

Making Western Sydney Greater

Foreword

Delivering investment and jobs growth in Western Sydney has been identified as a Government priority.

The question is how we achieve this?

In preparing our second Making Western Sydney Greater report, we have interviewed and drawn on the responses of over 200 business owners and senior management from across the region, obtaining their insights and ideas.

Employment and training remains a key issue for businesses in the region as does transport. The desire of businesses to contribute to the holistic development of Greater Western Sydney is clear.

The financial outlook and growth opportunities for businesses in Greater Western Sydney appear to be stronger than that for the broader Australian business community.

Making Western Sydney Greater is an ongoing effort. Undertaken by national accounting firm William Buck, in partnership with St George, the University of Western Sydney and Western Sydney Business Connection, our research stems from the long-term commitment to Western Sydney that we share.

The next survey will be undertaken in October 2015 and you are encouraged to participate. Contact us on research@williambuck.com for more details.

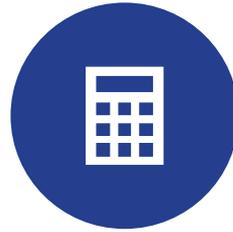
Your participation will help make Western Sydney greater.

Highlights

Transforming the productivity of Western Sydney through growth and investment, and delivering the infrastructure that is needed has never been more important¹.



The big opportunity:
Improving transport connections between Greater Parramatta and surrounding Western Sydney centres



The big change:
Forecast financial performance for Large business is improving



The big issue:
Finding employees with the right skills



Business sentiment:
Positive



The engine room:
SME businesses remain strong



Weaker performance:
Mid-sized businesses appear to be under increasing pressure

Economic Performance

	 Revenue	 Profits	 Capex
 GWS Region Q2 2015	4.6% ahead of budget Q4 2014 3.5% ahead of budget	3.8% ahead of budget Q4 2014 3.5% ahead of budget	0.2% ahead of budget Q4 2014 0.8% ahead of budget
 SME Business Q2 2015	3.8% ahead of budget Q4 2014 6.0% ahead of budget	3.6% ahead of budget Q4 2014 6.0% ahead of budget	-1.0% behind budget Q4 2014 0.7% ahead of budget
 Large Business Q2 2015	7.3% ahead of budget Q4 2014 2.2% ahead of budget	5.2% ahead of budget Q4 2014 3.1% ahead of budget	3.9% ahead of budget Q4 2014 3.1% ahead of budget

Business Sentiment Index

Business sentiment in Western Sydney is notably positive and broadly consistent with the position recorded in the last survey.*

Q2 2015

13.49
Positive

Q4 2014

15.83
Positive

*The Business Sentiment Index is based on a scale of 100 (very positive) to -100 (very negative) with 0 being neutral and indicates the business outlook for the next six months of the respondents.

Business Outlook

Although the overall business sentiment for the region has remained stable, material changes are evident in different business segments. SME businesses, in particular in the mid-sized demographic, are significantly less positive in outlook. By way of contrast, business sentiment for Large businesses has improved.

A greater fluctuation in business sentiment was expected given the large number of recent positive announcements regarding investment and development in the region. However, this infrastructure-style investment may have already been factored into the outlook for businesses captured in the previous survey (Badgerys Creek had been announced shortly beforehand). Other external factors such as international economic conditions and domestic political issues will also adversely impact on sentiment.

In line with the positive business sentiment, businesses across the region expect to exceed their revenue and profit targets, and maintain their capital expenditure over the coming six months.

The SME business segment continues to be positive in their forecast financial performance. Despite marginal deteriorations around revenue and profits, the overall expectation for both revenue and profit in SME businesses is positive, with above-budget results expected. On an Australia-wide basis, Small Business Sentiment has been negative since the 4th quarter of 2014, suggesting that SME businesses in Greater Western Sydney are performing ahead of the national average².

The most notable change is with Large businesses. These businesses are bullish on their revenue forecasts, expecting to be more than 7% ahead of forecast with a similar increase in profits. This is a major change, as this segment was previously performing below the regional average.

Capex is expected to be maintained over the coming six months, although Large businesses are forecasting that their actual capital investment will slightly exceed budget.

60% of Large businesses expect to increase the overall level of capital expenditure over the coming year, compared to 36% of SME businesses. Both are positive indicators of continuing strength in the GWS economy.

Employment Trends

+1.9%

Increase in full-time employees for SME Businesses

+3.3%

Increase in full-time employees for Large Businesses

The positive employment intent is consistent with the positive outlook for economic activity in the region. It is particularly positive in the context of Australian unemployment, which is expected to remain at current levels, suggesting that the Greater Western Sydney economy is performing ahead of the broader economy³.

