



# RED TAPE SURVEY 2017

Government Red Tape:  
A Small Business Dilemma



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#### **Report methodology**

The analysis undertaken by CCIQ in the preparation of this report is based on the 500 plus responses from Queensland businesses as part of the CCIQ Suncorp Pulse Survey of Business Conditions conducted earlier this year.

# EXECUTIVE SUMMARY

Growing Queensland's economy means growing Queensland's small businesses. Unfortunately, many businesses cannot capitalise on the vast opportunities afforded in the new global economy, or worse yet fail, due to the amount and complexity of red tape that they must frequently tackle.

All three tiers of government know that reducing red tape is essential to the growth of businesses, no matter what size. Red tape imposes costs, requiring businesses to spend vital funds on external expertise and tying up valuable time on compliance activities. It also diverts capital away from entrepreneurial efforts to grow their businesses.

Yet despite the efforts over the years, regulation remains one of the largest drains on the entrepreneurial energy that is required to boost the small business economy.

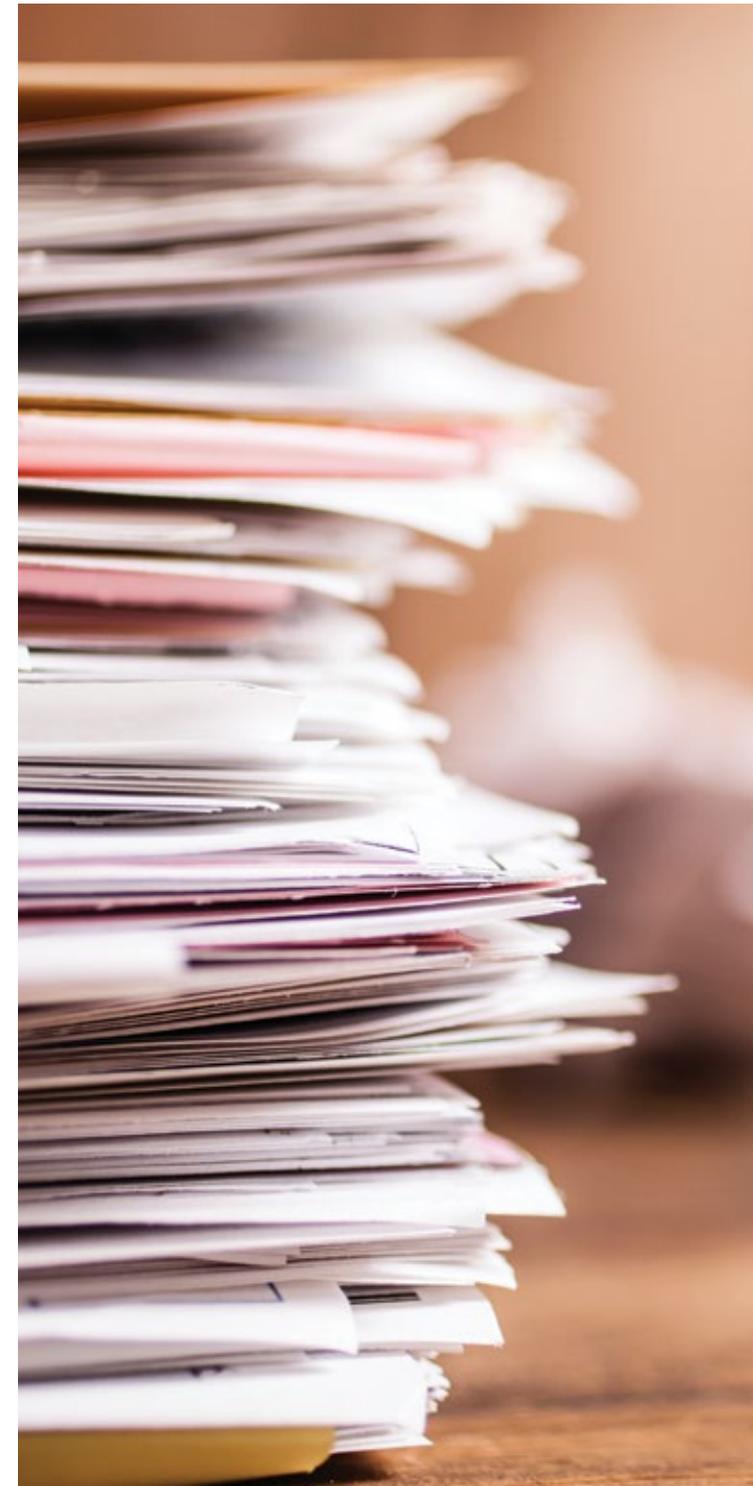
Since 2009, CCIQ has been conducting a biannual Red Tape Survey to understand the impact of red tape on Queensland businesses and track changes to the burden of regulatory compliance.

