

CEDA Address
“Reinventing the future – SA to 2050”
Raymond Spencer

I am very honored to have been asked to speak today. I believe that South Australia is at a pivotal time in its history – a decade when it will be decided whether South Australia becomes a glowing example of one of the worlds greatest places to live or a Harvard case study on lost opportunity.

Our future 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 South Australia 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.

Today I want to share with you my perspective on South Australia’s historical strengths, the State of the State, what I and the Economic Development Board believe are the key areas that need pressure applied to at the moment to create an avalanche of positive change and to identify a few red flags that I believe need attention. I hope as a result to encourage you to be an investor of time, money, innovative ideas and optimism in this State.

I am excited to be a South Australian. 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 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 problem in this virtual world. We are one of the most livable places on the planet and the South Australian DNA, the essential qualities or characteristics of the South Australian personality has equipped us well to live successfully in the twenty first century.

Part of this unique DNA stems from the fact that South Australia was settled by people like my great, great grandfather, John Spencer, who came from England in the late 1830’s to settle on the farm that I grew up on in Clarendon, a property he of course bought unseen in London. Our ancestors “can do”, all is possible, risk-taking attitude is a great gift. Last week marked the 175 anniversary celebrations of the landing of the first fleet on Kangaroo Island.

Part of the South Australian DNA has been forged from the reality of living in the driest state in the driest continent, which has refined our ability to think strategically about survival and has led to global environmental leadership in water management and agricultural innovation.

Raymond Spencer
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Part of our DNA is a profound respect for life nurtured for 50,000 years by the aboriginal people. One of the reasons Aboriginal cultures have survived for so long is their ability to adapt and change over time. The understanding of oneness with their surroundings enabled the Aboriginal people to survive. Part of our DNA is the value of preserving, not destroying the environment.

Part of our DNA is an innate ability to create order out of chaos as exemplified by Col Light's legacy of creating an aesthetic and orderly plan for the City of Adelaide and the State. From this city emerged a social experiment, of free and entrepreneurial settlers, like John Spencer; a social innovation in itself. In the absence of a penal force, a progressive, inventive zeal flourished. A zeal that imagined universal suffrage, recognized the equality of aboriginal peoples, and gifted us the Great Australian Dream through the Torrens Title.

Part of the South Australian DNA is an inventiveness that designs very practical approaches to dealing with seemingly insurmountable problems. Just as our forefathers were the inventors of the stump-jump plough and Ridley stripper that enabled agriculture to sustain the state, this practical approach to design innovation is now reflected in the emerging fields of high value creation like technology, bio-science, advanced manufacturing and the clean-tech industries.

The people of Finland have produced a document that reflects on their past to imagine their future. They see their economic and environmental constraints as a guide to their future opportunities. In what they call a 'Country Brand Strategy', the Finns have integrated their vision for a core commitment to environmental leadership, to ingenuity and to the development of a strategic economic roadmap to deliver a challenge to themselves to innovate at this critical moment in global competitiveness.

Like the Finns, we South Australians are called to embrace the strengths of our past and stand on those as we invent our future.

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

I believe this is potentially a magical time for South Australia and that we are poised for a future of sustained prosperity, but it is not guaranteed. Fulfilling our potential will not come easy and without change in some of our attitudes, change in the way political dialogue is conducted, without a streamlining in our bureaucratic processes, and without increased innovation and risk taking in the private sector the story of our next 50 years could well be entitled "Opportunity Lost".

On many levels South Australia is an affordable and highly cost-competitive environment for trade and business development. We have the makings of a broad-based economy given our current evolution from reliance on a traditional manufacturing and agriculture base by adding new value add industries and

knowledge intensive services. We have a highly skilled, productive and flexible workforce, and world-class education and health systems. South Australia has an advanced manufacturing, technology and research base and is home to some of the world's leading companies in the sectors of defence, food and wine, resources, information and communications technology, bio-tech and automotive.

Despite the recent global financial crisis, many indicators of South Australian economic activity continue to show strength.