Employment Trends

Increase / decrease in workforce

	 GWS Region Q2 2015	 SME Business Q2 2015	 Large Business Q2 2015
Full Time	1.9% Q4 2014 -0.05%	1.6% Q4 2014 1.65%	3.3% Q4 2014 4.15%
Part Time	0.2% Q4 2014 -1.2%	0.3% Q4 2014 -0.1%	0.7% Q4 2014 -1.2%
Casuals	-0.3% Q4 2014 0.6%	0.40% Q4 2014 -0.3%	0.0% Q4 2014 -0.6%
Contractors	-0.3% Q4 2014 -0.6%	0.40% Q4 2014 1.9%	-0.3% Q4 2014 0.6%
Employment Intent	Slightly positive	Slightly positive	Slightly positive

Employment Trends

As a region, employment intentions are slightly positive with an overall improvement from the last survey. Most businesses are expecting to maintain or marginally increase full-time employment, with indications of a shift from a casual or contractor workforce to permanent employment opportunities.

Whilst businesses across the region have identified growth as an expectation (8.63% average growth over the next 12 months on average) these employment intention results indicate that the necessary investment in increasing their workforce has not yet been made by the majority of businesses. This supports the positive employment outlook for Greater Western Sydney.

However, 25% of SME businesses and 10% of Large businesses in the region expect to decrease their workforce over the next 12 months. Citing the Australian dollar and general economic conditions as the contributing factors, alongside price pressures from customers, these businesses serve as an important reminder that despite an overall positive outlook for the region, there continue to be businesses experiencing challenging economic conditions.

Natural attrition and termination of specific under-performing employees continue to be the preferred ways to manage reductions in employee numbers.

Employment in GWS was projected to grow by 10.7% over 2014-2019⁴. The result would indicate that the actual growth in employment will exceed this forecast by a significant amount.

Parramatta as the Second CBD

In the view of the business leaders in the region, developing Parramatta as a second CBD for Sydney will be very valuable for businesses across Greater Western Sydney, not just for those located in Parramatta and its immediate surrounds.

For businesses based in the Parramatta LGA, almost without exception the redevelopment of Parramatta is seen by business leaders as positive for their own business and also for businesses across the region.

For businesses based outside of the Parramatta LGA, 90% view the redevelopment of Parramatta as valuable for businesses throughout Greater Western Sydney, although only 60% believe it will be valuable for their own business.

Turning the vision of Parramatta as a second CBD into a reality that delivers real benefits for businesses will be challenging, but some high priority areas have been identified by businesses.

Greater Parramatta and Western Sydney will drive the future productivity of Sydney and New South Wales. This will require a critical mass of investment.

Parramatta as the Second CBD

Transport is key, in particular improving transport options between Greater Parramatta and surrounding Western Sydney centres and precincts such as Rydalmere (Education), Westmead (Health), Norwest (Business Park) and Olympic Park (Business Park, Sporting). This is where a well-designed light rail system could deliver real economic benefits for the region.

For businesses located outside of the Parramatta LGA, such transport connections were considered the single most important factor in the success of Parramatta as the second CBD.

The nature of the businesses being attracted to Parramatta is also critical. Supporting knowledge based businesses to be located in Parramatta was seen as valuable and undoubtedly will contribute to the sustained prosperity of the region over the longer term. However to make Parramatta a successful CBD it was identified that encouraging financial and professional services businesses to have substantial presences in Parramatta was more critically important, in particular in the shorter term. A genuine and substantial presence by these types of businesses can act as an “attractive force” for other businesses and services to be based in Parramatta and decrease dependence on Sydney CBD based service providers. For businesses located in the Parramatta LGA, this was considered the single most important factor in the success of Parramatta as the second CBD.

Business leaders also considered that making Parramatta a “living city” by ensuring that there is an appropriate mix of residential, commercial, entertainment and open space developments was a very important factor for the success of Parramatta as a CBD. This more holistic and community aware view was promoted by business leaders regardless of where they were based in Western Sydney.

Top 3 Priorities:



Transport connections with surrounding centres



Encouraging financial and professional services business to be based in Parramatta



Making Parramatta a “living city”

Business Growth

Growing the business over the next 12 months is an objective for nearly three quarters of businesses in Greater Western Sydney. With an average growth rate of 8.63% expected over the next 12 months, the appetite for growth in the region is strong.

