



# KIAMA LOCAL GOVERNMENT AREA

## BUSINESS RETENTION AND EXPANSION (BRE) SURVEY 2004

### Executive Summary

The Business Retention and Expansion (BRE) Survey was initiated by the Kiama Municipal Council with contributory funding received from the NSW Department of State and Regional Development (DSRD), Kiama and Districts Chamber of Commerce and Tourism Kiama. It was conducted from July- September, 2004 with the purpose of gauging the level of business confidence in the municipality and to generate a "snapshot" of current business activities. This will then allow an analysis of business requirements for the future.

The survey is a standard DSRD tool used to provide communities with a practical way to obtain information about their local economy. It is intended to produce an audit of the Municipality Business profile as a starting point for future planning and will enable informed consideration of the future needs of the business sector. The results are compared to other similar locations, and a summary of BRE surveys completed in Narooma, Moruya, Batemans Bay and Byron Bay have also been included in the report.

Approximately 800 surveys were distributed by post, with 97 completed surveys received from all areas of the Kiama Local Government area. The results were collated and are statistically presented in the following report. Whilst a 12% response rate was considered by The Illawarra Regional Information Service (IRIS) to be "reasonable" they have warned that the information generated should be indicative only, as there may not be a sufficient representation of business views.

The survey is divided into 7 categories summarised as follows:-

- ◆ Business Characteristics
- ◆ Employees
- ◆ External Factors Impacting on Business
- ◆ International Aspects impacting on business
- ◆ Local Business Environment
- ◆ Business Plans and Decisions
- ◆ Business attitude self ratings, and the need for business support services

From the results there are a number of reasons to feel optimistic about the Kiama Local Government area. Businesses in the area give a comparatively good rating to the area as an "excellent" place to do business; to their location in the area as being a "help" to their business; and to their existing employees as having "excellent" attitudes. Also, while Kiama did not appear to have a growth in jobs as high as other districts, numbers had risen, and were still expected to rise further. On top of this, 18% of responding companies were considering expanding in the next two years, and 31% of business had sufficient property to allow expansion.

On the other hand, there are grounds for caution - 15% of respondents were considering relocating, and the respondents' self-ratings with respect to their personal business attributes tended to be low, specifically on their interest in innovation, their willingness to accept risk, their ability to plan and organise work, and their willingness to seek professional advice.

However the survey also gives some clues about some of the things that could be done locally to ameliorate barriers to expansion, including improvements to local services, such as those identified as priorities by respondents, (public parking; adequacy of highways/roads; access to highway/roads; street signage; and public transport).

The survey also suggests areas where local business could be given more support, such as in the areas of: marketing; industry regulations; labour training; management training; and quality assurance/accreditation.

# KIAMA LGA BUSINESS RETENTION AND EXPANSION (BRE) SURVEY 2004

## 1 Background

This survey, conducted from July to September 2004, was designed to gauge future business confidence in the Kiama area, as well as providing a “snapshot” of current business activities.

Funding for the survey was received from the Department of State and Regional Development (DSRD), which works with enterprises, communities, industries and regions to create new investment and jobs across the State. Contributions for conducting the survey also came from Kiama Council, Kiama and Districts Chamber of Commerce, and from Tourism Kiama.

The questionnaire used in the survey – the Business Retention and Expansion Survey (BRE Survey) – is a standard DSRD tool, and is designed to provide communities with a practical way to obtain information about their local economy. It is intended to facilitate the production of an audit of a town's business profile, for use as a starting point for future planning. It is also intended that the information obtained through the BRE Survey will help a community to develop ideas for improving the local economy, and to address the needs of the business sector.

## 2 Methodology

During the period July to September 2004, a copy of the standard BRE questionnaire was sent to all businesses listed in the electronic yellow pages for the Kiama Local Government Area (LGA).

The collated results were then forwarded to The Illawarra Regional Information Service (IRIS) to review the statistical validity of the findings. The survey contains seven sections, soliciting responses on the following areas:

- Business characteristics
- Employees
- External factors impacting on business
- International aspects of business activities
- Local business environment
- Business plans and decisions
- Business attitude self-ratings, and need for business support services

In response, 97 questionnaires were received. The 1998 (latest) ABS Business register indicates there are 815 businesses located in the municipality, suggesting a response rate of around 12%. Given the methodology utilised for the survey the response rate is considered by IRIS as ‘reasonable’. However the results should be treated as being indicative only as the representation of all business views is likely to be questionable. It is also possible that company staff that had strong views on aspects of the local business environment were more likely to fill in and return forms, creating a potential bias in the results.

