



2019-2020 STATE BUDGET SUBMISSION

Queensland Treasury

CHAMBER OF COMMERCE AND INDUSTRY QUEENSLAND

▼ 16 April 2019

Introduction

1. The Chamber of Commerce and Industry Queensland (CCIQ) welcomes the opportunity to provide comment to the Treasurer and Queensland Treasury on the State Budget 2018/19 (the Budget).
2. CCIQ is Queensland's peak industry representative organisation for small and medium businesses. We represent over 440, 000 Queensland businesses on local, state and federal issues that matter to them. Our guiding focus is to develop and advocate policies that are in the best interest of Queensland businesses, the Queensland economy and the Queensland community.

Small Business is a Big Deal

3. This State Budget should be about job creation. Queensland small businesses are the engine room of private sector job creation and as such, this State Budget must deliver a suite of policies to make Queensland the best place in the world to start and grow a business.
4. The 2019-20 State Budget must also demonstrate to Queensland employers that the state economy is robust, no new taxes or charges will be imposed on small and medium enterprises and the government has a clear plan to address the South East Queensland versus Regional Queensland divide in economic opportunity.

Small business profile in Queensland

- Small businesses with less than 20 employees represent 97.7 per cent of total private sector businesses in 2018.
- Close to 1 million persons are employed in a small business (44.3%) in Queensland, and around 500,000 are employed by medium business (23%).
- Small and medium businesses contribute around \$100 billion to Queensland's Gross State Product.
- With 86 per cent of jobs created in the private sector, it is critical that the business community has the confidence, opportunity, and certainty required to continue creating employment opportunities for Queenslanders.

5. CCIQ's pre-budget submission puts forward a series of policy levers available to the State Government to which all sides of politics can pledge their mutual support to ensure small business remains front and centre in driving Queensland's economy forward into the future.

6. The Queensland Government states in Our Future State: Advancing Queensland's Priorities that creating jobs in a strong economy is a chief government objective. The government's stated aims are to create jobs, increase private sector investment, and engage more Queenslanders in education, training or work. CCIQ is of the view that it is the small business sector that is key to achieving those specified outcomes and identified priorities of government.
7. To achieve job creation, the State Government must use this budget to remove inhibitors to small business growth such as the complexity of taxation and compliance activities, the challenges of staff recruitment and attainment, and skills shortages in addition to unlocking the factors that spur small business growth such as increased export capacity, innovation, and digital investment.
8. The challenges facing Queensland's economy are diverse, but the current and emerging opportunities for businesses are also varied, particularly in sectors such as the service and visitor economics, advanced manufacturing, health and defence. For Queensland businesses to best take advantage of such opportunities, they need to be operating in a cost competitive environment with access to world class infrastructure and skills.
9. Small businesses are change agents and agents of change. With deep knowledge and access into the small business sector, CCIQ are the acknowledged experts all things small. We constantly communicate with our members and the broader business community to ensure our advocacy speaks to their collective needs. The following recommendations for the 2019-20 State Budget are what Queensland small businesses most need to ensure they continue to grow, invest, and employ.
10. CCIQ implores the Queensland State Government to carefully consider the recommendations contained herein. This State Budget must the vision for Queensland's economy, and the foundations for our economic trajectory, to give small businesses confidence and certainty to employ more Queenslanders.

State Budget 2019-20 Small Business Priorities

11. As the recognised voice for business in Queensland, CCIQ constantly communicates with members and the broader business community to ensure our advocacy speaks to their collective needs. The following recommendations for the 2019-20 State Budget are what Queensland small businesses most need the State Government to act upon and invest in.

12. CCIQ implores the Queensland State Government to carefully consider the recommendations contained herein.

Payroll tax

13. The State Government has made job creation a priority. Given that more than 86 per cent of jobs in Queensland are created by the private sector, the most efficient way to incentivise small business job creation is by lifting the payroll tax threshold.
14. The payroll tax rate in Queensland sits at 4.75 per cent. The payroll tax exemption threshold is \$1.1 million. Queensland small businesses view the payroll tax as a tax on employment and a penalty for giving someone a job.
15. The biggest impact payroll tax has on business decision-making occurs when the total payroll approaches the exemption threshold. The effective marginal cost of employing additional labour increases once the employer moves through the exemption threshold and becomes liable for payroll tax.
16. As a direct result, payroll tax limits the expansion of small and medium businesses in Queensland, particularly those below but approaching the tax-free threshold. Payroll taxes increase compliance costs of small businesses, diverting crucial resources away from business operations and discouraging small businesses from creating additional jobs.

