



8th Annual

# 2021 **SOUTH AUSTRALIAN STATE BUSINESS SURVEY**

IDEAS | PEOPLE | TRUST





# CONTENTS

FOREWORD	4
OVERVIEW	6
RESPONDENT PROFILE	7
THE COVID EFFECT	8
BUSINESS OUTLOOK	10
PEOPLE	12
ESG	14
TAXATION & GOVERNMENT	16
TECHNOLOGY & INNOVATION	18
ENERGY	20
ABOUT BDO	22

This is an interactive PDF.  
Elements throughout this  
document are clickable



# FOREWORD



**HON. STEVEN MARSHALL MP**  
Premier of South Australia

The COVID pandemic has continued to present challenges for all South Australians.

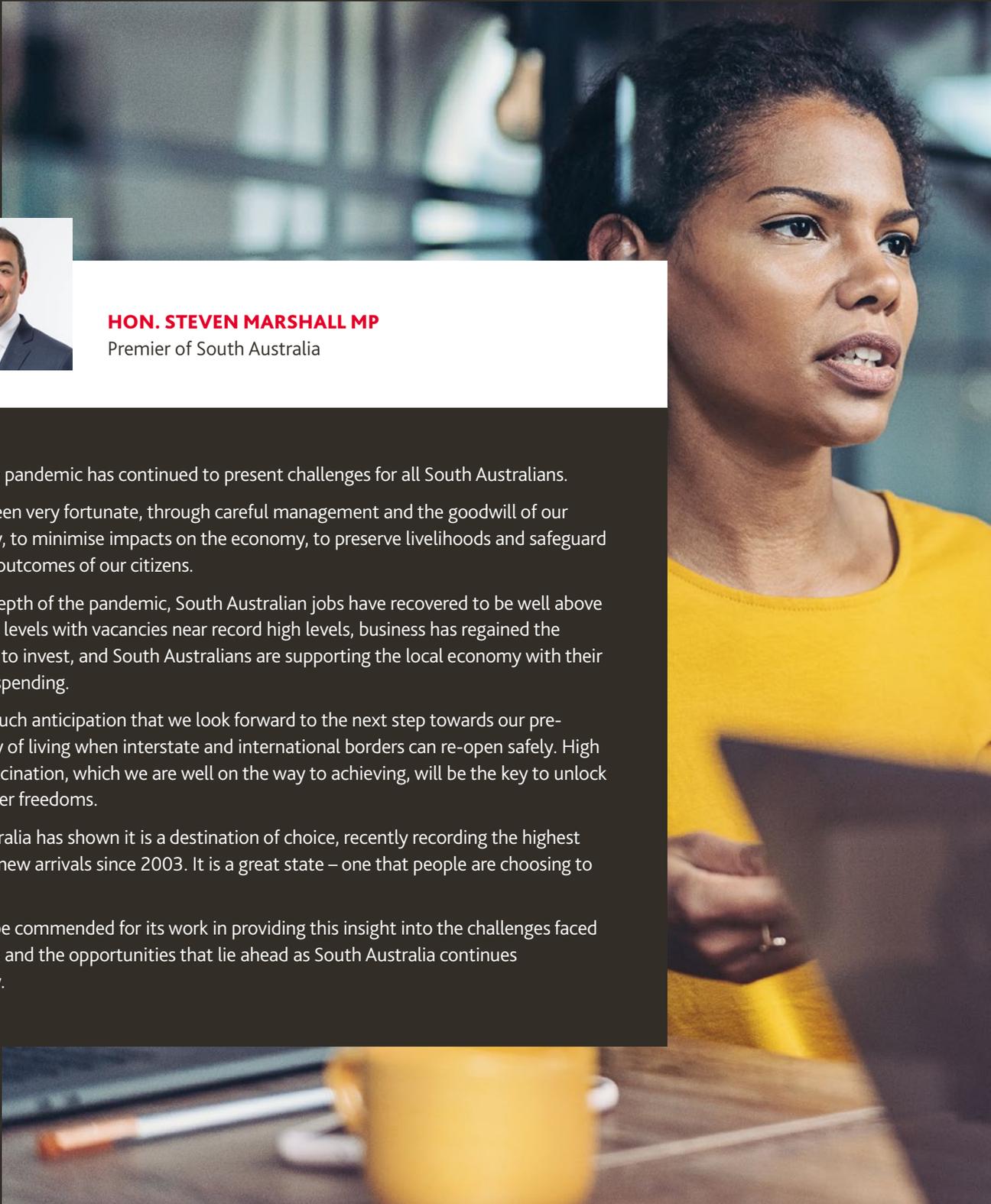
We have been very fortunate, through careful management and the goodwill of our community, to minimise impacts on the economy, to preserve livelihoods and safeguard the health outcomes of our citizens.

Since the depth of the pandemic, South Australian jobs have recovered to be well above pre-COVID levels with vacancies near record high levels, business has regained the confidence to invest, and South Australians are supporting the local economy with their travel and spending.

It is with much anticipation that we look forward to the next step towards our pre-COVID way of living when interstate and international borders can re-open safely. High rates of vaccination, which we are well on the way to achieving, will be the key to unlock these greater freedoms.

South Australia has shown it is a destination of choice, recently recording the highest number of new arrivals since 2003. It is a great state – one that people are choosing to call home.

BDO is to be commended for its work in providing this insight into the challenges faced by business and the opportunities that lie ahead as South Australia continues its recovery.



**PETER MALINAUSKAS MP**

SA Labor Leader, Shadow Minister for Jobs

Shadow Minister for Space and Defence Industries

A year ago it was predicted 2021 would be the year we would be getting back to normal. But then along came Delta. A highly contagious variant of Covid-19 that has pushed Australian governments, particularly in the eastern states, into a series of hard lockdowns. As the year has progressed there has been a realisation that Covid-19 is something we have to learn to live with long into the future.

The challenge for leaders is to chart a course for our economies and our communities for that future.

