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Technology Strategy Branch

Via email: DigitalEconomy@industry.gov.au

04 August 2023

Dear Sir/Madam,

Re: Supporting responsible AI: discussion paper

The Council of Small Business Organisations Australia (COSBOA) recognises the pivotal role new technologies can play in driving productivity and innovation within small businesses. To this end, we believe small businesses hold the key to unlocking Australia's productivity through the responsible use of artificial intelligence (AI). Our submission presents key considerations and recommendations for regulatory frameworks, education initiatives, and supportive measures that promote responsible AI practices within small businesses.

1. Introduction

COSBOA acknowledges the transformative potential of AI for small businesses across Australia. AI can unlock significant productivity gains, providing a potential solution to Australia's productivity challenges. However, to fully realise this potential, responsible AI practices and appropriate regulatory frameworks are crucial. COSBOA believes the government, in partnership with industry associations, can foster a regulatory environment that balances the innovation benefits of AI with risk management, enabling small businesses to harness the benefits of AI while safeguarding against potential pitfalls.

1.2 Goal

We aim to advocate for regulations, initiatives, and practices that enable Australian small businesses to responsibly leverage AI's transformative potential, thereby driving productivity and fostering innovation.

2. Executive Summary

COSBOA's submission underscores the need for clear, robust, and proportionate AI regulatory frameworks, effective educational initiatives, and supportive measures that will enable Australian small businesses to responsibly harness the power of AI. Our recommendations aim to guide the government in fostering an environment where AI can be a force for good, driving productivity gains, stimulating innovation, and empowering small businesses to thrive in the digital age.

2.1 Key Recommendations

This submission provides the following recommendations to address the potential gaps in Australia's current AI regulatory approaches, promote responsible AI practices, and harness AI's potential to drive productivity gains in small businesses:

1. Regulatory Framework:

- Develop concise guidelines for AI development and deployment.
- Mitigate bias in AI through best practices and policies.
- Establish mechanisms for bias detection and control in AI systems.
- Adopt a risk-based approach to AI regulation.
- Implement a Model AI Governance Framework.

2. Collaboration and Education:

- Foster government-industry-academia collaboration.
- Establish a national AI education framework.
- Support AI-focused education for small businesses.
- Promote collaboration between government and industry bodies.

3. AI Adoption Support:

- Provide resources to assist small businesses in adopting AI tools.
- Expand grant programs to foster responsible AI adoption.
- Extend support to AI entrepreneurs and small businesses.

4. Transparency and Accountability:

- Enforce transparency and accountability in public sector AI applications.
- Mandate transparency in AI systems development.

5. Boosting Productivity with AI:

- Encourage responsible experimentation and innovation with AI.
- Partner with industry associations to test AI use cases in small businesses.

3. Recommendations

3.1 Issue: Potential Gaps in Australia's Current AI Regulatory Approaches

Background

Algorithmic bias can lead to unfairness and, in some instances, unlawful discrimination¹. Existing regulations may not adequately address these issues, necessitating specific guidelines and frameworks to ensure fairness and prevent discrimination in AI applications.

Ensuring ethical AI development and deployment is vital for building trust in AI systems². Australia has a voluntary ethics framework for AI³, but proportional regulations and clear guidelines may be needed to ensure transparency, understanding, and ethical use of AI in small businesses.

Proportional regulations can help reduce the regulatory burden on small businesses and maintain a level playing field in the market⁴. Studies have shown that the per-employee regulatory costs for small businesses can be significantly higher than those for large businesses⁵. Small businesses often

¹ McKinsey Global Institute (June 2019) - [Tackling bias in artificial intelligence \(and in humans\)](#)

² The Wall Street Journal (Mar 2023) – [Rise of AI Puts Spotlight on Bias in Algorithms](#)

³ Department of Industry, Science and Resources (Nov 2019) - [Australia's Artificial Intelligence Ethics Framework](#)

⁴ World Bank Basel Committee on Banking Supervision (July 2021) - [Proportionality in bank regulation and supervision](#)

⁵ U.S. Chamber of Commerce Foundation (Mar 2017) – [The Regulatory Impact on Small Business](#)

have fewer resources, benefit less from economies of scale, and are particularly vulnerable to the adverse effects of government regulation compared to large businesses⁶.

Recommendations

These recommendations relate to:

- *Potential risks from AI not adequately addressed by Australia's current regulatory approaches*
- *Proposals for regulatory actions to mitigate these risks*

COSBOA advocates for regulations that are commensurate with the risks associated with AI applications. By implementing these recommendations, we can create an environment where small businesses can harness the power of AI to drive productivity, innovation, and growth.

Development and Implementation of Clear Guidelines

The Australian government should develop and implement clear, concise, and easily understandable guidelines and frameworks for AI development and deployment. This will empower small businesses to leverage AI to boost productivity, assured that they are operating within a robust regulatory framework.

Promotion of Collaboration

Collaboration should be fostered between government, industry, and academia to devise effective regulatory solutions that stimulate innovation and competition. Partnering with industry associations like COSBOA can provide the government with valuable insights into the real-world challenges and opportunities associated with AI adoption for small businesses.

Adoption of Best Practices

The adoption of best practices and policies for AI development that mitigate bias and maintain the quality of AI outputs is essential. High-quality AI outputs can enhance decision-making, improve customer service, and optimise operations, all of which contribute to productivity.

Bias Detection and Mitigation

The government should establish methods to detect and counter biases in AI systems. A careful balance between data privacy, data quality, and bias control in AI applications is crucial. By reducing bias in AI systems, we can ensure their effective use, thereby contributing to productivity gains.

