Business SA

2021/22 pre-Budget submission to the State Government of South Australia.

March 2021

Executive Summary

The 2021/22 State Budget comes at a pivotal time for South Australia as we move to cement our gradual economic recovery from COVID-19. The current health situation in South Australia on a national and international scale is to be commended, but we are far from out of the woods. It also remains unclear what position we will find ourselves in once the vaccine is rolled out and restrictions are eased in full. The State Government should develop a long-game strategy to ensure everything is done to future proof South Australia's economic recovery in the context of not only aiming for recovery, but to re-emerge on an elevated and sustainable economic growth trajectory. This is a once in a generation opportunity to reset the State's brand and one that Business SA will support with vigour.

Business SA's December quarter 2020 Survey of Business Expectations (SOBE), the most indicative survey of its type, demonstrated that confidence and conditions were both in positive territory and above pre-COVID levels. In fact, business confidence is running 20 per cent above its 10-year average. This is testament to the resilience of South Australia's business community, assisted by strong financial support from the State and Federal Governments. However, we need to remember that for 15 per cent of businesses, revenue is still down more than 50 per cent below pre-COVID levels. In short, disparate outcomes exist across the economy and regions including the Adelaide CBD. While many businesses recover, those more exposed to ongoing social distancing restrictions and border closures continue to be constrained. Our Budget submission calls for ongoing support to businesses in sectors where fortunes will not materially change until the vaccine is rolled out, and we have an end to social distancing restrictions and border closures. Some supports will also need to be brought forward to commence on 29 March to sync with the end of JobKeeper.

Business SA is mindful that throughout the pandemic to date, it has been the business community and private sector employees that have borne the financial brunt of COVID-19 restrictions. This is not an argument against protecting the health of the broader community, but a recognition that the financial burden has been quite uneven, even with Government support. While many businesses have been able to adjust to varying degrees, there is only so much many businesses can do if faced with future snap lockdowns or periods of heavy restrictions. There is ample evidence now from interstate that other jurisdictions are providing additional financial support in these instances and Business SA is calling on the State Government to prepare a financial mechanism now. Further, we reiterate our message from a recent open letter, that the entire community including businesses, has a role to play to ensure the QR code system is working effectively and providing sufficient confidence to SA Health to avoid severe restrictions in the event of another outbreak.

The financial support for apprentices and trainees throughout COVID-19, including from the Federal Government, has been highly valued and a great support to South Australian businesses. This has helped South Australia go against the broader grain of lower apprentice and trainee numbers and the State Government should be commended. However, skills shortages remain one of the most pressing concerns for local businesses, particularly in the regions, and now is not the time to wind back any additional supports, particularly while the movement of labour remains quite restricted by border closures.

The State Government is undergoing a major infrastructure build which needs to continue and be expanded to include major regional projects such as the Augusta and Dukes Highway duplications. South Australia's regions are crying out for population growth but that will only be enabled by a step change in infrastructure investment. Business SA is also calling for the funding of the Adelaide Wine Capital Cycle Trail, which would significantly leverage South Australia's competitive advantage as a world-class wine destination, particularly to support the industry in the presence of ongoing Chinese tariff barriers. Another clear competitive advantage for South Australia is renewable energy, recycling and opportunities in the circular economy, and the State Government must use this budget to shift the dial on key planks of our future success, including adoption of electric and hydrogen vehicles, and more developed markets for recycled and compostable products.

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Business SA
Chamber of Commerce
and Industry South Australia

Introduction

Business SA, South Australia's Chamber of Commerce and Industry, was formed in 1839 and has more than 3,500 members and several thousand clients across every industry sector, from micro businesses through to listed companies. We are a not-for-profit business membership organisation working on behalf of members and the broader business community in pursuit of economic prosperity for both South Australia and the nation. Funded by member subscriptions and the provision of products and professional services, we are independent of any government or political party.

As the recognised voice of business in South Australia, Business SA constantly communicates with members to ensure our advocacy speaks to their collective needs and those of the broader business community. This occurs through day-to-day conversations, various online communication mediums including surveys, and more formally through member reference groups, topical roundtables and seminars.

Business SA also has strong links with Regional Chambers of Commerce across the State. We hold quarterly online summits to discuss business activity as well as key challenges and opportunities, and our biennial Regional Voice survey is the most representative survey of regional business issues. We also run regular events across the regions.

Like many of our members, Business SA also faced considerable financial and operational challenges throughout COVID-19, but not to the extent of those businesses most constrained by COVID-19 restrictions. As South Australia's peak employer body, we understand what businesses need through the myriad of touch points we have as an organisation servicing the business community. This is not only through direct policy & advocacy work, but the contact we have with businesses through our business advice hotline, our consulting and trade services, entrepreneurial programs, training and events. During the Parafield outbreak alone, we were receiving several hundred phone-calls a day from businesses.

Although we are far from having dealt with COVID-19, Business SA would like to acknowledge the State Government's willingness to listen to the needs of the business community throughout the pandemic period to date. We would also like to recognise SA Health for their efforts to engage with our members, particularly those operating in the events space.

Business SA is mindful that South Australia, like most other Australian jurisdictions, has had to enter a period of material financial deficits to fund the support required to sustain businesses and the broader economy. With last year's deficit of $1.5b, and an estimated $2.6b deficit for 2020/21, continued future deficits will put a material strain on the State's net debt which is already set to climb from $10.5b in 2019/20 to $24.5b in 2023/24. This will maintain pressure on our AA+ credit rating, with the path back to AAA seeming ever less likely. While the State Government will be challenged to fund many of our Budget recommendations, this does not dilute their need. We also need to reiterate that all State Government procurement spend must be structured to provide every opportunity for local businesses to participate and succeed.

We are fast approaching the next State election and Business SA recognises the upcoming State Budget may become an election orientated one. This is an opportunity for the State Government to establish a bold post-COVID agenda by playing to South Australia's strengths.

Business SA's Budget submission outlines a range of realistic and affordable recommendations that speak to the needs of businesses. But the future economic outcomes for South Australia's business community will be far from what can be solved through a Budget alone. As we have previously stated on several occasions, we need to optimise the rollout of COVID-19 vaccines to give businesses every chance of getting back on their own feet and reducing the need for further financial support. Finally, we must work collectively with other States and the Federal Government to ensure Australia's borders stay closed for no longer than is necessary. South Australia's future prosperity is intrinsically tied to free and open movement of goods and services across the world, and while closed borders have given us the opportunity to reflect and rediscover, we can never afford to become inward looking.

Summary of Recommendations

Background & Evidence to Support Recommendations

Continued Response to COVID-19

1. Implement a funding mechanism to support South Australian SMEs through future periods of severe restrictions associated with an uncontrollable COVID-19 outbreak.

Business SA acknowledges that South Australia's ability to control the spread of COVID-19 to date has occurred through strong leadership from the Government, and an equal willingness from both the business and broader community to follow the restrictions, no matter how severe. While there has no doubt been times that businesses have been frustrated by restrictions being in place longer than thought necessary, this is illustrative of the reality that businesses bear the lion's share of the financial burden.

