



Canberra
Business Chamber

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Mr Andrew Barr MLA
Chief Minister and Treasurer
Legislative Assembly for the ACT
CIVIC ACT 2600
By email: BudgetConsultation@act.gov.au

Dear Chief Minister

RE: 2022-23 ACT Budget Submission: supporting economic recovery, growth, and diversity.

Thank you for the opportunity to provide our suggestions for the 2022 –2023 ACT Budget.

It is imperative that this budget supports the private sector, which includes both for profit businesses and not-for-profit organisations. There are 31,500 private businesses in Canberra that employ around 150,000 people (64% of all current jobs in the Territory), and 97% of these are small businesses employing fewer than 20 people.

These businesses will be the drivers of the local economy's recovery. They are the linchpin of jobs creation and economic growth in the territory, and the budget should prioritise appropriate measures to help existing enterprises and encourage new entrepreneurial endeavours.

The importance of the business community should be explicitly acknowledged in the ACT budget papers and in Ministerial statements, and businesses should be given detailed information about how the budget affects them.

Recognising both the issues that are most affecting our members and the impact of the pandemic on the territory's fiscal position, we have presented actions that the ACT government can act upon in the next financial year to deliver a tangible benefit yet require minimal investment.

These actions have been framed as a generalised, principles-based approach. We would be pleased to discuss these or any other related matters in more detail and work with government to scope and develop these ideas into specific projects.

These steps to recover, re-energise and reform the ACT economy reflects the four priority areas identified by our members and the broader capital region business community:

1. Drive economic recovery, growth, and diversity.
2. Ensure we have the right workforce and skills for the future.
3. Make it easier for ACT businesses to start-up, grow and compete.
4. Support small business and encourage entrepreneurship.

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1. Drive economic recovery, growth, and diversity.

Do No Harm

The past two years have been challenging for many businesses. Even those who have successfully grown their operations are now dealing with a very difficult and uncertain environment. They face skills and workforce shortages, supply chain pressures, inflation, geopolitical unrest, public health requirements and ongoing restrictions on the movement of people and materials.

In this environment, our local businesses are focused on recovery, growth, and adaption to manage the risks and opportunities ahead. They need support from the government to minimise the impact of legislative and regulatory changes which deliver no economic benefit but divert time and resources from both businesses themselves and from industry groups.

We call on the ACT Government to commit, in a whole of Government approach to this “Do No Harm” approach, and to not adopt additional legislation and regulation which creates new requirements for businesses.

Business is currently awaiting the release of the Better Regulation Taskforce’s findings report, and this should provide the platform for regulatory reform that will reduce the time businesses spend on compliance activity and increase the time available to focus on their business recovery and growth.

Better Data to support policy: ACT Business Survey

There is a current paucity of good data available about how the local business community operates, the issues that affect it, and what policy tools will assist the growth of our private sector.

The government needs a dynamic, research-driven data set if it is to understand the private sector and set policies and longer-term goals. We currently have more than 30,000 active companies, but is this enough to generate the requisite 250,000 jobs? Should we aim for more, and in which sectors?

ABS data shows that around 98% of Territory companies are small- or micro-sized businesses. Should we be actively working to reshape this distribution, and which strategies would be effective? Given the high exit rate of ACT businesses compared to other states, should this be an area of focus?

We ask the government to fund a regular survey of the local business community and of economic conditions, akin to the work previously done in the UK by the Open University¹ and others. Research is also needed into the nature of our business sector, barriers to entry, reasons for our high local business failure rates, and strategies that will support growth in line with the ACT Government’s economic recovery plans.

The Chamber stands ready to assist in this important work and has had initial discussions with the University of Canberra about possible joint involvement.

¹ Open University (1984-2014) *Quarterly Survey of Small Business in Britain*, Milton Keynes: Open University Business School.

Prepare for future risk: long-term fiscal roadmap

Fiscal discipline is fundamental to the long-term economic prosperity of the Territory. The business community has actively advocated for stimulus through investment, but also is acutely aware that government debt must ultimately be repaid.

A clear long-term plan for a return to a balanced ACT budget is needed to support business confidence that the ACT is placed to deal financially with any future external risks and shocks.

2. Ensure we have the right workforce and skills for the future.

Respond to the current skills & workforce crisis

The Macquarie Dictionary defines a crisis as “a time of great danger, difficulty, or confusion when problems must be solved, or important decisions must be made.”

There can be no doubt that Canberra businesses are dealing with a crisis in finding the skills and workers need to deliver goods and services and to support our growth and economic recovery.

