



The South Australian lifestylepreneur movement

Connectivity facilitating the
rise of entrepreneurialism in
South Australia





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The lifestylepreneur report was commissioned by **nbn** and developed by demographer Bernard Salt on behalf of KPMG. The study examined business growth in regional Australia. Source of all statistics and trends is Australian Bureau of Statistics (ABS).

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The Adelaide story

Adelaide is a city and region that has endured more than its fair share of turmoil over recent years with the closure of the local car-making industry and issues associated with energy supply. Yet Adelaide continues to prosper and grow and to present opportunities for business and development. As Adelaide transitions after the post-car manufacturing boom, the city is facing a structural shift to its employment and business sector which is making way for innovative and resilient start-ups who are tapping in to the growing services sector. The city is also presented with challenges particularly with regard to rising unemployment levels but equally the city maintains good institutions and infrastructure and offers its rising pool of residents a good quality of life underpinned by affordable housing.

Adelaide prospered in the late 19th century on the back of agribusiness associated with grain growing and export. In the 20th century the state's industrial credentials were established with the Whyalla steelworks and the development of a manufacturing base within Adelaide. Toyota, Mitsubishi, GM Holden and even whitegoods manufacturer Email (not to be confused with the later term for electronic mail) all established production plants in Adelaide.

The city boomed in the post-war years as indeed did Melbourne and Sydney. Adelaide expanded to the south beyond Marion and to the north beyond Salisbury. A new town in the British New Town mould was established at Elizabeth in the 1950s based around the GM Holden plant and which attracted migrants from the UK.

Defence was always a major factor in the South Australian economy. The UK's atomic weapons and rocket testing facility was based in South Australia's Woomera. And although that program was shut down in the 1960s it left Adelaide with a residue of defence skills and infrastructure on the north side of the city. This historic link to the development of defence infrastructure was extended when Adelaide was chosen as the site to develop Australia's Collins class submarines and even more recently with announcements for the construction of the next generation of submarines.

And then there's the agricultural fecundity and the sheer mineral wealth of the state of South Australia. Uranium and copper at Olympic Dam, gas at Moomba, gold at Prominent Hill. ASX top 100 listed business Santos, a global resources company, is based in Adelaide. Well known wine producers like Penfolds and Wolf Blass and many others are based in South Australia and which make a contribution to the state's reputation for delivering a sophisticated lifestyle.

Even the scale and layout of Adelaide is conducive to delivering a better lifestyle experience. The city contains 1.1 million people making it equivalent to one-quarter of Sydney and Melbourne and a million people smaller than Perth and Brisbane. The city is well balanced with the Central Business District (CBD) centrally positioned within the urban mass. Commuting is always tough in a big city but it's easier in Adelaide than in any other big Australian city. And it's more affordable, which we shall discuss later.

But of course, there is more to South Australia than the capital city—although this thinking also applies to other Australian states. The Eyre Peninsula, the Barossa Valley, the Riverland and the South East are all remarkably fertile and prosperous agricultural regions. As indeed are the hills and the coastal settlements coast that sit within commutable distance of Adelaide. Places like Hahndorf and Mt Barker in the Adelaide Hills and Victor Harbor and Goolwa on the edge of the Fleurieu Peninsula that emerged initially because of their access to lifestyle amenity are now perhaps attracting small business entrepreneurs seeking to establish a businesses from a lifestyle location giving rise to the so-called "lifestylepreneur movement". This the idea of entrepreneurs of all ages moving to, or evolving within, lifestyle locations to develop or start a business that is often based upon or dependent upon broadband delivered via the nbn™ access network.

