



*Knowledge Influence Support*

CHAMBER OF COMMERCE  
AND INDUSTRY  
WESTERN AUSTRALIA

# The cost of doing business

**CCI Advocacy**  
*August 2011*

*Making it easier to do business*



Introduction.....	3	Occupational health & safety .....	22
Executive Summary .....	4	The regulatory burden .....	24
The Case for Reform.....	8	Dealing with government .....	27
An economic context.....	9	Input costs.....	30
The role of government .....	10	Access to finance and SMEs .....	33
The CCI-WA Business News Cost of Doing Business Survey .....	11	Taxation reform.....	35
The Reform Agenda.....	14	Costs on the horizon: climate change policy .....	38
Labour shortages .....	15	Summary of recommendations.....	40
Industrial relations.....	21		

# Introduction

CCI is the peak organisation representing business in Western Australia. It is the second largest organisation of its kind in Australia, with a membership of over 6,500 businesses in all sectors of the economy.

For some time now, CCI has been concerned about the rising cost of doing business in Western Australia. While there is no single indicator that definitively illustrates this point, global surveys give some indication. For example, the World Bank's annual *Doing Business*<sup>1</sup> study ranks Australia as a whole tenth out of 183 economies in terms of the ease of carrying out business. This puts us behind some of our major trading partners as well as some of our key regional and industrial competitors.

With Australia having ground to make up in terms of business competitiveness on a global scale, **evidence suggests that Western Australia itself does not rank well nationally as a place to do business:**

- we are currently the most taxed state in the nation on a per capita basis;
- average weekly earnings are the second highest of any jurisdiction (behind ACT);
- consumer price inflation in Perth is the second highest in the nation over the past decade; and
- it is documented<sup>2</sup> that the state has also lagged behind other jurisdictions in tackling red tape.

The impact of these and other factors are reflected in the delay or deferment of major investment projects, but it has also been evident in the regular surveys and discussions CCI conducts with its membership base of small and medium enterprises. These discussions have revealed a clear 'two-speed economy' in which businesses unattached to the wealth creation of the resources sector are struggling to cope with rising cost pressures in the economy. Labour costs are high, input costs are increasing, the tax burden is increasing and onerous red tape and regulation further adds to the cost base for many businesses.

**CCI's goal is to reverse this situation, to achieve reforms that will make Western Australia the most competitive and attractive place in Australia to do business in the long term.** This paper highlights the key cost pressures on business at present and provides solutions to address those. Importantly, some of these cost barriers are simply symptomatic of the state's geographic size and isolation from large population centres. This often means that costs such as freight and transport are more burdensome here, while consumer and wholesale markets also tend to be smaller and less developed, often leading to greater price pressures.

However, there are other issues that are within our control – barriers that can be removed to grow the productive capacity of the WA economy and improve our long term competitive standing. These issues are the focus of this paper – an agenda for reform that will 'release the handbrake' on business and help Western Australia to achieve its long term economic potential.

Our agenda draws on the views and reports of our members and the broader business community about the most significant cost pressures on their business. CCI and *WA Business News* conducted a survey of the WA business community to gauge this, and where applicable direct quotes are provided in this paper to clearly illustrate the difficulties being faced.

However, the agenda of making WA more competitive is much broader than what is covered in this paper and stems to issues such as national tax reform, Federal-State financial relations, migration and labour, and infrastructure funding. Such broader issues are not explored in depth in this paper but will be the focus of standalone research papers by CCI.

In many cases, some of the most significant cost pressures identified in this paper can be addressed in the short term. **But it will take an understanding and willingness on the part of government – particularly at State and Federal levels – of these key challenges and a serious commitment to action.**

Importantly, developing an environment that supports business and encourages entrepreneurialism, risk-taking and growth is in the interest of government and the wider community. Businesses create jobs and wealth, which help to raise living standards. They provide government with the revenues and resources it needs to deliver essential services. Therefore, the vision of making WA the most attractive place to do business is not one to be solely owned by the business community itself, but one which – CCI hopes – governments and the broader community will also share in, and strive towards.

# SUPPORT

<sup>1</sup> The World Bank, *Doing Business 2011: Making a Difference for Entrepreneurs*.  
<sup>2</sup> *Reducing the Burden – Report of the Red Tape Reduction Group*, page 1.



# Executive Summary

In many ways, the rising cost pressures faced by Western Australian businesses reflect the state's strong economic growth. This has seen our economy grow by 50 per cent in real terms over the past 10 years and around 320,000 jobs created during this period. **This has created significant capacity constraints** (page 9). However, cost pressures are also reflective of the **challenges faced by all tiers of government to cope with rapid development and facilitate further growth by expanding the productive capacity of the economy** (page 10).

This must change if the state is to realise its full economic potential. This potential is huge. There are almost \$157 billion worth of projects in the pipeline for WA, and nearly \$107 billion that are currently under construction or committed. To put this in perspective, in 2009-10 the state's economy was valued at \$184 billion – a 14 per cent share of the national economy. **So investment in the pipeline in WA has the potential to re-shape the face of the state economy. But these opportunities could be limited if cost pressures created by capacity constraints continue to harm business competitiveness.**

To identify these pressures and their impacts, CCI partnered with *WA Business News* to conduct a month-long survey of the Western Australian business community in May 2011. The results of the *CCI – WA Business News Cost of Doing Business Survey* (CCI-WABN survey) give context and priority to the costs facing businesses and why action is needed (page 11).

Broadly speaking the survey results and **feedback from businesses have revealed five key issues which are contributing significantly to cost pressures** and where reform will make the biggest difference in the short term. These are:

1. Addressing labour shortages;
2. Reforming industrial relations;
3. Harmonising and simplifying occupational health and safety laws across Australia;
4. Cutting the regulatory burden and making it easier to deal with government; and
5. Undertaking genuine tax reform and easing the tax burden.

## BUSINESS VIEWPOINT

"I cannot afford to invest money in other areas of the business due to high wages costs." – **a small firm in the property and business services sector.**

It is unsurprising that labour shortages and the associated rise in salaries and wages, staff turnover and training costs are having a significant impact on businesses in WA. The CCI-WABN survey showed that rising wage costs are having a negative impact on 88 per cent of respondents. **Labour shortages need to be addressed as a priority**

(page 15). This includes raising workforce participation through providing tax incentives, targeted support for under-participating groups, and improving our education and training systems to bolster basic skill sets.

Attracting people from interstate and sourcing skilled migrants from overseas are also vital to overcoming shortages. Overseas migration is particularly important for WA, but policy control lies with the Federal Government where outcomes have been slow in coming. CCI believes that **the State Government should be given greater control over accessing the number and types of skilled migrants required in the state.**

This includes having more influence over occupations that qualify for the 457 visa, increasing the length of the holiday working visa, and the period of time that can be worked with one employer for visitors to WA.

## BUSINESS VIEWPOINT

"Government is failing to act on the fact that business requires skilled and unskilled workers and that those workers are currently not in Australia. We need to open immigration and make it easier for companies to recruit offshore." – **a large retailer**

# SUPPORT

**BUSINESS VIEWPOINT**

"Fair Work Australia have got a lot to answer for. As a small business that doesn't have resources to staff a human resources manager, all the burden goes back to the small business owner. The hoops and pitfalls of being a novice in the area of wrongful dismissal and performance management is a painful and expensive learning curve." – **a small business in the finance and insurance sector.**

in some cases also discouraging employment growth. Changes to the **Fair Work legislation** are needed to achieve a better balance between employer and employee rights and responsibilities.

Along with changes to industrial relations laws, cost pressures on businesses can also be significantly eased by **addressing complex and convoluted occupational health and safety laws** – the third of our key reforms (page 22). There is an opportunity for this now, with the Council of Australian Governments (COAG) National Reform Agenda aiming to harmonise work health and safety legislation across Australia.

**Encouraging productivity growth is also vital to increasing output growth.** The survey results showed that significantly **higher wages and salaries in WA are not always being matched by productivity gains.** This is largely an outcome from the new *Fair Work* laws which have provided unions with greater power to influence wage outcomes (page 21). Industrial relations reform is the second of our five priority areas for change to reduce business costs. At present our national system imposes significant compliance costs and direct costs on businesses which are not only impacting bottom-lines, but

**BUSINESS VIEWPOINT**

"I am a great supporter of occupational safety and health, but some changes have made it nearly impossible to do the job and comply..." – **a small business services firm based in the Perth metro area.**

However, the harmonised package will not be consistent in all jurisdictions and employers will still need to be aware of differences. Moreover, harmonisation will not reduce costs for small businesses, which typically do not operate across jurisdictions. To achieve a better outcome, **the COAG process must examine the practical need for each occupational health and safety regulation and whether specific regulations had achieved the desired outcome** in jurisdictions where they currently exist. A consolidation of the existing regulations across the majority of jurisdictions is not reform.

**BUSINESS VIEWPOINT**

"Fully, 40% of my time in the past 12 months has been spent on compliance rather than building and sustaining the business..." – **a small finance/insurance firm.**

**and making it easier to deal with government** – our fourth major area of reform (pages 24 to 30). This is a well worn subject matter yet the cost of compliance for businesses is still high, particularly in Western Australia where **the State Government has been much slower off the mark in implementing regulatory reform** aimed at cutting red tape.

The challenge here is not so much to identify what reforms are needed – this has largely been done through the work of the Red Tape Reduction Group, the Economic Audit Committee as well as the COAG National Reform Agenda. **The task now is to implement their findings.** Part of the challenge in doing so is the current split of responsibilities for regulatory reform across the State Government. This needs to change.

The business community looks to the State Government to demonstrate a **genuine commitment to cutting the regulatory burden** by establishing a well resourced, independent and accountable body with the sole responsibility for undertaking regulatory reform in WA.

Whatever the structure, the reform process should start with the State's responsibilities under the recommendations of the COAG National Reform Agenda for a Seamless National Economy, as well as the recommendations of the Red Tape Reduction Group and the Economic Audit Committee. The responsibilities of the Regulatory Reform Unit and Regulatory Gate-keeping Unit within the WA Department of Treasury should also be transferred to an independent regulatory reform body.

The final change needed to reduce both compliance and direct cost pressures for businesses in the short term is to **undertake genuine tax reform** (page 35). The ability to achieve widespread taxation reform is however contingent on reviewing the Commonwealth and State tax systems as one regime. The National Tax Forum scheduled for October 2011 provides a valuable opportunity to kick-start this process.

Addressing labour shortages, modernising industrial relations and providing genuine reform to occupational health and safety laws will have a measurable impact on the rising costs of doing business. But there are wider challenges for government, particularly in terms of **reducing the regulatory burden on business**

**BUSINESS VIEWPOINT**

"...if a business case was undertaken [on some laws] it would fail every time, but there is blind adherence to rules and regulations." – **a small construction firm in Perth.**

*The business community looks to the State Government to demonstrate a genuine commitment to cutting the regulatory burden*



In the short term however, **the challenge for the WA government is to provide genuine taxation relief to improve the state's taxation competitiveness and shed the unenviable mantle of being the most taxed state in Australia** on a per capita basis. This can only be achieved through control over spending programs – a task that has proved difficult for successive WA governments as recurrent spending has more than doubled over the last 10 years.

**The priority for tax relief in WA must be cuts to payroll tax and an increase in the exemption threshold** (page 35).

Just under half of all respondents to our survey identified payroll tax as a major cost burden on their operations. WA is the highest payroll taxing state in the nation in per capita terms, as other states have been active in providing payroll tax cuts despite being in much weaker economic and budget positions.

Illustrating this lack of competitiveness, based on the latest average weekly earnings data, **a business in Western Australia would only be able to employ nine full time workers before being liable for payroll tax.** In contrast, when the exemption threshold was last adjusted in 2003, a business could employ 15 staff before it had to start paying payroll tax (based on average weekly earnings).

There is a **high level of frustration across the business community from paying an increasing payroll tax bill**, not necessarily because they are employing more, but because they are having to pay higher wages to existing staff due to increased competition for scarce labour. Many have instead cut staff numbers to reduce their payroll tax bill which illustrates why **payroll tax is a tax on jobs.** Significant improvements must be made to the current payroll tax arrangements in WA starting with a cut to the rate, an increase in the exemption threshold and indexing that threshold to stop bracket creep as a result of rising wages.

#### BUSINESS VIEWPOINT

"Payroll tax. Why be penalised for re-employing people? We are now having to put people off due to this tax. We refuse to pay it, we do not make the profit to be able to pay it." – **a mid-size retailer.**

These five areas are discussed in further detail in this document together with what action is needed to address them. Other key cost pressures on business such as **electricity costs, freight and transport, leasing and borrowing costs for small businesses** (page 33) are also discussed.

A key cost on the horizon is also addressed: dealing with climate change. With bipartisan political support for instituting some form of measures to deal with climate change, this is a cost that most businesses will need to begin to plan for (page 38).

In many cases, some of the most significant cost pressures identified in this paper can be addressed in the short term. But it will take an understanding on the part of government – particularly at State and Federal level – of these key challenges and a serious commitment to solving them.

#### BUSINESS VIEWPOINT

"As our input costs have risen, we have had to make cuts in all areas just to keep the doors open.." – **a small regional manufacturer.**

# SUPPORT



KNOWLEDGE

INFLUENCO

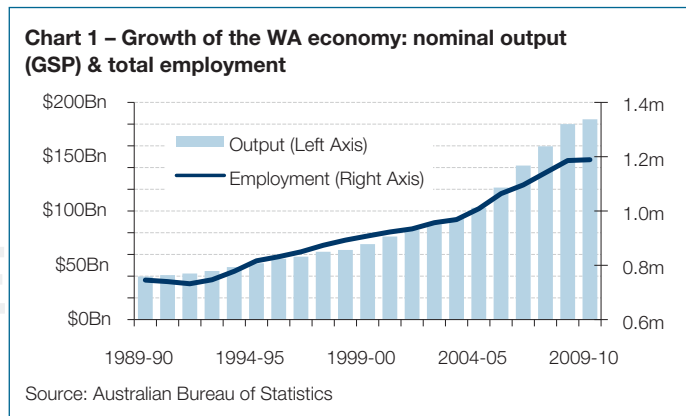
# The Case for Reform

## An economic context

Western Australia is increasingly becoming a high cost jurisdiction to do business largely as a result of the state's strong economic growth.

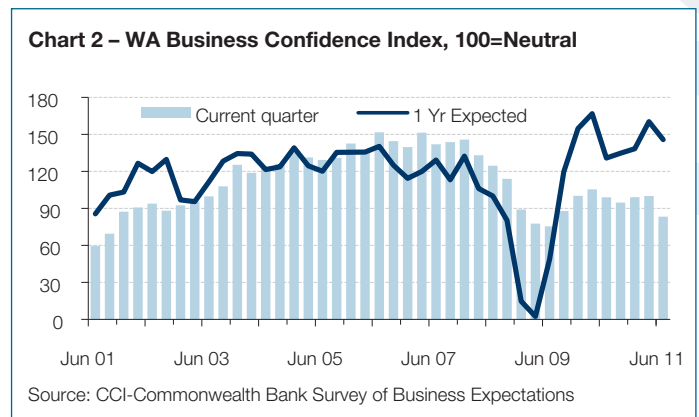
Over the past decade, the WA economy has experienced a period of economic growth unlike any other in the state's history. Driven by the boom in global mineral and energy markets, this period of growth has seen the WA economy grow by 50 per cent in real terms with around 320,000 jobs created and record numbers of people moving to the state to share in these positive conditions (Chart 1).

While this exceptional period of economic growth has created much wealth for the state, it has also brought with it many challenges.



A major issue facing local employers has been the rising costs of production. Such extraordinary growth in wealth over a relatively short period has meant that operating capacity in the state has been stretched, causing firms to compete for resources and driving costs higher. While rising costs were a key challenge for businesses during the good times, they became even more problematic during the recent economic slowdown.

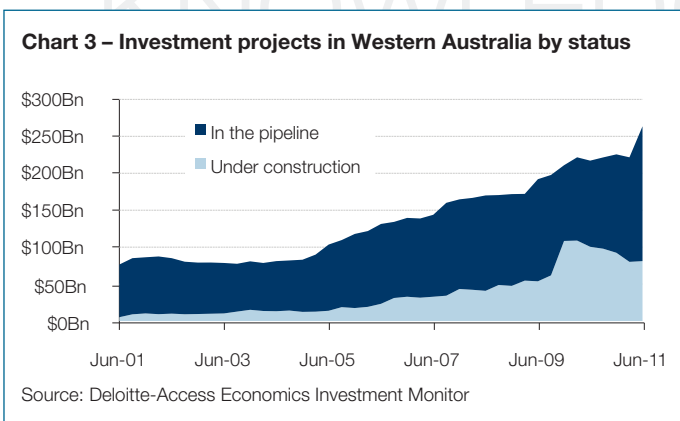
Even though many sectors of the economy remain weak – particularly those not linked to the resources sector – there has been no relief from the high costs faced by WA businesses. The impact of these cost pressures on local employers has been reflected in the June quarter 2011 *Commonwealth Bank-CCI Survey of Business Expectations*, where short-term confidence among local employers fell for the third straight quarter, with rising business costs a factor behind this decline (Chart 2). Nearly 60 per cent of all respondents have had to contend with rising materials and supply costs, and almost half said they have also been hit by rising wages.



The survey also revealed that more than half of WA employers believe that labour shortages and associated wage pressures are the biggest challenges to their businesses in 2011. Other key concerns included borrowing costs, taxation levels and industrial relations. While businesses may be able to absorb the higher cost pressures in good economic times, the impact will be significant in times of slower growth.

SUPPORT

The issue of rising business costs is expected to intensify as the economy gathers pace. While activity has been soft in many parts of the economy since the GFC, a ramp up in economic growth is expected to occur in the coming months and years as major mining and energy projects get underway. As at June 2011 CCI expects the WA economy to grow by 6.25 per cent in 2010-11 followed by growth of 6.75 per cent in 2011-12 and seven per cent the year after. This new and unprecedented period of economic growth and prosperity will be driven by investment, with nearly \$157 billion worth of major projects earmarked for the state as at June 2011 (Chart 3).



To put this in perspective, in 2009-10 the state's economy was valued at \$184 billion – a 14 per cent share of the national economy. Therefore investment in the pipeline in WA has the potential to re-shape the face of our state economy over the medium to long term and significantly boost the state's standing in the national economy.