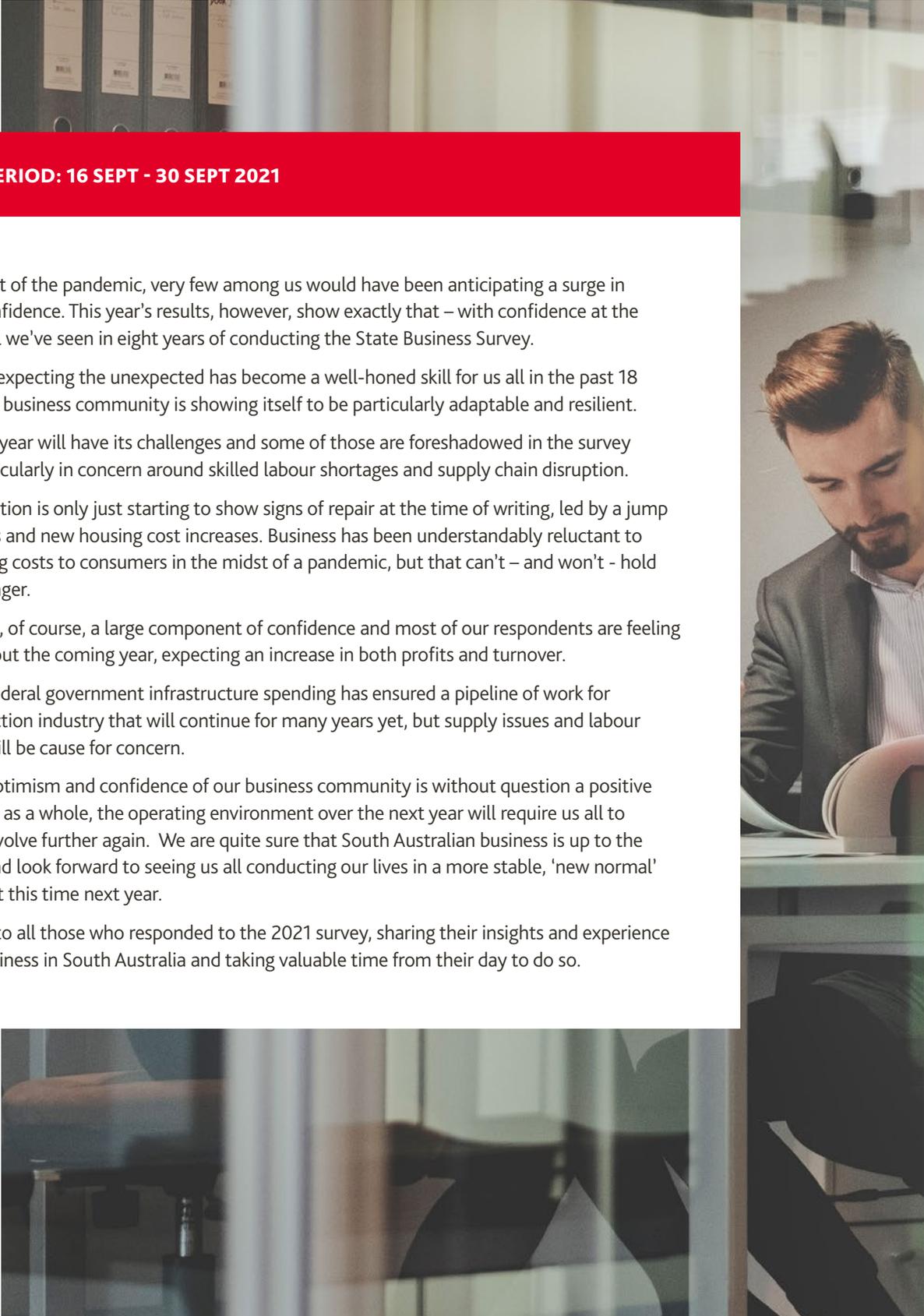
Throughout 2021 I have been providing bi-partisan support to the Government for the health response to Covid-19, while calling for greater support for our businesses hardest hit by restrictions. I have also begun setting out what we need to do to set our economy up for the future beyond the severest impacts of the pandemic.

In March I announced a Labor government will build one of the world's largest hydrogen electrolyzers and one of the world's largest hydrogen power stations. It will utilise our excess solar, create new jobs in building the facilities, new jobs with a hydrogen export industry and reduce the wholesale cost of electricity to industry by 8%, securing further jobs and support local businesses.

We will be announcing our policies for South Australia's future prosperity as we approach next year's election. We will focus on growing and supporting jobs and investing in education and skills, along with a thoughtful health policy.

I believe we are very fortunate to live in South Australia and a Labor Government I lead will work with all South Australians to build a bright future for our State.

# OVERVIEW



**SURVEY PERIOD: 16 SEPT - 30 SEPT 2021**

At the outset of the pandemic, very few among us would have been anticipating a surge in business confidence. This year's results, however, show exactly that – with confidence at the highest level we've seen in eight years of conducting the State Business Survey.

As much as expecting the unexpected has become a well-honed skill for us all in the past 18 months, our business community is showing itself to be particularly adaptable and resilient.

The coming year will have its challenges and some of those are foreshadowed in the survey results, particularly in concern around skilled labour shortages and supply chain disruption.

A lag in inflation is only just starting to show signs of repair at the time of writing, led by a jump in fuel prices and new housing cost increases. Business has been understandably reluctant to pass on rising costs to consumers in the midst of a pandemic, but that can't – and won't – hold up much longer.

Optimism is, of course, a large component of confidence and most of our respondents are feeling buoyant about the coming year, expecting an increase in both profits and turnover.

State and Federal government infrastructure spending has ensured a pipeline of work for the construction industry that will continue for many years yet, but supply issues and labour shortages will be cause for concern.

While the optimism and confidence of our business community is without question a positive for the state as a whole, the operating environment over the next year will require us all to adapt and evolve further again. We are quite sure that South Australian business is up to the challenge and look forward to seeing us all conducting our lives in a more stable, 'new normal' environment this time next year.

Our thanks to all those who responded to the 2021 survey, sharing their insights and experience of doing business in South Australia and taking valuable time from their day to do so.

