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FOR THE AUSTRALIAN CAPITAL TERRITORY

STANDING COMMITTEE ON ECONOMY AND GENDER AND ECONOMIC EQUALITY
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Submission Cover sheet

Inquiry into Micro, Small, and Medium
Businesses in the ACT Region

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Inquiry into Micro, Small, and Medium Businesses in the ACT Region

Introduction

Canberra Business Chamber is the ACT's peak business organisation. Our membership consists of both local companies, and most of the Territory's key industry and professional associations (our "kindred organisations"), who in turn represent many thousands of other businesses.

We represent every industry sector and type of enterprise found in the ACT, from large globally competitive firms, through to micro-businesses, retailers, service sector providers, manufacturers, the professions, and not-for-profit organisations.

Our vision is to make Canberra the greatest place in Australia to do business.

The private sector is ultimately the driver of good outcomes for the people, the economy, and the Government. While the Chamber is passionate about doing business here, we have a long way to go before we are seen as the greatest jurisdiction in Australia to do business. The perception is that it is often harder and more difficult to do business here and, as a small market, we need to work harder to attract and retain businesses. Our goal should be to have many more businesses here, both small and large, employing more people, creating vibrancy and, ultimately, paying tax.

The CBC welcomes this Inquiry from the Standing Committee on Economy and Gender and Economic Equality. Micro, small, and medium businesses, with up to 200 employees, are the lifeblood of the ACT economy.

- The 35,000 private businesses in Canberra employ around 164,000 people (62 per cent of all current jobs in the Territory).
- 97 per cent of all businesses in the ACT meet the definition of micro, small and medium businesses: 56 per cent of businesses in ACT have no employees, and a further 41 per cent have 1 to 19 employees.
- A very small proportion of businesses are medium to large employers in ACT, with just 3 per cent employing more than 20 people.
- The vast majority of businesses (91 per cent) have annual turnover of less than \$2 million.

We believe that there is significant room for growth in the number and size of businesses over the coming years - but policy settings need to support that. 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 (while we do have a good rate of business start-ups here in the ACT, these are typically small businesses)

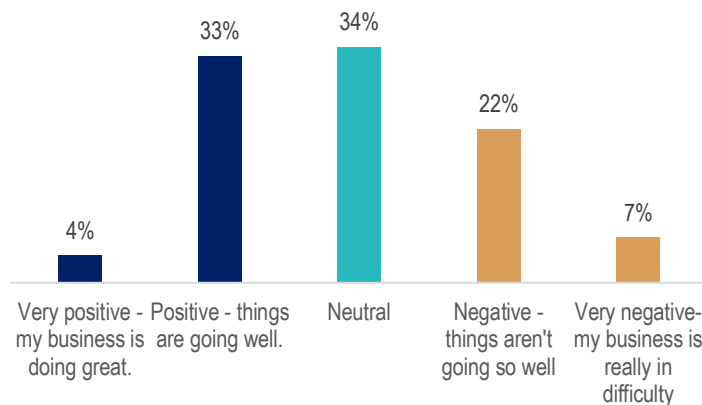


We want to see a framework that incentivises all kinds of businesses to establish here; and which allows micro businesses to grow to small businesses, and small businesses to grow into medium and large firms. There is a number of issues, including Territory payroll tax and Workers' Compensation which limit growth opportunities and, we suggest, should be considered within the scope of this Inquiry. Ultimately, it is in the interests of the entire ACT community that private enterprise can flourish in the ACT by freeing it from compliance costs and constraints imposed by government.

Recommendations:

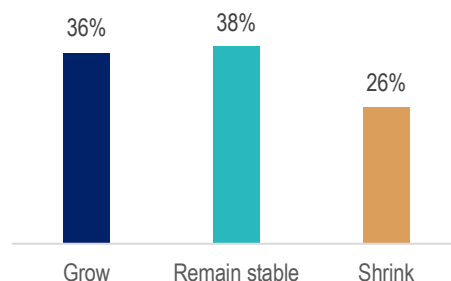
While the economy here is performing relatively well when compared to the rest of the country, there are real challenges for business, and performance is not as strong as it could be. The Canberra Business Chamber publishes the quarterly Canberra Business Beat survey which tracks business sentiment, performance, and confidence. The December quarter results showed that 51 per cent of businesses met their own targets (down from 61 per cent last quarter) and 37 per cent of businesses report feeling positive about the present business situation (43 per cent last quarter).

Overall level of business confidence at the present time



Looking ahead, 36 per cent of respondents expect their business to grow over the next 12 months, which is down from 46 per cent last quarter. A similar proportion are expecting business to remain stable (38 per cent). Concerningly, a quarter of businesses in Canberra are expecting their business to shrink over the next 12 months.

Are you expecting your business to grow, remain stable, or shrink, over the next 12 months?





This is impacted by a number of factors, but the top issue again this quarter was the increased costs of doing business. Attracting and retaining staff and reduced customer demand are also impacting many.

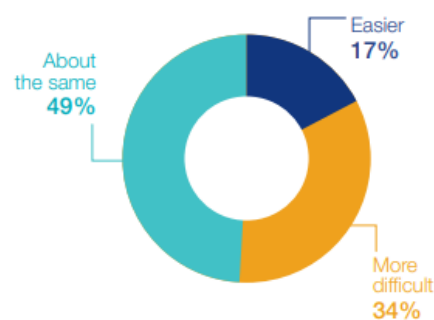
The top five 'single biggest issues' facing business at the moment.



