

# CELEBRATING SMALL BUSINESS IN QUEENSLAND

The Chamber of Commerce and Industry Queensland (CCIQ) celebrates the contribution that small business makes to our State. Small business and their employees are the heart of the Queensland economy and the driving force behind our thriving local communities.

Queenslanders are right to be proud of their local small businesses who deliver a diverse and world class range of goods and services across the State and internationally.

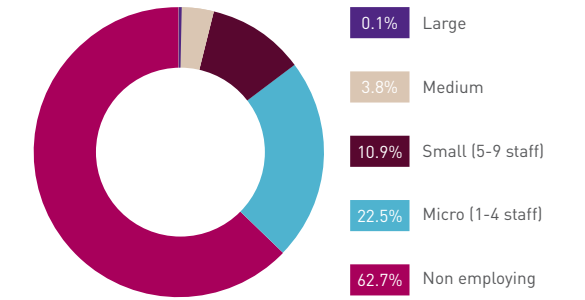
Small businesses provide enormous opportunity in creating healthy, vibrant and sustainable local communities that form a vital part of our daily lives.

Queensland small businesses have a culture of enterprise, creativity, initiative and continued learning.

**96%** OF ALL BUSINESSES IN QUEENSLAND ARE SMALL BUT MIGHTY IN THEIR STATURE

## SMALL BUSINESS IN QUEENSLAND

Queensland has a small business population of 412,000 businesses. They represent over 96 per cent of businesses state-wide and employ approximately half of all private sector workers and contribute approximately 46 per cent of Gross State Product.



Source: ABS 8165.0 Counts of Australian Businesses including entries and exits, June 2007 to June 2011.

## SMALL BUSINESS NUMBERS

	NSW	VIC	QLD	SA	WA	TAS	NT	ACT	Unknown	Australia
Agriculture, forestry & fishing	57,957	45,084	44,370	19,503	19,426	6,011	1,011	522	77	193,961
Mining	1,492	787	1,743	471	2,764	138	83	22	9	7,509
Manufacturing	24,968	21,864	16,190	5,957	8,650	1,453	463	573	166	80,284
Services industries	580,266	442,769	340,462	113,497	176,262	28,592	11,716	22,704	741	1,717,009
Not classified	15,373	12,392	9,196	2,748	5,103	583	356	556	236	46,543
<b>Total small business</b>	<b>680,056</b>	<b>522,896</b>	<b>411,961</b>	<b>142,176</b>	<b>212,205</b>	<b>36,777</b>	<b>13,629</b>	<b>24,377</b>	<b>1,229</b>	<b>2,045,335</b>

Source: ABS 8165.0 Counts of Australian Businesses including entries and exits, June 2007 to June 2011.

**50%** OF PRIVATE SECTOR WORKERS EMPLOYED BY SMALL BUSINESS

## CCIQ OFFICES

We have regional representatives in offices throughout Queensland, and are affiliated with more than 100 chambers of commerce throughout the state.

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## WHAT IS A SMALL BUSINESS?

Although the concept of a 'small business' is quite intuitive, there is no consistently used definition and indeed there is no precise definition of a small business.

Common definitions categorise businesses based on: their number of employees, as used by Fair Work Australia (FWA) and in most surveys of small businesses (ABS); or annual revenue, as used by the Australian Taxation Office (ATO).

METRIC	THRESHOLD	INSTITUTION	PURPOSE
Employees	≤15	FWA	Unfair dismissal laws
	≤20	ABS	Business surveys
		ACCI and Sensis	Business surveys
		RBA	Business liaison
	≤50	ASIC	Annual financial reports
Legal structure	Unincorporated	RBA	Analysis of financing conditions
Revenue	≤\$2 million	ATO	Taxation
	≤\$50 million	APRA	Prudential supervision
	≤\$1 million	APRA	Prudential supervision
Individual loan size	≤\$2 million	RBA	Analysis of financing conditions

Source: Reserve Bank of Australia

In a practical sense a small business is usually not just a larger business on a smaller scale but one that operates in a fundamentally different way to larger businesses. A small business typically has the following three characteristics:

- it is independently owned and operated, that is, it is not part of a larger corporation or controlled by another firm;
- the owner manager is the principal decision maker; and
- the owner manager contributes most, if not all, of the operating capital.