# RESPONDENT PROFILE

## SECTOR

22%	Professional Services
12%	Not-for-profit
9%	Government
8%	Manufacturing
8%	Technology, Media & Telecommunications
41%	All other



**96%**  
HEAD OFFICE IN SOUTH AUSTRALIA

**72%**  
HAVE 100 EMPLOYEES OR LESS IN SOUTH AUSTRALIA



## ANNUAL TURNOVER

16%	Under \$250,000
5%	\$250,000 - \$500,000
6%	\$500,000 - \$1 million
13%	\$1 million - \$2 million
12%	\$2 million - \$5 million
9%	\$5 million - \$10 million
10%	\$10 million - \$20 million
29%	Over \$20 million



**64% MALE**  
**31% FEMALE**  
**5% OTHER/ PREFER NOT TO SAY**

**47%**  
**DO NOT EXPORT INTERSTATE OR OVERSEAS**  
32% export interstate  
19% export interstate & overseas



# THE COVID EFFECT

Last year, 51 per cent of respondents reported that the impacts of the pandemic had been less than expected. This year, it's a mixed bag. While most businesses report that they are doing either the same or better than pre-covid, a concerning number say they are still feeling the negative impacts of the pandemic.

Working from home (WFH) has been embraced by those businesses with the capacity to do so, and most expect these arrangements to stay in place for the long term, or permanently.

This presents its own set of challenges: Teaching and mentoring young staff effectively, building rapport, meaningfully socialising, and building a healthy organisational culture are all complicated by WFH.

Businesses are most concerned about retaining and attracting staff over the coming year – which is also reflected in the 'people' results section of this report - closely followed by domestic border closures and access to interstate markets. Intense competition for a small pool of appropriately skilled candidates has the potential to enormously impact service delivery in a range of industries, particularly for SMEs, who are most affected by wage increases.

While supply chain disruption didn't rank in the top three concerns for respondents, it did rank a close fourth place and is certainly one to watch. The pandemic has wrought havoc on global shipping, with labour disputes and a premium on shipping containers seeing logistics prices now three to four times higher than pre-pandemic. Empty ships sitting idle have been scrapped and limited access to raw materials will impact the capacity of shipbuilders to meet demand for replacement vessels. We believe we may only have seen the beginning of global logistics issues – innovative, local solutions will be required to provide any relief.

As state governments execute their plans to re-open and we turn our minds to a world where we can once again move with more freedom, what will doing business look like in one or two years from now? Will we retain our remote working capabilities or revert to old habits like travelling interstate to meet in person?

With such rapid transformation during this period, it would seem unlikely that we will rewind completely – the world, and our working lives, feel irreversibly changed. To what extent, and in what proportion for which demographics, remains to be seen.

*"COVID, whilst a driving factor behind our growth as an SME, also provides a level of uncertainty as it directly impacts our clients who rely on supply of product and/or parts from overseas."*

**RESPONDENT, PROFESSIONAL SERVICES**

*"Lack of a cohesive plan across the country regarding our path ahead and 'living with covid' will have a stifling effect on our economy."*

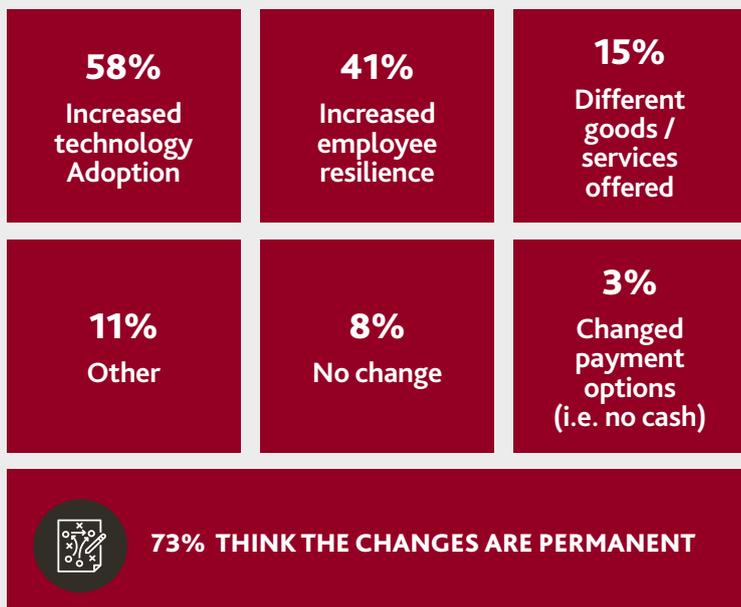
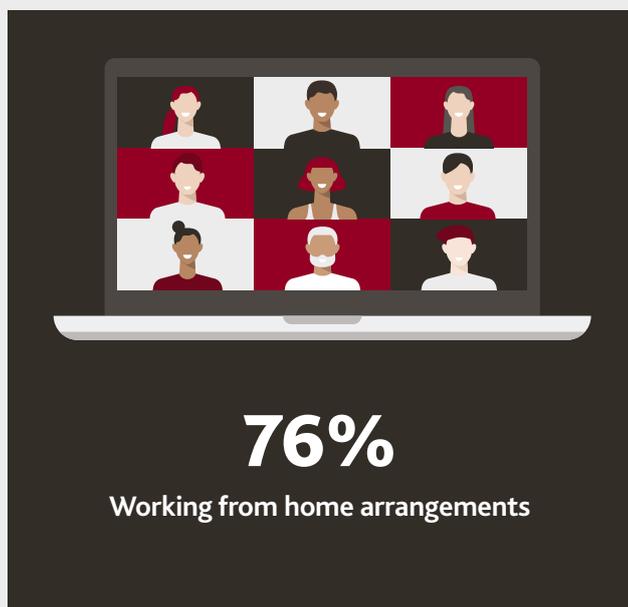
**RESPONDENT, IMPORTER / WHOLESALER**

### IMPACT ON BUSINESS TO DATE

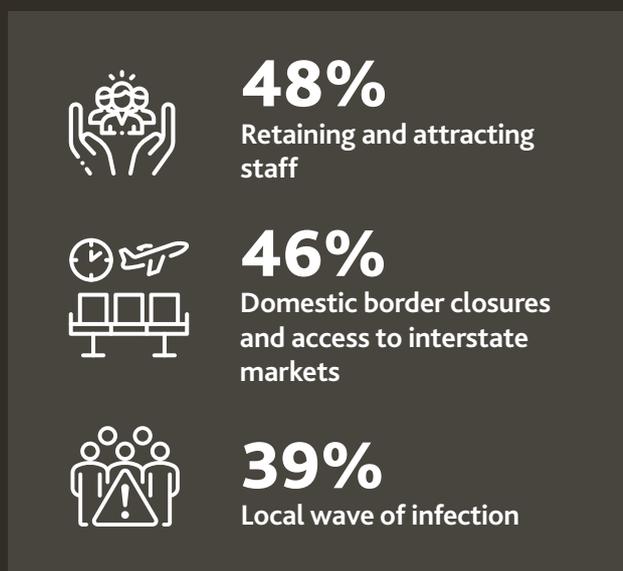
- 36%** said business is better than pre-COVID
- 29%** said business is approximately the same as pre-COVID
- 32%** said business is still being negatively impacted by COVID
- 4%** said there was no impact on business