But WA is heading into this new phase of growth with limited spare capacity. Issues such as labour shortages, infrastructure bottlenecks, and housing affordability will be just some of the major constraints that are likely to emerge and add to cost pressures in coming years.

## The role of government

These constraints and the resulting cost pressures are not solely due to the state's strong economic growth profile. It is also reflective of the challenges faced by all tiers of government to cope with rapid change in the economy and facilitate further growth by expanding productive capacity.

There is a vital role for government in a free enterprise economy to support the underlying framework of the economic system by shaping a fair and secure environment, protecting private property rights and the value of money, enforcing contracts, and promoting competition.<sup>3</sup>

In this two-speed economic environment, it is important that Government resists calls for industry assistance and regulation, and focus on a reform agenda which will promote sustained, long term prosperity. The evidence of this is found in the benefits that the Australian economy has derived from the economic reforms implemented over the past 30 years.

However, there still exists considerable scope for reform to be undertaken by State and Federal Governments to further expose the economy to market forces, and promote competition and innovation.

Ultimately these reforms will be essential in driving down the cost of doing business at a time when the state is under the pressures of a constrained economy that will be stretched further as Mining Boom Mark II gathers momentum.

*investment in the pipeline in WA  
has the potential to re-shape  
the face of our state economy.*

<sup>3</sup> In Support of Free Enterprise, Discussion Paper, Chamber of Commerce and Industry of WA, March 2010



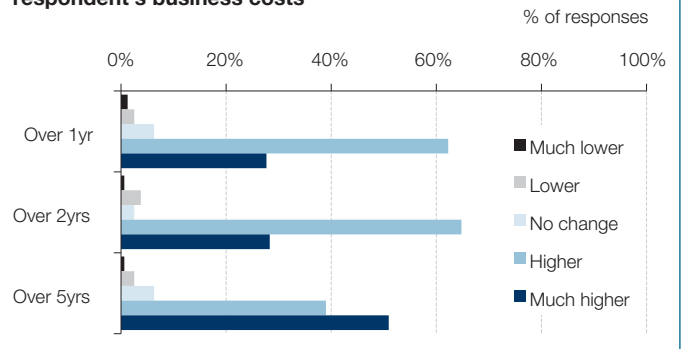
## The CCI-WA Business News Cost of Doing Business Survey

As part of this project, CCI partnered with *WA Business News* to conduct a month-long survey of the Western Australian business community from May to June 2011 to further investigate the major cost barriers facing businesses. The results of the *CCI-WA Business News Cost of Doing Business* survey (CCI-WABN survey) give further context and priority on the costs facing businesses and why action is needed.

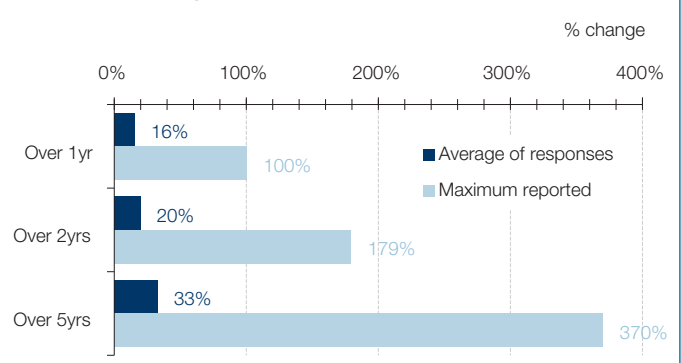
Around 160 businesses responded to the survey, with most from the manufacturing (18 per cent) or retail and wholesale trading sectors (18 per cent). Overall, almost half of all respondents were from the services sector alone. By size, most respondents (68 per cent) were small businesses, employing fewer than 20 people.

In terms of cost pressures, 90 per cent of respondents said their business' total costs (i.e. operating costs, finance costs, taxation, etc) were higher over the past 12 months (Chart 4). On average, respondents reported that their costs had increased by one-third over the past five years. However, almost 15 per cent indicated cost increases of over 50 per cent over the five year period (Chart 5).

**Chart 4 – Qualitative estimates of the change in respondent's business costs**



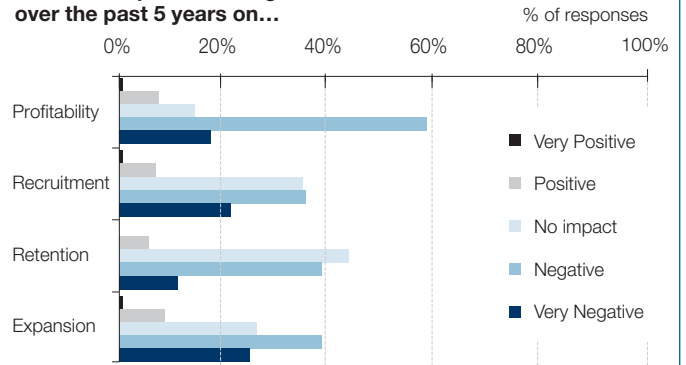
**Chart 5 – % Change in respondents' total business costs**



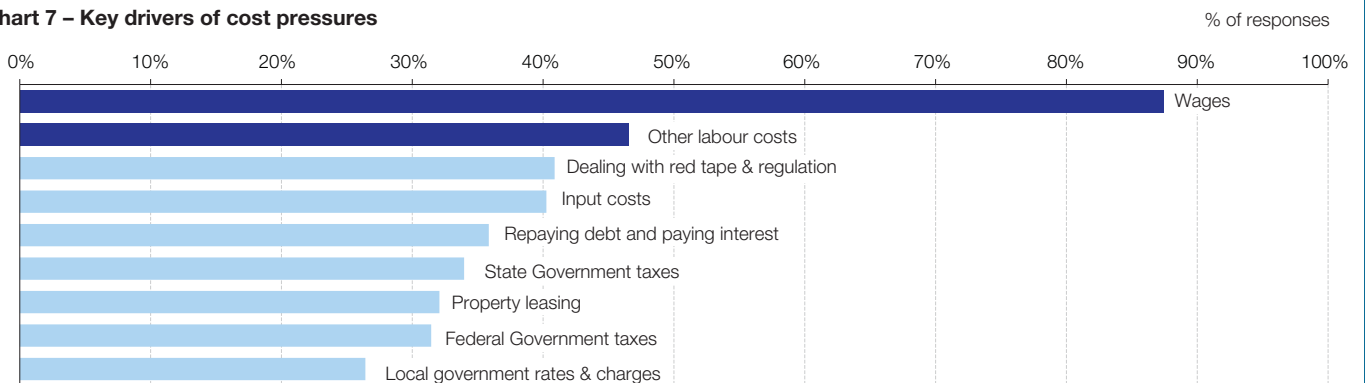
As most respondents were small businesses, the majority were unable or unwilling to pass on higher costs. Almost 80 per cent said that higher costs had directly impacted their bottom line and it was also evident that higher cost pressures had delayed or shelved investment in new capital. Two-thirds of respondents noted that cost pressures had a negative impact on their expansion plans over the past five years (Chart 6).

Of the issues having the largest cost impacts on businesses, it was clear that labour costs were foremost – well ahead of issues such as regulatory compliance or input price inflation (Chart 7). Wage costs were the most highly rated cost impact, selected by 88 per cent of businesses as a key cost driver. This was followed by ‘other’ labour costs including bonuses, OSH, IR and workers compensation (selected by 47 per cent). On average, respondents estimated that their staffing costs had risen by 36 per cent over the past five years and pointed to salaries and wages as the main driver (selected by 87 per cent).

**Chart 6 – Impact of change in business costs over the past 5 years on...**



**Chart 7 – Key drivers of cost pressures**



*On average, respondents estimated that staffing costs had risen by 36 per cent over the past 5 years.*

Apart from the direct cost impacts, the survey also asked about other impacts that rising cost pressures were having on respondents' businesses (See Business Viewpoints 1). This revealed an array of issues including the impact of stress and pressure in keeping up with rising costs and thin operating margins, the increase in unpaid debts as a result of creditors going bust, more difficulty in attracting new private funding for the business, and an inability to compete with overseas operators.

Respondents were also asked whether cost pressures were significant enough to cause them to consider moving their business elsewhere. Worryingly, 15 per cent of respondents said they had already moved parts of their operations interstate or overseas, or were seriously considering doing so.

Around 30 per cent said that they had not considered moving, although cost rises were hindering the growth of their business, while 13 per cent noted that they would have to close altogether if cost pressures did not ease.

The following sections outline the reform agenda needed to deal with the cost pressures facing WA businesses. The issues are structured according to the priority attached to them by the respondents to the CCI-WABN survey. Further detailed analysis of the survey results are outlined in each section as applicable.



## Business Viewpoints 1

### GENERAL COMMENTS ON COSTS

"Labour costs have meant that we have to work much harder and longer hours ourselves. Our kids work every public holiday to try and reduce costs. We are forced to work in the business and our family lives are negatively impacted. Our tourism business now closes on many public holidays" – **a medium sized tourism operator in the regions.**

"Our turnover has dropped significantly, our profit margin has eroded significantly, our ability to lend and refinance have changed significantly and our hands are literally tied behind our backs." – **a small manufacturer in the regions.**

"We face higher wages, interest rates, freight cost, utility costs – all while consumer confidence is down." – **a small retailer based in the WA regions.**

"We no longer employ anybody outside the family. We have increased our own working hours to make up the shortfall. We see no change to this arrangement in the foreseeable future." – **a small property and business services firm.**

"We are paying our staff far more than we are able to pay ourselves. We have not taken leave for over 2 years and have not contributed any money to our superannuation funds for the past 5 years." – **a small manufacturer based in regional WA.**

"Strong competition means margins are very tight and difficult to manage when faced with rising labour cost and labour related cost such as payroll tax and the many different pay conditions in construction. Coupled with the rising Australian dollar we are becoming uncompetitive against other businesses similar to ours." – **a medium sized manufacturer.**

*...15 per cent of respondents said they had moved parts of their operations interstate or overseas, or were seriously considering doing so.*

# SUPPORT



KNOWLEDGE

INFLUENCE



# The Reform Agenda

## Labour shortages

### Background and context

As reported above, the Western Australian economy is experiencing a period of growth unlike any other in the state's history courtesy of the unprecedented demand from China and developing Asia for our natural resources. Perhaps more than any other issue, this has had a profound effect on our labour market with around 320,000 jobs created over the past decade.

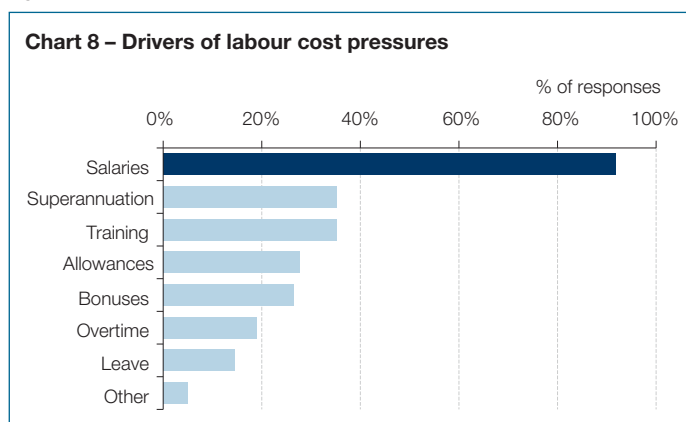
But an economy growing beyond its labour market capacity has brought with it severe and widespread labour shortages. At the height of the boom (2006 to 2008), three quarters of local businesses reported labour as "scarce" – that is they were unable to find suitable workers to fill growing vacancies.

While the global economic slowdown did provide some relief for local employers, the problem did not disappear. Even though the WA economy is still recovering from the downturn, labour shortages remain a problem with around 40 per cent of local businesses reporting labour to be scarce in mid-2011 according to the *Commonwealth-CCI Bank Survey of Business Expectations*.

Therefore, the expected return to strong growth – driven by the \$157 billion of major projects earmarked for the State – is likely to put further pressure on the labour market over the long term. CCI forecasts that an additional 488,500 workers will be required across the WA economy by 2020. The challenges of labour shortages must be met if WA is to realise its full economic potential.

### The impact on business costs

The difficulty in finding workers has added to the cost of doing business in WA predominantly by driving wages higher as businesses have been forced to compete on the basis of salary to attract and retain the workers they need. These cost pressures are illustrated in the results of the CCI-WABN survey, with wage costs selected by 88 per cent of respondents as having a significant impact on their business (Chart 7).



On average, the survey respondents estimated that their staffing costs had risen by 36 per cent over the past five years. Data from the Australian Bureau of Statistics also reflects these pressures with the average weekly ordinary time earnings for full-time workers in WA having risen by 41 per cent (or \$425) over this period, compared to an increase of 26 per cent (or \$267) across the country. This strong period of growth in earnings has meant that Western Australians are now the second highest earners in the country behind the ACT.

The scarcity of labour has not just driven wages higher, but has also meant that businesses have been forced to offer other non-salary incentives to their workforce, such as allowances and bonuses. Some 37 per cent of WA businesses reported an increase in their non-wage labour costs in the June quarter of 2011 according to the *Commonwealth-CCI Bank Survey of Business Expectations*. Non-wage labour costs also featured prominently in the CCI-WABN survey with superannuation, training and allowances featuring as a key cost impact after salaries and wages (Chart 8).

Increased competition for workers and increased wages has also led to higher staff turnover – as highlighted in the CCI-WABN survey. In some cases frequent staff turnover has led to a loss of business altogether as skills and experience are lost (See Business Viewpoints 2 and 3).

## Business Viewpoints 2

### LABOUR COSTS

"Staff expect more money but the quality of applicants is poor, and I don't like paying more money but there is no one else to employ."  
– **a medium size employer in the cultural, recreational and personal services sector.**

"The skills profile of people are much lower, which results in work taking longer to complete" – **a small manufacturer.**

"Skills need to be taught – increasing overheads and reducing productivity." – **small firm in the construction sector.**

"We have also noticed that the number of applicants we get when advertising for truck drivers, labourers, estimators and sales staff is so low that there is no choice. Consequently we are often in a position of employing someone just to fill the role as opposed to a person who has the necessary attributes for the role." – **a large wholesale/retail trader.**

"We have been unable to grow due to the mining boom inflating our costs in wages and salaries – costs which we are unable to pass onto the consumer. Paying these staff more to ensure we can retain their services has not translated into better productivity." – **a large retail/wholesale firm.**

"I cannot afford to invest money in other areas of the business due to high wages costs." – **a small firm in the property and business services sector.**

"It is difficult to find new employees prepared to work at salary levels that are reasonable, forcing a more expensive recruit to be found. In turn this requires increases to existing employee salaries to bring them into line with new recruits." – **a retailer in Perth.**

"We are concerned for the future of our business when superannuation increases from the current 9%. The fact that it is planned to go up to 12% is truly frightening." – **a mid-size firm in the hospitality sector.**

Nationally, the average annual staff turnover rate has been estimated to be as high as 17 per cent, and the estimated average cost to replace an employee is around 150 per cent of the employee's salary<sup>4</sup>. This rate includes time and lost productivity, loss of corporate knowledge, administrative costs, costs associated with readvertising and recruiting, and training costs.

<sup>4</sup> Australian Human Resources Institute, 2008

## Business Viewpoints 3

### LABOUR COSTS

"Staff are now more liable to chase bigger salaries causing increased recruiting costs and training of new staff. Ongoing staff changes also cause a loss of client confidence and loss of business." – **a small property and business services firm.**

"Higher turnover of staff results in increased training costs and more often inexperienced and untrained individuals filling positions." – **a mid-size firm in the hospitality sector.**

"Higher wages paid to FIFO workers...is resulting in a shift of skilled labour to the north resulting in lower skilled workers demanding higher rates when they do not have the required capabilities or skill." – **a medium sized construction firm.**

"We have to compete with mining in our area, so have to pay our staff above award wage to retain them otherwise they go and get a high paid unskilled job on a mine. I also do a lot of extra training with my staff to assist with their own development but this is quite costly." – **a small firm in the hospitality sector.**

"Our industry sector has declined significantly and rapidly. Good workers are attracted to mining and resources sector and we are battling to compete with the wages they are offered." – **a small manufacturer.**

"I have difficulty in retaining good operators against salaries and wages offered by resource companies in the north of WA. While this has driven up the cost of labour, my business cannot compete directly with resources' sector incomes." – **a medium size firm in the construction sector.**

"I can't afford any more staff and the staff I get are not worth what they are asking. They expect to get paid the same working in the metro area as working away..." – **a small firm in the utilities sector.**

The challenges related to high staff turnover was reflected in the anecdotal feedback to the CCI-WABN survey (Business Viewpoints 2 and 3), while some respondents linked the issue to the higher wages paid in the mining and resources sector raising salary expectations in their own business – despite their operations being unattached to the significant wealth creation of the mining sector. In some cases this had led to staff churn which in turn increased recruitment and training costs.

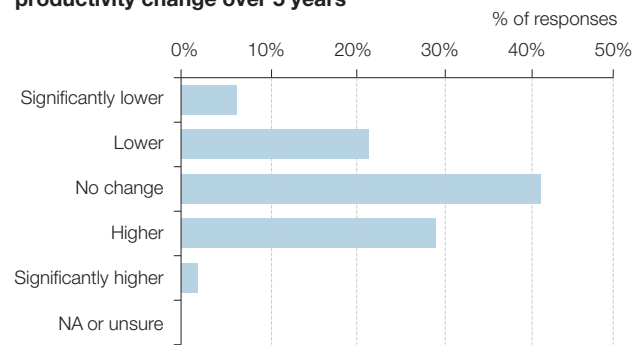
Although training is an investment and a tool that can assist in getting the best performance from employees, there is still an expenditure outlay needed. According to the Australian Chamber of Commerce and Industry (ACCI) 'National Workplace Skills Survey 2010', businesses allocated around 2.3 per cent of their total expenditure on training. This includes giving employees paid time-off to study<sup>5</sup>. Furthermore, ACCI has found that 44 per cent of respondents spent \$500 or more on training and professional development per employee over the past 12 months<sup>6</sup>.

Beyond the issue of training, recent research shows that almost half of the working population has poor literacy, language and numeracy skills<sup>7</sup>, which

is hindering employee's abilities to develop their skills. As a result, more training is required to help employees attain more skills.

