



Secretariat: PO Box 463
Canberra ACT 2600

0493 364 720

Our advocacy team is based in Canberra

Email: ceo@cosboa.org.au
www.cosboa.org.au

Select Committee on Cost of Living

Via email: costofliving.sen@aph.gov.au

12 May 2023

Dear Sir/Madam,

Re: Select Committee on Cost of Living

The Council of Small Business Organisations Australia (COSBOA) recognises the pressing need to address the cost of living pressures on both individuals and small businesses. COSBOA is committed to addressing the challenges faced by Australian small businesses, particularly those tied to cost management and financial resilience, both of which are inextricably linked to the cost of living for Australians.

Our submission presents key considerations and recommendations focusing on regulatory changes, payment times, and energy price shocks, all of which directly affect the cost of living through their impact on business expenses.

1. Introduction

COSBOA is a non-profit organisation representing small businesses in Australia. Given that small businesses make up over 95% of all businesses in the country and employ around 44% of the workforce, their financial health has a significant impact on the nation's economy and, consequently, the cost of living. By working to reduce business costs, the government can contribute to alleviating the cost of living crisis by lowering production costs, which in turn can lead to more affordable goods and services.¹

1.2 Goal

Our goal is to provide compelling evidence and data that can guide the government in formulating effective policies and actions to alleviate cost of living burdens on small businesses, thereby reducing inflationary pressures and cost of living for consumers. By doing so, we aim to contribute to a broader strategy to manage cost of living pressures.

¹ [World Trade Organisation](#)

2. Executive Summary

Rising cost of living pressures significantly impact small businesses. Our submission focuses on key areas such as regulatory changes, payment times, energy price shocks, and more. We provide recommendations for policy and advocacy actions aimed at mitigating these challenges and directly addressing the cost of living issue crisis.

2.1 Key Recommendations

This submission provides the following recommendations to address the cost of living pressures facing Australians:

1. Energy Price Shocks

- Develop and implement a small business energy efficiency program on a 50-50 contribution basis.
- Work with industry associations to promote the use of group buying programs for small businesses to negotiate better energy rates.

2. Rental Costs

- Develop a government-backed rent relief program for small businesses experiencing financial hardship due to high rent costs.
- Encourage local governments to offer tax incentives to landlords who offer affordable rent to small businesses.
- Support programs working with landlords to place creatives and microbusinesses into empty shops for reduced or no rent.

3. Insurance Premiums

- Establish a government-backed risk assessment and mitigation program for small businesses.
- Invest in new and existing risk reduction initiatives to promote small business resilience.

4. Least Cost Routing (LCR)

- Mandate the adoption of LCR by payment service providers and introduce penalties for non-compliance.
- Launch a government-funded education campaign to inform small businesses about the benefits of LCR.

5. Payment Times

- Introduce legislation requiring large businesses to pay small business suppliers within 14 days of receiving an invoice.

6. Barriers to Entry and Exit

- Continue and expand funding to existing and new financial support in the form of grants, low-interest loans, and other financial assistance to new entrepreneurs.
- Incorporate mentorship programs into existing and new grants where possible.
- Continue to streamline the Australian Business Registry Services (ABRS).

7. Regulatory Burdens

- Implement minimal, effective policy interventions through consultation with small business representative bodies.
- Develop and implement a small business regulatory impact assessment process for all new regulations.
- Create a small business advisory panel to consult with regulators and policymakers.

- Implement a one-stop-shop online portal for small businesses to access all necessary licenses, permits, and regulatory information.

3. Recommendations

3.1 Issue: Energy Price Shocks

This issue relates to:

d. Measures to ease the cost of living through the provision of Government services

e. Any other related matter

Recommendations

- Develop and implement a small business energy efficiency program on a 50-50 contribution basis, incentivising small businesses to invest in energy-efficient practices by matching their investment.
- Work with industry associations to promote the use of group buying programs for small businesses to negotiate better energy rates.

Energy price shocks can contribute to higher operational costs for small businesses, which can translate into higher prices for consumers, thereby exacerbating cost of living pressures. Implementing measures to help small businesses reduce their energy costs can, therefore, have a positive impact on the cost of living for Australians.

Evidence

COSBOA's 2023 Cyber Wardens survey showed that energy prices are considered the greatest risk to small businesses, with 41% of small businesses identifying energy prices as a risk to their business². Close to 1 in 3 (32%) small businesses in Australia experienced energy hardship paying their energy service as a direct result of the COVID-19 pandemic³. As of March 2022, 1 in 5 SMES still had an energy service debt that they were paying off³.

3.2 Issue: Rental Costs

a. The cost of living pressures facing Australians

Recommendations

- Develop a government-backed rent relief program for small businesses experiencing financial hardship due to high rent costs.
- Encourage local governments to offer tax incentives to landlords who offer affordable rent to small businesses.
- Support programs working with landlords to place creatives and microbusinesses into empty shops for reduced or no rent.

By implementing these measures, the government can help small businesses manage their overheads, potentially allowing them to offer more competitive prices and contribute to easing the cost of living pressures for Australians. Placing small businesses in vacant shops benefits both small businesses and landlords, as it fills vacant spaces and maintains the property's value.