Neither the State nor Federal Government can step in to insure businesses against all losses associated with COVID-19 restrictions. Notwithstanding, the State Government does support its own entities through the South Australian Financing Authority (SAFA) which has provided business interruption insurance to State Government agencies impacted by COVID-19, noting at the time of the November Budget, 8 claims of over $100m had been received by entities including Adelaide Venue Management Corporation, Adelaide Zoo, the Adelaide Festival Centre Trust, West Beach Trust and the South Australian Museum.

The role of Government with respect to the private sector is to support the most heavily impacted businesses through sharing some of the financial burden resulting from public health directions. In the example of the hotel sector, a survey conducted by the SA Centre for Economic Studies estimated the loss in turnover from the Parafield Cluster shutdown and associated period of restrictions at $100m, with between $7m to $10m lost in food waste alone. Business SA received hundreds of calls from impacted members during this period, and the non-recoverable losses for individual businesses across many sectors ranged from a few thousand into the tens of thousands of dollars. While food waste was a common theme, a diverse array of businesses were hit hard with, for example, turf companies losing semi-trailers of freshly cut grass that could not be delivered to clients. This is not to mention the plight of many tourism businesses which lost interstate bookings leading up to Christmas that were simply unrecoverable due to the dent in confidence caused by the snap lockdown.

Since the Parafield Cluster, Australia has experienced snap lockdowns across Queensland, New South Wales, Western Australia and Victoria. Subsequently, each Government has crafted a unique response to deal with impacted businesses:

- The New South Wales Government provided the following grants to small businesses (less than 20 FTE and turnover between $75,000 and $1.2m) hardest hit by the Northern Beaches lockdown:
  a) $3,000 to cover unavoidable costs (e.g., rent & utilities) for small businesses which suffered a 30 per cent decline in turnover; and
  b) $5,000 for small businesses which suffered a 50 per cent decline in turnover.
- The Western Australian Government introduced a $43m support package to businesses impacted by its 5-day lockdown in February, comprised of a $500 electricity rebate for all small businesses.
- The Victorian Government introduced a $143m package for businesses hardest hit by its 5-day lockdown, comprising of;
  a) $92m for $2,000 grants to hospitality venues (including food wholesalers), event operators, and specific retailers (hairdressers & florists) with payrolls less than $3m;
  b) $25m, or $3,000 per premises, to those hospitality venues ineligible for the above grant but which were previously eligible for the Licenced Hospitality Venue Fund (for payrolls up to $10m);

c) $16.9m in grants to accommodation providers which had cancellations, 10 or less receiving $2,250 and over 10, $4,500; and

d) $10m for 40,000 travel vouchers to encourage Victorians to visit Greater Melbourne, and an extension of the Regional Travel Voucher Scheme.

Business SA recognises that South Australia now has a strong QR code system in place which should reduce the likelihood of the State needing to go into a period of restrictions as severe as a lockdown in future. However, businesses should have the confidence that, if such extreme actions are again the only available step to avoid an uncontrollable outbreak, the Government will step up with some reasonable level of financial support. Business SA does not expect the Government to fully compensate businesses for their losses, nor provide payments to businesses which are realistically able to continue operating as normal through a short lockdown. However, those businesses which are forced to cease operations, and also suffer unrecoverable losses such as food waste, should be given proper consideration. There is no market for business continuity insurance due to COVID-19 related losses and it is unreasonable to expect certain industry sectors to continue to bear the brunt of the financial burden associated with lockdowns. Business SA thus recommends a contingency fund be established to provide financial support for heavily hit sectors in the event of a future shutdown, and that thought be given now as to how the mechanism might work including appropriate consultation with business representatives.

2. Introduce an Events, Arts & Live Performance COVID de-risk Fund to encourage business development across this sector, reaffirming South Australia's credentials as the Festival State.

With ongoing social distancing and border restrictions, the events, arts and live performance sectors of South Australia's economy continue to face both heightened restrictions and the risk of losses associated with future snap lockdowns, both within South Australia and across the nation. The resilience of the sector is being demonstrated by the success of the 2021 Fringe and Adelaide Festivals, but the associated business risks will continue to be elevated while South Australia awaits a full vaccine rollout. Planning future events or performances, including business events, remains very complex, particularly when those events or live performances rely on bringing in speakers/performers to South Australia from interstate. This is most pertinent for large live performances whereby rehearsals occur in the East Coast states; which is where the larger cohort of performers often reside.

One of the key risks in planning future events is the cost of snap lockdowns, particularly if key people are required to enter hotel quarantine at a cost of up to $3,000 per adult, and also need to be paid a concurrent wage. Should events be cancelled entirely, promoters can be on the hook for a whole range of costs from marketing to key personnel salaries, venue and equipment hire and so on. Some other states have already moved down the path of providing specific support to the events, arts and live performance sectors to help offset some of the increased financial challenges of generating economic activity in the current climate of ongoing COVID restrictions:

- Western Australia has its $9m 'Getting the Show back on the Road Fund' which provides between 50 to 75 per cent of box office losses up to $150,000 for eligible performing and live music venues, festival organisers and commercial event companies which suffer a negative impact due to changes in COVID-19 restrictions. Businesses are assessed on their financial responsibility, planning to mitigate risks, quality of the activity and reach into the community. Importantly, this Western Australian scheme does not seek to compensate businesses, rather '*mitigate some of the financial risks involved in the production of live performance and events due to the impacts associated with COVID-19*.'
- Tasmania has recently announced details of its $2m Live Performance Support Program whereby arts organisations, festival organisers, cultural producers and performing arts venues can apply for guarantee on box-office risk of between $10,000 to $100,000. This is to ensure businesses and organisations can manage the cost of cancellations should another period of strict COVID restrictions be re-introduced.

Events contribute $392m p.a. to the South Australian economy and while the businesses and organisations operating in this sector are not necessarily as broadly visible as, for example, the hospitality and travel sectors, the value they bring to the 'Festival State' cannot be underestimated. South Australia will need a strong events, arts and live performance sector to aid our continued recovery from the broader economic impacts of the pandemic, and the State Government should consider targeted financial backing to assist businesses and other organisations in this sector with generating new business.

In 2019, the South Australian Tourism Commission (SATC) launched the South Australian Visitor Economy Sector Plan 2030. This is a bold plan to grow the visitor economy by $12.8b by 2030 and generate an additional 16,000 jobs. Leisure and business events were a priority area of this plan. As the plan states, 'we need to play to our strengths', and the events, arts and live performance sectors are clearly strengths of South Australia which in the face of ongoing COVID-19 restrictions require further support to meet the State Government's own objective to grow the economy via this sector.

3. Temporary payroll tax waivers should be extended for those businesses most acutely impacted by ongoing COVID-19 restrictions (with cash grants for smaller businesses), and further consideration be made for ReturntoWork Premiums and Land Tax waivers.

The State Government has provided a total of $233m in payroll tax support to businesses throughout the pandemic period. The first tranche of payroll tax support introduced in March 2020 was a 6-month waiver to all 2,400 businesses with payrolls below $4m, with a deferral option for 1,900 businesses with payrolls above $4m; combined with a general payroll tax waiver on all JobKeeper wages. At the end of September, the State Government announced a three-month extension to the payroll tax waiver for all businesses with a payroll below $4m, and a 3-month deferral option for businesses with payrolls above $4m that continued to receive JobKeeper. The final tranche of payroll tax support came in the State Budget handed down last November, including a continuation of the payroll tax waiver for sub $4m payroll businesses until June 2021. The Budget also introduced a new payroll tax waiver from January to June 2021 for businesses above a $4m payroll remaining on the final tranche of JobKeeper for the March quarter 2021.

