. The CPRS will have a significant cost impact on many businesses and it would be most unhelpful if it were to be introduced at a time when the Australian economy was experiencing a downturn. Businesses do not need additional cost imposts which make them less competitive and reduce their viability at a time when they are facing falling revenues and declining profitability.
- 10.10 CCIQ is also deeply concerned that the State's small and medium businesses are not aware of the likely impacts of the CPRS on their operations and are therefore not in a position to put strategies in place to minimise these impacts. In particular, while these businesses will not be directly impacted by the CPRS, they will face input cost and supply chain impacts which may be quite substantial. CCIQ believes that there must be a comprehensive education campaign targeted at these businesses to help them understand exactly what the CPRS will mean for their business and their bottom line. The need for this education campaign is reinforced by the fact that the majority of businesses indicate that they do not have enough information to enable them to determine the impact that the CPRS would have on their operations.

## Hot Topic – Climate Change

6. Do you think that there is enough information available to you to enable you to determine how climate change may affect your business and the best way for your business to respond to climate change?



- 10.11 On a more general note, CCIQ considers that the next Queensland Government must ensure that Queensland's environmental laws and policies facilitate economic growth and development whilst also providing sufficient protection for the natural environment. Overly cumbersome environmental regulation can stymie business growth, employment and investment. The next Queensland Government must ensure that state-based environmental protection measures are warranted and achieve their aims at the lowest cost to the Queensland community.

### Recommendations

CCIQ considers that the next Queensland Government must:

- strongly represent the interests of Queensland in the national debate on climate change;
- ensure that the Australian Government is very aware of the need to protect the international competitiveness of Queensland businesses, including the State's emissions-intensive, trade-exposed industries;
- ensure that the State's climate change policies compliment, rather than duplicate, national climate change objectives and policies;
- provide adequate support for Queensland businesses, particularly small and medium enterprises, to adapt to climate change and a carbon-constrained economy;
- on a more general note, ensure that Queensland's environmental laws and policies facilitate economic growth and development whilst also providing sufficient protection for the natural environment; and
- ensure that state-based environmental protection measures are warranted and achieve their aims at the lowest cost to the Queensland community.

# Appendix One

Innovating

## > 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.

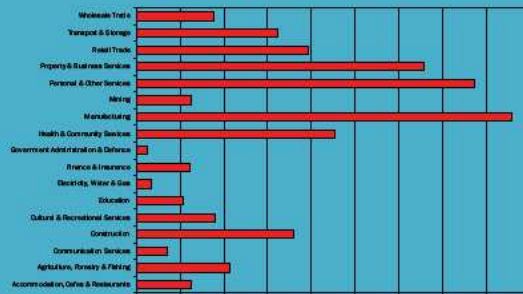
Chamber of Commerce & Industry Queensland has in excess of 3,700 members across 8 regional offices and represents over 135 local chambers of commerce and 60 trade and professional associations.

Our vision is to invigorate business success in Queensland.

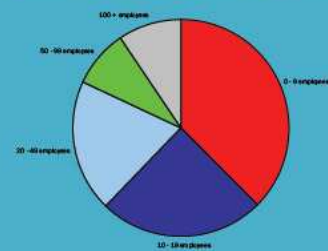


The diversification of Chamber of Commerce & Industry Queensland's membership is illustrated in the following charts:

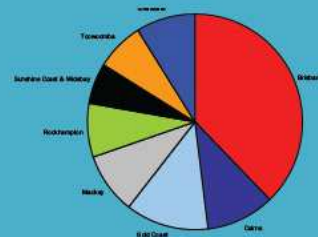
Commerce Queensland members by Industry



Commerce Queensland members by Employment Size



Commerce Queensland members by Region



Invigoring Business

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

## Appendix Two

# > Impact of the Global Financial Crisis on the Queensland Business Community



CHAMBER OF  
COMMERCE &  
INDUSTRY  
QUEENSLAND

With Queensland business confidence at historic lows the Chamber of Commerce and Industry Queensland has surveyed our State's business community on how the Global Financial Crisis is impacting on their operations. In summary the financial crisis has triggered a swift and dramatic response by consumers and business that now appears to be having a devastating impact on the Queensland economy. One in four businesses have reported a serious erosion to their viability.

### Overall Impact of the Global Financial Crisis

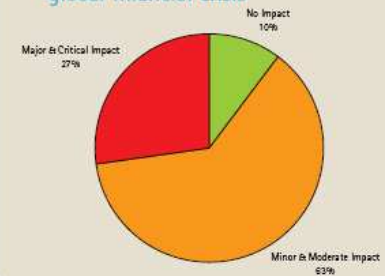
Ninety percent of Queensland businesses are experiencing negative impacts from the Global Financial Crisis.

At this stage almost two thirds of businesses are indicating that this impact is limited to a minor or moderate nature. However for 27% of businesses the impact is considered to be major or critical.

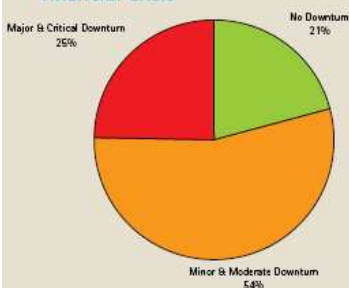
*"The uncertainty is the biggest obstruction to our business with most people putting spending on hold not because they do not have the money but because they are being careful of an uncertain future."*

*"Quite simply consumers are not spending as much and are being more conservative with their money."*

### > The overall impact business has experienced as a result of the global financial crisis



### > The level of downturn in sales or revenue as a result of the global financial crisis



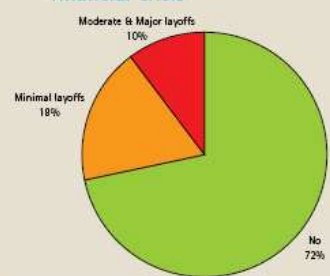
### Impact on Business Sales and Revenue

Over half of Queensland businesses have experienced a minor or moderate downturn in their sales as a result of the Global Financial Crisis. Alarmingly one in four businesses have reported a major or critical downturn in their sales revenue.

*"Consumer confidence seems to be down which is reflected in our sales and turnover. Competition is very tough to win business at present, leading to discounting and cost cutting."*

*"We would get between 30-50 emails per day for quotations last month. This month we are down to 3 per day. This is very disturbing."*

### > Impact on employment as a result of the global financial crisis



### Impact on Employment

Fortunately despite the significant impact on sales the majority of Queensland business are currently reporting no impact yet on their employment levels.

Eighteen percent of surveyed businesses reported minimal layoffs with only 10% of businesses reporting moderate to major layoffs of their workforce as a result of the Global Financial Crisis.

*"Currently we can weather the storm, however if this downturn continues for say six months or more without improvement, then I will need to start thinking about laying off staff."*

### Results by Region, Industry and Business Size

The negative fall out of the Global Financial Crisis is consistent across all business sizes and across most regions of Queensland. The Gold Coast and Far North Queensland are doing it toughest in terms of any impact.

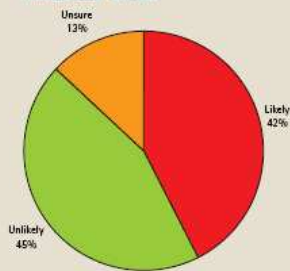
When analysed by industry the manufacturing; retail; hospitality; finance and insurance; and property and business services sectors have experienced the most dramatic negative impact as a result of the Global Financial Crisis.



Invigorating Business

cciq.com.au

> Future impact on employment as a result of the global financial crisis



Availability of Credit

The issue of availability of credit for the business community has been much publicised. However the realities are that two thirds of businesses at present are not seeking credit. This may be a reflection of tougher economic times in that the immediate need for credit to expand is no longer present.

For the one third of businesses currently seeking credit only approximately a third are experiencing any difficulty in obtaining credit for their businesses.

Future Impact of Employment

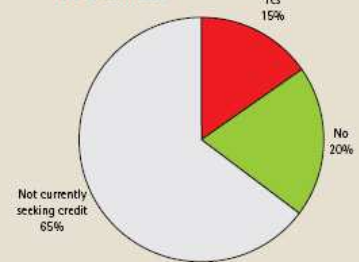
Unfortunately in looking forward businesses are anticipating that with ongoing declines in their sales revenue employment levels within in their organisation will be impacted negatively.

Forty-two percent of businesses regard as likely the need to lay off staff over the next six months as a consequence of the Global Financial Crisis.

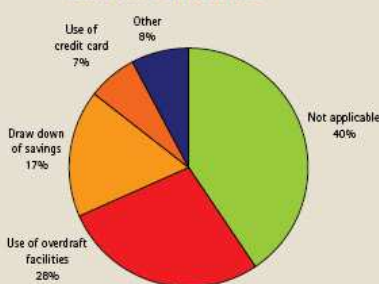
*"Approximately a 25% downturn in sales has significantly impacted the company's ability to sustain continued employment of all staff."*

*"Expect situation to worsen in the new year and possibly continue through till September 2009. Expect to lay off 50% of workforce during this period."*

> Difficulty in obtaining credit for business



> How businesses are addressing cash flow difficulties



Cash Flow Management

Sixty percent of businesses are experiencing cash flow difficulties as a result of falling sales revenue, extended period of debtor payments and also the rapid depreciation of the Australian dollar making cost inputs significantly more expensive.

The majority of businesses in addressing the challenge of managing worsening cash flow have had to use overdraft facilities.

Other options available to business have included drawing down of savings and in extreme cases the use of credit cards.

*"An increased number of my clients are not paying on time for services rendered. This is creating more stress for me in having to pursue my clients for payment, and having to juggle my cash flow. I now have a credit card debt, which I've never had before."*

Looking Forward

Unfortunately in looking forward there exists a real perception that things will get worse before they improve.

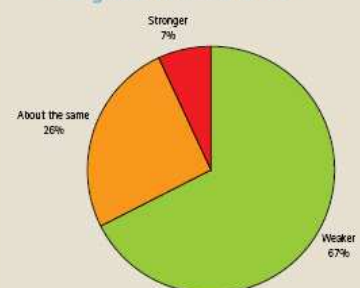
Two thirds of Queensland business believe that their growth prospects over the next six months will be weaker in light of the Global Financial Crisis.

Many businesses believe that the build up to Christmas and the New Year will be a short term fillip to their business.

However the March Quarter next year will be make or break for many businesses, with many operators anticipating the Global Financial Crisis and its impact to be peaking and having a commensurate negative impact on their operations.

*"The full effect for us will not be seen until the March quarter because Christmas trade has kept us selling moderately."*

> Business growth prospects over the next six months in light of the global financial crisis



Emerging Issues

A number of issues have been identified by businesses as requiring immediate attention from Government and other key stakeholders. These include:

- > Staff will ultimately need to be more realistic in their salary expectations as a consequence of the Global Financial Crisis
- > Virtually all businesses negatively impacted by the Global Financial Crisis highlighted business and consumer confidence at an all time low and accordingly very little willingness to spend at present. Further to this the role of the media has drawn a great deal of criticism from business operators
- > Banks reluctance to pass on official interest rate reductions to business customers must be addressed by the Federal Government
- > Many major projects have been postponed which will have negative implications in the future.





