



CHAMBER OF COMMERCE AND INDUSTRY QUEENSLAND

▼ *The introduction of four year terms in Queensland Parliament*

Findings of the Westpac Group CCIQ Pulse Survey, September Quarter 2015.

OCTOBER 2015

1. Overview

1. As Queensland's peak business body, the Chamber of Commerce and Industry Queensland (CCIQ) has reviewed the Inquiry into the introduction of four year terms in Queensland Parliament.
2. CCIQ understands that there are two components that are being inquired jointly by the Finance and Administration Committee, the first component involving a general inquiry into possible changes to the duration of terms for the Queensland Parliament. The second component of the inquiry was introduced on 17 September 2015 by Ian Walker MP, Shadow Attorney-General and Shadow Minister for Justice, Industrial Relations and Arts, of the the:
 - *Constitution (Fixed Term Parliament) Amendment Bill 2015*
 - *Constitution (Fixed Term Parliament) Referendum Bill 2015.*
3. The policy objectives of the Bills are centred around the proposal that the Legislative Assembly expires on the day that is four years from the day the writ for the general election was returned for the Assembly, thus ensuring a fixed four year term. Furthermore, the Bills seek to investigate appropriate referendum and election dates corresponding to the fixed four year term proposal.
4. CCIQ welcomes the joint inquiry as a crucial step towards providing greater economic stability and a more sensible approach to growth in Queensland's economy. The increase in parliamentary terms from three to four years in CCIQ's view minimises any decline in consumer confidence associated with election, but also enables government sufficient time to facilitate good, long-term economic planning for both the private and public sectors, undertake effective planning of the parliamentary timetable, or to concentrate on policy and program delivery without the distraction of imminent elections.
5. CCIQ is aware of many projects or policy initiatives stalling through change of government or at the very least delayed through caretaker arrangements implemented during elections. Longer parliamentary terms have the potential to enhance business confidence and business investment, by eliminating uncertainties created by frequent elections and subsequent shifts in government policy or attitudes to towards certain projects.
6. CCIQ equally supports the Bills as the fixed component is critical to provide the private sector certainty about the term of government with a guaranteed tenure for the implementation of policies and projects that facilitate better economic growth. In CCIQ's view, extending Queensland's parliamentary term to four years without introducing a fixed term component would not achieve the desired goal of creating certainty and confidence.
7. CCIQ surveyed 761 Queensland businesses as part of the Westpac Group CCIQ Pulse Survey to assess the impacts of state election campaign periods on small business operations.
8. Results of the Pulse Survey convincingly support the above, with 78% of businesses consider there to be a negative impact on the Queensland economy as a result of the State elections and

election campaign periods, with the average term of parliament being just 2 years and 9 months¹.

9. The findings provide a unique small business perspective on the type - and extent – of impact that state elections have on their businesses. Additionally, the results offer insight into what changes business would like to see in terms of minimum fixed term periods, when a possible referendum should be held, and the timing of the state election over the calendar year.
10. The Chamber also notes that at present all states and territories other than Queensland have extended their parliamentary terms to four years (the last transition occurring over 10 years ago), with the majority also including a fixed term component as well. CCIQ consistently favours the alignment of jurisdictional approaches to governance and regulation.

Parliament	Term	Date of change to four year term	Fixed term component
Commonwealth	3 years	-	Nil
NSW	4 years	1981	4 years
VIC	4 years	1984	4 years (since 2006)
QLD	3 years	-	Nil
WA	4 years	1987	4 years (since 2011)
SA	4 years	1985	4 years (since 2002)
TAS	4 years	1972	Nil
ACT	4 years	2004	4 years
NT	4 years	Always 4 years	4 years (since 2008)

11. Further, CCIQ supports that as per all other jurisdictions, there be a retention of the reserve powers for the Governor to dissolve the parliament in situations where the Government loses the confidence of the lower house, where the lower House rejects or fails to pass supply.
12. It is understood that within other jurisdictions, there are also provisions to change the fixed date where it is necessary to avoid a clash with a Commonwealth election period, holiday period or other inconvenient time, to which support for the same provisions to be applied in Queensland is also given by CCIQ.
13. Overall, the inquiry on changes to parliamentary terms must take into account the significant negative impacts on small business, and shift to a model that minimises disruption/instability to the economy and positive benefits such as increased scope for government to exercise long-term planning.

¹ The last five state elections have been held on 31 January 2015, 24 March 2012, 21 March 2009, 9 September 2006 and 7 February 2004.

