



# ACT Budget Submission

## 2023-24





## Introduction

Canberra Business Chamber is the ACT's peak private sector organisation. Our membership consists of over 600 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 engage with an active network of over 3000 businesses, and 10,000 contacts.

The Chamber has supported local business since 1932 and is one of the founding members of the national peak business body, the Australian Chamber of Commerce & Industry (ACCI). 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 statement of purpose is clear: to drive the economic prosperity and growth of Canberra through business, and to help businesses start, grow and transform.

There are now almost 34,000 private businesses in Canberra.<sup>1</sup> They employ around 150,000 people (63% of all current jobs in the Territory), and 97% are small businesses employing fewer than 20 people. The private sector includes both for-profit businesses and not-for-profit organisations.

We expect, therefore, that ACT budget papers and Ministerial statements should explicitly acknowledge the importance of the business community, supported by the release of detailed summary information about the impacts of the budget on ACT businesses and not-for-profit organisations.

Local businesses will be the drivers of the local economy's growth, but the past three years have been challenging for many. Even those who have successfully grown their operations are dealing with a difficult and uncertain environment. They face spiralling inflation, increased finance costs, skills and workforce shortages, supply chain pressures, and geopolitical unrest.

In this environment, it is imperative that the budget prioritises measures to help existing enterprises and encourage new entrepreneurial endeavours.

We have asked the ACT government to take fourteen actions in the next financial year that will deliver tangible benefits for business and the ACT economy. Given the challenging fiscal environment, ten of these actions require minimal or no investment.

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

<sup>1</sup> Australian Bureau of Statistics (2022), Counts of Australian Businesses, Including Entries and Exits.

## PRINCIPAL MEMBERS

Beca · Canberra Airport · Canberra FM Radio · CanPrint · Capital Link Services · CareSuper · Deloitte · Elite Event Technology · Employers Mutual Management · Encore Event Technologies · EY · McDonalds ACT · Hyatt Hotel Canberra KPMG · Lend Lease · Master Builders Association · PwC Australia · Telstra Corporation · The Village Building Co · University of Canberra · UNSW Canberra · WV Technologies

## Summary of recommendations:

- 1 – Invest in critical infrastructure.
- 2 – Establish a National Innovation and Technology Precinct.
- 3 – Fund the development of a Business Wellbeing Index.
- 4 – A clear long-term plan for a return to a balanced ACT budget.
- 5 – Address skills & workforce shortages by promotion of the ACT as a career choice.
- 6 – Address the lack of housing affordability in Canberra that limits staff attraction and retention.
- 7 – Develop a long-term workforce plan and skills strategy for the ACT.
- 8 – Reduce regulatory burden to make it easier to start, run and grow a business.
- 9 – Develop a new model for engagement with business, industry groups, and SMEs.
- 10 – Build a better understanding of the business community.
- 11 – Reform procurement processes to better support local business.
- 12 – Ongoing funding of the Canberra Business Advice & Support Service.
- 13 – Incentivise small businesses and NFPs to access professional advice.
- 14 – Develop a clear “roadmap” for small business about how the transition to Zero emissions will occur.

**Our members and the broader capital region business community identified four priority areas to recover, re-energise and reform the ACT economy:**

- 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.

## RECOMMENDATION 1:

# Drive economic recovery, growth, and diversity

### Invest in critical major infrastructure

The Canberra of the future needs major infrastructure assets, and now is the time to start work on these. Major “inter-generational” projects including a new convention centre and the stadium will support the Territory’s construction, tourism, and events industries and provide more jobs, and will continue to deliver a significant economic benefit to the ACT economy for many years to come.

Such projects can enhance well-being, provide health, environmental, community and social benefits for generations to come.

Canberra means ‘meeting place’ in the Ngunnawal language. A new meeting and convention facility for Canberra, built for a growing city and appropriate to the significance of the nation’s capital, will support the growth of our university sector, innovation ecosystem, and key industries such as space, cyber, renewables and healthcare that are the focus of the ACT Governments economic strategy.

We note the inclusion in the mid-year budget review of allocations to support the scoping and costing of an upgraded National Convention Centre precinct and Canberra Sports Stadium.

**We urge the ACT Government to utilise the budget allocation, and as a matter of urgency develop business case (s) for these critical infrastructure projects by the end of the 2023 calendar year. This, along with a commitment to “shovels in the ground” by July 2028 would help secure investment into major hotels and other visitor economy-related infrastructure.**

Everything should be “on the table”, including Commonwealth investment and more innovative approaches to public-private partnerships that incentivise the private sector to invest.

The timeframe and process for this should be an element of a clearly articulated major infrastructure implementation strategy.

Ongoing investment relies on a well-structured pipeline of projects to provide improved investment certainty, innovation, increased competition, capacity building, market confidence, efficient procurement, and delivery.

