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Ms Vidisha Carmody
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Dear Ms Carmody

Business SA, South Australia's Chamber of Commerce and Industry, was formed in 1839 and has more than 3,100 members and several thousand more 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.

Business SA is associated with all key Regional Chambers of Commerce across South Australia, and we regularly interact to ensure the voice of regional business is not lost in the minds of Government decision makers. In April, we brought together key Regional Chamber representatives for a Virtual Summit meeting to discuss the impacts of COVID-19 and ideas to shape a much needed economic recovery. We also run surveys including the Regional Voice, the first of its kind biennial regional business survey which Business SA instigated in 2016, and a range of events held in region and at our head office in Adelaide.

Business SA would like to acknowledge what the State and Federal Governments have done to ensure South Australia is as well placed as possible at this stage of the COVID-19 pandemic. The State Government has worked in effectively with the Federal Government and with combined support from Governments including JobKeeper, Payroll and Land Tax Relief, \$10,000 emergency grants, infrastructure and other targeted spending measures, businesses across South Australia are no doubt in a much better position than could have been the case.

Business SA's Survey of Business Expectations is the State's longest running and most comprehensive business survey. The March Q SOBE showed confidence fell 44.1 index points to a record low of 41 and we need to take note of what our membership and the broader business community are telling us about their current predicament. The most telling result from the latest SOBE was that 63% of businesses cast doubt on surviving six months of restrictions, with 36% unable to last more than three more months. While Business SA acknowledges that COVID-19 is first and foremost a health crisis, Governments need to remain mindful that everything must be done to support as many businesses as possible to survive this period of restrictions. We appreciate that staged easing will assist, but the reality for many businesses is that they will continue to suffer constrained sales until the pandemic period is over and we can return to normal life, including the resumption of international travel and major events.



As South Australia's peak employer body, we are always mindful of the need to ensure all South Australians value the critical economic contribution Regional South Australia makes. This has long been and will always be the backbone of our state's economy, particularly the agricultural and resources sector and increasingly tourism. Business SA is quite conscious that in a state with low population growth and an ageing population, that export led demand is our primary path to prosperity and that the vast majority of our existing exports come from Regional South Australia.

We are pleased to provide additional background to our knowledge and views on South Australia's regional economy and what can be done to raise the bar of aspiration for what we view as significant potential to grow the State through its regions.

1. Feedback from Business SA's Virtual Summit with Regional Chambers of Commerce

As the impacts of COVID-19 were beginning to signal serious ramifications for South Australia, Business SA instigated an industry summit to bring together representatives of a broad range of associations and community organisations to discuss a path through the crisis. This was conducted over four meetings, the first three a mix of various industry and community groups and the final one covering Regional Chambers of Commerce. Our aim from the Virtual Summit was to canvass as broad a range of perspectives as possible to both better understand the impacts of COVID-19, and to solicit ideas to ensure the local economy is optimally poised for recovery. We also sought to encourage diverse sectors to work together to overcome the challenges of COVID-19, and to look beyond what Governments alone can do to realise outcomes.

The following participants attended our dedicated regional Virtual Summit meeting on April 14th:

- Tatiara Business Association
- Mount Gambier Chamber of Commerce and Industry
- Whyalla Chamber of Commerce and Industry
- Port Lincoln Chamber of Commerce and Tourism
- Business Port Augusta
- Kangaroo Island Business and Brand Alliance
- Riverland West Chamber
- Business Victor Harbor
- Kadina CBD Chamber of Commerce

a) Summary of COVID-19 impacts from Virtual Summit regional meeting

Starting down in Mt Gambier, businesses have been hit particularly hard by C19 restrictions on the hospitality sector, including many event venues which would have otherwise accommodated weddings at this time of year. There has also been a significant amount of confusion about cross-border movements, with several businesses having staff that reside in Victoria. The local Chamber has been actively calling all members to offer support, recognising one of the biggest challenges for small businesses is comprehending the significant volume of information about C19. The Chamber

is also encouraging members to start conversations with their landlords early and acknowledged a desire to see more on rent relief from the State Government.