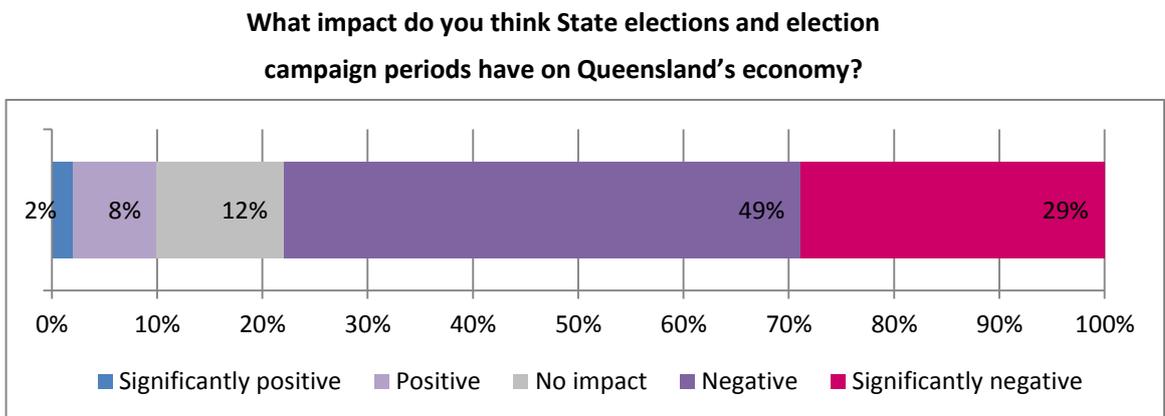
14. The findings are both quantitative and qualitative data that has been gathered through the Pulse Survey, including comments directly from small businesses around the state, which presents a compelling case towards the introduction of fixed four year terms in Queensland.

2. The impact of state elections on the Queensland economy

15. A longer term allows a government a longer period to implement policy, particularly in areas of planning and of delivery of major infrastructure. Stability is enhanced, and a government can plan in a steady manner. The Issue Paper further notes that policy development would be less driven by political expediency and allow a long-term view.

16. It is true that small businesses require certainty about policy settings in order to better plan and manage their operations, however uncertainty equally plays a detrimental part in lowering consumer/business confidence, in turn decreasing spending and investment, and therefore dampening the state economy overall.

17. Results of the Pulse Survey convincingly indicate that 78% of businesses consider there to be a negative (49%) or significantly negative (29%) impact on the Queensland economy as a result of the State elections and election campaign periods.



Source: Westpac Group CCIQ Pulse Survey September Quarter 2015

18. The data suggests that business confidence declines over the period of an election campaign. Heightened economic anxiety and languishing confidence have evident impacts of the performance of the economy, and undermines short-term growth rates. Recent experience indicates that there are several important consequences from low and declining levels of confidence, including:

- less money in circulation as individuals and firms hold onto their savings/capital;
- declining business investment spending and weaker employment growth;
- dominance of short-term thinking and absence of longer-term strategic activity; and
- risk of a decline in the economy's growth rate and associated decline in productivity growth.

19. The careful management and guidance of confidence and sentiment represents a crucial component of influencing economic growth.
20. Businesses have indicated that their negative perception on the state of the economy around election period is not unjustified. The comments below were received through the Pulse Survey by businesses who have consistently observed a trend over many years:

“In my 18 years of operating business in Queensland, there is always a significant decrease in business decisions during and after an election period – the economy stops.”

“Our business historically drops to around 50-70% turnover for a period of 6 weeks. In the last 2 cycles the period has been 3 months.”

“We find that property slows as soon as an election is announced as consumers on the fringe seem to hold back with their decisions hoping for a windfall. Changes at state and federal level have been extremely disruptive to our business over the last 5 years, together with natural disasters.”

“Surprisingly as a bridal store, we see a decrease in sales as people put purchases on hold. It’s been a consistent theme whenever major political changes occur.”

“We directly experience the effect each time a government goes into election mode and at each change of government. It is very difficult to plan and deliver projects in this cycle.”

21. These observations indicate that business operators almost certainly expect there to be a downturn as a result of the election campaign period. For businesses, the lead up to the state election can be akin to seasonal weather events and holiday periods.
22. Commencement of an election campaign period, fuelled by the media, is stated as when businesses believe the negative impacts begin to transpire. Further, businesses have told CCIQ that the downward shift in consumer spending continues post-election as well, lengthening the period of disruption to their business.

“Regardless of the party, elections cease spending about three months out of an election – as soon as the media start hyping it.”

