



CCIWA Submission to Economics and Industry Standing Committee

Inquiry into challenges and opportunities for the WA economy

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Introduction

The WA economy has enjoyed extraordinary success during the COVID-19 pandemic, primarily due to booming global commodity markets. As is always the case, when these markets are strong, the WA economy is strong.

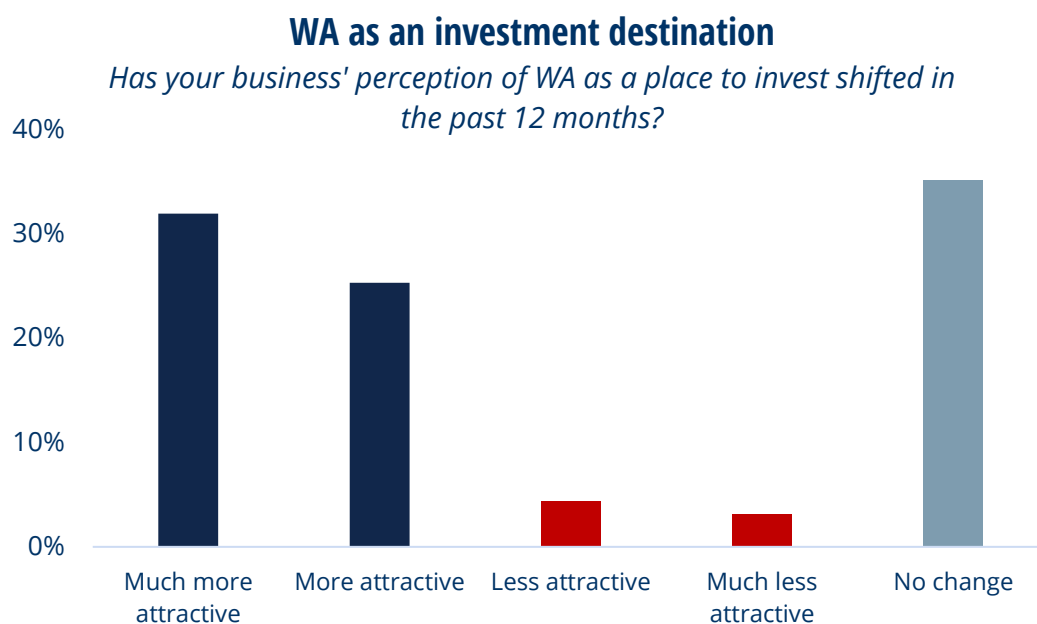
However, it is timely that the Economics and Industry Standing Committee is inquiring into challenges and opportunities for the WA economy. The WA economy has never relied on the mining sector so much. Mining now comprises 43 per cent of our economy — the highest proportion on record. The next largest sector in any state is the finance and insurance sector in NSW, which is just 12 per cent.

Commodity markets will of course one day turn. Many expect we have a few years at best.

Our submission focuses on the challenges — and opportunities — this presents. With respect to the Committee’s terms of reference, we focus on factors that can encourage inbound investment in major sectors of the WA economy.

The opportunity is significant – unlike many other places across the world, we have a rare chance to capitalise on our success in managing COVID-19 while supporting a strong economy.

To investigate this more, CCIWA recently partnered with Coredata on a national survey of businesses. The survey found that well over half of businesses around the country see WA as a more attractive investment destination than 12 months ago. Breaking it down, there was particularly strong interest in WA as an investment destination from larger professional services firms in New South Wales.



Source: CCIWA-CoreData National Survey 2021.

But this investment won't occur just as a matter of course. Participants to the survey identified a low tax environment and business-friendly policy settings as vital to drive investment and relocation decisions.

But reforming an economy takes time, so we must lay the foundations for opening up to the rest of the country and the world now. If we don't start actively pursuing these opportunities, top talent and investment dollars will go elsewhere, and the entire WA community will miss out.

