



QUEENSLAND
FUTURES
INSTITUTE

COMMITTED TO IMPROVING THE STATE OF QUEENSLAND

WHAT MAKES BUSINESSES **START, GROW AND STAY** IN QUEENSLAND?

A study of the factors which
drive business investment



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EXECUTIVE SUMMARY

Objective

The Queensland Futures Institute (QFI) is committed to improving the State of Queensland. It is a unique partnership of academic, business, community and social services, government, industry and research organisations that seek faster economic and social growth through collaborative public policy reform.

QFI pursues an apolitical discussion on Queensland's future; its potential and its opportunities; the State that we want for our children and for newly minted Queenslanders.

QFI work alongside political and government processes; with a dialogue centred around a vision of enhanced social and community development based upon long-term plan for economic growth.

QFI's public policy impact is achieved through thought-leadership, investment in evidence-based research, meetings with Government and political leaders, media engagement, events and presentations.

In this research, QFI has sought to better understand the factors that influence business decisions to start, grow or stay in Queensland. In undertaking this work, QFI was conscious that while some of these factors were likely to be totally within the control of Government, many were unlikely to be. QFI's objective therefore, is to contribute in a positive way, information and analysis which can assist Government, and anyone else with an interest, to create a thriving Queensland business community.

Approach

QFI adopted the approach of asking the people who would know best what factors influence business decisions: business leaders who constantly assess whether they want to start, grow or stay in Queensland. Through qualitative one-on-one interviews and a survey of business taxpayers, QFI has identified the factors which drive those decisions.

Twenty-five one-on-one qualitative interviews were conducted with businesses across a range of sectors, geographies and maturities. The 25 interviews were focused on businesses that had made, or were contemplating making a decision to change their status: either to grow or to move interstate or overseas. A list of interviewees is provided in Appendix 1. This approach allowed us to uncover deeper insight about what drivers positively or negatively influence decision-making and whether any factors weren't deemed to have particular relevance or importance.

By using a qualitative method first, common themes were identified and refined before testing them quantitatively through an online survey. This ensured the perceptions uncovered during the stakeholder interviews were also representative of the views of a much broader sample in order to yield statistically significant findings.

The survey was completed by 539 businesses using Queensland Treasury's Office of State Revenue payroll tax database. The link to the survey was also distributed by a number of supportive organisations. A Max-Diff Trade Off Analysis technique was used to identify the comparative importance of the factors

identified. This meant businesses were forced to make a determination about what was most to least important to them, to avoid the opportunity to suggest that all, or even many, factors had equal importance in their decision-making.

A desktop review of actual interstate payroll tax, workcover premium and stamp duty rates and thresholds was also undertaken to compare business perceptions with reality.

Findings

Considered together, the qualitative and quantitative research results provide guidance to governments and others interested in ensuring Queensland is a place in which business leaders choose to do business.

The research suggests, for example, the need to better promote Queensland's tax position relative to other states, because the results indicate this may not be well understood. The results also suggest the need to focus on a number of factors Government can influence, but not necessarily control. Leading this list are the availability of skilled workers, labour costs, ease of travel to work and liveability.

The interviews with business leaders strongly suggest these factors are critical in the decision to start, grow and stay in Queensland. The quantitative results also demonstrate their importance and, in the case of liveability and ease of travel to work, a perceived advantage over other places.

Impact of factors within Queensland

Businesses were asked to rate the impact of various factors on operating a business in Queensland. In this first consideration of relevant factors, they were not asked to consider whether or not they believed the circumstances of each factor would be any better or worse in any other jurisdiction.

Unsurprisingly in this context various "taxes" are all perceived as having the greatest negative impact, with payroll tax having the greatest impact (83 per cent), followed by duties (stamp duty) (64 per cent), workcover premiums (61 per cent) and land tax (55 per cent).

Regulation is perceived as having a neutral to positive impact by 50 per cent of businesses. A majority of businesses also believe Government procurement policy, Government setting a clear vision for the state and access to Government decision-makers for advice and support has a positive or neutral impact on operating a business in Queensland.

Through the one-on-one interviews in particular, some leaders also spoke strongly about the need for appropriate access to, and support from, Government decision-makers for advice, particularly when investment decisions are being contemplated. There is a strong perception that governments at all levels have a critical role to play in creating a welcoming business environment through branding and promoting the state as pro-business and creating an environment which fosters innovation, entrepreneurship and investment. For some, Government procurement policy plays an important role in giving Queensland businesses an opportunity to grow and prosper and ultimately compete in other jurisdictions.

The research suggests the need to better promote Queensland's tax position relative to other states...

The results suggest the need to focus on a number of factors including the availability of skilled workers, labour costs, ease of travel to work and liveability.

Impact of factors compared to other places

Businesses were then asked to rate the impact of various factors in comparison to other places. In this context, a factor may be perceived to have a particular impact within Queensland, but may or may not be perceived as any better for business in other jurisdictions.

A majority of businesses surveyed perceive all factors, apart from payroll tax, as being either positive or neutral when compared to other places. Of all the factors tested, 56 per cent of businesses perceive payroll tax in Queensland to have the highest negative impact compared to other places (with 44 per cent believing it to have a positive or neutral impact).

The result on payroll tax may also have been influenced by the use of Queensland Treasury's Office of State Revenue payroll tax client database to provide the bulk of the sample and the fact that payroll tax changes featured heavily in the recent Queensland Budget. Given that the objective analysis provided in this report suggests Queensland's payroll tax rates and thresholds is one of the best in Australia for business, this survey finding may point to the need for greater Government promotion of Queensland's comparative tax position.

"Other places" in the context of this survey could mean either other states in Australia, or overseas jurisdictions. For some businesses interviewed, the relevant location decision was whether or not to offshore part or all operations. For those with "low-tech" manufacturing operations, there is a strong view that tax rates and labour rates are much cheaper overseas. However interviewees acknowledged that tax and labour savings were not always worth the downside of trying to control quality in overseas operations, particularly in advanced or more technical manufacturing endeavours. In these cases, the availability of a skilled workforce to undertake high quality, complex work was a strong incentive to keep operations within Australia, though not necessarily Queensland.

Liveability is perceived by 33 per cent of businesses to have the highest positive impact compared to other places, followed by ease of travel to and from work (25 per cent). This came through strongly during the one-on-one interviews where businesses suggested that many factors outside Government's control are critically important to a business decision to start, stay or grow in Queensland. In particular, factors relating to liveability were frequently raised. This reflected an acknowledgement that Queensland's lifestyle was an attractive factor for business leaders, but also for their families who have an influence on decisions about where to locate. This consideration brings into play factors like the quality of schools, entertainment and cultural offerings, the length of the daily commute and the environment as relevant to business decision-making.

Importance of factors

After businesses were asked how big of an impact each factor made to their decision to invest, businesses were then asked to consider the relative importance of each factor to determine which factor was most important to their decision to continue to operate in Queensland. The factors ranked most important are where business started and the availability of skilled workers (both ranked most important by 18 per cent of businesses), followed closely by payroll tax (17 per cent) and labour costs (16 per cent). When you combine the number of businesses ranking factors as first, second or third most important, the same four factors top the list, although in a different order: labour costs (52 per cent ranked this as most important, second most important or third most important), availability of skilled workforce (43 per cent), payroll tax (40 per cent) and where the business started (29 per cent).

The location of where the business was founded is a highly important factor in the decision to continue to operate or expand in Queensland.

South East vs. regional Queensland

An analysis of regional business attitudes compared to those in South East Queensland (SEQ) reveals some significant differences in both the impact and importance of various factors in a decision to continue to operate or expand a business. For example, while payroll tax is considered the most important factor in SEQ (20 per cent nominating it as most important), it is considered the fourth most important factor in non-SEQ, behind the availability of skilled workforce, labour costs and where the business originally started. Another significant difference is in the assessment of the impact of energy costs on business. While 38 per cent of businesses surveyed in SEQ believed energy costs had a negative impact, this increased to 49 per cent in the rest of the state. Although their relative importance changes from SEQ to non-SEQ, liveability and ease of travel to and from work remain net positive factors across the state.

Business maturity

For businesses describing themselves as start-ups, expanding businesses and stable businesses, the four most important factors (although the order changes in each category), are where the business started, labour costs, availability of skilled workers and payroll tax. Businesses describing themselves as downsizing, cited payroll tax, availability of skilled workers, labour costs and regulation as being the most important factors. In the case of businesses downsizing, payroll tax (69 per cent) and energy costs and reliability (65 per cent) stand out as dominant factors having a perceived negative impact compared to other places.

The importance of where a business starts

The location of where the business was founded is a highly important factor in the decision to continue to operate or expand in Queensland. It is the most important factor overall, and the dominant factor for start-ups and stable businesses in particular. This is unsurprising to the extent that it suggests once a business has been established in one location, that location becomes a dominant factor in where the business will continue to operate.

However, it also validates a focus from Government on effective policies to nurture the start-up community. If businesses can be encouraged to establish in Queensland, these results suggest there are forces which hold them in their original location. During one-on-one interviews, business leaders acknowledged that in many cases they simply intended to stay in the location where they, or the original founder, started the business and considered a move too inconvenient and costly.

The focus on start-ups by Government was however questioned by some business leaders, with the suggestion they were unaware of any corresponding initiatives or incentives provided to assist existing businesses to expand or take their operations to the next stage. As existing businesses have already demonstrated success, there is a view that this poses less financial risk, and greater return on investment to the Government, as it is less likely the business will fail.

