



Australian Government



Australian
**Small Business and
Family Enterprise**
Ombudsman

17 May 2024

Senator Tony Sheldon
Chair, Senate Select Committee on adopting Artificial Intelligence
Parliament of Australia
PO BOX 6100
Canberra ACT 2600

via email: aicommitee.sen@aph.gov.au

Dear Senator Sheldon

Senate Select Committee on Adopting Artificial Intelligence

Thank you for the opportunity to submit to the Committee's inquiry into the opportunities and impacts for Australia arising out of the uptake of Artificial intelligence (AI) technologies.

Owing to the speed and scope of innovation in AI technologies, it is difficult accurately to predict the opportunities and risks that will emerge as the technology matures.

The Productivity Commission has found that implementing AI into business practices can improve individual performance, especially for less experienced or productive workers. However, the commission also concludes that there is little evidence that AI has increased organisational productivity and notes that large, well-resourced organisations have dominated early uptake.¹

This early adoption trend highlights the importance of any regulatory framework not being so complex, overly risk-averse and intrusive that only the well-resourced and sophisticated businesses might be able to embrace and realise the full benefits of AI. ASBFEO encourages the Committee to calibrate any policy and regulatory recommendations to seek to support AI as a modern economy 'utility' (analogous to electricity) able to drive broad economic innovation and not unduly constrain its use so only a few dominant businesses can embrace its potential.

As with the information and communications technology (ICT) revolution, the bulk of productivity improvements from AI are likely to come from its application of AI across the economy, to increase efficiency and solve business problems. The ASBFEO has received anecdotal evidence that small businesses are already using generative artificial intelligence; that is, AI that not merely analyses data, but can also produce various types of content, including text, imagery, audio and synthetic data (such as data created by computer simulations).

Current small-business applications of generative AI include, but are not limited to:

- drafting emails and letters to customers
- writing copy for advertisements
- designing logos
- producing illustrations and images (including images of hypothetical people)
- drafting compliance documents

¹ Productivity Commission, *Making the Most of the AI Opportunity – Research Paper 1*, Productivity Commission, Australian Government, Jan 2024, pp. 4, 9.



- documenting internal business processes
- framing professional advice to enable specialists to focus on areas of expertise
- scoping existing research and opinion before developing new insights
- conducting market research
- suggesting business-development ideas
- writing business plans
- assisting recruitment.

These applications illustrate how generative AI can drive entrepreneurship, the creation of new businesses and productivity growth – including among young people.

Encouraging and enabling the next generation of entrepreneurs is an important task. The ASBFEO's *Small Business Matters* report highlighted that:

- In 2021, only 8 per cent of Australian small business owners were aged under 30, significantly below the peak of 17 per cent in 1976, while almost half (47 per cent) were aged 50 or over
- approximately 43% of small businesses are not making a profit
- 75% of small business owners take home less than the average full-time adult weekly wage.²

The Certified Practising Accountant (CPA) Australia *Asia-Pacific Small Business Survey 2022-23* found that:

- younger businesses and younger respondents are more likely to innovate
- Australia has the highest percentage of respondents aged 50 and over
- only 14.3 per cent of Australian businesses planned to introduce a new product, process or service that is unique to their market or the world in 2023
- This was the lowest result of the 11 economies surveyed and significantly below the average of 34.4%.³

At the same time, generative AI poses challenges for small businesses. While search engines produce numerous results – albeit skewed by sponsored links – generative AI tools produce definitive responses that reflect the prompts of the user. Further, the methods by which most AI tools determine responses are closed; that is, not transparent. This means that if a small business is not accessible to an AI trawler, it will not just be de-emphasised in results, it will not appear at all. In terms of commerce, this risks rendering smaller businesses invisible where users pose questions such as ‘best place to purchase sporting gear’ to an AI engine.

Generative AI also elevates the risk of sophisticated scamming and the importance of sound data governance. The ASBFEO considers that the Australian Government's reforms to the *Privacy Act 1988* (which will remove the exemption for small businesses under the Act) necessitate the development of concise, relevant and accessible guidance for small businesses, preferably in the form of a decision-support tool. The ASBFEO considers that there is a timely and well-suited opportunity to extend this tool beyond compliance and assurance and encourage more positive

² Australian Small Business and Family Enterprise Ombudsman, *Small Business Matters*, June 2023.

³ CPA, *Asia-Pacific small Business Survey 2022-23*, March 2023.



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engagement, by incorporating cyber-security guidance and Consumer Data Right rules into the actionable privacy steps for small businesses.⁴

We acknowledge the work of the Department of Industry and the CSIRO to provide informational resources, administering grants and contributing to industry and Government expertise on the use of AI. We recognise that the CSIRO's National AI Centre brings together partners from government, industry and the research sector to investigate and research AI technologies in Australia.

Advice for new entrants to the field can be found on the Business.gov.au website about use opportunities, grants and regulations related to AI implementation and development. Providing links to research opportunities and grants may be useful to encourage small entrepreneurship in AI technologies.

The ASBFEO notes that the government will be providing \$39.9 million over five years from 2023–24 for the development of policies and capability to support the adoption and use of AI technology in a safe and responsible manner.

Development of AI regulation should streamline legislation with an eye to harmonising with international standards and approaches, reducing duplication and friction for Australian businesses seeking to engage in crossborder operations. The implications of AI for competition, privacy and cyber-security will also need to be carefully considered; and might require changes to legal requirements and enforcement.

If you require any further information, please do not hesitate to contact the Policy & Advocacy team at the ASBFEO, via email at advocacy@asbfeo.gov.au.

Yours sincerely

The Hon Bruce Billson

Australian Small Business and Family Enterprise Ombudsman

⁴ Australian Small Business and Family Enterprise Ombudsman, *Submission to Privacy Act Review*, 29 March 2023.