CCIWA's recommendations about the actions the State Government can take to diversify our economy focus on:

- Keeping costs to businesses as low as possible.
- Ensuring a skilled workforce and world-class infrastructure.
- Ensuring regulation helps, not hinders, innovation and investment.
- Positioning WA as an attractive place to invest.

RECOMMENDATIONS TO PROMOTE DIVERSIFICATION

Keep costs to business as low as possible	Position WA as an attractive place to invest	Ensure regulation helps, not hinders, innovation and investment	Ensure a skilled workforce and efficient infrastructure
Reform WA's payroll tax model to provide relief for small & medium sized businesses	Reframing our approach to trade and investment	Provide funding to implement the <i>Digital Strategy for the WA Government 2021-2025</i>	Allow universal access funding for kindy to 'follow the child'
Support businesses to adapt to harmonised Workplace Health & Safety laws	Develop an Investment Portfolio Dealbook	Undertake incremental reforms to retail trading restrictions	Allow all small businesses to choose their electricity retailer

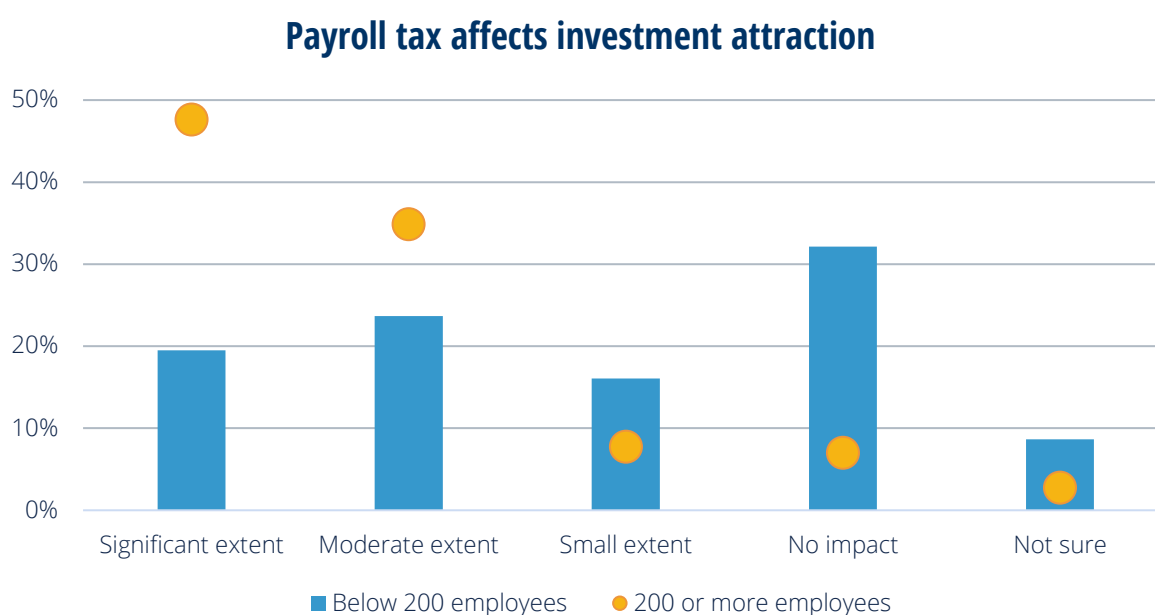
Keep costs to business as low as possible

Competition for capital will intensify post COVID, and WA relies on international capital more than any other State. If we want to grow current and future industries, we need a more competitive tax system. To further put WA small and medium sized businesses on a level playing field with the rest of the country, they also need more support to implement harmonised Workplace Health & Safety laws.

Reduce the tax burden on business to attract investment to WA

Lumped with the heaviest payroll tax burden in the country, it is no wonder the WA economy is failing to diversify. WA businesses pay more payroll tax than businesses in any other State over a wide range of taxable wages.