² COSBOA – Cyber Wardens, Understanding Small Business & Cyber Security – January 2023

³ COSBOA – Small Business Power Research Report – March 2022

Evidence

ASBFEO has identified high rent costs as a significant issue for small businesses, with many struggling to negotiate fair and reasonable lease agreements⁴. The Australian Bureau of Statistics reported on 23 June 2022 that nearly half (46%) of businesses experienced increases to their operating expenses⁵

3.3 Issue: Insurance Premiums

This issue relates to:

- d. Measures to ease the cost of living through the provision of Government services
- e. Any other related matter

Recommendations

- Establish a government-backed risk assessment and mitigation program for small businesses to help them identify and address potential risks, lowering insurance premiums.
- Invest in new and existing risk reduction initiatives to promote small business resilience

High insurance premiums can contribute to the cost of living pressures by increasing the operational costs of small businesses, which may be passed onto consumers in the form of higher prices. Risk assessment and mitigation programs can help small businesses lower insurance premiums by addressing risks proactively. This is vital as increasing costs of living can also contribute to businesses operating uninsured or underinsured.

Evidence

The Insurance Council of Australia estimate an ROI on resilience programs of up to 9.6⁶. COSBOA's 2023 Cyber Wardens survey showed that 22% of small businesses identified natural disasters as a risk to their business⁷.

3.4 Issue: Least Cost Routing (LCR)

This issue relates to:

- a. The cost of living pressures facing Australians
- e. Any other related matter

Recommendations

- Mandate the adoption of LCR by payment service providers and introduce penalties for non-compliance.

LCR can directly impact the cost of living as it can help small businesses save on payment processing costs, allowing them to pass on these savings to consumers in the form of lower prices. By mandating the adoption of LCR and, the government can ease cost pressures and support competition.

Evidence

Independent analysts estimate that if all debit card transactions in Australia used the lowest cost payment scheme, merchants could save at least \$800m and up to \$1.28 billion annually in fees⁷.

⁴ ASBFEO – TRANSCRIPT: Payment Times – February 2023

⁵ ABS – [Business Conditions and Sentiments](#) – June 2022

⁶ Insurance Council of Australia – Reaping the Rewards of Resilience – February 2022

⁷ CMSPI - Review of Payments Consultation - July 2021 Report

Various business organisations have analysed the impact of switching to LCR on individual businesses, including:

- A regional WA newsagent saved \$700 a month in the first few months after switching to LCR.
- A Brisbane newsagent saw a decrease of 35% on its merchant fees after switching to LCR.
- An outer suburban butcher in Sydney is saving around \$2,000 a year on their merchant fees through LCR.
- A shoe shop in Sydney's north recently switched banks to save almost \$2,500 a year on merchant fees through LCR annually after their previous bank wanted to charge more.
- A Victorian taxi technology company saved over \$50,000 within a year of switching to LCR
- Three medium sized grocery stores in WA saved \$90,000 per annum from LCR before being told their savings would be eroded as other rates across their banking facilities would go up.
- A fashion retailer achieved a 33% fee saving (over \$2,000 p.a.) by changing payment service provider and moving to terminals that enable LCR at point of sale.

3.5 Issue: Payment Times

This issue relates to:

a. The cost of living pressures facing Australians

e. Any other related matter

Recommendations

- Introduce legislation requiring large businesses to pay small business suppliers within 14 days of receiving an invoice.

Continued slow payment by large businesses must be addressed by legislation to enforce payment times and the establishment of a dispute resolution service, both of which can help small businesses maintain the healthy cash flow crucial for their survival. Inadequate payment practices by large businesses disproportionately affect small suppliers; addressing this problem could greatly enhance the financial stability of small businesses.

Delayed payments can lead to cash flow problems for small businesses, potentially resulting in job losses, business closures, and higher prices for goods and services, all of which contribute to cost of living pressures. Inadequate payment practices by large businesses disproportionately affect small suppliers; addressing this problem could greatly enhance the financial health of small businesses.

Evidence

Almost one in four big businesses took more than 120 days to pay their small business suppliers, with only 31% of big businesses paying their small business invoices within 30 days⁸. The latest data from the Payment Times Reporting Regulator, analysed by ASBFEO, shows that the payment performance of over 7,000 large businesses has seen virtually no improvement in the past six months⁹.

3.6 Issue: Barriers to Entry and Exit

This issue relates to:

⁸ ASBFEO – [Quarterly Report Q4, 2022](#) – January 2023

⁹ ASBFEO - Select Committee on Cost of Living Submission 13 – March 2023

a. The cost of living pressures facing Australians

e. Any other related matter

Recommendation

- Continue and expand funding to existing and new financial support in the form of grants, low-interest loans, and other financial assistance to new entrepreneurs.
- Incorporate mentorship programs into existing and new grants where possible to connect experienced business owners with new entrepreneurs.
- Continue to streamline the Australian Business Registry Services (ABRS) to reduce barriers for business entries and exits.

