

# THE REGIONAL VOICE

2016



## Understanding regional South Australian business



**Business SA**  
Chamber of Commerce  
and Industry South Australia

**EML**   
Mutual since 1910





# SUPPORTING LOCAL BUSINESSES

EML is delighted to be partnering with Business SA to help regional businesses foster healthy workplaces.

It's also nice to know that when a workplace injury does occur, EML has a team of 50 claims specialists who travel all over the state to provide face-to-face assistance to workers and employers to help them recover from the effects of workplace injury.

At EML our claims team makes the process simple in order to focus on creating sustainable return to work outcomes.

## CONTACT EML:

LEVEL 15, 26 FLINDERS STREET, ADELAIDE SA 5000 | GPO BOX 2575, ADELAIDE SA 5001  
T: 08 8127 1100 / 1300 365 105 (TOLL FREE) | F: 08 8127 1200 | E: [C.SERVICES@EMPLOYERSMUTUALSA.COM.AU](mailto:C.SERVICES@EMPLOYERSMUTUALSA.COM.AU)

# LISTENING CAREFULLY TO THE VOICE OF THE REGIONS

**South Australia's regions are an integral part of the State's economy and make a substantial contribution across a diverse range of sectors, from agriculture and horticulture to mining, tourism and professional services.**



The regions currently contribute around \$25 billion annually to the State's economy and hold much potential for future growth. That regional economic growth is inexorably intertwined with the State's economic future.

However, as the South Australian economy continues its transformation, new thinking that delivers innovative solutions will be required for the State's future prosperity, including in the regions.

Business SA is committed to working closely with regional Chambers of Commerce, and other regional stakeholders, to encourage the development of business and industry that will support jobs and growth.

This partnership underpins a regional collaboration of insights and issues that we have called the 'Regional Voice' – a comprehensive survey that highlights the challenges facing regional businesses both within specific regions and across regional South Australia and the opportunities for business growth.

The survey will be promoted through a series of Regional Voice events to be held in major regional centres over coming months.

As South Australia's largest membership based business and employer organisation, Business SA is focussing on areas where it can most benefit both members and the broader business community in order to contribute to a sustainable economic transformation required to deliver a robust business community that will generate the jobs for the future.

Through the Business SA Regional Voice survey, we have gained valuable insights into the issues affecting business development in regional South Australia that will inform our advocacy and policy endeavours on behalf of business to eliminate barriers to growth.

I look forward to this annual survey and publication becoming a significant contributor to the positive conversation we need in this State to meet the regional economic challenges and opportunities that lie ahead.

There is no doubt that South Australia is facing significant economic and social challenges. We must all collaborate to better support Regional South Australia and to make a real contribution towards the development, diversity and prosperity that we wish to see in our regional communities and across all of our State.

**Nigel McBride**  
**Chief Executive Officer**

# 2015 PRELIMINARY SURVEY - THE KEY ISSUES

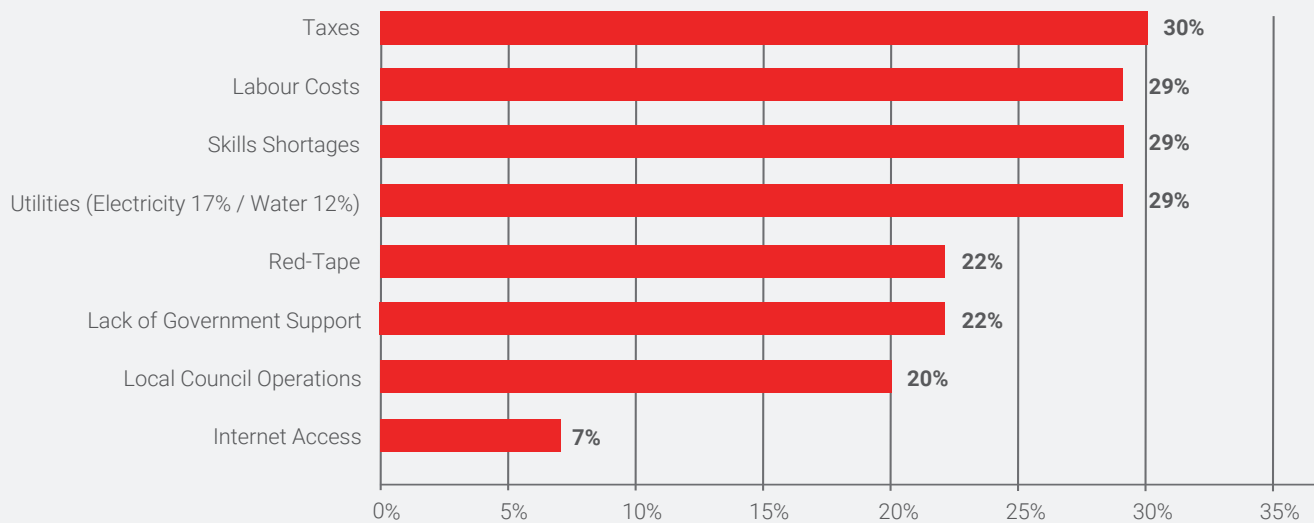
In order to better understand the priority issues and challenges facing regional businesses, Business SA conducted a preliminary survey of regional members over the period from August to November 2015<sup>1</sup>. We deliberately aimed not to be prescriptive but rather let our members describe to us the key issues facing their business.



## TAXES

WERE THE NO.1 ISSUE FACING REGIONAL BUSINESS IN 2015.