“Economic activity definitely slows during and even for some time after an election. Uncertainty is death.”

23. Businesses have also indicated that this period of disruption and “stop-start” growth causes job creation prospects to also be delayed, as they wait to see the outcomes of the election before proceeding. This postponement is similar for the purchase of non-critical expenditure and/or investment decisions, as well as any plans of business expansion.
24. Small businesses that are part dependant on government tender processes or funding (particularly not-for-profits) are also experiencing significant financial losses as a result of a change in government when the process is withdrawn by the new government as a result of a change in policy direction.

25. The fear and often reality that changing policies will affect the business operating environment prevents operators from making timely and sensible business decisions based on their own situation.

“Because our industry is so regulated, any elections cause major impact which is very costly. From talking to other businesses they may not suffer quite as much, but it certainly causes disruption and uncertainty.”

“No business owner likes to make a decision while waiting to find out what changes a new Premier may bring to the state.”

“All business goes into a period of conservatism coming to election times. Governments go into “election” mode and business is left in the middle trying to predict and gamble on who will win and under which policy we will have to operate. The short election terms have significant negative impact on business ability to plan long term and have comfort and confidence on fiscal policy and infrastructure investment.”

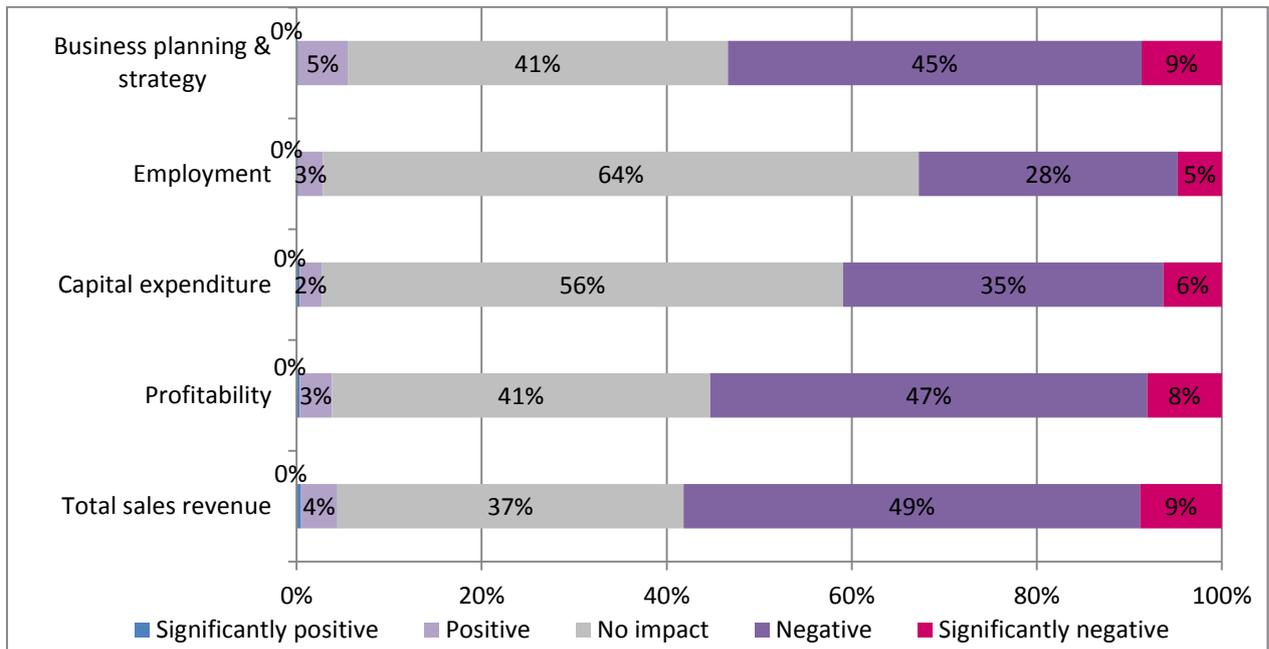
26. A number of comments were also made around state elections negatively impacting on the economy due to the high cost and the allocation of tax dollars towards campaigning. Funding reserved for media coverage and staging of the election, as well as the processes to change ministerial and government staff, would be far better spent on state infrastructure and services.
27. While governments have the privilege and power to allocate such funding, the tax dollar will inevitably stretch further over the long term as a result of more infrequent elections.

