BUSINESS SA
2014 CHARTER FOR A MORE PROSPEROUS SOUTH AUSTRALIA

BusinessSA
South Australia's Chamber of Commerce and Industry

CONTENTS

FOREWARD

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Business SA, as the peak Chamber of Commerce and Industry in South Australia and the State's leading voice of business, represents thousands of businesses across all industry sectors. These member businesses range from micro businesses through to multinational companies. Business SA plays a lead role in advocating on key issues affecting our members and South Australia's economic future.

As part of that advocacy, and in consultation with members, Business SA has prepared the *2014 Charter for a Prosperous South Australia* which makes informed recommendations to the next State Government.

When implemented, these recommendations will be central to building a stronger and more successful business community in South Australia, and, through that, drive a more competitive and prosperous State.

This forward thinking document has been developed to influence business and economic policy development in South Australia.

It makes recommendations that are realistic and achievable within the next State parliamentary term having taken into consideration South Australia's budgetary position.

Business SA urges major political parties as well as independent politicians in South Australia to heed and to endorse the recommendations as part of their 2014 State Election platform.

February 2014

RECOMMENDATIONS

Unless specified otherwise, all the recommendations are for actions to be taken by the Party that forms Government post 15 March 2014.

1. TAXATION

1.1 Lead Commonwealth-State Government relations for a comprehensive review of the Australian tax system, including the GST, to enable the abolition of inefficient State based taxes such as payroll tax.

1.2 Lift the payroll tax threshold from $600,000 to $1,000,000 by 2017/18 through annual increases of $100,000.

1.3 Re-introduce the payroll tax exemption for wages paid to apprentices and trainees.

1.4 Reduce the land tax rates and lift the threshold so that South Australia has one of the most competitive land tax systems in Australia, as opposed to being the least competitive. South Australia's top land tax threshold should be progressively raised to $2,500,000 and the top rate progressively lowered to 2.5% by 2016/17, with other thresholds and rates lowered accordingly.

1.5 Reduce the number of other State taxes and charges affecting businesses beginning with those agreed as part of the Inter-Governmental Agreement on Federal Financial relations: to abolish stamp duty on business transfers and non-quotable marketable securities.

1.6 Ensure South Australia maintains its share of GST revenue, Special Purpose Grants and other Commonwealth funding in accordance with the Principles of Horizontal Fiscal Equalisation (HFE). Given that any changes to HFE are unlikely without consensus of the States, South Australia should lead Commonwealth-State financial relations in promoting the long term benefits of HFE to all States.

1.7 Do not proceed with the planned introduction of a Transport Development Levy from 1 July 2014. Also known as the 'Car Park Tax', this $750 annual levy will be payable on all 'on street' and 'off street' CBD car parks (with some exemptions for residential, disabled and customer car parking).

2. INDUSTRY

2.1 Undertake biennial red-tape reduction reviews targeting a minimum $150 million reduction in the regulatory burden over each two year period. The Government must begin by reviewing areas identified by businesses as having the most regulatory impost, including but not limited to compliance in work, health and safety (WHS), the environment, building and planning, government tendering and taxation.

2.2 Provide sufficient support to the Industry Participation Advocate to achieve the primary aim of his Office: reform of procurement policies and practices to ensure local businesses are not disadvantaged and that the benefits of buying locally are taken into account when assessing the relative value of tender applications from local businesses.

2.3 Amend the Late Payments Bill and any associated regulation to ensure that the administrative burden of collecting interest on late payments does not fall on small businesses.

2.4 Remove the annual turnover limit after two years of operation of the Late Payments Bill, in which time the automatic payments system should be established, ensuring that all businesses are covered.

2.5 Fully deregulate shop trading hours.

2.6 Refocus State Government policy to give priority to the contribution of food production and associated food and beverage manufacturing to South Australia's economy and the potential of this sector to generate the next wave of economic growth on the back of Asia's increasing food demands and concerns over food security.

2.7 Collaborate with the Commonwealth Government and key industry players to ensure that the transition fund for the auto-manufacturing sector results in component businesses accessing resources which will assist them restructure and access alternative markets. It is also important to ensure that the transition fund maintains a focus on measures to expand manufacturing in areas where South Australia has a comparative advantage, such as food and beverage manufacturing.

2.8 Ensure the 30 Year Plan for Greater Adelaide is amended to specify the Primary Production Priority Areas prescribed by Primary Industries and Regions SA (PIRSA).

2.9 Ensure that PIRSA Primary Production Priority Areas are progressively established throughout South Australia and integrated into local Development Plans by July 2016 to enable the ongoing productive use of prime arable lands. Furthermore, Primary Production Priority Areas should be embedded into the State Food Plan and lobby the Commonwealth Government to ensure that they are also reflected in the National Food Plan.

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2.10 Confine State Government industry policy programs to areas of market failure, rather than areas where the Government perceives assistance is required. For example, an appropriate role exists for the State Government to assist component part manufacturers to prepare for Holden's manufacturing exit in 2017.

3. TRADE

3.1 Restructure, and where appropriate, relocate overseas trade offices to ensure that they are positioned in cities which reflect the realistic level of trade opportunities for South Australian businesses and the difficulty they would otherwise face accessing trade opportunities independently.

3.2 Establish an Export Ready Program (ERP) to bridge the services gap between setting up a business and transitioning it into a position where it is ready to export. The program should be workshop focused so that businesses can transition to exporting by receiving practical knowledge and tools, rather than theory based education. Furthermore, small businesses should have access to a coaching/mentoring program to assist with problems and provide support from experienced and successful business people. The ERP should be provided by the private sector, to improve the interface with small business.

3.3 Retain the Gateway Business Program but relax and streamline the eligibility criteria to attract more applicants and allow for grants over consecutive years.

3.4 Establish an Export Services Hub (ESH) to focus on increasing the number of small businesses capable of exporting and expand the opportunities for those businesses that are export ready. The ESH will be a 'one stop shop' where a business can be provided information and be directed to all relevant services in order to become export ready and establish a path to market.

3.5 Lobby the Commonwealth Government to expand its Tradestart service. This service is valuable for small businesses in establishing a path to market but requires additional Government resources to increase the number of Tradestart advisers.

3.6 Promote business led trade missions in order to capitalise on long established networks via international chambers of commerce. On the other hand, State Government led trade missions should primarily focus on bringing investment to South Australia and promoting Brand South Australia. Furthermore, business delegates should be invited to attend all State Government investment missions to ensure business is leveraging off opportunities created via inter-governmental dialogue and to increase transparency.

4. INFRASTRUCTURE

4.1 Prioritise the remaining infrastructure required to achieve a seamless North-South transport corridor through Adelaide which will not only benefit city commuters, but will be critical to improving freight corridors, particularly for regional exports.

4.2 Target the Port Adelaide and Outer Harbour tram extensions (as part of the proposed Adelink tram network) for completion by 2016, particularly given that the rail infrastructure is already in place.

4.3 Establish an independent statutory authority to advise State Government on infrastructure priorities. The authority will have sufficient expertise to independently establish South Australia's infrastructure requirements and undertake cost/benefit analyses to ascertain which projects should be given priority.

4.4 Such an independent statutory authority (as described in 4.3 above) should investigate pilot projects to encourage the superannuation sector, particularly locally based funds, to invest in greenfield (new) infrastructure.

4.5 Ensure an appropriate focus on regional infrastructure requirements given the substantial contribution the regions make to South Australia's Gross State Product. A prime example being the need for a 275 KV transmission line to facilitate expansion of the Eyre Peninsula economy.

4.6 Lobby the Commonwealth Government to lift Adelaide Airport's curfew from 11 to 12pm and from 6 to 5am, with appropriate noise abatement measures in place such as landing and departing over Gulf St Vincent.

4.7 Increase Adelaide's urban public transport share to 10% by 2017 and progressively to 13% by 2021 through a strategic overhaul of the existing public transport system to ensure:
– no competing transport modes on the same route;
– expansion of the radial grid to avoid excess routing through the CBD and to enable more cross city journeys;
– a level of service timeliness which instills confidence in passengers;
– a focus on simplifying the network to ensure Adelaide's public transport system is easily understood.

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4.8 Facilitate increased Transit Oriented Development (TOD) in Greater Adelaide, with a particular focus on further encouraging in-fill development around established infrastructure. TOD should be prioritised around mixed activity centres to promote business expansion outside the CBD.

5. ENERGY

5.1 Ensure there are no barriers to development of the remote Cooper Basin for shale gas reserves which is particularly critical given the East Coast gas supply constraints anticipated to occur from 2016. The State Government should enable industry to take advantage of existing gas network infrastructure connected to the Cooper Basin which can assist future extraction.

5.2 Rather than establish a set domestic gas reservation policy for South Australia, work with the gas industry to construct a policy which places the onus on gas project proponents to establish how they will cater for South Australia's domestic gas market while servicing demand from the East Coast gas market. This should also include Government assistance to industry to improve gas efficiency in industrial processes.

5.3 Lead the debate of a nuclear energy industry in South Australia to take advantage of the State's significant uranium resources (which amount to approximately 24% of the world's supply). South Australia must have an informed debate on the costs, benefits and risks associated with establishing each component of the nuclear industry ranging from uranium enrichment and fuel rod manufacturing through to energy generation and waste storage. A State Government initiated debate should begin in 2014 with the aim of introducing a pilot project for either uranium enrichment or nuclear waste storage.

5.4 Collaborate with electricity network operators to facilitate investment in a smart electrical grid, including a roll out of smart meters, to help reduce network operating expenditure and investment and reduce supply charges.

5.5 Lobby the Commonwealth Government to mandate a shift from volume to cost reflective tariff structures for electricity distribution charges which should result in customers being fairly charged for their reliance on the electricity network.

5.6 End the Residential Energy Efficiency Scheme (REES) by no later than 31 December 2017 unless an independent review can substantiate sufficient grounds upon which the scheme should continue.

5.7 Continue to fund research and development into geothermal energy as a longer term base load electricity alternative.

5.8 Abolish the remaining electricity price regulation in South Australia by 31 December 2014, namely the minimum solar feed-in tariff which should be most efficiently determined in a competitive retail market. Existing State Government solar subsidy schemes should be maintained through to maturity.

6. WORKPLACE RELATIONS AND SAFETY

6.1 Extend the national Workplace Relations system to Government Business Enterprises, Local Government and the Public Sector.

6.2 Lobby the Commonwealth Government to legislate for individual workplace agreements that can be negotiated between an employer and an individual employee, subject to a "no disadvantage test".

6.3 Lobby the Commonwealth Government to remove the anti-bullying jurisdiction from the Fair Work Commission to reduce regulatory overlap.

6.4 Lobby the Commonwealth Government to abolish the Road Safety Remuneration Tribunal.

6.5 Abolish the Office of the Employee Ombudsman.

6.6 Abolish the State laws and regulations relating to outworkers to remove the duplication of existing Commonwealth laws.

6.7 Conduct an independent review of the Codes of Practice and guides under the *Work Health and Safety Act 2012* with an aim of fewer, shorter and less complex codes and guides that offer genuine practical guidance.

6.8 Amend or repeal the *Work Health and Safety Act 2012* to reduce the regulatory burden on business, and in particular small business.

6.9 Replace the *Workers Rehabilitation and Compensation Act 1986* with a new Act to reduce the workers compensation premium and to ensure a stable and viable workers compensation scheme.

7. VOCATIONAL EDUCATION, SKILLS AND WORKFORCE DEVELOPMENT

7.1 The study of entrepreneurship should be embedded into the secondary school curriculum to provide all

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students with an understanding of what is involved in starting and operating a business.

7.2 Establish a 'one-stop-shop', which facilitates broad (public) access to professional career development services and industry-informed labour market information based on current and future skills needs.

7.3 Conduct an independent review of Skills for All to identify areas for improvement and release a consultation paper seeking industry-informed advice on the implementation of any proposed recommendations.

7.4 Abolish the requirement for employers to register before they can employ an apprentice or trainee in South Australia.

7.5 The assessment and approval of contracts of training should be completed within 14 days of lodgement.

7.6 Support the establishment of a dual-sector university in South Australia to facilitate pathways between the secondary, VET and higher education sectors to accommodate the broad scope of future skills requirements.

7.7 Abolish the process of declaring trades and vocations in South Australia to reduce unnecessary administrative burden and disincentives in relation to the delivery of qualifications by industry.

7.8 Develop a State Workforce Plan for South Australia connected to industry and regional workforce plans.

7.9 Offer state-based employer incentive payments for apprentices and trainees in areas where skills shortages exist in South Australia.

7.10 Transfer existing responsibilities of the South Australian Industrial Relations Commission (SAIRC) in relation to apprentice and trainees (hearing of grievances and disputed cancellations of contracts of training) to an independent panel situated within the Training and Skills Commission (TaSC).

8. ENVIRONMENT AND SUSTAINABILITY

8.1 Encourage greater investment in water supply infrastructure that is independent of the River Murray, such as wastewater recycling and stormwater harvesting. The State Government must invest in quality water and wastewater infrastructure and continue the development of a third party access regime for water distribution networks.

8.2 Encourage further innovation and research into the treatment of stormwater and wastewater to make it more cost effective to expand its uses, including for primary production.

8.3 Introduce cost-reflective water pricing structures.

8.4 Encourage more efficient water use through the provision of information, price signals and the roll out of smart meters where appropriate.

8.5 Ensure Natural Resource Management (NRM) Boards are reflective of the community they represent, including primary producers and be advocates for their local communities, including local businesses.

8.6 Continue to take action through the Premier's Climate Change Council to help businesses transition to a low carbon economy. The South Australian Government must support businesses to adapt through programs such as the Building Upgrade Finance mechanism to assist commercial businesses to become more water and energy efficient.

8.7 Reverse the decision to cease funding of Zero Waste SA which is funded by a levy and has been recognised as best practice in waste management.

8.8 Support the waste management industry in developing its export capabilities and identifying export development opportunities in order to grow the export of South Australia's global best practice waste and resources management systems, practices and expertise, particularly into growing Asian markets.

9. POPULATION AND MIGRATION

9.1 Continue to support South Australia's status as a regional area for employer sponsored visas. In addition, continue to support conditions placed on some of the temporary and provisional skilled visas that assign South Australia as a designated area and a regional and low growth metropolitan area for migration purposes.

9.2 Lobby the Commonwealth Government to review changes to the eligibility for international students to apply for skilled visas, to make it easier for international students to stay and work in Australia after completing their qualifications, particularly in industries and occupations with skill shortages.

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9.3 Focus on creating sustainable jobs which will increase the retention of locally educated and skilled people and attract more expatriates back to South Australia.

10. GOVERNANCE

10.1 Ensure all State Government appointed board and committee members are chosen through a transparent and accountable merit based process.

10.2 Consult with businesses regarding all policy and legislative changes that have the potential to impact them. Such consultation must not be included as an afterthought but should rather be upfront and legitimate engagement with business.

10.3 Debate and consider reforms with regards to the operation and election of the Legislative Council to ensure it operates more effectively by the end of 2014. Electoral reforms that may impact upon the House of Assembly should also be considered such as tighter controls around 'how to vote' cards.

10.4 Rationalise Local Government in South Australia through the amalgamation of metropolitan and regional councils to reduce the overall number of councils. This should include Adelaide City Council being replaced by a Capital City Authority Board, which should include representatives from business and the community.

10.5 Rationalise the Public Sector by abolishing permanent tenure, reducing the number of boards and departments and addressing any duplication or gaps in departmental functions and responsibilities.

10.6 Establish a small and independent Sustainable Budget Oversight Unit (as recommended in the Sustainable Budgets Commission's second report). This Unit should be resourced to report, monitor and make recommendations regarding Government savings decisions and targets.

TAXATION

South Australia is still the highest business taxing State which has been confirmed by two recent reports from the Institute of Public Affairs (IPA) and Pitcher Partners. In its 2012 report, the IPA highlighted that for the fourth consecutive year, South Australian businesses suffered the highest State business tax impost. A 'reference business' in South Australia paid over $308,000 in State business taxes in 2012, almost 8% more than the average 'reference business' of all States and Territories. Similarly, the Pitcher Partners State Tax Review 2012-13 shows that for new small and medium sized businesses setting up, South Australia has the highest aggregate taxes and charges (this does not include WorkCover premiums, which South Australia also has the highest).

It is not only very difficult for existing small businesses to expand, but it is even harder to attract new business to South Australia when they have the choice of much more competitive interstate alternatives.
Business SA has supported the State Government's efforts to promote the new Brand South Australia but marketing can only achieve so much when the underlying investment fundamentals are not conducive to attracting businesses to relocate to South Australia.

