



5TH ANNUAL

SOUTH AUSTRALIAN STATE BUSINESS SURVEY 2018

HELPING TO MAKE BUSINESS, BETTER.

BDO

CONTENTS

FORWARD.....	01	ENERGY.....	08
OVERVIEW.....	03	TAX & GOVERNMENT.....	09
BUSINESS OUTLOOK.....	04	ABOUT BDO.....	10
PEOPLE.....	06	OUR PEOPLE.....	11
TECHNOLOGY & INNOVATION.....	07	MORE INFORMATION FOR CHANGE-MAKERS.....	13



**HON STEVEN MARSHALL MP
PREMIER OF SOUTH AUSTRALIA**

The Liberal State Government is building a strong foundation for South Australia's future.

We are putting new measures in place to create jobs, lower costs for businesses and households, and deliver better services.

We are changing the economic landscape to grow confidence and unlock new investment opportunities.

Our first State Budget gets spending back under control and delivers on all our election commitments.

Our reforms will take South Australia forward and build a strong future for the people who work here, live here and choose to come here.



**PETER MALINAUSKAS MP
STATE LABOR LEADER**

It's encouraging to see business confidence continue to improve, reflecting positive economic trends since late 2016.

The revitalisation of regional SA through new projects and investment has been a key part of that change.

The challenge now is to continue the momentum and not waste opportunities in emerging industries, such as space, renewables and battery storage, health and biomedicine, and the "ageing well" economy.

Let's keep on backing our ability to build a better South Australia.

FORWARD

SOUTH AUSTRALIAN BUSINESS IS FEELING OPTIMISTIC - WHICH IS GOOD NEWS FOR ALL OF US.

This year's respondents have shown a remarkable surge in optimism regarding the state of the economy.

Despite the continuing challenges of running a business, particularly around finding and retaining the right staff and rising costs, businesses remain loyal to the lifestyle and existing customer base they enjoy here in SA.

Giving voice to these opportunities, challenges and the ideas of our State's SME's continues to be at the heart of our annual survey.

Business owners and senior leaders have again candidly shared their views on overall sentiment, the impact of the rising costs of energy, their vulnerability to cyber attacks, taxation concerns and economic priorities for the state.

We sincerely thank those who took the time to respond to the 2018 survey, sharing their day to day experiences of doing business in South Australia.

We are committed to working with business and government leaders in South Australia to help give local businesses every support to thrive now and into the future.

When business does well, we all do.

