

South Australia's place in the world:
our strengths, challenges and enormous potential in 2013
and beyond

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I am very honored to be here this morning and invited to be a part of this illustrious gathering.

I was asked to share with you my story, my perspective on South Australia's place in the world – our opportunities, our challenges and our enormous potential in 2013 and beyond.

My story

So firstly, let me share a little about myself.

I was born in 1950 in the Adelaide hills in Clarendon. I grew up on a farm that was settled in the late 1830's by my great, great grandfather, John Spencer, who came from England to settle on un-cleared land that he had bought unseen in London. Our ancestors "can do", all is possible, risk-taking attitude is a great gift.

I am the first person in my family to go beyond grade 7 in school. While in attending Adelaide Law School I had the opportunity to go to the US and so I did. I lived on the Westside of Chicago for a year in an area that was termed a ghetto. There I learned a comprehensive approach to community development that focused on giving people of all ages the skills and support to do their own development. Following this year I lived in India for 6 years where I worked in village development.

Residing in the villages I learned that the essence of life is found by living in the “here and now.” Being in the villages I learned that life is not about what you have or what you know but who you are.

It was in India that I first got into consulting with the private sector. I did this to earn extra money so I could afford to buy beer because in my case non profit also essentially meant non pay!

I continued with this non profit organization and consulting till 1989 when I became clear I was ready for a change. I had two children and no money so I did what any sensible person would do – I started a company.

With two other people we formed Kanbay, an IT professional services firm which eventually grew to over 7500 people operating in 8 countries.

Kanbay was not built by me, as the CEO, or the other 2 founders, but by the combined team effort of many, many people. Kanbay was not perceived by my colleagues as my company, but our company: a company of thousands of associates, who gave their all to create something very special. Kanbay went public on the NASDAQ in 2004 and was acquired by Capgemini in February 2007. I then led Capgemini’s global financial services business for a couple of years before returning to South Australia in 2009.

My family and I decided to return after so many years living overseas, because we know of no place in the world like it.

South Australia is the best of so many worlds – we have great economic potential with our wealth of natural resources, diverse economy, world class businesses and skilled talent. We have a wonderful climate and a pristine environment. We have excellent education and health services.

Our size is an asset and isolation is not a problem in today's virtual world. We are one of the most livable places on the planet and the essential characteristics of the South Australian personality such as creativity, innovation and industriousness, has equipped us well to live successfully in the twenty first century.

But, what about the present? How are we doing?

Despite current global economic uncertainty, South Australia continues to grow:

- ▲ During 2011-12, South Australia's Gross State Product rose 2.1%
- ▲ As outlined in the Major Developments Directory 2012-13 – South Australia has over 300 major projects either underway or in the pipelines – with total projects valued at \$94 billion
- ▲ In the latest figures, the value of South Australia's overseas goods exports totalled \$11.1 billion (year to September 2012). The total value of our exports continues to be supported by growth in the value of exports of our resources and agriculture sectors.

However, we are also facing real challenges:

- ▲ The total number of dwelling approvals in October 2012 was 11.0% lower than a year ago. In comparison,

nationally, the number of dwelling approvals was 6.2% higher in the same period.

- ▲ In the latest figures, Adelaide's annual CPI inflation was 1.7% – which is on par with Brisbane (1.7%) and Melbourne (1.8%) (Sept Quarter 2012).
- ▲ A 2012 study commissioned by the Energy User Association of Australia found that South Australia's electricity prices are the 3rd highest in the world, behind Denmark and Germany and higher than NSW, VIC and WA.
- ▲ The participation rate in South Australia remains unchanged at 62.6% - lower than the national participation rate of 65.2%. We need it to rise to 69%. And while total employment reached 812,000 in November 2012, this was down 1.1% through the year.
- ▲ Greater Adelaide's population is older than the Australian average and our share of people aged over 65 is growing faster than the national average and will more than double in the next 25 years.

We are in a crucial time for South Australia. I believe that this decade has the potential to be viewed by future generations looking back as the most transformative decade in the States history. Our State's transformation can be left to chance – and who knows maybe we will get lucky and prosperity will thrive.

Or we can make a choice to seize this very unique and enviable moment by working together as the citizens of this great State to make it a magnet for people, capital and innovation in order to increase opportunity and prosperity for all the people of the State and do it in an inclusive and sustainable fashion that preserves the environment and maintains the liveability that we all treasure.