For business, the concept of “skills” is far wider than vocational education and training. It includes skilled professionals in a range of sectors such as law, accounting, engineering, science, and technology. This is especially significant for key capability areas within our economy, as many (including defence, cybersecurity, education, and renewable energy) are currently experiencing shortages and will continue to be vulnerable unless action is taken.

Businesses and not-for-profit organisations overwhelmingly report an inability to find and employ suitably skilled staff. Our surveys of local firms found that 75% of respondents were seeking to employ staff, but they almost universally faced difficulties in accessing skilled people.

Our January 2022 business conditions survey highlighted that these longer-term structural challenges were further exacerbated by short term staffing challenges arising from Covid and isolation rules. 70% of respondents confirmed that their operations had been disrupted.

There are four main consequences of these shortages:

1. Businesses have demand for their services but the inability to find the right people limits their ability to supply and to grow.
2. Local businesses compete for people in a small labour market (against both other private businesses and the public sector) driving up salaries and costs while not addressing supply.
3. Local businesses compete with private and public sector organisations in other states and territories, driving up salaries and costs while not addressing supply.
4. Local businesses hire workers based outside the ACT to meet demand, and these workers make little or no contribution to the ACT through taxes, rates or consumption of goods and services.

Business understands that this is a complex issue and there are no quick or easy solutions. They are, however, seeking recognition and understanding by government of the challenges they face, the scale of the problem, and the impact on trading conditions, business confidence and long-term economic success.

All available levers to increase skills, participation and workforce numbers must be appropriately resourced. These include:

- Investment in the promotion of the ACT private sector as a career choice, commensurate with the investment now being made by other states and territories to attract skilled workers to private enterprise.
- Creating opportunities to increase workforce participation, such as improving childcare access, and supporting people in cohorts known to be facing barriers to employment.
- Taking action to reduce the cost of living for employees in particular the cost of housing as this is a significant barrier to attracting workers from other jurisdictions.
- Creating better data through analysis of recent trends in employment by medium-sized and growing companies to identify effective opportunities for action.
- Creation of a work-integrated-learning hub in conjunction with local universities and CIT
- Having the ACT recognised as a regional centre in which migrants can more easily work
- Speeding up occupational approval permits and clearances.

Develop a workforce and skills strategy

The Chamber continues to advocate for a long-term skills and workforce plan to ensure that the ACT produces sufficient skilled workers for the “new normal” of the post-Covid era and is prepared for the massive global shifts in the nature of work and education that will occur over the next decade.

Identifying and addressing future skills demands and shortages is critical to business growth. Many key capability areas (including tourism, cybersecurity, education, and renewable energy) are highly vulnerable to workforce and skills shortages. Similarly, the movement of commerce into an online environment means our workforce now needs better digital skills.

The recently launched ACT skills and workforce agenda is a sound first step towards a long-term skills and workforce plan. More detailed plans are now needed. These must incorporate clear targets for growth across industry sectors, development of suitable education and training options within the ACT, and investment in strategies to both retain skilled graduates here and attract skilled migrants to meet demand.

We urge the ACT government to resource this project as a matter of urgency and to work with the business community and the education and training sectors to develop a workforce plan and skills strategy for the ACT and surrounding capital region.

3. Make it easier for ACT businesses to start-up, grow and compete.

Engagement with Business: a new framework

Over the past two years both government and industry representatives have acknowledged the many examples of effective collaboration between government and business / industry groups. There is a widespread recognition that the learnings from these experiences need to be captured and capitalised on to create better frameworks for engagement.

The business community wants to work collaboratively with the government to address the challenges ahead and collectively capitalise on opportunities to drive our economic prosperity. Peak

business and industry groups want to use their expertise and networks for co-design and joint problem-solving with the government, supported by structures for engagement and consultation that put the right people at the table

This is an opportune time for the ACT Government to develop a new model for engagement with business and industry groups, and through them with small – medium enterprises. Applying fresh eyes, new perspectives and expertise in stakeholder engagement can help deliver more effective collaboration between the ACT Government and the Business community.

The scope of work could include:

- Mapping the various formal and informal structures through which the ACTG and business currently interact.
- A review of “best practice” models of government and business engagement in other states and the NT, and overseas experiences.
- Clear statements of accountability for both government and the business community.
- A clear understanding of what the ACTG wish to achieve through engagement with business and what business groups are seeking to achieve through engagement with ACTG.
- Definition of stakeholders, commonality, and points of difference. For example, the needs of business and the nature of and impact of ACT regulations and government support are very different for defence companies, residential construction, major construction and cafes.