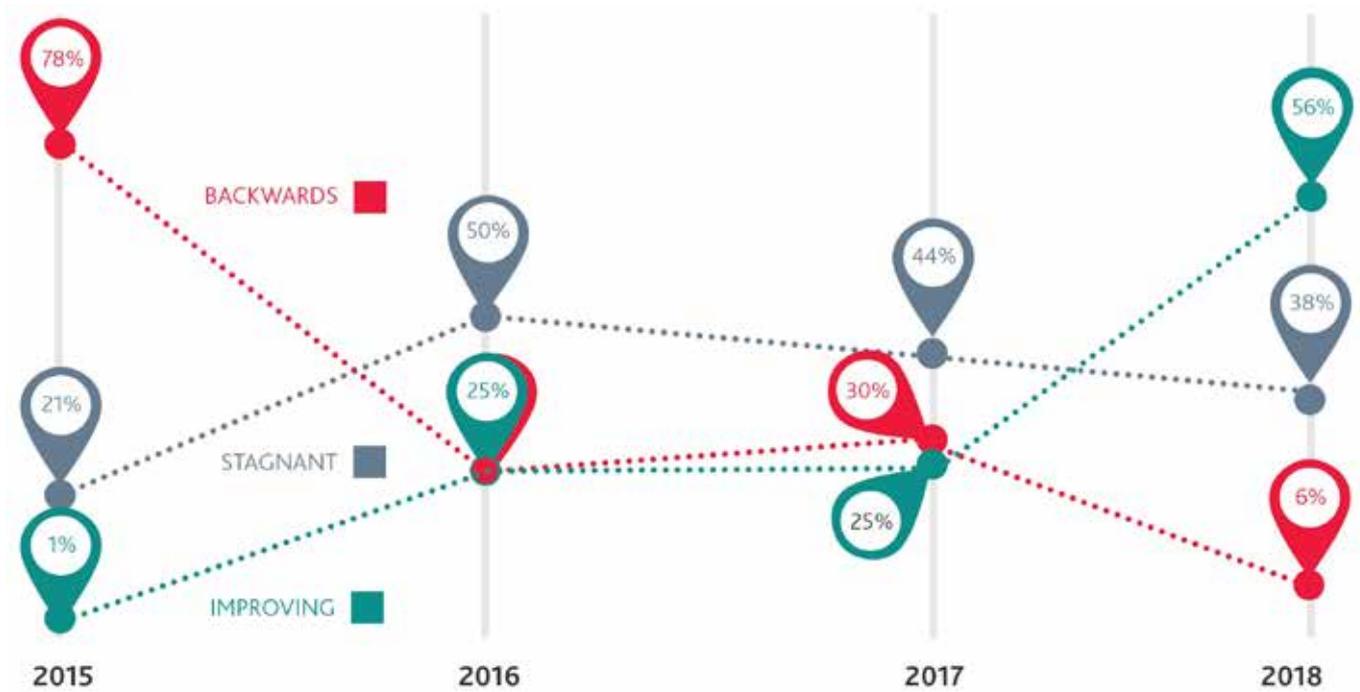


“(We need) massive infrastructure spending and future proofing of Adelaide to attract a larger population and retain talent. Build stuff and put South Australia/Adelaide firmly on the map.”

MANAGER, PROFESSIONAL SERVICES

BUSINESS SENTIMENT SURGES AHEAD

BUSINESS CONFIDENCE IN THE HEALTH OF THE ECONOMY, & ITS ABILITY TO SUPPORT GROWTH:



BUSINESS OUTLOOK

- ▶ Businesses have experienced a surge in optimism with **56%** believing the State economy is improving, up from just **25%** last year.
- ▶ Only **43%** said SA was a low cost place to do business.

[More on page 4](#)



PEOPLE

- ▶ **47%** have trouble finding and retaining suitable staff, with most saying this is due to a lack of suitably qualified candidates.
- ▶ **61%** believe population growth is very important to the State's economic growth.

[More on page 6](#)



TECHNOLOGY & INNOVATION

- ▶ **1 in 5** businesses reported a cyber breach over the past 12 months, less than last year, but impact of attacks was more damaging.
- ▶ **1 in 2** businesses plan to increase their IT spend over the coming 12 months.

[More on page 7](#)



ENERGY

- ▶ **27%** are worried about energy reliability, while **43%** are concerned by the cost.
- ▶ **1 in 3** respondents are looking to invest in alternative energy.

[More on page 8](#)



TAX & GOVERNMENT

- ▶ Support for an increase to the GST in exchange for lower state taxes is at **50%** - down **10%** on the previous 2 years.
- ▶ Given 5 minutes with the Premier, just over **30%** of respondents would ask him to prioritise targeted investment in the local economy over tax or tariff relief measures.

[More on page 9](#)

OVERVIEW

Many of the businesses who responded to our survey continue to anticipate growth and success from their South Australian base.

While finding the right staff, with the right skills, is proving more and more difficult, business remains confident of increasing their employment numbers, turnover and profits over the coming year – which is great news for the state as a whole.

Payroll tax remains a hot-button topic for many businesses in South Australia, who have commented that if anything will prevent them from expanding their workforce, it will be this.

An overwhelming number recognise that being seen as a socially and environmentally responsible is important to their business, and to their customers, with many seeking formal accreditation in these areas or implementing programs of their own accord.

Many businesses are still playing catch up when it comes to disruption, with over 53% saying their business model is being disrupted but 52% still providing mainly the same products and services they did 5 years ago. Adapting can be difficult, but survival often depends on the ability to do so.

Cyber breach incidents have fallen in this year's survey, down to 21% from last year's high of 32%, and business recognises the need to invest in IT if this trend is to continue. This is no longer considered discretionary investment, but essential to businesses that don't want to be left in the wake of their competitors.