“Wasted tax payer money, too much media involvement, too much focus taken away from issues, governing and objective decision making, as campaigning leans politicians toward whatever decision will be popular. Campaigning is not in the best interest of taxpayers, it simply forces campaigners to pander to them. During an election campaign, we are not taxpayers... we are voters.”

3. Decline in revenue and profitability

28. Volatile revenue and uncertainty in profitability can more often than not, send small businesses into a state of insecurity and/or financial hardship.
29. Pulse Survey results showed that the area of business most negatively impacted was in ‘total sales revenue’ with over 58% of businesses indicating negative or significantly negative impact. This was followed closely by ‘profitability’ (55%) and ‘business planning and strategy’ (53%).
30. Despite over 59% of businesses indicating positive or no impact upon capital expenditure and employment, up to 41% of businesses still experience negative impacts within these areas.

What impact has State elections and election campaign periods had on your business in the following areas:



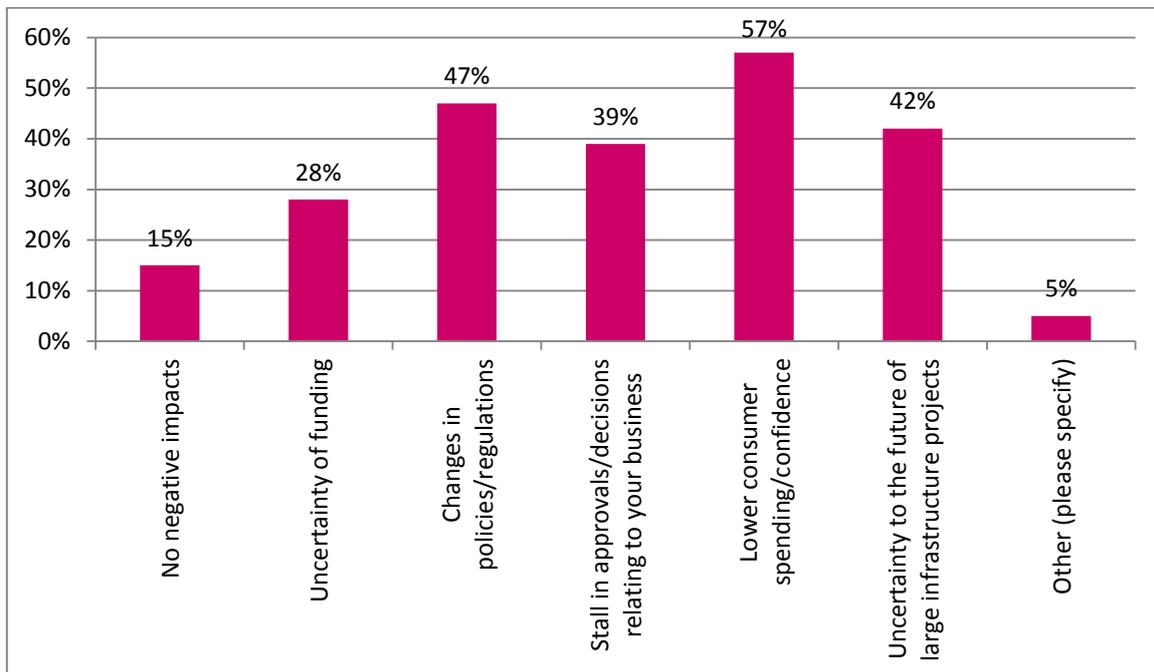
Source: Westpac Group CCIQ Pulse Survey September Quarter 2015

31. Given that 97% of businesses in Queensland are small businesses who employ approximately 43% of all private sector workers, the importance of avoiding impacts on their bottom line to the greatest extent possible and removing any unnecessary financial imposts upon them should be prioritised.

4. How elections impact on business

32. The Pulse Survey delved further into what businesses believed the reasons were for any negative impacts they experienced as a result of State elections. Lower consumer confidence and spending was considered to be the key area most affected with 57% of businesses indicating it as the number one reason for any negative impact. This is followed by changes in policies/regulations (47%), and uncertainty to the future of large infrastructure projects (42%).

If there is a negative impact on your business as a result of State elections, election campaign periods or government caretaker provisions, please tell us the key area most affected.



