

Economic Statement

South Australia's Prospects for Growth

EXECUTIVE SUMMARY

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STATEMENT OVERVIEW

In May 2008, the Premier set the Economic Development Board (EDB) a new reference of work seeking advice on the future directions of the SA economy and how the State can best capitalise on emerging opportunities. The reference was extended in November in light of the financial and economic crisis sweeping the globe. The result is this Economic Statement, which has been guided extensively by SA's *Strategic Plan*, as well as a number of important pieces of work and contributions from many South Australians with varying interests and expertise.

We have taken a medium and longer term view of the State's prospects and in this context the picture is bright. Major new mining developments and our growing defence sector should sustain investment for decades to come with benefits flowing to our manufacturing and services sectors. The economic rise of Asia will underwrite demand for Australian skills and resources. Population growth and climate change responses will also shape our future through to mid-century.

This was the clear prospect when we began this reference a year ago, and we firmly believe it holds good today, but the near-term future has been muddied by the abrupt and extraordinary financial crisis that has grown since 2008. At time of writing there are no reliable predictions – official or unofficial – of the eventual magnitude or duration of the crisis.

Over the past six months, International Monetary Fund forecasts for world economic growth in 2009 have been revised down by more than three percentage points. The corresponding forecast for GDP growth in the world's seven major economies has been cut from +1 per cent to -2 per cent. Credit is tight everywhere and forward orders have plummeted.

Without policy response the global economic outlook would be bleak for years to come. But there has been policy response across major economies and there is more to come. Central banks have slashed interest rates to record lows and national governments have announced major public spending programs and taken steps to underwrite the security of their banking systems. The Commonwealth Government has been at the forefront of this global move with demand stimulus in excess of \$52 billion and bank guarantees.

Eventually, economic cycles always turn. When they do, the recovery often comes with a rush. Importantly, SA's economic fundamentals have not changed in the past few months.

We stress this: SA's ability to capitalise on the emerging opportunities can only be harmed by investment withdrawal and policy complacency now. The EDB firmly believes the dangers of failing to invest now in economic infrastructure far outweigh the downside from losing a notch in the State's credit rating.

The growth opportunities are high, but so are the challenges. With good planning, responsive decision-making and effective implementation, SA has every chance of addressing constraints to growth, such as water scarcity, skills shortages, and infrastructure, and can meet the imperative to develop cleaner energy sources. Now is the time for SA to invest in economic infrastructure, leveraging Commonwealth funds at every opportunity.

Labour, water, energy and carbon emissions are just four of the enduring long-term challenges to growth in the SA economy, above and beyond the current global economic circumstances. These constraints can be addressed and overcome with timely and decisive policy interventions. Additions to the water supply, for example, can be made through initiatives such as desalination, but at a cost that will need to be met with a new water pricing regime. Major investments will be required over the next decade to ensure energy supply and a reduction in carbon emissions. Pressures in the labour market can be alleviated through targeted policies in education, training and migration. State industry policy must be focused on increasing export-oriented industries that are characterised by high value-add and innovation, supported by an effective, flexible public sector.

STATEMENT OVERVIEW

The ultimate goal is to capture the emerging economic opportunities, make SA the most competitive place in which to invest and operate a business in Australasia and secure a genuine social dividend, while ensuring that the State is ever more environmentally sustainable. This will require a whole-of-community response involving local, state and Commonwealth governments, as well as industry and the wider community.

Much has been achieved since 2002, when the EDB released its State of the State report which showed that SA had been lagging Australia's economic performance for the preceding decade. The EDB then made 72 recommendations directed at establishing the building blocks for growth; these were substantially adopted by the Government and are reflected in SA's *Strategic Plan*. SA is a fundamentally different place today. The EDB believes that, notwithstanding the current global financial crisis, the State's prospects for future growth are stronger than they were back in 2002 and possibly better than they have been in many decades.

If the recommendations in this Report are enacted expeditiously, the EDB believes SA will be well-placed for strong medium-term growth that exceeds the national average when global circumstances return to something like normality.

Key Recommendations

The ultimate goal is to capture the emerging economic opportunities, make SA the most competitive place in which to invest and operate a business in Australasia and secure a genuine social dividend, while ensuring that the State is ever more environmentally sustainable.

Riding out the global financial crisis

Notwithstanding expectations that the global economic and credit crisis will get worse before it gets better, the EDB urges the Government and industry to maintain the momentum including by taking full advantage of the opportunities offered by the Commonwealth Government's most recent \$42 billion economic stimulus package.

A coordinated action plan for water security

The EDB acknowledges recent State Government action to make residential water prices more cost-reflective to support its investment for water security, including the building of a major new desalination plant. The EDB recommends that the Government continue moves towards volumetric based cost recovery pricing, in particular to provide the means to make further investments needed to secure adequate water supplies for the State into the future.

In prioritising such investments, the Government should urgently evaluate the potential to increase the Port Stanvac desalination plant to 75 or 100 GL with the support of Commonwealth loan funding. Together with further recycling and stormwater capture, this would substantially reduce the State's reliance on the River Murray and create a longer term buffer for growth in the economy.

If the proposed pricing regime is to be fully effective, private suppliers will also need to be given third-party access to Adelaide's main trunk networks for water and sewerage (as is presently the case for electricity and communications). These arrangements should be managed independently from SA Water.

Positioning SA as a leader in renewable energies

The EDB believes that SA has a brief window of opportunity to build on its unique natural advantages in generating solar, wind, wave and geothermal electricity and establish itself as Australia's leading clean energy state. To achieve this, the SA Government should implement strategies to promote technological innovation in a diverse range of renewable energies, fast track demonstration plants, minimise regulatory impediments and secure industry investment. In addition to attracting large-scale investment in renewable energy facilities, the strategy should also aim to build the State's broader manufacturing base to provide the components and services that make up the generating capacity.

An education and training system for the 21st century

The potential shortfall of VET funding and higher education places over the next decade and the opportunity to increase the rate of training in the present downturn should be pursued vigorously with the Commonwealth Government.

Consistent with the National Partnership for Teacher Quality and the National Partnership on Equity, low socio-economic status (SES) schools should receive increased funding per student; and principals should have greater discretion within their school budgets to remunerate exceptional teachers appropriately and make individual recruitment decisions.

Key Recommendations

Raising workforce participation

Development of the workforce is fundamental to the State's future prosperity. It is critical that the opportunity is taken now to increase training to better equip people for employment opportunities as the economy recovers. The EDB believes an appropriate target is to increase the State's employment participation rate (percentage of the population aged 15-64 years that is employed) from the current rate of 73.8 per cent (June 08) to 78.0 per cent by 2014-15. Because the State's population is ageing, the rates of employment participation of working age people will need to increase by more than this to achieve the target.

In the present economic crisis, the Government should increase the funding of training and workforce development opportunities for those people who are on the margin of the labour force, those who are at risk of losing their jobs or who are on short-time, and those whose training contracts are at risk. Training providers must develop partnerships with individual firms and clusters of firms to improve the use of skills by identifying specific training needs in conjunction with agreements about how work can best be organised, involving possible job redesign, improved career pathways, and better retention of skilled workers.

Social and regional benefits from economic growth

Social and economic development must go together. The EDB calls on peak industry bodies to engage with the Social Inclusion Board in its Sharing Opportunities reference, and for individual companies, especially in sectors with strong growth prospects, to explore avenues to provide job opportunities (especially entry level) for the long term unemployed.

Public sector authorities should do more to provide employment opportunities for people entrenched in disadvantage, including through their capital works programs in which employment requirements for specific groups, be they long term unemployed or Aboriginal, should be stipulated.

Regionalisation of SA's Strategic Plan should be extended towards the preparation of individual development plans, or blueprints, for each regional area. Over time, the Regional Development Board network should be reconfigured to align with the State's regional boundaries structure. This new structure should seek to integrate regional development activities and structures for all three levels of government.

Planning for population growth

The SA Strategic Plan target of two million people is likely to be achieved by 2036, fourteen years ahead of the initial target date. The EDB recommends that additional strategies are implemented to reach the two million population target by 2027. This will require review and updating of the State's population policy (now five years old) with priorities to grow SA's share of overseas skilled migration, stem the loss of young working people to other states and increase workforce participation. In parallel, the policy will need to ensure this growth can be accommodated through improved land supply to address housing affordability issues, as well as accelerated rezoning and planning reforms. Health and quality of life of residents, as well as environmental and regional impacts will also need careful consideration. The Government's Population Policy Unit should be empowered to coordinate implementation of this updated policy across all relevant government agencies.

Productivity gains through innovation and value-chain linkages

The State's industry policy should be focused on growing export-oriented industries that are characterised by high value-add and innovation, such as mining, defence, education, health and renewable energies. Priority should also be given to building export value from agribusiness (including aquaculture), advanced manufacturing and services.

The SA Centre for Innovation should be restructured as the flagship organisation for business related innovation activity in SA, with a focus on manufacturing and certain traded services, operating at arm's length from government.

A robust program of infrastructure investment

The EDB strongly recommends that the State maintain a robust program of infrastructure investment. Failure to invest now would cause unacceptable delay in critical private sector projects and be far more damaging to long-term sustainable growth than any temporary downgrade in the State's AAA credit rating. The present circumstances offer significant opportunities for cost effective and counter cyclical public investment, including lower costs of borrowing and lower capacity constraints. The State Government should seek to leverage investment with Commonwealth funds wherever possible. The areas of greatest priority with respect to economic infrastructure are water, transport, defence and clean energy.

To ensure that momentum for investment is maintained and delivery of projects on budget and on time is achieved, the Office for Major Projects and Infrastructure (OMPI) should prepare an annual Infrastructure Priorities Update to Cabinet, with the first edition due in December 2009.

An efficient and effective public sector

The EDB supports the Government's stated goal of making SA the most competitive place in which to invest and operate a business in Australasia and therefore recommends continuation of the red tape reduction program and its supplementation by programs of regulation review such that all regulation will be reviewed on a 5-year rolling basis.

The EDB recommends that the Government give urgent attention to strengthening the leadership of the public sector, emphasising chief executives' accountability for outcomes, succession planning and the development of the next cohort of leaders with strong strategic capacity, together with the commitment to high performance, service excellence and continuous productivity improvement.

THE EVOLVING SHAPE OF THE SA ECONOMY

A history of change

Change is nothing new to South Australians. The present SA economy has a very different structure to 40 years ago. It will be different again in a decade. From its inception as a colony in the late 1830s, the State has been faced with a need to diversify its economic activities. Mining discoveries then agricultural developments opened up prosperity. But the depressed decades of the inter-war years exposed the volatility of monocultures, forcing the State once again to diversify to smooth out its existence.