Over 500 businesses, across all industries, participated in this year's Red Tape Survey. Nearly three quarters of the respondents (74.1 per cent) were classified as small businesses with 20 employees or less. Medium-sized businesses, of between 21 to 100 employees, accounted for 16.4 per cent of respondents and those employing more than 100 employees made up 9.5 per cent of the total responses.

Through the Red Tape Survey, CCIQ found businesses in general expressed strong dissatisfaction around their dealings with government when it came to red tape. CCIQ's findings of more than 500 businesses revealed:

1. 7 in 10 businesses believe there to be a moderate to major impact on their business in needing to comply with government regulatory requirements.
2. More than half of businesses saw an increase in the overall cost of complying with government regulations in the past two years.
3. Only 1.9 per cent of businesses believed the time they take on managing compliance had decreased over the past two years.
4. Nearly half of all businesses rate the Queensland Government on its consultation and engagement with businesses prior to the introduction of new regulation and legislation as poor or very poor.
5. Dealings with the Industrial Relations Commission is now ranked third highest overall in red tape burden, up from sixth position in 2015.

Insight drawn directly from business owners across the State will help us to achieve the goal of working closely and effectively with Government to ensure red tape is no longer a major barrier to their growth.





Taxation, workplace health & safety, and industrial relations are the red tape hotspots



7/10

businesses experience a moderate to major impact from complying with government regulation



1.9%

of businesses saw a decrease in time spent on managing compliance over the past two years



50%

of Queensland businesses indicated that the cost of regulatory compliance had increased



3/4

of businesses who indicated red tape affected their growth potential and/or profitability were small businesses



47%

of businesses rate the Queensland Government on its consultation and engagement as poor or very poor



43%

of business owners have to complete red tape themselves (up 34% from 2015)



1/3

of businesses are spending more than 6 hours a week on red tape



# OVERALL IMPACT OF REGULATORY BURDEN

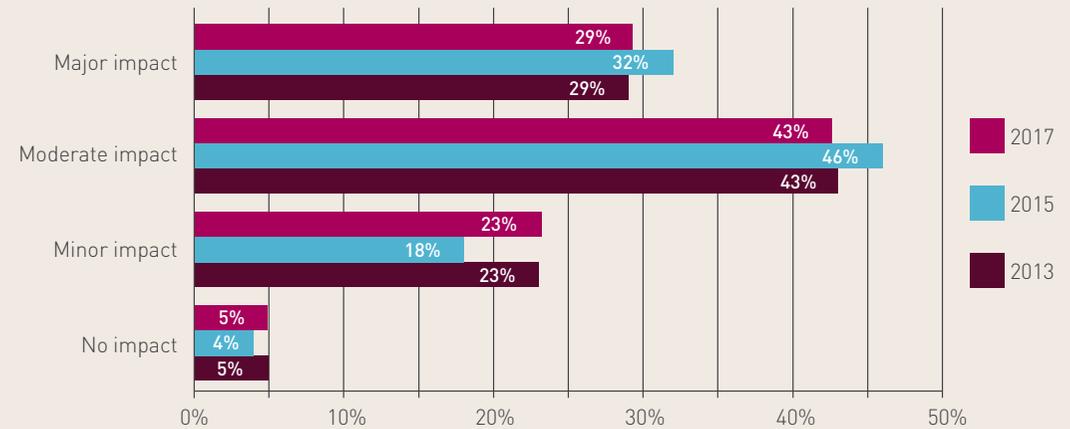
Despite government programs and incentives to encourage people to start their own enterprise, it is clear that for many aspiring business owners having a great idea is simply not enough. The challenges that face new business owners in Queensland is compounded by the raft of complex, costly and sometimes redundant regulation that small business owners must face before being able to hang up the 'open for business' sign.

For those who have been operating for some time, the frequency of having to navigate and undertake the red tape required of them stops them from spending time growing their businesses. This means less innovation, less opportunities for job creation and a loss for consumers who are looking for new products or services that have kept pace with changing consumer demands.