Recommendations

- i. Queensland employment must be supported by raising the payroll tax threshold while the payroll tax rate is increased for large employers to stimulate employment in Queensland.
- ii. Lift the payroll tax threshold from \$1.1 million to \$1.5 million to create approximately 2,600 direct jobs in the 2019-20 budget year.
- iii. Re-commit to the payroll tax exemption for wages paid to apprentices and trainees.
- iv. Continue with the 50% apprentice and trainee rebate for payroll tax.

Skills, Training & Workforce Development

17. Queensland's labour market will be fundamentally reshaped over the next few decades. Unprecedented change and opportunity are on the horizon, with several key disruptors playing a major role in the changing face of Queensland's labour market. These include rapid technological advancements, a tsunami of big data, diversity and generational change, AI, automation, contingent work, and the change in nature of a career/s.¹
18. Queensland is also faced with wide-ranging skills challenges that impact a small businesses capacity to grow. Small businesses tend to under-invest in skills development due to a number of broader market failures including but not limited to a) the 'poaching problem' whereby businesses are reluctant to invest in training because they may not ultimately receive the full benefits of such an investment; b) information challenges such as employers experiencing difficulties in the judging the quality of training and how it will be directly linked to improved business performance; c) lack of access to finance to invest in staff due to short-term cashflow pressure and; d) frictional effects whereby businesses with few employees cannot easily release key employees for training.

Recommendations

- i. Establish a Memorandum of Understanding between CCIQ and Jobs Queensland to ensure research and policy development into Queensland's future workforce encompasses a prescribed industry-led focus.
- ii. Commit to a comprehensive review of current employer incentive payments with the view to developing policies that support employers throughout the lifecycle of an apprenticeship or traineeship.
- iii. As a result of a transitioning economy, changes to notions of the traditional workplace and the gig economy, ensure funding is committed to revamping Queensland's secondary school curriculum with a greater focus on entrepreneurship, business acumen, and innovation.
- iv. Continue with programs such as the Back to Work- Skilling Queenslanders for Work and the Regional Skills Investment Program.
- v. Invest in education in areas targeting entrepreneurship, particularly in linking universities with small business incubators to generate new businesses.
- vi. Establish a 'New Enterprise Allowance' for young entrepreneurs to encourage them to start or develop a new business. This will comprise of a weekly allowance over 26 weeks in addition to access to mentorship through Business Queensland for youth aged between 18-25 currently receiving federal employment benefits.

¹ Bersin, Deloitte Consulting LLP, 2018.

- viii. Training (VET) to ensure providers perform to the standards required by industry and remain responsive to the needs of students.
 - i. Commit to working co-operatively with the Federal Government to ensure training packages are responsive to industry and that the VET system is agile and flexible in its implementation so as to deal with the needs of each industry and the evolving requirements of future skills.

Infrastructure

19. A lack of infrastructure investment is holding back the potential of the Queensland economy. Public infrastructure investment is at decade long lows and going forward we will require private sector involvement to help secure funding for projects.
20. While transport infrastructure remains a priority, infrastructure investment in all our major services is required. The scope of infrastructure projects needed across Queensland ranges from water, energy, health, recreation and tourism to rail, roads, ports and digital networks.
21. Investment in projects across all these sectors will lead to quality infrastructure that boosts economic activity, lifting standards of living across Queensland.

Recommendations

- i. Balance the need for growth-proof infrastructure in South East Queensland with delivering a world-class capital works program for Queensland's regions.
- ii. Facilitate regional 'City Deals' based on the SEQ City Deal model to create a long-term template that will secure sustainable investment, attract investors, and revitalize our regional centres.
- iii. Ensure regional infrastructure requirements are not overlooked and that various regional priority projects are appropriately funded over the forward estimates.
- iv. Re-commit to the 'Building Our Regions' Fund.
- v. Prioritise road, electricity and telecommunications projects which will increase productivity for businesses.

Funding options for infrastructure investment

Public Private Partnerships (Utilization of Market Led Proposals).