## 3 Results

### 3.1 Company characteristics

An overview of the businesses included in the survey can be seen in Table 1. The results suggest that 58% of businesses have less than 5 employees. This is lower than the 73% of businesses in the area found to have less than 5 employees as reported in the ABS business register for 1998. While not replicating the business structure of the area, the survey results at least represent a diverse opinion from different size organisations.

**Table 1: Characteristics of businesses in sample**

<b>Business characteristic</b>	<b>Number in sample</b>	<b>Percent of sample</b>
<b><i>Business category</i></b>		
Independent	86	89%
National network	7	8%
Franchise	1	2%
Other	1	3%
<b><i>Business structure</i></b>		
Company	34	36%
Partnership	29	30%
Sole trader	28	29%
Trust	2	3%
Other	3	4%
<b><i>When business started</i></b>		
5 years ago or less	17	18%
6 to 10 years ago	19	20%
More than ten years ago	58	60%
No response	2	3%
<b><i>Turnover</i></b>		
Less than \$50,000	13	14%
\$51,000 - \$100,000	10	11%
\$101,000 - \$250,000	12	13%
\$251,000 - \$500,000	9	10%
\$501,000 - \$1,000,000	10	11%
\$1,001,000 - \$5,000,000	15	16%
Over \$5,000,000	3	4%
No response	24	25%
<b><i>Number of FTE workers (including owners)</i></b>		
Less than 2	17	18%
2 to 4.99	39	40%
5 to 9.99	23	24%
More than 10	18	19%

Another question in the survey asked if the business had originally been established in the town, or relocated. Of the companies, 93% had been established locally, and 7% had been relocated.

Table 2 shows results for where products sold, showing a very high level of sales occurring either locally within the area, or at least within the state.

Another question asked about where raw materials were sourced from, and the responses are summarised in Table 3. In this case, companies were more evenly divided, and there are a substantial proportion of companies obtaining raw material from outside the local area. Given the area's heavy reliance on retail and tourism activities this result is not surprising. A recent IRIS study of Kiama's Caravan Parks revealed large leakages of spending on consumer goods.

**Table 2: Where products sold**

	<b>% of sample</b>		
	<b>Less than 20% of goods sold in this area</b>	<b>20-50% of goods sold in this area</b>	<b>More than 50% of goods sold in this area</b>
<b>Locally</b>	13%	13%	76%
<b>Elsewhere in NSW</b>	73%	16%	13%
<b>Elsewhere in Australia</b>	94%	6%	2%
<b>Overseas</b>	99%	2%	0%

**Table 3: Source of raw material used**

	<i>% of sample</i>		
	<b>Less than 20% of raw materials sourced from this area</b>	<b>20-50% of raw materials sourced from this area</b>	<b>More than 50% of raw materials sourced from this area</b>
<b>Locally</b>	48%	14%	40%
<b>Elsewhere in NSW</b>	56%	17%	28%
<b>Elsewhere in Australia</b>	87%	13%	2%
<b>Overseas</b>	94%	3%	5%

When asked about their expectation on future demand, 59% of respondents said they expected it to increase over the next two years, and 33% expected it to stay the same. Only 7% expected a decrease.

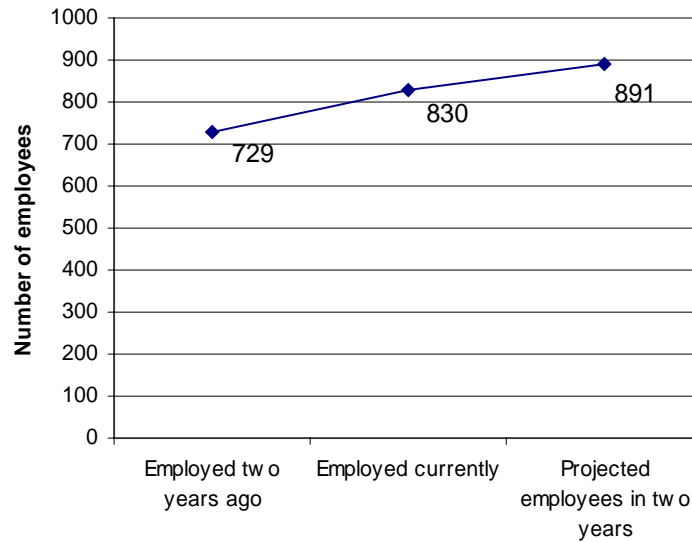
Respondents were also asked whether their company engaged in international trade. Only 12 companies (13% of the sample) did so. Of these, 3 engaged in direct sales overseas, 4 worked with foreign agents or distributors, and 4 imported object or parts. An additional 9 companies (10% of the sample) were interested in becoming involved with international trade, and 6 more (7% of the sample) were not sure. While the economic structure of the area limits the volume of possible exporting activity, the small number of companies currently or interested in exporting provides the Kiama Economic Development Office with a manageable number of prospects for assistance. Open communication with these organisations would be an important start in introducing local organisations to the various bodies (e.g. Austrade) that can examine the export readiness of these firms.

