

Small Business Taskforce
Office of the Secretary
NSW Department of Customer Service
McKell Building
2-24 Rawson Place
Sydney NSW 2000

By email: smallbusinessstrategy@customerservice.nsw.gov.au

Dear Sir/Madam,

RE: Submission regarding NSW Small Business Strategy

Thank you for the opportunity to participate in the 'NSW Small Business Strategy Industry Focus Group' meeting held on Tuesday 14 June 2022. The Council of Small Business Organisations Australia (COSBOA) welcomes the consultations you are undertaking to inform the development of the NSW Small Business Strategy.

As mentioned during the Focus Group meeting, COSBOA is pleased to provide a detailed submission which includes the experiences and industry-specific views of our members with respect to the key pillars.

The Council of Small Business Organisations Australia (COSBOA)

COSBOA is the national peak body representing the interests of small business. Collectively, COSBOA's members represent an estimated 1.3 million of the 2.5 million small and family businesses that operate in Australia.

As a collaboration of peak organisations across a wide range of industries, COSBOA acknowledges small and medium sized enterprises (SMEs) are major contributors to the Australian economy. SMEs employ 68% of Australia's workforce. In GDP terms, SMEs together contribute 56% of value added. Small and medium businesses are therefore key partners in rebuilding Australia's economy as Australia emerges from the COVID-19 pandemic.

Consultation with members

COSBOA's collaborative consultation has included discussions with representatives from Australasian Convenience and Petroleum Marketers Association (ACAPMA), Australian

Communications Consumer Action Network (ACCAN), Australian Hairdressing Council (AHC), CPA Australia, Digital Service Providers Australia New Zealand (DSPANZ), Disability Employment Australia, Farmer Power, National Insurance Brokers Association of Australia (NIBA), Newsagents Association of NSW and ACT Ltd (NANA) and Screen Producers Australia. Our responses are based on the perspectives of these members and our extensive experience with small and medium sized enterprises across Australia.

Post-COVID-19 climate

The challenges experienced over the past few years due to COVID-19 have brought a permanent and dynamic shift in consumer behaviour in NSW, particularly in the Sydney CBD area. Many commercial CBD office businesses, including some light industrial businesses, have been impacted by COVID-19 for an extended period of time and most recently, by the Omicron variant. Many small businesses are still either directly impacted by COVID-19, or are facing the fallout of changing CBD and other office and consumer behaviour.

COSBOA interviewed members to capture the impacts of COVID-19 on small businesses. During April 2022, we released our report entitled *“The Small Business Perspective: A Survey and Review of the events, responses and Impacts of COVID-19 over 12 months from leaders representing small businesses.”* The Small Business Perspective Report is an important snapshot of the impact of the past two years of unprecedented uncertainty on small businesses and has been produced to help policy makers plan future responses by understanding the diverse perspectives that exist and the experiences of small businesses. A copy of the Small Business Perspective Report is attached.

COSBOA strongly believes that greater consultation and collaboration between all levels of government, industries and small businesses is essential as we move forward and rebuild together. Small businesses across a wide range of industries in NSW are struggling with severe financial hardship due to cash flow problems, worker shortages, rent deferrals, business loans, tax debts, increasing costs due to supply chain issues, rising energy costs, insurance costs, and an ever-increasing debt burden which threatens their ability to remain viable.

The importance of keeping small businesses alive during these challenging times must be acknowledged. Small businesses contribute more to NSW than just the economy. Small business people support local jobs, donate to community organisations like sporting clubs and schools, and bring culture and community to each local area. All this is lost when small businesses disappear. Big businesses move in to take the place of small businesses and the unique community value small businesses bring is lost.

The NSW Small Business Strategy needs to be developed recognising that small business owners have been profoundly impacted by COVID-19 and they will not be able to recover quickly. They are financially stressed, emotionally exhausted and they require increased tailored support in order to emerge successfully from this challenging period.

