



## **Legislative Assembly for the Australian Capital Territory**

Standing Committee on Economy and  
Gender and Economic Equality

# **Inquiry into micro, small, and medium business in the ACT region**

Legislative Assembly for the Australian Capital Territory  
Standing Committee on Economy and Gender and Economic Equality

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Approved for publication

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Report 11  
10th Assembly  
August 2024



# About the committee

## Establishing resolution

The Assembly established the Standing Committee on Economy and Gender and Economic Equality on 2 December 2020.

The Committee is responsible for the following areas:

- Chief Minister’s responsibilities;
- Economic development and diversification;
- Tourism;
- Industrial Relations and Workplace Safety;
- Social impacts and outcomes of economic polices including gender considerations (excluding Office for Women);
- Minister of State Responsibilities (excluding Justice and Community Safety Directorate reporting areas);
- Business and Better Regulation; and
- Arts.

You can read the full establishing resolution [on our website](#).

## Committee members

Ms Leanne Castley MLA, Chair (until 13 December 2023)

Mr James Milligan MLA, Chair (member from 13 December 2023, Chair from 23 January 2024)

Ms Suzanne Orr MLA, Deputy Chair

Mr Johnathan Davis MLA (until 12 November 2023)

Miss Laura Nuttall MLA (from 30 November 2023)

## Secretariat

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## About this inquiry

Under Standing Order 216, a standing committee can self-initiate an inquiry into any subject area it is given responsibility for by the establishing resolution. The Standing Committee on Economy and Gender and Economic Equality resolved to conduct an inquiry into micro, small, and medium business in the ACT region on 7 September 2023.

The Committee informed the Assembly of its intention to conduct this inquiry on 19 September 2023.

## Terms of Reference

The Standing Committee on Economy and Gender and Economic Equality will inquire into and report on matters relevant to both public and private businesses across the ACT, including:

1. business conditions for:
  - a. non-employing; and
  - b. small to medium businesses between 1-200 employees in the ACT region;
2. factors which encourage or discourage micro, small, and medium businesses in providing their goods and services in the ACT;
3. factors which encourage or discourage women-led micro, small, and medium businesses in providing their goods and services in the ACT;
4. factors which encourage or discourage micro, small, and medium businesses to employ people with disabilities;
5. ACT Government initiatives, taskforces, programs, and budgets which assist Canberra businesses, with a particular focus on:
  - a. the statistics of businesses applying for government grants, programs, and initiatives;
  - b. the statistics of businesses that are the recipients of government grants, programs, and initiatives; and
  - c. the feedback from businesses on the effectiveness of these grants, programs, and initiatives, in promoting and growing Canberra businesses;
6. ACT Government regulatory practices and their effects on promoting and growing Canberra businesses;
7. comparisons with the regulatory environment for micro, small, and medium businesses in other Australian jurisdictions;
8. ACT Government promotions of Canberra businesses, both domestically and internationally; and
9. any other related matters.

For the purposes of this inquiry, the Committee defines micro, small, and medium businesses as any business which employs up to 200 people and whose headquarters are based in the ACT region.

Whilst the Standing Committee on Economy and Gender and Economic Equality is mindful of the impacts that the COVID-19 pandemic and lockdown has had on small and medium businesses across the ACT, this particular aspect will not be a part of the Terms of Reference for this inquiry, as the [Select Committee on the COVID-19 2021 pandemic response](#) has inquired into and reported on those matters in detail.

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# Acronyms & Abbreviations

Acronym or Abbreviation	Long form
ACT	Australian Capital Territory
ATAR	Australian Tertiary Admission Rank
CAANZ	Chartered Accountants Australia and New Zealand
CBASS	Canberra Business Advice and Support Service
DST	Deemed statutory trusts
MLA	Member of the Legislative Assembly
STEM	Science, technology, engineering and mathematics
The Strategy	<i>ACT Small Business Strategy 2023-2026</i>
TAFE	Technical and Further Education
VET	Vocational education and training
VETSS	Vocational education training in secondary schools

# Recommendations

## Recommendation 1

The Committee recommends that the ACT Government continue to harmonise its business rules and regulations with other jurisdictions wherever possible.

## Recommendation 2

The Committee recommends that where law are harmonised with other jurisdictions, the implementation timeframes should also be consistent.

## Recommendation 3

The Committee recommends that the ACT Government investigate how to better apprise micro, small and medium businesses of regulatory and legislative changes that might affect them.

## Recommendation 4

The Committee recommends that the ACT Government continue to make it easier for businesses to engage with government agencies.

## Recommendation 5

The Committee recommends that the ACT Government provide increased assistance to small businesses during the implementation of new legislation which affects them, especially in regard to procurement training and helping small businesses with new regulations.

## Recommendation 6

The Committee recommends that the ACT Government investigate splitting government procurement processes into two streams, one which would have fewer requirements for lower cost projects, to encourage more small businesses to respond to tenders.

## Recommendation 7

The Committee recommends that the ACT Government work towards streamlining application and approval processes for businesses.

## Recommendation 8

The Committee recommends that the ACT Government investigate ways to protect subcontractors from late or missed payments.

## Recommendation 9

The Committee recommends that the ACT Government market the ACT to potential workers, trainees, and apprentices.

## Recommendation 10

The Committee recommends that the ACT Government re-examine the criteria it uses to identify critical occupations, decide on occupations caps (in relation to migration/skilled visa nominations), and calculate points on the matrix.

### **Recommendation 11**

The Committee recommends that the ACT Government continue to encourage school students into STEM fields and to identify and resolve barriers to increasing diversity in STEM and trades.

### **Recommendation 12**

The Committee recommends that the Government target the promotion of building and associated trades training and apprenticeships, and increase training places and subsidies in the ACT to help with shortages in these areas.



# 1. Introduction

## Conduct of the inquiry

- 1.1. The Committee received 10 submissions to the inquiry, two of which were confidential. The remaining submissions were published on the inquiry webpage. The submissions are listed in [Appendix A](#).
- 1.2. The Committee opened the inquiry in September 2023 and set a closing date of late January 2024 for submissions, to allow businesses more time to respond over the summer holiday period. The Committee also tried to extend awareness of the inquiry beyond their usual social media advertising. Many local industry groups were contacted directly and fliers on the inquiry were distributed in the Canberra CBD. The Committee was pleased to hear from several peak bodies and industry associations but had hoped to also receive more submissions from individual business owners.
- 1.3. The Committee decided not to hold public hearings, and to proceed on the written evidence provided.