To achieve this, we need to put in place a comprehensive economic and social framework that will sustain prosperity in this state for the next 175 years.

How do we do that? I propose that we focus our efforts on four areas:

Proliferation: Building on our existing strengths to create a broad based value adding economy

Productivity: Making South Australia the most competitive place in which to do business

Participation: Making sure all South Australians are engaged and benefiting from the new economy

Promotion: Creating and consistently projecting an identity and language that reflects South Australia's uniqueness

1. Proliferation: building on the existing strengths of our economy – resources, agriculture, manufacturing and services – to create a broad based value adding economy

Over the last 10 years we have gone from 4 active major mines to 20 in production or under construction and close to 30 mining projects in the assessment stages or close to approval.

The real opportunity we have before us is to use the growth of the resources sector to drive the wider economy forward, this includes using mining as the platform to drive our businesses up the value chain, building knowledge-intensive, high-value adding service, technology and manufacturing industries.

What we have is a veritable mining super cycle that can catalyse growth in many sectors so long as we focus on adding value within the State wherever we can, before our commodities are exported.

Businesses need to be aggressive and proactive. They need to innovate, take risks and perhaps joint venture or even merge with other businesses so they have the scale and balance sheet strength necessary for capturing business opportunities.

We must be realistic in our expectations: clearly, resources is a sector of huge promise and power, but it must be complemented with advanced manufacturing.

Manufacturing remains a significant sector of our economy, employing around 10% of our workforce and accounting for more than 30% of money spent on R&D. We have particular strengths in areas including cleantech, health, advanced manufacturing and defence.

We need manufacturing to remain part of the international knowledge economy and value-add manufacturing is technology centric. Building advanced manufacturing will not be easy or quick. In fact, we will continue to lose manufacturing jobs before we again grow them in the advanced manufacturing space.

The EDB is leading the debate and advocacy on the future of manufacturing, working with Göran Roos, a recent Thinker in Residence. His residency focused on a plan for future directions in South Australian manufacturing and he has been quite outspoken about the opportunity to evolve our manufacturing base up the value chain.

How lucky we are to have Göran, first as a Thinker in Residence and now as a resident – and we are very fortunate to have Göran as a new EBD member.

Our rich history and strength in agriculture is also a great opportunity for this State. The world is projected to need twice as much food in 2050 and South Australia's natural resources are a wonderful asset to respond to basic food needs in a way that is clean and green.

How can we continue to bring the kind of ingenuity our early settlers used to the State's agricultural industry so that we significantly increase production and are seen as a premium provider of high quality food stuffs. This means doing things differently, assessing anew what crops do and do not make sense in our environment and getting even greater productivity out of our land and water resources.

II. Productivity: Making South Australia the most competitive State in which to do business

We live in an increasingly competitive globalised world, in which technological advance is becoming ubiquitous; and where low cost developing economies are advancing rapidly up the technological ladder. Our ability to maintain and increase our enviable prosperity depends on staying ahead of the game, on adding more value in our economic activity, on continuously driving up productivity.

There are a number of measures for productivity. But by any measure, Australia's performance in the last decade was abysmal.

We should all be seriously concerned that Australia's productivity growth has slowed substantially over the last

decade. Because in the long term, the only way we can secure higher living standards is through productivity growth.

To improve this, we need to continue to streamline government approval processes and reduce red tape. It is no coincidence that we have done so well in growing our mining industry. Our State's mining department is recognized globally as one of the top three, if not the best in the world. It works hand in hand with companies to speed up the approval processes without in any way compromising on the essential areas it needs to protect. That is why mining companies are coming here.

The EDB is strongly advocating we immediately implement regulatory improvements to address the speed and efficiency of planning approvals, land release, and the provision and funding of neighbourhood infrastructure that is efficient and protects affordability in order to improve the cost of living. An efficient and effective planning system is fundamental to economic development and for South Australia to effectively compete for investments.

And to increase productivity we need to create an efficient and customer focused public service. Thomas Friedman says:

"... in the globalization system ... one of the most important and enduring competitive advantages that a country can have today is a lean, effective, honest civil service"

I am honoured to have the opportunity to participate on the steering committee leading, what I think is the most exciting transformational reform project, the Public Sector Reform Program.