### 3.2 Employees

Respondents were asked about the total number of employees that they had two years ago, the number they had currently, and the number that they expected to have in two years time. The numbers collected were aggregated to produce total numbers of employees across all survey participants, and trends in total numbers can be seen in Figure 1. This aggregation shows an expansion in the total number of people employed among respondent companies. Across all companies, the percentage change from the number they had two years ago to the present day was a 13.8% increase, and the projected increase over the next two years was 7.3%.

When questioned about whether they had recruitment problems, 24% reported that they did. Of those that did, 11 companies reported having problem recruiting skilled workers, 4 reported having problems recruiting professional management staff, 3 reported having problems recruiting semi-skilled workers, and two each had problems recruiting unskilled and clerical workers.

**Figure 1: Total number of employees in past, present, and future**



When asked about recruitment problems in more detail, the problem of high competition for skilled workers was reported by 6 companies; the problems of poor work attitude, and low skills among prospective employees were each reported by 5 companies; and the problem of high costs of training for employees was reported by 3 companies. Finally, 2 companies reported that there were problems with skilled employees wanting to move to the area; one company reported high wage rates for skilled workers as a problem, and one company reported itinerancy as a problem. These findings should be utilised to expand the information currently being gathered by the Illawarra Skills Taskforce convened by the Australian Industry Group.

Table 4 provides a breakdown of how companies rated their employees. As can be seen, companies tended to give uniformly high ratings to their employees, with 61% of respondents giving “excellent” ratings to their workmates skills levels, attitude towards work, and their productivity.

**Table 4: Ratings of employees**

	<i>% of sample</i>				
	<b>Excellent</b>	<b>Good</b>	<b>Fair</b>	<b>Poor</b>	<b>Very poor</b>
<b>Skill levels</b>	61%	38%	3%	0%	0%
<b>Attitude towards work</b>	61%	35%	4%	2%	0%
<b>Productivity</b>	59%	38%	5%	0%	0%

### 3.3 External factors

Respondents were asked about the potential impact of a range of factors on their profits over the next two years, and respondents were able to cite three issues that they thought were important. How the companies rated the possible impact of these 16 factors can be seen in Table 5, ranked according to the number of respondents who rated them as a priority. As can be seen, the biggest expected impacts are from the economic climate; government policy changes; population changes, local/domestic competition, and factors related to taxation.

When asked if there were any major changes or innovations looming in their industry that might affect their business, 31% said that there were, 40% said no, and 26% said that they were not sure.

**Table 5: Factors impacting on profits over next two years**

	<i>% of sample</i>			
	<b>1st choice priority (most important)</b>	<b>2nd choice priority</b>	<b>3rd choice priority</b>	<b>Percent of total sample listing it as a 1, 2, or 3 priority</b>
<b>Economic climate</b>	20%	8%	12%	<b>40%</b>
<b>Government policies</b>	13%	10%	15%	<b>38%</b>
<b>Population changes</b>	12%	12%	9%	<b>33%</b>
<b>Local/domestic competition</b>	13%	12%	5%	<b>30%</b>
<b>Taxes</b>	7%	12%	6%	<b>25%</b>
<b>Wage rates</b>	9%	6%	9%	<b>24%</b>
<b>Changing consumer tastes</b>	8%	6%	9%	<b>23%</b>
<b>Interest rates</b>	7%	10%	1%	<b>18%</b>
<b>New products</b>	5%	2%	8%	<b>15%</b>
<b>Financing availability</b>	2%	8%	5%	<b>15%</b>
<b>Energy costs</b>	2%	6%	6%	<b>14%</b>
<b>Raw material costs</b>	2%	7%	4%	<b>13%</b>
<b>New technology</b>	2%	3%	7%	<b>12%</b>
<b>Foreign competition</b>	2%	1%	7%	<b>10%</b>
<b>Transportation costs</b>	2%	3%	3%	<b>8%</b>
<b>Raw material shortages</b>	1%	2%	3%	<b>6%</b>

### 3.4 Local business environment

When asked if the location of their premises was a help or a hindrance to their business, 48% replied that it was a help, 7% said that it was a hindrance, and 26% replied that it was both a help and a hindrance. (20% did not answer the question.)

