



Committee for Economic Development of Australia (CEDA)

Tuesday 15 November

InterContinental Adelaide

Hon Jay Weatherill MP

Premier of South Australia

CHECK AGAINST DELIVERY

Acknowledgments

- Sir Eric Neal, Former Governor of South Australia and member of the CEDA Board of Governors
- The Right Honourable The Lord Mayor Steven Yarwood
- The Deputy Lord Mayor, Cr David Plumridge
- Professor the Hon Stephen Martin, National CEO, CEDA
- Mr Ian Stirling, State President, CEDA
- My fellow panel members, Professor Michael Barber, Mr Guy Roberts and Ms Liz Perry
- Distinguished guests, ladies and gentlemen

We acknowledge that the land we meet on today is the traditional land of the Kaurna people, and we respect their spiritual relationship with their country.

What will South Australia look like in 2050?

How will South Australians be living?

To answer this, perhaps we could put ourselves in the shoes of a young South Australian.

Earlier this year, I met a most impressive student in her last year of high school.

She gave a presentation on leadership in the school community.

It was an incredibly insightful presentation - exploring the impact that school leadership has - not just in the school, but in the wider community, and the crucial role that leadership can play in times of change.

I mention her now because, when we are talking about our economic future, we are talking about her future.

If we want her, as a 55 year old, to be looking back over a fulfilling and prosperous life, then we need to start with her life right now.

The first thing that we want is that she stays here – that she will look at other States, and across the world to Europe and Asia, and decide that South Australia is the best place to live.

That her future in South Australia is one of great promise and opportunity.

Unemployment in South Australia is at an almost record low.

Business investment in South Australia continues to be strong.

It rose by 13.2% over the year to the June quarter – the fastest annual pace in six and a half years.

Just last month, Deloitte Access Economics found that over \$12 billion in new investment was already committed to projects across the public and private sectors.

And I'm confident that important sectors of our economy will continue to grow.

The impact that the expansion of Olympic Dam will have on our State should not be underestimated.

You've all heard the statistics – and they are incredible. What is expected to be the world's biggest mine on the world's largest mineral deposit

An initial investment of \$1.2 billion in preliminary infrastructure works and equipment.

6,000 new jobs during construction, and continuing employment for 4,000 on the mine site, as well as an estimated 15,000 new indirect jobs.

But we are not simply hoping our young people will stay here.

We need young, skilled people in South Australia – to meet these demands

There's a good chance that our young people will work on a mine.

But there's an even better chance that they will not.

Mining will be important for our future, but we cannot rely on one project – or even one sector – for our future.

There's no doubt that a resources boom will make a huge contribution to our future economy.

But we can't just sign an agreement with BHP Billiton, and then sit back and wait for the benefits to flow.

We must view mining as a catalyst for growth and increased resilience in our economy.

We must use it to provide opportunities across the board.

With all the excitement of our mining prospects, it's easy to look past the critical part that more traditional industries play in the South Australian economy.

The value of South Australian exports increased by 35% to \$11.7 billion in the year to September.

This largely reflects the great harvests that our broadacre farmers have had for the last three seasons.

And we should not forget the importance of manufacturing in South Australia.

It is the biggest single sector in our economy— making up almost 14% of it – well above the Australian average.

We need to ensure that all industries and businesses can take advantage of the opportunities presented by mining – that they can capture the benefits that will flow.

That they do not simply struggle with the effects of a high dollar and a competitive labour market.

There are new markets for our food and wine products that we are only beginning to explore.

Developing nations, such as China and India, have an enormous appetite for our food and wine.

As people around the world become wealthier, we have an opportunity to sell them the products, that we've always been lucky enough to enjoy ourselves.

But there's no doubt that it will be a competitive market.

What we need to do is use our strengths as a State with a reputation for clean, green, high quality products to add value to our basic commodities.

We need to focus on innovative new ways to use, package, transport and sell our food products – because if we don't, then it will be other places that will seize new and valuable markets.

And this is also true of our advanced manufacturing.

As our recent Thinker in Residence, Professor Goran Roos pointed out, it's countries with a thriving manufacturing sector that will recover most strongly from the Global Financial Crisis... and that have the best chance to provide their citizens with good employment prospects and a better quality of life.

And by 'strong manufacturing base', he meant one that is rooted in value adding – because businesses now compete on value, not on cost.

Professor Roos described a sector that is diversified, export oriented, and that thrives on innovation.

One that is supported by its Government – a support that is particularly important for relatively small economies, such as our own.

The growth in our defence sector is the result of a deliberate focus to develop this area – creating good Government support – and investing in infrastructure such as Techport - that will support a defence industry here in the long term.

And we have created one department with responsibility for manufacturing, innovation, resources and energy, to integrate and clarify the role of government, be better placed to engage with industry, and be better able to place innovation at the centre of our manufacturing and industry policy.

Of course, it's not much use to tell industry to simply 'go forth and innovate'.

I understand the role that Government can play.

Government has always had a recognised role in developing tools that drive supply – such as tax credits and research subsidies that can increase activity amongst business and industry.

But we must not focus on these at the expense of the demand side tools we have.

In particular, there's enormous potential for procurement to play a more active, and a smarter role, in developing the capacity of our industries - both traditional and emerging.

We can use our procurement power to provide a market for products and services that are good quality, good value – and innovative.

And beyond this, Government procurement can help companies thrive in the private sector.

We can be the link between a new idea and the wider market.

And Government can make the connections between challenges faced by industry – and the innovators that can solve these problems.

But perhaps the most important role for Government is to help our population to be the skilled workforce that you will need – now and in the future.

