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What is your submission about? : Business conditions for MSM businesses, Factors which encourage/discourage MSM businesses, Impact of ACT government assistance programs , Impact of ACT government regulations, Comparisons with running an MSM business in other parts of Australia, Other related matters

Your submission : Businesses in the ACT face multiple challenges. These include both physical and IT based blocks in access to government, their treatment by ACT public servants and government staffers, inconsistent application of government policy, lack of access to real estate, lack of access to business related parking and impediments to staff training.

We operate a family run business in the ACT. Originally the business opened in 2003 but was temporarily put on mothballs in the latter half of the 2000's for a 6 year duration while the owner had trailing spouse commitments offshore due to government posting. Relaunching in 2014, we have been trading in the ACT ever since.

The two principals in the business (myself and my wife) have, combined, some 50+ years of experience in our relative areas of specialisation. On multiple occasions we have been requested by ACT Govt employees and Legislative Assembly staffers to conduct workshops, provide submissions or to come in to speak about issues.

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Aside from our experience with this particular individual, consistently there is a significant impediment with business being able to interact with ACT government. Above a particular size, or once one has "the inside track", there seems to be an open door policy, similarly certain institutions (ACT Business Chamber for instance) have access to the ears of government and to policymakers, however if your particular issue or need doesn't align with their own requirements, these institutions will not make any representation on your behalf. Any attempt to advise government seems to involve endless meetings with junior public servants, who do not have your issue as part of their core business, have no interest or KPI's reliant upon resolving the issue and are happy to expend up to hundreds of your hours of time passing you from one department underling to another while resolving nothing. It is no skin off their nose to attend a meeting with you for an hour, drink another cup of coffee while the issue is discussed, and there seems to be no awareness of the part of government staff that business staff are attending this meeting, not on the payroll, but at their own expense in not being able to use this time to produce paid work to customers. Staff seem to be under the impression that they are doing business a favour by meeting with them to have a chat about matters and have no concept that there is a direct cost to business in doing so.

Supposedly streamlining ACT Government portal by the establishment of Canberra Connect has been a disaster for business. It greatly increases wait times for anyone attempting to contact the ACT public service, and additionally increases the likelihood that they will have additional time wasted when a "one size fits all" receptionist who cannot possibly be across all sectors, directs their enquiry to the wrong department. There is no longer any direct access to anyone available unless you are on the inside track and have been previously provided with a direct number.

Digital access to government is similarly problematic and inconsistent. Every time firewalls are upgraded or software is changed, more internet domains, ISP's and email addresses are blocked from being able to send messages. The only solution to this is to be able to specifically contact a department and request "white listing", however in order to do this, firstly a business would need to know that their message has not been delivered, which often does not happen as the message is blocked internally, not denied delivery and with the sender being notified that it has not been received. Then the business would need to be able to navigate Canberra Connect to be able to contact the relevant department. At that point, any request for white listing as a business is generally viewed with suspicion. The only exception to this is when, as previously discussed, a business is on "the inside track" and staffers and government employees personally take steps to white list them after system changes. In this manner, those who have previously worked with ACT Government and who have friends on the inside continue to be able to contact government, submit tenders, respond to EOI's etc, while other businesses remain consistently excluded. Even the submission my wife made to this very inquiry failed to be received initially when she opted to use email rather than the web form submission method... ATO requirements now dictate that business accounting software be cloud based and submit quotes as attached PDF's (Xero, MYOB etc). Simultaneously, IT security departments have established firewalls that block potentially hazardous or nefarious incoming content, including cloud based accounts and messages with attached files. Firewalls are actively blocking, precisely the content that the ATO mandates business use when submitting quotes and invoices to customers, including government. The obvious result of this is that a significant proportion of businesses are unable to meet deadlines when responding to government tenders or requests for prices, and as a result, only the "inside track" white listed suppliers are ever able to contract with government for work.

Many jurisdictions have "buy local" policies in place. NSW government often dictates that government work only be open to NSW based companies. Similar policies exist in Victoria and South Australia, to name but two. In contrast, the ACT has no such policy in place. As a result, ACT based businesses are effectively barred from undertaking work in many locales, while the ACT itself is a free for all, regularly contracting their work to interstate providers. In this way, ACT based companies have all of the disadvantages of being local, and none of the advantages. Little wonder that so many choose to relocate across the border to Queanbeyan...

