



Canberra Business Chamber



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AUSTRALIAN CAPITAL TERRITORY BUDGET 2016-17

Submission to the ACT Government

ABN 33 600 390 538

T 02 6247 4199

F 02 6257 4421

Canberra Business Chamber
Ground Floor
216 Northbourne Ave
Braddon ACT 2612
PO Box 6308 O'Connor ACT 2602

info@canberrabusiness.com
www.canberrabusiness.com

RECOMMENDATIONS

- 1. The 2016-17 ACT Budget provide funding of \$200,000 per annum for a period of no less than three years for employment of a Business Trade Liaison Officer to share knowledge of opportunities and support an increase in exports by local businesses***
- 2. The ACT Government allocate \$70,000 in non-recurrent funding in the 2016-17 Budget to support establishment of the CBR Region Business Lounge to enable small businesses to conduct meetings vital to their future growth***
- 3. Following successful completion of the business and healthier foods for children pilot, Canberra Business Chamber continue to partner with ACT Health to expand this important program through a roll-out of future phases to increase local business participation.***
- 4. The ACT Government provide substantial additional funding per annum for Visit Canberra and the Canberra Convention Bureau and guarantee this funding for the next four years to lift visitor numbers to the region***
- 5. Maintain funding for the ACT's international marketing campaign to support growth in international visitor numbers and new direct international flights into Canberra.***
- 6. The ACT Government provide funding of \$200,000 to establish an Internship Coordinator position and digital tools to develop and maintain relationships between the labour market and education and training institutions to help prepare our future workforce and support the growth strategy of our education and training sector.***
- 7. That the ACT Government explore, in partnership with industry, initiatives to improve apprenticeships and the pathway to trade qualifications.***
- 8. The ACT Government utilise funds committed to progressing development of the Australia Forum without delay and work with the Australian Government and private sector to secure funding for this project.***
- 9. The ACT Government continue to support delivery of initiatives which improve capacity of local businesses and facilitate growth.***
- 10. The ACT Government work with Canberra Business Chamber to ensure eligible companies are exempt from payroll tax.***
- 11. Following submission of a business plan, the ACT Government provide a one-off grant for establishment of a NFP Service Centre to support not-for-profit organisations increase capacity and operate more effectively.***
- 12. The Canberra city centre must be rejuvenated to ensure it accurately reflects the city's identity***
- 13. The ACT Government continue planning and design work for a major upgrade of Piallago Avenue as a main arterial road connecting the fast growing Local Government Council Areas of Queanbeyan and Palerang.***

The Current State of Business in the ACT Economy

The ACT has weathered a number of challenging years with a slowing of the global economy combined with a substantial contraction in the employment and spending of the Australian Public Service - a major local employer and consumer.

A deficit of over \$400 million is forecast for the ACT Budget in 2015-16.

Similar conditions in 1996 pushed the ACT into recession. Due to the economy being more diverse and the ACT having a resilient private sector, the impact has been less severe and we have overcome the downturn more quickly.

The strength of the ACT's business sector has played a key role in protecting the economy during these difficult times. The Territory's 26,000 businesses are responsible for the employment of more than half of Canberra's workers. This has helped limit the effect of public sector cuts.

In fact, indicators are increasingly positive for the ACT economy.

The October 2015 CommSec *State of the States* report, found the ACT now has the fastest annual economic growth rate in the nation, up by 4.0 per cent on a year ago.

While unemployment in the ACT has risen recently, the Territory still retains the second lowest unemployment rate and second highest participation rate in the country. Unemployment is expected to fall in coming months and the lifting of the Commonwealth recruitment freeze will help further.

Business confidence suggests employment will continue to grow. The latest Sensis Business Index shows confidence among small and medium businesses (SMEs) in the ACT is currently the highest in the nation. Just one year ago, it was the lowest.

SMEs attributed their confidence to having an established, solid business, healthy sales and specific business strengths.

In light of this environment, Canberra Business Chamber believes the ACT Government should continue to take a relatively conservative approach to spending, but focus funding on targeted programs which will support business expansion and productive infrastructure which will stimulate and have long term benefits for the ACT economy

While other infrastructure spending is welcome, it generally provides a short-term stimulus to the economy. Investing in business and productivity growth will provide the ACT economy with a path to surplus and help it remain in the black.

Canberra Business Chamber is recommending a series of measures that require modest, and in many cases non-recurrent, funding, but which we believe can generate a significant return on investment.

This submission also includes proposals that Canberra Business Chamber and its Kindred Organisations view as short-term priorities, but require further discussion between industry and the ACT Government.

