

Submission: Productivity Commission Bill 2024

Submission to	Committee Secretary Governance, Energy and Finance Committee Parliament House George St Brisbane QLD 4000
On	Queensland Productivity Commission Bill 2024
By	Business Chamber Queensland
Contact	Catherine Hughes General Manager, External Affairs 0415 248 889 chughes@businesschamberqld.com.au Level 14, 300 Queen St Brisbane QLD 4000 Businesschamberqld.com.au
Date	December 9, 2024

About

Business Chamber Queensland is the state's peak business body. We represent businesses in every industry, of every size and in every region. We are the State's Chamber of Commerce and for more than 156 years, we have supported businesses to create a resilient, diversified, sustainable and competitive economy.

Our extensive business knowledge, built on decades of data and research and direct engagement with businesses, provides invaluable insight into business sentiment, expectations and conditions.

Our consistent and timely reporting of issues affecting Queensland businesses drives policy decisions. This data and these insights have formed this submission.

Introduction

We welcome the opportunity to make a submission to the Governance, Energy and Finance Committee on the Queensland Productivity Commission Bill. The Queensland Productivity Commission re-establishment is central to economic reform in Queensland.

As such, government consultation with industry and the private sector is critical during service planning and delivery and, given the importance of this body for the Queensland business community, we encourage further consultation with industry on the development and responsibilities of the Queensland Productivity Commission.

Productivity is a major concern for the Queensland business community. Our data shows Queensland businesses rank productivity as among their most significant critical concerns and highest priorities with 67.5% of businesses we surveyed this year raising concerns about the level of economic productivity in Queensland.

Nationally, productivity is in decline, with labour productivity (GDP per hours worked) either very low or contracting over the past two years. In the September quarter 2024, labour productivity contracted by 0.5 per cent for the quarter and 0.8 per cent for the year. Improving productivity is a priority for Queensland businesses, and the Queensland Productivity Commission will be ideally placed to provide advice on how to improve policy settings to maximise productivity.

It's why we support the re-establishment of the Queensland Productivity Commission with a focus on:

- Undertaking enquiries and research
- Providing independent advice to the Minister on economic and social issues, regulatory matters, or legislation having particular regard to productivity, economic growth and improving living standards in Queensland.

We recognise the significant collective power of mobilising the business community to meet aspirations for future economic opportunities like the Olympic and Paralympic Games, delivering the energy transition, creating a resilient and accessible society, and enabling economic growth and decarbonisation.

But for businesses to meet their role in enabling Queensland to reach our collective goals and targets, they must be productive. At the same time, a business-friendly environment with productivity at the forefront is centred on government efficiency.

Productivity must be at the centre of policy and investment decision making and productivity within the Queensland business community must be a government priority.

Our submission to the Governance, Energy and Finance Committee on the Queensland Productivity Commission Bill is centered on key considerations:

- The current Queensland business environment
- Genuine independence
- Public service efficiency
- The interstate and national case

It is recommended the Queensland Productivity Commission focus on:

1. Delivering the public service efficiently and effectively
2. Cost of doing business
3. Regulatory burden and compliance
4. Workforce productivity
5. Driving productivity through business innovation and resilience

It is critical government actively reduce restraints and barriers to business and supports access to, and participation in, future economic opportunities.

With a dedicated focus on productivity, the Queensland Government can foster a business environment that is not only the strongest in Australia but also highly competitive globally.

The Productivity Commission must drive policies and outcomes that stimulate economic growth and enable the private sector.

A thriving business environment benefits us all and will create better jobs, stronger communities and encourage Queensland businesses to invest and employ, ultimately strengthening the economy.

The current Queensland business environment

Business Chamber Queensland has decades of unparalleled business sentiment, conditions and expectations data.

Our Pulse data, which has been ongoing for 30 years, is considered among the most comprehensive, trusted and established sources of business insight.

It's combined with our extensive research and data collected through our Future of Work and Digital Future of Work Reports, Advancing Business Sustainability Report, Efficient Regulation Report, and research into insurance accessibility and affordability, disaster recovery, and Queensland Beyond 2032.