Access to commercial real estate in Canberra is problematic and costly. This is the case for a number of reasons. One might think that primarily it was an issue of supply, but this is not actually the case. It is more an issue of available supply... Discussions off the record with commercial real estate agents and property managers raised the issue of much of the ACT's commercial property being held by a relatively small number of persons with self funded superannuation portfolios. Legislation related to self funded super allows for vacant property not returning a lease rental to be claimed as an on-paper loss which can be used to offset other income. The main stipulation is that the maximum rate it can be claimed as a loss is at the cost per square metre of the cheapest similar property within the investment portfolio. What is the result of this? For starters, property owners have no incentive to ever offer cheaper leases to get a property tenanted as this would reduce the claims they could make against other vacant property they hold. This is precisely why in many cases businesses are offered a year rent free on a 5 year lease, but never offered a 20% reduction. You may be aware of the high number of ACT businesses that fail shortly after 12 months of trading, and this is precisely why. The business is able to meet its overheads for the first year, but as soon as the full cost including rent kicks in, they go under. Fundamentally, what it means is that in many cases, a property owner has more incentive in keeping a property vacant than in renting it out. The received income is the same as the on paper deduction. Additionally, insurance for a vacant property will often be lower than the insurance for a property where high risk activity is being undertaken (restaurants with cooking

facilities, vehicle repairers with flammable materials, solvents and fuels...). The only stipulation from the ATO point of view is that an attempt is being made to lease out a property. While no-one in the industry is likely to go on the record, we suspect that a number of property management and real estate companies are paid a retainer to have properties listed for lease and with signs to that effect on the windows, however when business contact the agent to arrange an inspection, the agent is only available at a non suitable time, or will get back to you but fails to do so. The ACT Government would do well to review exactly what proportion of currently "for lease" commercial real estate sites are actually phantoms, with owners who have no desire at all to ever have them tenanted. (remember, no tenant means never getting a request to paint, fix roof leaks, maintain air conditioning...)

Commercial property rates in the ACT have risen drastically over the last decade. For tenants and owner occupiers alike this is a cost that they either pay directly or their landlord passes on to them rolled into the rental price. As such it is a direct cost impediment applied to business. The ACT business community is directly being required to supplement the ACT budget coffers, despite the fact that outside of ACT Gov't and the APS, these businesses are the only other employers. Look at the disparity between commercial rates and residential rates. Again, a reason why many businesses choose to relocate.

With rising business costs, in recent years many businesses have opted to reduce their overheads by reducing the number of vehicles they operate. In order to increase capacity for deliveries, in many instances a larger number of smaller capacity vehicles have been replaced by one or two larger vehicles. Longer wheelbase and taller vans, wider and longer utilities. In many instances these vehicles cannot use commercial car parking spaces due to width or overhead clearance limitations. Our own van is not particularly high at just on 2m, however this precludes parking anywhere in the Canberra Centre for instance. At the same time, ACT Government has sold off multiple open air carpark sites and reduced the available number of Loading Zones available. Every hour spent looking for parking rather than getting paid to deliver product is a direct financial impediment upon business. Property developers allocating some public parking spaces within the buildings they construct upon what once were public open air car parks, does nothing to remedy this issue.

Many areas of ACT Government involved in compliance activities are under resourced and have very limited capacity or, it would seem, interest in enforcing compliance, preferring instead to be punitive and dictatorial on the isolated businesses who do attempt to meet compliance requirements. ACTPLA in particular springs to mind. In theory, Development Applications are required for modifications to buildings, changes to use, installation of signage, opening of businesses undertaking certain activities. In most instances a "Wild West" approach of "If you don't ask, they can't say no and they don't have the resources to police it, so why bother?" applies. For example: In opening our business, we submitted a DA which required all nearby businesses to be advised of the work we intended to undertake in our business and what signage we intended to erect, including size, colour and style. Business fitout was delayed while the duration period in which any nearby businesses had the opportunity to submit objections to our request. This process all up cost us in excess of \$10,000. Subsequently we have had 3 other buildings in our complex open, one painting their building bright yellow, one bright blue and one bright red. In the neighbouring streets an additional two major buildings have been erected, one bright pink and one fluorescent yellow. To my knowledge, at no point has anyone ever submitted a DA requesting neighbour approval for signage or colour. At best, ACTPLA's application of legislative requirements is haphazard and inconsistent. More often than not it appears to be completely nonexistent. Until such time as a specific complaint is submitted, compliance appears to be optional. People who do choose to do the right thing and engage with the compliance requirements are faced with a needlessly bureaucratic, costly and time consuming process, while everyone else seems to get offered a free pass under a "don't tell, don't ask"

framework. If the ACT Government intends to penalise business who intend to undertake their activities in compliance of legislation then again, this is a direct cost and impediment to doing business in the ACT.