### HOW HAS YOUR BUSINESS TRANSFORMED DURING THE PANDEMIC?



### 3 GREATEST CONCERNS FOR BUSINESS OVER NEXT 12 MONTHS, IN RELATION TO THE PANDEMIC:



Cash flow	35%
Disruption to supply chain	35%
Vaccine hesitancy	24%
Local consumer confidence	23%
International border closures and access to international markets	20%
Speed of vaccine rollout	20%
Other	10%

# BUSINESS OUTLOOK



This year's respondents are the most confident in the history of this survey, with 74 per cent expressing confidence in South Australia's economy and its ability to support their business growth.

Interestingly, this figure has leapt upwards in both 2020 and 2021 – the 'COVID years' - increasing from just 20 per cent in 2019.

We believe there are several contributing factors, not least of which is our state's enviable position relative to other parts of the world, or indeed, Australia.

Increased consumer demand, a renewed focus on local manufacturing capability, funds that may otherwise have been spent on international travel remaining in the local economy, less uncertainty than at the outset of the pandemic and the imminent prospect of borders re-opening have all contributed.

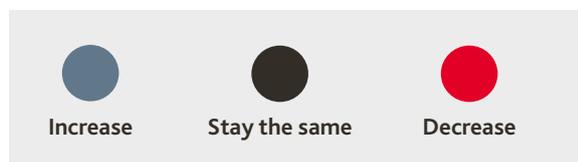
High agricultural commodity prices and favourable weather conditions have given the Ag sector a boost and overall confidence is supported by the success of our technology & start up sector - attracting the likes of Google and Amazon to SA has cemented us as a hub worthy of note.

The Manufacturing, Agribusiness and Not-for-profit sectors showed particularly high rates of confidence, while Tourism & hospitality were well below average – optimism is by no means being felt across the board, just as the impacts of the pandemic have not been consistent across sectors.

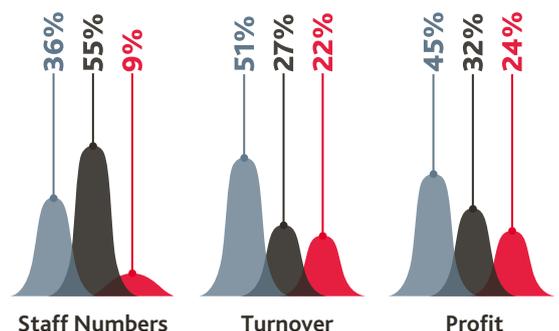
*"I love being in business in SA. It is a fabulous state that provides fantastic opportunities for those that are prepared to engage with them."*

**RESPONDENT, AGRIBUSINESS SECTOR**

## BUSINESS EXPECTATIONS FOR NEXT 12 MONTHS AND REALITY OF PAST 12 MONTHS: STAFF NUMBERS, TURNOVER AND PROFIT.



**2020 SURVEY COMING 12 MONTHS (PREDICTION):**

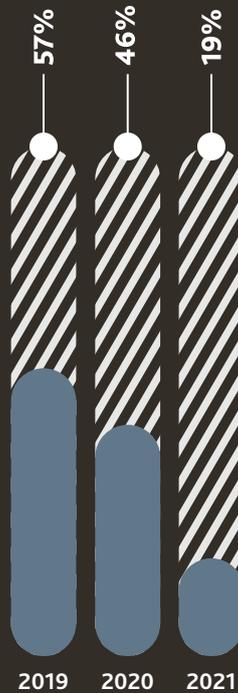


From your experience in business, do you have confidence in the health of SA's economy and its ability to support your business growth?

**ECONOMY IS GROWING**



**ECONOMY SEEMS STAGNANT**



**ECONOMY GOING BACKWARDS**



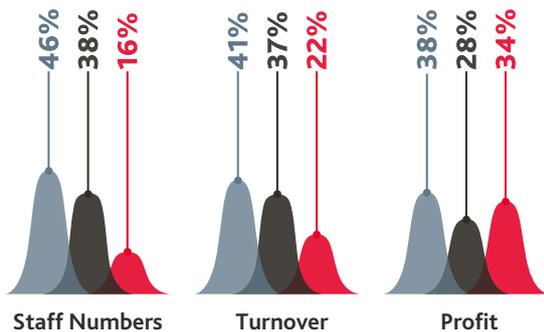
**SAY SA IS A LOW COST PLACE TO DO BUSINESS, COMPARED WITH OTHER STATES**

15% say it is more expensive

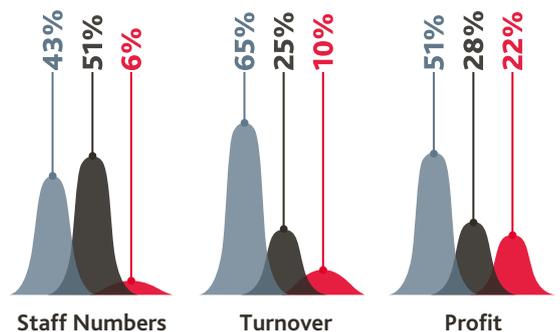
19% say they do not know

**66%**

**2021 SURVEY PAST 12 MONTHS (REFLECTION):**



**2021 SURVEY COMING 12 MONTHS (PREDICTION):**



# PEOPLE



Population growth has taken a step up the priority list, with the number of respondents who feel it is important to our economic growth up by ten per cent on last year.

Coincidentally, or not, this figure directly correlates to that of respondents who report trouble finding and retaining staff.