---

## Appendix Four - CCIQ Taxation Policy Principles

- A4.1 CCIQ believes Australia needs a tax system that supports the growth of the economy. As with all government economic and regulatory programs, Australia's competitiveness should be enhanced by the tax system not disadvantaged. The situation whereby 115 of Australia's 125 taxes and charges raise only 10% of overall taxation revenue is massively inefficient.
- A4.2 Tax revenue should be adequate to meet governments' reasonable expenditure needs, consistent with the exercise of sound fiscal responsibility principles. There needs to be a much closer correlation between responsibility for expenditure and the revenues necessary to fund it. This requires correction of the current vertical fiscal imbalance between the Commonwealth and the States.
- A4.3 CCIQ's overarching policy objective is to achieve fundamental reform of Australia's taxation system consistent with the following objectives and criteria for a competitive tax system:
- **equity** - fairness in the distribution of resources between high and low income earners as well as similar tax burdens for taxpayers with similar means;
  - **economic efficiency** - taxation impacting neutrally on taxpayer groups and economic sectors with commercial decisions not skewed by tax considerations;
  - **adequacy** - tax systems raising sufficient revenue for public expenditure needs;
  - **simplicity** - taxpayers being able to clearly understand their obligations;
  - **transparency** - taxpayers understanding how and when they are paying tax, and how much tax they are paying;
  - **cost** - compliance and collection costs minimised; and
  - **anti avoidance** - minimum incentive and potential for avoidance of taxation.
- A4.4 Further specific objectives of this process should be to:
- improve the overall competitiveness of Australian goods and services;
  - ensure that the tax system does not discourage employment, savings and productive investment;
  - make the tax system more neutral between different industries, types of business and activities and remove impediments and distortions which reduce productivity;
  - raise revenue more efficiently with lower collection and compliance costs;
  - foster adequate, efficient and enduring tax bases for all levels of government, which in the longer term reduces tax as a percentage of GSP / GDP, and place a greater emphasis on expenditure rather than income and asset taxes;
  - ensure transparency in the ultimate impact of various taxes (ie no hidden taxes);
  - improve fairness and equity in the tax system;
  - minimise the black economy and other avoidance / evasion; and
  - develop broad community support for a better tax system.
- A4.5 In adopting these principles and objectives, CCIQ recognises that comprehensive taxation reform will necessarily impact on and require the commitment of the Commonwealth and all the States and Territories. Many of the taxes most unsatisfactory for business are State taxes which for reasons of competitiveness and efficiency should be abolished, or where this is not possible, redesigned. In our view the Queensland State Government has not embraced its full responsibilities arising from the 1999 IGA on Reform of Commonwealth State Financial Relations.
- A4.6 Fundamentally taxes imposed on business need to reflect the economic imperative of Australia remaining internationally competitive, should not impede job growth and should encourage investment.
- A4.7 CCIQ will work with all levels of government in an endeavour to achieve comprehensive tax reform which encompasses the foregoing critical elements.

---

## Appendix Five - CCIQ Infrastructure Policy Principles

There are a number of **principles** that must underpin any infrastructure policy:

A5.1 Infrastructure decisions should always be underpinned by the twin processes of cost-benefit analysis and opportunity cost evaluation. This should establish a link between value and cost essential to ensuring that expenditure on public investment delivers commensurate improvements. Infrastructure projects chosen for development must be shown to contribute to Australia's economic growth potential. Most importantly, governments must properly assess competing projects under consideration and must ensure the land, labour, capital and finance requirements for public projects do not absorb resources which could be applied more productively to private sector projects. There needs to be an open and transparent process for Government infrastructure investment.

A5.2 CCIQ supports the criteria for investment outlined by Prime Minister Kevin Rudd, that proposals will be assessed against their ability to:

- lift national productivity;
- strengthen Australia's international competitiveness;
- develop our cities and regions;
- reduce greenhouse gas emissions; and
- improve the quality of life of Australians.

Furthermore CCIQ believes there should be additional criteria for investment based on anticipated population and economic growth for a region.

A5.3 Construction should be open to competitive tender (whether it be through construction only, design and construction, alliances, or other forms of relationship contracting as appropriate). Competitive tendering ensures that the government gets the best asset and ensures that it gets value for money.

A5.4 Contracting process, specifications for major contracts, and key details of major contracts should be transparent and therefore available for public and parliamentary scrutiny.

A5.5 Social spin-offs associated with projects should not be used to justify the construction of infrastructure at more than economic cost, unless appropriately examined in a transparent and rigorous fashion against other alternatives that deliver similar outcomes. Infrastructure projects should be adopted for the benefits they are assessed to contribute to the economy, not because they are expected to pick up the slack in the economy at some point in time. The only acceptance to the rule is the moving forward of those projects that have been justified by extensive cost benefit analysis.

A5.6 Borrowing to finance capital should only be undertaken for additions to capital stock, not for maintenance or replacements of existing assets; and should be repaid over a period no longer than the lifetime of the asset; and should be assessed on an appropriate rate of return.

A5.7 Whether future infrastructure remains mostly a public sector activity or becomes mainly private, governments will retain their crucial facilitation, planning and co-ordination roles in helping projects to happen.

---

## Notes

For further information contact:

**Nick Behrens**  
**General Manager - Policy**  
**Chamber of Commerce and Industry Queensland**

**T:** +61 7 3842 2279

**M:** +61 0420 961 171

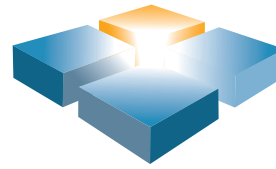
**F:** +61 7 3832 3195

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

**A:** 375 Wickham Terrace, Spring Hill, QLD, 4000

**E:** [nbehrens@cciq.com.au](mailto:nbehrens@cciq.com.au)

invigorating



CHAMBER OF  
COMMERCE &  
INDUSTRY  
QUEENSLAND

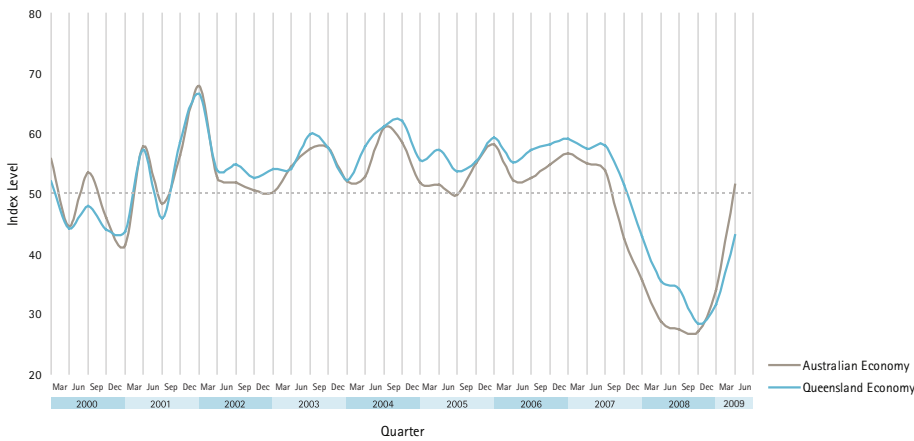
# Pulse Survey of Business Conditions

June Quarter 2009



Invigorating Business

## > 12 Month Outlook: Australian & Qld Economies



Queensland Outlook			
	Jun 08	Mar 09	Jun 09
Weaker	58	67	43
Same	30	21	34
Stronger	12	11	23
Index	35.5	31.5	43.1

Australian Outlook			
	Jun 08	Mar 09	Jun 09
Weaker	71	66	27
Same	21	21	35
Stronger	8	14	37
Index	23.7	33.9	51.5

### Australian Economy

- > The recent run of better than expected news on the national economic front has convinced many businesses that the current downturn will not be as severe or prolonged as originally expected, with the rebound in business confidence continuing to build momentum in the June quarter 2009.
- > Over one third of survey respondents now expect national economic conditions to strengthen over the coming year compared to just 14 per cent in the March quarter 2009. There has also been a corresponding and dramatic drop in the proportion of survey respondents expecting conditions to deteriorate – from 66 per cent in the March quarter to 27 per cent in June quarter.
- > The Australian Economic Conditions Index is now back in positive territory, albeit only just, for the first time since the September quarter 2007. This indicates that the national economy will strengthen, albeit marginally, over the coming year.

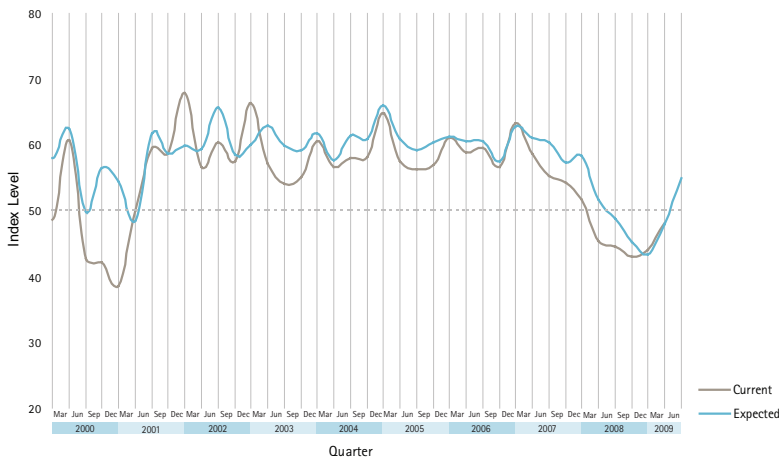
### Queensland Economy

- > The news on the Queensland economy is however gloomier, with recent State Government forecasts predicting a fairly rough period ahead. Accordingly, it is unsurprising that businesses are not as optimistic about the State's economic prospects over the next 12 months as they are about those of the broader Australian economy.
- > The more reserved sentiment is reflected in the results, with 43 per cent of survey respondents expecting Queensland economic conditions to deteriorate over the next 12 months. While this is still a significant proportion of businesses, it is a substantially smaller percentage than that recorded in the March quarter 2009.
- > The Queensland Economic Conditions Index has rebounded from its historical low in the March quarter 2009 but remains at less than satisfactory levels.

### Factors affecting the 12 Month Outlook

- > As in recent quarters, Queensland businesses believe that global economic conditions will be the major influence on the Australian and Queensland economies over the next 12 months. Unemployment is also expected to become an increasingly important influence on domestic economic performance, with many businesses concerned that the forecast rise in the national and state unemployment rates will adversely impact on consumer spending and confidence.
- > Businesses are acutely aware of the important role that confidence plays in consumer and business spending and investment decisions. Businesses therefore consider that consumer and business confidence levels will be a major influence on the Australian and Queensland economies over the coming year. In particular, many view a sustained recovery in confidence as a critical prerequisite for an economic recovery.
- > Additionally, businesses are of the view that the actions of the Australian and Queensland Governments will be a major influence on the performance of the economy over the next 12 months. Businesses are strongly of the view that more needs to be done to assist small and medium-sized businesses to survive the current economic slowdown.