Given that these issues can entail significant costs for businesses, it is important that employers see a return on their outlay. However, on balance, the CCI-WABN survey showed that higher labour costs have not been matched by productivity gains (Chart 9). Almost 70 per cent of businesses said that workplace productivity had remained the same or decreased over the past five years.

**Chart 9 – Respondent's view of their workforce's productivity change over 5 years**



Along with static or falling productivity, the anecdotal comments collected as part of the survey also revealed frustration among some employers over the high salaries and wages demanded by workers despite an unwillingness or inability to increase the amount and/or quality of outputs. Others noted that a lack of suitable labour was forcing them to hire less skilled personnel at a high cost (see Business Viewpoints 2 and 3).

These wage cost pressures are likely to continue to grow as a new investment boom begins in WA. It is vital that policymakers learn from the last period of growth and avoid repeating the same mistakes.

### The way forward

It is critical that measures are put in place to ease labour cost pressures on employers and meet the State's demand for skilled labour. As the WA economy ramps up, more workers will be needed, and pressures will be amplified by the ageing population and our retiring workforce.

To counter this, it is important that WA focuses on building human capital through a number of avenues. This includes improved education and training; raising workforce participation through providing tax incentives, targeting support for under-participating groups and encouraging flexible workplaces; improving productivity through addressing regulatory barriers; and attracting people from interstate and sourcing skilled migrants from overseas. These issues are discussed in more detail below.

### Population Measures and Strategic Planning

Population growth is a critical element to economic development. Increasing the size of the workforce reduces the pressure on businesses to compete for workers and allows businesses to grow.

**Recommended Action:** *A population goal should be introduced for WA to ensure that proper planning is undertaken in order to source a suitable amount of labour to meet industry needs.*

<sup>5</sup> ACCI National Workplace Skills Survey, 2010

<sup>6</sup> Ai Group National PIR Group Conference 2-3 May 2011 in Canberra

<sup>7</sup> "No More Excuses", An Industry Response to the Language, Literacy and Numeracy Challenge, Industry Skills Councils, 2010.



However, planning for a larger and more sustainable level of population growth will require coordination across a range of areas that impact both the public and private sectors. This underscores the need for the State Government to develop a State Strategic Plan, which would provide the private sector, as well as key state government agencies and trading enterprises, a clear direction to work towards over the long-term.

A strategic plan for the state would encompass aspects of infrastructure development, planning for the release of additional land for housing and consider the associated support services and utilities required to support a growing population and industry. This includes energy, water, waste management, telecommunications, public transport, education and policing.

A critical aspect of developing a strategic direction is that it would need to remain dynamic and adjust according to changing needs and demands of the state. For example, the strategic direction would need to be reviewed annually, to ensure that it is still relevant and consistent with the Government's priorities.

**Recommended Action:** *The State Government should develop a clear strategic direction for the state, to ensure that it is able to meet the needs of a growing population. This should pay particular attention to land use planning and provision of economic and social infrastructure to enhance vibrancy and attract new residents to Western Australia.*

#### Migration and Promotion

Western Australia's labour requirements mean that it is highly dependent on migration to supplement the local population growth and other policies aimed at expanding the labour market.

The migration program – both temporary and permanent – requires significant changes to improve their capacity to address the requirements of WA businesses. Specifically, the Federal government's migration program needs to increase its flexibility and work more cohesively with the State Government to facilitate the needs of Western Australian employers.

**Recommended Action:** *The State Government should be given greater control of determining the number and types of skilled migrants required in the State. This includes having more influence over occupations that qualify for the 457 visa; increasing the length of the holiday working visa and the period of time that can be worked with one employer for visitors to WA.*

Labour shortages are a particular challenge for firms needing construction workforces for major projects in WA where a significant bottleneck is looming. Around \$107 billion worth of projects were underway in WA as at June 2011 – but a further \$157 billion are in the pipeline for the state. This comes at a time when other resource provinces are also on the cusp of an investment boom – in Queensland for example, there was around \$109 billion worth of projects committed or under consideration at June 2011. Demand for construction workforces are therefore likely to rise significantly across the country in the near term.

#### BUSINESS VIEWPOINT

“Government is failing to act on the fact that business requires skilled and unskilled workers and that those workers are currently not in Australia. We need to open immigration and make it easier for companies to recruit offshore.” – **a large retailer**

Enterprise Migration Agreements – the new temporary migration initiative to address skills needs in the resources sector specifically – will help to address this challenge. However, there remains a need for more flexibility in temporary migration arrangements to reduce the administrative burden and application waiting times, particularly for the 457 visa which

is the most commonly used program for Australian employers sponsoring temporary overseas skilled workers. Streamlining these requirements will reduce the cost of this recruitment option, although it is unhelpful that a 15 per cent increase in visa application fees under the skilled migration program was applied by the Federal Government from 1 July 2011.

SUPPORT

It is worth noting that aside from the direct cost of the 457 visa itself (which can be between \$1,500 to \$4,400<sup>8</sup>), there are additional costs relating to sponsorship of overseas workers such as the provision of return travel, the administrative burden of record keeping, maintaining training of Australian employees, English language costs, skill assessment costs and overseas recruitment fees. Overseas recruitment commission structures can vary (normally as a percentage of the first year salary) depending on the type of employee recruited (e.g. management, executive, blue collar etc). However, there is anecdotal evidence that some overseas recruitment agencies can charge up to \$15,000 per worker – excluding any migration agent costs, skills assessment fees or other costs included.

**Recommended Action:** *A number of changes should be made to make the 457 visa stream to make it less costly and more effective for business to access, including a reduction in application processing times by better resourcing the Department of Immigration and Citizenship, lowering the English competency test for trade occupations, and re-assessing training benchmarks that must be satisfied by employers seeking to sponsor temporary migrant workers. This will help to reduce the administrative burden on businesses.*

The need for overseas labour is not limited to the resources sector or major project activity. Anecdotal feedback to the CCI-WABN survey showed that employers in non-mining related sectors also have a need to tap overseas labour markets.

A particular challenge here is to create alternative pathways to fill semi-skilled occupations. Current arrangements allow for access to semi-skilled occupations through Labour Agreements. However, Labour Agreements are not administratively efficient or responsive to labour needs. There is a substantial mismatch between the use of Labour Agreements which are typically negotiated with structured training commitments, and ASCO 5-7 occupations which are semi-skilled and have no formal training prerequisites.

**Recommended Action:** *The Government should look at alternative methods to address the labour and skill needs of non-resource projects. The establishment of guest worker programs for semi-skilled project needs and construction phases of projects warrants further consideration. However, effective mechanisms will need to be put in place to ensure workers are committed to exiting the country on project completion to make guest worker programs successful.*

Issues surrounding the labour needs of the non-resource sector, as well as migration challenges more broadly will be the focus of future research papers by CCI.

However, in concert with migration arrangements, there is also a need to promote Western Australia as a favourable place to live and work to attract workers from interstate, New Zealand and other key trading partners. The State Government's migration portal is positive in this regard.

**Recommended Action:** *The State Government should develop comprehensive programs, using different communication mediums and channels, to promote WA as a favourable place to live and work - particularly to interstate markets.*

## Addressing Housing Costs

Reducing housing costs and improving availability are important to attract people to WA. The high cost of land and housing are having a serious impact on the capacity of employers to attract workers to Perth and regional centres.

As an example of the affordability challenges that can occur in a supply constrained environment, Perth house prices grew by 135 per cent in the five years to 2007 prior to the impact of the global financial crisis.

Affordability has been far worse in regional areas of the state to the extent that many regional centres are now much less affordable than Perth. For example, in March 2011, the median house price stood at \$810,000 in Karratha, \$725,500 in Port Hedland and \$667,000 in Broome compared to \$472,000 in Perth. House prices of this magnitude in fast growing regional centres have become a key constraint for employers trying to attract people to the regions.

### BUSINESS VIEWPOINT

"Governments need to quicken approvals and make land available to business and housing in areas of huge expansion."

– a small construction firm

The State Government must act urgently to improve housing affordability in the state. Part of the solution is to recognise that population growth will likely result in higher living densities, particularly in the inner suburban zone of Perth. This will

require specific strategies to manage urban infill, which may impact zoning regulations and local government by-laws.

At present, local governments attempt to forward plan to reduce the housing pressures in their respective regions. However, there is no comprehensive plan for all local governments to work together to address this issue on a broad scale. This is vital and it is hoped that the State Government's 'Directions 2031' metropolitan planning framework will help address this by setting broad and co-ordinated targets to address infill rates.

It is also hoped that the State Government's establishment of Development Assessment Panels (DAPs) across the state will help to achieve greater co-ordination and efficiency across planning at the local and state government levels. DAPs are intended to enhance planning expertise in decision making by improving the balance between technical advice and local knowledge.

**Recommended Action:** *The State Government should establish more realistic and achievable infill targets and remove any barriers to their development. Co-ordination between state and local governments is vital. In addition, regulations should be changed to allow for increased construction of multi dwelling units.*

There are also a number of measures related to the supply of land and housing, which would help improve housing affordability in WA. For example, barriers which currently inhibit or restrict the development of land zoned residential on the margin of the urban areas needs to be addressed. This could also be tackled through Directions 2031, which is seeking to raise the average residential density of dwellings per gross urban zoned hectare on the urban fringe from 10 to 11 up to an average of 15 dwellings per gross urban zoned hectare.

**Recommended Action:** *A key aspect of boosting the supply of land and housing is to allow more market based decisions to be made in relation to determining block size.*

<sup>8</sup> Based on the Office of the Migration Agents Registration Authority published migration agent fees for Temporary Business services.



*The Government should also ensure that effective buffer zones that accommodate for the expansion of industrial and commercial land are integrated into the state's planning, to avoid community conflict with businesses and poor social outcomes for residents.*

Addressing housing affordability in regional areas of the state is a more challenging issue and will require a multifaceted response. Issues relate not only to supply side constraints such as the slow rate of supply of zoned land and native title issues, but also demand side issues such as the provision of essential services which can affect the attractiveness of living in regional areas. The State Government's 'Pilbara Cities' initiative is a positive step in this regard in that it takes a broader view of the problem and examines issues such as health, energy, water, community development and housing in seeking to establish a more vibrant community in the Pilbara.

**Recommended Action:** *Addressing housing affordability in regional areas needs to encompass a multifaceted policy response examining all the barriers limiting land supply as well as demand side issues such as the provision of essential services. The Pilbara Cities framework may be a good blueprint in this regard.*

#### Raising workforce participation

Raising the participation rate could also play an important role in ensuring that WA has the workforce that it needs in the future. Western Australia's participation rate of 68.7 per cent in June 2011 – while much higher than the national average of 65.6 per cent – still has room for improvement particularly among specific sectors of the community. This includes prime aged males, women (particularly of child-bearing age), people nearing retirement, people with disabilities and Aboriginal and Torres Strait Islanders.

Education is a key means by which both the Commonwealth and State Governments can improve workforce participation, particularly among the above groups. Governments can work to implement programs which aim to improve the educational attainment of these and other specific segments of the workforce. There are also other strategies to boost participation rates in these segments including through the taxation and apprenticeship systems and direct incentives, employment support and mentoring.

**Recommended Action:** *A range of measures should be adopted aimed at improving workforce participation among specific sectors of the community that are under-*

*represented including allowing child care to be salary sacrificed; increasing apprenticeship placements for people with disabilities; providing mentoring programs for Aboriginal people when transitioning into the workforce or training; and providing incentives to people nearing retirement age to stay in the workforce.*

Further investigation should also be undertaken to determine ways in which certain forms of government assistance can be modified to actively assist and encourage people to migrate to and take up jobs in areas where labour shortages are particularly pronounced. Ideally, this should involve assistance through the taxation system to encourage labour mobility between states and within states, and encourage people to migrate to and take up jobs in areas where labour shortages are acute.

In this regard, Western Australia may benefit from its high growth regions being designated as 'special economic zones' as suggested by a recent poll conducted by the Institute for Public Affairs<sup>9</sup>. This may include measures such as tax breaks and incentives to boost investment in critical infrastructure and attract workers to live in high growth regional areas. This could alleviate problems associated with skills shortages as well as providing a base for the economic development of the regions.

**Recommended Action:** *The proposal for high growth regions to be declared special economic zones with incentives to encourage development and ease skills shortages is a constructive contribution to the labour shortages debate and should be investigated further.*

#### Personal Taxation

Given that labour shortages are expected to be a key challenge for the nation in coming years, there is a pressing need to reform the personal income tax system. Personal income tax directly impacts on labour and the nation's ability to attract and retain suitable workers.

With labour markets becoming increasingly global, high marginal tax rates undermine the ability of Australian businesses to attract skilled migrants and also to retain skilled workers. At the same time, the personal income tax system also impacts upon the incentives of the current population to participate in the labour force.

9 Institute for Public Affairs Media Release "New Poll: Australians want Special Economic Zone in the North", 20 June 2011.

Australia's high effective marginal tax rates (EMTR) can act as a disincentive to improving participation rates for those on unemployment benefits. A high EMTR can mean that – looking at financial benefits alone – for some it is simply not worth entering the workforce, or working longer hours because the combination of their loss of benefit and/or greater income tax liability diminishes the increase in income they receive from an increase in earnings. Certain groups are more likely to experience high EMTRs – particularly lower income earners, people with dependent children and married mothers. Considering the critical labour shortages being experienced in WA, addressing high EMTRs is important.

To ensure that Australia has a workforce capable of supporting our growing economy, measures are needed to lower the marginal income tax rates and increase the thresholds at which the rates start to apply.

As part of the introduction of a carbon price, the tax free threshold will rise to \$19,400 by 2015. While changes to the threshold will improve incentives to enter the workforce - and were recommended by the Henry Tax Review - these changes only go part way to reforming the personal tax system.

**Recommended Action:** *Personal tax reform is critical to improving workforce participation. Key reforms should include increases to the tax free threshold, a flattening of the scales and longer term reduction of the top marginal tax rate to align with the company tax rate.*

#### Education and training

A strong education and training system is critical to ensure that people of all ages are provided with the necessary skills for WA to attain an appropriately skilled workforce that encourages innovation and ensures ongoing improvements in productivity.

Educational attainment will be enhanced by introducing greater innovation into the education system, including through reforms to funding arrangements which are based on improving outcomes rather than following processes.

There should also be greater involvement and engagement by State and Federal Governments in developing vocational education and training courses which meet the needs of business. In particular, programs should result in formal qualifications, involve local businesses to ensure the skills are relevant, be of sufficient intensity to develop valuable skills, and be competency based. There is also a need to ensure that the education system adequately targets 'at risk' students to provide them with a clear path to progress into apprenticeships and traineeships from schooling.

**Recommended Action:** *The education and training system should focus on ensuring all participants are provided with appropriate standards of language, literacy, numeracy and general employability skills throughout all stages of the education and training pathway. Innovation and responsiveness in the WA education and training system should be encouraged by increasingly linking funding to outcomes.*

#### Improving employee attraction and retention strategies

The responsibility for addressing labour and skills shortages does not lie solely with government. Although employers have sought various measures to solve labour shortages, more can be done in promoting flexible workplaces and implementing innovative methods to attract and retain employees.

For example, flexible working arrangements may provide employees with more options as to when and how they complete their work, while ensuring they are still working their full hours, to suit individual needs. Some options for improving workplace flexibility include flexible working hours, working from home arrangements, alternative leave arrangements, part time roles and job sharing opportunities.

Ensuring more flexible workplaces could also help improve workforce participation, and ultimately lead to higher productivity.

**Recommended Action:** *Employers should examine ways to change their organisational culture by improving the flexibility of working arrangements, and exploring innovative solutions to offer non-monetary incentives to attract and retain staff.*

*Educational attainment will be enhanced by introducing greater innovation into the education system.*

## Industrial relations

### Background and context

Encouraging productivity growth is also vital to addressing output gaps created by labour shortages. Higher productivity is the only means by which the economy can grow without necessarily requiring additional physical inputs, such as labour.

Underlying this need for greater productivity growth is a need for industrial relations reform, which is essential in promoting economic prosperity and driving productivity in the private sector. At its core, the industrial relations system needs to allow and facilitate flexibility in employment arrangements, whilst protecting all participants from unfair conditions. Achieving this balance is critical.

At present, Australia's industrial relations regulation is too prescriptive, which compromises economic growth and inhibits productivity gains. The historical focus on dispute settlement and intervention has prevented the evolution and maturation of our system to one that builds workplace cooperation and successful enterprises.

The first 90 years of industrial relations regulation in Australia occurred at a time when industries were protected from global competition and jobs in Australia were protected through industry and migration policies. Although there have been significant improvements in Australia's overall economic performance since the 1990s, businesses still face serious challenges as a consequence of the Federal Government's more highly regulated and centralised Fair Work legislation. This affects most employers in WA as most fall under the Federal system of industrial relations.

The Fair Work legislation is of significant concern as it assumes a 'one size fits all' approach to industrial relations, re-regulates the labour market and imposes interference and unnecessary cost burdens at the workplace level. This affects business costs through lower workplace productivity, flexibility and innovation.

### The impact on business costs

The chief concern is that the current Federal industrial relations system disproportionately favours employees and unions and is increasing costs for business. The CCI-WABN survey illustrates this point, with almost 35 per cent of respondents highlighting Federal industrial relations laws as entailing significant compliance costs for their business.

Many respondents to the survey also noted their frustration with the additional burden entailed in the *Fair Work Act* and *Fair Work Australia*, and some also noted the impact that better pay and conditions offered under the Fair Work regime with no corresponding productivity offsets was having on their bottom line (see Business Viewpoints 4).

Although the number of awards has now been reduced from thousands to 122, many provisions in these awards are outdated and cannot be aligned with the operations and workplace demands of modern enterprises. This was also evident from the comments received from respondents to the CCI-WABN survey.

For example, bargaining rules allow unions to advance claims that are not directly relevant to employment conditions. Such claims often run counter to the efficient operation of businesses and seek to interfere with the relationship between employers and their employees. Costly industrial action can be taken in support of such claims.

