

RED TAPE SURVEY 2015

Addressing the significant regulatory burden
facing Queensland small businesses.



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INTRODUCTION

CCIQ is committed to addressing the significant regulatory burden facing Queensland small businesses that unquestionably stifles their capacity to grow and employ.

CCIQ has for a number of years been dedicated to addressing this significant issue and working with all levels of government to not only highlight the impact that red tape has on business but to also identify opportunities for reform.

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

The burden of red tape has intensified over the past two years and continues to adversely impact the performance of Queensland businesses.

Inappropriate and inefficient regulation is a major constraint on business growth, productivity and investment and is reducing Queensland's competitiveness at a time when our economy is combating economic challenges.

That is why Government must improve the efficiency of regulation, both by removing unnecessary and duplicative areas of compliance and make it easier for business to comply.





OVERALL IMPACT OF REGULATORY BURDEN

Findings from the latest survey show 78 per cent of Queensland businesses experience a moderate to major impact from complying with government regulation, up from 72 per cent in 2013. This is despite commitments in the past two years from both the Federal and State Governments to reduce the red tape compliance.

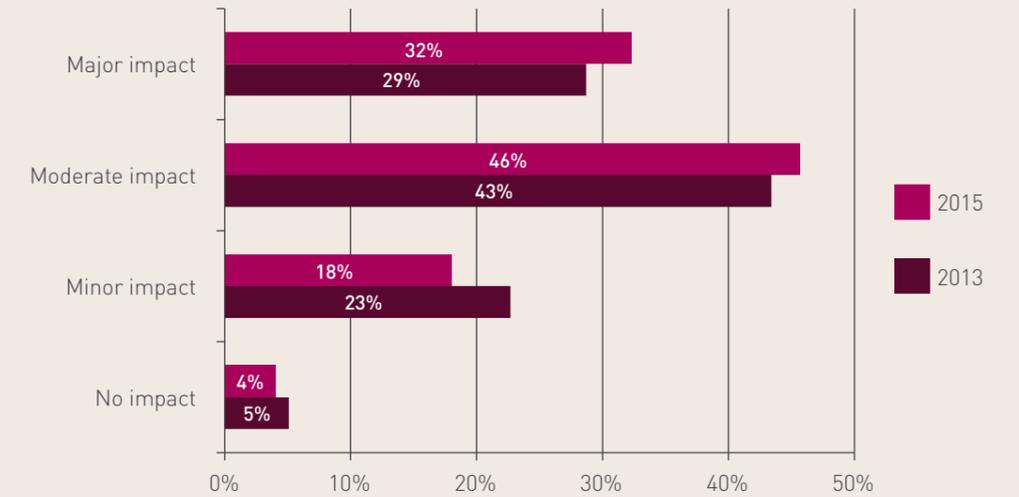
The majority of Queensland businesses indicated that the overall cost and time of regulatory compliance had increased in the past two years. Despite efforts to reduce regulation from the government, little is being felt on the ground by small business. Part of this is due to the fact that while there have been a number of recent cuts in regulation, new regulatory requirements creep in and other changes make keeping up with regulation just as burdensome. Accordingly the net effect is either no change or greater burden.