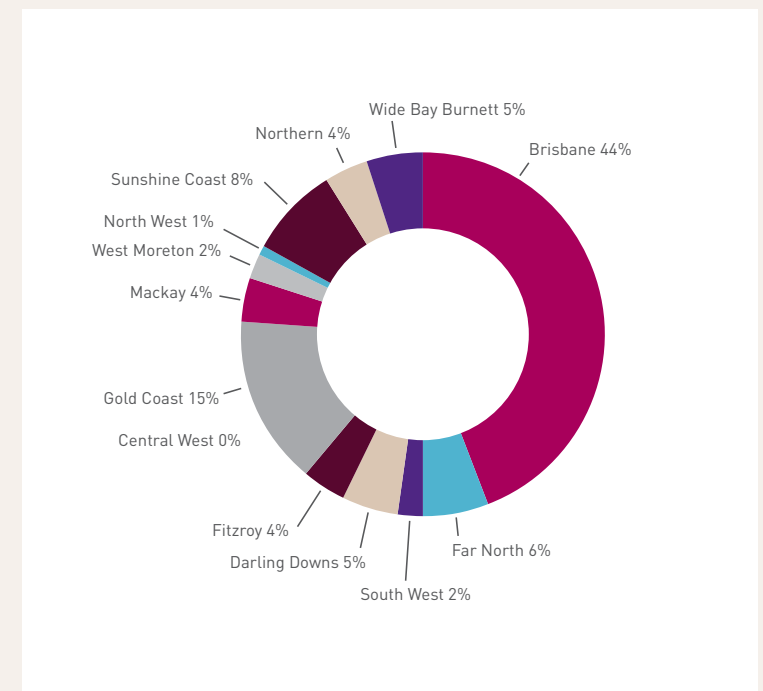
Other characteristics common to the way a small business operates include:

- a small number of individuals work in the business — often from the same family;
- a simple management structure, usually with no specialised finance, personnel or regulatory/legal managers or systems;
- limited resources, including finance, staff and skills — this often requires the owner manager to fulfil all regulatory obligations, leaving them time poor; and
- a small market share with a greater propensity to only supply the local market, or operate within a single state and territory.

## REGIONAL IMPORTANCE

Small businesses are in every community in every region across the State. In Queensland the majority (67%) of small businesses are located in the south-east corner yet Queensland as a state has the highest decentralisation of small businesses in Australia.

Small businesses are at the heart of each population centre and directly determine the vibrancy of their surrounding communities. Small businesses are the providers of opportunity and livelihood for their employees.



Source: ABS 8165.0 Counts of Australian Businesses including entries and exits, June 2007 to June 2011.

