

2015 STATE ELECTION PRIORITIES FOR QUEENSLAND BUSINESSES

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Chamber of Commerce & Industry Queensland

The 31 January 2015 State election will determine not only the next Premier and State Government, but also indirectly the course of our state economy and business conditions over the coming three years.

Over the last three years our members have relied on CCIQ to provide them with knowledge, insights and unbiased opinion on Government and Opposition policies relating to small and medium business. This election will be no exception. We will objectively analyse the policies released by each major party and how they impact the economic growth and societal prosperity of our proud State.

CCIQ is determined that the issues of concern and importance for Queensland small businesses stay at the forefront of the State Election policy debate. In anticipation of the 2015 State Government Election, CCIQ commissioned its pre-Election Survey in December 2014 with over 1,100 Queensland businesses providing their views on issues of concern and importance for the next State Government.

CCIQ conducted this survey to determine priority issues for small business on key election issues such as fiscal and economic management, business costs, red tape, productivity, innovation and entrepreneurship in Queensland.

Our promise to the Queensland business community, the LNP, the Queensland Labor Party, its members, candidates, and the Queensland community more broadly is to maintain our nonpartisan position, assess all policies on their merit to the business community and be steadfastly independent in analysing and encouraging constructive debate in this election.

CCIQ's Election Survey reveals seven key priorities that all political parties must act upon to improve the business operating environment in Queensland. These are:

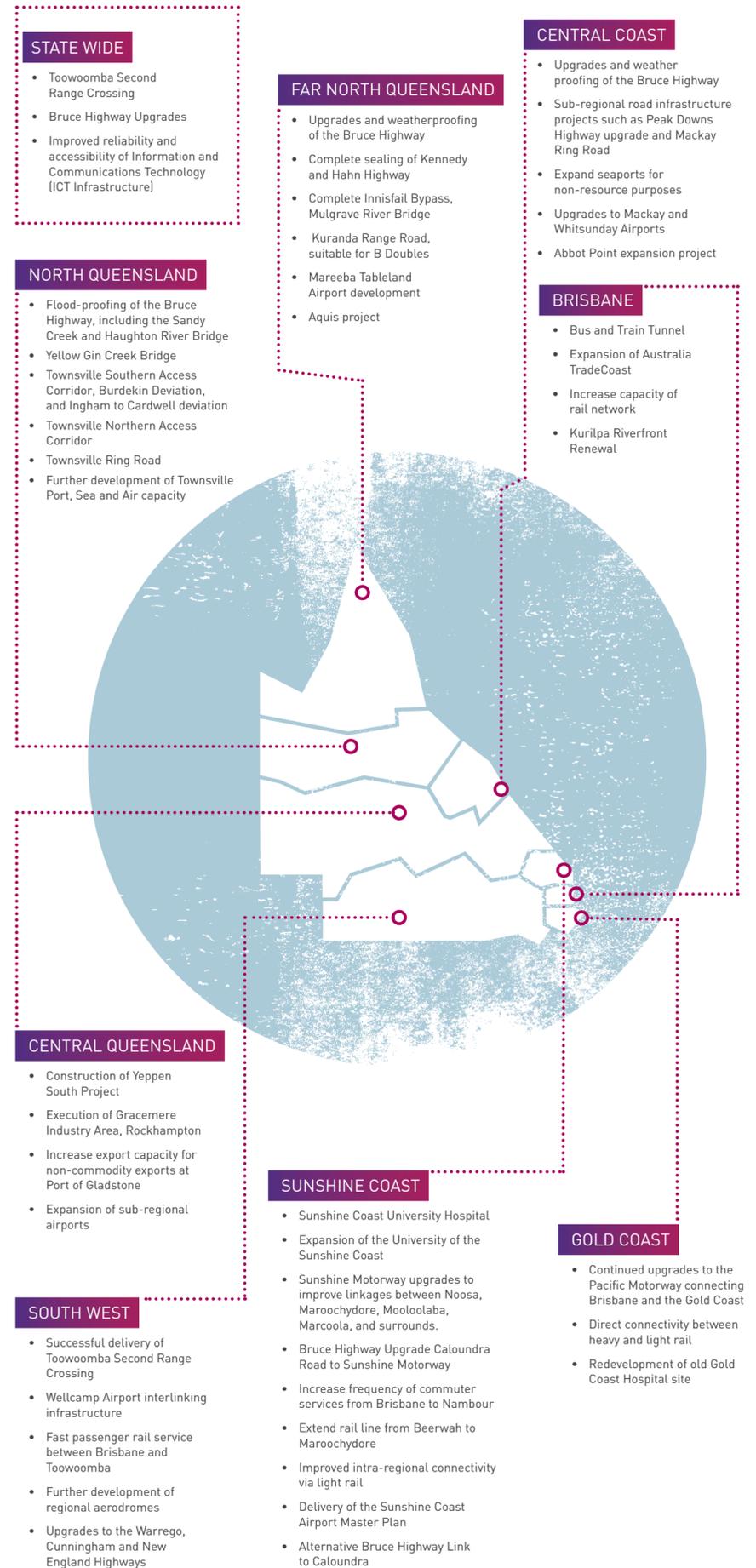


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Regional infrastructure

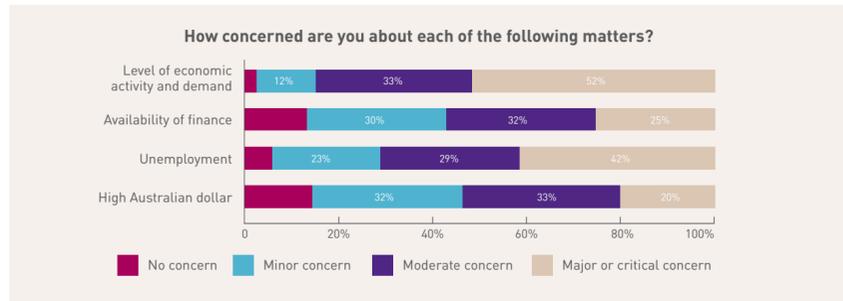


1 Stimulating economic growth and job creation

When asked about the current economic situation, the majority of Queensland businesses (52 per cent) raised major or critical concern about the level of economic activity and demand. Uncertainty about Federal Government budget measures and the slowdown of mining sector investment have contributed to weaker consumer spending and subdued economic activity.

Labour market conditions are also a prominent factor with 42 per cent of Queensland businesses indicating major or critical concern at the present time with unemployment. This finding is consistent with CCIQ's recent engagement with members that shows the majority of Queensland businesses expect to keep employment levels steady.

The challenge for the next State Government is to deliver policies that stimulate economic growth and create opportunities for the private sector. Policies must also address cost of living pressures to boost consumer sentiment, which in turn will encourage Queensland businesses to invest and employ.



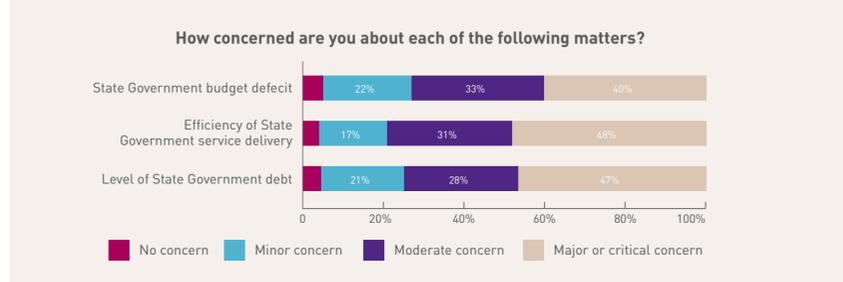
CCIQ IS CALLING ON THE NEXT STATE GOVERNMENT TO:

- Progress a diversified industry development agenda outside of the resources, tourism, agriculture, building and construction sectors
- Develop a Queensland Infrastructure Plan with priority projects identified over the short, medium and longer term
- Implement a regionalisation strategy
- Ensuring the State's future skills requirement are met

2 Delivering responsible fiscal management

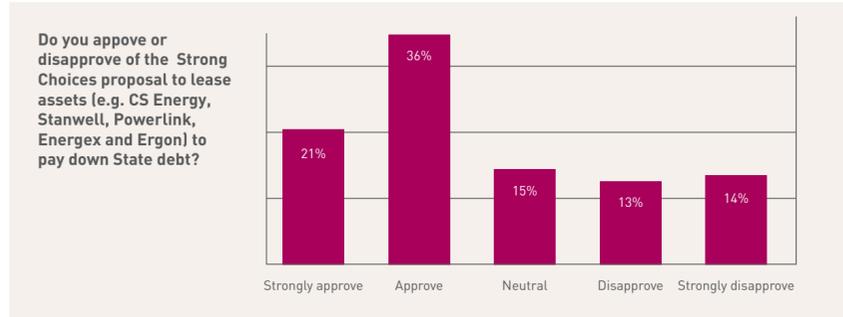
Budget fundamentals are a key determinant of business confidence and Queensland businesses will be looking to the next State Government to restore the State's financial position through responsible fiscal management.