- i. Sale / Lease Back Arrangements (i.e. sell underutilized state-government assets to be leased back from private sector to save on capital works program. Divert savings in capital works program to new infrastructure projects.)
- ii. Build new infrastructure with the caveat that infrastructure will be sold to the private sector within a defined timeframe.
- iii. Sale of Future Rights (i.e sell to the private sector the 'option rights' to build future specific infrastructure).
- iv. Negotiate with the Commonwealth for more funding of major projects.
- v. Infrastructure Efficiency Fund - efficiency dividend applied to all portfolios to fund major infrastructure projects.

Energy & Waste

22. Rising electricity costs are still a pain point for many businesses and not enough is being done to see a reduction in electricity costs. This is exacerbated by a lack of policy certainty at the federal level. More competition and investment in the National Electricity Market (NEM) is needed but this will only be achieved once there is policy certainty.
23. The Waste Levy is a significant concern for businesses and serves as another tax burden. While CCIQ opposes the Waste Levy, the recommendations provided are aimed at mitigating the damage it will have on businesses.

Energy Recommendations

- i. Commit to working closely with energy stakeholders to ensure efficient tariff design which reflect small business demand and usage profiles.
- ii. Issue a permanent and enduring direction to both Stanwell Corporation and CS Energy to undertake strategies to place downward pressure on electricity prices.
- iii. Extend funding for grants for battery and solar battery storage system.
- iv. Release the Queensland Gas Action Plan to provide certainty to industry.
- v. Commit to an inquiry to investigate the benefits and viability of a contestable retail market in regional Queensland, with the aim to put downward pressure on prices – particularly a review of the possibility of having Network Community Service Obligation which will open up competition in the retail market.
- vi. Commit to supporting the recommendations from CCIQ’s SME Sector Adaptation Plan (SAP). The SME SAP is a collaborative, but CCIQ driven, document to identify the challenges businesses face in adapting to a changing climate and making recommendations from the findings to ensure business resilience.
- vii. The recommendations which require funding include (but are not limited to):
 - A review of workplace health and safety legislation to assess whether there is clarity on the roles and responsibilities of employers and employees in the context of risks that arise from climate change.
 - An investigation of alternate insurance products and financial risk management strategies for businesses – particularly those prone to natural disasters. This requires Identifying the precise insurance difficulties the regional areas are encountering and developing solutions that provide effective, accessible and affordable insurance options. This can be done through a task force or working group.
 - Continue to promote and fund tools and initiatives that make businesses more resilient to increased energy consumption. An example of this is ecoBiz.
- viii. To lower power prices, standing offers should be replaced with a default market offer that has a price cap (price safety net).

- ix. Adopt recommendation 50 of the ACCC's recommendations that all discounts be calculated from a reference bill set by the AER.
- x. Fund industry bodies to provide tailored electricity market advice. An example of this is the Business Energy Advice Program, funded by the Federal Government, and the purpose of the program is to deliver energy efficiency and retail switching advice to small businesses over a period of three years.
- xi. Require network operators to write down network overinvestment.
- xii. Restructure QLD generators into three separately owned portfolios to improve competition.
- xiii. Improve transparency of over-the-counter contract trading by requiring reporting of these trades to a central registry.

Waste Recommendations

- i. The proposal to phase in the waste levy, through a rebate, should apply to all those affected, including businesses to ensure all affected parties are afforded a period to adjust to the new regulations.
- ii. The 'Waste Strategy' in its entirety be reviewed as soon as reasonably practicable, and that such review pre-empt the traditional time allocated for legislative reviews (3-5 years) to assess its impact on small businesses.
- iii. CCIQ advocates that levy revenue must be used in its entirety to develop the required infrastructure and industry adjustment packages, as well as small business support programs to assist businesses in reducing waste to landfill.
- iv. If the revenue exceeds the projected amount, then the surplus should be used to reduce government debt and or fund business programs, and not diverted to consolidated revenue.
- v. Commit to continued funding of the ecoBiz program with an additional \$2 million over three years. This will enable ecoBiz to provide additional waste assessments and waste support to over 500 new businesses each year, positioning Queensland businesses as world class in resource management. Continued ecoBiz funding will also allow ecoBiz to digitise the Small Business Climate Change Risk Management Tool developed by the Department of Environmental Science (DES) and the National Climate Change Adaptation Research Facility (NCCARF). This is a free tool that takes businesses through a step by step process of how to identify climate change risks to the business and what adaptation steps to take to make the business resilient.