Some small business owners will need assistance with restructuring and exit strategies, ensuring they can exit gracefully from their current business without impediments for the future. They will need support from trusted advisers throughout this process to ensure they

are fully informed about their options and not discriminated against in future business opportunities.

Other small businesses owners who have a viable business will need assistance to deal with debt as they continue to trade and attempt to rebuild with a limited cash flow and inability to access finance. They will need time to consolidate, recover and grow, and it is important for small businesses to receive ongoing support through their known and trusted pathways with industry associations, peak bodies and trusted professional advisors. Industry associations played a crucial role during the pandemic, especially when there were delays in receiving information from State and Federal governments. Industry associations have experienced increased demand and are in a unique and trusted position to assist governments, particularly in the current re-building phase.

Pathways for support

The NSW Government can play a vital role in supporting small businesses by delivering streamlined and targeted support through the pathways small businesses already take to obtain advice, rather than creating new advisory systems or grant programs which are difficult for small business owners to navigate. Small businesses need to be supported through their professional associations, ideally in an industry-specific way. An example of this is the on-going assistance provided by the Office of the New South Wales Small Business Commissioner to the Industry Association Leaders Group.

Another example of on-going assistance provided by the Office of the NSW Small Business Commissioner is the Commission's mediation service which supports parties to resolve retail and commercial leasing disputes in a cost-effective and non-adversarial way. The mediation protections which prevent landlords from taking certain actions without first attempting mediation remain until 30 June 2022 for tenants with an annual turnover of less than \$5 million. COSBOA continues to advocate for an extension of the Retail and Other Commercial Leases (COVID-19) Regulation 2022 to allow businesses further time to recover. An extension of the compulsory mediation provisions is one practical solution to assist small business owners manage their debt as they are now faced with multiple debts including business loans, tax debt and rent deferral payments. Small businesses need continued access to timely dispute resolution case management assistance and formal mediation sessions to discuss matters such as make good provisions, break lease provisions and exit strategies which will allow landlords to re-tenant their properties as soon as possible. This will ensure the Sydney CBD continues to function and the economy in NSW continues to grow.

1. Removing regulatory barriers

COSBOA has long advocated for a reduction in red tape and regulatory barriers, even before the COVID-19 pandemic arose. The burden that was placed on small business owners to shoulder the impacts of the COVID-19 pandemic was, at times, excessive and unjust. Small business owners were faced with many additional compliance and administrative tasks in a complex and confusing regulatory environment of ever-changing rules and restrictions. Small business owners need to be given back the time that COVID-19 took away from them.

The compliance burden faced by small business owners is significant, and unlike big businesses, small businesses do not have large departments with teams of experts at their disposal to navigate industrial relations, workplace health and safety, tax, insurance and other legal issues as they arise.

Working with trusted advisers

In speaking with CPA Australia, it was highlighted that improvements in the interactions between government and business need to be replicated for the interactions between government and trusted advisers representing small business. Most small businesses engage professional advisers to manage their interaction with governments. CPA Australia recommends that any actions the NSW Government implements to improve business interaction with government should be co-designed with professional advisers. Regardless of any improvements made, small businesses will continue to engage professional advisers to manage their interaction with regulators. It is therefore recommended that any improvements to the interactions between government and business be replicated for the interactions between government and trusted advisers representing small business.

Volume of regulatory changes

It was also highlighted by CPA Australia that the volume of regulatory changes needs to be reduced to give businesses more time to focus on their risks and opportunities. In this challenging and uncertain environment, small businesses need more time to focus on managing risks and positioning themselves for a better future. Reducing the volume of regulatory changes will decrease the time required to comply with new laws, allowing business to better respond to their challenging environment and begin thriving again.

