

29 September 2026

Committee Secretariat  
Joint Select Committee on Artificial Intelligence  
Department of the Senate  
PO Box 6100  
Parliament House  
CANBERRA ACT 2600

via email: [ai.joint@aph.gov.au](mailto:ai.joint@aph.gov.au)

Dear Committee Secretariat

### **Joint Select Committee Inquiry on Artificial Intelligence**

The Australian Small Business and Family Enterprise Ombudsman (ASBFEO) welcomes the opportunity to make a submission to the Joint Select Committee Inquiry on Artificial Intelligence.

Artificial intelligence (AI) presents significant productivity and cost reduction opportunities for small businesses. At the same time, AI creates new risks — or exacerbates existing risks — for small businesses, so it is important that AI tools are used safely and effectively.

The ASBFEO advocates for government support to address barriers to the safe and effective adoption of AI. Support should focus on building the capability of small businesses to use AI tools confidently and safely, taking into account their diversity, limited resources and capacities.

The National AI Plan recognises the importance of small businesses to the nationwide adoption of AI.<sup>1</sup> In line with the 3 broad objectives of the National AI Plan, the ASBFEO advocates for government support which:

- is informed by an appreciation of the productivity and cost reduction opportunities, as well as the risks and barriers, which AI presents for small businesses
- enhances the capability of small businesses to adopt AI tools
- helps small businesses develop and apply practical, fit-for-purpose governance of AI risks.

### **How are small business engaging with AI: opportunities, risks and barriers**

The ASBFEO's assistance data and research indicates small business owners are increasingly relying on AI tools to support business operations, seek information, complete administrative tasks and explore opportunities for business growth. At the same time, small business owners are reporting a range of challenges, most of which relate to inaccurate or misleading AI-generated information.

Surveys indicate that Australia's small businesses are engaging with AI. According to the National AI Centre's (NAIC) AI Adoption Tracker, 44% of Australian small and medium businesses have

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<sup>1</sup> Department of Industry, Science and Resources (DISR), *National AI Plan*, DISR, Australian Government, 2025, p7, accessed 3 September 2026.



adopted AI (for the period December 2025-February 2026 ).<sup>2</sup> In a recent survey conducted by the New South Wales Small Business Commission, 61% of NSW small businesses reported currently using, trialling or implementing AI, while 25% of businesses reported not currently using AI (n= 238).<sup>3</sup> Furthermore, 46% of small business respondents agreed that AI could improve the productivity and competitiveness of their business, while 21% disagreed.

The ASBFEO understands that productivity and cost reduction opportunities arise from the potential for AI to enable small businesses to augment, automate and accelerate work tasks to:

- attract and keep customers, for example, by predicting demand, evaluating customer feedback on specific service needs and interests, and enhancing client responsiveness
- improve decision-making, for example, by generating ideas, testing designs and analysing feedback
- support staff capability, for example, by better understanding their businesses operations to identify specific workflow problems for which AI could provide a solution.

However, insights from small business stakeholders indicate that the safe and effective uptake of AI is challenged by a range of:

- risks, for example, cybersecurity threats, legal compliance, and the ongoing, rapid evolution of technology
- barriers, for example, small business' resource constraints, uncertainty about the potential value of AI to their business, limited understanding of (and skills needed to apply) AI tools, and perceived high upfront costs for uncertain benefits.

### **Supporting small business governance of AI risk**

The ASBFEO supports the National AI Plan's commitment to practical, risk-based protections that are proportionate, targeted and responsive to emerging AI risks,<sup>4</sup> and the Australian Government's six essential AI governance practices provide a useful foundation for developing these protections.<sup>5</sup> However, implementation needs to account for the constraints faced by small businesses.

AI governance measures should be fit-for-purpose to enable a small business to determine and put in place, in a way which is practical and proportionate to their circumstances, risk mitigation measures to manage:

- how data and personal information is stored and protected
- how the business can provide adequate oversight of AI-assisted outputs
- the extent to which AI use should be disclosed to customers or employees
- how a customer can report an AI-related issue

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<sup>2</sup> NAIC, *AI adoption insights: December 2025 to February 2026*, NAIC, Australian Government, 2026, accessed 9 September 2026.

<sup>3</sup> NSW Small Business Commission (NSW SBC), *AI Survey Results - September 2026*, NSW SBC, unpublished.

<sup>4</sup> National AI Centre (NAIC), *Guidance for AI adoption: implementation guidance*, NAIC, Australian Government, accessed 3 September 2026.

<sup>5</sup> DISR, *Keep Australians safe*, DISR, Australian Government, 2025, accessed 15 September 2026.

- the harm which could occur if AI systems fail
- who is accountable for the outcomes of AI use
- how to test and monitor AI tools.

*Small businesses have limited administrative capacity*

Many Australian small businesses — 77% of which are sole traders — have limited resources for managing administrative tasks. The small business owner is typically responsible for the range of functions required to manage the business, including HR, finance, legal and administration.

Small business owners already face the challenge of managing regulatory compliance, digital security and financial resilience, among other things, and are understandably concerned that adopting AI tools would significantly add to this administrative burden.

Many owners are also unclear about the benefits of AI to their business, with recent NAIC data indicating that 54% of non-AI adopting businesses believe AI is not relevant. This is a critical barrier to AI adoption, especially where the business perceives it to impose significant upfront costs and administrative burden. However, as the NAIC emphasises, this barrier can be addressed with a small business more likely to consider adopting AI where it can see how it might benefit its business through relatable, compelling examples, informed by practical guidance.<sup>6</sup>

*AI governance should be integrated within the broader business risk framework*

AI risks need to be considered alongside other business risks and governance measures. In many cases, AI will amplify existing business risks where the tool is embedded within (or works alongside) a business's digital technology and information management systems, exacerbating risks in areas such as:

- scams and cybersecurity threats,
- misuse or disclosure of confidential information, and
- inadvertent copyright or other legal infringements.

