



**Canberra
Business Chamber**

ABN 33 600 390 538

Level 3, 243
Northbourne Avenue,
Lyneham, ACT 2602

T: 02 6247 4199

E: info@canberrabusiness.com

W: canberrabusiness.com

17 October 2019

Hon. Andrew Barr MLA
Chief Minister
Legislative Assembly
Civic, ACT 2600

By email: budgetconsultation@act.gov.au; barr@act.gov.au

Dear Chief Minister

2020 ACT Budget Submission

On behalf of the Canberra business community, the Canberra Business Chamber submits its recommendations for the forthcoming territory budget.

Today, there are more than 28,000 private sector businesses operating in the ACT, employing almost two-thirds of the local workforce. The future prosperity of the ACT increasingly rests on the success or otherwise of our business sector, yet it faces significant challenges: rising rates and fees, high business turnover rates, and one of the highest rates of both business formation and failure in the country.

The territory has enjoyed an enviable level of recent economic growth compared to other jurisdictions. It is important to recognise, however, that this growth has been largely supported by specific industry sectors and infrastructure projects. Economic diversity remains a key priority if we are to reduce the territory's residual risks to economic health and sustainability, and exposure to economic shocks.

With this in mind, the Chamber believes that several significant measures need to be taken in the next budget to promote the growth of a vibrant business sector that supports the future prosperity of Canberra and the Capital Region. These measures fall into four broad priority areas of:

1. Economic growth and diversity.
2. Skills, education and workforce.
3. Regulation and taxation.
4. Business and transition support.

1. SUPPORTING ECONOMIC GROWTH

Private / Public Partnerships

Significant infrastructure projects such as Light Rail Stage 1 and the ACT Law Courts have successfully stimulated private sector investment in Canberra. Ongoing private sector investment, however, relies on long-term, clearly articulated infrastructure planning to generate a pipeline of infrastructure projects.

A well-structured pipeline of projects can help deliver increased investment certainty, innovation, increased competition, capacity building, market confidence, efficient procurement and delivery. Planning must also take into consideration significant infrastructure projects in other jurisdictions.

There is also scope for more innovative approaches to public private partnerships that would incentivise the private sector to invest over the long term.

Recommendation: The ACT government continue to develop a future infrastructure implementation strategy.

PRINCIPAL MEMBERS ActewAGL - Canberra Airport - Canberra FM Radio - CanPrint - Casino Canberra - Deloitte - EY - Elite Event Technology - Hindmarsh - Hyatt Hotel Canberra - Icon Water - KPMG - Lend Lease - MBA - PwC - Village Building - Telstra - Encore Event Technologies - TP Dynamics - UNSW Canberra - Canberra Metro - CareSuper - GIO - Singapore Airlines - Employers Mutual Management



CBD and Local Precinct Improvements

Our 2018 budget submission highlighted the critical need for investment in City Centre Renewal, in keeping with Canberra's status as the nation capital. This investment remains a priority.

In addition, there is a growing concern amongst businesses in many of Canberra's local shopping and trading precincts at the urgent need for small-scale but critical improvements such as gardening, painting, signage, waste management and pedestrian access. Investment in these improvements can help revitalise these areas, encourage new customers, and boost economic activity.

A pool of grants for local business organisations will provide a straightforward, effective way of quickly improving these areas. There are highly engaged and committed groups in many precincts— such as Mitchell, Phillip, Hume and Fyshwick – who could administer such a program.

Recommendation: A pool of funds is established to support local businesses in improving their own precincts, with the use of funds administered by local precinct trader groups.

Tourism and Convention Sector

As per our letter dated 14 October 2019 to the Chief Minister, the Chamber believes it would be useful to expand the capacity of the existing National Convention Centre Canberra, given that a new convention centre is some years away.

Recommendation: The government provide financial support to the Convention Centre.

Light Rail

Stage one of the light rail program is generally regarded as a success, and the Chamber strongly supports the development of part 2 and further stages of the light rail program. It is important that the lessons learned in stage 1 about impacts on business are heeded, and that resources are committed to support remediation activities for affected businesses during stage 2.

Recommendations:

- *Resources are committed and processes established in light rail stage two to proactively identify and assist businesses that may be impacted.*
- *The ACT government honour its commitment to construct an additional Light Rail stop for the Mitchell business district, to help support business activity and public amenity in this precinct.*

Budget Management

Fiscal discipline is fundamental to the long-term economic prosperity of the Territory, and the business community is acutely aware that it has been several years since the territory delivered a budget surplus.

Recommendation: The ACT Government develops and makes public a plan for budget repair that will deliver a balanced budget and/or surplus.