While gross state product grew 4.3 per cent last year, and both jobs and the number of businesses in the ACT increased in 2023, business is not fulfilling its potential. It is being held back by regulatory settings which make it more difficult to do business in the ACT compared to other states.

60 per cent of respondents to our September quarterly Business Beat member survey operated their businesses in both the ACT and other states and territories as well. We asked how businesses found doing business in the ACT compared to other jurisdictions and a third of respondents said that it was more difficult to do business in the ACT, because of regulatory red-tape, and a lack of customer focus and urgency from Territory Government agencies.

How do you find doing business inside the ACT compared to other jurisdictions?



As the Nation's Capital and the seat of the Federal Government, we have the opportunity to truly excel at providing simple, fit for purpose regulations and the lowest cost Government services across Australia. A series of specific recommendations is proposed below, but the key areas that businesses are grappling with are:

- Difficulties in dealing with the ACT Government and its agencies, including perceptions of red tape, poor customer service, inefficiencies, and slow response times.
- The high cost of Workers' Compensation in the ACT.
- Overly burdensome health and safety rules and associated compliance, including rules that are out of step with the rest of the country.
- Portable Long Service Leave arrangements which are out of step with the rest of the country.
- A high payroll tax burden which discourages business growth and incentivises businesses to shift operations to other jurisdictions.
- High property rates and taxes which translate into relatively high rents.
- Attracting and retaining skilled staff.

Taken together, these issues discourage investment and business growth, drive substantial business cost and, ultimately, mean higher prices for consumers in the ACT.

In our view providing the best possible conditions for business will create opportunities for all entrepreneurs and business leaders. This includes women, people with disabilities, and indigenous business leaders across all parts of the business sector.



ACT Government regulatory practices and their effects on promoting and growing Canberra businesses.

It is important to make sure that dealings with the ACT Government are simple and efficient for busy micro, small and medium businesses owners. Many businesses owners do not have the time or expertise to navigate government bureaucracy. Our Territory's relatively small size means that our public services can and should be practical and flexible so that business owners can focus on growing their businesses. We propose three recommendations to make dealing with the ACT Government easier for business owners:

- Change the risk-averse compliance and process mindset. Drive cultural change within the ACT Public Service to deliver a “can-do” customer-focused approach. The focus should be on outcomes, not compliance processes, and officials need to be made more accessible by ensuring that phones are answered, calls are returned, and emails are sent from named individuals.
- Provide a meaningful response to all enquiries from businesses and individuals within a week of receipt. Set targets, measure performance and report on the outcomes.
- Measure customer satisfaction on an ongoing basis by introducing a Net Promoter Score methodology for all business and consumer dealings with the ACT Government. Report the results publicly and develop plans for improvement.

We should aim to be the most business-friendly jurisdiction in Australia.

Different regulatory regimes across states and territories create real complexity for businesses operating interstate. Complex regulations and high compliance costs create an incentive for businesses to locate themselves out of the ACT. To address this, we propose a series of measures that we believe will make the ACT more competitive so that we can continue to grow and attract new firms.

- Seeking to provide the lowest-cost Government services across Australia.
- Harmonising rules and regulations with other states and territories wherever possible including recognising interstate licensing and approvals for businesses where appropriate.
- Halting extensions to “portable long service leave” that create significant complexity and cost, particularly for small businesses.
- Reduce the payroll tax burden which creates a disincentive to grow. The Payroll Tax rate is currently the highest in Australia meaning that medium and large businesses pay more in Payroll Tax in the ACT. The Payroll Tax threshold should be increased in line with inflation, and the rate should be reduced with the goal of making us the most competitive state for business.
- Reduce the cost of Workers' Compensation by harmonising rules across jurisdictions, increasing the choice of providers, and by focusing strictly on work-related harm.
- Refocus health and safety rules (and Worksafe ACT) on real and serious risk and rebalance the relationship between Employers and Employees.
- Tax reform – including stamp duty, land tax and rates. Reduce the impost on consumers and businesses and ensure that these are set at levels that make the ACT competitive compared to other states.

Workforce issues

In our submission ahead of the 2024-25 ACT Budget, we recommended Government fund a serious marketing campaign to attract workers to address the current skills gaps. Attracting skilled staff remains a significant issue for Canberra businesses. 18 per cent of respondents to our quarterly Business Beat



survey in December said that attracting and retaining staff is their 'single biggest issue'. The ACT Government should promote the ACT as the best place to do business, and the best place to work.

Procurement

The ACT Government need to ensure it is supporting local businesses of all sizes by getting procurement right. 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. All procurement processes should be avoided during the December/ January period.

It is also important that the ACT Government pays its bills promptly. We often hear of situations where some businesses face cashflow challenges because of slow payments.

Infrastructure

Business needs smart investment in infrastructure based on an agreed long-term infrastructure plan, that will generate a return for the community and the economy. This includes:

- Accelerating the new Convention Centre and Stadium and supporting a temporary expansion of existing facilities as an interim measure.
- Releasing more land faster and removing regulatory and practical barriers so that the private sector can deliver housing to meet the needs of a growing population. The availability of secure, long-term housing will attract workers from every sector. This will include key workers in sectors such as retail and hospitality who struggle to afford accommodation in a tight housing market.

In conclusion

The key commitments that we are asking for will deliver tangible benefits for the economy and support our aspiration to be the greatest place in Australia to do business. We would like to appear to present our submission and would welcome the opportunity to discuss our recommendations and to work with the Assembly on their implementation.

We would be happy to appear to discuss this submission, and to provide any further information required.

Yours sincerely

Greg Harford
Chief Executive