- ▲ Gross State Product grew by 1.5% in 2009-10
- ▲ Employment is at a record level – 825,000 in June 2011
- ▲ Labour force participation is at record high – 63.8% in June 2011
- ▲ Population continues to grow – 1% in the December quarter 2010
- ▲ Business investment reached \$10.3 billion in the year to March quarter 2011 – near record high

And we have a very bold plan for South Australia's growth. As outlined in the 30-Year Plan for Greater Adelaide, we are planning for steady population growth of 560,000 people, the construction of 258,000 additional homes, the creation of 282,000 jobs and economic growth of \$127 billion dollars during the next 30 years.

We also have our issues:

- ▲ The median house price is currently running at 7.3 times average annual income – we would be more comfortable if this was below 5.
- ▲ Adelaide Residential Land is now the second-most expensive in Australia, topping Sydney for the first time. As a result, land sales in Adelaide have slipped 37 per cent over the past 12 months.
- ▲ Although the labour force participation rate has increased to 63.8% the national average is of 65.5%.
- ▲ 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. The number of people aged over 65 will more than double in the next 25 years. We need to ensure that we are attracting more young professionals to the State to offset the large number of the people leaving the workforce.
- ▲ The growth in Adelaide's CPI over the year of 3.9% was the highest of all capital cities and above the national average increase of 3.6%.
- ▲ South Australia is now the least optimistic state measured by the June 2011 NAB Business Confidence Index, while optimism is highest in Western Australia.

So, while we have a strong legacy from the past on which to build and our current situation is good but not without its issues, there is still much to do to bring to all South Australians the economic and social prosperity that all our citizens deserve. We must wrestle with the propensity to isolate our selves and feel content with our good fortune of living in South Australia. We must be careful not to have a false sense of security and complacency because we missed the brutal impact of the

global financial crisis and because we are resource rich. South Australia is not an island unto itself - we have gifts that the world needs and we have the necessity of evolving our attitudes and actions to remain relevant in the globally interconnected world in which we live.

For South Australia to reach its full potential we must create a common vision, plan and story for our State that will encourage us to all work together toward a common end. We will not achieve our full potential if we simply leave it up to government, nor if we leave it up to business, or social agencies working in isolation. Harvesting our future potential requires a united and coordinated effort.

Full credit goes to the government for setting up an Economic Development Board that is independent and is tasked with giving honest feed-back. I have never been asked my political views or had to pass a litmus test of my opinions. The EDB is made up of people with politically diverse views, business operators and academics, men and women with leadership experience in the private, public and community service sectors.

The EDB, in its recent planning identified six focus areas or pressure points that we felt could make the biggest impact. We are currently building action plans with measurable outcomes we want to see realised in the next two years in each of these areas. We are not a government department charged with implementation. We can, however, cause an avalanche of change by focusing on critical areas.

Let me give you an overview of the six areas.

The first is **“Maximising immediate and long-term economic opportunity from the strongly-growing resources sector.”**

We have a once in a life-time opportunity to leverage resources sector development across the value chain to maximise economic and social benefits. We need to take advantage of the rapid growth of the resources sector and use this to put in place a comprehensive economic and social framework that will sustain prosperity in this state for the next 175 years.

It is critical we capture SA’s best possible share of high value activities in resource related services, technology, engineering and manufacturing and use this as a way to move our industrial and manufacturing base higher up the value chain.

Goran Roos, a current Thinker in Residence who is focused on the development of a plan for future directions in SA manufacturing has been quite outspoken about the opportunity that exists in South Australia to evolve our manufacturing base up the value chain. Why does he say this is important? Manufacturing is a critical component of any advanced economy. Each job in manufacturing generates on average between 2 and 5 jobs in the rest of the economy. Manufacturing is the largest segment of world trade. It is the greatest user of industrial research and

development and consumer of advanced services. Thus we need manufacturing to be part of the international knowledge economy.

Following the GFC, the countries that have recovered the best are the European manufacturing belt including Germany, Sweden and Switzerland which are all expected to grow substantially faster than Australia in 2011.

It is essential that we maximize existing SA industry participation in the resources sector value chain, which will require existing businesses to innovate, take risks, and perhaps merge with other businesses so that they have scale. In this way we will make the most of opportunities for investment attraction into new parts of the value chain, for the benefit of business in SA.

We also need a strong focus on skills development.