2. SKILLS & WORKFORCE

Identifying and addressing future skills demand and shortages is critical to business growth. Growth areas within our economy, and many key capability areas (including tourism, ICT, education and renewable energy) are particularly vulnerable to workforce shortage. In addition, delivery of the territory's infrastructure plans will require alignment of skills with major projects.

The importance of understanding and planning for future workforce needs cannot be understated, and the levers available to increase skills, participation and workforce numbers must be appropriately resourced.

Funding in the education sector needs to be targeted at required skill sets, and programs promoting migration to Canberra should target the skills specifically needed.

Recommendation: The ACT Government resource and work with the business community to develop a workforce plan and skills strategy for the ACT and the Capital Region.

3. REGULATION AND TAXATION

Review and Restructure Commercial Rates

The government's reform to commercial rates continues to be problematic. Many businesses advise us of substantially increased charges, either directly as owners of a commercial property or through increased rents passed on. Rates for commercial properties have increased on average by 400 – 500%, and commercial properties above \$600,000 now pay property rates of 5.2% on unimproved land value.

The current commercial rates regime is a regressive tax on the people and businesses that want to invest in the future prosperity of Canberra. The consequence is reduced investment in commercial properties, and tenants and landlords seeking alternative places to invest or run their business. Tenants are contemplating the viability of doing business in the ACT, and the attractiveness of renting in Queanbeyan or further afield in the region is becoming a reality for many businesses in the ACT.

Recommendation: As a matter of urgency, the ACT Government review the commercial rates regime, and this review includes extensive consultation with the business community.

Secure Local Jobs Code

The Secure Local Jobs Code needs significant reform, as we noted in our recent joint letter with ATCOSS to the Chief Minister on a number of issues relating to the Code.

In its current form, the code will significantly limit the ability of smaller-sized businesses and not-for-profits in the ACT to successfully tender for ACT government work. The government also needs to urgently clarify exactly what businesses will be captured by Stage 2 of the Code, due to come into effect in November.

Member-based business organisations, such as local industry associations, are currently unable to audit/certify if willing members are compliant with the code. Business organisations and peak NFP sector also do not have a formal guaranteed level of representation on the Code's advisory council, whilst unions do. This imbalance must be corrected.

Recommendation: As a matter of urgency, the ACT Government review the operations of the Code, and ensure that business organisations have appropriate input into the oversight and certification of the code.

Reducing the Number of Ministries

Cabinet government works best when there is clear division of ministerial responsibilities, and the public and business sector readily know who is responsible for a given function of public administration.



The ACT now has 37 different ministerial portfolios, and a multitude of overlapping responsibilities¹. This creates confusion and inefficiency. By our reckoning, there are at least 4 different portfolios, covered by 3 different ministers, that make up the overall business portfolio.

Recommendation:

- *A review of the ministerial portfolios impacting business.*
- *One Minister with clear responsibility for business-related activities, and a mandate to advocate for the business community and their concerns.*

4. SUPPORT FOR BUSINESS GROWTH AND TRANSITION

Small Business Advisory Service

The ACT is currently the only state/territory that does not fund a “one stop shop” small business advisory service that supports start-ups, existing firms, and any small business seeking to grow.

We support continued funding for CBRIN and its vital role in assisting technology-based start-up businesses, and work collaboratively with CBRIN to support growth in this sector. However, as noted in our 2018 Budget submission, we believe that the lack of a support for other start-ups/early stage firms and small businesses creates a major gap in the ACT business community. A dedicated advisory service would significantly reduce the very high level of business failure that the Territory currently experiences.

An alternative approach to establishing a new service in Canberra would be to fund a neighbouring service, such as the Queanbeyan-based Southern Business Region Business Enterprise Centre (BEC) to extend support to ACT businesses. This would also have the advantage of a broader “Capital region” approach to business support and advice.

Recommendation: The government fund a business advisory pilot program, to be delivered by the Southern Business Region Business Enterprise Centre. This program should be reviewed after twelve months to determine outcomes and the optimum model for ongoing delivery.

Climate Change Transition Support

Government initiatives such as climate change targets have an impact on local business. The Chamber supports the need for action on climate change, but believes that the ACT Government needs to ensure that support arrangements are put in place to ease the costs of transition (including capital expenses), provide information, and ensure that the ability of ACT businesses to compete is not compromised.

Yours sincerely,

Dr Michael Schaper
CEO

¹ For example, in business-related portfolios, there are separate portfolios of: Tourism & Special Events; Trade, Industry & Investment; Advanced Technology & Space Industries; Arts, Creative Industries & Cultural Events; Business & Regulatory Services. In sustainability, there are separate portfolios for Environment & Heritage; Recycling & Waste Reduction; Climate Change & Sustainability.