Business owners want to keep working on making South Australia nationally and internationally competitive, a leader in innovation and an enviable place to live and work.

2018 RESPONDENT PROFILE



Head Office in SA



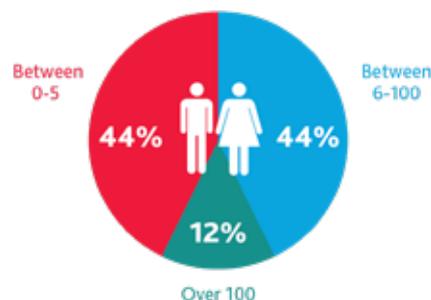
Annual Turnover



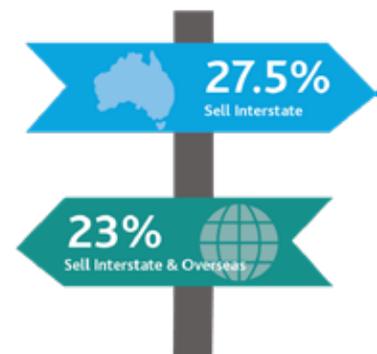
43%
under \$1 million

29%
between \$1- 5 million

Number of Employees



Markets



BUSINESS OUTLOOK

2017-2018 ESTIMATE ■

2017-2018 REFLECTION ■

2018-2019 ESTIMATE ■

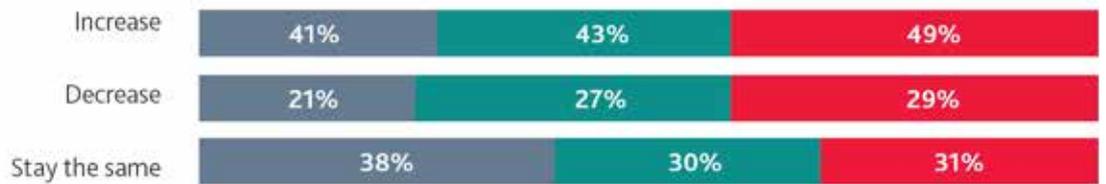
STAFF NUMBERS



TURNOVER



PROFITS



“Creating opportunities for the community is part of our ethos. We set up a charitable foundation and create programs for all of our staff to participate in helping children and youth that would otherwise fall through the cracks.”

BUSINESS OWNER, PROFESSIONAL SERVICES

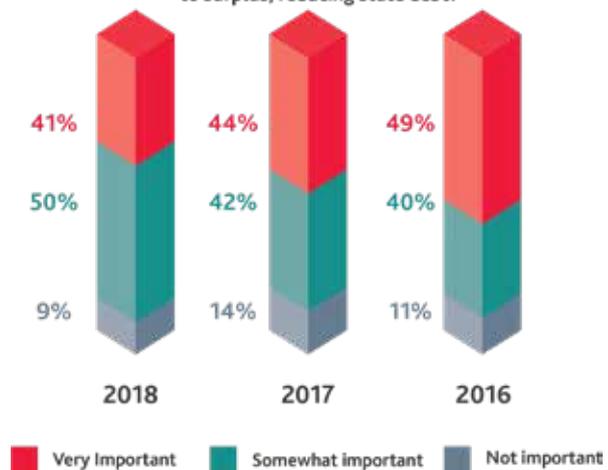
KEY FINDINGS

- ▶ 42% of respondents expect to increase staff numbers in the coming year, while just 9% anticipate a decrease
- ▶ In line with the overall optimism displayed by respondents, 63% anticipate their turnover will increase over the coming 12 months, and 49% expect an increase in profits
- ▶ 61% say population growth is very important to South Australia's economic growth
- ▶ Being seen as environmentally and socially responsible is important to 84% of respondents.
- ▶ 41% say returning the budget to surplus is very important
- ▶ 67% say major SA events have no discernable impact on their business, while 23% note some benefit.