In a similar manner to compliance, business support appears to be applied inconsistently. ACT Events and ACT Public Places seem to do all they can to assist a select number of institutions and event operators. Application processes are streamlined, sites are made available, events get grant subsidies, assistance is given to promote the events. The criteria upon which these decisions are made appears arbitrary. Other events get told that sites (although vacant) are not available, additional compliance impediments are applied, event holders are advised that their event is not eligible for any funding or support. Contrast "Christmas in July" to the "National Endangered Skills and Trades Show". One event was purely commercial for profit, one was directly for the public benefit at no profit to the organiser and yet it was the commercial event which gets support.

On the topic of skills and trades...

Training outside of the select few industries is highly problematic and comes at an extensive and often unrecouped cost to industry and business. Let me clarify...

Hand skills-based occupations are at great risk in Australia generally. The range of courses offered at TAFE/CIT has been drastically cut back. Economic rationalism has hit the higher education sector similarly hard, with courses that are deemed "resource hungry" being dropped from curriculums. Back in the early 1990's the University of Canberra was the only institution in the Southern Hemisphere training staff in the Conservation of Cultural Materials (Applied Science). Move on to the mid 2000's, the course in Canberra was gone, the Masters level course being offered at the University of Melbourne had drastically reduced laboratory time, reduced chemistry and science and reduced hand skills leaving many graduates unemployable. As an industry, Conservation requires graduates trained in science and trained in ethics, however this must be on a foundation of technical and hand skills... Unfortunately, having a small population, the number of high schools in the ACT offering comprehensive hand skills training with arts and technology curriculums (ceramics, textiles, woodwork, metalwork, plastics) is exceedingly limited. Zoning, which keeps non-local students out of schools deemed to be in high demand further exacerbates this situation. Government policies that promote little but STEM curriculum similarly make matters worse. Let's be honest, R&D development will always be cheaper to conduct offshore than in Australia, and simple mathematics shows that countries like India and China with populations in the billions and wages far lower than ours can easily out-compete Australia in the STEM sector (even without one taking into account the willingness to steal intellectual property that some nations are notorious for). The focus on STEM, comes directly at the expense of technical skills, problem solving skills, hand skills and capacity to manufacture and value add. Australia was sold the myth that our future prosperity would be on the back of being a "knowledge nation". Now half the jobs that required that knowledge can already be replicated by a teenager with a laptop and access to ChatGPT or other AI task software.

Families seeking to give their children technical skills are therefore forced to move interstate, and once a family has left the ACT, if not employed in the APS or Defence, why would you come back? We may have an influx of people working for defence and government or attending our education institutions (even as they cut courses and reduce local student numbers in preference to full fee paying international students), but in all other areas we have an exodus and a brain drain.

Given the lack of technical skills on offer, now look at the impediments that exist for business: Again, I will use the cultural conservation sector as an example... Students graduating from the Master's course in Conservation at the University of Melbourne are not job ready. That said, they have a masters course qualification in our industry, so as a new staff member they are required to be paid upwards of \$60,000pa from commencement. We spend at minimum two years training these staff and giving them the required hand skills and filling in their knowledge gaps before they are

competent to work on complex treatments for clients. This training is done in our time, while the recipient is being paid, with no teaching subsidy. In effect every graduate is nothing but a money sink for at least 2 years. After that 2 years, historically they are then approached by one of the local cultural institutions and offered employment. We get no usable trained staff member after our efforts and no compensation for our sunk costs. Over the last 6 years we have had more than a dozen staff poached in this manner, by federal and ACT Government institutions, in the majority of cases for positions that were created and never even part of an open recruitment process. It is my understanding that the education department in most states funds or subsidises the training of teachers on the proviso that there be some compulsory time spent teaching in rural or remote areas. I believe a similar situation exists for medical graduates. The Defence Force provides technical qualifications on the requirement that a recruit commit to a particular period of service once qualified. (I know for a fact that the Air Force has significant issues with commercial airlines poaching qualified pilots, so we are not the only ones, but presumably this can only occur once the committed period of service has expired). Contrast this to our industry. Fair Work states that we cannot indenture staff, most non-competition clauses are non binding and even if they were would not apply to poaching by government. After a decade of taking up to 8 university interns a year and training well over 15 professionals in our industry, we now have a single graduate being trained. She will be our last. Our industry is dying. Our professional body is run by permanently employed public servants who do not understand the problem we face. They have secure work and when the time comes for them to retire it will be someone else's problem. We will one day close our business with likely no succession plan, no-one to buy the business, just decades of sunk costs while our expertise was taken for granted, stolen or squandered.