Source: Westpac Group CCIQ Pulse Survey September Quarter 2015

33. The results confirm that the impacts of a state election period affect business where it matters to them most – their capacity to maintain revenue and profitability. Although with almost half of the respondents indicating policy and regulation changes as the key reason for any negative downturn in their business, it would suggest that the constant changes in their operating environment are having detrimental impacts on business.
34. Confusion is often created as a result of changes in policy and regulations, and businesses either fail to understand what the new changes mean to them, or whether they are compliant under the new arrangements. Furthermore, these changes may come with costs associated and are focused on the directions of the new government as opposed to providing any benefit to the business. CCIQ has long advocated for a reduction in red tape, and to create a regulatory culture that addresses the cost burden of compliance to help small businesses to grow and employ.
35. Coming in third, with 42% of businesses indicating it as the key cause for any negative impacts, is the uncertainty to the future of large infrastructure projects. It is well understood that infrastructure spending has an immediate effect on aggregate demand – people are employed to undertake projects, and they are earning an income which is being spent in the economy. This creates demand across the small business economy.

“Clients are not expanding or upgrading due to uncertainty with the current political climate.”

“Most businesses tend to put expenditure or expansion on hold in election periods. This has an impact on all businesses whether it is direct or indirect.”

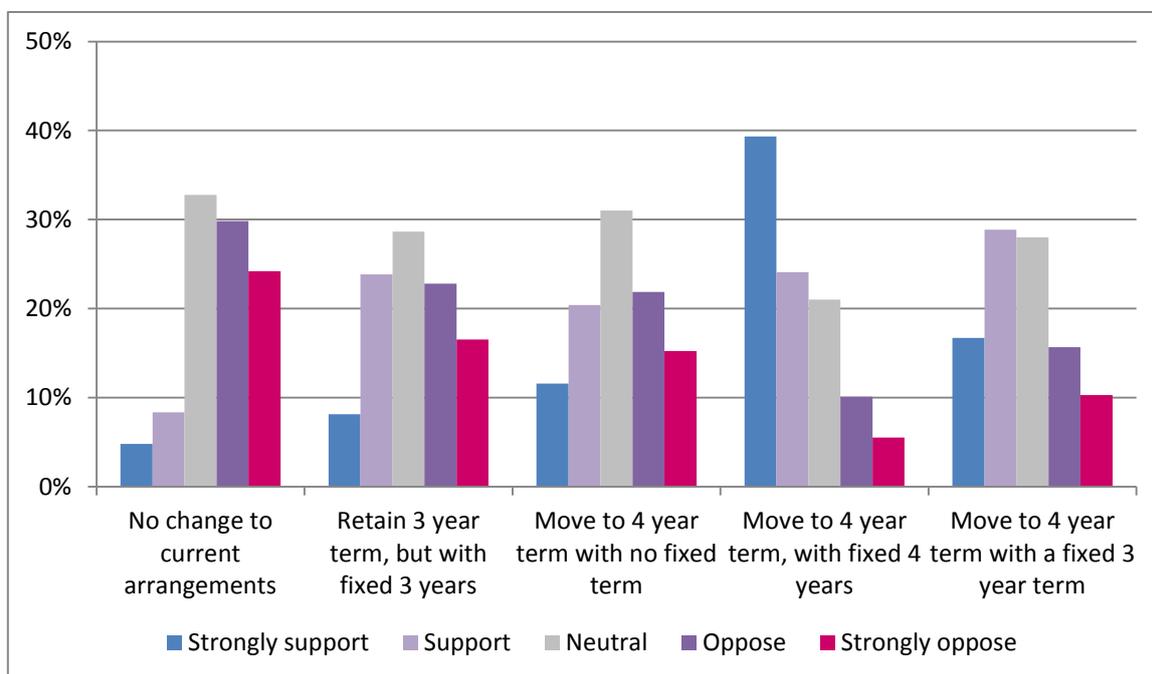
“There is a drastic loss of productivity of government projects, and loss of control of these projects.”

“Changes to legislation particularly to the Planning and Development Act and infrastructure charges mechanisms have created frustrations in the land development industry.”