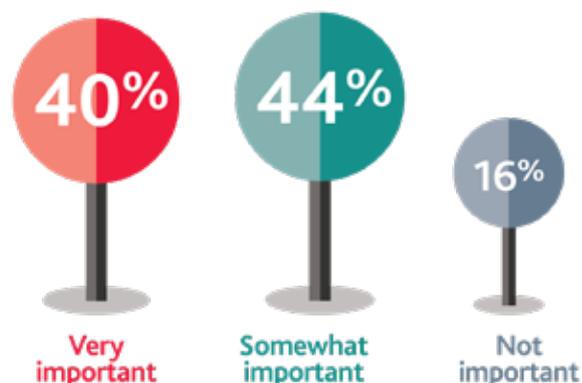
Is population growth important to the State's economic growth?



How important is it for the State Government to return its budget to surplus, reducing state debt?



How important is it for your business to be seen as socially and environmentally responsible?

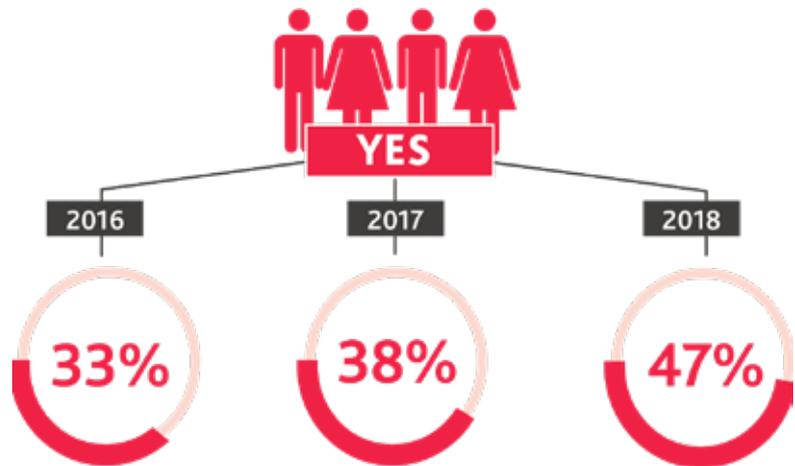


PEOPLE

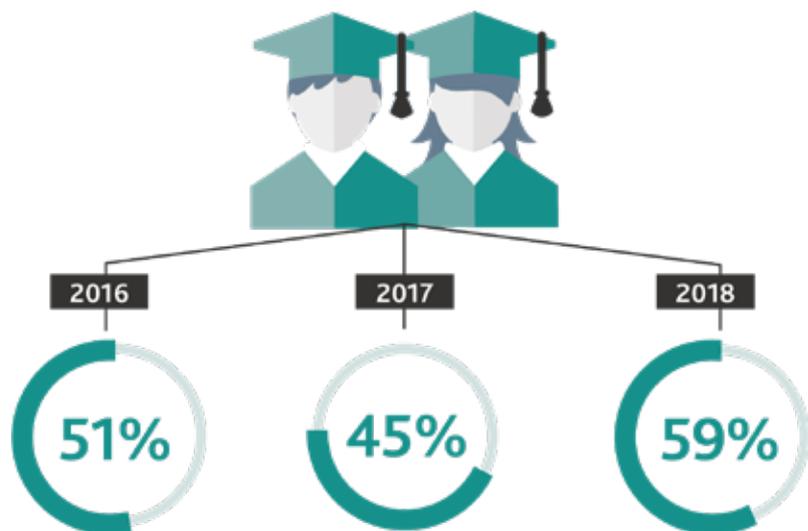
KEY FINDINGS

- ▶ 47% said it was difficult to find staff compared with 38% last year and 33% in 2016.
- ▶ The main reason given is a lack of suitably qualified candidates, followed by difficulty in attracting applications from appropriate candidates.
- ▶ 59% believe our education institutions are not producing graduates with skills that are required by business.
- ▶ Nearly 14% of respondents have employed skilled migrants to fill workforce gaps in their business.
- ▶ Co-working spaces are increasingly popular, with 13% of respondents using them either exclusively or in addition to conventional office space, (up from 9% last year)
- ▶ A further 17% say they would consider using a co-working space