This data and research show businesses are facing a series of micro- and macro-economic challenges, some at record levels.

We're seeing the longest sustained period of low business confidence in the past 30 years.

While confidence and conditions were weaker during the beginning of the GFC and the peak of COVID, both recovered faster than the current trend. Businesses are facing record high operating and labour costs, a restrictive regulatory and workforce environment, a tight labour market and weak consumer spend.

Prevailing day-to-day business pressures compound on equally persistent macroeconomic challenges to create a tough business environment in Queensland.

The result is businesses are working harder and not seeing the productivity or profitability gains to match.

Meaningful policy reform must enable businesses relief from compounding pressures and opportunities to participate in and benefit from economic investment.

Queensland businesses are in a unique position to take advantage of forward economic opportunities, with the 2032 Olympic and Paralympic Games, increased global demand for Queensland-made goods, the energy transition and major infrastructure and construction projects presenting significant opportunity for private sector involvement and benefit.

Businesses see major public investment in these projects as an opportunity for a proportion of the work to come from local businesses.

These investments are also an opportunity for meaningful policy reform, to allow businesses to participate and benefit in the wider domestic and global economy in the immediate and long term.

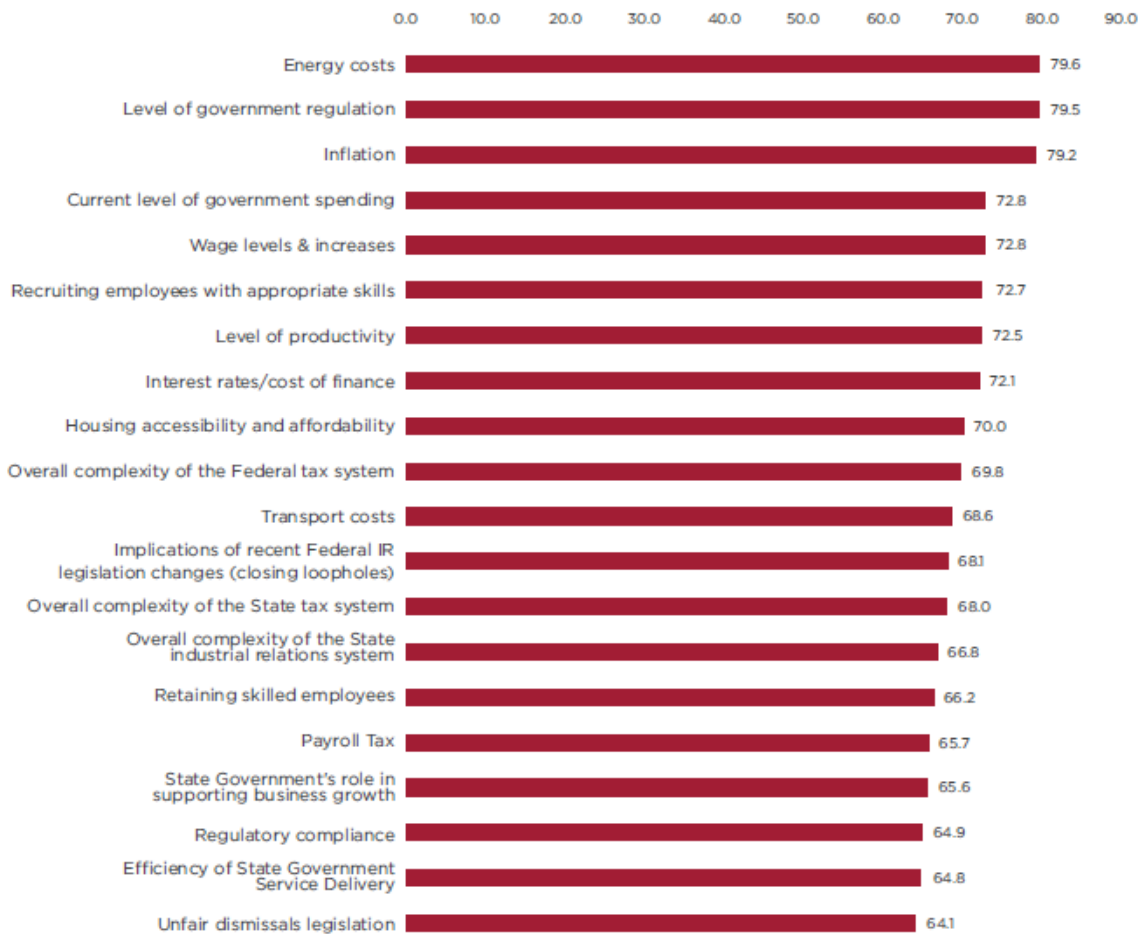
Ranking business issues

In 2024 we asked Queensland businesses to rank their highest priorities.

Businesses ranked these issues on a scale of zero to 100. An index of more than 65 represents a critical business concern. The top 20 issues businesses identified were ranked very closely, with 17 issues representing a critical concern for Queensland businesses.

Productivity is a top critical concern for business

Ranking of concerns by issue
(where an index score of 0 is no concern and 100 is critical concern)



Genuine independence

To achieve the objectives and bring about genuine reform, it is critical the Queensland Productivity Commissioner has independent insight into the Queensland business environment and economy, to drive genuinely independent research and advice.

Effective and genuine industry consultation

This must be supported with equally genuine consultation with the state's business community and industry. Business knows business best and it is essential the Commissioner engages directly with industry. It is

also essential processes are established to move past superficial engagement and genuinely partner with industry to achieve true productivity and economic outcomes. Government must work beyond government to achieve these outcomes.

In re-establishing the Queensland Productivity Commission, it will be important for the government to respect and encourage the independence of the Commission. Optimum policy recommendations are most likely to arise when the Commission is empowered to conduct deep analyses and make thoughtful recommendations.