## > Sales & Revenue



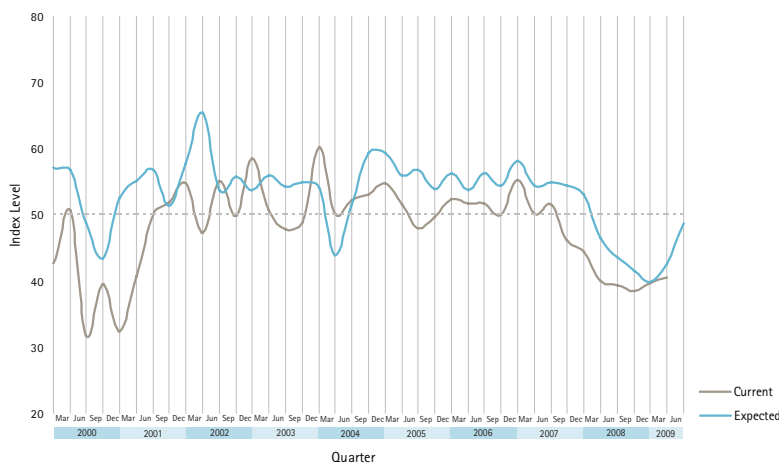
Sales & Revenue				
	Jun 08	Mar 09	Jun 09	Sep 09
Weaker	40	51	35	20
Same	32	28	34	42
Stronger	28	21	31	38
Index	45.4	44.1	48.1	54.9

*"We are getting into the market more aggressively. We've implemented tighter debtor controls and are now targeting client services to match customer profiles. We are also discarding weak or non-paying clients."*

- survey respondent

- > While sales and revenue remain at less than satisfactory levels, the percentage of businesses reporting weaker conditions has fallen from 51 per cent in the March quarter 2009 to 35 per cent in the June quarter. Compared to the previous quarter, a significantly higher proportion of businesses reported stronger sales and revenue in the June quarter.
- > This trend is expected to continue in the September quarter 2009, with a growing number of businesses expecting conditions to improve further over the next 3 months.
- > Consistent with the more upbeat outlook, the Sales and Revenue Index is expected to move into positive territory in the next quarter.

## > Profitability



Profitability				
	Jun 08	Mar 09	Jun 09	Sep 09
Weaker	49	55	45	30
Same	33	31	38	42
Stronger	18	14	17	28
Index	40.0	39.6	40.4	48.6

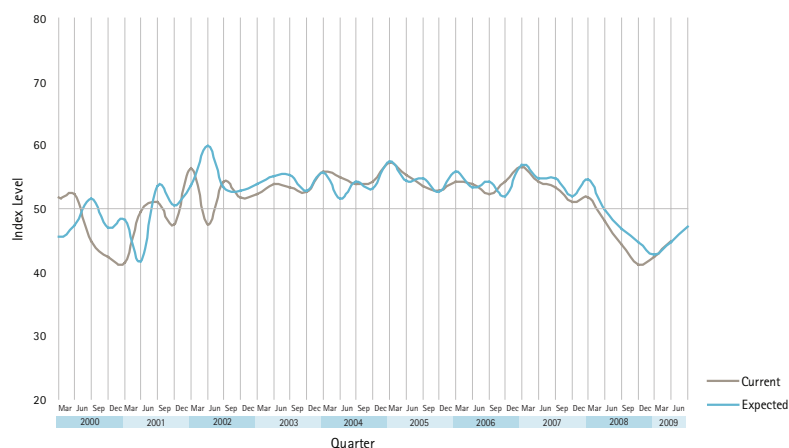
*"Overall sales are up but profit margins on the products we are selling are much finer and people aren't paying their invoices on time."*

- survey respondent

- > Despite stronger sales results, pressure on profitability has continued in the June quarter 2009. There was some recovery in profitability levels, however almost one in two businesses continued to report reduced profitability during the quarter. These negative results are reflected in the Profitability Index which, while increasing slightly, remains at less than satisfactory levels.
- > Looking forward, the slight recovery in profitability is expected to gather momentum over the next three months with almost one-third of businesses forecasting an improvement in their profitability. Consequently, the Index is forecast to recover further although it is unlikely to move into positive territory in the short-term.



## > Employment Levels



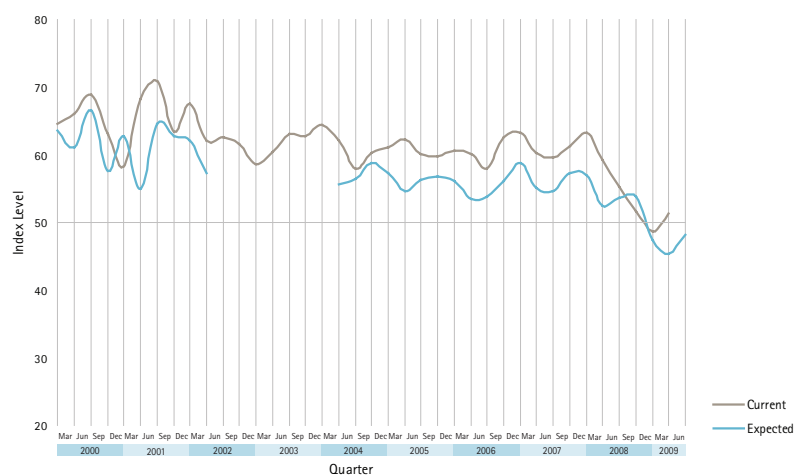
Employment Levels				
	Jun 08	Mar 09	Jun 09	Sep 09
Weaker	23	40	31	22
Same	62	49	57	64
Stronger	18	11	13	14
Index	48.1	42.5	44.8	47.1

*"The labour hire side of our business has improved and I believe that this is due to companies choosing labour hire rather than employing directly as they are not sure what is happening with the economy."*

- survey respondent

- > Tougher trading conditions continue to impact on employment levels with one-third of businesses reporting that they reduced the size of their workforce during the June quarter. Reducing employee numbers is however a measure of last resort with businesses endeavouring to maintain existing staffing levels through revised work arrangements (for example, reduced hours or voluntary unpaid leave).
- > On a more positive note the outlook for employment levels is better with most businesses expecting to maintain the size of their workforce over the coming months.

## > Average Wages



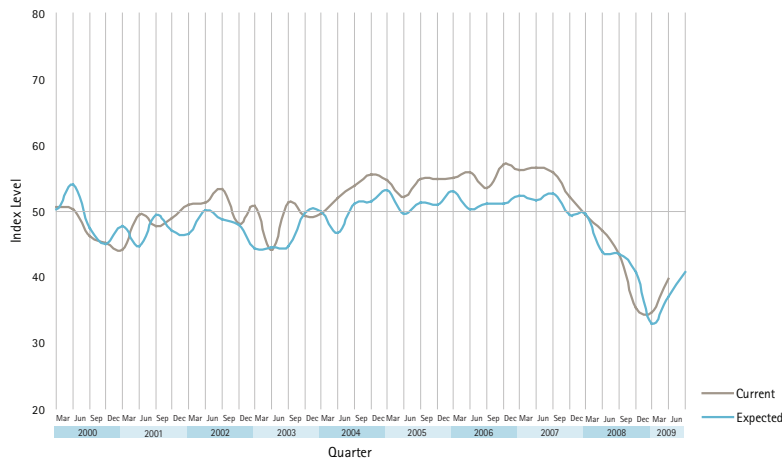
Average Wages				
	Jun 08	Mar 09	Jun 09	Sep 09
Weaker	7	18	12	11
Same	54	73	73	71
Stronger	40	10	15	18
Index	59.4	48.6	51.3	48.1

*"Increased costs have led to higher hours being worked by principals to reduce labour costs. There has been no increase in turnover due to reduced spending by the community."*

- survey respondent

- > Average wages growth has been constrained as a result of tough trading conditions and a softer labour market conditions. Over 71 per cent of businesses reported no change in their average wages bill in the June quarter 2009. Businesses have reduced staffing hours and minimised the use of overtime in order to trade through the current downturn and have limited capacity to increase the wages of their employees without threatening business viability.
- > Average wages are expected to remain stable over the coming quarter, with most businesses expecting no change in the September quarter 2009.
- > Accordingly, the Average Wages Index stabilised in the June quarter 2009 and is forecast to remain around the 50 mark in the short-term.

## > Capital Expenditure



Capital Expenditure				
	Jun 08	Mar 09	Jun 09	Sep 09
Weaker	30	50	41	37
Same	43	37	39	47
Stronger	27	13	20	16
Index	47.1	34.7	39.8	40.8

*"The government investment allowance has had a good impact on our business as more customers are ordering to secure the deduction."*

- survey respondent

- > The Australian Government's investment tax break has helped to provide some support for business expenditure on capital assets, with a slight recovery in investment occurring during the June quarter 2009.
- > That said, capital expenditure remains at less than satisfactory levels and this trend is expected to continue over the next three months. It would appear that even with the current government incentives many risk-averse businesses are still delaying capital expenditure until there are clear signs of a sustained economic recovery.
- > Reduced cash flows, increasing delays in customer payments and an inability to secure appropriate financing may also be limiting the ability of some businesses to invest in capital assets at the present time. Businesses still need to have sufficient cash flow to purchase the asset in the first place, with the additional tax deduction only of benefit after purchase.

## > Regional Analysis

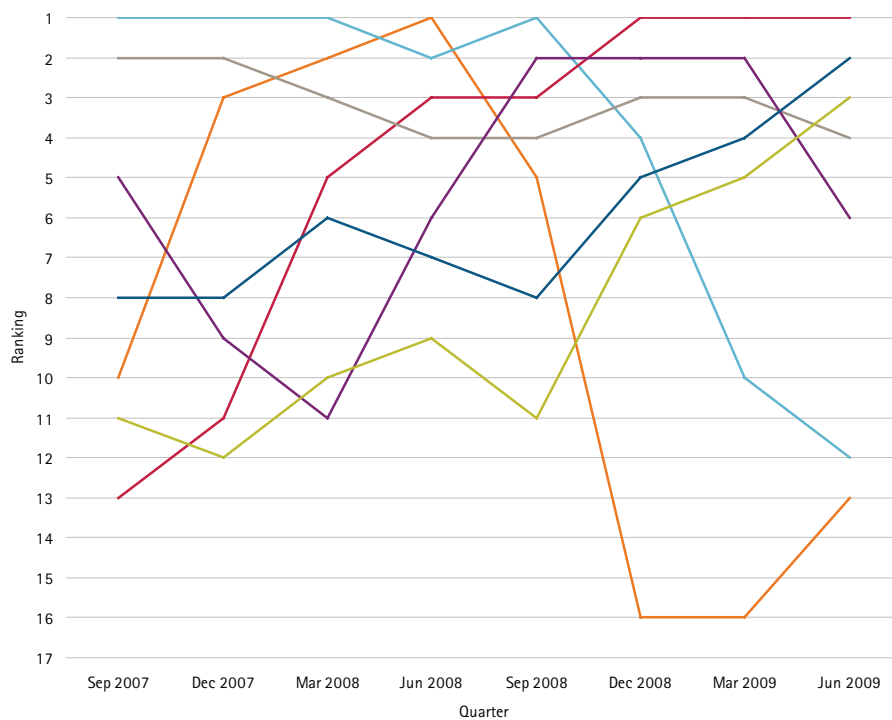
Current	Statewide	Brisbane	Sunshine Coast	Gold Coast	South West Qld	Central Qld	Central Coast	North Qld	Far Nth Qld
12 Month Outlook - Queensland	43.1	41.8	46.2	49.1	46.4	40.9	43.3	39.3	32.4
General Business Conditions	47.8	48.8	46.2	44.7	58.8	45.5	55.8	47.5	42.6
Sales & Revenue	48.1	50.4	46.7	41.5	58.8	39.3	55.0	46.2	43.1
Profitability	40.4	44.0	40.9	35.8	47.7	34.5	47.0	35.0	30.0
Average Wages	51.3	50.2	50.9	46.5	52.3	51.1	53.8	53.8	49.2
Employment Levels	44.8	44.9	45.3	41.8	46.8	43.2	48.1	43.6	39.7
Capital Expenditure	39.8	37.3	40.9	36.9	50.6	38.4	48.6	39.1	33.3

- > Despite an improvement, businesses in all regions of Queensland remain pessimistic about the performance of the Queensland economy, with Far North Queensland, Central Queensland and North Queensland having the lowest levels of confidence in the 12 month economic outlook.
- > Profitability and employment, whilst improving, are unsatisfactory in nearly all regions of Queensland, with the Gold Coast, Central Queensland and Far North Queensland experiencing the toughest trading conditions in the June quarter.





