

Dear Committee

The Chamber of Commerce and Industry Queensland (CCIQ) is pleased to provide a submission to the Inquiry on Australia's Innovation System. Accordingly please find attached CCIQ's "Fostering the right environment to encourage and reward Queensland Small and Medium business innovation".

In summary harnessing new ideas is crucial to lifting Queensland's productivity, economic growth, living standards and competitiveness of our economy.

CCIQ recognises the crucial importance that innovation can potentially have as a source of competitive advantage for Queensland businesses. This is especially important in the context of growing competition from globalised markets, low labour cost nations and a high Australian dollar. Accordingly greater business innovation is a critical component in supporting long-term economic growth of our State.

Australia needs to have the right innovation settings and environment in place to ensure that creative people and businesses in our State and Country are allowed to thrive and create value from new ways of doing things.

CCIQ believes a paradigm shift is necessary in the way we develop our approach to innovation. Queensland and Australia must shift away from an approach that is dominated by government programs toward a systematic and incentives-driven approach to innovation.

Innovation flourishes when people and organisations have the skills and abilities and when they operate in an environment that provides them with an incentive to innovate. More specifically successful innovation requires:

- Competitive business operating environment conducive to Innovation
- Remove Regulation that is a barrier to innovation
- Foster a corporate innovation culture
- Greater collaboration internationally, with academia and amongst business
- Workforce skills for innovation - an education system that underpins an innovation culture and promotes linkages between the research and industry sectors
- Government Led Expertise including a strong and reliable system for the protection of intellectual property rights
- Improved availability of finance
- Enabling physical infrastructure

The role of the Queensland Government should be to improve the incentives for Queensland businesses to undertake productivity-enhancing innovations through removing obstacles to the undertaking such innovation. There is a significant need to build capacity in Queensland companies to normalise innovation as part of everyday business strategy in order to drive vitally needed productivity and competitiveness.

More specifically key elements of an innovation policy are:

- a Government vision of the nature and importance of innovation;
- implemented as part of a whole of government approach;
- recognition of special needs of small and medium enterprises;
- emphasising cooperative and collaborative approaches;

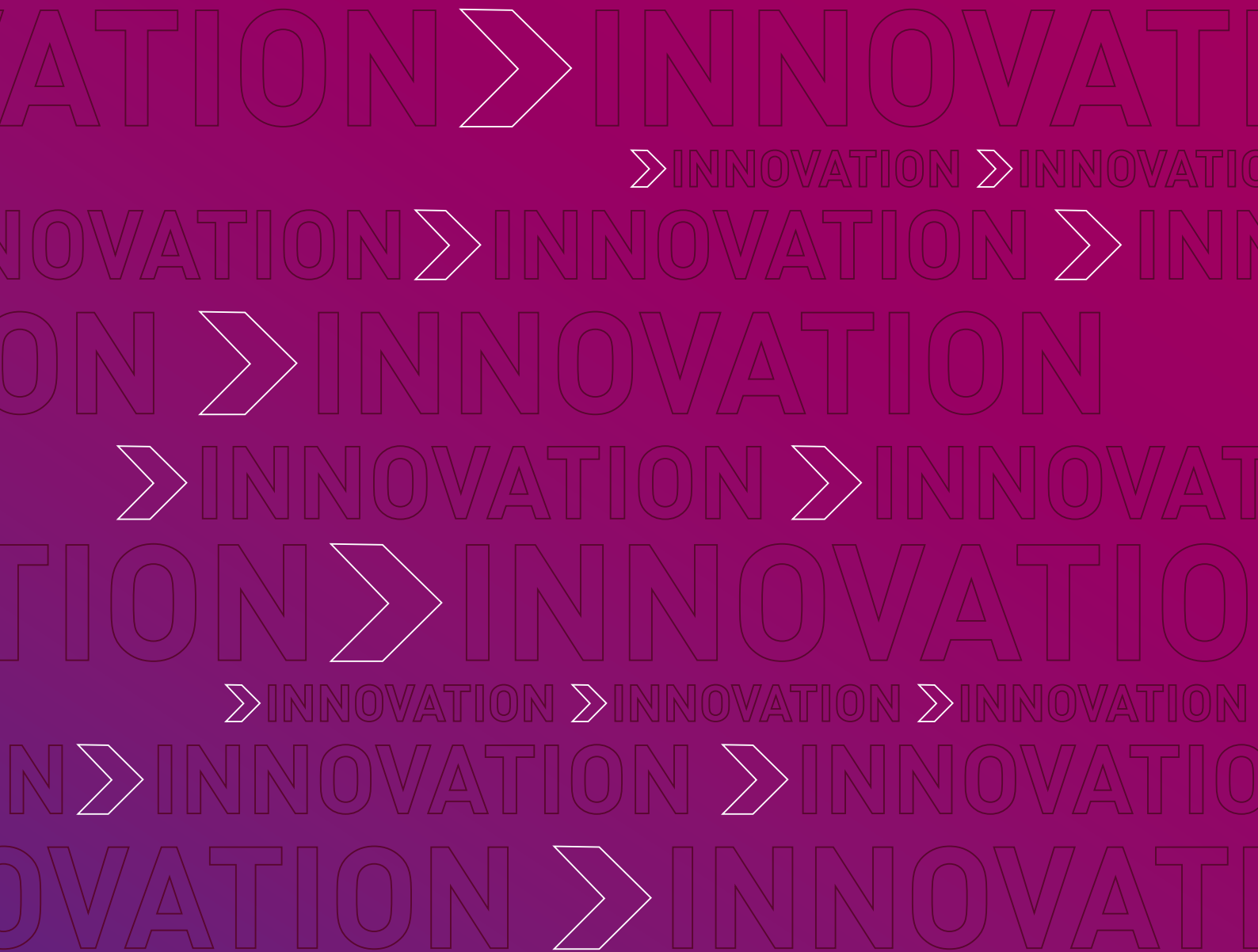
A systematic and coordinated innovation policy which identifies and advances the appropriate roles of the private and public sectors would represent a major contribution to Queensland's economic future.

Yours sincerely

Nick Behrens General Manager - Advocacy

Chamber of Commerce & Industry Queensland

FOSTERING THE RIGHT
ENVIRONMENT TO
ENCOURAGE AND
REWARD QUEENSLAND
SMALL AND MEDIUM
BUSINESS INNOVATION



CCIQ STANDS FOR POLICIES THAT FOSTER AND REWARD INNOVATION

The Chamber of Commerce and Industry Queensland (CCIQ) recognises the crucial importance that innovation can potentially have as a source of competitive advantage for Queensland small and medium businesses. Innovation is essential to lifting Queensland's productivity, long term economic growth, living standards and the competitiveness of our economy.