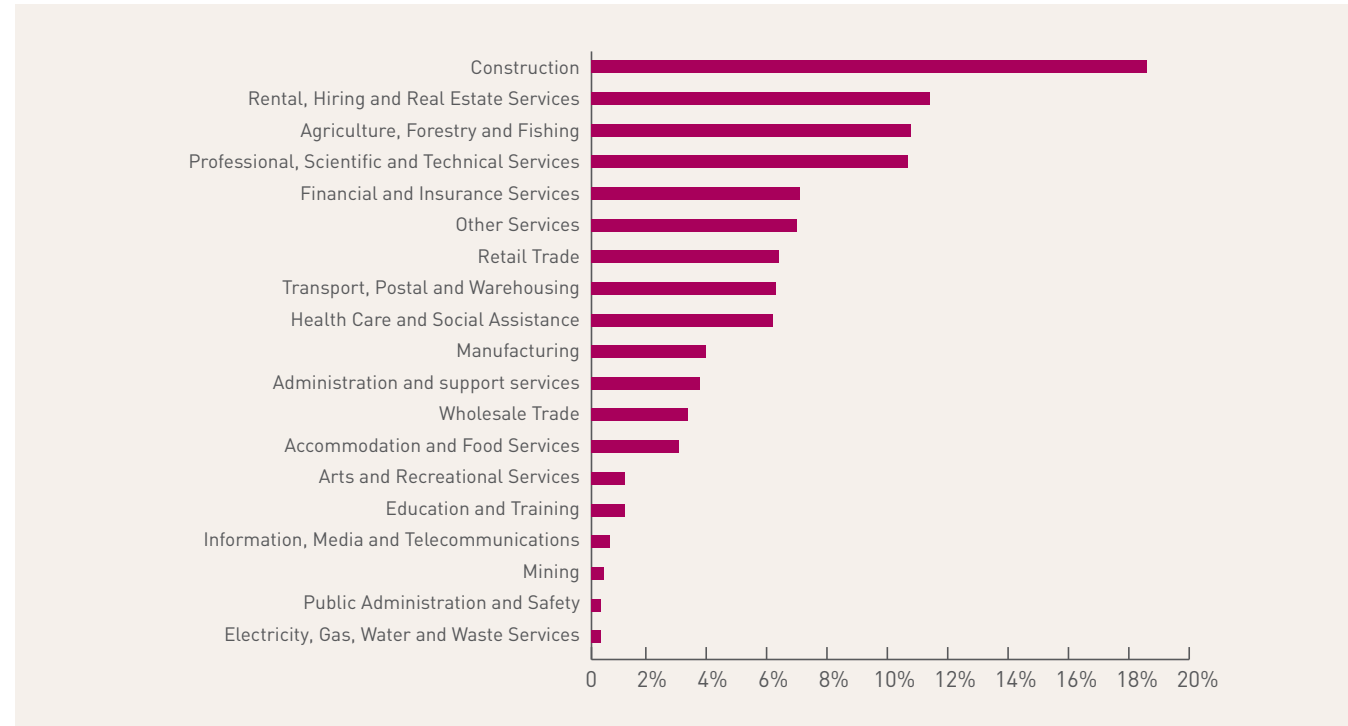
For general enquiries, please call **1300 731 988**.  
For the Employer Assistance Line, please call **1300 135 822**.

Looking at the people behind small businesses, the profile of small business owners in Australia is changing over time but current statistical information indicates that the 'typical' owner is: male, born in Australia and working either as a tradesperson or using financial skills.



## SMALL BUSINESS BY INDUSTRY

Small businesses are mainly concentrated in the service and retail sectors (52.2%) and in construction (18.5%). However they also complement the economic activity of large organisations by providing them with goods and services, and make up the backbone of the supply chains of larger projects outside their industry sector.



Source: ABS 8165.0 Counts of Australian Businesses including entries and exits, June 2007 to June 2011

## FACTS ABOUT SMALL BUSINESS

### DEMOGRAPHICS

68.5 per cent of small business operators are male and 31.5 per cent are female. Migrant small business owners make up 27 per cent.

Breakdown of business operators by age indicates the greatest number of business owners are aged 45 to 54 years old (28.2 per cent), followed by 35 to 44 years old (26.8 per cent), 55 to 59 years old (12.1 per cent) and 25 to 34 years old (14.3 per cent).11 Less than 10 per cent of business operators are aged over 65 or less than 25 years of age. This has particular implications following the retirement of the baby boomer generation in the next decade or so. Who will be the small business operators of tomorrow?

### SMALL BUSINESS MANAGEMENT

Many small businesses are family owned and run and often operate with a small number of staff. Additionally the nature of small business means that many do not have access to the same level of resources as larger companies. Accordingly the owner is often responsible for doing the work, balancing the books, managing staff and meeting all the regulatory obligations which leads them to be extremely time poor working very long hours each week.

They are likely to have completed secondary school or trade qualification but often have not undertaken formal management training and tend not to use a business plan. Yet there is an incredible knowledge and skill base tied up in running small businesses. There is an enormous amount of expertise and specialist knowledge that thrives in this sector, the value of which is often underestimated.

### SMALL BUSINESSES OWNERS ARE HARD WORKING

Almost 50 per cent of business owners estimate working more than 40 hours in a typical working week. 22 per cent of business owners estimate working 41 to 50 hours, 18 per cent estimated working 51 to 70 hours, and 6 per cent estimated working over 70 hours.

