

SUBMISSION

The Digital Economy Consultation Paper

Council of Small Business Australia

2017



Australian Government
Department of Industry, Innovation, and Science
CANBERRA ACT 2600

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Submission to The Digital Economy Consultation Paper

Please find below a submission from the Council of Small Business Australia (COSBOA) to the Australian Government's 2017 Digital Economy Consultation Paper.

COSBOA welcomes the opportunity to provide a voice for small business people to the in the creation of a Digital Economy Strategy. COSBOA is committed to improving productivity and competitiveness in the Australian economy and enabling more small businesses to succeed. We note that based on 2016 data from the Australian Bureau of Statistics, small businesses employ approximately 4.8 million people and remain a vital part of the economy.

Adapting to and engaging with the modernisation of the Australian economy through digital transformation is essential for small businesses. While many small businesses are already realising the potential of digital technologies to enhance their products and productivity, others continue to struggle to adapt to the transformation that is occurring in society.

The Australian Government must work in partnership with industry associations to support small businesses around the country to modernise and engage with new technologies. It is vital to the continued success of the Australian economy that we provide support to small business owners, focus on engagement with e-invoicing, enhance inter-agency communication and improve the simplicity of business reporting.

COSBOA is concerned about cyber security threats and the management of data as our economy transitions. We commend the government on its current activities in this area. We must continue to collaborate on potential responses to cyber security.

We encourage you to closely examine submissions from both the Australian Booksellers Association (ABA) and the Australian Digital & Telecommunications Industry Association. It is clear from the ABA submission that booksellers are under threat from multinational e-commerce websites have led to small business job losses and reduced tax revenue in other nations. We must closely monitor potentially unfair competition through digital change.

If you require any further information in relation to the submission, please feel free to contact me on ceo@cosboa.org.au.

Yours sincerely,

Peter Strong
Chief Executive Officer

COSBOA Background Information

The Council of Small Business Australia (COSBOA) is the national peak body representing the views of Australian small business associations.

COSBOA represents the hard-working individuals, partnerships, and families that are behind over 2 million small businesses in Australia. These people help to both build Australia's economic prosperity and provide meaningful employment for more than 4.4 million Australians.

The members of COSBOA are diverse. From hairdressers to motor mechanics, craft brewers to local grocers, we represent a wide range of industries and employers. While the views of our 31 members are also diverse, they are all passionate about small business and recognise the value that small businesses bring to the Australian economy.

Most people who run small businesses do not have the time, resources and or expertise to advocate for change when policies are not working for them. COSBOA is focused on ensuring their challenges and concerns are both heard and understood by government.

Our goals are to:

- Promote and support the development of small businesses in Australia.
- Advocate to advance the interests of small businesses in Australia, including policy change and regulatory reform.
- Foster an increased awareness and understanding of the role of small business in Australia amongst public servants and elected government officials, larger businesses, the media and the general community.

1.0 Introduction

Over the past decade, COSBOA members have increased the focus of our organisation on issues related to the digital economy. We recognise the importance of developing a strategy to ensure that we build the right infrastructure, develop and reform standards, and implement regulation that supports growth. COSBOA has helped lead reform and innovation for small businesses in this space including with Standard Business Reporting (SBR) and e-invoicing. We have also been closely involved in key policy discussions focused on business-to-government-to-business (B2G2B), business-to-business (B2B) and business-to-consumer (B2C) communications; cyber security; managing customer data; educating small business staff; and adopting social media.

Our members know that most small business owners have already made significant changes to their businesses because of digital technologies. As the economy has transitioned, COSBOA has heard from thousands of small businesses who have shared the various challenges, successes, and new opportunities. Our member organisations are all eager to discuss how business, government, regulators, training providers, schools etc. can work together to ensure our country, and small businesses, do not miss out on the opportunities provided by digital change.

Indeed, it is important for the Australian Government to recognise the critical role that digital technology has played in the creation of thousands of new small businesses. Online retailing and platforms for small businesses to sell online has enabled many people to create and sell new products. Without the ability to market and sell online, many new businesses in Australia would struggle to survive. We must support these businesses with high speed internet and a quality postal service.

COSBOA and our member organisations have always specified that success in working with small business owners is 80% process and communications. The significant advances in communications technology through innovations in the digital economy have presented a significant opportunity to make small businesses more efficient in these key areas. We must not let this opportunity slip by.