Financial incentive to access advice

It was suggested that the government should provide small businesses, especially those in difficulty, with a financial incentive to access advice from a trusted adviser of their choice. The consequence of businesses not seeking advice is that the range of options available to business owners to respond to their difficulties reduces significantly. This can lead to otherwise viable businesses needlessly struggling, and can result in decisions on the future of a business being made by creditors instead of the business owner. Expanding the business advisory services provided by governments or their contractors, such as Business Connect, is only a minor part of the solution. This service only reaches a small number of businesses, and small businesses are significantly more likely to seek advice from a trusted private provider such as accountants. It is recommended that in addition to Business Connect, the government provides small businesses with a financial incentive to access advice from an adviser of their choice such as their existing accountant, lawyer, bookkeeper or information technology consultant. Similar programs are being delivered in Tasmania and Victoria. This type of incentive is likely to influence far greater numbers of small businesses to seek advice than Business Connect alone.

Development of information and training material

It was also suggested that the government develop information and training material to assist small businesses better respond to climate change and other sustainability and environmental regulatory issues. Many small business operators don't know where to start

when seeking to reduce their impact on climate change and the environment and would welcome this assistance.

Integration of payroll tax reporting requirements

CPA Australian also highlighted the integration of payroll tax reporting requirements into a RegTech solution such as Single Touch Payroll as a key recommendation. For businesses that operate between and across state and territory borders, payroll tax is complex and time-consuming. Efforts should be made to streamline payroll taxes across the nation. Integrating payroll tax reporting requirements into a RegTech solution such as Single Touch Payroll will enable the enhancement of business productivity, improve certainty for employers and reduce expenditure on compliance activity. A successful outcome should involve nationally consistent concepts, definitions and reporting requirements using a nationally integrated platform.

Providing regulatory evidence

In talking with Digital Service Providers of Australia and New Zealand (DSPANZ), we learned that their small business members are having to compete with larger businesses when it comes to providing regulatory evidence. Within the domain of cyber security, small businesses need to showcase an extensive list of controls which may not necessarily be easy for them to show. Small businesses have limited staff and the requirements for showcasing evidence are onerous and technical, and often not possible to be completed by their staff.

The NSW Government can make it easier for small businesses to meet regulatory requirements by having an objective, simple-to-complete list of regulatory requirements, which are within accessible reach of small businesses.

Streamlining regulatory processes

During our consultation with Disability Employment Australia, we learned that most of their feedback related to regulation that is applied by the Federal Department of Social Services, however their members would be pleased to see better use of regulation rather than the current systems where checks are driven around payment integrity, for example if a form has been filled out correctly to commence a client in the program. It is important for all disability employment services in NSW to have access to streamlined regulatory processes.

Modernising document execution

In talking with our members about reducing regulatory barriers in terms of document execution, the COVID-19 pandemic created significant challenges with physical document execution due to lockdowns. With many professionals still working from home, accounting firms are now faced with having multiple staff members in different homes trying to co-ordinate and get “sign off” on tax lodgments, ASIC lodgments, certifications for investment purposes, and finance application lodgments. Accountants can be required to issue multiple digital signatures each day in the normal course of their work. For some finance brokers and accounting firms, the use of digitalisation has involved a significant investment of time and money in staff training.

The use and recognition of electronic signatures through DocuSign and other digital documentation improvements has led to greater efficiency for many firms during this

challenging time. They report all correspondence to and from the Australian Taxation Office (ATO) is very close to being 100 per cent paperless, as is correspondence to and from the Australian Securities and Investments Commission (ASIC).

A desirable outcome would be a continued move towards more time-efficient and cost-efficient electronic recognition processes, including the implementation of systems that allow for this approach like MyGovID or another two-factor authentication process to ensure the risk of identity theft and fraud is minimised.

The use of audio/video conferencing, DocuSign, cloud file sharing, and other digital authentication processes is becoming easier all the time. It should continue to be permitted and be enhanced wherever possible. The flow on benefits to customers are substantial. If small business operators are spending less time administering paperwork, the benefits flow directly to their customers – from a small business perspective, time is money. If businesses are efficient, customers save money and are retained by the business for the long term. This ensures local jobs are retained, new local jobs are created, and local communities survive and flourish.