## Micro, small, and medium businesses in the ACT

### Definitions

- Micro business: one self-employed person
- Small business: employs fewer than 20 people
- Medium business: employs fewer than 200 people

*Note: for the purpose of this report, the term 'small business' will be used throughout to refer to all three categories.*

Box 1: Definitions of micro, small, and medium business

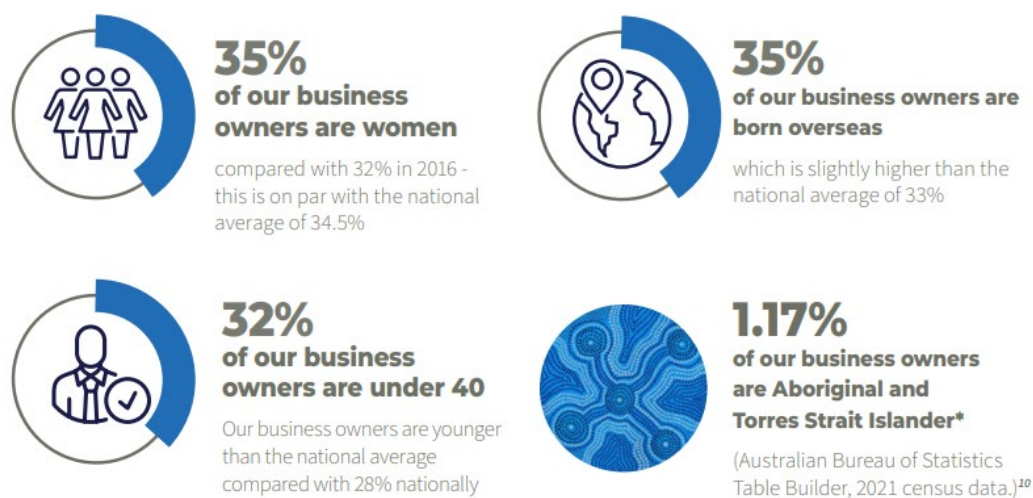
- 1.4. Despite ACT's reputation as a public service town, two-thirds of the Territory's employees work in the private sector, and private businesses are growing at an above national-average rate.<sup>1</sup> 97% of these are classified as medium-sized or under, and 54.3% of the total have no employees at all.<sup>2</sup>

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<sup>1</sup> ACT Government, *ACT Small Business Strategy 2023-2026*, p 4.

<sup>2</sup> ACT Government, *Submission 2*, p 4.

## Our business community<sup>9</sup>



- 1.5. In terms of business sustainability, the ACT Government reported that insolvency rates had returned to pre-COVID levels.<sup>3</sup> Addressing business sentiment in its submission, it cited statistics from the Canberra Business Chamber:

The results from the inaugural Canberra Business Chamber Business Beat Survey for quarter 3 2023 indicate that business sentiment is reasonably positive, although mixed in terms of positive outlook. The Business Beat Survey identified that around 61 per cent of businesses are meeting their quarterly financial and performance targets, and around 43 per cent are positive about the current economic situation.<sup>4</sup>

- 1.6. The ACT Government engaged in a number of specific projects to support small business, as outlined in its submissions,<sup>5</sup> which included a microcredit loan program for low-income earners, a variety of business grants, and support for small business in specific demographics such as women and Aboriginal and Torres Strait Islander people.<sup>6</sup>

- 1.7. According to the ACT Government, the Territory's top 10 small business industries are:

- professional, scientific, and technical services;
- construction;
- rental, hiring, and real estate services;
- health care and social assistance;
- transport, postal, and warehousing;

<sup>3</sup> ACT Government, *Submission 2.1*, p 13.

<sup>4</sup> ACT Government, *Submission 2*, pp 4–5.

<sup>5</sup> See ACT Government, *Submission 2* and *Submission 2.1*.

<sup>6</sup> See ACT Government, *Submission 2*.

- administrative and support services;
  - retail trade;
  - accommodation and food services;
  - other services; and
  - financial and insurance services.<sup>7</sup>
- 1.8. These industries are the focus of specific ACT Government initiatives to boost the local economy. For example, in the recently released 2024–25 budget papers, the ACT Government committed \$36 million over four years to ‘boost Canberra’s visitor economy.’ The funding will go to projects in areas such as sport, local food production, and the night-time economy.<sup>8</sup> Canberra Region Tourism Leaders Forum indicated in its submission that it was happy about these kinds of support, such as recent efforts to increase in domestic and international flights coming into Canberra.<sup>9</sup>
- 1.9. Not all submitters, however, were so positive about the conditions for private business in the ACT. The Canberra Business chamber said there was a perception that Canberra was a hard place to do business:
- We are concerned that the policy settings here in the ACT limit the growth potential of businesses here, and may deter medium-sized firms from seeking to establish in the Canberra market.<sup>10</sup>
- 1.10. Other common concerns from submitters included high inflation, labour shortages, red tape, and poor aesthetics of the urban environment.<sup>11</sup>
- 1.11. The Committee would like to acknowledge that the COVID-19 pandemic had a negative impact on small businesses, however this is not an aspect which is included in this inquiry’s terms of reference. For a discussion on this aspect, readers may wish to refer to the report by the Select Committee on the COVID-19 2021 Pandemic Response.<sup>12</sup>
- 1.12. Due to lack of evidence submitted to the inquiry, this report also does not discuss people with disabilities in small business.

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<sup>7</sup> ACT Government, *ACT Small Business Strategy 2023-2026*, p 5.

<sup>8</sup> ACT Government, *Australian Capital Territory Budget 2024-2025: Budget at a Glance*, p 15.

<sup>9</sup> Canberra Region Tourism Leaders Forum, *Submission 8*, p 3.

<sup>10</sup> Canberra Business Chamber, *Submission 4*, p 1.