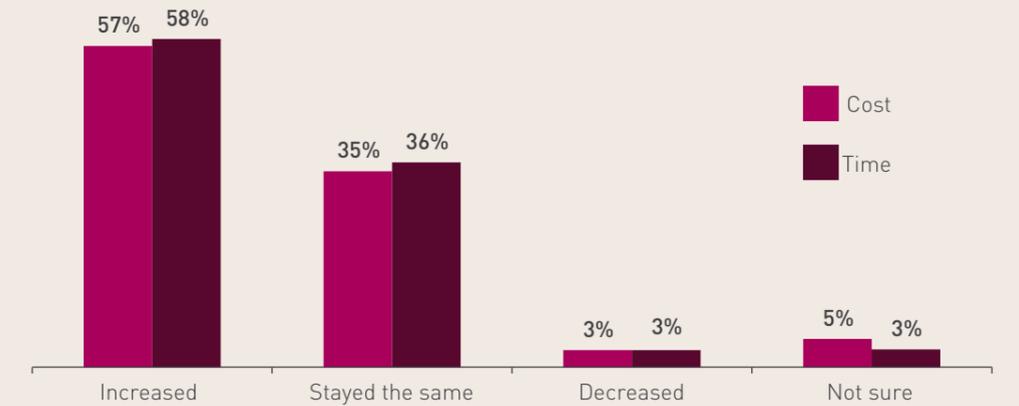
78%

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

Impact of Red Tape compliance on business



Change in compliance burden between 2013 and 2015





PERCEPTIONS OF REGULATORY BURDEN

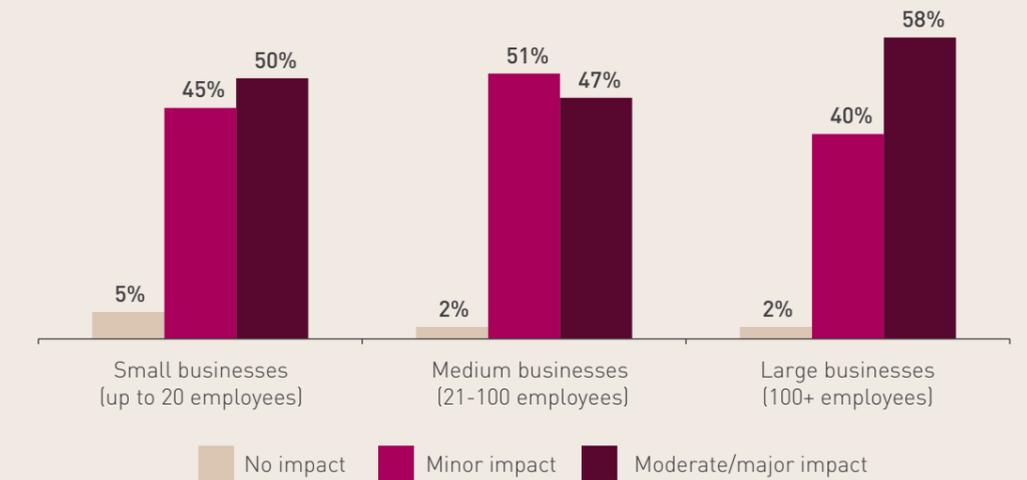
Perceptions of regulatory burden are influenced by how aware businesses are of their compliance requirements.

The survey findings highlight that many small businesses do not know that they are non-compliant and therefore, may not have knowledge of the full extent of the red tape impact on their business operations. Further, many small businesses are hesitant to seek out assistance from government agencies for fear of non-compliance with regulations that they were not aware of. This explains why a greater proportion of larger businesses (58 percent) reported a moderate to major impact compared to those smaller businesses (50 percent).

While government deregulation efforts are welcomed, small businesses also point out that they need to make an investment and/or obtain professional advice externally before realising any of the benefits. There are also unintended consequences of government simplification efforts that introduce change and in turn new requirements and procedures, thereby disadvantaging those small businesses the changes were designed to assist.

Additionally large businesses are able to allocate an increasing share of resources to compliance and often adopt additional compliance as a point of difference with competitors. The tendency for larger businesses to impose additional internal regulation is also a burden for small businesses as a customer having to comply with these additional requirements in business-to-business transactions.

Red tape impact by business size 2015



“Many of the Work Place Health and Safety requirements are ambiguous. It’s very hard to know which ones apply to us and very little information on what we need to do to be compliant. There are so many regulations that we don’t know about until we have a visit from WHS and they bring it to our attention. The ambiguous nature of some regulations means the information we receive is not always consistent.” – Survey Respondent, Brisbane



TIME SPENT ON REGULATORY COMPLIANCE

The majority of Queensland businesses (58 per cent) indicated that the overall time spent on regulatory compliance had increased in the past two years. Some 44 per cent of Queensland businesses reported that they now spend six or more hours per week complying with government regulatory requirements compared to 38 per cent in 2013. There is a consistency across survey periods, with between one and five hours per week the most common time spent on compliance.



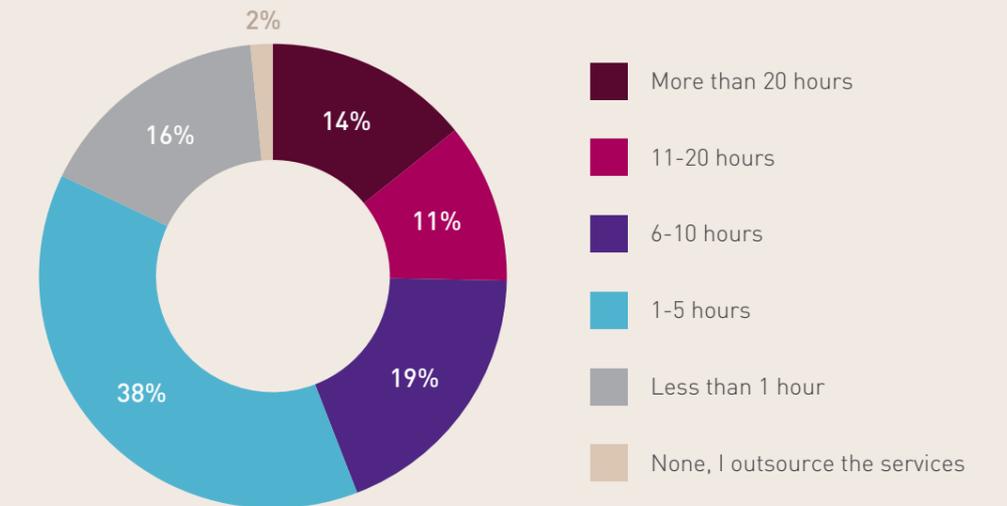
44%

of Queensland businesses reported that they now spend six or more hours per week complying with government regulatory requirements