There have been two rounds of very helpful $10,000 cash grants from the State Government, with the latter round including $3,000 for non-employing businesses such as sole-traders and small family partnerships. ReturntoWorkSA has also supported businesses with workers' compensation premiums, with a rebate for the premium paid on JobKeeper wages. Further, beyond the land tax waivers for landlords with COVID impacted tenants, businesses occupying their own property were provided a 25 per cent waiver on 2019/20 land tax charges.

In Business SA's Survey of Business Expectations (SOBE) for the December quarter 2020, business confidence and business conditions both shifted into positive territory, with confidence now 20 per cent above the 10-year average. Business SA's confidence index jumped 13 points from the September quarter to 108.3, while conditions increased by 5 points to 100.6. There is no doubt that in macro terms, the South Australian economy has made up considerable lost ground since the onset of COVID-19. However, the most telling result from the SOBE was continued disparity within the economy with 45.7 per cent of businesses reporting revenue either on par or higher than pre-COVID, but 15.1 per cent being down more than 50 per cent on pre-COVID. In fact, when we consider the hardest hit sectors alone including Accommodation & Food Services, Tourism, Events and Cultural & Recreation Services, 56 per cent of businesses indicated being down 50 per cent or more on pre-COVD revenues. This was further confirmed by the survey finding that only 30.1 per cent of SA businesses remained on JobKeeper 2.1, although that figure was up to 75 per cent across the Accommodation & Food Services sector, and 71 per cent for Tourism businesses.

The Federal Government has confirmed it will not extend JobKeeper to businesses in sectors which remain heavily constrained by ongoing social distancing restrictions and border closures. Business SA, in concert with the Australian Chamber of Commerce & Industry (ACCI) has advocated for some form of ongoing targeted support; recognising that there needs to be an eventual limit to enable structural change to play out within the broader economy. However, it is far from clear that the vaccine rollout will be expeditious and optimised to the highest degree possible. If this were a purely commercial exercise, the penalty for not reaching a target would be financial. With a public sector-led exercise, the penalty falls directly on the businesses that remain constrained by ongoing restrictions, although they have no control over the logistics.

Until there is a clear finish to the vaccine rollout, and an associated end to social distancing rules and border closures, there is a role for Governments to provide some form of ongoing targeted support, including the State Government. While the Federal Government's Tourism and Aviation package will help to some degree, it is far from the quantum of support to replace JobKeeper in a material manner for many businesses, particularly in the events, arts and live performance sectors.

From a State Government perspective, Business SA recommends payroll tax waivers be extended to all businesses regardless of size if they are deemed to be severely restricted by ongoing social distancing and border closures, until at least the end of 2021. Further, there should be consideration of cash grant support for smaller businesses in the same scenario, but below the $1.5m payroll tax threshold. While ideally determining eligibility should run in tandem with a Federal Government framework, this may not be possible and the State Government may need to work on targeting businesses in affected sectors that are at least down 50 per cent on pre-COVID revenues. Business SA also cautions against solely supporting tourism businesses as there are many businesses in sectors like live performance, arts and events that remain quite constrained or subject to high risks associated with business development. Further, it is unlikely that international students will return to our shores in earnest until 2022 which has a far-reaching economic impact. Business SA recognises that payroll tax deferrals and waivers for businesses more broadly need to be constrained as we move deeper into 2021, but we cannot lose sight of the impacts that ongoing constraints like social distancing and border closures have on a minority of businesses.

Recognising that ReturnToWorkSA is a statutory authority, Business SA encourages the Government and ReturnToWorkSA to consider all options to extend support to those businesses most heavily impacted by COVID restrictions until the end of 2021. Further, ReturnToWorkSA should consider waivers as opposed to rebates for an extended round of financial support to better support businesses' cashflow management. Additional land tax relief for heavily hit businesses should also be considered until at least the end of 2021.

4. Introduce a temporary waiver on stamp duty for business insurance policies across industry sectors most constrained by ongoing social distancing rules and border closures.

Businesses have typically been unable to access insurance cover for costs directly related to the impact from COVID-19 restrictions, acknowledging there is a test case at play which may still put the onus back on to insurance companies to pay out such claims. In any case, businesses have had to maintain insurance coverage related to a range of risks from public liability, equipment loss and failure, theft and property damage, to name just a few. Needing to pay for insurance cover hasn't vanished because businesses have been heavily impacted by COVID-19, nor has the stamp duty on that cover which itself is a State tax. And to date, there has been no direct financial relief from the Government related to insurance stamp duty.

To compound this problem, feedback from members indicates growth in many business insurance premiums of up to 15 per cent, particularly for the events sector. Further, many insurers have pulled out of this market which is only reducing competitive pressures to deliver what is an essential enabler of doing business. As a result, many businesses have reduced insurance cover.

In South Australia, the stamp duty payable on general insurance is 11 per cent. This compares with the following rates of insurance stamp duty around Australia:

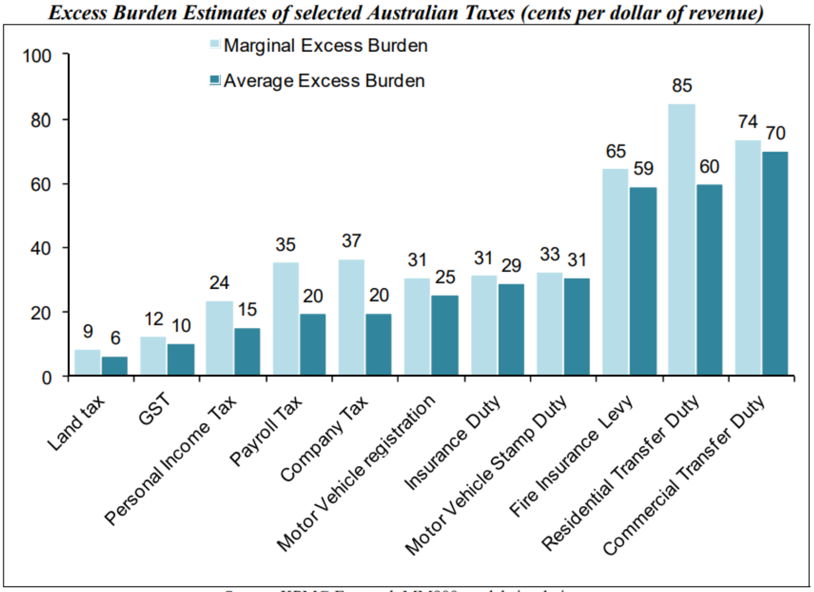
- NSW: 9 per cent
- Victoria: 10 per cent
- Queensland: 9 per cent
- Western Australia: 10 per cent
- Northern Territory: 10 per cent
- Tasmania: 10 per cent
- Canberra: 10 per cent

There has been a number of major Government tax reviews consistently highlight the inefficiency of insurance taxes. The Henry Tax Review conducted over 2009/10 is still the benchmark national tax review after the 2015 Tax White Paper process was scuttled due to political concerns about recommending changes to the GST. In respect to insurance taxes, the Henry Review concluded that:

'There is little justification for levying specific taxes on insurance products. Rather than correcting a market failure, insurance taxes can add to existing problems in the insurance market. The revenue from insurance taxes should be replaced by revenue from a more efficient and equitable tax.'

