



WHAT BUSINESS WANTS ACCI'S PRE-ELECTION SURVEY RESULTS

Business is quite clear about where change is needed and about what Australia's next government should and should not do. ACCI has conducted a survey of over 2300 employers across Australia which included employers in every state, in every industry and representative of all sizes of firm. And this survey has provided a ranking that spells out what business wants from the next government of Australia.

The survey asked respondents to indicate how important each one of a list of specific issues was to them. They were asked to indicate the degree of importance of 63 different issues. The individual responses were then aggregated and weighted by industry, state and size of firm to provide the collective view of the entire Australian business community. If anyone is truly interested in what business seeks from government, this is where to find out.

The top ten issues are shown below. These are the ten most important issues that business wants our next government to do something about.

RANK	AREA OF CONCERN
1	Frequency and complexity of changes to tax laws and rules
2	Level of taxation
3	Complexity of government regulations
4	Cost of compliance with government regulations
5	Telecommunications costs
6	Unfair dismissal legislation
7	Penalties for failure to comply with government regulations
8	Energy costs
9	Workers' compensation payments
10	Superannuation Guarantee

The first two issues are related to tax. The first is a problem that should become the very basis for tax policy over the life of the next Parliament. We have come through a period in which a number of necessary changes to Australia's tax system have been put in place. The tax base has been broadened and the imbalance between the expenditure requirements of the states and their ability to raise revenue has been addressed.

But these reforms are now in place. They have provided a lasting improvement to the tax system. And what is clearly interesting by its absence is that compliance with the GST is not amongst the ten most important issues but is ranked at 15th. The time required to complete the BAS form is even lower, being ranked at 17th. One would not therefore describe these as unimportant, but given the difficulties that business has encountered during the transition to the new tax system, it is highly noteworthy that neither of these has been ranked any higher than where they are.

But what is being said very clearly by business is that our next government will need to work towards simplifying the tax system even further. This should become a stated priority for government.

Next in importance to the complexity of the tax system is the level of taxation. Tax payments arrive in so many forms that a weariness eventually sets in. But certain taxes have an importance well beyond others. Interestingly, for all its attention over the past year, the GST is itself ranked only 26th in the survey. Other forms of tax payment are more important and need to be carefully looked at.

No individual tax is found within the ten most important issues. But amongst the issues ranked from 11-20, we have three specific forms of taxation noted. In that group there is personal taxation at 14th, the capital gains tax at 18th and the fringe benefits tax ranked 20th.

At the third position overall there was complexity of government regulations and just behind it was the cost of compliance with government regulations. At seventh were penalties for non-compliance with the regulations laid down by governments. Government regulation is a major handicap to business and drags the economy down with it. While much regulation is important, regulation has become ever more onerous. Such regulations represent a deadweight loss to the economy since they require business to fritter away their efforts on meeting certain regulations rather than in production.

There really does need to be focus placed upon removing regulation. The economy will be unable to achieve anything like its potential while business remains snowed under poorly conceived and poorly applied regulations. And of even more concern is the continuous efforts made to increase rather than reduce the level of regulation and the severity of the penalties. There are, for example, moves being made to include criminal sanctions in the Trade Practices Act which would be applied by the ACCC.

The fifth ranked issue is telecommunications costs. With the extraordinary growth in the internet and mobile phone usage it is no longer possible to remain competitive without a far greater outlay on telecommunications. Yet it is a cost that business finds a burden to deal with.

The sixth most important issue is the unfair dismissals legislation. Business remains deeply resentful of the way in which employees who have been dismissed for cause are able to take actions that require their former employers to pay them large sums of

money to finally see them on their way. There are some legitimate cases of unfair dismissal, and that has never been at issue.

But this process has now become contaminated in a way that ensures that firms will often be required to defend their actions before a tribunal. The managerial time needed to process and deal with such claims is generally just not worth it to the firm. The result is that unfair dismissal applications are a cost to business that has absolutely no return. It slows growth and makes firms more reluctant to hire. This is a problem that needs final resolution.

Eighth on the list is the cost of energy. This is a perennial problem that has been made more acute by the rise in the cost of imported crude oil. Even though there has been some reduction in petrol prices over the past few months, the cost of oil and oil related products has risen to a new plateau. This is adding to the costs of production and reducing the profitability of firms.

But beyond the cost of petrol, there are increasing cost burdens as well as questions of reliability being raised in some areas about electricity supply. These are serious issues across Australia, but is becoming a matter of urgency in some states in particular. Ensuring a flow of low cost energy is a matter of the greatest importance. It is a concern that Australia may be unable to provide the reliable flows of the past and this would change the entire nature of production in Australia.