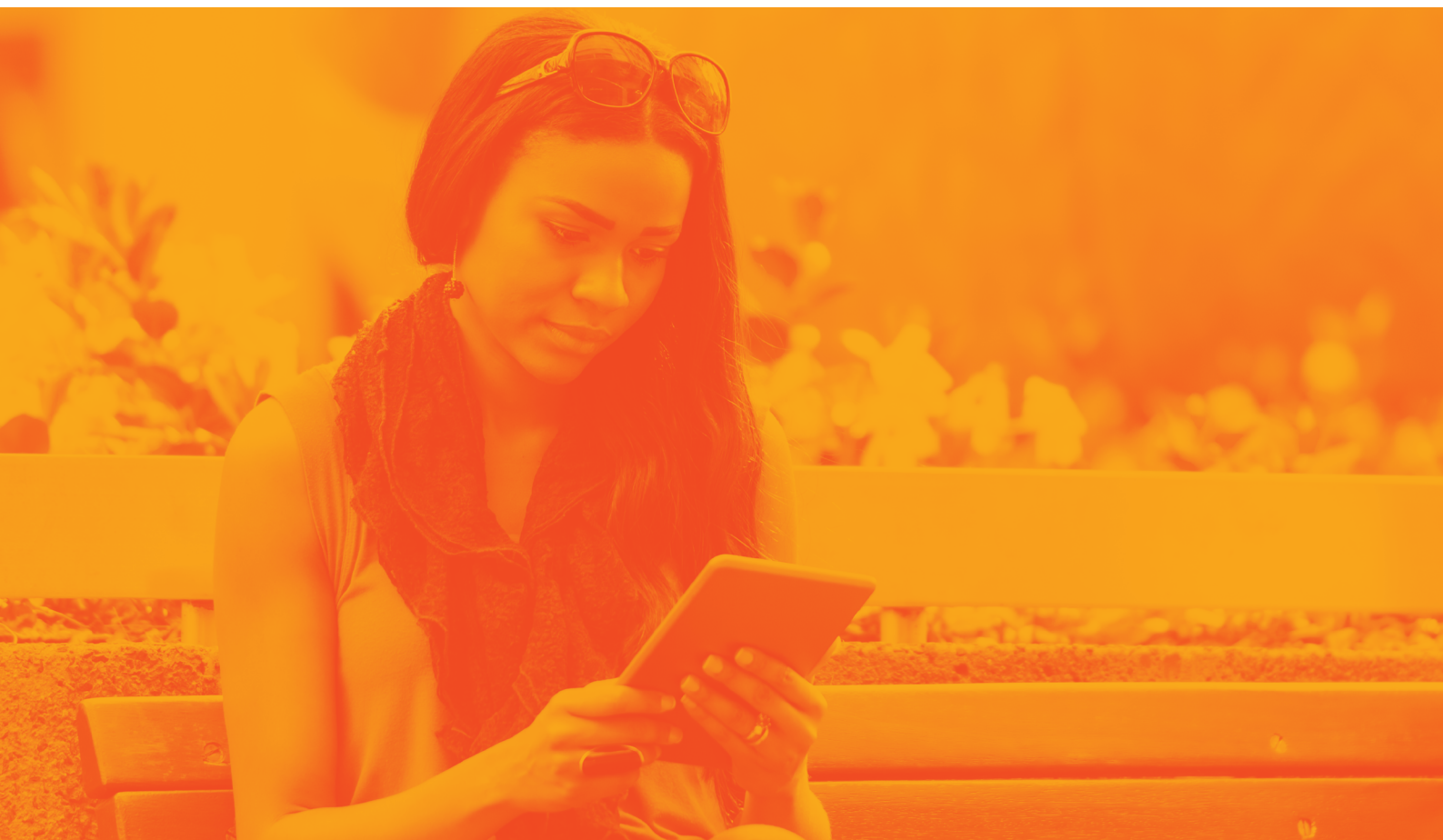
Other factors

One factor that featured prominently during one-on-one interviews but was not a dominant factor in the quantitative research was being able to be part of an ecosystem of like-minded businesses, especially for start-ups. The quality and availability of professional services such as lawyers, accountants and engineers was also mentioned as a factor that contributed towards a thriving business environment that fosters and supports growth.

Recommendations

In order to increase Queensland's influence on businesses to start, grow and stay in the State, QFI recommends the Queensland Government considers the following:

1. The State Government develop and promote a specific **pro-business growth agenda and narrative**, aligned to its vision for Queensland, to encourage business activity and investment.
2. The State Government focus its efforts on **maintaining and promoting liveability and ease of travel to and from work**, given these are critical Queensland advantages which positively impacts business activity. Specifically:
 - Develop a **Queensland Livability Index** to measure, monitor and maintain focus on practical policy and investment action; and
 - Enhance the **promotion of Queensland's liveability** as a distinct comparative advantage over other states.
3. The State Government and the business community more actively promote **Queensland's low tax status**, given we have one of the lowest payroll tax rates and highest thresholds in Australia.
4. The State Government maintain its investment in **assisting start-up businesses** in Queensland and consider new ways to reduce barriers to access Government. This will capitalise on the finding that if a business starts in Queensland it tends to stay in Queensland.
5. The State Government establish **an investment fund**, with appropriate criteria, to help existing successful businesses expand in Queensland, as a relatively low-risk way of creating jobs.
6. The State Government and business community focus on **improving training programs and activities** to increase the availability of skilled workers given the importance of this factor in business decisions to operate or expand in Queensland.





02

QUALITATIVE RESEARCH

QFI conducted 25 one-on-one interviews with businesses of varying maturity, sectors and geographies. The details of the businesses interviewed can be found in Appendix 1.

The main themes that emerged during these interviews are:



Founder location



Liveability



Skills availability



Wages



Moving business offshore



State Government taxes



Connectivity



Expectations of Government



Start-ups vs. expansion of existing businesses



Co-location of similar business



Energy reliability and cost



Founder location

Many businesses indicated that the primary reason for being located in Queensland is because the founder of the business lived or grew up in Queensland. Depending on the nature of the business, some businesses also mentioned that they located their premises in a suburb near their home to ease the commute. For larger businesses with multiple offices around Australia, the preferences of where a CEO or senior executives lived, or wanted to live, could lead to businesses moving their headquarters.



“The fact I live in Queensland is the dominant factor for basing operations here.”



“We started in Brisbane because we were born and bred here.”



Liveability

Lifestyle and liveability means different things to different people, although many businesses believe this includes affordable housing, close proximity between their place of work and home, weather and climate, and proximity to events and ‘things to do’. Comparatively, Brisbane is said to have a desirable lifestyle to the other major cities on the Eastern seaboard like Sydney and Melbourne. Businesses also cite major infrastructure developments and new hotels as an indication of a maturing lifestyle and that Queensland is a good place to live and invest. However, one interviewee spoke of lock-out laws being a negative for Brisbane in terms of its ability to attract business leaders and their families.



“What people are looking at is lifestyle. We have people who would rather live in a nicer area with good working conditions, than having to drive two hours to get to work.”



“We are excited the trajectory Queensland is on because of the liveability of the place.”



“I like the Queensland lifestyle, I like the Queensland network and I like that we’re close to customers.”



“The availability of a skilled workforce and lifestyle and liveability is interlinked much stronger these days and really something that can be drawn on.”



Skills availability

Skills availability is a critical driver for keeping businesses and jobs located in Australia. This is particularly raised in the context of jobs that require technical capability or products that require high levels of quality assurance.

Many businesses also mention that they feel they will soon face a skills shortage and that attracting and retaining talent will become increasingly difficult in industries that require more technical and skilled labour. Depending on the sector, some businesses, particularly in the resources sector, raised the use of the Temporary Work (Skilled) Visa (Subclass 457) as a good short-term way to address skills shortages. While skilled labour is not generally raised as a relevant factor in comparison with other Australian states, some businesses believe that companies will try and 'poach' skilled workers from interstate given 'skills are drying up'.

In considering moving interstate, many companies believe the cost of exiting a location is prohibitive given people factors such as redundancy, loss of knowledge and attracting new talent.

“We know there's going to be a skills shortage so we're training our staff now.”

“Skilled workers leave and go interstate. People with a lot of experience generally aren't here unless they choose to for lifestyle experience.”

“All the smarts seem to be going overseas and I want to keep them here.”

“457 visas were a good temporary solution but changes have hurt the shorter term response to skilled shortages.”



Wages

Many businesses acknowledge that wages are high in Australia and that in some instances businesses are even prepared to pay above market wages to get quality, highly skilled employees. Wages are more likely to be a significant factor affecting business decision-making if the business is considering moving offshore as labour costs for manufacturing less technical products are considerably lower in other countries. Businesses involved in manufacturing also raised wages as more of a significant issue affecting their ability to remain competitive given the highly labour intensive nature of the industry. A smaller number of businesses felt that if they were based in southern capitals, wages would be higher to meet higher cost of living pressures.

“We can't do much about wages because we need to remain competitive with the mines but we can focus on the cost of operating businesses like reducing energy, inspection and regulatory costs.”

“Unit labour costs are significant. There is no difference between states, but there are differences between countries e.g. America. But you can't take one singular factor and compare it to other countries without considering other factors.”



Moving businesses offshore

With increasing global competition from countries like China and significantly lower taxes and wage rates overseas, some businesses no longer feel a strong sense of obligation to 'keep everything Australian' and are increasingly considering moving their operations offshore to remain competitive. As indicated, this is particularly prevalent in the manufacturing industry where products are less complex and the cost of doing business and wages are a lot cheaper in Asian countries.

Many businesses that have thought about moving offshore have ultimately decided not to because of the challenges to maintain control of quality, compliance issues and rework. Also some businesses believe that their customers value the fact that they manufacture locally and this is a point of differentiation for their business.

Other international factors for global business such as a fluctuating exchange rate can have a large impact on business investment, although it was acknowledged that this was largely outside business and Government control.

“The more skilled and complex the task, the harder it is to move offshore.”

“If you compare Queensland to interstate, business costs aren't that different. But if you compare us internationally, then it becomes a lot more tempting.”

“We have thought about offshoring but we haven't because of quality and compliance issues. We can't afford that. We like to do things once. If there was someone who could do it cheaper then I'd look at it but it'd definitely have to be quality and meet compliance.”

“I don't really see any advantages to being here anymore. I think we can run an offshore business from here.”



State Government taxes

Businesses interviewed did not proactively identify Queensland as having either lower or higher taxes compared to other states. Whilst most businesses believe taxes in Australia are just part of doing business, this was different when compared to overseas countries that often have lower tax rates.

“I don't think they're too bad compared to anywhere else.”

“Tax rates are not one of the best in the world, but also not the worst.”

“You've got a global environment that's lowering company taxes, but Australia has an opposite opinion.”

Perceptions of specific taxes are outlined in greater detail on the following page.



Land tax

Many businesses do not believe land tax is a significant factor as it either doesn't affect them or they are not huge land holders. However one business that was impacted suggested that when the time is right they would sell in Queensland for Victoria as Victoria was perceived as having the lowest land tax rate.

“It's not really a factor given we're not huge land holders.”



Work cover premiums

Many businesses acknowledge that work cover premiums are a cost of doing business and do not view Queensland as different to any other state. A small number of businesses identify that it can be a big burden but it is not currently a factor in their decision-making. A small number of businesses spoke of difficulties navigating the work cover system and their perceptions that it favours employees.

“We can't avoid work cover premiums in any jurisdiction.”

“The work cover system needs an overhaul.”

“It's not the premiums, it's the process that is horrendous and terribly inefficient. Fair Work is a toothless tiger that is designed by the employee.”



Stamp duty

Stamp duty was not proactively raised in interviews, however when prompted, most businesses did believe it made a neutral to positive impact on their decision-making when compared to other states. Some businesses mentioned that stamp duty is payable everywhere and there was no material difference between states. One business felt that taxes in Queensland were due to increase and that stamp duty was one of them.



Payroll tax

Businesses have differing perceptions regarding the level of importance of payroll tax on their business. For some, this is seen as a real inhibitor to local jobs growth. For example, one company mentioned that they considered hiring people interstate to stay under the threshold in order to avoid paying payroll tax in Queensland. For other businesses it was the sheer cost of the tax, with one company mentioning their cost was likely to triple based on projected growth.

Others interviewed did not see it as a significant factor in determining the expansion or growth of their business. Responses typically varied based on the size of the business with start-ups and smaller businesses viewing payroll tax as a more significant impediment to growth than larger businesses that were more heavily influenced by other factors.

“Payroll tax: it's not one of the main decision-makers.”

“Tell the Government to get rid of it. It's an inhibitor to growing jobs locally.”



Connectivity

Connectivity is generally referenced by business in two parts: ease of connectivity for employees travelling to work and supply chain connectivity.

Of importance to employees is working for a business that is easily accessible. While no particular transport method was tested, having a short commute to work was a key factor in lifestyle and liveability.

Regarding supply chain efficiencies, many businesses commented that connectivity is improving rapidly with new infrastructure and investment constantly occurring (e.g. airport upgrade, inland rail). Many businesses mentioned that they started their business close to, or with access to the airport or other logistics hubs so that they could move their products with ease. A small number of businesses also mentioned the connectivity and access to China and the Asian markets, particularly for exports.

This differed for businesses located in regional Queensland, where infrastructure and transport connectivity were suggested by stakeholders as costly, constrained and not of a high standard.

“Transport and connectivity are improving all the time.”

“Transport is our biggest cost. We pay a fortune and the roads aren't the best. It kills us up here.”

“Brisbane is a fantastic place for a base because it's easy to get to China. Our feeling is that Brisbane is more of an export based economy whereas Melbourne and Sydney are import based economies.”

