

30 July 2019

Community Advisory Panel – Regional Development Strategy
Primary Industries and Regions SA
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Dear Panel

I write in response to the State Government's call for comment on its Discussion Paper regarding a Regional Development Strategy. Business SA's feedback has benefited from input by our affiliated regional Chambers of Commerce throughout South Australia.

Executive Summary

- Business SA implores the State Government to take a bold and definitive approach to regional development, including with an ambitious target for population growth
- While State Government support for major regional projects is welcome and should continue, it is not always just major projects that are needed, but more coordinated support to overcome other key region specific challenges which might otherwise remain intractable
- Long term infrastructure plans, particularly to improve key freight routes across the state, need to form part of any Regional Development Strategy, as well as considering the need for safer and more attractive car travel for regional commuters and tourists
- Building capability within regions requires a rethink of how training is delivered and supported in South Australia, recognising the benefit of offering local access to training, particularly to retain young people in the regions
- A business as usual approach to regional development in South Australia will not shift the dial in terms of outcomes, but the necessary approach may potentially take 10 to 20 years and require bipartisan support, a feature long lacking in terms of regional focused Government policy in South Australia

Should you require any further information or have questions, please contact Andrew McKenna, Senior Policy Adviser, on (08) 8300 0000 or andrewm@business-sa.com.

Yours sincerely,

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Executive Director, Industry and Government Engagement



Why this matter is important to South Australian businesses

As South Australia's Chamber of Commerce and Industry, with a history dating back to 1839, Business SA is the peak business membership organisation in the State. Our more than 3,000 members are affected by this matter in the following ways:

- Business SA's biennial Regional Voice reports have highlighted the range of issues impacting regional businesses, and focused media and political attention on the need for adequately resourced and targeted support
- Business SA has long championed the economic contribution of Regional South Australia, particularly through the State's export earnings, and as an organisation we are pleased to be able to contribute to a new Regional Development Strategy
- The reality of South Australia's voting profile has often meant that Adelaide centric policies have been prioritised ahead of those which should be focused on lifting the whole state, including regional South Australia

Business SA makes the following points in response to the discussion paper:

1. Feedback from Regional Voice reports:

Over time, Business SA has increasingly looked to how it can improve its regional focus, a key part of that strategy being closer engagement and alignment with regional Chambers of Commerce. While we had been running regular events in the regions for many years, we felt the need to better ensure the State Government and all political parties were more aware of the specific issues facing regional businesses from an independent perspective. We not only wanted to achieve this on a region wide basis, but specifically in each key region across the State, recognising the significant diversity throughout regional South Australia.

2016 Regional Voice

In 2016, Business SA released its inaugural Regional Voice report. This was based on two surveys of regional businesses conducted in 2015 and 2016. The first survey aimed not to be too prescriptive, but rather let businesses describe the key issues facing them. This was followed by a secondary survey in 2016 which delved further into those primary issues relating to taxes, labour costs, skills shortages and utility concerns. The key findings of that survey showed:

- Payroll tax was the top tax related issue facing regional businesses (at 22%), followed by company tax (19%).

- Award rates and conditions combined (at 34%) were the top specific labour cost challenge
- 39% of businesses found it hard to attract skilled employees, even at competitive rates of pay.
- 33% of businesses had to send employees to Adelaide for training which they considered too expensive
- 22% of businesses felt tax related compliance was their top red-tape concern, while for 20% of businesses it was work, health and safety compliance (often exacerbated by more seasonal and transient workers in the regions)

Of the remaining comments provided from regional businesses to the 2016 survey, 37% were in relation to utility costs, primarily electricity, while another 37% of respondents commented on internet speeds and mobile phone coverage. Businesses also provided feedback on council amalgamations, with 50% arguing they would not improve outcomes, while 28% open to the idea if it meant more resources being available to deliver key functions of councils. The general view of businesses seemed to be of limited synergies between regions, and that super-sized councils with equivalent numbers of employees would be more likely to make simple functions unnecessarily complex.

The Regional Voice also tracks general business confidence and conditions to compare against Business SA's state-wide Survey of Business Expectations. While in 2016 this showed the region-wide results were quite comparable to the State average, there was much more variability at a specific region level, for example the South East being much more optimistic than Whyalla/Pt Augusta/Far North.

2018 Regional Voice

Business SA ran the Regional Voice survey again in 2018, with a similar structure to ensure we could accurately track the primary issues facing regional businesses over time. The 2018 survey received over 450 responses across regional South Australia, and found the most important issues for individual businesses to be:

- Electricity costs (18%)
- Skills availability (13%)
- Company tax (11%)
- Labour costs (11%)
- Telecommunication service levels (8%)

When asked to rank the broader issues facing their regions, businesses nominated the top 5 as:

- Electricity costs (19%)
- Economic infrastructure requirements (13%)
- Skills availability (9%)
- Council rates and operations (8%)
- Company tax (7%)

Again, in terms of specific labour cost challenges, award rates and conditions (37%) were number one, closely followed by costs of WHS compliance and payroll tax. The qualitative feedback on labour costs was dominated by concerns about penalty rates, which were particularly important for small regional businesses trying to cater to tourists.