The ninth ranked issue is workers' compensation payments. These have always been an important cost of doing business but have become chronically more difficult to afford. Although workers' compensation tends to be a state issue, it is nevertheless a problem for industry nationally. Unless efforts to rein in this area of business cost are successful, such payments will continuously drain businesses of their ability to expand and employ.

In the tenth ranked position is the superannuation guarantee. This has always been a costly and misconceived program whose cost has continually risen since its introduction at 3% of the wages bill. The levy on employers has risen almost year by year, as was envisaged in the original legislation, and yet now, with the program of incremental increases almost complete, we find that we still have a retirement income system inadequate to the task ahead.

From the business point of view, of course, the greatest problem with the superannuation guarantee is its cost. It has been a continuous drain on business cash flow with the greatest irony, given that the intention in putting the SGC in place was to create saving, is that it has systematically reduced the growth in domestic investment. The next government of Australia, even while it must address the impending problem of retirement incomes, must also recognise that expecting business to fund even higher superannuation payments is not an answer.

Issues 11-25

In the next grouping of issues are a series of matters almost as important as those found amongst the first ten. These also relate to tax, regulation and telecommunications, but includes other issues as well.

RANK	AREA OF CONCERN
11	Exchange rate volatility
12	Recruiting employees with the appropriate skills
13	Compliance with health and safety requirements
14	Personal taxes (PAYG)
15	Compliance with the GST
16	Adequacy of telecommunications infrastructure
17	Time required to complete BAS forms
18	Capital gains tax
19	Level of government spending
20	Fringe benefits tax
21	Retaining skilled employees
22	Payroll tax
23	Asian economic outlook
24	Company tax
25	US economic outlook

This list contains the first of what is a generally economic type issue with exchange rate volatility listed at number 11. Although in many respects maintaining the exchange value of the dollar is beyond the powers of any government, in some respects it is not. The dollar's value will be maintained, and even strengthened by rapid rates of non-inflationary growth. It is not just low inflation that keeps the currency on an even keel but low inflation in the company of a strong economy.

Twelfth on the list is recruiting employees with appropriate skills. There are few issues more important than education and training to keep an economy up to date. With every development in technology there is the need to develop the skills that can productively apply those new forms of capital. The survey results show that the race between the introduction of new technologies and the development of the needed skills is being lost. Ensuring that Australia can and does provide the range of expertise required will be critical to our collective futures.

Related to the problem of recruiting skilled employees are the problems related to retaining skilled employees which is ranked 21st. Where skill shortages exist, as now, it is inevitable that there will be problems retaining good employees with marketable skills. In one way, it is important that skills do move to where they can be most

productively used. But this comes at a cost to individual firms. The answer lies in ensuring that skills development remains a high priority for government.

The 13th ranked problem is compliance with occupational health and safety regulations. There is little as important as the need to ensure worker safety but the sense of a regulatory regime that is over the top is reflected in the high ranking of this issue. Nor is this a matter that is likely to be reversed without a conscious effort made to recognise the existence of a problem combined with the will to do something about it. But unless there is a determination to reduce the layers of regulation that OH&S is building, this is a problem that will continue to undermine our efforts to build growth and employment.

There are then a number of tax issues within this grouping. As noted already, there are personal taxation (the PAYG system) ranked 14th, the GST at 15th, compliance with the BAS form (17th), capital gains tax (ranked 18th) and fringe benefits tax (number 20). There are, in addition, payroll tax (22nd) and company taxes (24th).

These relate not just to the level of taxation but also to the structure. These are notable because of the difficulty of complying with the rules laid down by the tax system. The PAYG has become problematical because it has become the replacement for provisional tax and is creating additional cash flow problems. Having to pay tax based on the income of an earlier period only works where incomes remain constant or are always rising. Where they do not, there are serious problems created.

The capital gains tax is a notoriously poor tax if our aim is to create growth and encourage investment. By taxing capital gains before they are part of income, the effect is to discourage those who might invest, and who might have added to Australia's capital stock. Lowering the capital gains tax should be a major consideration for the next Parliament.

Similarly, the fringe benefits tax remains a tax on the income of employees paid for by employers. But even where the concept makes sense, the structure of the surrounding rules is so complex it has become a compliance nightmare.

Payroll tax is ranked 22nd but this provides a misleading indication of its importance. Because there is an employee number threshold using the data from the economy overall includes many small firms which are not roped in by this tax. Thus, this ranking is a reflection of the combination of larger firms which pay the tax and smaller firms which do not. Where payroll tax is paid, it is a major impost and is deeply resented. As higher GST revenues accrue to the states, payroll tax ought to go.

Company tax is ranked 24th. It is a tax on profits and therefore deprives successful firms of the capital they might otherwise be able to plough back into their own firms. Company taxes are coming down and that will provide a benefit to the economy overall. Consideration of further cuts to company taxes should be on the agenda for Australia's next government.