In addition to these projects, investment in much-needed affordable housing infrastructure will further support economic recovery, meet a rapidly increasing community demand for housing, and deliver positive social outcomes.

### Establish a technology and innovation precinct

Many Australian jurisdictions are actively working with industry to establish “**technology precincts**.” This approach is common in European cities, and brings together facilities for advanced manufacturing, mechanisms to reduce the barriers to engaging and experimenting with Government agencies (such as using “labs” to co-develop innovative solutions to public sector challenges) and provides business support and access to public/private capital.

Whilst the ACT already has some of these elements in place, it is in danger of falling behind other jurisdictions.

There has been positive growth in technology startups being founded in the ACT, particularly from research institutions and/or the public sector, in both software-intensive and “deep tech” advanced manufacturing domains such as Quantum. There are also innovative firms that are choosing Canberra as a base, such as Wing (a Google company) to be close to their regulator.

However, we consistently hear that there are challenges for small to medium Australian firms to remain headquartered in the ACT as they “scale up” operations or establish a base of operations to engage with the Government as a regulator and/or major customer.

Sponsoring the establishment of a regional partnership between the Federal Government, research institutions and industry would deliver a vibrant precinct that could retain and attract world-class companies and talent in the ACT.

This initiative would flow directly to an increase in local high-value technology (particularly R&D) jobs, upskilling and knowledge-sharing with the public service, higher domestic capability returns on Government technology spending, as well as stimulating a world-leading local innovation ecosystem, generating a virtuous cycle of more firms choosing the ACT as a base to scale their operations.

**The ACT Government has several existing services to leverage (such as CBRIN), and existing facilities that could be quickly repurposed, as well as candidate land sites that could be developed, to support establishing a “National Innovation and Technology Precinct”.**

## Better Data to support business and economic policy: ACT Business Survey

As we have previously argued, there is a lack of good data available about how the ACT business community operates, the issues that affect it, and what policy tools will assist the growth of our private sector and specific industries.

The government needs a dynamic, research-driven data set if it is to understand the private sector, set policies and measure the impacts of policy and external factors.

The Canberra Business Chamber and the University of Canberra have provided the ACT Government with a proposal for a longitudinal research project to deliver an annual business wellbeing measure.

This research will explore the state of business in the region, covering issues such as digitisation needs, challenges faced by organisations and industry, perceived preparation for the future of business and other industry changes, crisis management, overall wellness indicators for staff and consumers and indicators of workplace culture and work-life balance.

The resulting business wellbeing index will track:

- customer numbers;
- employees;
- sales;
- profitability;
- employment needs;
- the trading environment including investments and confidence to invest;
- overall wellbeing of all stakeholders;
- the regulatory environment;
- and overall sentiment

The research approach will also explore several questions to support policy development around the business in the ACT. These include:

- The ACT has the fastest rate of business formation (entries) of any jurisdiction but also the fastest rate of a business closure.
- Can we identify any characteristics that drive the high rate of entries so this can be supported and sustained?
- Can we identify reasons for the high rate of business exits in the ACT?
- What factors have the biggest impact (positive and negative) on business sentiment in the ACT?
- What factors will have the biggest impact (positive and negative) on business growth (and job creation) in the ACT?
- What factors have the biggest impact (positive and negative) on a business decision to invest or not in the ACT?

**We urge the government to fund the development of the Business Wellbeing Index as a critical project to support the ongoing development of the private sector and the creation of jobs in the territory.**

## 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.**



## RECOMMENDATION 2:

# Ensure we have the right workforce and skills for the future

### Respond to skills & workforce challenges

Businesses and not-for-profit organisations continue to overwhelmingly report an inability to find and employ suitably skilled staff.

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.

The recent research project undertaken by the University of Canberra for the ACT government found that significant shortages exist within diverse areas across the ACT economy. These include health, cybersecurity, hospitality and tourism, building and construction and retail. Many of these align with national shortages. The research also suggested that ACT employers compete for labour at a higher cost.<sup>2</sup>

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.

As well as a workforce that is sufficiently skilled, individuals within that workforce need to have good well-being and mental health. This includes a sense of belonging and community, and ready access to appropriate supports, including mental health support, for themselves and their families. These factors will assist workers to remain productive and engaged and in their employment.

Business understands that this is a complex issue and there are no quick or easy solutions. They do, however, seek recognition and understanding from the government of the challenges they face, the scale of the problem, and the impact on trading conditions, business confidence and the economy.

**As a matter of urgency, business needs the ACT government to invest in the promotion of the ACT as a career choice, to encourage people to understand opportunities and relocate to Canberra. To “compete” effectively, this should be commensurate with the investment now being made by other states and territories to attract skilled workers to private enterprise.**

As the research suggests, this should be supported by the development of a greater understanding of recruitment strategies and successes outside the ACT, with this knowledge being disseminated to the government and to private sector employers and industry bodies.