Accordingly, Queensland needs to have the right innovation settings and environment in place to ensure that small businesses in our State are allowed to thrive and create value from new ways of doing things. This is especially important in the context of growing competition from globalised markets, low labour cost nations and a high Australian dollar.

Whilst innovation is a widely used term, it is not widely understood, particularly by small businesses. In order to further explore innovation in Queensland small and medium businesses, CCIQ undertook a survey in October 2013 to determine who is innovating, what drives innovation and the barriers that are preventing greater levels of business innovation. CCIQ's Innovation report outlines the findings of this survey and provides recommendations that highlight the need for a paradigm shift in the way we foster and encourage innovation in Queensland.

"We have changed our thinking to meet individual client needs"
– Property/business services (including ICT) business, Central Coast

"Our business is breaking traditional business models to find innovative and better methodologies" – Wholesale business, Brisbane

"It is important to listen to clients and what they want, and implement changes quickly" – Health and community services business, Gold Coast

WHAT IS INNOVATION?

Innovation can be defined as renewing, changing or creating more effective processes, products or ways of doing things. For businesses, this includes applying new ideas to products, processes, services, organisation management or marketing. Innovation can be seen in a variety of forms, from a major breakthrough such as creating and bringing a new product or service to the market, or a series of smaller innovations such as finding better or more efficient ways of working and becoming more profitable. Invention of products and processes on its own is not innovation; it only becomes innovation when it yields market value.

Subsequently, innovation is a much broader notion than R&D and is influenced by a wide range of factors, including economic conditions and government policy settings and regulation. The OECD has estimated that innovation accounts for 50 per cent of long term economic growth in advanced industrial countries. It is clear that innovation is the foundation for economic and community prosperity in Queensland.

THE QUEENSLAND PLAN FOCUSES ON INNOVATION

During 2013, the Queensland Government has been undertaking a broad consultation process to develop The Queensland Plan; a shared vision for Queensland for the next 30 years. Following consultation with around 78,000 Queenslanders, several broad themes and priorities have arisen. One of these broad themes is the importance of innovation to ensuring a resilient future for our state.

Queenslanders believe it is important for the future of Queensland to embrace innovation and knowledge, invest in R&D, proactively source and implement world's best practices across industry and government and take a lead role in developing sustainable energy and business practices. Establishing Queensland as a futuristic State open to innovation and growth will attract and retain the brightest minds and ideas, and ensure businesses survive and remain competitive in a global market. It will also be important to attract and support leading edge entrepreneurs and innovative businesses to inject new ideas and provide opportunities for Queenslanders. Improving infrastructure to allow for inventive research, as well as enhancing facilities

and the standard of living was also seen as essential to fostering bright ideas and innovation.

Due to the importance placed on innovation, it is not surprising that four of the top ten priorities areas emerging from The Queensland Plan consultation process relate to innovation:

- Queensland being recognised as internationally competitive with an increase in exports/business;
- Regions being attractive to study, work and live for bright minds and trained professionals;
- Investment and research into innovation in Queensland's areas of strength;
- Centres of excellence attracting human capital and driving innovation.

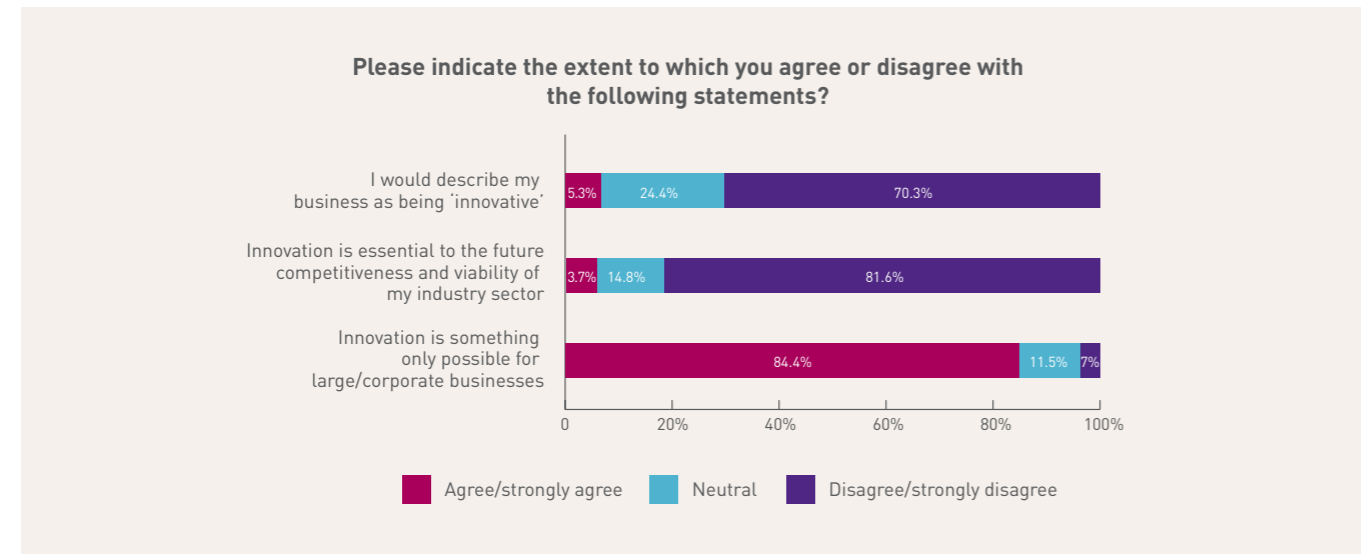
This process has further highlighted the importance of focusing on driving and rewarding innovation in Queensland businesses.

"We are constantly updating our equipment in line with customer needs"
– Manufacturing business, South West Queensland

"As I have recently commenced my company, I am trying to implement streamlined and innovative practices at the start so that I develop into a world class company"
– Property/business services (including ICT) business, Central Queensland

INNOVATION IN QUEENSLAND BUSINESSES

Alarming, 70 per cent of Queensland businesses do not necessarily see themselves as being innovative, questionably believing that it is something for larger or corporate businesses or that it will not contribute to their competitiveness or viability. Furthermore, 42.5 per cent of businesses believed that innovation is less important than other business issues such as taxation, infrastructure and red tape.



Source: CCIQ Innovation Survey, October 2013

Yet the evidence indicates that despite businesses not believing themselves to be innovative in many areas, they are actually engaging in innovative activities. This further clarifies CCIQ's view that many businesses do not understand what innovation entails and how it can improve their competitiveness and ultimately their bottom line.