“Transport infrastructure is an inhibitor in Central Queensland. We need a catalyst for more local investment. We are constrained by local infrastructure.”

“It's not just transport connectivity, it's internet and online connectivity too.”



Expectations of Government

Businesses have varying expectations of Government and their involvement in the business community, however four key themes emerged. These are:

1. Promotion of a pro-business agenda by the State Government;
2. Access to Government (e.g. to provide support, guidance and advice);
3. Government procurement; and
4. General Government policy settings.



Promotion of a pro-business agenda by State Government

Many businesses believe Government has a critical role to play in selling the State as open for business or being seen as a 'pro-business'. They acknowledge that promoting the State as business-friendly is more about creating the right culture through communications than actually changing policy settings. Some businesses referenced past marketing campaigns like 'Smart State' as an example of where Government has had a vision which it has used to drive and encourage business investment.

Some businesses also specifically mentioned encouraging businesses to innovate as an area that Government could play a more active role in. Others suggest Government could play a more active role in incentivising corporations to locate in the regions to better diversify skills and increase employment.



I don't think we've sold Queensland as well as we could've sold it."



Perhaps southern and western states are more open to innovation."



Access to Government

Many businesses said a good working relationship with Government is essential, and that without it, their business operations would suffer. The majority of businesses believe access to Government for advice, cutting through bureaucracy and providing support when they need it is critical to business success. Having an advantage in the regulatory environment is viewed as a considerable strength. It was indicated that Government has tremendous resources at its disposal and has the knowledge and contacts to open doors, promote an entire industry or introduce businesses to create supportive ecosystems. Some businesses specifically cited engagement and interaction with Ministers as important, whether that be acting as a circuit breaker for decisions, providing encouragement and support, or advice about how businesses can achieve the outcomes they are seeking.

Some businesses mentioned that access to, and attendance at, trade missions led by the State Government played a key role in expanding their business globally. Further, that access and introductions to high profile decision-makers in overseas markets greatly accelerated their ability to export and grow their business.

One business indicated that it can be difficult to find the programs provided by Government to assist business to prosper, which causes frustration and often means the programs are undersubscribed.



Government playing a coordinating role would be valuable."



The Queensland Government's trade missions are what opened our business globally and made us successful."



What's fundamentally important is the Government Minister that looks after that area and having respect and contact with that Minister so you feel you have support if you run into anything bumpy."



Government procurement

A number of businesses mentioned the important role of Government procurement and saw Government as the single biggest procurer in the State. Many businesses could identify a recent change by the State Government to a more locally weighted procurement policy (Buy Queensland), and this was perceived to be beneficial for local businesses. However, many indicated that navigating the procurement process was difficult and needed to be made easier.

Procurement for start-up companies was specifically mentioned as problematic, given the requirements, particularly around financial risks.

“Buy Queensland will make a big difference, but they have to make it easier.”

“Buy Queensland has been poorly rolled out. It’s currently more of a marketing campaign.”



General Government policy settings

Depending on the sector, some businesses identified a lack of clear and consistent policy settings as an inhibitor to business investment in Queensland. Examples included lengthy and onerous approval processes, a focus on certain sectors and relatively low commitment to infrastructure investment, compared to New South Wales.

“We need stability of Government and consistency of Government policy.”



Start-ups vs. expansion of existing businesses

There was some discussion in interviews about the merits of Government assistance to encourage start-ups versus investing in existing businesses to help take them to the next level. There was a reasonably high level of awareness about the State Government's focus on start-ups with some able to reference the Advance Queensland agenda and specific funding programs available (e.g. Queensland Business Development Fund). One business raised concerns about access to capital and that more could be done by Government to assist in reducing investment risk.

However other businesses felt that there could be more of a focus by Government in helping businesses expand their operations, as growing existing businesses would deliver economic benefit as well. Most businesses were unaware of any Government programs or incentives that could assist with such transitions. Many businesses identified that investment in this type of business would pose less of a financial risk to Government as they were already established and operating successfully. Businesses also suggested that there are a myriad of 'growing pains' as they move from the start-up phase to a larger business and that there is not a lot of support or assistance to do so.



The Government needs to be very aggressive in terms of financial incentives for groups coming to Queensland."



Government need to turns its attention now on that next phase. It's been the start-up circus for a long time."



Incentives are skewed towards start-ups rather than taking businesses to the next level. There are a lot of growing pains in the transition to get to that \$20 million, \$30 million or \$40 million point."



The Government likes shiny new toys and attracting new people but they forget about retention. It's far easier to retain and grow a customer than attract a new one."



All of the talent is going to get picked out of Australia unless the Queensland Government works with corporates to move to the next phase."



Co-location of similar business

Some businesses raised the benefits of co-locating like-minded businesses in one geographical area. Benefits included ideas sharing, collaboration and the creation of an ecosystem of mutually supportive businesses. Other businesses also spoke to the benefits of having all the components of the business under one roof to streamline operational efficiencies. A small number of businesses mentioned access to a network of relationships for advisory services such as accounting or legal and that proximity to these services and networks makes a difference to business outcomes.



Co-location of like-minded businesses was a genuine benefit. We shared ideas. It was an ecosystem effect."



Energy reliability and cost

Energy reliability was not a big consideration for interviewees with many believing energy was reliable and accessible. More businesses did identify energy costs as an inhibitor to profitability and observed that they are continually rising. However, this was not often prioritised as one of the biggest considerations and few believed it would be any better or worse in other states.



Energy is triple the cost of our overseas competitors."



Electricity costs are huge. We've put in more than 2,000 solar panels to alleviate electricity costs but that's tough."





03

QUANTITATIVE FINDINGS

Using the qualitative interview findings, an online survey was developed and made available through a number of industry associations and was forwarded by Queensland Treasury’s Office of State Revenue to its database of businesses registered to pay payroll tax.

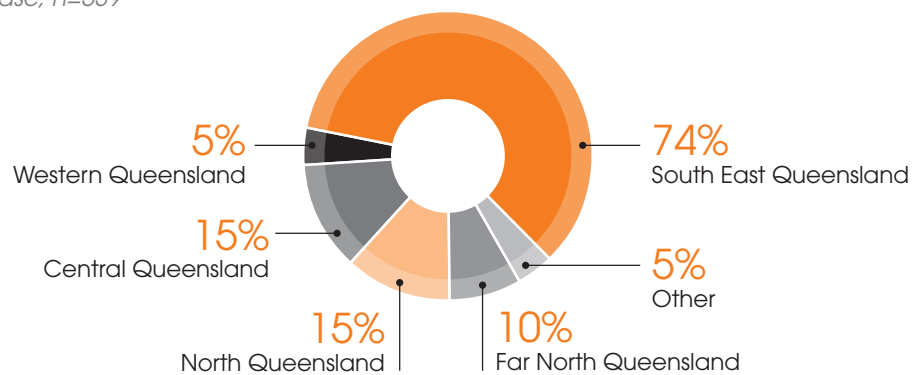
The survey was open from 19 September to 8 October 2019. A total of 539 respondents completed the survey.

Respondent profile

A profile of the respondents who completed the survey, consisting of primary location, industry and the number of locations in and outside of Queensland, is detailed below:

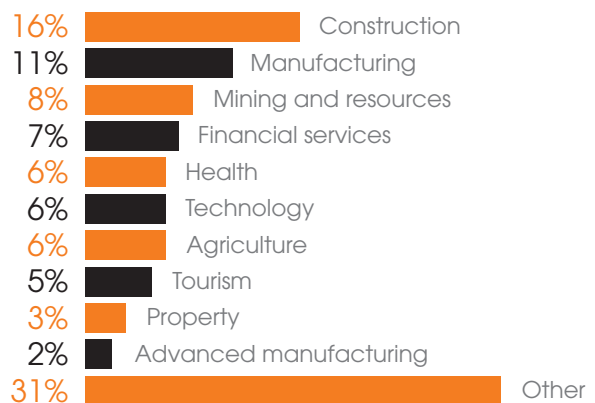
Business location

Q. In which geographical area are most of your business activities conducted?
Base, n=539



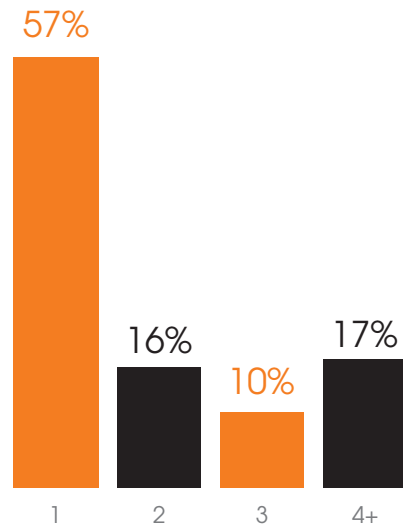
Industry

Q. In which industry sector does your business primarily operate?
Base, n=538



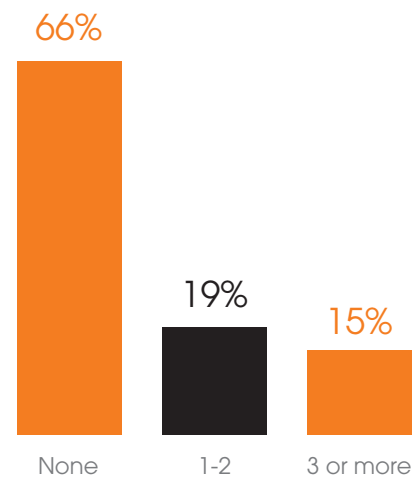
Number of locations in Queensland

Q. How many locations do you operate from in Queensland?
Base, n=513



Number of locations outside of Queensland

Q. How many locations do you operate from other than in Queensland?
Base, n=518

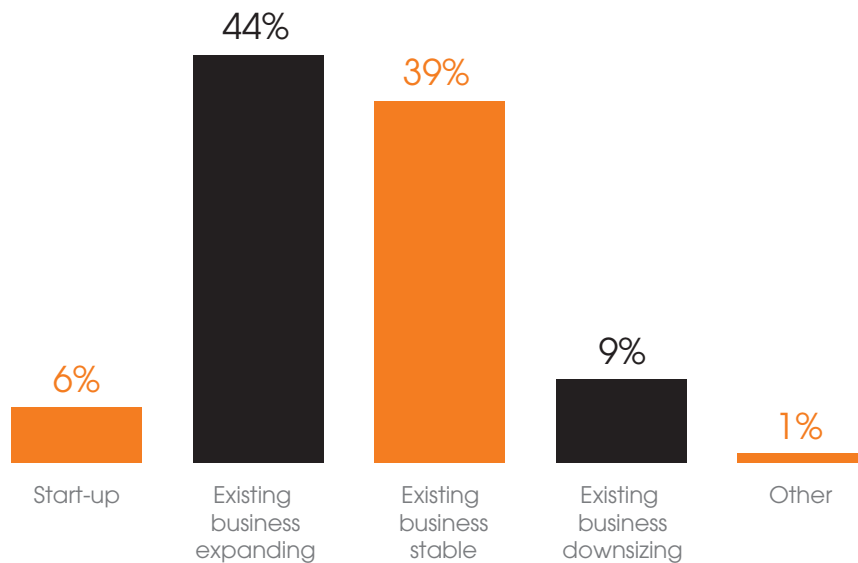


The general business environment

Business maturity

The majority of responding businesses to the survey are established businesses, which are either looking to expand their business (44 per cent) or to keep it the way it currently is (39 per cent).

