

The Treasury
Langton Crescent
PARKES ACT 2600

Submission to the Economic Reform Roundtable

The Australian Small Business and Family Enterprise Ombudsman (ASBFEO) appreciates the opportunity to make a submission on priority reforms to consider at the Economic Reform Roundtable.

Small businesses are vital to Australia's economic prosperity. Comprising almost 98% of Australian businesses, they generate over \$600b in annual economic activity and employ over 5.1 million people. This vitality is recognised globally with the United Nations describing small and medium enterprises as the "frontline drivers of innovation, inclusion, and resilience."

For Australia to improve its productivity, economic resilience and budget sustainability, we need operating conditions that are conducive to the success of small business. This includes a more seamless national economy, right-sized and effective regulation, incentives that encourage business entrepreneurship and investment, and the widespread adoption of digital and AI technology.

1. A commitment to regulatory reform that includes adopting a risk-based, right-sized mindset to regulatory proposals, the ongoing review and removal of ineffective regulation, and the trial and dissemination of innovative approaches to reducing red tape

From construction, to transport, to hospitality, small businesses face ever-growing and often changing regulation at federal, state, and local government levels. Even where regulation purports to be nationally consistent, such as the National Construction Code, there can be diverging application between jurisdictions. Excessive regulation raises the cost of doing business, increases barriers to innovation and growth, and creates a compliance burden that can undermine the regulation's policy objective. Regulation that applies a uniform, one-size-fits-all approach regardless of risk unfairly disadvantages smaller businesses to the benefit of large, entrenched enterprises, harming competition. Reform can be achieved through:

1.1 Developing processes for the ongoing review of regulatory frameworks to map the cumulative regulatory impost (including business-to-business imposed 'white tape' and cascading obligations arising from supply chain participation) and to remove or improve inefficient and ineffective regulations. Progress could be overseen by an existing mechanism, such as the Reform Councils of National Cabinet, or could replicate the legislative review mechanism of the original National Competition Policy agenda, using incentives under the National Productivity Fund with oversight from the National Competition Council.

1.2 Developing initiatives to connect local government with small business to reduce red tape and develop right-sized regulation, with scope to incentivise pro-competition and pro-productivity outcomes through National Competition Policy. We highlight initiatives such as Western Australia's Small Business Friendly Approvals Program and Victoria's Better Approvals for Business Program as examples of constructive consultation, co-design and piloting to identify, design and implement better regulation.

1.3 Establishing an interjurisdictional 'Right-sized Regulation Taskforce' comprising government and business representatives. The taskforce would work to identify and diffuse

regulatory best practice, and facilitate consultation, co-design and piloting for right-size and nationally consistent regulatory approaches (initially focusing on planning and construction). The objective would be the constructive development and rapid testing of regulatory ideas capable of cutting through the regulation thicket and supporting competition. This expands on examples such as regulatory sandboxes being used to progress simplified trade. The taskforce could leverage the insights of small business through the ASBFEO and state and territory small business commissioners, and seek input from policymakers and academics to infuse other perspectives and international best practice.

1.4. Establishing a national agreement to embed small business consultation and impact assessment in federal, state and territory policy development. At a federal level, consideration should be given to small business impact being explicitly addressed in all cabinet submissions. Agencies developing new policy proposals with a potential impact on small business should engage in early consultation with ASBFEO, leveraging the Ombudsman's data and case management insights and stakeholder relationships.

1.5 Regulators should adopt an enabling posture for small business compliance. The regulatory ecosystem may gain awareness of a small business at risk of a misstep or non-compliance and will in most cases, not seize this opportunity to proactively support the business in meeting a specific or related obligation. With legislation proposed to allow the exchange of data between regulators for enforcement purposes, why couldn't this mechanism be used for this purpose? Regulators should achieve this through proactive, supportive and collaborative processes, for example, coordinating support services and processes in recognition of when a client small business is subject to concurrent regulatory processes. Regulators should actively consider the difference in the proportionate size and nature of regulatory impact on small versus larger businesses, and develop approaches that are risk-based, data driven, and informed by ongoing consultative engagement with small businesses, their representative bodies, and the ASBFEO.

1.6 The reasonableness of regulator fees and industry funding should be subject to ongoing oversight to ensure that it does not disproportionately burden small business or harm competition. The Department of Finance-led regulator evaluation framework should include consideration of how small businesses are effectively engaged and considered in 'right-sizing' operational and enforcement processes and in the proportionality of fees and obligations.

2. Implement practical measures to uplift small business digital capability, including harnessing AI

Australian small businesses are falling behind international counterparts and larger domestic businesses in adopting valuable productivity-enhancing digital technologies. This reduces innovation and resilience and raises risks around cyber security. Research indicates that lack of knowledge and limited resources are key factors. We can address this through:

2.1 Uplifting small business knowledge of productivity and efficiency building technologies such as AI, eInvoicing, cyber security solutions, e-commerce, and new payment technologies. This would include supporting mechanisms to diffuse practical examples and best practice through the economy. Governments should lead by example and demonstrate best practice, for example, by expanding the use of eInvoicing for government services and offering examples of how AI is being used responsibly and effectively in government.