There is a sense that we are lacking the people and more importantly, number of skilled people, required to support our growth into the future. Broader issues for government and business of all levels including migration policy, culture and strategic HR programs are all important to attracting the right people, with the right skills.

Throughout the pandemic we have witnessed the homecoming of SA expats, seeking to ride out this period in the relative freedom, and safety, of home. This has not necessarily translated into an availability of skills, as many continued previous employment remotely. Will these expats leave again, as soon as the opportunity arises, or settle in for the long haul?

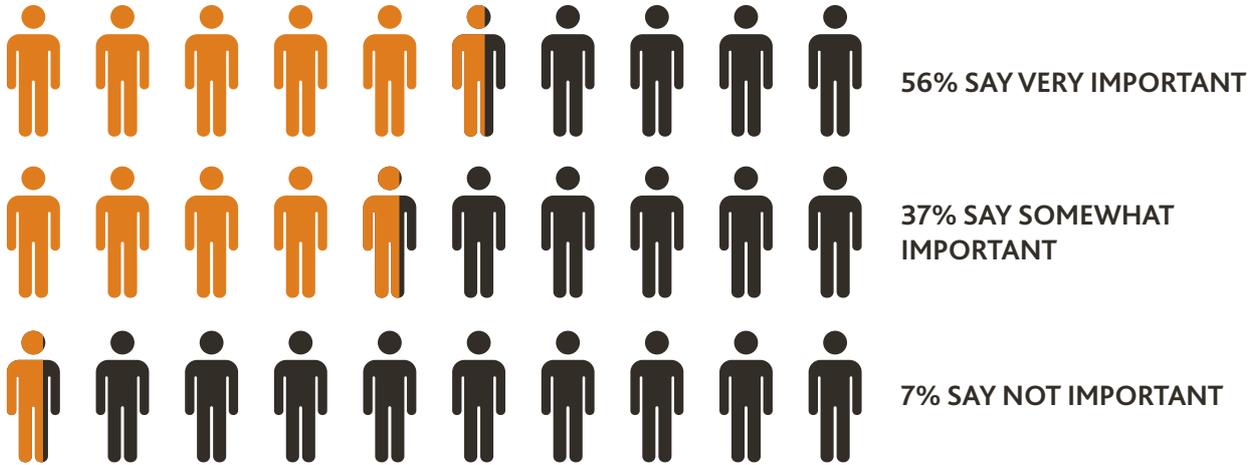
As location has become less relevant to much of our workforce, so will the 'stickiness' of employees change – a lack of local opportunities or salary differences may no longer be such a big a driver of emigration.

We also note a significant improvement in the satisfaction of business with graduate skill levels, particularly over 2019 results. Perhaps the restructure and funding improvements to TAFE are beginning to pay dividends? It may also be that increased collaboration between industry and higher education is having an impact - either way, something is working!

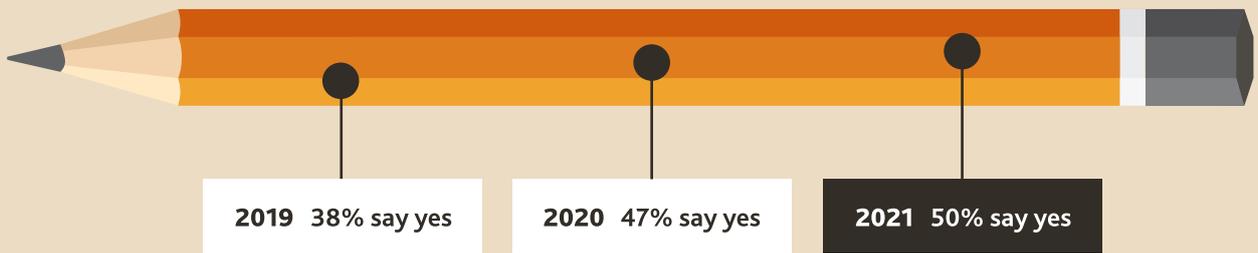
*"Low cost of living is good, however we are noticing increased loss of staff to eastern state based companies. This has been driven by work from home ability and staff being offered greater salary to move."*

**RESPONDENT, TECHNOLOGY, MEDIA & TELECOMMUNICATIONS**

### IS POPULATION GROWTH IMPORTANT TO STATE ECONOMIC GROWTH?



### EDUCATION SYSTEM DEVELOPS GRADUATES WITH SUITABLE SKILLS:



# 56%

**HAVE TROUBLE FINDING AND RETAINING STAFF**

2020 survey: 42%  
2019 survey: 44%

### OF THOSE WHO ANSWERED YES, MAIN CAUSE:

- 34% Intense competition for the same skills
- 26% Shortage of suitably qualified candidates in SA
- 21% Difficulty attracting applications from appropriate candidates
- 19% All other

# ESG



Pre-pandemic, climate change and our response to it was gaining traction on the national agenda. After a brief hiatus during which we bore witness to the positive impacts of reduced carbon emissions, it has regained its place in the spotlight.

As is so often the case, business is taking the lead on these issues with government lagging somewhere behind. In particular, the big end of town is taking action on policy and process, incorporating environmental and social messaging into its communications.

International pressure, consumer expectation and employer brand are combining to provide a potent motivational mix – which is reflected in the survey results on environmental and social governance (ESG).

Covid has clarified what's important to us as individuals and as a society, and more businesses than ever recognise that ESG and alignment with consumer values is important to their continued growth.

Most interestingly, of those who plan to move their business to carbon neutrality, the vast majority will do so within the next five years and in the absence of a government mandate requiring them to do so. Taking matters into their own hands, indeed.

*"Part of the business values is only working with environmentally aware and socially responsible businesses, and executives who align with these values."*

**RESPONDENT, PROFESSIONAL SERVICES**

HOW IMPORTANT IS IT FOR YOUR BUSINESS TO BE SOCIALLY AND ENVIRONMENTALLY RESPONSIBLE?



**49% OF BUSINESSES HAVE FORMAL ACCREDITATION OR INTERNAL POLICIES IN RELATION TO ESG.**

DO YOU PLAN TO MOVE YOUR BUSINESS TO CARBON NEUTRALITY?