Under Sir Thomas Playford's premiership the State took advantage of global prosperity and prevailing national tariff policy to develop new mass manufacturing industries catering primarily to the domestic market. For a quarter century from the late 1940s, SA experienced lower unemployment and higher employment growth rates than the national average, while state population expanded. It was a period of economic success, but the world continued to change – to SA's disadvantage. Local manufacturing was threatened by the rise of Japan and South Korea whose efficiencies allowed their producers to climb over Australia's tariff walls.

In the 1980s national policymakers accepted that tariff-based, internally-focused development had failed and sought instead to reorient the Australian economy to a globally-competitive basis. This had profound consequences for SA manufacturing and spelt the end of Playford's development strategy. At the same time global changes were corrupting markets for SA's bedrock agricultural producers and mining was soon to enter a couple of lean decades.

This 'great undoing' combined with global economic frictions saw SA grow slower than the nation for the best part of 30 years. Forty years ago nearly one in three SA workers were employed in manufacturing. Today the proportion is one in eight with only about a 10th of these engaged in consumer durables manufacturing. Nevertheless, there remains an important machinery and engineering base in the State that should benefit from coming developments.

The State's population is now 1.6 million, 38 per cent greater than in 1968. But it is a very different SA. New goods activities (including winemaking) have expanded to help fill some of the gap left by manufacturing's demise, and more are in prospect. But it is services that now employ most South Australians (*see table below*).

South Australian employment shares by industry (%) *

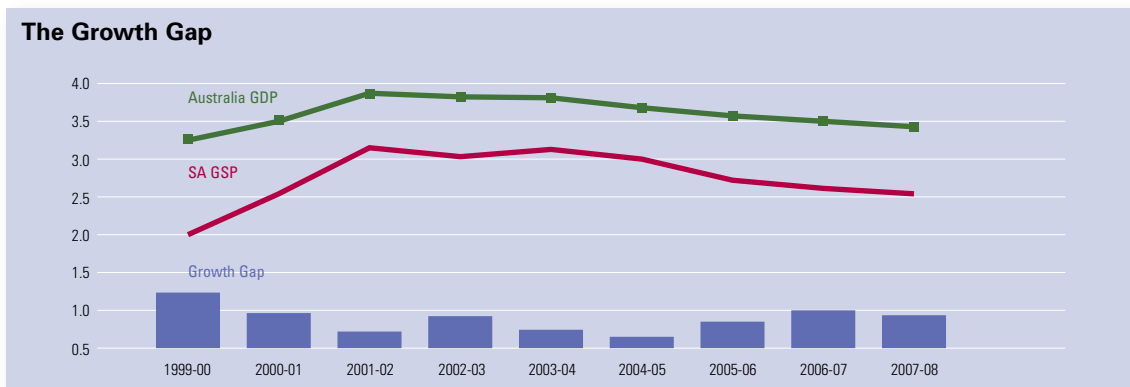
Industry	1966	1986	2000	2008
Primary production	10.8	7.8	7.4	5.2
Mining and quarrying	0.7	1.5	0.5	1.0
Manufacturing	28.3	16.6	14.0	12.5
Power, water and sanitary services	2.6	1.8	0.8	1.0
Construction	8.6	6.9	6.3	6.9
Transport and storage	5.4	4.5	3.8	4.2
Communications	2.3	2.4	1.8	1.5
Finance and property	3.6	9.9	13.8	13.1
Trade and commerce	17.2	19.9	19.3	18.0
Public administration and defence	3.4	3.4	4.0	4.8
Community and business services	11.5	16.9	17.5	20.1
Entertainment, accommodation and restaurants	5.5	8.7	11.0	11.6
TOTAL	100.0	100.0	100.0	100.0

Source: ABS, 1966 Census data and Cat no. 6291.0.55.003 Labour Force, Australia, Detailed, Quarterly.

* ABS industry categories have been summed as follows: trade and commerce = retail and wholesale trade; finance and property = finance and insurance and property and business; community and business services = health and community services and education; entertainment, accommodation and restaurants = personal and other services, cultural and recreational services and accommodation, cafes and restaurants.

THE EVOLVING SHAPE OF THE SA ECONOMY

SA economic activity has grown annually by around 2.5 per cent over the past decade compared to 3.5 per cent for the nation as a whole (see figure below).



Source: ABS National Accounts. Data are running 10-year compound annual growth rates of real GDP and GSP and the corresponding gap between the two.

While there is still a catch-up required, the EDB believes the State is poised to capitalise on a number of developments.

SA's prospects for growth

No-one predicted the speed or depth of the global financial crisis. Last year's analysis by the EDB pointed to a surge in investment activity and major construction in SA over the next five or so years, but the crisis necessitated a complete rethink of the State's growth scenarios. Many of the major projects that have been flagged for SA will be delayed, while demand and prices for goods and services have flattened. Nevertheless, the extent of new State projects remains abnormally high.

The slow-down may actually have a silver lining. What was shaping as a surge in investment activity that may have been too sudden for the State to cope with, is now likely to be a smaller but welcome buffer to a period of near-term economic adversity.

Although the precise yearly profile is sensitive to relatively minor changes in assumed timing of projects, the EDB estimates the annual GSP growth rate should benefit from major projects by 1.25 per cent on average over the next four years. This should be sufficient to eliminate the persistent growth gap with the nation that has typified the past decade.

Longer term projections are fraught with even more uncertainty, but the EDB has based its assumption on some return to normality in the global economy before 2014-15. If so, SA's economy could increase by an average of between 3 to 3.5 per cent per annum over the seven years to 2014-15, making real GSP a quarter larger than in 2007-08. Chief among the uncertainties is the magnitude and duration of the global financial crisis. The greater they are, the less likely is SA to grow 25 per cent by 2014-15.

Four main developments remain key to the State's longer-term future:

- Opening up of new areas of economic activity.
- The growing importance of nearby Asian markets for sales opportunities.
- The rising importance of knowledge-based services.
- Building SA's traditional strengths in agriculture and manufacturing.

These four developments, not all positive, are the main influences on a likely decade of State economic renaissance. It is critical that they be built upon sensibly and weaknesses remedied.

The opening up of new areas of activity

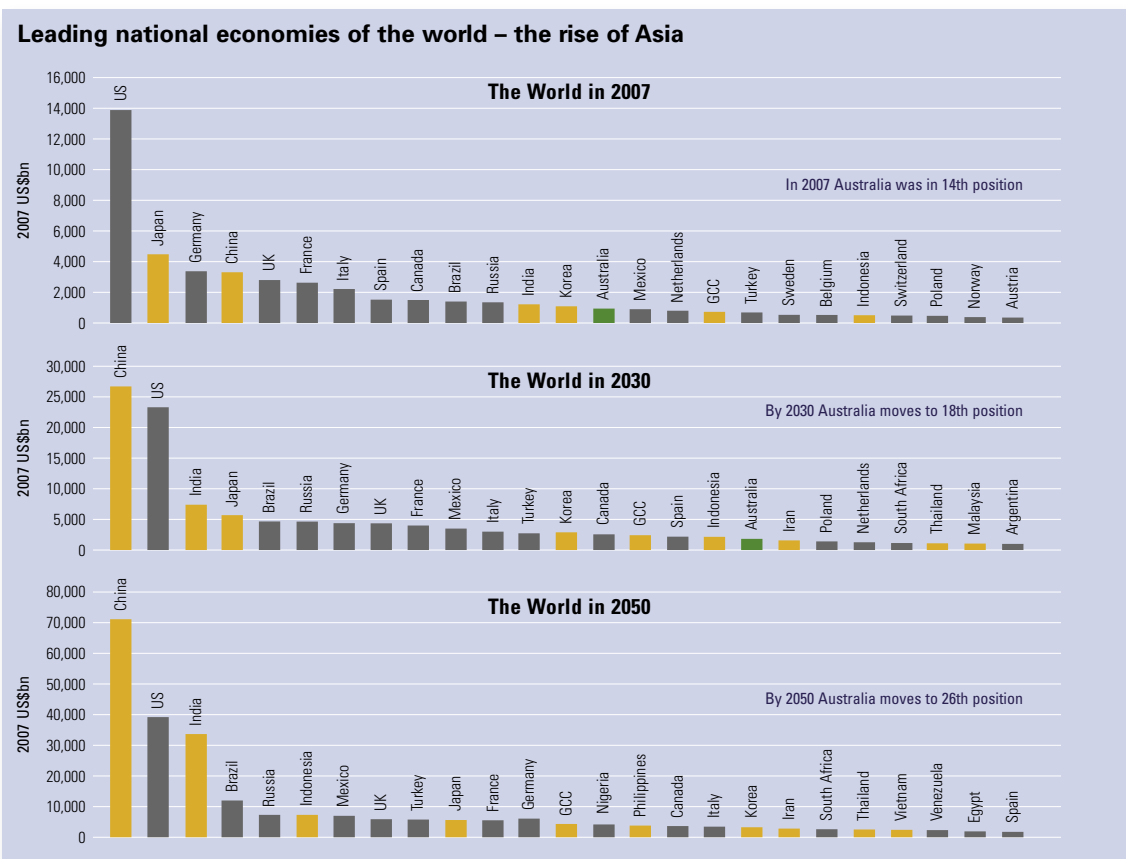
The outstanding impression from the EDB’s examination of SA’s industrial growth scenarios is the size of increased construction demand ahead. The new opportunities in mining and defence all involve development construction and allied major infrastructure requirements for energy, transport and water. Construction, mining and defence are the initial fronts of a changed economy. Flow-on effects will ripple through as demands are made on suppliers within and outside the State. Additional annual value-add of at least \$50 million (in today’s prices) should be realised in every industrial sector at some stage over the next seven years.

The electricity industry is in a huge state of flux as climate change policies, impending industrial projects and an emergence of new technologies combine to produce extreme uncertainty surrounding costly, long-lived investment decisions. SA has traditionally been saddled with high-cost energy relative to its interstate competitors, but the staple fuels of SA’s electricity generation – coal and gas – are in continuing decline. The potential for lower carbon intensity and opportunities for renewables – wind, geothermal, solar and wave energy – could see SA’s relative disadvantage reduce as national energy prices rise. One thing is certain: large investment in energy production will be required over the next decade.

The rise of Asia

The globe’s economic centre of gravity is shifting steadily towards Asia, so that distance to markets is becoming an advantage for SA, not the handicap experienced throughout the State’s history. As illustrated below, Goldman Sachs predicts that global market size will move in the direction of countries already receiving sizeable exports from SA.