## Business Viewpoints 4

### INDUSTRIAL RELATIONS

"Changes in industrial position and Fair Work legislation have caused a tremendous amount of management time to be allocated to staff conditions and payments etc." – **a medium sized accommodation business in regional WA.**

"Fair Work Australia have got a lot to answer for. As a small business that doesn't have resources to staff a human resources manager, all the burden goes back to the small business owner. The hoops and pitfalls of being a novice in the area of wrongful dismissal and performance management is a painful and expensive learning curve." – **a small business in the finance and insurance sector.**

"Modern award rates have increased our overall wages bill – with competition from the mining and industrial sector, we struggle to retain competent staff in our retail environment. With other increases in expenses we are unable to pay above award rates for the coverage required to maintain a 7 day a week business. There is an expectation that employers can afford to pay these high wages." – **a small retailer in the regions.**

"Our incomes have traditionally been entirely commission based. However, with changes to IR laws and the implementation of minimum base salaries/wages, the incentive for poorly performing sales staff to become more effective has waned. This has... drastically affected cash flow to the extent that it has become too expensive to employ new staff to expand my sales team." – **a small finance/insurance business.**

"We've been placed on an Award which has higher rates. Especially time and a half on Sunday, and double time and a half on public holidays. In some cases it is not worth opening on these days now. I feel as a small business we have been unfairly penalised." – **a small business in the cultural, recreational and personal services sector.**

"Unfair dismissal applications tend to result in payment of 'hush money' given the projected cost of proceeding to hearing." – **a large retailer.**

"Our industry was not previously covered by an Award. It is now covered by an Award which is totally inappropriate for the industry resulting in a need to change the makeup of our workforce and restructuring which resulted in five redundancies. The impost of penalty rates has impacted substantially on costs as has the provision of an additional (up to two weeks) leave." – **a small firm in the health and community services sector.**

Employers potentially face increased costs through compulsory arbitration that force outcomes that go beyond minimum standards, and arbitrated outcomes inevitably require the payment of higher rates without any corresponding productivity offsets or the capacity to introduce innovation or flexibility initiatives. There is also legislative emphasis on process rather than outcomes, which increases delays and related costs. The anecdotal feedback to the CCI-WABN survey clearly illustrates such issues, with related costs already negatively impacting upon production and service levels.

An upsurge of vexatious unfair dismissal claims has also been observed, which is resulting in commercial or "go-away" financial settlements from employers to avoid protracted and even more costly arbitration.

Overall, the Federal system of industrial relations is characterised by employees and employers having substantially reduced flexibility to agree on individual workplace arrangements that best suit their respective or mutual needs.

The Fair Work legislation increases direct costs; limits the ability of businesses to increase productivity; inhibits entrepreneurial innovation and creativity and reintroduces labour force inflexibilities. This must change if Australia is to increase its productivity and continue along a path of sustained economic growth.

**The way forward**

From an economy-wide viewpoint, it is important that businesses preserve the ability to engage effectively with their employees so as to implement work arrangements that best meet commercial imperatives – particularly where structural changes in an industry sector are needed to capitalise on opportunities created by new markets, new processes and new technology.

This does not necessarily require significant change by the Federal Government in industrial relations policy but rather a staged, evolutionary process which builds on aspects of the current Fair Work laws but introduces new approaches.

The key aspects of this staged approach should be an emphasis on reducing or removing unnecessary regulatory constraints on operational flexibility, productivity or innovation, or on flexible arrangements preferred by employees.

In addition, a new system needs to be driven by outcomes, rather than processes that create unnecessary cost burdens for business. Australia’s industrial relations system should also be simplified by removing unnecessary red tape – relevant and simple rules will enable better understanding and therefore better compliance. This also clears the way for employers and their employees to focus on practical and operationally sustainable enterprise/workplace outcomes.

This entails a shift away from the current conflict based structures to collaboration, cooperation and mutual responsibility and obligations. The emphasis would therefore be more on enterprise/workplace productivity and innovation allowing businesses to be more flexible and responsive to an increasingly competitive and globalised economy.

CCI’s recent policy paper, “Industrial Relations for Modern Enterprises” builds further on these themes and can be accessed at: [http://www.cciwa.com/Discussion\\_Papers.aspx#23620](http://www.cciwa.com/Discussion_Papers.aspx#23620).

**Recommended Action:** *Industrial relations reform is needed that builds on the Fair Work legislation but incrementally shifts the focus from conflict to collaboration; “one size fits all” to an individual workplace/enterprise focus; process to productivity, innovation and flexibility outcomes; and prescriptive rules to a balance between employer and employee rights and responsibilities.*

**Occupational health & safety**

**Background and context**

CCI surveys have repeatedly shown occupational safety and health (OSH) as a key area of excessive regulatory burden. The current CCI-WABN survey is no different, with OSH selected by over half of all respondents as the most burdensome regulation in terms of compliance costs (Chart 10).

Western Australia has two substantive OSH regimes, one general and the other specific to mining. The general OSH package consists of one Act, 399 regulations, 35 codes of practice and 50 Australian Standards – including a number of parts for some standards – and eight guidelines.

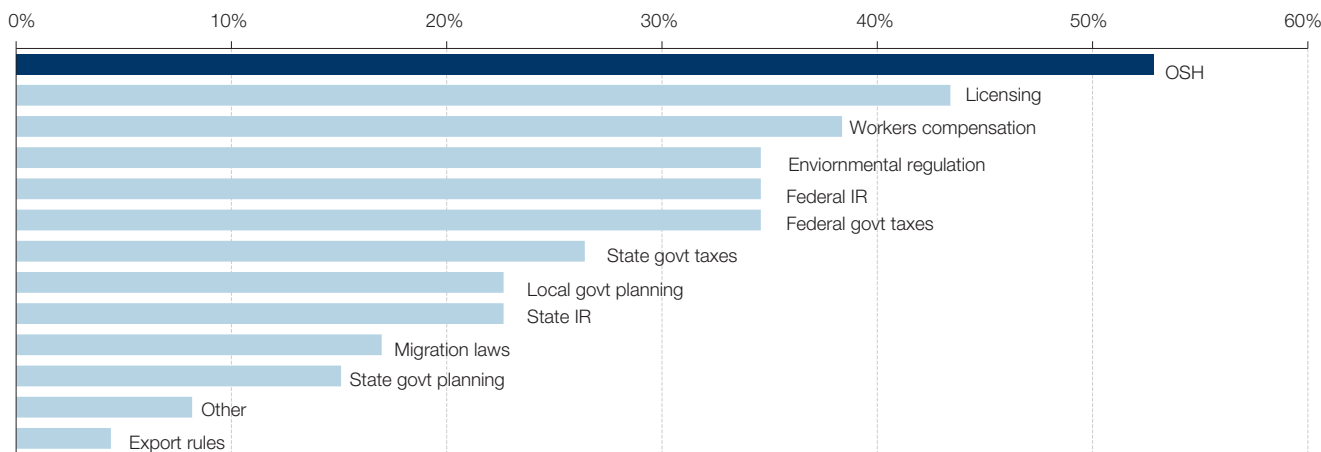
The Western Australia Occupational Health, Safety and Welfare Act 1984 established the body now known as the Commission for Occupational Safety and Health (the Commission) and the regulator known as WorkSafe. Apart from the major amendments of 1988 setting out the general duties, consultative mechanisms, enforcement provisions and legal processes, the Act has remained largely unchanged. Although the Act is subject to a five-year statutory review, the reviews so far have resulted in generally minor technical or administrative changes as well as changes to the jurisdiction handling reviews and disputes.

**The cost to business**

Since introduction in 1988, workplace injuries in Western Australia have more than halved from around 80,000 per annum to around 38,000 in 2010. Given the significant increase in the workforce over the same period, the frequency

**Chart 10 – Major compliance cost pressures on business**

% of responses





rate is more encouraging however the injury and fatality rates in WA remain a concern. The proliferation of regulatory requirements and guidance material is likely to have assisted in reducing injuries but it has not offered a 'one stop' solution particularly in the past decade.

The current regulations are a mix of general duty requirements for some hazards and varying degrees of prescription and detail for others. The mix is a product of compromise by parties to the tripartite Commission rather than a structured and focussed determination of the best form of regulation likely to achieve the optimal safety outcome.

## Business Viewpoints 5

### OCCUPATIONAL HEALTH AND SAFETY

"I am a great supporter of occupational safety and health, but some changes have made it nearly impossible to do the job and comply..."  
**– a small business services firm based in Perth.**

"Workers comp and OHS laws and regulations are a legal minefield/nightmare for SMEs..."  
**– a medium sized construction firm.**

"Worker's compensation costs are out of balance. Claims for non-work issues are common, the system is open to abuse as GPs have no responsibility to workplaces and provide medical certificates with impunity."  
**– a large health and community services employer.**

The Act and regulations are supported by a number of codes of practice and guidance notes providing detail on how to comply with the Act and regulations. The administrative burden on business created by the Act and regulations is clearly evident. It is worth noting that for every legislative requirement there is both a direct and indirect cost but the total cost on each and every business is unclear. A number of the current regulations are based upon national standards, which were subject to regulatory impact statements outlining the costs and benefits. In all cases a cost would be incurred if the standard was adopted. The cost was measured as an additional cost to employers but never as a total cost for controlling the hazard or risk addressed in the standard.

For example, the Regulatory Impact Statement for the National Standard for Plant<sup>10</sup> adopted in Western Australia estimated a directly measurable cost of almost \$4.7 billion undiscounted over a 10-year period. The saving was estimated at \$1.5 billion undiscounted over the same period. The saving estimate is based upon a number of assumptions that have never been tested following adoption of the standard.

Western Australia has adopted most of the national standards. However, the outcome from the introduction of the plant or any other national standard has never been measured.

A more reactive approach applies to regulations that are not part of national standards. Generally the regulations are introduced as a result of an adverse incident, a serious injury or fatality or concern about a particular hazard. Since 1988 the regulations have been subject to varying reviews however none have seriously considered reducing red tape other than abolishing the need and expense of plant re-registration. The change reduced an unnecessary administrative burden on government and plant owners.

### The way forward

Australia has nine different jurisdictions with different and often multiple occupational health and safety laws. Whilst some similarities exist in the laws such as a general duties framework, the laws differ sufficiently to require multi state employers to have processes in place to meet different compliance requirements in each jurisdiction.

The Council of Australian Governments (COAG) National Reform Agenda includes harmonisation of work health and safety legislation across Australia. All jurisdictions are party to an Intergovernmental Agreement (IGA) detailing that harmonisation will be achieved through the development of a model package of an Act, regulations, codes of practice and guidance material supported by a nationally consistent approach to compliance policy and enforcement policy. The package is expected to be adopted by all jurisdictions and take effect on 1 January 2012.

<sup>10</sup> Worksafe Australia, *Economic Impact Analysis on the National Standard for Plant*, February 1996.

COAG believes the harmonisation of the laws will reduce the cost of doing business for businesses operating in more than one state due to having to comply with consistent legislative requirements Australia wide. However, it is likely that the harmonised package will not be consistent in all jurisdictions and employers will still need to be aware of differences.

For example, within the package, it is currently agreed that Western Australia will not adopt the onerous and unnecessary requirements of union right of entry, the power for a safety representative to direct a stop work order on safety grounds and reversal of the onus of proof for an alleged breach of discriminatory provisions. New South Wales will allow unions to prosecute under certain circumstances, and the Parliaments of other jurisdictions may make changes to the model Act.

A number of jurisdictions will continue with existing regulations, in particular, hazard or industry areas including recreational diving in Queensland, prescriptive asbestos regulations in the Australian Capital Territory and demolition licensing in Western Australia.

Moreover, it is important to note that harmonisation will not reduce OSH costs for small business. Rather, the administrative burden associated with a number of the harmonised regulations will increase costs for all businesses.

The harmonised legislative package is also administratively burdensome. Whilst it consolidates regulations existing in all or the majority of jurisdictions, the process to develop the harmonised laws did not examine in detail the practical need for each regulation and whether specific regulations had achieved the desired outcome in jurisdictions where the regulations have existed for some time. While harmonisation is important, it is a means to an end, not an end in itself. The focus should be the practical need for each regulation and whether specific regulations have achieved the desired outcome.

**Recommended Action:** *A second stage review of the harmonised work health and safety package should be conducted to assess the need for maintaining each regulation, including its likelihood of achieving a successful outcome. This should also include an assessment of other non-regulatory initiatives that have proven track records in reducing workplace injuries. Implementation of the harmonised package should be delayed until the review is completed and the package is amended according to the review outcomes. Safe Work Australia should conduct the review.*

## The regulatory burden

### Background and context

As the Productivity Commission points out in its latest Review of Regulatory Burdens on Business<sup>11</sup>, regulation is a necessary means by which governments can achieve important economic, social and environmental objectives. However, some of this regulatory burden is unnecessary to achieve the outcomes desired by governments. Such regulation can lead to excessive financial costs on businesses, change how they operate in undesirable ways, and reduce their flexibility to respond to challenges and opportunities.

Recently, the State Government's Red Tape Reduction Group (RTRG) Report<sup>12</sup> estimated that there were some 844 Acts and 761 statutory rules in force in Western Australia, amounting to approximately 63,500 pages of regulation.

The benefit of regulatory reform is not only important from the perspective of assisting individual businesses, but also from a wider economic perspective as the direct and indirect costs relating to the compliance burden can represent a significant cost to the economy.

On a broader level, in an increasingly integrated national and global economy, it is also necessary to consider the competitive aspects related to reducing regulatory burdens as WA is increasingly facing competition for investment from interstate and international jurisdictions. On this point, the RTRG report noted that Western Australia in particular has lagged behind other Australian states and territories in terms of regulatory reform. Many interstate governments have implemented major red tape reduction initiatives in recent years (see Focus Point).

### Focus Point

#### REDUCING RED TAPE

##### What other governments are doing...

The Victorian Government's Reducing the Regulatory Burden initiative includes a specific target to reduce the regulatory burden by \$500 million per annum by 1 July 2012 along with a transparent process to assess progress towards this target.

In New South Wales, the State Government has also set a specific target of reducing red tape by \$500 million by mid 2011. Its Better Regulation Office was established in 2007 with a mandate to develop and implement the government's regulatory reform agenda.

At a Federal level, in 2005 the Commonwealth Government announced the appointment of a Taskforce on Reducing Regulatory Burdens on Business with a goal to introduce an annual red tape reduction agenda. This agenda incorporates a systematic review by the Productivity Commission of the cumulative stock of national regulation.

In 2008, the Council of Australian Governments (COAG) also agreed to the National Partnership Agreement to Deliver a Seamless National Economy. The Agreement committed the Commonwealth and States to progress the 36 reforms on the Business Regulation and Competition Working Group (BRCWG) agenda. The 36 reforms include deregulation reform priorities; priority areas for competition reform; and a commitment to develop and enhance existing processes for regulation making and review. The reforms were particularly focused on creating a 'seamless national economy' in order to reduce costs incurred by business in complying with unnecessary and inconsistent regulation across

Although the State and the Federal governments have embarked on cutting red tape in recent years – on a global basis – Australia still lags behind other major industrialised and developing economies in global studies measuring the ease of doing business across international jurisdictions.

For example, the World Bank's annual *Doing Business*<sup>13</sup> study ranks Australia tenth out of 183 economies in terms of the ease of carrying out business.

<sup>11</sup> Productivity Commission 2010, *Annual Review of Regulatory Burdens on Business: Business and Consumer Services, Draft Research Report, Canberra.*

<sup>12</sup> 'Reducing The Burden', Report Of The Red Tape Reduction Group, February 2010.

<sup>13</sup> The World Bank, "Doing Business 2011: Making a Difference for Entrepreneurs".



Countries ranking ahead of Australia include some of our major trading partners, regional competitors for investment, and industrial competitors. These include Singapore, Hong Kong, New Zealand, United Kingdom, United States, Denmark, Canada, Norway and Ireland. The study benchmarks the regulations that enhance business activity and those that constrain it by examining several quantitative indicators on business regulation and the protection of property rights.

### The impact on business costs

The equation is simple: the less time and cost it takes businesses to grapple with regulatory requirements, the more time and funds business has to allocate to achieving productive outputs. And the lower the regulatory burden overall, the more Western Australia will stand out as an attractive place to do business – and the benefits can be significant.

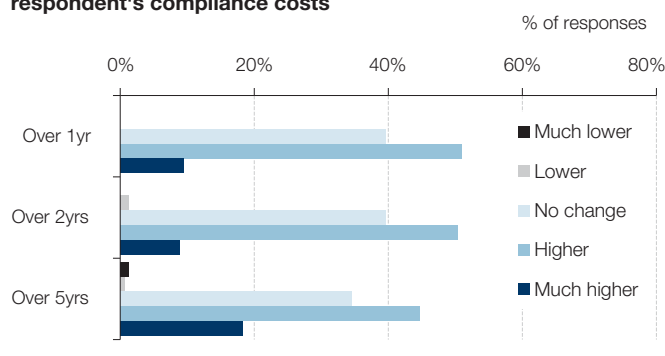
For example, the RTRG identified reforms, which by their own estimates, had the potential to deliver approximately \$44 million worth of savings to Western Australian businesses in a single year. Moreover, the RTRG identified that this figure represented only the “tip of the iceberg” of the total potential benefits from regulatory reforms.

CCI's own 2006 discussion paper on Regulation and Compliance in WA estimated that the cost of compliance for the WA business community (with State, Federal and Local government) regulations was approximately \$2.1 billion at the time, which accounted for almost 3.5 per cent of WA business income, or around two per cent of gross state product.

More recently, in the CCI-WABN survey, 63 per cent of respondents said that their regulatory compliance costs had increased over the past five years (Chart 11). Some 64 per cent of respondents also identified compliance costs and red tape as having a tangible negative effect on their bottom line over the past five years. Significantly, just over half said that the red tape burden also reduced their ability to expand capacity, suggesting that the compliance burden is having both a direct cost impact as well as an opportunity cost in terms of lost potential investment and output growth.

The survey showed that the red tape burden also figured prominently relative to other cost barriers facing businesses (See Chart 7 previously). For example, dealing with red tape was the biggest burden on businesses after labour related costs (including direct wages and salaries). Around 40 per cent of respondents identified red tape and regulation as having a significant cost impact on their business, even ahead of input costs and state and federal taxation.

**Chart 11 – Qualitative estimates of the change in respondent's compliance costs**



### The way forward

#### Implementing reform

The challenge for business in compelling governments to act on reducing the regulatory burden in WA has moved on from an initial phase of ‘persuading’ governments over the need to act and identifying where action is most needed. This has largely been achieved through initiatives such as the COAG reform agenda for a ‘seamless national economy’, the RTRG and the report of the Economic Audit Committee<sup>14</sup>. However, evidence still suggests that the cost of compliance and the general frustration with red tape among businesses remains high and is rising (see Business Viewpoints 6). This is because although reforms have been identified, implementation has been slow or nonexistent.