Canberra Business Chamber will be pursuing long-term initiatives that will strengthen the ACT and region business sector through the release of its 2030 Action Agenda. The 2030 Action Agenda will be released in February 2016 and be a blueprint to guide the Chamber's future priorities. It will be utilised to influence policies as we engage with state and federal political parties in the lead up to next year's elections.

Business Trade Liaison

As the seat of Australia's Parliament, Canberra is a natural base for organisations, agencies and individuals who value regular contact with the Federal Government.

The ACT is home to nearly 80 embassies and high commissions representing the needs of their own nations and seeking to strengthen ties with Australia.

These embassies present a relatively untapped potential to engage with current and prospective export markets on behalf of ACT businesses.

The Commonwealth Government provides assistance to Australian businesses seeking to export through Austrade. Unfortunately, the structure of Austrade means it does not have an ACT office and instead the region is supported by the NSW Austrade office.

As a result, there is no local presence responsible for strategically engaging with embassy staff to promote Canberra businesses or gather information that will benefit local exporters.

While the ACT Government and local businesses undertake trade missions that assist in opening up new markets, it may be possible to utilise the expertise of embassy staff to support trade growth in an ongoing manner.

A recent example of this idea in action was prior to the most recent Trade Mission to Singapore. Before delegates left on this mission the Singapore High Commissioner invited them to the High Commission for a detailed market briefing.

Canberra Business Chamber is proposing the 2016-17 ACT Budget provide the Chamber with funding for employment of a Business Trade Liaison Officer.

Currently interaction with commissioners occurs on a transactional basis. It is proposed that resourcing the interaction with the local diplomatic core will take the ACT engagement with embassies and high commissions from a transactional approach to a more systemic approach, which will have positive benefits for all ACT businesses – current and future – who are exporting expertise and products to international markets.

The Business Trade Liaison Officer would strategically work with embassy staff responsible for trade to understand these markets and nurture relationships in order to gather and share intelligence with ACT businesses, and ACT Government.

The officer could also work closely with the current in-market Austrade representatives to boost the value of this program for the ACT. These Austrade representatives are regularly in Canberra for meetings. The Trade Business Liaison Officer could coordinate these scheduled visits with meetings with local exporters. This would enable further export market specific information to be captured and shared.

Having the officer employed by Canberra Business Chamber will enable them to respond agilely to opportunities, without constraints that are associated with government to government relations, and directly interact with the local business sector to increase exports.

Regular briefings will be provided on outcomes to the Chamber and ACT Government representatives, particularly those from Invest Canberra, to support a cohesive approach to export growth.

According to the latest Department of Foreign Affairs and Trade data on Australia's trade, exports from the ACT provided \$1.2 billion to the economy in 2013-14. The Chamber believes strategic engagement with trade commissioners and associated staff at embassies representing current or potential trade partners could help significantly lift the return attributed to exports and build on the Territory's reputation as a 'good neighbour'.

This initiative will benefit the whole region, making the Canberra region economy stronger and increase demand for international flights and freight services to underpin the associated increase in business travel and imports and exports.

It is important to increase the export reach of the Territory in order to continue to diversify the economy and to limit its vulnerability to external events, such as reductions in Federal Government spending and employment.

Recommendation 1: The 2016-17 ACT Budget provide funding of \$200,000 per annum for a period of no less than three years for employment of a Business Trade Liaison Officer to share knowledge of opportunities and support an increase in exports by local businesses

CBR Region Business Lounge

Of the 26,000 businesses operating in the ACT, 97 per cent are small businesses employing less than 20 people. Of these, 16,000 are micro businesses employing one or two people. These small businesses are the engine room of our economy.

While these business may be small, many are extremely successful and have the potential to expand and generate employment, exports and State Domestic Product.

When businesses are starting out or only employing a small number of people, their office may be in their home or an affordable alternative. This can make it difficult to conduct meetings vital to their ongoing business and expansion.

Canberra Business Chamber is proposing to develop a business lounge for the ACT.

The CBR Region Business Lounge would offer the Chamber's members and the members of regional chambers a space to network, hold meetings with potential clients, and expand their capacity to secure business by partnering with others.

The lounge would be located in the Chamber building on Northbourne Avenue close to the city centre. It would provide parking, coffee, private meetings rooms, printing and Wi-Fi.

Canberra Business Chamber is positive a centrally located business lounge would help ACT and region businesses collaborate, be more productive and grow.

In addition, it has the potential to solidify Canberra's place as the region's business centre by expanding the reach of local businesses into the region and drawing regionally based businesses to the ACT.