By 2050, the global GDP leader board is likely to be studded with Asian economies, with Indonesia and India making mighty gains.



Source: Goldman Sachs, NY, Aug. 2008. Data are GDP. Yellow bars – Asian economy; Green bars – Australia

THE EVOLVING SHAPE OF THE SA ECONOMY

The importance of knowledge-based services

The trend in activity in rich countries is towards services, including specialist design and information support for manufacturing increasingly located in emerging economies. Australia's services share of GDP was slightly above the OECD average in 2003, and services exports totalled \$57 billion in 2008, dominated by education and tourism. Not enough data are available about SA's services activities, but it is clear the performance is not good enough. Export dollars from SA services as a proportion of GSP are just 57 per cent of the national rate despite a recent surge in education earnings. This poor record indicates the sector is punching well below its employment weight.

Service opportunities in SA will emerge from new defence, minerals and energy projects as well as from the growth of traditional activities like agriculture and fisheries. Climate change too should have a silver lining given expertise built up in the State for coping with dry land farming, and our rich endowment of renewable energy resources.

Building on agribusiness and manufacturing

Agribusiness, including farming, fishing and forestry, has been a staple of the State economy since colonisation, and accounts for a greater share of output in SA than every state except Tasmania. SA's agricultural production provides the base for secondary-level wine and food production now taking over from machinery and equipment as the leading manufacturing activity. But its relative importance has been declining so that now it accounts for about five per cent of GSP.

Despite this, agribusiness in SA is blessed with advantages that are growing in importance over time – access to Asian markets, quality of products and capabilities to capitalise on opportunities. However, realisation of this potential will require a whole-of-value-chain focus and an increase in farm sizes. These are major structural and attitudinal shifts. With the stakes raised by climate change, another hard look at the shape of SA's agricultural future is needed.

Manufacturing has been a leading export sector for the State, but its ability to withstand global competition is a concern. Manufacturing employment has been broadly constant over the past decade, but fell as a share of the State total as job gains occurred elsewhere. The developing mining, defence, energy and construction surges will bring extra work to the manufacturing sector, offsetting the loss of car industry jobs and supporting organic growth in areas such as precision-engineering and bio-medicines.

What distinguishes SA is that one quarter of its manufacturing employment is in the machinery and equipment industries. Just over 10 per cent of manufacturing employees – 1.2 per cent of total State employment – now work in the car and parts industry.

The EDB agrees with the latest report from the Manufacturing Consultative Council that "it is pointless to try to compete with low-wage countries on standardised products". To this end State Government policy is directed towards providing advice, support, marketing information and geographic clusters or precincts where manufacturers can learn from each other's experiences. While the EDB believes this approach should continue, no amount of encouragement will breed success unless the basic products are in demand.

Addressing growth challenges

The potential for growth of 3 to 3.5 per cent a year over the next seven years represents a marked step-up over recent decades.

Is the State equipped to handle such growth? The EDB thinks so, but it might push the limits of what is achievable. And even if the global economic crisis is prolonged, SA must maintain the momentum for growth so it is ready to respond when good times return.

This Economic Statement includes an action plan that is designed to address the potential growth constraints facing the State, in particular:

Providing labour

Three sources of additional labour input – participation, skills and migration – will be required to ensure that sustained GSP growth does not strain the State’s capabilities. More use can be made of existing labour through increased participation. This will require greater emphasis on education and re-skilling, particularly targeted at the types of skills that industry requires – such as maths, science and engineering. The State’s labour force can also be increased through recruitment of more skilled migrants.

Meeting the needs for energy, water and carbon-reduction

The need for more energy to support expected growth is challenging, but not insurmountable. SA’s opportunities for renewable energies can help meet future energy demands but with a low carbon footprint. Water security is a major issue. The State needs a coordinated, integrated water security plan that prices water to recover its costs and is communicated widely and effectively.

Planning for population growth

Healthy population growth will be good for SA’s economy but will challenge the capacity to maintain and improve the liveability, sustainability, safety and health of SA’s residents. Plans will need to be implemented to ensure availability of land, transport, broadband and social infrastructure, in both metropolitan and regional areas.

Ensuring social and regional dividends

The EDB supports the State Government’s view that social dividends must flow from the State’s pending economic expansion and paid employment is central to this. It is also important to ensure that regional SA, not just Adelaide, benefits from economic growth.

Innovation and quality infrastructure

A priority for the State should be more export industries characterised by high value-add and innovation. This should include smarter ways to use our traditional strengths in agriculture and manufacturing, as well as the newer growth industries. A robust program of infrastructure development must be maintained in order to meet future growth opportunities.

An efficient and effective public sector

Maximising SA’s growth potential will require strengthening of the leadership in public sector agencies as well as continued efforts to reduce excessive regulatory burden.

The EDB considers that resolute application of the recommendations of this Economic Statement by the Government and private sector will enable SA to emerge from the global economic crisis well positioned for robust economic and social growth. This will be based on a combination of inherent strengths, favourable sector repositioning and a realistic ability to meet perceived challenges.

RIDING OUT THE GLOBAL FINANCIAL CRISIS

The Key Issues

Global recession is scarcely an ideal time to welcome a new economic era for the State.

Last year the EDB examined many scenarios of State economic and employment growth over the decade ahead. The severity of the sudden global economic and credit crisis has rendered this approach seriously incomplete. Few if any places in the world are likely to have 'normal' growth in the next few years. Therefore the EDB undertook a thorough and conservative reappraisal of new SA investment projects.

The conclusion is that although global uncertainties will persist for some time, SA still stands on the verge of shedding its prolonged period of underperforming national growth as the State's industrial structure adjusts to embrace new opportunities. New resources are still awaiting development for sale to growing markets, and the global financial crisis will have less impact on defence expenditure.

Certainly many projects will be delayed. In mining, and elsewhere, a savage global destocking phase has flattened demand and prices. But the main implication is that a surge in investment too sudden for the State's economic good is now likely to be a smaller but welcome buffer to a period of near-term economic adversity.

The credit crisis notwithstanding, the EDB believes that the range of new State projects remains abnormally high, and should be sufficient to eliminate the typical growth gap with rest of the nation.

It is critical that this opportunity is built upon sensibly and weaknesses remedied.

The Prominent Hill copper-gold mine is now in production, while a range of mineral sands, uranium, iron ore and other mining projects are underway. While the canvassed Olympic Dam expansion by BHP-Billiton is not yet approved, investigations are continuing.

The precise yearly economic profile is sensitive to relatively minor changes in assumed timing of projects; nevertheless, the EDB estimates the annual GSP growth rate should benefit by around 1.25 per cent on average over the three years from 2009-10 to 2011-12 (see figure below). These estimated gains would be more than sufficient to eliminate the typical growth gap with the nation encountered earlier this decade.



Source: EDB estimates of GSP growth impacts of abnormally high major project levels (\$millions at constant 2006-07 prices). Allowance has been made for production closure at Mitsubishi Australia's former Tonsley Park facility.

The uncertain economic times will challenge the State's capacity to maintain its AAA credit rating. However, the EDB is not alone in having confidence in the State's capacity for growth. Access Economics' latest report indicates that SA is in a relatively strong position (*see box below*).

What follows in 2011-12 and beyond obviously depends on the recovery from the present global economic and financial crisis. As outlined in *The evolving shape of the SA economy*, the EDB's central scenario estimates that if global normality returns in time, the State's real GSP in 2014-15 could be a quarter larger than in 2007-08.

Access Economics Business Outlook Report Dec Quarter, 2008

The report notes that most indicators of SA economic activity continue to look untroubled. Spending is solid, population growth remains at the fastest rates recorded since the early 1980s and employment growth is above the national average.

"Although the news for SA may be bad, the news is worse elsewhere. That means SA's share of Australia's economy is likely to climb more notably and sustainably in the next few years than it has done at any time since the 1960s."

Although the magnitude and duration of the global financial crisis are unpredictable, there are fundamental economic forces pulling other ways, including climate change and the continuing rise of China and India. This means that a renewed rush to start projects cannot be ruled out any time soon, so it is critical that SA maintains the momentum for growth. Otherwise there is the real risk that resource constraints of labour, energy, water, land and other inputs will severely compromise the State's readiness and capacity to face future strong demand.

The State Government has already demonstrated its commitment to many major projects. Construction for defence programs and the Northern (Adelaide) Expressway has started, along with a range of water projects. Financial support from the Commonwealth Government is actively being sought. As the SA Premier stated publicly on 30 January 2009: *"We've adopted a different approach to other states who've slammed on the brakes, we're actually rolling out a whole series of infrastructure projects this year, including some that have been brought forward in order to keep activity going and what I'll be asking Kevin Rudd for is to support us in those infrastructure projects."*

The EDB strongly endorses this continued investment, and recommends that the status of major public and private sector projects are monitored even more closely and frequently so that Government can maintain a clear understanding of the impact on forthcoming GSP.

- T1.1** Exceed national economic growth rate by 2014.
- T1.2** Maintain Adelaide's rating as the least costly place to set up and do business in Australia.
- T1.3** Maintain AAA credit rating.
- T1.5** Exceed Australia's ratio of business investment as a percentage of the economy by 2014.
- T1.14** Treble the value of SA's export income to \$25 billion by 2014.
- T1.17** Exploration expenditure in SA to be maintained in excess of \$100 million per annum until 2010.
- T1.18** Increase the value of minerals production to \$3 billion by 2014.
- T1.19** Increase the value of minerals processing to \$1 billion by 2014.
- T1.20** Double the defence industry contribution to our economy from \$1 billion to \$2 billion by 2013.

Recommendations and Priority Actions

Key Recommendation

- Notwithstanding expectations that the global economic and credit crisis will get worse before it gets better, the EDB urges Government and industry to maintain the momentum including by taking full advantage of the opportunities offered by the Commonwealth Government's most recent \$42 billion economic stimulus package.

Other priority actions

- To inform State policy decisions DTED needs to monitor more closely the progress of major private and public sector projects and regularly update assessments of their impact on forthcoming GSP and broad industry gross value added levels. These updates should be provided to Cabinet and the EDB at least twice a year.

A COORDINATED ACTION PLAN FOR WATER SECURITY

The Key Issues

The adequacy and security of our water supply was cited consistently as the biggest challenge facing the State during preparation of this Statement. The EDB agrees with this assessment, seeing water security as the primary domestic environmental concern.