In the Upper South East, the economy of regional centre Bordertown has benefited from a strong reliance on major agri players including Blue Lake Milling and JBS. That said, the main street has still been heavily impacted and the local business association has been actively promoting a '*Tatiara Open for Business*' campaign through social media with a focus on connecting Bordertown locals with their businesses and advertising what remains open. While trade related businesses in the area are doing well, they are also having to make significant adjustments to protect the safety of workers and in one example provided, no more than two staff were allowed to work with each other and apprentices were to stick with one tradesperson.

Moving up to the Riverland, again, hospitality and tourism businesses have been devastated by C19, with questions marks over whether they will all reopen. Several major local events have also been cancelled, including the Rock N Roll Festival in its 27th year. While this has resulted in a large volume of cancelled bookings, some accommodation providers have been able to agree to shift bookings to the following year for festival regulars. Again, the local Chamber has been actively promoting 'buy local', including through their own posters displayed around the district.

Across to the Yorke Peninsula, another agri-dominated economy, the broader impact of C19 has been less pronounced despite hospitality and tourism businesses having been hard hit, particularly over Easter. Fortunately for Kadina, only a handful of retail stores have closed with most remaining open albeit some having reduced hours. The local Chamber has been encouraging local purchases through a hub voucher program which can only be spent locally. They have also been working hard to try and distil the range of C19 information into a form which is more readily understood by members.

Up in Whyalla, while heavy industry is helping to protect the local economy, hospitality businesses cannot escape the impact of C19 and many employees have lost work. Other businesses are still quieter, and some owners have focused on repairs, painting and maintenance where possible to keep staff engaged. Trades in general are doing okay and if anything, there remains a shortage in some skills. The local Chamber commented on the apprentice subsidy being most welcome because of the direct nature of payment.

Further north, Pt Augusta's hospitality sector is suffering a similar fate and the local Chamber is unsure whether JobKeeper will pull many businesses back out, particularly given it is viewed as quite difficult for many small businesses to comprehend. Retail has also slowed quite considerably, with many shops now closed and unsure as to when they will re-open but the Chamber is using social media to promote those still trading. While trade related businesses are going okay, real estate activity is down and the Chamber commented about the two sides of the coin that needed to be considered for in lease negotiations impacted by C19. A significant focus for the Chamber is actually boosting morale in the town, with Easter Bunny appearances one example of their effort to keep people in a more positive mental state.

Down to Pt Lincoln, fishing, hospitality and tourism have all been decimated with agriculture providing some steadying force. Despite the challenges, the local Chamber is remaining positive and proactive in their approach, including through a promotion on shopping local and trying to develop new domestic markets for local fishers. The Chamber has also joined forces with a range of health, Government and community organisations to map out a recovery path. This broad partnership is currently in midst of drafting a C19 response strategy document. In terms of how Government support is impacting, the Council has been praised for initiatives including a hardship clause for commercial rate payers but a number of local employers over 20 staff are crying out for the Federal Government's apprentice wage subsidy threshold to be lifted.

Across the water to Kangaroo Island, the impacts of C19 have unfortunately extended the significant hit the local economy already took from the bushfires, particularly for tourism and hospitality operators. While many trade related businesses are busy with the rebuild, the Island's economy more broadly remains extremely challenging. Despite the adversity, the local Chamber is running a made in KI campaign to support local businesses, '*Just buy KI*', and has created an online directory to promote interaction between locals and businesses. For many, the uncertainty for businesses on the island is perhaps one of the hardest things to deal with at present.