### Key issues/challenges facing regional businesses



#### FINDINGS

# 29%



FELT **SKILLS SHORTAGES** ARE A KEY ISSUE FACING REGIONAL BUSINESS

# 29%



FELT **UTILITIES** ARE A KEY ISSUE FACING REGIONAL BUSINESS

<sup>1</sup> 99 Responses

# 2016 STAGE 2 SURVEY - DELVING DEEPER

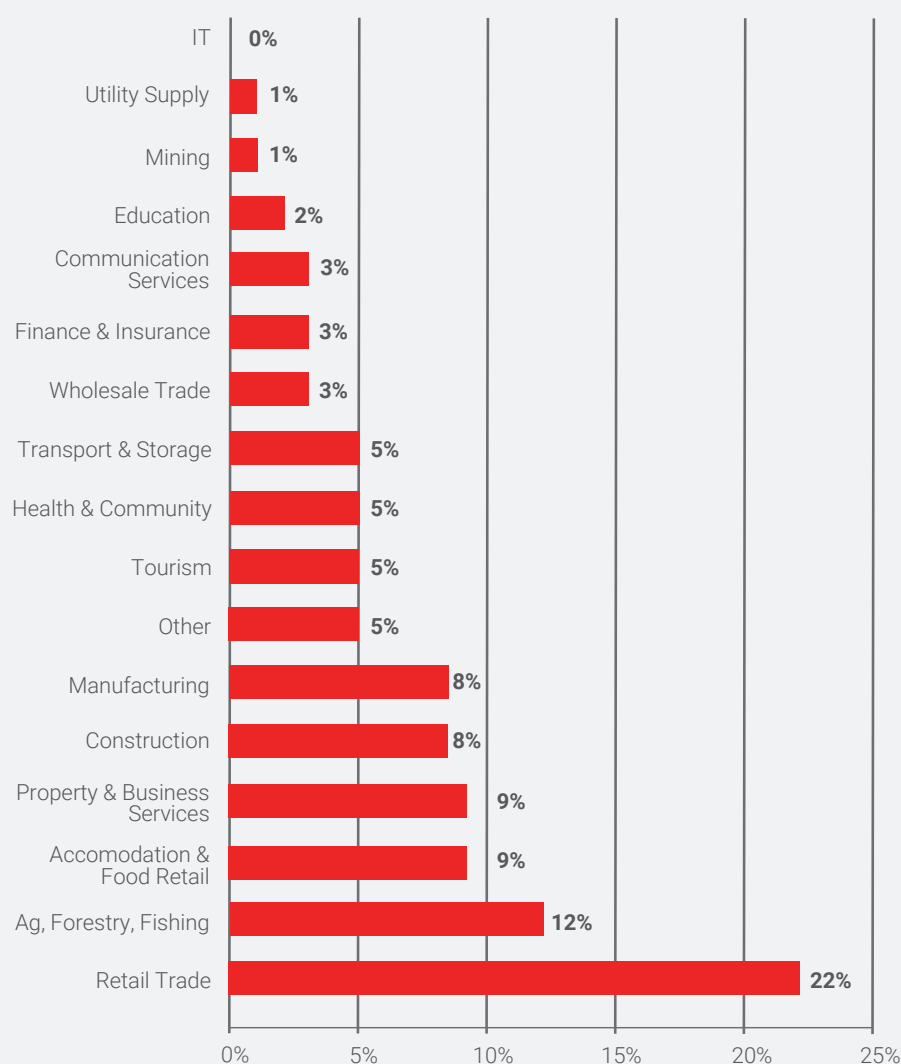
In 2016 we took the learnings from our preliminary survey and conducted Stage 2 of our regional business survey<sup>2</sup> to understand at a deeper level the nature of regional business concerns, particularly in relation to the key taxes and levies constraining business, key labour cost issues and the nature of the skills shortage challenge.



# 31%

**RESPONDENTS WERE  
A COMBINATION  
OF FOOD, RETAIL  
AND ACCOMMODATION  
BUSINESSES.**

## Stage 2 Respondent Industries



For our Stage 2 survey, we aggregated responses for the following regions which best aligned with existing regional synergies, Government statistical boundaries and partner Chambers of Commerce:

- Barossa Valley/Lower & Mid-North/Yorke Peninsula /Port Pirie
- Eyre Peninsula
- Kangaroo Island/ Fleurieu Peninsula/McLaren Vale
- Murraylands & Riverland
- South East
- Whyalla/Port Augusta/ Far North

