

Making Western Sydney Greater

Q2 2016

Foreword

Resilience and strength

In the face of election uncertainty and significant global events, Western Sydney businesses continue to remain positive and seek growth.

Business owners and managers are focused on the strengths of their businesses, not the distractions of uncontrollable external events, and expect to exceed revenue and profit targets even in uncertain economic times. We have recorded two years (four survey periods) of positive revenue expectations, positive profit expectations and positive business sentiment.

Despite the strong economic outlook for the region, changing the perception of the region remains a challenge. Social issues are seen as driving negative perceptions of Western Sydney, along with unfavourable media coverage of the region. The State Government and Large Businesses are key to driving positive changes in perception.

Making Western Sydney Greater is an ongoing effort. Undertaken by national accounting firm William Buck, in partnership with St George, the Western Sydney University 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 late 2016. We encourage you to participate, and be part of this unique research which is being used to inform Government policy and programmes.

Contact us on research@williambuck.com for more details.

Your participation will help make Western Sydney greater.

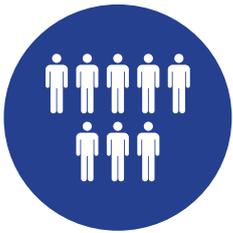
Highlights

In the fourth edition of the Making Western Sydney Greater report, some key trends and issues are apparent.



Business sentiment

Business sentiment increased notably in Q2 2016 relative to prior surveys, reaching its highest point over the past two years. This is against a backdrop of uncertain economic conditions and disruptive global events.



Achieving growth ambitions

Businesses have consistently reported positive forecast financial performance and an intention to grow their business. Comparing their reported actual outcomes to the previous forecasts shows that, overall, the forecast financial performance and business growth was actually achieved, as was the growth in full time employment.



Best kept secret

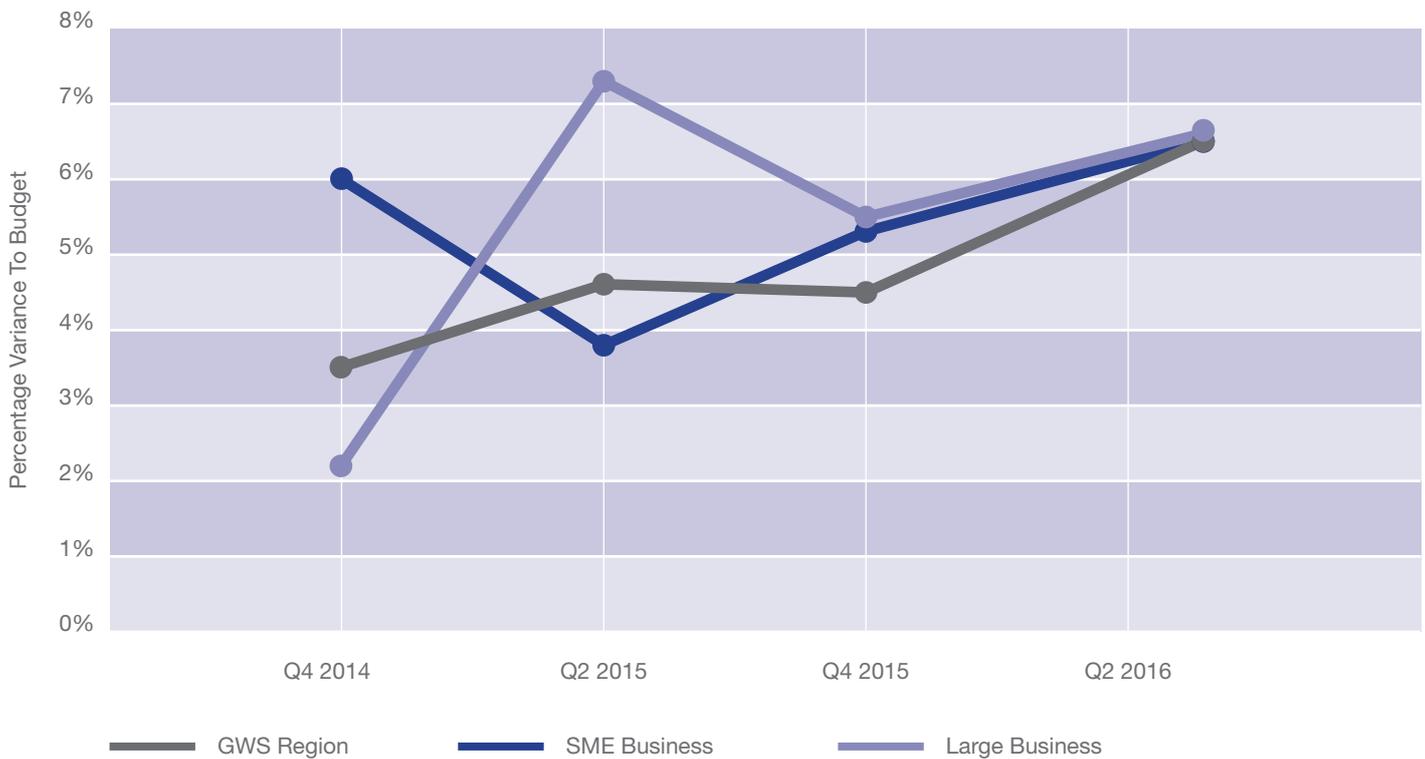
A strong theme emerging from the research around the perception of Western Sydney was that amazing projects – like the Westmead Health and Medical precinct – aren't receiving the recognition and publicity they warrant. Making sure the "world" hears about the achievements in Western Sydney is a key part of improving the perception of the region.