Engagement with business: build better understanding

The Chamber has previously communicated to Government (including via the Better Regulation Taskforce) the consistent feedback from members about the lack of understanding of business needs by government officials, and often disjointed and contradictory approaches from different areas of the ACT government. These practices act as a disincentive to business growth. They deter entrepreneurs and take up time that could be better spent operating and growing an enterprise.

We need a whole of government approach to increase knowledge and understanding of the business community. There are ways in which the Chamber, other peak industry groups, and government can work together to drive a cultural change to address this and we have made some suggestions to create a greater level of business awareness within the public service.

Many public servants do not understand the constraints and challenges that business owners and managers face. We consistently hear that career public servants often do not fully appreciate what it is like to have to operate a business, take on risks and juggle the many (and sometimes conflicting) demands imposed on them by all levels of government.

We suggest creating opportunities for public servants to be based in industry association offices, or for staff to be seconded to these organisations for specific projects. This is common practice for Commonwealth agencies and national industry bodies. As off-site work has become the norm, it may be possible for Access Canberra staff to work from local industry bodies’ offices.

Government can also proactively seek to recruit public service candidates with a business background, and/or from a business-enabling background (such as former local government economic development officers), who have focused on how to help business. This skill set can

provide a unique perspective and balance to those from (for example) an enforcement background, who can often take a punitive and highly-rules based approach to interaction with businesses.

4. Support small business and encourage entrepreneurship.

Support SME growth and diversity: Small Business Mentoring Program

The Chamber congratulates, again, the government on its support of basic business start-up and operating advice for micro-small businesses via the Canberra Business Enterprise Centre, and for the increasing support being delivered through the Canberra Innovation Network.

There is also a need to assist established business operators who need support with survival strategies during disasters, planning for growth as the economy improves, expansion and diversification.

Many established small businesses have growth potential that can be realised through mentoring support and business advice aligned with their lifecycle stage. This includes SME's that are currently in or have the potential to pivot to identified growth areas such as cyber security, renewable energy, space, advanced manufacturing, and health.

We ask the government to support the introduction of:

- An SME mentoring service, modelled on that provided to Victorian businesses by the Small Business Mentoring Service agency in Victoria.
- A business advisor with a focus on outreach to local business who can support established SME's and link them with the appropriate support and development programs.

Support local SMEs: reform of ACT procurement processes

The February 2021 ACT budget outlined a proposed expenditure of \$100 million on the creation of the "Big Canberra Battery", and the Light Rail Stage 2A project, which we anticipate will be maintained in the upcoming budget.

While the Chamber welcomes these and other major infrastructure projects, we need more supporting policies to ensure that local businesses are the beneficiaries of this investment. We would be missing an important opportunity if the government funds out-of-town businesses to undertake territory projects but does not mandate any local procurement component. The work of the better regulation taskforce has already identified procurement as an important issue that local businesses of all types and sizes would like to see improved.

Be Prepared for future events: Business Support Packages

The last two years have taught us that we must expect the unexpected. Significant events can happen at any time and take many forms. We have had hailstorms, smoke damage and Covid, and none of these was predictable.

Yet governments had not developed in advance disaster support packages that can be rolled out immediately when a crisis hits, and the viability of business and jobs is immediately threatened.

We ask the ACT Government to prepare, in advance, a set of financial support measures which can be quickly rolled out to support local business whenever a natural disaster or other major economic disruption occurs. This should not be confined to Covid-related issues but constructed with a view to achieve readiness whenever emergency business support is needed.

Transition to Zero emissions: support for small business

Significant policy initiatives such as climate change targets have an impact on local business.

The business community generally supports the need for action on climate change but requires clear information about how the transition will occur so they can plan accordingly. The ACT Government also needs to ensure that support arrangements are put in place to ease the costs of transition (including capital expenses) to ensure the ability of ACT businesses to compete is not compromised.

In conclusion

As set out above, we believe that in a challenging fiscal environment there are many measures that government can take to support the local business community and our economic growth that do not require significant investment.

Thank you again for the opportunity to provide this input. We would welcome the opportunity to discuss and explore any of these suggestions further, and please do not hesitate to contact me if you would like to do so.

Your sincerely

A handwritten signature in black ink, appearing to read 'Graham Catt', with a long horizontal flourish extending to the right.

Graham Catt
Chief Executive Officer
Canberra Business Chamber