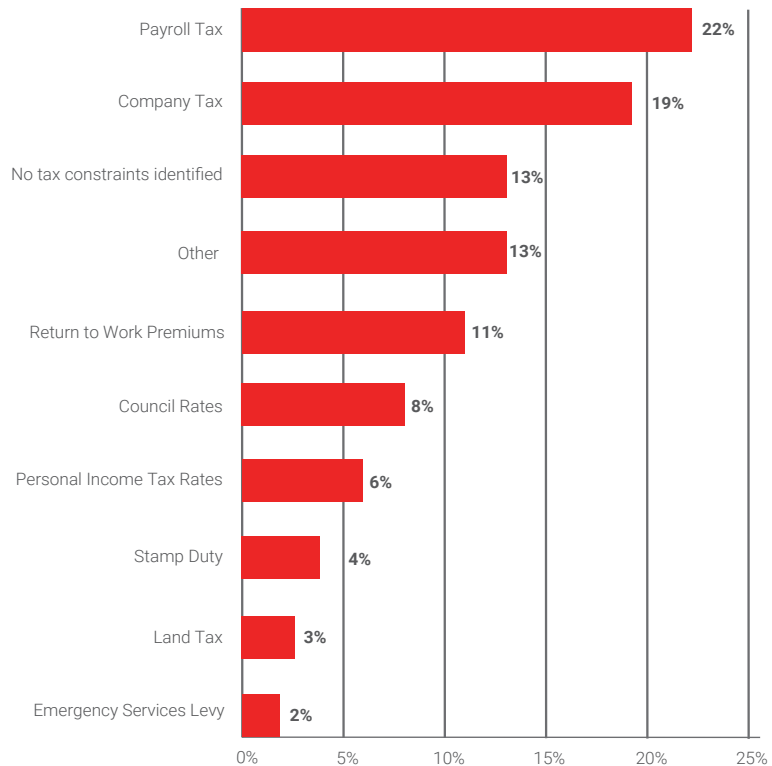
<sup>2</sup> 160 Responses

# KEY TAXES, LEVIES AND LABOUR COSTS

 **22%**  
FOUND PAYROLL TAX A  
SIGNIFICANT DISINCENTIVE.

## Key Taxes/Levies constraining regional business

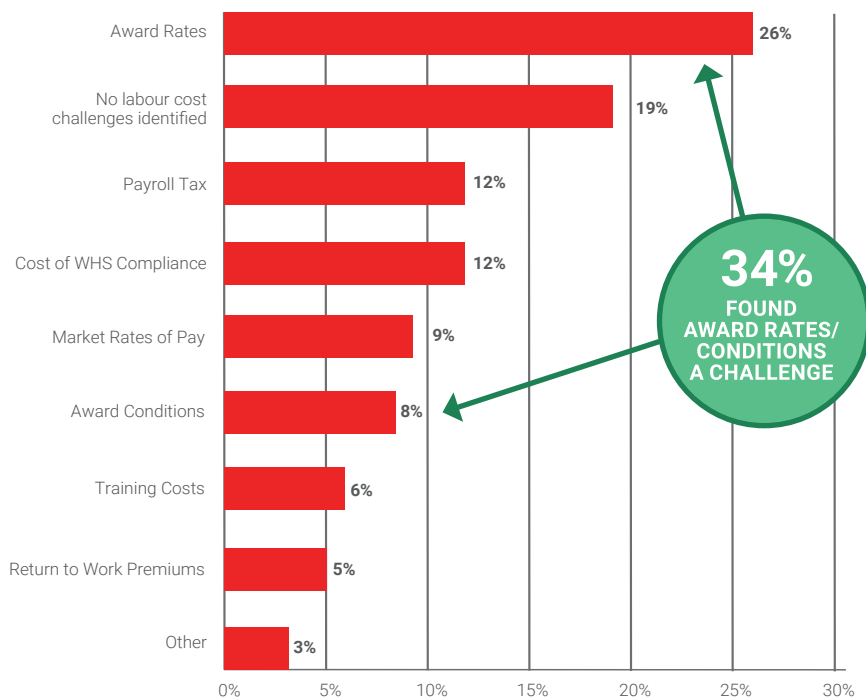
The clear message from regional businesses was that **payroll tax** is acting as a significant disincentive to employing people and growing a business, particularly when combined with workcover premiums. In fact, businesses reported **not hiring additional employees due to payroll tax**. Company tax rates were also viewed as acting counter to business growth by making it difficult to finance expansions. These three taxes/levies combined were the priority constraints for over half the businesses surveyed.



## Key Labour Cost challenges for regional business

When asked about their key labour cost challenges, regional businesses most commonly pointed to the modern awards system. Issues included the actual award rates, including penalty rates, and the award conditions which were seen as stifling mutually beneficial flexibility between employers and employees as well as being unsuited to the operational nature of many regional businesses, consequently leading to more contractors being hired.


For many regional businesses, **weekend penalty rates** were not considered affordable, particularly when those businesses were often operating in much smaller markets than metropolitan businesses.



# PRIMARY SKILLS SHORTAGE CHALLENGES

While regional businesses reported skills shortages as being a key issue in our preliminary survey, the interesting outcome from our Stage 2 survey was that businesses did not seem to link skills shortages with rates of pay. In fact, a combined (39%) of business respondents advised they had issues attracting high skilled, and to a lesser extent low skilled, employees even when offering competitive rates of pay. A range of reasons for this scenario were raised

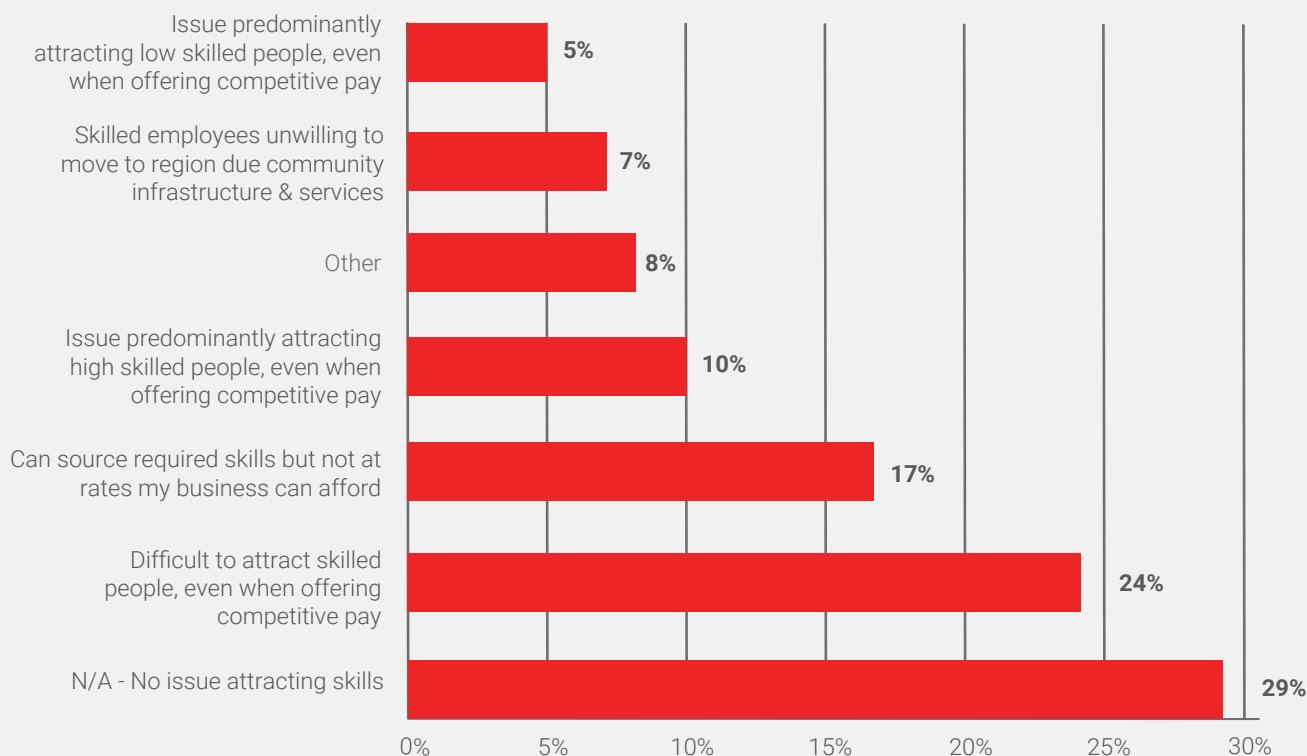
from a lack of partner employment opportunities to general isolation and the interrelation between the welfare system and the award system with the experience being that some low skilled work was only desirable if it did not impact welfare payments.



