Creating a
Modern Industry Policy
for South Australia
The Government of South Australia is seeking your input to develop a new industry policy that will support businesses to grow, develop a global outlook, increase global competitiveness, and ensure that new businesses can start and thrive from South Australia.

Knowing that innovation and growth can come from all types of business working in any sector, we’re seeking to create a broad-based approach to industry policy. We’re asking industry, research organisations, educators and the public for input.
South Australia’s business base is changing

The world is changing and we need to adapt. Our history provides us with a strong foundation of skilled workers, knowledge-intensive business experience and research excellence flowing from policies that supported defence, agricultural and manufacturing investment, to successfully continue our transition towards a global economy.

At this critical point in time, to effectively drive long-term economic growth and create new opportunities for our state, we need to actively support our businesses towards more dynamic and global approaches. The South Australian Government is developing a modern industry policy that can help businesses to start, and existing businesses to grow and compete in an increasingly competitive global marketplace.

98% of all South Australian business are small; with less than 20 employees. Over 60% of business owners don’t employ anyone at all. Successful small businesses are vital to the future of our economy, but we also need more growing, profitable businesses to sustain our economic growth.

Larger businesses are generally more productive, pay higher wages, enjoy higher profits, do more research and development, are more innovative, and are more successful in international markets*. So, it’s important that more South Australian businesses understand their place in a global market, to help identify and act on opportunities to be innovative, entrepreneurial, take calculated risks and think big.

How we can change our thinking.

We’re asking industry, government and the wider community to contribute to developing key actions that can re-shape South Australia’s business base in the short and longer term. Genuine consultation and feedback will help to create an environment that better stimulates and supports business. Your contribution will influence how South Australia’s industry policy will be implemented to accelerate business growth and create jobs.

Where do we currently stand?

South Australian business has the highest survival rate in mainland Australia, but the second lowest entry rate of new businesses in Australia. With that strong foundation and the right motivation and support, it is possible for businesses in South Australia to do so much more.

There are 147,000 businesses registered in SA

- 98% of SA businesses employ fewer than 20 staff
- 2% of SA businesses are medium with 20-199 staff
- 0.1% of SA businesses are large with 200+ staff

Source: Australian Bureau of Statistics (2018) Counts of Australian Business, including Entries and Exits, Cat. 8165.0 and ASBFEO calculations
The changing nature of our industry

Regardless of business size, industry sector or location, the most significant factors for change in South Australia’s economy are likely to be globalisation, technological advances and our aging population. Our manufacturing employment has declined, but is still significant, and employment in healthcare, social assistance, financial and insurance services, and food services continues to grow. In terms of contribution to our Gross State Product (GSP), agriculture and arts have experienced the largest growth over the past 10 years.


In 2017 South Australia exported

$15.2 billion
worth of goods and services

Asian markets exports are worth $5.7 billion
UK, New Zealand and North American exports are worth $2.1 billion combined
Major goods exports included wine, copper and wheat
Major services exports were education-related travel and personal tourism travel

Source: Australian Bureau of Statistics (2018), International Trade in Goods and Services, Australia, Cat. 5368.0
Exports

Our dominant industries, in retail, construction and health care, currently don’t create wealth for the state in the way that more export orientated industries do – this is because these industries mostly service South Australian consumers as their main customers, which doesn’t bring new money into the state. The strongest export growth is in Asian markets, shifting away from our traditional European and North American markets.

Research & Development

As a share of South Australia’s economy, businesses are spending less on research and development than they were 10 years ago – and less than the national average. Around 5% of Australian patent applications were filed from South Australia in 2017. Organisations who invest in research and development are able to innovate and find clever solutions to problems, make advancements in technology, do things in new and better ways, overcome barriers to improvement, and create better products.


Population

Over the past 10 years, our share of the national population has dropped from 7.5% to 6.9%, largely due to migration and faster growth in other states. During the same period, South Australia’s population has grown by about 150,000 to 1.7 million. South Australia’s population is now also proportionately older than most other Australian states. 18% of the State’s total population is 65 years of age or older. It’s important that South Australia becomes more attractive to young people and migrants who are willing to start and grow businesses right here in the State, while also fulfilling our labour supply needs.

Source: Australian Bureau of Statistics (2017) Australian Demographic Statistics, Cat. 3101.0

Labour Force

The proportion of South Australia’s labour force with a post-school qualification has risen by 8.2% over the past 10 years, to 63.7%. The Australian average is 67%. The qualifications, knowledge and skills of workers available in the labour supply are key factors in determining both business and economic growth, particularly through value-added and high-tech industries. Modernising our approaches to education and training is critical to maintaining business investment and attracting new industries.