COSBOA is focused on ensuring that small businesses are given every opportunity to succeed as our economy and society embraces new digital technologies. We know that digital innovations are already supporting small businesses to modernise, improve productivity and develop new products. Despite the benefits, there are also many significant challenges that have been an element in the demise of some small businesses. The fast pace of change has been difficult to keep up with, particularly when changes have quickly created new and unexpected competitors. The speed of globalisation, propelled by new digital technologies, has challenged the status quo and made it challenging for small businesses who now must compete with foreign companies that in some cases provide below cost-price products as loss leaders for other products that are more profitable. Online retailers are now booming and while this can create opportunities, it can and does distort the marketplace. In particular, e-commerce websites are threatening the jobs of many employed by small businesses.

'Laissez-faire' economists have dominated economic policy decision making for too long in Australia. Competition and diversity in the marketplace have been lost in some sectors due to this policy-making. The catch cry 'let the market decide' is a path to failure while markets are not in a position where there is fairness or transparency. Various policies have contributed to a range of challenges for small businesses and Australian families. While various products and services have become cheaper, Australian groceries have become more expensive than most countries and created a duopoly in retail that is only now being challenged with new comers finally being given access to that marketplace.

The Australian Government must work closely with industry associations in each sector to support small businesses to succeed in the digital economy. COSBOA members are committed to supporting small businesses within their association to embrace new technologies and thrive. We need an ongoing conversation and regular engagement with government to address the significant challenges and opportunities the digital economy presents to small business. We look forward to continued interactions with governments on the challenges raised in this submission.

2.0 Significant Changes for Small Businesses

Advances in digital technologies have changed the way small businesses operate in thousands of different ways. While some have struggled to adapt, those that do are reforming their business practices and using technology to improve their operations. Each small business sector is different, and each business owner will experience changes in divergent ways; however, there are many common experiences of change. Changes can be broken down into various categories: business management; human resource management; supplier interaction; customer relations; government relations; and online stores.

2.1 Business Management

Digital technologies have shifted the ways that small business owners manage their business. From time-saving accounting software to online sales management and cloud-based project management tools. There have been thousands of new business management technologies and software developed to improve the lives of small businesses. The adoption of these technologies has been mixed and is highly varied across each sector. A key challenge is the training of staff and development of skills that are transferable across a range of different technologies. While some businesses are very successful in recruiting and training skilled staff, other struggle to achieve this.

To support an increase in business management technology, COSBOA believes that it is critical to have must have an open source technologies and digital platforms. This open source software should be supported by developers and the government to allow for easy integration with existing technology and software. These platforms must comply with open-data standards. If we end up with multiple platforms that struggle to integrate then the group that will suffer the most will be small businesses who will have extra work and expense in trying to match the needs of differing platforms run by large

businesses.

2.2 Human Resources

The staff of small businesses are now more interconnected via online communication, smartphones and shared data-management. Businesses have improved the speed of interaction and connection between staff, and more staff are able to work remotely and from home. Staff travelling away from the home business base are more able to work. These changes have improved staff productivity and have allowed small businesses to adopt more flexible employment strategies. Flexible employment, enhanced by technologies, are enabling small businesses to make employment more accessible for diverse Australians. This removes barriers to employment for those with a disability and others who have historically faced various challenges when job seeking.

2.3 Supplier Interactions

Digital technologies have been the driving force behind improved interactions between small business owners and their business suppliers. Supply chain management has become an important tool in getting a competitive edge for small businesses. Technologies have provided a greater visibility and control of the supply chain process to business owners. There has been a simplification of management, efficiency and reduction in overall cost for many businesses. There are a range of software packaged used to consolidate what once might have been weeks of work into one simple program that incorporates all relevant data. Tracking options for incoming inventory is also a significant improvement.

The submission from the Australian Booksellers Association has a good reference to programs that connect suppliers to book shops and others so that access to information and stock can be done quickly and with minimal mistakes and confusion. This is essential, in the modern world and many other industry sectors are developing the same interactions. The development of technology platforms that allow for ease of software development is essential and is something we believe governments must take a place.