Q. Which of the following best categorises your business? Base, n=534



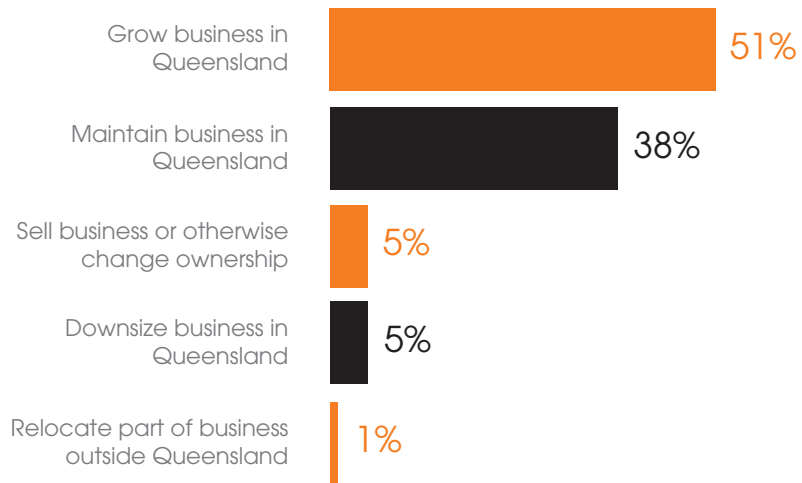
44 per cent of businesses surveyed are looking to expand their business.

Business outlook

Most businesses surveyed intend to grow their business in Queensland in the next 12 months (51 per cent), or maintain the business as it currently is (38 per cent). Only a small proportion are planning to sell their business or downsize in Queensland (both 5 per cent).

Q. In the next 12 months, is your business intending to take active steps on any of the following? *Base, n=535*

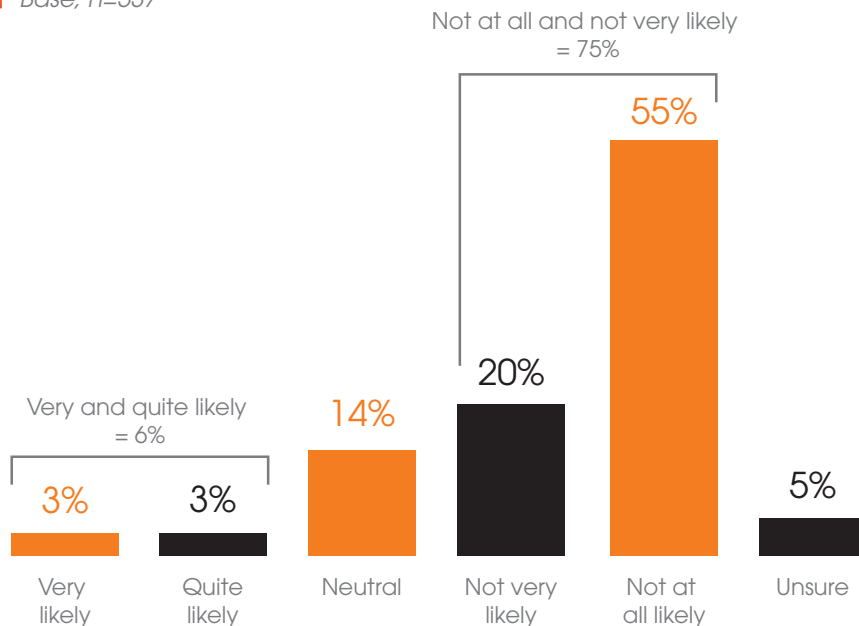
51 per cent of businesses surveyed intend to grow their business in Queensland in the next 12 months.



Likelihood of relocation

Only a small proportion (6 per cent) are intending to relocate their business to another state in the future. More than half (55 per cent) indicated that this would be 'not at all likely'.

Q. How likely are you to relocate your business to another state, in the future? *Base, n=537*



Perceived impact of State Government policy

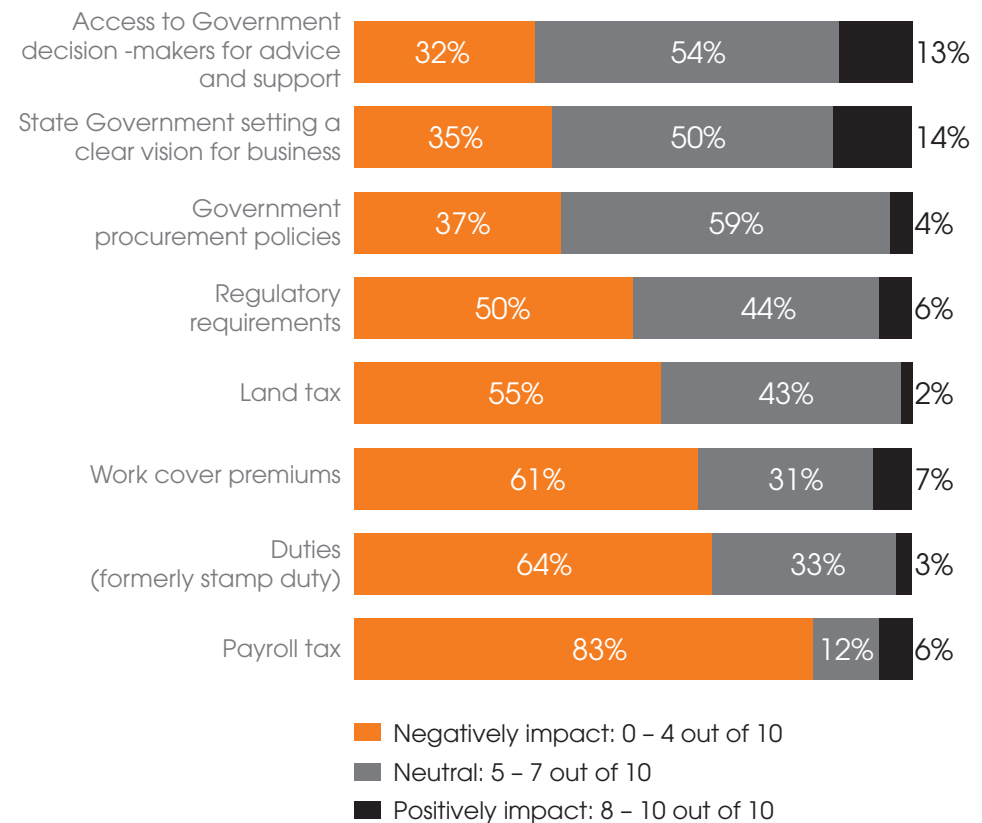
A number of factors within the control of State Government were tested to identify their impact on business. At first, perceptions of impact were tested without asking businesses to consider whether or not the situation would be any better in other jurisdictions.

Payroll tax is perceived to be the greatest hindrance to business, with the majority indicating that this policy area is more likely to negatively impact their business (83 per cent rated this between a 0 – 4 out of 10). This result may have been influenced by the fact that Queensland Treasury’s Office of State Revenue payroll tax database provided the bulk of the survey sample. Duties (stamp duty) and work cover premiums were rated as having a negative impact by six in 10 businesses.

Government procurement policies and practices, State Government setting a clear vision for business, and access to Government decision-makers for advice and support are policy areas which were perceived to have a net positive or neutral impact on business.

Importantly this question asks about impact in the absence of any consideration for whether the situation would be any better or worse in another jurisdiction.

Q. In your experience operating a business in Queensland, are the following State Government policy areas more likely to positively or negatively impact your business?
 Base, n=518-537



Government policies and practices and access to Government have a net positive to neutral impact on all businesses

Perceived impact of State Government policy areas relative to other places

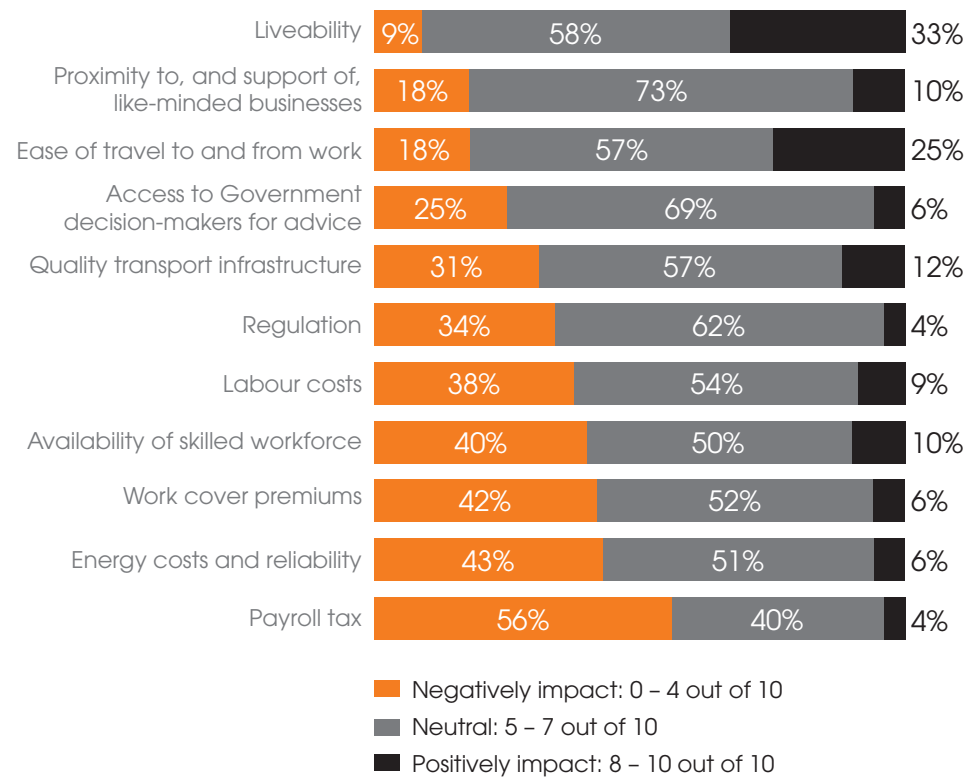
Businesses were asked to think about the impact of various factors relative to other places, and assess whether certain factors have a more positive or negative impact on their business.

More than half (56 per cent) of all businesses indicated they believed payroll tax would be better somewhere else and rated this factor as having the most negative impact.

Liveability and ease of travel to and from work were perceived to be better in Queensland relative to other places by at least a quarter of all businesses.

A majority of businesses perceived all other factors to be either positive or neutral in their impact relative to other places.

Q. Thinking about Queensland compared to other places, do the following factors have a more positive or negative impact on your business? *Base, n=520-527*



Liveability and ease of travel to and from work were perceived to be better in Queensland relative to other places by at least a quarter of all businesses.

Importance of factors influencing decision to continue to operate or expand business in Queensland

As well as impact, businesses were asked to rate the relative importance of identified factors. Using a Max-Diff research approach which forces factors to be ranked, the following table shows the proportion of businesses that ranked each factor most important, second most important and third most important.

A skilled workforce, location of where the business started, payroll tax and labour costs were all seen as being the most important factors in impacting decisions to continue to operate or expand business in Queensland.