The Chamber is proposing to encourage other business entities in the region to partner with it and offer their own members lounge access. This could entice businesses around the region to visit the ACT more often to do business. There are over 10,000 businesses located outside of the ACT, including Yass, Queanbeyan, Goulburn and Cooma. It would enable Canberra-based businesses to broaden their networks and identify opportunities and partnerships beyond our borders.

The lounge would be branded as the CBR Region Business Lounge. Canberra Business Chamber is in the final stages of negotiating with the building owner of 216 Northbourne Avenue to rebrand the building as CBR Region Business House, further extending the CBR Region Brand.

Recommendation 2: The ACT Government allocate \$70,000 in non-recurrent funding in the 2016-17 Budget to support establishment of the CBR Region Business Lounge to enable small businesses to conduct meetings vital to their future growth

Healthy Weight Program

Almost two-thirds of ACT adults and one quarter of ACT children are overweight or obese. As high levels of obesity affect everyone by impacting on our economy and health system, we all have a role to play in reducing levels of overweight and obesity in the ACT population.

Canberra Business Chamber will partner with the ACT Government to help address this epidemic. In particular, it will focus on identifying ways ACT businesses can contribute to improving the health of Canberrans.

ACT businesses including supermarkets, restaurants and cafés are often the main source for the community's food purchases. These businesses can help encourage Canberrans, particularly our children, to make healthier foods choices.

It is estimated that around 20 per cent of children in Year 6 eat unhealthy foods such as chips, lollies and cake every day. Eighty percent of the community support intervention to reduce the marketing of unhealthy food and drinks to children.

As a first step towards reducing levels of childhood overweight and obesity, Canberra Business Chamber has identified five diverse local businesses who sell, market or provide food and drink to children in some manner.

The ACT Government has invested in a pilot program which the Chamber will run with these five businesses to develop effective tactics that reduce marketing and access to unhealthy foods by children without impacting on the businesses' bottom line.

ACT Health Directorate and Canberra Business Chamber plan to use the lessons learnt from this pilot to underpin a wider roll-out.

Recommendation 3: Following successful completion of the business and healthier foods for children pilot, Canberra Business Chamber continue to partner with ACT Health to expand this important program through a roll-out of future phases to increase local business participation.

Tourism

Tourism is a key component of the ACT economy. Tourism supports 14,700 jobs and contributes \$1.6 billion to the Gross Territory Product.

The ACT tourism industry, through the 2020 Tourism Strategy, has set a goal to grow the value of overnight visitor expenditure to \$2.5 billion in 2020.

Private tourism and hospitality providers are investing heavily to increase the ACT's attractiveness as a tourism destination, but more needs to be done to promote the Canberra region and lift its share of visitor numbers.

Tourism Research Australia's Tourism Forecasts 2015 says the number of foreign tourists is expected to increase by 5.9 per cent to 7.5 million this financial year, including a 15.5 per cent rise in the number of Chinese visitors.

Canberra is not achieving these growth rates, contrasting with Tasmania which has a strongly growing visitor economy despite not having an international air service.

Canberra Business Chamber supports calls for the ACT Government to match the commitment being seen from the private sector by doubling its tourism marketing budget.

Recommendation 4: The ACT Government provide substantial additional funding per annum for Visit Canberra and Canberra Convention Bureau and guarantee this funding for the next four years to lift visitor numbers to the region

Transport options for people wishing to visit Canberra can impact on their decision to travel to the region. Canberra Business Chamber supports ongoing efforts to attract international flights to Canberra.

Recommendation 5: Maintain funding for the ACT's international marketing campaign to support growth in international visitor numbers and new direct international flights into Canberra.

Improved Coordination and Support to Boost the Labour Market

One of the ACT strongest sectors is the education industry. Our world-class tertiary and technical education providers not only attract students from interstate and overseas, but help prepare our future workforce – our single greatest comparative advantage when growing the private sector.

Canberra Business Chamber believes it is essential to integrate ACT employers, both private and public, into the growth strategy of our education and training industry.

It is proposing a dedicated resource be funded to develop and maintain a comprehensive relationship between the labour market and education and training institutions.

A key part of effective work-ready education and training is placements and experience in workplaces. As our education and training sector grows there will be increasing demand for work experience to be available.

Work integrated learning, cadetships, work placements and work experience will be fundamental to the growth and success of the ACT's education and training providers.

Unfortunately, there is currently a deficiency of work placements and a disconnection between the education and training market and those who can provide on the job experience.

Support is sought for an Internship Coordinator to be embedded in Canberra Business Chamber.