Economic Performance

Revenue

Revenue expectations continue to be strong amongst businesses in Western Sydney. SME Businesses expect to exceed their budgeted revenue targets by 6.5% over the coming six months, an expectation that is in line with businesses generally across the region. Large Businesses are forecasting a marginally stronger result, being to exceed their budgeted revenue targets by 6.6%.

Businesses indicated that they achieved or exceeded the revenue expectations reported in Q4 2015.

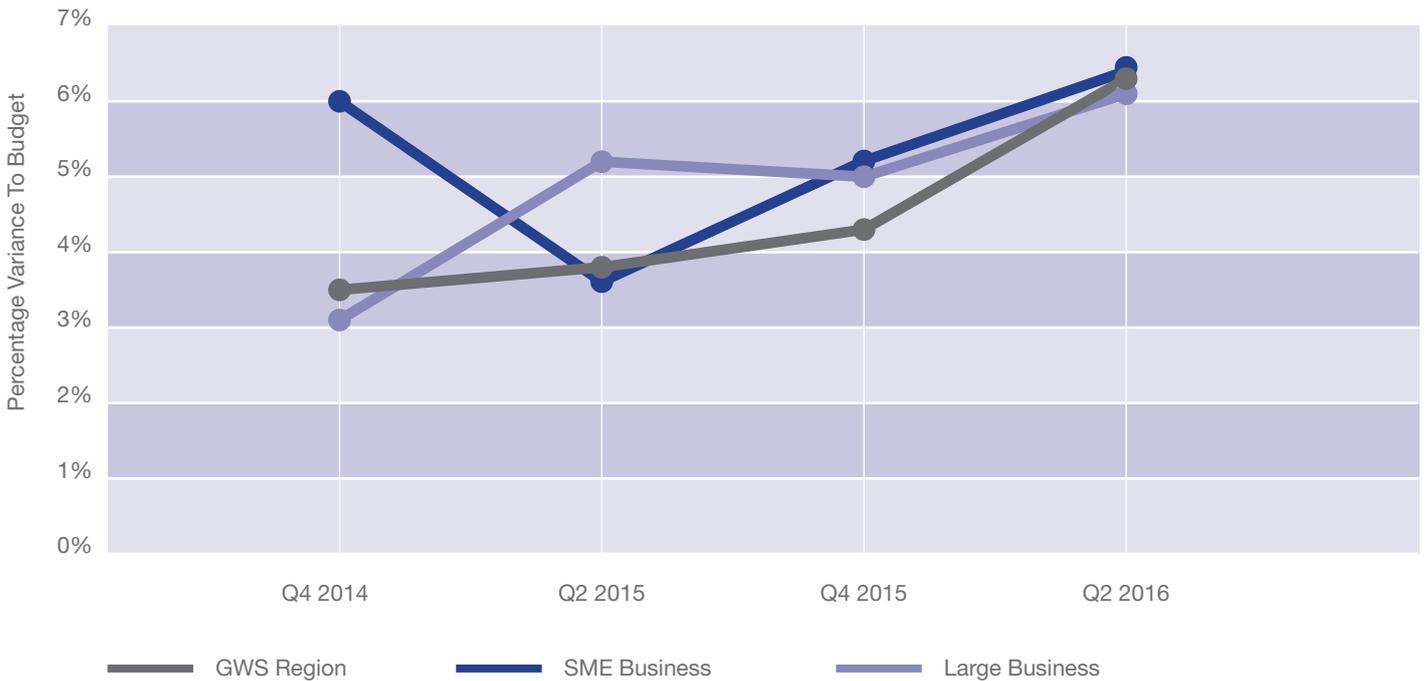


Economic Performance

Profit

Forecast profit expectations increased in Q2 2016 for SME Businesses, Large Businesses and businesses generally across the region. SME Businesses are