2.4 Customer Relations

COSBOA members have highlighted a range of benefits for customer relations as a result of digital technologies. From improved communication and more regular connection through social media platforms, to easier points of quality control management and feedback, many small businesses are embracing opportunities to improve their service and care for customers. Web, mobile, and app based access points to businesses have helped provide a range of opportunities for business owners. From simple tasks like online bookings for a yoga centre, to more complex online data collection through digital phone-bank surveys, technology is impacting everything. Online payments, email campaigns, self-service customer support through web-based help, etc. are just some other examples. In particular, digital technologies have enhanced the speed of payments, improving cashflow.

The improvement of communications technology has also allowed small business owners to enhance their collaboration with clients. This is particularly important for customers who are working on projects that involve multiple discussions, for example an

architect's client. While previously, individual projects would have had to involve dozens of 1-1 meetings, new technology reduces lost productivity for both parties. Meetings and site visits can now take place via online video meetings and video calls. This is just one example of the way that digital tech is improving both productivity and customer service.

2.5 Government Relations

The interaction between business and government is now more complicated than at any time in history. But we are also embracing technology that will limit negative impacts. The use of single touch payroll is a good example. With the continued development of this type of technology we will eventually see seamless passing of information from business to government with limited harassment of businesses by government agencies. We must manage this process and ensure it happens efficiently and as fast as feasibly possible. COSBOA is heavily involved in the development of SBR and e-invoicing and need government to support our activities.

The process has been held up somewhat by the "market will decide" apologists. The market will indeed decide when we have a true open source platform upon which software developers can work. We also find that some government agencies see B2B and B2G2B communications as two different issues. They want a big say in the B2G2B and want nothing to do with B2B – they must realise that we cannot have two different communication strategies.

2.6 Online Stores

While competition with online e-commerce giants is detrimental to many small businesses, online shopping is a space where many small businesses thrive. The development of simple and easy to manage online stores has allowed small businesses to sell online and create or improve their potential customer network. This is most significant for small businesses who do not have the capital for a shopfront, but can instead operate online with an investment in digital advertising.

As Australian consumers move towards online shopping, small businesses must have the capacity to engage with and compete in the online retail landscape. Small businesses with physical stores are creating an online presence to expand their visibility and reach unique target markets outside of their community. This is particularly powerful when combined with social media marketing to audiences with specific interests.

3.0 Barriers Impacting Small Businesses

Digital technologies and software have provided a range of opportunities for some businesses; however, there are many barriers to small businesses embracing new tech. We know that many small businesses delaying the adoption of new technology and software as they have a limited understanding of technology or its long-term benefits. Surveys have shown that there is significant uncertainty amongst small business owners in relation to how technology and data could improve business performance. COSBOA believes that reducing barriers for small businesses to embrace new technologies is perhaps the most important role for the Australian Government to play in the digital

economy.

3.1 Cyber Security

Cyber security threats are a significant challenge for small business owners. Recent global attacks through ransomware and other hacking have exposed the vulnerability of Australian small business. We know that some small business owners do not recognise the seriousness of online threats and that many cyber-attacks on small business go unreported. COSBOA has joined the Australian Government in calling for small businesses to enhance their cyber security protection and have developed our own package for members. Despite this, more needs to be done to encourage and support small businesses to take-up the security on offer and make it affordable. We also must educate more people in small business about how to prepare for and prevent potential cyber-attacks.

Barriers to small businesses adopting appropriate cyber security protection and prevention measures are varied across different industries. Education remains a significant problem, with many small business owners and employees not understanding basic elements of how to protect their business from cyber threats. The cost and range of different cyber security products available is also a challenge for many small business owners as they are unsure which products to adopt and use. When small business owners purchase products, some believe this is a quick-fix and can ignore some of the other methods they need to adopt to protect their business, staff and customers from attacks.

3.2 Education and Training

Across all industries, small businesses have seen an increase in staff that are untrained in how to engage with and use new technologies. As the proliferation of digital technology increases, staff can have dozens of new software and hardware to learn. Many small businesses often do not have the time or finance available to train staff, yet in many cases this is exactly what is needed. This creates a training dilemma. Does the small business owner fund and make time for staff to train existing or unskilled new staff? Do small businesses need to focus recruitment on already trained staff that are hard to come by? These pressures have increased and are impacting productivity of small businesses.