In our recent national survey, we asked businesses around the country about the extent to which WA's payroll tax rate affects their perception of WA as an attractive place to expand their business. The results were emphatic (see figure below), with nearly half of large businesses saying our payroll tax rate significantly affects their perception.



Source: CCIWA-CoreData National Survey, June 2021

CCIWA's payroll tax proposal removes disincentives to employ Western Australians and offers a way to unlock more business investment, innovation and diversification in our economy. Our proposal includes a new threshold of \$1.2 million and a 15 per cent rebate on payroll tax liability for businesses with taxable wages below \$4 million. The rebate would taper down to zero for businesses with taxable wages at \$7.5 million.

Small to medium sized businesses across a range of key industries would benefit, including parts of the manufacturing sector — such as chemical plants, machinery equipment manufacturers and metal fabricators — as well as businesses in the accommodation, food, fisheries, and health and community sectors.

A WA business with 20 staff is estimated to pay nearly \$40,000 (or 156 per cent more) more tax than the same business in South Australia (a state competing with WA for defence and manufacturing contracts). The business would pay \$947 less tax per Western Australian employed under CCIWA's model.

CCIWA's reforms represent an investment in delivering a more diversified economy, made possible by the Government's fiscal discipline. WA boasts a stronger fiscal position than every other state and territory, providing a unique opportunity to achieve a more competitive tax system and gain an advantage over the rest of the country.

The benefits from shifting away from stamp duty would also be significant, though the transitional challenges are significant. CCIWA is modelling different approaches to achieve change and their distributional impacts. It is critical that the State Government keep an open mind to potential pathways to a transition away from stamp duty, given the significant economic benefits.

Invest in unleashing the benefits of harmonised Workplace Health & Safety laws

The implementation of the *Work Health and Safety (WHS) Act 2020* represents the biggest change to our occupational safety and health system since the 1980s. Despite this, with less than six months until its intended implementation, employers are unable to fully commence harmonising their existing WHS practices due to delays in development of the accompanying regulations and codes of practice.

This is due to limited funding and resources. When WHS harmonisation was first considered by the WA Government in 2014 it was identified that its successful implementation would depend on regulators being adequately resourced. At the time, WorkSafe WA identified that its initial set up cost would be \$8.5 million with ongoing annual costs of \$3.4 million. The Government needs to provide sufficient funding to WorkSafe WA to deliver the education and support activities necessary for WA businesses to understand and implement these new obligations.

This should also include the reinvigoration of the ThinkSafe Small Business Assistance Program to provide independent advice directly to employers through specialist WHS consultants. This program was supported by both employer groups and unions, with UnionsWA having identified that *"many small businesses want to comply with health and safety laws but need support"* and that the decision to cancel the original program *"displays a frightening disregard ... for the health and safety of small business employees"*.¹

The reintroduction of the program would assist businesses with the high cost of implementing the new WHS laws. Whilst the initial implementation costs for large

¹ McDonald, K (22 January 2017 [Money Runs out for Thinksafe](#). The West Australian

businesses operating across multiple states will be offset by the reduced regulatory burden associated with complying with multiple WHS regimes, this is not the case for small and medium sized businesses that operate solely within WA. The estimated unrecoverable cost to the WA business community of implementing the harmonised WHS system is \$86 million.²

To date the WA Government has committed to spending only \$150,000 to assist employers through a series of small \$30,000 grants to various employer associations. This level of support is inadequate and will result in WA small and medium sized businesses struggling to implement the new regime.

² Calculated based on the conclusions of Safe Work Australia's [Decision Regulation Impact Statement for National Harmonisation of Work Health and Safety Regulations and Codes of Practice](#) (November 2011) which estimated the average cost per employee for single state employers to implement the model WHS system. Cost has been adjusted to reflect inflation. (\$74.62 per worker, with single state employers accounting for 71.5% of employment. In today's terms this is \$85.44 per worker, considering CPI from September 2011 to March 2021.)