<sup>11</sup> See, for example: Master Builders ACT, *Submission 3*, p 2; Phillip Business Community and ACT Movement Clubs, *Submission 7*, p 3; Canberra Region Tourism Leaders Forum, *Submission 8*, pp 5–6.

<sup>12</sup> Select Committee on the COVID-19 2021 pandemic response, *Report on Inquiry into the COVID-19 2021 pandemic response*, December 2021.

## 2. Regulatory environment for businesses in the ACT

- 2.1. Some submitters expressed the view that the ACT had a reputation of being a territory of oppressive regulation, limiting the opportunities for small businesses to thrive.<sup>13</sup> The Better Regulation Taskforce was established by ACT Government to reform the regulation of business activities.<sup>14</sup>

### The Better Regulation Taskforce

- 2.2. The ACT Government set up the Better Regulation Taskforce (the Taskforce) in 2020 which aimed to counteract some of the negative effects of the COVID-19 pandemic. The first focus area, Stream One, was policy and legislation:

This stream is about improvements that the ACT Government can make to the ACT's current policy settings and legislative frameworks to improve outcomes for business.<sup>15</sup>

- 2.3. The ACT Government asserted in its submission that regulation was necessary and delivered positive outcomes for society. It described its role as one of ensuring that regulation was effective and imposed a minimal burden:

The government's role is to ensure that regulation is fit for purpose (and remains so over time), avoids unintended consequences and is developed, delivered and operationalised in a way that minimises burden on the regulated entity to comply with the regulation.<sup>16</sup>

- 2.4. Some of the policies already implemented included:

- removal of duplicate licence fees for community pharmacies which provide prescription tobacco products;
- adoption of multi-year licensing across most license and registration types;
- introduction of digital forms and modern payment types for licensing and other regulation compliance processes;<sup>17</sup>
- reduction of liquor licensing fees and extending trading hours for night-time venues;
- extension of recognition of interstate licensees and certificates;<sup>18</sup>
- removal of licensing requirements for employment agents;

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<sup>13</sup> Master Builders ACT, *Submission 3*, p 3; Canberra Business Chamber, *Submission 4*, pp 3–4.

<sup>14</sup> ACT Government, ACT Better Regulation Taskforce, [ACT Better Regulation Taskforce - Chief Minister, Treasury and Economic Development Directorate](#) (accessed 11 July 2024).

<sup>15</sup> ACT Government, *Submission 2*, p 7.

<sup>16</sup> ACT Government, *Submission 2*, p 7.

<sup>17</sup> ACT Government, *Submission 2*, p 11.

<sup>18</sup> ACT Government, *Submission 2.1*, pp 4–5.

- change of the requirement for incorporated associations to lodge their annual return every year to on request; and
  - reducing annual liquor licensing fees for businesses providing regular support for live music and the arts.<sup>19</sup>
- 2.5. Further reforms being considered by the Government included adjustments to Noise Zone Standards in the city centre, which would encourage the night-time economy and the arts. The ACT Government had also partnered with the Australian National University to ‘test a methodology to measure the value and burden of existing regulation for certain business types such as the hospitality sector, and the health and fitness sector.’<sup>20</sup>

## Further reforms

- 2.6. A number of submissions to this inquiry identified potential areas of further reform of regulation. Some called for a comprehensive review of workers compensation costs, procurement policies, workplace health and safety, or commercial leasing laws.<sup>21</sup>
- 2.7. Both Master Builders ACT and the Canberra Business Chamber were supportive of rules and regulations being ‘harmonised’ with other states and territories where possible, and for interstate licensing and approvals to be recognised where appropriate.<sup>22</sup>

### Recommendation 1

The Committee recommends that the ACT Government continue to harmonise its business rules and regulations with other jurisdictions wherever possible.

- 2.8. To further the aim of harmonising regulation with other jurisdictions, Master Builders ACT recommended that implementation timeframes be consistent with national model laws.<sup>23</sup>

### Recommendation 2

The Committee recommends that where law are harmonised with other jurisdictions, the implementation timeframes should also be consistent.

## Information about regulation changes

- 2.9. Master Builders ACT argued in their submission that small businesses without in-house legal capacity relied on paid advisors, professional association or peak bodies, free sources of information such as internet searches, or the ACT Government itself for information on

<sup>19</sup> Ms Tara Cheyne MLA, Minister for Government Services and Regulatory Reform, *Ministerial Statement: Better Regulation Agenda Progress Update*, 5 June 2024, pp 4–6.

<sup>20</sup> Ms Tara Cheyne MLA, Minister for Government Services and Regulatory Reform, *Ministerial Statement: Better Regulation Agenda Progress Update*, 5 June 2024, pp 6–7.

<sup>21</sup> See, for example: Master Builders ACT, *Submission 3*, p 5; Canberra Business Chamber, *Submission 4*, p 5; Phillip Business Community and ACT Movement Clubs, *Submission 7*, p 3.

<sup>22</sup> Master Builders ACT, *Submission 3*, p 5; Canberra Business Chamber, *Submission 4*, p 4.

<sup>23</sup> Master Builders ACT, *Submission 3*, p 5.

changes to legislation and regulations that affected them. Master Builders ACT explained that if these options were unavailable or unreliable, it could lead to businesses having incomplete or faulty information. They further stated that support from the ACT Government for new legislation was ‘trending towards becoming poorer, not improving’ and that resources such as training, information and staff assistance were lacking:

ACT Government agencies rarely provide useful information to support new regulation such as training courses, resource information, or provided dedicated staff to assist small businesses adapt to new regulation.<sup>24</sup>

- 2.10. Andrew Pearce, who runs a small business in Canberra, characterised engaging with regulatory compliance as ‘needlessly bureaucratic, costly and time consuming process’, and believed that ‘business support appears to be applied inconsistently’.<sup>25</sup>
- 2.11. Other submissions also highlighted the need for clearer, more targeted communication from the ACT Government,<sup>26</sup> and these issues are further discussed in [Chapter 3](#) of this report.

### Committee Comment

- 2.12. The Committee acknowledges that the ACT Government provides advice and support to business through various sources such as Access Canberra and the ACT Business Hub,<sup>27</sup> however the feedback from submitters was that more information would be beneficial.