At number 15 is compliance with the GST and at 17 is the time required to complete the BAS form. In relation to the level of the GST, the rankings as a problem places it at number 26. What is surprising about these findings is not that they are as high as they are but that they are so low. No one would deny that they have been a problem for business, but it is also likely that had the survey been conducted six months ago, their rankings would have been much higher than they now are.

The challenge facing the next government is to do what is needed to ensure that their rankings in future fall even lower. The GST as it was introduced was not the structure sought by business. It should have been a universal tax with no exclusions. The exclusions that have already occurred have made it more complex than it ever needed to be. The last thing business now wants is that the complexity in dealing with the GST should be increased through further exclusions of different consumer goods or services.

Instead there should be attention to what can be done to make the tax easier to comply with. But most importantly, while there should be further refinement and improvement where such improvements are possible, all such changes should be incremental. The system is bedding down well after a period of intense uncertainty and it ought to be the role of the government to do what it can to make sure this process continues.

At 18th on the list is the adequacy of Australia's telecom infrastructure. Telecommunication costs ranked 5th and are clearly more important. But the capital structure of our telecommunications system presents genuine concerns within business. Much of the problem is a reflection of the difficulties encountered in regional and rural Australia but not all. Making sure that Australia's telecommunications infrastructure is world class is one of the main tasks that the next government will face.

Government spending ranked 19th. It ought to have been one of the most strongly confirmed lessons of the past six years that keeping the growth in spending low and keeping the budget in surplus are of major importance if the Australian economy is to be kept on track. Australia sailed through the Asian financial crisis with an average growth rate of more than four percent a year because of the more secure foundations that a budget surplus and lower spending provided. Even now, in the midst of an international slowdown, Australia has been better able to weather this gathering storm because of its fiscal strength. These are lessons that need to be absorbed. Promises to increase spending, however socially useful such expenditures may superficially appear, will only add to the burdens of the economy and lower our growth rate and level of employment.

Ranked 23rd and 25th are the Asian economic outlook and the US economic outlook. It is not surprising to see these two so closely paired since international conditions are looking as gloomy as they are. And in some respects there is little that the Australian government can do about such problems overseas. But what a government can do is take those actions that storm proof the economy to the greatest extent possible.

That is why managing the economy in a way that improves the prospects for private sector growth is so crucial. Not only should a tight fiscal policy be an imperative, but monetary policy should be managed in ways that will encourage growth and investment. Similarly, making the economy more resilient includes keeping labour cost growth within the limits set by productivity. At the moment international economic conditions are only a threat on the horizon and are therefore relatively low on this list. But there should be little doubt that a continuation of the slowdown that has occurred over the past few months would see these matters rapidly rise as a matter of the greatest concern to business.

Issues 26-45

The next set of issues is in the middle rank of problems that business wishes to see dealt with by the next government. They do not have the urgency of the problems that have already been listed, but reducing the difficulties that they cause would make a significant difference to our economic prospects. These are issues that should be dealt with as a matter of good economic housekeeping.

The list of problems ranked from 26 to 45 are shown in the table below.

RANK	AREA OF CONCERN
26	Level of GST
27	Foreign debt/current account deficit
28	Compliance with environmental regulations
29	Stamp duty
30	Compliance with taxes other than the GST
31	Cost of finance/interest rates
32	Restrictions on gaining access to enterprise or individual agreements
33	Wage levels
34	Road transport - cost and reliability
35	Achieving workplace change
36	Penalty rates
37	Unemployment
38	Compliance with (non-tax) paperwork
39	Complying with award regulations
40	Workplace health and safety inspections
41	Redundancy and termination payments
42	Water costs
43	Employee productivity
44	Rate of inflation
45	Trade Practices legislation - unconscionable conduct

It is highly significant how relatively low the first of these areas of concern is. The level of the GST is ranked 26th which is significantly below other less publicised forms of taxation. It is, in fact, a tribute to the efficiency of this tax that in spite of the attention that has been drawn to it, it has not drawn more fire than it has. Not that there are no problems with this tax. There have been serious problems that are yet to be fully ironed out. Payments by the tax office on rebates has been a major difficulty

faced by many, particularly in small business. But as the relatively low ranking in this survey seems to indicate, the GST is a tax that the business community has come to accept and over time should be even easier to deal with than it is already.

Other tax issues within this grouping are stamp duty (29th) and compliance with taxes other than the GST (30th). It is noteworthy how great a difference there is between the ranking for complying with the GST, which is 15th, and complying with the rest. Yet it is clear that while complying with the GST remains a serious problem that government will need to address, there are also other taxes whose compliance causes difficulties that also need to be remedied.