Over the next 5 years, it's estimated that we will need around 160,000 new workers to replace people retiring, and to meet the demand of a growing economy.

Of these, more than 30,000 will need skills in science, technology, engineering and maths – the skills that often drive innovation.

We know that if we want young people to have the jobs of their choice – then we must help them to have the right skills.

There's a good chance that one of you will be employing the student I met – if she has the skills that you need to grow your business.

I want her to be part of a workforce that gives its business a competitive edge - the edge that helps make it a preferred supplier to a company such as BHP Billiton.

And I want this not only for our State's economic growth – I want that student to share in our State's prosperity.

If we want this to be the experience for all South Australians – we need to invest in their potential.

Education is the engine that drives social mobility.

We've invested heavily in making senior school more relevant to the future of more young people – and school retention rates have risen dramatically over the last decade.

But given that a person with a post school qualification will earn an additional 40% in salary – that translates to an extra \$1m over their working life – school can only be the starting point.

That's why we invested an extra \$194 million in Skills for All to create an additional 100,000 training places for South Australians.

The student I met may well choose one of the pathways that this has created – and possibly one of her parents may as well.

Training is just as important for people already in the workforce – who have low skills, or who realise that the nature of our work is changing more and more rapidly.

Training is important during a working life, just as it is for a person entering the workforce for the first time.

But we should not underestimate the need for new workers.

And nowhere will these skills be needed more than in our clean tech industries.

As a carbon price has now been finalised, we've positioned South Australia to be beneficiaries from this legislation, and from the focus on renewable energy that will result from it.

We've always made our investments in clean tech and renewable energy with the future in mind.

While - for many other jurisdictions - clean energy is in its infancy, we have had been dedicated to it for a decade.

I like to think that at some point in her career, the student I met could be employed at Tonsley Park – which will be a centre for sustainable industries and education.

More than most, young people understand the importance of sustainability.

They instinctively understand that there must be no choice between a strong economy and a healthy environment.

And they understand the magnitude of this challenge.

But if we do want our children to decide that South Australia is the best place for their future, it will take more than the promise of a decent job.

It will be because this is a great place to live – energetic, lively, welcoming and forward thinking.

So it's vital that we embody this attitude in the places we live in – particularly in our capital city.

Modern regions compete on the attractiveness of the cities.

So we're revitalising Adelaide – bringing football into the city and within a renewed Riverbank.

We've got new shopping hours that will revitalise our city on the days when people want to go there.

But there's no point having a great city if people can't afford to live here.

In 2001, households spent just over three times their annual income to buy a house. Now, they must spend well over seven.

The cost of housing puts a real strain on household budgets. And too many young people feel that they can never afford their own home.

The renewal of our city and suburbs must improve housing affordability.

We need to use the land that we have available to us more effectively – and fully utilise our building and construction industries.

It's important for our social cohesion – broad based home ownership helps to share wealth equitably.

And affordable housing has always been a competitive advantage for South Australia.

What I am determined will happen – is that we will act now to identify opportunities for urban renewal – and then create real communities – with great urban design.

And we are now creating an urban renewal authority to do just this.

It is decisions like the creation of an urban renewal authority that will have a profound effect on the State's future.

Similarly, the effects of the decisions that we make on our spending and investments can be felt for generations.

We must not mortgage our future – but nor should we shirk our responsibility to make the right investments for it.

Over the next four years, we are investing \$6.3 billion in infrastructure that will support our industries, businesses and communities.

And we also understand that we will be making these investments within a constrained budget environment.

Currently, people are saving money, not spending it.

While this is not a bad thing - the impact of global economic uncertainty will be continue to be felt on government revenues across the nation.

The revenue that South Australia will receive from GST this financial year is estimated to be \$401 million lower than we expected it would be in 2008.

And we will continue to feel the impact of falling GST receipts and a decreasing volume of property transactions.

This will place a tight budget under additional pressures...the full extent of which will be revealed in the mid year budget review next month.

But we know that we will be facing a difficult combination of contracting revenue - and a strong infrastructure investment program.

And it's more likely than not that we will be faced with a choice between retaining our triple A credit rating or investing in our future.

We would prefer that this wasn't our choice.

That the world settles down - that households regain the confidence to spend, that the property market stabilises, and that our revenues recover to relieve pressure on the budget.

But I want to make it clear now – if we are faced with this choice, we will not sacrifice the key infrastructure projects that will secure South Australian jobs now and in the future.

We're investing in these projects - the revitalisation of Adelaide Oval, the overhaul of our public transport system, a new Royal Adelaide Hospital and the duplication of the Southern Expressway - because they are necessary to underpin our future prosperity.

To elevate the triple A credit rating over investing in our future would undermine all I have spoken about today.

We would lose our chance to grasp the opportunities before us.

I am prepared to face some short term political criticism – but I am not prepared to put the future jobs of South Australians at risk.

Given our revenue prospects, it's not realistic to suggest that we can make substantial changes to the budget decisions made in the immediate aftermath of the Global Financial Crisis.

Now, more than ever, we need to maintain strong fiscal discipline.

However, our Government will ultimately be judged on how many South Australians are in work - how we are meeting our long term training needs, the level of investment in our State, and the maintenance of a sound fiscal position.

I began this speech by placing us in the shoes of young person living in South Australia in 2011 – living in a State that is about to realise all of our promise and opportunities.

And what we imagined for this person – is a future she could create for herself - living in a vibrant city, enjoying her life with family and friends, using her many talents and prospering in the growth of our State.

It is her bright future that I have in mind for all South Australians.

Thank you