CCIQ has identified three tiers of business innovation in Queensland, reflecting differing levels of risk and investment required by participating businesses:

- Tier 3: Lower level of investment with a high likelihood of successful outcomes;
- Tier 2: Moderate level of investment and resource allocation, and a moderate level of risk associated with achieving positive business outcomes; and
- Tier 1: Higher level of investment and resource allocation, and a higher level of risk associated with achieving positive business outcomes.

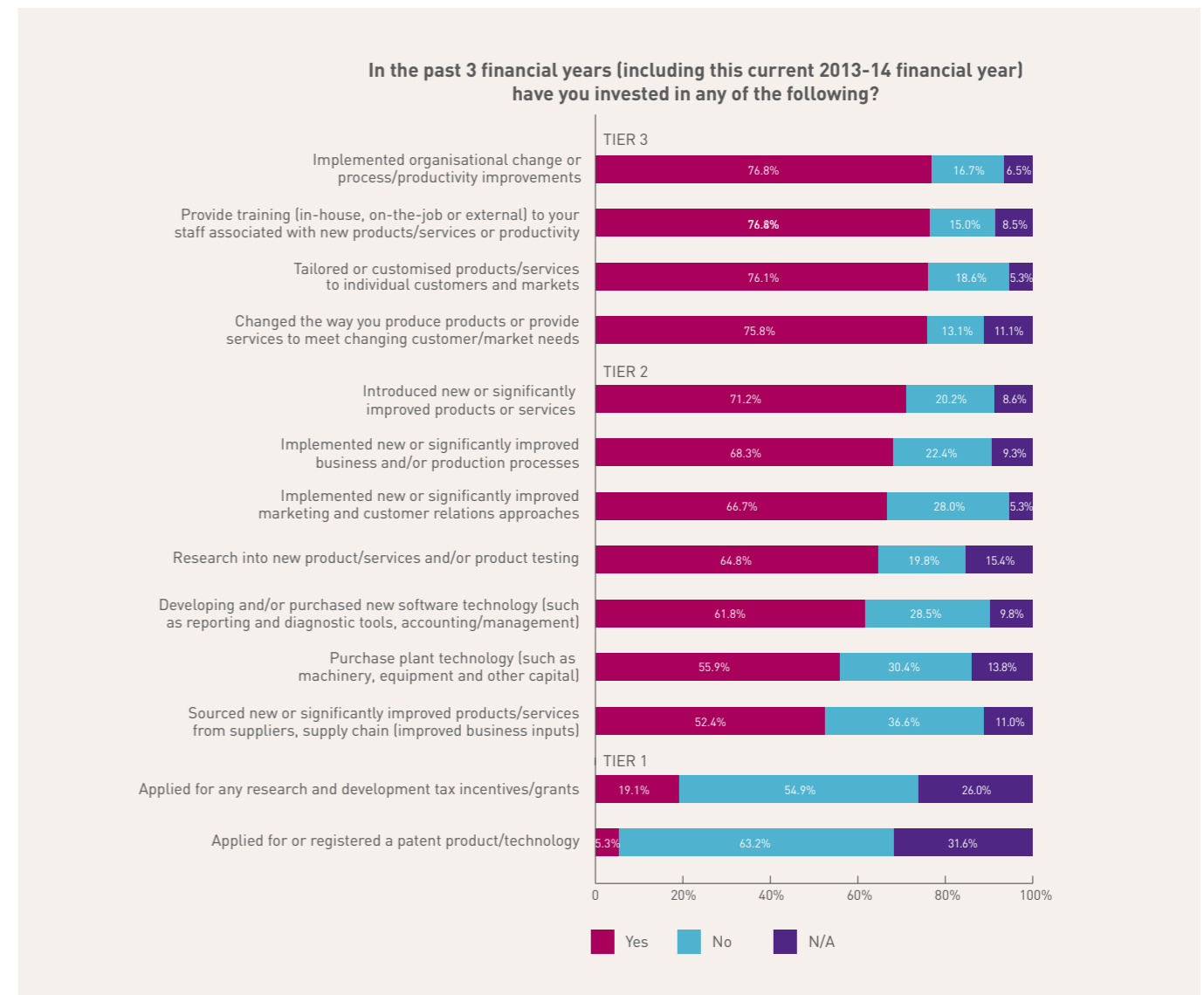
The vast majority of business respondents (more than 75 per cent) participated in tier 3 or lower level innovation activities, including implementing organisational change or productivity improvements, providing staff training on new products/services or productivity, tailoring their products or services, and changing the way they produce products or provide services to meet changing customer and market needs.

Although fewer businesses participated in tier 2 activities, the majority (more than 50 per cent) still indicated that they had invested in these activities at some point over the past three financial years. Activities under tier 2 included:

"We are introducing a paperless field reporting process that will effectively enhance customer experience and efficiencies" – Manufacturing business, Brisbane

- Introducing new or significantly improved products or services;
- Implementing new or significantly improved business and production processes, marketing and/or customer relations approaches;
- Researching new products/services and/or product testing;
- Developing and/or purchasing new technology;
- Purchasing new plant.

Tier 1 innovation activities represented a high level of investment for businesses and a higher level of risk, with significantly fewer businesses participating in these activities. Tier 1 innovative activities included applying for R&D tax incentives and grants, and applying for or registering a patent product/technology. Unsurprisingly, significantly less Queensland small businesses engage in these tier 1 activities.



