



Ai Group Industry Snapshot

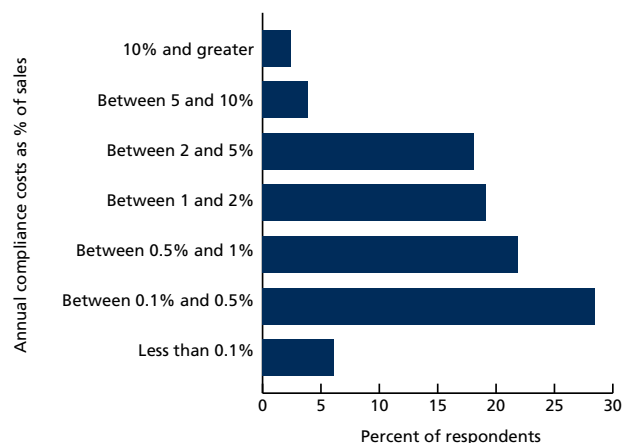
Untangling red tape: industry's views on compliance, regulation and taxation issues in 2009

Australian companies operate within a complex regulatory and taxation environment. In late March 2009, Ai Group sought views from companies in the manufacturing, construction and related sectors to discover the extent to which such regulation cost their business, and what areas of regulation they would prefer simplification the most. A total of 551 companies in Queensland, New South Wales and Victoria (comprising 65,500 employees and sales revenue of \$21.8 billion) responded to the survey.

1. How much do companies spend on government compliance?

The majority of companies (69.5%) spend between 0.1% and 2.0% of their total sales revenue in managing government compliance activities imposed by Federal, State and Local authorities. Just over 6% spent greater than 5% of their total sales revenue on managing compliance activities. Almost 45% of companies spent more than 1% of their total sales revenue on compliance activities

Based on total ABS sales data for the manufacturing and construction sectors, this amounts to \$3.4 billion spent on compliance activities in these two sectors alone in 2007/08.



2. These costs have increased over the past three years.

In the past three years there has been a significant perceived increase in the cost of compliance for Australian industry.

Overall, almost 7 in 10 respondents cited increased cost of compliance in this time period, and only just over one percent (1.1%) noted a decrease in compliance costs. Meanwhile, less than 1 in 4 (22.7%) believed their regulatory burden had remained more or less static over this time period.

Large and medium sized businesses are bearing the brunt of the increased compliance costs with more than 3 in 4 respondents from this business type claiming their compliance costs have increased in the past three years.

The situation in relation to compliance and regulation is reflected evenly across all surveyed States. In fact it was an almost unanimous response in relation to increased compliance costs with 69.0% of respondents taking this position in NSW, 70.1% in Queensland and 69.6% reflecting this outlook in Victoria.

3. The main regulatory and compliance costs are in relation to occupational health and safety and taxation.

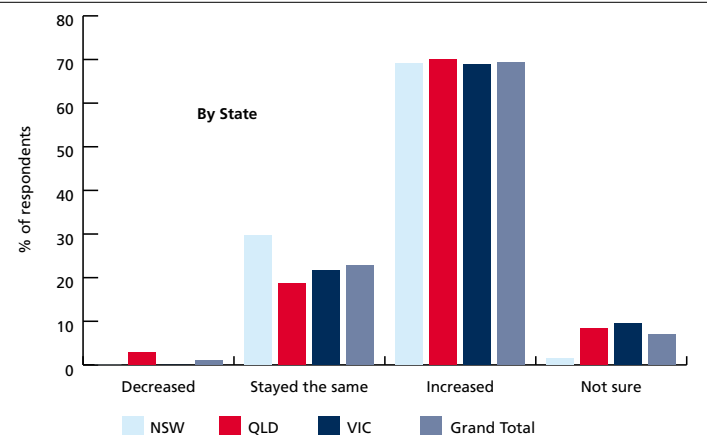
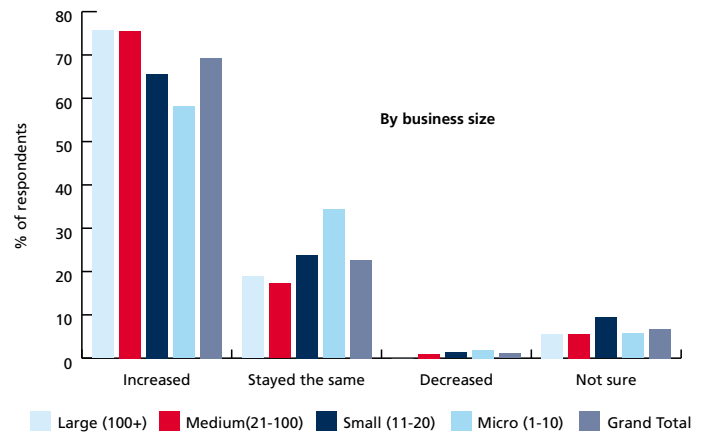
Almost half of all businesses (47.2%) said they allocate most of their compliance resources to managing occupational health and safety obligations.