A significant proportion of Queensland businesses expressed major or critical concern with the current budget deficit (40 per cent) and the efficiency of State Government service delivery (48 per cent). The findings reinforce the need for ongoing cost saving measures to correct the structural deficit in the State budget.



In addition to restoring a fiscal surplus, the next State Government must explore all options to pay down the State's \$80 billion accumulated debt, which is of major to critical concern to 47 per cent of Queensland businesses.

CCIQ's Election Survey reveals a significant proportion of Queensland businesses approve (36 per cent) or strongly approve (21 per cent) of the Strong Choices proposal to lease assets. Accordingly, CCIQ believes there is merit in privatising State owned assets. Queensland small and medium businesses have indicated that prices and services are the most important considerations in determining their support for privatising State owned assets. It is critical that the next State Government put in place conditions that address the impact on prices and services as part of any privatisation process.



CCIQ IS CALLING ON THE NEXT STATE GOVERNMENT TO:

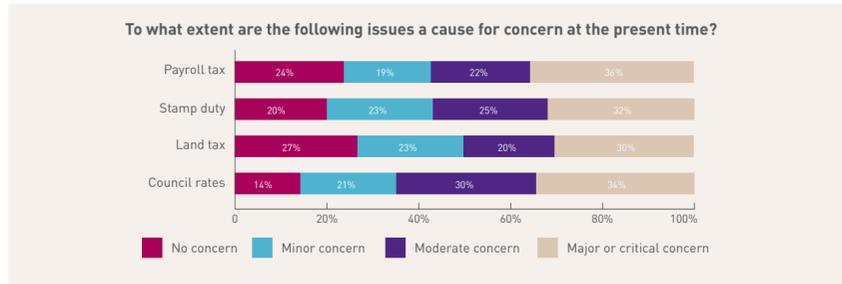
- Reduce government debt
- Return to a budget operating surplus and restore the State's AAA credit rating
- Improve the efficiency of government agencies so recurrent expenditure remains at an affordable level
- Broaden contestability with a view to increasing the share of government services provided by the private sector
- Lease State electricity and port assets to pay down debt and reduce our State's debt servicing bill

SURVEY METHOD		Survey demographics	
The analysis undertaken by CCIQ in the preparation of this report is based on 1,103 survey responses from Queensland businesses. The survey was conducted between 27 November and 19 December 2014 in anticipation of the 2015 State Election.		Number of respondents	1,103
		Small businesses	74.8%
		Medium businesses	10.4%
		Large businesses	14.8%

3 Driving down government costs on business

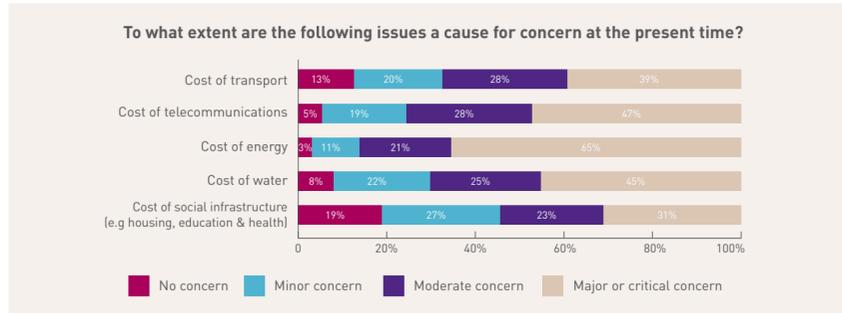
The cost of doing business remains top of mind for Queensland businesses, with the overwhelming feedback from CCIQ members pointing to challenging trading conditions from flat revenue and rising input costs. It is critical that the next State Government deliver well targeted reductions to business taxes and drive down other government costs to support the viability and competitiveness of Queensland businesses. However, CCIQ notes that this cannot occur without wholesale taxation and federation reform across Australia.