**OF THOSE WHO SAID 'YES',  
71% PLAN TO DO SO WITHIN 5 YEARS OR LESS.**

**71%**

# TAXATION & GOVERNMENT



After enjoying some momentum two years ago, it would seem that comprehensive tax reform has fallen if not completely off the agenda, then at least shuffled off to the side for now.

South Australia has been leading the country in terms of stamp duty reform, which has proven to be a real positive for business in this state. By phasing out the duty on commercial property, the state government has removed an inhibitor for business – just 12 per cent of respondents would raise the issue with the Premier, given the opportunity. Only 3 per cent would raise land tax indicating their concerns have largely been addressed.

The general satisfaction, or lack of active dissatisfaction, with state taxes is also apparent in support for an increase to GST in exchange for less state taxes, which has fallen to 52 per cent after peaking at 63 per cent last year.

Despite this, there is a strong case for wholesale tax reform at both the State and Federal levels – particularly as we move into a post-COVID, 'borderless' environment. BDO called for this as an ongoing process in a [pre-budget submission](#) earlier this year and continues to do so. When the way we do business is changing so dramatically, the application and interaction of state taxes with one another and with the Federal system will surely need a comprehensive review.

Outside of taxation, the ongoing struggle for local businesses to win government work continues, with the majority of procurement going to larger, 'safer' brands that are often based interstate. A token local office seems to be enough to qualify as 'local' for procurement purposes, leaving truly local, smaller businesses frustrated and unable to compete.

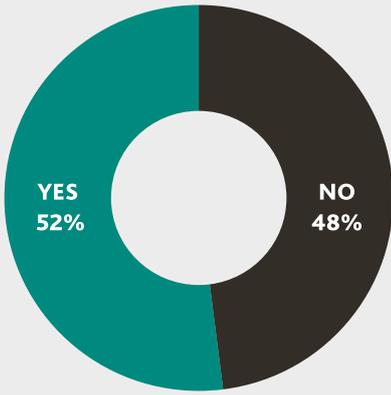
Included in the key functions of the recently established [Procurement Services SA](#) is "...to reduce the complexity and costs to business of tendering for government work and maximising the opportunity for local business participation." We look forward to seeing tangible outcomes for local business as a result of this objective.

*"Tender process favours large, experienced businesses over younger small local businesses. We have lost bids where we were technically compliant and much cheaper (and more local) but discarded due to limited experience and references."*

**RESPONDENT, TECHNOLOGY, MEDIA & TELECOMMUNICATIONS**

*"The increasing burden of red tape on employers is getting to the point where many would question whether it is worth trying to run a business."*

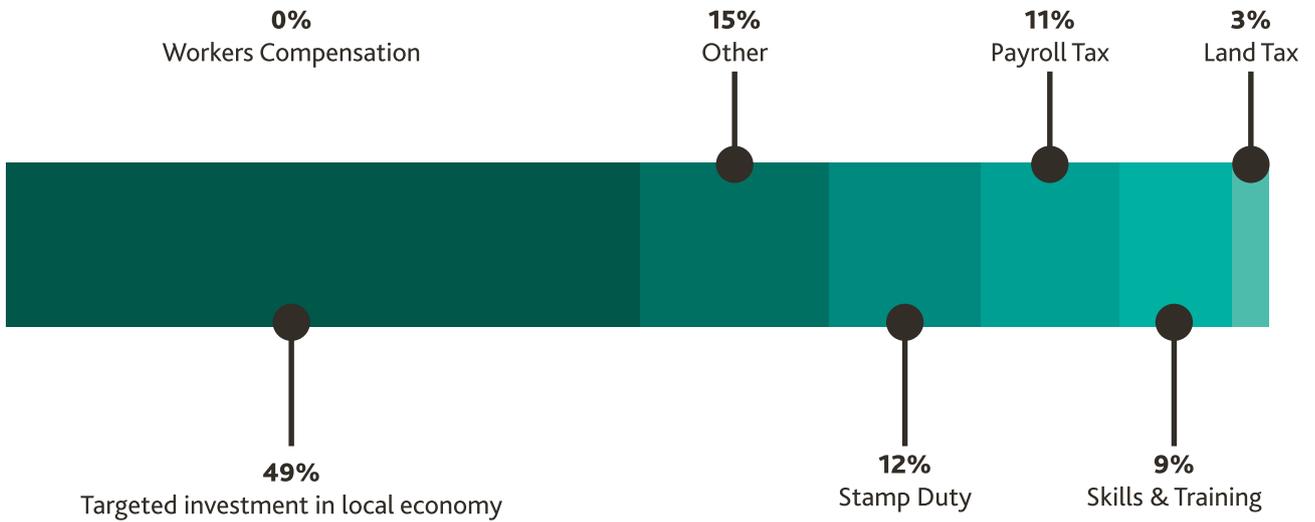
**RESPONDENT, TOURISM, LEISURE & HOSPITALITY**



**WOULD YOU SUPPORT AN INCREASE TO THE GST IF IT LED TO A MEANINGFUL REDUCTION IN STATE TAXATION?**

2020 results:  
Yes: 63% | No: 37%

**IF YOU HAD 5 MINUTES WITH THE PREMIER OF SOUTH AUSTRALIA, WHICH ONE OF THE FOLLOWING WOULD YOU ASK HIM TO PRIORITISE?**



HAVE BEEN **SUCCESSFUL** SECURING STATE GOVERNMENT BUSINESS



HAVE BEEN **UNSUCCESSFUL** SECURING STATE GOVERNMENT BUSINESS



**56%** EITHER HAVEN'T TRIED, OR SAY IT ISN'T APPLICABLE TO THEIR BUSINESS.

# TECHNOLOGY & INNOVATION



Last year we noted that business seemed to be taking on board warnings about the need for investment in IT and data security and the results this year show this to be the case.

A clear majority of respondents reported that investment in these systems and processes is 'extremely' important to their business and as both advisers and clients, we take great comfort in the result.