Subsequently, 2011 analysis by KPMG which updated the Henry Review modelling, put the efficiency of insurance tax at a third of the GST and Land Tax, and at the higher end of all other business taxes.

Excess Burden Estimates of selected Australian Taxes (cents per dollar of revenue)



Source: KPMG Econtech MM900 model simulations

In 2020, the New South Wales Government released its own 'Review of Federal Financial Relations' with a specific recommendation that '*All specific taxes on insurance products, including the Emergency Services Levy in New South Wales, should be abolished and replaced by more efficient and broad tax bases, to improve the affordability and uptake of insurance.'* The New South Wales review also found that rates of insurance increased in Victoria between 2009 and 2015 after the abolition of the insurance-based fire service levy, following a comparable outcome from Western Australia's 2003 reforms.

Since 2018, the State Government waived stamp duty on farmer's crop insurance policies; a fair and reasonable industry sector specific decision in support of the agricultural industry. Business SA requests the State Government consider a temporary stamp duty waiver on insurance costs for businesses in sectors most heavily impacted by ongoing social distancing restrictions and border closures, particularly the events, arts and live performance sectors, and those businesses most exposed to the loss of international tourism. The hospitality sector should also be considered given the ongoing capacity restrictions and limits on dancing and drinking. The waiver should operate as a rebate though which businesses apply for via Revenue SA. This should avoid complicating how stamp duty on insurance is levied and ensure the value of the waiver fully benefits the recipient business.

There is no doubt that permanent reform of insurance taxes needs to form part of a long-awaited wholesale tax review involving the Federal Government, States and Territories. In the interim, South Australia needs to act on temporary adjustments to support specific industry sectors most impacted by ongoing COVID related restrictions.

5. Introduce an autumn/winter hospitality and recreation voucher scheme for the Adelaide CBD

There are particular geographic regions, notably the Adelaide CBD, which continue to suffer from a decline in office occupancy, general visitation and fewer international students in country. This is no surprise given public transport patronage across Adelaide remains down circa 30 per cent on pre-COVID levels, and 40 per cent on CBD bound trips. Further, it is unlikely that international students will return in material numbers until 2022, prolonging the impact on lower consumer spending in the CBD. While there is significant activity in the CBD at present with the Fringe & Adelaide Festivals, Business SA is mindful of the plight of hospitality and service businesses in the CBD beyond the end of March when activity generally slows down, and JobKeeper is removed. A hospitality and recreation voucher scheme would assist to cushion the blow of subdued consumer demand through the balance of the autumn and winter period, particularly as the population awaits the rollout of the COVID-19 vaccines.

The NSW Dine & Discover scheme introduced last month allows residents to apply for vouchers that total $100 to support hospitality, tourism and arts businesses across various Local Government areas. The vouchers consist of 2 x $25 dining vouchers that can be used at restaurants, cafes, pubs, wineries, pubs and clubs, and 2 x $25 entertainment vouchers that can be used at cultural institutions, live performance, and arts venues. There are some limitations, with dining vouchers only redeemable Monday to Thursday, and both vouchers unable to be redeemed on public holidays. Further, vouchers can only be redeemed at businesses with COVID-safe plans.

Skills & Training

6. Continue to incentivise businesses to take on apprentices and trainees through extending the temporary payroll tax exemption, and providing equivalent cash grant support to small businesses.

Skills shortages are a major issue facing South Australian employers, particularly across the regions. In fact, skills shortages emerged as the top issue in Business SA's 2020 Regional Voice Survey. While these issues have been building for some years, border closures during COVID and the Coronavirus Supplement to JobSeeker have only served to compound the situation. Business SA has received voluminous feedback from members about their challenges finding staff, particularly for entry-level jobs.

Business SA recognises that the State Government has encouraged and supported businesses to take on apprentices and trainees since the onset of COVID, and with considerable success. The National Centre for Vocational Education Research (NCVER) June quarter 2020 report[1] shows that even in the depths of the COVID shutdown period, South Australian Apprentices and Trainees numbers were up 7.8 per cent from the same time in 2019 against a nationwide reduction of 3.9 per cent on the back of worse outcomes in Victoria, New South Wales, Western Australia, and Queensland.

[1] Apprentices and trainees 2020: June quarter - State and territory comparison (ncver.edu.au)

Support from the Federal Government to employers to retain and take on apprentices has been material and we welcome the recent extension of the Boosting Apprenticeship Commencements (BAC) wage subsidies available until 30 September, noting the Supporting Apprentices Subsidy (SAS) finishes at the end of March. The State Government has a crucial role to play in complementing extended Federal support through the BAC scheme.

Currently, wages paid to apprentices and trainees who commence a relevant contract of training between 10 November 2020 and 30 June 2021 (inclusive), will be included in the employer's payroll tax relief equivalent to a 12-month exemption. This is helpful to employers that have an annual taxable payroll in excess of $1.5 million and an extension of this relief until at least the end of 2021 will assist to offset the ongoing impact of COVID. However, this incentive does not benefit small businesses under the payroll tax threshold. Therefore, such enterprises need to be provided with an equivalent cash grant incentive which again, should be available until 31 December 2021.

With South Australia's current rate of youth unemployment at 15 per cent, and general unemployment at 7.1 per cent, the State Government cannot take its foot off the accelerator. South Australian business is buoyed by an increase in general business confidence above pre-COVID levels, but the State will not make material gains on unemployment without continued work to encourage businesses to employ new apprentices and trainees.

Businesses have reported that recent assistance to take on apprentices and trainees has been invaluable, encouraging a commitment when in many cases it could not otherwise be justified. While businesses that traditionally employ apprentices and trainees are more likely to continue, smaller businesses that have not traditionally done so continue to need additional support and encouragement. 'Skilling South Australia' also needs to be more focussed on funding for projects that offer education to those employers who have not engaged an Apprentice/Trainee before, to assist them to understand the value an Apprentice/Trainee can offer.

'We will take on trainees, but the incentives have enabled us to take them on sooner than we would have".
Limestone Coast, Manufacturing

"As a sole trader I was looking forward to taking on a trainee using the federal subsidies, unfortunately I cannot afford to make that extra step without that support."
Adelaide, Finance Sector

According to NCVER, South Australian medium-sized businesses (more than 20 employees) take on the majority of apprentices and trainees (56%).[2] However, South Australia is home to a large proportion of micro to small businesses which, while they take on 44% of South Australian apprentices and trainees, have the capacity to take on more and need to be encouraged to do so. Businesses in regional, rural and remote South Australia also face greater challenges accessing new apprentices and trainees as well as retaining and educating them.

The Equipped for Work and the Equipped for Growth funding will both cease in 2021. Continuing these supportive payments will help businesses with the up-front costs of taking on an apprentice or trainee.

The State Government provides travel and accommodation subsidies which have been welcomed, however, they do not meet (nor are they intended to meet) all direct and indirect costs associated with travel and accommodation. Businesses are left without employees for two weeks at a time when sending young employees interstate or into the city to study. Businesses have also become quite concerned at the cost and loss of work time when it is rumoured TAFE SA will not be running particular courses and that the nearest RTO will be interstate. An increase to the travel and accommodation subsidies would encourage both employers in the regions and smaller employers to take on an apprentice or trainee and not carry the substantial cost balance associated with training.