By providing financial support and mentorship to new entrepreneurs the government can lower barriers to entry, increase business formation, and foster innovation. With 140,102 non-employing businesses entering the market in 2021-22, targeted support is crucial to ensuring their success.

Cost of living pressures can be eased by lowering barriers to entry and exit for small businesses. By supporting entrepreneurship and facilitating business formation, the government can stimulate economic growth and job creation, which in turn, can increase income levels and improve the cost of living for Australians.

Evidence

Small businesses account for 87.6% of all innovating businesses in Australia, despite the fact that a smaller percentage of small businesses receive government financial assistance to innovate compared to medium and large businesses¹⁰.

Entrepreneurs in Australian small and medium businesses are significant creators of jobs and growth: contributing 44% of Australia's employment growth and 50% of economic growth in the decade to 2019¹¹.

Accenture's independent evaluation of COSBOA's Academy for Enterprising Girls shows that investing in entrepreneurialism can have significant benefits, with an ROI of between 1.6 to 15¹¹.

3.7 Issue: Regulatory Burdens

This issue relates to:

a. the cost of living pressures facing Australians

e. any other related matter.

Recommendations

- Implement minimal, effective policy interventions through consultation with small business representative bodies for tailored and efficient regulations.
- Develop and implement a small business regulatory impact assessment process for all new regulations, ensuring they are proportionate and do not place undue burdens on small businesses.
- Create a small business advisory panel to consult with regulators and policy makers to ensure regulations are tailored to the specific needs of small businesses.

¹⁰ ASBFEO – [Small Business Counts](#) – December 2020

¹¹ Accenture – [Academy for Enterprising Girls Independent Evaluation Report](#) - 2021

- Implement a one-stop-shop online portal for small businesses to access all necessary licenses, permits, and regulatory information.

Overly complex and burdensome regulations can stifle the growth of small businesses, which can lead to reduced employment opportunities and higher prices for goods and services. By implementing a small business regulatory impact assessment process and establishing an advisory panel, the government can facilitate the growth and resilience of small businesses by ensuring new regulations are tailored and effective.

An online one-stop-shop can reduce the burden of navigating complex regulations, allowing small businesses to focus on growth and innovation. Use of simple, understandable English and provision of clear action points will be essential for communicating existing and new regulatory requirements to small businesses.

Evidence

Relative to their size, the costs and burdens of regulation are higher for small businesses, with many small businesses lacking the knowledge or expertise required to correctly implement employment related legislation¹². Research from Treasury shows that a tiered regulatory approach can increase the net societal benefit of regulation¹³.

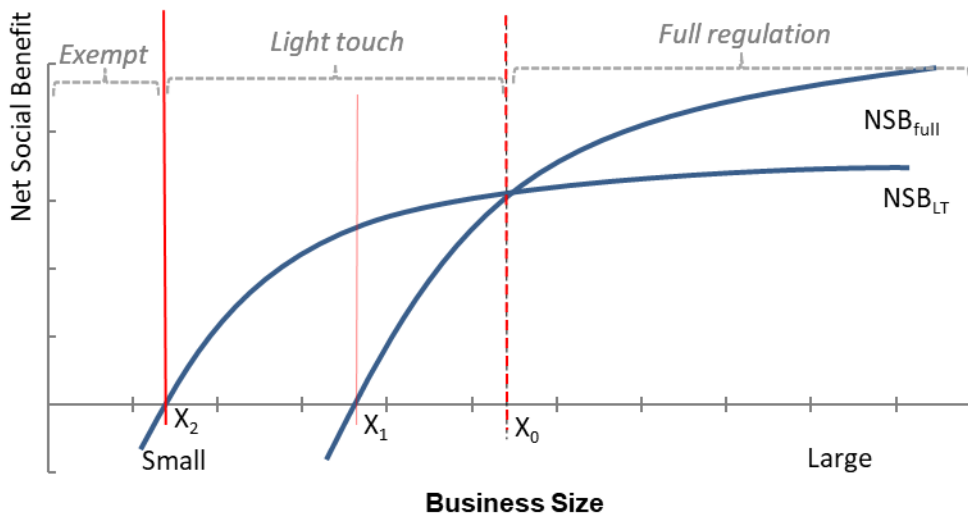


Figure 1 Australian Government, The Treasury – Regulation and Small Business – August 2017

COSBOA's 2023 Cyber Wardens survey showed that 23% of small businesses identified time spent on compliance as a risk to their business².

4. Conclusion

COSBOA aims to create a supportive environment for small businesses, and by extension their local communities, through addressing cost of living concerns. Our recommendations provide a roadmap for policy and advocacy actions to alleviate cost pressures, fostering a more sustainable and resilient small business community and reducing living costs. COSBOA will continue to advocate for small businesses and monitor the implementation of these recommendations.

¹² Lewis, Richardson & Corliss – [Compliance Costs of Regulation for Small Business](#) – February 2015

¹³ Australian Government, The Treasury – [Regulation and Small Business](#) – August 2017

Yours sincerely,

Matthew Addison

Chair of the Board

Council of Small Business Organisations Australia (COSBOA)