### Recommendation 3

The Committee recommends that the ACT Government investigate how to better apprise micro, small and medium businesses of regulatory and legislative changes that might affect them.

- 2.13. The ACT Government currently completes regulatory impact assessments on new legislation when it is likely to result in a cost to the community:

A regulatory impact assessment is undertaken when a new regulatory proposal is likely to impose appreciable costs on the whole or a part of the community. Those assessments are provided to the Legislative Assembly in the form of a regulation impact statement, when the preferred option results in a new subordinate law (such as a regulation) or disallowable instrument.<sup>28</sup>

### Committee Comment

- 2.14. The Committee believes that in addition to regulatory impact assessments being performed before implementation of new regulations, a post-implementation follow-up

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<sup>24</sup> Master Builders ACT, *Submission 3*, p 3.

<sup>25</sup> Andrew Pearce, *Submission 9*, pp 3–4.

<sup>26</sup> See, for example: Canberra Business Chamber, *Submission 4*, p 4; Phillip Business Community and ACT Movement Clubs, *Submission 7*, p 1; Canberra Region Tourism Leaders Forum, *Submission 8*, p 4.

<sup>27</sup> ACT Government, *Submission 2.1*, p 7.

<sup>28</sup> ACT Government, *Submission 2*, p 9.

would be a useful way of ensuring that new regulations are fit for purpose and not overly onerous to the business community.

### 3. Government communication and assistance

- 3.1. Consultation consistently reveals that businesses want ‘an easier, more streamlined’ experience when dealing with the ACT Government.<sup>29</sup>
- 3.2. This sentiment was echoed in the submissions to this inquiry. Master Builders ACT stated that small businesses found it ‘increasingly difficult and complex’ to obtain information and assistance from the ACT Government as all enquiries had to be made through Access Canberra. They claimed that Access Canberra call response times were long, and that the answers provided to queries were often lacking in quality and detail regarding complex legislation, policy, and processes. They suggested that small businesses should be able to directly contact relevant government staff who had the required expertise.<sup>30</sup>
- 3.3. Similarly, the Canberra Business Chamber emphasised that communication with the government needed to be simple and efficient, advising that business owners may not have the time or expertise to navigate bureaucratic processes. They posited that communication could be improved by ensuring that calls were answered, enquiries were responded to within a week by ‘named individuals’, and performance was measured and publicly reported.<sup>31</sup>
- 3.4. The Canberra Business Chamber called for a change to what they said was a ‘risk-averse compliance and process mindset’, asserting that the ACT Public Service should endeavour to adopt a ‘can-do’, customer-focused approach that prioritises outcomes.<sup>32</sup>
- 3.5. Quarterly forums between local business groups and the Minister for Business were suggested by the Phillip Business Community as a direct forum for communication where businesses could share the current issues affecting them. They advised this would be preferable to indirect communication methods such as newsletters.<sup>33</sup>
- 3.6. Priority one of the *ACT Small Business Strategy 2023-2026* (the Strategy) is to ‘[i]mprove the business experience when dealing with government’. The Strategy then details 12 actions proposed by the ACT Government to achieve this priority, including improvements to ease access of information.<sup>34</sup>
- 3.7. One such action from the Strategy is to ‘[p]rovide dedicated individual business support through the Access Canberra Business Assist team’.<sup>35</sup> The Canberra Region Tourism Leaders Forum commended this initiative yet noted that businesses continue to report frustrations when dealing with the ACT Government. They advised that analysing the outcomes of initiatives such as the Business Assist Team would provide further insight into which were successful, and would ensure that resources could be better targeted.<sup>36</sup>

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<sup>29</sup> ACT Government, *Submission 2*, p 6; ACT Government, *ACT Small Business Strategy 2023-2026*, p 14.

<sup>30</sup> Master Builders ACT, *Submission 3*, p 4.

<sup>31</sup> Canberra Business Chamber, *Submission 4*, p 4.

<sup>32</sup> Canberra Business Chamber, *Submission 4*, p 4.

<sup>33</sup> Phillip Business Community and ACT Movements Clubs, *Submission 7*, p 1.

<sup>34</sup> ACT Government, [ACT Small Business Strategy 2023-2026](#), pp 14–16.

<sup>35</sup> ACT Government, [ACT Small Business Strategy 2023-2026](#), p 16.

<sup>36</sup> Canberra Region Tourism Leaders Forum, *Submission 9*, p 5.

## Committee comment

- 3.8. Initiatives outlined in the *ACT Small Business Strategy 2023-2026* indicate a commitment by the ACT Government to enhancing the business experience. However, the Committee notes the concerns of submitters, which suggest that further improvements are needed to ensure that the ACT Government is accessible and responsive, for example with more direct contact with relevant individuals and better response times.

### Recommendation 4

The Committee recommends that the ACT Government continue to make it easier for businesses to engage with government agencies.

- 3.9. As discussed in [Chapter 2](#), Master Builders ACT expressed concern about the high level of regulatory burden imposed by frequent legislative changes, particularly on the building and construction industry:

New regulation disproportionately impacts small business compared to larger business because small businesses don't have the resources to employ in house legal experts to continually track the impact of new regulation on the operations of the business.<sup>37</sup>

- 3.10. Support to help businesses adapt to new regulations, such as 'training sessions, informative resources', or providing 'dedicated staff' was seen as lacking by Master Builders ACT, who considered that support from government agencies had declined over time.<sup>38</sup>
- 3.11. Master Builders ACT informed the Committee that, without in house legal experts, small businesses often relied on external sources to stay informed about regulatory changes, such as paid advisors, industry associations and professional bodies. However, they noted that paid advisors were often expensive, and not all businesses were members of professional associations or industry bodies.<sup>39</sup>
- 3.12. Master Builders ACT cautioned that businesses might turn to information provided on free public platforms such as Google or seek advice from friends which could lead to incomplete or inaccurate information.<sup>40</sup>
- 3.13. The ACT Government informed the Committee that it used 'multiple channels and networks' to communicate relevant supports to businesses. These included:
- the online portal ACT Business Hub, which had been viewed over 5,100 times;
  - fortnightly e-newsletter CBR Business Update, sent to approximately 75,000 subscribers;

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<sup>37</sup> Master Builders ACT, *Submission 3*, p 3.