[2] as at May 2020

Visitor Economy

7. Ensure South Australia continues to have a flagship motorsport event in Adelaide, with a preference for e-motorsport aligned to the State's renewable energy goals.

Business SA acknowledges recent Government comments to the media that a Formula E (FE) race is not viable at present. While we have not seen the business case, Business SA reiterates the need for Adelaide to continue to have a flagship motorsport event and for all funding options to be considered, including for the event's operations. There is a considerable void following the end of the Adelaide 500, and while the State Government needs to make commercial decisions in regards to major events, we cannot afford to remain without a viable replacement race into 2022.

For over 12 months, Business SA has publicly backed State Government support for South Australia hosting an FE race. We went public with this recommendation in our last pre-Budget submission released in March 2020, ahead of COVID-19 hitting Australia in earnest and well before any inkling of a State Government decision to abandon the Adelaide 500. Business SA's position was never about replacing the Adelaide 500 with FE, but about South Australian playing to its strengths to snatch the inaugural Australian FE race slot regardless. Adelaide was the first Australian city to host Formula 1 and should be the first for Formula E. Business SA had also argued that FE could form part of a broader festival that focused on all things renewable, leveraging off South Australia's unique situation of having the highest penetration of intermittent renewable energy in the world relative to its ability to rely on external baseload power. Further, in September 2020, FE was the world's first sport to be certified net zero carbon which aligns with South Australia's net zero carbon emissions target by 2050.

FE viewership had been growing rapidly in recent years until the advent of COVID-19, with the global TV audience reaching 411 million in 2018/19, only marginally behind F1 at 471 million. While total FE spectator numbers were just over 400,000 in 2018/19, compared to over 4 million for F1, the online audience was growing exponentially with video views up 61% in 2018/19 to over 850 million. The stronger online audience growth reflects the prime audience for FE currently being in the 13-24 year-old range versus 40 and over for F1. FE's popularity with the younger demographic is also explained by the interactive aspect of the sport that enables the online audience to race the drivers in real time. Major auto-manufacturers including Audi, BMW, Jaguar, Mercedes and Porsche have joined FE, with mandates increasing to phase out new petrol and diesel vehicle sales in Europe and beyond. US car giant General Motors have also announced they will stop producing petrol and diesel-powered cars by 2035 and make 40 per cent of their range electric within four years. All these developments make it more likely that FE will eventually take over F1 as market relevance grows.

While a number of FE races were cancelled last year due to COVID-19, the race calendar before the pandemic struck included the following cities:

- Ad Diriyah (Saudi Arabia)
- Santiago (Chile)
- Mexico City (Mexico)
- Marrakesh (Morocco)
- Rome (Italy)
- Paris (France)
- Jakarta (Indonesia)
- Berlin (Germany)
- New York (USA)
- London (UK)
- Seoul (South Korea)

Fortunately, FE racing has recommenced in 2021, with the first two races held in Ad Diriyah (Saudi Arabia) and Round 3 scheduled to be held in Rome on 10 April. Further rounds are also scheduled in Spain, Monaco, Morocco and Chile until June. The following highlights video from the 2020 Santiago E-Prix shows the potential for FE to become a genuinely exciting alternative to F1, not simply a feel-good exercise in promoting electric vehicles.

[2021 Antofagasta Minerals Santiago E-Prix | FIA Formula E]

FE is still very much in a growth stage compared to F1 from a spectator perspective, but the costs of attracting a race are only likely to increase in time as it becomes more popular. By that stage, the likelihood of South Australia being able to afford to attract an FE race will quickly diminish. South Australia is also in direct competition with a host of other cities that have shown interest in FE, including Melbourne, Perth and the Gold Coast. Economic impact studies from a range of FE host cities to date put the economic benefits of FE races in the range of $35m to $45m which compares to the F1 Grand Prix in Melbourne. However, the cost to Victoria to run the F1 race was $60.2 million in 2019, which we understand would be considerably less for FE.

Crucially, an FE race could be the drawcard for a weeklong festival, the 'Festival of E-motion', aimed at generating collaboration between industry, education, and government to promote sustainability, STEM, and the latest technology in renewable energy. The demonstration effect can also be used to increase consumer demand for Electric Vehicles (EVs). In the 2018/19 FE season, battery capacity nearly doubled allowing drivers to remain in one vehicle for the whole race instead of using two cars, as was the case for previous seasons. In short, such developments demonstrate to consumers that EV's are becoming more practical as technology advances. This also aligns with the State Government's recently announced Electric Vehicle Action Plan, anchored around the rollout of a statewide electric vehicle charging network.

An FE race also has considerably less impact on host cities compared to traditional motorsport events. Firstly, the set-up/down logistics are much faster for FE which is likened to that of a music tour, with race infrastructure coming in and out in less than two weeks. This is due to the inherently nimble operating nature of FE. The reduced need for barriers of a specific strength due to the car's design and operating capacity also supports the efficiency of installation and removal of race infrastructure. Importantly for nearby residents, FE cars are significantly quieter compared to regular F1 and V8 supercars. At approximately 80 decibels, the sound of an FE car is only ten decibels louder than a regular car.

Red-Tape

8. The State Government should reduce its payment terms from 30 to 20 days, particularly to support businesses through the COVID economic recovery period.

Business SA has long advocated for the State Government to take a leading role in ensuring its payment terms and processes are conducive to meeting the cash flow needs of businesses, particularly small businesses. The way in which a Government manages payments to businesses is reflective of how serious it takes the role of the private sector in driving economic growth. Making South Australia a world-leading competitive jurisdiction in which to do business is not solely about ensuring low controllable costs and access to top-notch infrastructure and skilled workers, but also about making sure the Government itself does not add to the challenges of running a business.

Business SA's 2010 pre-election *Charter* recommended the previous State Government adopt a policy of paying interest to business suppliers for invoices outstanding longer than 30 days. This was subsequently legislated through the *Late Payment of Government Debs (Interest) Act 2013,* although the first iteration did not go far enough to meet the practical needs of SMEs. In our 2014 pre-election *Charter*, we recommended the Bill be amended to provide for the automatic payment of interest and the removal of the annual turnover limit, while our 2018 pre-election Charter recommended the excluded authority list be reviewed and that the State Government move to follow the Federal Government's commitment to move to 20-day payment terms.

To the credit of the current State Government, it listened to the needs of businesses and in 2018 passed the *Late Payment of Government Debts (Interest) (Automatic Payment of Interest) Amendment Act 2018.* This amendment also significantly expanded the reach of the Act across Government, and while the annual turnover limit was abolished, the current legislation only applies to contracts with a value less than $1m.

Balancing cash flow has been the overwhelming challenge for a wide range of businesses throughout the pandemic period to date, particularly in the most heavily hit sectors of hospitality, tourism, arts, live performance and events. While there has been some very helpful Government supports, both financial including JobKeeper and payroll tax breaks, and legal including the Commercial Leasing Code, the State Government is yet to amend its payment terms to reflect the heightened cash flow needs of businesses in the COVID era.