Returning to the subject of RTO's (I mean, we're well respected as providing good training, it'd be nice to be able to monetise that and have an additional education sector bringing people to the ACT from around Australia and overseas)... To obtain RTO status, an organisation needs to develop a curriculum. Additionally, that curriculum needs to be assessed for suitability to meet industry requirements against a pre-existing training course. As we have already stated, current training in Australia is now inadequate. No such suitable curriculum of essential skills for competency exists. As such, even were we to develop a curriculum in training for the Conservation sector, it would be impossible for us to achieve RTO status. It's easy if you want to set up an RTO for baristas or beauty therapists, the curriculums already exist. Hence why so many RTO's in these sectors abound. But for niche industries on the verge of being lost altogether who need to train in house, the RTO door is closed. No training accreditation is possible, no fees can be charged to trainees, staff cannot be required to stay once trained and no subsidies are supplied to businesses who pass on essential skills. Australia is losing skills and hard earned knowledge at a rate faster than ever in our history. We can get government funded business analysts and advisors to visit businesses and be paid by the public purse to tell people what they already know, but any change in legislation that would enable skills to be passed on and retained and support businesses to do so remains non-existent. Despite 5 years of continuous lobbying on our part, the only action seems to be another closed door skills summit of the same core building industries while our skills and manufacturing sector dies.

No-one needs to set up and tool up a new TAFE or CIT workshop. The skilled practitioners already exist. What is urgently needed is a fundamental change in methodology and framework for how training can be delivered. You took away our ability to have subsidised apprentices and trainees, but delivered no alternative system. Now you steal the people we do train and act surprised when companies close and are lost from the region and the country. Only those who choose to remain blind cannot see this problem.

The ACT could lead the country in the preservation of skills, with international trainees flooding here to learn. If it acts quickly and decisively. In another 10 years our country will have lost its skills base,

just in time to be facing a predicted international conflict on our doorstep. Contrast the scenario. In 1940 during the Second World War we had the ability to manufacture textiles, steel, ships, vehicles, aircraft, firearms and munitions and electronic components. Most citizens could make and mend clothes, construct buildings, ride horses, shoot firearms, drive manual vehicles, mend fences, cook, grow their own produce and kill their own meat if required. What would our capacity be today? What could we make in the face of an air and sea blockade? Businesses are not a "like to" element on a checklist, they are an essential "have to" if we are to have any future at all as a nation.

Business analysts regularly talk about the impediments to micro and very small businesses growing to medium business size. It is referred to as "the valley of death", where costs skyrocket while revenues grow only slightly, causing most businesses to either contract back down in size or to fail completely. Small businesses are the ones that urgently need government subsidy and investment to grow, provide job security, train, obtain larger manufacturing premises, tool up for export. It is the larger medium enterprises that government supports through publicity about their success story, supports through grants and subsidies, provides land for. Ironically, these larger enterprises also frequently have offices interstate, have the capacity for tax minimisation and are the ones that, as a result, provide the least to the ACT Government coffers.

I suspect that my submission will come as somewhat of a surprise to many. The content will not be echoed by the ACT Business Chamber who would like you to believe that there is no problem and that continuing the current subsidy system to business advisors and consultants is all that is needed to keep the wheels turning smoothly. Staffers will have generally only passed on to their ministers and shadow ministers the messages that will provoke a positive response (no-one likes to be the bearer of bad news, especially in a competitive environment). The ACT Public Service live in a vacuum, believing that they are doing good and working competently. Those that are corrupt, incompetent or vindictive will continue to do all they can to hide it from their higher ups. But unfortunately, far from having a new suit, the emperor has no clothes. The legislation framework, supports and system is not working well for micro, and small business, and anecdotally many medium businesses fail completely.

I remain happy to answer any questions for the committee and would be happy to work as an advisor to assist government in taking steps to rectify many of the issues I have raised, particularly in the area of skills training.