

Impacts of COAG Reforms: Business Regulation and VET

CCIQ Submission to the Productivity Commission

24 February 2012

1.0 INTRODUCTION

The Chamber of Commerce and Industry Queensland (CCIQ) welcomes the opportunity to provide feedback on the impacts of COAG reforms in relation to business regulation and vocational education and training (VET).

CCIQ is the peak business organisation in Queensland, representing the interests of 25,000 businesses and 135 local chambers of commerce across the state. All of these businesses have a profound interest in the outcomes of the business regulation and vocational education and training (VET) workforce reform streams agreed under the COAG national reform agenda.

Business Regulation

In regards to the Business Regulation stream of the COAG reform agenda, CCIQ remains highly supportive of the broad objectives of the national harmonisation efforts under the 27 deregulation priority areas. The cost and burden of regulatory compliance is one of the most important ongoing issues for the Queensland business community.

However based on ongoing business feedback and specific case studies investigating the cost of regulatory compliance for Queensland businesses, CCIQ believes that the economy-wide impacts of the reforms to date have been minimal and that the full reform potential has only been partially achieved under many of the priority reform areas.

There is therefore an ongoing opportunity to achieve reductions in the cost and burden of regulation for the business community. Greater economic benefit can be achieved if COAG maintains momentum to ensure the existing reform targets are prioritised and delivered within appropriate timeframes. CCIQ also believes that the COAG agenda would achieve far better outcomes by focusing on reducing the cumulative regulatory burden for business and the community and if individual state and national governments made concurrent and complementary commitments to regulatory reform.

Vocational Education and Training

The Queensland business community is acutely aware that the availability of a strong and productive workforce is central to business success and underpins full employment and economic growth. As such CCIQ is highly supportive of the COAG skills and training reform agenda and initiatives to improve the operation, quality, accessibility and flexibility of vocational education and training.

Despite significant reforms over the past decade, there remains room for improvement to ensure that Australia has one of the best education and training systems internationally. Business and industry continue to report concerns about the capacity of the vocational education and training system to deliver a workforce that meets the skills needs of the economy.

Australia needs an efficient education and training system which produces a more productive workforce and supports a more competitive and sustainable economy. COAG initiatives must build on the current reform agenda and deliver the necessary policy frameworks to drive skills development and greater participation in education and training by all Queenslanders.

2.0 IMPACT OF COAG BUSINESS REGULATION REFORMS

The cost of doing business in Queensland, in particular the cost of regulatory compliance is a significant issue for Queensland businesses. CCIQ has estimated that regulatory compliance (arising from state-based regulation alone) costs Queensland businesses over \$7 billion every year and is a major constraint on business and economic growth.

CCIQ maintains high level support for the objectives of the 'Seamless National Economy' regulatory reform agenda. Efforts to remove the regulatory barriers to business growth and reduce the high cost of doing business across state borders in Australia are welcomed by the Queensland business community.

However, CCIQ makes a number of general observations in regard to the current outcomes of the 'Seamless National Economy' regulatory reform agenda:

1. The economy-wide costs may have been underestimated. As 95% of Queensland businesses operate only in Queensland, many of the reforms have had little impact on reducing the regulatory cost and burden and in some instances have resulted in increased costs for those businesses, especially where there has been an increase in regulatory compliance requirements, when consultation and implementation timeframes have been tight and/or rushed, and when the agreed national harmonisation objectives have only been partially delivered. Accordingly with the majority of businesses not experiencing reduced regulatory compliance costs, the flow-on effects for consumer prices and demand have been minimal.
2. The economy-wide benefits may have been overestimated. CCIQ believes that it is the cumulative effect of regulation (or total sum of all compliance requirements and costs) that creates a regime that is stifling to business and the economy and that when viewed in isolation, individual regulations or areas of compliance often do not on their own impose excessive cost or appear complex. Accordingly as the Productivity Commission, in making its assessment of the benefits and outcomes of the reforms has viewed each reform in isolation of the whole business context and regulatory environment, CCIQ believes the total benefit may have been overestimated. It is therefore not surprising that Queensland businesses continue to report high red tape compliance costs across some of the very areas covered by the 'Seamless National Economy' regulatory reform agenda.
3. The full potential for reform has not been achieved, primarily because at a local, state and national level cumulative compliance burden has continued to increase across all areas of business regulation. If federal and state governments do not make concurrent commitments to stem the flow of new or amended regulation, then the reform agenda will be doomed to failure and the net effect of reform will not result in any overall reduction in business compliance cost. The increased cost of doing business therefore erodes the sum of all benefits achieved under the 'Seamless National Economy' regulatory reform agenda.