The research into the challenges of workforce attraction for the ACT found that the unskilled labour market is “less abundant compared to skilled labour” and the labour force is three times more mobile than the nation as a whole.<sup>3</sup>

355 private and not-for-profit organisations surveyed for the research project identified that the cost of living in the ACT is one of the top 5 barriers to recruitment.<sup>4</sup>

<sup>2</sup> Assessing Workforce Shortages and Identifying Barriers to Workforce Attraction in the ACT, ACT Government & University of Canberra 2022

<sup>3</sup> Assessing Workforce Shortages and Identifying Barriers to Workforce Attraction in the ACT

<sup>4</sup> Assessing Workforce Shortages and Identifying Barriers to Workforce Attraction in the ACT

**There is a critical need for the ACT government to address the barriers that a lack of housing affordability in Canberra creates for staff attraction and retention.**

In recent years, issues relating to access to affordable housing have been exacerbated by large increases in purchase and rental prices along with shortages in the housing stock.

As the costs of living continue to rise, families in the ACT with household budgets of \$80,000 - \$100,000 are increasingly at risk from rental or mortgage stress.

The issue is impacting local employers across all sectors and is also disrupting the labour market. For example, employers in the community services sector have told us that potential staff are choosing - and in some cases are now being advised by recruitment companies and colleagues - not to seek employment in their field in the ACT due to the cost of housing.

## **Develop a long-term 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 well 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 the 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, and the release of the findings from Assessing Workforce Shortages and Identifying Barriers to Workforce Attraction in the ACT are good steps towards the development of a long-term skills and workforce plan.

More detailed plans are now needed that include 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 a long-term skills and workforce plan as a matter of urgency, working with the business community and the education and training sectors to develop a workforce plan and skills strategy for the ACT and the surrounding capital region.**

## RECOMMENDATION 3:

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

### Reduce regulatory burden

Businesses continue to face a challenging and uncertain environment. They face rapidly rising costs, ongoing skills and workforce shortages, supply chain pressures, and geopolitical unrest. In this environment, our local businesses are focused on recovery, growth, and adaptation to manage the risks and opportunities ahead.

The regulatory system must make it easy for businesses to establish, operate and grow in a dynamic, technology-driven economy. The primary aim must be fit-for-purpose regulation that is simple and outcome-focused, rather than complicated and prescriptive.

The ACT Government's Better Regulation Report says, "We want to support businesses to start, run and grow by putting in place better regulatory settings, and simplifying interactions between business and government."<sup>5</sup>

Despite this commitment, feedback from local businesses is that across portfolios and directorates the ACT Government continues to adopt additional legislation and regulation which creates new requirements for businesses. One recent example is the expansion of the ACT Portable Long Service leave scheme to personal care services (hairdressing and beauty services) and accommodation and food services. There are significant financial and administrative costs for employers associated with PLSL expansion, and these additional costs could not come at a worse time for small businesses.

The best way for the government to support business is to avoid, or at least minimize, legislative and regulatory changes that deliver no clear economic benefit but add to the costs of doing business and divert resources from government, businesses, and industry bodies.

**There must be a whole of government commitment to making it easier to start, run and grow a business, reducing regulatory burden, and minimising legislative and regulatory changes which add costs and administrative workload to local businesses and not-for-profit organisations.**

### Frameworks for Government and Business Engagement

**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.**

Fresh eyes, new perspectives and expertise in stakeholder engagement could help deliver more effective collaboration between the ACT Government and the business community.

Government and industry representatives acknowledged the many examples of effective collaboration between government and business/industry groups over the past three years. There is a widespread recognition that the learnings from these experiences can be captured and used to create better frameworks for engagement.

The business community wants to work collaboratively with the government to address the challenges ahead. 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 that put the right people at the table.

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 and explicit statement of what the ACT Government and industry/business groups wish to achieve through their engagement.
- 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, retailers, and cafes.

<sup>5</sup> CMTEDD, Publication number 22089, May 2022



## Build a better understanding of business within government

We need a whole of government commitment and approach to increase knowledge and understanding of the business community.

The Chamber has previously communicated to Government (including via the Better Regulation Taskforce) 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.

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.

We consistently hear that career public servants often do not understand or fully appreciate what it is like 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 to be seconded to these organisations for specific projects. This is common practice for Commonwealth agencies and national industry bodies.

Government can 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 highly-rules-based and punitive approach to interaction with businesses.

## RECOMMENDATION 4:

# Support small business and encourage entrepreneurship

### Support local SMEs through reform of ACT procurement processes

**We need the government to get value for taxpayer dollars and manage their risks appropriately, but when a local business can provide value and meet the brief, there should be policies to ensure that they are supported in local procurement.**

The Better Regulation Taskforce identified procurement as an important issue that local businesses of all types and sizes would like to see improved. We are aware of and appreciate the work that the BRT is undertaking to help make ACT procurement processes easier to understand.