Addressing labour shortages

Labour shortages continue to face small businesses in the current climate and employing workers needs to be made as streamlined and cost-effective as possible. The problem of not having enough skilled and unskilled workers has resulted in many small businesses being held back from operating at their full capacity and bringing in the revenue they need to grow.

In talking with CPA Australia, it became evident that for professional services businesses such as accounting practices, higher wages are currently one of the business costs of most concern and of biggest concern is the shortage of skilled accountants. CPA Australia is responding to these challenges through offshoring work, turning down new work, no longer servicing certain clients, especially those not paying on time, working longer hours, and investing in digitisation and technology that automates repetitive tasks.

The Australian Hairdressing Council (AHC) has spoken of the need to fill worker shortages and their desire to employ more older members of the workforce, as well as more visa workers. Similarly, the Australasian Convenience and Petroleum Marketers Association (ACAPMA) has indicated that business owners and operators in the fuel industry are currently experiencing significant challenges with respect to staffing of Australia's service station sites. These problems are due to the supply of visa workers being reduced to zero, albeit owing to the understandable international border restrictions given the global pandemic. They have been exacerbated by recent visa concessions afforded to other industries such as hospitality and retail.

Many small businesses have also previously experienced difficulties when hiring temporary skilled foreign workers due to the local labour market testing requirements they must adhere to prior to nominating a skilled overseas worker. The advertising requirements are onerous, time consuming, and expensive. Labour market testing significantly adds to the red tape burden experienced particularly by small and regional businesses.

Small businesses in NSW need all processes associated with employing staff to be simplified. Incentivising workforce participation is essential to help businesses rebuild successfully, and must be done while simultaneously addressing barriers such as housing shortages and the cost of child care as a matter of urgency. It is very hard for small businesses to grow, particularly in regional areas, when in order to attract new people to roles there must be somewhere for them to live. There are significant housing availability shortages. A co-ordinated approach with good stakeholder consultation and co-design across a range of areas such as housing, child care, education, training and employment services is essential.

2. Supporting entrepreneurship

In talking with Screen Producers Australia, it was highlighted that the retention of intellectual property is a key driver of entrepreneurship for NSW screen producers. However, an unequal bargaining position between SME producers and large global streaming businesses means that commercial arrangements are undermining business conditions in this sector.

The economic sustainability and vitality of the independent production sector is a crucial underpinning of the creation of high quality, diverse, relevant, and compelling Australian content. One of the foundations to the sustainability of independent screen businesses is their ability to secure fair and equitable terms during deal-making with commissioning platforms.

At present, there is a failure of the market to provide fair and equitable terms in deal-making, due to the oligopsonic market structure, in which power resides with the small number of buyers in the market (commissioning platforms), to the detriment of the large number of sellers (independent producers). This market failure is evident in buyers seeking “more for less” from producers, particularly in relation to the level of licence fees paid for content and the ability of producers to retain IP.

Retention of IP is vital for the predominantly SME producer community, as it provides an asset they can leverage into other revenue streams such as exports and helps to build an economic base that provides stability and opportunity for their business.

This imbalance in market power is dramatically more pronounced and damaging as regards streaming platforms. This is in part due to their size and scale - the market mostly features global streaming giants with only one local provider, who is nevertheless part of a large corporate structure, but also due to the fact that with deregulation of linear broadcast media, streaming platforms are increasingly the means through which production businesses can seek commissions.

The overwhelming trend in the market is for streaming platforms to use this imbalance in bargaining power to take all international and ancillary rights in a project for an extended licence term. Where a producer may previously have retained ancillary rights or rights to exploit outside of Australia, and in so doing generate a revenue stream that supported a

sustainable production business as an ongoing concern, this option is now no longer available.

Due to the oligopsonic market conditions, producers are not in a favourable position in which to negotiate for the retention of any IP, which severely harms their ability to build sustainable businesses based on strong IP assets.

The fees going back to producers in these deals are not necessarily increasing despite the increased value of the deal to commissioning platforms. In this way, a commissioning dollar from a linear broadcast media business is not necessarily comparable to a commissioning dollar from a streaming platform.