58%

of Queensland businesses indicated that their time dealing with red tape had increased

Time spent on compliance per week 2015



“My time is spent filling and following compliance regulations when I could be spending that time in store, training staff or networking/marketing”
– Survey Respondent, Sunshine Coast

“Time invested in regulatory compliance policy and procedure development means resources have had to be diverted from business development into this area. Interestingly, the compliance requirements have had a negative impact on our customers also as they are faced with increasing levels of documentation and legalistic jargon giving them less opportunity to understand what they are committing to.” – Survey Respondent, Far North Queensland

COST OF REGULATORY COMPLIANCE

“Red tape is suffocating our staff. We spend more and more time complying with government requirements. It is very difficult to keep up to date with all of the requirements. It is very difficult to pass this information onto new employees because there are so many levels of compliance to follow. Sometimes we forget that a lot of tasks we perform are simply for the government. Collection of stats, figures etc that take time and I don't believe a lot of people provide the correct information, meaning the collection of the data/information is useless.”
 – Survey Respondent, Far North Queensland

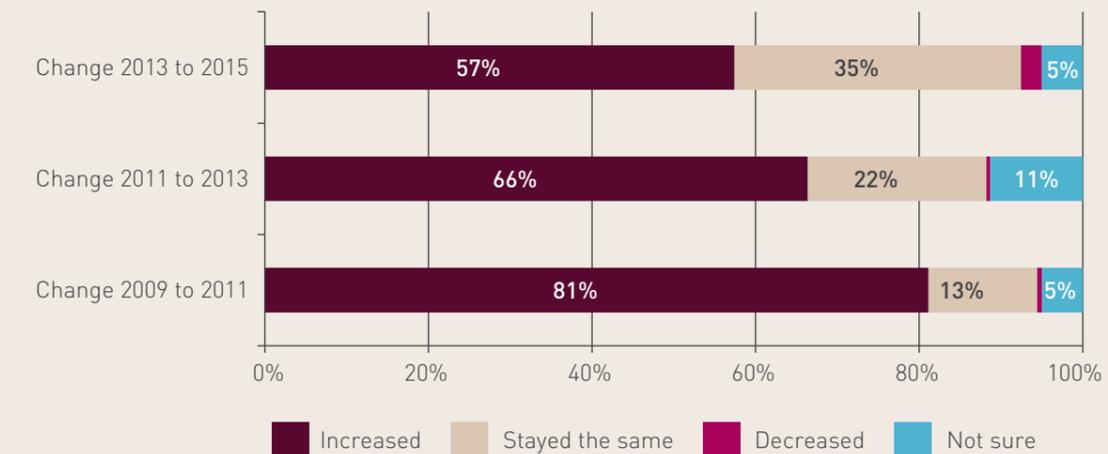
In terms of the overall cost of red tape compliance, 57 per cent of Queensland businesses indicated that costs had increased. This result is still at unsatisfactorily high levels, but is an improvement from the 66 per cent of businesses that recorded increased costs in 2013 and the 81 per cent of businesses that recorded increased costs in 2011. The finding reflects the greater use of online reporting and compliance activity leading to lower transaction costs.

There are both financial and human resources needed to meet regulatory compliance, which adds to the red tape burden. A significant proportion of businesses (32 per cent) indicated that compliance was managed by the business owner/manager. One in three businesses revealed that staff had to manage compliance in addition to their normal duties. Many businesses also identify that they pay for external assistance to meet their regulatory obligations.