Overall, in response to another question, 19% of respondents felt that the town was an “Excellent” place to do business; 40% felt it was a “good” place; 23% felt it was “fair”, and 8% felt it was “poor”. (12% did not answer the question).

Respondents were also asked to indicate which of a list of identified local services were inadequate for running their business efficiently, and the results can be seen in Table 6. As can be seen, particular concerns were: public parking; adequacy of highways/roads; access to highways/roads; street signage; and public transport. A further 21% of the sample, however, claimed that “nothing” was inadequate in terms of local services.

The results indicate the Kiama Economic Development Office should liaise with local industry groups to identify their specific concerns for parking, roads, and street signage. These aspects and proposed solutions should feed into Council’s management plans.

**Table 6: Local services that are inadequate**

Service	Respondents rating service as inadequate	
	Number	Percent
Public parking	32	33%
Adequacy of highways/roads	25	26%
Access to highways/roads	25	26%
Street signage	17	18%
Public transport	15	16%
Development approval process	14	15%
Recycling	12	13%
Disposal processed waste material	12	13%
Telecommunications	6	7%
Street repair	5	6%
Street lighting	4	5%
Inspections (licensing etc)	4	5%
Airport facilities	4	5%
Waste water treatment	4	5%
Street cleaning	3	4%
Water supply	3	4%
Electricity	2	3%
Natural gas	1	2%
Fire protection	0	0%

Finally, respondents were asked to rate the town in accordance with factors related to how good the town was as a place to live and own a business in, and the results can be seen in Table 7. Schools, climate; and sporting and recreational facilities tended to get the best ratings.

On the negative side the various measures of property affordability was highlighted as a major concern amongst business owners. Also the adequacy of cultural and education services was viewed as fair to poor in the municipality. Cultural activities and facilities with its fit with Tourism is certainly a key area that Council should develop.

**Table 7: Ratings of aspects of town**

	<b>Excellent</b>	<b>Good</b>	<b>Fair</b>	<b>Poor</b>	<b>Very poor</b>
<b>Schools</b>	39%	49%	12%	2%	0%
<b>Climate</b>	34%	56%	9%	3%	0%
<b>Sporting and recreational facilities</b>	30%	48%	17%	6%	2%
<b>Freedom from social problems</b>	17%	34%	41%	9%	2%
<b>Housing</b>	13%	48%	34%	3%	4%
<b>Health services</b>	12%	34%	32%	20%	4%
<b>Other education and training providers</b>	9%	21%	37%	28%	8%
<b>Cultural services</b>	6%	16%	34%	31%	15%
<b>Labor costs</b>	4%	33%	60%	5%	0%
<b>Transportation costs</b>	2%	25%	58%	14%	4%
<b>Energy costs</b>	2%	27%	58%	14%	2%
<b>Local rates</b>	2%	10%	33%	34%	24%
<b>Land costs</b>	2%	3%	27%	39%	33%
<b>Building costs</b>	2%	12%	50%	16%	23%

### 3.5 Business plans and decisions

Respondents were asked a range of questions about their future business plans, and major decisions that they may make.

- Of the total sample, 18% were considering expanding in the next two years, and a further 16% were unsure.
- Regardless of whether or not they were considering expanding, 31% of the total sample had sufficient property to allow expansion, and a further 5% were unsure.
- 16% of the total sample had approached local government or business development organisations to discuss expansion plans
- 42% of the total sample considered that they could work in a co-operative way with other businesses, for example cross-referral of work, co-operative advertising, or shared purchasing, and 19% were unsure.
- Of the total sample, 15% had considered relocating their business. Of those who went on to give a possible alternative location, 2 firms were thinking of moving to elsewhere in New South Wales, and 1 was thinking of moving elsewhere in Australia.

### 3.6 Business attitude self-ratings, and need for business support services

Respondents could also indicate how they rated themselves as a business, according to four scales, and to also indicate if there were any aspects to business that they would like more information, training, or advice about.

