

Urban Development Institute of Australia
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Thank you for inviting me to speak today and a warm Adelaide welcome to the national board of the UDIA.

The development industry is a major contributor to the South Australian economy. Property taxes raise 10 – 12% of State revenue. The industry contributes approximately 60,000 jobs to the economy.

Clearly this is a difficult time for the industry with a number of companies struggling for survival. The EDB recognizes the importance to the industry and the State of implementing quickly the proposed planning reforms especially the 30 year Plan for Greater Adelaide and changes to the Residential Development Code. We recognize the challenges that confront the State Government in implementing these reforms and are working with the relevant Ministries to increase the urgency and speed in implementing these reforms. I will address this more specifically while speaking to one of my 10 points.

I was asked to speak on the South Australian economy. I will share a few key facts but spend most of my time on outlining what I see as 10 action areas that are key to capturing the economic potential of South Australia.

My message today is simple. I believe that this decade will 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 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.

So, how are we doing?

On many levels South Australia is an affordable and highly cost-competitive environment for trade and business development. We have a broad-based economy and are the home to some of the world's leading companies in the sectors of agriculture, food and wine, defence, resources, information and communications technology, bio-tech and automotive. We have strong services companies and education institutions that are educating over 31,000 international students adding close to \$1B to the economy.

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

- ▲ During 2010-11 the state gross product rose 2.4% compared to national GDP of 2.1%
- ▲ In the 12 months to February 2012, the value of South Australia's overseas goods exports totaled \$11.8 billion. This was up 18.0% (\$1,822 million) on the previous twelve months. South Australia's growth rate was the highest of all States over the period.
- ▲ Employment is at a record level – 820,000 in March 2012.
- ▲ Population continues to grow – 0.8% in the year to September Quarter 2011.

And we have a very bold strategy for South Australia's growth with a plan to surpass 2 million people by 2027. It is envisioned that the city will grow by 560,000 people by 2036, which will necessitate the construction of 258,000 additional homes and the creation of 282,000 jobs.

We also have our issues and the impact of the two or three speed economy is apparent to all.

- ▲ SA's competitive advantage relative to other states was historically based on lower labour costs, which in turn reflected lower housing costs. This has been lost, having been eroded over the last ten years. On a dollar per square metre basis, land in Adelaide is now more expensive than in Brisbane and is on par with Melbourne. Today Adelaide, along with other Australian cities, has one of the most expensive housing markets in the English speaking world relative to income. The Adelaide median house price have risen from \$166K in 2002 – to over \$400K in

2011 with the ratio of median house price to average annual income rising from 3.6 in 2001 to 7.4 in 2011 ranking us ahead of London and New York which are 7.1 and 7 respectively – we would be more comfortable if this was below 5. The rising cost of housing in South Australia not only impacts on the cost of living, but has the potential to affect the State's reputation as a destination for investment and migration.

- ▲ SA has the highest level of business tax in the country. A recent IPA analysis based on a hypothetical 'reference business' scenario as adopted by the World Bank, reveals that for the third consecutive year, South Australia is assessed as imposing the highest level of business taxes. Variations in tax competitiveness between states and territories appear to be mainly driven by differences in property taxation. There is no simplistic solution to revamping the tax system while under the immediate revenue pressure – but it must be looked at. If the state used the findings from this study to cut tax burdens, South Australia stands to promote private sector-led economic growth amidst continuing international economic uncertainties.
- ▲ Adelaide's annual CPI inflation over the year to the March Quarter 2012 was up 1.8%, this was higher than the national average of 1.6%.
- ▲ 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.
- ▲ 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.

- ▲ Business confidence has deteriorated sharply in South Australia, and is now the weakest in the country as outlined in the recent March 2012 NAB Monthly business survey.

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.

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.

So what should be done. I am a big David Letterman fan and always enjoyed his top ten lists. So here is mine! If like the North Korean Leader I was named "Supreme Ruler of South Australia" my 10-point plan to be implemented over the remainder of this decade would be as follows:

I. Maximize the Economic Opportunities of the Resources Sector

We need to optimise 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.

