



The Australian Industry Group
202 Boundary Street
Spring Hill QLD 4004
PO Box 128
Spring Hill QLD 4004
Australia
ABN 76 369 958 788

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Queensland Small Business Strategy

Department of Employment, Small Business and Training

PO Box 15033

City East

Brisbane QLD 4002

desbt.qld.gov.au/smallbizstrategy

QUEENSLAND SMALL BUSINESS STRATEGY DISCUSSION PAPER – NOVEMBER 2019

The Australian Industry Group (Ai Group) welcomes the opportunity to provide feedback to the Queensland Small Business Strategy Discussion Paper, November 2019.

We also commend the State Government's commitment to supporting small businesses and its proposal to develop a new small business strategy to drive economic and employment growth across Queensland.

A major factor affecting the wellbeing of our small business sector is a favourable business environment. This means that it is critical for the Queensland Government to be strongly focused on ensuring that economic opportunities are maximised with a firm commitment to, and the timely implementation of policies that build competitiveness. A strong, growing and competitive state also underpins broader community benefits for Queensland through more and better jobs and through expanded opportunities for the state and for Queenslanders.

In fostering a healthy small business sector there are a range of specific areas where the State Government can take direct action and play a leadership role to facilitate and support efforts to encourage a climate for small business growth and success. These include:

- **Continue to support innovation and industry development** through sound programs and incentives that are critical to stimulating economic growth across the State;
- **Revitalise regional communities and economies** and ensure their long-term sustainability by adopting a comprehensive and pro-active regional planning approach. We look to the Cities Deal for South East Queensland as providing a foundation for further assessing its applicability to other regions of Queensland;
- **Ensure a more urgent focus on building capacity by investing in skills.** This includes increasing investment in the development of key skills for Queensland's transforming economy; providing incentives for industry, focussing on SME's, to assist with workforce planning and re-skilling; addressing declining investment in VET in cooperation with the

Commonwealth; developing measures designed to increase the level of participation in apprenticeships/traineeships; implementing measures to increase the level of STEM participation in the VET sector; increasing investment in programs that equip students with the right skills that enable them to more fully participate in the workforce;

- **Lower business costs by reducing taxes and charges that hinder or discourage small businesses from growing and distort or reduce economic activity** and ensuring that **taxes and charges levied are efficiently designed** and contribute to the international competitiveness of the state's private sector;
- **Drive best practice in regulatory design and implementation** with a continued focus on reducing the cost burdens imposed on business and the community by inefficient, outdated and anticompetitive regulations and by giving greater emphasis to ongoing improvements in regulatory practice;
- **Ensure high accountability through disciplined financial management.** The Government needs to pay close attention to the level and balance of the State's assets and liabilities and ensure growth in general government expenses are contained. This is not inconsistent with the need to continue to implement policies supportive of economic growth– it does imply however, that expenditures should be carefully targeted to achieve high growth, competitive outcomes. A failure to control expenditure would threaten the sustainability of public finances over the longer term and potentially damage the economy's competitiveness should there be a resort to higher taxes and charges;
- **Continue to make inroads in addressing Queensland's infrastructure short-fall.** This is critical in building Queensland's productive capacity, reducing the costs of doing business, improving livability for all Queensland communities and addressing the social needs of the state's growing population; and
- **Provide a voice for small business** by giving consideration to expanding the role of the Small Business Champion to include dispute resolution.

Drawing on our most recent policy submissions to the Queensland Government, Ai Group's specific policies and priorities in support of small business growth and which address issues raised in the Discussion Paper, are set out as follows:

1. Giving small business the tools and support to grow

Ai Group acknowledges and appreciates business support measures introduced by the Queensland Government in recent years including the Advance Queensland Acceleration package, the Biofutures Roadmap and Action Plan and the Platform Technology Program. This is consistent with other business assistance initiatives such as the Advanced Manufacturing Roadmap and Action Plan designed to position Queensland as a leader in advanced manufacturing technologies products, systems and services and the Made in Queensland Manufacturing Program aimed at protecting traditional manufacturing jobs and lifting international competitiveness.

We call upon the state Government to continue to support industry, innovation and economic development by maintaining a strong commitment to these and other key initiatives directed at achieving business growth and competitiveness. This includes further raising the profile of innovation and extending efforts to build collaborative links between researchers and industry. Importantly, the government needs to ensure that opportunities for collaboration are open and accessible, not only to larger enterprises, but also small to medium enterprises (SMEs) with an emphasis placed on the generation of commercial outcomes.