In July 2019, the Federal Government officially moved to paying small invoices, less than $1m, within 20 days, and has since moved to 5-day payment terms where both the customer and supplier have the capability to deliver and receive e-invoices through the Pan-European Public Procurement On-line Framework and have agreed to use electronic invoicing. The Federal Government's action was part of a broader strategy to lead by example on payment terms and has since encouraged a range of States and Territories to follow suit:

- From 1 July 2020, Queensland moved to 20-day payment terms for eligible invoices.
- New South Wales first moved to 20-day payment terms, and from 2019 to 5-day payment terms for invoices rendered in the appropriate format on an agency-by-agency basis.
- On 27 November 2020, the Victorian Government committed to paying all invoices under $3m within 10 business days.
- From 1 July 2019, the NT Government moved to 20-day payments terms for all invoices under $1m.
- From 1 October 2020, the WA Government moved to 20-day payment terms for invoices under $1m.

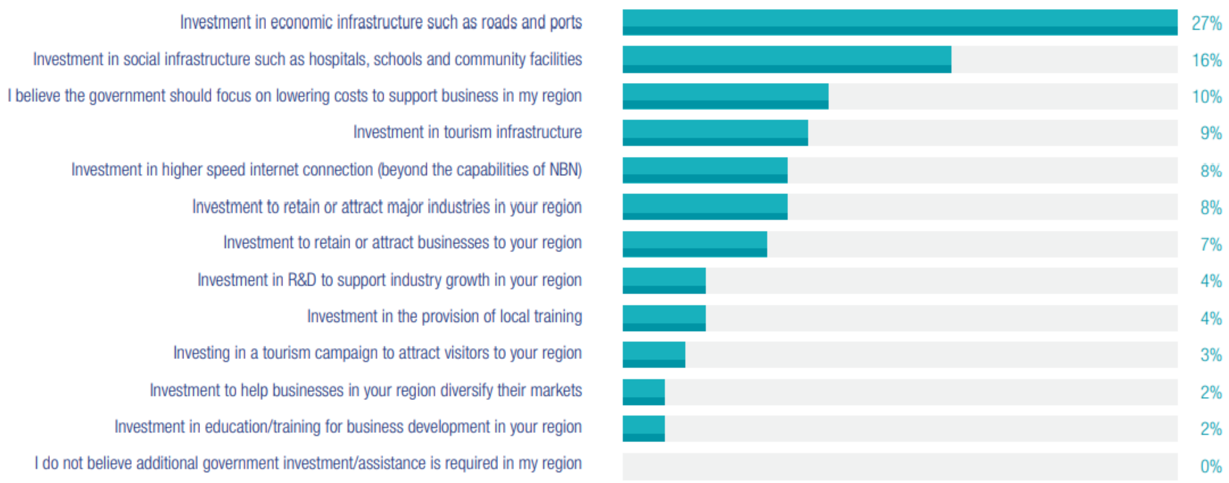
Business SA recommends the State Government match Victoria's lead on payment times, moving to 20-days for all eligible invoices under $1m, and introducing a 5-day timeframe for all properly specified electronic invoicing.

Infrastructure

9. Instigate feasibility studies to duplicate the Dukes and Augusta highways as part of a concerted plan to shift the dial on regional population growth under a Regional Development Strategy.

In 2020, Business SA released our third Regional Voice report based on the State's most comprehensive survey of regional businesses. We first launched Regional Voice in 2016 as a biennial survey of regional businesses to highlight the challenges facing those businesses and to better understand where they needed Government support. Investment in economic infrastructure, including roads and ports, was by far the highest priority for the regions, with investment in social infrastructure close behind. Regional businesses also continued to flag their support for population growth, with two thirds of businesses in favour of a specific Government policy.

TOP BUSINESS PRIORITIES IN REGIONS FOR ADDITIONAL GOVERNMENT SUPPORT



In 2019, State and Federal Governments agreed to a national approach to Australia's freight and supply chains for the first time, culminating in the release of the National Freight and Supply Chain Strategy. This was driven by a recognition that Australia's economy is increasingly integrated across interstate and international markets. The Strategy also acknowledged that Australia's freight productivity has plateaued since the 1990's with little change in real (inflation adjusted) freight costs since. With the highest median age on the mainland, and meagre population growth over recent decades, South Australia future prosperity is intrinsically tied to export led economic growth. However, being competitive in international markets requires local businesses to continuously find productivity improvements, including through freight costs which has become more critical amidst supply chain constraints resulting from COVID-19 impacts.

The SA Freight Council has advised that the safe introduction of Triple Road Trains south of Port Augusta would offer material increases in freight productivity to communities, businesses, mines and farms in the north of South Australia.[3] According to State Government data, approximately 3,500 vehicles travel the Augusta Highway on a daily basis, 750 of which are commercial vehicles.[4] 2015-19 RAA figures on 102 casualty crashes along the Augusta Highway show:

- 17 were fatal crashes.
- 29 were serious injury crashes.
- 56 were minor injury crashes.
- Approximately 17% of casualty crashes resulted in a fatality. By comparison, over the same period approximately 5% of all regional casualty crashes resulted in a fatality.
- The economic cost of crashes is in the order of $35m per year, $177m over 5 years.
- From the 102 crashes, 26 people were killed, 55 people were seriously injured and 107 people received minor injuries.

In relation to the Dukes Highway, State Government data estimates 4,000 vehicles use this road each day, 30% of which are commercial vehicles.[5] Again, 2015-19 RAA figures on the 66 casualty crashes along the Dukes Highway show:

[3] South Australian Freight Council, Moving Freight 2019 "Towards a 20 Year State Infrastructure Strategy"

[4] Department for Transport, Planning and Infrastructure, Traffic Volumes, Interactive map

[5] Department for Transport, Planning and Infrastructure, Traffic Volumes, Interactive map

- 11 were fatal crashes.
- 19 were serious injury crashes.
- 36 were minor injury crashes.
- Approximately 17% of casualty crashes resulted in a fatality.
- The economic cost of crashes was in the order of $23m per year, $114m over 5 years.
- Head on crashes made up 9 of 11 fatal crashes.
- From the 66 crashes, 12 people were killed, 31 were seriously injured and 59 received minor injuries.

For many years, the Victorian Government has gradually progressed duplication of the Western Highway towards the South Australian border but there is no equivalent visible plan on the South Australian side of the border to duplicate the Dukes Highway. Business SA recognises that these types of projects may not necessarily be able to be completed over one or two budget cycles, but South Australian businesses need confidence from understanding what the long-term aspirations of the State Government are. Further, upgrading the Western Highway between Stawell and the South Australian border is considered a national ‘Road of Strategic Importance’, but no such classification exists for the continuation of that highway from the border; the Dukes Highway running through to Tailem Bend.

Business SA encourages the State Government to commence a feasibility study for the duplication of both the Augusta and Dukes Highways which would not only satisfy the needs of heavy freight users but provide safer outcomes for passenger vehicles too (including tourists). From a funding perspective, these projects typically require a 20 per cent contribution from the State Government, so are thus more palatable against a constrained balance sheet. And with interest rates at record lows, although facing increased pressure, now is the time to act on infrastructure aimed at the long-term elevation of regional South Australia’s growth trajectory. This could also be an anchor project for the State Government’s yet to be published ‘Regional Development Strategy’.