### CUSTOMER SERVICE

Small businesses typically have greater flexibility in their operations. They are much better placed in catering to individual tastes and changing fashions. Small businesses often offer far better levels of service than do their larger counterparts. This is due, in most instances, to key personnel being involved at the front of the business. They deal with their customers face to face, and the business is small enough to ensure that communication is open and continual.

### MOTIVATION

While the launch of a small business venture frequently starts with identifying a market opportunity, the motivation for owning a small business varies with some owners looking to earn an income sufficient to support a household and others preferring increased flexibility associated with being their 'own boss' or greater capacity to balance personal or family interests.

### INCOME

Consequently, some small businesses have a comparatively low income, turnover or profit margin (perhaps to supplement another income), while others produce a higher income for the owner than would be earned if they were employed by someone else.

### STRUCTURE

Small businesses take on a number of different organisational and legal operating forms, some are run on a part-time basis, often from home, while others have a more conventional business structure.

Over time, there has been a trend away from sole proprietorship and partnership towards companies, as owners seek the legal protection of limited liability and the lower tax rate on corporate profits relative to the marginal rate of personal income tax.

### RISK

Small businesses tend to have a higher risk-return profile than larger businesses, reflected in a wide variation in revenue and profitability. The volatility of business revenue is significantly higher for small businesses than larger businesses. One explanation for the higher degree of volatility in the revenues of small businesses is their greater reliance on a smaller number of customers, with the addition or loss of a customer having a much greater effect on revenues than for businesses with more diversified customer bases.

### SMALL BUSINESS FINANCE

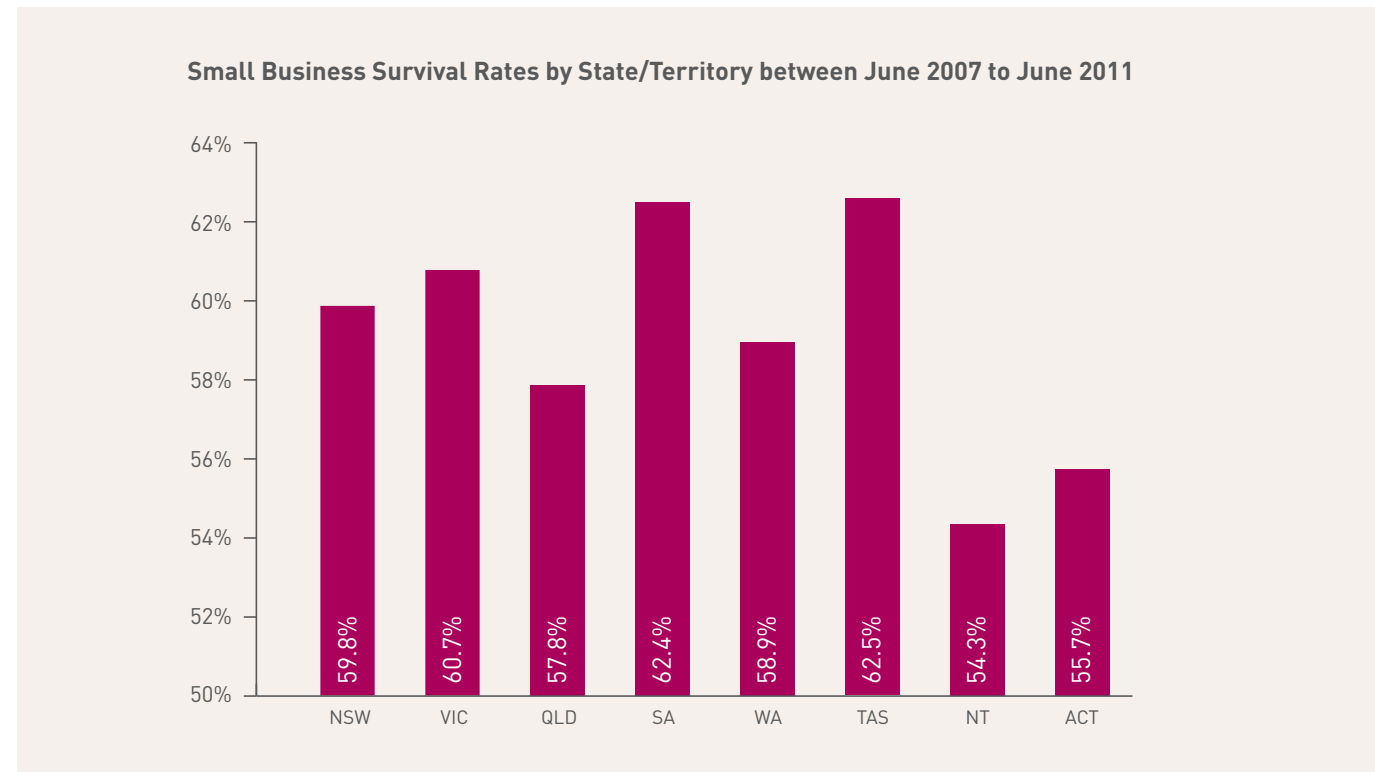
In general, small businesses are less likely to have debt than large businesses. However it is also important to examine the business owner's overall financial position since the balance sheet of the business and the owner are often not legally separated. Many small businesses are financed indirectly by household borrowing (eg home mortgage) rather than through explicit business borrowing.