Hard to find and retain the right staff



Believe our education institutions do not provide graduates with suitable skills

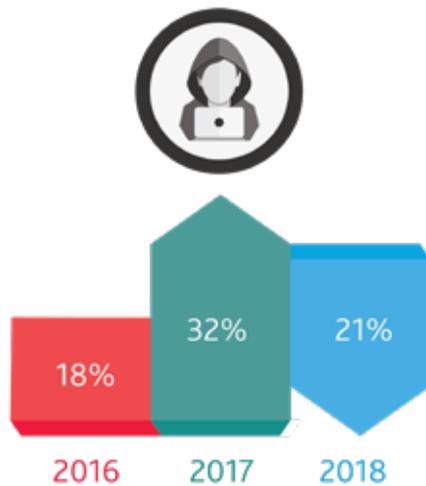


“Doing business in SA needs people living and working in this state. We need to slow the exodus of young talent leaving”

BUSINESS OWNER, TECHNOLOGY, MEDIA & TELECOMMUNICATIONS

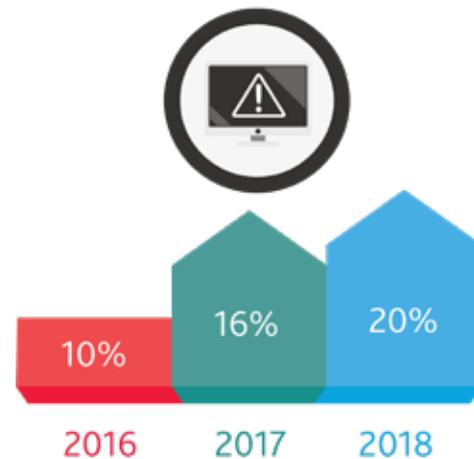
TECHNOLOGY & INNOVATION

Reported experiencing a cyber attack in past 12 months*

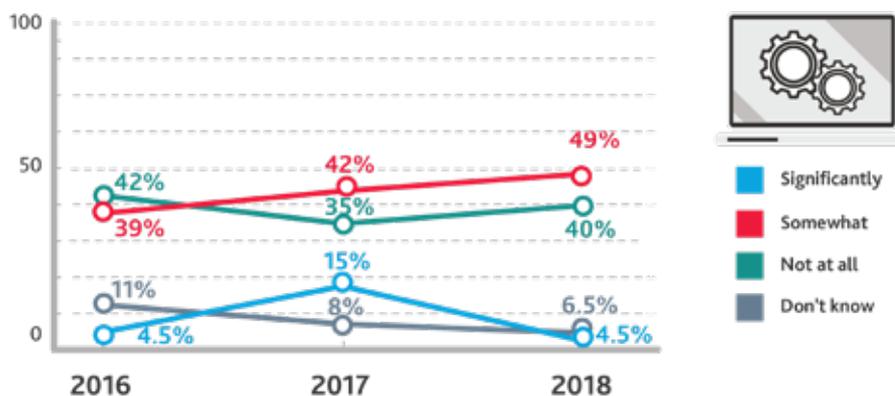


*arrow direction indicates increase or decrease on previous year's figure

Of those affected, % who rated the business impact as 'severe' or 'catastrophic'



Is your business model being disrupted by emerging technologies?