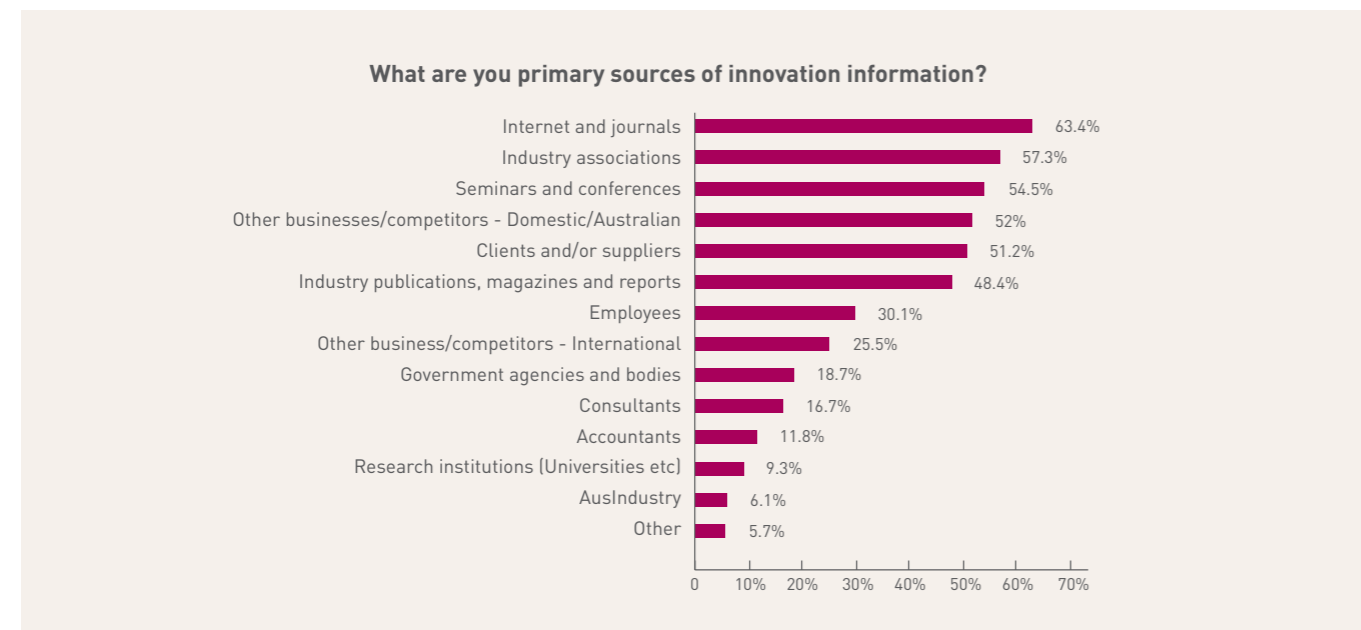
Source: CCIQ Innovation Survey, October 2013

*It is important to point out that the above graph does not indicate the extent of commercial success from each of these categories of innovation.

Queensland businesses identified their most successful business improvement and innovative activities over the past five years which included restructuring and modifying their business models, business strategies and current management practices, as well as implementing new approaches to improve staff productivity (such as developing KPIs, staff training and improved WHS practices). A focus on customer and market needs including introducing new products and services, targeting new markets, tailoring or diversifying products and services, and undertaking new marketing and customer service approaches were also hailed as successful by many businesses. Additional successful innovative practices adopted by businesses included:

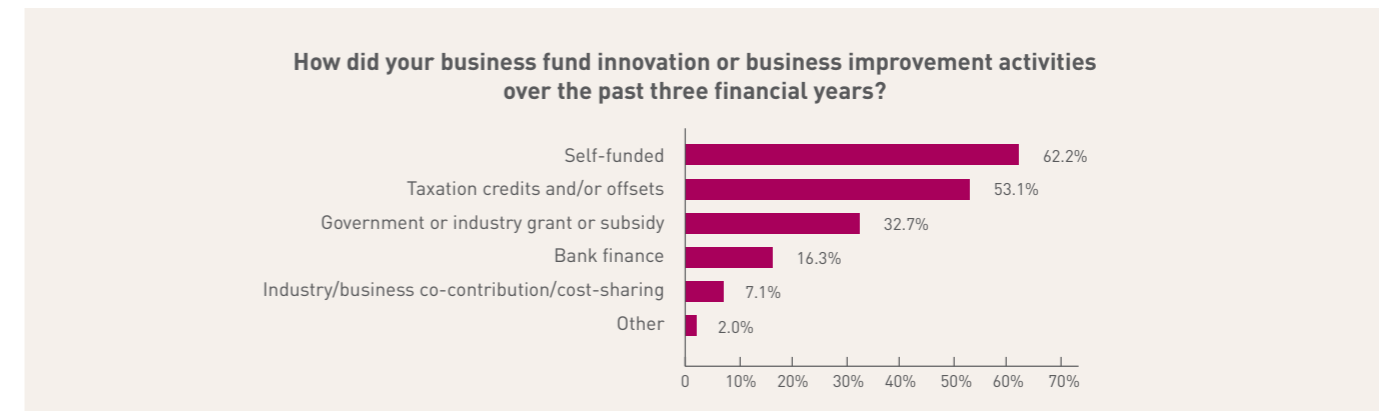
- Purchasing new equipment and/or making equipment more efficient and cost effective;
- Improving financial management;
- Outsourcing business functions to allow increased business focus on customers/clients;
- Adopting an increased online presence and/or selling platform, and participating in social media;
- Adopting and/or developing new technology;
- Increasing focus on R&D for new and existing products;
- Implementing a green/clean focus.

Businesses identified their main sources of innovative ideas, new products/technologies and business improvement opportunities as the internet and journals, industry associations, seminars and conferences, other Australian businesses, and clients and/or suppliers which greatly reinforces the importance of collaboration.



Source: CCIQ Innovation Survey, October 2013

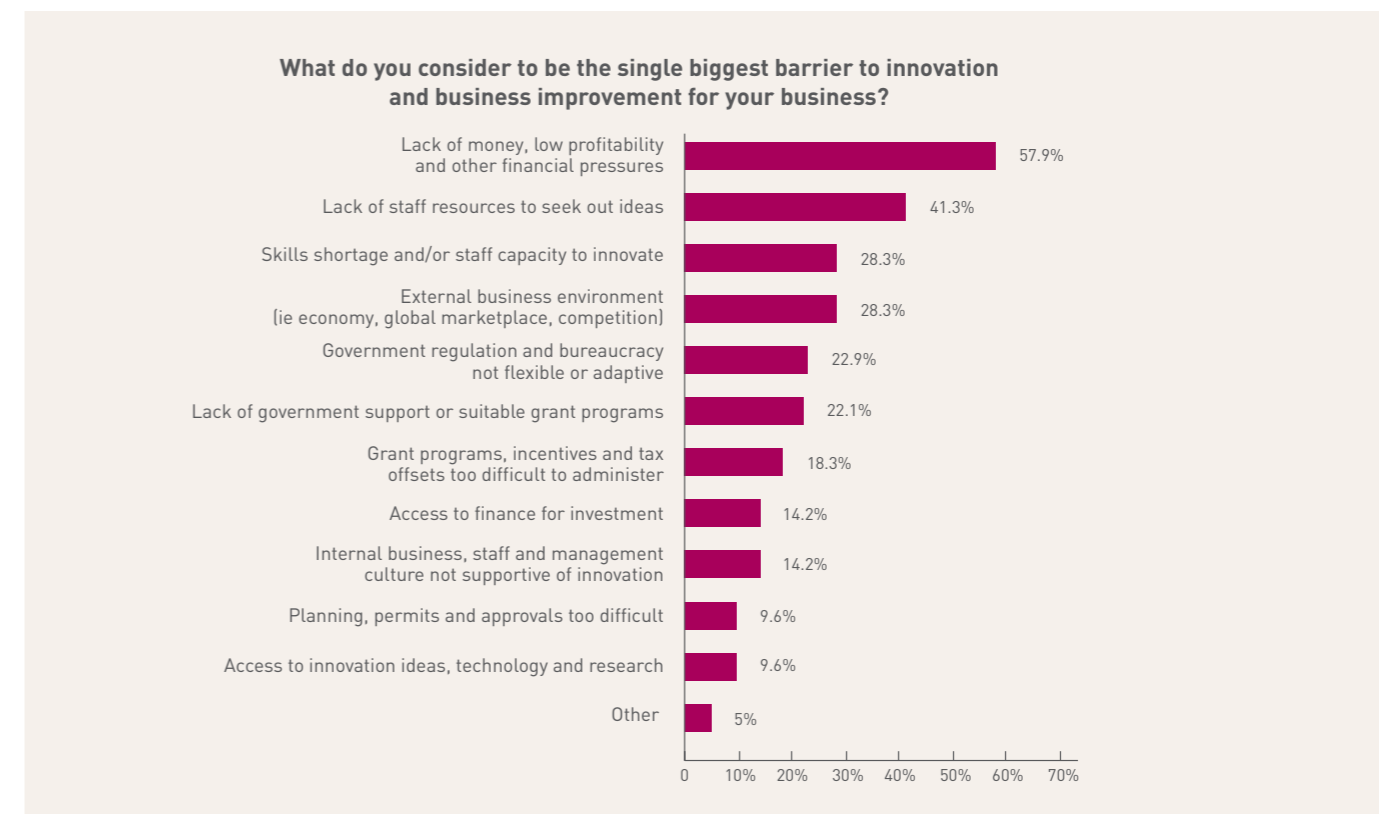
The majority of businesses (62.2%) self-funded their innovative activities. However other sources of funding include taxation credits and/or offsets, government or industry grants and subsidies, financial institutions and cost sharing.