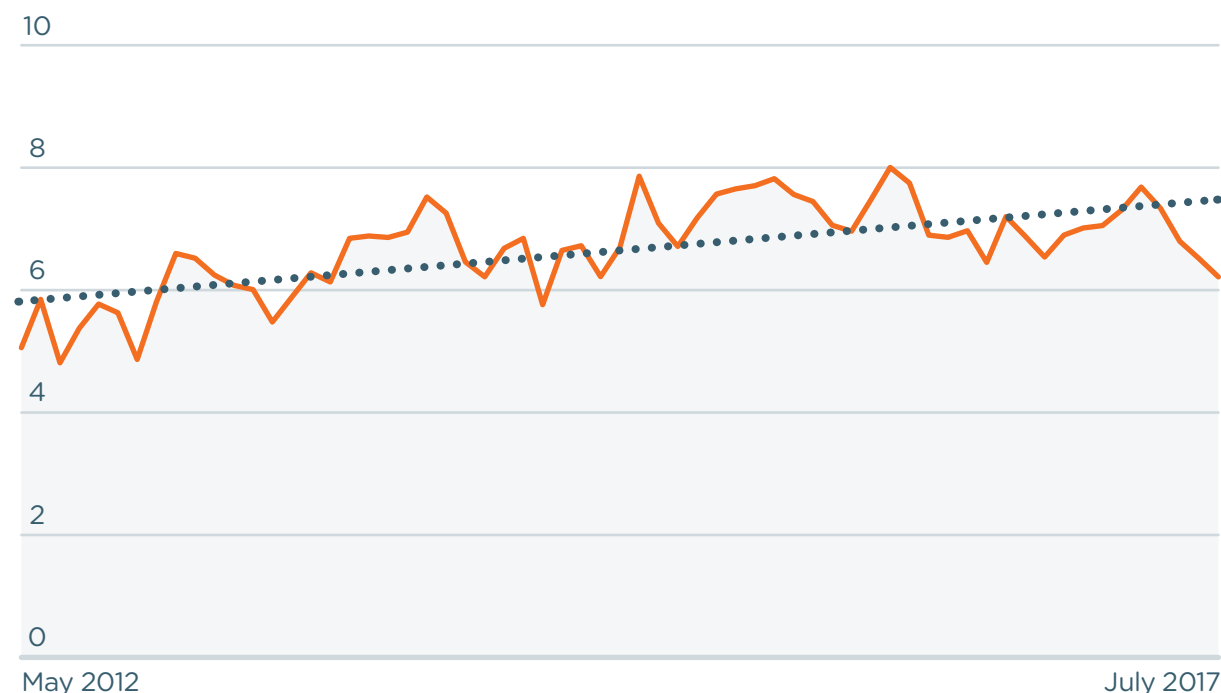


Tough times prompt innovative responses

These are tough times for Adelaide. The city's unemployment rate has stubbornly lifted over the last five years. There was a fall from 7.6 per cent in March to 6.2 per cent in July but the trend line remains above the Australian average. September figures due to be released in October are crucial for the state: these figures will confirm whether this year's fall is structural or an aberration. The generally elevated levels of unemployment are of course a function of the end of the construction phase in the mining boom combined with the closure of the local car-making industry.

Other parts of South Australia have experienced remarkably low levels of unemployment, even in these tough times. In March this year the unemployment rate was less than four per cent in Aldgate, Hahndorf, Clarendon, McLaren Vale and Strathalbyn. In Victor Harbor the rate was 6.1 per cent in March down from 10.2 per cent in September 2015. This lifestylepreneur region appears to be a remarkably resilient. Yes, unemployment surges above the national average at times but it can and it does back to trend within a year or so. Something is delivering this region resilience.

Unemployment rate (%) in the Greater Adelaide region



Source: ABS 6291

And yet despite these tough times Adelaide continues to grow and to attract more people than it loses through immigration. Adelaide added around 47,400 residents over the five years to July 2017 or an average of just under 10,000 per year or about one per cent per year. This growth rate is slower than that recorded for other big cities on the eastern seaboard but then Adelaide again never approaches these growth rates. Adelaide and Adelaideans have always seen themselves as the sensibly-scaled capital-city option.

Business entities in Adelaide

Demographic	July 2012	July 2017	Growth #	Growth %
Working age population (15-64)	850,200	869,800	19,600	2.3%
65 and over	197,900	225,800	27,900	14.1%
Total population over 15	1,048,100	1,095,600	47,500	4.5%

Source: ABS

Adelaide's tough times are probably best illustrated in an Australian Bureau of Statistics (ABS) dataset that captures the rise and fall of business numbers. Between 2012 and 2016 the number of businesses registered with the Australian Taxation Office (ATO) based in Adelaide dropped from 108,768 to 107,077 reflecting a net loss of 1,691 businesses. Contraction in business numbers isn't necessarily a bad thing; fewer businesses employing more people can lead to better economies of scale and a lift in overall prosperity. Although the better scenario is where there is both: more businesses and more employment.