## > Major Constraints on Business Growth



*"An increased demand for business services to help firms 'tough out' the recession has generated more work. Good organisations are taking the opportunity to improve their efficiencies so they are ready for growth."*

- survey respondent

*"We have decided to sit tight for the present ie no new plans in action."*

- survey respondent

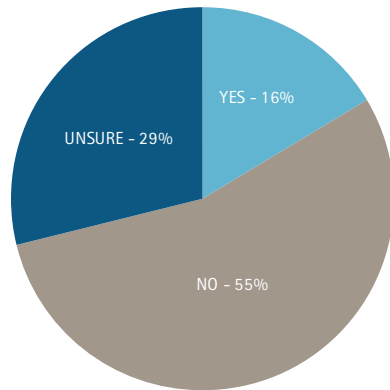
— Interest Rates  
— Labour - Recruitment & Retention  
— Level of Demand / Economic Activity  
— Direct Wage Costs  
— Political & Economic Stability  
— Level of Business Taxes - State & Local  
— Level of Business Taxes - Federal

- > Unsurprisingly, the level of demand and economic activity is still the number one constraint on business growth in Queensland. Reduced demand and lower levels of economic activity have resulted in tougher trading conditions and this is constraining the growth of many businesses throughout the State.
- > The removal of the State fuel subsidy (which effectively introduces a state fuel tax) and increases in motor vehicle registration charges, land tax, and other State Government fees and charges have brought the issue of State taxes to the forefront. Accordingly, state taxes are now considered to be a critical constraint on business growth in Queensland. The tough economic conditions were already placing pressure on business profitability and viability and the recent increase in state taxes has only served to compound that pressure. The level of Federal Government taxes also remains a key concern for the Queensland business community.
- > The time and costs involved in complying with the complex administrative requirements of the federal and state taxation systems was also identified as a key constraint on business growth. Aside from absorbing a proportion of a business' financial resources, red tape can also constrain growth by diverting valuable staffing resources away from more productive activities.
- > Direct wage costs continue to be a critical constraint on business growth, with many businesses struggling to retain staff at current wage levels, let alone at higher rates. The ongoing importance of this factor supports the Australian Fair Pay Commission's recent decision not to increase the federal minimum wage at the present time. It also reinforces the need for other statutory wage-setting bodies to exercise considerable care in determining minimum wage levels.
- > As expected, the slowdown in economic activity is continuing to result in an easing in the tightness in the labour market, with labour recruitment and retention now a minor constraint on business growth in Queensland.
- > Across the individual regions of Queensland, the top three constraints are fairly consistent. All regions identified the level of demand and economic activity as a critical constraint in the June quarter although it was not the number one constraint in every region. The level of state taxes was a key issue for nearly all regions, with the Gold Coast and Central Queensland the only exceptions. The other common critical constraints included political and economic stability, direct wage costs and the time/cost burden of complying with business taxation obligations.

## > Hot Topic: Business, Training and the Economic Downturn

> This quarter's hot topic examined business views on training, government training initiatives and the impact of the current economic downturn on skills shortages. Nearly all of the businesses surveyed (92 per cent) offered training to their employees, with the most popular forms being on-the-job training, informal short courses, formal course/qualifications and apprenticeships/traineeships. For most businesses, the main reason for providing this training was to ensure that their employees had the skills needed for their job. The key skills that businesses wanted their employees to develop were specific technical and trade skills, communication skills, industry & business knowledge and work readiness skills (such as punctuality, organisational skills and time management).

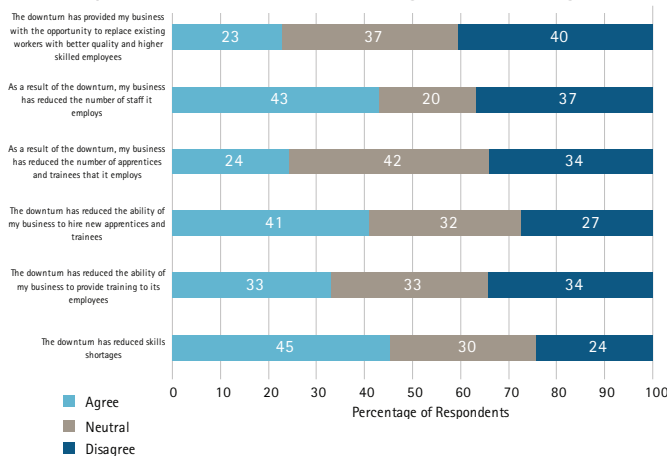
### Business views on existing training incentives



> Do you think that the existing financial incentives for employers to allow employees to undertake training are adequate?

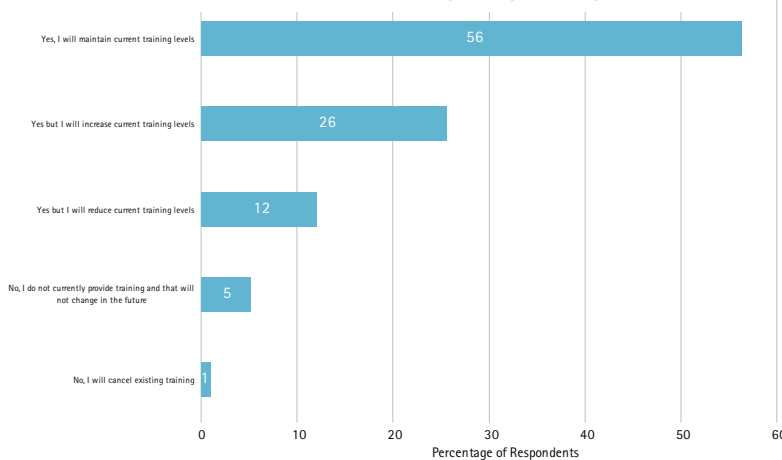
> The majority of businesses (55 per cent) were of the view that existing training-related financial incentives for employers were inadequate. Business considered that governments needed to improve the size of those incentives and to offer incentives for a broader range of training options if they wanted to encourage employers to invest in employee training. A more business-friendly approach to training delivery was also considered to be a critical prerequisite to achieving a more skilled workforce.

### Impact of the downturn on training & skills shortages



> At a time when many businesses are being forced to make some hard decisions about their staffing levels and cost bases, it is not surprising that some areas of training have been impacted. In particular, the economic downturn has limited the ability of a significant proportion of businesses to employ new apprentices and trainees. This may have implications for the availability of skilled staff in the future.

### Business intentions regarding training



> In a positive development, most businesses indicated the downturn had not forced a reduction in the number of apprentices and trainees they currently employ. The outlook going forward is also encouraging, with the majority of businesses intending to provide training to their employees over the next 12 months. This indicates businesses are aware of the need, where possible, to maintain training during the current downturn as these skills will enable their business to take full advantage of the recovery when it occurs.



## > 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 Business 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. As such, the results may show what looks like negative business conditions, when in actual fact, conditions are relatively buoyant. The opposite is also true when conditions are in fact poor.

The PBI is calculated by first providing a weight for each response category of n-1 on the "much stronger" category through to n-5 on the "much weaker" category (where n = the number of response categories, that is 5).

The proportion of responses for each response category is then multiplied by this weight. These are then summed and divided by n-1 to give an index for each business indicator.

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:  
 Sarah Kearney  
 Senior Policy Advisor  
 t > 07 3842 2253  
 e > skearney@cciq.com.au  
 w > www.cciq.com.au



## Invigorating Business



CHAMBER OF  
 COMMERCE &  
 INDUSTRY  
 QUEENSLAND

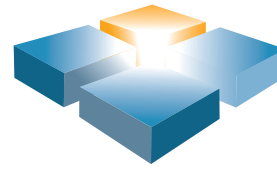
Chamber of Commerce &  
 Industry Queensland  
 Industry House  
 375 Wickham Terrace  
 Brisbane Q. 4000

t > 07 3842 2244  
 f > 07 3832 3195  
 e > info@cciq.com.au

Call > 07 3842 2244

www.cciq.com.au

Invigorating Business



CHAMBER OF  
COMMERCE &  
INDUSTRY  
QUEENSLAND

## Blueprint for Fighting Queensland's Over-Regulation



Invigorating Business

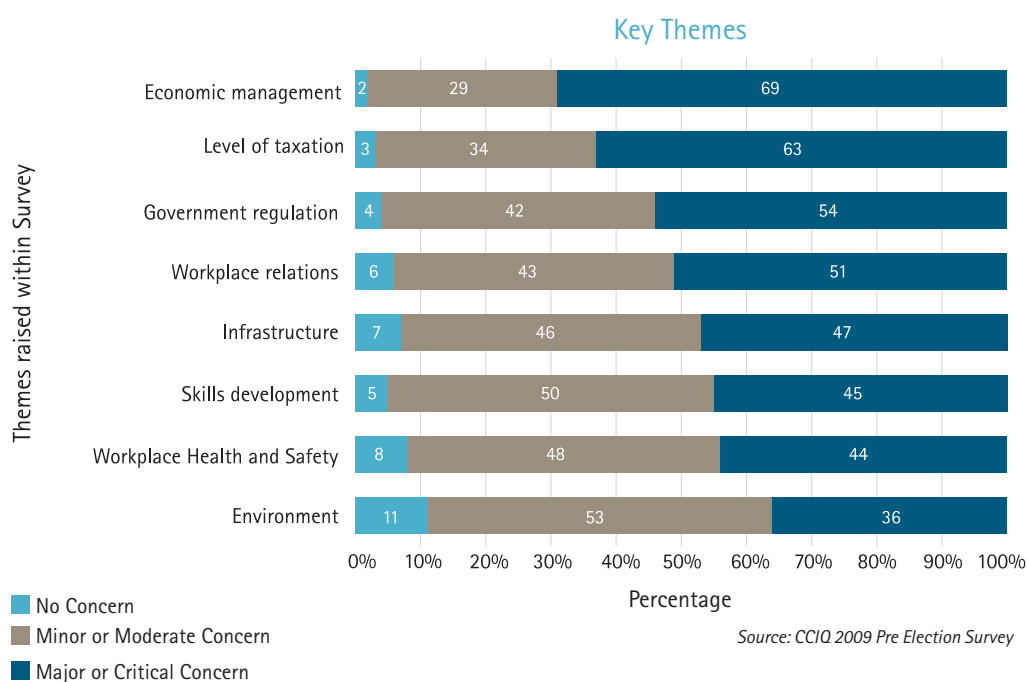
Removing and minimising the cost of regulations to  
enable business to grow and employ



# 1. Introduction

- 1.1 The single greatest thing a business can do to enhance the wellbeing of our state's community is to provide secure ongoing employment. However, presently there exists a high compliance burden facing business in relation to regulation which, is stifling business's capacity to employ. The compliance and paperwork burden on all businesses must be reduced by developing innovative and practical ways to lower red tape.
- 1.2 The difficulty with red tape is that each individual regulation can normally be justified by Government as being in the public interest, however, when we sum all these individual regulations together it creates a staggering regime that essentially blunts business from growing and employing. Inappropriate and inefficient regulation acts as a constraint on business growth, productivity and investment and reduces Queensland's competitiveness both nationally and internationally. Government regulation therefore is a key issue for the Queensland business community and more must be done to reduce the burden and create a more positive environment for business.