Specific issues across the key reform areas relevant to Queensland businesses and CCIQ members are outlined below.

Consumer Policy and Product Safety

- CCIQ questions the assumptions made in respect to benefits and potential outcomes resulting from the reforms and the likelihood of actual increases in consumer demand in the current economic climate, especially when trends suggest a decline in consumer spending.
- CCIQ further contends that an increased compliance cost of \$20 million per annum is likely to be passed onto consumers increasing product costs and may lead to a further decline in consumer demand, especially in the current environment where consumers are increasingly turning to online and international markets for purchases.

Consumer Credit

- Feedback from members operating in the banking and finance sector suggests that the current level of regulatory and administrative compliance is already significant. CCIQ is therefore concerned that the COAG reforms in this area, including the increase of \$13 million per annum in new licencing fees and a 5 per cent increase in administrative costs per annum, is a significant additional impost when considered in the context of the total cumulative impact.
- Accordingly CCIQ is concerned that the increased costs on this sector may be passed onto customers and accordingly may reduce the anticipated benefits to consumers resulting from these reforms.

Standard Business Reporting

- CCIQ strongly supports the intentions of this reform area and notes that business reporting is a key area of regulatory burden and cost consistently raised by Queensland businesses. If appropriately targeted, achieving outcomes under this reform priority could potentially result in significant regulatory compliance cost reductions for the business community.
- CCIQ believes that the original objectives agreed under this reform area may have been too ambitious and did not adequately identify the real underlying issues of the business community. It is therefore understandable that this reform area has not achieved significant progress when there has been a general lack of whole of government commitment to the reforms. In recognising the costs of change for both government agencies and businesses, this reform area could benefit from re-prioritisation of reform objectives.
- CCIQ also notes that stakeholders will be reluctant to change when the benefits remain at the margin. The cost of changing reporting, record keeping and administrative systems and processes is significant and accordingly the resulting benefit from change must be significantly high to gain commitment to the reforms.
- To increase the benefits for businesses and administrative agencies, further opportunities for reform identified through consultation with Queensland businesses includes addressing :
 - Record keeping associated with business reporting including storage protocols, regulated timeframes for storage of records, and storage costs;
 - Differences across agencies and jurisdictions in relation to the number and format for copies to be supplied and submitted to government agencies (e.g. numbers of hard copies, hard copies in addition to electronic copies, hard copies in addition to online submittal);
 - Proof of identify required to be established with each and every report and submittal including in many instances requirements for extensive copies of documentation and certification of identity documentation;
 - Extent of detail and information required in documentation leading to extensive and time consuming paperwork and reporting;
 - Inconsistent and differing frequencies for reporting, applications and renewals, increasing the administration costs of tracking compliance;
 - Costs associated with external certification, valuations and audits associated with reporting requirements;
 - Compulsory reporting for research and information purposes including for ABS, ASIC and other social service offices/agencies (e.g. for Centrelink, Family Assistance, immigration offices).