Change in Adelaide business entities

Business Size	2012	2016	Change	Change %
Sole Trader	72,306	71,471	-835	-1.2%
1-4 Employees	23,931	23,630	-301	-1.3%
5-19 Employees	9,720	9,462	-258	-2.7%
20-199 Employees	2,686	2,491	-195	-7.3%
200+ Employees	125	78	-47	-37.6%
Total	108,768	107,077	-1,691	-1.6%

Source: ABS

Big-business numbers (employing 200+ employees) dropped by 38 per cent over this period (from 125 to 78). The number of medium businesses (employing 20-199 employees) dropped by seven per cent. Whichever way you look at these numbers it is clear that there has been a contraction of bigger business entities in Adelaide over the last five years.

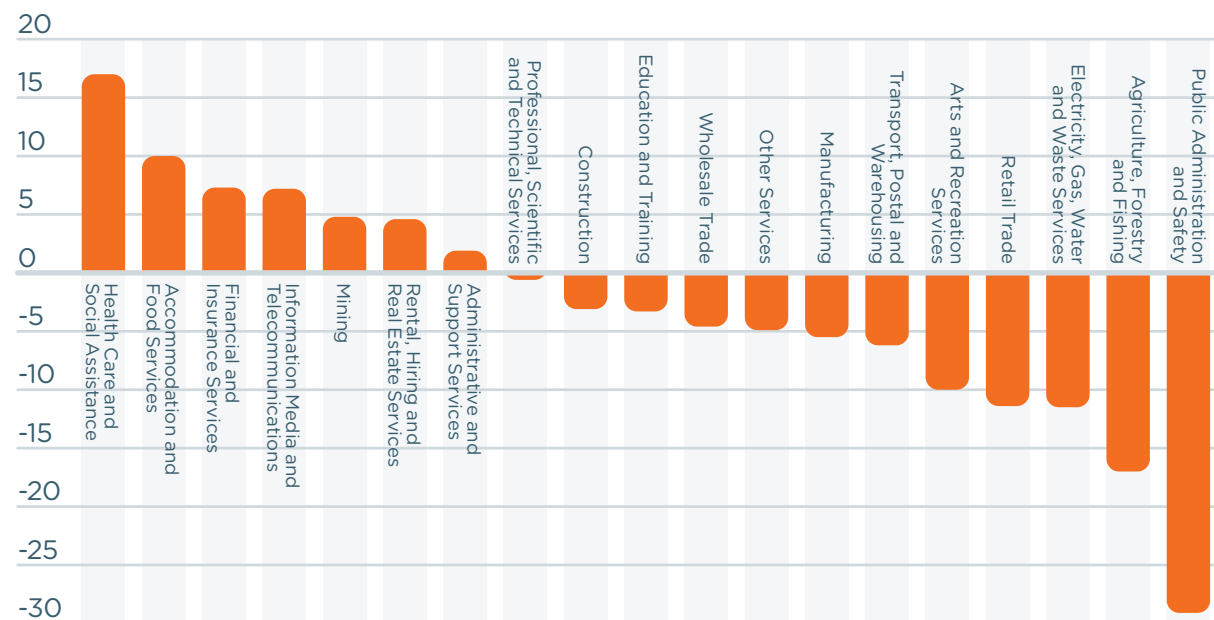
And yet employment is still rising. Between May 2012 and May 2017 the number of workers based in Adelaide increased from 631,400 to 643,200 which is an increase of 11,800. So, in this period Adelaide lost its car-making industry, there was a significant contraction in the number of big-business entities, but the city nevertheless gained 48,000 net extra residents and it boosted worker numbers by almost 12,000. The overall rate of unemployment lifted by about one percentage point over this period. For a city supposedly undergoing tough times Adelaide is holding up remarkably well. I wonder what could be sustaining the city?

Identifying Adelaide's growth drivers

The ABS dataset that tracks the rise and fall of business numbers also tracks these changes by industry. The total number of business entities in Adelaide may have dropped by 1,691 (two per cent) over the five years to May 2017, but there were key areas of significant business growth over this period.