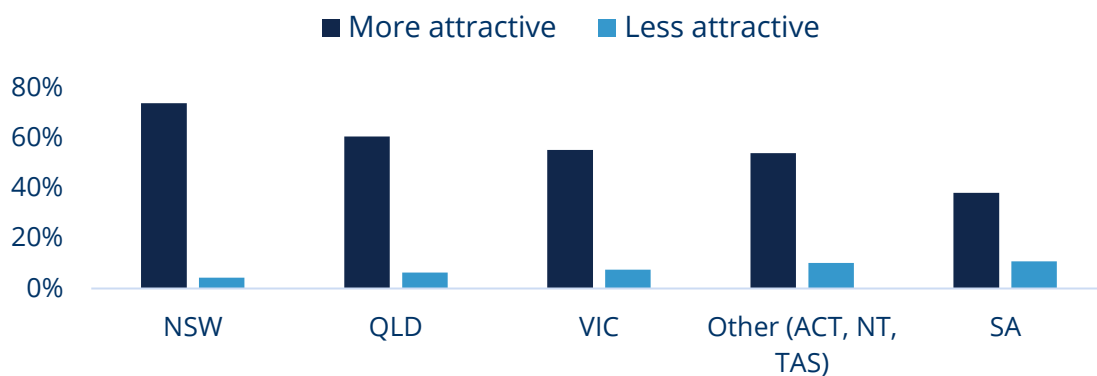
Position WA as an attractive place to invest

Western Australia must take every opportunity to attract investment into the state — doing so is vital to growing and diversifying our economy.

As noted in the introduction, CCIWA recently conducted a national survey of businesses and households. The survey identified that east-coast businesses have become more interested in relocating or expanding into Western Australia. Interest was particularly strong from the service sector in New South Wales.

WA as an investment destination - by state

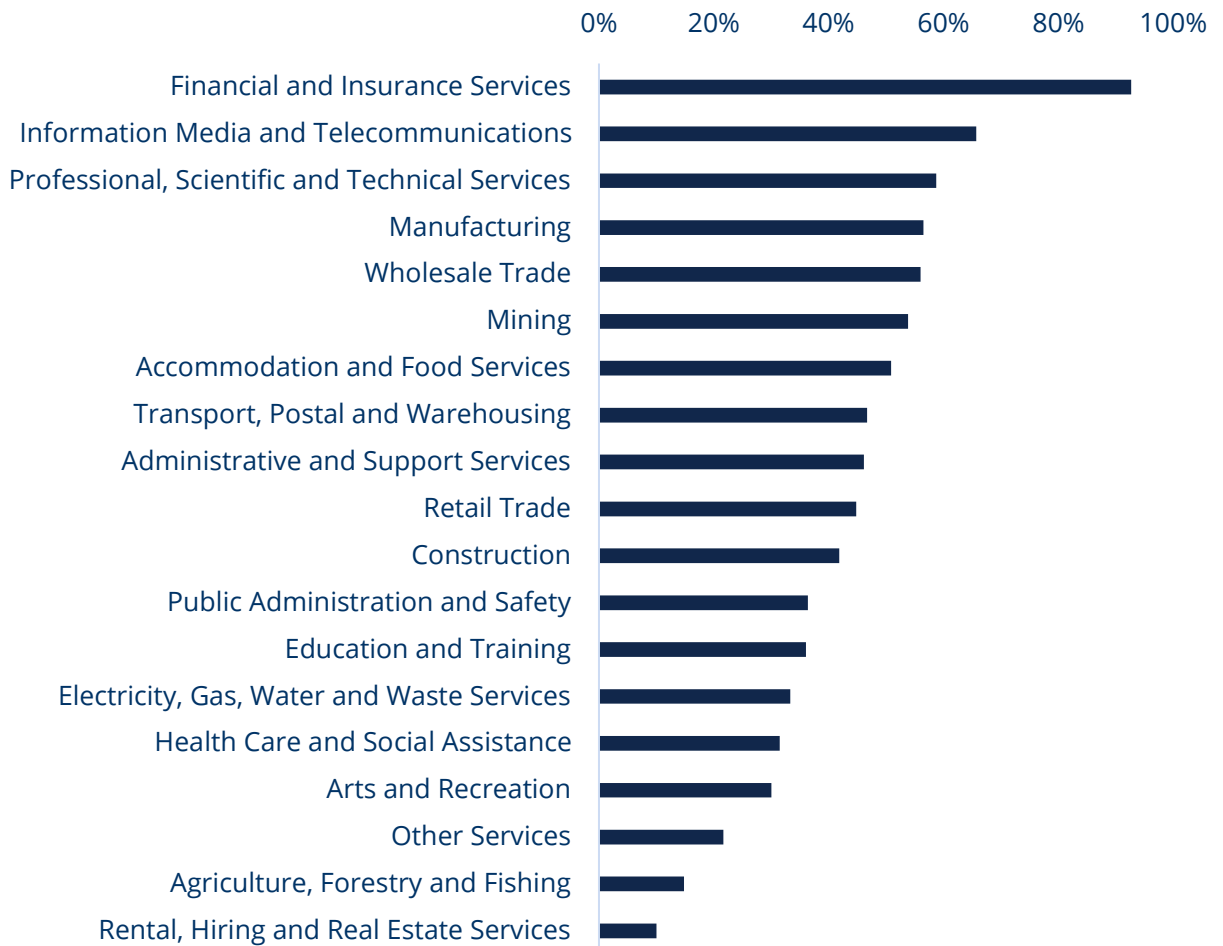
Has your business' perception of WA as a place to invest shifted in the past 12 months?