The objective of growth was strongest in Large businesses, reflecting their improved economic outlook, with 85% of Large businesses indicating an intention to grow in the coming year. This can be contrasted to only 66% of SME businesses with a similar intention. Analysis of the SME result shows two very different outlooks. Small businesses have a greater objective for growth (74%) compared to Mid-sized businesses (61%). This trend is also apparent in the economic outlook of SME business.

	 Planning for Growth	 Not Planning for Growth	 Undecided
 GWS Region	73%	22%	4%
 SME Business	66%	29%	5%
 Large Business	85%	12%	4%

Business Growth

Around half of all businesses intending to grow had either prepared a formal business plan and financial forecasts, or undertaken a strategic review of their business to identify opportunities for growth. Approximately 25% of businesses had increased their marketing and business development expenditure to support their growth plans.

Only 16% had actually hired additional employees to facilitate growing the business, a factor that perhaps explains why most businesses in the region expect to increase their workforce over the coming six months. This may also indicate a more conservative or risk averse approach to growth, with significant expenditure deferred until increased revenue realisation has commenced.

The big issue identified by businesses is finding employees with the skills required for the business. Nearly two thirds of both SME businesses and Large businesses identified this as a major obstacle for growing their business.

This trend is not a size of workforce issue, but a skills and training issue, signifying not a lack of potential employees a lack of employees with the right skills.

Another factor indicating that businesses in the region are at the front end of their growth cycle is bank funding. Accessing finance was not identified as an impediment to growth, however only 7% of businesses have sought additional bank finance to support growth. For businesses that are fulfilling their growth plans, the extent of additional bank finance would be expected to be much higher.

	 Average Expected Growth
 GWS Region	8.63%
 SME Business	7.66%
 Large Business	8.23%

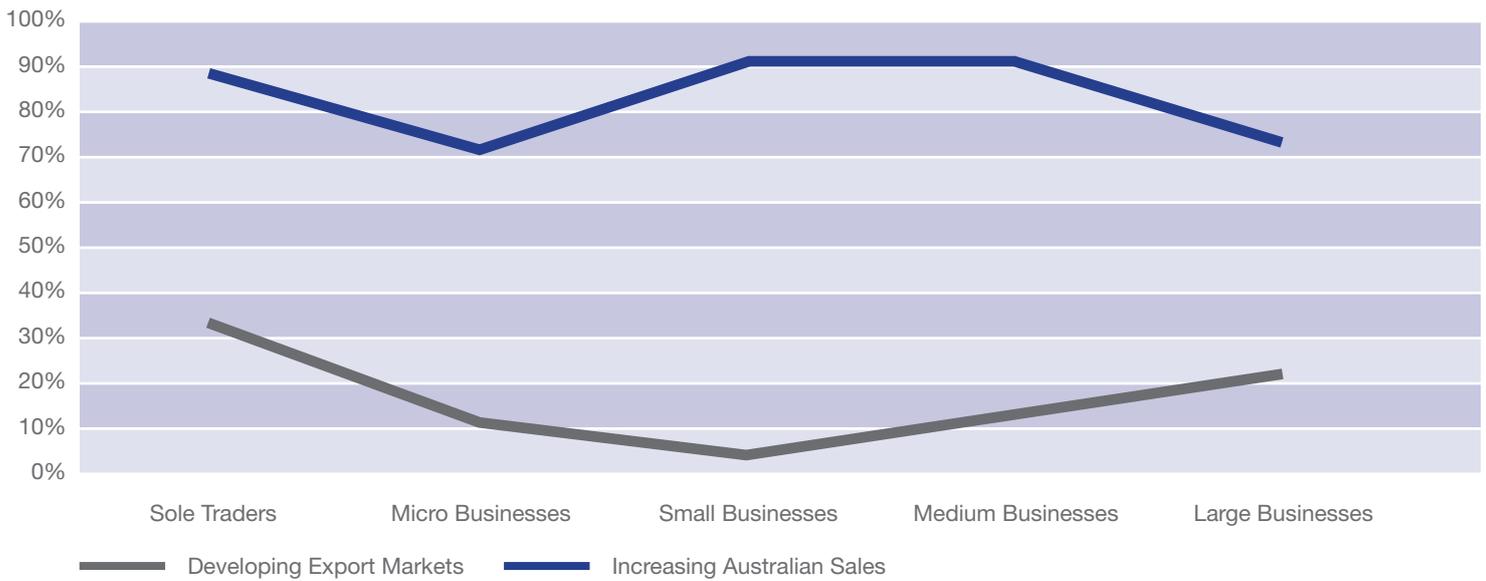
The expected rate of growth was a robust 8.63% across region. The expected growth rates were slightly lower for both the SME and Large business segments, but still strong at 7.66% and 8.23% respectively.