Efficient and timely implementation of reforms requires a serious political commitment of resources, coordination and accountability. This is sorely lacking in Western Australia where responsibility for regulatory reform is spread across different agencies and bodies.

**SUPPORT**

<sup>14</sup> Economic Audit Committee, “Putting the Public First: Partnering with the Community and Business to Deliver Outcomes”, October 2009.

For example, the Regulatory Gate-keeping Unit (RGU) within the WA Department of Treasury has a mandate to establish and administer the government's new process of Regulatory Impact Assessment (RIA). The RIA aims to ensure increased transparency in the policy decision making process, rigour of analysis and broad public consultation (where appropriate) on regulatory proposals.

## Business Viewpoints 6

### THE REGULATORY BURDEN

"It has taken 3 years to get a building licence to start construction of a new facility... The development approvals through Landcorp and then planning/building approvals through City of Cockburn are a disgrace. We have paid enormous amounts of interest and land tax to hold the block and have been unable to expand and upgrade our business into new markets critical to our business survival. The opportunity cost to my business is now immeasurable. So much for gearing up for the WA resources boom." – **a small Perth-based manufacturer.**

"Licensing requirements have jumped 40% in 18 months. We are taxed to within an inch of our lives. It seems that government wants to take away from someone who is prepared to go out there, put their money where their mouth is, start a business and take all the risks associated with business and then expect us to pay our staff more than ourselves. Staff do the work but take no risks themselves. Where is the sense in that?" – **a small tourism operator in Perth.**

"Compliance requirements on Registered Training Organisations are increasing (almost) exponentially. Fees will be dramatically increased on a cost-recovery basis as registration is taken over by the new national authority in July 2011." – **a large business services firm in Perth.**

"Fully, 40% of my time in the past 12 months has been spent on compliance rather than building and sustaining the business..." – **a small finance/insurance firm.**

"Subdivisions take a super long time, our clients walk away from projects. Red tape is huge and some rules are not logical." – **a small business services firm**

"Government works now require higher levels of documentation even though we are undertaking the same type of work. Project managers and inspectors appear to be less competent and unwilling to accept work unless certified by third parties, all adding extra cost burdens. Higher levels of quality assurance requirements – just for the sake of it – generally have a huge cost impact when it is totally unnecessary." – **a medium construction firm.**

In addition to this, there is also a Regulatory Reform Unit (RRU) within the WA Department of Treasury which is responsible for coordinating the State's input to the Business Regulation and Competition Working Group (BRCWG) of COAG. The RRU also provides advice to the State Government on regulatory reform issues.

The RRU also provided secretariat support to the RTRG in 2010 and led the development of The Report of the Red Tape Reduction Group which made 107 recommendations for reducing the red tape burden in WA. CCI is strongly supportive of the RTRG report, however, most of the report's recommendations have not been acted upon and it is unclear where responsibility lies within government for co-ordinating the implementation of the report's recommendations.

Furthermore, the 2009 Economic Audit Committee (EAC) report made 43 recommendations to improve the operational and financial performance of Western Australia's public sector. The report is also strongly supported by CCI, but again most of the recommendations of the EAC report are yet to be acted upon and it is unclear where responsibility for implementation of the report lies within government.

Finally, the WA Ministerial Taskforce on Approvals, Development and Sustainability also has some carriage of regulatory reform issues related to the development of the State. However, its precise role and mandate is unclear.

For example, on the reform of WA's approvals processes, the WA Department of the Premier and Cabinet oversaw the implementation of reforms, however, to ensure a cross-portfolio approach, implementation was steered by a Directors General Working Group (DGWG), which in turn advised the Ministerial Taskforce on Approvals, Development and Sustainability, who were responsible for directing the continuous review and implementation of the revised practices for approvals.

This uncoordinated approach to regulatory reform in WA cannot continue. The reform agenda is largely known, being mostly encompassed in the work of the COAG National Reform Agenda, and the reports of the RTRG and the EAC in WA.

Implementation is the toughest and most important part of reform. Currently this responsibility sits at various levels and bodies within the state government. However, to avoid being captive to the political process, implementation of regulatory reform should be undertaken independently of government.

**Recommended Action:** *To ensure an efficient, timely and coordinated approach to the implementation of regulatory reform, responsibility for all regulatory reform and gate-keeping matters in WA should be centralised and transferred to a single sufficiently resourced independent agency, group or taskforce.*

**Recommended Action:** *The independent regulatory reform entity should not be a 'toothless tiger'. A government serious about cutting the regulatory burden should give the body the necessary powers to carry out its responsibilities. Ideally, this should start by 'mapping out' the various reform agendas at both a state and national level that need to be co-ordinated – especially the COAG Nation Reform Agenda for a Seamless National Economy – with a timeline for implementation and further investigation.*

*The uncoordinated approach to regulatory reform in WA cannot continue.*



### Approvals processes

The State Government initiative to reform approval processes relating to development assessments and the exploration, development and production phases of mining and petroleum activity are a key part of reducing the red tape burden to facilitate new investment in the state.

Reducing red tape and bureaucracy in this area will be of particular benefit to the state economy, which sits on the cusp of a new resources-led phase of growth.

The bulk of reform on this issue is embodied in the work of the Industry Working Group (IWG) report, *Review of Approval Processes in Western Australia* in April 2009. The decisions taken as a result of this report to create a stand alone Environmental Protection Authority, and establish an interim lead agency framework for approvals (prior to establishing a single decision-making authority on approvals in the long term) are positive.

In addition, the new on-line Environmental Assessment and Regulatory System (EARS) administered by the Department of Mines and Petroleum (DMP) is also a positive development. The new system allows for the tracking of some mineral and petroleum environmental applications, but only within DMP. It would be more effective if it were to be rolled out across all of government.

Such a change has the potential to deliver significant benefit to the state. Indeed, the World Bank's 2011 *Doing Business*<sup>12</sup> study found that economies where it is easiest to do business were often characterised by advanced e-government initiatives across government – from building permits to land registration and online filing at commercial courts.

**Recommended Action:** *Resources should be allocated within government to design and implement an online tracking system for approvals applications across government, similar to the 'EARS' system developed for the Department of Mines and Petroleum.*

Moreover, it is important to note that the IWG recommendations have only been implemented in part and some reforms still need bedding down such as a stronger focus on cultural change and customer focus within the lead agency framework. Much work remains in implementing the IWG Phase 1 recommendations, not to mention planning for the Phase 2 recommendations.

**Recommended Action:** *The State Government must maintain its momentum on reforming approvals processes by ensuring adequate resources are committed to continue to assess and implement the IWG recommendations. In particular, in time it will be important to establish a structure to review the success of the Phase 1 reforms. Additionally, resources should be earmarked and plans established now to carry forward the IWG Phase 2 recommendations, which require either significant change or legislative amendment for implementation.*

## Dealing with government

### Background and context

Closely linked to reducing the regulatory burden is the difficulty experienced by businesses in dealing with government itself. This issue was also highlighted by the Red Tape Reduction Group (RTRG), which aside from looking at the issue of regulatory overburden, also made pertinent observations about the culture of government agencies in their application of regulation. Feedback from individuals and business to the RTRG indicated a number of concerns about the performance of State government agencies, including<sup>15</sup>:

- An attitude of strict compliance rather than assistance;
- A risk-averse culture;
- Lack of coordination between agencies;
- Lack of clarity about the government's objectives, processes and timeframes;
- Lack of transparency in decision-making processes;
- Inconsistent interpretation of rules;
- Disconnect between the regulator and business; and
- Lack of a clear accountability and ownership of decision making.

<sup>15</sup> WA Government (2009) *Reducing the Burden – Report of the Red Tape Reduction Group*. p 4.

Examples given to the RTRG throughout its consultation process of the frustration experienced by business and the community in dealing with government agencies and processes led the group to conclude that the way in which regulation was administered was often perceived as being more problematic than the regulation itself. It also found that changing the regulatory culture of government agencies is actually the biggest challenge facing the government in implementing its reform agenda to reduce the regulatory burden on the community.

Shortcomings in the culture of government agencies in WA was also highlighted by the Economic Audit Committee (EAC) in its 2009 report which observed that State Government processes "...*stifle engagement, the cross fertilisation of ideas, the confidence to innovate, the leadership to deliver on priorities, and the trust needed to foster relationships that serve the interests of the community*"<sup>16</sup>.

Therefore, it is clear that part of the regulatory burden on business can be alleviated not just by regulatory reform and/or the streamlining of regulation, but also by shifting the culture of the public sector from one of administration and approval to one of service and facilitation.

Notably, the World Bank's 2011 *Doing Business*<sup>12</sup> study found that economies where it is easiest to do business were often characterised by initiatives which made it easier for the community to work with government, including the use of risk-based systems to focus government resources where they matter most – such as the supervision of complex, major development projects. Moreover, the top-ranking economies in the report also tended to hold public servants accountable through performance-based systems.

Issues relating to dealing with government are as pertinent at a local level as they are at state level. Relations with local government remain important for business as it is the tier of government that is tasked with delivering a wide range of services to the community on a daily basis. Local government employs more than 11,000 people, has approximately 1,350 elected volunteers leading it, and has responsibilities for almost \$13 billion in social and economic infrastructure<sup>17</sup>. However, many businesses find dealing with this tier of government to be excessively bureaucratic and expensive.

#### The impact on business costs

As noted above, the CCI-WABN survey showed that dealing with red tape was the biggest burden on businesses following labour related costs.

The way in which State and local governments operate and conduct their business is linked to the regulatory burden and has a significant bearing on the ability of the business community to adapt and respond to the demands of the marketplace. For example, the EAC report noted that: "*The Committee believes one lesson from the resources boom is that the public sector's role as regulator and provider of key inputs can act as a brake on private sector investment, limiting the capacity to take advantage of available opportunities and exacerbating pressures associated with strong economic and population growth*"<sup>18</sup>.

The anecdotal responses received as part of the CCI-WABN survey also illustrated the frustration felt by businesses in dealing with government – particularly with regard to the lack of transparency and consistency in decision making, long time frames for decisions and a strict adherence to rules over pragmatism.

The CCI-WABN survey also gauged respondent's views towards aspects of local government – specifically compliance costs related to local government planning/approvals processes (selected by 23 per cent as a major burden) and the impact of direct costs related to local government rates and charges (selected by 26 per cent as a key cost driver). Several other anecdotes were received in regard to the difficulty in dealing with government more broadly (see Business Viewpoints 7).

## Business Viewpoints 7

### DEALING WITH GOVERNMENT

"Major hazard facility legislation was a huge impost in labour resource for a small organisation such as ours. The worst thing was that the DMP [Department of Mines and Petroleum] did not know what they wanted and continually kept moving the goal posts for the requirements of this legislation as they continued to develop and refine the regulations. This wasted a lot of time and effort unnecessarily." – **a medium size manufacturing firm.**

"Whereby in the past, we could get planning approvals quickly, the cost of local government charges have increased 10-fold making budgets blow out considerably. Local government do not promote business growth and sustainability." – **a small construction firm in regional WA.**

"Why does a shed have to have a particular architectural appeal and textural variations, or specific approved reticulation, or 29 car parks for a staff of 10, or a paint job approved by a council worker? The business sector needs to force State Government to reign in local councils." – **a small manufacturer.**

"...if a business case was undertaken [on some laws] it would fail every time, but there is blind adherence to rules and regulations." – **a small construction firm in Perth.**

"Opaqueness and inconsistency by AQIS (Australian Quarantine and Inspection Service) means that we do not have the confidence to import many products anymore, despite market demand. This has reduced our sales, and blocked growth." – **a small wholesaler.**

"Due to OSR [Office of State Revenue] giving bad advice 6 years ago, we got hit with payroll tax and a backdated payroll tax bill forcing us to downsize." – **a small transport services firm.**

"...Many rules are not logical and not constructive." – **a small property services firm.**

"How can we continue to let bureaucratic red-tape and process-driven government departments set obstacles to getting anything done?... Why is the process of ticking boxes and complying to a myriad of 'nothing' rules more important than the outcome?" – **a small Perth manufacturer.**

<sup>16</sup> Economic Audit Committee (2009) *Putting the Public First*. p2.

<sup>17</sup> Department of local government and Regional Development, 24 April 2008, and the Western Australian local government Association, February 2008, *The Journey: Sustainability into the Future*.

<sup>18</sup> Economic Audit Committee (2009) *Putting the Public First*. p 109.



### The way forward

A roadmap for reform of the public sector has been outlined in the work completed by the EAC. The Committee was asked to conduct a wide ranging review of the operational and financial performance of the WA public sector, and provided some positive recommendations for change.

CCI remains concerned that the WA Government has still not acted on the majority of the EAC report's recommendations. CCI urges the State Government to revisit this important body of work, and use its findings as the basis for ongoing reform to the operation of the public sector. As noted on page 26, establishing a single body independent of government with adequate resources and responsibility for reform will aid this process considerably.

The WA Government should also continue with a reform agenda to improve the people management structure of the public sector, through capacity building and development for senior executives, skills development, greater autonomy and flexibility in decision making, improving mobility and performance reporting networks.

**Recommended Action:** *The WA Government should implement the EAC report recommendations to:*

- *Better equip the public sector to meet workforce challenges by supporting the implementation of the Strategic Directions for the Public Sector Workforce 2009-14 at a sector and agency level;*
- *Enhance public sector skills and capacity;*
- *Strengthen and simplify the public sector by streamlining public sector oversight structures and removing unnecessary prescription on instruments that regulate recruitment, management, performance management, and discipline of public sector employees; and*
- *Expand the range of powers devolved to accountable authorities by giving agencies greater control over administrative processes that are currently managed centrally.*

For WA Government agencies to deliver improved outcomes, it is necessary that they have both a clear strategic direction, and a meaningful and measurable set of performance indicators.

**Recommended Action:** *The WA Government should implement the EAC report recommendations to improve government service delivery, in particular:*

- *Strengthening communications within Government to ensure clear accountability;*
- *Adopting an outcomes based approach of measuring agency performance;*
- *Modifying the current performance reporting regime to ensure that performance indicators are relevant with aligned outcomes; and*
- *Ensuring that agencies undertake value for money audits.*

While there is scope to improve the structure of the public sector and the way in which it administers existing regulation, there is also an opportunity for industry and government to work more closely on the development of regulation to reduce the administrative burden in the first instance.

For example, the Regulatory Gate-keeping Unit (RGU) within Treasury is currently developing and administering recommendations to ensure better consultation takes place between agencies and industry before additional regulation is imposed through the parliamentary process. If carried out properly, consultation prior to drafting of regulation could reduce the burden on industry provided industry and government agencies work collaboratively to ensure best practice models are developed prior to parliamentary process and debate.

**Recommended Action:** *The State Government needs to emphasise to agencies the importance of implementing the process recommended by the RGU – particularly in relation to working collaboratively with industry through active consultation before additional regulation is imposed through the parliamentary process. This should also include retrospective consultation for any Bills that have lapsed through change in governments to ensure no regulations that could negatively impact on industry are imposed 'through the backdoor'.*

Action is also needed at the local government level, with Western Australia the last state to undergo local government reform. In WA, existing local government boundaries were established over 100 years ago and many do not reflect the needs of the community today. For example, WA has 138 local government areas and close to 1,300 elected members, which is more than 25 per cent of the nation's total local governments – but serving only 10 per cent of Australia's population<sup>19</sup>.

Although the State Government has embarked on local government reform, which began in February 2009, it is a voluntary process. As a result, as at June 2011 only 10 local governments had committed to merge into four entities from 2011 to 2013. Overall, just 65 local governments have responded positively to the local government reform process. More action is needed in this area of reform. The primary basis behind local government reform is to encourage a greater focus on regional long-term planning and strengthen the ability of local governments to deliver services to their communities.

**Recommended Action:** *Given that the voluntary reform process has not improved efficiency and service delivery for ratepayers, the WA Government should compel councils to amalgamate where improvements in the delivery of services for communities and savings in the cost of services can be identified.*

**Recommended Action:** *In the absence of any forced amalgamations, the State Government should tie funding from the Royalties for Regions program to reform, as an incentive to encourage local councils to more effectively and efficiently deliver services to taxpayers.*

*85 per cent of respondents to the CCI-WABN survey said that their total input costs were 'higher' or 'much higher' over the last 5 years.*

## Input costs

### Background and context

Input costs include the cost of direct materials, labour and other overhead items devoted to the production of a good or service. It can include items such as raw materials, fuel, machinery and equipment as well as utility costs such as electricity, gas and water. These items are vital to the operation of all businesses.

In Australia, the price of goods at the final stage of the production process – or producer price inflation – has risen by 15 per cent over the past five years. This reflects a number of factors including the exchange rate (the increase in producer prices in Australia over the past five years is actually closer to 20 per cent excluding the impact of cheaper imported inputs), the value of raw commodities and the costs involved in the upstream value adding process (i.e. labour and overheads).

The increase in input costs will vary according to the nature of the firm or the industry. For example, the CCI-WABN survey showed that the average increase in input costs among respondents over the past five years was 23 per cent, although almost 10 per cent of respondents reported rises of over 50 per cent.

There is little the government can or should do by way of directly reducing raw material costs, as the prices of many of these types of commodities (such as fuel or imported steel) are determined in international markets. Other domestic inputs can be indirectly influenced by government policy focussed on expanding the productive capacity of the economy through – for example – investment in infrastructure, labour and skills and improving access to capital which will place downward pressure on upstream costs. These actions are critically important.

However, there are direct actions that governments can take to address the rise of some input costs, particularly the supply and price of electricity for businesses; the efficiency and cost of freight networks; and spikes in leasing costs.

### The impact on business costs

Nearly 85 per cent of respondents to the CCI-WABN survey said that their total input costs were 'higher' or 'much higher' over the past five years and nearly 77 per cent of respondents said that those increases had affected their bottom line, illustrating an inability to pass those costs on to end consumers.

Many anecdotal comments from respondents highlighted their caution in passing on higher input costs to customers for fear of losing market share. Some of these comments indicate the significant extent to which some firms are being squeezed by higher input costs (see Business Viewpoints 8). This not only threatened margins but also delayed investment in expansion with nearly two thirds of respondents reporting that input costs had impeded their ability to expand their business.