Taxation obligations were the next high level of resource allocation (21.4% - GST, 10.7% company tax and 5.3% payroll tax)

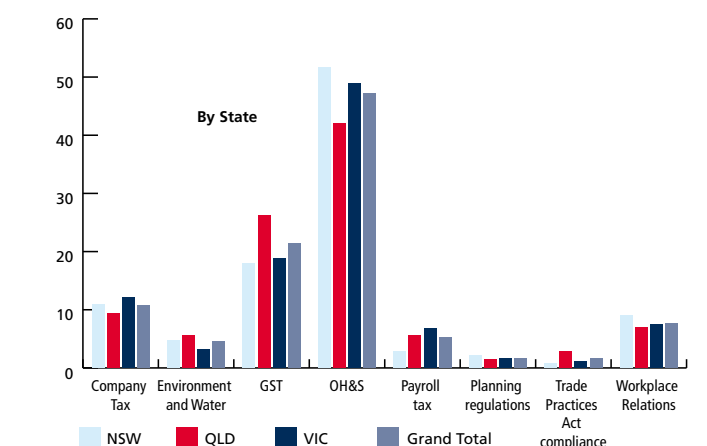
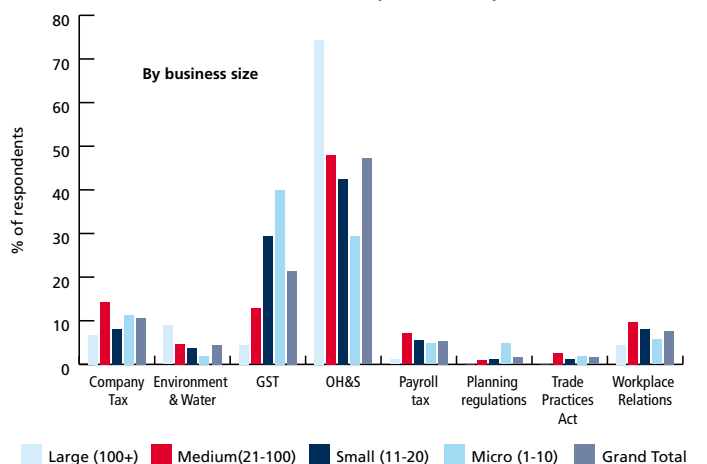
Large businesses were more likely to nominate OH&S issues as being the most resource intensive, with micro-businesses more likely to nominate GST issues as being the most significant.

Businesses in NSW were more likely to nominate OH&S as being the area requiring most resources.

HAVE YOUR GOVERNMENT COMPLIANCE COSTS INCREASED, DECREASED OR REMAINED THE SAME OVER THE PAST THREE YEARS?



RANK THE AREAS OF GOVERNMENT COMPLIANCE FOR WHICH YOU ALLOCATE MOST OF YOUR RESOURCES (RANKING 1)?