Business Growth

Across the businesses researched, the importance of various strategies to achieving their growth also indicates a more conservative approach. There is bias towards existing products/services rather than launching new products/services. There is also a preference to the Australian market rather than pursuing the development of export markets. Growth is more likely to be via organic growth rather than growth by strategic acquisition.

Increasing Australian sales was considered more important than developing export markets. This trend was apparent across all businesses, but was strongest in the SME segment.

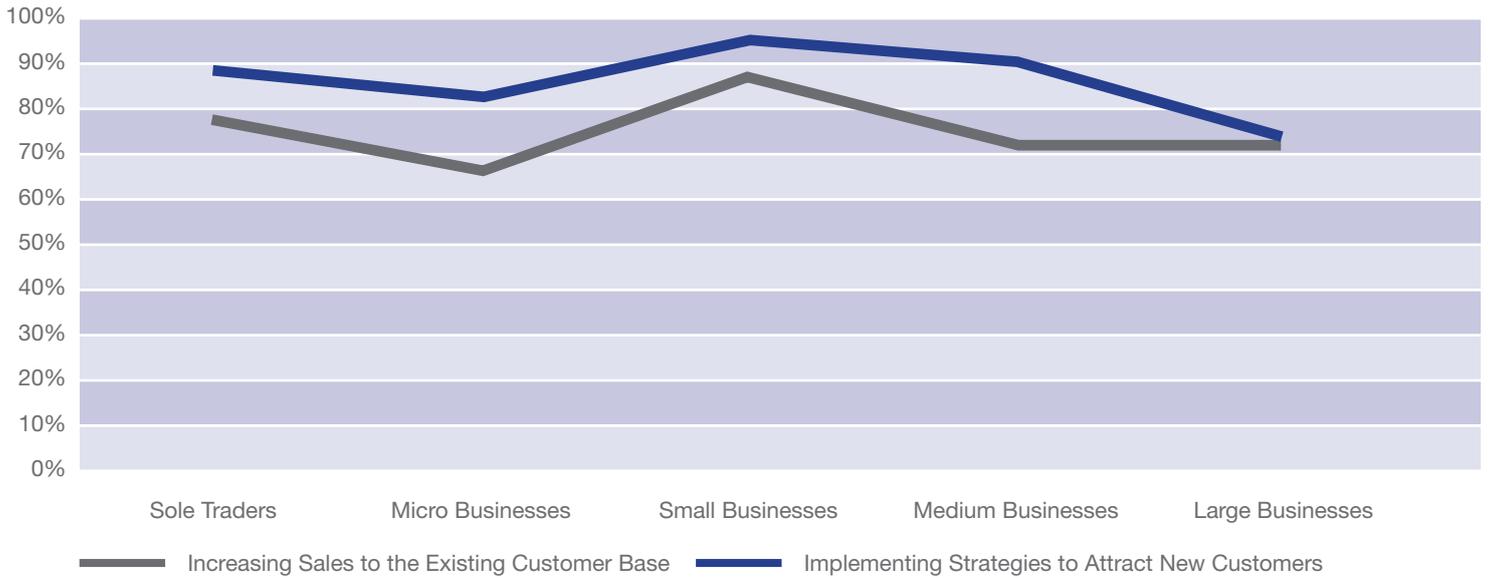
Export v Australia



Business Growth

There was little differentiation between the importance of increasing sales to existing customers and implementing strategies to attract new customers. Both were considered highly important by businesses of all sizes.