In terms of specific tax impacts on business, South Australia has one of the lowest payroll tax thresholds and highest land tax imposts in the nation. In particular, payroll tax is a major concern for small business and a direct tax on employment. Business SA suggested a number of tax reforms to its members in a pre-election survey and members ranked progressively raising the payroll tax threshold as most important.

Given the structural deficit of South Australia's budget and its net debt which is forecast to reach record levels by 2015/16, Business SA understands the need to advocate for fiscally responsible tax reform. Accordingly, Business SA has suggested specific strategic and phased recommendations for tax reform which provide balance between business needs and what the State Government is realistically able to afford. This also provides the State Government adequate time to implement structural reforms to reduce the budget deficit. We must not lose sight of the medium to long term benefit for State Government finances from having a more efficient business tax system, which encourages private enterprise and investment, creates jobs, raises our standard of living and ultimately reduces pressure on the State's budget.

Business SA acknowledges the revenue volatility associated with State taxes such as Stamp Duty and strongly recommends reforms to more reliable taxes such as the Goods and services Tax (the GST).

Business SA acknowledges that as the GST is a Federal tax the State Government alone cannot reform the GST. However, it should play a leading role as part of the Council of Australian Governments (COAG) to ensure that South Australia not only continues to receive a fair distribution from the GST, but that the GST ultimately replaces inefficient State based taxes in accordance with what was intended when the GST was originally introduced in 2000

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1.1 Lead Commonwealth-State Government relations for a comprehensive review of the Australian tax system, including the GST, to enable the abolition of inefficient State based taxes such as payroll tax.

South Australian businesses cannot afford any increase in taxes particularly given the inefficient and unstainable levels of spending at both the State and Federal level. However, there is also increasing opposition to inefficient State based taxes, particularly payroll tax. In Business SA's September 2013 Survey of Business Expectations, 49% of respondents nominated Payroll Tax as the State Tax or Levy most limiting to the expansion of their business. Businesses cannot remain viable and expand when the structure of the existing tax system penalises them for employing people.

GST revenue contributes 10% more to State Government revenue than the combined total of all State taxes, and accordingly reforming the GST can make significant progress in restoring State finances and enable the restructure or ultimately the abolition of less efficient State based taxes. For example, the single largest State levied tax, payroll tax, delivered $1.09 billion for 2012/13 compared to $4.46 billion of GST revenue.

Based on 2014 Federal Treasury costings of GST exemptions[1], if the GST base were to be broadened to include all goods and services, South Australia's share of additional GST revenue would be approximately $1.46 billion before allowing for any compensatory measures through the income tax system. The three largest exemptions to GST; healthcare, education and fresh food are all included in New Zealand's GST which is now set at 15%. Furthermore, the average VAT/GST rate for the Organisation for Economic Co-operation and Development (OECD) is 18.9%.

The State Government must lobby the Commonwealth Government to update the Henry Tax Review[2] to include the GST and present a case for tax reform which allows for the abolition of inefficient State based taxes. Only when business can see that they will be better off and consumers are adequately compensated to keep spending, will there be support for reforming the GST.

1 Federal Treasury, 2014,Tax Expenditures Statement 2013

2 Australia's Future Tax System Review, informally known as the Henry Tax Review was commissioned by the Rudd Government in 2008 and published in 2010

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1.2 Lift the payroll tax threshold from $600,000 to $1,000,000 by 2017/18 through annual increases of $100,000.

By implementing these proposed steps South Australia's payroll tax system will be one of the most competitive in the nation while ensuring a balance between the impact on State Government revenue and creating a competitive advantage for business, particularly small business.

As detailed in the table below, while South Australia has a relatively competitive rate for payroll tax, the wage bill threshold at which payroll tax is applied is the second lowest in Australia. Therefore, a business with a $1,000,000 wage bill in South Australia pays $19,800 in payroll tax whereas a similar business in Queensland would not be liable for any payroll tax.

Payroll tax is inherently an inefficient tax, and in its 2013 South Australian tax efficiency rankings, Access Economics found payroll tax to be less efficient than land tax, the GST and municipal rates[4]. In 2013, South Australia lost over 11,000 full time jobs[5], the equivalent amount employed by the entire car manufacturing sector, which highlights the urgency to reduce direct taxes on employing people, namely payroll tax.

4 House of Assembly Economic and Finance Committee, 2013, Interim Report: South Australian Taxation System

5 ABS December 2013, Labour force status by Sex – South Australia –Seasonally Adjusted

Current Payroll Tax Scales by State/Territory (as at July 2013)

State/Territory	Rate (%)	Tax free threshold
Victoria	4.90	$550,000
South Australia	4.95	$600,000
New South Wales	5.45	$689,000
Western Australia	5.50	$750,000
Queensland	4.75	$1.1 million
Tasmania	6.10	$1.25 million
Northern Territory	5.50	$1.50 million
ACT	6.85	$1.75 million

Business SA welcomed the two year payroll tax relief for businesses with wage bills below $1,200,000[3] which was in the form of a 50% rate cut introduced in 2013. However, this temporary cut provided no certainty for small business, and no ongoing incentive to employ people.

3 Noting a progressive reduction in relief for wage bills between $1,000,000 and $1,200,000

1.3 Re-introduce the payroll tax exemption for wages paid to apprentices and trainees

The payroll tax exemption for apprentices and trainees was originally introduced in the 2010/11 State Budget to replace the payroll tax trainee rebate scheme. However, it was subsequently abolished in the 2012/13 Budget with the resultant savings purportedly to be redirected to better target support for training in areas of critical skills under the new *Skills for All* program. Due to the mechanics of *Skills for All*, virtually all non-trade qualifications have been capped or subsidies significantly reduced for the few funded qualifications directly linked to employment outcomes.

In a survey of its members, Business SA found that, had the payroll tax exemption for apprentices and trainees remained in place:

- three quarters of respondents would have employed more apprentices; and
- almost two thirds of respondents would have employed more trainees.

Please refer to Section 7: 'Vocational Education, Skills and Workforce Development' of the Charter for further detail on apprentices and trainees.

1.4 Reduce the land tax rates and lift the threshold so that South Australia has one of the most competitive land tax systems in Australia, as opposed to being the least competitive. South Australia's top land tax threshold should be progressively raised to $2,500,000 and the top rate progressively lowered to 2.5% by 2016/17, with other thresholds and rates lowered accordingly.

Current Land Tax Scales

Threshold	Rate
Less than $316,000	Nil
$316,000 - $579,000	0.50%
$579,000 - $842,000	1.65%
$842,000 - $1,052,000	2.40%
Greater than $1,052,000	3.70%

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Proposed Land Tax Scale from 2014/15

Threshold	Rate
Less than $365,000	Nil
$365,000 - $700,000	0.50%
$700,000 - $1,125,000	1.30%
$1,125,000 - $1,775,000	2.05%
Greater than $1,775,000	3.10%

Proposed Land Tax Scale from 2016/17

Threshold	Rate
Less than $410,000	Nil
$410,000 - $800,000	0.50%
$800,000 - $1,500,000	1.00%
$1,500,000 - $2,500,000	1.70%
Greater than $2,500,000	2.50%

South Australian businesses face a significantly higher land tax burden than interstate businesses, on average 80% higher than the national average, according to two recent reports by Pitcher Partners and the Institute of Public Affairs. While Land tax is not as inefficient as other State based taxes, its burden is unfairly placed on business. For example, the current land tax scales in South Australia result in a reference business occupying a site worth $1 million paying $9,446, whereas a comparable site in Western Australia is only subject to land tax of $1,680 (including the Western Australia Metropolitan Region Improvement Tax).

Modelling by State Treasury indicates an increase in the top land tax threshold to $2,500,000 and a subsequent reduction in the top rate to 2.5% would cost the State Government $83 million in its first year[6]. Business SA acknowledges that this may be difficult to afford if immediately implemented but a phased reduction is achievable and would result in South Australia's land tax scales being within a reasonable range of interstate counterparts within the forward estimates period.

1.5 Reduce the number of other State taxes and charges affecting businesses beginning with those agreed as part of the Inter-Governmental Agreement on Federal Financial relations: to abolish stamp duty on business transfers and non-quotable marketable securities.

Schedule B of the Inter-Governmental Agreement on Federal Finance Relations between the Commonwealth and States & Territories incorporated a commitment for South Australia to abolish stamp duty on business transfers from 1 July 2013. This commitment, set to cost $38 million per annum, was deferred in the 2012/13 State Budget due to fiscal constraints.

Schedule B also incorporated a commitment for South Australia to abolish stamp duty on non-quotable marketable securities by 1 July 2013. This commitment, set to cost $4 million per annum, was again deferred in 2012/13 due to budgetary circumstances. The 2010 Henry Tax Review singled out stamp duty on business transfers as being particularly inefficient. Business ownership needs to be liquid, particularly in a difficult economic environment. If owners are reluctant or unable to transfer assets to a party better able to extract value from that business then there is a dead weight loss to the economy.

Although some other States are also lagging in implementing these reforms, South Australia should be positioning itself as a leading environment in which to do business and the delays experienced to date in abolishing inefficient stamp duties create further uncertainty for business.

1.6 Ensure South Australia maintains its share of GST revenue, Special Purpose Grants and other Commonwealth funding in accordance with the Principles of Horizontal Fiscal Equalisation (HFE). Given that any changes to HFE are unlikely without consensus of the States, South Australia should lead Commonwealth-State financial relations in promoting the long term benefits of HFE to all States.

HFE ensures each State and Territory has equal fiscal capacity to deliver services and infrastructure to an equivalent level such that no Australians are disadvantaged by living in one jurisdiction over another.

6 House of Assembly Economic and Finance Committee, 2013, Interim Report: South Australian Taxation System

Land tax payable by State/Territory*

*The Northern Territory does not impose land tax

Site Value Threshold	SA	NSW	VIC	QLD	WA	TAS	ACT
$500,000	$920	$1,604	$775	N/A	$480	$4,087	$6,137
$1 million	$9,446	$9,604	$2,975	$4,500	$1,680	$11,587	$15,137
$2 million	$45,770	$25,604	$11,975	$21,000	$8,380	$26,587	$33,137
$3 million	$82,770	$43,676	$24,975	$37,500	$21,800	$41,587	$51,137

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The fiscal capacity of each State & Territory differs due to a number of factors including, but not limited to, demographics, urban density and distribution of population. A State such as South Australia is most disadvantaged by its ageing population which manifests itself in a lower workforce participation rate of 62%, compared with the national average of 65%.

South Australia is a beneficiary of HFE with respect to the GST, largely due to its ageing population, and the State Government must be a strong advocate of the current system to ensure services and infrastructure can be delivered at a comparable standard across the nation. It is possible, although unlikely, that the Commonwealth Government would act unilaterally to abolish HFE but there is continued pressure from some States to shift to a per-capita funding system.

The historical roots of HFE can be traced to pre-federation when the colonies combined to form a political model, fundamentally underpinned by equal distribution of power and resources. This new federation introduced a national age pension in 1909 and established the Commonwealth Grants Commission (CGC) in 1933 to assess claims by the States for financial assistance. In 1976, the Commonwealth and the States agreed that the fiscal capacities of the States & Territories should be made equal and the CGC was given responsibility to make recommendations as to how general revenue could be distributed accordingly.

In 2008, under the Inter-Governmental Agreement on Federal Financial Relations, the Commonwealth, State and Territory Governments reaffirmed that distribution should achieve HFE. Even today, there is no sound public policy argument to change the existing HFE arrangements.

1.7 Do not proceed with the planned introduction of a Transport Development Levy from 1 July 2014. Also known as the 'Car Park Tax', this $750 annual levy will be payable on all 'on street' and 'off street' CBD car parks (with some exemptions for residential, disabled and customer car parking).

Business SA has continued to oppose the Car Park Tax since its announcement in the 2012/13 Mid Year Budget Review, on the following grounds:

– Given that the Adelaide City Council (ACC) is a major owner of commercial car parks, it is likely that a large proportion of any revenue raised will come via the ACC which will only serve to shuffle money between different levels of Government;
– It is likely that the Car Park Tax will reduce revenues for car park owners, thus directly impacting property values, causing the ACC to raise rates on other ratepayers, including business;
– Car park owners will face increased administrative costs associated with compliance for the Car Park Tax.

For the reasons detailed above, the Car Park Tax is not conducive to attracting investment into the Adelaide CBD or to stimulating consumer spending on retail and entertainment, but rather it is simply a revenue raising exercise by the State Government.

INDUSTRY

Although South Australian business confidence improved after the Federal election, it has since fallen substantially as flat trading conditions continue to prevail. Since BHP's announcement that it would not proceed with the Olympic Dam expansion it has become evident that the transition beyond mining for the Australian economy will not be easy. South Australia is yet to experience a mining boom and has an economy less reliant on mining than some other States, but even in a low interest rate environment other remaining industries continue to struggle to maintain competitiveness, let alone expand.

Business SA was extremely disappointed when Holden announced in December 2013 that it will close its Australian operations by late 2017. Many factors led to Holden's decision, predominantly the persistently high Australian dollar, high production costs and a small and very competitive domestic car market. From the day of the announcement, Business SA has advocated that both State and Commonwealth Governments must work collaboratively to help transition the auto-manufacturing sector for success beyond Holden.

First and foremost, the focus of any Government assistance package must be on ensuring as many component suppliers as possible remain viable. Limiting the job losses in this sector is much more achievable than creating new jobs. Assistance also needs to be targeted to reflect the individual needs of each business affected and while this may take time to work through, the long term benefits of getting the policy response right in the first place will be valuable.

Direct government subsidies will not be the answer for sustainable growth of any industry in the long term, but Governments must still look at other ways in which they can assist industry to be more competitive, starting by reducing the burden of regulation faced by Australian businesses which is not imposed upon our international competitors. Furthermore, any law such as regulated shop trading hours, which disadvantages local businesses against online competitors overseas, needs to be lifted.

South Australia has long had a comparative advantage in food production and food and beverage manufacturing. Other sectors such as mining, defence, education, tourism and high-tech manufacturing also have significant potential but the State Government cannot afford to lose sight of the contribution and potential of our mainstay industries which have prospered since Proclamation with only occasional support. To foster continued expansion of food production and food and beverage manufacturing, the State Government needs to enact reforms such as ensuring prime farming land is appropriately identified and protected within the planning system.

Business SA had been actively lobbying for many years for a body to expand local business participation in State Government tenders and has welcomed the establishment of the Office of the Industry Advocate in 2013. The State Government lets $3.8 billion worth of contracts annually which provide a significant opportunity for South Australian businesses.

RECOMMENDATIONS

2.1 Undertake biennial red-tape reduction reviews targeting a minimum $150 million reduction in the regulatory burden over each two year period. The Government must begin by reviewing areas identified by businesses as having the most regulatory impost, including but not limited to compliance in work, health and safety (WHS), the environment, building and planning, government tendering and taxation.

It is critical that the Government firstly understands where it imposes the greatest regulatory burden before it takes steps to reduce any red-tape. Business SA would prefer to see fewer, but more significant and genuine red-tape reductions rather than a raft of arbitrary measures which have been conjured up on an ex-post basis.

Business SA welcomed the State Government's $319 million in red-tape savings between 2006 and 2012, but there is ongoing work required to continue reducing the red-tape burden on South Australian business. Furthermore, future processes to reduce red-tape must initially start with a review of the relative red-tape burden on business, similar to the recent review conducted in Queensland. Without knowing exactly where it is that business is most constrained, the State Government is not in a position to effectively reduce that burden. The Government should also prioritise the reduction such that it reduces red tape that is most burdensome on business, rather than making reductions for the sake of meeting a target.

The State Government needs to establish a regulatory burden baseline, similar to the widely recognised British Colombia approach, to ensure any new regulatory impost can be offset with an equivalent reduction elsewhere within Government to achieve a 'zero net increase' in the regulatory burden. Reviews of red tape should also be coordinated by the Department of Premier and Cabinet to ensure a degree of separation from individual Government departments and agencies.

2.2 Provide sufficient support to the Industry Participation Advocate to achieve the primary aim of his Office: reform of procurement policies and practices to ensure local businesses are not disadvantaged and that the benefits of buying locally are taken into account when assessing the relative value of tender applications from local businesses.

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Support for the Industry Participation Advocate (IPA) should not just be constrained to resourcing; a successful IPA will also require appropriate power within Government to effect necessary changes, including cultural changes which will be the most important.

