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Small Business Strategy Taskforce  
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## ARA SUBMISSION IN RELATION TO NSW SMALL BUSINESS STRATEGY

### INTRODUCTION

The Australian Retailers Association (ARA) welcomes the opportunity to comment on NSW's Strategy for Small Business (the Strategy).

The ARA is the oldest, largest and most diverse national retail body, representing a \$360 billion sector which employs 1.3 million Australians and is the largest private sector employer in the country. As Australia's peak retail body, representing more than 100,000 retail shop fronts and online stores, the ARA informs, advocates, educates, protects and unifies our independent, national and international retail community.

We have also encouraged our members to complete the associated survey and hope this assists in informing the development of the Strategy.

Most ARA members are small businesses and are facing ongoing challenges stemming from the pandemic and other global pressures including:

- Rising inflation impacting consumer confidence.
- Increasing costs including wages, fuel and rent.
- Supply chain disruption.
- Slower economic recovery in CBDs.
- Labour and skills shortages.
- Deferred rent from the pandemic.

Each of these factors are combining to drastically increase the cost of doing business for retailers, making economic recovery from the impacts of the pandemic more challenging than expected.

A recent survey of our membership revealed that 80% report they are preparing for an increase in financial stress in the next 12 months, as well as an increase in the cost of doing business which 75% of respondents indicated they are passing on to customers. Another 35% reported cutting margins in response to increasing cost pressures.

In the CBD, small retail businesses are not seeing a return of pre-pandemic customer traffic and yet they are faced with CPI (or above) increases to rent as well as increasing labour costs, compounded by an acute labour and skills shortage with over 29,000 retail job vacancies reported in February.<sup>1</sup>

This makes a co-ordinated Strategy to support small businesses in NSW very welcome and necessary.

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<sup>1</sup> [Job Vacancies, Australia, February 2022 | Australian Bureau of Statistics \(abs.gov.au\)](https://www.abs.gov.au/australian-bureau-of-statistics/news-items/2022/02/job-vacancies-australia-february-2022)

Smaller retailers often lack resources and time to investigate innovations that can assist with business growth and development and the ARA is keen to partner with Government to enable better support for small business.

We believe there is scope to improve education and awareness around the potential for digitisation as well as more streamlined ways to engage with regulators and government agencies in an increasingly complex environment of technology and regulation.

We have provided responses to the specific questions from the consultation below.

## RESPONSES TO QUESTIONS

### 1. What regulation creates the greatest barriers for small businesses in your industry?

NSW's retail leasing legislation is overdue for reform. The National Leasing Code of Conduct presents strong guidance on how to re-balance rights and obligations between retail tenants and landlords. A review would also provide opportunity to consider what mechanisms introduced during the pandemic to protect tenants should be extended beyond the end of June 2022 (when these measures are due to expire). An example is the requirement for landlords to enter mediation before evicting or locking out tenants.

A shortage of labour and skills is currently impacting on small businesses ability to recruit and retain staff. Specific skillsets sought by the sector include digital, and data use and storage.

Rules that prevent Age Pensioners from working without penalty to their pension income are a barrier that could be removed to expand the pool of job candidates in the sector. Similarly, the uncertainty around visa arrangements for international students and working holiday makers is also a pain point for small retail businesses.

Small businesses are always short on time and resources to access expert advice, particularly on tax, human resources, leasing and financial compliance matters. Any initiatives that build awareness of the resources available in terms of expert support, tools and advice programs for small business owners are welcome.

### 2. What programs or measures can further support a thriving and dynamic entrepreneurship in NSW?

In a challenging economy and increasingly complex environment of technological change and regulation; ARA members would benefit from improved education and awareness around the potential for digitisation as well as more streamlined ways to engage with regulators and government agencies.

As an example, Queensland's Business Launchpad initiative provides a one-stop shop for small business operators to understand their obligations before they commence trading. Business NSW's Get Started page is similar, but we suggest it could be expanded and include more access to government support.

We also see scope for educational and training reforms to provide more places for jobseekers to train for retail careers with these reforms including:

- Reprioritising retail industries on the NSW Skills List to make subsidies available for training and study in areas where there are skills shortages.
- Supporting investment in training programs through Registered Training Organisations via incentives.