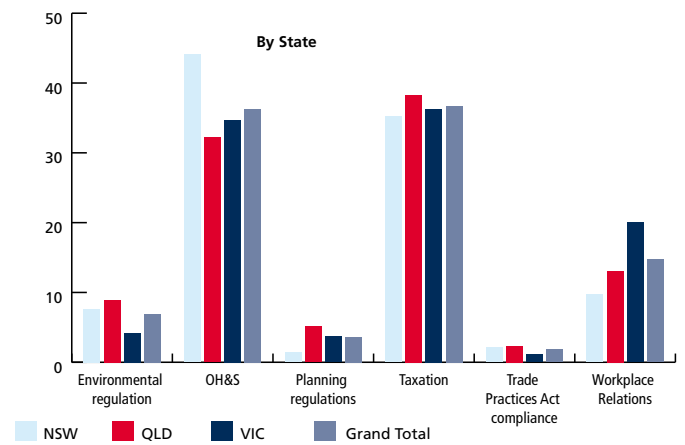
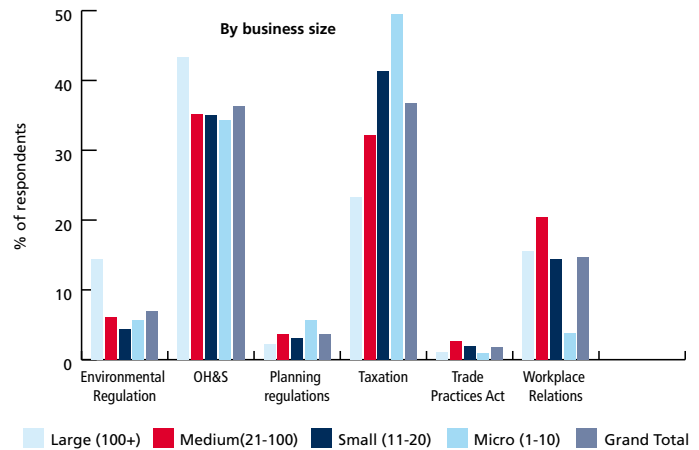
4. Occupational health and safety and taxation workplace relations and tax are the most preferred areas of simplification.

The survey also sought business views about which areas of compliance and regulation that they would most prefer simplification.

Taxation (36.7%) and OH&S (36.3%) were more likely to be nominated by respondents as being the top priority for simplification.

By business size, large businesses were more likely to nominate OH&S, taxation, and workplace relations as areas requiring simplification. Micro and small businesses were more likely to nominate tax as the area most requiring simplification.

By State, respondents in NSW were particularly emphatic about the need to simplify OH&S, where 44.1% nominated this area as being the most important area for simplification.



5. Industry sector comparisons

The wood products and furniture, fabricated metals, commercial construction, and transport and utilities sectors were more likely to cite occupational health and safety issues as being in more need of simplification.