The vision of Program is to provide the public sector with the knowledge and change management tools needed to deliver best practice service outcomes, embracing a culture of innovation, community empowerment and sustainability.

Public sector activities touch on every aspect of our economy. The services and infrastructure delivered by the public sector are critical to our State's competitiveness and capacity to capitalise on future growth. The program will strive to ensure that our Public Sector will become more capable, efficient, performance-driven and customer-centric.

This will restore pride, energy and focus to our public service.

III. Participation: Making sure all South Australians are engaged and benefiting from the new economy

The greatest potential impediment to realising South Australia's future prospects is skill shortages. In order to properly share the benefits of the 'new economy' it will be critical to increase the participation rate from 62.5% to 69%. This will require retooling of the existing workforce and improvement in the employability skills of those people on the margins of the labour force.

In Singapore, in order to remain competitive, 95% of high school graduates do some form of post high school degree or diploma, with 40% attending university and the rest polytechnics or other similar institutions. We need to strive for similar level of post-secondary participation.

We need to unleash the participation of women and seniors in the economic and social development process.

Research by the US organization Catalyst shows Fortune 500 companies with the highest representation of women in top management teams experience significantly better financial performance than companies with the lowest women's representation, with a return on equity 35.1% higher and total return to shareholders 34% higher.

Similarly with seniors. Finding ways to engage our aging population in the economy by creating more opportunities for part-time work or volunteerism is vital. We should look at tax and work cover reforms that encourage older retirees to re-enter the workforce on at least a part time basis.

IV. Promotion: Creating and consistently projecting an identity and language that reflects South Australia's greatness

We all need to "Live the Future Now," embodying the confidence of the renewed South Australia, continuously telling the story of the changing economic and social environment of our State.

In this context, I am privileged that the Premier accepted the Board's challenge of developing a new brand for South Australia. The EDB is honoured to lead the project and has been fortunate to work with Ken Cato, one of the world's top designers, and the Cato team on what the EDB believes will be one of the most significant projects for the South Australia and has the potential to reignite our confidence as a State.

We live in an increasingly global environment and more and more cities and States are seeking to be recognised, those that are successful are enjoying increased prosperity through enhanced international trade and investment opportunities, higher levels of visitation and a more cohesive cultural pride.

The new state brand has been developed based on extensive research work through industry and community consultation, led by global branding expert Peter Joy. The aim of the research was to uncover perceptions about our State by both South Australians and those interstate and overseas and to map our State's 'Brand DNA'.

The task for the Cato team has been to condense the essence of the State's 'Brand DNA' from the research work into a single brand identity, which projects an integrated and consistent story about South Australia across the country and the world.

The new brand will be used to support the promotion and marketing of the South Australia interstate and overseas across all sectors including: trade, investment, migration, education and tourism.

So what's next?

The EDB will be going back to the hundreds of passionate South Australians who provided input into the early research and inviting these community groups, business and industry leaders – from Adelaide and across the regions – to attend special forums in early January to share what we uncovered and the essence of our our 'Brand DNA' .

And for those who have not been involved in the project to date, this is an exciting time to 'bring you on the journey' as we prepare to launch our new brand in the New Year.

2013 and beyond

This is a wonderful time to live and invest in South Australia. To use an image from my youth, South Australia is the luckiest part of the “Lucky Country.”

And at a time when cities, states and nations all over the world are struggling to engineer solutions to the challenges of environment, social dysfunction and economic decline, South Australia can again act as the incubator of the essential ingenuity the world so desperately needs.

We are blessed with an abundance of riches from the past that we can draw upon as we face our future.

Therefore, in 2013 , if we focus on

Proliferating the existing strengths of our economy with value adding businesses;

Productivity to make South Australia the most competitive place in which to do business;

Participation making sure all South Australians are engaged and benefiting from the new economy; and

Promotion creating and consistently projecting an identity and language that reflects South Australia’s story – through the launch and implantation of the new State brand

Also, if business, government, social agencies and the community adopt a “can do” outlook and work together, South Australia can reach even greater heights of prosperity and continue to be one of the most liveable places in the world and a global model for twenty first century living.

Let me ask you - do you really want anything less?

I would like to take this opportunity to wish you a safe holiday and exciting New Year.