# 39%

**FOUND IT HARD TO ATTRACT SKILLED EMPLOYEES EVEN AT COMPETITIVE PAY RATES.**

## Primary Skills Shortage challenges for regional businesses





# FURTHER KEY FEEDBACK FROM STAGE 2 SURVEY

In terms of how regional businesses thought the Government could best support them, (25%) of businesses thought the Government's priority should be attracting major industries followed by (24%) that believed investment in economic infrastructure such as roads and ports should be a priority.

To a lesser extent, (16%) of businesses thought the Government should be investing to help businesses diversify while another (9%) believed investment in research and development was needed to support industry growth. (15%) of businesses thought the Government's priority should be investment in social infrastructure such as hospitals, schools and community facilities. Regional Chambers of Commerce advised de-centralising Government services to the regions would also help, particularly where agencies such as PIRSA have a natural alignment.

In relation to **specific issues of red-tape**, tax related compliance was number one for (22%) of businesses while Work Health and Safety (WHS) compliance was a primary concern for (20%) of businesses. A great deal of feedback centred around how difficult it was for small regional businesses to manage excessive compliance, particularly given it was often the owner's job as businesses could not afford to pay a dedicated compliance person. WHS compliance was viewed as particularly complex and time consuming, exacerbated in regions where there are many transient seasonal workers requiring lengthy inductions each season due to the turnover of the workforce. Furthermore, businesses expressed a general level of frustration with both State and Federal Government authorities being unable to give specific advice. For example, it was easier to

request an audit than to get advice on what would be necessary in order to be compliant. This situation led to businesses resorting to overkill in order to ensure they were in no danger of non-compliance.

Despite the feedback from our preliminary survey in relation to the challenges pertaining to Local Council Operations, (50%) of businesses in the Stage 2 survey did not believe **Council amalgamations** would improve outcomes for them while another (28%) were open to the idea if it meant more resources being available to deliver the key functions of Councils. While regional businesses generally expressed a degree of frustration in dealing with Councils, particularly in relation to expansion plans which often involved what should be relatively straightforward applications, there was also strong concern that amalgamating Councils in the regions may not necessarily improve outcomes. The general view of regional businesses was one of limited synergies between regions and concern that super-sized Councils with the same numbers of employees would be more likely to make simple functions unnecessarily complex.

In relation to specific training issues for regional businesses, **(33%) of businesses in the Stage 2 survey had to send employees to Adelaide for training** which was considered too expensive for their business while (18%) could access required training locally but it was not to a satisfactory standard or was considered too expensive.



**HAD TO SEND EMPLOYEES TO ADELAIDE FOR TRAINING WHICH WAS CONSIDERED TOO EXPENSIVE.**

While having staff travel to Adelaide was expensive, it was exacerbated when training courses were structured over several months which added to travel costs. Small regional businesses also struggled with having key staff away for training and online training options were not necessarily viewed as being suitable for all staff or may not even be practical in areas where internet access was poor such as on the Eyre Peninsula.

Of the remaining concerns of business in the Stage 2 survey, (37%) of comments were made in relation to **utility costs**, primarily electricity, while another (37%) of respondents raised **internet speeds** and **mobile phone coverage** as being significant issues facing their business. Electricity costs were viewed as being out of control with many businesses commenting on how electricity was now a major business cost which was not necessarily the case in the past. Internet speeds were also frustrating regional businesses and the fact that many services are now only available on-line makes it much harder in the absence of regional shop-fronts. Mobile phone coverage is still causing headaches in the regions and generally limiting the capacity to do business as well as impacting upon access to critical Government services such as medical treatment. Not surprisingly, not one respondent to our Stage 2 survey identified as being an Information Technology business.



# THE ECONOMY EXPECTATIONS

 **51%**

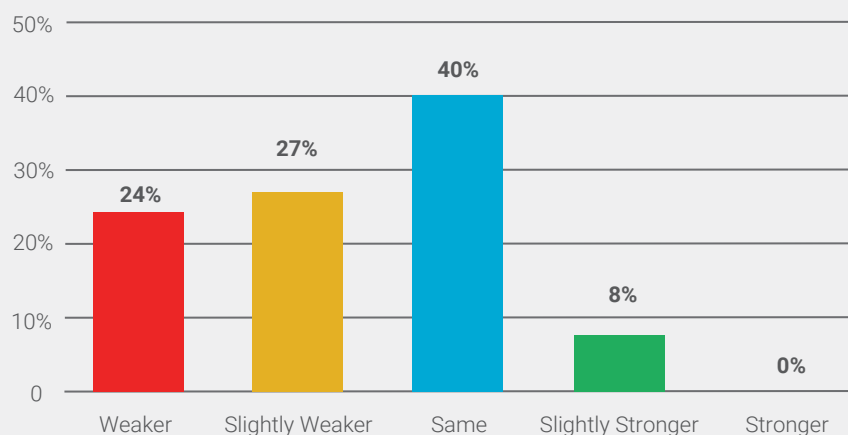
**BELIEVE THE STATE ECONOMY WILL BE WEAKER OVER THE NEXT 12 MONTHS.**

Regional businesses generally forecast SA's economy to be weaker over the next 12 months (51%) with very few expecting the economy to be stronger (8%).