The Internship Coordinator will help ensure education and training and work experience support the future needs of the ACT labour market and students. Digital tools will be developed to support the work of the Coordinator.

By identifying and matching education and training opportunities with work placements and internships, this initiative will help students get work ready, provide employers with experienced staff and reduce the risk of future skills shortages.

It will be the role of the Internship Coordinator to motivate and support employers to provide workplace experience to ensure there are enough placements to support growing student numbers and support and ensure a rich learning experience for the students.

Increasing the number of students who undertake internships and work placements in the ACT and ensuring this is a mutually enjoyable and beneficial experience is also expected to increase the number of people who stay and work in the region after they graduate. Retention of talent in the ACT provides a greater return on government investment in our education sector.

Recommendation 6: The ACT Government provide funding of \$200,000 to establish an Internship Coordinator position and digital tools to develop and maintain relationships between the labour market and education and training institutions to help prepare our future workforce and support the growth strategy of our education and training sector.

Apprenticeships provide an excellent pathway to trade qualifications. Canberra Business Chamber and its Kindred Organisations would like to explore measures to improve vocational training and education. In particular, reform of the approach to pre-apprenticeships, ongoing training and professional development of post-apprentices, and the need for registered training organisations for specific trades.

Recommendation 7: That the ACT Government explore, in partnership with industry, initiatives to improve apprenticeships and the pathway to trade qualifications.

Australia Forum

The Canberra region currently lacks an appropriate venue of international standard to host major national and international meetings. Being able to host such meetings is an integral part of Canberra's role as the national capital – the seat of the Australian Government, the home of national institutions and a recognised knowledge and innovation hub.

Work has progressed to develop a world-class convention centre for the ACT – the Australia Forum.

A report by EY on the potential economic benefits of the Australia Forum demonstrates it will strongly contribute to the ACT economy and employment in the region.

The expenditure of delegates attending Australia Forum events is estimated at \$3 billion in the first 20 years. This is \$1.6 billion more than the current convention facility is anticipated to bring into the economy.

During its construction phase, the Australia Forum is likely to generate 850 direct jobs, with this increasing to 3,000 when the indirect effect of this flowing through the economy is taken into consideration.

Spending by the extra conference delegates Australia Forum would bring to Canberra will be sufficient to support an additional 750 direct jobs per annum and increase ACT taxation revenue by \$90 million over the forecast period.

To achieve these anticipated outcomes, the Australia Forum must be constructed as currently planned. The functional brief for the proposed Australia Forum has been developed and tested over many years by multiple experts in the field. A smaller, less effective version, which does not meet the functional brief will prove to be 'penny wise and pound foolish'. The short term savings will not outweigh the benefits associated with positioning Canberra as a competitive location for major meetings and not help us realise our potential as the national capital.

It is vital this project progress to market-ready stage in the coming year and funding partners are secured.

The ACT Government is to be commended for the support it has provided to get the Australia Forum to its current state, including a commitment of \$8 million for next steps.

Canberra Business Chamber urges the ACT Government to utilise these funds to enable forward progress to occur without delay.

In particular, the ACT Government must facilitate Federal Government co-operative funding for this project and develop precinct models to attract private sector investment. Recent changes to Infrastructure Australia remit to include social infrastructure and the new focus on cities means there has never been a more advantageous time to attract this funding.

Recommendation 8: The ACT Government utilise funds committed to progressing development of the Australia Forum without delay and work with the Australian Government and private sector to secure funding for this project.

Current Programs to Support and Develop ACT Business

The ACT Government has provided significant support to develop the business sector and diversify our economy.

This has included working in partnership with Canberra Business Chamber to deliver programs and services aimed at improving the capacity of local businesses and facilitating growth.

Canberra Business Chamber commends the ACT Government for this assistance and calls on it to continue to fund the following initiatives:

1. Export Ready & Trade Mission program – this program is helping ACT businesses secure international markets for their goods and services. Each year it delivers export ready workshops and provides support for international trade missions.
2. ACT Chief Ministers Export Awards – the awards recognise the achievements of local businesses who are successfully exporting. It provides a mechanism to encourage export success and share ideas for improving export sales.
3. Apprenticeship Wage Advice Line - Free wage advice to apprentices and employers of apprentices in the ACT

Recommendation 9: The ACT Government continue to support delivery of initiatives which improve capacity of local businesses and facilitate growth.

Taxation Reform

Canberra Business Chamber applauded the ACT Government's commitment to moving from stamp duty to a land based tax system. However, it is concerned that the reduction in stamp duty has slowed and calls on the ACT Government to monitor this situation closely to ensure it does not create inequity for businesses.