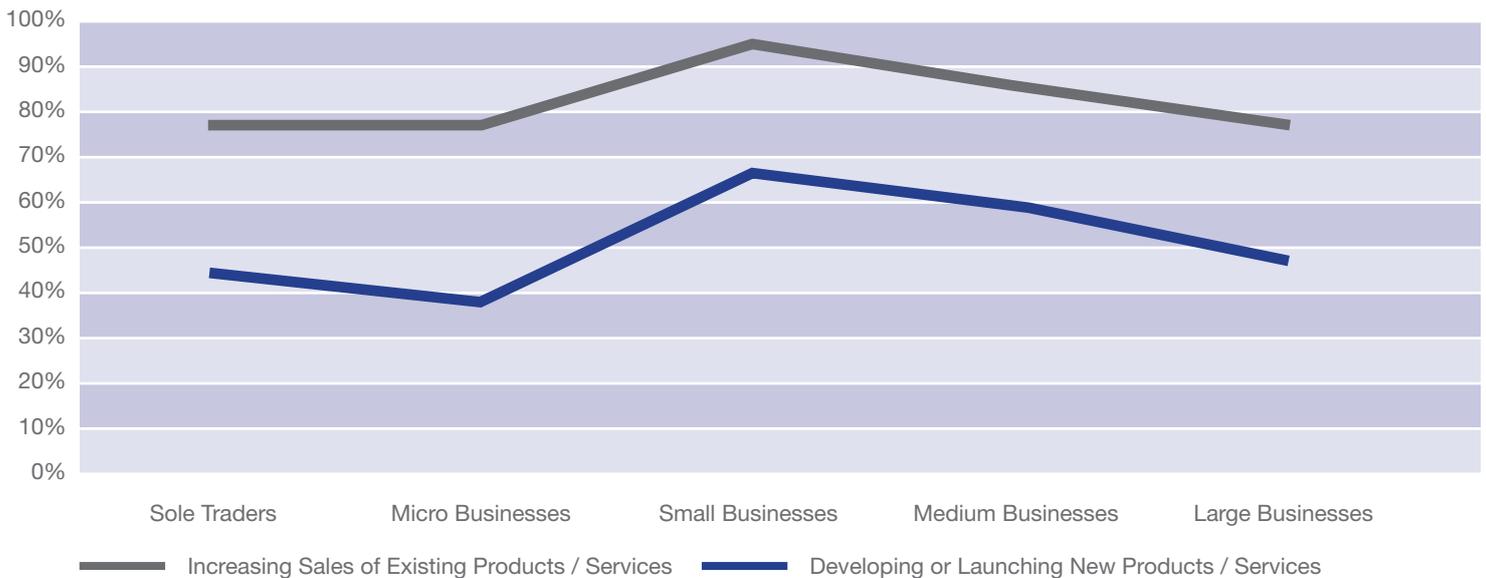
Existing v New Customers



Business Growth

There was a noticeable bias towards increasing sales of existing products/services as opposed to developing or launching new products/services. This type of trend is often associated with tighter economic conditions and a deteriorating business outlook, but neither of these factors are apparent for the region. This trend may indicate businesses are facing barriers to innovation.