Timely responses from government

The Queensland Government will need to respond to the Commission's work in a timely and meaningful way. It is important the government consider research and respond to recommendations. For example, in the case of the Commonwealth Productivity Commission, some important reports languish with government inattention, resulting in a lost opportunities to lift productivity and grow the economy. It is essential this does not happen in Queensland as there must not be a delay in resorting to restore productivity in our state.

Effective resourcing

Ensuring the new Queensland Productivity Commission is effective will also mean providing a level of resourcing that allows credible policy investigation and analysis. This can be achieved by identifying inefficiencies and duplication across various existing parts of the government and consolidating these efforts.

Public service efficiency

Single point of accountability

Queensland has many Commissioners focused on business, economic and supply chain outcomes. For example, just this year three new Commissioners were added, bringing the total number to 29 with supporting offices. In order to achieve efficiency and effective outcomes, it is strongly recommended the Productivity Commissioner takes the lead role in driving economic and business outcomes for Queensland, and the Productivity Commission is the primary source of research and advice to the Minister, making the Commission the key area of accountability.

Service delivery efficiency

The Queensland Government spends significant amounts on the delivery of services such as healthcare, education and public transport. These are non-market sectors where traditionally it has been difficult to achieve productivity improvements. The new Commission can play a useful role in advising the government on opportunities to improve the effectiveness of the delivery of these services, potentially utilising private sector efficiencies, to lift the productivity of these challenging sectors.

Business friendly government

A business-friendly environment with productivity at the forefront requires government efficiency. Streamlining bureaucratic processes is critical to reduce the administrative burden on businesses and foster a more agile, business-friendly environment to enhance productivity. Business Chamber Queensland research shows 71.5% of businesses surveyed said the government should support a regulatory reform review, facilitated by an independent business body. More than 77% had a major or critical concern about

government regulation. With a commitment to genuine independence the Queensland Productivity Commission can prioritise streamlining regulation and bureaucratic process to drive a more business-friendly government.

The interstate and national case

Collectively, the national Chamber of Commerce network previously welcomed the New South Wales, South Australia, and Commonwealth Productivity Commissioners as a positive addition to economic and business policy development. Queensland can look to the interstate and national cases in establishing the Queensland Productivity Commission.