We also highlight the opportunities for further support to small businesses and start-ups through the following initiatives:

- The introduction of an **innovation ‘Start-Up’ program** for those businesses with no prior experience in R&D, but with an interest in starting an R&D project. These businesses often find it difficult to compete with larger and more experienced businesses for government funding which acts as a barrier to involvement. Under such a program, grants could be provided to companies (on a competitive basis) on a matching dollar for dollar basis, and be used for a broad range of purposes such as purchasing specialist equipment to undertake proposed R&D, to engage a consultant to assist in R&D activity, to employ a scientist or engineer to undertake R&D, or to engage the expertise of a university, CSIRO or another research centre;
- **Assisting SMEs to develop design led innovation capabilities** has the strong potential to increase the speed of innovation along with lifting competitiveness within the small business sector. SMEs can face difficulties in acquiring the skills and capabilities to assist them with identifying niche opportunities, developing ways to exploit them and become more innovative. It would also assist in driving upgrades in technical, design, cost and quality capabilities to meet customers’ supply needs;
- **Consider the use of initial tax relief for start-ups and new businesses**, as well as regionally-based incentives to support growth in designated areas, or assistance and incentives to set up new businesses. This could include exploring new lower cost industry approaches to regulation in special economic zones or regions that require a development boost, drawing on best practice models internationally;
- **Funding assistance for businesses in developing a path for the adoption Industry 4.0 type capabilities** to exploit the benefits of digital manufacturing and digital connectivity in general including better integrated supply chains based on stronger connectivity and data flows. SMEs, in particular, are often constrained in their growth by a lack of information, technology capability and access to finance. Ai Group therefore recommends the establishment of a State based program targeted to assist small and medium sized businesses in the adoption of Industry 4.0 type capabilities. Funding could be directed to companies on a dollar for dollar basis up to a maximum \$50,000 with benefits leveraged across industries by highlighting success stories and lessons from participating businesses.

- Take a more active role in the establishment of **technology demonstration projects** which offer significant benefits in enabling small businesses to access and trial new technologies and new materials on a demonstration basis;
- Support the development of a **database that provides details of the capabilities, facilities and technologies located in research centres and universities in Queensland** that can be accessed by all businesses for product development purposes and;
- **Work with industry associations to facilitate the development and access to education and training initiatives** relevant to small businesses with a focus on financial management, strategic planning, marketing and operational improvement techniques.

The availability of capital remains a limiting factor for the small business sector. A lack of information, and high search and transaction costs make it difficult for small businesses to locate equity and credit to finance investment. In addition, the venture and development capital industry in Australia is relatively small and underdeveloped. To maintain an innovative and competitive small business sector, the financial market must offer a wide range of accessible financial products for small businesses. The Australian Industry Group therefore strongly supports Queensland Government's initiatives such as the Business Development Fund and the Biofutures Industry Development Fund. We would recommend continued support for these programs and a continuing focus in addressing gaps in the venture capital market.

2. Making it simple and Easy to Do Business: Regulatory Reform

The Queensland Government has correctly recognised that the burden of "red tape" is a concern for many small businesses and has taken specific action to support small businesses by establishing the Better Regulation Taskforce. We welcome the Government's progress made against the former RTRAC's 14 priority recommendations under the broad themes of reducing regulatory creep; improving regulator engagement; and improving regulatory processes. Of further importance is the progress underway in the development of a revised regulatory framework based on the best practice principles recommended by the Queensland Productivity Commission and the Business Impact Statement Tool which will guide Government on the impacts of proposed regulations. We look forward to continued momentum for reform in these areas.

The State Government should also consider the implementation of the following initiatives:

- **Further advancing flexibility across regulatory measures**, including consideration of earned autonomy in regulation for high compliance performers and negotiated rule making based on a process of consensus building (between industry and regulatory agencies) for draft regulations;
- In recognition of cash-flow difficulties faced by many SMEs, we recommend that businesses are **given the option of paying taxes, premiums and charges on an instalment basis where practicable**;
- Achieve improved regulatory outcomes for business and the community by **investing in gaining a better understanding of markets being regulated**. One recommended approach

is the development of an effective research and market sensing mechanism to facilitate real time feedback on how Government policy is working on the ground. This would be particularly beneficial in areas including skills, environment, safety and workplace health and procurement;

- **Develop and review regulatory instruments in concert with other state and territory governments** to achieve genuine harmonisation of state-based laws (or centralisation of laws to the Federal level) particularly where the actors regulated operate or are managed across state borders; and
- Establish an **on-line platform that details all local government regulatory instruments, procedures and costs**. This would provide all businesses and regulators with a highly visible comparison of the cost of doing business across local government jurisdictions.