| Business Reporting (Financial, Taxation and Other Statutory Reporting) | | | | | |
|--|----------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| Task | Cost Category | COST TO BUSINESS A | COST TO BUSINESS B | COST TO BUSINESS C | COST TO BUSINESS D |
| Compliance Activities and Monitoring Regulatory Changes | Education | \$14,600 | \$39,000 | \$13,000 | \$8,125 |
| Financial Reporting (activities undertaken beyond those normally undertaken by business) | Record Keeping | \$62,500 | \$15,600 | \$19,500 | \$19,000 |
| Consultancy Services | Purchase Cost | \$75,000 | \$12,000 | \$4,000 | \$34,000 |
| Filing and Storage of Records | Purchase Cost | \$18,000 | \$4,000 | \$1,000 | \$6,000 |
| Property and Asset Valuations and Inspections | Purchase Cost | \$4,330 | - | - | \$1,800 |
| Superannuation Compliance and Reporting Activities | Procedural/ Record Keeping | \$3,750 | \$14,400 | \$2000 | \$4,000 |
| Tax Compliance and Reporting | Procedural/ Record Keeping | \$16,875 | \$2,400 \$900 | \$2,000 \$750 | \$15,000 |
| Other Government Reporting – ABS Surveys, R&D Plans, service agencies | Procedural/ Record Keeping | \$6,750 | - | - | - |
| Ongoing Annual Cost to Business | | \$201,805 | \$88,300 | \$42,250 | \$87,925 |
| ** Refer to appendix A for information on business overview | | | | | |

Payroll Tax

- CCIQ strongly supports the intentions of this reform area and notes that payroll tax is a key area of regulatory burden and cost consistently raised by Queensland businesses.
- However CCIQ agrees with the Productivity Commission's findings that because harmonisation did not extend to tax rates and thresholds, there has not been any dramatic reduction in cost and burden because businesses operating across jurisdictions are required to be familiar with the difference payroll tax schemes, calculate payments separately, complete separate submittals, and maintain separate records.
- CCIQ continues to advocate strongly for the complete abolishment of payroll tax and believes that COAG would be the appropriate forum to commence a national dialogue about the benefits of reducing this tax.

Occupational Health and Safety

- CCIQ strongly supports the intentions of this reform area and notes occupational health and safety law compliance is a key area of regulatory burden and cost consistently raised by Queensland businesses, especially in the context of the differing standards and requirements that existed between states prior to the national harmonisation reforms.
- CCIQ believes it is essential that all jurisdictions adopt the national model workplace health and safety laws (as has been the case in Queensland) in order to realise the full benefits of this reform agenda. While some jurisdictions continue to operate under separate laws the cost and burden for the business community will remain high.
- CCIQ also notes that Queensland businesses have not been afforded adequate opportunity to transition into the new WHS environment following commencement of the model laws in Queensland from 1 January 2012. This significantly increases the cost and burden for Queensland businesses required to understand the new laws and their compliance responsibilities, implement updated and changed procedures in the workplace and train staff. Longer implementation and transition timeframes are recommended as is greater support and clearer information required to assist businesses adapt to the new regime.

| HEALTH AND SAFETY REGULATION – Occupational Health and Safety Regulation | | | | | |
|---|-----------------------|--------------------|--------------------|--------------------|--------------------|
| Task | Cost Category | COST TO BUSINESS A | COST TO BUSINESS B | COST TO BUSINESS C | COST TO BUSINESS D |
| Compliance Activities and Monitoring Regulatory Changes | Procedural/ Education | \$625 | \$15,600 | \$32,500 | \$8,200 |
| External audits, inspections and compliance checks – equipment and buildings, consultancy costs | Purchase | \$10,000 | \$12,000 | \$20,800 | \$6,000 |
| Staff Training | Education | \$40,000 | \$5,200 | \$1,200 | \$28,000 |
| Procedural and Management Planning and Documentation | Publication and Docs | \$10,000 | | \$13,000 | \$1,000 |
| Workers Compensation Premiums | Purchase Cost | \$20,000 | \$20,000 | \$50,000 | \$5,500 |
| Other Relevant Compliance Activities | Procedural/ Education | \$62,500 | - | \$125 | - |
| Ongoing Annual Cost to Business | | \$75,625 | \$40,800 | \$117,625 | \$48,700 |
| Additional Upfront Cost | | \$67,500 | \$100,000 | - | - |
| ** Refer to appendix A for business information | | | | | |