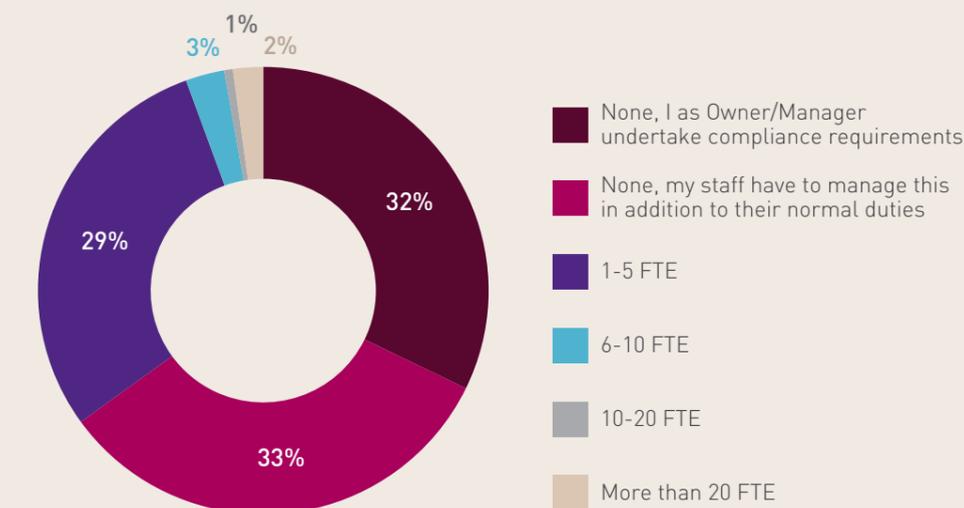


57% of Queensland businesses indicated that costs had increased

Change in overall cost of compliance



Staff employed to manage compliance 2015





ATO, WHS and councils are the red tape hotspots



1/3

business owners have to complete red tape themselves



44%

of Queensland businesses reported that they now spend 6 or more hours per week complying with government regulatory requirements



78%

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



58%

of Queensland businesses indicated that their time dealing with red tape had increased



8%

of businesses indicated the Queensland Government's consultation was good or very good.



57%

of Queensland businesses indicated that costs had increased



1/4

of businesses indicated that red tape had prevented them making changes to grow their business



1/3

of Queensland businesses highlighting that understanding regulatory obligations and finding information is the most costly aspect of regulatory compliance

IMPACT ON BUSINESS GROWTH

Inappropriate and inefficient regulation is a barrier to investment and a major constraint on business growth. Businesses understand that compliance standards must continue to evolve to meet rising consumer expectations. However, current compliance requirements are excessive and adversely impacts business performance.

One in four businesses stated that red tape compliance had prevented them from making changes to grow their business and/or directly impacted on their profitability. This compares to one in five businesses in 2013 and confirms the impact of red tape is worsening and is even more apparent given current trading conditions are challenging.

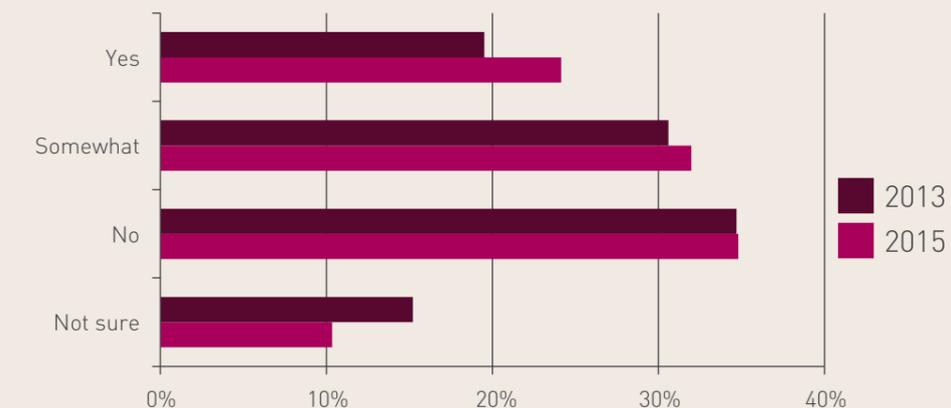
The perceived risks of non-compliance create disincentive for businesses to seek out growth opportunities.



1/4

of businesses indicated that red tape had prevented them making changes to grow their business