Source: CCIWA-CoreData National Survey 2021.

WA as an investment destination - by sector

Has your business' perception of WA as a place to invest shifted in the past 12 months?



Western Australia should also seek to leverage the opportunities our management of COVID-19 has presented us with by conducting a strong forward press back into the global economy.

To capture these opportunities, Western Australia should seize the moment and compete harder. Many of the initiatives outlined in this submission will be critical to this end. In particular, a more competitive payroll tax system will help to attract investment.

This section outlines some of the specific initiatives WA should take to position itself as an attractive place for national and international investors.

Reframing our approach to international trade and investment

Currently WA has no clear strategy for making a hard press into key trade and investment markets. It is time for WA to reframe its approach to international trade and investment.

There is particularly a strong need to focus on attracting inbound investment, with new opportunities in renewable energy and electric vehicles.

A strategic assessment is needed to identify where WA needs to focus its efforts.

Areas that require looking at include the United States. Despite being WA's largest investment partner, WA has no trade and investment office there. CCIWA considers Austin would be an ideal location, with its proximity to both the resources sector, and emerging tech industries.

Other areas that clearly require attention are ASEAN, Japan, India and Latin America. On the latter, key WA businesses already have a foothold there, which can be leveraged to attract investment.

Make it easier to invest in WA by developing an investment Deal Book

There is an opportunity to fill the vacuum in global investment and trade markets by strengthening the value proposition for foreign businesses to invest in WA. This would help us to re-integrate into the global economy, and capitalise on the opportunities created by businesses rethinking global supply channels and investment priorities.

At any given time there is always a significant number of WA businesses seeking foreign investment, mostly to fund new ventures or grow international presence.



Source: CCIWA Business Confidence Survey, September 2020

We are proposing that the State Government develop an Investment Portfolio Deal Book (IPDB) — a comprehensive and consolidated resource for foreign direct and interstate investors looking to invest in WA. The IPDB would be in an online portal, with content made available for multiple platforms (such as JTSI's Invest and Trade WA site, wa.gov.au, cciwa.com, etc), and updated regularly.