The Reserve Bank of Australia indicates:

- Small businesses pay more, on average, for debt than both households and larger businesses. This is because smaller businesses are typically viewed as having more volatile revenue streams, make greater use of riskier forms of loan collateral, and make more use of unsecured debt products.
- The higher cost of small business debt facilities leads many smaller businesses to use household debt products to fund their business.
- Smaller businesses also make use of alternative sources of debt such as equipment and vehicle leasing, debtor finance and debt funding from trade suppliers.

## SMALL BUSINESS CONDITIONS

Over the past five years, small businesses have been doing it tough. Latest data reveals a 0.7% decline in the number of small businesses in operation in Queensland. Queensland business exit rates are the second highest in Australia, with only the Northern Territory and ACT higher.



Source: ABS 8165.0 Counts of Australian Businesses including entries and exits, June 2007 to June 2011

A number of factors have contributed to this. Energy costs, rising wages and penalty rates, commonwealth and state tax levels, infrastructure and regulatory requirements have all increased direct costs to business. This puts particular pressure on small businesses who are already facing the impacts of consumer reticence and difficulty in accessing finance. Operating margins have continually been squeezed.

# SMALL BUSINESS CONTRIBUTE 46% OF GSP

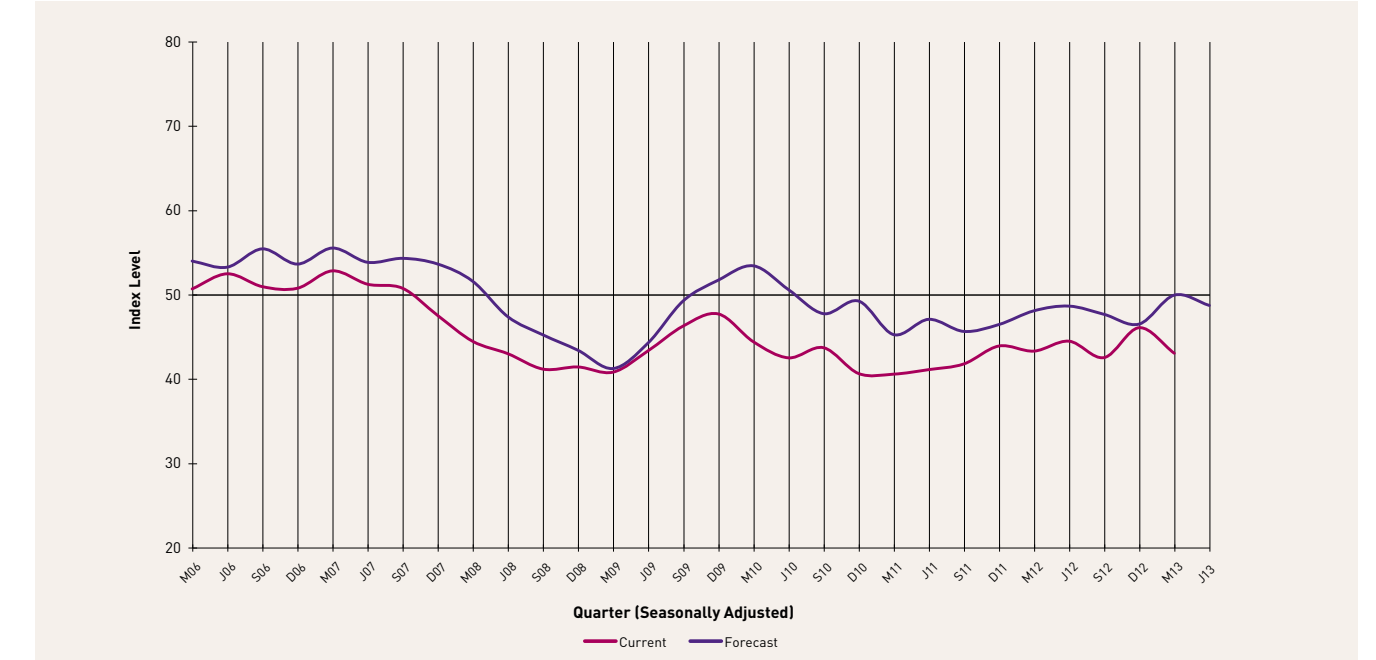
## SALES AND REVENUE



Source: Westpac Group Pulse Survey of Business Conditions

# 412,000 SMALL BUSINESSES IN QUEENSLAND

## PROFITABILITY



Source: Westpac Group Pulse Survey of Business Conditions

The impacts of small business failure on the broader community are significant. Whilst loss of employment has a serious direct economic impact, the secondary or multiplier effects of small business failure, such as impacts on suppliers and the businesses they service are equally as damaging to a community, particularly in regional areas.

Additionally business conditions for small businesses have been weaker than for their larger counterparts. Part of the weakness reflects differences in the industries in which small and large businesses operate. For example many small businesses are in the construction industry, where softness in demand for new residential and commercial buildings has seen conditions deteriorate over recent years.

