



EARNING OUR PLACE IN A GLOBAL ECONOMY

ADELAIDE, SOUTH AUSTRALIA:
STOP COMPARING. START COMPETING

November 2013



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SANTOS Tour Down Under, 2013

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Who is the Committee for Adelaide?

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It started with a phone call.

An energetic voice on the end of the line hurriedly explaining a concept that would bring together passionate citizens from every sector to focus, like a laser, on opportunities and threats to Adelaide and South Australia's future.

There was the dreaded word "committee," of course, but the passion that was speaking could not be denied. Similarly, the quality of the people on the committee could not be ignored. So I joined.

My name is Joshua Fanning. I'm 29 years old and I'm a publisher. I believe that the media is irrevocably attached to the fortunes and feelings of our society.

I make magazines that seek to report the truth about Adelaide and our state. Myself and my team believe in journalism as a craft as well as a career and that the best stories are found in people who are busy getting on with the job of being relevant, not just here but around the world.

Maybe it's the story about Melanie and Dean Flintoft who sold everything to invest in their company, Australian Fashion Labels, which is now dressing Hollywood stars and receiving orders from Beyoncé. Or perhaps it's speaking with Coopers about their warehousing issues as they expand their bottling operations to meet demand while the rest of the beer market shrinks around them. It could be as simple as catching up with Francis Wong over a pot of tea to hear about his efforts in turning tourists into investors in our state.

Or maybe it's my own media company, based off Hindley Street, that achieved massive growth at the newsstand in more than 25 countries last year, collaborated with established media brands in London and recently returned from Los Angeles where we edited a new magazine for a new hotel brand launching later this year.

Adelaide's stories are surprising. Our state is full of possibility for those with a growth mindset. It's amazing how many new opportunities open up for those who seek out fresh perspectives, take the time to connect and explore, and who are prepared to have a go.

This is what I've seen amongst the others involved in the Committee for Adelaide. If this kind of thinking resonates for you, come join with us.

Josh Fanning



Introduction

Each year, Adelaide is ranked as one of the world's most liveable cities. A combination of clean air, quality food and wine from a clean environment, a flourishing cultural life and our easy access to nature from a compact city core is a brand that defines us.

But like any global city, we must be defined on our own terms and not by how others see us. Because beyond the awards, Adelaide and South Australia face real challenges.

More people choose to leave than settle. Poor economic growth has become the norm. Corporate decision making generally happens elsewhere. Our city infrastructure is failing to keep up. These challenges put at risk our long term viability, sustainability, and liveability.

We need growth. We need to grow our community and our economy. To achieve it, we must resist the temptation for the status quo and try new things.

In this first work by the Committee for Adelaide, we identify new sources of growth; from both existing and new markets. We outline the drivers of new growth so we can be the first to harness them, and the first to shape our economy around them.

Our research shows that we can, and must, do three things;

Attract and retain skilled, talented, creative, entrepreneurial people

Attract and grow business activity in new public companies, family businesses and new micro enterprise to build sustainable local employment

Attract capital investment to make possible the things that make life better

There is no substitute for leadership when seeking pathways for change. But that doesn't mean it falls entirely to our elected leaders.

We've come together to build pathways outside of government and we work in the following ways;

Think, aspire, connect and act globally

We see Adelaide as a boutique global city, operating in a global market, at world-class quality levels. Exemplars are already present in Adelaide – and there's much to build on. But it's not yet characteristic of Adelaide's outlook or culture, and there is much to do in overcoming isolation and complacency.

Be creative and innovative in what we do

This is something South Australia has always exemplified and celebrated. But we need to expand this from arts, festivals and warships to all that we do. From social challenges, to infrastructure. From schooling to governing. From paddock to plate. From water to wine. From ore to apps. Innovation is about moving from thinking to doing. We know we can 'do', better.

Network to create unique partnerships for productivity, to scale economies and to play beyond our size

One of the great advantages of a State such as ours, should be our ability to work together; connecting up across initiatives, sectors and tribes. Though, in the past, this advantage has sometimes been more apparent than real, it is now an imperative. It is the only way our 'small' State can compete. Other smaller cities and regions have done it. Now's our time.