Success here rests heavily on the State being able to effectively capture many of the service and support demands of the expanded minerals industry here in SA. In turn, this requires a first rate job of communicating these needs and opportunities to the entities that can provide the support, within the state so that we can optimize local industry participation as well as attract interstate and international companies, so they will invest here.

This will require existing businesses to be far more aggressive and proactive than many seem to be, innovate, take risks, and perhaps joint venture or even merge with other businesses so that they have the scale

and balance sheet strength necessary for winning global tenders for work in our State. Local businesses need to participate in the programmes being offered by some of the accounting firms to train them in the tender response process for firms like BHPB or their global supplier network which are complex and demanding.

The EDB is leading the debate and advocacy on the future of manufacturing, working with Göran Roos, a recent Thinker in Residence. How lucky we are to have Göran involved in the State and not just a past Thinker in Residence but soon as a resident. He focused on the development of a plan for future directions in SA manufacturing and has been quite outspoken about the opportunity that exists in South Australia to evolve our manufacturing base up the value chain. Why is this important? Manufacturing is a critical component of any advanced economy. Each job in manufacturing generates 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 clusters of value added manufacturing companies to remain 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.

We must be realistic in our expectations with regard to the speed that the flow on benefits of the Resource Sector will be felt in the general economy. I think there have been naive expectations that ODX gets announced and the colour of the Adelaide streets turn to gold. This will take time but if we do not aggressively pursue the opportunities today we will not harvest the benefits of this unprecedented super cycle.

II. Expand Agriculture and Supporting Industries to Help Meet the World's Food Shortage

The world is projected to need twice as much food in 2050 and South Australia's natural land and sea resources are a wonderful asset to respond not just to the basic food needs but to do it in a way that is clean and green.

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 - a creativity borne in response to the need to survive but so often not effectively exported to the rest of the world. Just as our forefathers were the inventors of the stump-jump plough and Ridley stripper that enabled agriculture to sustain the state, how can we continue to bring that kind of ingenuity to the forefront of the State's agricultural industry so that we significantly increase production and are seen as a premium provider of high quality food stuffs. This is going to mean 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.

III. Generate Private / Public Co-investment in Critical Infrastructure to support Mining, Manufacturing and Agriculture

Infrastructure projects should only be supported if they meet rigorous evaluation standards and support high growth sectors of the SA economy such as Cape-size vessel bulk commodity ports, viable and reliable decarbonised power supply and transport infrastructure.

Clearly SA's capital budget is fully committed for the next few years, and I believe that the demands for infrastructure can be better managed with proper pricing if greater use is made of private finance. This non governmental source of finance for infrastructure will require us to creatively explore alternative avenues and new financial instruments, and possibly reassess how risk is allocated on infrastructure projects.

We must raise the States investment profile to attract national and international investment into the State and not have it get trapped by the Eastern States or jump over us to WA. Australia has the 4th largest pool of capital in the world and we must free up more of that capital for active investment into key infrastructure. We also need to examine how our superannuation funds can participate more in investing is Australia's future

I have called in the past for instruments such as infrastructure bonds that would allow for South Australians to invest in the development of the State. If we were being invaded we would come together and do

whatever it took to defend our State. Today we do not need “war bonds” we need South Australian “opportunity bonds” to give every South Australian a vehicle to invest and reap the rewards of the opportunities before us.

This is not a new nor revolutionary concept. In the US, municipal bonds have very effectively attracted both retail and well as institutional monies and are part of any well balanced portfolio because of the tax incentives associated with such bonds.

The challenge for us is whether we have the courage to take the long term view and do what is necessary to put into place the frameworks for scalability and prosperity in the state or are we going to make decisions based on a preoccupation for the next year or two.

IV. Make SA the most competitive state in which to do business

I am pleased that departmental responsibility for planning, transport and infrastructure have been integrated into a new department and that the functions of urban development and housing have been combined to form the Urban Renewal Authority. These new entities promise a greater level of coordination across government on planning and development.

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 neighborhood 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 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.

Since 2008 the State Government has been undertaking reform to the planning and development system through the Planning and Development Review and, more recently, the release of the 30-Year Plan for Greater Adelaide.

