Senator Tony Sheldon
Chair - Select Committee on Adopting Artificial Intelligence
PO Box 6100
Parliament House
Canberra ACT 2600

By online submission

Dear Chair

Thank you for the opportunity to provide feedback on the opportunities and impacts for Australia arising out of the uptake of AI technologies to the Select Committee on Adopting Artificial Intelligence (AI).

The NSW Small Business Commissioner (the Commission) is an independent statutory office of the NSW Government. It provides strategic advice, advocacy, and affordable dispute resolution services across NSW. The Commission's role includes:

- Encouraging Government agencies and large businesses to enter productive working relationships with small businesses.
- Facilitating and encouraging the fair treatment of small businesses.
- Promoting a fair operating environment in which small businesses can flourish.

NSW small businesses play a vital role in the NSW economy through the unique products and services they offer, the $465.3 billion in annual sales and service income they contribute and the 1.7 million people they employ in the private sector.

The Commission anticipates that small business adoption of AI technologies is likely to become of increasing importance to remain competitive in an increasingly sophisticated and dynamic marketplace. Small businesses face unique challenges when implementing and remaining up to date with the most cutting-edge AI technologies. The Commission encourages the Committee to consider the experiences of small businesses as potential adopters of AI technologies, as well as the potential impact of structural changes that may result from the proliferation of this emerging technology.

AI Survey results in metropolitan and regional NSW

The Commission regularly surveys NSW small businesses to measure their confidence and performance. In April 2024, the Commission included questions on AI tool usage and attitudes among small business. The findings revealed one in four NSW small businesses have utilised or are experienced with AI tools including LLMs as part of their business operations.

Among AI users, 56 per cent indicated the tools had a neutral impact on business operations, while 43 per cent reported a positive or very positive impact and only 1 per cent reported a negative impact. In both Greater Sydney and regional NSW, around 27 per cent experimented with AI tools. Most businesses, both in regional and metropolitan areas, reported a neutral impact of AI tools, with slightly higher positive results in Greater Sydney (48 per cent) compared to regional NSW (39 per cent). While uptake remains low overall across metropolitan and regional NSW, the findings suggest AI has the potential to positively impact business operations.

Supporting small businesses to utilise AI tools and navigate risks

AI has the potential to significantly change the way we do business. However, limitations on time and resources may prevent small business operators from exploring the potential capabilities of AI. These emerging technologies can offer significant gains in business productivity – such as by automating time-consuming, routine, and repetitive tasks – however the dividends of these gains are far from guaranteed, particularly if AI solutions are not properly understood. Without adequate knowledge and trust in AI tools, some business owners may be reluctant to engage with these new technologies.

Equally, there is the potential for some AI tools to be implemented in a manner that does not have proper regard to the risks. This includes the potential for hallucinations/errors and biases within LLMs, as well as prematurely automating processes without a proper understanding of the technology or appropriate assurance and mitigations. Privacy obligations and cybersecurity risks may also be present in some circumstances.

AI Guide for small businesses

To address some of the abovementioned risks, in December 2023 the Commission released a guide entitled 'Can Artificial Intelligence help your business?'. The guide promotes responsible AI use by exploring how AI technologies, including large language models (LLMs), can support small business. It addresses risks such as privacy concerns and emphasises AI as a supplement, not a substitute for human judgement and quality assurance.

The guide includes case studies showcasing how AI technology can help with content writing, data analysis, explaining complex concepts, and generating new ideas. It encourages small business owners and employees to enhance their skills and explore how AI may be of assistance in their business.

Remaining alert for structural changes

While the Australian Government should encourage responsible AI uptake and use, support may still be necessary for some segments of the small business community, including those negatively impacted by the proliferation of new technologies or the misuse of AI for criminal or anticompetitive activity. It is anticipated that all small businesses in the years ahead will be impacted by the use and adoption of AI by competitors, suppliers, customers and the broader society this is likely to see industry sectors and segments of the small business sector vulnerable to displacement. These small businesses should be supported through policy initiatives which empower them to pivot to new opportunities or adopt these new technologies.

Thank you for the opportunity to make a submission. If you require further information, please contact my Executive Officer, Megan Bennett, at either megan.bennett@smallbusiness.nsw.gov.au or (02) 9372 8767.

Yours sincerely

Chris Lamont
Commissioner
NSW Small Business Commission

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