The current low rainfall pattern in the southern Murray-Darling Basin is the most severe in recorded history and Adelaide's water storage is significantly below capacity. This is particularly concerning because 95 per cent of the State's current population is directly reliant on the river. SA irrigators are receiving a small fraction of their water allocations and SA Water customers are subject to ongoing water restrictions. The historic and continuing over-allocation in the Murray-Darling system has created profound environmental stresses, with the Lower Lakes and Coorong facing unprecedented crisis.

A number of important national initiatives are underway or are planned to help address this crisis (*see box below*). In contributing to these national forums, SA needs to be prepared to argue its case based on good science.

At the State level, considerable progress is being made towards solutions to diversify our water supply and provide non-climate dependent sources of water, including a desalination plant at Port Stanvac. Other initiatives include expansion of dry-land farming techniques and micro-drip irrigation systems, recycling of wastewater, developing and implementing aquifer storage and improved management of natural catchments and groundwater resources.

Murray-Darling Basin Reform

In July 2008, the Council of Australian Governments signed an historic intergovernmental agreement for management of the Basin's water resources by a new, independent Murray-Darling Basin Authority. The Authority will prepare and manage a whole of basin plan that will set sustainable diversion limits on water use, safeguard communities' water needs and establish appropriate water trading arrangements.

The agreement also incorporates up to \$160 million worth of priority projects for the benefit of the Lower Lakes and Coorong, as well as the State's irrigation and agricultural communities. These measures will be complemented by a \$3 billion Commonwealth water buy-back program.

National Water Initiative

The Murray-Darling Basin reforms are consistent with a broader set of reforms under the National Water Initiative. This is a shared commitment by the Commonwealth and state and territory governments to increase efficiency of Australia's water use through a nationally compatible market, regulatory and planning system for managing surface and ground water for rural and urban use.

Despite this progress, water security is an issue requiring ongoing solutions, particularly as population and economic activity grow in coming years. SA must manage existing water resources better, improve demand management, generate additional water supplies and adapt to changing climatic conditions.

Supplies of potable water can be increased through desalination, recycling and stormwater capture, conservation and demand management, and purchases from the River Murray. The optimal combination should be determined by their relative costs, with user charges set to recover the cost of the most recent addition to the supply. The State's water needs will be addressed in the forthcoming State Water Security Plan being developed by the Water Security Council and due for release in 2009.

Mains supply water is currently a very cheap commodity (*see table on next page*). The SA Government has already moved to introduce a three-tiered pricing structure that by 2010 will increase the water price for an average household in Adelaide to \$1.99 per kilolitre, while cutting the fixed annual supply charge by nearly \$20.

Average water prices in 2007-08

	\$ per kilolitre	
	Residential	Industrial
SA Water	1.69	1.42
City West Water (Melb)	1.59	1.20
Sydney Water	1.91	1.67
Water Corp (Perth)	1.46	1.41
Brisbane Water	2.11	2.13
Bottled water	2,000.00	

Prices assume 250kL pa per residential household, and 3,840kL pa for industrial users.

Source: SA Water

The EDB believes that further restructuring of SA water pricing can make a major contribution to fixing water supply and security. This is the fairest and most equitable way of paying for costly projects such as the Port Stanvac desalination plant, projected to cost over \$1.3 billion for 50 GL capacity. With appropriate restructuring of water pricing, together with additional Commonwealth loans, SA would have the financial resources to increase the capacity of this plant to 75 or 100 GL.

Increased pricing to reflect the cost of supplying water is also the essential foundation for demand management to encourage the conservation of water and its efficient use. This will allow the State to unlock other alternative water sources, and build on its strong local water manufacturing and services cluster.

Recommendations and Priority Actions

Key Recommendations

- The EDB acknowledges recent State Government action to make residential water prices more cost-reflective to support its investment for water security, which includes the building of a major new desalination plant. The EDB recommends that the Government continue moves towards volumetric-based cost recovery pricing, in particular to provide the means to make further investments needed to secure adequate water supplies for the State into the future.
- In prioritising such investments, the Government should urgently evaluate the potential to increase the Port Stanvac desalination plant to 75 or 100 GL with the support of Commonwealth loan funding. Together with further recycling and stormwater capture, this would substantially reduce the State’s reliance on the River Murray and create a longer term buffer for growth in the economy.

- T3.7** Reduce SA’s ecological footprint by 30 per cent by 2050
- T3.9** SA’s water resources are managed within sustainable limits by 2018.
- T3.10** Increase environmental flows by 500 GL in the River Murray by 2009 as a first step to improving sustainability in the Murray-Darling Basin, with a longer-term target of 1500 GL by 2018.
- T3.11** SA maintains a positive balance on the Murray-Darling Basin Commission salinity register.

- If the proposed pricing regime is to be fully effective, private suppliers will also need to be given third-party access to Adelaide’s main trunk networks for water and sewerage (as is presently the case for electricity and communications). These arrangements should be managed independently from SA Water.

Other priority actions

- The State Water Security Plan should also include an effective communication strategy to keep the public well-informed on strategies and progress.
- Subject to modelling of the full costs and benefits, there appears to be a strong case to strengthen water efficiency requirements for buildings and dwellings. The impact on first-home buyers and low-income households will need to be taken into account.

POSITIONING SA AS A LEADER IN RENEWABLE ENERGIES

The Key Issues

SA has significant existing renewable energy resources and capacity for new sources, such as geothermal, which is unique to Australia (*see box below*).

SA's clean energy advantage

SA is home to about 50 per cent of Australia's installed wind generation capacity, with more under construction.

The State has:

- *Nearly 40 per cent of the nation's grid-connected solar power capacity.*
- *Led the nation in developing geothermal energy, attracting more than 90 per cent of Australia's total geothermal investment.*
- *Excellent prospects as a geological repository for sequestered carbon.*
- *Excellent solar-thermal potential close to its mineral resources.*
- *World-class potential wave energy resources.*
- *First-rate university research capacity.*

With its abundant renewable energy resources and excellent research capacities, SA is well placed to establish itself as a world-class research, testing and proving hub, by integrating and coordinating effort across government, business and universities.

While there are barriers, such as transmission capacity and high relative costs that must be overcome for these technologies to succeed, SA has the natural resources to become self-sufficient in renewable energy in the long term. In the immediate future, SA is ideally placed to export renewable energy and renewable energy knowledge and associated services to the rest of Australia and the world.

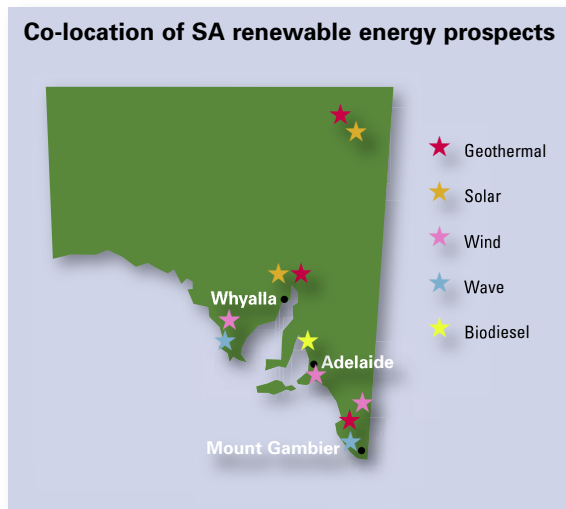
The EDB believes that SA has a brief window of opportunity to establish itself as Australia's leading clean energy state.

A concerted effort by government in conjunction with industry and research institutions can promote technological innovation and industry investment in a diverse range of renewable energies. This will allow SA to build on its green credentials and its unique natural advantages in generating solar, wind, wave and geothermal electricity with the dual objectives of achieving emissions reductions and building economic activity in the State.

Some of the most important priorities will be to fast track demonstration plants and minimise regulatory impediments to provide industry with the confidence to commit to expensive and large-scale investment in renewable energy facilities.

A feature of the Government's strategy should be to examine possibilities for co-location of complementary types of renewable energy sources to maintain a more constant energy supply (*see map*).

Co-location of SA renewable energy prospects



Besides a welcome diversification of the State's energy sources, this strategy can have the added benefit of stimulating SA's broader manufacturing base to provide the components and services that make up the generating capacity – for example the specialised steel drill pipe casing needed for geothermal generators or the many kilometres of mirrors required for solar thermal power stations.

Timely and effective implementation of this strategy will require oversight and coordination across government and between the public and private sectors. The EDB believes this is best achieved by adopting a model similar to the successful Defence SA initiative to establish the Renewable and Low Emissions Energies (RaLEE) Office, with a CEO and suitable staff, supported by a high profile advisory board. The RaLEE Office and Board would drive partnerships between government, industry and research, attract private investment, promote SA in national forums, and resolve future challenges such as transmission infrastructure. It is expected that a modest level of State funding to this initiative could be leveraged manyfold by industry and the Commonwealth Government.

Recommendations and Priority Actions

Key Recommendation

- The EDB believes that SA has a brief window of opportunity to build on its unique natural advantages in generating solar, wind, wave and geothermal electricity and establish itself as Australia's leading clean energy state. To achieve this, the SA Government should implement strategies to promote technological innovation in a diverse range of renewable energies, fast track demonstration plants, minimise regulatory impediments and secure industry investment. In addition to attracting large-scale investment in renewable energy facilities, the strategy should also aim to build the State's broader manufacturing base to provide the components and services that make up the generating capacity.

Case Study: Geodynamics (Alistair Webb, Commercial Director, Geodynamics)

Current equity raised: \$320 million – Cornerstone investors include Origin Energy, Sentient, Sunsuper and Tata Power – Energy target: 500MW a year by 2016.

Geodynamics is entering a critical stage in its development of clean energy technology with the commissioning a 1MW geothermal pilot plant in SA's outback. It is on schedule to begin powering the local township of Innamincka by mid 2009. The project has focused international attention on the State which has taken a world lead in the development of hot fractured rock geothermal energy production – a low cost, zero emission response to climate change.

"The size of the hot rock reserve is massive and the quality and potential is proven. Geothermal power production will enable SA to become the renewable energy hub of Australia."

T3.5 Achieve the Kyoto target by limiting the State's greenhouse gas emissions to 108 per cent of 1990 levels during 2008-2012, as a first step towards reducing emissions by 60 per cent (to 40 per cent of 1990 levels) by 2050.

T3.12 Support the development of renewable energy so that it comprises 20 per cent of the State's electricity production and consumption by 2014.