forecasting to exceed their profit targets by 6.4% in the coming 6 months, with Large Businesses forecasting to exceed their profit targets by 6.1% in the same period. The average for all businesses across the region was 6.4%.

It is positive to observe that the strong revenue growth is also expected to boost profitability. Businesses indicated that they achieved or exceeded the profit expectations reported in Q4 2015.



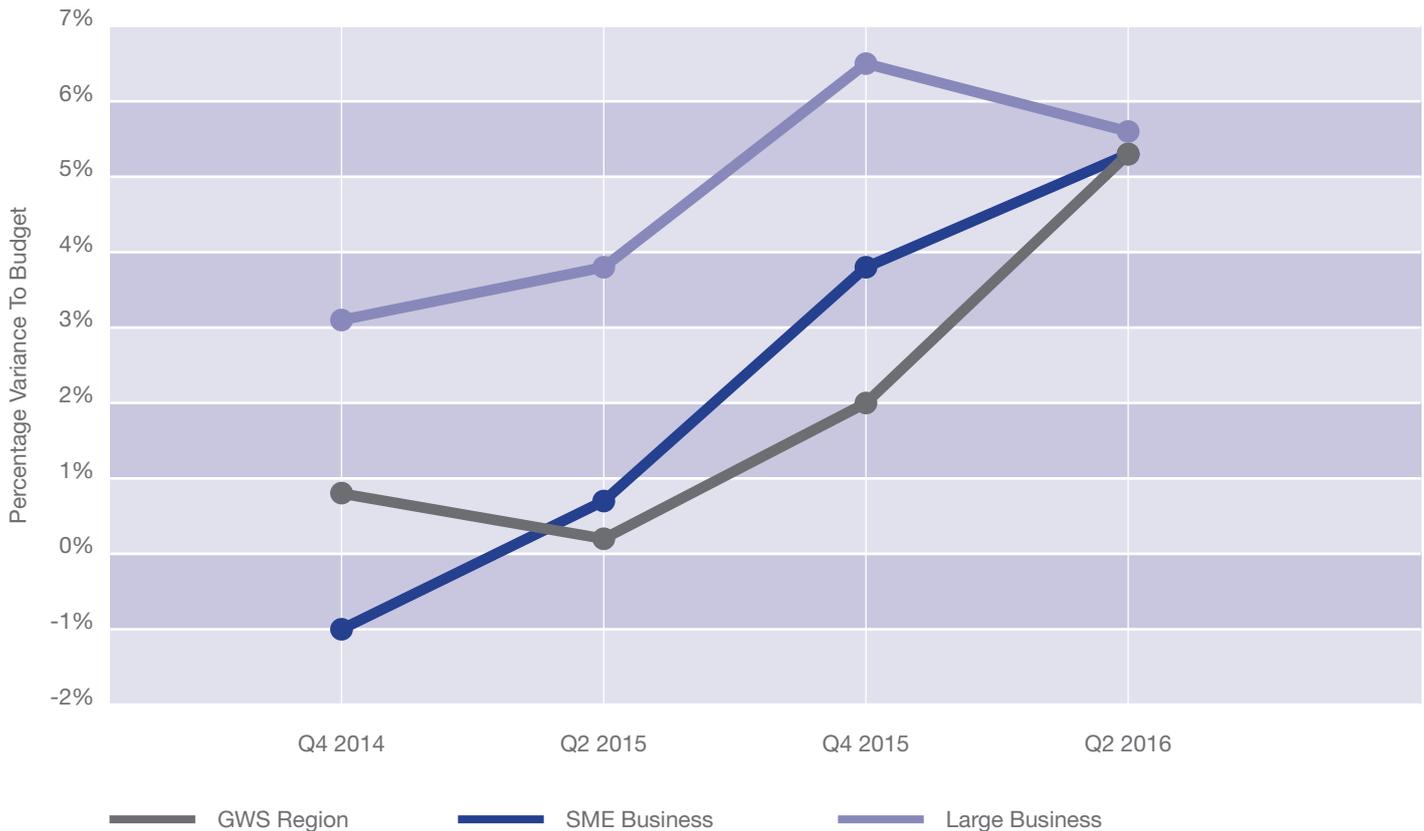
Economic Performance

Capital expenditure

Expectations regarding capital expenditure continue to be strong, with businesses in general, SME Businesses and Large Businesses all expecting to exceed their budgeted capital expenditure in the coming six months.

