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Dear Productivity Commission

Harnessing data and digital technology

Introduction

The Council of Small Business Organisations Australia (**COSBOA**) welcomes the opportunity to respond to the Interim Report on Harnessing data and digital technology (**Report**).

Digital adoption has the potential to supercharge the small business sector, creating new efficiencies, new ways of working and driving innovation and entrepreneurship. As acknowledged by the Productivity Commission (PC), for this opportunity to be realised a light-touch regulatory approach is required. Incentivisation to drive digital uptake is also essential.

Many small business owners seek to lay the groundwork for national productivity gains by adopting digital tools, upskilling themselves and, where applicable, their teams and streamlining operations to actively contribute to a more productive future-ready economy.[1] COSBOA recently released its 2025 State of Small Business Report[2] in partnership with Square which surveyed over 500 small businesses and found that:

- 85 per cent of businesses use at least one digital tool;
- 39 per cent adopted Artificial Intelligence (AI) for tasks like marketing content creation; customer analytics and social media automation;
- 37 per cent of businesses do not yet have any planned technology investment;
- 34 per cent plan to spend up to $5,000; and
- 1 in 5 aim to invest $5,000 to $10,000 in the next year, showing investment appetite is rising[3].

The State of Small Business Report also found that technology does deliver real impact. Businesses that use Application Process Interfaces (APIs) process 2.6 times more in sales volume and handle 1.8 times more transactions that those that don't. SaaS enabled businesses also see a 94 per cent boost in average sales volume.

[1] COSBOA and Square 2025 State of Small Business Report.
[2] Ibid.
[3] Ibid.

Small businesses at the centre of digital reform

Whilst the Productivity Commission recognises the transformative power of data and digital technology, the interim report barely acknowledges the role, needs, or challenges of small business. Small businesses, from our regions to our cities, want the capability to digitise. However, small businesses are already face rising costs, tight margins, limited infrastructure and the cumulative weight of significant compliance burdens making targeted investment more difficult than the experience of larger businesses. These businesses must be empowered to adopt transformative technologies like AI and we need regulation that reflects their contribution to our economy and our communities. It is imperative not to overlook the sector that is our nation's largest employer and contributes $500 billion annually to Australia's GDP.

Digitisation can be delivered via incentivisation – making the instant asset write off permanent and increasing the rate to $150,000, which would help drive digital adoption. COSBOA is aware of other programs that incentivise businesses to take up digital technology. The Queensland Government, for example, offers various digital support programs and grants for different small business sectors, with some current examples including the Tourism Business Digital Adaption Program offering a $2,500 rebate and support for tourism businesses, and initiatives supporting digital inclusion through connectivity solutions in regional areas. We suggest that a program such as this, run nationally could be very beneficial in motivating small businesses to adopt digital technology.

AI Regulation

COSBOA agrees that a light touch approach should be taken to AI regulation with a requirement for a national plan for AI that outlines a suitable framework for adoption.

Instead of developing and implementing new overarching AI legislation, Government should undertake a gap analysis of existing regulation so that targeted sectoral regulation can be developed to fill gaps. Regulation must enable and empower the adoption of AI.

Privacy Act

COSBOA reiterates our existing position that exempted small businesses with an annual turnover of less than $3 million should not be captured by the *Privacy Act 1998 (Cth)*. However, even with an exemption, it is important to note that:

- the exemption has never been appropriately indexed such that the many small businesses with a turnover between $3 million and $10 million and unexempted small, allied health businesses are already required to comply with the provisions of the Privacy Act;
- exempted small and micro businesses still face reputational risk if they don't adequately protect their customer data and as a result many of them already have systems in place to protect this information.

The prescriptive nature of the current Act is already overly burdensome to those who are currently required to comply and will present a major and expensive challenge to smaller and micro businesses with turnovers under $3 million should they be required to comply. COSBOA is encouraged by the Productivity Commission's broad recommendations that there be an alternative privacy compliance pathway to reduce the current burdens involved in meeting the requirements of the Act.

The current legislative provisions do not adequately address the way small business data flows occur. Many small businesses now rely on digital platforms and offerings by much larger entities to run their operations. The reputational damage that would flow, for example, from a data breach may disproportionately impact small businesses: this is particularly the case for micro-businesses and sole traders. In 2023, the Office of the Australian Information Commissioner noted the main concern of three-quarters of the Australian public was data breaches.[4] Therefore, in our view, the main outcomes and focus for small business would include:

- keeping customer data **secure** (which is the focus of the COSBOA led CyberWardens program for small business users).
- not retaining data for longer than necessary (which would also help to mitigate risk in the event of a data breach).

Small businesses understand the importance of protecting data and the risks in failing to do so. COSBOA welcomes the opportunity to discuss the most significant and effective pathways to help them with this task without imposing a significant burden that would be impossible to comply with. We want to set small businesses across the country up for success in enhancing privacy practices, not failure.

Financial Reporting

COSBOA supports the shift to mandatory financial reporting, however, we are concerned that the compliance burden placed on any small business required to comply would be disproportionate compared to larger businesses. Therefore, it is imperative that any new requirements are subject to appropriate consultation, sufficient transition timeframes and investment aimed at enabling lower cost compliance.

Conclusion

Small businesses welcome the opportunities of the digital economy where reform is practical, incentives are real, and compliance is achievable. Harnessing digital technology won't just lift productivity; it ensures Australia's small businesses can legitimately have a fair go in the digital age. It is essential that we do not miss a once in a generation opportunity to help small businesses adopt these transformative technologies for the benefit of the broader community.

We look forward to continuing consultation to find practical solutions to uplift Australia's small businesses.

Yours sincerely,

Matthew Addison
Chair, COSBOA

[4] Data breaches seen as number one privacy concern, survey shows | OAIC