Source: Australian Bureau of Statistics (2017) Education and Work, Australia, Cat. 6227.0 (Note: labour force aged 15-64)
A new approach to shaping South Australian industry

Creating a dynamic pipeline of new business start-ups and existing businesses that are transforming and focussing on growth is key to the long-term health of the South Australian economy.

Growth will also be accelerated by businesses that can identify and seize new opportunities. For that to happen, we need more businesses willing to try new ways of doing things. And they’ll only be more willing to try if we develop the right environment to support them.

We want your ideas on how we can facilitate growth, improve productivity and business competitiveness.

This policy represents a broad-based approach to build long-term business capability. We are focused on the fundamental factors that support businesses to grow, regardless of size, physical location or industry sector. We also recognise that South Australia has longstanding industry strengths in agriculture, manufacturing and mining, plus emerging areas like space, defence, health and renewable energy.

Future discussions will consider how and when government will support industry sectors to quickly seize opportunities that can benefit the state.

The draft policy framework is built around three strong themes:

1. **A strong local foundation**
   Building a competitive business environment in South Australia and investing in the future.

2. **A global outlook**
   Increasing our wealth by selling to markets outside South Australia.

3. **Prosperous businesses**
   More businesses starting, scaling and succeeding in South Australia.
Ultimately it’s businesses that will create jobs and more directly benefit from their own success. However, governments have a role to play in setting the environment to help them start, innovate and grow. We need our businesses to know there is a strong environment to support ambition and for South Australians to know there are future careers here. As a government, collaboration and a coordinated approach to engaging with businesses is vital to making sure we work fairly and efficiently.

**KEY GOALS**
- Create a dynamic, competitive and collaborative business environment in South Australia.
- Ensure there are strong supports in skills development, productive infrastructure and an efficient government for South Australian businesses to get on with growing their business.

**Concepts for a strong local foundation**
- Build a future-ready workforce that supports real jobs and meets industry needs:
  - South Australian businesses have highlighted the need for a workforce training system that meets their requirements, is flexible enough to meet rapidly changing needs, and can respond to future opportunities.
  - As technology advances, the state’s workforce will also need to develop transferable skills to adapt to changing career opportunities.
  - Leveraging Australia’s migration system could also assist to address critical industry skills and workforce shortages, particularly in regional areas.
  - Technological change means maintaining a focus on STEM skills is important, but students and workers will increasingly need a broader range of flexible, entrepreneurial skills like creativity, problem solving and communication.
- Connect industrial precincts to support business growth and innovation:
  - South Australia’s growing number of industrial and innovation precincts provide the opportunity to boost collaboration and transfer knowledge between businesses, education, research and government.
- Invest in high-quality (industry relevant) infrastructure, including digital and research:
  - Secure and reliable digital infrastructure is vital for business growth as the rate of digitalisation increases across the global economy.
  - Access to research infrastructure underpins world-leading research that can support future industrial commercialisation.
- Ensure strong collaboration between businesses and government to encourage innovation and remove barriers to growth.
Implementing the Policy

Here are some things government is already doing to strengthen the environment that enables businesses to grow.

1. **Skilling** – the State and Commonwealth governments are jointly investing over $200 million to create more than 20,800 new apprenticeships and traineeships over the next four years. The State Government is also delivering A Fresh Start for TAFE SA transformation program and establishing a new Technical College.

The Training and Skills Commission has been revitalised and will be considering the place of shorter training units, cadetships, upskilling and re-skilling in the training system. Membership of the commission now includes the chairs of the eight new Industry and Skills Councils that are being established to ensure employers have a stronger voice in South Australia’s skills and workforce system. The Subsidised Training List is also being reformed to ensure the state’s training budget is better targeted to supporting the creation of real jobs and careers.

2. **Procurement** – Government procurement reforms that support businesses to work with government include reviewing the aggregation of contracts, requiring selective market approaches to include South Australian businesses, establishing a pre-registration system for tenderers and contractors, reviewing the status of prescribed public authorities, and establishing a unit to assist small and medium-sized businesses to prepare tenders.

By 2022 we want to achieve

- A skills system that better suits rapidly changing industry needs.
- Increased and tailored migration to address any critical industry skills shortages, particularly in regions.
- Better connected physical, research and digital infrastructure that supports innovation, export growth, collaboration and productivity.
- Stronger local supply chains.
- Stronger engagement between businesses and Government, to encourage innovation, test ideas and remove barriers to growth.