The expectations for Large Businesses has come back slightly from the high in Q4 2015 but remains ahead of the position for Q2 2015 and is strong, at 5.6% ahead of budget.

Forty one per cent (41%) of businesses across the region, including 51% of the Large Businesses, expect to increase their capital expenditure over the coming 12 months.



Business Sentiment

Q2 2016

26.39
Positive

Q4 2015

18.18
Positive

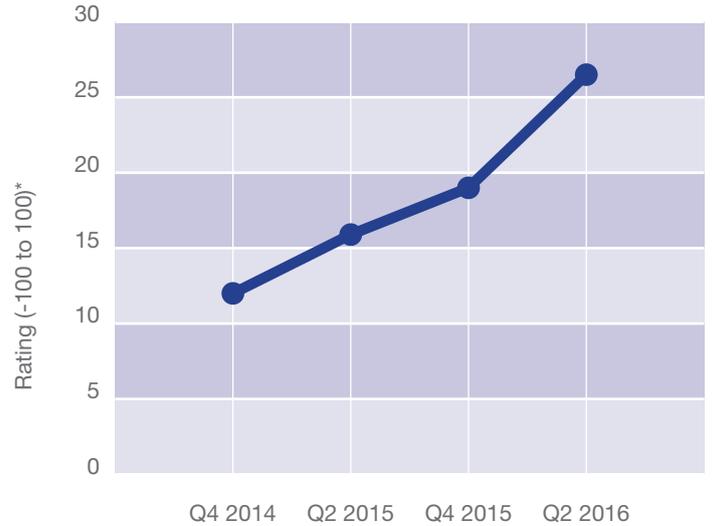
Q2 2015

15.83
Positive

Q2 2014

13.49
Positive

Business sentiment in Western Sydney is notably positive, improving from the position in the prior surveys.



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

Business Outlook

On an overall basis, the indicators suggest a continued strengthening of the overall economy in Western Sydney. Forecast revenue, profit and capital expenditure continue to be ahead of budget and the Business Sentiment Index has achieved its highest recorded result.

The weakening in results for SME Businesses shown in Q4 2015 is not apparent in the current results. SME Businesses reported performance that was strong, and consistent with Large Businesses and the region generally.

This outcome indicates a resilience and strength of the Greater Western Sydney economy, in particular when compared against the overall Australian position.

The Westpac-Melbourne Institute SME Index, which aims to provide information about the economic health of Australian small and medium sized enterprises, fell in Q2 2016 to 83.0, down 14.4 percent from Q1. A decline in profits appeared to be one of the main contributing factors. The Future Conditions Index was not as negative but at 95.1, is still under the neutral mark of 100.¹ The results of this survey show that SME Businesses in Western Sydney are not following the same trends.

The critical segment of Large Businesses reported strong forecast results and improved business sentiment. This appears consistent with, or ahead of, the position for Australian businesses.²

Sole traders and Micro Businesses also reported stronger forecast results and improved sentiment relative to Q4 2015.

This survey was conducted immediately after the Federal Election and in the midst of the Brexit aftermath and US Presidential election nominations. Business owners and managers were asked how these major events impacted on their business.

Surprisingly, the major events that dominate international headlines seem to be having limited impact on the businesses of Western Sydney.

Business owners and managers appear to be focused on the positives and strengths of their businesses, at least at this point in time, rather than on these uncontrollable external influences. Time will tell if this continues to be the case.

SME Businesses reported that Australian Federal Election result, the Brexit vote and the US Presidential elections were expected to have a neutral to slightly negative impact on their business. They also reported a slightly negative impact of the slow-down in China, but were neutral about the Trans Pacific Partnership agreement (which is now under question given comments made in the US Presidential election campaign). These results were consistent with those for Western Sydney as a whole.