<sup>38</sup> Master Builders ACT, *Submission 3*, p 3.

<sup>39</sup> Master Builders ACT, *Submission 3*, p 3.

<sup>40</sup> Master Builders ACT, *Submission 3*, p 3.

- the Canberra Business Advice and Support Service (CBASS), which provided free business advice;
- the Badji Program, supporting Aboriginal and Torres Strait Islander people who wanted to start or grow a business; and
- the upgraded Access Canberra website which had been viewed 234,000 times since October 2023.<sup>41</sup>

### Committee comment

- 3.14. The Committee would like to see proactive communication from the ACT Government to ensure that all businesses, regardless of size, can comply with new legislation that affects them. This would ensure that micro, small and medium businesses in the ACT can undertake any necessary preparation and continue operations without disruption.

#### **Recommendation 5**

The Committee recommends that the ACT Government provide increased assistance to small businesses during the implementation of new legislation which affects them, especially in regard to procurement training and helping small businesses with new regulations.

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<sup>41</sup> ACT Government, *Submission 2.1*, p 7.

## 4. Procurement

- 4.1. The ACT Government advised in its submission that it was committed to reforming procurement processes and supporting local businesses to apply for government tenders. As part of the Procurement Reform Program, the ACT Government intended to enhance training and resources to help business navigate procurement processes; create an online portal to ensure easy access to information; and establish a procurement panel management policy, among other improvements.<sup>42</sup>
- 4.2. In its supplementary submission, the ACT Government advised that Procurement ACT was progressing outstanding actions from the May 2022 *Better Regulation Report* relating to procurement. One example provided was the introduction of the *Government Procurement Amendment Act 2024*, which, from 1 July 2024, would require ACT Government agencies to seek three written quotes for contracts between \$25,000 and \$500,000 (or up to \$1 million for construction-related services). Exceptions would be allowed when seeking quotes from certified Aboriginal and Torres Strait Islander enterprises or when obtaining two quotes, with one each from a local business or small to medium enterprise. These changes aimed to incentivise buyers to seek local industry involvement when procuring goods or services.<sup>43</sup>
- 4.3. Nonetheless, Master Builders ACT warned the Committee that small business still faced challenges when applying for Government tenders. They advised that although the ACT Government was a big customer for the construction industry which is largely composed of small businesses, a ‘progressive increase in the number of Government procurement policies’ had caused an ‘ever increasing’ burden of documentation required to submit a tender for such work. This burden discouraged small businesses from participating in the tender process, as the costs associated with applying to a tender could exceed the financial return from winning it. Master Builders ACT stated that these barriers instead favoured larger businesses with in-house resources.<sup>44</sup>
- 4.4. Sharing similar feedback, the Canberra Business Chamber called for transparency and simplicity in procurement processes:
- It should be transparent and simple for ACT businesses to join procurement panels and to be able to pitch for business. The ACT Government must ensure that all decisions are made transparently against clear criteria, and that feedback is provided.<sup>45</sup>
- 4.5. The Canberra Business Chamber further suggested that procurement be avoided over December and January.<sup>46</sup>

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<sup>42</sup> ACT Government, *Submission 2*, pp 6–7.

<sup>43</sup> ACT Government, *Submission 2.1*, pp 3–4.

<sup>44</sup> Master Builders ACT, *Submission 3*, p 4.

<sup>45</sup> Canberra Business Chamber, *Submission 4*, p 5.

<sup>46</sup> Canberra Business Chamber, *Submission 4*, p 5.

## Committee comment

- 4.6. The Committee considers that introducing a stream for small businesses to apply to government tenders, with reduced administrative burdens, would help level the playing field and allow smaller firms to compete more effectively with big businesses.
- 4.7. The Committee understand that over the duration of this inquiry, reforms may have been made which go to this issue.

### **Recommendation 6**

The Committee recommends that the ACT Government investigate splitting government procurement processes into two streams, one which would have fewer requirements for lower cost projects, to encourage more small businesses to respond to tenders.

## 5. Costs to small business

### Government costs

- 5.1. A quarterly survey conducted by the Canberra Business Chamber since 2023 canvasses business confidence and performance.<sup>47</sup>
- 5.2. 'Increased cost of doing business' has remained consistently first or second as the 'single biggest issue facing business' at the time of the surveys, as shown in the below graphs:



Figure 2: Q3 2023 [Source: Canberra Business Chamber, *Business Beat* 30 September 2023]

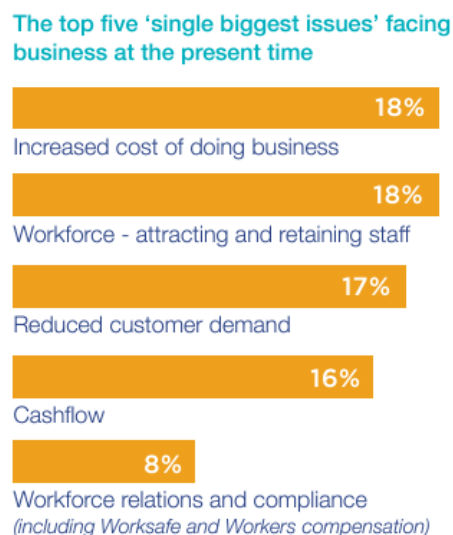


Figure 3: Q4 2023 [Source: Canberra Business Chamber, *Business Beat* to 31 December 2023]

<sup>47</sup> Canberra Business Chamber, *Research* [<https://www.canberrabusiness.com/research/>, accessed 8 July 2024]

### The top five 'single biggest issues' facing business at the moment

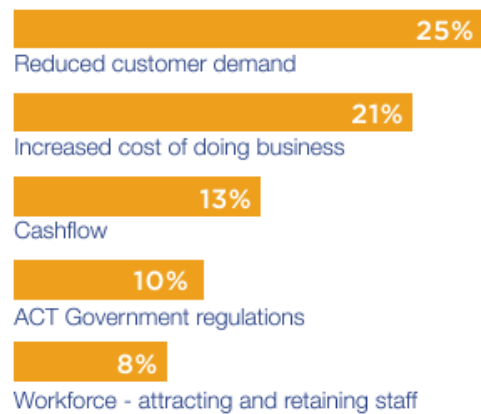


Figure 4: Q1 2024 [Source: Canberra Business Chamber, *Business Beat to 31 March 2024*]