In practice, Government procurers must consider the dollar value of the economic contribution to South Australia through employing a local business. Government procurement policies and practices also need an overhaul to allow flexibility for companies with new technologies which do not necessarily accord with the tender request but which ultimately provide significant savings to Government.

Business SA has lobbied the State Government for many years about the failures in getting local business involved with Government tenders and was delighted when the IPA was established in 2013. The IPA has already had success with its ‘meet the buyer’ events in 2013, attracting hundreds of businesses to meet Government procurers. The most beneficial outcome from these types of meetings occurs when Government procurers are exposed to businesses with alternative technologies which are often beyond the scope of existing tender requirements. Business SA members have been frustrated with this in the past and if Governments are aware of alternative technologies, they can make allowances in the tender formation stage to provide adequate flexibility.

The biggest challenge for the IPA though will be to change the culture within Government departments and agencies to be pro local business. This not only comes down to recognising the benefits to the local economy of using local businesses, but making sure the whole tender process affords equal opportunity to smaller local businesses. At present, one of the major hurdles facing smaller local businesses are onerous tender requirements which many businesses do not have the time or resources to satisfy. Furthermore, Governments have not previously been open to breaking down tenders to enable smaller local businesses to compete.

For the IPA to be successful he must be appropriately empowered from the Premier to instill his Office’s mandate across Government departments and agencies, to ensure that they are accountable for how they encourage local industry participation. Such accountability measures may include placing KPI’s in public sector chief executive contracts to ensure they actually support the mandate of the IPA.

2.3 Amend the Late Payments Bill and any associated regulation to ensure that the administrative burden of collecting interest on late payments does not fall on small businesses.

In its 2010 Charter, Business SA recommended that the State Government adopts a policy of paying interest to business suppliers for invoices outstanding after 30 days. In November 2013, the Late Payments Bill was passed which partially satisfies Business SA’s recommendation.

However, the Draft Late Payments Bill was not subject to the usual stakeholder consultation and Business SA has concerns that the good intention of the Bill may be compromised for the following reasons:

– Given that many small businesses are not incorporated, the Bill should be amended to capture all businesses including sole traders, partnerships and trusts;
– The onus should be on Government to calculate late payment interest and advise business, not the reverse;
– It is unclear that provisions for remitting interest back to business will be easily facilitated within existing business accounting systems and as such the administrative burden may prohibit businesses from exercising their right to charge the Government interest for overdue payments;
– There is no deadline for an automatic payment system which should be in place no later than 1 July 2015.

2.4 Remove the annual turnover limit after two years of operation of the Late Payments Bill, in which time the automatic payments system should be established, ensuring that all businesses are covered.

This will convey the right message to interstate and international firms looking to establish in South Australia about how the Government does business.

The level of a business’ turnover should not dictate whether or not the Government is penalised for not paying its bills on time. For obvious reasons, the late payment of bills can have a greater relative impact on small business, but by the same token, there should not be a presumption that once a business’ turnover reaches a specified level, that they no longer require their bills to be paid on time. It must be recognised that “cash flow” is very important to businesses of all sizes.

A better approach of targeting the value of the contract, not the specific size of the business, has been adopted in Victoria.

2.5 Fully deregulate shop trading hours.

Business SA has long advocated for an end to the regulation of shop trading hours, primarily on the basis that it is not the role of Government to decide when businesses can open and when consumers can shop. Furthermore, in an increasingly competitive retail environment, consumers can shop on-line 24/7 and existing regulations on ‘bricks and mortar’ retailers places them at a further disadvantage. Deregulation also means that

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retailers can choose to align their trading hours to match consumer demand and open at times when it is most profitable to trade, not just the times they are allowed to trade.

In its pre-election survey of members, Business SA found that 73% of respondents supported the move to fully deregulated shop trading hours to allow retailers to choose how to best meet their customers' needs.

Shop trading hours are already fully deregulated in the Northern Territory and Australian Capital Territory and aside from some specific public holiday exemptions in Victoria, New South Wales and Tasmania, only South Australia, Western Australia and Queensland still have daily shop trading hour restrictions.

A 2011 Productivity Commission report found that shop trading hours across Australia should be fully deregulated to:

- Reduce discrimination between and facilitate greater competition amongst retailers;
- Increase retail employment and potentially lower retail prices;
- Give consumers greater convenience and product choice.

2.6 Refocus State Government policy to give priority to the contribution of food production and associated food and beverage manufacturing to South Australia's economy and the potential of this sector to generate the next wave of economic growth on the back of Asia's increasing food demands and concerns over food security.

Since Proclamation, food production and food and beverage manufacturing have been pillars of the South Australian economy. Without discounting the importance of other sectors of the economy, food production and food and beverage manufacturing have provided long term sustainable economic growth with minimal Government support while being highly trade exposed. South Australia has a comparative advantage in both food production and food & beverage manufacturing which is evident in each sector's ability to remain viable and grow in the face of fierce international competition, much of which is from foreign governments subsidising businesses in their countries.

The South Australian economy should be diverse and the State Government should facilitate the growth of high value adding manufacturing, mining, defence, education and tourism. However, there needs to be an equally appropriate focus on the sectors of the economy which actually provide the largest share of export revenues and have the greatest potential for expansion on the back of the rising food demands in Asia. The world's food demand is predicted to increase by 50% come 2030, and 70% by 2050 and 85% of that forecast is expected to come from Asia. Food security is of increasing concern across the world, and also access to premium food and wine is driving market changes, particularly in China. South Australia's reputation for premium food and wine is second to none in Australia and we must continue to leverage this advantage overseas.

South Australia's fishing industry is also a critical part of our food production and manufacturing sector and the State has a widespread reputation for the quality of its seafood, particularly from the Eyre Peninsula. The fishing industry has recently undergone significant changes following the creation of marine parks in South Australia. At the time of these changes, there was insufficient consideration given to the economic impact on industry adjusting and it will be important for the State Government to review the changes in a reasonable timeframe to ensure the fishing industry is able to maintain its important economic contribution.

In Business SA's pre-election survey of members, 86% of respondents agreed that the State Government should change its industry policy agenda to improve the focus on food production and food and beverage manufacturing.

2.7 Collaborate with the Commonwealth Government and key industry players to ensure that the transition fund for the auto-manufacturing sector results in component businesses accessing resources which will assist them restructure and access alternative markets. It is also important to ensure that the transition fund maintains a focus on measures to expand manufacturing in areas where South Australia has a comparative advantage, such as food and beverage manufacturing.

The Commonwealth Government is currently undertaking a review into the South Australian and Victorian economies which will inform the assistance package announced to assist both States transition beyond Holden's manufacturing exit in 2017.

At the time of Holden's decision in December 2013, Business SA suggested very clearly to both levels of Government to ensure that they collaborate to achieve the best long-term outcome for South Australia. The potential impact of Holden's departure from Adelaide can only be mitigated through a bi-partisan approach which puts progress ahead of politics.

The details of how Governments will be assisting industry are still to be worked through however, Business SA does not want to see a top down approach to addressing the issues of the component supply sector. While the ultimate goal will be to help as many businesses diversify as possible, the nature of needs will be unique to each business depending on a range of factors including ownership structure, leverage, sunken investment and employee entitlements.

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Although it is important to primarily focus on the component supply sector, a significant focus must also be on the broader economy and identifying what is holding back other industries from expanding. Structural adjustment in the economy will only succeed when other industries are able to expand and fill the void left by automotive manufacturing. At present, South Australian businesses are hamstrung by the most uncompetitive State based tax system and reform in this area is an ideal starting point.

Governments should also concentrate on industries which are not reliant on Government assistance and where South Australia has traditionally enjoyed a comparative advantage. To be sustainable in the long term the South Australian economy needs to produce quality goods and services which are competitively priced in world markets. South Australia's food production and food and beverage manufacturing sectors have enjoyed long term export success and Governments need to be focused on what can be done to facilitate their expansion, including a review of opportunities to use low grade recycled water for irrigation.

2.8 Ensure the 30 Year Plan for Greater Adelaide is amended to specify the Primary Production Priority Areas prescribed by Primary Industries and Regions SA (PIRSA).

Areas of primary production significance were broadly sketched in the State Government's 30 Year Plan for Greater Adelaide (The Plan) but have never been formally prescribed. Prescription of such areas is required to assure the economic potential of the food production and associated food and beverage manufacturing sectors where South Australia has a long standing comparative advantage. The Plan was intended to identify and protect up to 375,000 hectares of significant primary production land. PIRSA has since undertaken a rigorous analysis of land capability, water resources, climate and industry investment to ascertain these areas which, when prescribed in the development plan, will provide certainty to farmers and developers about future land use.

While primary production zoning has long been in place, there has also been a market assumption that Governments will continue to re-zone prime farming land at the urban fringes which The Plan sought to address. Although the legislation passed in 2012 to protect the Barossa Valley and McLaren Vale wine districts was welcomed, there is still work to do in formally prescribing other areas of primary production significance, particularly on the urban fringes of Adelaide around areas such as Virginia.

Once the Primary Production Priority Areas (PPPAs) are prescribed in development plans, developers and farmers know where the goal posts are and can work around them accordingly. South Australia cannot be a State which blocks development but it needs to ensure that it protects important land which sustains industry, namely South Australia's largest export industries of food production and food and beverage manufacturing. The State Government also needs to make future development intentions clear. Otherwise, if the planning strategy is too malleable, property markets assume that land will be developed and farmers leverage to finance which can lead to unsustainable farming operations based on primary production land value alone.

2.9 Ensure that PIRSA Primary Production Priority Areas are progressively established throughout South Australia and integrated into local Development Plans by July 2016 to enable the ongoing productive use of prime arable lands. Furthermore, Primary Production Priority Areas should be embedded into the State Food Plan and lobby the Commonwealth Government to ensure that they are also reflected in the National Food Plan.

In Business SA's pre-election survey of members, 90% of respondents agreed and only 1% disagreed that Development Plans across South Australia should specify PPPAs to provide long term certainty for South Australia's food production and food and beverage manufacturing sectors.

As PIRSA continues the work of formally identifying PPPAs throughout South Australia, local development plans should be amended to prescribe these areas and ensure their ongoing primary production use. While issues around urban encroachment onto prime farming land are more pronounced in the Greater Adelaide region, steps should also be taken to formalise areas of primary production significance in the regions which are already defined at a high level in regional planning strategies. Again, this is not to stop regional development, but rather to ensure that prime farming land which supports regional economies continues its productive use and residential, industrial and commercial development is targeted for less productive land.

Given that there is an existing Food Plan at both a State and National level, both plans should incorporate PPPAs to provide vertical integration between what the Government wants to achieve in expanding food production and food and beverage manufacturing and the planning requirements at a practical level needed to facilitate this.

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2.10 Confine State Government industry policy programs to areas of market failure, rather than areas where the Government perceives assistance is required. For example, an appropriate role exists for the State Government to assist component part manufacturers to prepare for Holden's manufacturing exit in 2017.

Business would prefer tax cuts to Government spending on policy statements, strategies and programs where outcomes are not linked directly to rectifying market failures.

Business SA notes that the State Government has made budget cuts in recent years to abolish programs competing directly with the private sector, notably running business seminars and workshops. It is important that the Government now maintains its policy of not introducing new programs where there is no demonstrated market failure.

Government spending on economic strategies and statements, while often well intentioned, is not always the most efficient use of public money. South Australian businesses are subject to the highest State based taxes in the nation and any tax relief through more prudent Government spending is what businesses really need to drive economic growth.

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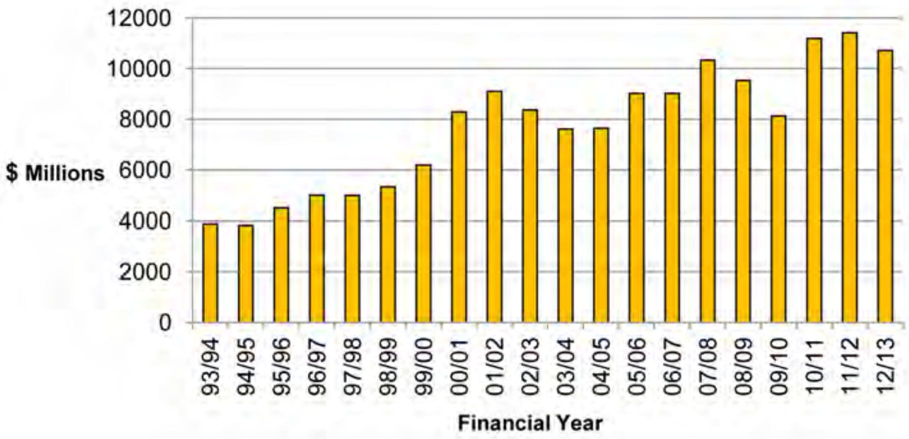
In 2004 the State Government set a $25 billion export target for 2014 but by 2011, the target deadline was postponed to 2020. South Australia's exports over the past three years have averaged only $12.5 billion (including service exports such as Education and Tourism), even though there have been 'bumper' grain harvests. The State Government's most recently audited figures have now cast doubt on the 2020 target being reached. The failure of South Australia's exports to grow emphasises the importance of Government policy being aimed at increasing the number of export ready businesses and establishing paths to market through more strategic use of trade missions and international offices. South Australia has the lowest workforce participation rate of all the mainland States and Territories, mainly attributed to its ageing population, and to grow our economy we must expand beyond State borders.

The pending closure of Holden's manufacturing operations puts further pressure on South Australia to expand its export markets, particularly those for automotive component suppliers. There have been some examples of Adelaide based component suppliers successfully diversifying away from Holden however the path to new export markets will be very difficult for the majority, particularly with South Australia's high cost base which constrains exporters from being internationally competitive. Government policies and programs can encourage companies to export but the overarching challenge for the State Government is to ensure that South Australian companies are not burdened with a cost base and regulatory framework which prices them out of international markets.

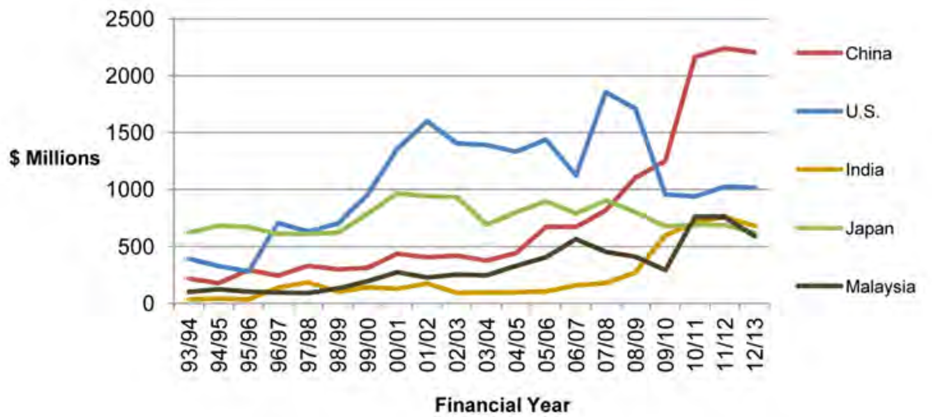
There is an array of programs at both State and Federal levels to encourage exporters however, there are still gaps which hinder South Australia from realising its export potential. Support to start a business appears to be adequate, but a gap exists in assisting businesses to reach a stage where they are ready to export. Furthermore, there are programs which assist businesses with establishing a path to market, the most successful being the Commonwealth Government's TradeStart service. However, other grant programs such as the State Government's Gateway Business Program do not sufficiently recognise the time taken to establish commercial relationships in countries such as China.

TRADE

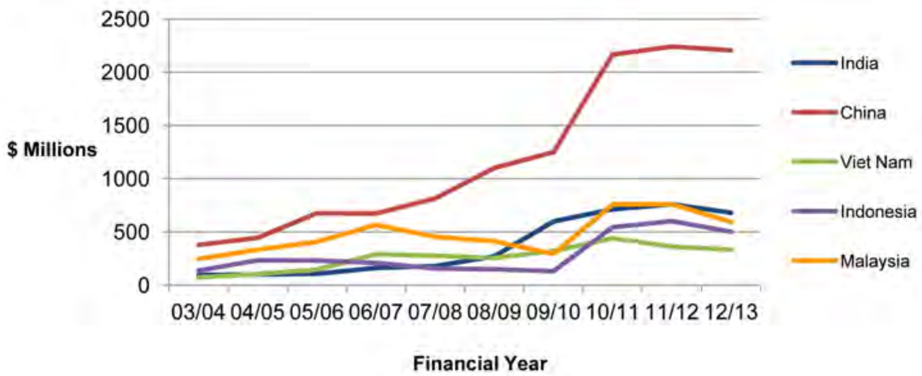
SA Export Value (Goods and Merchandise)



Current largest SA export destinations (last 20 years)



Fastest growing export destinations (last 10 years)



TRADE

RECOMMENDATIONS

3.1 Restructure and where appropriate relocate overseas trade offices to ensure that they are positioned in cities which reflect the level of trade opportunities for South Australian businesses and the difficulty they would otherwise face accessing trade opportunities independently.