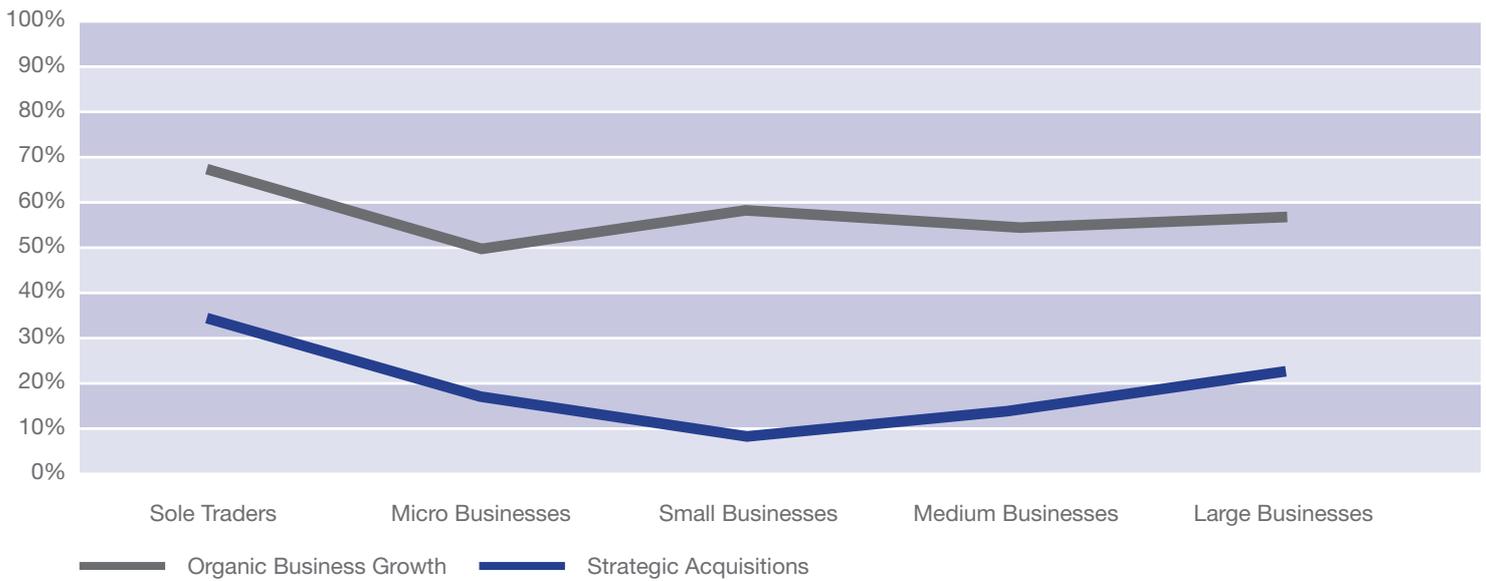
Existing Products v New Products



Business Growth

Organic growth is clearly preferred to growth by strategic acquisition by businesses in the region. This trend is strongest in the SME segment and diminishes as businesses get larger. Whilst still apparent in the Large business segment, 22% of Large businesses saw strategic acquisitions as a very important part of their growth strategy. Acquisition activity tends to be led by these larger businesses, and there is a material number of businesses looking to make such acquisitions.

Organic Growth v Acquisition



Training Support

A consistent theme from businesses in Greater Western Sydney is the importance of training and developing their workforce.

Funding for training of employees was identified as the clear preferred way for Government to provide financial support for businesses in the region.

Skills development through targeted training, combined with a local procurement policy, is seen as a catalyst for the development of Western Sydney's workforce for the future.

Across the various parts of their workforce, businesses in Greater Western Sydney have identified clear priority areas for the skills development:

	 SME Business	 Large Business
Executive Staff	Leadership/Business strategy	Business strategy
Management	Mentoring and employee development	Leadership
Administration	Computer skills	Computer skills
Professional Staff	Advanced occupation specific skills	Advanced occupation specific skills
Sales Team	Marketing and sales	Marketing and sales
Production Team	Advanced occupation specific skills/OH&S	Advanced occupation specific skills
New Starters	Basic occupation specific skills	Basic occupation specific skills

Training Support

What was also apparent beyond the high priority areas for skills development, was the breadth of skills that businesses were seeking to develop in their workforce. In addition to the priority areas identified, businesses noted four to five further skills development areas for each segment of their workforce. It is clear that businesses perceive that a range of skills need further development in their workforce.

The breadth of skill development areas is perhaps reflected in the range of education providers that businesses use.

Neither the Government nor “other tertiary education providers” were seen as likely providers of training and skills development services to businesses

For both SME Businesses and Large Business, five providers were preferred, but no one provider could be seen to be a preferred supplier. This shows an opportunity for these education providers, as no one provider holds a dominant position in this space.

Preferred education suppliers:

 SME Business	 Large Business
TAFE	Specialist training organisations
Specialist training organisations	University
In-house	TAFE
University	Professional Associations
Professional Associations	In-house