The IPDB would support the WA Government when on investment tours to answer the simple question: “What can I invest in?” It would equip the WA Government, Austrade/DFAT offices and International Chambers of Commerce to market WA as an attractive investment destination showcased by a suite of investment proposals. Similarly, the bilateral Chambers and Consulates in Perth would be able to better promote WA as an attractive investment destination.

Now is the time for WA to capitalise on our geographic advantages to build the awareness and attractiveness of WA as an innovative and diverse investment hub for foreign direct investment.

Ensure regulation helps, not hinders, innovation and investment

Our State's economic diversification relies on WA businesses being free to focus on innovating and investing. The Government can enable this by streamlining the interface between business and government and removing restrictions on retail traders.

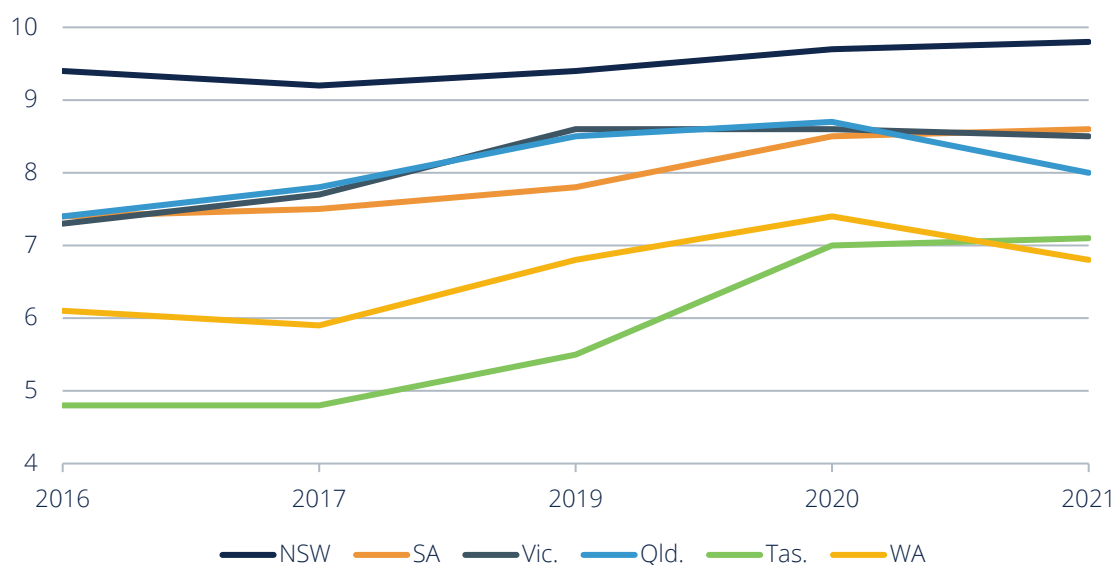
Invest more in digitising regulatory services

WA's regulators give businesses limited access to online regulatory services.

For example, the Economic Regulation Authority found 124 licenses for which there was no information on agency websites, and 138 examples of applications that had to be lodged in person or by post despite the application forms being available online. There are applications that must be completed through an online system but then printed and lodged in person or post. Several application fees, including some fishing access fees, still need to be paid in person by cheque. Even applications administered by the same agency have different processes.

The slow pace of the WA public sector's digitisation is holding businesses back from growing their organisation and imposing unnecessary costs. We are also falling behind other jurisdictions, making WA a less attractive place to do business (see figure).

Government digital readiness around Australia



Source: Intermedium, Digital Government Readiness Indicator Report, 2021

CCIWA supports the Government's recently released *Digital Strategy for the Western Australian Government 2021-2025*. However, if not accompanied by a clear signal to agencies that investing in digitisation is a priority, and in particular, without sufficient funding in the budget, the pace of change will continue to be slow. In short, we will lag the rest of the nation in transforming the interface between the State Government and its citizens and businesses.