South Australia currently has trade offices in Hong Kong, Jinan (China) and London. Business SA supports the State's presence in China, but it should be better targeted in terms of location and avoid well established international marketplaces such as Hong Kong. In terms of commercial opportunities for South Australian exporters, Malaysia and the United Arab Emirates represent the future growth markets while maintaining a presence in London is considered more symbolic.

State Government resources should be strategically directed to having trade offices in:

– Guangzhou (China) as a gateway into Southern China;
– Shanghai (China) as a gateway into Northern China, Korea and Japan;
– Kuala Lumpur (Malaysia) as a gateway into South East Asia, particularly Indonesia;
– Dubai (United Arab Emirates) as a gateway into the Middle East.

Where possible, the State Government should also co-locate all trade offices where there are Chambers of Commerce or existing Austrade offices with the primary focus of each trade office actually being on trade, rather than inbound investment.

In Business SA's pre-election survey of members, 77% of respondents agreed that South Australia's overseas trade offices should be positioned in cities which reflect the level of trade opportunity for South Australian business and the difficulty business would otherwise face in accessing such trade opportunities independently.

3.2 Establish an Export Ready Program (ERP) to bridge the services gap between setting up a business and transitioning it into a position where it is ready to export. The program should be workshop focused so that businesses can transition to exporting by receiving practical knowledge and tools, rather than theory based education. Furthermore, small businesses should have access to a coaching/mentoring program to assist with problems and provide support from experienced and successful business people. The ERP should be provided by the private sector, to improve the interface with small business.

There are numerous services provided by Local, State and Commonwealth Governments to support the establishment of businesses. Furthermore, there are services conducted at a local level and also through Commonwealth Government programs, such as Enterprise Connect, to assist businesses to develop. If businesses are looking to export, there are grant programs for trade related travel expenses and services such as the Commonwealth Government's TradeStart service which can help businesses establish a path to market.

Business SA is mindful of advocating for an increase in the total level of Government funded business support services but there needs to be a targeted service for transitioning potential exporters to be ready to export. Unlike some existing Government services, this should not be industry sector specific but must include agriculture.
Many businesses are willing to export, but many of Australia's export growth markets are in Asia where the nature of business culture and legal frameworks differs greatly from Australia and businesses need to be sufficiently prepared to ensure the best chance of success. The State Government could fund an Export Ready Program by diverting resources away from other small business programs where there are overlapping services at either a Local or Federal level.

An Export Ready Program should incorporate a mentoring component to ensure businesses have a trusted adviser to help them navigate through the complexities of readying themselves for export. It should also be structured to ensure upfront costs are minimal and any rebates are quickly and easily obtainable.

3.3 Retain the Gateway Business Program but relax and streamline the eligibility criteria to attract more applicants and allow for grants over consecutive years.

Penetrating new markets, particularly developing and higher risk markets, is a long term process and must be accommodated in State Government programs designed to promote new export markets.

The practical benefit of the Gateway Business Program is that it reimburses businesses for up to 50% of eligible expenses for export market development activities. There have also been recent changes to allow businesses to claim expenses for trade fairs both within Australia and overseas.

However, the program needs to be better targeted at new or emerging exporters, particularly given that the number of claims from the program has been quite low suggesting difficulty from businesses in accessing it. While smaller exporters should

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not be unfairly disadvantaged, equally businesses which claim federal grants should not be exempted. The program needs to facilitate businesses eager to export being able to build long term relationships which eventually lead to trade deals.

3.4 Establish an Export Services Hub (ESH) to focus on increasing the number of small businesses capable of exporting and expand the opportunities for those businesses that are export ready. The ESH will be a 'one stop shop' where a business can be provided information and be directed to all relevant services in order to become export ready and establish a path to market.

South Australia has fallen behind substantially on meeting its export target and as a result a more coordinated approach is required to foster small business export growth. Although there are services provided at all levels of Government to encourage and facilitate small business exports, there is no single point of contact for a small business considering export opportunities.

In 2012, Business SA began managing the small business contact service on behalf of the State Government, providing a single contact point for businesses or potential start-ups to access a wide range of business related information. Users of the service have expressed their satisfaction with being able to speak with someone from a non-Government entity who can point them in the right direction and eliminate the frustration of having to deal with multiple tiers of Government.

While the ESH would interface with State and Commonwealth Government services, it should be provided by the private sector to more effectively communicate with small business.

3.5 Lobby the Commonwealth Government to expand its Tradestart service. This service is valuable for small businesses in establishing a path to market but requires additional Government resources to increase the number of Tradestart advisers.

Austrade operates the TradeStart service which is designed to assist export ready businesses take the next step and forge a path into the international market place. The service has been quite successful, mainly due to its practical approach and its use of experienced advisers who can provide valuable contacts and advice on accessing foreign markets.

As long as it is considered export ready a business can make use of the TradeStart service. TradeStart advisers also work closely with State Government programs such as the Gateway Business Program and can point businesses in the right direction if they need additional assistance to start exporting.

TradeStart funding needs to be increased to employ additional appropriately skilled and experienced advisers to assist more businesses to expand into international markets.

3.6 Promote business led trade missions in order to capitalise on long established networks via international chambers of commerce. On the other hand, State Government led trade missions should primarily focus on bringing investment to South Australia and promoting Brand SA. Further, business delegates should be invited to attend all State Government investment missions to ensure business is leveraging off opportunities created via intergovernmental dialogue and to increase transparency.

From July 2011 to July 2013, Business SA led 14 trade missions with a combined 100 companies to a range of countries including China, India, Qatar, the United Arab Emirates, Singapore, Hong Kong, the USA and New Zealand. Business SA estimates that exports generated through these missions are worth approximately $20 million which is an excellent return on the $1 million outlaid by the State Government.

Business SA has also ensured that these missions:

– are tailored and targeted ranging from attendance at trade exhibitions, seminars, conferences to round table forums (or a mix of these);
– are mainly for SMEs and include regional based businesses; and
– work with export ready companies in collaboration with Trade Start.

Business SA has welcomed the opportunity to run trade missions over the past two years on behalf of the Government but it has been unable to continue after funding expired in June 2013.

Business SA supports the recently formed South Australia - Shandong Province (China) High Level Working Group, which aims to facilitate increased trade and investment between the two regions having come to fruition on the back of a thirty year Inter-Governmental relationship. This is an ongoing process which may take several years to deliver commercial outcomes however, it is an example of where the Government is better placed to focus as opposed to specific trade missions which are more targeted to achieve short to medium term results.

INFRASTRUCTURE

South Australia has made significant progress since March 2010 with major infrastructure projects either underway or completed including the:

- Royal Adelaide Hospital,
- Adelaide Oval redevelopment,
- Southern Expressway duplication,
- South Road Superway,
- Adelaide Desalination Plant,
- Seaford Rail Extension,
- South Australian Health & Medical Research Institute.

However, the majority of these projects were committed to during the GFC and the subsequent period in which the Commonwealth Government's economic stimulus plan operated through to mid 2011.

The South Australian economy is struggling to maintain positive growth as it moves towards record net debt levels expected in 2015/16 and the Commonwealth Government is grappling with how to begin curtailing its record net debt. At the same time, South Australia has many pressing economic infrastructure requirements which are needed to underpin future economic growth, particularly in light of the difficulties expected in adjusting beyond Holden's manufacturing exit in late 2017.

Although some recent infrastructure projects have been constructed through public-private partnerships, the State Government needs to better engage the private sector, particularly superannuation funds. Partnership models to fund greenfield infrastructure which appropriately allocate risk and return need to be developed to encourage the private sector and help relieve pressure on Government finances.

South Australia's economic revival must be led by export orientated industries which rely on having efficient freight routes to strategically located port infrastructure. Completion of the North-South corridor is critical for improving exporter's freight logistics out of Adelaide. A new Spencer Gulf port will help open up mining opportunities on the Eyre Peninsula, particularly if supported by a new 275KV transmission line to enable further mining development. New regional town bypasses are also crucial for increasing the competitiveness of South Australia's regional economies, particularly as they look to capitalise on Asia's rising demand for premium food and beverages.

The State Government must consider all infrastructure funding options, including user charges and ensure that required economic infrastructure is delivered in a timely manner. Funding for infrastructure projects also needs to move beyond the political cycle which is fundamentally why Business SA is calling for an independent statutory authority to prioritise South Australia's infrastructure needs subject to return on investment for the State. Business cannot afford another repeat of the current hiatus on the North-South Corridor which has developed from political differences and not necessarily objective advice relating to which project delivers the best return for South Australia.

RECOMMENDATIONS

4.1 Prioritise the remaining infrastructure required to achieve a seamless North-South transport corridor through Adelaide which will not only benefit city commuters, but will be critical to improving freight corridors, particularly for regional exports.

In Business SA's pre-election survey, 93% of respondents agreed that the State Government should prioritise the remaining infrastructure required for a seamless North-South transport corridor through Adelaide.

Although there is still some debate on the priority of specific projects along the North-South transport corridor, the clear message from business is that the entire task must progress faster and that the Government needs to consider all funding models to ensure action commences in a timely manner.

In Infrastructure Australia's priority list update of December 2013, the South Road Upgrade was classified as having 'real potential' while the Northern Connector was classified at the 'threshold' level, meaning it had strong strategic and economic merit and only had to resolve a small number of outstanding issues before being ready to proceed.

The Northern Connector will provide a much more efficient link to Port Adelaide for exporters, particularly those from the prime food producing and food and beverage manufacturing regions including the Riverland, Barossa Valley and the Mid North. At a time when South Australia needs to be playing to its comparative advantages, the State Government must focus on infrastructure requirements to increase the competitiveness of industries which are best placed to provide future economic growth for the State.

4.2 Target the Port Adelaide and Outer Harbour tram extensions (as part of the proposed Adelink tram network) for completion by 2016, particularly given that the rail infrastructure is already in place.

The entire proposed Adelink tram network has merit but funding the expansion will be a challenge, particularly considering the more urgent road infrastructure requirements which are needed to drive economic growth.

Detailed costings for the Port Adelaide and Outer Harbour tram extensions are yet to be released, however given that the trams will replace trains on these routes, existing rail infrastructure should reduce some of the project expenses. For this reason, the Port Adelaide and Outer Harbour tram extensions should be given priority over the balance of the proposed tram expansions

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which will be difficult to fund, particularly given the Commonwealth Government's reluctance to fund public transport infrastructure.

Completing the tram link from the CBD to Port Adelaide should assist in opening up the historical precinct to further development and tourism. The tram has historically provided significant tourism benefits to Glenelg and in time Port Adelaide's unique historical fabric has real potential to attract visitors. Furthermore, given the popularity of the recent tram extension to the Entertainment Centre, it is hoped that CBD commuters will also benefit from the extension through the inner north western suburbs.

4.3 Establish an independent statutory authority to advise State Government on infrastructure priorities. The authority will have sufficient expertise to independently establish South Australia's infrastructure requirements and undertake cost/benefit analyses to ascertain which projects should be given priority.

In Business SA's pre-election survey, 78% of respondents agreed that an independent authority should be established to advise the State Government on prioritising infrastructure projects subject to return on investment for the State. This result is consistent with our September Quarter, 2013 Survey of Business Expectations in which 77% of respondents supported an independent infrastructure authority.

South Australia's infrastructure needs should be determined by objective cost/benefit analysis of specific project proposals without a focus on electoral boundaries. Progressing the North-South transport corridor is a prime example of where an independent authority is needed to determine the priority of specific projects and advise Government accordingly.

NSW established an independent infrastructure authority in 2011 and South Australia can learn from this example to tailor a version which suits our State's specific requirements. The new board must have a broad mix of private sector experience as well as expertise in infrastructure balanced with an understanding in what economic infrastructure is important for business. The board must also be structured so as to be sufficiently independent from Government influence.

4.4 Such an independent statutory authority (as described in 4.3 above) should investigate pilot projects to encourage the superannuation sector, particularly locally based funds, to invest in greenfield (new) infrastructure

The Federal Treasury forecasts Australia's $1.62 trillion superannuation sector to grow to $3.8 trillion by 2025 and a staggering $8.6 trillion by 2040. Considering that on average, superannuation funds have approximately 7% allocated to infrastructure, over the next twelve years superannuation infrastructure investment should reach $266 billion and of this South Australia could attract at least $20 billion.

However, attracting superannuation money into infrastructure is not easy given that funds are typically conservative in managing the savings of future retirees. Well documented toll road failures such as Sydney's Lane Cove & Cross City Tunnels and Brisbane's Airport Link have also dented the confidence of superannuation funds to invest in greenfield infrastructure.

Superannuation funds are generally more willing to purchase brownfield (existing) infrastructure rather than invest in greenfield infrastructure. The State Government must engage with the superannuation sector, particularly locally based funds, to develop infrastructure delivery models which suit the risk averse nature of superannuation funds. Devising infrastructure models which appropriately allocate risk to the party best able to manage it is the key to encouraging the superannuation and other private sector funds to invest in greenfield infrastructure.

It is clear that the market seems to be failing to produce infrastructure delivery models which appropriately apportion risks to the party best able to manage them. It is not a lack of desire preventing the private sector from being more involved with financing and/or funding infrastructure, but they can realistically only bear a certain level of risk given their responsibilities to either shareholders or future retirees.

The State Government may have to work with smaller projects to get the right funding model, but there is too significant a pool of funds for the State Government not to pursue the superannuation sector to try and resolve their outstanding issues regarding risk allocation.

Superannuation and other private sector funds also need adequate returns to invest in infrastructure and the State Government needs to be open to infrastructure funding models which allow for user charges to provide potential investors a revenue stream. User charges do not have to entirely fund new infrastructure, but it is not unreasonable that users make a co-contribution towards infrastructure which will ultimately save them time and money. Furthermore, business is open to the idea with 72% of respondents to Business SA's pre-election survey agreeing the State Government should give proper consideration to all types of infrastructure funding models, including user charges, which may result in the cost of infrastructure being shared by Government and users.

4.5 Ensure an appropriate focus on regional infrastructure requirements given the substantial contribution the

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regions make to South Australia's Gross State Product. A prime example being the need for a 275 KV transmission line to facilitate expansion of the Eyre Peninsula economy.

South Australia's regions have long been the backbone of the State's economy and even today still produce the majority of the State's exports and account for 25% of the State's entire economy[7]. Our export orientated regions need competitive pathways to market, including efficient freight routes to strategically located ports.

The mining sector in South Australia is well placed for future growth and although the State is yet to experience a mining boom, there has been considerable activity at the exploration stage in recent years and there are significant mining prospects across a range of minerals.

The Eyre Peninsula is one region with many promising sites for future mining but is lacking the required infrastructure to realise its full potential. Business SA acknowledges the State Government for its ongoing work in developing regional mining and infrastructure plans to identify infrastructure solutions but there now needs to be a focus on how the Government can work with industry to commence projects with the most potential to get mining projects started.

There are many projects, particularly on the Eyre Peninsula, which of their own accord do not justify infrastructure investment but which when considered in a cluster make a strong case for investment. Unfortunately, many of these projects are stuck in a 'first mover' scenario where one company alone cannot finance the infrastructure until others commit, but others are unwilling to commit until there is a sufficient mass committed. In this scenario, the market is failing to provide the required infrastructure solutions and requirements such as a 275KV transmission line for the Eyre Peninsula are not progressing.

4.6 Lobby the Commonwealth Government to lift Adelaide Airport's curfew from 11 to 12pm and from 6 to 5am, with appropriate noise abatement measures in place such as landing and departing over Gulf St Vincent.

The period between 11 and 12pm and 5 and 6am is currently the 'shoulder period' of the existing curfew where a limited number of flights are allowed upon approval by the Commonwealth Government.

Lifting the curfew will enable increased flexibility for freight and passenger movements, particularly to and from Asia and the Middle East, and will end the airport market advantage bestowed on Melbourne, Brisbane, Perth, Hobart, Darwin and Canberra. In Business SA's pre-election survey, 77% of respondents supported a proposal to lift the Adelaide Airport curfew with appropriate noise abatement measures in place.