Food Safety Regulation

- CCIQ strongly supports the intentions of this reform area and notes that food safety regulation is a key area of regulatory burden and cost consistently raised by Queensland businesses operating in the manufacturing, wholesale, agriculture and retail food sectors.
- General feedback from businesses operating in the food sector is that this area of reform has not delivered any significant reduction in regulatory compliance costs mainly because it has not addressed the core of the regulatory compliance problem.
- Queensland businesses believe that the national food standards have become too prescriptive and inflexible and do not facilitate innovation in production processes, equipment/machinery, and product stewardship. This has led to Queensland and Australian food businesses increasingly becoming uncompetitive in the international food production and manufacturing market.

- CCIQ contends that the implementation of an interpretation service for food standards is evidence of the ongoing complexity of the regulatory environment for food businesses and introduces another layer of bureaucracy with whom businesses will have to liaise. Offering this on a fee for service basis only further increases regulatory compliance costs for businesses with questionable returns and benefits. A better outcome would be to: review and simplify the existing food standards and remove ambiguous, duplicated and conflicting provisions within state-based food and health related regulation; and to provide improved training and information resources to existing regulating agencies/officers to ensure consistent interpretation and compliance.
- To increase the benefit for businesses, further opportunities for reform identified through consultation with Queensland businesses includes addressing:
 - High frequency of change in labelling requirements and food standards across any given 12 month period;
 - Ongoing introduction of food requirements, labelling requirements and packaging standards to address community health objectives requiring businesses to constantly change production processes and labelling;
 - Existence of retailer-imposed food and packaging standards and compliance audits/testing which duplicate and often contradict national regulated food standards;
 - Observation that environmental policy objectives conflict with food safety regulation (e.g. waste reduction, packaging covenants) and increase costs for businesses who must meet duplicative standards.

| HEALTH AND SAFETY REGULATION – Food Standards and Product Safety | | | | | |
|---|-------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| Task | Cost Category | COST TO BUSINESS A | COST TO BUSINESS B | COST TO BUSINESS C | COST TO BUSINESS D |
| Compliance Activities and Monitoring Regulatory Changes | Education/Procedural | N/A | \$23,400 | \$6,500 | N/A |
| Staff Training and Compliance | Purchase Cost/Education | | \$1,650 | \$500 \$1,280 | |
| Audits, Inspections and Approvals | Procedural/Purchase | | \$2,500 | \$13,000 \$125 | |
| Labelling, Food Standards and Product Safety Compliance | Procedural/Purchase | | \$7,750 | | |
| Fees and Licenses | Purchase Cost | | \$300 | \$2,000 | |
| Ongoing Annual Cost to Business | | | \$35,600 | \$23,405 | |
| Additional Upfront Cost | | | \$1,750 | - | |
| ** Refer to appendix A for information on business overview | | | | | |

General Recommendations

Notwithstanding the above comments/issues with the ‘Seamless National Economy’ regulatory reform agenda, CCIQ continues to support the broad intentions of the reform agenda. CCIQ offers these further general recommendations for improving the future outcomes under the 27 key areas of reform:

1. That any outstanding items be actioned in a timely manner and that through COAG the federal, state and territory governments continue to negotiate delivery of reform priorities.
2. Wherever possible the reform agenda should focus not only on cross border/interstate harmonisation but also seek concurrent objectives of operational efficiency, effectiveness and simplification in order to reduce the cost of doing business not only across borders but also for those businesses operating within a single jurisdiction.
3. When developing work plans and timeframes for reform priorities that consideration be given to providing adequate timeframes for business consultation and business transition. The COAG Ministers must recognise the significant effort and costs involved for business to interpret and implement new regulatory requirements and accommodate sufficient timeframes within their planning and implementation processes.