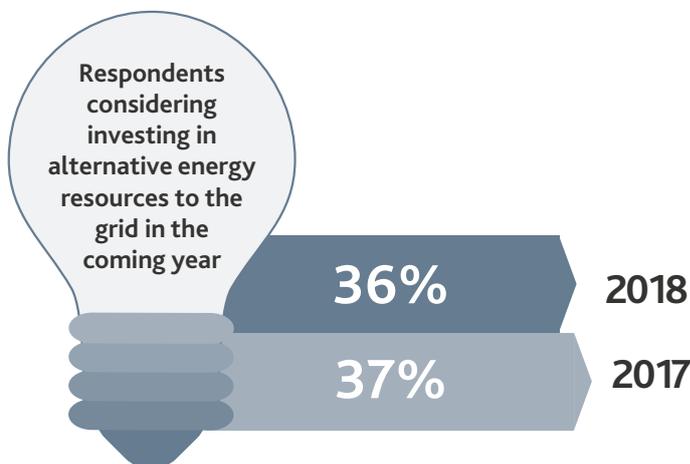
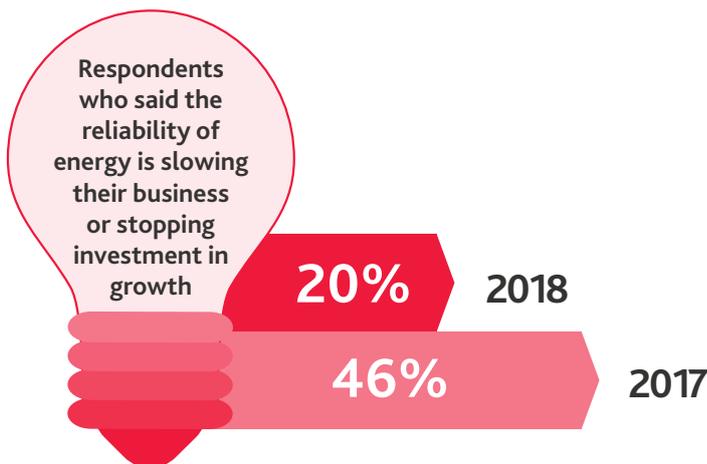
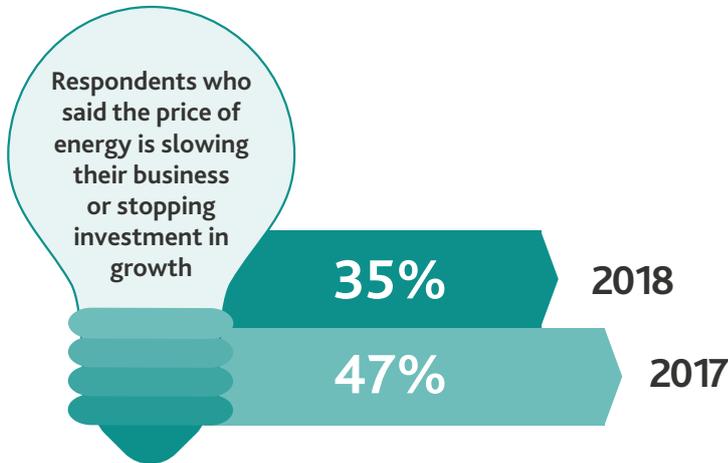
"We have developed a business model to take advantage of emerging technologies"

**BUSINESS OWNER,
PROFESSIONAL SERVICES**

KEY FINDINGS

- ▶ 50% of respondents plan to increase their IT investment over the coming 12 months
- ▶ 21% of respondents had experienced a cyber security breach in the past 12 months
- ▶ Of those, 20% rated the impact on their business as either 'severe' or 'catastrophic'
- ▶ 53.5% say their business model is being disrupted by emerging technologies
- ▶ Almost 64% of respondents didn't know that they can access information for their business at data.sa.gov.au
- ▶ The majority of respondents, 52%, are mainly providing the same products & services they did 5 years ago

ENERGY



“(We) need to reduce energy costs and compliance costs for business that come from state government agencies. Gas licensing is a great example”

CEO, TOURISM, LEISURE & HOSPITALITY BUSINESS

KEY FINDINGS

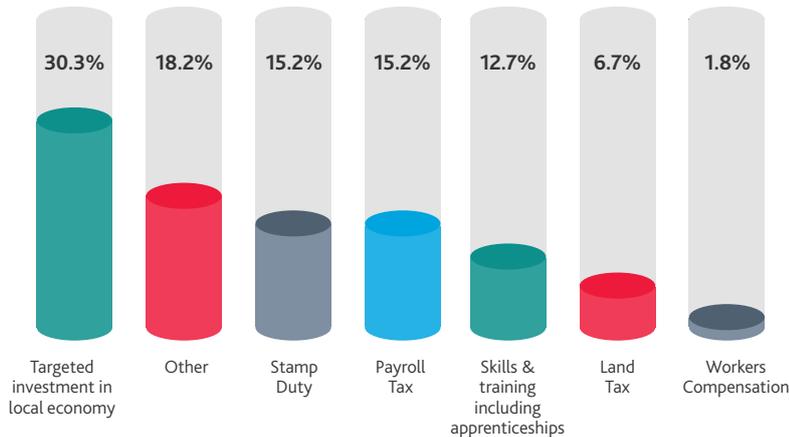
- ▶ 36% are looking to invest in solar panels and/or battery storage infrastructure in the coming year
- ▶ The cost of energy is slowing or stopping investment in growth for just over 35% of respondents.
- ▶ Respondents are less concerned by reliability, with 66% saying it has no material impact on their business