Table 8 shows that the respondents tended to rate themselves quite highly, when asked to score themselves on a 1 (low) to 10 (high) scale. Respondents rated themselves most favourably on the interest in innovation and new innovation scale, and least favourably on their willingness to accept risk.

**Table 8: Ratings of respondents' personal attitudes**

<b>Personal attitude</b>	<b>Mean score (1-10)</b>	<b>Percent rating themselves a highly ("10")</b>
Interest in innovation and new opportunities	7.32	19%
Willingness to accept risk	5.68	7%
Ability to plan and organise work and business systems	6.92	10%
Willingness to seek professional advice about business	6.83	15%

A list of the aspects of business that respondents wanted information, training, or advice about appears in Table 9. The top ranking needs were for information, training, or advice on marketing; industry regulations; labour training; management training; and quality assurance/accreditation. These are areas in which Kiama's Economic Development Office can provide significant assistance.

**Table 9: Information, training, or advice wanted**

<b>Business aspect</b>	<b>Respondents wanting information, training, or advice</b>	
	<b>Number</b>	<b>Percent</b>
Marketing	22	23%
Industry regulations	13	14%
Labor training	11	12%
Management training	10	11%
Quality assurance/accreditation	8	9%
Labor/management relations	7	8%
Export markets	6	7%
Finance applications	5	6%
Consumer affairs	2	3%

#### 4 Comparison to other areas

As of March 2004, the Department of State and Regional Development are still to release aggregated results of BRE surveys across the whole of New South Wales. However, some individual LGA areas have released information in enough detail about the results of their own BRE surveys, which allow a useful comparison with the Kiama results – at least on some key indicators. The areas have been chosen based on their business similarities. These were the surveys done in:

- Narooma (June 2001)
- Moruya (August 2001)
- Batemans Bay (March 2002), and
- Byron Bay (March 2003)<sup>1</sup>

A comparison of the key questions in the survey across Kiama and these other four surveys can be found in Table 10. As can be seen from these results, Kiama was highest ranking with respect to the following attributes:

- Ratings of employees as having “excellent” skill levels, attitudes towards work, and productivity; and
- Ratings of area as an “excellent” place to do business.

On the other hand, Kiama had lower rankings with respect to the following ratings:

- An increased expected demand over the next two years
- An increase in employees over last two years
- The level of reporting recruitment problems
- The percentage considering expanding in next two years; and
- The respondents’ self-ratings with respect to their personal business attribute (interest in innovation, willingness to accept risk, ability to plan and organise work, and willingness to seek professional advice).

On other indicators, Kiama scored in the middle of extremes set by other areas. These were:

- Percentage of goods sold locally;
- Percentage having fewer than five employees;
- The amount of expected increase in employees over the next two years;
- The level of engagement in international trade (and in interest in being involved with it); and
- Agreement that location was a help (and also a hindrance) to their business.

Kiama scored the same as the other areas for selling material overseas. Finally, its results with respect to the questions on types of things likely to impact on profits over the next two years, the types of local services reported as being inadequate, the top and bottom rating aspects of their town, and the types of needs for information, training, or advice, were also typical when compared to the other areas.

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<sup>1</sup> These results can be found online at the following locations:

Narooma: <http://www.eurocoast.nsw.gov.au/Bdev/NaroomaBREPC.PDF>

Moruya: <http://www.eurocoast.nsw.gov.au/Bdev/Moruyasurveyrepc.PDF>

Batemans Bay: <http://www.eurocoast.nsw.gov.au/Bdev/BATEMANSBAYBREPC.PDF>

Byron Bay: [http://www.byronbaychamber.net/files/BRE\\_surveysummary.pdf](http://www.byronbaychamber.net/files/BRE_surveysummary.pdf)