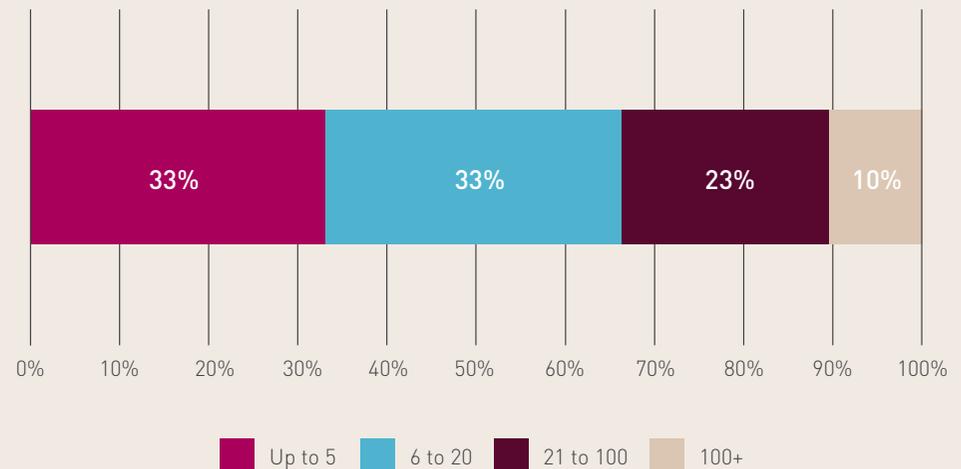
The survey found more than 7 in 10 businesses believed there to be a moderate to major impact on their business in needing to comply with government regulatory requirements.

Of the total number of respondents who stated red tape had a major impact on their business, 2 in 3 were small business owners. This highlights how larger businesses are able to absorb the cost and time impost of red tape to a greater extent than small businesses, as well as how reducing red tape will overwhelmingly benefit the small business community.

### Q) What impact does complying with government regulatory requirements have on your business?



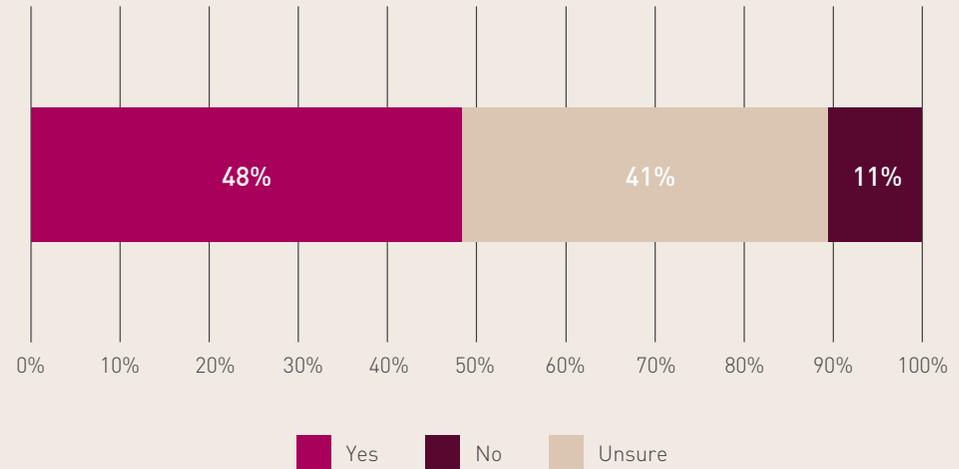
### Businesses (by number of employees) experiencing major impact from red tape



When asked whether in the past two years if complying with regulatory requirements has prevented business owners from growing their business or directly impacted their business profitability, it was generally split down the middle. Nearly half of all respondents believed it to be the case, while the other half did not or were unsure.

Again, the majority of those who stated red tape had an impact on their growth potential and/or profitability were mainly small businesses, with 3 out of every 4 of those total respondents being small business owners.

**Q) In the past two years, has complying with regulatory requirements prevented your business from making changes to grow your business and/or directly impacted your business profitability?**



“Red tape for us is frustrating to do, but we know it’s required. Offering templates that businesses can use might make it easier to comply and therefore make more businesses compliant.”

**Survey respondent, Sunshine Coast**



“Every week there is more and more paperwork and red tape. Not one government has reduced red tape, and there are double ups between the State and Federal Governments.”

**Survey respondent, Far North Queensland**

# COST OF REGULATORY COMPLIANCE



**A 2014 Deloitte Access report\* which assessed the red tape in both Australia's public and private sectors found government regulations cost about \$27 billion a year to administer and cost businesses \$67 billion a year to comply with. Fast forward three years and this total figure is likely to surpass \$100 billion.**

While businesses understand that measures to ensure compliance is sometimes a legitimate cost they must wear, the introduction of more red tape, increased bureaucracy or the continuance of redundant red tape are costs which amount to an unnecessary burden.

The survey found more than half of businesses witnessed an increase in the overall cost of complying with government regulations in the past two years.