Other priority actions

- As a parallel to the successful Defence SA model, the State Government should establish, for an initial term of five years, the Renewable and Low Emissions Energy Board and Office and invest in a suitable science base in renewable energy to underpin investment attraction, oversee and drive implementation of the State's renewable energy strategy and help build the associated manufacturing capacity to supply components and services.
- The EDB recommends careful assessment of additional measures to increase the uptake of energy efficiency initiatives in established offices and dwellings and strengthen energy requirements for new buildings. Commonwealth programs including the most recent stimulus package should be leveraged to this end. The future stream of cost reductions arising from such measures must be weighed carefully against the additional up-front costs.
- The EDB recommends the EPA increase its emphasis on education, information dissemination, and strategies to reduce waste and improve environmental outcomes.

The Key Issues

The achievement of a skilled workforce with high rates of participation depends fundamentally on the quality of the education and training system.

The EDB has estimated that over 337,000 formally accredited education and training places will be required over the next seven years. This is more than the expected number of vocational education (VET) and higher education training places available under the current system.

Education starts in early childhood years and should continue throughout working life. At each stage of the learning process, the education and training system needs to provide both foundation skills and pathways to further learning, so that individuals can adapt to changing needs and technologies throughout their working lives.

The EDB identified a number of areas of critical need in the current system:

- Greater investment in early education.
- Higher student take-up of science, technology, engineering and mathematics (STEM).
- Improved transitions between school and further training and work.
- Greater investment in upskilling so that adults can readily adapt to new technologies.
- Better links between vocational education and higher education.
- Ensuring that SA's workforce planning system is informed of industry needs.

Continued cooperation between the State and Commonwealth governments, including through COAG, is critical to achieving these goals.

High returns flow from public investment in early childhood development. Regrettably, Australia's investment in early education is at the bottom of the ladder of developed nations. To address this, in March 2008 COAG endorsed a comprehensive plan for early childhood education and care. Effective early childhood education is extremely important for the acquisition of basic skills to succeed in education and work, particularly for low-income and disadvantaged groups. A national paid maternity leave scheme would also provide parents with greater economic capacity to nurture infant children and ensure their healthy development.

Effective student learning at school depends heavily upon the quality of the teaching. The EDB believes excellence in teaching should be promoted and rewarded, and that schools serving disadvantaged areas should be equipped and funded to attract excellent teachers. These recommendations are consistent with reforms being developed under the National Partnership for Teacher Quality and the National Partnership on Equity.

A long-term decline in the proportion of students taking STEM subjects must be reversed for SA to equip its workforce appropriately for the anticipated demand from technology-intense sectors. Strategies are being developed to graduate more teachers with STEM training, including primary and middle-school teachers in recognition of the fact that students make career choices very early. Other proposals approaches include allowing STEM graduates to gain formal teaching qualifications while undertaking paid work; teacher accreditation and financial rewards for excellence in STEM teaching; and improved STEM teaching resources in schools. Recent SA Government initiatives such as the establishment of the Royal Institution Australia and the Australian Science Media Centre are also positive.

SA must also have a demand driven, responsive and flexible VET system. This is the goal of reforms being initiated by the Training and Skills Commission to meet the needs of individual trainees and industry. It wants to ensure that training places are taken up, courses are completed successfully, and the skills acquired are used in the workplace.

The Commission has commenced an extensive industry and stakeholder engagement process to identify priorities for skills and workforce development in its new five year plan. Partnerships are needed between school and community and industry groups or universities that offer young people positive images of what STEM professionals do. The SA electronics industry initiative, (ie)2, provides a good model.*

A vibrant higher education sector is vital to the State's economic future. The Commonwealth Government recently commissioned a sector review, chaired by Professor Denise Bradley. It will be important for SA to capitalise on initiatives flowing from the recommendations (see box below).

Key recommendations from the Bradley Review of Australian Higher Education**

- *Increased Commonwealth Government funding to the higher education sector to reduce student-to-staff ratios and full funding of R&D.*
- *Greater freedom of choice for students through an entitlement system where funds follow the student.*
- *Enhance the proportion of disadvantaged students that gain tertiary qualifications.*
- *Commonwealth Government to offer additional scholarships to international students in areas of skills shortages.*
- *Reduce HELP debts for nursing & teaching students (already in place for maths & sciences).*
- *Increase the total proportion of the population with higher education qualifications.*
- *Remove limits to the number of students that universities can enrol in courses.*
- *Increase funding to establish sustainable higher education provision in regional areas.*
- *Enhanced VET-university sector linkages.*

Recommendations and Priority Actions

Key Recommendations

- The potential shortfall of VET funding and higher education places over the next decade and the opportunity to increase the rate of training in the present downturn should be pursued vigorously with the Commonwealth Government.
- Consistent with the National Partnership for Teacher Quality and the National Partnership on Equity, low SES schools should receive additional funding per student; and principals should have greater discretion within their school budgets to remunerate exceptional teachers appropriately and make individual recruitment decisions.

- T6.12** By 2010, 93 per cent of Year 3 students to achieve the national benchmarks in reading, writing and numeracy.
- T6.13** By 2010, 93 per cent of Year 5 students to achieve the national benchmarks in reading, writing and numeracy.
- T6.14** By 2010, 93 per cent of Year 7 students to achieve the national benchmarks in reading, writing and numeracy.
- T6.15** By 2010 increase the number of 15-19 year olds engaged fulltime in school, work or further education/training to 90 per cent.
- T6.16** Increase yearly the proportion of 15-19 year olds who achieve the SACE or comparable senior secondary qualification.
- T6.17** By 2010 increase by 15 per cent the proportion of students receiving a TER or equivalent with at least one of mathematics, physics or chemistry.
- T6.18** Increase yearly the percentage of Aboriginal children reading at age appropriate levels at Year 1 end.
- T6.19** By 2014, equal or better the national average for the proportion of the the labour force with non-school qualifications.
- T6.20** Increase SA's proportion of higher education students to 7.5 per cent of the national total by 2014.
- T6.21** Exceed the national average for VET participation by 2010.

Other priority actions

- Sustained efforts are required to attract overseas students in areas of skills demand and to assist them in gaining employment leading to permanent residency.
- Continued collaboration between the State Government and the Commonwealth Government is crucial to implement national initiatives to improve teacher quality, raise outcomes in low SES schools and on reporting school results.
- The EDB strongly supports ongoing work to define initiatives aimed at reversing the decline in student uptake of STEM.

* www.eiaa.asn.au
 ** www.deewr.gov.au/review

The Key Issues

Development of the State's workforce is fundamental to SA's future prosperity.

There are multiple strategies to achieve this, including initiatives addressed in the sections "An education and training system for the 21st century" and "Planning for population growth".

In this section we discuss measures to ensure more people participate in the workforce.

Notwithstanding the present economic downturn, the growth rate of employment consistent with SA's prospective economic growth will average 1.3 per cent per annum over the next seven years to 2014-15. This will require an increase in workforce participation (*see box below*).

In 2007 more than 260,000 South Australians were seeking work or more hours of work. This group includes those who are unemployed, underemployed, or not engaged but want to work.

Male employment participation has fallen markedly since the 1960s, particularly among 25-55 year olds with no post-school qualifications. Participation for women has increased over this time, but mainly in part-time jobs. SA has the lowest rate of female participation among all states and, as with males, low participation is concentrated among early school leavers who lack further qualifications.

With the present economic downturn, employment participation is likely to deteriorate further in the next year or so. But it is critical that the opportunity is taken now to increase training so that people are better equipped to take up the prospective employment opportunities as the economy recovers. The Productivity Places Program should be used to upskill employees who are on short time and apprentices facing stand-downs should have their off-the-job training accelerated.

Target for SA's employment participation rate

The EDB believes an appropriate target is an increase in the State's employment participation rate (i.e. percentage of the population aged 15-64 years that is employed) from the current rate of 73.8 per cent (June 08) to 78.0 per cent by 2014-15.

Because the State's population is aging, the rates of employment participation for each five year age group will need to increase by more than this to achieve the target.

In addition to their lack of skills, the most disadvantaged groups also face numerous other barriers to their employment. For this reason skill development needs to be integrated with other supporting services that address personal needs. These supportive measures include pre-employment assistance, work experience, literacy and numeracy programs, on-the-job training and post placement support, mentoring and case management. Training undertaken with an employer and an expected job outcome achieves the best results.

Currently, the SA Government's main employment program is SA Works. In conjunction with the new Commonwealth Productivity Places Program, SA Works provides a public policy platform for raising participation and meeting the needs of disadvantaged job seekers.

This program (*see box on next page*) has produced some positive results. For example, in 2007-08:

- 29,000 South Australians participated in learning, training, skills development and work programs through SA Works.
- 17,500 participated in work programs.
- 8,500 subsequently gained employment.

SA Works and Productivity Places Program: Policy to Meet the Challenge

- *SA Works targets those sectors of the population who have the greatest difficulty gaining and retaining employment, including those aged 15 to 24, mature age people, Aboriginal people, those with a disability and groups whose special needs are identified at the local level.*
- *Programs are delivered in partnership with all levels of government, industry, regions and non-government sectors.*
- *SA Works has evolved into an integrated package of workforce development activity with a focus on supporting industry-led projects.*
- *The Productivity Places Program will deliver 701,000 additional training places nationally (including 85,000 apprenticeship places) over five years.*
- *Of these, 392,000 training places will be allocated to existing workers wanting to gain or upgrade their skills and 309,000 will be allocated to job seekers.*
- *Training will be offered in industries that are experiencing skill shortages and provided by public and private training organisations.*
- *The intention is that 90 per cent of the training places should be for Certificate III qualifications or above, and involve jobs with good employment and earnings outcomes.*

- T1.10** Better the Australian average employment growth rate by 2014.
- T1.11** Maintain unemployment equal or lower than the Australian average through to 2014.
- T1.12** Increase the employment to population ratio, standardised for age differences, to the Australian average.
- T1.13** Increase defence industry employment from 16,000 to 28,000 by 2013.
- T2.4** Increase the life expectancy of South Australians by 5 per cent for males and 3 per cent for females by 2014.
- T6.5** Reduce the percentage of South Australians receiving government benefits (excluding age pensions) as their major income source to below the Australian average by 2014.

Other priority actions

- An evaluation of SA Works should be undertaken to ensure the best employment outcomes for target groups are achieved. The evaluation should have regard to the Social Inclusion Board's Sharing Opportunities work, the Productivity Places Program, the current Commonwealth review of Employment Services, and economic conditions and prospects.
- The EDB recognises that intensive individually customised support is effective in assisting people who experience personal, social and financial disadvantage to gain and remain in employment. It recommends that SA Works and the Productivity Places Program for disadvantaged job seekers incorporate individualised support.