While Cathay Pacific have recently been granted a six month exemption by the Commonwealth Government to land up to four flights a week at 5:10am, this is not a change to the curfew as the existing legislation allows for eight flights per week to land in the shoulder period. Such landings need prior Commonwealth Government approval and should approach the airport over Gulf St Vincent to mitigate noise on nearby residents.

The experience of other Australian airports without a curfew does not suggest a high demand for flights within the existing curfew period. However, lifting the curfew means that many of the routes airlines currently consider marginal, if they need to land or depart too close to the curfew, would then become viable as airlines would not be subject to costs associated with minor delays (such as overnight meals and accommodation). Therefore, in practice even if the curfew was lifted for just the current shoulder period, which already allows a restricted number of flights, the majority of benefits from lifting the curfew completely may be realised.

The Adelaide Airport Noise Amelioration program was established in 2000 to fund the installation of noise insulation for eligible residences and public buildings in the vicinity of Adelaide Airport. Funding to this program may need to be reviewed if it was deemed necessary to further bolster noise insulation in light of any curfew changes.

4.7 Increase Adelaide's urban public transport share to 10% by 2017 and progressively to 13% by 2021 through a strategic overhaul of the existing public transport system to ensure:

- **no competing transport modes on the same route;**
- **expansion of the radial grid to avoid excess routing through the CBD and to enable more cross city journeys;**
- **a level of service timeliness which instils confidence in passengers;**
- **a focus on simplifying the network to ensure Adelaide's public transport system is easily understood.**

The State Government's current target for public transport is to increase its use to 10% of metropolitan weekday passenger vehicle kilometres travelled by 2018. Business SA's proposed target is much bolder but does allow the State Government ample time to address some of the underlying issues with the existing public transport system. South Australia's current public transport use, according to various measures, is only approximately 7% compared with Sydney at 15%, Melbourne at 11.5% and Brisbane at 9.5%.

7 South Australian Centre for Economic Studies, 2013, Regional Economic Profiles

INFRASTRUCTURE

Nicknamed Australia's 'car capital', Adelaide has the highest rate of car driving amongst the State capital cities while Perth has experienced a public transport revival over the past 30 years, largely on the back of significant rail infrastructure investment. Perth now has twice as many passengers on trains than buses where the reverse is true for Adelaide[8].

4.8 Facilitate increased Transit Oriented Development (TOD) in Greater Adelaide, with a particular focus on further encouraging in-fill development around established infrastructure. TOD should be prioritised around mixed activity centres to promote business expansion outside the CBD.

The current development at Bowden is a prime example of the State Government focusing inner urban expansion on a site with excellent public transport infrastructure access and in an area which boasts industry, retail and entertainment options. The former Clipsal site will ultimately house 3,500 residents across 10 hectares, and is the type of TOD which should be promoted as expansion at the urban fringe becomes more limited.

St Clair is another good example of TOD along the north west rail corridor with its own railway station and will eventually house 3,000 residents across 22 hectares, a third of which is designated open space.

The proposed Adelink tram extension from the Entertainment Centre to Port Adelaide will be of significant benefit in opening up Port Adelaide as a major TOD. Rejuvenation of the Port Adelaide historical precinct has made some progress, and tram services connecting Port Adelaide to the heart of the CBD and beyond to the bay at Glenelg will underpin the transit orientated redevelopment needed to realise Port Adelaide's potential.

8 RMIT, 2012,Transport Policy at the Crossroads

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Energy costs are still a significant issue for South Australian businesses, particularly after experiencing electricity price rises of approximately 80% over the past five years. Gas prices rises have also been substantial and given that small business relies more heavily on gas, these increases have had an acute impact. Since July 2013 alone, the Essential Services Commission of South Australia (ESCOSA)[9] has reported average gas price increases of 9% for small business customers.

Gas price rises for larger customers are also hitting South Australian manufacturers hard with some paying up to 50% more for forward contracts agreed to in 2013. These cost increases will eventually filter down to smaller businesses and Business SA is calling for a collaborative policy response from both the State and Commonwealth Governments to stop further pressure on business in what is already a very challenging economic environment.

South Australia has vast reserves of unconventional gas in remote areas such as the Cooper Basin and it will become increasingly important to develop these resources to ensure South Australia's manufacturing base has an adequate supply of gas at reasonable prices. While some of these resources will likely be exported via Queensland, many jobs will be created in the extraction process. The State and Commonwealth Governments will also benefit from tax revenues which can be returned to South Australia and used to fund infrastructure and initiatives to help industry improve gas efficiency.

South Australian manufacturing has historically relied upon a steady supply of low cost energy and given the sector faces issues such as Holden's manufacturing exit in 2017, it is important that energy costs do not add further to the already uncompetitive cost base in South Australia in comparison to our international competitors.

South Australia must continue thinking laterally in terms of how it will meet its future energy requirements and Business SA has long supported the advancement of renewable energy technologies including solar, wind and geo-thermal. South Australia's adoption of solar energy is the highest in the nation supplying 4%[10] of the State's energy use and our locally based companies are leading the way in renewable energy storage technology. Wind power has also been incredibly successful in South Australia and while on average it supplies 25% of the State's energy demand, at times this figure has risen as high as 88%[11]. Although geo-thermal energy is still in its infancy here, the pilot plant at Innamincka has produced favourable results.

To date, renewable energy has developed with the assistance of Government subsidies and regulations such as the Renewable Energy Target but in the long run each technology will need to be viable without Government support. In the case of solar, the development of energy storage technology is starting to accelerate as Government subsidies wind down, proving that the industry is adapting to offer users a product which is cost effective in its own right.

Due to existing technological constraints in storing renewable energy on a large scale, South Australia still needs a significant amount of energy from non-renewable sources such as coal and gas in order to provide base-load power. Given its lower greenhouse gas emissions, gas is the preferred fossil fuel over coal for electricity generation but South Australia also has considerable uranium reserves which if converted into nuclear energy would produce negligible greenhouse gas emissions.

RECOMMENDATIONS

5.1 Ensure there are no barriers to development of the remote Cooper Basin for shale gas reserves which is particularly critical given the East Coast gas supply constraints anticipated to occur from 2016. The State Government should enable industry to take advantage of existing gas network infrastructure connected to the Cooper Basin which can assist future extraction.

Recent estimates of the accessible unconventional gas reserves in the Cooper Basin suggest nearly 100,000 Petajoules (PJ) of shale gas which is quite substantial considering that South Australia only consumes 100 PJ of natural gas each year, while Australia as a whole consumes 1,000 PJ per annum[12].

Natural gas extraction has occurred in the Cooper Basin since 1969 and as a result, pipeline infrastructure to gas markets is already established. Future development of unconventional gas reserves will require some additional infrastructure and the existing infrastructure makes the proposition of future unconventional gas extraction much more viable.

Coal seam gas extraction generally occurs quite close to the surface and has to date been the predominant form of unconventional gas extraction in Australia. However, shale gas which is extracted from several kilometres underground, and is already well developed in the United States, is only at its initial stages of development in Australia's more remote areas.

9 Essential Services Commission of South Australia

10 Australian Energy Market Operator, 2013, South Australian Electricity Report

11 Australian Energy Market Operator 2013, South Australian Wind Study Report

12 Australian Council of Learned Academies Report, 2013, Engineering Energy: Unconventional Gas Production, A study of shale gas in Australia

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The process of hydraulic fracturing has been the subject of some public contention surrounding unconventional gas extraction and while legislation exists to safeguard the environment, both levels of Government need to remain vigilant in enforcing environmental protections. The future economic benefits of shale gas extraction for South Australia are significant, but due care must be taken to ensure the protection of the environment is given equal consideration.

Developing South Australia's unconventional gas reserves is of increasing importance due to a pending gas shortage on the East Coast, as liquefied natural gas (LNG) exports commence out of Queensland in coming years. Despite significant export contracts being in place, there is still doubt as to whether supplies of coal seam gas from Queensland can satisfy both domestic and export demand. Given this, the price of gas for large commercial domestic customers who buy on forward contracts is rising rapidly. Additional unconventional reserves need to be developed to ensure South Australian businesses are not burdened with unreasonable gas price rises as the LNG export market develops.

In Business SA's pre-election survey, 77% of respondents supported the development of the Cooper Basin shale gas reserves to help stave off a pending gas supply squeeze.

5.2 Rather than establish a set domestic gas reservation policy for South Australia, work with the gas industry to construct a policy which places the onus on gas project proponents to establish how they will cater for South Australia's domestic gas market while servicing demand from the East Coast gas market. This should also include Government assistance to industry to improve gas efficiency in industrial processes.

Although South Australian businesses need access to affordable gas, there is no evidence to suggest that market intervention by the State Government is the most efficient way in which to achieve this. The role of Government in any market is only to intervene when there is a market failure and if gas prices do rise due to exposure to export markets, this is not a market failure, rather the same logic applies to any export product including agricultural produce or minerals. Higher export earnings for South Australia also mean returning tax revenues which can be redistributed to assist, for example, industry particularly reliant on gas to adopt more gas efficient or less gas reliant technologies.

In Business SA's pre-election survey, 69% of respondents were opposed to a gas reservation policy for domestic users, but rather favour the State Government helping facilitate increased extraction of gas resources to increase supply for all buyers.

Western Australia has maintained a gas reservation policy for many years but today has higher gas prices than the East Coast[13]. The Western Australian experience of gas reservation has also proven the inherent difficulty in mandating a specific level of supply for local production given the invariable ebbs and flows of demand for gas. The best outcome for South Australia's entire economy is for the Government to help facilitate development of future gas resources and ensure there is enough supply in the market to cater for domestic demand. This could involve the State Government working with proponents of gas developments to help facilitate supply to domestic users, rather than enforcing a supply mandate which is just another regulation that not only leads to inefficient market outcomes, but further reduces the competitiveness of South Australia's economy.

13 Grattan Institute, 2013, Getting gas right: Australia's energy challenge

Any move to implement a gas reservation policy, either in South Australia or across the entire East Coast, would also be counter to existing Government policy settings which have encouraged significant investment in LNG export development; particularly in Queensland (noting Western Australia's gas reservation policy was negotiated prior to major commitments being made to LNG export investments)[14].

5.3 Lead the debate of a nuclear energy industry in South Australia to take advantage of the State's significant uranium resources (which amount to approximately 24% of the world's supply). South Australia must have an informed debate on the costs, benefits and risks associated with establishing each component of the nuclear industry ranging from uranium enrichment and fuel rod manufacturing through to energy generation and waste storage. A State Government initiated debate should begin in 2014 with the aim of introducing a pilot project for either uranium enrichment or nuclear waste storage.

Business SA has long advocated for South Australia to value add to its vast uranium reserves but the current economic climate and the risks ahead posed by the exit of Holden's manufacturing operations in 2017 put real pressure on the State to explore all opportunities for future economic growth and job creation. South Australia can no longer ignore the significant economic potential of uranium and we should be mature enough to have an informed public debate on the pros and cons of developing a nuclear industry.

Discussion about the potential for a nuclear industry in South Australia has been going on for some time, but there has never been the political will to seriously consider the opportunities publically, largely due to

14 Grattan Institute, 2013, Getting gas right: Australia's energy challenge

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contention about nuclear power following high profile incidents at Chernobyl and more recently Fukushima. This is despite nuclear power operating across 31 countries and providing 11% of the world's electricity. The generation of nuclear power is also greenhouse friendly given that it does not produce any carbon dioxide, notwithstanding greenhouse gas emissions to convert uranium into nuclear fuel rods are relatively minor and still result in nuclear being second only to renewable energy in terms of environmental impact.

At present, France sources three quarters of its power from nuclear energy while Belgium, Bulgaria, Czech Republic, Finland, Hungary, Slovakia, Sweden, Switzerland, South Korea, Slovenia and Ukraine all rely on nuclear power for at least one third of their power needs. Moreover, nuclear power provides at least one fifth of power for the USA, UK, Spain and Russia. While Japan is used to relying on nuclear power for about 30% of its power requirements, political impediments post Fukushima including a lack of suitable nuclear waste storage sites, are putting pressure on a revival of its nuclear sector which still provides 10% of the country's power supply.

Business SA is not advocating for nuclear power or any component of the nuclear industry to be progressed without proper consideration. However, the nuclear industry is diverse and South Australia does not necessarily have to initially jump to nuclear power in order to begin value adding to our uranium reserves. South Australia could start by investigating potential sites for nuclear waste storage in remote and geographically sound areas or examine the possibility of uranium enrichment, which is another form of value adding to our raw uranium. While some of the skills and expertise needed to develop a nuclear industry in South Australia may need to be sourced elsewhere, the future job opportunities for South Australians could be considerable.

From its pre-election survey, Business SA found that 79% of respondents were in favour of a mature Government led debate on the costs and benefits of value adding to South Australia's vast uranium reserves. South Australia needs to diversify its economy and capitalise on its existing resources and the possibility of a nuclear industry should not be entirely ruled out.

5.4 Collaborate with electricity network operators to facilitate investment in a smart electrical grid, including a roll out of smart meters, to help reduce network operating expenditure and investment and reduce supply charges.

Network costs have been a major driver of increased electricity charges and have contributed to approximately 40% of price rises in the past five years. A smart grid will enable network operators to more efficiently manage the network, reduce their own costs and ultimately lower supply charges. Accurate monthly billing will also be feasible with smart meters able to be read remotely.

In order to ease pressure on the network during peak times, which in turn drives a considerable amount of network investment, consumers need to be aware of the amount of electricity they use at any given time. With this information and appropriate incentives, consumers may be able to more evenly spread their electricity usage.

Given the forecast uptake of battery storage for solar customers once technology enables storage to become economical, network operators may find customers relying less on established electricity networks. Network operators will then need to find ways to more efficiently manage electricity distribution to remaining customers in order to limit charges rising for non-solar enabled customers.

Business SA has supported electricity smart meters for several years and 80% of respondents to our pre-election survey supported a roll out of smart meters. It is now time for the State Government to proactively work with network operators to ensure South Australia reaps the benefits of smart meter technology.

Several Government and industry led trials have already demonstrated the benefits of smart meters. Given that Victoria has experienced difficulties with a mandatory roll out of smart meters, South Australia should proceed on a voluntary basis so that small businesses and households can decide the value of smart meter technology for themselves.

It is important to note that smart meters are not a uniform technology and for example, can come in a form which only measures maximum demand for the day and does not have any functionality for critical peak or time of use pricing. It will be incumbent upon Government to work with industry to ensure that as smart meters are rolled out, that various manufacturers of differing technologies are compatible to ensure the benefits of smart meters to the whole electricity grid are realised.

From 2010 to 2013, 30,000 households from NSW participated in a Commonwealth Government funded smart grid/smart city trial to test new grid technologies including smart meters. The results of this trial are due in early 2014 and will further inform the State Government in managing a smart meter roll out.

5.5 Lobby the Commonwealth Government to mandate a shift from volume to cost reflective tariff structures for electricity distribution charges which should result in customers being fairly charged for their reliance on the electricity network.

Currently, the supply charges for electricity are based on the volume consumed and do not necessarily reflect the actual costs of providing a network service to each end

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user. For example, a residence with solar panels may not require as much electricity from the grid but still relies on having access to it. As a result, the grid must still be maintained by significant investment, a considerable amount of which is to service electricity demand on a few peak days each year.

The State Government should be lobbying the Commonwealth Government to support SA Power Network's proposal for a move towards cost reflective tariffs, which also had the support of the majority of respondents to Business SA's pre-election survey.

5.6 End the Residential Energy Efficiency Scheme (REES) by no later than 31 December 2017 unless an independent review can substantiate sufficient grounds upon which the scheme should continue.

REES was introduced by the State Government in 2009 to assist households, particularly low-income households, save energy through audits and the provision of items such as energy efficient light globes and stand-by power controllers.

Business SA had been advocating for several years to include small business in the REES and was pleased with the recent State Government decision to include small business from 2015. However, Business SA has a longer term view that initiatives such as REES will eventually run their course as the market becomes saturated with energy saving technologies. Furthermore, multiple State based schemes similar to REES are placing excessive compliance costs on the energy retailers responsible for implementing them, costs that are ultimately passed back to all consumers, including business.

5.7 Continue to fund research and development into geothermal energy as a longer term base load electricity alternative.

Business SA supports the State Government's funding of the South Australian Centre for Geothermal Energy Research at the University of Adelaide. Renewable energy technologies such as solar and wind have made a significant contribution to South Australia's energy mix. However, due to current technological constraints in storing electricity on an economical scale they are unable to provide adequate base load electricity. For example, wind power can supply up to 88% of demand but historical performance of wind generation during the top 10% of peak demands has shown that wind generation only contributes 8.6% of its installed capacity 85% of the time in summer, and 7.9% of its installed capacity 85% of the time in winter[15]. For now, South Australia must rely on coal and gas fired electricity for base load power but it is important to pursue research into low emission alternative energy technologies such as geothermal.