3. Boosting and empowering resilience

Small businesses in NSW do not have adequate controls in place against digital disruptions. Even though COVID-19 has pushed businesses to embrace remote working and digital ways of collaboration, disruptions to laptops can create significant interruptions for small businesses.

From a Disability Employment perspective, most disability employment services do have disaster and pandemic plans. However, more could be done to support their members to prepare for unforeseen disaster events. The government funding does not offer much in terms of planning for unexpected events or disruption, as changes are usually made after the events, for example floods, fire and COVID-19.

Our discussions with Australian Communications Consumer Action Network (ACCAN) highlighted that the resilience of the communications network in natural disasters is a contemporary issue affecting small businesses. Solutions to this should aim to improve the quality of service in addition to improving resiliency. During and after natural disasters, community hubs at post offices, community halls and evacuation centres should make public Wi-Fi available. Small businesses find it takes a long time for infrastructure to be rebuilt after natural disasters. Small businesses are unable to sell online if they don't have an internet connection available to them. It is imperative that a combination of infrastructure, device and connectivity issues are addressed. There is a need to harden infrastructure to improve the reliability and resilience of communications services.

CPA Australia indicated their accountants have a range of business skills that proved invaluable to assisting small businesses and government respond to COVID-19, bushfires and floods. This included assisting business recovery and helping clients access JobKeeper and JobSaver payments. Their members are ready to assist small businesses and government with the next challenge. However, their role would be made easier if there was standardised support for business and individuals impacted by a disaster. So much time, effort and resources were invested by accountants and bookkeepers for their clients in learning and applying the multiple business support payments hastily developed and delivered by various levels of government in response to recent disasters. Much of this effort was done pro bono. It is important that governments develop standardised support for business and individuals that can be quickly activated in response to a disaster and can

be scaled up or down in response to the nature and magnitude of the disaster. A standardised, scalable disaster support package for business should expedite the delivery of appropriate support to business and individuals impacted by a disaster. This type of support package will provide certainty during challenging times when businesses and individuals are particularly distressed. CPA Australia is confident that having an off-the-shelf, scalable disaster support plan for small businesses that is based on robust risk analysis would enable governments and their members to quickly implement tried, tested and sound disaster support.

Newsagents Association of NSW and ACT Ltd (NANA) indicated they have members and policy holders who have been affected by the recent natural disasters. There has been a cumulative effect with people impacted by fires followed by floods and storms in the South Coast and Northern Rivers areas. There are certain sorts of risks where insurance will not be obtainable in particular locations, such as the flood component in a Business Pack policy for a business which is located 20 metres from a river. This is due to it being an uninsurable risk. One of the businesses affected in the Northern NSW floods was a newsagent. The business owners were not covered for floods. The building is still standing but the business is a total loss. The owners are exhausted and they've simply "just had enough." There are certain elements which mean despite not having flood coverage they still may be entitled to claim, so NANA is working with them on that but it is a very stressful time for them and for many other small business people in this situation.

Similarly, the Australasian Convenience and Petroleum Marketers Association (ACAPMA) highlighted the series of natural disasters their members have faced, including the recent floods in NSW. The frequency with which they have occurred and the fact that it has been the same areas being hit repeatedly has meant insurance has gone up to a point that it is so expensive it's not economic for small businesses to take out insurance against the risk because they just can't afford it. Many small businesses are now not insuring which means they are reliant on the government bailing them out each time there's a major disaster. ACAPMA has members who were exposed to the recent floods and it is the third time in the last two and a half years they've sought assistance from government, so broader changes are definitely required.

COSBOA believes that when we talk about adaptation to climate change, there are big items on the agenda like sea level rises and urban settlement however insurance has *not* adapted to climate change. It is continuing with the same model of *"we look at your risk, and then we price that risk accordingly. If you have a claim, then we're going to increase your premium. If you have another claim, then we're going to increase your premium further because that's the standard way of operating."* It is very difficult for people in regional areas because the area in which they live and work is their local community, their home and their business community. They own the land and they have to rebuild at that location, so the reinsurance pool is part of the conversation but it is not going to solve the problem. It is important for us to have conversations and take actions that actually change the nature of risk for small businesses.