The 30 year plan that is now being rolled out was recently endorsed by COAG as the best plan of its kind in Australia – and one which balances in a sustainable way city living and infill with fringe development. As you

know it has a target of moving new housing stock in infill areas from 50% to 70% by 2050.

While I recognize the challenges that confront the State Government in rolling out the re-zonings I never-the-less urge that the key departments work even harder in delivering on these reforms and investigate other ways to fast track re-zonings.

Additionally, one of the key issues that the reform agenda has not addressed to date is how infrastructure at the neighbourhood level to support urban development is provided and funded.

Infrastructure contributions are currently negotiated on an ad-hoc basis between developers and planning authorities, with limited mandatory infrastructure contributions. The lack of clear and consistent infrastructure planning and funding processes has emerged as a consistent barrier to achieving land supply and urban redevelopment, as envisaged by the 30 Year Plan, and for that reason is a key priority for the EDB.

The EDB has been asked by the government to develop a “best practice” funding model for neighbourhood infrastructure which is fair and equitable and which supports housing affordability and underpins economic growth. The EDB has a taskforce working directly on this and is in the process of commissioning a consultancy to provide independent advice on this issue and to identify options for best practice models for the efficient, consistent and reliable funding of fit for purpose neighbourhood infrastructure, that is economic and social infrastructure that is external to the development site and complements the infrastructure the developer is usually responsible for such as internal roads, water etc.

The Board anticipates reporting to Government on the key recommendations and findings of this report by September/October this year.

I commend the Government on the recent Adelaide City Council/Capital City DPA and regulation changes, which introduce a less prescriptive zoning regime, focused instead on a good design approach to planning control. I will look forward with interest to the outcomes of the community consultation on the DPA that is currently underway.

I also applaud the Government on the recent review and proposed changes to Residential Development Code Regulations. The Rescode –

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which is part of the planning reforms and which is a tick box system designed to streamline and speed up the approval process for housing from 4 months to 2 weeks. It is the intention of the government that these changes will remove 50 to 70 percent of applications requiring full merit assessment from the system. We also urge State Government, consistent with recommendations of the Board's planning taskforce, to introduce private certification for Rescode Development. These changes will eliminate much of the existing uncertainty in dealing with Councils.

The EDB acknowledges that the implementation of the Rescode and the 30 Year Plan has been slower than we would have liked it to be – but the board is doing all it can to assist in the speedy implementation of these reforms.

V. Attract and develop the skilled workforce to meet emergent demands

The greatest potential impediment to realising SA's future prospects is skill shortages. The pressures on the training system to meet the demands of new entrants and existing employees for new skills have been identified and will require increased funding over time. Also in order to properly share the benefits of the resources boom it will be critical to increase the participation rate, and this will require retooling of the existing workforce and improvement in the employability skills of those people on the margins of the labour force.

The department has adopted the EDB's recommendations on skills and this work is now being overseen by the Training and Skills Commission. On July 1, the "Skills for All" will be launched which will fully fund Cert level 1 & 2 programmes and provide generous subsidies (up to 100%) in high need areas such as construction, STEM, and the Trades at the higher levels. It is also launching the "Skills in the Workplace" programme which provides up to 90% funding in partnership with industry.

Priorities for skill development include:

- ▲ I believe you go to school to "learn to learn" so that you have the capacity to be a life long learner. This requires improving language, literacy, numeracy, communication and digital skills to better prepare all people for the 'new economy', which relies on

better generic skills so that workers can more rapidly adapt to new demands.

- ▲ Attracting more students to Science, Technology, Engineering and Mathematics both in High School and in Universities
- ▲ 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. We need to strive for similar level of post secondary participation.

VI. Ensure the North Terrace and River Precinct is World Best Reflecting the Vibrant New Adelaide

I am very excited about the potential of the river-bank and North Terrace project. I see this investment as a major symbol of Adelaide's new vibrancy and change, with the potential to create confidence and excitement across the whole State and nation and, therefore, we must guard its excellence. We need to create a precinct wide governance structure to ensure that the final integrated product is delivered without compromising quality and that the organizing processes to support the vibrancy of the arts, entertainment, tourism, sport and dining are aligned and supported. And I would create an iconic architectural structure in the CBD that would symbolize the new vitality of Adelaide such as the Geary designed Guggenheim Museum in Bilbao, Spain which attracts over a million visitors a year or the Burj Dubai.