Source: CCIQ Innovation Survey, October 2013

BARRIERS TO INNOVATION

There are concerns that innovation in Queensland small and medium businesses is currently being inhibited through a number of challenges. The biggest barriers to innovation identified by businesses is the lack of cash reserves and other financial pressures (58 per cent), a lack of time and staff resources to identify innovative ideas (41 per cent), skill shortages and/or staff capacity to innovate (28 per cent) and the external business environment such as the economy, global market conditions and competition (28 per cent). Other identified barriers include lack of infrastructure (eg NBN); poor cost vs benefit equation; and insufficient government incentives. Overwhelming feedback from Queensland businesses is that whilst the difficult trading environment that is being experienced at present is a driver of innovation it is also an inhibitor.



Source: CCIQ Innovation Survey, October 2013

CCIQ has accordingly sought to address these barriers through nine key recommendations.

“Developing our own end to end software solution for our clients has given us more control over pricing and solutions. If we had the opportunity, we would explore international online selling of accommodation for our clients”
– Accommodation, cafes and restaurants business, Gold Coast

“By regulation becoming overly prescriptive, it reduces the opportunity to innovate. Recently we had to stop recording data electronically and storing it in the same way as it was not compliant with the regulations” – Health and community services business, Brisbane

“Red tape and compliance costs prevent my industry from remaining competitive against imported products. Therefore my only market is domestic and I must produce at a cost level that allows me to remain in touch with the market” – Manufacturing business, Brisbane

“We spend so much time writing policies ourselves for workplace health and safety and other regulatory requirements that we have little time to actually be innovative within our business” – Transport and storage business, Brisbane

CURRENT GOVERNMENT INNOVATION PROGRAMS

CCIQ believes that Australia’s innovation policy is currently research focussed, with a large number of Commonwealth and State Government programs aimed at fostering innovation. Whilst some of these programs have merit, others are narrow and aimed at supporting uncompetitive industries rather than encouraging innovation.

Queensland business feedback consistently raises issues in accessing existing R&D and innovation funding programs. There is currently an absence of a central reference point tailored from a ‘business to government’ perspective as opposed to the embedded ‘government to business’ historical approach. Even if a business is able to identify potential funding, the criteria and documentation for grant/funding applications is often confusing and too burdensome for time and resource poor businesses owners from applying. Other businesses who are keen and able to apply for funding find that strict eligibility criteria excludes them from the process or that onerous reporting requirements and other costs outweigh the gains achieved through accessing funding opportunities.

Furthermore business feedback suggests that most R&D or innovation funding programs are too high level and not focused on specific business needs. That is current R&D programs focus on funding primary (embryonic) innovators, rather than the adoption and take-up of newly available technology. In addition, programs tend to favour larger businesses, with limited support provided for small businesses without the resources and staff capability to apply.

Queensland SMEs are not solely interested in research and trial based funding, seed funding or new product development funding, but instead need low level funding to install new and more efficient/productive machinery (supporting Queensland businesses to be early adopters and to compete with international businesses where the technology is being developed). CCIQ believes State Government policy should reflect this practicality.

QUEENSLAND GOVERNMENT’S SCIENCE AND INNOVATION ACTION PLAN

In October 2013, the State Government released their \$8.75 million Science and Innovation Action Plan: Turning great ideas into great opportunities. The Blueprint was developed following the Newman Government’s recognition that innovation and science are crucial to building stronger foundations in our four pillar economy and for promoting economic growth and opportunity. One focus of the plan is on helping Queensland businesses to grow and create conditions where businesses can innovate and use it to their competitive advantage. Action is supported to reduce red tape, foster start-ups and commercialisation, and provide information and skills for business

Specific actions include:

- Identifying and removing red tape that impedes innovation in business;
- Adopting a single state planning policy;
- Providing early stage high growth potential businesses with access to incubator services (ie facilitating connections and providing access to workspaces, commercialisation guidance and mentoring, and assistance in obtaining early stage funding);
- Providing online innovation information for businesses;
- Attracting skilled migrants.

CCIQ congratulates the State Government on the release of this Blueprint but wishes to steer it towards having a small and medium business emphasis in particular. CCIQ notes a Science and Innovation Advisory Council will be established to provide independent guidance, investment advice and review progress against priorities. CCIQ believes that Queensland’s small business community must have a representative on this Council.

“Only big business has the staff, time and financial resources to support most grant programs, when small business are the ones that really need it” – Manufacturing business, Central Queensland

“The application process, much like tendering, is cumbersome and uses a tremendous amount of resources” – Health and community services business, Central Coast

“Grants are limited in focus and do not drive major breakthroughs or encourage major investment” – Property/business services (including ICT) business, Brisbane

CCIQ RECOMMENDATIONS

Queensland needs to have the right innovation settings and environment in place to ensure that creative people and businesses in our State are allowed to thrive and create value from new ways of doing things. Innovation flourishes when people and organisations have the skills and abilities and when they operate in an environment that provides them with an incentive to innovate.