#### 5.3. Master Builders ACT identified workers compensation insurance, payroll tax and property tax as contributing factors to business costs in the ACT:

- The rate of workers compensation insurance in the ACT is higher than any other State or Territory (2.10% of wages in the ACT).
- ACT has the highest rate of payroll tax (at 6.85%) of any State or Territory in Australia (although the threshold in which payroll tax becomes payable is higher in the ACT compared to other jurisdictions).
- Based on 2021-22 ABS data, property related taxes as a share of total tax revenue are the highest in the ACT (at 57.7%) compared with any other State or Territory.<sup>48</sup>

#### 5.4. Costs of rates, taxes, licenses and Government charges were also identified by the Canberra Regional Tourism Leaders Forum as a 'major impost on businesses in the ACT.' They further posited that that these costs could place a higher burden on ACT businesses than on comparable businesses in other capital cities, due to the Territory's smaller population and fluctuating visitor numbers following the Federal Parliament sitting pattern.<sup>49</sup>

<sup>48</sup> Master Builders ACT, *Submission 3*, pp 4–5.

<sup>49</sup> Canberra Region Tourism Leaders Forum, *Submission 8*, p 5.

## Committee Comment

- 5.5. When asked how the costs of running a business in the ACT compare with other jurisdictions, the Government responded that it would be a ‘complex and costly exercise’ to undertake such a review.<sup>50</sup> However, the Committee considers it would be advantageous for the Government to streamline government processes, with the aim of reducing administrative costs for businesses.

### Recommendation 7

The Committee recommends that the ACT Government work towards streamlining application and approval processes for businesses.

## Non-government costs

### Security of payment

- 5.6. In their submission, Master Electricians Australia noted that of security of payment was a particular issue for their member small businesses, which were typically employed as subcontractors.<sup>51</sup>
- 5.7. In a submission to consultation on the Payment Times Reporting Amendment Bill 2024 (Cth), Master Electricians Australia observed that subcontracting small businesses were particularly vulnerable to late or missed payment, which jeopardised cashflow and made it harder for them to meet their own costs and retain employees.<sup>52</sup>
- 5.8. Master Electricians Australia supported the establishment of deemed statutory trusts (DSTs) to ‘ensure that cashflows are limited to their intended project,’ alleging that otherwise funds could be ‘siphoned off’ by head contractors to fund other business ventures:
- It is vital ACT government implement legislation which protects MSMEs [micro, small and medium enterprises] from principals and head-contractors essentially utilising them as financiers for external projects.<sup>53</sup>
- 5.9. They also noted in a May 2024 report that, despite the requirement for statutory project trust accounts in Queensland, in cases of insolvency the process for finalising debts owed to subcontractors was often slow and difficult.<sup>54</sup>

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<sup>50</sup> ACT Government, *Submission 2.1*, p 6.

<sup>51</sup> Master Electricians Australia, *Submission 6*, pp 2-3.

<sup>52</sup> Master Electricians Australia, Chris Lehmann and Georgia Holmes, *Payment Times Reporting Amendment Bill 2024: Supporting Subcontractors*, 30 April 2024, [Master Electricians Australia - Payment Times Reporting Act 2020 primary legislation amendments \(treasury.gov.au\)](https://www.masterelectricians.com.au/legislation-amendments/treasury.gov.au) (accessed 12 July 2024), p 1.

<sup>53</sup> Master Electricians Australia, *Submission 6*, pp 2–3.

<sup>54</sup> Master Electricians Australia, *Security of Payment: Bigger steps and better ways*, 23 May 2024, [SECURITY of PAYMENT: \(masterelectricians.com.au\)](https://www.masterelectricians.com.au/SECURITY%20of%20PAYMENT%3A%20masterelectricians.com.au) (accessed 12 July 2024), p 2.

## Committee Comment

- 5.10. The Committee agrees that subcontractors are especially vulnerable to financial uncertainty, being as they often are, sole traders or small businesses who operate ‘at the bottom of the food chain’ in large and complex construction industry projects.

### Recommendation 8

The Committee recommends that the ACT Government investigate ways to protect subcontractors from late or missed payments.

## Commercial leases

- 5.11. Some submitters to this inquiry highlighted leasing commercial properties as a large difficulty for small businesses in the ACT<sup>55</sup>. Mr Andrew Pearce said in his submission that ‘access to commercial real estate in Canberra is problematic and costly.’<sup>56</sup>
- 5.12. Phillip Business Community and ACT Movement Clubs claimed that the ACT Government did not enforce commercial leasing guidelines, leaving commercial landlords to pass on their financial risk to tenants.<sup>57</sup>
- 5.13. Both submitters were also of the view that commercial landlords in Canberra engage in the practice of ‘landbanking’, leading to limited supply and increased rates.<sup>58</sup>

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<sup>55</sup> See, for example: Andrew Pearce, *Submission 9*, p 2; Phillip Business Community and ACT Movements Clubs, *Submission 7*, pp 2–3.

<sup>56</sup> Andrew Pearce, *Submission 9*, p 2.

<sup>57</sup> Phillip Business Community and ACT Movements Clubs, *Submission 7*, pp 2–3.

<sup>58</sup> Phillip Business Community and ACT Movements Clubs, *Submission 7*, p 4; and Andrew Pearce, *Submission 9*, pp 2–3.