For example, a service station business in Lismore which has had three major floods in the last 20 years and has now had the fourth which has been a really devastating flood, can't

simply just go back and rebuild the property the way it was with no mitigation of flood waters. If it does, insurers are going to increase the risk associated with that property and the business is already paying too much for insurance. Government needs to assist with the rebuilding of those areas in a way where we actually lower the risk that is being insured and something substantial is done to mitigate against the risk of that happening again. The idea that we just go back and insist that insurance compensates for what effectively is an increasing probability of risk just means you are ramping up the insurance each time, so the answer does not lie solely in reinsurance, nor does it lie solely in government having bigger buckets of money available to rebuild these communities every time. We need to be focusing on lowering the physical risk to those properties.

When looking at Murwillumbah and Lismore, Murwillumbah had a flood that was just as big but they had a flood levy system. They had portable flood barriers that could be deployed. Flood barriers are similar to bollards in car parks. They can be water-filled or concrete, and they have two posts with pre-drilled holes and can be dropped in the floor. They could be sitting in a council depot ready to be deployed. Councils have the machinery to be able to deploy them. This is just one practical example. We need to think more creatively about how we adapt the risk by rebuilding settlements that have a lesser risk of being hit by the same disaster event.

COSBOA believes it is essential to work collaboratively with Infrastructure Australia as they identify the priorities either for the economic movement of goods and services to maximise the productivity benefit, or to accommodate safety and other concerns. They do not have a priority associated with building more resilient settlements or disaster-proofing settlements, so we would like to work together with Resilience NSW and Infrastructure Australia to add disaster-proofing settlements to Infrastructure Australia's priorities. We need the projects that are identified in the works program to be funded by the Federal Government, with funding that flows to both the NSW government and local councils in NSW. We need to be engaging in an ongoing conversation about how we lower the risk to these communities, and we need to be having a conversation about utilising infrastructure investment as we rebuild these communities. There is no doubt we need to rebuild them, but we can't rebuild them with the same risk profile that they had prior to the disasters.

COSBOA is committed to addressing the issue of disaster preparedness and resilience with Infrastructure Australia, Resilience NSW, Insurance Council of Australia, Engineers Australia, Institute of Architects and Consult Australia to assist small businesses survive, rebuild and thrive in their local communities. The NSW Small Business Strategy has a key role to play in this area. We welcome the support of the NSW Government in facilitating discussions across these organisations.

4. Reducing costs on business

Any costs which are outside the core activities of the small business are concerning. Small businesses rely on smaller margins, therefore the rising costs of supply chain issues, energy and insurance premiums have significantly impacted many of our members. Costs such as IT infrastructure management and cyber security are costs that are often not budgeted and must be absorbed.

In talking with Farmer Power, it was highlighted that as with all small businesses and particularly in regional areas, it is the input costs that are more significant for everyone at the present time. For dairy farmers, these costs include power, feed, water, fertilizer, council rates and insurance.

Emergency Services Levy

In discussions with the National Insurance Brokers Association (NIBA), it became evident that a primary area of focus is the Emergency Services Levy, which when combined with other insurance-based taxes increases premiums for small businesses by up to 70 per cent, leading to higher rates of under-insurance and limiting small businesses' ability to respond to disasters and other insurable events.

The current funding model for the NSW Emergency Services Levy is inequitable and means the cost is passed on to policy holders, many of whom are small businesses. This is driving up operating costs for small businesses. The NSW state fire and emergency services are currently funded by the Emergency Services Levy which is levied on all general insurers in Australia based on their market share. This charge is passed onto policyholders as an ESL component on general insurance policies as a percentage of the base premium, on policies such as commercial property insurance, motor vehicle insurance, and some forms of crop and livestock insurance.