5. Reform options

36. Queensland is the only state that currently has three-year parliamentary terms. Furthermore, these terms are not fixed with the Premier able to call an election at any time subject to the agreement of the Governor. The inquiry into parliamentary terms looks into extending the three-year terms to four years as one component, and the other being whether there is support for a fixed term or not.
37. CCIQ is of the view that if Queensland were to adopt fixed terms, business would be able to plan around state elections and make major project and investment decisions with greater confidence. Additionally CCIQ believes fixed parliamentary terms are beneficial because it:
 - Provides for private sector certainty about the term of government with guaranteed tenure for the implementation of policies and projects that facilitate better economic growth;
 - Provides State Government with the ability to plan the parliamentary timetable more effectively with greater certainty for parliamentary committee inquiries/processes and implementation of fiscal and economic policy;
 - Provides organisations such as ours the ability to undertake more effective advocacy and campaigns on member needs to current and future State Governments; and
 - Incumbents no longer have a partisan advantage in choosing an election date.
38. In CCIQ’s view extending Queensland’s parliamentary term to four years without introducing a fixed term component, would not achieve the desired goal of creating certainty and confidence. The most favoured reform option for Queensland businesses was a fixed four year term of office.
39. Pulse Survey results show that 63% of businesses supported a move to four year terms, with a fixed component of four years (39% indicated ‘strong support’ and 24% indicated ‘support’). The second most favourable reform option, with 46% of businesses showing support, was a move to four year terms, but with a fixed term of only three years.
40. The greatest opposition was shown for no change to current arrangement, with 54% of businesses opposing this option.

Please indicate your business' support for the following reform options for Queensland parliamentary terms / state elections.



Source: Westpac Group CCIQ Pulse Survey September Quarter 2015

41. CCIQ notes a number of limitations to fixing the parliamentary term including potential for longer and more expensive election campaigns and impeding the opportunity for an early election in the event of a political crisis.
42. Similarly, a longer election term can be unfavourable if instability is prolonged where the government is reliant on cross benches for support and / or the public has to potentially endure a longer period of government when that government has lost popular support.
43. However these points in the Chamber's opinion do not outweigh the considerable benefits as identified previously. The most favoured option of four-year terms fixed for four years would provide greater stability and predictability to the political system, and uncertainty and indecision would be restricted. As mentioned in the Issues Paper, the arguments in favour of a four year term are not in practice likely to be met if the term is not fixed.

"Bring Queensland into line with other states."

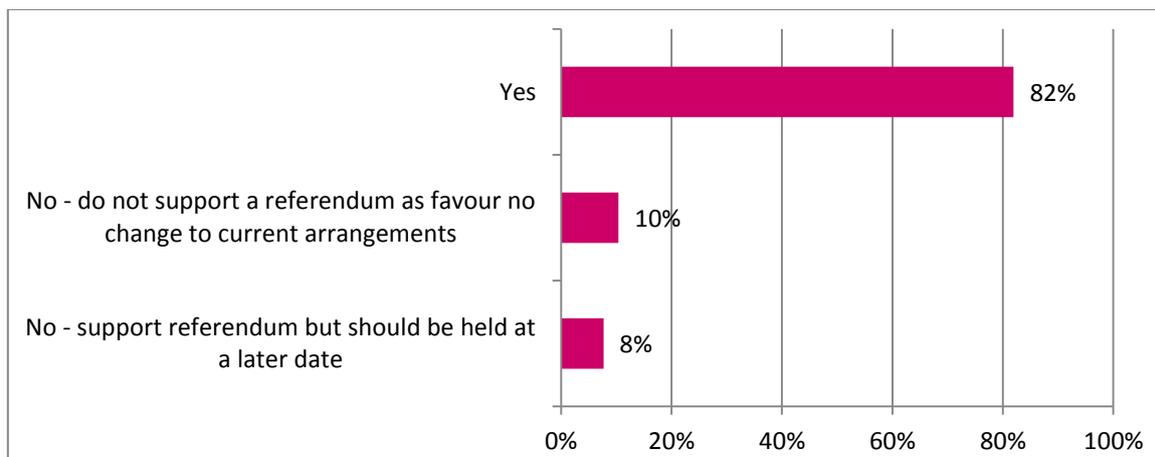
"If the people vote in a government, there should be a permanent term. We don't vote thinking they are there for a temporary term."

"Fixed term, fixed date. Take the guessing game out of when the next election is. That way, business and governments can plan and not guess."

6. Timing of referendum

44. There is support shown for holding a referendum on this issue as part of the forthcoming Local Government elections in March 2016 for reasons of convenience. A substantial majority (82%) of businesses compellingly indicated to CCIQ that combining the referendum with the 2016 Local Government elections would be their first preference.

If a referendum were to be held on this issue, would your business support the timing of the referendum to be part of the forthcoming Local Government elections in March 2016?