Q. How important are the following factors in your decision to continue to operate or expand your business in Queensland? Please rank the following factors from most important (being 1) to least important (being 12). *Base, n=512*

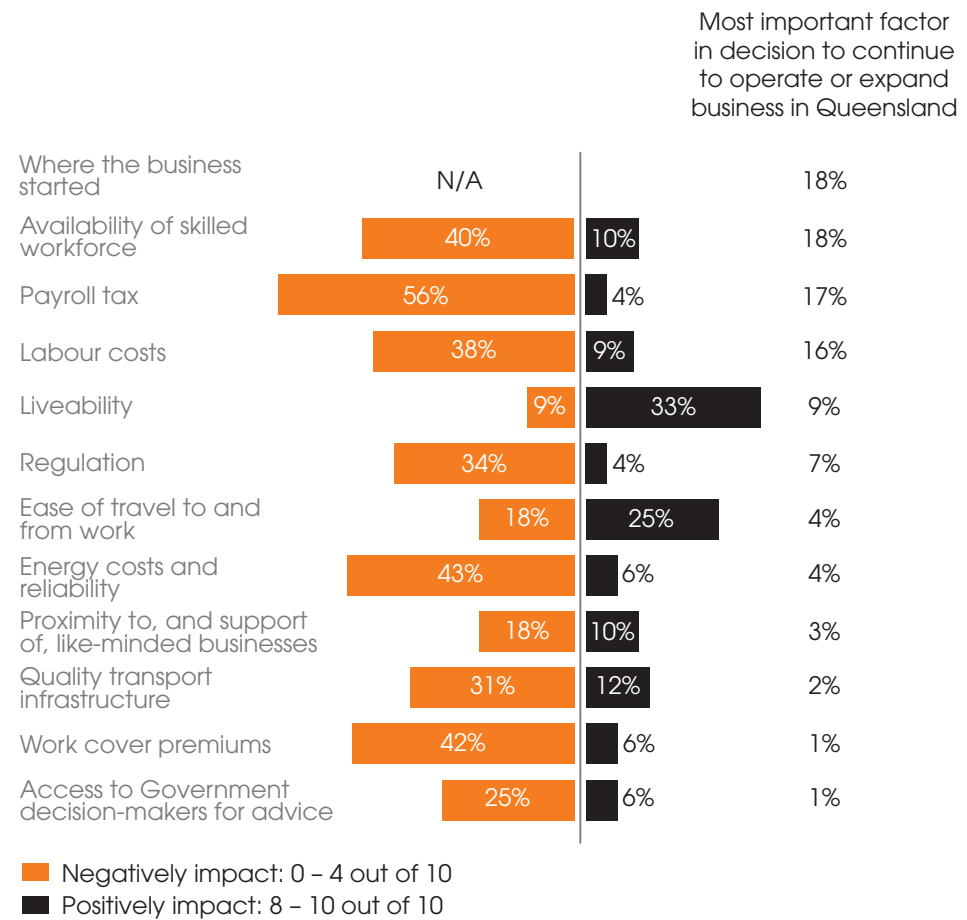
	Total importance (Rank 1-3)	Ranked most important	Ranked 2nd	Ranked 3rd	
Most important	Labour costs	52%	16%	19%	16%
	Availability of skilled workforce	43%	18%	13%	12%
	Payroll tax	40%	17%	12%	11%
	Where the business started	29%	18%	8%	3%
	Liveability	24%	9%	9%	6%
	Regulation	23%	7%	7%	10%
	Energy costs and reliability	19%	4%	6%	9%
	Ease of travel to and from work	18%	4%	7%	8%
	Work cover premiums	18%	1%	8%	9%
	Proximity to, and support of, like-minded businesses	14%	3%	4%	7%
	Quality transport infrastructure	13%	2%	6%	5%
	Access to Government decision-makers for advice and support	7%	1%	2%	3%

Some factors may be considered to have an impact by a proportion of businesses, but not be considered important overall. The following chart shows the relationship between overall business perceptions of importance and impact.

Note that where the business started can be judged in terms of its importance in continuing to operate or expand in Queensland, however its impact relative to other places cannot be measured.

Importance vs. impact

Q. Thinking about Queensland compared to other places, do the following factors have a more positive or negative impact on your business? Base, n=520-527



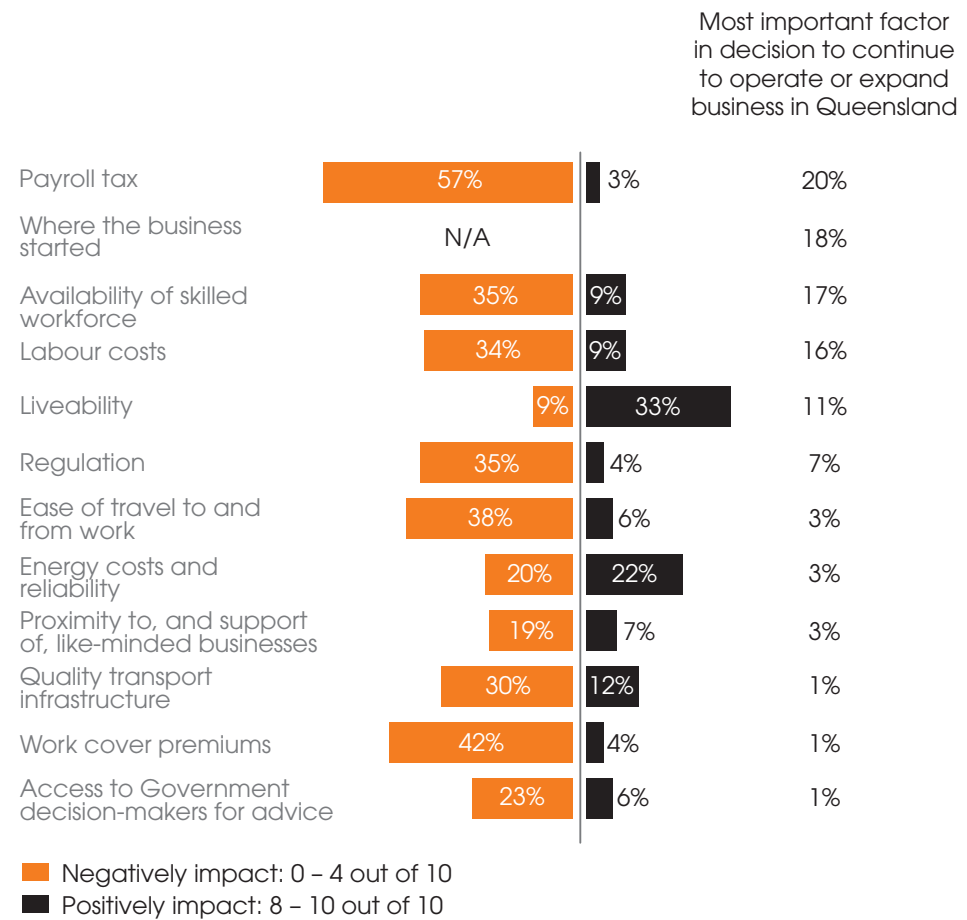
Importance vs. impact by location

The following charts show importance relative to impact on a geographical basis: South East Queensland versus the rest of the State.

South East Queensland

Q. Thinking about Queensland compared to other places, do the following factors have a more positive or negative impact on your business? *Base, n=387-393*

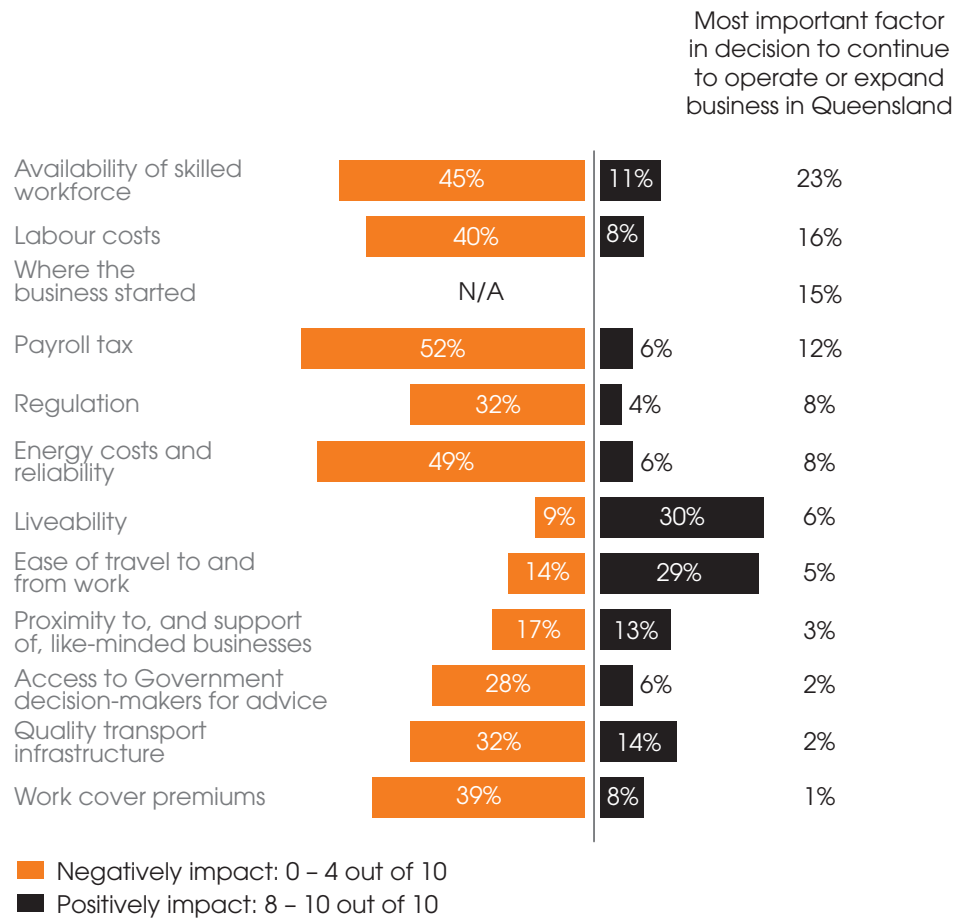
Q. How important are the following factors in your decision to continue to operate or expand your business in Queensland? Please rank the following factors from most important (being 1) to least important (being 12). *Base, n=383*



Non-South East Queensland

Q. Thinking about Queensland compared to other places, do the following factors have a more positive or negative impact on your business? *Base, n=185-190*

Q. How important are the following factors in your decision to continue to operate or expand your business in Queensland? Please rank the following factors from most important (being 1) to least important (being 12). *Base, n=186*



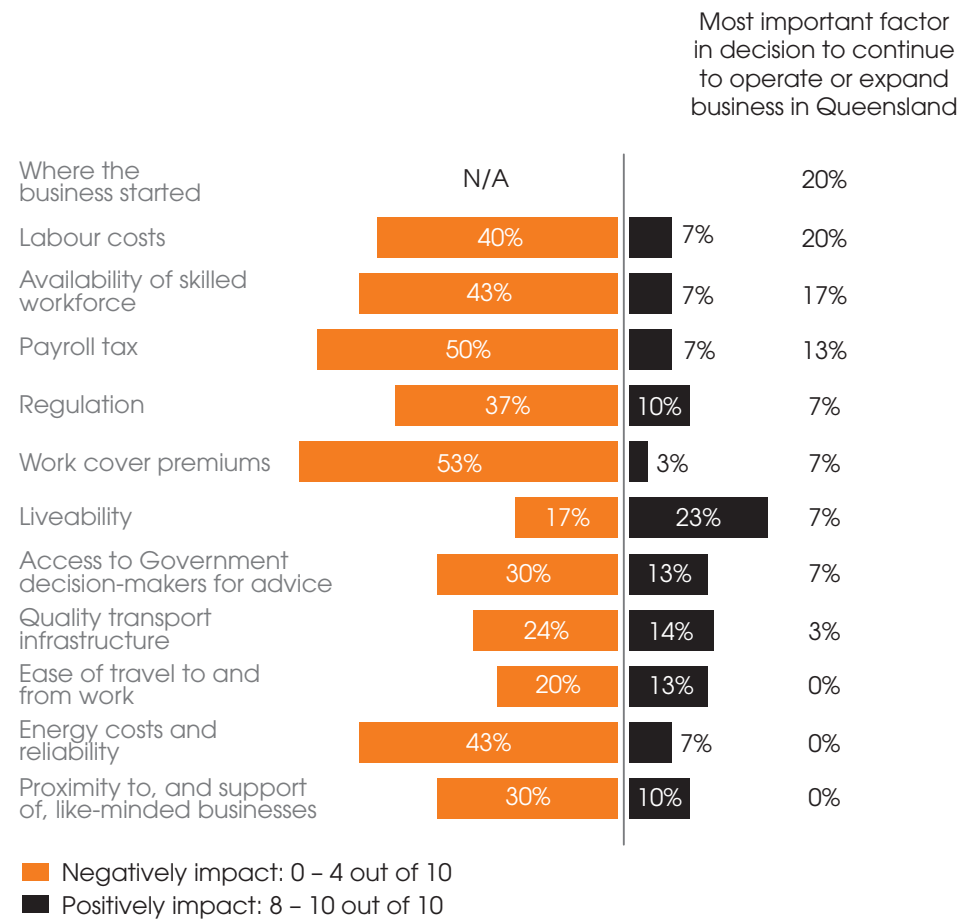
Importance vs. impact by business maturity

The following charts show importance relative to impact depending on the level of business maturity: start-up, expanding, stable and downsizing.