General insurance contributions account for nearly 75 per cent of emergency services funding, with councils and the state government contributing the remainder. The general insurer contribution for the 2022-23 financial year has been set at \$1,172,878,520 which is a 30 per cent increase since the 2019-20 financial year.

The current system sees the Emergency Services Levy, GST and stamp duty levied on top of the base premium, increasing the cost of insurance for small businesses. This has a compound affect and has significant consequences for small businesses who are struggling with rising business costs across a range of areas. Many small businesses have been forced to reduce their level of cover or regrettably forgo insurance, which significantly decreases the ability of small businesses to withstand natural disasters and insurable events.

All other States have abandoned insurance-based funding models in favour of a more broad-based property funding model in which property owners contribute to the funding of emergency services through a levy on council rates. Abolishing the Emergency Services Levy and moving towards a fairer, property-based funding model would provide significant relief to small business owners and encourage them to focus on risk management strategies, thereby building disaster resilience. Another option for consideration is reducing the stamp duty cost on insurance which is currently taxed at 9%. A reduction would encourage uptake on insurance.

Telecommunications costs

Discussions with Australian Communications Consumer Action Network (ACCAN) highlighted that small businesses in regional and rural areas often incur additional fees for their telecommunications services, for example thousands of dollars for an antenna or equipment

to extend signals. Some small businesses experience difficulties getting the right connection type for their building which can be time consuming and costly, for example requiring running cables through walls. Other businesses are unable to get Sky Muster or satellite services because there are several other units on the premises. This restricts consumer choice and has implications on affordability. The quality of communications connections can also affect the affordability of services for small businesses. This might relate to where the small business is located, for example they might operate out of an older shopping centre which has poor connectivity or limited mobile coverage, however the small business can't afford to independently improve the connectivity. In some cases, shopping centre owners or body corporates can influence who small businesses connect to, which can dictate price.

5. Improving digital and e-commerce literacy

Since 2016, COSBOA has been working with the Federal government and senior cyber security experts to produce an affordable tailor-made solution for small businesses to minimise their risk. We encourage small businesses to talk about cyber security and actively work with trusted advisers to receive assistance through trusted pathways.

In 2022, COSBOA completed the '*Small Business Cyber Security Research Report*' with our delivery partners 89 Degrees East. The rationale for this report was our understanding that small businesses lack the time, resources, expertise and energy to deal with a problem they don't immediately experience. With a wide range of immediate concerns, including natural disasters, COVID-19 lockdowns, economic forecasts, and a constantly changing regulatory environment, addressing cybersecurity needs to be made easy by ensuring it does not require a lot of time, resources or expertise, and can be done regardless of external situations. It needs to include different incentives, clear pathways and trusted advisors.

COSBOA's desktop audit showed there was a lack of research and evidence on what is needed to create an environment to encourage cybersecurity uptake. To address this lack of research, our project consisted of four parts including a research audit, direct interviews with COSBOA members, an online survey, and testing the appeal of potential solutions.

Further information about our Cyber Security Warden program proposal is available in the attached '*Small Business Cyber Security Research Report*' presentation slides document.

In speaking with Digital Service Providers Australia New Zealand (DSPANZ), it was highlighted that a cross-industry, simple and relevant digital security and cyber security uplift program is very much needed in NSW. Small businesses make up most of the commerce in the state and are the most targeted businesses. Even in 2022, there is rampant ransomware and phishing fraud occurring with very little support extended towards smaller businesses. Even though cyber liability insurance exists, it does not provide coverage for proactive measures.

Many small businesses are aware of security threats but do not have the knowledge to address those threats. Small businesses have embraced digital platforms and are building up their skills in digital tools. Many small businesses have a high level of proficiency with e-

commerce, however some still require further assistance. COSBOA would like to see more education and training available in this area to enable more businesses to thrive.

Small businesses face challenges in creating and maintaining a basic cybersecurity program, which includes having data security controls in place, having a consistent method of managing controls and having an established framework of assurance to share with customers and regulators. A basic cyber security framework that can assist with creating and managing a cybersecurity program that goes beyond the Essential 8, which is also limited to just PC environments, is required.