International Trade

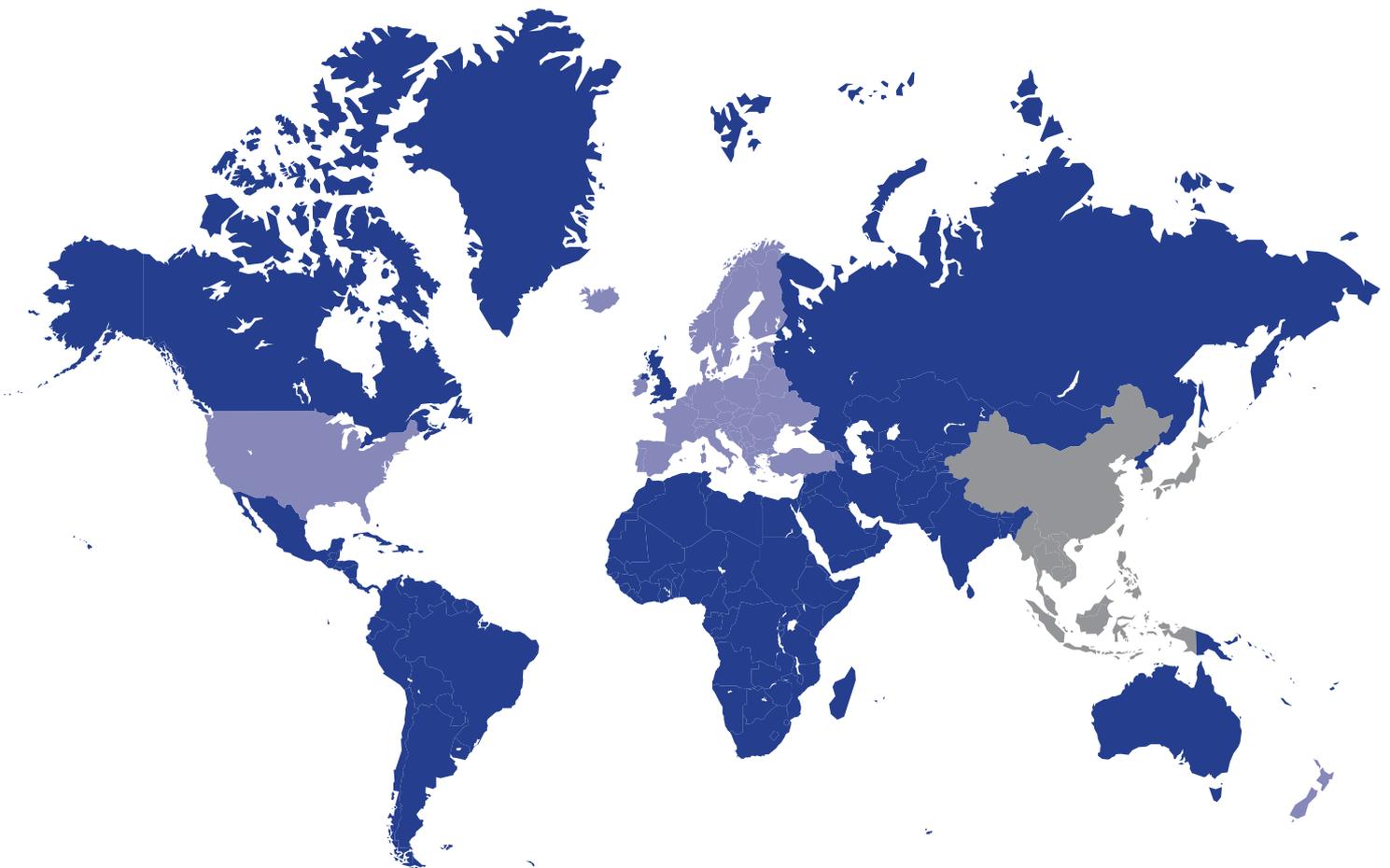
Just over half of the businesses in Greater Western Sydney participate in international trade, with half of these businesses expecting to increase the extent of their international trade in the coming 12 months.

Trade is centred around traditional English speaking markets – USA and New Zealand, as well as two major markets in our region – China and South East Asia. The key trading partners for businesses in Western Sydney are consistent with those of the broader Australian economy.

India did not feature strongly as either a current trading partner or a targeted trading partner. Whilst it is viewed by many as one of the largest export opportunities for Australian businesses, it does not appear to be a market that businesses in Western Sydney are looking at.