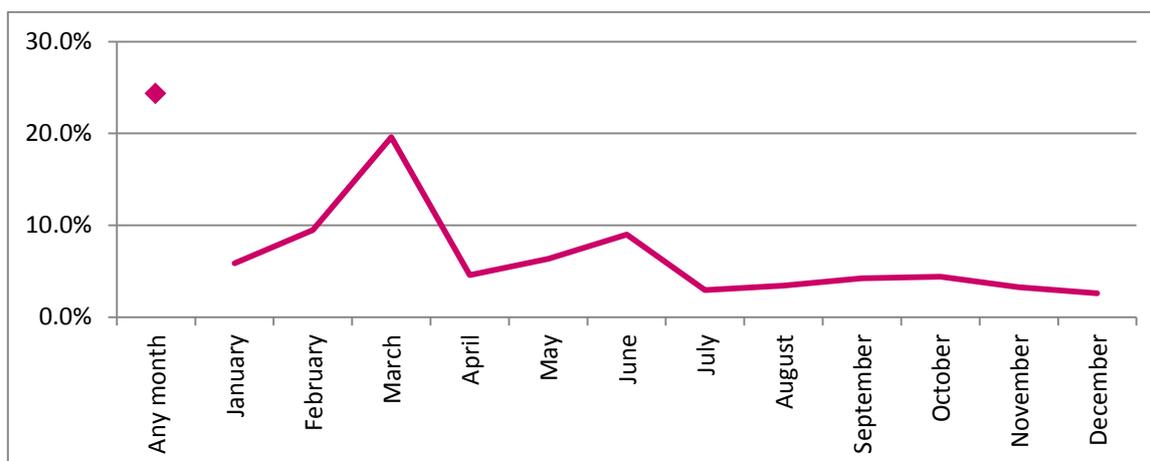
Source: Westpac Group CCIQ Pulse Survey September Quarter 2015

45. CCIQ notes that given the timing of local government election, the reporting deadline of this Inquiry and Parliamentary sitting schedule, holding a referendum in March 2016 is not possible. Based on this fact and business feedback to this question, CCIQ indicates that any referendum should be held as soon as possible.

7. Timing of a fixed election date

46. When asked which month would be best to hold a state election, the majority (24%) of businesses indicated that they do not have a preference for a specific month. The month which recorded the highest number of votes was March (preferred by 20% of businesses).

If Queensland were to move to a fixed 4 year term of parliament when would be the best time of the year to hold an election?



Source: Westpac Group CCIQ Pulse Survey September Quarter 2015

47. While March is a clear favourite, the reasons why respondents selected this particular month vary. Generally speaking, comments could be classified into 4 themes: efficiencies with aligning state and local government election, timing around the end of the financial year, school/public holidays and the release of the government budget.
48. Businesses included support for aligning local and state government elections in March. There is an opportunity to provide convenience and reduce costs to the process by combining the two elections.

“We should not waste money by having a separate referendum when it is much more economical to hold it at the same time.”

“If it could be held at the same time to save money that would be logical.”

“Based on costs and early opportunity.”

49. Many commenters indicated some time well before the financial year ends (avoiding the weeks leading up to the end of the financial year when it is typically a busy period) in order for government and businesses to adequately plan for the year ahead.

“Before the current financial year ends and after a time when most small businesses have done their tax for the previous year, as they may have a clearer idea of how they are travelling. It is also a better time of the year to be able to concentrate without the distractions of Christmas etc.”

“I think the change of Government should be either a) around EOFY for most companies or alternatively b) in January each year to improve government and private enterprise planning.”

“I would have it at the start of a financial year after the school holidays. This would allow some capital projects to be considered deeply thereafter and allow some planning for the next 12 months. Other than this time I would look at say March.”

“Changes for business need to be in line with EOFY and a new government needs time to implement changes to coincide with the start of the new FY.”

“After the financial year to be able to gauge economic performance data prior to elections. Elections at the end of winter can enable government to settle and introduce new initiatives prior to the new calendar year. Assists confidence over the critical holiday season and high consumer spending period.”

50. Another common theme is around the timing of holidays. Opinions are divided, with some preferring the December/January period as businesses find this period to be typically quiet for them.

“December/January are quieter months for many businesses (other than retail) so impact is less.”

“No strong preference other than avoid summer holiday period. Federal elections usually held in the warmer months, so given the Queensland climate, could perhaps look at around June/July where it is unlikely to clash with a Federal poll.”

“Outside of major event periods like school holidays, public holidays, end of financial & calendar year, etc.”

“Just after our busiest retail period... gives time for changes to take place and roll into the next sector of important trade around Easter & the middle of the year in my local area.”

“Most businesses stop making decisions in December anyway, this gives January opportunities to have businesses start working again and for them to campaign, but also a short period of campaigning. Most people know who they want to vote for so a long period leading up to the time is not required.”