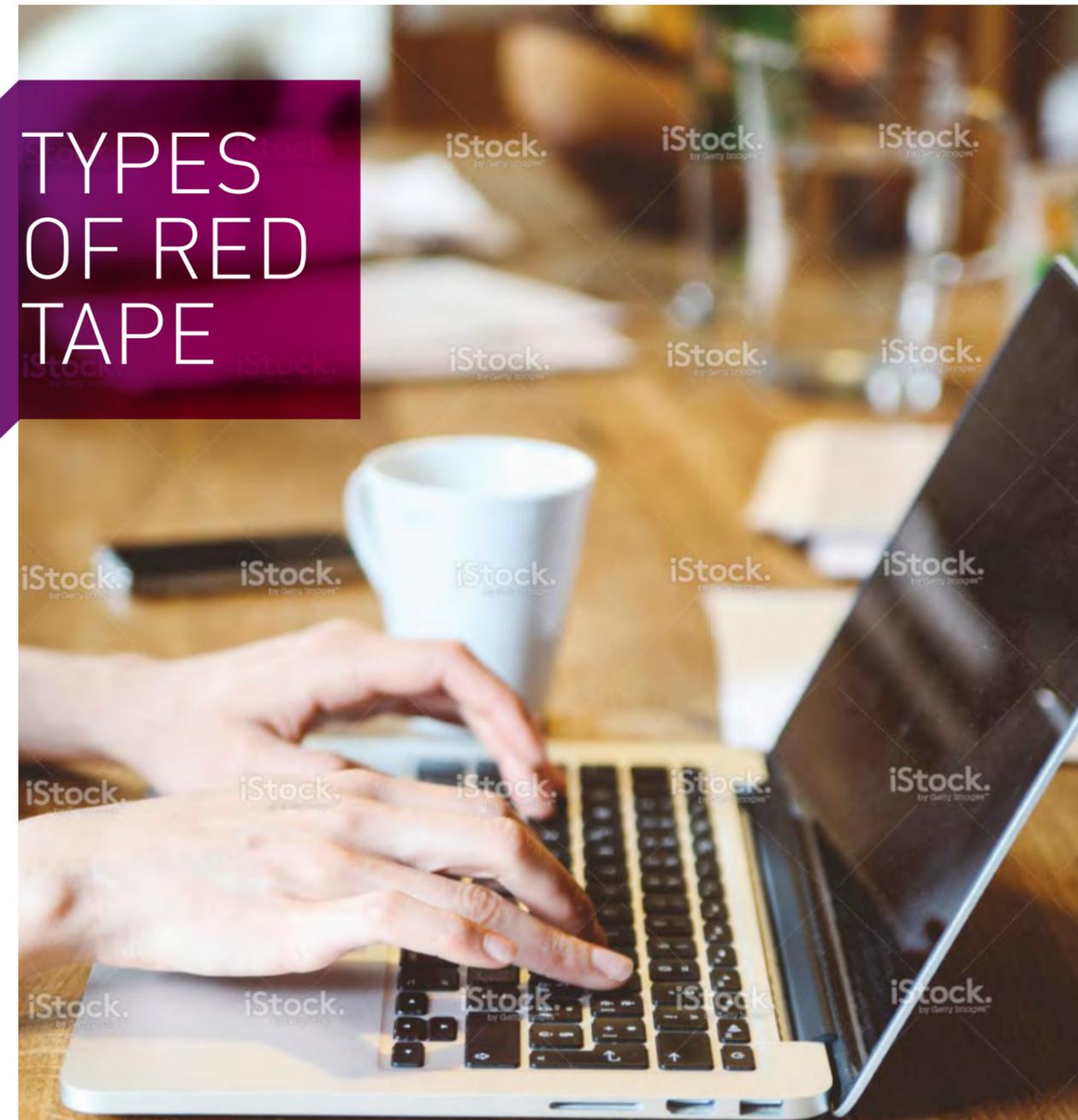
Complying with regulation preventing business growth and/or impacted profitability



“For every minute spent working on compliance and regulation, it is a minute spent NOT working on growing the business and generating new jobs. If any Government of any level wants to introduce compliance legislation, they MUST ensure compliance by all, not a select few! If not, that legislation must be scrapped entirely to attain a level playing field” – Survey Respondent, Wide Bay Burnett

“At the moment I am interested in expanding my marketing through hiring promotional flier distributors however the permit is ridiculously expensive and so I have been putting it off.” – Survey Respondent, Brisbane

TYPES OF RED TAPE



Survey respondents were asked to identify the most costly aspect of compliance activity. The results show that even with the increased uptake of technology, completing paperwork and reporting requirements remains the most costly aspect of red tape compliance for Queensland businesses.

Regulatory requirements appear to be unnecessarily complex, with almost one-third of Queensland businesses highlighting that understanding regulatory obligations and finding information is the most costly aspect of regulatory compliance.

There is more that can be done in terms of business using technology to find relevant information and monitoring regulatory changes. Business costs associated with finding information and monitoring changes has increased in the past two years, with 12 per cent of businesses indicating it was the most costly aspect of regulatory compliance compared with 9 per cent of businesses in 2013.