The increase in red tape has meant businesses have had to direct or increase resources towards managing compliance. This includes business owners having to put in extra hours, employees diverting attention away from their main duties, and/or employing additional staff whose job it is to specifically manage compliance with regulatory requirements and deal with red tape.

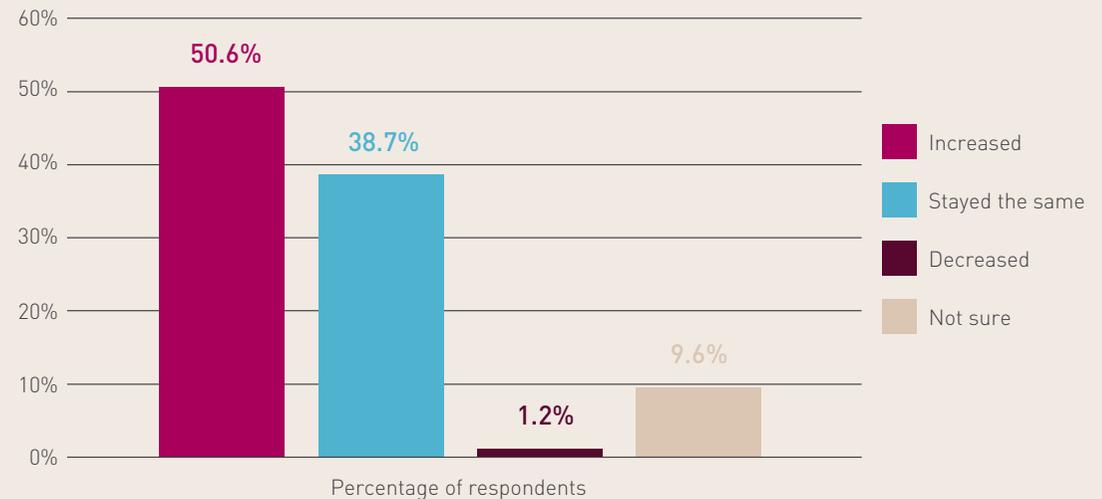


**7/10**

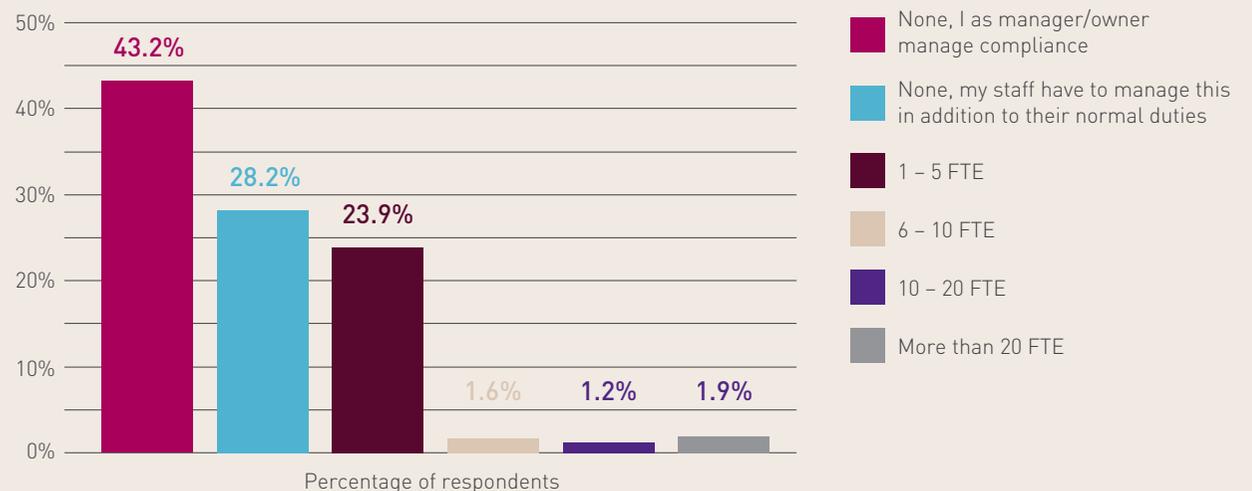
More than 7 in 10 businesses tackle red tape by diverting the business owners themselves and their employees from their main duties

\*Deloitte (2014). Get out of your own way: Unleashing productivity.

**Q) In the past two years, the overall cost of complying with government regulations has:**



**Q) How many staff do you employ in your business to specifically manage compliance with regulatory requirements and deal with red tape?**



Overwhelmingly, more than 7 in 10 businesses tackle red tape by diverting the business owners themselves and their employees from their main duties.