Capture the value of what we create

Let's face it, for the most part we've not been good at converting the value of our ideas. We risk becoming a branch economy as others buy out our companies and resources, and move decision-making away from where we are, and where it needs to be. We value job creation, but we also aspire to more than just a pay cheque. We need greater ownership of both our assets and our destiny. We want the kind of wealth creation that will flow through to our children. That means capturing more of the value we create.

Ultimately, we're interested in the new sources of growth, and the drivers needed to accelerate innovation and growth across our economy and community.

32,000

more people left South Australia than came since 1999

55%

of workforce employed in family run businesses

1.1%

of Australia's skilled migrants live in Adelaide

1

No. of top 50 listed companies based in Adelaide

12.7%

of South Australian workers are public servants

18%

growth in public service between 2003-2013

How it is

Adelaide is being squeezed out of the competition for the talented people, growth and capital we need. Our challenge is not that we're falling behind. It's that in many ways, we're not even on the map. Along the east coast, Australia's urban centres are growing faster, engaging better with a global market for their goods, services, and cultural offer; while attracting talented people.

Adelaide has been at a tipping point for years, but recently that balance *has* tipped. Our key industries face very real threats; putting the sustainability of our economy and the growth of our community at risk. Our SME sector which is our lifeblood, is struggling to survive or grow, let alone innovate.

We need to think differently about how we govern, fund and build the infrastructure we need. We need to get better at working across sectors and interests; with a shared sense of where we need to go and how to get there. We must stop comparing and start competing.

To do this, we must;

- Grow our 'strong suit' sectors like professional services, smart construction, advanced manufacturing, medical and bio-medical research.
- Attract new R&D-rich business to invest in Adelaide to support and grow the local enterprise culture. We need more locally-based business activity at all scales.
- Accelerate the shift of old industries to the new digital-based, knowledge-intensive, creative economy
- Project Adelaide's strengths as a smart, small city connected to national and regional economies through personal, professional and technology networks.
- Compete in a globally integrated market through our ability to innovate. Innovating is essential to competing, and competing successfully is the basis for growth.
- Attract the capital required for the social and economic infrastructure we need to live, trade and learn, and to fuel the cultural and creative enterprise we want to be known for.
- Ensure access to capital to attract the bright minds and enable innovation. We need to build new partnerships that are more agile in sourcing and securing the finance we need.

People are our human capital

At the heart of any enterprise is people and we know that vibrant, healthy places need people to drive the demand for commerce, jobs and growth.

In 2011, 2,909 more residents left South Australia than arrived. Between 1999-2009, there was a nett loss of 32,000 people. But our real challenge is *who* we're losing. A study by the University of Adelaide profiles the typical South Australian leaving the state; young, well educated with a preference to settle in the eastern states where there are greater employment opportunities.

Almost half of all those moving from South Australia were aged between 20-39 years.

This cohort represents the skilled knowledge workers essential to transition our economy from its agricultural and manufacturing past, to the knowledge-intensive, R&D-rich, value-added economy where growth is highest.

This is critical for a viable labour market, because with a rapidly ageing population and a birth rate below replacement, questions are being asked about where the future South Australian labour force is going to come from.

For people to stay, they need the opportunity for employment in a thriving labour market. From 1990-2000, 21,500 jobs were created, reflecting a period of sustained recession for South Australia and the nation. Between June 2000-2010, around 130,000 jobs were created. Jobs growth and a deep labour pool is critical to attract and retain talent.

Evidence shows that where industries are located, and how they're connected, can affect their productivity and the economic contribution they make. Geography matters.

Adelaide's transport system is not yet performing at the level required to connect our geography. In 2013, Adelaide drivers experienced 28% longer travel times, morning peak drivers experienced 50% longer travel times while evening peak drivers experienced 45% longer travel times¹.

Well functioning transport systems efficiently and affordably distribute goods, the access of markets to labour, and the ease of people connecting with people. A poor transport network places barriers of cost, time and convenience in the way of people finding work, and businesses finding the right people. And it can act as a roadblock for those considering moving their business to Adelaide.

¹ State of Australian cities, Adelaide Fact Sheet

In the words of Sydney Morning Herald economist, Ross Gittins, "the more businesses and workers cluster together, the more they each benefit from "deep" labour markets. Firms have more workers to pick from; workers have more firms to pick from.²" So the 'density' of our population matters. A compact city best delivers the intensity we need.