Start-up

Q. Thinking about Queensland compared to other places, do the following factors have a more positive or negative impact on your business? *Base, n=28-30*

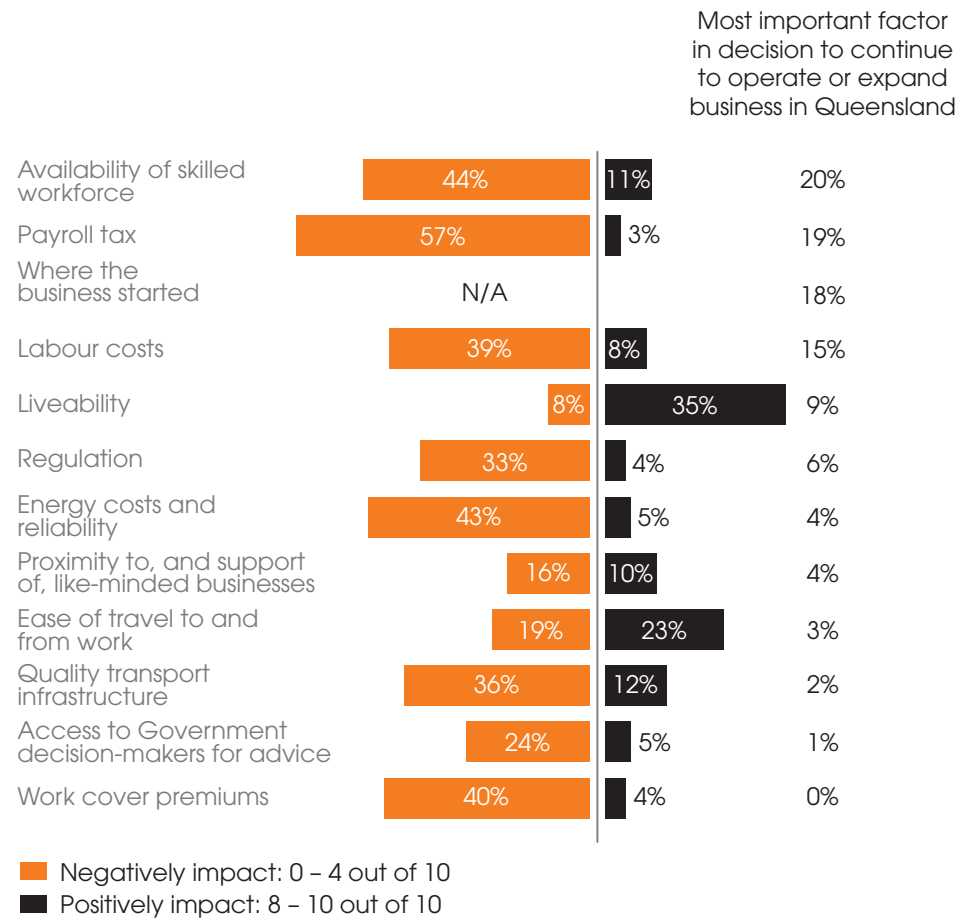
Q. How important are the following factors in your decision to continue to operate or expand your business in Queensland? Please rank the following factors from most important (being 1) to least important (being 12). *Base, n=30*



Expanding business

Q. Thinking about Queensland compared to other places, do the following factors have a more positive or negative impact on your business? *Base, n=226-230*

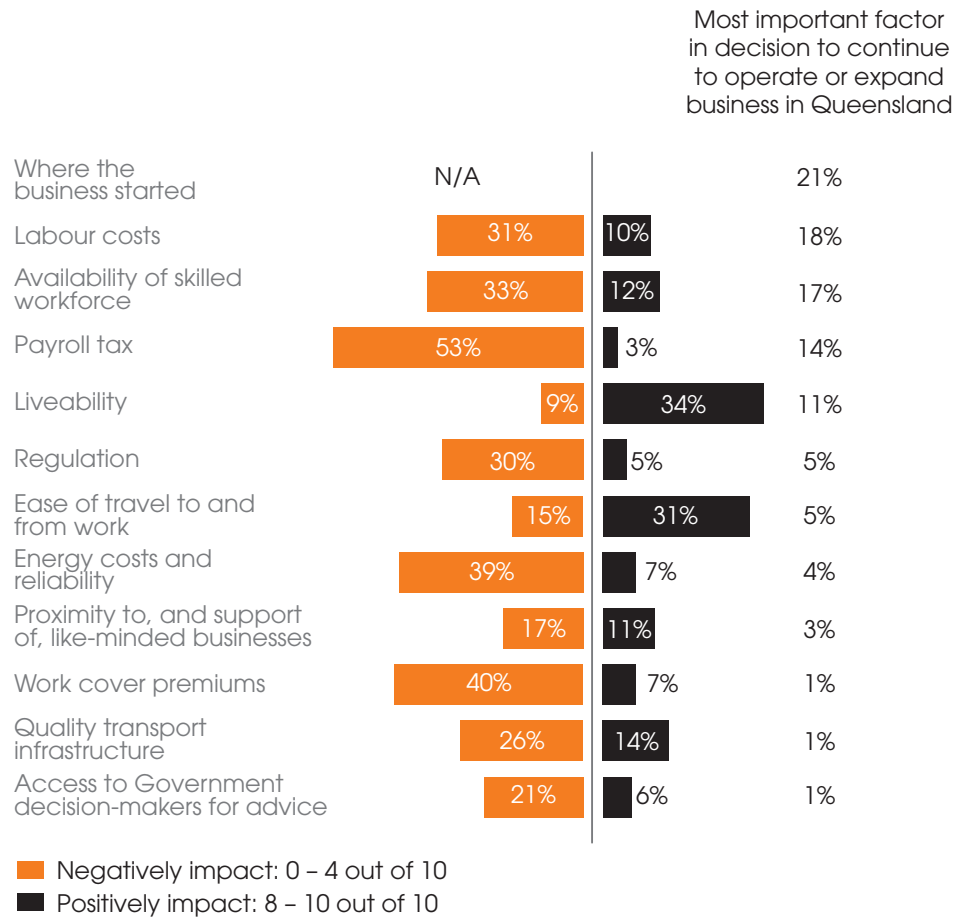
Q. How important are the following factors in your decision to continue to operate or expand your business in Queensland? Please rank the following factors from most important (being 1) to least important (being 12). *Base, n=227*



Stable business

Q. Thinking about Queensland compared to other places, do the following factors have a more positive or negative impact on your business? *Base, n=195-197*

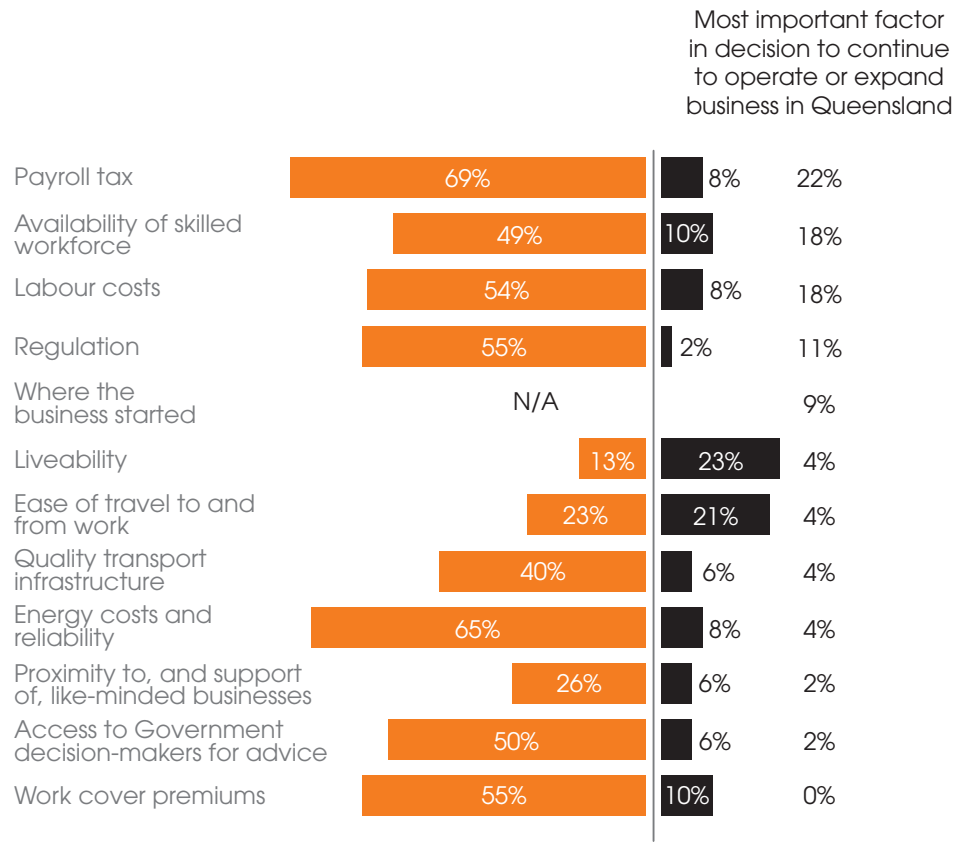
Q. How important are the following factors in your decision to continue to operate or expand your business in Queensland? Please rank the following factors from most important (being 1) to least important (being 12). *Base, n=197*



Downsizing business

Q. Thinking about Queensland compared to other places, do the following factors have a more positive or negative impact on your business? *Base, n=47-49*

Q. How important are the following factors in your decision to continue to operate or expand your business in Queensland? Please rank the following factors from most important (being 1) to least important (being 12). *Base, n=45*