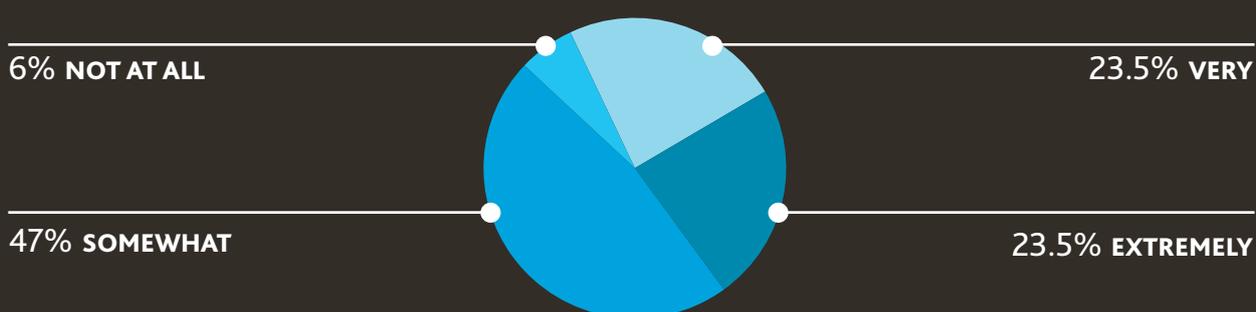
With numerous warnings about the increased risk of cyber threats over the past couple of years and businesses storing more data than ever, concern and awareness among business owners and operators is increasing.

These results are consistent with the findings of the 2020 annual [BDO and AusCert Cyber Security Survey](#) - while data breaches doubled, the new operating environment emerging from the pandemic had led to a shift in attitudes among organisational leaders.

By contrast, we are somewhat surprised by the lower level of product and service innovation given the events of 2020 and 2021 – over half of respondents say that under 20 per cent of their revenue comes from new products or services and about the same report experiencing disruption to their business model.

Experiencing disruption is generally an indicator that things in your industry are changing – for many not facing the reality of disruption, there may be a bumpy road ahead.

## HOW CONCERNED ARE YOU ABOUT THE RISK OF A CYBER SECURITY BREACH IN THE NEXT 12 MONTHS?

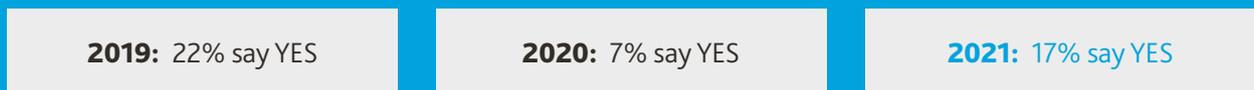


### HOW IMPORTANT IS INVESTMENT IN TECHNOLOGY AND IT SYSTEMS TO YOUR BUSINESS?

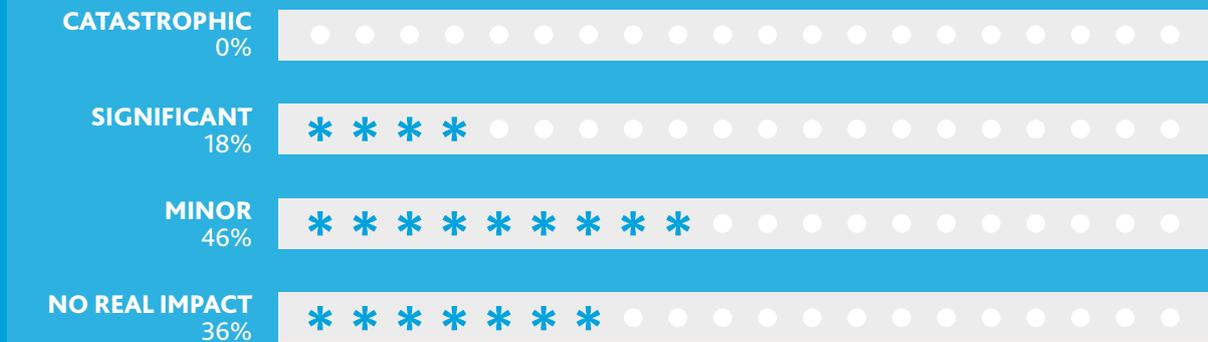


0% said "Not at all" in 2021. The 2020 result was 3%.

### HAVE YOU HAD A CYBER SECURITY BREACH IN PAST 12 MONTHS?



### WHAT WAS THE SEVERITY OF THE ATTACK?



59% OF PARTICIPANTS SAID THEIR BUSINESS MODEL WAS DISRUPTED EITHER SIGNIFICANTLY OR SOMEWHAT.



11% SIGNIFICANT



48% SOMEWHAT

# ENERGY



In keeping with their views on the importance of ESG, respondents have shown a desire for a level of urgency around reform to the regulatory framework of the Australian energy market, which will focus on the effective integration of renewable generation into the system.

While the impact of energy cost and reliability on business has been decreasing over recent years of the survey, this is likely to trend upwards again without successful and urgent implementation of reforms. We'll be interested to track developments over the coming years as the [Post 2025 Project](#) is rolled out by the Energy Security Board.

While the majority of businesses have not, and do not plan to, invest in alternative energy infrastructure - largely due to occupying rented premises - solar panels and battery storage are of most interest to those who do – in keeping with popular residential investment options.

We last asked about [Electric Vehicle \(EV\) policy](#) in 2019, when they weren't on the public agenda in any significant way and most respondents were not really invested in them one way or the other. What a difference a year or two can make.

With EVs gaining traction (if slowly) and public awareness increasing (somewhat faster), respondent views on policy in this area seem to have firmed up. There has been a marked drop in those saying they 'don't' know' and an uptick in both the 'yes' and 'no' options as a result.