Recommendations and Priority Actions

Key Recommendations

- Development of the workforce is fundamental to the State's future prosperity. It is critical that the opportunity is taken now to increase training to better equip people for employment opportunities as the economy recovers. The EDB believes an appropriate target is to increase the State's employment participation rate (percentage of the population aged 15-64 years that is employed) from the current rate of 73.8 per cent (June 08) to 78.0 per cent by 2014-15. Because the State's population is ageing, the rates of employment participation of working age people will need to increase by more than this to achieve the target.
- In the present economic crisis, Government should increase the funding of training and workforce development opportunities for those people who are on the margin of the labour force, those who are at risk of losing their jobs or who are on short-time, and those whose training contracts are at risk. Training providers must develop partnerships with individual firms and clusters of firms to improve the use of skills by identifying specific training needs in conjunction with agreements about how work can best be organised, involving possible job redesign, improved career pathways, and better retention of skilled workers.

SOCIAL AND REGIONAL BENEFITS FROM ECONOMIC GROWTH

The Key Issues

For the economy to perform at its best, we must increase the opportunities that South Australians have to participate in, and contribute towards, the growth process. Paid employment is central to social inclusion and various strategies to improve education and training, and to raise workforce participation are considered elsewhere in this summary.

Other recent initiatives by the SA Government include the establishment of the Premier's Council for Women and the Social Inclusion Board. The Council for Women is developing a positive and active policy agenda that includes workplace and employment issues. The Social Inclusion Board (SIB) has been asked specifically to identify ways to secure a social dividend from the anticipated expansion of the economy, particularly in mining and defence. Under this Sharing Opportunities reference, the SIB is working with local employers to implement a place-based approach to moving disadvantaged people into sustained employment. The SIB has prioritised jobless households where there are children; low income, people living alone; Aboriginal people; people with disabilities; and people in regional areas.

There is no doubt that Aboriginal people are the most disadvantaged population in SA and nationally. SA's *Strategic Plan* includes nine targets specifically related to Aboriginal wellbeing, but performance has been mixed. Raising education standards and the provision of meaningful and sustainable employment opportunities is key to improving overall Aboriginal wellbeing, and the work of the Social Inclusion Board will be critical. Another important initiative has been the recent formation of the *Aboriginal Foundation of SA* on behalf of native title groups to provide mentoring, technical and financial support to Aboriginal groups wishing to undertake economic and enterprise development. A similar model has had some outstanding successes in WA (*see box below*).

Case study: Ngarda Civil and Mining (Barry Taylor, Executive Chairman, Ngarda Civil and Mining)

Ngarda Civil and Mining was established in 2001 to provide employment for indigenous people in the WA Pilbara mining region. The company now employs about 400 people – half of them indigenous – and has won more than \$500 million of work. Customers include BHP Billiton, Rio Tinto, Woodside and Newcrest with major projects in several regional towns.

The business was established as a partnership between the Ngarda Ngarli Yarndu Foundation, Indigenous Business Australia and Henry Walker Eltin.

"Normally in a mine of 500 people you might have two indigenous people, so they're truly in a minority. Ngarda has set a target of 50 per cent minimum indigenous employment, a target the company has achieved consistently over its seven year life."

Over 200,000 South Australians aged 16 to 64 have a disability. Many are significantly disadvantaged, often with lower levels of employment. The reform of Commonwealth Government Disability Employment Services and development of a National Mental Health and Disability Employment Strategy signals new opportunities for the State to work collaboratively with the Commonwealth to develop innovative programs that link people with a disability into training and employment.

For SA to achieve its full potential it is imperative that its regions share in any success. Many of the challenges, opportunities and constraints outlined in this Statement will be experienced more acutely across regional SA. SA's regions account for just over a quarter of the State's population and full-time equivalent jobs, approximately 40 per cent of total exports and almost 25 per cent of total output. But there are marked differences between the labour markets in individual towns. For example, unemployment rates range from 10.2 per cent in Peterborough to 0.4 per cent in Keith.

Two initiatives are providing the foundations for a new approach to regional development in SA. First is the adoption of uniform regional boundaries by the public sector to promote better collaboration across agencies. Second is the 'regionalisation' of SA's Strategic Plan, which has been completed or is underway for most regions.

There is now opportunity to extend this work through development of regional *blueprints*.

Regional *blueprints* would highlight the particular strengths of regions, as well as the challenges and opportunities they face. They should focus on the strategies and specific actions required to achieve their specific SASP targets and help identify changing government service requirements in regional SA. Local government involvement in the development and implementation of regional *blueprints* will be critical, as will involvement of the Office of Regional Affairs and the Regional Development Board network.

Recommendations and Priority Actions

Key Recommendations

- Social and economic development must go together. The EDB calls on peak industry bodies to engage with the Social Inclusion Board in its Sharing Opportunities reference, and for individual companies, especially in sectors with strong growth prospects, to explore avenues to provide job opportunities (especially entry level) for the long term unemployed.
- Public sector authorities should do more to provide employment opportunities for people entrenched in disadvantage, including through their capital works programs in which employment requirements for specific groups, be they long term unemployed or Aboriginal, should be stipulated.
- Regionalisation of SA's Strategic Plan should be extended towards the preparation of individual development plans, or blueprints, for each regional area.
- Over time, the Regional Development Board network should be reconfigured to align with the State's regional boundaries structure. This new structure should seek to integrate regional development activities and structures for all three levels of government.

- T1.26** Reduce the gap between Aboriginal and non-Aboriginal unemployment rate each year.
- T2.5** Lower the morbidity and mortality rates of Aboriginal South Australians.
- T4.5** Aboriginal cultural studies included in school curriculum by 2014.
- T5.1** Increase women on all State Govt boards and committees to average 50 per cent by 2008.
- T5.2** Increase women chairing state government boards and committees to 50 per cent by 2010.
- T5.7** Increase Aboriginal participation in community leadership and development programs.
- T6.1** Improve the overall wellbeing of Aboriginal South Australians.
- T6.4** Improve SA's performance on the Australian Early Development Index.
- T6.5** Percentage of South Australians with non-age pension government benefits as the major income source reduced below the Australian average by 2014.
- T6.6** Halve the number of 'rough sleepers' in SA by 2010 and maintain thereafter.
- T6.9** Reduce overcrowding in Aboriginal households by 10 per cent by 2014.
- T6.10** Double the number of people with disabilities appropriately housed and supported in community based accommodation by 2014.
- T6.11** Increase by 400 the people with disability involved in the day option program by 2014.
- T6.22** Double the number of people with disabilities employed in the public sector by 2014.
- T6.23** Have women comprising half of the public sector employees in the executive levels by 2014.
- T6.24** Increase participation of Aboriginal people in the SA public sector to 2 per cent by 2010.

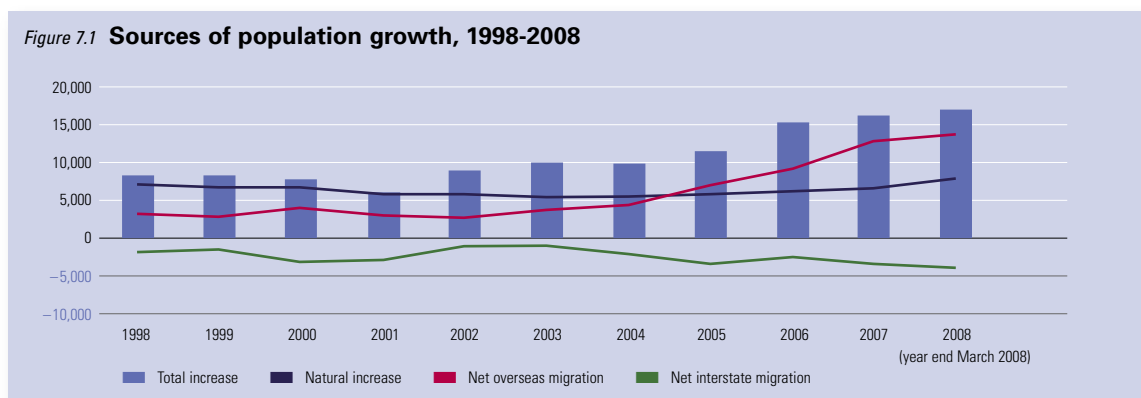
Other priority actions

- The development of an Aboriginal Economic Statement warrants full consideration to provide a more detailed and customised policy response for Aboriginal people to the growth opportunities identified in this Statement and to advance the Aboriginal wellbeing targets in SA's *Strategic Plan*.

The Key Issues

The EDB believes healthy population growth is good for SA's economy and society, leading to greater opportunity, incomes and civic vitality. This view is reflected in the SA Strategic Plan target 1.22, which seeks to increase SA's population to two million by 2050, with Adelaide's population rising to 1.5 million.

The State is now experiencing historically high population growth of just over 1 per cent per annum and is on track to meet its two million target well ahead of schedule. This growth is primarily due to higher overseas migration, with a small natural increase through higher fertility (*see figure below*). Barely five years ago predictions were for SA's population to decline.



Notwithstanding this result, SA still faces significant challenges in expanding its population:

- There is a net loss of young working age people to other States with Strategic Plan target 1.23 unlikely to be achieved.
- Making and maintaining SA's visibility as a migrant destination, especially for skilled workers.

Growing economic prosperity – and the jobs that come with it – will be the most important driver to attract and retain skilled workers. However, benefits will also be gained from a coordinated approach to:

- Maintain a relevant and effective population strategy for SA.
- Increase employer-sponsored migration.
- Address housing affordability issues by improving land supply.
- Plan for population growth, and accelerate rezoning and planning reforms to accommodate this growth.
- Maintain and improve the liveability, sustainability, safety and health of SA's residents, and in doing so increase the State's attractiveness as a place to live and work.

The bulk of SA's population growth is expected to occur in Adelaide and its surrounds (Greater Adelaide), posing significant growth management challenges. These include strains on existing facilities, energy and water supplies and transport.

To this end, the Government's *Planning and Development Review* is developing a new *Plan for Greater Adelaide* (*see box on next page*). Regional Plans are also under development. The EDB welcomes and endorses the development of these plans for Greater Adelaide and regional SA.

Examples of initiatives approved or already underway to support population growth include a \$2 billion State Government investment over the next decade to revitalise Adelaide's public transport system. This will include electrification and extension of the north, south and west rail corridors, as well as extension and upgrading of Adelaide's tram network.