Payroll tax is one of the most inefficient taxes as it is a direct tax on employment and should ultimately be abolished. For those small and medium businesses that fall within the payroll tax exemption threshold, CCIQ highlights the need for ongoing indexation of this threshold so these businesses continue to benefit from not paying payroll tax.



The recent changes to Queensland's Workers Compensation scheme significantly benefited the business community. However, 35 per cent of Queensland businesses still indicate major or critical concern with workers compensation costs, which reinforces the need for retaining recent reforms to continue lowering workers' compensation premiums and reduce business operating costs.

Additionally, the next State Government must take decisive action to address the rising cost of key business inputs, namely electricity, water and transport. Increasing electricity prices is currently the most significant business cost issue with 65 per cent of Queensland businesses indicating a major or critical concern with the cost of energy.



CCIQ IS CALLING ON THE NEXT STATE GOVERNMENT TO:

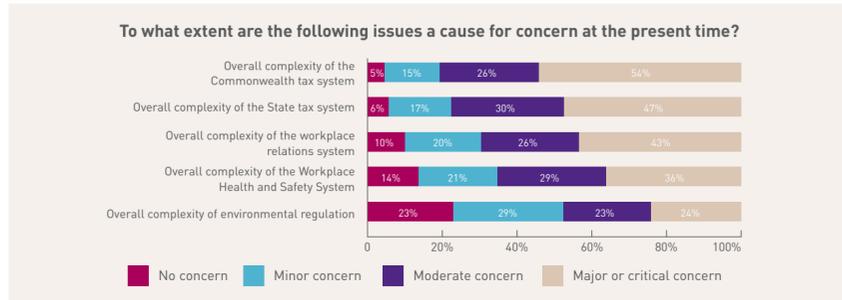
- Progressively lift the payroll tax exemption threshold from \$1.1 million to \$1.6 million by 2019
- Collaborate with the Federal Government to conduct a full review of the taxation and federation systems with a view to eliminating inefficient State taxes and correcting the vertical fiscal imbalance
- Remove stamp duties on insurance premiums
- Retain changes to the workers compensation scheme
- Ensure that electricity prices are competitive for Queensland businesses through electricity reforms that encourages efficiency and performance improvements
- Work with the Federal Government to deliver projects such as the Bruce Highway Upgrade and Toowoomba Second Range Crossing that will improve transport efficiencies
- Work with the Federal Government to ensure there is adequate and affordable telecommunications services for businesses throughout Queensland

4 Reducing red tape

The reduction in overall volume of regulation needs to be felt in a meaningful way by business owners. The next State Government must continue with red tape reduction policies that remove unnecessary regulation, ensure new regulation does not creep in to replace previously repealed laws, and ensure compliance is efficient and cost-effective.

Red tape associated with taxation is the most prominent area of concern with Queensland businesses indicating major or critical concern with the complexity of both the Commonwealth tax system (54 per cent) and State tax system (47 per cent).

There appears to be less concern about existing environmental regulation with the removal of the carbon tax at a Federal level and the State's waste levy both benefiting Queensland businesses. CCIQ believes the next State Government should vigorously resist all calls to introduce any new measures in these areas.



CCIQ IS CALLING ON THE NEXT STATE GOVERNMENT TO:

- Accelerate red tape reduction efforts across all agencies with a focus on reforms that will be most beneficial to small and medium business
- Continue shifting emphasis from regulator prosecution and enforcement to education and awareness
- Improve regulator engagement with small and medium business
- Work with the Federal Government to reform the Fair Work Act
- Reduce the barriers currently experienced by small and medium businesses to participate in State Government and major project procurement opportunities

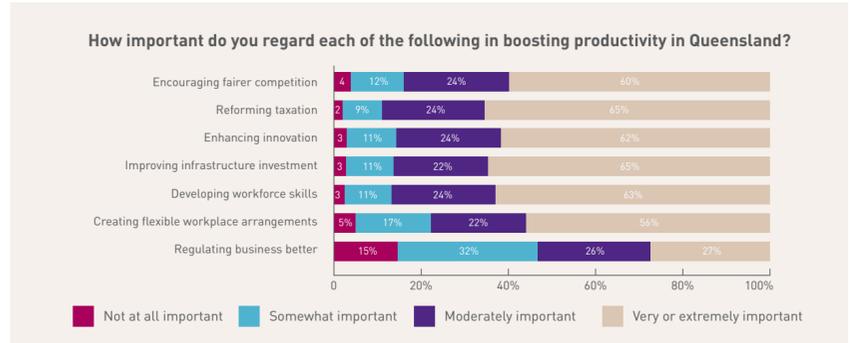
5 Enhancing productivity

Queensland businesses recognise that enhancing productivity will improve the viability of their operations, allowing them to grow their business and employ more people. However, the accumulation of regulation and rising business costs is eroding the benefits of business investment in productivity. As a consequence, firm level process improvements have been a reactive response to difficult operating conditions with Queensland business productivity driven by a need for survival rather than for growth.