Sectors which rely on long or complex supply chains, or even just networks of information sharing, can be especially vulnerable to the 'common dependency and concentration risk' of AI operating through conventional digital technology.<sup>7</sup> This can quickly transform isolated individual incidents into wide-ranging disruption across multiple sectors, for example, in mortgage broking which relies on a complex web of interconnected lender portals, customer relations management systems and identity-verification providers.

Integrating AI governance within a business's broader risk framework enables related risks to be identified and allows for a more streamlined, coordinated approach to risk mitigation.

**Improving small business capability to adopt AI**

*Government support should be focussed on building capability*

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<sup>6</sup> NAIC, *AI adoption insights: December 2025 to February 2026*, NAIC, Australian Government, 2026, accessed 9 September 2026.

<sup>7</sup> Australian Securities and Investment Commission (ASIC), *ASIC and APRA warn frontier AI awareness must turn to action*, ASIC, Australian Government, 2026, accessed 14 September 2026.



Government support should extend to practical, accessible guidance and other supports that helps small businesses better understand how AI can improve the productivity and efficiency of their business operations, and to respond to the risks and barriers of adopting AI. Support should include building small business capability to adopt a strategic approach to AI adoption so it addresses an identified business need, such as a business process to improve, or a problem to solve.

This also requires an understanding of how small businesses engage with guidance and support.

The ASBFEO's experience indicates that small businesses are more likely to engage with material delivered through trusted industry and professional networks, especially those which operate locally, rather than directly interfacing with government.

One of the most effective ways to impart information is through relatable case studies – ideally based on real, sector-specific examples that demonstrates in a practical way how a small business has addressed the various opportunities, risks and barriers. Other forms of small business capability building support could be through:

- a concierge-style advisory service
- fit-for-purpose training courses, including interactive training tailored to the practical problems businesses face in using AI
- peer-learning, drawing on trusted intermediaries, including industry associations and professional advisers
- opportunities for small business users to engage with developers of AI tools to help test and refine.

#### *Consolidate small business access to AI resources and support*

Government currently publishes a substantial body of information about AI, primarily through the NAIC ([www.ai.gov.au](http://www.ai.gov.au)). Alongside the NAIC, it has also established AI Adopt Centres, including the Safe AI Adoption Model (SAAM) and the Small to Medium Enterprise Centre of Artificial Intelligence (SMEC AI), as well as the Digital Solutions program (accessible through [business.gov.au](http://business.gov.au)).

Feedback from stakeholders, however, indicates that the range of resources available is fragmented across multiple agencies, is sometimes duplicative, difficult to navigate and is often overwhelming to engage with. The NAIC itself has acknowledged that its resources are little known, much less utilised.<sup>8</sup>

The ASBFEO therefore recommends the development of a single online hub specifically designed for small business that has links to the various AI support services, programs and information that are available. This could be supported through the development of a concierge-style advisory service that helps small businesses identify which services and resources suit their needs.

#### *Support should be informed by the diverse characteristics of small businesses*

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<sup>8</sup> Lee Hickin, 'Navigating Responsible AI in Small and Medium Businesses', *The Public Sector Podcast*, Public Sector Network, accessed 18 September 2026.



In designing guidance and support for small business, government should take account of the diverse nature of their characteristics, including business type, digital literacy, language preferences and geographic location.

There are also significant variations across sectors regarding perceptions of how useful AI might be for their business. As of 2024-25, the ABS recorded the highest adoption of AI in: information media and telecommunications (38%); professional, scientific and technical services (24%); and financial and insurance services (24%). In contrast, rates of AI adoption are much lower in: construction (6%); accommodation and food services (5%); agriculture, forestry and fishing (3 per cent); transport, postal and warehousing (1%).<sup>9</sup> Lower uptake in these sectors appear to reflect findings in the NSW survey that many small businesses see little benefit in using AI for work dependent on physical tasks, professional experience, creativity or direct human interaction.

Small businesses are demographically diverse. For example, the ASBFEO data on sole traders indicates that, from 2017-18 to 2021-22:

- 16% were under the age of 30, 48% aged 30-49 and 36% 50 years or above
- 40% cent were women (up from 31% over the preceding 5 years), and
- 37% identified as being culturally or linguistically diverse.<sup>10</sup>

Small businesses are also geographically diverse, with nearly a third based outside of a metropolitan area (as of 2022).<sup>11</sup> Small businesses in rural, regional and remote Australia face particular challenges with regard to digital infrastructure and internet connectivity, which can impede routine business activities and act as a barrier to the uptake of cloud-based AI tools. This can also impact their ability to access guidance and support.

If you require any further information, please do not hesitate to contact the Policy and Advocacy team via email at [advocacy@asbfeo.gov.au](mailto:advocacy@asbfeo.gov.au).

Yours sincerely

**Lynda McAlary-Smith**

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<sup>9</sup> Australian Bureau of Statistics (ABS) *Characteristics of Australian Business, 2024-25 financial year*, ABS, Australian Government, 2026, accessed 15 September 2026.

<sup>10</sup> Sole traders represent 77 per cent of all small businesses: Australian Small Business and Family Enterprise Ombudsman (ASBFEO), *Sole Traders – The unsung hero of Australia's economy* [Website], ASBFEO, 29 January 2026, accessed 2 July 2026.

<sup>11</sup> Australian Small Business and Family Enterprise Ombudsman (ASBFEO), *Location of Australia's small businesses - regional and metro areas* [Website], ASBFEO, February 2023, accessed 2 July 2026.