When asked about what inputs were driving their cost rises, nearly 85 per cent reported electricity supply while two-thirds sighted fuel and transport cost pressures (Chart 12). The survey also asked respondents about their leasing costs. About two-thirds of respondents indicated that leasing costs were applicable to their business and of these, over 80 per cent indicated that their leasing costs were 'higher' or 'much higher' over the past 12 months alone (Chart 13).

<sup>19</sup> WA Department of Local Government, <http://dlg.wa.gov.au/Content/LG/LGReform/About.aspx>.



## Business Viewpoints 8

### INPUT COSTS

"Rent is now 100% more than we were paying 3 years ago. Electricity is now 50% more." – **a small education and training provider.**

"Electricity has gone up from \$200 per month to \$860 per month. Same number of staff, same size office!" – **a small property and business services firm.**

"Increased cost of electricity and food are the major areas of concern. Trying to remain competitive in this market means cost cuts internally, affecting employees." – **a mid size restaurateur.**

"As our input costs have risen, we have had to make cuts in all areas just to keep the doors open." – **a small regional manufacturer.**

"An increase in new lease costs significantly reduced profitability..." – **a mid size regional manufacturer.**

"Independent contractors are also becoming fewer as the cost of fuel and insurance is high." – **a small transport company.**

"Transport costs have risen dramatically to the point that in some cases it is better to source directly from overseas rather than buy from the eastern seaboard and transport to WA." – **a small regional wholesaler.**

"Cost of materials and transport has increased significantly and customers are not prepared or able to absorb them in a highly competitive and depressed market." – **a medium sized construction firm.**

"High lease costs were another reason for downsizing our business, as it was getting too high to pass on to our warehouse clients." – **a small firm in the transport and storage sector.**

Chart 12 – Drivers of input cost pressures

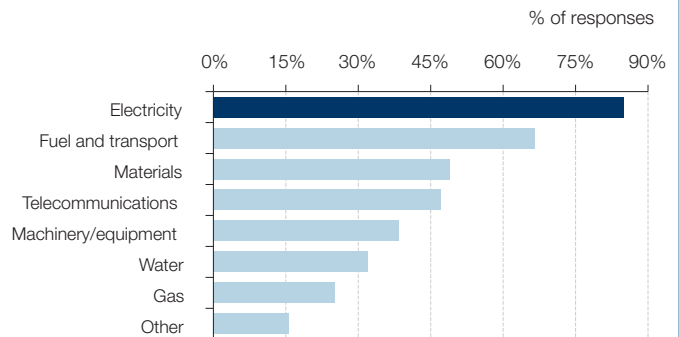
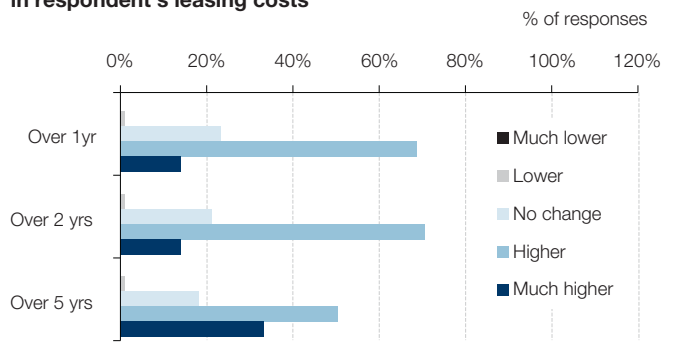


Chart 13 – Qualitative estimates of the change in respondent's leasing costs



SUPPORT

Respondents to the survey indicated that leasing costs had increased by an average of 30 per cent over the past five years although some reported significantly higher increases. Some 10 per cent reported an increase in leasing costs in excess of 50 per cent over the past five years. Anecdotal information suggests that higher leasing costs are particularly painful in the retail sector, with rents being raised unrealistically beyond the point of passing on cost increases.

With regard to electricity, it is unclear if respondents to the survey remain on regulated tariffs or source their power privately. In WA, users below the contestable threshold cannot source power privately while an intermediate threshold gives users an option of retaining a regulated tariff or sourcing supply privately. Larger users have no option of accessing regulated tariffs and must source power privately.

Although how respondents source their energy supplies is unknown, it is clear that government policy to keep power tariffs artificially low for the best part of 15 years has stifled competition and is now beginning to catch up, with dramatic tariff increases now necessary in order to reduce the fiscal burden on the State Government in continuing to subsidise electricity prices. This underscores the need for the development of a more competitive electricity sector in WA to place downward pressure on prices over the long term.

With regard to fuel and transport costs, in many ways the pressures faced by WA businesses in this regard reflect the size and isolation of the State. Supply chains are often characterised by travel across long distances. However, there is action governments can take to improve the efficiency and productivity of our freight.

## The way forward

### Electricity

To reduce the fiscal burden as well as ensure downward pressure is placed on electricity prices in future, the State Government should pursue further significant reforms to the state's electricity market to increase competition. The State Government's on-going Strategic Energy Initiative, which seeks to develop a long term energy policy for WA is an ideal opportunity to implement such reform.

Electricity market reform should start with the pursuit of full cost reflectivity in electricity tariffs. This means higher costs to businesses on regulated tariffs in the short term, however, private sector competition in electricity supply cannot be expected to fully develop until regulated prices reflect the cost of supply. The State Government should continue to unwind cross subsidies in electricity pricing and reflect the true costs of supply in the regulated tariffs of each customer segment.

However, achieving full cost reflectivity in electricity tariffs will be difficult while tariff setting decisions remain in the political sphere. The setting of electricity tariffs suffers from a lack of transparency and certainty due to the requirement for Ministerial review and approval of price changes. The political process in setting electricity tariffs in WA has rarely resulted in the most efficient price outcomes being sought, with tariff changes often becoming a 'political football'. The end result is that consumers continue to pay a sub-optimal price for energy.

To aid the move towards a more competitive market, tariff-setting responsibility should be transferred out of political hands to the independent Economic Regulation Authority. A similar strategy was pursued in Victoria (widely recognised as the most competitive retail energy market in Australia

today), where maximum cost reflective tariffs were set which allowed competition to develop to the point where retail price regulation was no longer required.

**Recommended Action:** *Transition all regulated tariffs to cost-reflective levels for each class of customer to avoid masking of price signals, inform customer behaviour and set the scene for full retail competition in electricity supply.*

**Recommended Action:** *To assist in transitioning to cost-reflective tariffs, the responsibility for administering, reviewing and setting maximum tariffs for the regulated electricity market should be transferred to the Economic Regulation Authority (ERA). The ERA should be given the objective of setting maximum tariffs which allow retailers to recover the full, efficient costs of providing electricity to customers to ensure that retailers can remain financially viable in the long term.*

However, along with the pursuit of fully cost reflective and independently set tariffs, reforms to allow full retail contestability (FRC) in electricity are also needed to develop a fully open and competitive market. At present, the non-contestable market segment (i.e. those using below 50MWh per annum) accounts for approximately 40 per cent of total demand in the South West Interconnected System (SWIS) – this includes many small businesses.

It is important to note that FRC in the electricity market would need to be instituted in concert with the termination of the moratorium preventing Synergy and Alinta from offering dual-fuel services for electricity and gas to the retail market. This would allow full retail competition for both gas and electricity supply to WA households and small businesses to be pursued together.

**Recommended Action:** *The State Government should develop and implement a plan to allow Full Retail Contestability (FRC) in the electricity market, including the removal of the moratorium on Synergy and Alinta to allow them to offer 'dual-fuel' services to the community.*

The above reforms if implemented would develop a more open and competitive energy market in WA. This would provide a significantly more attractive environment for private investment in the WA energy market. However, a source of uncertainty would remain as to the role of government in the electricity business in WA over the long term.

The outcomes of the current review by the ERA on the *Prohibition and Restriction on Synergy and Verve Energy under The Electricity Corporations Act 2005* should provide guidance to the State Government as to what action it should take regarding its ownership of Verve and Synergy.

CCI believes that relaxing the current prohibition and restriction which disallows Synergy from generating power and Verve from retailing power would be premature given the current lack of competition in the market. Rather, the reforms outlined above should be implemented in the short term, and to the extent that the changes help to develop a more mature and competitive electricity market in WA in the near term, then consideration should be given to (partly or fully) privatising and restructuring the public electricity utilities.

**Recommended Action:** *The ERA should be given responsibility for annually reviewing the costs and benefits of the State Government continuing to own electricity businesses in a competitive electricity market. The State should withdraw*

from the electricity market when the ERA deems that the market is operating competitively and efficiently according to a transparent and objective framework.

### Freight Costs

Nearly all businesses depend on a modern and efficient freight network. Two thirds of the respondents to the CCI-WABN survey noted that transport and fuel costs were significant drivers of their total input costs. In many ways the high fuel and transport costs faced by WA businesses are simply reflective of the size and isolation of the state, with supply chains characterised by travel across long distances. However, there is action governments can take to improve the efficiency and productivity of freight networks.

At present, both the State and Federal governments are developing land freight network strategies (the National Land Freight Strategy, a WA Regional Land Freight Strategy and a Perth Metropolitan Land Freight Strategy for 2012).

The objectives of these strategies are to ultimately reduce the cost of freight networks in WA by identifying and developing efficient freight networks that address issues of funding, planning and productivity.

Although the general objectives of these strategies are supported, all three tiers of government need to cooperate together with industry to develop and implement the Strategy's objectives. The strategies should not be developed in isolation and contain conflicting or overlapping initiatives.

**Recommended Action:** Existing national and state land freight strategy initiatives need to facilitate cooperation across the three tiers of government to implement the strategy objectives. The strategies should also be developed and implemented with extensive industry and community consultation given that there is a multitude of freight advisory groups across Australia. If the strategies are to be effective, they will need to allow all relevant stakeholders to have a sense of ownership of it.

### Leasing Costs

The CCI-WABN survey showed that property leasing and rental costs had increased significantly for a number of respondents, and anecdotal information suggests that this is a particularly challenging issue for retail businesses. Combating higher leasing costs through more policy mechanisms and regulation is not supported. This is a particularly difficult issue given that it involves negotiations and contractual arrangements between private parties.

The 2008 Productivity Commission report on the *Market for Retail Tenancy Leases in Australia* made some recommendations for improving the operation of the retail tenancy market in Australia. The Commission's assessment was that the case for further prescription in tenancy legislation was weak, although there was scope to improve the features of the current system that appear to be working well such as dispute resolution, and information and disclosure. It also recommended adopting a more focussed approach to regulation of retail tenancies (particularly in shopping centres) to ease existing tensions in the negotiation and operation of many shopping centre leases.

While there is merit in some of the Commission's recommendations to progressively unwind the current prescriptive retail tenancy legislation in each State and Territory and move towards more national consistency in lease documentation and legislation, there is a need for more fundamental reform.

In particular, there is a need to develop a framework in which retail lessees and lessors are incentivised to work more in cooperation and partnership. This could be achieved through changes to the structure of retail leases that reduces volatility in leasing costs and ensures that rents more accurately reflect business conditions.

**Recommended Action:** While there is merit in some of the recommendations of the 2008 Productivity Commission report on the *Market for Retail Tenancy Leases in Australia*, a more fundamental reform of retail lease structures should be investigated in order to foster greater partnership between retail lessees and lessors.

## Access to finance and SMEs

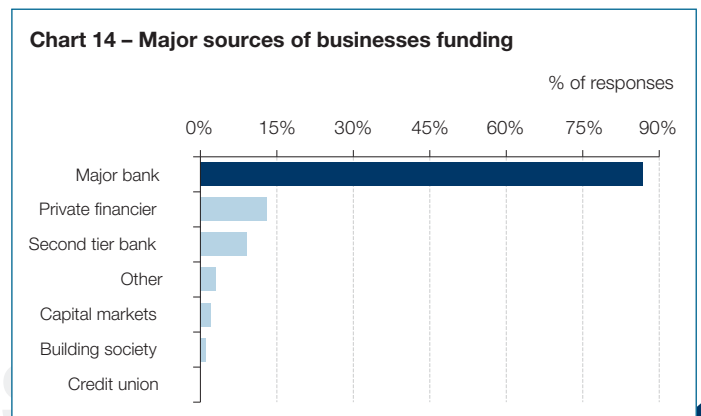
### Background and context

Obtaining finance to support business activity and growth represents a significant cost for business, both with respect to the cost of the finance itself and the associated administrative costs. Such costs include identifying appropriate loan products, comparing products, undertaking the application process and managing ongoing compliance matters in relation to borrowing covenants. These challenges are particularly pertinent to the small and medium enterprise sector, which often lacks the internal resourcing to achieve best practice.

This is not a new problem for business, nor is it one that CCI expects that government can overcome in its entirety. Part of doing business will always, by necessity, involve the process of obtaining capital to facilitate business activity. Where government policy can assist, however, is in ensuring that the legislative frameworks and compliance requirements associated with business access to finance and compliance is as straightforward and comprehensible as possible.

### The impact on business costs

Bank borrowing is the major source of funding for small businesses (Chart 14). A key impact on small business in relation to bank borrowings is that many are generally limited to the role of price taker for financial products and borrowing options. Often, small operators do not have the capacity to negotiate terms or vary the cost structures associated with debt finance, which has resulted in minimal price competition in the small business lending market.



A lack of competitive tension in the market has resulted in limited variety in loan products for small business. As a result, small businesses – who generally have limited cash flow – are required to pay the highest costs for debt. Often, credit is backed by non-business equity, such as personal mortgages.

This is somewhat reflected in the results of the CCI-WABN survey which showed that most respondents (many of whom were small businesses) obtained their finance from a major bank (87 per cent), and over a quarter described their borrowing costs as ‘much higher’ over the past 12 months.

As well as direct costs, small business operators often do not understand the details of complex loan packages and compliance requirements, particularly as a large amount of information is required, even for small amounts of credit. This has been exacerbated as the major lending institutions have reassessed their credit criteria subsequent to the global financial crisis. Anecdotal feedback to the CCI-WABN survey illustrates this point, with the complexity of loan procurement acting as a barrier to expansion for some small operators (see Business Viewpoints 9).

Cash flow in particular is critical to small businesses, with many operating with a relatively small amount of working capital available to cushion the impact

of cash flow interruptions. In particular, CCI is aware that in recent times, larger customers of small businesses have sought to extend payment terms – effectively treating that small business as a short-term provider of credit.

Such changes can have negative implications for small businesses, which rarely have the capacity to operate without payment within regular terms. Where these customers also seek a discount for early settlement, the problem can be exacerbated. This can create a further risk that small businesses are then required to seek bridging finance which is often very costly and creates further cost implications for the financial position of their company.

### The way forward

Overall, it is important that the level of compliance with debt and borrowing covenants are commensurate with the risk, and that lending process is streamlined where possible to allow small business to access finance within a reasonable timeframe and at a reasonable cost.

CCI notes that a number of government reviews into the competitiveness of the Australian banking sector, and the ability for small business to access finance, have recently been completed. The findings of these inquiries have been consistent in their view that “competition rather than regulation will generate improved outcomes for customers”<sup>20</sup> – a position CCI agrees with.

**Recommended Action:** *The Federal Government should adopt a policy of fostering competition in the domestic banking sector – particularly in consideration of proposed mergers and acquisitions.*

**Recommended Action:** *Standard terms and nomenclature for banking products would improve the ability for borrowers to compare products from different providers. The Federal Government should support an initiative for industry stakeholders to work collaboratively to develop a set of standard words for financial products and their characteristics to allow small business consumers to better compare and understand products.*

Aside from debt, equity capital also becomes a more cost-effective funding option for small businesses as they grow. There are two traditional sources for equity: private investors or funds. Superannuation and mutual funds can invest directly in the business, or more likely, indirectly through venture capital firms.

For small businesses, however, the reporting requirements that are required in order to gain access to equity investment are generally too onerous to present a realistic alternative. The capacity for small businesses to provide the information in the required format can also be prohibitive. This creates a risk that small businesses remain small because they cannot achieve a size and scale that allows them to ‘take the next step’ into the realm of equity markets.

**Recommended Action:** *The Federal Government should ensure that reporting and compliance requirements strike a fair and reasonable balance between ensuring investors have sufficient information to make an informed investment decision and the business seeking capital can reasonably provide the information deemed important. Government regulation should not constrain the growth of private enterprise in this way.*

## Business Viewpoints 9

### BORROWING COSTS

“Loan affordability has decreased to the point where our bank has asked for us to sell assets.” – **a small retailer in the WA regions.**

“Business loans are expensive... interest is about 4% higher than a consumer loan and there are monthly fees, quarterly fees and ridiculous application fees.” – **a small Perth-based finance firm.**

“High loan establishment fees and the higher rate of interest for small business loans make us reluctant to borrow more to finance expansion and business growth.” – **a small retailer.**

“The banking sector as a whole is nervous about lending to small business.” – **a small construction firm.**

“We have changed banks in the past couple of years which has helped contain costs, however, the general tightening in lending is putting immense pressure on cash flow and stability.” – **a medium-size firm in the hospitality sector.**

“Clients are much slower to pay and the business has to rely much more on overdraft options to manage finances.” – **a small health and community services firm.**

“Its not necessarily the cost of borrowing, just the extra ‘hoops’ a business now has to go through to get funding, say for machinery or expansion. This has a huge impact and basically stops any thoughts of expansion.” – **a small manufacturer.**

“Just having to borrow under the classification of ‘business’ means higher interest rates. Not being able to borrow for equipment as we used to is hindering expansion.” – **a medium size retailer/wholesaler.**

## Taxation reform

### Background and context

While tax is a necessary part of a modern economy to fund the provision of essential public services, it also represents a significant cost of doing business and in turn impacts on investment and employment decisions. However, the focus of government is invariably on funding its services rather than on cutting the tax burden.

It is vital that a system of taxation balances these interests. That is, as far as possible taxation should have a minimal impact on business and individuals, promote employment, investment and economic growth – as well as support a nation's social goals. On these points, there is considerable scope to strengthen and streamline both the national and state taxation regimes, especially as part of the National Tax Forum in 2011.

This is particularly important in terms of WA and Australia's reputation as a competitive place to do business internationally, given that investment is mobile and taxation is a vital issue for investors when considering where to locate or establish operations. As the state economy gathers pace in coming years, it is critical that our tax system does not act as a disincentive to further investment in WA.