“The price of electricity is crippling - all else is secondary”

BUSINESS OWNER, TECHNOLOGY, MEDIA & TELECOMMUNICATIONS

TAX & GOVERNMENT

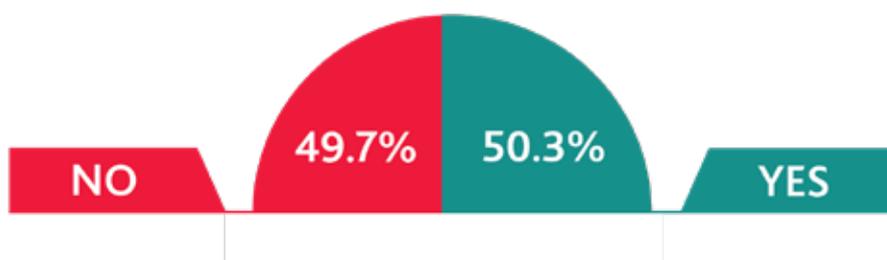
Given 5 minutes with the Premier, what would you ask him to prioritise?



“Reduce the red tape around small business, provide incentives to SME’s to employ people - not make it harder with penalty rates and payroll taxes”

MANUFACTURING BUSINESS OWNER

Would you support an increase to the GST if it led to meaningful reduction in State taxes and levies?



KEY FINDINGS

- ▶ Over 30% of respondents would like the Premier to prioritise targeted investment in the local economy
- ▶ 50% would support an increase to the GST, if it led to meaningful reduction in state taxation
- ▶ Responding businesses received an average of \$2,321 in Job Accelerator Grant Scheme funding in FY 2017-18
- ▶ 57% of businesses rate their interactions with Revenue SA as 'average' 28% as 'good' or 'very good' and 15% as 'poor' or 'very poor'
- ▶ Just over 32% have been unsuccessful in tendering for government business
- ▶ 73% of respondents say they have received no assistance, grants or concessions from the government

“GST should be increased to 20% and all other taxes (stamp duty, payroll, etc) should be removed, as they were supposed to do when the GST was first introduced.”

FINANCE / BANKING BUSINESS OWNER

ABOUT BDO

SOUTH AUSTRALIAN LOCAL SERVICE WITH ACCESS TO A GLOBAL NETWORK

BDO SA is the largest locally owned accounting and advisory firm in South Australia. Our team of more than 160 Partners and staff are located in offices in the Adelaide CBD and McLaren Vale, and backed up by a global network of over 73,850 people working out of more than 1,500 offices in 162 countries.

Understanding you and your business is what sets us apart. Our core strength lies in our depth of understanding and

knowledge of the South Australian market; the key issues locally, and the broader relevance and impact of the economic environment.

We provide expert business and accountancy advice across a broad range of industry sectors. Our Partner-led approach means you receive personalised service as we work with you to achieve your business goals, and exceed your expectations of client service.

A unique combination of relationships, resources, responsiveness. That's what you get with BDO.

OUR EXPERIENCE:

- ▶ Advisory
- ▶ Audit
- ▶ Business Services
- ▶ Corporate Finance
- ▶ Digital Services
- ▶ Economic Research
- ▶ Family Business
- ▶ Forensic Services
- ▶ Fraud Risk Assessment
- ▶ Growth Services
- ▶ Industrial & Organisational Psychology
- ▶ Technology Advisory
- ▶ Private Wealth
- ▶ Superannuation
- ▶ Tax



“As a South Australian business, we understand the advantages and challenges of operating in this fantastic state.”