The USA is the world leader in geothermal energy generation, having over 80 plants and in the Philippines geothermal energy generates 20% of its electricity requirements.

Australia has considerable hot rock geothermal energy potential due to the widespread occurrence of basement rocks in which heat is generated by natural radioactive decay. South Australia is also well positioned to benefit from future development of geothermal energy, housing a pilot plant in Innamincka in the Cooper Basin which has just completed a successful trial of geothermal energy generation.

15 Australian Energy Market Operator, 2013, South Australian Wind Study Report

5.8 Abolish the remaining electricity price regulation in South Australia by 31 December 2014, namely the minimum solar feed-in tariff which should be most efficiently determined in a competitive retail market. Existing State Government solar subsidy schemes should be maintained through to maturity.

Business SA welcomed the State Government's 2012 decision to deregulate the South Australian energy market and to change the role of ESCOSA to price monitor rather than price setter. This recommendation was part of Business SA's previous Charter on the basis that prices are most efficiently determined by the market and Government price controls only distort consumption and investment decisions.

While energy prices have been deregulated since February 2013, ESCOSA still determines the minimum retailer payment to solar enabled households for electricity fed back into the grid. Given that the last of the Government solar feed-in tariff schemes closed to new entrants in October 2013, all new solar customers are now entitled to at least the minimum retailer payment for the excess solar power they generate.

Business SA supported the most recent determination of ESCOSA to set the minimum retailer payment at 7.6 cents per kWh for the 2014 calendar year, given the uncertain level of competition for South Australia's solar customers. At the same time, we acknowledged that deregulated markets in NSW and Queensland were offering customers similar rates. While it has been appropriate for ESCOSA to manage the price of minimum solar feed-in tariffs as the solar market has matured, there is no rationale for continued regulation in the long term, particularly given the cross-subsidisation that already exists between solar and non-solar customers.

WORKPLACE RELATIONS AND SAFETY

The focus of the workplace relations system must be on promoting productivity, economic growth and the creation of sustainable jobs. The system should provide an environment that facilitates the flexibility necessary for businesses to grow and create more jobs for South Australians.

The work health and safety and workers compensation laws should focus on the prevention of workplace accidents and injuries by the implementation of practical health and safety measures, and assisting employees suffering a workplace injury to return to work as quickly as possible.

In recent years, there has been an increase in the regulatory burden on business, compliance and employment costs in relation to workplace relations and safety. This includes the establishment of new government bodies and tribunals, new regulatory powers, excessive increases to penalty rates and minimum wages, additional reporting and record-keeping requirements and a further deterioration in workers compensation return to work rates.

The regulatory burden and employment costs are both major concerns for South Australian businesses. In the Australian Chamber of Commerce and Industry's (ACCI) Pre-Federal Election Survey, 84% of respondents agreed that complying with the current workplace relations laws should be reformed to increase productivity and flexibility. Moreover, approximately 75% of respondents agreed that complying with the current workplace relations laws is a real concern.

To reduce the regulatory burden on business, particularly small business, the overlap in State and Federal employment regulation must be addressed. The number of government agencies and regulators involved in workplace relations policy must be reduced and genuine individual flexibility provided. The work health and safety laws must be refocused on the implementation of practical safety measures, rather than administrative compliance and completion of paperwork. The workers compensation legislation needs to be overhauled to transform the worst performing workers compensation system in Australia into one of the best.

RECOMMENDATIONS

6.1 Extend the national workplace relations system to Government Business Enterprises, Local Government and the Public Sector.

In January 2010, the Federal Workplace Relations system was extended to cover all private sector businesses in South Australia following the referral of the State's industrial relations powers to the Commonwealth Government. However, a number of sectors and organisations including the Public Sector, the Local Government and certain Government Business Enterprises were exempted from the referral. In some instances, organisations that had been in the Federal Workplace Relations system for a number of years were transferred back to the State Industrial Relations system.

A single National Workplace Relations system covering all employers and employees in South Australia will deliver important benefits by increasing certainty, providing simplicity and reducing duplication and government administrative costs.

To achieve this, the State Government should refer its remaining industrial relations powers over Government Business Enterprises, Local Government and the Public Sector to the Commonwealth Government. Any referral would require an agreement with the Commonwealth Government.

As a consequence of the referral, the South Australian Industrial Relations Commission would only have limited functions, which would not justify its continued existence. Accordingly, it should be abolished and any remaining functions in relation to apprentices and trainees should be transferred to the Training and Skills Commission (TaSC) as set out in Recommendation 7.10.

6.2 Lobby the Commonwealth Government to legislate for individual workplace agreements that can be negotiated between an employer and an individual employee, subject to a "no disadvantage test".

Between 1996 and 2008, employers and their employees were able to enter into statutory individual workplace agreements, providing flexibility and mutually beneficial working arrangements. However, today there is practically no option for award-covered employees to agree to alternative working arrangements. Individual Flexibility Agreements under Modern Awards are extremely limited in scope and do not provide industrial stability.

Of all employing businesses in South Australia, 89% are small businesses with less than 20 employees. These businesses are characterised by their informal nature and the close relationship between owners and employees. However, there is no practical way for small businesses and their employees to agree to other working arrangements outside the Modern Award system. Collective bargain is often not practicable for a small business that only wants to simplify their industrial arrangements and provide working conditions that cater for the needs of their individual employees and of the business.

Australian workplaces have evolved since the establishment of the Federal award system in 1904, with a greater

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need for flexible individualised working arrangements, flexible working conditions and productivity improvements. There has been a steady decline in trade union membership for nearly thirty years, falling from 46% in 1986 to 18% in 2012[16]. For the private sector, trade union membership is only 13%. Accordingly, the Workplace Relations system must reflect this. To ensure genuine individual and workplace flexibility, the Fair Work Act 2009 must be amended to provide for individual workplace agreements, subject to a "no disadvantage test".

6.3 Lobby the Commonwealth Government to remove the anti-bullying jurisdiction from the Fair Work Commission to reduce regulatory overlap.

From 1 January 2014, for the first time, the Fair Work Commission has been given responsibilities in relation to workplace bullying, including powers to make orders against employees, contractors and employers.

Business SA strongly endorses a zero tolerance to bullying. We provide expert advice, assistance and training to our members to prevent and take appropriate action against harassment, bullying, threats, intimidation and other forms of serious misconduct in the workplace.

Workplace bullying has traditionally been covered by work health and safety laws. With the commencement of harmonised work health and safety laws in South Australia in January 2013, penalties for breaching the law including workplace bullying, have been substantially increased. A business can now face a penalty of up to $1.5 million for failing to prevent workplace bullying.

16 Australian Bureau of Statistics 1996, Trade Union Members, Australia, Catalogue No. 6325.0, Australian Bureau of Statistics 1994, The Labour Force Australia, December 1994, Catalogue No. 6203.0; Australian Bureau of Statistics 2012, Employee Earnings, Benefits and Trade Union Membership, Australia, August 2012, Catalogue No. 6310.0

However, the new anti-bullying laws simply add another layer of complexity and regulation to matters that already are directly or indirectly regulated by a number of other laws, including the *Work Health and Safety Act 2012, Equal Opportunity Act 1984, Sex Discrimination Act 1984, Racial Discrimination Act 1975* and the *Workers' Rehabilitation and Compensation Act 1986*. Furthermore, under the current laws there is nothing to prevent action under multiple jurisdictions in relation to the same alleged bullying incident.

The new anti-bullying laws are unnecessary as they simply add another layer of complexity and regulation and should therefore be abolished.

6.4 Lobby the Commonwealth Government to abolish the Road Safety Remuneration Tribunal.

The Road Safety Remuneration System, comprising the Road Safety Remuneration Tribunal (RSRT) and the *Road Safety Remuneration Act 2012,* was implemented to improve the accident and fatality rate in the road transport industry by substantially increasing the wages for road transport drivers. However, given that no direct causal link has been established between rates of pay and road safety outcomes, it is unlikely that decisions made by the RSRT will have any positive impact on the accident and fatality rate in the industry. The work of the RSRT to date has encouraged an adversarial approach to health and safety which has been detrimental to the longstanding collaborative approach to work health and safety regulation.

Genuine safety improvements will only be achieved by the identification, control and where practicable, the elimination of safety hazards, not by considerable wage increases and the imposition of additional industrial regulation of employees and independent contractors

As an alternative to the Road Safety Remuneration System, Safe Work Australia in cooperation with the National Heavy Vehicle Regulator and State and Territory work health and safety regulators should take a holistic approach to road safety. This should include developing practical guidance and tools, training, support, public education campaigns, encouraging the use of new and innovative technologies and sharing of industry best practice solutions.

6.5 Abolish the Office of the Employee Ombudsman.

The Office of the Employee Ombudsman's (OEO) main responsibility is to advise employees on their rights and obligations under industrial instruments. However, with the private sector now covered by the Federal Workplace Relations system and private sector employees able to seek advice and assistance from the Fair Work Ombudsman, there is no longer a need for the OEO to continue to exist. Over 40% of South Australian public sector employees are members of a union and therefore have access to advice and representation. For those public sector employees who are not members of a union, a range of other advisory services are available, including community legal services and specialised employment representation for women.

In August 2010 The Sustainable Budget Commission recommended abolishing the OEO with the remaining functions to be transferred to Safework SA. Abolishing the OEO would save the State Government approximately $500,000 per year.

6.6 Abolish the State laws and regulations relating to outworkers to remove the duplication of existing Commonwealth laws.

Special provisions on outworkers in the textile, clothing and footwear industry are currently provided by both State

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and Commonwealth laws. Employers of outworkers have to navigate and comply with a multitude of often overlapping and complex laws and regulations, including the State *Fair Work Act 1994*, the *Clothing Outworker Code of Practice*, the *Textile, Clothing, Footwear and Associated Industries and Occupations Award 2010*, the Federal *Fair Work Act 2009* and where applicable, the voluntary accreditation schemes namely the Ethical Clothing Australia's *Homeworkers Code of Practice*. Given the comprehensive regulation of outworkers by Commonwealth legislation, there is no need for State laws and regulations of outworkers.

6.7 Conduct an independent review of the Codes of Practice and guides under the *Work Health and Safety Act 2012* with an aim of fewer, shorter and less complex codes and guides that offer genuine practical guidance.

Codes of Practice under the *Work Health and Safety Act 2012* are aimed at providing practical information and guidance to assist businesses in meeting their legal requirements. Many of the 20 South Australian Codes of Practice are very lengthy, in some instances up to 100 pages, unreasonably prescriptive, impractical and result in considerable compliance and administrative costs. In light of the extensive criticism and demonstrated problems with the three Codes of Practice covering building and construction work, the South Australian Legislative Council even took the unusual step of disallowing these Codes in November 2013. In order to ensure that the Codes of Practice and guides offer genuine practical guidance, an independent review should be conducted and reported back to the Government by no later than 31 December 2014.

6.8 Amend or repeal the *Work Health and Safety Act 2012 to reduce* the regulatory burden on business, and in particular small business.

Business SA is a strong advocate for health and safety in the workplace and works closely with South Australian employers to implement practical work health and safety measures. Although supporting the concept of harmonised work health and safety laws, due to the regulatory overreach imposed by the South Australian *Work Health and Safety Act 2012* (the Act), Business SA was opposed to the Act in its current form. We are still concerned that under the Act, small businesses in particular are having to focusing on administrative compliance including dealing with excessive paperwork, rather than implementing practical safety measures and monitoring health and safety hazards in the workplace.

In agreeing to the introduction of harmonised work health and safety laws, the States, Territories and the Commonwealth undertook to review the underpinning Inter-Governmental Agreement for Regulatory and Operational Reform in Occupational Health and Safety in 2014. Furthermore, a mandatory review of the South Australian *Work Health and Safety Act 2012* will occur in 2014. The outcomes of these reviews should guide what further action should be taken, including the amendment or the repeal of the Act.

6.9 Replace the *Workers Rehabilitation and Compensation Act 1986* with a new Act to reduce the workers' compensation premium and to ensure a stable and viable workers' compensation scheme.

The South Australian workers compensation system is one of the worst performing in Australia, with the highest standardised average premium rates of all States and Territories, the lowest durable return to work rates and the lowest assets to liabilities funding ratio[17]. Stress claims that make up only 4% of all claims account for 20% of the cost to the scheme.

The reforms in 2008 were meant to significantly improve the scheme, but have largely been inadequate or ineffective in improving return to work rates and reducing the unfunded liability. Minor amendments and tinkering around edges with the existing Act will not be enough; instead a complete re-write of the South Australia's workers compensation legislation is required.

Business SA welcomes the Government's commitment in the "A new recovery and return to work system for South Australian's" policy statement to restructure the South Australian workers compensation system, in particular to stop income maintenance payments after two years for less seriously injured workers and to require a stronger causal link between work and claims relating to psychological injury. However, the proposed reintroduction of access to common law must be limited to avoid excessive claims and businesses being subjected to lengthy and costly court proceedings.

A new act must ensure that the income maintenance payments are directly linked to a person's capacity to work, that employment be the major significant contributing factor in order for psychological or psychiatric claims to be accepted and that redemption is reinstated as an option for claims settlement.

Furthermore, the Government should review the disputes resolution mechanism, including whether or not the South Australian Workers Compensation Tribunal is the best mechanism for dealing with disputes.

17 Safe Work Australia 2013, Comparison of workers' compensation arrangements in Australia and New Zealand, July 2013; Safe Work Australia 2013, Comparative Performance Monitoring Report, Comparison of Work Health and Safety and Workers' Compensation Schemes in Australia and New Zealand, Fifteenth Edition, October 2013.

VOCATIONAL EDUCATION, SKILLS AND WORKFORCE DEVELOPMENT

The demand for high skill employees is increasing in tandem with a gradual modernisation of the South Australian economy. This is evidenced by the Professional, Scientific and Technical Services sector increasing its share of State Gross Product to 7% today, compared with 4% in the early 1990's. The Manufacturing sector's share of the State economy has declined from 15% to 9% over the same period. The South Australian economy must also prepare for significant structural adjustment in coming years on the back of Holden's manufacturing exit and it will be critical for employers to have access to suitably skilled employees.

The State Government should focus on re-training and formalising the skills of redundant auto-manufacturing workers but it will be equally important to coordinate this training to ensure alignment with actual skills shortages across the State. The Government will also need to ensure affected employees are provided with sound career advice based on current labour market trends, which can inform workers of existing and future skills shortages.

In 2013 new apprentice commencement rates fell in South Australia to record lows which is of major concern for industry and has widespread implications for workforce development. Furthermore, apprentice commencements are expected to decline as significant increases to apprentice wages take effect in 2014. To assist in arresting this alarming trend, the State Government needs to reinstate employer incentive payments for apprentices where critical skills shortages are identified and reinstate the payroll tax exemption for apprentices and trainees.

The regulatory burden on South Australian employers in relation to trainees and apprentices is inconsistent and more onerous in comparison to other States. Accordingly, Business SA is calling for a number of regulatory changes to address this issue. Furthermore, Government processing times for apprentice and trainees contracts are causing unnecessary delays in legally employing apprentices and trainees.

Business SA acknowledges in the current budgetary environment that funding of workforce skills programs is constrained, so it is important to ensure existing programs mitigate existing skills shortages and are not being used to fund training where there is unsubstantiated demand for skills.

RECOMMENDATIONS

7.1 The study of entrepreneurship should be embedded into the secondary school curriculum to provide all students with an understanding of what is involved in starting and operating a business.

It is critical to ensure our school system provides students the best academic grounding to thrive in a modern economy with an increasing need for high skills. Students must be well prepared to open themselves up to a range of opportunities at a tertiary or trade level.

Students also need to gain some understanding of entrepreneurship, the underlying driver of the economy and job creation. The economy constantly relies on the next generation of entrepreneurs who are willing to take risks to start businesses which ultimately provide job opportunities for others. Although students must have a solid academic grounding, understanding how to start and operate a business is equally important to ensure the long term growth of our economy. Entrepreneurship courses have been available at a tertiary level for some years, but we must now embed them in the secondary school curriculum for students to understand that starting a business is also an option for them in the future.

