

— Exclusive

Victoria is the hardest place in Australia to do business, says survey

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Victoria has been ranked as the highest-taxing state with the largest public sector and most red tape, making it one of the hardest places in the country to do business, a damning new report finds.

More than half the national businesses polled said Victoria was the hardest state to do business in. Four out of five said they had difficulty accessing the labour and skills they needed and only 7 per cent said the Andrews government was doing a good job of reducing the cost of doing business.



Victorian Premier Daniel Andrews, right, and Deputy Premier James Merlino at Tuesday's launch of a separate Deloitte report on infrastructure spending. **Eddie Jim**

Victoria ranked well in some areas such as infrastructure (the government released a Deloitte report on Tuesday that put the value of major projects at \$174.4 billion) as well as utilities, research and development, and higher education. But the state's productivity levels have fallen badly over the past decade, and the time and cost of setting up a business has risen to the highest of all the states.

Inspired by international reports on the cost of doing business by the World Bank and the World Economic Forum, the Victorian Chamber of Commerce and Industry commissioned Nous Group to conduct the latest research.

The chamber proposes an eight-step action plan to help Victoria recover its status as an economic powerhouse after being smashed by more than 260 days of stay-at-home restrictions over six pandemic lockdowns.

Its recommendations include a business concierge to streamline interaction with the government, a “root and branch” review of the tax system, fast-tracking government approvals, injecting industry hires into the public service to overhaul the culture, a budget boost for Invest Victoria and Global Victoria amid falling exports and creating a business advisory group.

“It is the first time we have had a comprehensive evaluation on the cost of doing business in the different states, so that will be crucial to advocate for business-conducive policies as we head into a double election year,” said chamber chief executive Paul Guerra.

Total tax expenses, 2019-20 (% of gross state product)

Vic			6.27
NSW		5.72	
SA		5.68	
Tas		5.27	
Qld		5.00	
WA	4.00		

Source: Nous

“There are important opportunities for the state and federal governments to work together on the vocational education and training system and tax reform,” he said.

“The report shows time is as important as money for doing business, so we need to remove those excessive barriers given the number of approvals and permits is higher than elsewhere. A business concierge could be a game-changer for helping business navigate that maze.”

Melbourne lost its mantle as the world’s most liveable city last year, dropping to eighth place, after ranking in the top three consistently since 2002. Economist Saul Eslake has warned that, after a decade of decline, Victorians have become poorer than other states and territories except for South Australia.

Chief economist at Nous Group Steve Corcoran said the report provided a very mixed scorecard. “There are some areas of strengths but a lot of areas for improvement,” he said.

While Victoria ranked first in skills and labour due to access to a highly educated workforce, the state ranked seventh in vocational education and training skills.

Average licences, regulation items and permits required to start a business

ACT						45
Vic						43
WA					39	
Tas					39	
Qld					37	
SA					35	
NSW				30		
NT				29		

Source: Nous

“Victoria has the second-lowest proportion of people with trade qualifications in Australia, with 41.5 per cent of the population qualified,” the report says. “Success in encouraging more Victorians to attain a bachelor’s degree may have come at the cost of a reduced pipeline of vocational skills.”

‘Less output for each dollar of labour’

Victoria ranked sixth in labour productivity due to the low output per worker and hours worked, and seventh based on the average number of permits to start a business (the lowest excluding the ACT).

Businesses pay the highest local and state taxes relative to GSP. State and local taxation in Victoria is 6.3 per cent of GSP, compared with 5.7 per cent for NSW.

“There’s been quite a trend over the past decade showing Victoria has been recording less output for each dollar of labour, with Queensland, South Australia and Tasmania catching up and NSW pulling ahead,” Mr Corcoran said.

The polling also found a high mental cost on small business and their staff from the pandemic.

“Small business owners in particular feel that staff at all levels are at risk of burnout in the period beyond COVID-19,” the report warns. “Businesses feel that they are not receiving adequate services in return for the compulsory mental health and wellbeing surcharge levied by the state government. Only 21 per cent of Victorian business owners feel supported in managing their mental health and wellbeing.”

Victoria also ranked last in terms of the largest public service – a five-year average of the population employed in the public sector as a proportion of the total employed population – and more than 80 per cent of respondents said the culture of government regulators was a barrier to doing business.

Despite the growing size of government, almost 44 per cent of businesses said the waiting times for government services had been getting worse. Businesses also indicated high levels of duplication and a lack of interdepartmental sharing of data.

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