## 6. Skills and staff shortages

### Skilled labour shortages in the ACT

- 6.1. Several submissions highlighted that a skills gap in the workforce presented challenges for small businesses in the ACT.<sup>59</sup>
- 6.2. Master Electricians Australia submitted that many of the small to medium enterprises that make up their membership were struggling with a skills shortage:

Businesses across Australia are facing increased pressures resulting from the skills shortage crisis. MSMEs [micro, small and medium enterprises] are particularly vulnerable to its consequences as limited labour reduces cashflow which can result in liquidation. This problem will not fix itself and is therefore imperative that Government is proactive in driving long-term sustainable solutions.<sup>60</sup>
- 6.3. The Canberra Business Chamber confirmed that attracting skilled staff was a ‘significant issue’ for Canberra businesses, with 18 percent of respondents to their most recent quarterly survey identifying that attracting and retaining staff was their single biggest concern.<sup>61</sup>
- 6.4. Labour shortages in Canberra, according to Master Builders ACT, were compounded by both a lack of housing and the high cost of housing which impacted the ability of local businesses to attract workers.<sup>62</sup>
- 6.5. The ACT Government submission acknowledged that there were approximately 20 percent more job vacancies in the ACT than people to fill those roles.<sup>63</sup>
- 6.6. Noting that it had made the same recommendation in a submission on the 2024–25 ACT Budget, the Canberra Business Chamber suggested that the ACT Government should deliver a marketing campaign to attract workers to the ACT to fill the current gap in skills.<sup>64</sup>
- 6.7. The ACT Government indicated in its submission that it was seeking to attract more people to live and work in Canberra, having recently engaged the University of Canberra to research workforce shortages and barriers to attracting workers in the ACT. The result of this research had produced several recommendations that were under consideration by the Business and Economic Development Stakeholder Consultation Forum.<sup>65</sup>
- 6.8. One such recommendation was a workforce attraction campaign, which the ACT Government trialled in July 2023. The campaign involved four local influencers showcasing the benefits of life in Canberra and aimed to attract younger workers in Sydney to consider moving to the ACT. The ACT Government described the results of this pilot campaign as

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<sup>59</sup> See, for example: Canberra Business Chamber, *Submission 4*, pp 5–6; Chartered Accountants Australia and New Zealand, *Submission 5*, pp 1–3; Master Electricians Australia, *Submission 6*, p 1.

<sup>60</sup> Master Electricians Australia, *Submission 6*, p 1.

<sup>61</sup> Canberra Business Chamber, *Submission 4*, pp 4–5.

<sup>62</sup> Master Builders ACT, *Submission 3*, p 2.

<sup>63</sup> ACT Government, *Submission 2*, p 26.

<sup>64</sup> Canberra Business Chamber, *Submission 4*, pp 5–6.

<sup>65</sup> ACT Government, *Submission 2*, p 29.

‘promising’, with an increase in traffic to the ‘canberra.com.au/work’ website, and said that the future of the campaign would be considered after further evaluation.<sup>66</sup>

### Committee comment

- 6.9. The Committee considers that attracting skilled workers to the ACT to fill critical shortages would bolster the region’s workforce and mitigate some of the challenges faced by local businesses.

#### **Recommendation 9**

The Committee recommends that the ACT Government market the ACT to potential workers, trainees, and apprentices.

## Skilled migration to the ACT

- 6.10. Chartered Accountants Australia and New Zealand (CAANZ) expressed concern over the weightings given in the Canberra Matrix and ACT Critical Skills List for determining nominations for skilled work visas in the ACT, and the overall impact this had on local business in the region.<sup>67</sup>
- 6.11. The Canberra Matrix is a merit-based assessment tool used by the ACT Government to nominate applicants for skilled work visas in the ACT.<sup>68</sup> The matrix allows points to be claimed against a range of criteria including formal qualifications, assets in Canberra, and English proficiency, up to a maximum of 195 points.<sup>69</sup> Those who rank highly may receive an invitation to apply for the Skilled Work Regional Visa (subclass 491) or the Skilled Nominated Visa (subclass 190) by the ACT Government.<sup>70</sup>
- 6.12. CAANZ highlighted that while visa applicants are awarded points for working in their nominated occupation, they are not required to be working in that occupation to be granted a visa. This can result in a person being awarded one of the limited spots designated for a specific role, despite not being employed in that role. CAANZ suggested that more points should be awarded to qualified applicants who were actively employed in their nominated occupation to mitigate this.<sup>71</sup>
- 6.13. CAANZ also expressed concern that accountants had the highest minimum score required of any occupation in the November 2023 ACT Invitation Round but had a capped number of invitations available at only five per month. They indicated that this combination of high requirements and limited invitations was having a ‘significant impact’ on staff retention in accounting firms, with some valued staff reconsidering their future as an accountant in

<sup>66</sup> ACT Government, *Submission 2*, p 29.

<sup>67</sup> Chartered Accountants Australia and New Zealand, *Submission 5*, pp 1–3.

<sup>68</sup> ACT Government, ACT Government nomination, <https://www.act.gov.au/migration/skilled-migrants/act-government-process> (accessed 21 June 2024).

<sup>69</sup> Chartered Accountants Australia and New Zealand, *Submission 5*, p 1.

<sup>70</sup> ACT Government, ACT Government nomination, <https://www.act.gov.au/migration/skilled-migrants/act-government-process> (accessed 21 June 2024).

<sup>71</sup> Chartered Accountants Australia and New Zealand, *Submission 5*, p 2.

Canberra.<sup>72</sup> CAANZ cautioned that this had follow-on effects for other small businesses who required accounting services:

A reduction in accountants leads to a reduction in business advisory and tax compliance services that accountants provide.<sup>73</sup>

### Committee comment

- 6.14. The Committee recognises the value that skilled migrants bring to the Canberra community and considers that a fair visa nomination system is crucial to retaining talent and attracting new talent. The Committee also considers that the visa nomination process must be responsive to workforce demands within the ACT and may need reviewing to ensure that Canberra's workforce needs are met.

#### Recommendation 10

The Committee recommends that the ACT Government re-examine the criteria it uses to identify critical occupations, decide on occupations caps (in relation to migration/skilled visa nominations), and calculate points on the matrix.