The number of business entities dropped by more than eight percentage points in manufacturing, mining, agriculture, retail, utilities and public administration. However, this was partially offset by growth of more than eight percentage points in businesses associated with healthcare and accommodation. The number of business operating in financial and insurance services increased by 7.9 per cent lifted 7.9 per cent over these years.

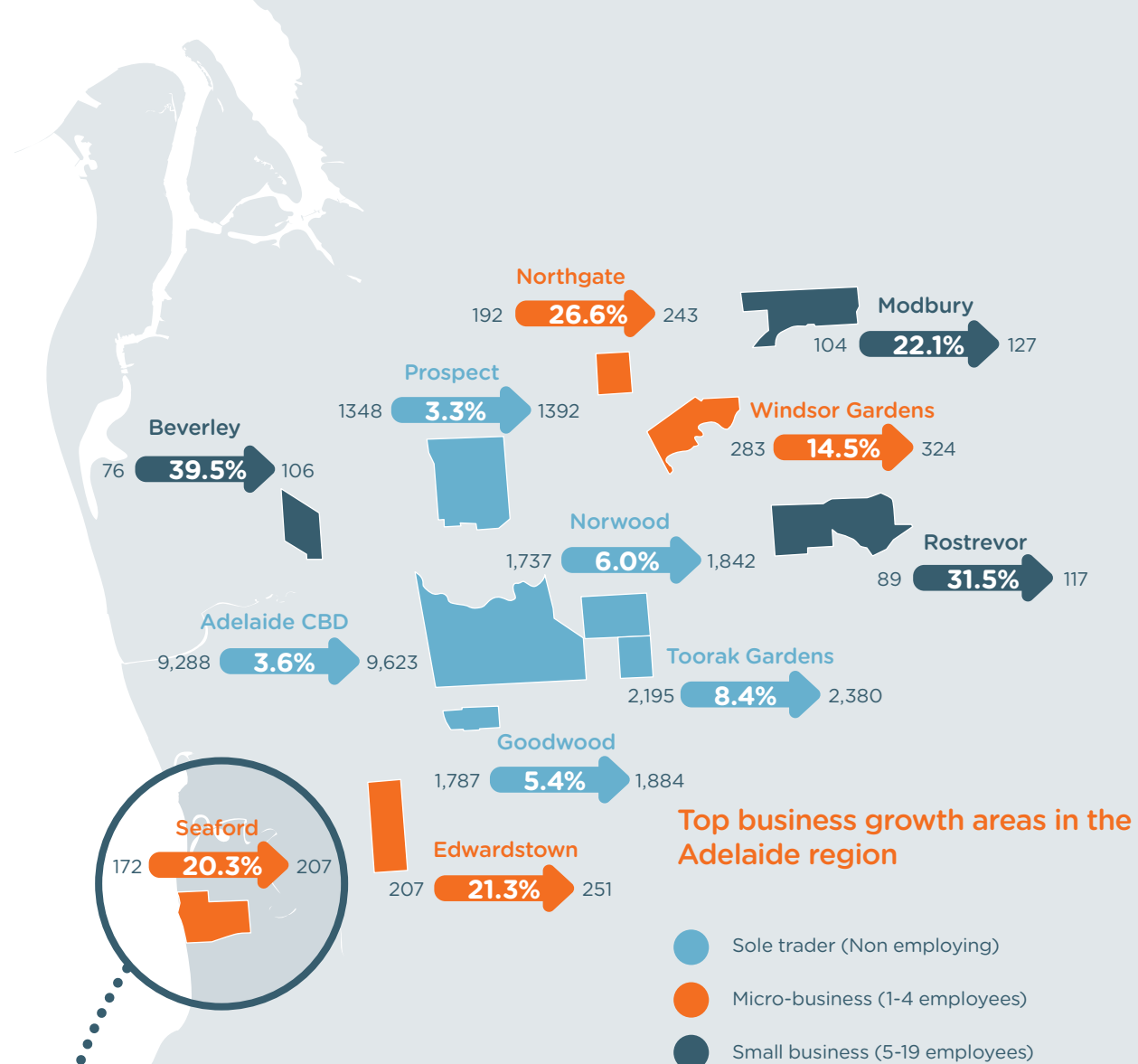
Industry of employment change (%) for sole traders between 2012 and 2016



Source: ABS Labourforce Survey

Adelaide is a mixed bag. Yes, there has been a significant contraction in business numbers. But then this trend—though perhaps less severe—is also evident in other cities. And yet amid all this turmoil there is still an entrepreneurial spirit driving new business activity in services like healthcare and financial services and also in accommodation. There are bright spots in Adelaide; the trouble is they are often eclipsed by structural changes at the big end of town.