Better Planning Better Future: Directions for creating a new Plan for Greater Adelaide*

Under this 30-year plan, the SA Government has set seven directions, including:

- *Concentrate growth in Transit Corridors and Transit Oriented Developments (TODs). TODs will be high-density, highly liveable centres which will bring together jobs, housing and transport, and allow the city to achieve population growth without widespread change to existing suburbs.*
- *Achieve sustainable housing growth by an appropriate balance between urban renewal and greenfield site development.*
- *Position greater Adelaide to accommodate around 160,000 new jobs through strategic location of housing and development of specialised precincts.*
- *Encourage urban design that positions the State to be climate resilient and sustainable.*
- *Sustainable use of natural resources to protect and enhance areas of ecological and high-value agricultural significance, as well as security of water supply and use.*
- *Plan and integrate economic and social infrastructure to maximise use of existing infrastructure; base new infrastructure decisions on urban development priorities.*
- *Policy and planning reforms to support the Plan.*

The EDB strongly supports the Government’s introduction of a new Residential Development Code to increase the number of matters that do not require planning approval and to streamline the approvals process to make it simpler and quicker. The Department of Planning and Local Government must rapidly re-gear its resources to achieve these outcomes. Any delays could seriously erode SA’s housing affordability.

Recommendations and Priority Actions

Key Recommendations

- The SA Strategic Plan target of 2 million people is likely to be achieved by 2036, fourteen years ahead of the initial target date. The EDB recommends that additional strategies are implemented to reach the 2 million population target by 2027. This will require review and updating of the State’s population policy (now five years old) with priorities to grow SA’s share of overseas skilled migration, stem the loss of young working people to other states and increase workforce participation. In parallel, the policy will need to ensure this growth can be accommodated through improved land supply to address housing affordability issues, as well as accelerated rezoning and planning reforms. Health and quality of life of residents, as well as environmental and regional impacts will also need careful consideration. The Government’s Population Policy Unit should be empowered to coordinate implementation of this updated policy across all relevant government agencies.

- T1.16** Double SA’s share of overseas students by 2014.
- T1.22** Increase SA’s population to two million by 2050, with an interim target of 1.64 million by 2014.
- T1.23** Reduce annual net interstate migration loss to zero by 2010, with a net inflow thereafter to be sustained through to 2014.
- T1.24** Increase net overseas migration gain to 8500 per annum by 2014.
- T1.25** Maintain a fertility rate of at least 1.7 births per woman.
- T2.4** Increase the life expectancy of South Australians by 5 per cent for males and 3 per cent for females by 2014.

Other priority actions

- The State’s efforts in overseas migration should be predominantly directed to supporting employers in recruiting skilled migrants. More overseas students should be encouraged to study in areas of future demand in SA, and to stay once their studies are completed. Current State Government programs and initiatives should be evaluated and restructured towards these outcomes, and include migration targets for the State’s overseas offices.
- The Government should continue to work closely with the Commonwealth to maintain SA’s Regional Skilled Migration status for five more years.
- For economic growth and social inclusion, it is vitally important that skilled migrants and their families settle successfully and quickly. More can be done to improve publicly provided settlement services and to engage employers in supporting these services.

* www.planning.sa.gov.au

PRODUCTIVITY GAINS THROUGH INNOVATION AND VALUE-CHAIN LINKAGES

The Key Issues

It is pointless for Australia to try to compete with low wage countries on low-value, labour intensive products. The State's economic growth will increasingly be driven by improvements to productivity (output per unit of labour, equipment or capital inputs).

As recognised in the recent Cutler Review of Australia's Innovation (*Venturous Australia*)*, productivity gains will in turn require greater focus on innovation – applying knowledge in new or different ways to improve practical outcomes.

SA will not achieve these gains by business as usual. Although there have been some recent improvements, the State's productivity is significantly below the OECD average and business expenditure on research and development (R&D) is low compared with the national level. This sluggish performance can be attributed in significant part to the State's industry structure and its earlier reliance on industry protection and subsidisation. Continued improvement in innovation and business R&D is needed if the relevant SA Strategic Plan targets are to be met.

In a global marketplace, innovation relies increasingly on effective networks and linkages. Various studies, including a recent one by Thinker in Residence, Prof Andrew Fearn, have concluded that the SA agricultural sector has neglected the importance of connectivity along the value-chain from producer to consumer. Because many producers have limited understanding of customer needs, they cannot capitalise fully on market opportunities. Agriculture is not alone – manufacturing SMEs often suffer from poor linkages with international partners and customers. Another weakness is the relatively poor connectivity between the State's industry and public sector research sectors.

Networks and linkages can also help small, innovative companies achieve global scale. In recent years, Commonwealth and State government initiatives have catalysed the formation of many new technology-based companies. For example, SA now has over 100 bioscience companies, but most have remained micro-cap in size. The development of technology precincts at Thebarton (biotechnology) and Mawson Lakes (ICT/defence) has been a positive strategy, but there is an urgent need to link these companies with investors and innovation catalysts that will bring mentoring and global connections, as well as financing.

There are some good success stories, such as the growth in wine exports over the past decade, and the achievements of the SA Water Industry Alliance (*see box below*).

Case Study: SA Water Industry Alliance (Joe Flynn, Chief Executive, Water Industry Alliance)

- Exports achieved: \$400 million 2007-08
- Export target: \$1 billion by 2015

The Water Industry Alliance was established 10 years ago to help position SA as a world-class hub for water technology and services.

Today it has more than 240 member organisations and its innovative water management systems are in high demand by overseas markets.

"When the Water Industry Alliance was established I don't think anyone in their wildest dreams thought it would be so successful. We now have a fantastic opportunity to capitalise on the challenge of climate change – and it's already happening."

The EDB is confident that its recommended initiatives in the areas of skills and training, infrastructure development, reduction in red tape and streamlining of regulatory approvals will contribute significantly to the State's productivity.

* www.innovation.gov.au/innovation_review

But additional strategies are needed to:

- Grow innovative industry sectors such as mining, defence, education, knowledge-based services, health, and renewable energies, and
- Seize opportunities for higher value-add products and services in all sectors, including the State's traditional strengths such as agriculture and manufacturing.

Not enough is known about SA services activities, but it is clear that performance is not good enough. Decision-makers must have reliable, quantitative information. The recent creation of an industry directory of service exporters was a good start, but the work remains well short of what is needed. This effort must be renewed because the trend for all rich country activity is towards services, particularly knowledge-based services that are high value-add.

Much of the responsibility for industry growth rests with the private sector, but a flexible, focused and responsive public sector can help. The EDB strongly supports the proposed restructure of the SA Centre for Innovation (SACFI) as an entity that operates at arm's length to Government to help build an internationally competitive SME manufacturing sector in SA. The EDB recommends that this role is expanded so that SACFI is positioned to lead the formation of networks and clusters that enhance industry innovation, exports and global competitiveness.

Recommendations and Priority Actions

Key Recommendations

- The State's industry policy should be focused on growing export-oriented industries that are characterised by high value-add and innovation, such as mining, defence, education, health and renewable energies. Priority should also be given to building export value from agribusiness, advanced manufacturing and services.
- The SA Centre for Innovation (SACFI) should be restructured as the flagship organisation for business related innovation activity in SA, with a focus on manufacturing and certain traded services, operating at arm's length from Government.

Other priority actions

- The EDB is supportive of the growing links between local angel investment groups, investment funds, innovation catalysts and university commercial arms as a means of mentoring and financing early-stage innovative companies. The Cutler Innovation Review's recommendation for modest support to angel investment organisations is also welcomed.

- T1.6** Exceed Australia's average labour productivity growth in real terms by 2014.
- T4.6** Increase gross revenues received by SA-based research institutions from licences, options etc by 2010.
- T4.7** The proportion of SA businesses innovating to exceed 50 per cent in 2010 and 60 per cent in 2014.
- T4.9** By 2010, public expenditure on R&D as a proportion of GSP, to match or exceed average investment compared to other Australian states.
- T4.10** Secure Commonwealth R&D resources to 10 per cent above SA's per capita share by 2010 and 25 per cent by 2014, for both public and private spheres.
- T4.11** Increase business expenditure on R&D to 1.5 per cent of GSP in 2010 and 1.9 per cent by 2014.
- T4.12** SA's share of Commonwealth venture capital program funds to reach 7 per cent by 2010.

- In view of the limited data available on the services sector, the EDB recommends that Government takes steps to map SA's strengths and weaknesses in traded services, and works with industry to facilitate services export growth by removing barriers. The EDB would welcome a role in overseeing this work.
- It is timely for the Government to review its funding allocations to public sector R&D to ensure alignment with the State's economic development imperatives and improve coordination across government agencies. At present, 75 per cent of State Government funding is allocated to health and agriculture (through DHS and PIRSA), while 75 per cent of business R&D in SA is spent in manufacturing and mining.

The Key Issues

A surge in investment will generate much higher demand for infrastructure in SA. Its efficient and timely provision will greatly shape how successful SA will be in riding future waves of sustained growth.

The EDB advocates a two-stage approach to government decision-making on major projects:

- i Each proposal should be evaluated on its merits and ranked alongside others so that priorities can be established, before
- ii A decision is made on whether to fund the project, and if so, how to fund it.

History shows that the absence of such an ordered approach risks both under-provision of capital spending, and haphazard expenditure decisions that are blind to key priorities.

Provision of public infrastructure in SA

Three major developments characterise the State's provision of public infrastructure in recent years:

- *Major repair of the state's budget and balance sheet has provided additional scope for public investment. In line with this, there has been a revision of the target for budget balance away from the net lending balance to the net operating balance.*
- *A Strategic Infrastructure Plan (SIP) has been developed. Although primarily a project list, SIP sets out some priorities and acknowledges the need for a coordinated approach across government, and for partnerships between governments and business. SIP embraces a staged approach to project evaluation and funding.*
- *A major program of capital works has been approved: the commissioning of a major new hospital; the extension and electrification of the light rail network; the development of super schools; a commitment to a metropolitan desalination plant; adoption of the Planning Review's major recommendations regarding Transit Oriented Developments (TODs).*

In the present difficult financial environment, it may be necessary to modify the timescale for delivery of certain works that appear lower on the list of priorities. In this context, it would be timely to reassess the Strategic Infrastructure Plan which is now five years old. However, the EDB cautions strongly against any retreat from, or substantial diminution of the Government's commitment to public investment in key projects over the coming period.

Notwithstanding the difficult period ahead, the global financial crisis also presents significant opportunities for cost effective investment – costs of borrowing are lower and capacity constraints in the construction sector are easing. When stronger growth returns, more infrastructure projects will have been completed, allowing early realisation of the gains from the development of linked private sector projects.

The consequences of not investing now may include delay to critical private sector projects accompanied by higher costs as capacity constraints again return. In addition, sustainment of local industry capacity and the resident skills base should be key priorities during the trough. This illustrates the need for public policy to be counter-cyclical rather than pro-cyclical. Now is the time to make these investments.