**Table 10: Comparison against other selected BRE results**

	<b>Kiama 2004</b>	<b>Narooma (June 2001)</b>	<b>Moruya (August 2001)</b>
(Q4a) Percentage reporting they sell more than 50% of produces "locally"	76%	85%	84%
(Q4a) Percentage reporting they sell more than 50% of produce "overseas"	0%	0%	0%
(Q4b) Percentage expecting an increase in demand on over the next two years	59%	69%	67%
(Q4b) Percentage expecting a decrease in demand on over the next two years	7%	8%	3%
(Q5) Percentage reporting they source less than 20% of their raw materials "locally"	48%	69%	54%
(Q6a) Percentage reporting having less than five employees	58%	79%	65%
(Q6b) Percentage change in number of employees over last two years	13.8% increase	11.5% increase	18.5% increase
(Q6c) Expected percentage change in number of employees in next two years	7.3% expected increase	14.1% expected increase	2.2% expected increase
(Q7) Percentage reporting recruitment problems of any sort	24%	54%	40%
(Q9) Percentage rating employees as having "excellent" skills levels	61%	48%	45%
(Q9) Percentage rating employees as having "excellent" attitudes towards work	61%	56%	43%
(Q9) Percentage rating employees as having "excellent" productivity	59%	47%	38%
(Q10) Top rating factors likely to impact on profits in next two years (and % of these expected rated as having the most important impact)	Economic climate (20%) Government policies (13%) Population changes (12%) Local/domestic competition (13%) Wage rates (9%)	Economic climate (22%) Population changes (11%) New products (11%) Taxes (9%) Government policies (9%)	Economic climate (36%) Population changes (13%) Changing consumer tastes (9%) Taxes, AND New products, AND Local/domestic competition (7%)
(Q12a) Percentage reporting their company engaged in international trade	13%	4%	5%
(Q13a) Percentage reporting an interest in becoming involved in international trade	10%	9%	8%
(Q14a) Percentage thinking location in this town was a "help" to their business	48%	41%	46%
(Q14a) Percentage thinking location in this town was a "hindrance" to their business	7%	11%	6%
(Q14b) Top five local services that were "inadequate" (and % indicating so)	Public parking (33%) Adequacy of highways/roads (26%) Access to highways/roads (26%) Street signage (18%) Public transport (16%)	Telecommunications (23%) Public Parking (23%) Street signage (22%) Development approval process (20%) Public transport, AND Recycling (both 19%)	Telecommunications (20%) Public transport (20%) Street signage (19%) Development approval process (17%) Adequacy of highway/roads, AND Street repair (both 14%)

Table 10 (cont.)

	Kiama 2004	Narooma (June 2001)	Moruya (August 2001)
(Q15) Top rating aspects of town (and % of those that scored "excellent")	Schools (39%) Climate (34%) Sporting and recreational facilities (30%) Freedom from social problems (17%) Housing (13%)	Climate (76%) Schools (13%) Land costs (19%) Sporting and recreational facilities (6%) Housing, AND Labor costs (both 5%)	Climate (54%) Schools (30%) Health services (24%) Sporting and recreational facilities (16%) Other education & training providers (10%)
(Q15) Bottom rating aspects of town (and % of those that scored "excellent")	Transportation costs (2%) Energy costs (2%) Local rates (2%) Land costs (2%) Building costs (2%)	Other education & training providers (0%) Health services (0%) Cultural facilities (0%) Energy costs (0%) Local rates (0%)	Energy costs (1%) Building costs (3%) Transportation costs (3%) Local rates (3%) Housing, AND Cultural facilities, AND Freedom from social problem AND Land costs (all 7%)
(Q16) Percentage thinking town is an "excellent" place to do business <sup>2</sup>	19%	7%	11%
(Q16) Percentage thinking town is a "poor" place to do business <sup>3</sup>	8%	9%	5%
(Q20) Percentage considering expanding in next two years	18%	25%	30%
(Q23) Percentage of respondents rating themselves a high ("10") score for interest in innovation	19%	36%	29%
(Q23) Percentage of respondents rating themselves a high ("10") score for willingness to accept risk	7%	16%	13%
(Q23) Percentage of respondents rating themselves a high ("10") score for ability to plan and organise work	10%	17%	13%
(Q23) Percentage of respondents rating themselves a high ("10") score for willingness to seek professional advice	15%	18%	17%
(Q24) Top scoring needs for information, training, or advice (with % indicating a need)	Marketing (23%) Industry regulations (14%) Labor training (12%) Management training (11%) Quality assurance/ accreditation (9%)	Marketing (30%) Management training (13%) Finance applications (13%) Labor training (10%) Quality assurance/ accreditation (10%)	Marketing (23%) Finance applications (10%) Management training (8%) Consumer affairs (7%) Labor/management relations AND Labor training, AND Industry regulations, AND Export markets (all 5%)

<sup>2</sup> For the Narooma, Moruya, and Batemans Bay surveys, these figures were estimates taken from a bar chart.

<sup>3</sup> Again, the Narooma, Moruya, and Batemans Bay figures were estimates taken from a bar chart.