3.3 E-invoicing

There has been recent movement in the introduction of e-invoicing. While in the past invoices took a significant effort to generate, modern technology allows for near instant generation of prepopulated invoices. E-invoicing is specifically designed to support small businesses to be efficient and improve cashflow. The use of e-invoicing software makes life easier for small businesses at multiple points throughout the year, particularly at tax time. This, combined with faster payment times and online payment systems is significantly supporting small businesses. While some small businesses have been slow to engage, Australia is a leader in this area.

The NSW and New Zealand governments have expressed a desire to accelerate activities and need to know when they can mandate the use of e-invoicing for lodging invoices

with their government agencies. At the federal Australian level there has been a mixed reaction. There are many who want to proceed immediately but other policy makers have argued for no intervention. They want to do nothing and 'let the market decide'. We know that other governments see the benefits and hope that now the federal government can also move to mandating use of e-invoicing as soon as possible.

3.4 Communications

Small businesses are increasingly reliant on communications to succeed in the 21st century. High-speed broadband is particularly critical to many new and emerging small businesses that rely on tech and online data management to operate. However, most small businesses are increasingly reliant on a high-speed broadband. Even small operators like cafes etc often need to have a decent Wi-Fi connection to attract customers....

3.5 Competition

The ACCC has done an admirable job over the last 5 years in confronting the issues around competition and, the internet. We must ensure they remain resourced in this area as the changes are unpredictable and the impact of changes is also in many ways unpredictable. The impact of Amazon on most overseas jurisdictions has been negative and has come in many ways from poorly thought out government assistance provided to that company that created distortions in many marketplaces. It also created tax shortfalls as the information provided by Amazon was not fact checked properly.

3.7 Inter-Agency Communication

COSBOA believes a fundamental transformation that must occur is in the way that governments work together and use data across different agencies to streamline services to small businesses. Just as it has done with my.gov.au, the Australian Government should invest in a one-stop-shop for all small business compliance, which could eventually incorporate state based compliance. This could be mybusiness.gov.au and include ASIC, the ATO, superannuation information etc.

As mentioned previously the use of better technology and processes such as STP will give agencies instant access to data and cause less down time for businesses. We must ensure that agencies do take advantage of this streamlined process but at the same time they do not invent new reports and new demands on the business community.

4.0 The Role of Industry Associations

Industry associations that represent small businesses will be critical to responding to many of the barriers and challenges raised in this submission. Each small business industry communicates with a specific language, and industry associations understand how to connect with and share specific and relevant information with their membership. Governments must engage with and support industry associations to develop and enable them to service the growing need for education and training in areas such as cyber security.

Peak industry bodies can provide support with policy development etc. but it is the individual associations that have businesses as members that will do the real communications.

5.0 Vision for the future

COSBOA is optimistic about the future for small business and believes that digital technologies can be used to support more businesses to succeed. To achieve this, significant work will need to be done to both support and enable small businesses to embrace and enhance their existing use of new technology.

COSBOA sees a future for Australia where our nation is a leader in digital transformation and technological development. We will replicate and build on our success as global leaders in e-invoicing. Foundational services such as broadband will improve to allow small businesses to have a high-speed platform for success. Current school students will have the training and education they need to embrace the opportunities of the 21st century. The new language of code will be understood by school-leavers who will be able to support different industries to rapidly modernise. Payment times will be near-instant as invoicing and payments are managed digitally with national agreement amongst the banks to improve payment transfer times. Government agencies will work together to streamline services and enable quick and easy compliance with regulation and taxation. Online training service providers will enable reliable and high quality access to education and re-training for staff.

To achieve this vision, we all must work together. Industry associations, big business, unions, governments, banks and regulatory agencies have a responsibility to collaborate for success. The Memorandum of Understanding signed between COSBOA and the Business Council of Australia is one example of the change in landscape towards collaborative work. We implore all leaders in Australia to embrace the next decade as a chance to offer significant reform that will allow all Australians to embrace ongoing digital transformation.

6.0 Conclusion

This submission highlights the desire of COSBOA and our members to work with the Australian Government to ensure that small businesses have every opportunity to succeed as the economy continues to transition and embrace digital technologies.

The key challenges for small businesses in Australia are around education and training, cyber-security, the technological platforms available, and competition.

COSBOA would welcome an opportunity to discuss any aspect of this submission with the Australian Government.