Procurement

24. There are serious concerns across Queensland's small business community that the State Government's signature Buy Queensland Policy is failing to demonstrate its intended effect, thereby failing to increase opportunity for local small employers to do business with government.
25. Another key concern for business is the amount of red tape when it comes to the procurement process, both in tendering and as contained in procurement contract terms. Small businesses have repeatedly voiced their frustrations as to the complexities of the process, and list it as the number one reason for avoiding procurement altogether.

Recommendations

- i. The Queensland Government must immediately introduce a transparent and open procurement data platform across all government agencies for industry to assess the impact of the Queensland Procurement Policy.
- ii. Consider a public procurement target for small business participation, like the one adopted in the UK of "one pound in every three by 2020".
- iii. Alongside CCIQ, develop a series of small business focussed educational workshops assist small businesses to understand the finer points of doing business with government.
- iv. Create shorter, more user-friendly public-sector contracts through simplifying the language in government contract terms through the development of a new "standard public sector contract" to save both smaller businesses and the government money and resources by not having to wade through dense contracts.
- v. Commit to funding programs that support small businesses in the tendering process such as CCIQ's Business Ready Q-Assure.
- vi. Remove the "best practice principles" retrospectively added to the Queensland Procurement Policy as these requirements discriminate against small business employers and their capacity to compete for government contracts.
- vii. Commit to faster payment times for small business in line with the COAG commitment of 20 days.

Export & Trade

26. It is critical to the future success of Queensland's economy that small and medium businesses are optimally placed to access global markets.
27. As Australia's domestic consumer market is relatively small, the overwhelming benefits of accessing a larger customer base in the global economy are clear. Despite this, small businesses face unique barriers when seeking out global opportunities.
28. Those challenges can be logistical, such as getting product to market from relative geographical isolation or can be domestic barriers that impact the overall competitiveness of our local small businesses in the global marketplace. For Queensland business to penetrate and exploit international markets, business calls on government to develop a multi-pronged approach to policy development that is tailored to small business needs.

Recommendations

- i. Ensure strategic bi-lateral trade partnerships are effectively pursued, with investment in trade representation in overseas nations whose economies require Queensland business. This includes China, Japan, the United States and the Middle East.
- ii. Work with the Federal Government to ensure small businesses are afforded every opportunity to capitalize on Australia's existing and future free trade agreements.
- iii. Support government trade missions to maintain Queensland's reputation as a high-quality producer of goods and services and further promote the capabilities of Queensland small businesses to overseas markets.
- iv. Facilitate greater linkages between Queensland businesses and their overseas partners and achieve better harmonies between business and government in attracting investment to Queensland.
- v. Improve connectivity across a broad range of channels including integrated infrastructure planning of ports, roads, and rail, improved communications infrastructure to ensure digital access to market.
- vi. Achieve greater linkages between business and government when seeking out market opportunities overseas through the implementation of a local and state chamber network to act as the conduit between business and government.
- vii. Better education for small businesses looking to export to reduce the apprehension associated with entering new markets.
- viii. Create better symbiosis between Trade and Investment Queensland (TIQ), other Queensland government small and medium business programs and industry groups to ensure that:
 - The different packages and workshops offered by TIQ reach small and medium businesses. An example would be rolling out QIT's Business Growth Essentials with industry groups to get as much exposure and participation as possible. As this program assists businesses with being market ready, it is a crucial program with huge benefits to business that should be able to gain momentum if partnered correctly
 - There is not overlapping of funding

Digitisation

29. Overall, businesses are feeling relatively confident in their transition to the digital economy. Businesses are excited by the opportunities the digital economy brings but many businesses are unsure where they are positioned as this transformation takes place. While businesses are willing and possibly even eager to adapt to the changing technological landscape, businesses will need support in building internal capacity to train, upskill and improve the digital literacy of their businesses, which includes their workforce.

Recommendations

- i. Open a new round of applications for the Small Business Digital Grants.
- ii. Expanding the Mentoring for Growth program to include mentorship in digitisation strategies as a core component of business strategies.
- iii. Develop or support existing initiatives that promote the digitisation of document management systems to move away from traditional paper storage.

Further enquiries

30. If you wish to discuss any of the contents contained herein in further detail, please contact Olivia Van der Wagen, Policy Advisor, at ovanderwagen@cciq.com.au