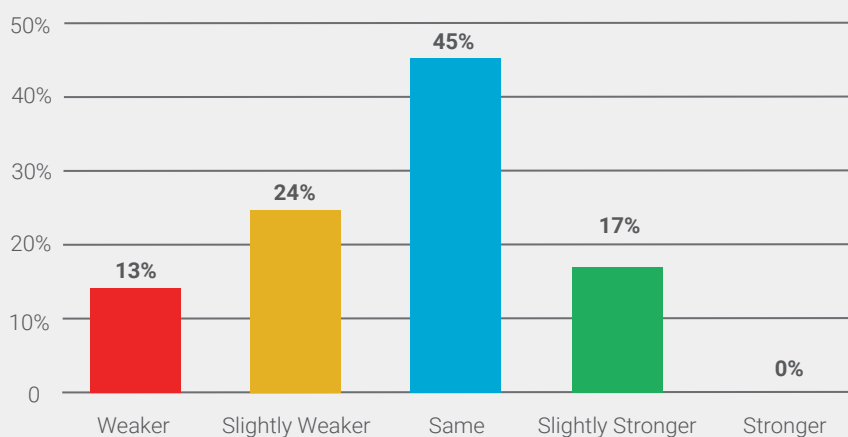
This result was similar to our broader whole of State March Quarter 2016 Survey of Business Expectations which found (54%) of businesses expected weaker economic growth versus (17%) predicting stronger economic growth.

Similarly, only (37%) of regional businesses thought the national economy would be weaker over the next 12 months compared to (31%) of all SA businesses while (17%) of regional businesses forecast the national economy would be stronger versus (28%) of all SA businesses.

## How do you expect the South Australian economy to perform over the next 12 months?



## How do you expect the national economy to perform over the next 12 months?



# BUSINESS CONDITIONS

Compared with all South Australian businesses, slightly more regional businesses had a poor March Quarter 2016, (32%) versus (29%), while slightly less regional business predicted improved business conditions in the June Quarter 2016, (19%) versus (21%).

However, there was a reasonable degree of variability in business conditions across regional SA in the March Quarter with areas such as the South East and Kangaroo Island/ Fleurieu Peninsula/McLaren Vale<sup>3</sup> regions exhibiting much stronger business conditions than the Eyre Peninsula and Whyalla/Port Augusta/Far North regions. Furthermore, looking forward, businesses on Kangaroo Island and in the Murraylands/Riverland were more likely to expect positive business conditions in the June Quarter compared with businesses in the Whyalla/Port Augusta/Far North and Barossa/Lower & Mid-North/Port Pirie/Yorke Peninsula regions.

**Experience of  
business conditions  
March Quarter 2016**  
(Regional Average)



**21% UP**



**47% SAME**



**32% DOWN**

**Expectation of  
business conditions  
June Quarter 2016**  
(Regional Average)



**19% UP**



**60% SAME**



**22% DOWN**

<sup>3</sup>Majority of respondents from Kangaroo Island

# BAROSSA / LOWER & MID-NORTH / YORKE PENINSULA / PORT PIRIE



## No. of Employees

Survey respondents had a **median employee number of 12**, the highest of all regions, which explains the particular concerns businesses in this region had with payroll tax.



## High award rates

particularly penalty rates were seen as restrictive in this region with feedback regarding a lack of productivity improvements linked to wage rises. There was also **concern about how Government subsidised industries such as defence were putting wage pressure on other businesses.**



In relation to specific infrastructure proposals, **feedback from the Kadina Chamber of Commerce underscored the need to focus on improved road maintenance on the Yorke Peninsula with large stretches of road in need of repair and road intersections at Port Wakefield Road and Ardrossan highlighted as hindering both tourism and business.**



## Cost of Electricity

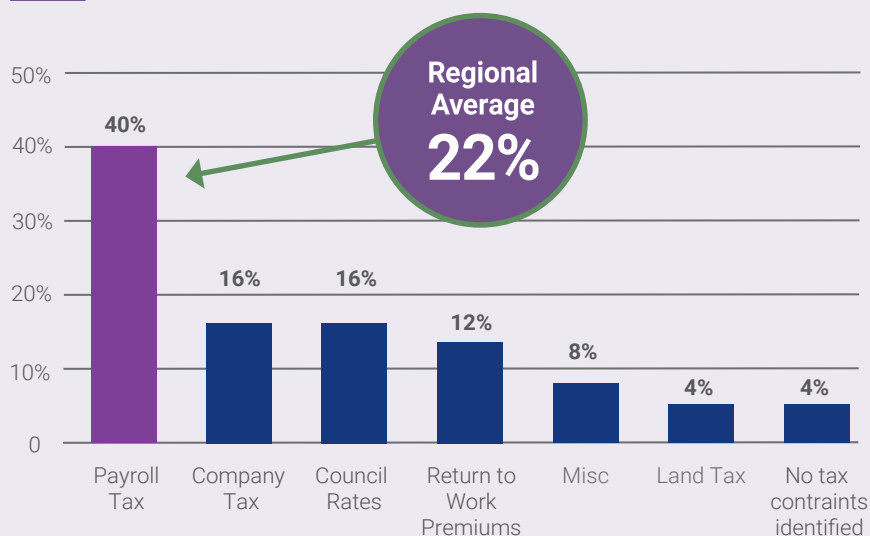
is a broad concern in the region.



# 59%

of businesses were opposed to Council amalgamations as they did not believe it would improve outcomes for business or the region.

## Key taxes/levies constraining business in region



# EYRE PENINSULA

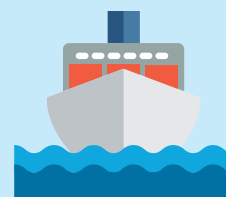


## No. of Employees

Survey respondents had a **median employee number of 8**.

Over **40%**

of businesses couldn't attract appropriately skilled people, particularly highly skilled people, even when offering competitive rates of pay. **The Port Lincoln Chamber of Commerce reported less difficulty in attracting casual low skill workers due to the staggered seasonality of industries but expressed a general need for social, sporting, health and education infrastructure to be of a high standard to attract highly skilled workers.**



In relation to specific infrastructure proposals, businesses expressed the need for a **multi-user deep sea port and improved electricity transmission capability while overtaking lanes on Highway 1** were suggested to improve road access. The Port Lincoln Chamber of Commerce also raised access to water in general as prohibiting development, including for potential mining projects.