The EDB is not in a position to identify the optimal level of debt nor the preferred form of those liabilities (eg direct borrowings versus Public Private Partnerships). But the EDB would emphasise that there is nothing in the current economic slowing that justifies a blanket cutting back on long-term investment.

T1.21 Match the national average in terms of investment in key economic and social infrastructure.

Recommendations and Priority Actions

Key Recommendations

- The EDB strongly recommends that the State maintain a robust program of infrastructure investment. Failure to invest now would cause unacceptable delay in critical private sector projects and be far more damaging to long-term sustainable growth than any temporary downgrade in the State's AAA credit rating. The present circumstances offer significant opportunities for cost effective and counter cyclical public investment, including lower costs of borrowing and lower capacity constraints. The State Government should seek to leverage investment with Commonwealth funds wherever possible. The areas of greatest priority with respect to economic infrastructure are water, transport, defence and clean energy.
- To ensure that momentum for investment is maintained and delivery of projects on budget and on time is achieved, the Office for Major Projects and Infrastructure (OMPI) should prepare an annual Infrastructure Priorities Update to Cabinet, with the first edition due in December 2009.

This annual OMPI Update should document progress of existing projects against schedule and estimated cost, assess priorities for future investment and recommend measures to improve project evaluation and management.

With much of the State's key infrastructure in private ownership and control, the Government will need to regulate frequently to ensure workable and equitable third-party access to power sources, gas and water pipelines. The supply of infrastructure associated with the resources expansion will often need to be led by Government, in partnership with business, so that benefits accrue appropriately to the community from full use of available common infrastructure.

Other priority actions

- Government should consider on a case-by-case basis the merits of setting charges for users proportionate to the value of their use. This has the potential to provide revenue streams that will allow the earlier development of needed infrastructure.
- It is important that local businesses receive fair opportunity to compete in the awarding of contracts let by large private firms or government. The EDB recommends that current local industry participation policies and practices be assessed against the need for strong industry sustainment over the present downturn and beyond, and that this be a key focus of attention for policy development and implementation.

AN EFFICIENT AND EFFECTIVE PUBLIC SECTOR

The Key Issues

Since 2002 the EDB has argued that an effective, focused and flexible public sector is key to maximising SA's future growth potential.

SA's *Strategic Plan* sets ambitious targets for public sector performance, recognising that high standards underpin achievement of many other targets.

The public sector affects economic performance directly through the role of government as a provider of public infrastructure and services, as a regulator and as a strategic leader, organiser and facilitator.

Some of these responsibilities are discussed elsewhere in this Summary. In the area of services, the most direct links to economic performance occur in education (previously addressed) and health. Expenditure on health accounts for a large and rising proportion of the State Government budget. A sustained focus on preventative care, consolidation of acute services, and efficient delivery are essential for an affordable and effective health care system. A productive economy rests on a healthy workforce.

Also fundamental to our competitiveness is how well the public sector regulates market activity or behaviour. Because regulation can impose costs and become outmoded quickly, there is a need for frequent review for contemporary relevance and effectiveness. The State Government's red tape reduction program aims to make SA the most competitive place in which to invest and operate a business in Australasia. Indeed, a global survey by *Resourcestocks* magazine found SA to be the most investor-friendly resources state in Australia, and second in the world after Finland.*

The public sector's role as a strategic leader, organiser and facilitator also matters greatly for our long-term competitiveness. This requires leadership of the highest calibre. The EDB believes it essential to build on public sector reforms of recent years (*see box below*) with further changes urgently needed to deal with:

- The retirement of a significant proportion of current public sector workers by 2012.
- Competition for skilled employees from major projects in the State.
- The increased demands for services deriving from population ageing.
- The need for coordinated whole-of-government responses to complex, large-scale issues.
- Changing financial relationships between the states and Commonwealth.

Public sector reform since 2002

- *Establishment of ExComm to monitor agencies' progress in helping to achieve SASP targets.*
- *Abolition of tenure for executives, together with the creation of the SA Executive Service to create flexible and mobile public sector leaders.*
- *Augmentation of the Cabinet Office to become a more effective central coordinator and driver.*
- *Adoption of a Common Measurement Tool to measure and benchmark customer satisfaction.*
- *Establishment of 12 Common Regional Boundaries for better planning and services.*
- *Implementation of the red tape reduction program through the Competitiveness Council.*
- *Reform of the planning system, and developing a 30-year Plan for Greater Adelaide.*
- *Reform of certain budget processes to allow greater program flexibility and greater capacity of managers to manage.*

The EDB supports the move to bring all public sector employees under a single framework through a new Public Sector Management Act. More can be done to align budget process with service delivery. Chief Executives must be held accountable for the financial performance of their agency, and accordingly must have authority and flexibility to shift resources within their portfolio to meet new needs and priorities. More scope for 'invest-to-save' approaches, together with a better risk and reward structure for innovation and higher performance, are required.

* *Resourcestocks* World Risk Survey, October 2008

Coordination across government is essential. For example, as the minerals expansion progresses, the task for government will extend beyond ensuring timely approvals of infrastructure to:

- Handling the expansion of existing communities and the development of new ones.
- The provision of quality services such as education, health care and policing.
- Ensuring local communities, including indigenous populations, support and benefit from the expansion.
- Ensuring development occurs in an environmentally sustainable manner.

Recommendations and Priority Actions

Key Recommendations

- The EDB supports the Government's stated goal of making SA the most competitive place in which to invest and operate a business in Australasia and therefore recommends continuation of the red tape reduction program and its supplementation by program of regulation review such that all regulation will be reviewed on a 5-year rolling basis
- The EDB recommends that the Government give urgent attention to strengthening the leadership of the public sector, emphasising Chief Executives' accountability for outcomes, succession planning and the development of the next cohort of leaders with strong strategic capacity, together with the commitment to high performance, service excellence and continuous productivity improvement.

Other priority actions

- In order to ensure a high performing public sector, the EDB believes the renewal program of the newly formed Public Sector Performance Commission (PSPC) should proceed with urgency. The PSPC has identified four key areas for action:
 - A major training and education effort to achieve forward-looking leadership and strategic capacity.
 - Strong frameworks and systems to drive productivity and continuous improvement.
 - Workforce planning and development for the future, including recruitment, succession planning and retention initiatives.
 - Building partnerships between the public sector, business and the community to achieve effective collaboration.

- T1.7** Increase the satisfaction of South Australians with government services by 10 per cent by 2010, maintaining or exceeding that level of satisfaction thereafter.
- T1.8** Become, by 2010, the best-performing jurisdiction in Australia in timeliness and transparency of decisions which impact the business community (and maintain that rating).
- T1.9** Increase the ratio of operational to administrative expenditure in state government by 2010; maintain or better that ratio thereafter.

- The EDB supports the move to bring all public sector employees under a single framework through the new Public Sector Management Act. This change reinforces the high performance agenda, instituting a single public sector to which all SA Government employees belong. There will be a clear expectation that over the span of their careers, they will likely be asked to undertake many different roles.
- The EDB impresses the importance of the Department of Health's strategic plan to reduce the unacceptable projected growth in the State's health care costs with a strong focus on preventative and primary healthcare. An integrated policy response at both the State and Commonwealth level is needed to ensure ongoing positive economic and social dividends.

160/004/053 TC09



Hon. Mike Rann MP
Premier of South Australia

Mr David Simmons
Chair
Economic Development Board
GPO Box 1264
ADELAIDE SA 5001

David,
Dear Mr Simmons

Since the Rann Government came to office in 2002, there have been significant changes within the South Australian economy.

These changes have been underpinned by the South Australian Strategic Plan, which contains several targets that have established a pathway for growth.

South Australia is now well placed to reap the benefits of growth in defence, mining and other higher-value parts of our economy, if we are able to strategically grasp the emerging opportunities.

Since it was established, the Economic Development Board has consistently provided valuable advice, for example, in conceiving the P.A.C.E. program, and in advocating for planning reform.

I am now seeking the advice of the Economic Development Board on the future directions of the South Australian economy, the opportunities that are likely to emerge, and how we might best capture those opportunities to the maximum benefit of South Australia.

I invite the Economic Development Board to develop comprehensive advice that sets out possible future scenarios for South Australia's growth that addresses the following:

- future growth scenarios;
- systemic reforms required to support growth – for example, to the planning system;
- future workforce and skill needs;
- climate change and water issues;
- infrastructure implications;
- possible risks and ways of mitigating those risks; and
- any other key issue and imperatives that will be important to ensuring a prosperous future South Australia.

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Such a comprehensive statement is likely to involve input from several Government agencies and Ministers, and I invite you to seek the input of those parts of Government that will be able to assist you with this task.

You will be aware that the Premier has asked the Social Inclusion Board to consider ways of ensuring there is a social dividend from South Australia's future growth, and I anticipate that the work to be undertaken by both the Economic Development Board and the Social Inclusion Board will be highly complementary.

It would be appreciated if your advice could be provided by 30 November 2008.

I look forward to your advice.

Yours sincerely

A handwritten signature in black ink, appearing to read 'K. Foley', with a stylized flourish at the end.

KEVIN FOLEY MP
Acting Premier

22 15/2008



Hon. Mike Rann MP
Premier of South Australia

Mr Bruce Carter
Chairman
Economic Development Board
Level 6, 81 Flinders Street
ADELAIDE SA 5000

Dear Mr Carter

On 22 May this year, the then Acting Premier Kevin Foley MP wrote to Chair of the Economic Development Board, Mr David Simmons, inviting the Economic Development Board to provide comprehensive advice on South Australia's future economic growth.

I am advised that this work is proceeding well, and that it will comprehensively address the initial Reference.

While there were some signs of change to global financial markets in May, the extent of change was not yet evident, and the Board was not specifically asked to take account of it or to identify its likely impact for South Australia.

I am now amending the Government's earlier request to the Board. I would ask the Board to now expand its advice to consider, in broad terms, the current global economic environment, the possible implications for South Australia's future growth, any opportunities and risks that might emerge from this and ways of addressing them.

I am not anticipating that the Board will be able to be definitive in its advice, given the significant global uncertainty and volatility, but would nonetheless appreciate your considered views on this important matter.

To ensure the Board is able to provide this advice, I am extending the timeframe from 30 November to 31 March 2009, which should give sufficient time for the direction of the global changes and their impact on South Australia to become clearer, and for the Board to take these changes into account in providing its advice to Government.

I look forward to your advice.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Mike Rann'.

MIKE RANN
Premier

15/10/2008

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Partnerships

A report by the Economic Development Board March 2009