3. **Infrastructure** – newly established Infrastructure SA will deliver a 20-year infrastructure plan to generate more investment, more jobs and greater prosperity for South Australia. That agency will also develop annual Capital Intentions Statements to prioritise potential major projects for government decisions over a 5-year time horizon, as well as maintain oversight of all projects with a capital value of $50 million and over. Infrastructure SA will also advise on infrastructure planning policy and funding/financing models.

4. **Competitive business environment** – Key initiatives include abolishing payroll tax for small business and providing $95.9 million in land tax relief. Fixed property Emergency Services Levy bills will also be reduced. The new South Australian Productivity Commission is advising on regulatory and economic reform measures to ensure the government can more effectively support the vital sectors of our economy to grow and create jobs.
Discussion Questions

1. Beyond existing commitments, activities and programs, what else could ensure that workforce training is flexible enough to meet future industry needs in a rapidly changing global environment?

2. What government regulations or processes are blocking South Australian businesses from pursuing innovative business growth opportunities?

3. How can the government help businesses access public and private equipment and infrastructure, such as research or manufacturing equipment, to enable increased innovation and collaboration?

4. What are the highest infrastructure priorities to improve business productivity?

5. Given that governments are key purchasers of goods and services, what procurement reforms could be made to support innovative business growth within our economy?
South Australia can grow by generating wealth from outside the state. In a high-income economy like ours, South Australia’s ability to increase global competitiveness and ensure prosperity relies on our capacity to boost innovation. Rather than simply aiming to provide the lowest cost product or service, globally competitive businesses compete based on the value they can create through unique design, service provision or niche products and services.

Even businesses that don’t export need to be able to compete with global products and services right here.

Value chains

A value chain describes the full range of activities to bring a product or service from conception through the different phases of production, delivery to final consumers, and disposal after use.


KEY GOALS

- Ensure there are more South Australian businesses exporting higher value-added products and services.
- Build stronger global supply chains.
- Boost international investment in South Australia that fills gaps in the local economy.

Concepts for a global outlook

- Understand international customers, particularly in growing Asia-Pacific markets, plus design solutions to boost exports, add value and meet global demand:
  - South Australia’s market is small, so focusing only on our local market can limit business growth. Exports bring external income to the state.
  - Innovation underpins global competitiveness in higher cost economies.
- Increase the sophistication of our export base. Many of our vital exports have relatively simple value chains. Building a more complex and interconnected economy can help the state develop the specialist capabilities needed to export more products and services around the world.
- Increase foreign direct investment in South Australia:
  - Targeted in-bound investment opportunities can bring in international experience, value-added capabilities, technology, paths to markets, lead customer opportunities, and partnerships for local businesses.
  - Investment attraction can also quickly bring in larger firms to our industrial base and add scale to sectors where the state has competitive advantages.
- Boost participation in diverse global supply chains:
  - Participating in global supply chains improves the processes, quality and productivity of local firms due to the high standards and efficiencies demanded by large global customers.
  - Global supply chains can provide more certain revenue streams in which lead customers are finding new market opportunities, as opposed to smaller business operating alone.
Implementing the Policy

Here are some things the government is already doing to enable more businesses to build a global outlook.

1. **New Trade Offices** - New trade offices in key markets will be established including a new stand-alone business investment office in Shanghai.

2. **Trade Missions** - More focused in- and out-bound trade missions and a single entry point for training, mentoring and advice on increasing share in existing markets and entering new ones.

3. **Export Accelerator Grants** - South Australian Export Accelerator grants provide up to $30,000 to assist businesses to enter international markets.

4. **Export promotion** - working with the Commonwealth Government to market South Australia’s advanced products and services to international defence and space buyers

**By 2022 we want to achieve**

- More locally grown businesses exporting.
- Increased South Australian exports.
- More locally grown businesses that:
  - offer a complex range of products and services to a diverse range of markets.
  - participate in global supply chains.
- More foreign direct investment that strengthens local industry opportunities.
Discussion Questions

1. Beyond existing commitments and activities, are there other ways government should be helping businesses to identify and pursue global opportunities and/or partners to improve global competitiveness?

2. How can we support businesses to add more value to the products and services they export to boost the value and sophistication of South Australia’s exports?

3. What local barriers are potentially getting in the way of export opportunities?
3

Prosperous businesses

The future of the state’s economy is dependent on local businesses making decisions that are right for them. So, to increase the number of businesses who are both willing and able to start, transform their business and grow, we’ll need to encourage and empower them to lead the way.