Business SA has been operating the young entrepreneur program SAYES for over 15 years with over 450 participants successfully completing the program. A recent survey of 127 graduates found their business's combined turnover was approximately $60 million and over 528 new jobs were created.

Although schools cannot create entrepreneurs, they can pave the way for the possibility of going into business.

7.2 Establish a 'one-stop-shop', which facilitates broad (public) access to professional career development services and industry-informed labour market information based on current and future skills needs.

A 'one-stop-shop' should be established to provide a mechanism for individuals and employers to access labour market information based on current and future skills needs. Specifically, the implementation of a standalone platform that provides current information in relation to occupational characteristics and training requirements coupled with resources to facilitate quality career advice and support.

Such one-stop-shop must provide current information which will be of use to both employers and employees. To ensure the quality of the service, the State Government should instigate a competitive tender process for its management.

Adoption of an integrated and industry-informed approach to career and workforce development is necessary to support labour market flexibility. In particular, the need for lifelong access to career development, with an emphasis on continuous learning to support transitions across education, training and employment must be recognised.

7.3 Conduct an independent review of *Skills for All* to identify areas for improvement and release a consultation paper seeking industry-informed advice on the implementation of any proposed recommendations.

VOCATIONAL EDUCATION, SKILLS AND WORKFORCE DEVELOPMENT

It is imperative that government investment in training is strategically aligned to areas that provide maximum benefit to South Australia. An overarching independent review of government subsidised training under *Skills for All* is warranted in addition to regular (industry-informed) reviews of courses occupying the Funded Training List (FTL) and Training Accounts Limits List (TALL). This should avoid an oversupply of skills in areas that do not meet industry skills requirements, where there are no job opportunities or where public funding is replacing private investment. It is important that *Skills for All* is focused on real outcomes, such that students gain employment or gain further skills to progress to more highly skilled occupations.

A review should occur in 2014 with an objective of seeking industry-informed advice on any proposed recommendations. Ideally, the review would incorporate the assessment of student outcomes stemming from the implementation of the demand-driven system under Skills for All to better target funding criteria based on labour market needs.

7.4 Abolish the requirement for employers to register before they can employ an apprentice or trainee in South Australia.

In South Australia, registration with Traineeship and Apprenticeship Services (TAS) is required in order to employ and train apprentices and trainees. Currently South Australia is the only jurisdiction to require the registration of employers prior to formalising a contract of training. The current registration process is onerous for businesses, imposes excessive levels of regulation and delays the commencement of training contracts with apprentices and trainees. The existing employer registration process should be abolished in favour of registration of the contract of training, as occurs in other jurisdictions. As part of the contractual agreement, site visits would be conducted once an apprentice or trainee has commenced training.

7.5 The assessment and approval of contracts of training should be completed within 14 days of lodgement.

The current timeframes for the approval of contracts of training can take up to 3 months and does not provide employers with certainty when engaging an apprentice or trainee. The setting of timeliness benchmarks and public reporting of performance outcomes will increase levels of transparency in relation to the assessment and approval of contracts of training.

Implementation of accountability measures will support the elimination of unnecessary delays and assist in the identification of areas for further improvement. Furthermore, the State Government must continue to transition the current paper based contract management system to one managed electronically. This will significantly improve the speed and ease of approving and managing contracts of training.

7.6 Support the establishment of a dual-sector university in South Australia to facilitate pathways between the secondary, VET and higher education sectors to accommodate the broad scope of future skills requirements.

The State Government needs to be actively involved in developing clear and accessible learning pathways between the secondary, Vocational Education and Training (VET) and higher education sectors to accommodate the broad scope of future skills requirements. The establishment of a dual-sector university in South Australia would facilitate much-needed access to the full-range of post-school education and training options. Major benefits stemming from improved articulation arrangements between the sectors include:

– increased transparency and application of credit transfer and recognition of prior learning (RPL) processes;
– embedded programs and integrated pathways with the option of guaranteed entry to university;
– joint delivery of Associate Degrees; and
– offering dual concurrent VET and higher education qualifications across multiple disciplines or embedded pathways resulting in both a VET and higher education qualification.

7.7 Abolish the process of declaring trades and vocations in South Australia to reduce unnecessary administrative burden and disincentives in relation to the delivery of qualifications by industry.

The declaration of trades and vocations in South Australia forms the basis as to which national VET qualifications will be funded by the State. As a result, some industries are not entitled to incentive payments for nationally recognised qualifications, unless they are for a declared trade or vocation in South Australia.

Existing guidelines authorise the Training and Skills Commission to approve applications for the declaration of trades and vocations under the *Training and Skills Development Act 2008*. The process (and prescriptive guidelines) mandating the acceptance and declaration of trades and vocations in South Australia should be abolished to reduce unnecessary administrative burden and disincentives in relation to the delivery of qualifications by industry.

7.8 Develop a State Workforce Plan for South Australia connected to industry and regional workforce plans.

The development of a robust State Workforce Plan for South Australia is critical to ensure the State is well positioned to

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meet current and emerging skills needs. It is necessary to embed industry-wide workforce issues in a singular plan to identify critical skills needs and job roles, coupled with practical advice to support skills and workforce development.

This will involve the integration of individual Regional Education, Skills and Jobs Plans and Industry Workforce Action Plans to inform the recommendation of targeted recruitment and retention strategies to enable industry to meet future demand for skills.

A Workforce Plan for South Australia, encompassing multiple industry sectors should emphasise a long-term approach to building a highly skilled workforce capable of responding to projected labour market demand.

7.9 Offer state-based employer incentive payments for apprentices and trainees in areas where skills shortages exist in South Australia.

Apprenticeship commencements rates are at historic lows in South Australia and are a major concern for industry with widespread implications for productivity, workforce development, and the economy generally. According to the DEEWR Skill Shortage List (2012-13), skill shortages of technicians and trade workers exist in critical industries within South Australia, with many employers reporting difficulty recruiting qualified personnel. In addition to restoring the payroll tax exemption for apprentices and trainees, the Government should take immediate action to stimulate training activity by reinstating employer incentive payments where critical skills shortages have been identified.

The discontinuation of the standard commencement incentive for existing workers undertaking an apprenticeship (at the Certificate III level and above) in non-National Skills Needs List occupations and completion incentive payment has had a detrimental effect on employer uptake of training, and as a direct consequence apprenticeship commencement rates. Other disincentives have included abolition of WorkCover remuneration exemption incentive for trainees.

The recent decision by the Fair Work Commission to significantly increase wages by up to $145 per week for apprentices commencing after December 2013 will further limit the employment of apprentices. Business SA and the Australian Chamber of Commerce and Industry (ACCI) opposed these increases on the basis of their impact on future apprentice numbers.

Apprenticeship incentives should be supported on a state-level to increase apprentice and trainee commencements and to reduce skills shortages.

7.10 Transfer existing responsibilities of the South Australian Industrial Relations Commission (SAIRC) in relation to apprentice and trainees (hearing of grievances and disputed cancellations of contracts of training) to an independent panel situated within the Training and Skills Commission (TaSC).

South Australia is the only jurisdiction where an industrial relations commission is responsible for the hearing of grievances and disputed cancellations of contracts of training. In most other jurisdictions this is the responsibility of the relevant Training Authority. It would more appropriate if training disputes are heard by an independent body with expert knowledge in the apprenticeship and traineeship system, which was supported by 79% of respondents to Business SA's pre-election member survey, with only 3% disagreeing.

In accordance with our Recommendation 6.1 to extend the National Workplace Relations system to Government Business Enterprises, the Local Government and the Public Sector, the South Australian Industrial Relations Commission (SAIRC) would be abolished.

Accordingly, it is proposed that the responsibilities/powers governing the industrial dispute resolution process, including the responsibilities/powers of the SAIRC regarding traineeship and apprenticeship (disputes, grievances' and suspensions) would be transferred to an independent panel situated within the Training and Skills Commission (TaSC). In the event the State Industrial Relations System is not abolished, this transfer should still occur.

It should be noted that the T*raining and Skills Development Act 2008* is inconsistent with other State and Territory training laws in relation to the representation of parties to a dispute. Employers should have the right to be represented by their relevant employer associations in matters under the Act.

ENVIRONMENT AND SUSTAINABILITY

South Australian businesses are impacted by environmental issues including water, waste, land management and climate change and undertake important work in reducing their environmental footprint through measures such as water and energy efficiency, reduced waste generation and increased recycling.

South Australia's businesses should have access to a secure and reliable supply of water at competitive prices. Business should be encouraged and incentivised to make investments in water efficiency measures, wastewater and stormwater harvesting and treatment.

Water is an important issue for businesses and businesses support reforms to water policies that reward efficient water usage and make alternatives to potable water more affordable. In Business SA's pre-election members survey, 62% of the respondents indicated that treated wastewater and stormwater could be used within their businesses provided there was better access to infrastructure and these options were more affordable than using potable water.

Furthermore, 92% of the respondents also agreed that water prices should be more cost reflective to ensure that businesses are rewarded for efficient water usage and for making investments in, for example, their own wastewater treatment facilities.

Business is committed to constructively engaging and collaborating with the Government on environmental policies and practical measures aimed at protecting the environment. However, as demonstrated by Business SA's pre-election member survey, 85% of the respondents believe that the State's Natural Resource Management (NRM) Boards must be more community based and less bureaucratic, focusing on practical land management advice and assistance and working with local business, including primary producers.

South Australia has been a national leader in waste recycling. Business must continue to be supported to reduce their waste generation and further improve their recycling practices. Furthermore, South Australia has an opportunity to export our expertise and practices into growing Asian markets.

RECOMMENDATIONS

8.1 Encourage greater investment in water supply infrastructure that is independent of the River Murray, such as wastewater recycling and stormwater harvesting. The State Government must invest in quality water and wastewater infrastructure and continue the development of a third party access regime for water distribution networks.

Businesses need access to viable water supply infrastructure in order to continue to invest and operate in South Australia. Water supply also needs to become less dependent on the River Murray. In order to achieve this, further investment in alternative water supply infrastructure such as wastewater recycling and stormwater harvesting is required.

Although there have been investments by the Federal, State and Local Governments in wastewater recycling and stormwater harvesting schemes in South Australia, further investments are necessary to continue to reduce the reliance on the River Murray.

The third party access regime for water distribution networks is currently under development and will enable businesses and other entities, such as Local Government, to collect water to supply to SA Water and other customers through existing pipelines and other infrastructure. This regime has the potential to increase competition in both the collection and retailing of water and to incentivise activities to capture and treat alternative water sources. It is vital that progress is made on this regime, including the introduction of appropriate legislation in State Parliament in 2014.

8.2 Encourage further innovation and research into the treatment of stormwater and wastewater to make it more cost effective to expand its uses, including for primary production.

Businesses need to have viable and reliable access to other options of water supply, such as treated wastewater, grey water or stormwater where appropriate, so that they can make a choice when to use a particular type of water.

The State Government committed to complete further studies by 2013 on any health risks related to stormwater recycling and for treated stormwater to go into mains supplies. It is important that the findings of these studies are made public by early 2014, contributing further to the knowledge in this field. The State Government must continue to take action in relation to stormwater aimed at enabling it to be used for a range of purposes, including drinking water.

If demand on the Bolivar water treatment plant continues to grow and discharge into the ocean is phased out, there is likely to be increasing availability of treated wastewater for productive use. This could be a source of additional water for irrigation within the "Northern Food Bowl" of Virginia and the Northern Adelaide Plains. The State Government must consider options, including further innovation and research into the treatment of wastewater in order to make it available for a range of irrigation purposes.

ENVIRONMENT AND SUSTAINABILITY

8.3 Introduce cost-reflective water pricing structures.

The cost of water forms a significant part of the cost of production, particularly for manufacturing and primary production. Since 2006, some businesses have experienced an increase in water costs as high as 260%. Other businesses continue to pay the same, if not higher charges to SA Water despite having made multimillion dollar investments in their own wastewater treatment facilities.

Adopting a cost-reflective pricing system would provide an incentive for businesses to change their water usage. However, this system cannot be considered in isolation. The water pricing structure must also take into consideration the availability of other options of water supply and incentives for business to shift its water usage from potable water to grey water, treated wastewater or stormwater.

To enable this, additional infrastructure may be required. Furthermore, regulations need to be changed to allow businesses to use different types of water where appropriate.

There must also be adequate price incentives for business to invest in their own wastewater treatment facilities given this would ultimately reduce the pressure on SA Water infrastructure.

8.4. Encourage more efficient water use through information provision, price signals and the roll out of smart meters where appropriate.

The voluntary roll-out of smart meters should promote greater water-use efficiency. Smart Meters and Data Loggers enable businesses to better understand how, when and why water is being used. Furthermore, information captured by Smart Meters and Data Loggers can assist in identifying leaks, peak water use, average water use and water use anomalies. This information is essential for businesses to become more efficient through changes to work practices and upgrades to technology.

8.5 Ensure Natural Resource Management Boards are reflective of the community they represent, including primary producers and be advocates for their local communities, including local businesses.

The role of Natural Resource Management (NRM) Boards is among other things to prepare and implement regional NRM plans, promote awareness and understanding of sustainable natural resources management and provide advice on the assessment of activities or proposals.

NRM boards are meant to represent a range of various interests, skills and experience, including but not limited to community affairs, primary production, pastoral land management and business management. However, there is anecdotal evidence of an increased bureaucratisation of some NRM Boards and a lack of practical understanding of business and primary producers. This has resulted guidelines and policies being implemented without adequate consultation and without fully considering their practical impact on key stakeholders in the local community.

Primary producers need to be further engaged in sustainable land management and should be recognised as a key stakeholder in sustainable growth and adaptation to climate change.

In order for the NRM Boards to make a positive impact on the local environment, they need to collaborate with their local communities and view local businesses and primary producers as natural partners in managing the local environment.

8.6 Continue to take action through the Premier's Climate Change Council to help businesses transition to a low carbon economy. The South Australian Government must support businesses to adapt through programs such as the Building Upgrade Finance mechanism to allow commercial businesses to become more water and energy efficient.

The Premier's Climate Change Council (the Council) plays an important role in advising the Government about the implementation of practical policies to improve energy efficiency, increase the use of renewal energy and reduce greenhouse gas emissions. It is also responsible for consulting with business on matters pertaining to climate change and assessing its impact on business. The Council should continue its important function of helping businesses to transition to a low carbon economy.

Following initial advice from the Council, in October 2013 the Government announced its intention to introduce a legislated Building Upgrade Finance (BUF) mechanism to assist owners of commercial buildings in the Adelaide City Council area to obtain finance for environmental improvements, including water and energy efficiencies. The loan repayments are collected by the relevant Local Council in which the building is located, through an additional component included in the council rate charged on the building. Where there is a transfer of ownership of a particular building, the loan continues to be tied to the actual building and the new owner incurs the liability to make repayments through the council rate system.

Victoria and New South Wales have already implemented similar schemes and the State Government must assess the effectiveness and benefits of these schemes before designing a South Australian BUF scheme. If

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appropriately designed and implemented, a South Australian BUF scheme could encourage owners of commercial properties to make significant environmental improvements.

It is important that any legislated BUF Scheme is properly reviewed within two years of its commencement to determine its effectiveness and whether it should be expanded beyond the Adelaide City Council area.

8.7 Reverse the decision to cease funding of Zero Waste SA which is funded by a levy and has been recognised as best practice in waste management.

Zero Waste SA delivers world class waste and resource recovery services and builds vital partnerships with business and the community. On an international level, Zero Waste SA has been recognised for its expertise and has participated in international initiatives around waste management and sustainability. Since its establishment in 2003, Zero Waste SA has worked closely with businesses implementing practical measures to save waste, energy, water and money.

In 2013, the State Government announced its intention to close Zero Waste SA in June 2015. However, even after the closure of Zero Waste SA the levy that was designed to fund this body will be continued.

The decision to cease funding to Zero Waste SA must be reversed to enable its important work to continue.

8.8 Support the waste management industry in developing its export capabilities and identifying export development opportunities in order to grow the export of South Australia's global best practice waste and resources management systems, practices and expertise, particularly into growing Asian markets.

South Australia has been recognised as having one of the world's best recycling rates and has the highest rate per capita in Australia. Through Zero Waste SA and its partnerships South Australia has developed global best practice waste and resource management systems.

The World Bank has projected that by 2025 the total daily urban waste generation (in tonnes) in the East Asia and Pacific region will increase by 250%[18]. In the South Asia region, which includes India, Bangladesh and Pakistan, it is projected that by 2025 total daily urban waste generation is projected to increase by close to 300%.[19] There is growing pressure on national, state and local governments in the Asian region to modernise and transform their urban waste management systems in order to manage these increases. The private sector has a major role to play in this modernisation and transformation.