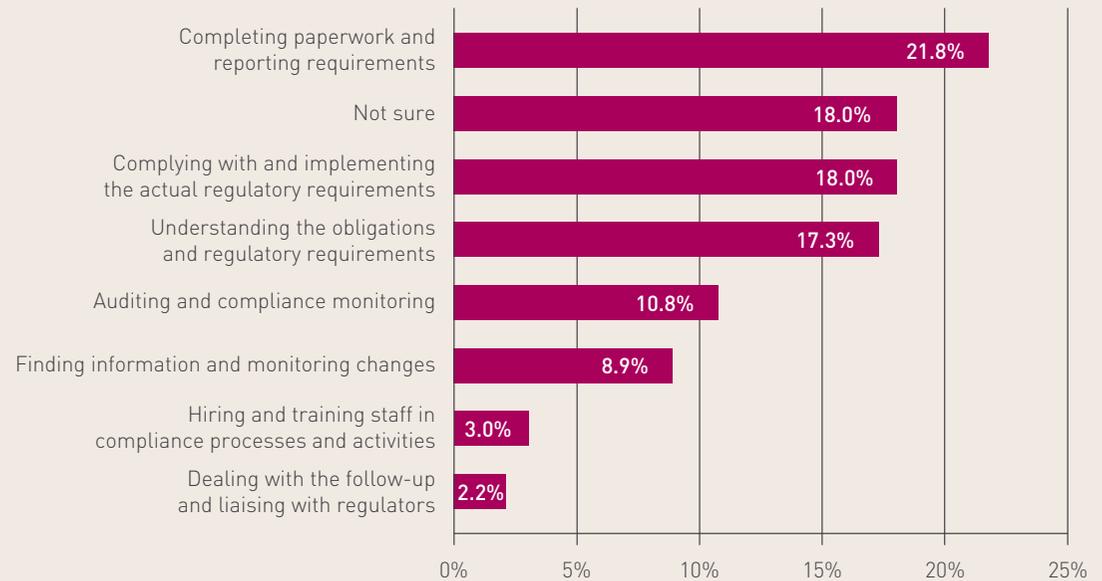
The hours which are being spent on managing compliance instead of on the business' primary purpose has a direct impact on productivity and innovation in product offerings.

Of the businesses who must absorb red tape compliance into the roles of their staff or themselves, 85 per cent were unsurprisingly small business owners who do not have the capacity to hire additional staff to manage the regulatory burden.

The time spent by business owners and their employees translates to an additional business cost that could be prevented if red tape were to be drastically reduced. Businesses told us the most costly part of managing red tape is attributed to simply completing paperwork and in reporting requirements. The second most costly stage in overall regulatory compliance was in the implementation of the requirements.

Concerningly, the third highest cost of regulatory compliance was attributed to simply understanding what the actual obligations and regulatory requirements are. The burden of red tape is therefore being compounded by the complexities in navigating the information and comprehending what it might mean for their business.

### Q) Which stage of the overall regulatory compliance process is most costly for your business



“Workplace Health & Safety regulations should be more industry specific. It has created a lot of non-productive jobs that do nothing more than drive up costs.”

**Survey respondent**



“The documentation required for training and assessment of students is excessive. The amount of paperwork required reduces the meaningful time that trainers can work with learners.”

**Survey respondent, Brisbane**

# TIME SPENT ON REGULATORY COMPLIANCE

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“Red tape around energy efficiency and WHS has become more about preventing litigation than actually addressing the issues.”

**Survey respondent**

“We have not bothered in applying for training grants, simply due to the low return on the time invested to get through red tape.”

**Survey respondent, Moreton Bay**

“Food safety registration is burdensome for our business. We are registered on the Sunshine Coast, but if we attend events with multiple locations across the State, we have to pay for another licence over the two-day event.”

**Survey respondent, Sunshine Coast**

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**Administrative burdens and excessive regulations is not just painful, but a huge waste of time for entrepreneurs and business owners. The majority spend far more time on everything from payroll tax, development applications to health and safety issues than they'd like, particularly when it detracts from getting on with developing and growing the business.**

Since the last CCIQ Red Tape Survey in 2015, half the number of businesses believe that the time it takes to comply with government regulation has increased, while a further 38 per cent believe that it has remained the same. Only 1.9 per cent of businesses believed the time they take on managing compliance had decreased.