Disability Employment Australia described a good level of knowledge with respect to online and digital security and cyber security, as DES providers must reach accreditation via the Right Fit for Risk strategy. This means all providers must comply with a minimum benchmark of online and cyber security. Digital skills and proficiency with e-commerce are areas in which further development is required within the sector.

Australian Communications Consumer Action Network (ACCAN) highlighted the difficulty that some small businesses can experience in getting connected and embracing digital transformation, particularly in regional areas. One small business reported that the only option available to them was ADSL. Other options such as 4G modems and Sky Muster did not meet their needs in terms of speed and data. Members have acknowledged that although COVID-19 has accelerated some digital transformation, many small businesses still need to educate themselves about the connectivity options available and outlay funds to set up those solutions which is difficult in the current economic climate. This also extends to domain names, firewalls and other cyber security related expenses.

CPA Australia described some shortcomings in digital literacy in their sector and recommended that funding be significantly increased for programs that assist small businesses to improve their capability and capacity to digitally transform. One example that should be considered by the NSW Government is Victoria's Small Business Digital Adaptation Program. This program provides a \$1200 rebate to encourage small business to access a range of approved digital business tools. The technology training available to small businesses should be increased and should include cybersecurity and data privacy training.

6. Making it easier to supply

Procurement is a very important area for small business. All of the key pillars can be applied to the ways in which local and state governments procure. The recent changes where contracts are broken down into small segments to allow small businesses to apply is a really pleasing pathway, however it is important to ensure all the necessary requirements and forms are as easy as possible to complete because small businesses owners simply do not have time to spend additional hours meeting complex requirements.

With respect to the burden of debt and cascading of debt through larger contracts, COSBOA notes the burden of professional indemnity insurance flows onto small businesses with a small part of a project. They are expected to wear the burdens of millions of dollars worth of insurance. Simple strategies such as not requiring small businesses to have insurance in

place before applying for contracts would be helpful. As insurance costs continue to rise, small businesses are paying thousands of dollars while they wait to find out if they have been successful in winning the contract. If they do not win the contract, it is a cost to a business with no benefit.

From a Disability Employment Australia perspective, members cite assuredness around funding and contract length as a continual challenge. The network of contracted providers still lack uncertainty about what changes will be made to the current contract requirements. This makes it very difficult to plan ahead in terms of staffing and lease arrangements for work premises. These concerns highlight the need for all levels of government to provide as much consultation, assistance and certainty as possible with respect to procurement contracts.

Summary

COSBOA advocates for the NSW Small Business Strategy to provide a clear pathway forward for small businesses in NSW. It is important for small business operators to know exactly what to expect over the next 3 year period. The past few years have been very unpredictable and difficult for small businesses. We need to see the support available for each of the pillars set out very clearly with practical, actionable steps that are well-designed ensuring a predictable and consistently strong rebuilding phase for small businesses in NSW.

We would like to see a recognition by all levels of government that every piece of policy has an impact upon small business. It is essential to have good co-design and consultation with small business stakeholders across all policy areas. In order to build resilience, entrepreneurship and the capacity for businesses to scale, immediate issues of concern must be addressed with increased support made available through trusted advisers and trusted industry-specific pathways.

COSBOA advocates for continued small business stakeholder consultation with respect to the development and implementation of the NSW Small Business Strategy. Our members would appreciate further opportunities to provide feedback.

On behalf of our members, I sincerely thank you for the opportunity to participate in this consultation process.

Yours sincerely,

A handwritten signature in black ink that reads "A Boyd". The signature is written in a cursive, slightly slanted style.

Alexi Boyd
Chief Executive Officer
Council of Small Business Organisations Australia (COSBOA)

19 June 2022

Attachments:

1. *“The Small Business Perspective: A Survey and Review of the events, responses and Impacts of COVID-19 over 12 months from leaders representing small businesses.”*
2. *“Small Business Cyber Security Research Report”* presentation slides.