The Queensland business community is seeking a commitment from the next State Government to a productivity agenda that proceeds across a number of policy areas and is premised on the needs of small and medium businesses. This includes policies that provide flexibility for businesses to respond to emerging opportunities, support business capabilities through skills development and infrastructure investment, and create incentives for businesses to improve their productivity performance.

CCIQ's Election Survey shows the majority of businesses consider taxation reform (65 per cent) and infrastructure investment (65 per cent) to be very or extremely important for improving productivity in Queensland.

CCIQ notes in particular the need for increasing the level of skills relevant to business needs. Despite the restrained employment conditions, 42 per cent of Queensland businesses have indicated major or critical concern at the present time in recruiting employees with appropriate skills.



CCIQ IS CALLING ON THE NEXT STATE GOVERNMENT TO:

- Prioritise red tape reduction that delivers the highest productivity gain
- Champion a flexible and balanced approach to employer-employee relations as part of the Productivity Commission's review of the workplace relations framework
- Develop a business relevant vocational education and training system
- Address skills shortages by encouraging labour mobility (both between regions and professions) and increasing workforce participation rates amongst people underrepresented in the workforce
- Improve the governance of infrastructure investment based on a greater role for the private sector in planning and delivery of infrastructure
- Fast track approvals for priority infrastructure that will deliver cost savings and more affordable solutions to the community

6 Investing in innovation

The next State Government must investigate the generation of ideas that will underpin business innovation and be a source of competitive advantage for Queensland's small and medium businesses.

Around 85 per cent of Queensland businesses think innovation is only something possible for large and corporate businesses yet CCIQ's engagement with members shows that the majority of small and medium businesses are actually engaging in innovative activity.

Only 4 per cent considered innovation as essential to their future competitiveness and the viability of their business. CCIQ believes it is critically important that these perceptions are corrected.

CCIQ IS CALLING ON THE NEXT STATE GOVERNMENT TO:

- Create a competitive business operating environment conducive to innovation
- Foster a small and medium business innovation culture
- Remove regulation that is a barrier to innovation
- Better target and deliver government assistance programs
- Improve regulatory and taxation incentives
- Encourage greater collaboration with academia and amongst businesses
- Improve workforce capability with innovation skills
- Improve availability of finance
- Invest in infrastructure that delivers innovation

7 Facilitating business start-ups

CCIQ believes that more can be done to encourage entrepreneurs in Queensland to take the leap of faith and turn their idea into a reality. The next State Government must recognise the important role that business start-ups play in our economy, and implement policies that inspire and foster entrepreneurial activity within our state.

CCIQ IS CALLING ON THE NEXT STATE GOVERNMENT TO:

- Improve access to finance and start-up capital
- Improve access to data and market research for new opportunities
- Develop entrepreneurial skills
- Better target and deliver government assistance programs to commercialise ideas
- Improve access to communications infrastructure
- Improve regulatory and taxation incentives
- Foster a cultural environment that celebrates and encourages entrepreneurship, including improving social legitimacy of 'entrepreneur' as a career choice, and addressing our fear of failure.

Conclusion

Regardless of who forms the next State Government, it is essential that they implement a policy program that addresses the issues of concern and importance for our State's small and medium business community.

The next State Government must prioritise economic growth and responsible fiscal management as well as enhance the overall business operating environment through less regulation and lower business costs.

However we must also cast an eye towards the horizon equally prioritising productivity, innovation and entrepreneurship. Queensland businesses are looking to politicians for genuine vision in these areas.

Ultimately when people vote on the last Saturday in January 2015 they should do so on the basis of who they think will best address the concerns raised by Queensland small and medium businesses delivering a landscape for them to grow, employ and provide the foundation for community prosperity.

Every Queensland, be they business owner, employer or employee has an opportunity to determine the future prosperity of their state. Our economic fortunes are irreversibly intertwined.