1/3

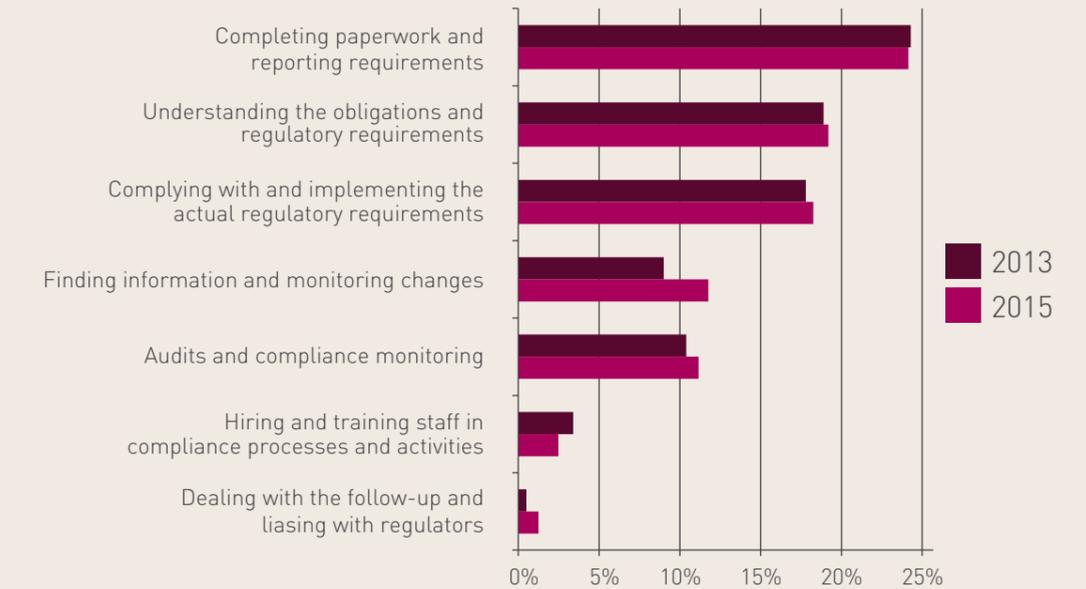
of Queensland businesses highlight that understanding regulatory obligations and finding information is the most costly aspect of regulatory compliance

A common concern was the lack of coordination and duplicative nature of regulation across levels of government, given each agency charge their own fee for inspections and have separate reporting requirements.

Regulatory agencies have made attempts to improve their understanding of and engagement with businesses. However, regulatory churn of national, state and local government regulations increases the cumulative burden of compliance, particularly for small businesses.

Businesses highlight that current information available online is often too high level and not specific enough to guide compliance activities. Further, many businesses struggle not having a single online source of information on regulatory requirements and are not confident that they are complying. This is exacerbated by the frequency with which regulatory requirements change. The 'one-stop-shop' for regulation requirements can be useful for businesses but need further development so small businesses can get the specific information needed for their particular circumstances.

Which stage of the overall regulatory compliance process is most costly for your business?



“Regulatory changes are often impractical and a matter of more paperwork rather than improved practice” – Survey Respondent, South West Queensland

“Keeping up with things like payroll tax, income tax, permits for extraction pit, fuel storage, building approvals, workcover, employment legislation etc – it just all seems to take a very long time and because you only do the things occasionally you have to have a huge list of the web address the passwords to the websites and then try and remember how to navigate the sites. If you change staff then the new person has to re-establish their identity on the sites. The ATO is now insisting on having an AUSKey to send in the PAYG wages tax. If your internet is slow or down it is even more difficult.” – Survey Respondent, Central Coast

BURDEN OF REGULATORY COMPLIANCE ACROSS LEVELS OF GOVERNMENT

“In the last 3 months alone we have been audited by both the ATO and Queensland Office of State Revenue. The audit with Qld OSR took 15 hours of my time. It would have taken at least 4 to 5 hours for the OSR employee to administer. In all approx. 20 hours and at least \$1500 in wages. After all this time it was found we owed OSR \$48.70. We were then audited by the ATO. I spent 30 hours chasing documents and going through archives. After all of this, ATO found we did not owe any monies. Once again, over \$1500 wasted in wages for no return. Since starting the business we have had to jump through a never ending series of compliance hurdles mostly set up and administered by people who have never spent a single day doing the type of work we do. We deal with all levels of government and there is significant duplication of rules and compliance.” – Survey Respondent, Far North Queensland

Queensland businesses were asked to indicate the burden of regulatory compliance in dealing with particular agencies and areas of regulation across levels of government.