The Productivity Commission at a federal level provides essential independent research on key public policy issues to achieve a productive and efficient economy, and we believe a Queensland Productivity Commission could provide the same vital service with a Queensland focus.

At the federal level, the Productivity Commission has been welcomed to drive economic reform with a deeper analysis of policy and a conscious focus on producing productive policy solutions.

Considering the Queensland Commission is expected to be smaller than the Federal, based on a similar analysis of the NSW Productivity Commission, it is recommended the Queensland Commission has a laser focus on priorities:

- Delivering the public service in the most efficient way
- Cost of doing business
- Regulatory burden and compliance
- Workforce productivity
- Driving productivity through business innovation and resilience

Key priorities

Delivering the public service efficiently and effectively

Long term integrated policy planning

Creating a supportive business environment through long-term integrated policy planning is critical for attracting investment, fostering innovation, and driving economic growth.

Recommendation:

- The Productivity Commission must focus on providing long-term planning certainty, and driving policies that support a thriving business community. This includes stable tax policies, consistent regulatory frameworks, and clear infrastructure development plans.

On time payments

Cash is king for any business, but especially small business. When payments are not made on time, it can dramatically impact cashflow. Timely payments are essential for businesses to meet their financial obligations, avoid debt, and maintain operations smoothly. We acknowledge the Queensland Government's

commitment to on-time payments and faster payments and encourage the Productivity Commission to support this commitment.

Recommendation:

- The Productivity Commission must work to extend the on-time payment policy to include all businesses and introduce penalty interest on unpaid invoices.

Cost of doing business

Record high costs

Businesses are experiencing record high operating costs. The issue of escalating operating and wages costs has been consistently represented in our engagements with the business community across the state. Key cost pressures are energy and insurance.

Recommendation:

- Relieving the impact of high operating costs must be a priority for the Productivity Commission. Productive businesses must be financially viable but increasing costs mean some businesses are forced to scale back or close.

Tax reform

A competitive tax system is essential for Queensland to attract and retain businesses, especially in an increasingly globalised economy. The current tax framework must be reformed to reduce the burden on businesses and improve Queensland's attractiveness as a business destination.

State taxes in Queensland are complex and onerous, and these tax settings are hindering business' ability to operate efficiently.

Recommendation:

- The Queensland Productivity Commission will be well -placed to review the settings and administration of state taxes such as payroll tax and stamp duties on housing and insurance, to advise on ways to more efficiently set these taxes and minimise the burden on business.

Regulatory burden and compliance

Financial and time cost of regulatory burden

Businesses in every industry, of every size and in every region say inefficient regulation stifles business growth, innovation, and competitiveness. Our Efficient Regulation Report shows the median cost of complying with inefficient government regulation doubled in two years to \$50,000. Businesses are on average employing a full-time employee to manage regulation.

It is essential to reduce the regulatory burden and ensure regulations are streamlined, efficient, and supportive of business needs. We acknowledge the Queensland Government's commitment to dedicated customer service teams and small business concierge and encourage the Productivity Commission to

further drive outcomes of a business-friendly government, specifically on measures to directly reduce the impact of regulatory burden.

The Queensland Government has a major role in the delivery and maintenance of infrastructure and public utilities. The announcement that the first order of business for the new Queensland Productivity Commission will be to undertake a comprehensive review of the construction sector, is positive.

In the particular case of the construction sector, costs and regulations are stifling productivity and growth. Costs have increased in the construction sectors over the past two years due to rapidly rising labour and material costs. In addition, onerous and extensive planning and environmental approval processes, industrial relations disputes and the lack of available skilled labour have contributed to significant delays and considerable cost overruns on major new infrastructure projects. The Productivity Commission will be well placed to provide the Queensland Government with vital research and advice on options to remove regulatory constraints, improve efficiency and reduce costs in the sector.

Further, with a severe housing shortage and housing construction currently at the bottom of its cycle, the Productivity Commission will be well placed to advise of way to lift constraints and remove barriers to new home building, and to raise housing completion rates back in line with the government's targets. This is critical as our data shows housing is no longer only a social issue but an economic issue, which limits business' capacity to employ and the economic and social benefits of workforce mobility.