Large Businesses showed less concern about the impact on their businesses of the Australian Federal Election, Brexit vote, the US Presidential elections and the Trans Pacific Partnership agreement, being largely neutral on these four events. Large Businesses were more negative in their outlook regarding the impact of the slow-down in China, reflecting that these businesses tend to have a higher level of international trade.

Respondents from the Not for Profit and Charity segment were more negative than the business respondents on the impact that the result of the Australian Federal Election will have on them.

The Western Sydney economy is strongly influenced by SME Businesses. The indicators show that these businesses are outperforming similar businesses in other regions across Australia.

Business Growth

Reflecting the positive business sentiment, businesses in Western Sydney are looking to grow.

95%

The percentage of Large businesses and SME businesses with business growth as an objective for the coming 12 months.

12%

The average expected level of growth for the coming 12 months.

12%

The actual level of growth achieved in the previous 12 months (compared to 9% expected growth reported in the previous survey).

Business growth and government policy

Our research has consistently shown that employment related factors are the biggest impediments to growth identified by businesses in Western Sydney.

The biggest issues impeding growth are:

- Cost of labour
- Payroll tax and employment costs
- Inability to attract sufficient staff with the required skills

These factors are reflected in the policy priorities for the new Federal Government that have been nominated by business owners and managers from Western Sydney.

The key business related policy priorities are:

- Education
- Taxation
- Employment and Workplace

Significant importance was also attributed to health policy and the overall level of government expenditure.

Issues such as foreign policy, immigration and environment were seen as less important (although they were still seen as relatively important).

The employment related impediments are most acutely felt by growing SME Businesses that come into the payroll tax system and more complex workplace regulations. While Large Business are impacted by the same set of issues, they usually have greater resources to manage them. These businesses are particularly affected by an inability to attract sufficient staff with the required skills.

Addressing these impediments is a major way that the Federal and State governments could support businesses in Western Sydney.

Employment Trends

44%

of Western Sydney businesses expect to increase in their full time or part time workforce in the next 6 months.

As a region, employment intentions are slightly positive with the intention to employ improving from the last survey (Q4 2015). SME Businesses and Large Businesses are expecting to maintain or increase their full time workforce as well as increase the use of contractors, but their overall employment intention has weakened marginally.

The unemployment rate sits at 5.2% for NSW and 5.7% for Australia, with both trending down over the past 12 months as new jobs are created.³ The employment intention position for businesses in Western Sydney reflects this same trend as businesses expect to continue to grow their workforce over the balance of 2016.

In the Q4 2015 survey businesses reported an intention to grow employee numbers in all forms – full time, part time, casual and contractor. This has changed for the current period. The larger employers are showing a decreasing preference towards part time and casual employment. This does not appear to be due to the conversion of these forms of

63%

of Western Sydney businesses expect no change in their full time or part time workforce in the next 6 months.

employment into full time work, as the employment intent for full time employees has also decreased, although it continues to be positive. This change should be interpreted in context – these business continue to expect to grow and to increase their overall level of employment.

For two years, SME Businesses and Large Businesses across Western Sydney have maintained a positive intention to increase full time employees in their workforce.

Employment Trends

Forecast increase/decrease in workforce

	 GWS Region Q2 2016	 SME Business Q2 2016	 Large Business Q2 2016
Full Time	3.19% Q2 2016 1.96% Q4 2015 1.90% Q4 2014 -0.50%	2.11% Q2 2016 2.29% Q4 2015 1.60% Q4 2014 1.65%	4.47% Q2 2016 6.00% Q4 2015 3.30% Q4 2014 4.15%
Part Time	0.90% Q2 2016 1.35% Q4 2015 0.20% Q4 2014 -1.20%	-1.05% Q2 2016 1.71% Q4 2015 0.30% Q4 2014 -0.10%	1.18% Q2 2016 2.50% Q4 2015 0.70% Q4 2014 -1.20%
Casuals	0.96% Q2 2016 3.65% Q4 2015 -0.30% Q4 2014 0.60%	1.05% Q2 2016 1.29% Q4 2015 0.40% Q4 2014 -0.30%	0.26% Q2 2016 5.00% Q4 2015 0.00% Q4 2014 -0.60%
Contractors	2.41% Q2 2016 1.76% Q4 2015 0.30% Q4 2014 -0.60%	3.16% Q2 2016 0.57% Q4 2015 0.40% Q4 2014 1.90%	2.24% Q2 2016 2.50% Q4 2015 -0.30% Q4 2014 0.60%
Employment Intent	Slightly positive	Slightly positive	Slightly positive

Expected reductions in workforce

Just under 10% of businesses in the region expect to decrease their workforce over the next 12 months, with this intention more prevalent in smaller businesses. Price pressures from customers and competition from low cost of employment countries are the dominant factors driving these intentions. Natural attrition and termination of specific under-performing employees continue to be the preferred ways to manage reductions in employee numbers.