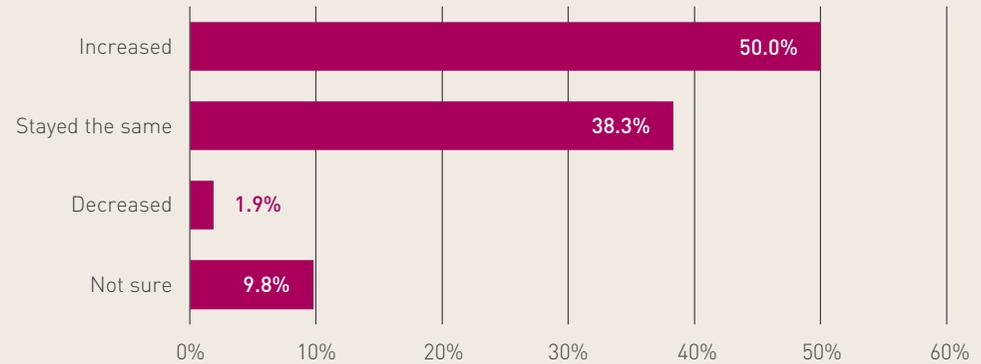
The majority of businesses (41.3 per cent) are spending at least one to five hours a week on government regulatory requirements. Worryingly, more than a third (34 per cent) of businesses are spending more than 6 hours a week on red tape, of which 30 per cent of those businesses are spending more than 20 hours a week on meeting regulatory requirements.



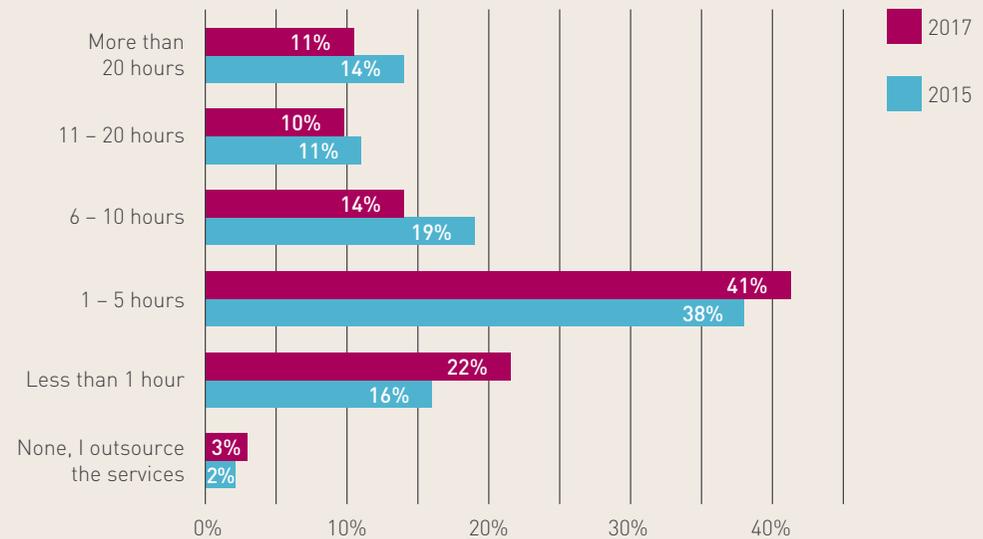
**34%**

of businesses are spending more than 6 hours a week on red tape

**Q) In the past two years, the overall time it takes to comply with government regulations has:**



**Q) How much time does your business spend per week on government regulatory requirements?**



# GOVERNMENT ENGAGEMENT



**Businesses have long been responding to constant changes in regulations as best they can. Frustration mounts when new regulatory requirements result in higher costs, negative impacts on their business and in added complexities around navigating and implementing new rules.**

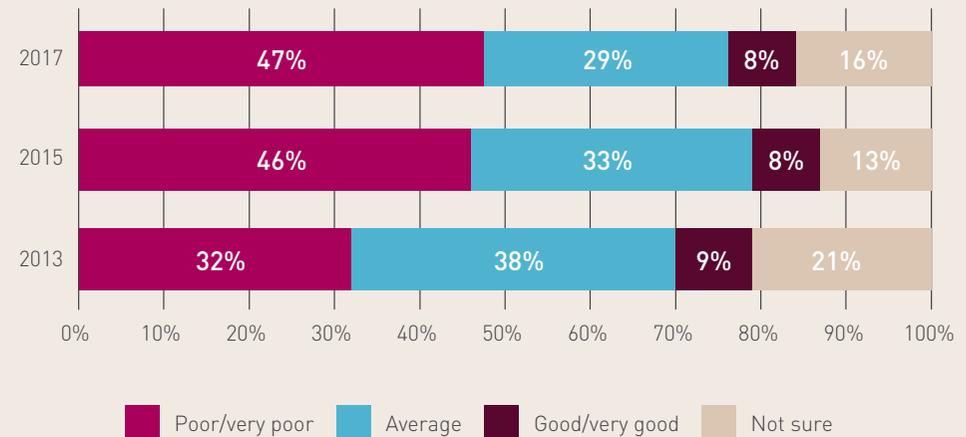
Consultation with industry allows for any changes in regulation to be practical, cost-effective and implemented in a more streamlined manner. Furthermore, the ways in which government approach industry needs to be heavily considered as to reduce disruption on business operations and allow for adequate time and opportunity for direct business feedback. This includes knowing when the 'busy' trading seasons are and avoiding consultation over that period, as well as providing relevant information in timeslots that align to the trading hours for most small businesses.