But the take-out is there is an underlying entrepreneurial spirit that drives business formation even in the toughest of times. Perhaps some of these new businesses are being formed by retrenched workers. And in which case the community response should be to support those willing to have a go.



Top business growth areas in the Adelaide region

Identifying Adelaide's new-business hotspots

At the macro level the number of sole traders operating in Adelaide dropped by 835 to 71,471 over the four years to June 2016. However, this figure cannot be viewed in isolation. The number of start-ups operating within the Adelaide CBD jumped by 335 to 9,623 over this period. There were further jumps of 185 to 2,380 in Toorak Gardens, of 105 to 1,842 in Norwood and of 97 to 1,884 in Goodwood. And these are just the Top 4 locations!

The leading sole-trader growth businesses in Adelaide CBD at this time were financial & insurance services (up 189 businesses), real estate services (up 110) and professional services (up 64). In Toorak Gardens the new sole-trader businesses operated in real estate (up 116) and financial & insurance services (up 70).

In the micro business category (employing 1-4 workers) the macro figures for Adelaide are much the same as for sole traders. There was a net reduction in business entities between 2012 and 2016. However, in places like Northgate the number of micro businesses jumped by 51 (26.6 per cent) and in Edwardstown the increase was 44 (21.3 per cent), in Seaford it was 35 (20.3 per cent) while in Windsor Gardens it was 41 (14.5 per cent). Micro businesses are expanding in key entrepreneurial hotspots of Adelaide.

And in the small business category (5-19 workers) the story is repeated. An overall loss in numbers at the metropolitan level that eclipses hotspots of new business activity. The number of small businesses in Beverley increased by 30 (39.5 per cent) to 106 over the four years to 2016. The increase in Rostrevor was 28 (31.5 per cent) such businesses and in Modbury it was 23 (22.1 per cent).

The Adelaide lifestyle

Adelaide has long staked a claim to Australia's lifestyle city. Gracious streetscapes. Sandstone architecture. Gorgeous North Adelaide terraces and Medindie mansions and a food and wine culture that is justifiably self-confident. Even the Adelaide Hills is picturesquely conceived and delivered just 20 minutes from the city centre via the Heysen tunnel. The only ever sticking point was the parlous state of the old Adelaide airport which was upgraded to world class facility just over a decade ago.

And speaking of world class facilities there is the recent completion of the Adelaide hospital on North Terrace, the upgrade to the Adelaide Oval and the planned development of a next generation submarine construction facility.

And then there's the quality of life dividend of living in Adelaide. The sensible scale, layout and planning of Adelaide makes it easier to commute to work than in bigger cities. There is even a case to say that commuting is better in Adelaide than in difficultly configured smaller cities like elongated Wollongong and Gold Coast and even Newcastle with its CBD positioned between beach and river.

And then there is Adelaide's secret weapon: house prices. It is still possible to buy a house and land package on the city's northside for a price that begins with the number three. Domain places Adelaide's median house price today at \$514,000 which is less than the median in Sydney, Melbourne, Canberra, Darwin, Perth and Brisbane. In many respects, Adelaide offers the great Australian middle-class the opportunity to live a capital city lifestyle and the opportunity to buy a house, all within reasonable commuting time to work. And quite possibly to deliver all of this on a single worker's wage. This cannot be achieved at scale in any other major city in Australia.