Another important issue is whether the flow-on effects from the resources sector are mainly benefiting larger businesses. Mining-related projects often demand greater scale than small businesses can easily provide, and require considerable up-front expenditure to bid as a result of the significant cost of complying with miners' accreditation and workplace health & safety requirements. Accordingly many of the opportunities of the resources boom have not flowed to small business.

## SMALL BUSINESS PRIORITIES

The major issues of importance to small business are categorised into three themes including:

Legend	Theme One	Government Delivering Better Economic and Fiscal Management
	Theme Two	Reducing Government Costs on Business
	Theme Three	Reducing Government Red Tape

1	Level of energy costs	11	Overall complexity of the Federal industrial relations system
2	Carbon Tax	12	Understanding obligations and regulatory requirements
3	Overall level of Commonwealth taxes	13	The WHS obligations of employers versus those of employees
4	Overall complexity of the Commonwealth tax system	14	Level of water costs
5	Government planning and investment for future infrastructure needs	15	Overall complexity of the State's Workplace Health and Safety System
6	Overall level of State taxes	16	Council rates
7	Level of economic activity and demand	17	Completing paperwork and reporting requirements
8	State Government Budget Deficit	18	Finding information and monitoring changes
9	Overall complexity of the State tax system	19	Level of interest rates/cost of finance
10	High level of government spending	20	Level of telecommunications costs

Source: CCIQ's 2012 Big 3 for Business

## CONCLUSION

Small businesses power economic and regional development across Queensland and are the providers of many families' livelihood – they are the larger businesses of tomorrow.

As the peak business and industry association in Queensland, CCIQ is working with the State Government to find solutions to the above challenges through the Small Business Advisory Council, Small Business Strategy and Action Plan, assisting in their Red Tape Reduction Strategy and partnering to promote the Buy Locally campaign.

'Self help' is a small business catch phrase and most already have a steadfast commitment to being the best at what they do and treating their customers with the respect that they deserve. However CCIQ encourages all Queenslanders to support their local small business as they support us.

### Sources

Westpac Group CCIQ Pulse Survey of Business Conditions  
 CCIQ's 2012 Big 3 for Business  
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