The recent decision to lift building height-limit restrictions will open the door for new inner-city building boom. It has been estimated that close to half a billion dollars of commercial building projects have been proposed since the change. This, coupled with projects on the outskirts of the city, such as \$1 billion Bowden Village re-development, will provide a mix of inner city living options for our growing population.

Late last year, the EDB welcomed the change to the public holiday shopping hours. We only need to look at the foot traffic and recent closing trade figures to see that the availability of city centre shops on most public holidays has boosted our city's reputation, the local

economy and retail sales. Visitors' perceptions are important to the reputation of our city, both within Australia and globally.

VII. 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"

While we have many talented and committed people within the public service, never-the-less the public sector as a whole falls short of world class service benchmarks. I would like to see an intensive culture change program implemented throughout all departments that re-defines what "success" means within the public sector, puts greater emphasis and value on customer focus, measurable outcomes, service level agreements and accountability. It would name the key values and define expected behaviours. This will restore pride, energy and focus to our public service.

VIII. Unleash the participation of women and seniors in the economic and social development process

We need to mobilize all of the talent in the State if we are to maximize our economic potential.

Companies, organizations, and clubs need to examine their rules, culture and organizational practices to ensure that women have not only the right to full participation but are also openly encouraged to seek operational leadership roles. Business leadership groups I speak to often have less than 10% women in the room – frankly some have had none. We will not meet our potential if more women do not take up business and organizational leadership roles. 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. We need to find ways to engage our aging population in the economy by creating more opportunities for part-time work or volunteerism. We should look at tax and work cover reforms

that encourage older retirees to re-enter the workforce. There is so much talent amongst our elders that can be very creatively engaged in the public, private and non-profit sector.

There is no place for discrimination of any kind in the twenty first century and it is counter productive to maximizing the promise of the State. It is best practice to run a family friendly, inclusive organization that has meaningful roles for men, women and seniors. A UNISA study by Prof Carol Kulik shows that diversity conscious organisations report higher organisational performance (that is financial performance and labour productivity) and more success in attracting and retaining employees and report lower employee turnover than senior managers in diversity blind organizations.

IX. Broaden participation in political debate

Who in the room wants their child to aspire to be a politician? Why is it that that is a sure fire laugh line?

To ensure we attract the brightest and the best to political service the tone of political debate on all sides has to change.

Political discourse tends to be monologues where politicians talk past each other or stage media events rather than dialogue with each other and the community where they engage in authentic discussion and debate that leads to creative solutions to complex issues. The insistence by political parties to automatically disagree with whatever the other side proposes inhibits our success

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 “tell 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 South Australia if political debate is simply saying no to what others propose. We need a multi-sector collaborative process to forge a bipartisan 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 to politicians. The next time you wonder who is responsible for the political scene, look in the mirror.

X. We all need to “Live the Future Now,” Embodying the Confidence of the Renewed South Australia

All of us must continuously tell the story of the changing economic and social environment of SA, and South Australia’s potential for attracting people, capital and innovation in order to increase opportunity and prosperity for all the people of the State.

We need to promote SA on a number of fronts. We need to get South Australia known on the world stage. No one outside of Australia knows SA. They see in their minds eye a map of Australia and assume if you draw a horizontal line through the middle that’s South Australia. Then they assume the capital is either Sydney or Melbourne depending on where the line is drawn. No one overseas knows NSW or Victoria either so this is an opportunity to create a brand for Adelaide, South Australia and get it on the world stage. Why do we need this? Without it we will not attract the people, capital and innovation we need to secure our success.

The Invest in South Australia initiative which came out of the EDB aims to increase the scope of interactions with industry and government to attract investment in SA in the places that it is most critically required.

I support continuing to host international sporting and cultural events (Tour Down Under, Clipsal, Fringe etc.) all of which help put us on the global stage.

In summary, not one approach but a coordinated strategic approach with interdependent stakeholders.

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.”

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.

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. Would you want anything less?

Thank you.