Comparison of commuting times for Australian major cities



Source: Bureau of Infrastructure, Transport and Regional Economics



The rise of the South Australian lifestylepreneur

The Australian lifestylepreneur movement is really very simple. It is a logical extension of the Australian penchant for lifestyle. Aussies have pursued lifestyle for a hundred years including within and immediately beyond the city limits of Adelaide. We have used trams, trains and automobiles to colonise suburbia at a time when we regarded suburbia as offering a better quality of life than the congested inner city. Then Australians embraced the concept of seachange and treechange in their pursuit of lifestyle and again Adelaide and surrounds were not immune from this trend.

At the non-metropolitan level there has been no net growth in SME numbers in South Australia over the last two years for which data is available. And yet at the suburb and township level it's a different story. In the micro business category (1-4) there was a 19 per cent increase in business numbers in Seaford, up from 174 to 207 enterprises over the two years to June 2016.

In the rural community of Murray Bridge the increase was 9.7 per cent, in the hill's town of Aldinga the increase was 8.4 per cent and in the grape-growing district of McLaren Vale it was 6.7 per cent. In a state and in a category where there is no net growth in small business numbers these settlements outside the great city of Adelaide stand out.

The same logic applies at the bigger end of the small business market. Over the two years to June 2016 there was no net growth in business numbers across rural South Australia but in Aldinga the increase was 24.4 per cent up from 45 enterprises to 56. In the Aldgate-Stirling market the increase in business numbers was 12.3 per cent, in Willunga it was 7.0 per cent, in McLaren Vale it was 6.7 per cent and in Murray Bridge it was also 6.7 per cent.

On these figures the southern part of Adelaide and extending into the Fleurieu Peninsula notably Seaford, Aldinga and McLaren Vale as well as Murray Bridge to the city's east are attracting or supporting business growth amid a broader context of business stagnation. The bigger context is no net growth in SME business numbers in rural and regional SA and yet here are examples of townships and outer suburbs running counter to the state trend.

These 'business growth hotspots' are not necessarily the biggest centres for business in this part of South Australia. The biggest collection of micro businesses in the regions surrounding Adelaide are to be found at Aldgate-Stirling (433 businesses in June 2016), Mt Barker (286 businesses) and Murray Bridge (286 businesses). In the bigger category of businesses employing 5-19 workers the biggest clusters are to be found at Mt Barker (132), Aldgate-Stirling (128) and Murray Bridge (128).

I think that the next iteration in the lifestyle movement by the Australian people is to be your own boss or at the very least to have the option of working either from home or from a place near home. And what better way to do that than by establishing a sole-trader business and/or to develop a small business. This concept was not possible or at least it was not scalable prior to the advent of the internet and access to broadband technology. Job growth, the ability to innovate, and opportunities to expand a business overseas are no longer restricted to Australia's metro cities. Fast broadband is presenting new opportunities for regional businesses to access to technology once restricted to their big city businesses.

Small businesses must send and receive invoices, store documents and files, possibly upload and send photos and plans and videos, and manage all of the above in the cloud. This technology is increasingly important to the growing services industry. Access to the kind of broadband capability that is being delivered via the **nbn**[™] access network will increasingly allow businesses to tap in to these services. In many respects, access to fast broadband is an enabler of the lifestylepreneur movement, the idea that some Aussies want lifestyle and the opportunity to be their own boss. Give an Australian half a chance and they'll take the lifestyle option every time.



Agile Adelaide set to produce a culture of lifestylepreneurs

In the uniquely Adelaidean iteration of the lifestyle movement there seems to be some determination to remain within Adelaide and surrounding lifestyle towns, even if locked out of big business work opportunities. In this regard access to fast broadband is facilitating an agile response to the city's serious economic restructuring with businesses no longer restricted to working in the big cities. The outcome of the withdrawal of the car-making industry from this city could have thrown thousands out of work and to some extent this is what has happened.

And yet the macro and the micro numbers tell a different story. There is a resilience of Adelaide that holds down the unemployment level. And there is an entrepreneurialism to Adelaide that is delivering bright spots of genuine business activity in all parts of the city. Yes, the bigger picture remains worrying as the Adelaide economy and indeed the Australian economy, adjusts to a services based business model.

But part of the solution going forward may involve not so much looking for support or looking for the next big industry; it might involve cultivating an entrepreneurial culture that sees and creates opportunity. It is important to deliver the right infrastructure to support this movement but it is also important to provide the right soft culture within the general community. A culture that supports people having a go.



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