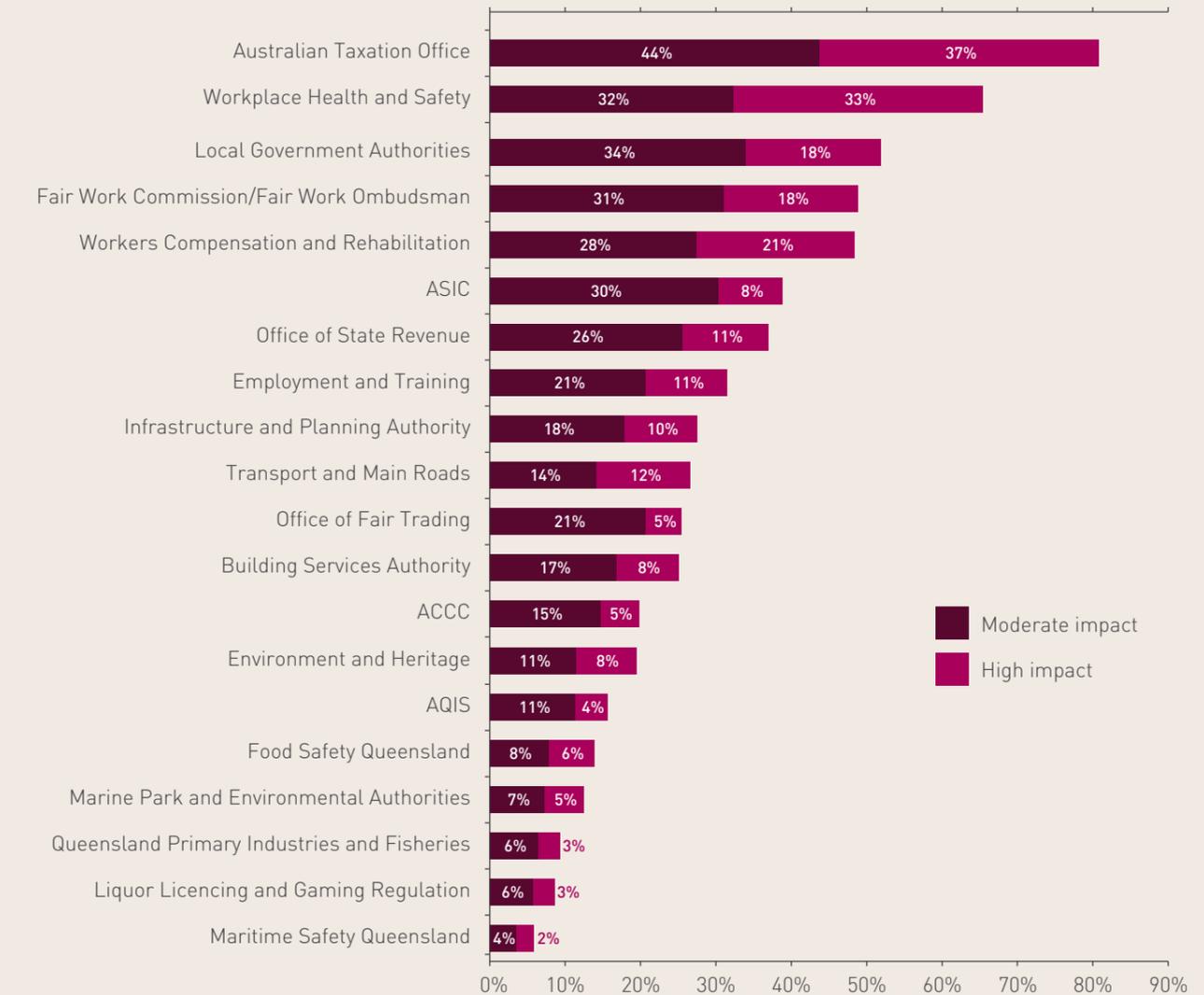
At a federal level, the top three agencies with a moderate to high regulatory impact on Queensland businesses are Australian Taxation Office (ATO), Fair Work Commission and Fair Work Ombudsman, and the Australian Securities and Investment Commission (ASIC).

The red tape associated with taxation matters is the most significant area of concern. The burden of regulatory compliance with the Australian Taxation Office has a high impact on 37 per cent of Queensland businesses, up from 35 per cent in 2013. The Australian Taxation Office has consistently ranked as the number one overall in terms of moderate to high impact on businesses since 2009.

At a state level, the regulatory requirements associated with workplace health and safety, workers compensation and rehabilitation and dealings with the Office of State Revenue were the top three areas overall in terms of having a moderate to high burden on business compliance. The red tape burden of workplace health and safety is ranked second highest overall, consistent with the 2013 survey results.

Dealings with local governments have moved up the rankings and are now ranked as the third highest overall in terms of having a moderate to high red tape impact on Queensland businesses, up from fifth position in 2013.