“No government activity in January so minimise disruption by holding election when won't stop business momentum.”

“The beginning of the year is too full of public holidays and people like to use these to take long weekends. The middle of the year June-July includes school holidays, August is too close to budgets and the end the year Nov-Dec is too hectic with Christmas, so that just leaves either September or October, and September has school holidays as well. So when you put all of these things together the only available time is October, not too hot not too cold, it's the Goldilocks' Month.”

51. State Government budgets were also a common theme, with some respondents believing the best time for an election would be post-Budget hand down. Campaigning after the release of the Budget would hold Governments more accountable and provide a level of transparency to the process.

“Straight after the State Budget in early June allowing 1 month of discussion before the election.”

“No campaigning over Christmas and before Budget.”

“I've picked November, but it should be a month that provides an incoming government time to take over, review departments and fiscal positions and then hand down a budget in time for a new financial year. When you are reliant on government budgets to be handed down to operate a business, every delay into a new financial year impacts your business. For us, it's now October and we are just starting to get activity off the ground after a lengthy delay in funding confirmation brought on by the delay in the budget announcement. If the budget could be brought down in June - then business continuity can continue.”

52. During the public hearing on 1 October 2015 held by the Finance and Administration Committee, CCIQ representative Nick Behrens, Director - Advocacy, was requested to provide information on whether the data showed dissimilar results when mapped by regions, in particular whether those in North Queensland and Far North Queensland preferred an election month outside of their typical rainy season.
53. An analysis of the survey results showed that there was no clear trend that respondents in North Queensland and Far North Queensland preferred an election month dissimilar to the rest of the state, despite weather patterns experienced in those areas. The two regions indicated “any month” and “March” as their top two preferences, in line with other regions across the state.

8. Conclusion and recommendations

54. CCIQ strongly supports four year fixed terms as they allow the serving government greater opportunity to deliver on its election promises and make meaningful change before recontesting an election. This position is underpinned by evidence of the Pulse Survey which showed the large majority (63%) of businesses supporting this option.
55. Fixed four year terms of government in CCIQ's view:
 - Provide for better government and better public policy making because decisions can be made in the interest of outcomes and better services for Queenslanders, rather than short term political gain or what may be the news of the day;
 - Remove the constant speculation from the political process and provides fairness to all political parties rather than what is in the interest of the government of the day; and
 - Provide confidence in government and certainty in government, from the public and also from the business community, which drives investment, economic confidence and job creation.
56. Furthermore, findings of the Pulse Survey show that the current three year parliamentary terms are having detrimental impacts on businesses, with an overwhelming majority (78%) of

respondents observing negative impacts on Queensland's economy as a result of state elections and election campaign periods. Key areas affected include declining consumer/business confidence, consumer spending and the inability to operate efficiently due to constant changes in policies and regulations.

57. Accordingly for these reasons CCIQ advocates for bipartisan support for the Constitution (Fixed Term Parliament) Amendment Bill 2015, or similar to. More specifically CCIQ would support and recommend the following approach to this issue:

- A general election be held on the second Saturday in March in the fourth calendar year after the year in which the last election was held.
- The Legislative Assembly expires on the day that is four years from the day the writ for the general election was returned for the assembly, thus ensuring a fixed, four year term.
- Allow for exceptional circumstances in which the Governor could dissolve the Legislative Assembly and issue a writ for a general election, specifically if –
 - a) each of the following happens –
 - i) a motion of no confidence in the government has been passed, or a motion of confidence in the government has been defeated in the Legislative Assembly;
 - ii) the Governor considers that no government can be formed that will command the confidence of the majority of the Legislative Assembly;
 - iii) at least 8 days have passed after the passage or defeat of the motion; or
 - b) the Legislative Assembly rejects a Bill for an ordinary annual appropriation Act; or
 - c) the Legislative Assembly fails to pass a Bill for an ordinary annual appropriation Act before the day the Governor considers the appropriation is required.

58. Furthermore CCIQ supports the actioning of the above outcome through the following means:

- A referendum is held once the Constitution (Fixed Term Parliament) Amendment Bill 2015, or similar to, is passed by the Legislative Assembly.
- The above Bill is not presented to the Governor for assent, unless it has been passed by the Legislative Assembly, and has been approved by a majority of electors at a referendum.
- A referendum on this issue would be held as soon as possible.

59. CCIQ welcomes any feedback on this matter. Please do not hesitate to contact Nick Behrens, Director - Advocacy at nbehrens@cciq.com.au should you wish to discuss the findings further.