MOST PREFERRED AREA OF GOVERNMENT COMPLIANCE SIMPLIFICATION: BY INDUSTRY SECTOR

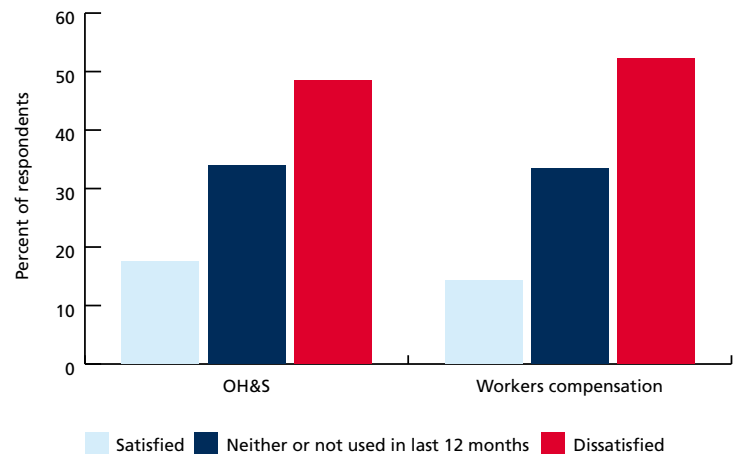
	ENVIRONMENT REGULATION	OH&S	PLANNING REGULATIONS	TAX	TRADE PRACTICES	WORKPLACE RELATIONS
Basic Metals*	22	33	0	44	0	0
Business Services	0	32	0	53	5	11
Chemicals, petroleum, coal products*	25	38	0	25	0	13
Commercial Construction	6	44	11	33	6	0
Construction materials	15	26	11	37	0	11
Fabricated Metals	3	50	2	32	1	12
Food and Beverages	16	24	0	32	8	20
Machinery and Equipment	2	31	6	39	2	20
Miscellaneous manufacturing	7	37	2	40	1	14
Other	12	32	6	39	2	8
Paper, Printing and Publishing*	0	0	0	71	0	29
Retail and wholesale services	0	20	0	53	0	27
Textiles, Clothing and Footwear	4	35	4	17	4	35
Transport and Utilities	10	40	0	10	0	40
Transport Equipment	0	29	7	36	0	29
Wood Products and Furniture	0	54	8	38	0	0
GRAND TOTAL	7	36	4	37	2	15

(*) – small sample size (less than 10 responses) so should be interpreted with caution

6. OHS issues – satisfaction with state government services –OHS and workers compensation high dissatisfaction levels

The data raises significant issues about OHS regulation, and an area where businesses nominate as being important for simplification.

Right is an indicator of respondents' satisfaction levels with OHS regulation and workers compensation. The data indicates a high level of dissatisfaction with Occupational Health and Safety (48.5% dissatisfaction) and Workers Compensation (52.3% dissatisfaction).



Conclusions and recommendations

The survey highlighted a range of very significant issues in relation to compliance, regulation and taxation.

1. The survey indicates that the manufacturing, construction and related sectors spend a significant amount on managing government compliance, regulatory and taxation obligations. This amounts to more than \$3.4 billion per year. Similarly, there is a strong perception that these costs have increased over the past three years. Governments at all levels to be cognisant of such costs when introducing or amending government regulations which may add to cost pressures for industry – particularly during the current difficult economic period.
2. Occupational health and safety is the standout regulatory issue for firms in the sectors surveyed – both in terms of (a) the costs of managing such regulation and (b) the area that most businesses would prefer simplification. To this end, harmonisation of occupational health and safety regulations across states and territories is a major issue requiring attention, and the Council of Australian Governments (COAG) should put it to the top of its priority list that more appropriately support industry across all States. Simply put, occupational health and safety is, far and away, the headache of compliance headaches being suffered by Australian industry at this point in time.

Contact Details

SYDNEY

51 Walker Street
Nth Sydney NSW 2060
Tel 02 9466 5566
Fax 02 9466 5599

MELBOURNE

20 Queens Road
Melbourne VIC 3004
Tel 03 9867 0111
Fax 03 9867 0199

CANBERRA

L2, 44 Sydney Avenue
Forrest ACT 2603
Tel 02 6233 0700
Fax 02 6233 0799

BRISBANE

202 Boundary Street
Spring Hill QLD 4004
Tel 07 3244 1777
Fax 07 3244 1799

AFFILIATES

ADELAIDE
136 Greenhill Road
Unley SA 5061
Tel 08 8300 0133
Fax 08 8300 0134

PERTH

180 Hay Street
East Perth WA 6004
Tel 08 9365 7555
Fax 08 9365 7550

REGIONAL OFFICES • Newcastle • Wollongong • Albury/Wodonga • Ballarat • Bendigo • Geelong

www.aigroup.com.au

© The Australian Industry Group, 2009

The copyright in this work is owned by the publisher, The Australian Industry Group, 51 Walker Street, North Sydney NSW 2060. All rights reserved. No part of this work covered by copyright may be reproduced or copied in any form or by any means (graphic, electronic or mechanical) without the written permission of the publisher.