CCIQ strongly agrees with the Productivity Commission’s recommendations that effective ongoing regulatory reform under the ‘Seamless National Economy’ regulatory reform agenda requires: agreement about the nature and extent of the problem to be addressed (recognition of the growing systemic problem of red tape in Australia); identifiable and agreed goals (national and state government binding commitments to reducing red tape and achieving regulatory efficiency); a realistic timetable that acknowledges the cost and impost that change causes for the business community; real momentum for change with clear outcomes; and effective monitoring and accountability.

3.0 IMPACT OF COAG VOCATIONAL EDUCATION AND TRAINING REFORMS

Over the past decade, there have been significant reforms to vocational education and training (VET) in Australia, including the most recent COAG VET reform agenda. CCIQ is supportive of the COAG reform agenda and the investment by the State and Federal Governments in skills development and productivity. However, CCIQ believes there remains areas needing attention to align the Queensland and Australian VET system with international best practice.

In November 2011, CCIQ released its Blueprint for Queensland's Education and Training System, *Right People at the Right Time: Developing a Skilled Workforce that meets the needs of Queensland's Economy*. This report provides a framework for achieving an efficient education and training system that delivers a more productive workforce and supports a more competitive and sustainable economy. It provides an analysis of the current state of the education and training system and business perceptions, making recommendations for further reforms. This report is attached for your reference.

Specific issues across VET reform relevant to Queensland businesses are outlined below:

Training Quality and Accessibility

- CCIQ strongly supports reform initiatives to improve the quality, flexibility and accessibility of training and the ability to access training that meets the needs of the business.
- Industry continues to report critical concerns about the significant disparity between the quality, flexibility and accessibility of training in regional areas compared to South East Queensland. This disparity is limiting the availability of a skilled workforce and the capacity for industry to invest in accredited training. Furthermore, employers remain concerned about the vast distance participants are required to travel to participate in institution based training as a result of limited choice of provider, timing of delivery and course options locally.
- CCIQ's 2012 *Big 3 for Business Election Survey* identified that 77.9 per cent of businesses have concerns about the quality of vocational education and training with 28.3 per cent citing a major or critical concern. The survey also identified that 85.7 per cent of respondents are concerned about their ability to obtain training that meets the needs of their business.
- Improving the quality of training provision may require consideration of the way success is measured. There are better ways of measuring the outcomes that trainers achieve than simply counting the number of qualifications gained. Emphasis must be placed on outcomes. An approach that is highly supported by industry is the national scorecard model used in the UK which measures success of the education system based on four key elements:
 - Ensuring supply meets demand as measured by the extent of change in skills shortages;
 - Ensuring skills have economic value for employers, measured by changes in productivity;
 - Ensuring improvements in adults' employability by measuring employment and earning outcomes from training; and
 - Driving progress on raising skills towards a world class skills base measuring numbers of higher level qualifications.

The scorecard is applied across regions, sectors and socio-demographic groups such as gender, race and disability and while still a relatively new process has been received well by all stakeholders and is strongly supported by the UK business community.

- Further reforms and initiatives to deliver improved quality and accessibility of VET include:
 - Shifting delivery methods, moving away from a mechanistic, block release, institute-based model and instead focus on methods that work in the workplace for the workplace;
 - Increasing incentives for innovation and best practice in the training market; and
 - Private sector partnership arrangements and jointly fund expansion in technologies that facilitate remote training opportunities.

For further information, please refer to Priority 3 of the Blueprint for Queensland's Education and Training System.