Recommendations

These recommendations relate to:

- *Non-regulatory initiatives that the Australian Government could implement to support responsible AI practices in Australia, along with their benefits or impacts*

COSBOA recommends the Australian Government consider a range of non-regulatory initiatives to support responsible AI practices in the country.

Development of a national AI education framework

The government should develop a national AI education framework to ensure that students and professionals possess the necessary skills and knowledge to use AI responsibly.

⁶ National Center For Environmental Economics (Nov 2001) – [Measuring the Impact of Regulation on Small Firms](#)

Expansion of existing grant programs

The government should expand existing grant programs to support responsible AI adoption and innovation. This will help small businesses harness the potential of AI to boost their productivity and competitiveness.

3.2 Issue: Responses Suitable for Australia

Background

The below recommendations are informed by the AI governance measures adopted by various countries, including the European Union⁷, the United States⁸, Singapore⁹, and South Korea¹⁰. These countries have implemented a range of initiatives, such as risk-based AI regulation, public input in AI governance, Model AI Governance Frameworks, grant programs, and international collaboration, to support responsible AI practices and promote innovation in AI technologies. By considering these initiatives and adapting them to the Australian context, the government can support small businesses in their AI adoption journey and ensure responsible AI practices in the country.

Recommendations

These recommendations relate to:

- *Governance measures taken or considered by other countries that are relevant, adaptable, and desirable for Australia*

Based on the AI governance measures adopted by other countries, the Australian Government could consider the following initiatives:

Adopt a risk-based approach to AI regulation

Adopt a risk-based approach to AI regulation, similar to the European Union AI Act⁷, which tailors regulatory obligations according to the level of risk associated with AI systems. This approach would enable small businesses to capitalise on AI's productivity-enhancing potential while mitigating associated risks.

Implement a Model AI Governance Framework

Implement a Model AI Governance Framework, similar to Singapore's approach⁹, which provides detailed guidance for organisations on addressing ethical issues and governance challenges when deploying AI solutions. This will help small businesses navigate the complexities of AI adoption, reducing barriers to productivity improvements.

Support Industry, AI entrepreneurs, and small businesses to explore AI

Establish grant programs and support for AI entrepreneurs and small businesses, as seen in South Korea's efforts to become a top AI powerhouse¹¹. By supporting AI-driven entrepreneurship, the government can stimulate innovation and productivity growth in the Australian economy.

3.3 Issue: Target Areas

Background

These recommendations are informed by the general principles of responsible AI governance and the unique needs and challenges faced by small businesses. By considering these target areas, small

⁷ European Commission (June 2023) – [Regulatory Framework proposal on artificial intelligence](#)

⁸ Brookings (May 2022) – [The U.S. can improve its AI governance strategy by addressing online bias](#)

⁹ Personal Data Protection Commission Singapore (Jan 2020) – [Singapore's Approach to AI Governance](#)

¹⁰ The Government of the Republic of Korea (Oct 2019) – [National Strategy for Artificial Intelligence](#)

¹¹ Privacy Shield Framework (Mar 2022) – [Korea Artificial Intelligence](#)

businesses can mitigate potential AI risks, improve public trust and confidence in AI, and ensure responsible AI practices, whilst increasing their productivity and competitiveness.

Recommendations

These recommendations relate to:

- *Different approaches for public and private sector use of AI technologies*

Ensure public sector transparency and accountability

For the public sector, it is essential to ensure transparency, accountability, and fairness in AI applications. AI systems used by the public sector should adhere to strict ethical guidelines and undergo regular audits and assessments.

Encourage private sector best practices a support AI uptake

Encourage the private sector to adopt best practices for responsible AI use. Provide support and resources for small businesses to adopt AI technologies and navigate the regulatory landscape.

Recommendations

These recommendations relate to:

- *Transparency across the AI lifecycle*
- *Initiatives or government action to increase public trust in AI deployment*

Mandate transparency of AI systems

Government should mandate transparency of AI systems development and training so small businesses understand the limitations and risks inherent in their use. Understanding the risks of these technologies is integral to ensuring trust in them.

Support education and innovation initiatives

Government should support education and training programs in AI targeting the small business community. By enhancing AI literacy, we can empower more small businesses to adopt AI, unlocking productivity gains.

Foster collaboration between government and industry bodies

Collaborations can generate valuable insights and practical solutions, supporting productivity-enhancing AI adoption in a responsible manner. Working with industry bodies, government could encourage controlled experimentation, development, and innovation in uses for new technologies, thus limiting risk whilst enabling Australian businesses to unlock significant potential productivity gains. This would ensure Australia remains at the forefront of these new technologies and is well placed to unlock their full potential to contribute to the national economy.

4. Conclusion

COSBOA calls upon the Australian Government to consider the recommendations outlined in this submission as a pathway to cultivating responsible AI practices that yield significant productivity enhancements for small businesses. We invite the government to collaborate with us and other industry associations to explore and trial AI use cases within Australia's small business community.

AI tools were utilised in the development of this submission, significantly trimming the time required compared to conventional methods. These tools offered real-time drafting assistance, iterative feedback, and proofreading, underscoring the transformative potential of AI when used responsibly in tandem with human judgement.

Any delay in learning to utilise these tools risks leaving small businesses trailing in the digital era. We urge the Australian Government to act swiftly on these recommendations, ensuring that small businesses are not disadvantaged but are instead provided with opportunities to prosper through the responsible use of AI.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'William Harris', is shown on a light blue background.

William Harris

Chief Operating Officer

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