Current Trading Partners

- Major
- Important
- Other

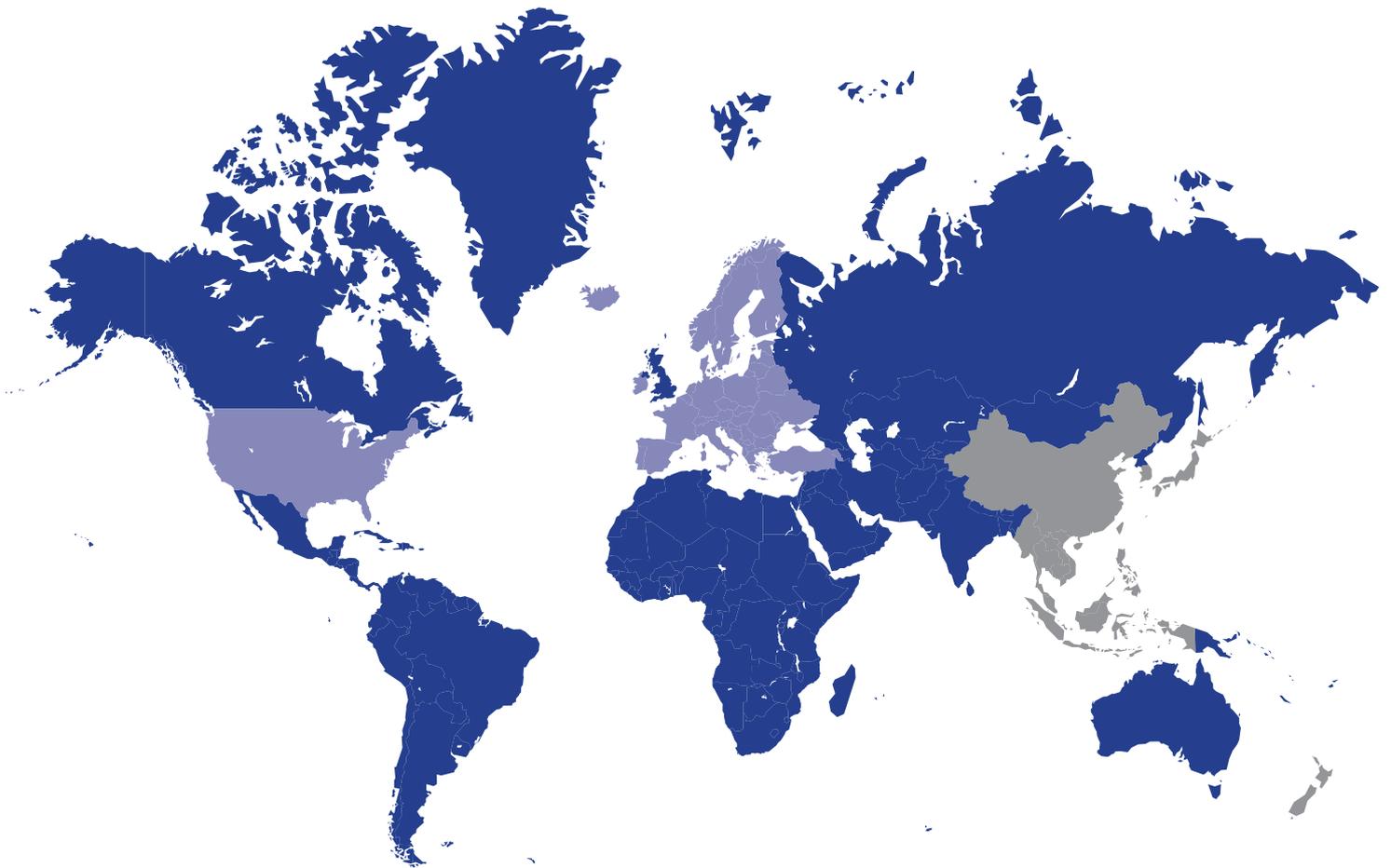


International Trade

The target markets for international trade in the next 12 months are very similar to the existing markets, with major change apparent only in respect of New Zealand.

Current Trading Partners

- Major
- Important
- Other



Business Population⁵

28%

The percentage by which the Western Sydney workforce exceeds Western Sydney employment opportunities



Self Employed (no employees)*

- 60.1% of businesses
- Approx 78,000 businesses

226,000

The number of Western Sydney residents that need to travel outside the region each day for work



Micro (1-4 employees)*

- 28.2% of businesses
- Approx 36,700 businesses



Small (4-19 employees)*

- 8.7% of businesses
- Approx 11,300 businesses

80%

The percentage of the Western Sydney workforce employed by the SME & Large Business segments (15,200 businesses)



Other (Medium and Large, 20 or more employees)*

- 3% of businesses
- Approx 3,900 businesses

*Based on ABS classification

Key Concepts

 Micro Business	 SME Business	 Large Business
4 or fewer employees	5 – 100 employees	101+ employees
Privately owned	Typically privately owned	Typically privately owned
Australian owned	Typically Australian owned, but includes some foreign owned businesses	Typically Australian owned, but includes some foreign owned businesses

The business classifications are consistent with those used by the ABS.

About the Respondents

This report is based on a survey of over 200 businesses based in Western Sydney that was conducted in June 2015.

The respondent businesses were approximately 20% Large Business, 50% SME Business and 30% Micro Business.

Approximately 90% of the individuals completing the survey identified themselves as business owners or senior management (CEO, CFO, Director or equivalent).

Source Information

¹ Highlights

A Plan for Growing Sydney NSW Planning & Environment

² Business Outlook

NAB Quarterly Survey of business confidence, Australian Small Business Sentiment

³ Employment Trends

RBA May 2015 Economic Forecast

⁴ Employment Trends

Department of Employment, Employment Projection Report, November 2014 – November 2019.

⁵ Business Population

A Plan for Growing Sydney, NSW Planning & Environment
Parramatta 2038 Community Strategic Plan,
Parramatta City Council June 2013
Australian Bureau of Statistics



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