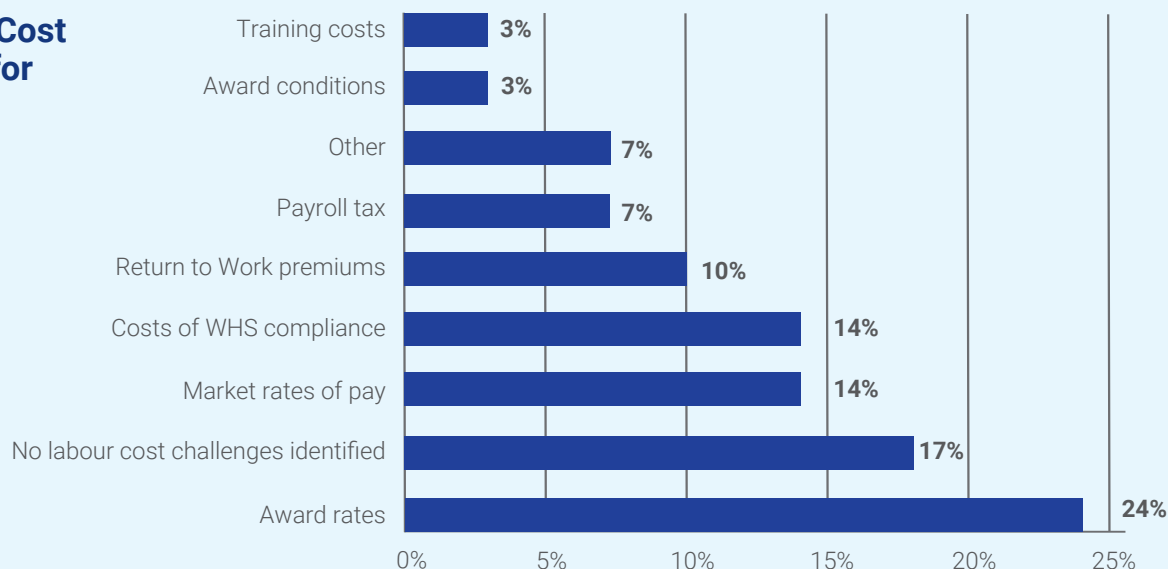
**38%**

of businesses considered award rates and market rates of pay were quite challenging and to manage businesses reported operating with less than desirable staff levels, employing staff remotely in Adelaide and using foreign labour.



In general, **internet access and reliability** were seen as major barrier for Eyre Peninsula businesses.

## Key Labour Cost challenges for region





# KANGAROO ISLAND / FLEURIEU PENINSULA / MCLAREN VALE



## No. of Employees

Survey respondents (the majority of which were from Kangaroo Island) **had a median employee number of 4** so payroll tax was not a major concern, however there were strong concerns about penalty rates, particularly on public holidays with one business commenting that **"paying a 21 year old \$56 an hour to wash dishes doesn't compute"**.



Business Kangaroo Island said there was a need to promote what the Island already had given its **five doctors, three schools and four pubs** for a population of only 4,500.



## 38%

of respondents thought the Government should be focused on investment in economic infrastructure such as roads and ports including a **multi-user port to get timber and agri-products off Kangaroo Island**. Business Kangaroo Island advised the freight cost to get grain from the Island to Port Adelaide was equivalent to the cost to export from Port Adelaide to Japan which highlights the competitiveness issues facing local businesses, particularly export orientated businesses.




Not surprisingly given its unique geography, a high proportion of Kangaroo Island businesses **did not see value in merging their Local Council with nearby Regional Councils**.

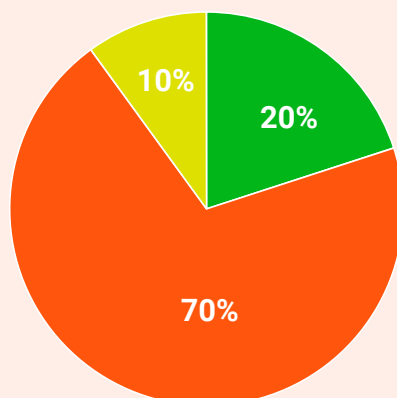


Feedback was provided in relation to developments or business expansions being held up with red tape; **in one example it took 3 months for a Local Council to approve a basic fully engineered shed**.

Given broad-acre agriculture is a major industry on the Island, there were also concerns raised about regulation relating to single tree removal inhibiting advanced agricultural practices which rely on GPS navigation which seemed **at odds with the significant increase in revegetation undertaken on the Island under Landcare**.

## Do you believe your Local Council could better manage needs of your business if amalgamated with nearby Regional Councils?

-  No, this would not lead to better outcomes for my business or region
-  Yes, if that means more resources available to deliver key services
-  Unsure



# MURRAYLANDS & RIVERLAND



## No. of Employees

Survey respondents had a **median employee number of 7.**

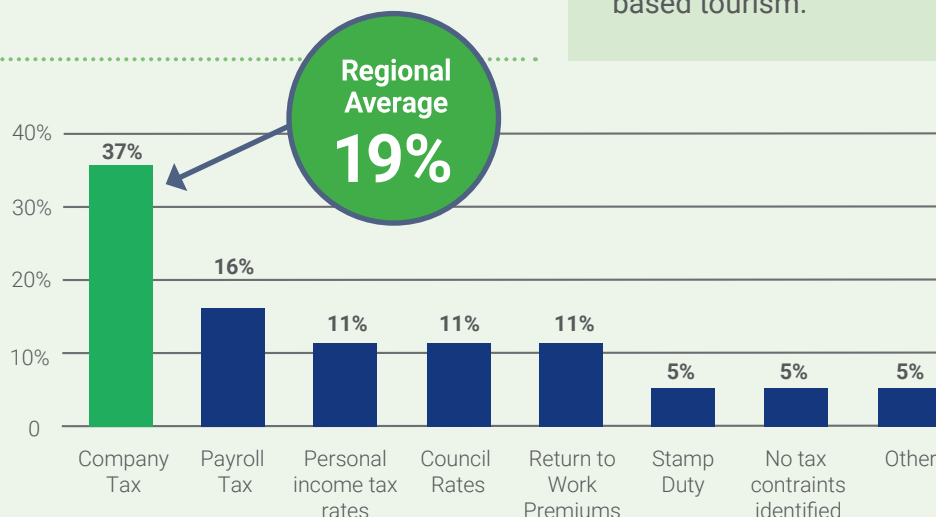
## 44%

of businesses have to send staff to Adelaide for training which they consider too expensive for their business.