Recommendation:

- The Productivity Commission must actively work to address the regulatory burden on Queensland businesses.

Workforce productivity

Workforce constraints

Businesses need assistance in navigating and managing an increasingly complex regulatory and legislative environment, particularly in relation to Human Resources (HR) and Industrial Relations (IR) laws. When many businesses, particularly small and medium, are already struggling with weak business conditions and the significant time and financial costs to comply with existing regulations, support to manage workforces is critical. It is essential Queensland business needs are at the forefront of any legislative and regulatory changes that may impact their day-to-day operations and potentially harm productivity through growing costs and complexities.

Recommendations:

- The Queensland Productivity Commission should recommend a dedicated Queensland-Federal Government Industry Consultation Taskforce to enhance collaboration and mitigate the impact of industrial relations reforms on local employers.
- Remove regulatory duplication between State and Federal IR laws to reduce complexity and overlap.
- Recommend investments in direct support methods to ensure Queensland businesses can understand and manage changing HR and IR laws.

Driving productivity through business innovation and resilience

Digital and connectivity

Digitisation fuels business growth in Queensland, yet digital connectivity is inadequate. Regional businesses struggle due to limited high-speed internet access, hindering their participation in broader markets. Support programs are necessary to enhance business' digital capabilities.

Without this, Queensland risks lagging in the digital economy. Addressing these issues through comprehensive strategies is imperative for fostering economic resilience and ensuring equitable participation in the digital age.

Recommendations:

- Recommend priorities for investment in high-speed internet and digital infrastructure across the state to improve connectivity and enhance digital opportunities.
- The Commission can work with industry experts to prioritise relevant and work-ready programs in cybersecurity, artificial intelligence, and digital strategy to support businesses in developing digital skills.

Innovation

Business tells us they are working harder than ever but not seeing the productivity outcomes to match. High costs, restrictive workforce and regulatory environments, weak consumer confidence and weak profitability compound to put pressure on productivity. Overall it's taking businesses more to do less. More than two-thirds of respondents to our Business Election Survey told us they're concerned about economic productivity. Productive businesses that are supported and incentivised to innovate will position Queensland as a global leader in key industries and be sustainable, competitive and viable long-term.

Recommendations:

- The Queensland Productivity Commission can recommend to establish or expand innovation hubs across Queensland, focusing on key sectors where the state can become a global leader.
- Drive economic policies that actively support business growth, such as grants for innovation, subsidies for workforce training, and incentives for expanding into new markets.
- Ensure monitoring and evaluation to measure impact and effectiveness of policies on business success.

Resilient business

Business resilience encompasses more than just financial security and disaster preparedness but extends to sustainable enterprises capable of adaptation and growth, particularly in their capacity to engage in modern supply chains, demonstrating their ability to report on mandatory reporting requirements. Embracing sustainable practices not only fortifies businesses but also benefits the broader community, enabling agility in the face of unforeseeable events and proactive adaptation to global market shifts.

Recommendation:

- The Queensland Productivity Commission can have a role in driving support for business sustainability in Queensland, with a focus on resilience, efficiency and long-term economy-wide benefits, allowing business to be competitive and viable in the immediate and long-term.

Summary

Business Chamber Queensland is supportive of the reestablishment of the Queensland Productivity Commission to research and advise on economic and social issues, regulatory matters, or legislation having particular regard to productivity, economic growth and improving living standards in Queensland.

Using extensive business insight and data, combined with the interstate and national Productivity Commission cases and the current Queensland business environment we're calling for the Productivity Commission to have genuine independence and drive public service efficiency.

We strongly recommend the Queensland Productivity Commission focus on:

1. Delivering the public service efficiently and effectively
2. Cost of doing business
3. Regulatory burden and compliance
4. Workforce productivity
5. Driving productivity through business innovation and resilience

With a dedicated focus on productivity, the Queensland Government can foster a business environment that is not only the strongest in Australia but also highly competitive globally.

The Productivity Commission must drive policies and outcomes that stimulate economic growth and enable the private sector.