We recommend the Government include significant funding in the budget for implementing the Digital Strategy. Doing so would quickly improve regulatory and administrative processes across multiple industry sectors, enabling businesses to focus on doing business and diversifying our economy. This would not come at the cost of compromised community, safety and environmental outcomes — if anything, more digitisation and greater use of data analytics offers the potential to improve regulatory oversight.

Support the vitality of the retail sector by removing restrictions on trading

Western Australia’s restrictions on retail trading hours are a textbook example of government red tape unnecessarily holding back the vitality and liveability of our community, while stifling WA jobs in the process.

Tasmania, Victoria, New South Wales, the Northern Territory and the Australian Capital Territory have all moved forward and allowed their businesses and consumers flexibility about when they can shop and what they can buy. When they relaxed their trading hours, the sky did not fall in.

In fact, multiple independent studies found that relaxing restrictions led to more retail jobs and hours of work – particularly for young people and women - and higher retail sales. Busy families and shift workers were able to shop at times that suited them, and smaller retailers in shopping precincts benefited from the increased foot traffic.

The clear majority of Western Australian businesses (72%) and households (69%) believe that to give local businesses the best shot at surviving COVID-19, all WA businesses should have the freedom to open their doors when they want.³

We are calling on the State Government to undertake incremental reforms that represent a reasonable compromise from both sides of the debate. Not only are our proposed reforms easy to implement and have no costs attached to them, they would push WA’s economic diversification in the right direction.

CCIWA’S COMMON SENSE PROPOSAL FOR RETAIL TRADING REFORM

	Monday-Friday	Saturday	Sunday	Public Holidays	Regulations
Current	8am-9pm	8am-5pm	11am-5pm	11am-5pm	Government dictates individual products certain categories of retailers can & cannot sell.
Proposed	No change	8am-9pm	8am-5pm	8am-6pm	Remove part of the regulations that dictates what certain businesses can & cannot sell.

³ CCIWA, *Business and Consumer Confidence surveys*, 2020.

Ensure a skilled workforce and efficient infrastructure

Now more than ever, we must do everything we can to both make the most of our local workforce and attract talent from other locations. One of the most exciting opportunities is to make it easier for women with young children to re-enter the workforce and work more hours.

Globally competitive infrastructure is also needed to attract talent and business investment to WA: a big step forward in this regard would be allowing all small businesses to choose their electricity retailer.

Enable women to participate more in the workforce by reforming kindy funding

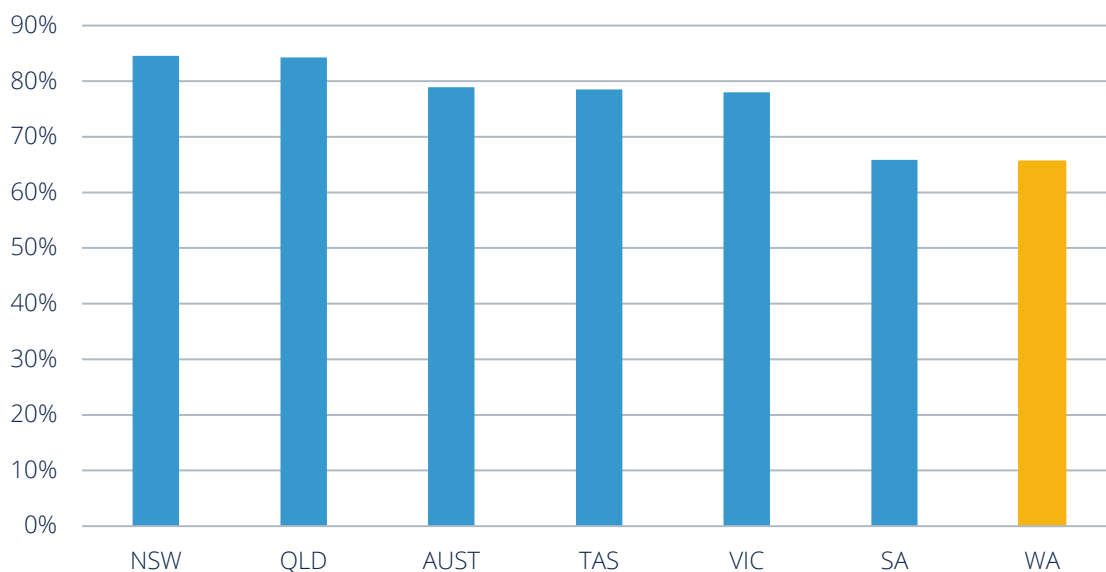
The way kindy is funded and operated in WA is particularly preventing mothers from fully participating in the workforce.