There was strong concern in this region with **electricity prices being out of control with one business reporting their bill increasing from \$450 a month to \$5,000 a month in the time they had been in business.**

## Key taxes/levies constraining business in region



## 31%

of businesses wanted to see the Government invest in R&D to support industry growth in the region, well above the regional average of (9%), while (25%) thought investment in community infrastructure was important.

Businesses had mixed support for Council amalgamations, **38% for and 31% against;** with evidence provided to suggest that past Council amalgamations had not been effective, most notably Loxton and Waikerie Councils.



## Getting the Renmark Airport to operate commercially was considered a key infrastructure priority

supported by both the Loxton and Riverland West Chambers of Commerce who advised that transport costs both into and within the region were inhibiting both local business and tourism. There was also concern expressed about impacts from an increasingly heavier vehicle fleet in the region, predominantly B-Doubles, which was not being appropriately matched by road funding for maintenance or overtaking lanes.

The Chambers of Commerce also raised improved river landing infrastructure across the region as being a key enabler of growing river based tourism.

# SOUTH EAST



## No. of Employees

Survey respondents had a **median employee number of 10.**

The support from business for Council amalgamations was mixed with **40% for and 40% against** with some feedback pointing to the effectiveness of Council amalgamations in Victoria as a reason to pursue.

**Investment to retain or attract major industries to the South East** was a priority for half the business respondents while there was similar support for investment in both economic and social infrastructure.

### The Mount Gambier Chamber of Commerce recommended an upgrade to the Mount Gambier Airport.

Improving air access to Mount Gambier is not only required to boost business and tourism passenger movements but to facilitate export growth of local produce such as lobster. Improved infrastructure around the Blue Lake and other natural assets was also suggested to increase tourism and improve the visitor experience.



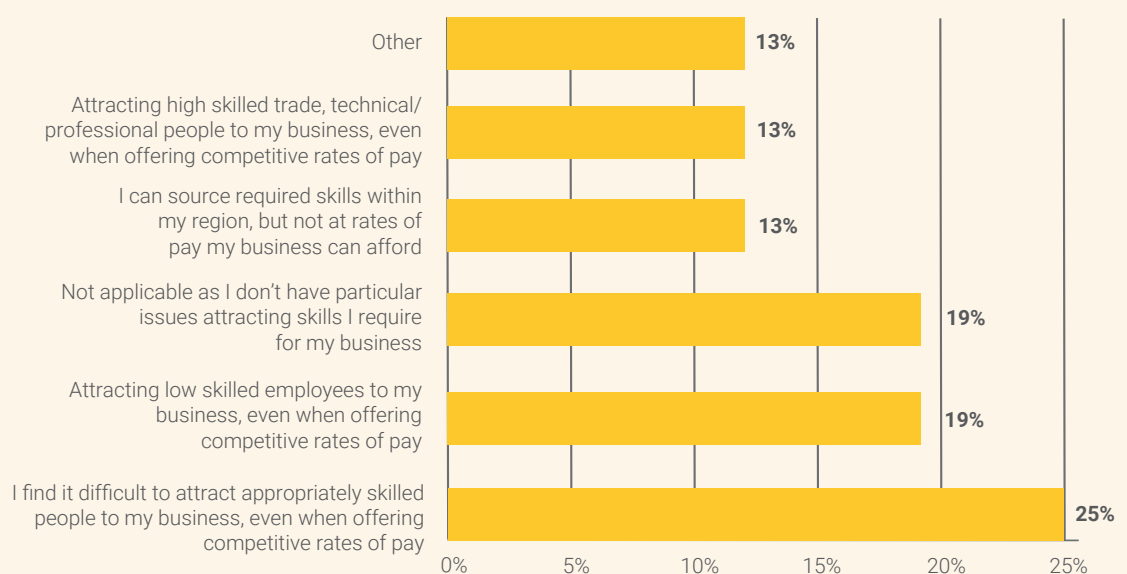
More broadly, **electricity costs were seen as a major issue**, along with water costs while poor telecommunications coverage was presenting challenges for some businesses.



**While recruiting fly-in fly-out specialists to the South East was used to solve immediate skills shortages, local businesses were concerned that those individuals were less likely to contribute to the regional economy.**

More broadly, attracting skills to the South East was a strong concern with (56%) of businesses finding it hard to attract skills even when offering competitive rates of pay compared to the regional average of (39%).

## In relation to skills shortages, what is your primary challenge?





# WHYALLA / PORT AUGUSTA / FAR NORTH



## No. of Employees

Survey respondents had a **median employee level of 4**.



Businesses had a range of views on **Council amalgamations** but not much specific feedback that this would lead to better outcomes with views that distinct regions lacked synergies.