Successful businesses demonstrate several key characteristics, such as creativity, having a global mindset, leadership geared towards innovation and a willingness to collaborate.

KEY GOALS

• Ensure there are more South Australian businesses that want to start-up, innovate, transform their business and grow.
• Increase the number of medium and large businesses in South Australia.

Concepts for prosperous businesses

• Build a stronger entrepreneurial culture:
  • Encouraging and inspiring entrepreneurs to start younger to positively influence entrepreneurial behaviours.
  • Strong start-up ecosystems that connect entrepreneurs, investors, advisors and mentors are important to boosting start-up success.
  • The availability of finance and the ability to successfully access capital is vital for businesses to start and innovate.
  • International students and migrants can provide new entrepreneurial talent to the state.

• Accelerate high growth potential firms:
  • Firms that are in a high growth phase can create jobs more quickly than long established firms.
  • Locally grown firms are more likely to commit to staying in South Australia over the long term.
  • The absence of larger firms impacts South Australia’s overall innovation capacity. That’s because larger firms are more likely to be export focused and spend more on business model improvements, innovation strategies and technologies. They can also drive innovation within their supply chains.

• Address management, leadership and technology gaps:
  • Management and leadership capability, such as financial and workforce management and strong business planning, underpins business success.
  • A leadership commitment to innovation and technology adoption is also vital to improve business productivity and competitiveness.

• Foster stronger connections between businesses, and with researchers, in South Australia and around the world:
  • Collaboration can enable smaller businesses to overcome growth barriers while also bringing new products, knowledge and services to market.

Entrepreneurship

Regardless of product, service, industry or market, entrepreneurs are known for identifying a need and finding a way to fill it. This approach is underpinned by a range of ‘entrepreneurial skills’, such as creativity, risk taking, problem solving and communication. These are valuable skills for not just starting a business, but for any business.
Implementing the Policy

Here are some things the government is already doing to enable more businesses to succeed and grow.

1. **Future Industries Exchange for Entrepreneurship (FIXE)** – Lot Fourteen, based at the old Royal Adelaide Hospital site hosts the FIXE hub that enables South Australian businesses to go global while staying local. It incorporates services including entrepreneurial support, mentoring, business incubators and accelerators, and financial capability building.

2. **Entrepreneurial education** – Five entrepreneurial specialist schools are being established, along with entrepreneurial subjects and resources for SACE students, to provide young people with the skills, knowledge and experience to set up and run ventures.

3. **New visa for budding entrepreneurs** – Foreign entrepreneurs and investors with an innovative idea and a supporting business plan will be able to apply for a temporary visa in South Australia. Successful applicants will be identified in partnership with representatives of the local entrepreneurial community.

4. **Economic and Business Growth Fund** – A $100 million fund has been established to encourage growth of existing businesses, develop new industries, build international connections and attract investment across sectors or the economy.

5. **Regional Growth Fund** – A $150 million fund has been established to unlock new economic activity in our regions, deliver critical economic infrastructure to create direct regional benefit, and to strengthen regional communities.

6. **Research, Commercialisation and Start-up Fund** – A $27.9 million fund has been established to support businesses to collaborate with researchers, commercialise new products, attract research infrastructure investment into South Australia, and encourage the establishment and growth of start-ups.

7. **Employing your first person** – A pilot project with the Commonwealth Government will be established to make it easier for non-employing businesses to take on their first worker.

**By 2022 we want to achieve**

- More businesses starting and growing in South Australia, including businesses started by students and migrants.
- More locally grown businesses that:
  - employ people;
  - export and participate in global supply chains;
  - offer a diverse range of products and services;
  - are advanced in their use of digital and other technologies;
  - are investment ready; and
  - have strong and capable leadership.
- More businesses that collaborate with each other and with researchers, locally and globally, to bring new ideas to market.
Discussion Questions

1. How do we build on existing initiatives to establish a holistic entrepreneurial skills system in South Australia, so that we have more businesses starting and more businesses taking risks to grow?

2a. How can we better connect investors to early-stage investment opportunities so businesses can access the capital needed to grow? And...

2b. How do we increase South Australian businesses’ appeal and readiness for private investment?

3. How can we best help businesses to develop their management and leadership capabilities, including through learning from other successful businesses and business models?

4. Given the rapid pace of technological change globally, what mechanisms could support the acceleration of South Australian businesses to transform through the adoption of digital and emerging technologies?

5. To build scale and bring new products and services to market, how can we support industry and research collaboration?