10. Commit $60m in funding to deliver the Adelaide Wine Capital Cycle Trail.

There is no better time than the ‘2021 Year of South Australian Wine’ for the State Government to commit to funding the Adelaide Wine Capital Cycle Trail. South Australia has a unique environment which is perfect for the development of a cycling trail that links the Clare Valley through to McLaren Vale. This project has been in the pipeline for several years now, and while it has gained some momentum through several Local Councils funding a feasibility study, Business SA is now calling on the State Government to commit funding to complete all key stages in a COVID economic recovery project.

With the success of the Tour Down Under (TDU), South Australia is seen as a premier cycling destination; however, we have not sufficiently capitalised on this and risk other states, including Victoria, claiming the status of Australia’s ‘Cycling State’. We are also the only State to boast four world-class wine regions all within 90 minutes of our capital that can be linked up with a world-class cycling trail so the real question is, why haven’t we done it already?

Initial indicators suggest funding of $60 million will complete this globally relevant piece of infrastructure, a 250km trail linking up to 200 cellar doors and more than 500 businesses. However, the project can also be completed in stages.

This project ticks all the boxes for smart investment in South Australia. In a COVID recovery phase when governments are looking for investments that will generate both short and long-term impact, this trail will achieve both as it traverses the State, acting as an economic activator to multiple regions. The obvious benefits are support for the wine and tourism industry; however, South Australia will see further benefits from this project including increased road safety as bikes are removed from country roads, and better physical wellbeing. Residents in the regions have also advised that local families will use the trail, with children being able to safely ride to and from school.

The Adelaide Wine Capital Cycle Trail promises to deliver a significant amount of private co-investment with local businesses along the trail indicating they will provide complementary services such as tours, accommodation, bike hire & facilities, hospitality opportunities and links to niche South Australian visitor experiences.

Fitting into the State Government's Visitor Economy Sector Plan 2030 which states that 'we need to play to our strengths', this project will cement South Australia as Australia's Cycling State, further promoting the Tour Down Under and solidifying our claim to the opening event of the UCI World Tour, the biggest cycling event in the southern hemisphere.

Despite some of the challenges following the devastating bushfires of 2019/20, the 2020 Santos Tour Down Under attracted 44,801 visitors from interstate and overseas, and generated an economic impacted of $66.4m, creating the equivalent of 742 full-time jobs. This followed on from the 2019 event which generated $70.7m in economic impact.

With the appropriate funding and support, the Wine Capital Cycle Trail could be completed in as little as 3-5 years, providing South Australia with a unique, inspiring and innovative opportunity that will provide sustainable tourism and health outcomes for generations to come.

11. Fund a marketing campaign to leverage each element of South Australia's enhanced data network capability.

With the rollout of the National Broadband Network (NBN) effectively completed in 2020, the majority of South Australia now has a base-line level of internet connectivity. While the NBN was always intended to provide a minimum standard of internet connectivity, up to 100 megabits-per-second, various jurisdictions and private operators have been building additional networks in recent years to provide for commercial, governmental and educational uses that can require significantly higher internet capacity. In South Australia, this has largely been achieved through the State Government and university sector's development of the Gig-City network and the City of Adelaide's (CofA's) Ten Gigabit Adelaide network. The State Government has also gone further with providing high speed fibre connections to 500 public schools under its $80m Schools With internet Fibre Technology (SWiFT) program delivered by Telstra and completed in June 2020. A further $50m is to be spent connecting up all pre-schools and children's centres, with that work to be completed by mid-2021. A number of private internet infrastructure providers are also offering higher speed networks to targeted businesses and residents, including South Australia's Unity Wireless.

The Gig-City network was enabled through a non-profit company, SABRENet, with founding members being the University of Adelaide, University of South Australia, Flinders University and the State Government. Established in 2005, SABRENet is an optical fibre network which extends approximately 400km through metropolitan Adelaide and was formed to interconnect South Australia's research, education and innovation sectors. Gig-City is the trading name given to the (up to) 10 gigabit network enabled through SABRENet and managed by private internet service provider Escapenet.

In short, Gig-City enables business customers in the key innovation precincts and co-working spaces across Adelaide to access internet with up to 10 gigabit per second capacity. Two new locations in Whyalla and Mount Gambier have also come online for businesses close to wireless base stations.

To complement existing offerings of Gig-City, the City of Adelaide (CofA) entered into a contract with TPG to deliver a similar capacity internet service known as Ten Gigabit Adelaide. This involved an initial $12 million capital investment with payback over a decade. The CofA was able to undertake this project ahead of other Australian capital cities with the advantage of maintaining ownership of telecommunication pits which had already been sold off elsewhere. With hundreds of active business customers already connected from professional service firms including architects and lawyers, to film production companies, Ten Gigabit Adelaide is gaining traction. Further, it is not a direct competitor to Gig-City, instead it extends a higher internet capacity offer more broadly in the CBD than what was available through Gig-City with some technical differences in network limits. Neither service is intended to replace NBN more to provide solutions for business customers which require much higher than base level internet capacity.

Considering NBN is a Federal Government company, Gig-City is associated with the State Government and local university sector and Ten Gigabit Adelaide was established by Local Government. Consequently, there has been little coordination to promote the broader internet capacity of South Australia, and particularly Adelaide, to a wider audience. From Business SA's perspective, we are technology agnostic and unconcerned with which level of government or the private sector initiated various services, but we know the whole State could benefit from coordinated marketing to promote the entire range of services and how they can collectively work to attract new businesses to South Australia.

This should include promoting the high-speed fibre connections now available to all South Australian schools. Such a marketing campaign should be led by the State Government, perhaps with a co-contribution by the CofA, but we encourage both levels of Government to work together on the greater aim of positioning South Australia ahead of its interstate rivals as the best-connected State for enhanced internet capacity.

Regional South Australia should also continue to be a focus of enhanced internet capability to attract businesses. Business SA's 2020 Regional Voice survey showed that while NBN satisfaction is increasing, a quarter of businesses remain dissatisfied with their service, which is often more related to reliability than speed.

"We are running a global business with huge demand on communication and data services. We need high speed, symmetrical system access for large file transfer, video communications, live web, marketing, supply chain and engineering workloads. Fixed wireless NBN is suitable for watching TV as no one is really put out if Netflix is a bit glitchy from time to time but when trying to maintain synchronised global databases – it's a pain."
Yorke Peninsula/Mid-North/Port Pirie, Manufacturing

With migration at a standstill due to COVID-19, the State Government needs to be looking at all ways it can position the regions for future economic growth. Enhanced internet infrastructure will be a key element of achieving this, but Business SA recognises that this has to be targeted. The State Government's role is not a universal provider of enhanced internet infrastructure. With a growing private sector for enabling higher speed internet connections, including from the NBN company targeting commercial opportunities beyond its base level offering, the State Government should be working with the entire industry and local Councils to ensure that all sizeable regional centres can gain access to an enhanced level of internet capacity to attract businesses.

Circular & Sustainable Economy

12. The State Government should introduce a Circular Economy Procurement Fund to drive development of markets for high value-added recycled products within South Australia.