Of the 71% of businesses facing skills shortages, 38% were unable to attract skilled employees even when offering competitive rates of pay, a similar result to the 39% indicated in 2016. There were also general concerns about attitude and willingness to work, and challenges attracting people to move and stay in country areas, particularly when there was a limited range of jobs for partners and inadequate community infrastructure.

In this survey, Business SA also asked regional businesses whether South Australia needed government policy to specifically promote population growth in the regions. A substantial 68% agreed, with only 15% against and 17% unsure. However, businesses also raised need for appropriate infrastructure and services to facilitate this growth.

Feedback on mobile coverage was again strong, with 39% of businesses either dissatisfied or strongly dissatisfied with coverage in their regions. On a more positive note, of the 60% of businesses then connected to the NBN, two thirds reported being either neutral or satisfied with their service, with the negative feedback mainly in relation to speed and reliability.

In relation to councils, 73% of businesses reported either being neutral or satisfied with the service delivery of councils, and similarly to 2016, only about a third of businesses supported amalgamations.

When asked what businesses thought the Government could do to better support them, the clear priority was investment in economic infrastructure (34%), followed by investment in social infrastructure (16%), then investment to retain or attract business to regions (13%).

2. Business SA recognises the discussion paper's acknowledgement that, for too long, there has been no strategic whole-of-government approach to the State Government's regional investment.

As a not-for-profit business membership organisation which relies on member fees and commercial services, we are independent and recognise the need for South Australia to move beyond the often narrow political focus which has traditionally hampered growth in our regions. For decades, government investment in the regions has been based on political outcomes, rather than an elevated focus of what a strong regional South Australia does, and can do more of, to improve the economic prosperity of the entire State.

3. The discussion paper acknowledges that regional South Australia lacks areas of sufficient population and diversity necessary to support diverse economies, which ultimately promotes resilience. While it is often highlighted that South Australia's entire population is growing at half the national average¹, over the period from 2013 to 2018, 86.4% of the State's meagre population growth occurred within Greater Adelaide. This meant that Greater Adelaide population grew at 0.9% per annum, compared to only 0.46% per annum for regional South Australia.²

From Business SA's perspective and insight from the feedback of hundreds of regional businesses, there is a genuine appetite for a dedicated regional population strategy. This needs to be formalised, including specific targets and timeframes. Without a goal, how will the Government measure its ultimate performance? While we recognise the existing 3% economic growth target for the entire State, there needs to be a targeted approach to regional population growth and not just in words, but in a goal which all levels of Government can strive towards. Achieving a step change in regional population will not come easily, but if not achieved, existing issues related to lack of diversity within regional economies will only continue to disincentivise metropolitan based workers from considering life outside the city.

Business SA consistently receives feedback about the challenge of attracting entire families to move to regions. It is not simply about creating jobs, but a diversity of jobs which cater for the modern family where both parents typically need to work. Health and education needs are also becoming more diverse, and regional areas need to keep pace with providing adequate service levels, not to mention general community infrastructure.

4. It is always difficult to quantify the primary reasons people are unwilling to move to regions. However, when considering the economies of strong and growing regional cities interstate, there is a common thread of a substantive university presence, diverse industry, good public and private schools, quality healthcare facilities and in some cases, military operations.

¹ ABS, Australian Demographic Statistic – Dec 2018, released June 2019

² South Australia planning portal, Recent population change, viewed 29 July 2019

Think Wagga Wagga, Bendigo, Ballarat, Toowoomba to name just a few. None of these fundamentals in of themselves are easy to achieve, and they have often developed over a long history, but the State Government will only shift the dial on regional population growth by focusing on how it can build success in the long term. In essence, any strategy should be based on a minimum ten-year horizon, perhaps extending to 15 or 20 years. Such a plan would also need to be underpinned by bi-partisan support.

In the example of regional economic infrastructure, should the Government have a long-term plan to develop key strategic freight routes with say, a minimum of freeway access, it would underpin future growth in key areas such as the Riverland, South East and Iron Triangle. This might include long term plans to duplicate the Sturt, Dukes and Augusta highways. In one example, the Riverland West Chamber of Commerce has indicated their increasing concern with the increased number of trucks on the Sturt Highway and how difficult that makes travel to and from Adelaide, including for tourists. Again, if the Government is wanting to genuinely promote regional development, it needs to consider that people who may otherwise have their extended family in Adelaide are going to be influenced by the ease and safety of travelling to regional towns and cities. While all of these projects will take considerable investment and will not happen over one or two budget cycles, business thrives off confidence about long term direction.