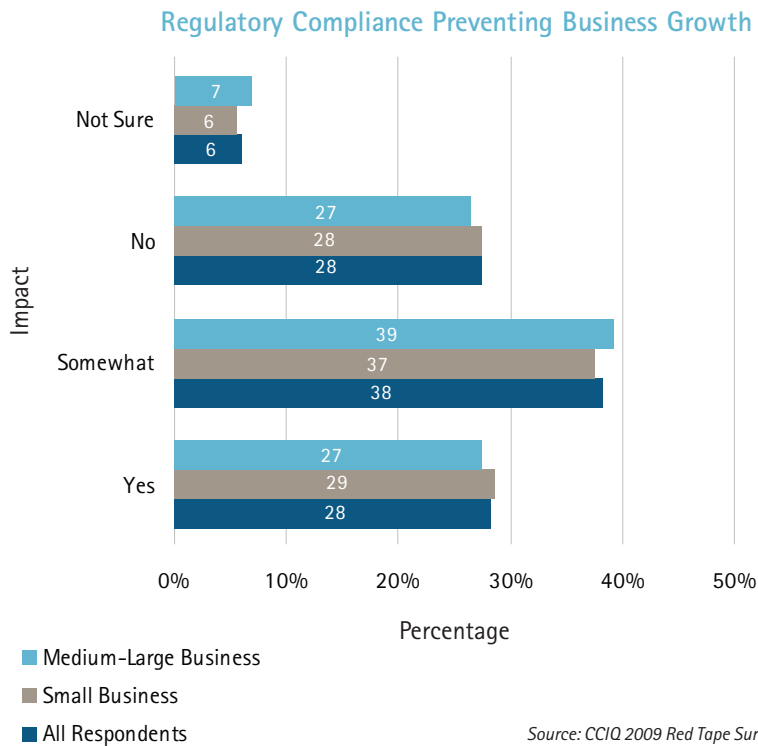
Queensland undoubtedly is one of the highest regulators of any state or territory in Australia (see section 3.3). Accordingly government regulation features prominently as a key issue of concern to Queensland business, in fact respondents to Chamber of Commerce & Industry Queensland's (CCIQ) 2009 Pre-State Election Survey placed government regulation in the top 3 issues of concern.



- 1.3 Notwithstanding these concerns, CCIQ acknowledges that effective regulation can deliver positive outcomes for business and the community, by improving operating and governance arrangements and by providing a more stable economic environment. While some regulations are reasonable and should continue to govern aspects of the way business operates, it is essential for Government to review regulations to identify areas where surplus, overlapping or outdated regulation exists. It is not only necessary for current levels of red tape to be reduced, but also systems should be put in place to restrict future levels.
- 1.4 CCIQ wishes to work with Government to lower the compliance costs of regulation. Regulation simplification whilst not significantly impacting on revenues, has the potential to deliver enormous benefits to business and accordingly, CCIQ recommends reducing the compliance and paperwork burden on all businesses, small business in particular.

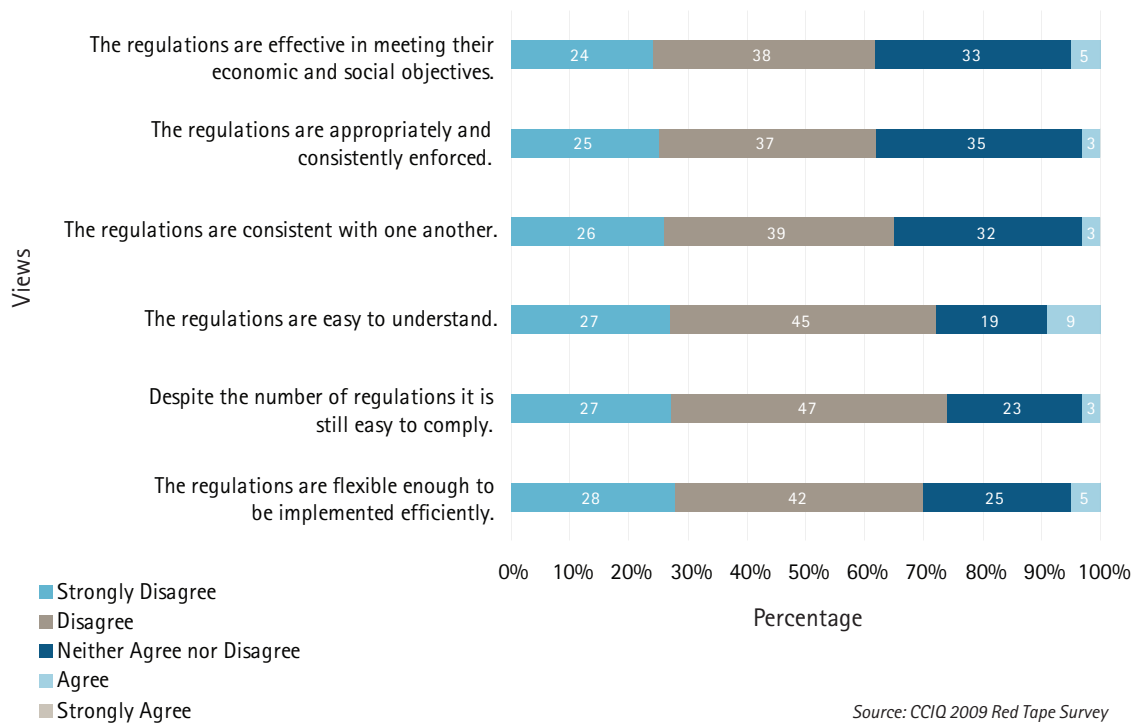


- 1.5 Government should have an overriding objective of easing compliance, cutting red-tape and reducing the regulatory burden for all businesses. Essentially, regulation must be more efficient. The aim of this Blueprint is to offer constructive recommendations for the removal of unnecessary regulations (deregulating) and minimising the cost to business of necessary regulations (streamlining).
- 1.6 Deregulation and regulatory efficiency are critical priorities for Queensland businesses, who are currently disadvantaged by a large volume of regulation and a high degree of regulatory churn. The productivity commission reports that Queensland has over 70,000 pages of regulation, by these measures, making Queensland the highest regulator of any state or territory in Australia.
- 1.7 While this data is an ambiguous indicator of regulatory burden, CCIQ members are emphatic about their increasing regulatory costs. CCIQ's 2009 Red Tape Survey of approx 355 businesses revealed that:
  - > 80% of businesses surveyed have been significantly or moderately impacted by red tape
  - > 25% spend more than 20 hours per week on compliance
  - > over the past two years, more than 80% of respondents have observed an increase in the cost and time it takes to comply with regulations
  - > two-thirds of businesses surveyed believed that government regulation had prevented them from making changes to grow their business.



- 1.8 Furthermore when asked their views on government regulation Queensland businesses are overwhelmingly of the view that regulations:
  - > are not flexible enough to be implemented efficiently
  - > are not easy to understand, and that regulation is not easy to comply with
  - > do not meet their intended economic and social objectives
  - > there is inadequate communication about regulatory change from the Queensland Government and that the communication that does occur is inadequate.

## Business Views on Queensland Regulation



1.9 The negative effects of unnecessary and excessive regulation are well documented. Red tape and regulatory burdens impede competition, innovation and productivity, and therefore business output, income and employment. Queensland can ill-afford to maintain a high cost of doing business. As the Queensland economy combats the global and national economic challenges, the need to cut compliance costs becomes even more urgent and important. There must be an end to Government rhetoric and unrealised commitments to investigate red tape reduction. The Queensland Government must commit to a fast tracked agenda to reduce the existing stock of regulation and improve the efficiency of future regulation if the competitiveness of Queensland businesses is to be maintained.

## Key Recommendations

The Queensland Government must:

R1	Establish high level political leadership and commitment to a state reform agenda.
R2	Measure the regulatory burden and establish a baseline of existing 'regulatory requirements'.
R3	Impose constraints on regulators through binding targets to reduce the overall stock and restrict the future growth of regulation by implementing a 'one in, one out' approach.
R4	Publicly report regulatory reform measures and progress against the target on a regular and ongoing basis.
R5	Drive cultural change in the use of regulations and the way they are made.
R6	Ensure adequate communication and consultation with the business community.
R7	Improve Government customer service by setting "business relevant" targets for outcomes and service quality.





## 2.0 Calculating the Cost of Queensland's Over-Regulation

### Cost to Business

- 2.1 Red tape is a hidden tax and has increasingly been raised as a serious problem for Queensland businesses. Queensland businesses are drowning in a sea of Acts of parliament, delegated legislation, forms, non-essential procedures, licences, cumbersome judicial interpretations, rules, regulations and administrative policy.
- 2.2 The compliance cost debate tends to focus on the paperwork required to comply with regulations. This is important but is not the only or indeed the most significant cost in many cases. Also important are the time it takes to keep up-to-date with new laws and changes in existing laws, training staff in new legal requirements, and putting in place procedures to ensure compliance. There is evidence that some small businesses find these costs so onerous that they do not attempt to keep up-to-date with any but the most obvious requirements.
- 2.3 The indirect costs of regulating are also important. Indirect costs arise when regulation is so stifling that firms are constrained from developing new products or processes, entering new markets or establishing new businesses. The indirect costs of regulation can be much higher than the direct costs and has the perverse outcome of inhibiting employment.
- 2.4 The negative effects of unnecessary and excessive regulation are well-documented. Red tape and regulatory burdens impede competition, innovation and productivity, and therefore aggregate output, income and employment. ACCI has estimated that regulation costs the Australian economy approximately \$86 billion per year or 10.2 per cent of GDP with the annual cost of Government regulation within Queensland at \$17.9 billion.

### Cost to Government

- 2.5 On top of the hidden costs passed on to businesses, Government itself must spend significant amounts of taxpayer money, paid by business, administering and supervising these regulations. The business cost for the Commonwealth Government to administer business regulation alone has been estimated at approximately \$5 billion a year of taxpayer funds. Then there is the staff to administer the regulations, with the Productivity Commission assessing Federal Government agencies with explicit regulatory functions to employ around 30,000 staff.
- 2.6 CCIQ has estimated that the cost for the Queensland Government to administer regulation, based on the 2008-09 annual budget of those agency offices with explicit regulatory functions, to be over \$870 million. International research also demonstrates the significant cost of regulation to the public sector:
  - > A World Bank study conducted in 2005 concluded that Sweden, UK, Norway, Belgium and the Netherlands spend from 8-11 percent of total government spending to administer business regulations.
  - > The Federal Government, and provincial, territorial and local governments in Canada spent \$5.2 billion administering their regulatory activities.
  - > UK Research concluded that government regulatory enforcement activities cost the taxpayer around 0.5 per cent of GDP per annum.
- 2.7 The World Bank affirms that simplifying regulation helps businesses and governments alike. Easing regulatory burdens would allow businesses to expand faster and generate revenue that governments could use to enhance public services. Research generally indicates that countries with burdensome and unnecessary regulation have larger informal sectors, higher unemployment rates and slower economic growth and development, all of which add to Government costs for services and reduce Government revenue and ultimately detract from the total number of employed that could otherwise be achieved.