Priorities for skill development include:

- ▲ Improving language, literacy, numeracy, communication and digital skills to better prepare people for the 'new economy', which relies on better generic skills so that workers can more rapidly adapt to new demands, and
- ▲ A more responsive tertiary system with better partnership agreements between business and the vocational education and training institutions and universities. In Singapore, in order to remain competitive 95 percent of high school graduates do some form of post high school degree or diploma, 40% attending university the rest polytechnics and other similar institutions.

The second area is **ensuring regional development with an immediate focus on following through on the Kangaroo Island proposal and creating an integrated strategy and action plan for the Upper Spencer Gulf region.** The EDB released its recommendations for KI on July 23 to coincide with the celebrations around 175th anniversary of the landing on KI. The recommendations included a five year plan to double the number of tourists visiting KI and to double farm gate income by 2021. The EDB will continue to be involved in monitoring the implementation of the plan. The next area of regional focus is the Upper Spencer Gulf Region where we will use a similar process to get inputs from concerned citizens, businesses and government organizations in order to make recommendations to the government regarding this region.

The third area is **Proactively sourcing export opportunities and inward interstate and international investments.** In order to secure capital for development we are seeking to establish a commercial investment attraction unit, perhaps called '**Invest SA**'. It would link the good work the state often does in facilitating investment on the part of projects that already have a proponent (the case management framework), and extend it to better link existing and future projects to holders of investment capital. The investment managers would be based in SA and would have specific expertise in key industry sectors, have strong corporate connections and sector knowledge and be tasked with attracting investment into SA from target markets. Invest SA would lead market research, gap analysis, establish and maintain

networks of senior company decision makers, set up investment pitches and create a whole of Government investment strategy. Invest SA would become a lead entry point into SA for major investors.

In addition we see the need to establish a more effective cross-government export development activity with greater accountability for measurable outcomes in our key markets.

The fourth area is **Ensuring infrastructure investment is aligned with economic and social development priorities**. This is being worked on in two parts:

Major Infrastructure where processes will be developed to ensure all major projects undertaken represent good value for money and are based on sound project evaluation; priorities are properly determined; and projects are well managed in terms of adherence to budgets and timelines. The task force members will work to implement improved and more robust processes for identifying, evaluating and funding major infrastructure projects.

The second part is **Neighbourhood Infrastructure** to ensure the equitable and efficient provision of neighbourhood infrastructure, such as roads, gas and electricity, to enable urban development. The taskforce will implement a best practice approach for the efficient, consistent and reliable funding of neighbourhood infrastructure that supports growth and housing affordability.

The fifth area is **Making South Australia the most competitive state to do business**. This is not new for the EDB. The existing focus on reducing red tape has been lead by the Competitiveness Council, an EDB sub-committee. Similarly, in order to make investing easier and to facilitate South Australia becoming the 'state of choice' for investors the Commercial Investment EDB sub-committee, was established in 2010 to promote and enhance the Case Management initiative which aims to simplify the interactions between government and investors.

Building on this we will create and publish a **Competitiveness dashboard** of indicators to track and measure SA's competitiveness relative to other jurisdictions both national and international. We will analyse the dashboard indicators to identify areas where SA needs to improve and use comparative data as a key tool to guide Government policy. The EDB will champion policies, program and investment projects that contribute to improving the State's competitiveness

In addition an efficient and effective planning system is fundamental to economic development and for SA to effectively compete for investment. Taking four to six months for a standard home approval that would have been approved within two weeks 20 years ago is untenable. The EDB will continue to drive recommendations from the 2008 Planning and Development Review and EDB Competitive Planning and Development sub-committee in order change policy to reduce needless delays in planning approvals.

Lastly, **Promoting the message of South Australia as an attractive place to live and invest.** The EDB will promote the South Australian story, advocating the benefits of the State's economic development across the community, the nation and the world, and leading conversations as to what is need for economic development. But we cannot do this alone. We want to establish a network of South Australians here and overseas to work in partnership with the Board to champion the State's successes and opportunity and promote Adelaide as a vibrant city and that the State is 'open for business'

The EDB believes that by focusing on these six areas in the next two years we can fulfil our purpose of maximising the value of emerging economic opportunities for South Australia, ensuring the State is recognised as the most competitive place to in Australia in which to invest and grow a business and ensuring our prosperity is shared across current and future generations of all South Australians in a way that sustains and enhances our State's unique environment and liveability.