Reforms to payroll tax have also been welcomed by the Chamber as they were expected to result in nearly 2,000 local businesses receiving a tax cut.

However, it has been brought to the Chamber's attention that loopholes in the legislation mean some ACT businesses are liable for payroll tax even though their wages do not exceed the \$1.85 million threshold, the unintended consequences of subcontracting arrangements. This is making it hard for some small businesses to compete. Canberra Business Chamber recommends the ACT Government work with it to investigate and resolve these issues.

Recommendation 10: The ACT Government work with Canberra Business Chamber to ensure eligible companies are exempt from payroll tax.

The business sector would also like to explore with the ACT Government the potential benefits that could be achieved through the introduction of tax incentives for employers to take on apprentices.

Not-for-profit Organisations

To complement the CBR Region Lounge (referred to above), the Chamber is proposing to develop a not-for-profit (NFP) Service Centre to meet the financial and other service requirements for small scale NFP organizations.

The Chamber has the capacity to coordinate and supply services to NFPs with economies of scale that individual NFP organisations are not able to achieve on their own. The service offering would include bookkeeping and financial services support, membership management, marketing and workplace relations support.

This shared service centre offering would support NFP organisations by reducing their costs, helping them meet compliance and other operational requirements, and increase their effectiveness by enabling them to focus on the purpose for which they were established and are highly skilled in. It

would also reduce their vulnerability due to single specialist staff taking leave or at times of staff turnover, as many are not in a position to build in back up for these positions.

This approach would also provide the ACT Government with a stronger level of confidence that the governance of NFPs, who are recipients of public funds, is being managed with a greater degree of quality assurance.

Canberra Business Chamber is seeking a one-off grant for establishment costs of the NFP Service Centre of approximately \$300,000 for two years. A full business plan will be developed and provided to the ACT Government.

Following the first two years of operation it is envisaged the take up of the series by NFP organisations, allowing time for transition, would be sufficient to eliminate the need for government subsidised funding.

Recommendation 11: Following submission of a business plan, the ACT Government provide a one-off grant for establishment of a NFP Service Centre to support not-for-profit organisations to increase capacity and operate more effectively.

Land Release and Housing Choice

Canberra Business Chamber is committed to diversification of the ACT economy, which is currently highly reliant on the government and construction sectors.

However, while the economy continues to diversify, housing development must keep pace with population growth and its role as a major local employer.

The ACT population is set to increase by around 40,000 people in the next seven years.

Therefore, the Chamber supports calls by Kindred Organisations for an increase in the supply of land for new housing and for the First Home Owners Grant to be maintained.

Diversity in housing lifestyle choice in residential areas and mixed use precincts is also vitally important and the Chamber calls on the Government to ensure the necessary policy settings to provide for this diversity.

Civic Revitalization

The ACT Government must prioritise rejuvenation of Civic Centre in the interest of demonstrating the city's identity.

While Canberra has a highly educated population, characterized by five universities, a socially conscious community, and is a clean, green and tech savvy innovative city, this is not evident in the city centre – which should convey the city's identity.

When branding the city as a place of 'brilliant possibilities' and as city that is 'confident, bold and ready', the outside observer visiting our city centre would not find cues that reaffirm these messages.

Therefore we need a curated approach to development of the city centre which bridges the gap between the City Plan – which concentrates on spatial layout and large scale development priorities – which contributes to, but does not curate the cities character as this is the next level of planning, regulatory and place management detail.

Government intervention needs to include taking decisive action on regulation and reform as well as employing the expertise of those skilled in building city character. The Sydney and Melbourne Committee models, which have proven to be effective in those jurisdictions, are recommended as a point of reference.

Recommendation 12: The Canberra city centre must be rejuvenated to ensure it accurately reflects the city's identity.

Regional Roads Network Planning

Canberra Business Chamber has a strong Canberra region growth and development focus and supports the establishment of the Canberra Region Joint Organisation (CBRJO) with its core function being Regional Strategic Planning and Priority Setting. With planned and projected new residential developments in the neighbouring NSW council areas of Queanbeyan, Palerang and Yass Valley, the Canberra Business Chamber considers regional roads network planning a priority. The ACT Government must continue to closely work with adjoining Councils, the NSW and Commonwealth Governments in the prioritisation and funding for major upgrades to Piallago Avenue and the Barton Highway.

Recommendation 13: The ACT Government continue planning and design work for a major upgrade of Piallago Avenue as a main arterial road connecting the fast growing Local Government Council Areas of Queanbeyan and Palerang.