## 3.0 Evidence of Regulatory Burden on Queensland Businesses

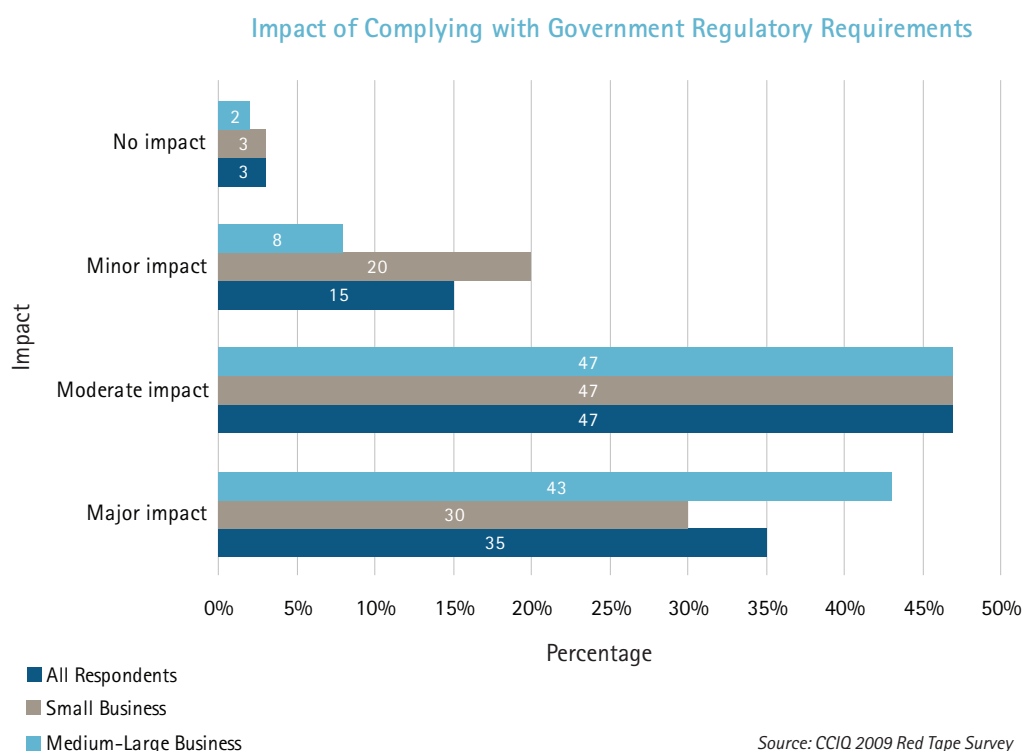
### CCIQ's Red Tape Survey

3.1 CCIQ has conducted a Red Tape Survey designed to assist in identifying and understanding the regulatory burden faced by business that inhibit innovation and create unnecessary barriers to productivity, investment and growth. More than 350 businesses of all sizes across all industry sectors and regions in Queensland completed the detailed survey. The specific objectives of the Red Tape Survey were to:

- > understand the regulatory burdens faced by businesses in Queensland
- > advance business recommendations and views on how to improve regulation
- > encourage policy and practices that lead to better regulation and lower administration costs for both business and taxpayers.

3.2 Queensland has the most Onerous Regulatory Regime in Australia

The majority of Queensland businesses (82.3%) believe that complying with Government regulation has a moderate to major impact on their business. The NSW Business Chamber has also conducted a Red Tape Survey. Where relevant, the results of CCIQ's survey have been compared to the NSW Business Chamber's survey to benchmark the quantity and quality of Queensland's regulatory and business environment. Accordingly the regulatory impact appears greater for Queensland business than NSW business, where only 69% indicated Government regulation has moderate to major impact on their business.



3.3 These responses accord with data from the Productivity Commission's 'Performance Benchmarking of Australian Business Regulation: Quantity and Quality', which reveals Queensland has over 70,000 pages of regulation and statutory rules – the highest of any state or territory and 10% more than the next highest state (WA – 63,567 pages). The same report also showed that Queensland had the highest number of business regulators (93), of any Australian state or territory.



Number of regulatory instruments and pages									
	C/wth	NSW	Vic	Qld	SA <sup>a</sup>	WA	Tas	NT	ACT
Acts	1,279	1,257	870	543	545	844	605	365	305
Pages	98,486	32,700	44,214	49,419	16,525	40,751	13,254	16,992	21,771
Statutory Rules	18,000	388	556	319	558	761	1,782	382	158
<b>Pages</b>	<b>90,000</b>	<b>7,717</b>	<b>12,625</b>	<b>15,635</b>	<b>8,526</b>	<b>22,816</b>	<b>12,071</b>	<b>4,057</b>	<b>7,763</b>
<b>Total Pages</b>	<b>188,486</b>	<b>40,417</b>	<b>56,839</b>	<b>70,748</b>	<b>25,403</b>	<b>63,567</b>	<b>25,325</b>	<b>21,049</b>	<b>29,534</b>

<sup>a</sup> Based on legislation in force at 31 December 2007.

Source: Productivity Commission's 'Performance Benchmarking of Australian Business Regulation: Quantity and Quality'.

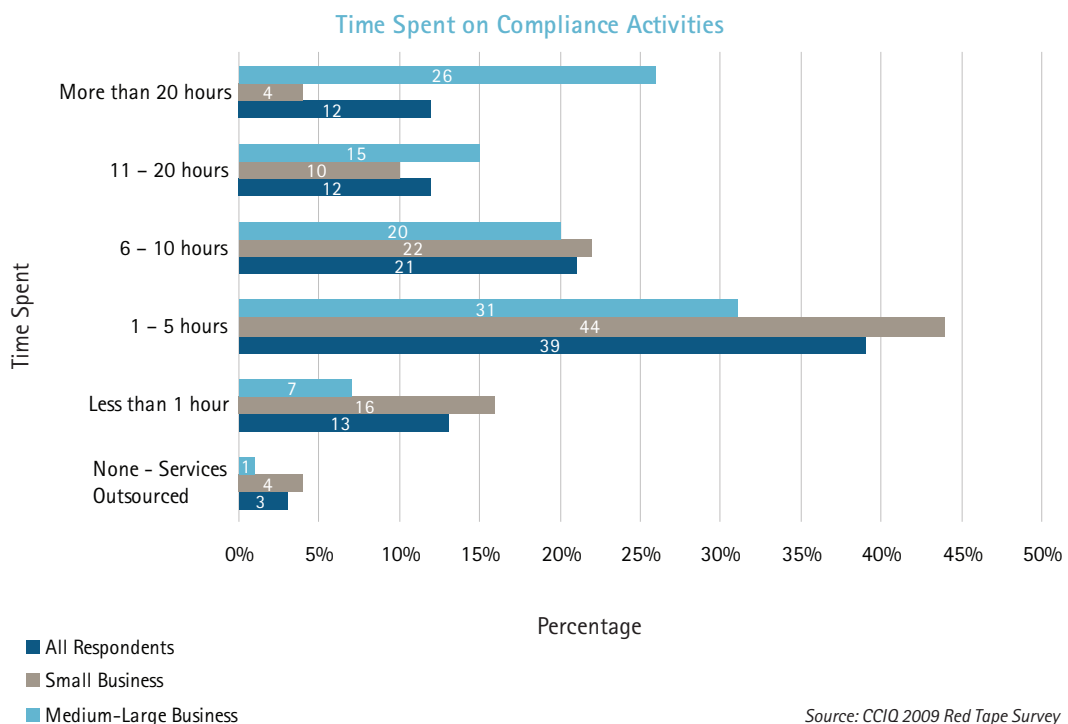
Number of business regulators, by type									
	NSW	Vic	Qld	SA	WA	Tas	NT	ACT	
Government departments, offices and agencies	29	24	22	26	25	13	7	6	
Statutory authorities	31	43	71	23	33	27	29	4	
Regional or other authorities <sup>a</sup>	13	0	0	0	6	0	0	0	
Non-government bodies with mandatory regulatory functions	2	0	0	0	4	0	1	0	
<b>Total business regulators</b>	<b>75</b>	<b>67</b>	<b>93</b>	<b>49</b>	<b>68</b>	<b>40</b>	<b>37</b>	<b>10</b>	

<sup>a</sup> Does not include local government bodies.

Source: Productivity Commission's 'Performance Benchmarking of Australian Business Regulation: Quantity and Quality'.

### 3.4 High Amount of Time Spent on Regulatory Compliance

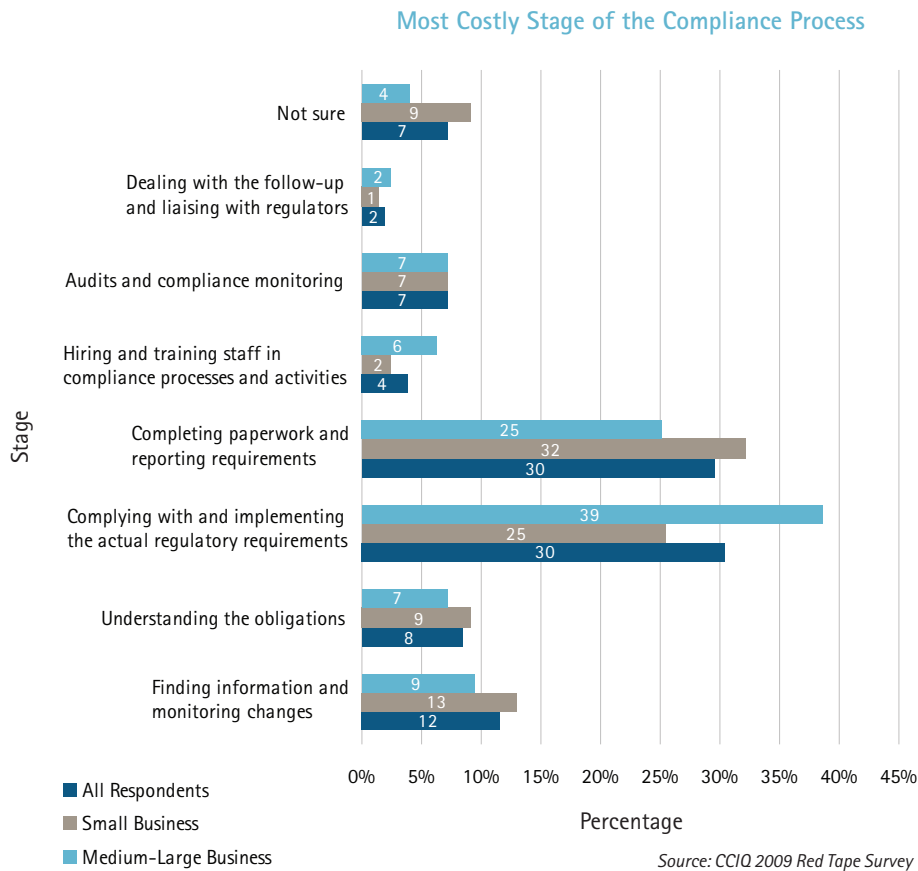
Just over 60% of businesses spend between 1 to 5 hours and 6 to 10 hours per week complying with government regulatory requirements such as filling out forms. In addition 12% spend more than 20 hours per week complying with regulatory requirements. This is particularly significant for the majority of Queensland businesses categorised as small (ie, employing less than 20 people).