While the Chamber welcomes these initiatives, we consistently receive feedback from local businesses expressing frustration at the lack of policies to help local businesses benefit from government investment. Feedback has been that the Local Industry Participation (LIP) policies add to the complexity of the procurement process for SME's but do little or nothing to support local businesses.

It is frustrating for local business to observe their local government buying in goods or services from interstate when a local company could have supplied the same outcome. The ACT misses important opportunities to support economic growth if the government funds out-of-town businesses to undertake territory projects but does not mandate any local procurement component.

### Ongoing funding of the Canberra Small Business Advisory Service

**We urge the ACT Government to commit to ongoing funding of the Business Advice and Support Service.**

The Chamber first advocated for a Business Advice and Support Service in 2019 and worked closely with CMTEDD and the Business Enterprise Centre to support the establishment of the service. The advisers and training sessions have been based in the Chamber's office, and we provide ongoing promotion to our business database.

Since its establishment, the Business Advice and Support Service has provided advice and support to hundreds of ACT small businesses. We were extremely concerned to learn in 2022 that ongoing funding for the advice and support service was not in place.

If the Business Advice and Support Service does not continue, the ACT will be the only state/territory that does not fund this type of dedicated small business advisory service to support a diverse range of start-ups, existing businesses, and those seeking to pivot and grow.

It is important to recognise, however, that the Canberra Business Advice and Support Service represents a baseline for SME support. The ACT Government should work to evolve the nature and scope of support, proving further pathways for support to local SME's.

We support the Canberra Innovation Network and its role in assisting innovation, and we work collaboratively with CBRIN to support growth in this sector. There is also a need for services to assist more established business operators who may need support with survival strategies, planning for growth as the economy improves, and 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 therefore to plan for the expansion of SME support and advisory services through 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 businesses who can support established SME's and link them with the appropriate support and development programs.

## Incentivising business to access professional advice through Support Packages

We recommend that a further pathway is developed to support and incentivise small businesses and NFPs to access advice from a professional adviser of their choice.

In addition to these business advisory and support services, the government can introduce a support program to leverage the existing relationships small businesses have with their professional advisers. This is likely to reach greater numbers of small businesses in need of advice.

This could be modelled on programs such as the Victorian Government's Small Business Specialist Advice Pathways Program.

Such a program would complement the Canberra Business Advice and Support service, by allowing the CBASS advisers to refer clients to a professional adviser. And while the CBASS is a critical element of small business support, there is data that shows small businesses are often more likely to seek advice from their own advisor than from a government-funded service.

While the CBASS can assist with business planning, marketing, and other aspects of business operations; questions of viability, options for finance, and if necessary, the pathway to exit or wind up a company need to be addressed by a professional adviser.

In the current environment, unfortunately, many small businesses don't have the capacity to pay for advice or have made it a low priority. This can potentially endanger their viability and limit their recovery options.

This reluctance to seek advice can grow when small businesses and smaller NFPs get further into difficulty, due to concerns over the cost of advice and a fear of appearing to be a failure. The consequence of not seeking advice is that the range of options available to a business to respond to its challenges reduces significantly.

The value to the economy that such an incentive can generate may be many times larger than the outlay by the government.

## Transition to Zero emissions: support for small business

Policy initiatives to deliver ACT climate change targets, such as Zero Emissions Vehicle Strategy, and Pathway to Electrification, have a major impact on local business.

The business community generally supports the need for action on climate change, but also requires a clear "roadmap" with information about how the transition will occur so they can plan accordingly.

An ambitious policy agenda needs to be supported by initiatives that ease the costs of transition (including capital expenses), help ACT businesses transition their operations and become more sustainable, and ensure their ability to compete with interstate counterparts is not compromised.

The ACT Government has several business support programs, and no doubt will introduce others. It is important to ensure that all local businesses are aware of and have access to these programs and other resources that will assist them in improving energy efficiency and minimising their carbon footprint.

We note the Government's strong ambition and clear direction to transition the ACT away from gas. While there is general support for this ambition, our members have expressed concern about the lack of detailed investigation and understanding of the impacts of this decision.

There are six identified six key priorities, as follows:

- Supporting households and low-income earners
- Workforce & economy
- Future of gas network
- Transitioning complex buildings
- Finding alternatives for specific gas requirements
- Role of batteries and electric vehicles

The six priority areas provide a useful framework to assess the impacts of electrifying the ACT and transitioning away from gas.

We ask that the ACT Government provide a timetable and undertake detailed investigations into each of these six priority areas for electrification. These investigations, along with the dissemination of findings and consultation, must be undertaken as a pre-condition to regulation or additional decisions being made with respect to the pathway to electrification.



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