In the short term, two issues currently limit the scope for the State Government to provide tax relief to WA businesses and maintain a more competitive taxation regime: the imbalance between the funding and responsibilities of the states and territories; and high growth in state general government operating expenditure.

The states are reliant on transfers from the Commonwealth, and a number of narrowly based and inefficient taxes to ensure they have sufficient revenue to fund services demanded by the community. The states' limited capacity to raise revenue and its high dependence on grants from the national government means they are reluctant to undertake significant reforms to their taxes, particularly if the reforms reduce their revenue base.

An area of particular concern is the forecast decline in WA's share of GST grants. The fiscal outlook presented in the 2011-12 State budget encapsulates the challenge faced by WA in its declining share of GST grants. The State budget, which is based upon an expected fall in GST grants from the Commonwealth to 33 cents from every dollar (on a per capita basis) by 2014-15, results in a fiscal balance of \$471 million and net debt of \$22.4 billion by 2014-15. However, under an alternative scenario where a higher return of 75 cents from every dollar of GST revenue is achieved, a significantly improved outcome is evident: a fiscal balance of \$3.1 billion and net debt of \$18 billion.

Therefore, achieving a more equitable allocation of Commonwealth grants to the States and Territories will go some way toward alleviating fiscal pressure on the WA Government, allowing for more tax relief in the short term.

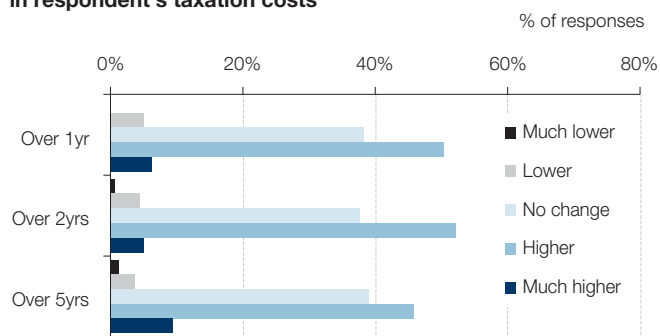
Of course, in the long run the level of the tax burden is also determined by the level of government expenditure. In WA, general government operating expenditure is forecast to reach almost \$25 billion for the 2011-12 financial year, meaning recurrent government spending in WA has more than doubled over the last 10 years. Although a more equitable allocation of Commonwealth grants will provide a higher revenue stream to WA, the state government has much work to do in curbing spending growth. A lack of fiscal discipline has the potential to threaten the sustainability of the state's public finances over the medium term, and damage the economy's competitiveness through dependence on high taxes and charges.

### The impact on business costs

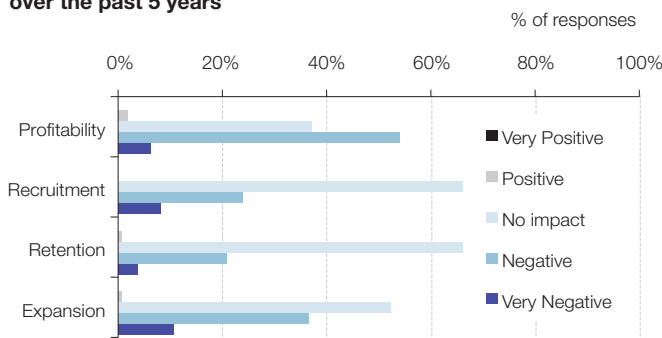
The tax burden in WA has been increasing in recent years compared to other jurisdictions. For example, in 2000-01 WA was the third highest taxing state in the nation on a per capita basis, at \$1,529 per person. This figure was below the all-state average of \$1,700. Since then our taxation per capita has risen by 66 per cent to \$2,539 in 2009-10 to become the highest in the nation and almost 10 per cent above the national average.

The CCI-WABN survey also illustrates the higher burden, with just over half of respondents describing their taxation costs as 'higher' (46 per cent) or 'much higher' (9.5 per cent) over the past five years (Chart 15). This could reflect business growth through higher profitability, capital expansion and more labour – although 60 per cent of respondents indicated that higher taxes had impacted their profitability over the past five years (Chart 16) suggesting these costs have not necessarily increased in line with the growth of their business.

**Chart 15 – Qualitative estimates of the change in respondent's taxation costs**



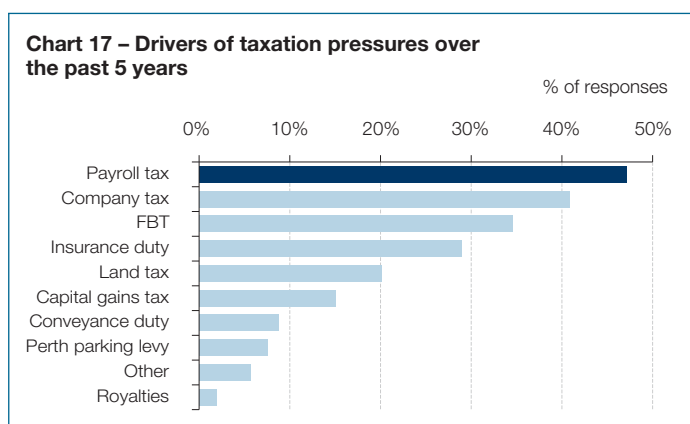
**Chart 16 – Impact of change in taxation costs over the past 5 years**



The increase in the tax burden in WA predominantly reflects a number of tax thresholds that have not been indexed over time. As a result, rising prices (on property, labour and other goods or services) on the back of strong growth in the local economy have seen WA's taxation revenue on a per capita basis increase as taxpayers are pushed into higher thresholds.

SUPPORT

This is particularly the case for payroll tax, which emerged as the most burdensome tax for respondents to the CCI-WABN survey (Chart 17). Nearly half noted payroll tax as being a key driver of their higher tax costs over the past five years. The anecdotal comments in particular expressed frustration over the static payroll tax threshold (and static thresholds for other states taxes and charges also), which has seen many small businesses in particular dragged into the tax net with the need to offer higher wages and salaries in the current labour market.



Of course, it is not only the direct tax payable that adds to business costs. Taxation complexity and compliance also represent a major drain on business resources, and are borne disproportionately by small businesses in particular. The latest PWC Tax Contribution Study revealed that the costs of complying with the tax system for responding businesses represented an effective 1.6 per cent surcharge on top of their actual taxes – an average cost of \$2.1 million per respondent<sup>21</sup>.

#### The way forward

While reform to the tax system is necessary to ensure the nation's ongoing growth and prosperity, the ability to achieve widespread taxation reform is contingent on reviewing the Commonwealth and State tax system as one regime. In particular, until the imbalance between the revenue raising capacity and spending responsibilities for the states is addressed, the ability to reform the most inefficient taxes is limited. In addition, a broad reform agenda is needed that examines long term options, including the need for states to access alternative revenue sources. This reform agenda will be covered in more depth in CCI's taxation reform agenda to be released ahead of the National Tax Forum.

Therefore, a consultative approach to reform is needed to help ensure that future tax changes take into account the impact on taxpayers. The National Tax Forum scheduled for October 2011 provides a valuable opportunity to kick-start this process.

**Recommended Action:** *The WA Government should work collaboratively with the Commonwealth on a more ambitious longer term tax reform agenda. The Federal Tax Forum, to be held in October 2011, will provide the ideal opportunity to discuss options for reform and set out a plan for implementation.*

In the short term however, the challenge for the WA state government is to provide genuine taxation relief to improve the state's taxation competitiveness relative to other states. Predominantly, this can be achieved by maintaining control over spending programs.

**Recommended Action:** *A broad review of Government spending programs at both a Commonwealth and State level is needed to identify areas of waste, duplication and inefficiency, and reduce the overall size of the tax burden on the community. The review of government spending should be undertaken by an independent party, with an aim to abolish spending programs that are no longer relevant, or do not perform a core role of government. The review should also look for options to contract out services that could be provided more efficiently by the private sector and privatising or consolidating agencies.*

The CCI-WABN survey identified payroll tax and land tax as the most burdensome from a state perspective. Company tax and fringe benefits tax were reported as the most onerous Commonwealth taxes. Therefore, as a starting point, this is where reform measures should be aimed and these are discussed in more detail below.

#### Payroll Tax

Just under half of all respondents to the CCI-WABN survey identified payroll tax as a major cost burden on their operations. Businesses of all sizes and sectors have a strong collective desire to reform payroll tax because it discourages the growth of their enterprises, and is viewed as a penalty for increasing salaries and employing people.

Anecdotal feedback from the survey showed that many respondents had cut employment in order to reduce their payroll tax bill (see Business Viewpoints 10) or were reluctant to hire more staff due to the higher payroll tax bill they would incur. This perverse incentive to limit recruitment or cut employment indicates the critical need for payroll tax reform in WA.

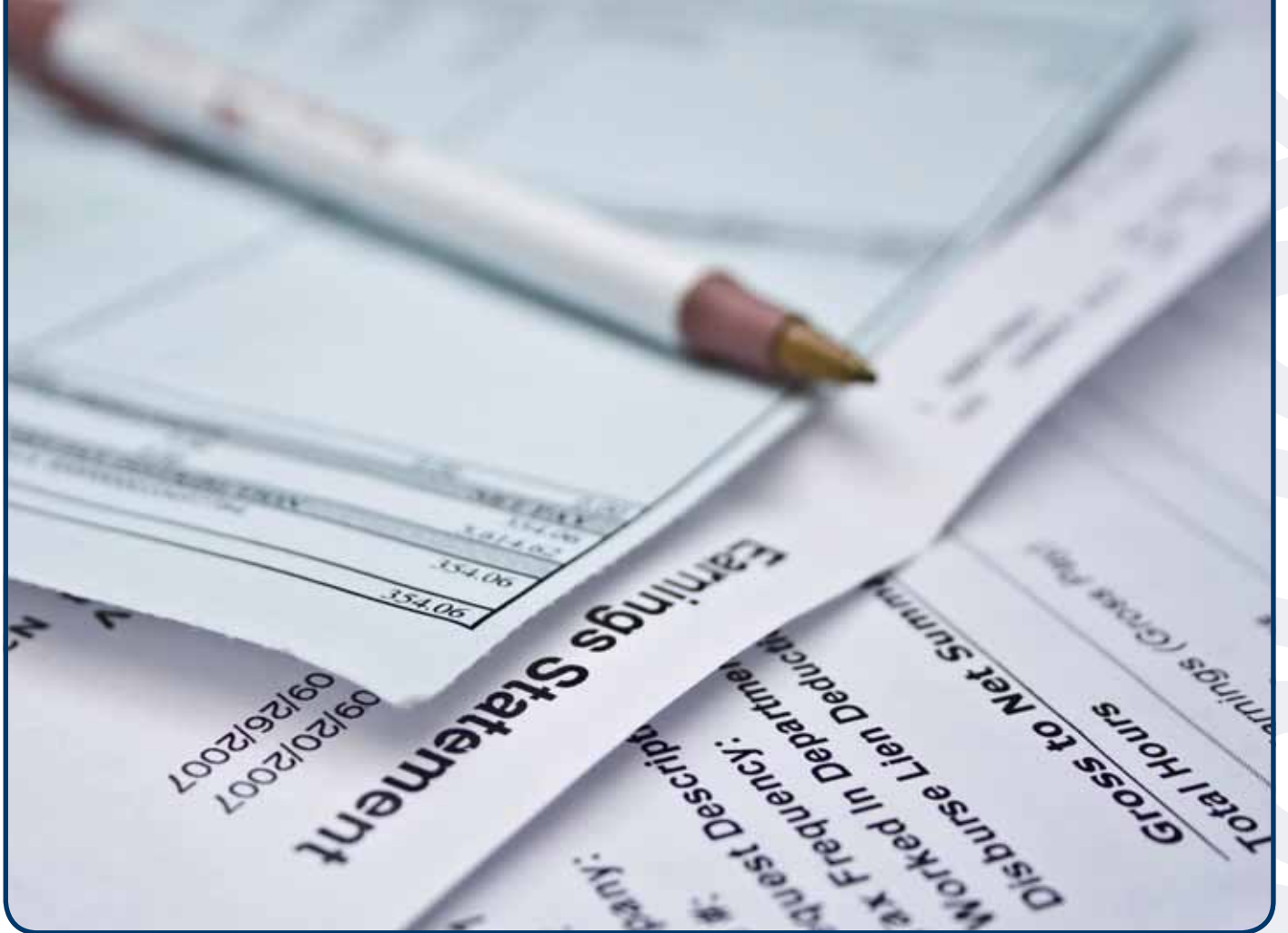
The payroll tax burden on WA businesses is particularly high. Payroll tax raised \$2.3 billion for the State Government in 2009-10, up 2.5 per cent on the previous year, and 155 per cent higher than in 2001-02.

As at June 2011, WA was the highest payroll taxing state in the nation in per capita terms. The payroll tax rate in WA was the second highest of all states at 5.5 per cent behind Tasmania (6.1 per cent). Other states have also been active in providing payroll tax cuts in recent years, despite significantly weaker economic and budget positions. For example, New South Wales has progressively cut its payroll tax rate from six per cent to 5.45 per cent currently while in Victoria, the rate was progressively reduced from 5.75 per cent to 4.9 per cent.

Moreover, the strong growth in employment and wages in recent years has also meant that many small businesses have now been caught in the payroll tax net – not necessarily because they are employing more people but because they are having to pay existing staff more due to increased competition for scarce labour. This underscores the fact that the exemption threshold has been unchanged since 2003 and is not reflective of the state's strong wages growth in recent years.

Based on the latest earnings data in February 2011, a business in Western Australia would only be able to employ nine full time workers on average wages of just over \$75,000 a year before being liable for payroll tax. By contrast, when the exemption threshold was last adjusted in 2003, a business could employ 15 staff before it had to start paying payroll tax (based on average weekly earnings). Payroll tax relief is therefore a priority, and must start with reductions to the rate and an increase in the exemption threshold.

<sup>21</sup> Pricewaterhouse Coopers, 2010 Total Tax Contribution Survey.



## Business Viewpoints 10

### PAYROLL TAX

"In addition to spending over \$1.2m in wages and having created 60 employment opportunities in our small regional town, we are now also hit with payroll tax, the amount of which is greater than our total profit for the year and certainly indicates that the payroll tax system is not indexed to the correct triggers. This is yet another blight on small to medium business, which is struggling at the moment in this state with 2 extremely different economies in play." – **a medium sized manufacturer.**

"Payroll tax shouldn't exist... we pay the government for the 'privilege' of having staff? Absolutely ridiculous!" – **a mid size employer in the recreational services sector.**

"Increased staffing levels and salaries pushed us above the payroll tax threshold which has not changed since 2003. Our property manager salaries have about doubled in the last 5 years." – **a small property and business services firm in Perth**

"The payroll tax threshold has not changed even though pay has gone up considerably. We are paying tradesman \$100,000 per annum; if you do the sums it's not very many until you hit the threshold." – **a small manufacturer**

"Due to payroll taxes we have decreased and sold off our interstate division. So even though we took advice from OSR [Office of State Revenue] we still got hit with payroll tax and backdated. It's almost sending us to the wall." – **a small transport services firm.**

"Payroll tax. Why be penalised for re-employing people? We are now having to put people off due to this tax. We refuse to pay it, we do not make the profit to be able to pay it." – **a mid-size retailer.**

**Recommended Action:** Significant improvements should be made to the current payroll tax arrangements in the short term. In particular:

- cut the payroll tax rate by at least 0.5 per cent;
- increase the exemption threshold to \$1.4 million, so that genuine small businesses are on average exempt from payroll tax; and
- index the exemption threshold to address bracket creep as a result of rising wages.

### Land Tax

Around 20 per cent of respondents to the CCI-WABN survey identified land tax as a major cost burden on their business. The tax raised \$568 million for the State Government in 2009-10, up 35 per cent on the previous year, and 161 per cent compared to 2001-02. Concerns also exist about the assessment process for land tax, with some businesses in recent years facing land tax bills 10 times higher than the previous year, due to the growth in property prices between 2001 and 2007.

The WA Government also collects an additional 0.15 per cent on the unimproved value of land which is liable for land tax and located within the metropolitan region, under the Metropolitan Region Improvement Tax (MRIT). WA is the only state to apply such an additional tax on land, which added \$78 million in taxation revenue over 2009-10.

**Recommended Action:** To reduce the land tax burden on business and minimise bracket creep, the land tax thresholds should be flattened, and the Metropolitan Regional Improvement Tax (MRIT) incorporated into the land tax base.

The WA Government should also review the land tax assessment process to ensure that the land tax bill does not rise ahead of the rate of increase in the value of the property. One option could be the application of a five year moving average, which would average out the land valuations of the most recent five years resulting in less volatile tax bills. This prevents the impacts on taxpayers of unexpected large tax increases in any one year.

### Commonwealth Taxes – Company Tax

Following payroll tax, company tax was identified as the next most burdensome tax by respondents to the CCI-WABN survey (selected by 41 per cent). Company tax is a vital consideration for businesses and in recent years, competing jurisdictions have cut corporate tax rates.

For example, in 2008, the average corporate tax rate in OECD countries stood at 26.6 per cent, down from 32.5 per cent in 2001. As a result, Australia's company tax rate now remains above the OECD average at 30 per cent.

With the global economy becoming more integrated and capital becoming increasingly mobile, company tax will be an important consideration in investment decisions. In this regard, adjusting the corporate tax rate to promote investment and entrepreneurialism will help improve Australia's international competitiveness, and ability to attract investment from overseas.

**Recommended Action:** *In order to improve Australia's international competitiveness and ability to attract investment from overseas, the Federal Government should benchmark the Australian company tax rate against the OECD average as part of its Budget analysis, and as a long term strategic objective it should impose a fiscal rule to seek to maintain a rate of company tax that is lower than the OECD average.*

However, not all businesses will benefit from such a move, given that many small businesses are not incorporated. In this regard, the personal income tax system should also be reformed as a priority. Reforms to personal income tax will be covered in depth in CCI's tax reform agenda ahead of the National Tax Forum in October 2011.

### Commonwealth Taxes – Fringe Benefits Tax

Around 35 per cent of respondents to the CCI-WABN survey highlighted that Fringe Benefits Tax (FBT) was a major cost burden on their business – third highest following payroll tax and company taxes.