2.2 Lowering regulatory burden for small business by expanding digitally enabled compliance and streamlining data sharing. Governments should explore and embrace ways to use natural

business systems i.e. the systems that businesses are already using, to streamline their fulfilment of regulatory duties and responsibilities. Governments should increase the processes they can embed in these systems, look for ways to unlock data sharing and synchronising impositions on business between regulators and regulatory processes to streamline business touchpoints with disparate processes across government, and leverage natural business systems to uplift small business cyber security awareness and capabilities through prompts and features to users. These themes are explored in ASBFEO's June 2024 report 'ESG for SMEs - Beyond ESG: A right-sized framework for small business durability'

2.3 Progressing consistent AI regulation across federal, state and territory jurisdictions, harmonised where possible with international standards and overseas rules.

3. Support small business entrepreneurship, investment and future growth through enhanced policy settings and incentives

The majority of small and medium businesses seeking to grow and innovate cite access to equity funding as a major barrier. Existing equity funding and venture capital incentives are inadequate, and there is a 'middle gap' for enterprises trying to scale up through new funding. We need to do more to energise enterprise and create and nurture the spark that will inspire someone to turn an idea into investment, to build a business, to take on the risk and big responsibility of creating an opportunity-generating new enterprise, and to employ that extra person. We can address these barriers and create new incentives to start and grow a business in the following ways:

3.1 Introduce a 3-year tax incentive to help small emerging businesses survive and thrive, becoming tomorrow's tax paying, innovating and growing businesses. Taking the form of a tax discount or offset, eligible small businesses would reduce their taxable income in the first three years, encouraging reinvestment in the business for a stronger foundation. This is expected to have only a minor impact on government revenue given the low profitability of most businesses within their first three years of operation, and will pay long term dividends for the budget if more businesses survive and thrive to be growing tax paying concerns.

3.2 Reallocate \$5 billion from the National Reconstruction Fund (NRF) to the Australian Business Growth Fund (ABGF) which offers a proven model for investing in growth-oriented SMEs across Australia, with established evaluation and deployment frameworks that provides patient equity and access to commercial knowledge and expertise.

3.3 Address the middle gap in investment incentives by creating a new category of eligibility between Venture Capital Limited Partnerships (VCLPs) and Early Stage VCLPs (ESVCLPs). This would encourage new private investment into SMEs with assets up to \$150 million.

4. Implement practical, productivity-enhancing reforms that lower costs and increase growth opportunities for small business, creating more seamless economic opportunities domestically and internationally

The ASBFEO supports practical productivity-enhancing reforms being progressed through NCP. In the longer term, national occupational licencing should be progressed, with a priority on the construction sector. Inconsistencies between state and territories in the existing automatic mutual recognition scheme should be addressed as a priority in the short term. These reforms will lower business costs and barriers to growth.

Australian small businesses are less likely to engage in international trade than in comparable economies. The ASBFEO welcomes ongoing progress being made on simplifying Australia's trade

system and enhancing access for business to trade opportunities, for example, through the creation of the Go Global Toolkit. We encourage further practical measures in this area to streamline relevant government processes (by reducing duplication, enhancing interoperability and coordination, and improving the use of automation) has the potential to encourage small businesses to participate in cross-border trade. This includes progressing work on a single trade environment to streamline business pain points and the Simplified Targeting and Enhanced Processing Systems (STEPS) program, which may aims to reduce commercial holding costs and improve visibility of cargo, issues previously raised by ASBFEO. We also encourage different regulators to consider ways to streamline duplicative tests and verification processes, for example, where tests exist as to whether someone is a fit and proper person.

5. Enhance long-term budget sustainability, competition and the opportunities for small business through implementing nationally consistent, best practice government procurement

Implement a nationally consistent procurement framework reflecting best practice, promoting competition, reducing costs to governments and offering more opportunities for Australia's small businesses. The Productivity Commission modelled a 2% reduction in government spending or \$5.2billion from reforming government procurement (National Competition Policy: modelling proposed reforms, December 2024). Such a reform should feature independent and proactive oversight to ensure objectives are met and supporting diffusion of practice between jurisdictions.

6. Improve small business access to justice to improve competition and address market power imbalances in Australia's economy

Establish a Small Business and Codes List in the Federal Circuit and Family Court of Australia. Such a list would provide for fair costs, expedited and simplified procedures, enhanced alternative dispute resolution, and support enhanced productivity through greater protection of Australian intellectual property.

Further initiatives which ASBFEO have identified are collated under our [14 steps to boost Australia's small and family businesses](#) for your consideration. If you require any further information, please do not hesitate to contact my Executive Director of Policy and Advocacy, Aidan Storer, on (02) 5114 6133 or via email at aidan.storer@asbfeo.gov.au.

Yours sincerely



The Hon. Bruce Billson

Australian Small Business and Family Enterprise Ombudsman