*"The facilitating of electricity movement through the system needs to be more robust and flexible to allow for more renewables and bi-directional industries"*

**RESPONDENT, GOVERNMENT**

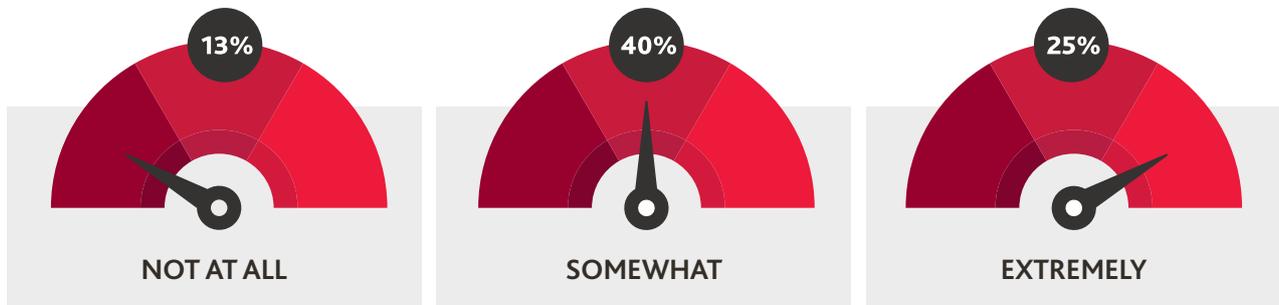
*"Don't tax solar feed in - what are they thinking? We've paid for our infrastructure, others need to catch up, don't penalise the people who are going renewable."*

**RESPONDENT, PROFESSIONAL SERVICES**

**HOW IS THE PRICE OF ENERGY IMPACTING YOUR BUSINESS?**

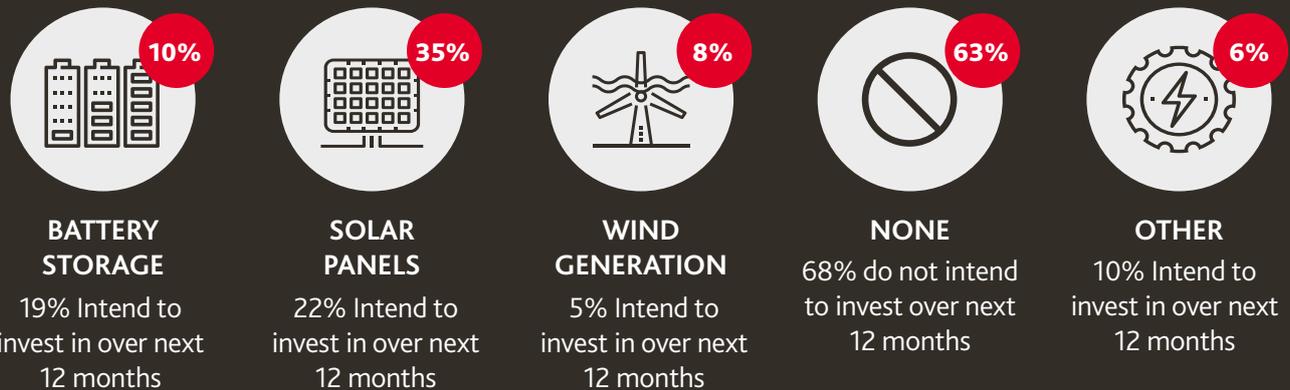
	2019	2020	2021
Increasing opportunities	0%	2%	5%
No material impact	37%	63%	67%
Slowing my business	27%	17%	11%
Stopping investment in growth	10%	10%	8%
Increasing the likelihood of moving operations interstate / overseas	17%	0%	0%
Other	9%	8%	10%

**HOW URGENT ARE SIGNIFICANT REFORMS TO THE REGULATORY FRAMEWORK OF THE AUSTRALIAN ENERGY MARKET?**



22% said they do not know

**CURRENT BUSINESS ENERGY INFRASTRUCTURE**



**54% DO NOT THINK THE STATE GOVERNMENT IS DOING ENOUGH TO ENCOURAGE CONVERSION TO / PURCHASE OF ELECTRIC VEHICLES.**

20.5% say yes      20.5% say they do not know      5% say 'other'

# ABOUT BDO

## LOCAL KNOWLEDGE BACKED BY REGIONAL AND NATIONAL EXPERIENCE

Our team of more than 180 Partners and staff are located in offices in the Adelaide CBD and McLaren Vale, and backed up by a national and global network.

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 a range of audit, tax and business advisory services to individuals, businesses, corporates and government enterprises.

Through innovative thinking and sharing of ideas, our people work with our clients to deliver solutions that create real value and enable them to grow and to transform.

BDO is about people helping people and delivering exceptional service, every day, for every client.

*"We deliver ideas that create value, we're 'people who help people achieve their dreams.' This is our 'why' – our purpose - and we're trusted advisers who fulfil our purpose, by listening, caring and getting the job done.."*



**OUR SERVICES**

- Advisory
- AgTech
- Audit
- Business Services
- Corporate Finance
- Economic Research
- Family Business
- Finance Solutions
- Growth Services
- Industrial & Organisational Psychology
- Private Wealth
- Digital & Technology Advisory
- Research & Development and Grants
- Superannuation
- Tax advice & consulting.

**BDO IN AUSTRALIA**

With 222 Partners and over 1,800 staff, BDO in Australia has 10 offices located across Australia.

**1,872**

**PEOPLE** 

**10 OFFICES** 

**222 PARTNERS**

FIGURES TAKEN AS AT 01 JULY 2021

NETWORK OF THE YEAR AWARD WINNER  
INTERNATIONAL ACCOUNTING BULLETIN  
AWARDS 2018

For more information on BDO visit our website:  
[www.bdo.com.au](http://www.bdo.com.au)

**OUR GLOBAL NETWORK**

BDO's global network extends across 167 countries and territories, with over 91,054 people working out of more than 1,658 offices. But we're all working towards one goal: to provide you with exceptional client service. That means local resources who understand your business and industry, backed by a truly global network. No matter where you do business, we have people who know your business.

**91,054+**  
**PEOPLE**



**1,658 OFFICES**



**167 COUNTRIES**  
CURRENT AS AT 1 JULY 2021

1300 138 991

[www.bdo.com.au](http://www.bdo.com.au)

**NEW SOUTH WALES**

**NORTHERN TERRITORY**

**QUEENSLAND**

**SOUTH AUSTRALIA**

**TASMANIA**

**VICTORIA**

**WESTERN AUSTRALIA**

This publication has been carefully prepared, but is general commentary only. This publication is not legal or financial advice and should not be relied upon as such. The information in this publication is subject to change at any time and therefore we give no assurance or warranty that the information is current when read. The publication cannot be relied upon to cover any specific situation 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 give any warranty as to the accuracy, reliability or completeness of information contained in this publication nor do they 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, except in so far as any liability under statute cannot be excluded.

BDO Services Pty Ltd ABN 45 134 242 434 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 Services 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.

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

© 2021 BDO Services Pty Ltd. All rights reserved. CM 21-032