As we reinvent our future for the sake of 2050 we also need to catalyse some fundamental change in mindset. There are four red flags that I personally feel cannot be swept under the carpet but must be discussed and addressed.

First, Adelaide is boring.....How many times have you heard people say that?

We are not promoting our greatness and we are not sure if we want to. Partly this is from fear that others will discover us and we will lose our quiet, pristine life-style.

This perception of Adelaide and SA as being boring has to change. Bill Muirhead, South Australia's Agent General in London and partner in the advertising firm M&C Saatchi has developed an innovative campaign to change this perception so it does not become reality. It goes something like this:

Boring – let's think about what's boring:

- ▲ We have boring wine – but Wine Spectator Magazine suggests we have the best red wine in the world
- ▲ Boring beaches – Vivonne Bay has been adjudged the best beach in Australia
- ▲ Boring bike race – the Tour Down Under kicks off the Australian sports calendar each January to international acclaim
- ▲ Boring Islands – Kangaroo Island, Australia's Galapagos was voted the best island in the Pacific rim by National Geographic Traveller
- ▲ Boring Hotels - Southern Ocean Lodge was adjudged "Hotel of the Year by Tatler's 2009 travel guide
- ▲ Boring Beer – come on Adelaide's own Coopers family owned beer –boring? I don't think so

Rather than boring, Adelaide, South Australia can be viewed and promoted as a combination of world bests that make us the worlds finest Blend:

For business, the blend of resources, innovation and competitiveness

For Education, the blend of basic skills, global intelligence and creativity

For Migration, the blend of freedom and stability

For Tourism, the blend of world class natural attractions and festivals

For Wine and Food, the blend of world renowned produce with great chefs and winemakers

The alternative to boring is not changing Adelaide into Las Vegas. But we need not be boring and we need to proactively fight the image our Eastern States brothers and sisters like to inflict on us when they are competing for investment, migration or sports coaches that we are.

Secondly can we see “change” as friend and ally? Certainly, there is a segment of our community who don’t want change. And there are many things about Adelaide, South Australia that I do not want to lose, but we cannot be content to sit inside the metaphorical house of SA, close the blinds and shut the doors and be afraid to look outside. The life blood of a family is children; the life blood of a corporation is winning new business and growing; the life blood of a State is new ideas, new opportunities, new industries, new people. Without change the average age of our State will continue to get older, the economy will shrivel up and not be able to support the needs of our people and we will become prey to richer economies.

Thirdly, if we are going to reach our vision for 2050 we need to make a fundamental commitment to that vision and to take risks and be prepared to fail along the way. All too often we are afraid of failing in our personal life, or on a professional level or politically so we are content to do what is safe and sure to work rather than pushing the limits and striving to reach our fullest potential. With every failure there is an opportunity for a profound life lesson. We often learn more from our failures than our successes and the greatest innovations arise as a result of learnings gained from failing. The innovations of our forefathers did not arise without their share of failures and we will not reach our fullest potential either if we do not lift the social stigma attached to failure.

Fourthly, the tone of political debate on all sides has to change. Political discourse tends to be monologues where politicians talk past each or stage media events rather than dialogue where they engage in authentic discussion and debate that leads to creative solutions to complex issues. Tavis Smiley would suggest that life is a struggle between two things – Truth versus Power. Too much political dialogue is for the sake of power grabbing not truth telling. We the electorate need to have the courage to elect truth tellers who have the courage to communicate that truth even when it may not be popular. Some say “Raymond, that is naïve idealism on your part.” I don’t buy that. I suggest we will not reach our potential in SA if political debate is simply saying no to what others propose, nor if we focus our plans on 4 year electoral cycles, because the change we are going through requires longer term

continuity. We need a multi-sector collaborative process to forge a consensus on fundamental items like the State Strategic Plan. As talented as many of our politicians are, the political process is far too important to be left only to politicians. The next time you wonder who is responsible for the political scene, look in the mirror.

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

I believe that a major success factor in growing the prosperity of the State is a "can do" outlook and an outcome driven culture across government, business and our social agencies. The EDB recognise that our full potential will only be realised if all sectors focus on achieving "triple bottom line" outcomes for the State i.e. balancing social, economic and environmental success factors.

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

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. If business, government, social agencies and the community invest 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.

Who wants anything less?