These results have not changed materially from the previous survey.

Employment Trends

Actual increase/decrease in workforce

	 GWS Region Q4 2015	 SME Business Q4 2015	 Large Business Q4 2015
Full Time	<i>Actual 2.35%</i> <i>Forecast 1.96%</i>	<i>Actual -0.26%</i> <i>Forecast 2.29%</i>	<i>Actual 5.66%</i> <i>Forecast 6.00%</i>
Part Time	<i>Actual -0.42%</i> <i>Forecast 1.35%</i>	<i>Actual -0.53%</i> <i>Forecast 1.71%</i>	<i>Actual 0.13%</i> <i>Forecast 5.00%</i>
Casuals	<i>Actual 0.18%</i> <i>Forecast 3.65%</i>	<i>Actual -0.53%</i> <i>Forecast 1.29%</i>	<i>Actual 1.84%</i> <i>Forecast 5.00%</i>
Contractors	<i>Actual 0.60%</i> <i>Forecast 1.76%</i>	<i>Actual -0.79%</i> <i>Forecast 0.57%</i>	<i>Actual 0.92%</i> <i>Forecast 2.50%</i>

For the first time, businesses were also asked to report on their actual employment changes in the previous six months, enabling a comparison with the forecast employment intention.

The results are mixed. Across the region and for Large Business, the critical measure of employment intention for full time employees was translated into actual jobs. For other forms of employment, the actual jobs created fell short of the expected levels. During the same period, these businesses still reported achieving above average profit and revenue results. There continues to be strength in business activity, it is just not translating into the level of growth in employment as was forecast.

Facing Challenges

The overall results for Greater Western Sydney as a region, as well as for SME Businesses and Large Businesses, points to the strength and resilience of the Western Sydney economy. However, not all businesses are enjoying a period of strong growth. Some businesses are facing particularly challenging times.

Eighteen per cent (18%) of businesses reported a negative business sentiment, and a further 17% are neutral in their business sentiment. The negative/neutral sentiment was not confined to a particular size of business with all business sizes represented in this group.

The weakest business sentiment was in the South West subregion, followed by the West Central subregion.

The businesses reporting a negative/neutral sentiment do not, on an overall basis, intend to change the size of their workforce. However, the SME Businesses in this group have indicated an intention to reduce their workforce by 2.5%. They also reported reducing their full time employees by 5% in the previous six months.

Businesses in the South West subregion indicated an expected reduction in full time employees of 3.5% in the coming six months, and reported a similar reduction as having occurred in the previous six months. This was the largest reduction reported by any of the subregions.

Growth expectations were understandably subdued in this group. Most were forecasting no growth, or growth at approximately the rate of CPI. Revenue and profit targets were forecast to be achieved, but those targets are likely to already factor in the reduced levels of business growth.

The West Central subregion reported the most positive forecast results of the three subregions.

The general economic conditions and price pressures from customers were cited as two of the bigger issues impacting these businesses. This group was negative in their views on the result of the Australian Federal Election, but no more concerned about the global factors (Brexit, US elections, China slow down and TPP) than the broader survey group.

A negative perception of Western Sydney was identified as an issue affecting businesses in the region. However, the businesses reporting a negative/neutral sentiment did not have any noticeable difference in views on the perception of Western Sydney as compared to the broader survey group.

The businesses reporting a neutral or negative business sentiment were from a wide range of industries including: Health; Manufacturing; Aged Care; Education; Professional Services; Retail / Wholesale; Education; Professional Services; Investment / Financial Services; and Property / Construction.

Perception

An interesting finding in the last survey was the importance of the “perception of the region” to business and the diverse scope of views on this point.

For businesses in the West Central subregion, the perception of the region was generally seen as beneficial for business, whilst for the West subregion and the South West subregion, the perception of the region was seen as an overall negative factor. Within those responses, however, there was a significant range of opinions, such that perception of the region was both in the top five benefits and the top five problems identified by business in the West Central subregion.

We explored the perception of the region issue in more detail in the current survey.