CCIQ believes a paradigm shift is necessary in the way we develop our approach to innovation. Queensland and Australia must shift away from an approach that is dominated by government programs towards a systematic and incentives-driven approach to innovation. While it is clear that a public innovation policy can assist firms, governments can ultimately act only in an indirect way, as it is firms not governments that deliver innovative products, processes and services. But governments can do things to help provide the right conditions, facilitating change at the broadest level.

CCIQ views innovation encompassing a wide range of activities that drive change and add value. Innovation should capture work directed at developing new products, new processes and new business models. Queensland and Australia need not necessarily aim to be the primary innovators especially when we are competing with much larger and technically advanced nations, but we should be early adopters of innovation and technology in order to be leaders in emerging markets. The ability of Australian organisations to access the benefits of innovations from overseas is an important aspect of encouraging innovation. This in itself must not be impeded by Government.

CCIQ Queensland business innovation priorities: Fostering the right environment to encourage and reward Queensland small and medium business innovation:

1. CREATE A BUSINESS OPERATING ENVIRONMENT CONDUCIVE TO INNOVATION
2. FOSTER A SMALL AND MEDIUM BUSINESS INNOVATION CULTURE
3. REMOVE REGULATION THAT IS A BARRIER TO INNOVATION
4. DELIVER SUFFICIENT AND APPROPRIATELY TARGETED GOVERNMENT PROGRAMS
5. GREATER COLLABORATION DOMESTICALLY AND INTERNATIONALLY, WITH ACADEMIA AND AMONGST THE BUSINESS COMMUNITY
6. IMPROVE WORKFORCE CAPABILITY WITH INNOVATION SKILLS
7. IMPROVE AVAILABILITY OF FINANCE
8. ENABLING PHYSICAL INFRASTRUCTURE
9. GOVERNMENT THAT LEADS BY EXAMPLE

CCIQ recommends implementing the following recommendations to foster the right environment to encourage and reward Queensland business innovation:

RECOMMENDATION 1: CREATE A BUSINESS OPERATING ENVIRONMENT CONDUCIVE TO INNOVATION

Most Queensland businesses take the view that Government should not be directly involved in innovation and should instead be focusing on other influencers that enhance the business operating environment that in turn enable business to innovate. Of all of the components of a potential innovation system, the business environment is the most important one as it has the most wide-ranging and its impact on individuals and businesses incentives to innovate.

Queensland needs to create a business environment that enables businesses to compete, that enables businesses to have the profits to innovate, and allows them to be agile in the face of a changing markets and responsive to changes in consumer demand. This includes creating and maintaining a stable economy that fosters business confidence and attracts investment; an economy which incorporates a competitive tax system and flexible workplace relations and other business regulations. Moving forward, governments needs to be the enabler of efficient private markets (rather than the service provider), with increased focus on removing the impediments to innovation and competition.

The handling of intellectual property rights is also an important factor in individuals' and organisations' incentives and willingness to engage in research and development. The system must strike a balance between allowing individuals and organisations to benefit from their innovation and encouraging knowledge diffusion and access to this innovation on the other.

RECOMMENDATION 2: FOSTER A SMALL AND MEDIUM BUSINESS INNOVATION CULTURE

Changing business culture and attitudes is primarily the responsibility of business. However Governments can help by promoting and educating business on the importance of innovation. It is alarming that 85% of Queensland businesses think innovation is only something possible for large and corporate businesses. Equally alarming is the less than 4 per cent of businesses who consider innovation is essential to their future competitiveness and viability of their business. These perceptions must be corrected.

The ability and willingness of individuals to innovate is heavily influenced by organisational and societal culture. While it varies across businesses, Australia's performance in establishing a culture of innovation needs improvement. Where innovation currently sits on the periphery of much businesses thinking and reporting, innovation needs to be systematically placed at the centre of business strategies and models. We must put in place organisational structures and workplaces that are agile and adaptable and where there is a culture of innovation. This must include encouraging businesses to develop their innovation capabilities both internally and in collaborative networks and clusters and improving the dissemination of knowledge and technology through case studies and other informative/useful mediums.

RECOMMENDATION 3: REMOVE REGULATION THAT IS A BARRIER TO INNOVATION

Queensland's regulatory system must not inhibit the agility of businesses to respond to change or our ability to innovate. Indirectly regulation creates a disincentive for businesses to grow and expand through innovation caused by reluctance to reach thresholds for tax and regulatory schemes. Furthermore the cost of regulatory compliance (including staff time and resources) reduces the available internal finances and time for significant technological and innovative investments. Successful red tape reduction strategies have the potential to enhance the innovation culture within Queensland businesses.

RECOMMENDATION 4: DELIVER SUFFICIENT AND APPROPRIATELY TARGETED GOVERNMENT PROGRAMS

The Queensland and Australian Governments should investigate new options to encourage innovation and undertake a review of programs aimed at encouraging research and development, with the view to abolish those which no longer align with the needs of industry or fail to deliver a long-term benefit to the economy.

Given the substantial benefits to society from innovation and research and development, there is a role for Government to support spending on research and development where there is a significant public good to be gained by the innovation. However, it is important that any Government programs to support research and development are focused on areas which will deliver the greatest benefit to the Australian and Queensland economies, rather than to support industries that are not commercially viable. These programs should:

- have a long term focus, aimed at addressing the challenges facing the nation;
- be aligned with the future direction and requirements of industry;
- be transparent with a clear set of key performance indicators (KPIs) that are regularly reviewed and reported on; and
- be administratively efficient so that the cost of administering or complying with the program does not exceed the benefits that it generates.

There is a need to review the current programs to ensure they are delivering outcomes, as well as investigating new options for encouraging innovation, based upon international best practice. As a starting point, the State and Federal Governments should review the plethora of programs aimed at fostering innovation against the criteria outlined above, with a view to abolishing those which no longer align with the needs of industry or deliver a long-term benefit to the economy. Focus is also required on increasing awareness and small business access to grants.

Organisations such as the CSIRO, universities, and research organisations are also critical components of our knowledge infrastructure. They contribute to generating, storing and distributing information and learning so that the knowledge can be put to practical application. The Queensland Government must encourage the Australian Government to provide our research and university sector with access to sufficient funding.

However our investment in research needs to align with the needs of industry. Engagement and collaboration between our research and university sector and industry need to become far more widespread. This means ensuring that the exchange of ideas and employees between the two is encouraged, and that barriers to this occurring are removed.