**According to the Whyalla Chamber of Commerce and Industry, it is essential that local business have support mechanisms to see them through to the end of 2016 before Arrium's sale can be finalised. The Chamber also acknowledged the support of both State and Federal Governments to date, including through agencies such as Revenue SA and the ATO where efforts were being made to do everything possible to help small businesses through the current crisis.**

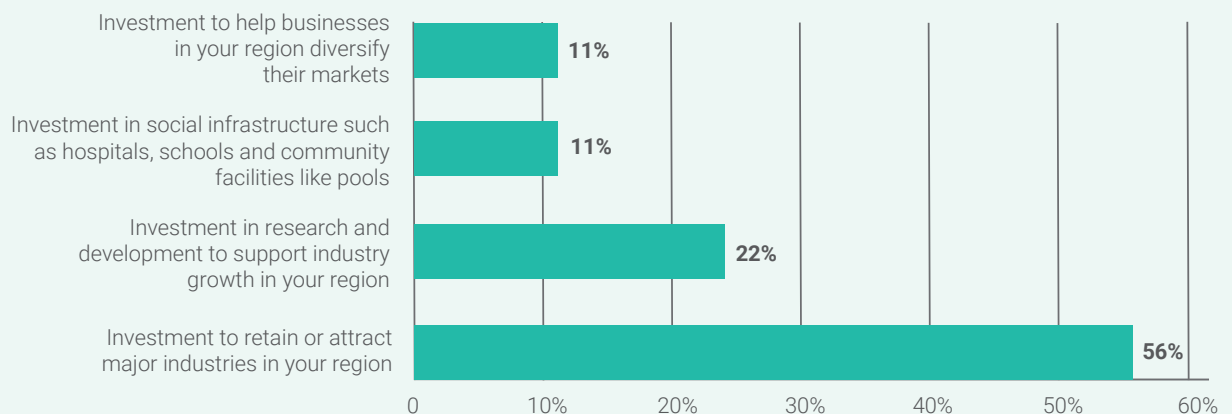
# 62.5%

of businesses found it difficult to **attract appropriately skilled people**, even when offering competitive rates of pay. There was also feedback that local businesses, particularly in retail, struggled to fill positions with employees that have appropriate social skills and a willingness to work, exacerbated by a belief that it is too easy to access welfare rather than gain employment.



Businesses responded on the **difficulty in being able to pay penalty rates in the retail sector** and there was also feedback that employees have an expectation to be paid above the award due to factors such as high wages in the steel industry which act to set an unaffordable benchmark for local small businesses.

## Where does your region most require Government support?





# OUR REGIONAL CHAMBER NETWORKS



## 1. Business Kangaroo Island

[www.businesskangarooisland.com.au](http://www.businesskangarooisland.com.au)  
PO Box 896  
Kingscote SA 5223

## 2. Business Port Augusta

[www.businessportaugusta.com.au](http://www.businessportaugusta.com.au)  
PO Box 2300  
Port Augusta SA 5700

## 3. Kadina Chamber of Commerce

[kadinacommerce@gmail.com](mailto:kadinacommerce@gmail.com)  
1/3 Digby St  
Kadina SA 5554

## 4. Loxton Chamber of Commerce

[www.loxtonchamber.com.au](http://www.loxtonchamber.com.au)  
PO Box 999  
Loxton SA 5333

## 5. Mount Gambier Chamber of Commerce

[www.mountgambierchamber.com.au](http://www.mountgambierchamber.com.au)  
PO Box 1334  
Mount Gambier SA 5291

## 6. Port Lincoln Chamber of Commerce and Tourism

[www.portlincolinchamber.com.au](http://www.portlincolinchamber.com.au)  
PO Box 1493  
Port Lincoln SA 5606

## 7. Port Pirie Chamber of Commerce & Industry

[www.piriechamber.com.au](http://www.piriechamber.com.au)  
Shop 2, 26 Main Rd  
Port Pirie SA 5540

## 8. Riverland West Chamber of Commerce

[www.facebook.com/RiverlandWestChamberofCommerce](http://www.facebook.com/RiverlandWestChamberofCommerce)

## 9. Whyalla Chamber of Commerce and Industry

[www.wcci.org.au](http://www.wcci.org.au)  
PO Box 189  
Whyalla SA 5600



# ABOUT THE REGIONAL VOICE

**Business SA quite deliberately called this publication Regional Voice. We asked the question: 'What are the issues that are holding back growth in the regions?'**



We have taken your answers on board and will start to address those issues as we further strengthen our on-going collaboration with the regional Chambers of Commerce across the State.

The two-stage survey we conducted, the first of its kind, identified the 'live' issues that are affecting businesses in the State including:

- labour cost challenges like payroll tax, award flexibility and weekend penalty rates
- difficulties attracting skilled staff, even at competitive rates of pay
- the cost and practicality of sending staff to Adelaide for training
- inadequate infrastructure including internet and mobile phone coverage
- high utility costs, particularly for energy intensive businesses such as irrigators; and
- red tape, particularly related to Work Health and Safety (WHS) and tax compliance, being more burdensome on small businesses.

Not all of these issues have the same constraints on business that are found in Adelaide. By definition, they have a regional perspective and require innovative thinking and responses that are tailored to the regions that spawned them.

And that is why Business SA is working closely with Chamber of Commerce in your region. Local knowledge is important and we will draw on those resources as we shape our contribution towards creating a more conducive environment for business development and job creation.

There is no quick fix to resolve the issues identified in our survey, some of which relate specifically to geography and the logistics of country living. However, a number of those issues do relate to the regulatory environment in which businesses in the regions have to operate.

Business SA has a track record of success in advocating for changes to State and Federal policy settings which improve the operating environment for small and medium enterprises (SMEs).

In the past year we have:

- Had significant input to the new Return to Work scheme that will save SA businesses \$180 million a year through reduced premiums,
- Advocated for financial incentives for companies to hire more staff, an initiative adopted by the State Government in July's Budget with grants of up to \$10,000 for new employees, and

- Convinced the State Government to fund an Export Ready program to boost the skills of SMEs and help position them to successfully enter export markets.

With our partners in the Chambers of Commerce, Business SA will advocate for responses to the issues that are holding back growth because regional South Australia is integral to the future economic health of the State.

We heard your voice in the first survey and will continue to monitor what's happening in the regions with another survey in a year's time. In the meantime, we value the input from regional business communities and look forward to hearing from you at our upcoming events as we launch the 'Regional Voice' across South Australia. For further information, please visit [business-sa.com](http://business-sa.com).

A stylized, handwritten signature in black ink, likely belonging to Anthony Penney.

**Anthony Penney**  
**Executive Director, Industry**  
**and Government Engagement**

# THANK YOU

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We value the input from regional business communities and look forward to hearing from you at our upcoming events as we launch the 'Regional Voice' across South Australia.

To find out more please visit  
[business-sa.com/regionalvoice](https://business-sa.com/regionalvoice)





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