## Education and training

- 6.15. Submissions by Master Electricians Australia and Andrew Pearce indicated that more needed to be done to ensure that education and training in the region was meeting workforce needs.<sup>74</sup>
- 6.16. Master Electricians Australia argued that addressing the skills shortage would require the integration of vocational education training in secondary schools (VETSS) to put it on an equal footing with Australian Tertiary Admission Rank (ATAR). They were of the opinion that VETSS would enhance aptitude and competency screening and attract and retain a better equipped workforce.<sup>75</sup>
- 6.17. In their submission, Master Electricians Australia also argued that VETSS could increase diversity within the science, technology, engineering and mathematics (STEM) labour pool. They envisaged VETSS as part of the secondary school curriculum to provide equal opportunities to students from all backgrounds to experience early exposure to vocational and trade careers in a supportive environment. They considered VETSS would offer students the same level of encouragement to pursue such careers as ATAR students received for academic pathways. Master Electricians Australia advised that this could improve representation of non-traditional cohorts within STEM trades.<sup>76</sup>

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<sup>72</sup> Chartered Accountants Australia and New Zealand, *Submission 5*, pp 1–2.

<sup>73</sup> Chartered Accountants Australia and New Zealand, *Submission 5*, p 2.

<sup>74</sup> Master Electricians Australia, *Submission 6*, p 1; Andrew Pearce, *Submission 9*, p 4.

<sup>75</sup> Master Electricians Australia, *Submission 6*, p 1.

<sup>76</sup> Master Electricians Australia, *Submission 6*, p 1.

- 6.18. Master Electricians Australia also submitted that increasing the number of women in STEM was best addressed through the school system. They suggested that training more women in STEM was likely to lead to more women-led businesses, and ultimately to the industry becoming ‘more accommodating towards women in the trades.’<sup>77</sup>
- 6.19. Conversely, Andrew Pearce submitted that the prioritisation of STEM within the education and training sector had come at the expense of training in hand skills, technical skills, and manufacturing capacity. He expressed concern that there were very few high schools in the ACT providing hand skills training in disciplines such as ceramics, textiles, woodwork, metalwork, and plastics. He cautioned that the lack of technical skills required to be ‘job ready’ presented a challenge for businesses who were required to provide that training themselves at their own cost, and without subsidy.<sup>78</sup>
- 6.20. In its submission, the ACT Government advised that that it was committed to initiatives that ‘develop a local workforce through upskilling and reskilling’. It advised that the 122 qualifications on the ACT Skills Need List were identified in consultation with ‘industry, local registered training organisations and unions’.<sup>79</sup> The list informs funding priorities for vocational education training and subsidy levels for the ACT Australian Apprenticeships (User Choice) program.<sup>80</sup>
- 6.21. The ACT Government also advised that the National Skills Agreement would provide additional funding for vocational education and training (VET), supporting skills development.<sup>81</sup> The National Skills Agreement is a five-year agreement between the Commonwealth Government and all states and territories, aimed at improving the vocational education and training sector. It commenced on 1 January 2024.<sup>82</sup>
- 6.22. The ACT Government submitted that benefits to the ACT from the National Skills Agreement included funding for:
- Technical and Further Education (TAFE) Centres of Excellence;
  - Closing the Gap initiatives to support training for First Nations Canberrans;
  - improving VET and apprenticeship completion rates;
  - fostering collaboration between the Canberra Institute of Technology and public training providers to enhance the VET workforce; and
  - improvements to foundational skills training.<sup>83</sup>

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<sup>77</sup> Master Electricians Australia, *Submission 6*, p 2.

<sup>78</sup> Andrew Pearce, *Submission 9*, pp 4–5.

<sup>79</sup> ACT Government, *Submission 2*, pp 26–27.

<sup>80</sup> ACT Government, *Skills Needs List*, <https://www.act.gov.au/skills/employers/skills-needs-list>, (accessed 11 June 2024).

<sup>81</sup> ACT Government, *Submission 2*, pp 27–28.

<sup>82</sup> Australian Government, *National Skills Agreement*, <https://www.dewr.gov.au/skills-reform/national-skills-agreement> (accessed 11 June 2024).

<sup>83</sup> ACT Government, *Submission 2*, pp 27–28.

- 6.23. The ACT Government further advised that it would provide '3,600 more Fee Free TAFE places over the next three years, with a specific focus on renewable energy, cyber security, the care sector, construction, hospitality and foundation skills.'<sup>84</sup>
- 6.24. Other planned initiatives also included Industry Action Plans for priority sectors such as 'Care, Technology, Building and Construction, Experience, and Renewables and Sustainability sectors.' The ACT Government observed that these were being developed in consultation with small and medium business in the ACT as part of the skills and workforce agenda *Skilled to Succeed*, which aimed to ensure people in Canberra had the necessary skills for the job market.<sup>85</sup>

#### Committee comment

- 6.25. The Committee considers that upskilling the Canberran community to meet current and future workforce demands must be an ongoing commitment to ensure that Canberrans benefit from having in-demand skills and critical workforce shortages are met.

#### **Recommendation 11**

The Committee recommends that the ACT Government continue to encourage school students into STEM fields and to identify and resolve barriers to increasing diversity in STEM and trades.

#### **Recommendation 12**

The Committee recommends that the Government target the promotion of building and associated trades training and apprenticeships, and increase training places and subsidies in the ACT to help with shortages in these areas.

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<sup>84</sup> ACT Government, *Submission 2*, p 28.

<sup>85</sup> ACT Government, *Submission 2*, p 28.

## **7. Conclusion**

- 7.1. The Committee would like to thank the submitters, Ministers, and directorate staff who participated in this inquiry.
- 7.2. The Committee makes 12 recommendations.

Mr James Milligan MLA  
Chair, Standing Committee on Economy and Gender and Economic Equality  
August 2024

## Appendix A: Submissions

No.	Submission by	Received	Published
1	Confidential	21/11/2023	-
2	ACT Government	24/01/2024	21/02/2024
3	Master Builders of the ACT	25/01/2024	21/02/2024
4	Canberra Business Chamber	25/01/2024	21/02/2024
5	Chartered Accountants Australia	25/01/2024	21/02/2024
6	Master Electricians Australia	25/01/2024	21/02/2024
7	Philip Business Community and ACT Movement Clubs	26/01/2024	21/02/2024
8	Canberra Region Tourism Leaders Forum	26/01/2024	21/02/2024
9	Andrew Pearce	26/01/2024	21/02/2024
10	Confidential	30/01/2024	-