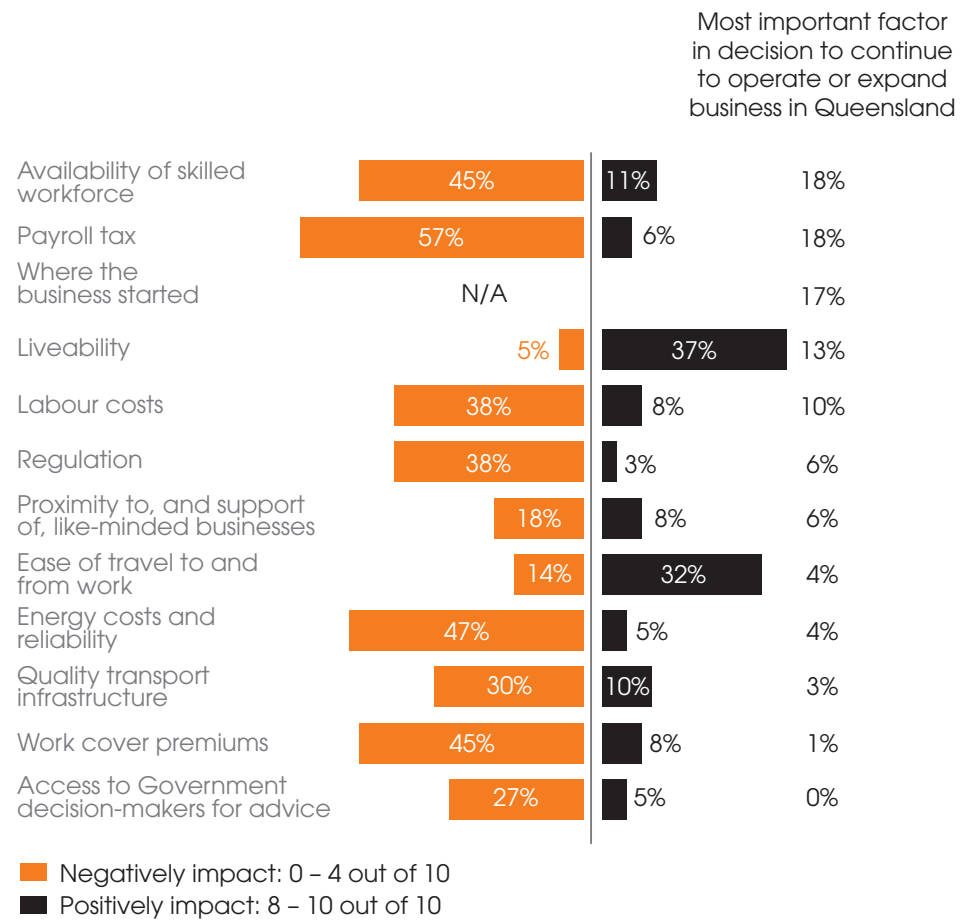
■ Negatively impact: 0 - 4 out of 10
■ Positively impact: 8 - 10 out of 10

Importance vs. impact by industry sector

The following charts show importance relative to impact on a sector basis: manufacturing, construction, mining and resources and other industries.

Manufacturing

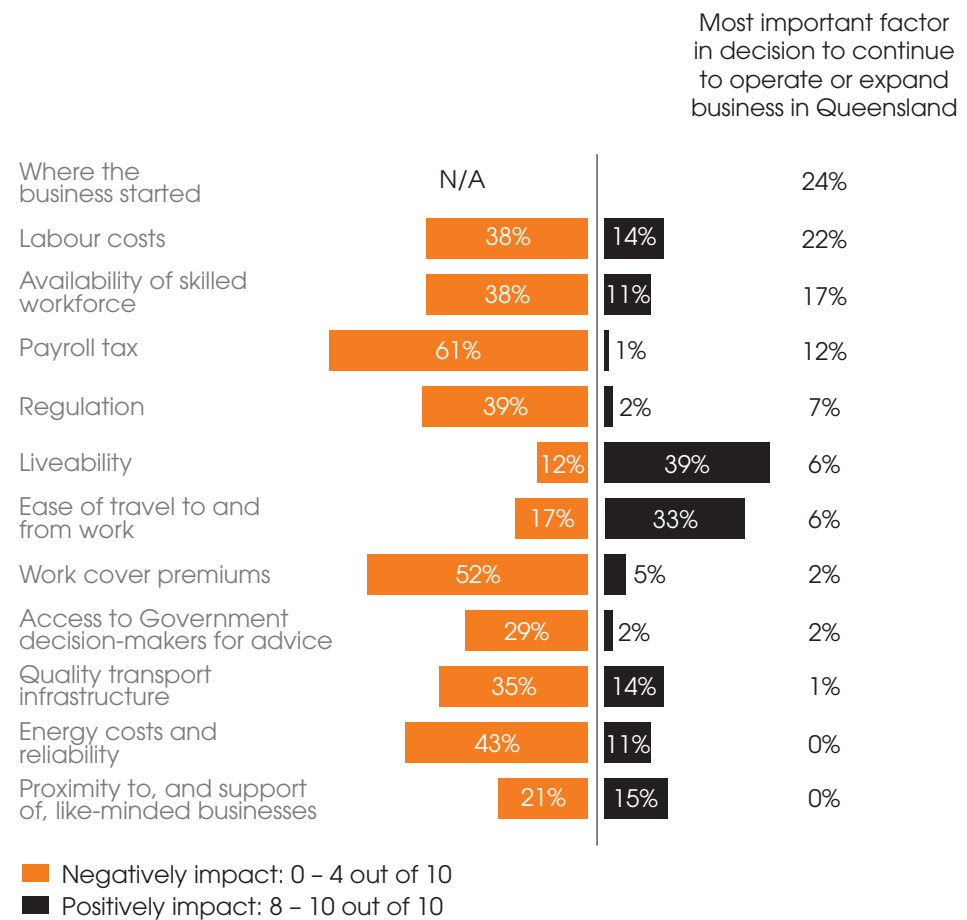
- Q. Thinking about Queensland compared to other places, do the following factors have a more positive or negative impact on your business? *Base, n=71-73*
- Q. How important are the following factors in your decision to continue to operate or expand your business in Queensland? Please rank the following factors from most important (being 1) to least important (being 12). *Base, n=72*



Construction

Q. Thinking about Queensland compared to other places, do the following factors have a more positive or negative impact on your business? *Base, n=82-85*

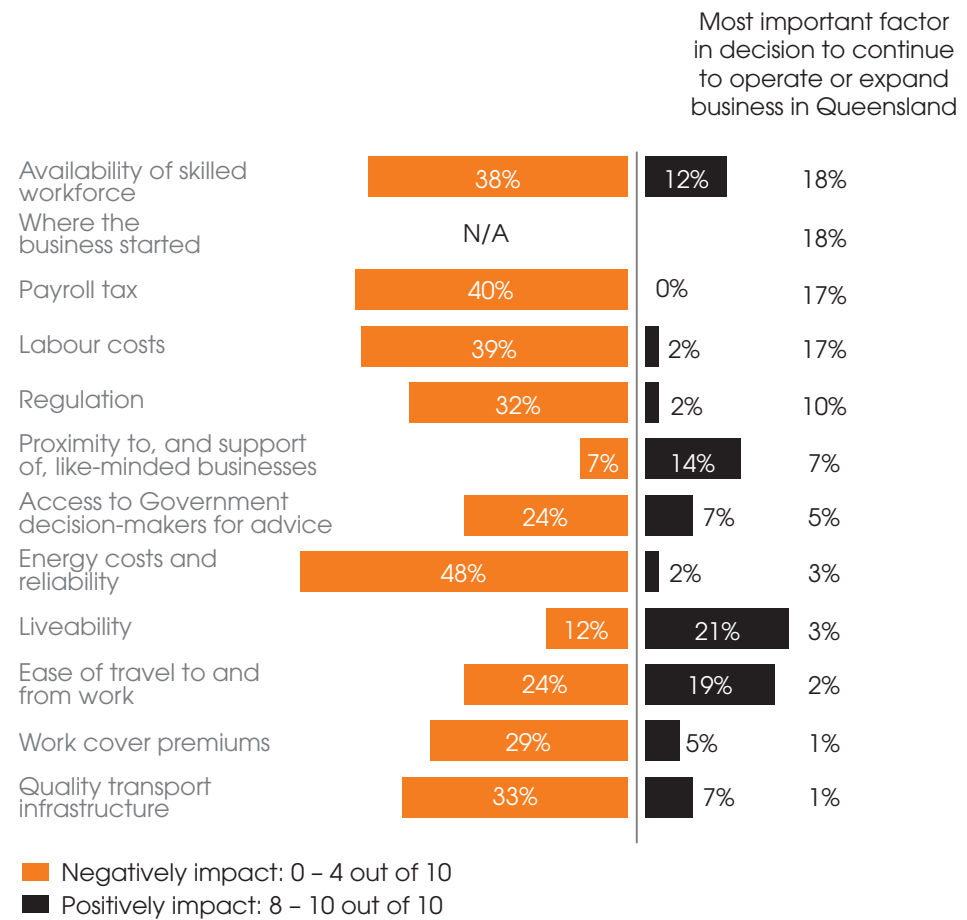
Q. How important are the following factors in your decision to continue to operate or expand your business in Queensland? Please rank the following factors from most important (being 1) to least important (being 12). *Base, n=83*



Mining and resources

Q. Thinking about Queensland compared to other places, do the following factors have a more positive or negative impact on your business? *Base, n=41-42*

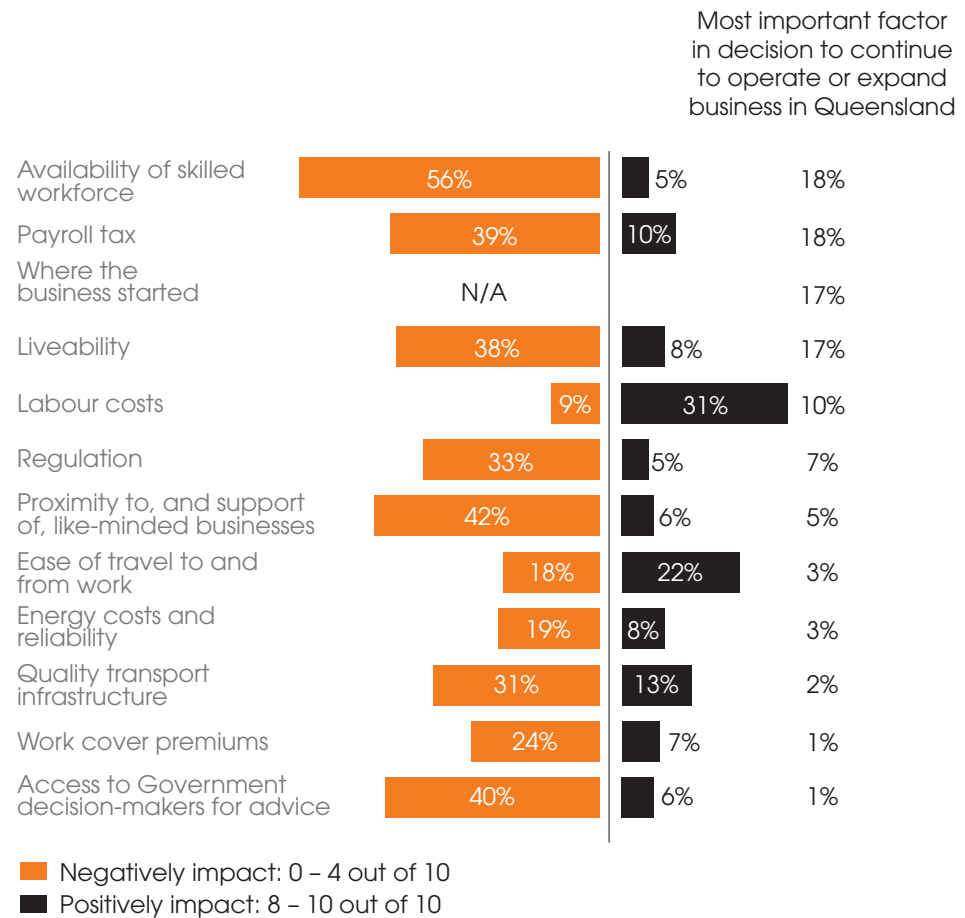
Q. How important are the following factors in your decision to continue to operate or expand your business in Queensland? Please rank the following factors from most important (being 1) to least important (being 12). *Base, n=41*



Other industries

Q. Thinking about Queensland compared to other places, do the following factors have a more positive or negative impact on your business? *Base, n=321-326*

Q. How important are the following factors in your decision to continue to operate or expand your business in Queensland? Please rank the following factors from most important (being 1) to least important (being 12). *Base, n=315*



Four interstate comparisons of various tax rates and thresholds

The qualitative and quantitative research conducted as part of this report reveals a range of attitudes businesses have towards factors which influence the business decision to start, grow and stay in Queensland.