Through its participation in international forums and bodies, including the International Partnership for Expanding Waste Management Services of Local Authorities (IPLA), important relationships have been formed between Zero Waste SA, government, industry and research representatives in key Asian markets. The State Government should leverage these relationships to assist the waste management industry to maximise business opportunities in key Asian markets.

18 World Bank, 2012, What a Waste, A Global Review of Solid Waste Management, Urban Development Series Knowledge Papers, No. 15

19 Ibid

To assist South Australia's waste management industry to expand into growing Asian markets, the State Government must support the industry in developing its export capabilities, identifying export development opportunities and facilitating relationships at all levels of Government in these regions.

POPULATION AND MIGRATION

South Australia has an ageing population with the proportion of South Australians aged 65 years and older estimated to increase to 24% of the State's total population in 2036, compared to 16.7% in 2013[20]. Attracting more people to live and work in South Australia is vital in order to ensure future economic growth, the viability of publically funded services and to address skills shortages.

In the last five years South Australia has experienced the second largest net loss of persons to interstate migration of all the States and Territories, with a net loss of close to 17,000 South Australians moving interstate for employment, study and other opportunities[21]. Over the same period, South Australia has experienced the lowest total population growth rate of all mainland States and Territories[22].

In order to grow our population, in particular our working population, it is essential to provide ongoing support for international migration programs and reforms to make it easier for international students to stay and work in Australia after completing their qualifications. The State Government must focus on retaining skilled employees and attracting expatriates back to South Australia by facilitating the creation of sustainable jobs.

20 Steele R 2011, Population Ageing in South Australia, 2006-36, Department of Planning and Local Government, Government of South Australia, 8 April 2011; Australian Bureau of Statistics 2013, Australian Demographic Statistics, June Quarter 2013, Catalogue No. 3101.0

21 Australian Bureau of Statistics 2013, Australian Demographic Statistics, June Quarter 2013, Catalogue No. 3101.0; Australian Bureau of Statistics 2011, Australian Demographic Statistics, June Quarter 2011, Catalogue No. 3101.0; Australian Bureau of Statistics 2010, Australian Demographic Statistics, June Quarter 2010, Catalogue No. 3101.0

22 Australian Bureau of Statistics 2013, Australian Demographic Statistics, June Quarter 2013, Catalogue No. 3101.0

RECOMMENDATIONS

9.1 The State Government should continue to support South Australia's status as a regional area for employer sponsored Visas. In addition, the State Government should continue to support conditions placed on some of the temporary/provisional skilled visas that assign South Australia as a designated area and a regional and low growth metropolitan area for migration purposes.

South Australia is currently classified as a regional area, enabling South Australian employers in both metropolitan and regional areas to nominate overseas employees for employment and permanent migration. In most other States, only specific postcodes are classified as regional areas, with the State capital metropolitan area excluded.

In relation to other skilled visas, South Australia is classified as a designated area or a regional and low growth metropolitan area, thereby providing skilled overseas workers with access to a greater number of visa options and additional points to migrate to South Australia.

It is vital that the State Government continues to support the whole State's inclusion in the Regional Sponsored Migration Scheme and in the Points Based Skilled Migration Program.

9.2 The State Government should lobby the Commonwealth Government to review changes to the eligibility for international students to apply for skilled visas. The State Government should encourage the Commonwealth Government to make it easier for international students to stay and work in Australia after completing their qualifications, particularly in industries and occupations with skill shortages.

The international education industry is South Australia's single largest service sector export and overall the sixth largest export sector, generating more than $800 million dollars for the South Australian economy in 2012/2013[23].

International students obtain university and vocational education and training qualifications, many of which are relevant to industries and occupations with major skills shortages. In order to grow our population and take full advantage of the skills and qualifications that have been obtained and paid for by international students, it must be made easier for international students to obtain permanent residency following the completion of their studies.

Up until late 2007, international students could obtain permanent residency relatively easily after completing their studies. However, the rules and conditions were changed, requiring relevant Australian work experience in order to obtain permanent residency. To assist graduates in obtaining the required relevant work experience, Temporary Graduate Visas were introduced for Bachelor, Masters and Doctoral graduates which remain valid for two, three and four years respectively. However, after having obtained work experience, international graduates have little control over when they can apply for permanent residency. This is because applications for general skilled migration are by invitation only; a graduate has to lodge an expression of interest, which is then assessed and an invitation to apply for permanent residency is sent accordingly.

This means that a Temporary Graduate Visa may expire before a graduate is invited to apply for permanent residency. Given that most international students are undertaking Bachelor Degrees, their Temporary Graduate Visas are valid for two

23 Education Adelaide, 2013, The Economic Impact of International Education, Fact Sheet 2013

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years only. For this reason, most international graduates may find it difficult to secure relevant work experience as there may be reluctance in hiring graduates who do not have permanent work permits. Due to the uncertainty associated with relatively short-term temporary visas, international graduates may decide to return to their home countries or seek employment in other countries.

To take full advantage of the skills and qualifications of international graduates, the State Government should lobby the Commonwealth to make it easier for international students to stay and work in Australia after completing their qualifications. This may include reintroducing the more generous conditions and requirements that applied prior to the changes in 2007, particularly for graduates with university qualifications in occupations and industries with skills shortages.

9.3 The State Government must facilitate the creation of sustainable jobs which will increase the retention of locally educated and skilled people and attract more expatriates back to South Australia.

South Australia has experienced the second largest net interstate migration loss of all States and Territories in the last five years. In 2012-2013 alone, 25,000 South Australians moved interstate, a net loss of 4,200 persons[24]. Although there is some evidence of South Australians returning from interstate to be closer to family and friends, it is not sufficient to compensate for the large number of people leaving South Australia every year.

To retain more locally educated and skilled South Australians and attract more expatriates back to South Australia, the State Government must facilitate the creation of sustainable jobs in the private sector. To achieve this, the State Government must pursue policies to make South Australia a more attractive place to do business in and to employ people. Policies to this effect include, but are not limited to:

- a substantial increase to the payroll tax threshold to $1,000,000;
- reducing land tax rates and increasing the top land tax threshold to $2,500,000;
- abolishing stamp duty on business transfers;
- targeting a minimum $150 million reduction biennially in the regulatory burden on business;
- reforming the workers compensation system to reduce the average premium rate;
- fully deregulating shop trading hours;
- give policy priority to food production and food and beverage manufacturing; and
- practical assistance to increase the number of small businesses involved in exporting.

The State Government should also consider policies to attract head offices of larger ASX companies.

24 Australian Bureau of Statistics 2013, Australian Demographic Statistics, June Quarter 2013, Catalogue No. 3101.0

GOVERNANCE

Stable, efficient, cost-effective and transparent governance is vital to create an environment where business has the confidence to invest, expand and provide jobs. South Australia should have an efficient public service, delivering outcomes for public benefit, rather than being focused on administration, bureaucracy or providing guaranteed lifelong employment. South Australia is over-governed and the cost of our public service is too high, resulting in excessive taxation and increased compliance costs.

Reforms are required not only in the public service, but also in our Parliament and Local Government to ensure that they are transparent, responsible, effective and efficient.

Business SA's pre-election survey asked four questions regarding governance in South Australia, to which:

– 92% of respondents agreed that the public sector must be made more transparent, efficient and life tenure removed;
– 83% of respondents agreed that State Parliament should consider reforms about its operation and transparency, including reforms to preferential voting, how-to-vote cards;
– 68% of respondents agreed that the current number of councils should be reduced through amalgamations, while only 14% disagreed;
– 64% of respondents agreed that Adelaide City Council should be replaced with a Capital City Authority Board comprising business and community representatives, while only 9% disagreed.

To address the cost of our public service, life tenure must be abolished and the number of government bodies and boards reduced. The State Government must also improve its monitoring of the implementation of agreed savings measures. Given South Australia's relatively small population, our system of local government needs to be rationalised.

South Australia's parliamentary system should be improved by reforms to the Legislative Council, including the electoral system.

State Government boards and committees can provide greater value to the taxpayer by ensuring that members are chosen based on merit, in an open and transparent manner.

RECOMMENDATIONS

10.1 All State Government appointed board and committee members should be chosen through a transparent and accountable merit based process.

The State Government appoints members to several hundred boards and committees. In August 2010, the Sustainable Budget Commission reported that there were 525 statutory and non-statutory bodies. Many of these bodies make decisions that have the potential to affect business in South Australia, others have an important role in setting government policy or delivering important services.

To ensure that the necessary expertise is represented on Government boards and committees and that the public can trust the integrity of the process, appointments should be merit-based and not based on political affiliation or membership of a favoured organisation.

In some cases this may require legislative change to clearly set out the qualifications and experience that is required of board and committee members. In other cases it requires the State Government to be transparent and comply with laws and regulations regarding the appointment of all boards and committees.

10.2 Consult with businesses regarding all policy and legislative changes that have the potential to impact them. Such consultation must not be included as an afterthought but rather must be upfront and legitimate engagement with business.

The State Government must genuinely consult with business stakeholders on policy and legislative changes that have the potential to impact on business. This is vital in order to ensure that the regulatory impact is fully considered and that any unintended consequences or implementation issues are identified and addressed.

Quite often, the State Government tends to view consultation and engagement with business stakeholders as time-consuming and unnecessary. As a result, significant legislation can be introduced without any genuine consultation. When consultation does occur, frequently, timeframes are given to business stakeholders that are inadequate to properly analyse, consult and respond to proposed policy and legislative changes.

The lack of proper consultation results in lengthy delays in parliamentary approval as protracted debates and extensive amendments occur, particularly in the Legislative Council.

Proper consultation requires that business stakeholders are engaged at the beginning of the process in an open and transparent manner.

10.3 Debate and consider reforms with regards to the operation and election of the Legislative Council to ensure it operates more effectively by the end of 2014. Electoral reforms should also be considered in this review that may impact upon the House of Assembly, such as tighter controls around 'how to vote' cards.

GOVERNANCE

In Business SA's pre-election survey, 82% of respondents agreed with this recommendation with only 4% disagreeing.

Business needs parliamentary and government stability and certainty to have the confidence to make investment and expansion decisions. Transparent and efficient governance is essential to create an environment in which businesses can grow and provide jobs.

Single-issue and micro-parties are unlikely to consider the broader picture or to take overall responsibility and contribute to important structural reforms. A proliferation in minor parties representing a very small number of voters can often give rise to an environment characterised by horse-trading and secret deals, at the expense of good public policy and transparency.

Reforms to the electoral system, including the election of the Legislative Council should be properly debated and considered by the end of 2014. Issues to be considered should include the threshold and process for political party registration, the number of electors required for nomination of candidates not endorsed by registered political parties, optional preferential voting, the use of preference tickets for the Legislative Council and tighter controls around 'how to vote cards'.

Given the outcomes of the last Federal Election, where a number of micro party candidates were elected through a system of "preference harvesting", it is important that reforms are considered to ensure that such outcomes are not replicated in South Australian State elections.

10.4 Rationalise Local Government in South Australia through the amalgamation of metropolitan and regional councils to reduce the overall number of councils. This should include Adelaide City Council being replaced by a Capital City Authority Board, which should include representatives from business and the community.

In Business SA's pre-election survey, 68% of respondents agreed that the number of councils should be reduced through amalgamation. In addition, 62% of respondents agreed that the Adelaide City Council should be replaced by a Capital City Authority Board which should include representatives from business and the community.

With 68 metropolitan and regional councils for a population of 1.6 million, the Local Government sector is over-governed in South Australia. Queensland, with almost triple of our population has 73 councils and Victoria, with approximately three and half times our population, has only 79 councils.

The proliferation in local councils is not sustainable and cannot be justified having regard to costs, effectiveness, efficiency and good governance.

More than 35% of the Local Government areas in South Australia have a population of less than 5,000 people and more than 50% have a population of less than 10,000. Smaller councils often do not have the financial capacity to undertake the necessary infrastructure investments and to provide the range of services of larger councils.

In Metropolitan Adelaide which only has a population of approximately 1.1 million people and an area of 1,596 square kilometres, there are 18 local councils. This can be contrasted with Brisbane which has a single council, Brisbane City Council, responsible for the provision of services across a similar population and area to Metropolitan Adelaide.

One option for Local Government reform is to restructure the Adelaide metropolitan area into three "super" councils, based on Northern, Southern and Central regions, excluding the CBD. One option in rural and remote areas is to replace all councils with seven Regional Councils based on the areas defined by Regional Development Australia: Whyalla and Eyre Peninsula, Far North, Yorke and Mid North, Barossa, Adelaide Hills, Fleurieu and Kangaroo Island, Murraylands and Riverland and Limestone Coast.

The Adelaide City Council should be abolished and replaced with a Capital City Authority Board containing representatives from business and the community. The focus of the Board should be the economic development of the capital city area.

10.5 Rationalise the Public Sector by abolishing permanent tenure, reducing the number of boards and departments and addressing any duplication or gaps in departmental functions and responsibilities.

It is important that there is cost-effective public service delivery that caters to the various needs of the community, particularly when those needs cannot be provided for by the private sector.

However, the South Australian public sector has grown at an unsustainable rate and employee expenses in 2012-13 exceeded $7.1 billion.

Between 2002 and 2013, public sector employment in South Australia increased by 28.9%, while total employment increased by only 14%. As at June 2013 there were more than 86,300 full-time equivalent employees (FTEs) in the South Australian public sector, an increase of 1,424 over the past two years alone.

GOVERNANCE

This growth means that either the South Australian public sector is becoming less efficient in delivering services, or is delivering more services, or is becoming more bureaucratic, or a combination of the three. Whatever the case, there needs to be a greater focus on efficient and cost-effective service delivery.

To increase public sector efficiency and contain employee expenses, permanent tenure must be abolished by no later than 1 July 2014. There is simply no reason why the public service should be provided lifelong employment and why public sector employees are excluded from the employment and management practices that apply to the rest of the State.

Given that there are 525 statutory and non-statutory bodies in South Australia, there is clearly scope for reducing the number of these bodies and the Government must pro-actively consider the merger or abolishment of such bodies.

Departmental structures should be simplified to clarify which department is in charge of what policy area and to address any duplication or gaps in functions and responsibilities. For example, currently education policy is shared between two departments, as are policies in relation to innovation, science and technology. To reduce the cost of administration, the amalgamation of Government departments should be considered.

As part of this process, the responsibilities of Ministers should be clarified ensuring that no minister is responsible for more than one department. In the event that a department requires more than one minister to be responsible, that Minister should be assisted by a junior minister titled “Assistant Minister”. Today, there are numerous examples of ministers being assigned to more than one department. For instance, of the five ministers responsible for the Department of Planning, Transport and Infrastructure, at least four have ministerial responsibilities for other departments. Furthermore, in both the Department of Treasury and Finance and the Department for Manufacturing, Innovation, Trade, Resources and Energy, all ministers have responsibility for other departments.

10.6 Establish a small and independent Sustainable Budget Oversight Unit (as recommended in the Sustainable Budgets Commission’s second report). This Unit should be resourced to report, monitor and make recommendations regarding Government savings decisions and targets.

The State Budget is in a structural deficit. Following two relatively small deficits (as measured by the Net Operating Balance) in 2010-11 and 2011-12 of $53 million and $258 million respectively, the budget deficit deteriorated to $948 million in 2012-13 and is expected to increase to $955 million in 2013-14.

Combined with significant investment in public infrastructure, this will result in a substantial rise in net debt, which is forecast to increase from $4.165 billion as at June 30 2012 to $6.64 billion in 2013-14, nearly $7 billion in 2014-15 and to a record $9.4 billion in 2015-16.

To address the State’s challenging financial situation a range of measures are required. Following the first report by the Sustainable Budget Commission (the Commission), the State Government agreed to establish a Sustainable Budget Cabinet Committee, comprising the Premier and senior cabinet members, to drive the implementation of savings measures proposed by the Commission and to restore sustainable public finances through improved budgetary discipline.

However, as recommended in the Commission’s second report, in order to monitor the implementation and delivery of agreed savings measures across key central agencies, a small, independent body – the Sustainable Budget Oversight Unit should be established. A prime responsibility of the Unit would be to monitor the progress of key agencies and to proactively make recommendations to Government in relation to delivery of agreed savings.

The Unit should be appropriately resourced to carry out its responsibilities, but could also utilise external experts to assist as and when required. To further drive compliance with agreed savings measures and in the interest of transparency, the Unit’s reports and recommendations should be made publically available.

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