WA women with young children are the least likely in the country to work more than 20 hours a week, and the gap between women and men’s participation is higher here than everywhere else. WA parents describe the kindy year as a “logistical nightmare” and “the year from hell”.

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In addition, WA children are the least likely in the country to attend kindy for more than 15 hours a week. This is particularly the case if they are from low-income families — only 66 per cent of WA children from low income families attend kindy for more than 15 hours per week, compared to 79 per cent nationally.

Attending kindy more than 15hrs/week - low income



Source: CCIWA analysis, ABS data

The Federal Government recently announced reforms to the National Partnership Agreement on Universal Access to Early Childhood Education. The reforms would see \$1,340 in Federal Government funding passed on to every child regardless of whether they attend kindy at school or centre-based day care.

CCIWA strongly encourages the WA Government to pursue this reform. When achieved it would represent an enormous achievement for the Government, and a legacy for years to come.

Allowing universal access funding for kindy to 'follow the child' regardless of whether they attend kindy at school or centre-based care is the approach adopted by governments nearly everywhere else in the country. By giving parents more choice over where they send their children to kindy, the reform would go a long way to enabling WA mothers to work more hours each week, should they choose to.

And in the context of the State's skills shortage crisis, we need to do everything we can to make it easier for parents to work more, so that businesses have access to the experienced workers they need. Aligning our kindy system with other States would also make WA a more attractive place to live and work, thereby improving our capacity to source interstate workers.

We understand the reform will have budgetary implications. The WA Government would need to find alternative funding sources for programs that the Department of Education has been delivering using universal access funds. However, in exchange for allowing universal access funds to follow the child, the Commonwealth has committed to provide ongoing (rather than single year) funding. We believe the associated funding certainty would be a good outcome for the WA budget, and an investment in families, women and the economy.

Allow all of WA's small and medium businesses to choose their electricity retailer

The State Government is successfully rolling out energy reforms that will ensure reliable access to energy into the future. However, further reform is necessary to drive energy costs for small and medium businesses down in a sustainable way.

Within the South West Interconnected System, Synergy has a monopoly over customers consuming less than 50 megawatt hours per year. Further, businesses on sub-meters within large developments (e.g. shopping malls) are unable to choose their electricity retailer. Instead, they are on-sold electricity paid for by the owner, landlord or manager of the property.

This pushes up electricity prices for small and medium businesses.

Allowing businesses to choose their electricity retailer would help drive down prices by promoting competition. Three quarters of businesses surveyed by CCIWA agree the reform would help their business to invest and grow in the next five years.

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Another critical – yet often overlooked – benefit of expanding the number of contestable customers is it would encourage private sector investment in new generation assets and technologies. This is driven not just by the expanded customer base in and of itself, but also the greater ability for new investors to develop affordable wholesale hedging instruments.

The Government should:

- Lower the contestability threshold to 20 megawatt hours of electricity per annum or define all non-residential customers as contestable.
- Enable businesses on sub-meters to choose their electricity retailer.

These changes would provide choice and price competition for small and medium businesses.