The following section compares tax rates on a factual basis to allow judgements to be made about whether those perceptions, particularly in relation to the impact of Queensland taxes compared to other areas, is warranted.

As indicated above, the research suggests the need to better promote Queensland's tax position relative to other states. Comparisons outlined below indicate that Queensland does have a competitive tax position compared to other states, although this is not reflected in business perceptions. This points to the need for Government to better promote its tax competitiveness.

Regarding payroll tax, Queensland has one of the lowest rates and highest thresholds compared to other states. Further regional businesses have recently received a discount on the tax rate, which is also not reflected in the quantitative research results.

Payroll tax

	Tax rate	Annual threshold	Additional information
Australian Capital Territory	6.85%	\$2M	<ul style="list-style-type: none"> The highest threshold in Australia – most small businesses do not pay any payroll tax. The tax rate has remained consistent since 2001.
Queensland	Nil 4.75% 4.95%	< \$1.3M \$1.3M – \$6.5M > \$6.5M	<ul style="list-style-type: none"> The tax-free threshold for businesses increased from \$1.1M to \$1.3M. Regional businesses receive a 1% discount on the tax rate.
New South Wales	5.45%	\$900,000	<ul style="list-style-type: none"> From July 2019, small businesses with a payroll tax liability under \$20,000 will have the option of paying taxes annually. Currently, all businesses are required to file monthly returns and make monthly payments. As part of previous state budget announcements, the New South Wales Government will lift the payroll tax threshold to \$1M by 2021–22.
Northern Territory	5.5%	\$1.5M	<ul style="list-style-type: none"> From May 2018, a payroll tax exemption was introduced to encourage the employment of additional Territory residents. Employers may be eligible for a payroll tax exemption for up to two years.

Queensland has one of the lowest rates and highest thresholds compared to other states.

	Tax rate	Annual threshold	Additional information
South Australia	Nil 0% – 4.95% 4.95%	< \$1.5M \$1.5M – \$1.7M > \$1.7M	<ul style="list-style-type: none"> From 1 January 2019, businesses with annual wages of up to \$1.5M are no longer liable for payroll tax and businesses with wages between \$1.5M and \$1.7M benefit from a reduced payroll tax rate.
Tasmania	Nil 4% 6.1%	< \$1.25M \$1.25M – \$2M > \$2M	<ul style="list-style-type: none"> A payroll tax exemption applies to non-Tasmanian businesses who physically relocate all or part of their existing business to regional Tasmania.
Victoria	4.85%	\$650,000	<ul style="list-style-type: none"> Regional businesses receive a discounted rate of 2.425%. The regional rate will reduce to 2.02% from 1 July 2020, 1.62% from 1 July 2021 and 1.2125% from 1 July 2022. The tax-free threshold will increase to \$675,000 in 2021–22 and \$700,000 in 2022–23.
Western Australia	Nil 5.5% Tier 4 rate calculation Tier 5 rate calculation	< \$850,000 \$850,000 – \$100M \$100M – \$1.5B > \$1.5B	<ul style="list-style-type: none"> From 1 July 2018, payroll tax is calculated on a tiered rate scale that increases from 5.5% to 6.5%. The scale will apply until 30 June 2023.

Work cover

Similarly, for work cover, Queensland maintains the lowest average premium rate in Australia, which does not reflect the quantitative results.

- Australian Capital Territory**
 At the overall level, the Australian Capital Territory has reduced the suggested average premium rate from 2.58 per cent of wages to 2.48 per cent of wages (a 4 per cent proportional reduction).
- Queensland**
 WorkCover Queensland’s 2019–20 average premium rate remains at \$1.20 per \$100 of wages (stable for six years).
- New South Wales**
 The average premium rate remains unchanged at 1.4 per cent of wages.
- Northern Territory**
 Extremely limited information is available.
- South Australia**
 The average premium rate reduced from 1.7 per cent to 1.65 per cent for 2019–20. This rate is now the lowest in the scheme’s history.
- Tasmania**
 The most recent annual report is for 2017–18. The written premium rate was 1.8 per cent.
- Victoria**
 The Victorian WorkCover Authority determined that the default industry rate is 8.015 per cent and the default industry claims cost rate is 0.885 per cent for the 2019–20 premium period.

WorkCover Queensland’s average premium rate has remained stable for six years.

Rates of transfer duty (stamp duty)

As outlined below, each state has different thresholds for stamp duty, which does not allow for any direct comparison. The below information relates to transfer duty in the commercial context only.

Dutiable value	Duty rate
Australian Capital Territory	
Less than \$1,500,000	Nil
More than \$1,500,000	5% flat rate
<p>The Australian Capital Territory Government agreed to phase in stamp duty reforms across four five-year blocks. The 2012–13 budget outlined plans to abolish insurance duty within five years. It committed to gradually wean the Territory off stamp duty revenue until it is abolished entirely by 2032. As part of the 2019–20 Budget, the Government is continuing to reduce rates for residential properties.</p> <p>Commercial properties with a dutiable value of \$1.5M or less pay no duty. Where the value is greater than \$1.5M a flat rate of 5% applies.</p>	
Queensland	
Not more than \$5,000	Nil
More than \$5,000 up to \$75,000	\$1.50 for each \$100, or part of \$100, over \$5,000
\$75,000 to \$540,000	\$1,050 plus \$3.50 for each \$100, or part of \$100, over \$75,000
\$540,000 to \$1,000,000	\$17,325 plus \$4.50 for each \$100, or part of \$100, over \$540,000
More than \$1,000,000	\$38,025 plus \$5.75 for each \$100, or part of \$100 over \$1,000,000
<p>No stamp duty changes were announced in the 2019–20 Queensland Budget.</p>	
New South Wales	
\$0 to \$14,000	\$1.25 for each \$100, or part of \$100 (the minimum is \$10)
\$14,001 to \$30,000	\$175 plus \$1.50 for every \$100, or part of \$100, over \$14,000
\$30,001 to \$81,000	\$415 plus \$1.75 for every \$100, or part of \$100, over \$30,000
\$81,001 to \$304,000	\$1,307 plus \$3.50 for every \$100, or part of \$100, over \$81,000
\$304,001 to \$1,013,000	\$9,112 plus \$4.50 for every \$100, or part of \$100, over \$304,000
Over \$1,013,000	\$41,017 plus \$5.50 for every \$100, or part of \$100, over \$1,013,000
<p>The New South Wales State Budget included two changes to transfer duty from 1 July 2019:</p> <ol style="list-style-type: none"> To reduce the effects of transfer duty bracket creep, the seven price brackets that determine how much transfer duty homebuyers pay in New South Wales was indexed to the Consumer Price Index Surcharge duty exemptions for holders of a retirement visa. 	

Dutiable value	Duty rate
Northern Territory	
\$0 to \$525,000	$D = (0.06571441 \times V^2) + 15V$ where D = the Stamp Duty payable
\$525,000 – \$2,999,999	Purchase price x 4.95%
\$3,000,000 – \$4,999,999	Purchase price x 5.75%
\$5,000,000 and above	Purchase price x 5.95%
	<ul style="list-style-type: none"> Stamp duty must be paid to buy property. The amount of stamp duty to be paid depends on the type and value of the transaction. The 2019–20 Northern Territory Budget made no mention of the abolition of business transfer duty.
South Australia	
Stamp duty on non-residential real property transfers is being phased out starting from 1 July 2016. Duty rates were to be reduced by a third from 1 July 2016, a further third from 1 July 2017, before being completely abolished from 1 July 2018.	
No liability to duty arises in relation to a conveyance or transfer of an interest in non-residential and non-primary production land executed on or after 1 July 2018.	
Tasmania	
Not more than \$3,000	\$50
More than \$3,000 but not more than \$25,000	\$50 plus \$1.75 for every \$100, or part, by which the dutiable value exceeds \$3,000
More than \$25,000 but not more than \$75,000	\$435 plus \$2.25 for every \$100, or part, by which the dutiable value exceeds \$25,000
More than \$75,000 but not more than \$200,000	\$1,560 plus \$3.50 for every \$100, or part, by which the dutiable value exceeds \$75,000
More than \$200,000 but not more than \$375,000	\$5,935 plus \$4.00 for every \$100, or part, by which the dutiable value exceeds \$200,000
More than \$375,000 but not more than \$725,000	\$12,935 plus \$4.25 for every \$100, or part, by which the dutiable value exceeds \$375,000
More than \$725,000	\$27,810 plus \$4.50 for every \$100, or part, by which the dutiable value exceeds \$725,000
	Foreign investor duty rates will increase from 1 January 2020.

Dutiable value	Duty rate
Victoria	
\$0 – \$25,000	1.4% of the dutiable value of the property
\$25,001 – \$130,000	\$350 plus 2.4% of the dutiable value in excess of \$25,000
\$130,001 – \$960,000	\$2870 plus 6% of the dutiable value in excess of \$130,000
More than \$960,000	5.5% of the dutiable value
<p>Land transfer duty is calculated on the dutiable value of the property. This is the price paid for the property or the market value, whichever is greater. Duty is calculated on a sliding scale, starting at 1.4% and rising to 5.5%.</p>	
<p>Introduction of a 10% stamp duty concession for contracts signed from 1 July 2019 in respect of the transfer of eligible commercial and industrial property located in <i>regional Victoria</i> – with the concession incrementally increasing to 50% by July 2023.</p>	
Western Australia	
Up to \$80,000	\$1.90 per \$100 of part thereof
\$80,001 to \$100,000	\$1,520 plus \$2.85 per \$100 of part thereof above \$80,000
\$100,001 to \$250,000	\$2,090 plus \$3.80 per \$100 of part thereof above \$100,000
\$250,001 to \$500,000	\$7,790 plus \$4.75 per \$100 of part thereof above \$250,000
\$500,001 and above	\$19,665 plus \$5.15 per \$100 of part thereof above \$500,000
<p>The 2019–20 Western Australian Budget did not include any changes to the stamp duties and land tax regime.</p>	





1 A

APPENDIX 1

The following businesses were interviewed as part of this report.

- East West
- Northern Lights Technologies
- Movus
- Wagner
- Cook Medical Australia
- Goodstart Early Learning
- Dobinsons Spring and Suspension
- Oakey Beef Exports (subsidiary of NH Foods)
- Icon Group
- Village Roadshow
- Redflow
- Vayeron
- UAP
- Watkins Steel
- Consolidated Properties
- Virgin Australia
- RedEye
- Sekisui House
- Hutchinson Builders
- Aurizon
- Mastermyne
- Bundaberg Brewed Drinks
- Voestalpine
- Ritchie Bros



COMMITTED TO IMPROVING THE STATE OF QUEENSLAND

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