South Australia has long been a leader in the promotion of recycling, a hallmark most often associated with our early introduction of a container deposit scheme (CDS) in 1977, shortly after the US State of Oregon passed its bill in 1971. While many other Australian States and Territories took time to follow suit, over the last decade several jurisdictions have either introduced a CDS or have made commitments including the Northern Territory, New South Wales, Queensland, Western Australia and the ACT. In 2009, South Australia was also the first Australian jurisdiction to introduce a ban on supermarket plastic bags, and in 2020 our *Single-Use and Other Plastic Products (Waste Avoidance) Act 2020* again led the nation as the first of its kind. Last year Aldi stopped selling single use plastic tableware across Australia and only in the last month, Coles announced the phase out of single use plastics across all supermarkets.

South Australia performs quite well on waste diversion, with 83.8 per cent of waste currently diverted being the highest rate across the nation. However, waste generation per capita continues to grow, up 4 per cent from its 2015 baseline and is the highest per capita in Australia. Overall, the resource recovery sector is currently worth $348m per annum, predominantly comprised of metals ($174m), organics ($96m), cardboard & paper ($39m) and masonry ($15m).[6] While Business SA acknowledges that as a State, we do quite well on resource recovery, there is still a way to go, and we have significant unrealised potential to maximise the value of high value-added recycled products made here.

While introducing incentives to recycle products, or out-right banning products which cause environmental harm, are more direct and practicable measures to counter the need to reduce landfill, in-of-themselves they are insufficient to solve the complex challenge of engendering a more circular economy. The more sustainable progress on this issue is only coming through businesses manufacturing new products that either make use of existing materials, or are designed to avoid resource use, including via compost. South Australia is fortunate to have several companies leading on this front, including Business SA member BioBag who manufacture compositable green bags for organic waste and other similar products including agricultural mulch film.

In 2018, as a response to the developing China Sword Crisis, the State Government (via Green Industries SA) introduced a program of Circular Economy Market Development Grants. This program has continued to be funded and provides businesses with grants of up to $100,000 to support an increase in the quality, performance and market demand for recycled materials and recycled-content products. While Business SA recognises a program like this is helpful, it is far from all that is required to shift the dial on circular economy market development in South Australia.

The State Government spends approximately $11b annually on the procurement of goods and services, or around 10 per cent of Gross State Product, and in the years leading up to COVID-19 averaged approximately $2b more on capital expenditure which has since doubled to $4b over the current forward estimates period. The opportunity for the State Government to lead on its own sustainable procurement agenda cannot be overstated, however it was not a substantive focus of the 2019 Independent Inquiry into State Government Procurement undertaken by the South Australian Productivity Commission (SAPC). This is not to detract from the recommendations reached by the SAPC, but the terms of reference were focused on a range of other important factors pertaining to procurement processes, industry participation, value for money and intellectual property (IP).

There are already many examples of State and Local Governments utilising recycled materials in procurement, particularly for making roads, but there lacks a broader impetus for the State Government to use its procurement spend to materially leverage the adoption of high value-added recycled or compositable products. There is no silver bullet but if Government agencies are to be pushed on sustainable procurement, there should be an appropriate recognition of the higher cost which may prevail for the short to medium term. The State Government should commit $50m to a sustainable procurement fund to allow Government entities to access additional financial support to purchase recycled products and materials as a stimulant of demand. This nation leading fund will again set South Australia apart as a jurisdiction driving the circular economy. No differently to recent Government investments in renewable energy, particularly big batteries, there is a role for the State Government to play a role in growing the penetration of recycled and compostable products across our economy. The State Government's recent commitment to material financial support to enable local mask production is a great example of how a step-change in Government procurement policy can lead to policy outcomes that may have previously been thought unattainable.

The balance of the Green Industry Fund as at 30 June 2020 was $114m, which can be used to support a Circular Economy Procurement Fund to compliment the $12m recycling transition package announced in 2019. Business SA acknowledges there may be targeted areas that the Government seeks to focus a new fund on, such as recycled materials for public and community housing, which could act as a catalyst to satisfying broader Government policy objectives. The definition of 'Circular Economy' for this fund should also include products which reduce the resources we use, and not just those which recycle existing products.

[6] Green Industries SA, 'South Australia's Recycling Activity Survey 2018/19 Report'

13. Introduce a registration incentive for hydrogen and electric vehicles, including consideration of a stamp duty waiver.

South Australia has prided itself on leading the 'charge' with respect to renewable energy, including through development of a local hydrogen industry. However, in recent years other States and Territories have lifted their game and we cannot rest on our laurels and expect to remain competitive in the continued transition to zero-carbon industry. While Business SA is agnostic in respect to technology, industry experts advise that electric vehicles are likely to be more suitable for light transport, and hydrogen for heavy vehicles and industrial use. However, that mix will also be dictated by both the availability of the underlying fuel source and the location of refuelling stations. As the State Government states: '*While the benefits of electric vehicles (EVs) have been long recognised, Australian uptake has been slow due to limited model choice, high purchase price, restrictive driving range and a lack of visible public charging infrastructure.*'[7]

In 2019, only 412 electric vehicles were sold in South Australia, and 6,718 across the entire country.[8] The South Australian Government was proactive in releasing its $18.3m Electric Vehicle Action Plan in 2020, the anchor pillar being a state-wide fast charging network for public use; prioritising highway destinations that facilitate long-distance travel and tourism. The plan also relies on $25m of private investment. The Government has intimated that hydrogen refuelling stations may also be co-located with EV charging stations. Further, the Government is leading by example through committing to transition its 6,800 passenger fleet to EVs by requiring new fleet vehicles be electric when cost-effective on a total cost/ownership basis, or when additional costs can be managed by improving the utilisation of the existing fleet.

Australia's tax structure is not currently designed to hypothecate road funding to reflect the growing penetration of electric vehicles not otherwise paying fuel excise. This is a reality that needs to be overcome at some stage, and ideally through nationally consistent legislation. Regardless of how future road funding is recouped, which is a matter for Federal/State financial relations, it is likely that incentives will be required to increase the penetration of electric and hydrogen vehicles if the State Government is going to make serious traction on transport emissions, which account for 30 per cent of South Australia's total greenhouse gas emissions.

Around Australia, the following incentives are already in place:

- ACT has 20 per cent discount on registration for electric vehicles, and purchasers pay $0 stamp duty.
- Victoria has a $100 annual registration discount.
- Queensland only charges 2 per cent stamp duty on electric vehicles up to the value of $100,000.

Business SA suggests the State Government introduce a time-limited stamp duty rebate incentive for electric and hydrogen vehicles, perhaps for the first five years to align with fleet requirements. In effect, providing a stamp duty waiver through a progressive registration rebate would half registration costs each year over five years. This is based on waiving the $1,940 stamp duty for a passenger vehicle purchase price of $50,000 by virtue of an annual 50 per cent registration rebate commencing in year 1, assuming an $790 per annum registration cost. Progressively rebating stamp duty against registration would also ensure the vehicle owner only receives the full rebate, provided the vehicle continues to be registered within South Australia.

Such a rebate included for hydrogen vehicles would be an Australian first incentive and send a clear signal that South Australia intends to lead in the adoption of both electric and hydrogen fuel cell vehicles, including for heavy transport. While the availability of hydrogen is in its infancy compared to renewable electricity, Australian Gas Infrastructure Group's pilot hydrogen plant at Tonsley is about to commence production and there is little doubt it will be the first of many similar facilities to come.

[7] State Government, 'Electric Vehicle Action Plan', 2020

[8] Electric Vehicle Council of Australia, 'State of Electric Vehicles', August 2020