Source: CCIQ 2009 Red Tape Survey

### 3.5 Types of Regulatory Compliance

Complying with and implementing the actual regulatory requirements and completing paperwork and reporting requirements are the most burdensome stages of the regulatory compliance process. Paperwork burden rated as the most significant for small business.



### 3.6 Increasing Regulatory Burden

Unfortunately, if anything, the growth of regulation has continued over recent years. According to CCIQ's 2009 Red Tape Survey, more than 80% of respondents believe the cost and time spent on compliance has increased over the past 2 years. This compares to approximately 75% of NSW businesses who have noticed an increase in the cost and time of regulatory compliance.

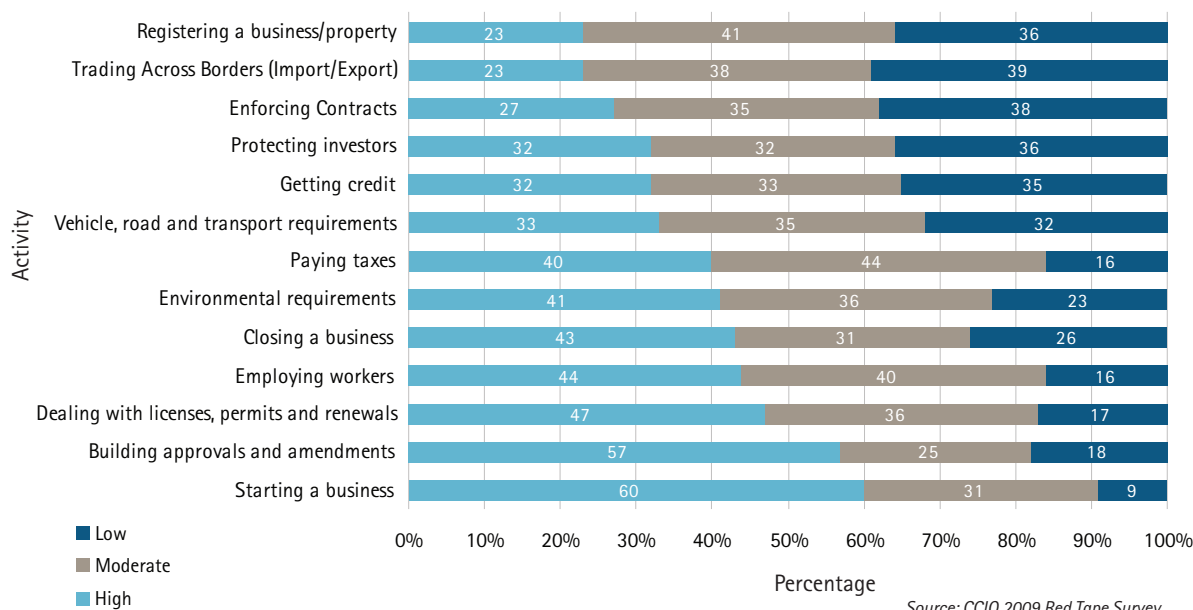
Based on CCIQ estimates, Queensland's regulatory burden has continued to increase at a rate of approximately 5 percent per year. In 2007-08 Queensland passed 19 new Acts and 4,044 new pages of new and amended legislation and a further 19 new acts and 3,117 pages of new and amended legislation in 2008-09 (as of 28 May 2009).

### 3.7 Areas of Regulatory Burden

The areas of regulation imposing the highest **financial costs** on Queensland businesses include dealing with licences and permits; employing workers; environment requirements; paying taxes; starting a business and building approvals and amendments. In terms of **time** required to comply with regulation, paying taxes; environment requirements; employing workers; licences, permits and renewals; building approval and amendments; and starting a business had the greatest impact on businesses.



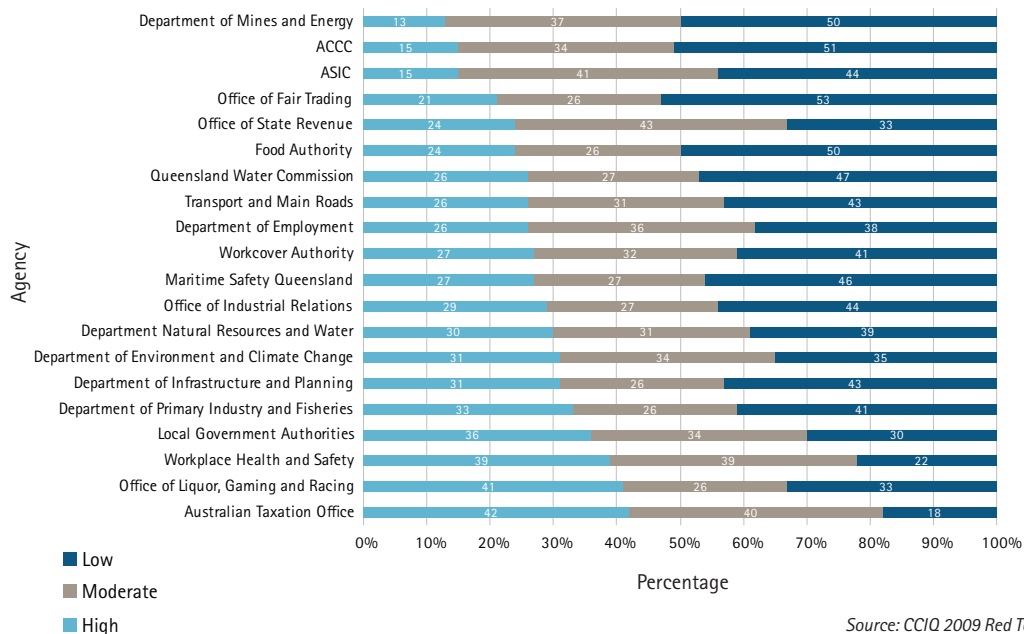
### Time Required to Comply with Regulation (Time Cost)



Source: CCIQ 2009 Red Tape Survey

At the Federal level, the ATO rated high in the level of red tape impacting on Queensland businesses (42%). Queensland Government agencies with a high level of red tape burden included the Office of Liquor, Gaming and Racing (41.18%), Workplace Health and Safety Office (39.13%) and Department of Primary Industries and Fisheries (32.79%) and Department of Infrastructure and Planning (31.25%). The Office of State Revenue and the Department of Environment and Climate Change also featured prominently. Local Government authorities also had a significant regulatory impact (36.04%).

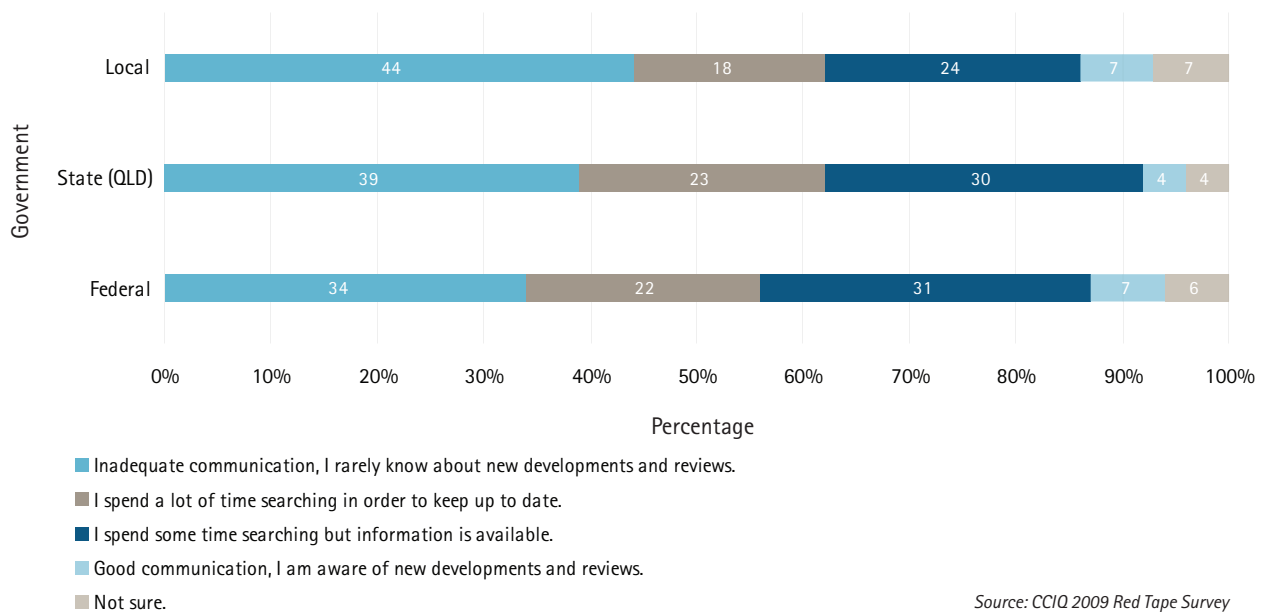
### Impact of Dealing with Regulatory Agencies



Source: CCIQ 2009 Red Tape Survey

3.8 The Productivity Commission has highlighted that for all Australian jurisdictions, the onus is on business to be aware of their legal requirements. Frequently changing regulation represents a burden on businesses, as they must become familiar with new regulatory requirements. This view is shared by Queensland businesses, with only 4% believing the Queensland Government communicates new or changed regulation and businesses compliance requirements well. The majority of respondents (38.9%) believed there is inadequate communication of new developments and regulatory reviews.

### Effectiveness of Federal, State (QLD) and Local Governments in Communicating and Providing Information

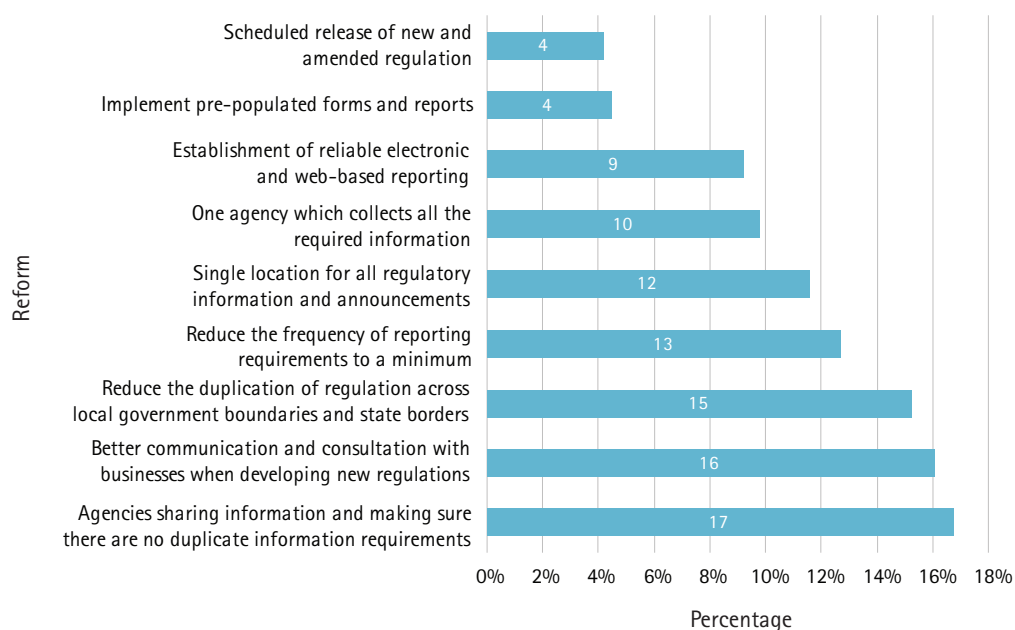


## 4.0 Queensland Businesses Views on Fixing Regulation

4.9 Queensland businesses have strong views on what can be done to help alleviate the regulatory burden on their operations, nominating the following strategies to reduce the cost of compliance:

- > agencies sharing information and making sure there are no duplicate information requirements
- > better communication and consultation with businesses when developing new regulations
- > reducing the duplication of regulation across local government boundaries and state borders
- > reducing the frequency of reporting requirements to a minimum.