Moderate - High impact regulatory agencies (2015)



RATING THE QUEENSLAND GOVERNMENT ON CONSULTATION



8%

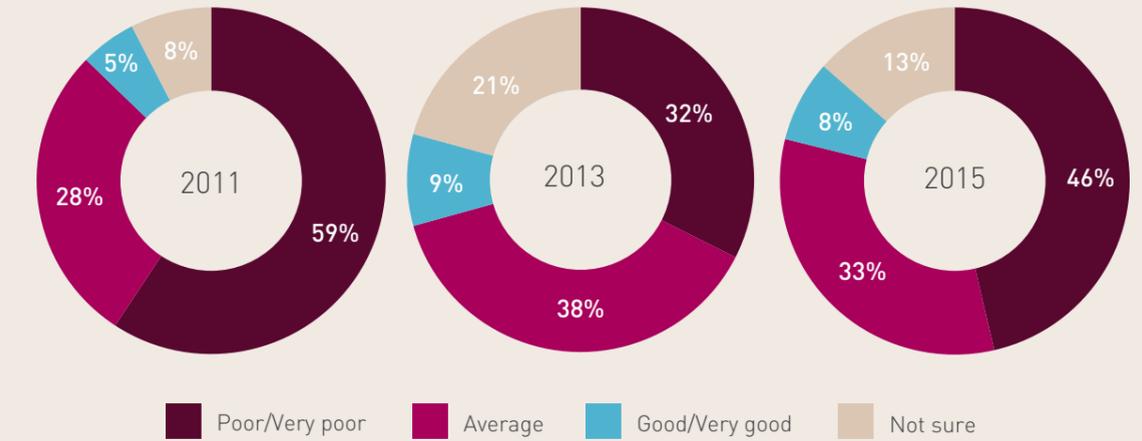
of businesses indicated the Queensland Government's consultation was good or very good.

There is considerable room for improvement on consultation with business prior to the introduction of new regulatory requirements. Only 8 per cent of businesses indicated the Queensland Government's consultation was good or very good. The proportion of business that rate consultation as good or very good has been consistently less than 10 per cent since 2011.

Businesses highlight the need for consultation with industry before new regulation is implemented, which will better inform the choice of regulatory instruments and compliance methods to ensure these are practical and cost-effective. Consultation timeframes should also be less disruptive on business operations to maximise opportunity for direct business feedback. Businesses have reported examples of agencies engaging with the industry during low staff periods like Christmas and Easter and setting unreasonable deadlines that adversely impact the ability of businesses to participate.

A consistent message from businesses was the inconsistency amongst agencies interpreting new regulatory requirements during a consultation process and after regulation is implemented. Business also point to an over-emphasis on enforcing compliance with regulation rather than supporting/encouraging businesses to grow and being entrepreneurial.

How do you rate the Queensland Government on its consultation and engagement with business prior to the introduction of new regulation and legislation?



"The amount of training and certification required to get myself up to standard, if I can determine what the standards should be, prohibits me from seriously looking for assistance or hiring people to work within the business." – Survey Respondent, Central Queensland

"The processes around government tender responses and contract negotiations are by far the most time consuming processes we have to deal with." – Survey Respondent, Brisbane

"There are 3 levels of Government and it seems there is nearly always one of them wanting money or paperwork of some kind." – Survey Respondent, Central Coast

Across all levels of government – Federal, State and Local – the aim should be to reduce the amount of unnecessary contact that the business community has with regulatory agencies. CCIQ believes there are a number of essential elements to any regulatory reform agenda.

CCIQ's considerable work in this area reveals that a regulatory reform agenda can only be successful if it tackles the cumulative regulatory burden and has a baseline measure.

Achieving meaningful outcomes in this area requires a systematic and top-down approach to reducing the total number of regulatory compliance requirements imposed on business and the community.



CCIQ believes it is this process that defines and differentiates a meaningful red tape reduction agenda from other previously unsuccessful attempts to tackle this burden.

Additionally there is a significant opportunity for Government to deliver substantive reductions in the burden of red tape through streamlining and simplification.

Examples include:

- 1** Reviewing existing material to improve the language and way that the Government communicates with SMEs.
- 2** Developing tools to aid SME compliance. Eg tools to schedule and track compliance requirements, templates and reporting tools to reduce the time of compliance, and standardised conditions for voluntary self-regulation.
- 3** Provision of training and accreditation services to allow business owners to complete their own audits and/or compliance management to reduce the cost of external consultants and allow businesses to schedule compliance at times most suitable to their circumstances.
- 4** Undertake a review of the frequency of compliance, renewals and reporting for SMEs with low regulatory risk or history of good compliance.



When red tape is so complex, repetitive, and time consuming – when it ties the hands of business owners and their workers – and produces no significant benefit – then it simply adds to the cost of running a business, reduces employment opportunities, increases the cost of goods and services and unnecessarily increases the cost of living. For this reason red tape is not simply an issue for government and business: it should rightly be a key priority for every Queenslanders.

CONCLUSION



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