Ranked 27th are problems associated with foreign debt and the current account deficit. These are problems for business because the instability from not tending to these matters ultimately is reflected in a more volatile economy.

Compliance with environmental regulations ranks 28th. These too are problems that have the potential to expand given the attention that the environment now receives. There is no doubt environmental issues must be at the forefront of policy, but actions taken should be undertaken with due consideration of the effects on business and the economy. Failure to recognise the consequences of environmental regulation has the potential to create serious difficulties in future.

Ranked 31st is the cost of finance/interest rates. This remains in the middle of the pack, almost equidistant from both ends. Yet this is a time of low interest rates. The relatively high ranking for an issue that is currently creating no serious problems is a reflection not of what is but of what has so recently been and what might so easily come again. Variations in the cost of finance remain a problem of the highest order. That business remains wary of the manner in which the Reserve Bank approaches monetary policy is evident from the high ranking that this issue has even at a time when rates are low.

There is then a cluster of industrial relations issues. And it is interesting that these begin at the halfway mark of this list, and is a sign that industrial relations issues no longer are the potent force they once were. All within a few rankings of each other are found restrictions on enterprise and individual agreements (32nd), wage levels (33rd), achieving workplace change (35th), penalty rates (36th), complying with award regulations (39th), workplace health and safety inspections (40th), redundancy and termination payments (41st) and employee productivity (43rd).

These, it should not be thought, are issues of no consequence. They remain matters which if not managed well, can all too easily undermine our future. It is a pleasing outcome to find industrial relations matters, other than unfair dismissals, as relatively low as these are but it is also important to recognise that these are also problems that are creating serious problems in one firm after another in Australia right now.

Australia at one time had a disgraceful reputation for industrial mayhem. It is a reputation that is receding because we have changed the rules under which industrial relations takes place. We have moved towards a more enterprise-based focus and away from the centralised system in which individual businesses had little control over outcomes. It is good that these issues are as low as they are because they are evidence of the progress that has been made. But the fact that they remain as high as they do, in the middle of the list, also shows there is further change that is needed and which would make a significant difference to our economic outcomes and to our ability to invest and employ.

Unemployment is ranked at 37th which indicates that it remains a problem. Although unemployment is not a problem directly related to the operation of business, low unemployment is important because it is an indication of the strength of the economy overall. Keeping unemployment low is crucial to strong economies.

Ranked lower is inflation. At number 44 it is hard to see this as a major concern for business at this time. Nevertheless, ensuring that inflation remains low will be one of the most important tasks of the next government.

Issues 46-63

The remaining issues are matters at the lower end of the business priority list. These are matters whose improvement would add to the efficiency of the economy but which are not critical matters at this time. The issues in this list are shown below.

RANK	AREA OF CONCERN
46	Getting appropriate training for employees
47	Land taxes
48	Quality of vocational education
49	Compliance with privacy requirements
50	Corporation law requirements
51	Licensing provisions
52	Industrial disputation
53	Availability of finance
54	Safety net increases
55	Access to government procurement and tenders
56	Speed of government payments
57	Air transport - cost and reliability
58	Excise taxes
59	Absence of junior rates
60	Access to R & D tax concessions and grants
61	Sea transport - cost and reliability
62	Rail transport - cost and reliability
63	Getting export assistance

It should be appreciated that being low on the list does not mean that these issues are of no concern. This cannot be emphasised enough. For example, although most firms are not affected by industrial disputation some are. And where firms are affected, it

can be a localised disaster even where most firms have not experienced this problem for itself. These issues, it should therefore be appreciated, are on the list in the first place because they are problems that businesses do have to deal with on a regular basis. That other issues are more important generally does not mean that these are matters that can be ignored.

This may be stated in particular in relation to compliance with privacy requirements. The new regulations come into force in December and therefore most businesses would even at this stage have little idea what is potentially in store. There is an entire new range of regulations whose impact would almost certainly mean that if this survey were conducted again six months from now, it would take a much higher ranking than it currently does.

Conclusion

Businesses are in a continuous battle against other firms which wish to take their customers, and these other firms may be found both inside Australia and out. There are new markets to find as old markets disappear and there are endless innovations and technical developments that have the potential to create havoc for even the best managed firms. Life is never easy for those in business, and the risks of entrepreneurship is more than just a cliché.

An economy is made up of just such firms. It is not possible to imagine an economy going well if the businesses from which it is comprised are also not going well. In the same way, employment will only grow if employers are in a position to hire. Making the economy grow is about creating an environment in which businesses can thrive. There is no other way.

The business priority list for change makes it clear where government action is needed. These are all crucial issues that must be properly addressed by Australia's next government. It is through dealing with these issues that will enable us to create the kind of economic environment we all want to have.

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