A key cost burden here is that since its introduction, the FBT has been extended to the extent that it now encompasses legitimate business expenses rather than pure fringe benefits to employees. As a result, FBT adds significantly to business compliance costs, which is of particular concern for small businesses.

**Recommended Action:** *FBT should be reformed to minimise the confusion and compliance costs imposed on business. The application of FBT to the employee, as all other income is treated, with collection from the employers in the same manner as personal income tax would go some way to minimising the confusion and excess compliance costs which are currently impacting business.*

## Costs on the horizon: climate change policy

### Background and context

The Federal Government and Opposition have both agreed to reduce Australia's greenhouse gas (GHG) emissions regardless of international action. The Government has a minimum emissions reduction target of five per cent below 2000 levels by 2020. The Federal Opposition has stated it will reduce emissions by five per cent by 2020 based on 1990 levels. Both are challenging targets, which must be met in the most cost effective way.

The recently announced policy by the Federal Government is to implement an emissions trading scheme (ETS) with a fixed carbon price of \$23 per tonne from 1 July 2012, escalating at a rate of 2.5 per cent per annum for three years (reflecting the official inflation target). After three years, the Government intends to move from a fixed price to a cap-and-trade emissions trading scheme.

The pricing of carbon emissions is intended to drive change towards a low carbon economy, with the funds raised to go towards assisting households and businesses manage the transition as well as funding climate change programs. It is anticipated that 500 of the nation's largest emitters will be liable to pay a direct carbon price.

### The impact on business costs

Although the details of the Federal Government's carbon pricing policy were released in July 2011, it may take some time to realise the full extent of its impact on the real economy outside of what has been estimated by a Commonwealth Treasury model.

Treasury's modelling of scenarios with two different starting carbon prices in 2012-13 (A\$20 and A\$30 per tonne) shows the national economy continues to grow in the future. Growth in real national income per person slows by about one-tenth of one percentage point per year under carbon pricing, with real incomes around \$9,000 higher in 2020 in today's dollars. By 2020, national employment is projected to increase by 1.6 million jobs, with or without a carbon price.

Household consumption continues to grow over time under the scenario, although households face higher prices for emission-intensive products, such as electricity and gas. The Treasury model estimates that pricing carbon will increase aggregate consumer prices in 2012-13 by 0.7 per cent.

However, the concern is that the policy has the potential to significantly impact the WA economy because of our energy intensive resource industries and value-adding industrial sector. In addition, WA has an export focus - making up nearly half of national exports - whereas many of our global competitors may not face additional costs due to their carbon emissions. Moreover, these industries are expected to be the driving force behind the state's future growth and development.



Although some trade exposed industries have received protection under the Federal Government's carbon pricing policy, whether it is adequate as protection is wound down over time remains to be seen. Many may become vulnerable as they begin to face carbon costs that their international competitors do not.

The carbon policy will also have a negative fiscal impact, estimated to cost the Federal budget around \$4 billion over the first four years.

Aside from these direct costs, it is also unclear how the pricing of carbon will affect supply chain costs for all businesses. Despite only 500 of the nation's largest emitters are liable to pay a price for their carbon emissions, it is likely that many more businesses will face some additional costs to the extent that directly liable firms pass through the cost of carbon. This is a particular concern for small business which - despite being free from having to pay a direct carbon cost - may face higher indirect costs as a carbon price adjusts the relative cost of goods and services that businesses provide or purchase according to their carbon intensity.

The complexity of the government's climate change package also adds to compliance costs for those who are liable to pay directly. Despite the announcement of the policy detail, many questions still remain unanswered about the operation of the pricing scheme, eligibility and liability. This makes it difficult to evaluate precisely the likely cost to WA businesses and the state's economy.

The Federal Government's carbon pricing scheme will be examined in more detail by CCI in coming months to determine the full likely impact on the WA business community.

*The complexity of the government's climate change package also adds to compliance costs*

**SUPPORT**



KNOWLEDGE

### EUROFIRST 80

CLOSE 4,155.00

### NIKKEI

CLOSE 13,794.73

INFLU



# Summary of recommendations

Some of the cost pressures facing businesses in WA are simply symptomatic of the state's geographic size and isolation from large population centres. But there are issues that are within our control – barriers that can be removed to grow the productive capacity of the WA economy and improve our long term competitive standing.

These issues are the focus of this paper – an agenda for reform that will 'release the handbrake' on business and help Western Australia to achieve its long term economic potential. The agenda developed in this paper draws heavily on the views and reports of our members and the broader business community about the most significant cost pressures on their business.

Broadly speaking there are seven key issues which are contributing to cost pressures and where reform will make the biggest difference in the short term. The first five issues are considered core reforms. These are summarised below together with the recommendations highlighted in the paper.

## 1. Addressing labour shortages

- A population goal should be introduced for WA to ensure that proper planning is undertaken in order to source a suitable amount of labour to meet industry needs.
- The State Government should develop a clear strategic direction for the state, to ensure that it is able to meet the needs of a growing population. This should pay particular attention to land use planning and provision of economic and social infrastructure to enhance vibrancy and attract new residents to Western Australia.
- The State Government should be given greater control of determining the number and types of skilled migrants required in the State. This includes having more influence over occupations that qualify for the 457 visa; increasing the length of the holiday working visa and the period of time that can be worked with one employer for visitors to WA; and recognising Perth for the Regional Sponsored Migration Scheme.
- A number of changes should also be made to make the 457 visa stream to make it less costly and more effective for business to access, including a reduction in application processing times by better resourcing the Department of Immigration and Citizenship, lowering the English competency test for trade occupations, and re-assessing training benchmarks that must be satisfied by employers seeking to sponsor temporary migrant workers. This will help to reduce the administrative burden on businesses.
- The Federal Government should look at alternative methods to address the labour and skill needs of non-resource projects. The establishment of guest worker programs for semi-skilled project needs and construction phases of projects warrants further investigation. However, effective mechanisms will need to be put in place to ensure workers are committed to exiting the country on project completion to make guest worker programs successful.
- The State Government should develop comprehensive programs, using different communication mediums and channels, to promote WA as a favourable place to live and work - particularly to interstate markets.
- To help address housing affordability, the State Government should establish more realistic and achievable infill targets and remove any barriers to their development. Coordination between State and Local governments is vital. In addition, regulations should be changed to allow for increased construction of multi dwelling units.
- A key aspect of boosting the supply of land and housing is to allow more market based decisions to be made in relation to determining block size.

The State Government should also ensure that effective buffer zones that accommodate for the expansion of industrial and commercial land are integrated into the state's planning, to avoid community conflict with businesses and poor social outcomes for residents.

- Addressing housing affordability in regional areas needs to encompass a multifaceted policy response examining all the barriers limiting land supply as well as demand side issues such as the provision of essential services. The Pilbara Cities framework may be a good blueprint in this regard.
- A range of measures should be adopted aimed at improving workforce participation among specific sectors of the community that are under-represented including allowing child care to be salary sacrificed; increasing apprenticeship placements for people with disabilities; providing mentoring programs for Aboriginal people when transitioning into the workforce or training; and providing incentives to people nearing retirement age to stay in the workforce.
- The proposal for high growth regions to be declared special economic zones with incentives to encourage development and ease skills shortages is a constructive contribution to the labour shortages debate and should be investigated further.
- Personal tax reform is critical to improving workforce participation. Key reforms should include increases to the tax free threshold, a flattening of the scales and longer term reduction of the top marginal tax rate to align with the company tax rate.
- The education and training system should focus on ensuring all participants are provided with appropriate standards of language, literacy, numeracy and general employability skills throughout all stages of the education and training pathway. Innovation and responsiveness in the WA education and training system should be encouraged by increasingly linking funding to outcomes.
- Employers should examine ways to change their organisational culture by improving the flexibility of working arrangements, and exploring innovative solutions to offer non-monetary incentives to attract and retain staff.

## 2. Reforming industrial relations

- CCI's recent policy paper, "Industrial Relations for Modern Enterprises" provides a detailed framework for reforming Federal industrial relations (this can be accessed at [http://www.cciwa.com/Discussion\\_Papers.aspx#23620](http://www.cciwa.com/Discussion_Papers.aspx#23620).) Broadly speaking though, Australia needs industrial relations reform that builds on the Fair Work legislation but incrementally shifts the focus from conflict to collaboration; "one size fits all" to an individual workplace/enterprise focus; process to productivity, innovation and flexibility outcomes; and prescriptive rules to a balance between employer and employee rights and responsibilities.

## 3. Simplifying and harmonising occupational health and safety laws

- A second stage review of the harmonised work health and safety package should be conducted to assess the need for maintaining each regulation, including its likelihood of achieving a successful outcome. This should also include an assessment of other non-regulatory initiatives that have proven track records in reducing workplace injuries. Implementation of the harmonised package should be delayed until the review is completed and the package is amended according to the review outcomes. Safe Work Australia should conduct the review.

#### 4. Cutting the regulatory burden and making it easier to deal with government

- To ensure an efficient, timely and coordinated approach to the implementation of regulatory reform, responsibility for all regulatory reform and gate-keeping matters in WA should be centralised and transferred to a single sufficiently resourced independent agency, group or taskforce.
- The independent regulatory reform entity should not be a 'toothless tiger'. A government serious about cutting the regulatory burden should give the body the necessary powers to carry out its responsibilities. Ideally, this should start by 'mapping out' the various reform agendas at both a state and national level that need to be co-ordinated – especially the COAG Nation Reform Agenda for a Seamless National Economy – with a timeline for implementation and further investigation.
- Resources should be allocated within government to design and implement an online tracking system for approvals applications across government, similar to the 'EARS' system developed for the Department of Mines and Petroleum.
- The State Government must maintain its momentum on reforming approvals processes by ensuring adequate resources are committed to continue to assess and implement the IWG recommendations. In particular, in time it will be important to establish a structure to review the success of the Phase 1 reforms. Additionally, resources should be earmarked and plans established now to carry forward the IWG Phase 2 recommendations, which require either significant change or legislative amendment for implementation.
- The WA Government should implement the Economic Audit Committee (EAC) Report recommendations to:
  - Better equip the public sector to meet workforce challenges by supporting the implementation of the Strategic Directions for the Public Sector Workforce 2009-14 at a sector and agency level;
  - Enhance public sector skills and capacity;
  - Strengthen and simplify the public sector by streamlining public sector oversight structures and removing unnecessary prescription on instruments that regulate recruitment, management, performance management, and discipline of public sector employees; and
  - Expand the range of powers devolved to accountable authorities by giving agencies greater control over administrative processes that are currently managed centrally.
- The WA Government should implement the EAC report recommendations to improve government service delivery, in particular:
  - Strengthening communications within Government to ensure clear accountability;
  - Adopting an outcomes based approach of measuring agency performance;
  - Modifying the current performance reporting regime to ensure that performance indicators are relevant with aligned outcomes; and
  - Ensuring that agencies undertake value for money audits.
- The State Government needs to emphasise to agencies the importance of implementing the process recommended by the RGU – particularly in relation to working collaboratively with industry through active consultation before additional regulation is imposed through the parliamentary process. This should also include retrospective consultation for any Bills that have lapsed through change in governments to ensure no regulations that could negatively impact on industry are imposed 'through the backdoor'.
- Given that the voluntary reform process has not improved efficiency and service delivery for ratepayers, the WA Government should consider compelling councils to amalgamate where improvements in the delivery of services for communities and savings in the cost of services can be identified.
- In the absence of any forced amalgamations, the State Government should tie funding from the Royalties for Regions program to reform, as an incentive to encourage local councils to more effectively and efficiently deliver services to taxpayers.

#### 5. Undertaking genuine tax reform

- To reduce the land tax burden on business and minimise bracket creep, the land tax thresholds should be flattened, and the Metropolitan Regional Improvement Tax (MRIT) incorporated into the land tax base.
- The WA Government should also review the land tax assessment process to ensure that the land tax bill does not rise ahead of the rate of increase in the value of the property. One option could be the application of a five year moving average, which would average out the land valuations of the most recent five years resulting in less volatile tax bills. This prevents the impacts on taxpayers of unexpected large tax increases in any one year.
- In order to improve Australia's international competitiveness and ability to attract investment from overseas, the Federal Government should benchmark the Australian company tax rate against the OECD average as part of its Budget analysis, and as a long term strategic objective it should impose a fiscal rule to seek to maintain a rate of company tax that is lower than the OECD average.
- FBT should be reformed to minimise the confusion and compliance costs imposed on business. The application of FBT to the employee, as all other income is treated, with collection from the employers in the same manner as personal income tax would go some way to minimising the confusion and excess compliance costs which are currently impacting business.



## 6. Input costs: electricity, freight and leasing

### Electricity

- Transition all regulated electricity tariffs to cost-reflective levels for each class of customer to avoid masking of price signals, inform customer behaviour and set the scene for full retail competition in electricity supply.
- To assist in transitioning to cost-reflective tariffs, the responsibility for administering, reviewing and setting maximum tariffs for the regulated electricity market should be transferred to the Economic Regulation Authority (ERA). The ERA should be given the objective of setting maximum tariffs which allow retailers to recover the full, efficient costs of providing electricity to customers to ensure that retailers can remain financially viable in the long term.
- The State Government should develop and implement a plan to allow Full Retail Contestability (FRC) in the electricity market, including the removal of the moratorium on Synergy and Alinta to allow them to offer 'dual-fuel' services to the community.
- The ERA should be given responsibility for annually reviewing the costs and benefits of the State Government continuing to own electricity businesses in a competitive electricity market. The State should withdraw from the electricity market when the ERA deems that the market is operating competitively and efficiently according to a transparent and objective framework.

### Freight

- Existing national and state land freight strategy initiatives need to facilitate cooperation across the three tiers of government to implement the strategy objectives. The strategies should also be developed and implemented with extensive industry and community consultation given that there is a multitude of freight advisory groups across Australia. If the strategies are to be effective, they will need to allow all relevant stakeholders to have a sense of ownership of it.

### Leasing

- While there is merit in some of the recommendations of the 2008 Productivity Commission report on the Market for Retail Tenancy Leases in Australia, a more fundamental reform of retail lease structures should be investigated in order to foster greater partnership between retail lessees and lessors.

## 7. Access to finance for SMEs

- The Federal Government should adopt a policy of fostering competition in the domestic banking sector – particularly in consideration of proposed mergers and acquisitions.
- Standard terms and nomenclature for banking products would improve the ability for borrowers to compare products from different providers. The Federal Government should support an initiative for industry stakeholders to work collaboratively to develop a set of standard words for financial products and their characteristics to allow small business consumers to better compare and understand products.
- The Federal Government should ensure that reporting and compliance requirements strike a fair and reasonable balance between ensuring investors have sufficient information to make an informed investment decision and the business seeking capital can reasonably provide the information deemed important. Government regulation should not constrain the growth of private enterprise in this way.

SUPPORT

**Membership Enquiries**

Phone: 1300 4 CCIWA (1300 4 22492)  
Email: [membership@cciwa.com](mailto:membership@cciwa.com)

**Employee Relations Advice Centre**

Phone: (08) 9365 7660  
Email: [advice@cciwa.com](mailto:advice@cciwa.com)

**CCI Training Services**

Phone: (08) 9365 7500  
Email: [training@cciwa.com](mailto:training@cciwa.com)

**Apprenticeships Australia**

Unit 3/4 Welcome Rd, Karratha WA 6714  
Phone: (08) 9144 2140  
Email: [apprenticeships@cciwa.com](mailto:apprenticeships@cciwa.com)  
41 Hope Valley Road, Naval Base 6165  
Phone: 08 9437 0111  
Email: [apprenticeships@cciwa.com](mailto:apprenticeships@cciwa.com)  
77a Hannan Street, Kalgoorlie WA 6430  
Phone: (08) 9091 3249  
Email: [apprenticeships@cciwa.com](mailto:apprenticeships@cciwa.com)

**Industrial Training Institute**

41 Hope Valley Road  
Naval Base WA 6165  
Phone: (08) 9437 0100  
Email: [skillscentre@cciwa.com](mailto:skillscentre@cciwa.com)

**CCI Apprenticeship Solutions**

Phone: (08) 9365 7400  
1800 224 224  
Email: [employfastqueries@cciwa.com](mailto:employfastqueries@cciwa.com)

**Business Policy**

Phone: (08) 9365 7508  
Email: [businesspolicy@cciwa.com](mailto:businesspolicy@cciwa.com)

**International Trade Services**

Phone: (08) 9365 7620  
Email: [trade@cciwa.com](mailto:trade@cciwa.com)

**Marketing and Communications**

Phone: (08) 9365 7691  
Email: [info@cciwa.com](mailto:info@cciwa.com)

**Occupational Safety and Health**

Phone: (08) 9365 7415  
Email: [osh@cciwa.com](mailto:osh@cciwa.com)

**Economics**

Phone: (08) 9365 7701  
Email: [economics@cciwa.com](mailto:economics@cciwa.com)

**Events**

Phone: (08) 9365 7500  
Email: [functions@cciwa.com](mailto:functions@cciwa.com)

**Industry Capability Network WA**

Phone: (08) 9365 7623  
Email: [icn@cciwa.com](mailto:icn@cciwa.com)

**Resources and Energy Project Services**

Phone: (08) 9365 7619  
Email: [reps@cciwa.com](mailto:reps@cciwa.com)

**External Relations**

Phone: (08) 9365 7680  
Email: [david.harrison@cciwa.com](mailto:david.harrison@cciwa.com)

**Retail Traders' Association**

Phone: (08) 9365 7695  
Email: [rta@cciwa.com](mailto:rta@cciwa.com)

**WA Small Enterprise Network**

Phone: (08) 9365 7455  
1300 4 CCIWA (1800 4 22492)  
Email: [sen@cciwa.com](mailto:sen@cciwa.com)

**Migration Services (MARN 0318589)**

Phone: (08) 9365 7521  
Email: [visas@cciwa.com](mailto:visas@cciwa.com)

**Chamber of Commerce and Industry of Western Australia**

180 Hay Street, East Perth WA 6004  
Phone: 1300 4 CCIWA (1300 4 22492)  
Fax: (08) 9365 7550  
Website: [www.cciwa.com](http://www.cciwa.com)  
Email: [info@cciwa.com](mailto:info@cciwa.com)  
CCI Business Finder Directory: [www.ccibusinessfinder.com](http://www.ccibusinessfinder.com)