**47%**

of small businesses expressed dissatisfaction with State Government consultation and engagement prior to introducing new regulation

**Q) How would you rate the Queensland Government on its consultation and engagement with businesses prior to the introduction of new regulation and legislation?**

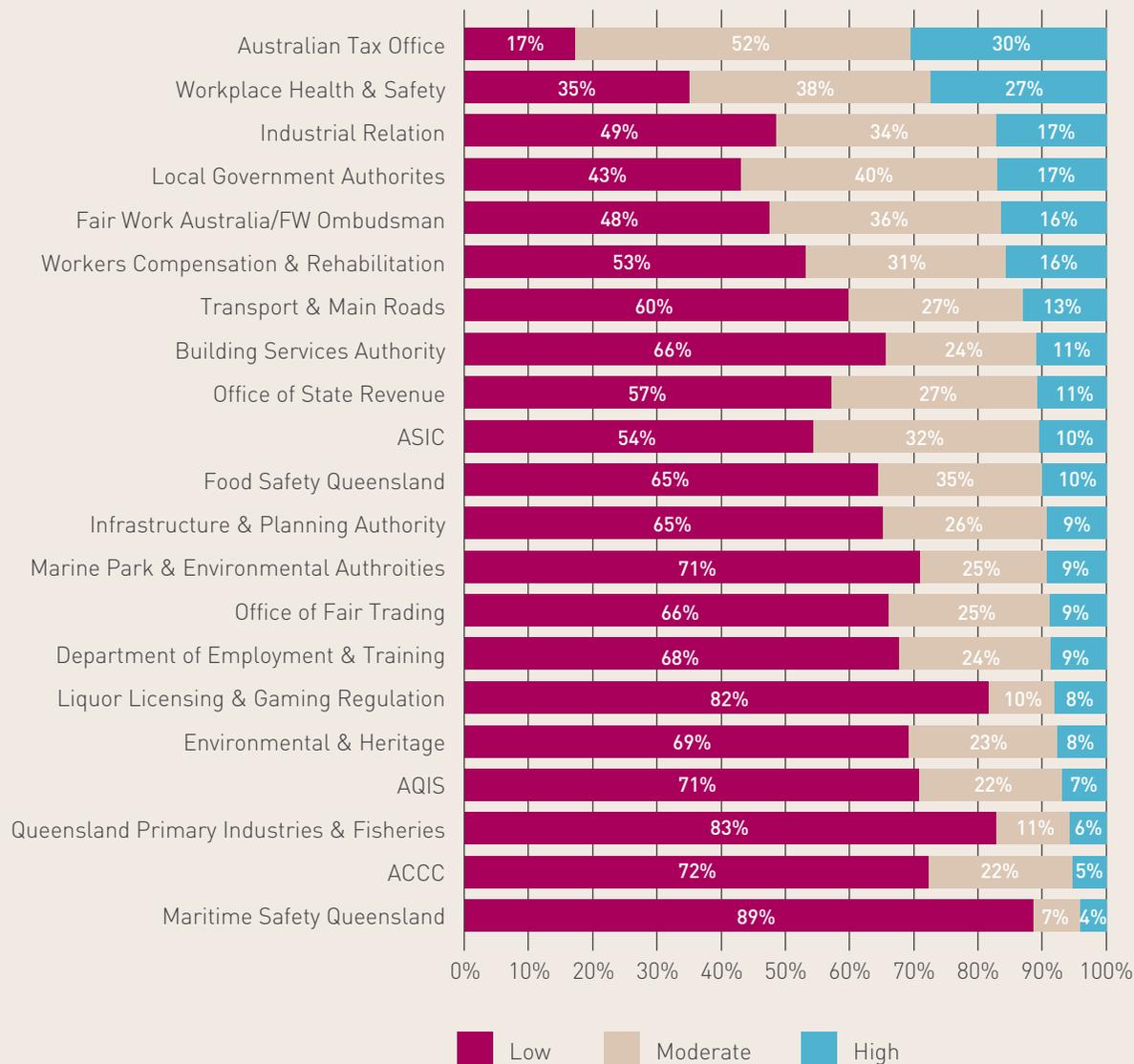


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Dealing with government is extremely bureaucratic and the payment processes are so slow. Business is blamed for the delays, but it is lack of streamlined processes, lack of electronic communication and lack of government staff within their accounts departments.”