"Queensland Government needs to take a lead with ICT innovation (they are backward in comparison to other jurisdictions). The Queensland Government should be a leader in ICT" – Property/business services (including ICT) business, Brisbane

"Innovation does not necessarily come from Government initiatives. Innovation comes about by being aware of what your business does, and how it does it and how to refine that process. This sort of innovation leads to better profitability" – Manufacturing business, Brisbane

RECOMMENDATION 5:**GREATER COLLABORATION DOMESTICALLY AND INTERNATIONALLY, WITH ACADEMIA AND AMONGST THE BUSINESS COMMUNITY**

One of the key concerns raised by businesses is the lack of awareness, knowledge and understanding of potential innovative practices that could be adopted by their business. Accordingly, an effective innovation system should foster collaboration between individuals, universities, research institutes, countries, industry, government, private organisations with shared interests and complementary skills. Collaboration allows the involved parties to not only share knowledge and resources but also the inherent risk in innovation.

CCIQ believes that collaboration between industry and academia is a critical aspect of unlocking future innovations. With Queensland home to some of the best universities worldwide, tapping into this knowledge and expertise to ensure research is driven by commercial imperatives will be essential to our future success. Queensland should be fostering an environment for applied research which is driven mainly by commercial rather than academic or bureaucratic priorities.

Business-led clusters can place complementary organisations and associated institutions in physical proximity with shared infrastructure and resources. Government policy designed to promote clusters of industries should play to Queensland's strengths, and investments should be made with a long-term view as collaborative efforts require trust and time to develop and therefore require continuity.

Furthermore, Queensland businesses must access the benefits of innovations from overseas. Even if Queensland proves hugely successful as innovators in future, it will remain the case that the vast majority of the world's new ideas and products will be developed elsewhere. Ensuring that Queenslanders have access to the benefits of those overseas innovations will be even more important for our future welfare than the ideas and products we develop ourselves.

RECOMMENDATION 6:**IMPROVE WORKFORCE CAPABILITY WITH INNOVATION SKILLS**

Appropriately skilled workers are also an important element in driving innovation. However, research shows that a lack of suitable skills is hampering innovation at a business level. In this regard, there are significant reforms that must be undertaken by Government to ensure an educated and skilled workforce which will, in turn, help improve innovation at a business. Ultimately, it is individuals who innovate, and they will innovate when they are equipped with the capabilities to innovate and operate in a culture that fosters innovation.

We must continue to invest in our people and equip them with technical skills in science, technology, engineering and mathematics (STEM) and ICT as well as soft skills like adaptability, design thinking and creative thinking. This needs to begin early in the education curriculum. We also need to ensure that our managers have the necessary management and leadership skills to drive innovation across work groups and organisations.

The education and training sector needs to reflect these priorities and, particularly when directed towards working professionals, should be targeted at addressing current skill gaps.

The flow of skilled international migration (both temporary and permanent) also contributes positively towards improving our collective human capital and our ability to innovate. It can also be used to address temporary skills shortages which may act as a barrier to innovation.

RECOMMENDATION 7:**IMPROVE AVAILABILITY OF FINANCE**

Innovation requires an investment of money, time and other resources. Particularly for SME innovative activity, improved access to different types of finance at different stages is necessary. An effective innovation system will be one where there is sufficient access to capital for innovative activities. Capital can be provided by a range of institutions not just the banks including other lending institutions, venture capital, angel investors, crowd sourcing and/or government grant programs.

Historically, there has been an over-reliance on either bank loans or government grants. However, since the onset of the global financial crisis (GFC), the major banks have become more risk averse and overly conservative in their business lending. Accordingly, banks have increased their risk margins for business loans and tightened their standards and terms for new loans through lower loan-to-valuation ratios (LVRs), stricter collateral requirements and higher interest coverage requirements. This has resulted in an effective lessening of competition in business lending for innovation.

CCIQ recognises that the banks have a fiduciary responsibility to run their businesses in a manner that minimises risks that in turn delivers a profitable and strong foundation. However Queensland businesses are looking to our lending institutions for genuine vision and offerings that focus on a strong economy through innovation and not just their shareholders. Ultimately financial institutions must have a broader responsibility for economic and innovation development in Australia.

RECOMMENDATION 8:**ENABLING PHYSICAL INFRASTRUCTURE**

Infrastructure plays a crucial role in driving business innovation. For businesses to thrive and remain competitive in a global marketplace, it is essential that infrastructure development and addressing current bottlenecks is of top priority. An investment in infrastructure represents an investment in the future prosperity of our country and its businesses through innovation. This must include increased investment in infrastructure in regional areas throughout the state.

The competitiveness of Australian businesses and their ability to access world markets is determined to a large extent by their ability to access internationally competitive communications infrastructure. It is commonly recognised that Australia is lagging behind other developed countries in terms of the speed, access to and reliability of broadband services. Many Queensland regions are experiencing internet/broadband coverage concerns which are reducing business' capacity to utilise online and digital technology, subsequently impacting on their ability to compete in an increasingly global marketplace.

Delivering a strong, reliable and affordable communications networks is fundamental to encouraging innovation and improving the ability of all businesses to compete domestically and internationally, which is particularly important for a state with a population as geographically dispersed as Queensland. If our infrastructure is appropriate then our capacity and ability to acquire, internalise and utilise knowledge developed elsewhere will be enhanced. In the digital age, ICT is a key driver for innovation and enterprises need to consider the opportunities for rapid adoption of new technologies like cloud, virtualisation and mobility solutions. We must ensure that our investment in physical infrastructure enhances our ability to innovate and builds our productive capacity. We need to effectively prioritise our investment in physical infrastructure to ensure that we maximise the return on our investment.

RECOMMENDATION 9:**GOVERNMENT THAT LEADS BY EXAMPLE**

Queensland businesses are looking towards the Government to lead by example in relation to implementing innovative practices and promoting their benefits and achievements throughout the broader community. This should include government undertaking more trade and investment missions to learn about best practices. Businesses are also seeking enhanced local procurement opportunities from government, further embracing a culture of supporting local businesses and communities.