OUR PEOPLE



SIMON ABRAHAM

Partner, Business Services

Tel: 08 7324 6160

simon.abraham@bdo.com.au



GEOFF EDWARDS

Partner, Audit & Assurance

Tel: 08 7324 6061

geoff.edwards@bdo.com.au



DAVID FECHNER

Partner, Corporate Finance, Tax & Advisory

Tel: 08 7421 1413

david.fechner@bdo.com.au



STEVE FIMMANO

Partner, Business Services

Tel: 08 7324 6046

steve.fimmano@bdo.com.au



MIKE GARRETT

Consultant, Business Services

Tel: 08 7324 6161

mike.garrett@bdo.com.au



PAUL GOSNOLD

Partner, Audit & Assurance

Tel: 08 7324 6049

paul.gosnold@bdo.com.au



NICK KERWIN

National Leader, Technology
Partner, Advisory

Tel: 08 7324 6145

nick.kerwin@bdo.com.au



MATTHEW LAMING

National Leader, Business Services

Tel: 08 7421 1441

matthew.laming@bdo.com.au



JULIAN MORISON

Director, BDO EconSearch

Tel: 08 7324 6190

julian.morison@bdo.com.au

OUR PEOPLE



STEPHEN NISBET

Director, Tax

Tel: 08 7324 6129

Stephen.Nisbet@bdo.com.au



RUDY PIECK

Adelaide Office Managing Partner
Partner, Business Services

Tel: 08 7324 6166

rudy.pieck@bdo.com.au



SHIRLEY SCHAEFER

Partner, Superannuation

Tel: 08 7324 6073

shirley.schaefer@bdo.com.au



TONY SIMMONS

Consultant, Private Wealth

Tel: 08 7421 1417

tony.simmons@bdo.com.au



KYFFIN THOMPSON

National Leader, Healthcare
Partner, Consulting

Tel: 08 7421 1423

kyffin.thompson@bdo.com.au



ANDREW TICKLE

Partner, Audit & Assurance

Tel: 08 7324 6082

andrew.tickle@bdo.com.au



KISHEN VIJAYADASS

Partner, Business Services

Tel: 08 7324 6085

kishen.vijayadass@bdo.com.au



SCOTT WAY

Director, Industrial & Organisational
Psychology

Tel: 08 7421 1424

scott.way@bdo.com.au



GEORGE YATZIS

Partner, Business Services

Tel: 08 7421 1425

george.yatzis@bdo.com.au

**MORE INFORMATION FOR
CHANGE-MAKERS**

If you are a policy maker, political organisation or peak body, we have more details to share with you. Together, we can create meaningful change to help all South Australian businesses to prosper into the future.

Contact us today.

DAVID FECHNER
Partner

Tel: 08 7421 1413
david.fechner@bdo.com.au

1300 138 991
www.bdo.com.au

Distinctively different - it's how we see you
AUDIT • TAX • ADVISORY

NEW SOUTH WALES
NORTHERN TERRITORY
QUEENSLAND
SOUTH AUSTRALIA
TASMANIA
VICTORIA
WESTERN AUSTRALIA

This publication has been carefully prepared, but it has been written in general terms and should be seen as broad guidance only. The publication cannot be relied upon to cover specific situations and you should not act, or refrain from acting, upon the information contained therein without obtaining specific professional advice. Please contact the BDO member firms in Australia to discuss these matters in the context of your particular circumstances. BDO Australia Ltd and each BDO member firm in Australia, their partners and/or directors, employees and agents do not accept or assume any liability or duty of care for any loss arising from any action taken or not taken by anyone in reliance on the information in this publication or for any decision based on it.

BDO Advisory (SA) Pty Ltd ABN 74 161 378 892 is a member of a national association of independent entities which are all members of BDO Australia Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO Advisory (SA) Pty Ltd and BDO Australia Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation (other than for the acts or omissions of financial services licensees) in each State or Territory other than Tasmania.

BDO is the brand name for the BDO network and for each of the BDO member firms.

© 2018 BDO Advisory (SA) Pty Ltd. All rights reserved.