Of note is that duplicating Victoria's Western Highway from Stawell through to the South Australian border is considered by the Federal Government as a national road of strategic importance, but the South Australian Government has not chosen to similarly promote duplicating the Dukes highway through to Adelaide. Considering the rapid population growth in Victoria compared with South Australia, the State Government should be looking to develop its own long-term plans for improved interstate connectivity.

5. For some years now, the Office of the Coordinator General has been in place to assist major project proponents by coordinating functions across Government to facilitate capital projects, above \$5 million in metropolitan Adelaide, and \$3 million outside Adelaide. This approach from Government is welcome, and benefits large businesses investing in South Australia. Notwithstanding, it is primarily aimed at ensuring the State does not lose out on major investments as opposed to improving the ground for multiple smaller sized investments to deliver medium to long-term outcomes.

Through the Regional Development strategy, the State Government should consider how it can take a similar mindset to achieving more sustainable outcomes across regional South Australia, as opposed to just facilitating major projects. This might depend on specific regional needs, for example the lack of rental housing on Kangaroo Island, but the Government can play a strong facilitative role to build more sustainable outcomes to what might otherwise seem like intractable problems.

6. In terms of building regional capability, a grass roots up approach is the most sustainable way to ensure local industry needs are met. In practice, this would require the State Government to ensure local VET training is adequately targeted and resourced to meet the needs of local industry. Retaining more young people in the regions through provision of better developed educational pathways will help to avoid the high cost approach of incentivising skilled metropolitan based workers to move to the regions. Business SA has recently argued for improvements to the entire state's approach to VET, including within schools, and there also needs to be specific regional considerations to accommodate for the fact that many young people are likely to leave regional areas without access to skilled jobs, including training to progress into higher skilled positions.
7. In terms of broader training, Business SA notes that from 1 July 2019, SafeWork SA no longer subsidises travel and accommodation for trainers to go to regions to undertake health & safety representative (HSR) representative training, aside from very remote locations which achieve a partial subsidy. Considering SafeWork SA has the authority, if requested from an individual employee, to have their employer fund this training, there needs to be adequate Government support; and reinstating the subsidy would recognise the disadvantage regional employers face with respect to local training access.
8. Innovation is alive and well in regions, although there is little support for locally based entrepreneurial training. Business SA currently offers a regional version of its acclaimed SAYES program, South Australia's longest running entrepreneurial program, supported by over 50 volunteer business mentors and the State Government. Regional SAYES is now being offered in Adelaide, but only on the basis of achieving the least cost method of reaching regional participants. Subsequently, Business SA recognises there would be substantially more interest from regional entrepreneurs if this type of training was made available in region, although this would entail further funding support. In Business SA's 2018 Regional Voice survey, 23% of respondents wanted to see SAYES offered in region, while 29% were interested in ENCORE, a version of SAYES for over 35s. Interestingly, regional businesses were most interested in mentoring, with 36% eager to see this offered in region.

9. Business SA has also pioneered the State's first and most comprehensive Export Ready Program, with Government support, which has quickly become recognised for its high quality training in regards to all aspects of exporting, including access to expert mentoring. The Export Ready Program is attracting a high calibre of participant businesses, with several case studies available at business-sa.com.

Business SA recently moved Export Ready training sessions to the RFDS facility at Adelaide Airport, primarily to improve access for regionally based participants. Again, if there was more Government funding available for these programs, we would be in a better position to offer them in region. Considering the majority of South Australia's exports emanate from regional areas, it is logical to focus Government assistance on local access to tailored training to develop the next generation of exporters.

10. A key focus of South Australia's regional Chambers of Commerce is main street rejuvenation and activation. While much can be achieved at a local level, one of the most challenging issues for small town retailers is dealing with growing competition from online sales. Business SA recognises this threat is ubiquitous, but regional towns do very much live and die by the strength of their local economies. The Regional Development Strategy should consider how the State Government can better support local Chambers of Commerce to assist their members to become more adaptive to the new reality of online competition. While this could be achieved in a number of ways, there should be formal recognition that regional businesses would benefit from digital training and support to assist their businesses to compete in an increasingly online marketplace.
11. For many years South Australia has touted itself as the cycling State and Adelaide, the cycling capital of Australia, leveraged by the success of the Tour Down Under (TDU).

Well-planned and maintained infrastructure is necessary to attract cycling tourism in both metropolitan and regional South Australia. For instance, hundreds of kilometres of abandoned rail tracks provide a prime opportunity to continue expanding existing cycling tracks, providing safe routes for cyclists. While this has already been achieved in part within South Australia's prime wine regions, Business SA acknowledges the much wider opportunity to develop regionally based cycle tourism which does not yet seem to form part of the Regional Development Strategy.

We recognise the commitment made by the State Government to work with the Victorian Government on a Great Southern Bike trail, however, a broader, State-wide strategy needs to be implemented, including linking up key regions and actively promoting an expanded network of cycling paths.