VET Completion Rates

- As noted in the discussion draft, two-thirds of Certificate III to Advanced Diploma students do not complete their qualifications of enrolment. CCIQ advocates further reforms to address the significant non-completion rates and improve the return on investment in skills and training for both employers and Government.
- In particular, the non-completion rate of Australian Apprenticeships is unacceptably high, resulting in a negative impact on industry productivity.
- Mechanisms to improve completion rates for Certificate III to Advanced Diploma enrolments include:
 - Part qualifications and clustering of skills sets are, in some instances, equally important in terms of employment and workforce participation outcomes as completion full qualifications. It is acknowledged that the current non-completion rate currently includes individuals enrolled in full qualifications that are seeking to gain skills sets and do not intend to complete. Removing the requirement for individuals seeking part qualifications to enrol in the full qualification would provide greater accuracy in the reported non-completion rates.
 - Introduction of an apprentice and trainee “exchange program” where apprentices and trainees could experience different workplaces within their sector and/or experience workplaces in regional or rural areas on a temporary basis. CCIQ believe such a model could provide opportunities for small and medium sized businesses with fluctuating or seasonal business conditions and businesses in regional and rural areas an opportunity to engage with the education and training system that they would otherwise not be afforded under a typical long term training contract. This model would also provide the apprentice or trainee a broader exposure to the industry/sector and a broader skills development experience.
 - Career guidance, mentoring and prevocational training also have the capacity to improve learning outcomes, manage student expectations and improve completion rates. When developed in conjunction with industry, these mechanisms can also enhance employability skills; address language, literacy and numeracy issues; and provide insights into a specific trades and the world of work before an individual enters into a training contract with an employer.
 - Improving levels of foundation and employability skills will be critical to increasing training completion rates in Certificate III and higher qualifications, particularly in young people and groups that are currently underrepresented in the workforce. Impacting on workplace safety, job performance and the capacity of employees to learn new skills required for career progression or to keep up to date with technological advances, literacy and numeracy are essential underpinning skills for all industries. Unfortunately, the level of literacy and numeracy for a significant portion of the workforce, across all age groups, is below the standard required to participate effectively in work and complete higher level qualifications.

For further information, please refer to Priorities 2 and 5 of the Blueprint for Queensland’s Education and Training System.

Complexity of the VET System

- Businesses in Queensland have reported that current regulation and the structure of the Apprenticeships System is overly burdensome, confusing, and costly, presenting a barrier to increased business participation. Additionally, businesses operating across multiple jurisdictions are incurring significant costs in ensuring compliance with multiple and inconsistent processes. In light of this, CCIQ recommends that the nationally consistent regulation be developed and that consideration also be given to reducing the compliance cost for all businesses engaging with the Apprenticeships System.
- Employers and individuals seeking information and support within the existing Apprenticeships System are confronted with a complex, bureaucratic system that is extremely difficult to navigate. Nationally consistent regulation and reduced compliance cost for all businesses engaging with the Apprenticeships System could lead to an increase in apprenticeship commencement rates, particularly in small to medium enterprises.
- CCIQ believes a systematic review should be undertaken to simplify the vocational education and training system and improve employer and individual understanding of the processes and choices available within the VET system. As an urgent priority to ensure success of recent reforms, employers must be informed of the improved flexibility and choice in the system and supported to make informed decisions and negotiate with training providers. This information and advice must be independent from those providing the training. CCIQ would support a public portal similar to the “My School” website which compares outcomes, quality and industry ratings for all RTO’s in Queensland.

For further information, please refer to Priority 3 of the Blueprint for Queensland’s Education and Training System.

Appendix A: Overview of CCIQ Red Tape Case Studies

Throughout 2010-11 CCIQ completed a number of Business Red Tape Case Studies across a variety of business sectors, regions in Queensland and business sizes. The methodology used was a combination of direct business interviews to gain detailed information on compliance activities and specific costs and cost calculation undertaken using the Australian Governments Business Cost Calculator.

A number of these case studies have been included in this report. Demographics of the business examples featured in this report are provided below:

Business A: Manufacturing Business with wholesale and exporting arms. Located in Brisbane region. Large employer with over 100 employees

Business B: Food Manufacturing and Retail Business. Located in Queensland Central Coast region (Mackay). Medium sized employer with approximately 30 employees

Business C: Tourism Industry incorporating three interrelated businesses including function centre, accommodation and restaurant/catering. Located in Brisbane region. Medium Sized Business with fewer than 30 employees.

Business D: Professional and financial services industry (real estate and property management business). Located in Brisbane region. Small business with fewer than 10 employees.