Perceptions on perception

There was a level of agreement that people living within Western Sydney tend to have a positive view of the region. By way of contrast, there was also agreement that people living outside of Western Sydney tend to have a negative perception of the region.

The view is that people judge Western Sydney relative to the rest of Sydney, rather than relative to other major regions across Australia. Negative perceptions of Western Sydney were considered to be based on social issues rather than business issues.

Businesses also showed a level of agreement (but not strong agreement) that being based in Western Sydney was good for their business. There was a wide range of views on this issue, with the most notable trend being that larger businesses tended to see being based in Western Sydney as a greater positive for their business than smaller businesses did. This may reflect that the larger businesses have a choice of where to locate and have actively chosen to locate in Western Sydney. Smaller businesses tend to be based around where the proprietor lives.

The role of the media in influencing perceptions of Western Sydney was apparent. The view is that the media tends to be negative in the way that it reports social issues in Western Sydney, but more neutral in the way that it reports business issues. Not for Profit / Charity respondents were most sensitive to the media reporting on social issues, with a strong view that there was a tendency to report in a negative way.

There was general agreement that the perception of Western Sydney had improved over the past 10 years. Critically, Large Businesses recognised the key role they can play in influencing perception. The challenge, as always, is putting this into action.

Perception

Who can influence a change in perception?

Significant Influence	Moderate Influence	Some Influence
NSW Government	Federal Government	SME Business
Large Business		Community Groups
Local Councils		

How to change perception

The most significant impact on changing perception was considered to come from the relocation of operations to Western Sydney and the expansion of existing operations in Western Sydney.

Business owners and managers clearly believe that driving the economic growth and prosperity of the region, and creating greater job opportunities in the region, are the best long term strategies for improving the perception of the region.

A moderate to significant positive impact was seen as coming from more partnerships between businesses and education providers focused on creating training and job opportunities.

This is an ongoing theme emerging from our research and an area where larger businesses in particular can play a lead role.

Businesses considered that a moderately positive impact could be achieved by greater business involvement in developing policies for the region.

At a local level, this can be achieved by businesses working more closely with the local councils. Businesses also saw that greater engagement with business organisations in the region would be beneficial in changing perceptions of the region.

Business involvement with cultural events and local clubs, etc. is often seen as a key way for businesses to engage with the community. These actions were considered to have some positive impact on changing perceptions of Western Sydney, but were rated notably lower in their impact than the other actions discussed above.

Perception

If you could change one thing to improve the perception of Western Sydney ...

“Shift the Headquarters of an iconic organisation to Greater Western Sydney.”

“Reduce road congestion.”

“Take the trucks off the roads on weekends like in Europe.”

“Overhaul public transport infrastructure.”

“Get the new airport project moving.”

“Continue to relocate public authorities and facilities to Western Sydney from the Sydney CBD.”

“Encourage national media to promote positive news about the region.”

“Minimise commute times and bring the jobs to the people.”

“Build more affordable housing and more family parks.”

“Provide more funding for businesses that operate in the west.”

“Develop a media campaign promoting what is happening in Greater Western Sydney.”

“Promote companies already based in the area.”

“Develop more consistent messaging around the positive developments currently happening in the region and the contribution of places like Westmead Hospital to our society.”

Our Best Kept Secret

Western Sydney – Leading Australia’s Medical Industry^{4&5}

The Westmead Health and Medical precinct is one of the largest health, research, education and training precincts in the world.

It involves the innovative combination and ongoing collaboration of public and private sector operators, educational and research institutions, charities and Non-Government Organisations.

Westmead provides 18,000 jobs, making it the largest employer among Sydney’s seven health and education precincts.

By 2036 the workforce at Westmead is expected to increase from 18,000 to 32,000 and with additional investment could reach 50,000. The number of students is expected to grow from 2,600 to 9,000.

The Westmead Health and Medical precinct includes world class institutions such as:

- Westmead Hospital
- The Children’s Hospital at Westmead
- Cumberland Hospital
- Westmead Research Hub
- Westmead Private Hospital
- Western Sydney University
- The University of Sydney
- The Westmead Institute for Medical Research
- Children’s Medical Research Institute
- Pathology West – ICPMR Westmead
- Ronald McDonald House at Westmead

The \$1 billion being invested into Westmead aims to redevelop the precinct into a thriving “health city” that delivers benefits across Western Sydney and beyond.