Back on the mainland in Victor Harbor, another tourism dependent area has been decimated by the C19 restrictions. In a recent survey by the local Chamber, 83% of businesses experienced a loss in customers while 70% had either reduced staff hours or stood staff down. The Chamber has also been concerned about social problems, including rising homelessness, domestic violence and reduced community services like 'meals on wheels' caused by a lack of volunteers. In an effort to support local commerce, the Chamber has innovated with its own mobile phone app.

b) Summary of Regional Summit participant ideas for post COVID-19 recovery:

Across the regional Chambers of Commerce, there were fairly consistent themes pertaining to how to assist the entire State's economy recover from C19. Businesses were very strong on supporting local commerce and also interested in how intra-state and potentially interstate tourism promotion, depending on how the C19 restrictions were lifted, could be deployed to reinvigorate regional South Australia. The regions want to see the State Government promote their unique attractions to city dwellers, particularly if South Australia is alone in any preliminary ease in restrictions with some towns entertaining the idea of being guinea pigs to achieve that.

Across the regions, Chambers also argued for major infrastructure projects to stimulate confidence in the broader economy with the new high school in Whyalla and pending Joy Baluch Bridge in Port Augusta being provided as two examples of how important this is in the current context.

Regional Chambers also recommended more shovel ready projects at a local Council level, and for Councils in general to do more to assist businesses through C19 including relief on commercial rates and charges. This extended to support for local Chambers themselves, which are almost entirely run by volunteers but are now more than ever required to assist businesses across the entire State. For example, funding for executive officers to support local Chambers would be of great assistance with disseminating the wide and often complex range of information related to C19.

Mental health support was also seen as a real necessity across regional South Australia, and with so many business people in grave financial situations, no time can be spared to ensure adequate services are available.

Industry diversification was another theme, particularly in Pt Lincoln, where the local Chamber was seeking support to assist the fishing industry with a strategy to cope with international market challenges.

2. Feedback from Business SA's Regional Voice series:

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%).

3. Population Growth and Strategy

The State Government, through its recent Regional Development Strategy process, acknowledged 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 should be formalised though, including specific targets and timeframes. Without a goal, it will be difficult for Government to measure its ultimate performance. While we recognise the existing 3% economic growth target for the entire State, there also 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

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

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

becoming more diverse, and regional areas need to keep pace with providing adequate service levels, not to mention general community infrastructure.

4. Infrastructure Considerations

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. 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 Governments 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, the Government should 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 recently provided to Business SA, the Riverland West Chamber of Commerce 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 not duplicating the Dukes highway through to Adelaide. Considering the rapid population growth in Victoria compared with South Australia, the Federal Government should be looking to develop its own long-term plans for improved interstate connectivity.

While South Australia's regional rail capacity has been reduced in recent years, primarily on the grounds of rail freight economics, we should not lose sight of the potential for longer term regional development off the back of improved rail connectivity. Notwithstanding this can become somewhat of a chick and egg scenario, we cannot ignore the fact that the strongest growing regional centres in neighbouring Victoria (Ballarat, Bendigo and Geelong) all have well developed passenger rail access.

Digital infrastructure is another area where Governments need to be mindful of the regional-metro divide. This has come to the fore during COVID-19 restrictions with a significant proportion of employees working remotely. While key Government/university initiatives to expand high-speed internet access in recent years have helped position Adelaide to position for attracting a broad range of high tech companies, such programs to date have had limited impact in the regions,

notwithstanding two new Gig-City locations in Whyalla and Mount Gambier will soon be available to businesses within 350 metres of wireless base stations.

5. Training Needs

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.

6. Tourism Development

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 and has backed the regional Council led Adelaide Wine Capital Cycle trail to link up the Clare Valley, Barossa Valley, Adelaide Hills and McClaren Vale wine regions. This could be a real game changer following the Federal Government's recent announcement of an additional \$1.8 billion for infrastructure delivered by Local Government.

Business SA recognises 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.

For any inquires related to this submission, please contact Andrew McKenna, Director Policy and Advocacy, on (08) 8300 0009 or andrewm@business-sa.com.

Yours sincerely,

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