### **3. How are small businesses in your industry preparing for future unexpected events or disruption?**

Retailers are preparing and budgeting for the impact increases in fuel and energy costs will have on the cost of doing business. The increase to the national minimum wage and minimum award wages will also drive up the cost of doing business after 1 July. These inflationary and workforce pressures mean that higher prices are being passed along at every stage of the supply chain.

Supply chain disruption also continues to impact retailers. ABS data<sup>2</sup> suggests that businesses reliant on international supply chains are all experiencing common issues with 88% of businesses reporting timeframe blowouts, 80% reporting issues with product availability, with 50% reporting an inability to source an alternative product.

### **4. What business cost(s) cause the most concerns for small businesses in your industry?**

A recent ARA member survey found that 61% of respondents were concerned about the financial viability of their business in the next 12 months, and 73% were concerned about cashflow.

These concerns are also evidenced by the Australian Bureau of Statistics (ABS) data<sup>3</sup> that finds 38% of businesses are expecting costs to rise by more than usual, and Westpac analysis states business confidence slipped 6 points in April alone, to a +10.<sup>4</sup>

Leasing costs are of the most concern for small retail businesses with increases as high as 8% expected from 1 July, particularly as arrangements put in place during the pandemic cease. As noted above, the ARA recommends urgent reform of leasing regulations to ensure small businesses are not forced out of business come July.

### **5. How would you rate knowledge of the following among small businesses in your industry?**

- **Knowledge of online/digital security and cyber security**
- **Digital skills**
- **Proficiency with e-commerce (selling online)**

Small retail businesses tend to be technology followers rather than leaders, however, the take up of technology was accelerated by the pandemic when many small businesses moved online by necessity. Knowledge around digital and cyber security could always be improved. Small business owners are challenged in finding adequate time and resources, and both industry associations and government are key to dissemination of information around digital skills, the benefit as well as the need for security safeguards.

E-invoicing is being deployed and adopted, and will advantage many small businesses, however, there is room for greater encouragement of this to aid in adoption levels, particularly through government agencies leading the way.

### **6. What are the top challenges small businesses in your industry face when supplying products or services?**

The rising cost of doing business, as mentioned above, is the key challenge facing small retail businesses. These rising costs are driven by inflation, the costs of fuel and building materials being critical drivers of inflation, mostly due to global forces.

<sup>2</sup> [Less businesses with supply disruptions | Australian Bureau of Statistics \(abs.gov.au\)](https://www.abs.gov.au/mediacentre/media-releases/less-businesses-supply-disruptions)

<sup>3</sup> [https://www.abs.gov.au/mediacentre/media-releases/less-businesses-supply-disruptions\)](https://www.abs.gov.au/mediacentre/media-releases/less-businesses-supply-disruptions)

<sup>4</sup> [Australian business conditions 2022-04.indd \(westpac.com.au\)](https://www.westpac.com.au/australian-business-conditions-2022-04)

As outlined above in response to question 3, supply chain disruption also continues to impact retailers and this is expected to prevail, again due to global events as well as the impact of natural disasters domestically.

CBD businesses are currently of the most concern to the ARA. While consumers are spending on household goods and retail sales have increased, in the CBD, foot traffic levels and occupancy rates remain below pre-pandemic levels as office workers are continuing to choose a hybrid working model rather than returning to offices on a five-day a week basis. CBD customer traffic levels are also impacted by decreased levels of tourism, with the ABS reporting only 610,000 overseas arrivals in April 2022, compared to 1.83 million in April 2019. We are not confident that these small businesses will survive if governments do not act to curb inflationary pressures and the rising cost of doing business.

## CONCLUSION

Thank you again for the opportunity to provide a submission to the Small Business Strategy Taskforce. We look forward to further engagement as discussions progress on this important initiative and I would be pleased to meet with you again to discuss in more detail these challenges and how the Small Business Strategy can assist with supporting a strong retail recovery in NSW.

Any queries in relation to this submission can be directed to our policy team at [policy@retail.org.au](mailto:policy@retail.org.au).

Yours sincerely,



**Paul Zahra**  
Chief Executive Officer