RED TAPE CASE STUDIES

These case study examples provide evidence whereby the State's regulatory regime undermines the business case through significantly reducing the financial incentive for embracing innovation:

- A Gold Coast based business provided an example of where local and state government development approvals prevented them installing a new more efficient, low cost and low energy system which was widely used throughout America. The issues being that they were unable to gain approval based on public health, environmental and "ethical" questions which were never actually resolved due to the inability of relevant agencies to collectively come to a decision. Despite investing approximately \$500,000 in the purchase of this equipment, they packed it up and sent it back to the manufacturer.
- A Central Queensland based food business provided an example of where they investigated installing new cleaning and washing equipment and also using environmentally friendly products for cleaning purposes that would significantly reduce the waste/chemical discharges. However they were advised that using this technology would not reduce their compliance requirements to have an ERA and Waste discharge fees/licences, hence the cost of adopting these new technologies was not worth the businesses effort.
- A Central Queensland based business provided an example of how they invested approximately \$100,000 in new "production line/manufacturing" machines and equipment that had amongst the highest international standards for safety/injury prevention (removed all manual handling and lifting, placed guards on all moving parts). However this business was disappointed that this equipment was not "recognised" under WHS regulations/codes of practice hence they were advised that they would still have to implement WHS compliance requirements, training, procedures etc. WorkCover Qld also gave no regard to the equipment in their risk assessment/calculation of premiums.
- A North Queensland business provided a similar example of their installation of innovative manufacturing/production line equipment which provided them no relief from prescriptive WHS compliance requirements or reduction in workers compensation costs. This business provided evidence of a very high level of lost time injury (LTI) which had been reduced to zero for a number of years.
- A North Queensland Tourism business provided an example of where they looked into installing a toilet/sewerage system (which is widely used throughout northern Europe) which did not use any water and completely eliminated waste product. This company worked with authorities from Local Government, Queensland Building Authority and Department of Environment for nearly 12 months trying to resolve issues and gain approval to install this system, but gave up as the approval was constantly bounced around between departments. The key issue was that plumbing and drainage, building, and environmental codes did not recognise this type of technology and therefore the departments had no basis for making their decision

"Reduce the red tape inhibiting adoption of innovative changes"
– Personal services business, Far North Queensland

"We need assistance to free up cash flow. No money slows our company from expanding or becoming more innovative" – Construction business, North Queensland

CONCLUSION

The role of the Queensland Government should be to improve the incentives for Queensland businesses to undertake productivity-enhancing innovations through removing obstacles to the undertaking of such innovation. There is a significant need to build capacity in Queensland small and medium businesses to normalise innovation as part of everyday business strategy in order to drive vitally needed productivity and competitiveness. CCIQ is keen to play a leadership role to foster a SME innovation culture in collaboration with the State Government.

Innovation must remain a priority of governments, with a state vision and whole of government approach. **This vision must emphasis cooperative and collaborative approaches while also recognising the special needs of small and medium enterprises.** More specifically, CCIQ believes Queensland's innovation policy should have nine key foci –

- Create a business operating environment conducive to innovation
- Foster a small and medium business innovation culture
- Remove regulation that is a barrier to innovation
- Deliver sufficient and appropriately targeted government programs
- Greater collaboration domestically and internationally, with academia and amongst the business community
- Improve workforce capability with innovation skills
- Improve availability of finance
- Enabling physical infrastructure
- Government that leads by example

A systematic and coordinated innovation policy which identifies and advances the appropriate roles of the private and public sectors would represent a major contribution to Queensland's economic future.

"Governments need to cut red tape and compliance costs and allow us more time to focus on our business" – Transport and storage business, Brisbane

"We are using cloud technology for our software. We can log in when away, help relief managers, check on things with our iphones and have the same confidence as a large organisation to keep us online, make back-ups and have our products constantly improved by the service provider" – Accommodation, Cafes and Restaurants business, Central Queensland

NOTES

“Governments should assist early stage innovative Queensland companies to raise funding and network with other organisations that can assist with growth and innovation”
– Manufacturing, Brisbane

“Need to improve access to finance for new ventures. We now employ more than 200 staff after 4 years, but could not get any financial help from the banks”
– Mining business, Brisbane



ABOUT CCIQ

For almost 150 years, we've been taking care of business in Queensland.

WE LISTEN TO YOU, AND THEN WE SPEAK.

Through influence and persistence, we are a loud and clear voice for Queensland business to the media and every political party.

WE WORK HARD FOR YOU.

Business is the engine of our nation's economy, and we are tireless in our efforts to ensure governments at all levels create the best possible conditions for your business to succeed.

WE MAKE YOU MORE COMPETITIVE.

Through industry-certified training, we skill your workforce and enhance your business performance.

WE KEEP YOU SAFE.

We comprehensively protect our members by providing members-only hotlines on OHS, workers' compensation and employee relations, as well as expert legal services.

WE SHARE WHAT WE KNOW.

We keep our members up to date by sharing real business intelligence and research.

WE NETWORK SO YOU CAN GROW.

We create business networks and commercial partnerships so you can leverage your membership into opportunities for your business to reduce costs and grow.

BECOME A MEMBER OF CCIQ

It doesn't matter whether you're a new business or at the big end of town. Either way, your membership buys you the knowledge, protection and power that come from belonging to

QUEENSLAND'S LEADING BUSINESS BODY.

Your membership with CCIQ comes with exclusive benefits

PROTECTION

Your membership buys you instant, over-the-phone support from our Employer Assistance Line.*

NEWS

Inform, our monthly member magazine, will be delivered to your inbox.

RESEARCH

Use your exclusive access to our quarterly Pulse research into Queensland business sentiment to set future plans with confidence.

KNOWLEDGE

You'll receive free access to our regular webinars, seminars and policy reports.

NETWORKS

Events, held frequently throughout the state, are ideal opportunities to build your networks.

MYCCIQ

Your membership gives you access to our special member portal, where you can search our extensive resources, manage your account and book training and events.

OFFERS AND TRIALS

As a member, you're offered free product trials and heavily discounted partner offers.

PROMOTION

We list participating members in our exclusive CCIQ Member Directory.

* Not available to Opportunity members.

To find out more about becoming a member of CCIQ, visit www.cciq.com.au/join or call **1300 731 988**.

CCIQ OFFICES

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

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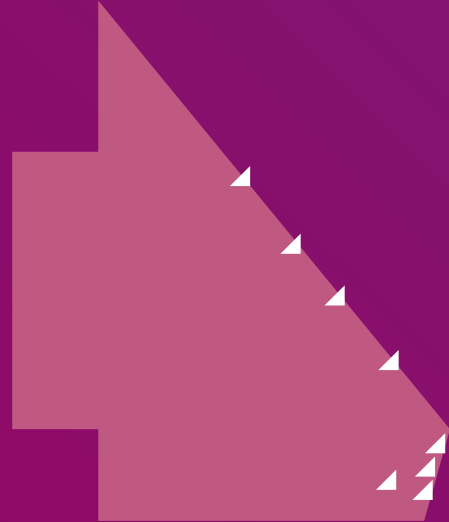
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