### Reforms with the greatest impact on reducing regulatory compliance burden



## 5.0 Action Plan to Reduce the Regulatory Burden

- 5.1 Queensland can ill-afford to maintain a high cost of doing business. Queensland is in constant competition to retain and attract business investment and it is not enough to make regulation better or to arrest its rate of growth. There must ultimately be less regulation if the competitiveness of Queensland businesses is to be maintained.
- 5.2 The aim of Queensland's regulatory reform program should not just be to streamline regulation but to reduce the total stock of burdensome laws and regulations. Regulatory burdens are costs imposed by regulatory requirements, while red tape denotes all those regulatory costs arising from requirements that are irrelevant, unnecessary, duplicative or inconsistent.
- 5.3 This distinction is significant, because it points to two distinct policy goals – streamlining and deregulation. The intention of streamlining is to retain necessary and beneficial compliance obligations while ensuring they are delivered in the most efficient and practical way with the least administrative cost to business and government. In contrast, the objective of deregulation is to enhance competition and productivity by removing burdensome laws and regulation completely to reduce the cumulative impact of regulation on business and the community.
- 5.4 The few jurisdictions that have recently made significant gains on reducing red tape such as Victoria and South Australia and internationally the United Kingdom, Canada, British Columbia, and the Netherlands, share a number of key success factors that include:
- > demonstrated political leadership
  - > baseline counting of existing regulatory burden
  - > targeted reduction objectives
  - > regular public reporting of reductions.
- 5.5 The Victorian Government has committed to reducing the administrative burden of regulation by 15% and 25% within five years. Critically, progress against these targets is measured and reported in financial terms. The Victorian Government has also committed to reduce the number of principal Acts of Parliament by 20%, by July 2010. The latest budget papers reveal that Victoria is likely to achieve these targets.
- Similarly the South Australian Government established a target to reduce business red tape by at least 25%, or \$150 million, by mid 2008. Each Government Department was expected to produce Red Tape Reduction Action Plans and Departmental CEOs were made accountable to the Premier for achieving their target. The South Australian Government exceeded their target by more than \$20 million in July 2008 and are continuing their efforts to reduce red tape in the state.
- However, the regulatory reform program in the Canadian province of British Columbia is arguably one of the most innovative and successful approaches to regulatory reform internationally. It has all the essential ingredients for success: political leadership, public accountability and constraints on regulators and overwhelming support (95%) for their initiative from the business community. Since 2001 British Columbia has more than exceeded its target to reduce regulatory burden by one third (or 33%), nearly halving their regulatory requirements (47% reduction) as of November 2008.
- 5.6 Comparatively the Queensland Government has not been able to move beyond the rhetoric to deliver on a number of public statements of intent including the 2008–09 State Budget papers which announced the Government's commitment to a 'new regulatory reform agenda to tackle the quantity and quality of regulation' and the Premier's Toward Q2 policy which included commitments to 'simplify regulation and the barriers to industry and business growth'.
- Indeed, the most recent Red Tape Reduction Stocktake Report for 2006–07 (released by Queensland Treasury in August 2008) suggests that the Queensland Government is not actively committed to deregulation. Of the 26 reforms identified as being beneficial to business, the majority related to the COAG national harmonisation agenda, or to streamlining administrative compliance activities and the consolidation of fees and licences. Not one referred to the repeal of a principal Act or the complete removal of a discrete set of obligations.

Furthermore, a significant number of the regulatory reform initiatives highlighted in the report including Workcover, Workplace Health and Safety, liquor licensing, building and planning regulations and local government laws, continue to be areas of concern for Queensland business, as highlighted in the CCIQ Red Tape Survey. This therefore places a question over the extent to which a reported \$10.4 million in savings were seen and felt by Queensland businesses.

- 5.7 Accordingly, CCIQ encourages the Queensland Government to pursue more ambitious initiatives than qualitative assessments of industry specific red tape and the routine review of regulation due for repeal. The competitiveness of Queensland businesses requires an ongoing and systemic reduction of red tape and regulatory burden across all industries; and business confidence in the process requires that definite and measurable reductions are targeted in advance, not just estimated after the fact.

## 7 Point Action Plan for Regulatory Reform

In order to bring about consistent, efficient, sustained and systemic regulatory changes in Queensland, CCIQ recommends the Queensland Government adhere to the following '7 Point Action Plan for Regulatory Reform'.

R1	<p><b>Establish political leadership and commitment</b></p> <p>Regulation has a serious effect on the economy, yet politically it is usually a low-profile issue. Effective and sustained regulatory reform requires sustained high-level political support. One way of doing this is to appoint a minister with responsibility for overseeing the regulatory reform agenda. CCIQ believes that due to the priority of this agenda to the business community, the Queensland reform agenda requires political support and leadership from the Premier.</p> <p>The minister appointed responsibility for regulatory reform should act as the primary advocate for red tape reduction and work alongside other ministers, who retain responsibility and accountability for the reforms for which they are responsible, to collectively achieve whole-of-government regulatory efficiency.</p>
R2	<p><b>Measure the regulatory burden</b></p> <p>It is sometimes argued that measuring regulatory burden and setting quantifiable targets for reducing red tape is a futile exercise, due to the difficulty in identifying and measuring tangible and intangible costs incurred by business.</p> <p>Regardless of the measure, the process of establishing a baseline and moving forward with a reform program is a critical success factor, without which there can be no true accountability and the Government will fail to deliver red tape reductions that can be seen and felt by business and the community. Regulatory counts should also be available for each new piece of legislation and associated regulation and policy.</p> <p>CCIQ advocates a simple measurement based on counting the number of all 'regulatory requirements'* within regulatory instruments. This reflects the concerns of business that complying with and implementing the actual regulatory compliance requirements are the most burdensome stage of the compliance process (see section 3.5). This approach has had proven success in British Columbia where counting regulatory requirements was chosen as the primary accounting tool for measuring regulatory burden.</p>

\* Regulatory requirement is the compulsory obligation or prohibition placed on a business under the Authority of an Act or Regulation.





### **Impose constraints on regulators to reduce the existing stock and restrict the flow of future regulation**

Queensland is one of the few remaining states in Australia who has not yet committed to a target for red tape reduction. Internationally, governments including the UK, Netherlands, Canada and the United States have all established, if not surpassed, targets for reducing regulatory compliance burden.

CCIQ recommends the Queensland Government commit to deregulation through binding quantitative targets to reduce the overall stock of existing business regulation. If governments do not set binding targets for reducing total regulatory costs, there is a high risk that time and resources will be wasted making the unnecessary efficient.

CCIQ also advocates zero net growth in red tape through the adoption of a 'one in, one out' approach. This ensures at least one existing burden is removed or reduced when governments create a new regulatory burden.

The 'one in, one out' approach is already in force in the United Kingdom and Victoria. In its report to the British Prime Minister, the Better Regulation Task Force (BRTF) advised that the British Government should adopt the 'one in, one out' approach to regulation, so if ministers want to introduce new laws, they first have to either reschedule and/or abandon other proposals (thus stemming the flow of new regulation), or agree to repeal existing laws (thus reducing the stock of existing regulation)

R3

### **Report regulatory reform measures**

Real accountability requires ongoing and regular measurement and reporting. It allows progress to be tracked over time and raises the profile and understanding of costs both for regulators themselves and the community.

CCIQ recommends public quarterly reports to measure progress towards reducing the regulatory burden. Reports should identify progress towards achieving the targets and provide an overview of the activities of all agencies in a consistent template linked to targets and agency plans.

R4

### **Drive cultural change in the use of regulations and the way they are made**

All agencies of government should commit to reviewing their regulation and making an equal contribution to the state reduction target. Agencies should be compelled to develop action plans identifying priority areas and a forward program for simplification and repeal.

Ministers and agencies should also be compelled to carefully consider the need for new regulations and the impact on small business. Guidelines for considering new regulations that include scrutiny of the need for the regulation, ensuring affected parties are consulted, should be adhered to by all regulatory agencies.

A review of the efficacy of the existing Regulatory Impact (RIS) processes also need to occur. We must break down the culture among some departments that RISs are used as a means to justify regulatory, as to its original intention to validate the need for regulation. A return to the original intent and rigour of regulatory sunset requirements should occur to ensure existing regulation is only ever rolled over and re-enacted when there is an irrefutable need.

R5

### **Ensure adequate communication**

The onus to ensure effective communication, understanding and compliance by the community sits with the regulators creating the rules. It is entirely reasonable for business to expect government agencies to provide straightforward and consistent advice regarding regulatory compliance in a timely manner and in plain, easy to follow language.

Government must better consult with the business community before any introduction of regulation and propose a 'scheduled or programmed' approach to the introduction of regulation on a predetermined date (e.g. 1st of January and July). CCIQ also strongly supports the establishment of a one-stop shop for business to access State Government and regulatory information.

R6

### **Improve Government customer service**

Regulators dealing with businesses should be focused on customer service and meeting targets for outcomes and service quality. The Queensland government should institute reverse onus guidelines for timelines, deadlines and communication across all regulatory agencies of government. Government agencies must also have performance targets linked to regulatory outcomes rather than processes.

R7

"Government departments seem to think that small business has a bottomless pit from which to draw expertise, wages, personnel, and time to comply with regulation. They (the Government) basically have no idea how small business operates. Government Departments charge for overdue fees and reports [fair enough] but we cannot pass on the cost for the time involved in completing all of the irrelevant reporting requirements. I can't help but think these (Government regulatory requirements) are brought about by a person or persons justifying their position."

"Most countries operate effectively without the excessive compliance requirements that Australian companies, especially small businesses, have to deal with. This excessive level of regulation puts unnecessary constraints on the growth of businesses as they have to devote time and money to comply with ludicrous regulations rather than spending this time and money on running and growing their business."

"A major issue for our industry is the pedantic 'officer level' employees responsible for enforcing policy who often have different interpretations on what can and can't be done, which creates inconsistencies in their rulings. There is a severe lack of communication from the officer to the field."

"I have an accountant who is spending more time complying with GST, FBT, Payroll Tax, Local Government, Vehicle Registrations etc than he is on debtors, P&L and Trading Account and other important functioning parts of the business."



# 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.

Visit [www.cciq.com.au](http://www.cciq.com.au) or phone 07 3842 2244 for more information.

Invigorating Business



CHAMBER OF  
COMMERCE &  
INDUSTRY  
QUEENSLAND

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)