Support for SMEs in Government procurement is also important. SMEs can accrue a range of benefits from Government contracts such as jobs creation, the development of new technologies and products and skills development. For a small business that is required to learn all aspects of doing business with Government, there can be considerable costs in time, advice and learning. SMEs bidding for contracts for the first time will therefore find a cost disadvantage in doing business with the Government. For this reason, SMEs need initial support in Government purchasing processes.

Industry groups could be better used to help communicate the availability of government work and inform members of any opportunity to form clusters to tender for larger work programs. This needs to be done with sufficient notice for businesses to do the necessary research.

To further make it simpler for the small business sector to secure Government contracts, we would recommend consideration of the following measures:

- **A review all procurement contracts and adopt the use of standardised contracts where practical.** Complex contract conditions and overly prescriptive tender specifications can make it difficult for local industry to compete for Government work, particularly SMEs and new entrants. For mainstream contracting, standardised templates and Requests for Tenders (RFT's) need to be simpler and more easily understood by industry. This could involve adopting a common form of contract encapsulating general terms and conditions for all Queensland departments, agencies and service providers.
- **A focus on improving the ability of small businesses to access "clustering"**. The size of government contracts often requires a large corporation or a consortium of corporations to handle the scale of work. There needs to be better mechanisms for small business to access "clustering" that might allow businesses to jointly bid on projects and improve the competitiveness of the local manufacturers against large overseas businesses that can offer a "one-shop" solution and greater capacity to deliver on major projects.

3. Creating Sustainable Jobs in Regional Queensland

Given the critical role of the regions in driving state economic growth and the need to ensure their long-term sustainability, a comprehensive and pro-active planning approach to revitalising regional

communities and economies is needed. In addressing the challenges faced by small businesses in regional areas, key priorities include:

- **Actively target regional infrastructure** – including modes of fast transport, telecommunications, education and training, and business innovation systems to improve livability for all Queensland regional communities and encourage growth in business activity into the regions;
- **Maintain a comprehensive and pro-active planning approach to revitalising regional communities and economies.** In this regard, we welcome the Queensland Government's initiative in pursuing a national Cities Deal for South-East Queensland (SEQ) - bringing together the three levels of government and the community to help align infrastructure planning strategies for the region over the long term. This approach provides the opportunity to move beyond the political cycle to deliver jobs, economic growth and the creation of productive and livable cities. We look to the Cities Deal for SEQ as providing a foundation for further assessment of its applicability to other regions of Queensland;
- **Provide increased support for cluster initiative programs** that direct financial and other assistance to individual cluster initiatives. The Victorian Regional Manufacturing Clusters (VRMC) is an important initiative that is proving to be highly successful in addressing issues constraining regional industry growth and we strongly recommend that consideration be given to its implementation in Queensland. The VRMC is a Victorian Government initiative delivered by Ai Group, to support regional manufacturers to invest in innovation, develop capability and grow. It is run across two programs, the Collaborative Business Improvement Program (CBC) and the Innovation Culture (IC) Program. The CBC is a 2-year tailored program to drive continuous improvement and solve some of your most pressing barriers to growth. The focus is on tangible actions, peer learning, collaboration and quantifiable outcomes. The IC program is tailored to foster and nurture innovative, organisation wide business culture that values and embraces innovation from all employees and harnesses the untapped ability of employees to bring improvement across the whole of the business through workshops, coaching and peer-learning sessions. The focus is on tangible actions, peer learning, collaboration and quantifiable outcomes. Ai Group has built a strong track record in supporting industry innovation and business improvement and would welcome the opportunity to work with the State Government to further develop this type of initiative in Queensland;
- Address the need for **increased investment in VET** in cooperation with the Commonwealth to ensure the sector is funded to **meet emerging vocational skill needs of regional based businesses**; and
- **Ensure regional skills plans** are progressed and directed at meeting the state's various supply needs over the next decade and beyond, exploring a wide range of options for encouraging individuals and businesses to invest in those skills.

4. Giving Small Business a Voice

Ai Group supports the Queensland Government's approach to ensuring that small business has a voice at all levels of government and commends the approach taken to date. Ai Group will continue to be an active member of the Queensland Small Business Advisory Council. However, we would recommend that the Government consider expanding the Small Business Champion role to include dispute resolution services for small business. This could include changing the Champion role to a Small Business Commissioner, which would be consistent with other states.

We would welcome the opportunity of discussing these points further with you.

Yours sincerely,

Rebecca Andrews

Head – Queensland
Australian Industry Group