With health precincts at Liverpool and Penrith also generating over 6,000 jobs each and having partnerships with major universities, the health precincts across Western Sydney employ approximately 60% of the workforce of Sydney’s seven integrated health, research and education precincts.

Western Sydney, leading Australia’s medical industry.

The \$1 billion being invested into Westmead aims to redevelop the precinct into a thriving “health city” that delivers benefits across Western Sydney and beyond.

Subregions⁶

Greater Western Sydney is divided into three subregions – West Central, West and South West.

West Central subregion

The West Central subregion comprises the Blacktown, Canterbury-Bankstown (part of), Cumberland, Parramatta and The Hills local government areas.

The major centres for business and employment are Greater Parramatta (including Westmead, Rydalmere and Camellia), Sydney Olympic Park, Norwest, Blacktown, Bankstown, Castle Hill, Rouse Hill, Marsden Park and the Bankstown Airport-Milperra area.

This area has one of the youngest and most diverse populations in Australia, with Greater Sydney's largest urban Indigenous population.

Businesses in the West Central subregion perceive that being based in Western Sydney is good for their business and that the perception of the region has improved over the last 10 years.

1,036,850

people live in the West Central subregion

87%

of businesses are expecting to grow

455,000

people work in the West Central subregion

12%

expected growth rate

85,100

hectares

28

business sentiment (positive)

14%

of land is open space

3%

forecasted increase in full time employees

Subregions

West subregion

The West region comprises the Blue Mountains, Hawkesbury and Penrith local government areas.

Penrith is the district's major employment and shopping area and home to around 60 per cent of the district's jobs. Reflective of its size, the remaining employment is spread across multiple smaller locations. Less than 5% of the jobs in Greater Sydney are in this region.

Businesses in the West subregion have a strongest view (of the three subregions) that people who live in Western Sydney have a positive perception of the region, and that negative perceptions of the region tend to be focused on social issues.

327,850

people live in the West subregion

70%

of businesses are expecting to grow

114,900

people work in the West subregion

11%

expected growth rate

461,200

hectares

29

business sentiment (positive)

71%

of land is open space

4.3%

forecasted increase in full time employees

Subregions

South West subregion

The South West subregion comprises the Camden, Campbelltown, Fairfield, Liverpool and Wollondilly local government areas.

The South West subregion is the fastest growing district in Sydney. It is the location of the proposed Western Sydney Airport at Badgerys Creek and the expanded Liverpool Hospital (which is a principal referral and teaching hospital of the University of NSW and the Western Sydney University).

Business conditions and sentiment appear weaker in the South West subregion relative to rest of Western Sydney.

Businesses in the South West subregion agreed that people who live in Western Sydney have a positive perception of the region, but of the three subregions were the least strong in this view. By way of contrast, they held the strongest view (of the three subregions) that people outside of the region had a negative perception of Western Sydney.

636,800

people live in the South West subregion

73%

of businesses are expecting to grow

210,000

people work in the South West subregion

8%

expected growth rate

344,500

hectares

16.7

business sentiment (positive)

51%

of land is open space

-0.6%

forecasted decrease in full time employees

Business Population⁷

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	Includes private business, public companies, Government entities and some other entities.
Australian owned	Typically Australian owned, but includes some foreign owned businesses	Australian and foreign owned

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

About the Respondents

- The Making Western Sydney Greater reports are based on a survey of approximately 200 businesses based in Western Sydney.
- The Q2 2016 survey was conducted in July and August 2016.
- 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

Business Outlook

¹ Westpac-Melbourne Institute Small Business Index June 2016

² NAB Monthly Business Survey – June 2016

Employment Trends

³ Australian Bureau of Statistic, 6202.0 Labour Force, Australia July 2016

Western Sydney - Leading Australia's Medical Industry

⁴ <http://www.westmeadproject.health.nsw.gov.au/precinct/westmead-precinct#sthash.wEfBsNqy.dpuf>

⁵ <http://www.smh.com.au/nsw/westmead-could-become-silicon-valley-of-health-innovation-20160718-gq82lc.html>

Subregions

⁶ <http://www.greatersydneycommission.nsw.gov.au/What-We-Do/Greater-Sydney-District-Plans/District-Planning-Overview>

Business Population

⁷ A Plan for Growing Sydney, NSW Planning & Environment



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**WESTERN SYDNEY
UNIVERSITY**

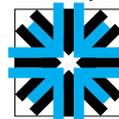


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