**Survey respondent, Sunshine Coast**

**Q) Please indicate the burden of regulatory compliance on your business in dealing with the following areas of regulation and/or government agencies:**



Businesses have consistently expressed frustrations over the different processes required by different government departments. In looking at applying for grants as an example, in most instances each department will have different criteria, different forms and differing ways of supplying the information that is needed. This is despite most departments requiring the same or similar information from business.

For businesses who have dealt with the following departments, the Australian Taxation Office (ATO) were considered to be of the greatest burden, with over half of the respondents citing moderate burden and a significant 30 per cent saying dealings with the ATO were of high burden.

The top five government agencies in which businesses believed to impose the most red tape were:

1. Australian Taxation Office
2. Workplace Health and Safety
3. Industrial Relations
4. Local Government Authorities
5. Fair Work Australia / Fair Work Ombudsman

Dealings with the Queensland Industrial Relations Commission has moved up the rankings and is now ranked as the third highest overall in terms of having a high red tape impact on Queensland businesses (up from sixth position in 2015). The results are likely due to a cross-section of issues and changes in this space, ranging from shop trading hours, workers' compensation, creation of additional public holidays and new arrangements around workplace bullying.



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“Compliance surrounding liquor licensing and gaming has become a heavy burden for hospitality venues and staff that work in them. Consultation would go a long way to allowing the industry to work with changes proposed.”

**Survey respondent, Brisbane**

“Regulation needs to be more flexible as ‘one rule fits all’ just doesn’t work. If we have an issue, no government employee will make a decision, and we just get shuffled from one department to another.”

**Survey respondent**

“Tender processes are ridiculous. A lot of information is provided that is unnecessary. Tendering on multiple projects for an agency or across agencies requires repetitively entering the same information again and again.”

**Survey respondent, Brisbane**

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# RECOMENDATIONS

**For too long, business owners have found governments at all levels – Federal, State and Local – to be more of a hurdle than a help in realising their dreams of building and running a successful small business. But it does not need to be this way.**

The following recommendations are informed by the struggles and successes of business owners across the State, who took time away from their business to communicate the challenges they faced through our 2017 Red Tape Survey.

These steps alone won't solve every issue that business owners brought to our attention. But if adopted, government agencies will be thinking first and foremost about how to be an ally of small businesses and lay the groundwork for a stronger partnership with industry.

1. Set a target to reduce red tape for businesses by 25 per cent every year, as agreed to by each department and responsible Minister.
2. Enforce regular reporting by government departments on the progress towards the government's red tape reduction targets.
3. Identify the red tape 'hotspots' where regulatory reform efforts are prioritised to effectively reduce compliance burden and unlock greater economic activity.
4. Undertake a Business Impact Statement (BIS) when introducing new legislation to explicitly consider the impact on competition and the resulting costs on businesses.
5. Employ the minimum regulation necessary to achieve objectives in the case that a non-regulatory approach cannot make meaningful impact, focusing on performance and outcomes. Overly prescriptive rules and regulations should be avoided.
6. Implement a 'one on, two off' policy (repeal two principle legislative instruments with the introduction of a new one in the same portfolio) that will force a review of existing legislation, drive cultural change across government and reduce the overall stock of legislation.
7. Improve regulators' dealings with business, including compliance and enforcement, through easy-to-use online tools and implementing a "one stop shop" to cut regulatory overlap and duplicated reporting requirements between different departments.
8. Make information on regulatory obligations and proposed legislation more open, accessible and easier to understand, as well as explore innovative ways to harness the feedback of businesses such as through smartphone apps (e.g. ACT Government's 'Fix my Red Tape' portal).
9. Attach a sunset clause to new regulation with no more than a five-year timeframe to force a review or reform of legislation and avoid red tape continuing to exist by default.
10. Simplify and improve the procurement process to remove roadblocks for small businesses to participate, as well as consider alternative ways to increase the share of government services provided by the private sector.
11. Reduce delays in approvals by prescribing timeframes for government assessment and implement a system of "implied approval" should such time lapse.





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