Business activity creates jobs

As of June 2012, South Australia³ had 148,138 businesses and the second highest survival rate for businesses, after Tasmania (illustrating that ours is a resilient market operating lean business models), but this is in a declining trend. 814,800 people are employed across all sectors in the state⁴.

Growth in our workforce is happening, but not always where it's needed most. South Australia's public sector grew 18% from 2003-2013. But the jobs we create, and the businesses we grow, must create value.

Business activity creates jobs and entrepreneurial opportunities, cultivates connections between companies, is a source of technology transfer, builds human capital and physical infrastructure, generates revenue for governments and is the origin of products and services for consumers and businesses.⁵

We need to grow the number of publicly listed companies headquartered in Adelaide.

We must sustain and grow our family run businesses that employ 55% of our private sector workforce.

We need to turbo charge our technology-driven micro enterprise sector where 2/3rds of new jobs come from.

Adelaide can't, and shouldn't get in to a beauty contest to attract businesses here on unsustainable subsidies. But we can compete through a combination of financial and non financial incentives.

Ireland's success in attracting high profile global knowledge-based industries to Dublin has been attributed to generous financial incentives; specifically designed to appeal to R&D-intensive enterprise including;

- A 25% R&D tax credit – designed to encourage companies to undertake new or additional R&D activity in Ireland.
- Incentives to generate qualifying patents of up to €5

² Ross Gittins, May 2013 *The Economic Geography of Big Cities*

³ ABS June 2008 to June 2012, *Counts of Australian businesses, including entries and exits*

⁴ South Australian Public Sector Workforce information

⁵ Harvard University *The Role of the Private Sector in Expanding Economic Opportunity through collaborative action*

million of annual qualifying income exempted from tax - A maximum corporate tax rate of 12.5% on all corporate trading profits generated by RD&I activities⁶

We are already strong in the non financial incentives that many cities struggle to offer, including natural amenities, cultural amenities, and our urban infrastructure.⁷

Adelaide was ranked 5th in the Economist Intelligence Unit's 2013 Global Liveability Index. However when Mercer rated Adelaide's infrastructure - measuring energy and water provisions, telephone, mail, public transportation, traffic congestion & airport effectiveness - Adelaide was placed 37th⁸. We must do better.

Continued, evidence-based planning for investment in the state's strategic infrastructure must be maintained as an essential plank for business growth.

Capital for the growth we need

Just as we need new sources of growth to expand opportunities in our economy, South Australia needs new sources of capital to fuel the enterprise that drives growth

The 30 Year Plan for Greater Adelaide projects the need for 258,000 additional homes to accommodate 560,000 new people with economic growth of \$127.7 billion and the creation of 282,000 additional jobs.

Along with good planning, clever design and quality construction, alternative models of financing will be needed. Attracting private finance for public infrastructure requires a learning environment trialling and perfecting alternative procurement models to those we have relied on to deliver infrastructure from public funds in the past.

Adelaide is not currently keeping pace with other cities in designing smart and balanced public private partnerships, private finance initiatives and other innovative forms of delivery. We must convince the private finance market that we are a safe pair of hands. We can do this if we show a long term pipeline of infrastructure projects linked to industry development and smart urban growth.

Adelaide has the ideas. Now we need bold leadership, data-driven, evidence based decision making, good public administration and authentic engagement with its people to bring these ideas to life.

⁶ IDA Ireland <http://www.idaireland.com/business-in-ireland/research-development-and-/incentives-in-rdi/>

⁷ INTELI, June 2011, *Creative-based strategies in small and medium-sized cities: guidelines for local authorities* p50

⁸ Mercer Quality of Living Worldwide City Rankings, 4 December 2012

Ten good things

Good things are happening in Adelaide, but they're not always seen together, not always connected and their story isn't always told.

Cities like Adelaide are complex, with a lot 'in play' at any given time. We often see things in competition, where they may really be complementary. Like the work led by the Economic Development Board for a fresh state brand, along with government support for creative enterprise in the city.

Or the focus on a joined up Greater Riverbank plan with work to build our medical research capability in new facilities like the South Australian Health and Medical Research Institute (SAHMRI), better transport planning and housing where we want it.

Here are just 10 good things in play right now that all help build a co-ordinated story of innovation and new thinking and show that Adelaide can compete both nationally and internationally.

But to do this, we must shift from an internal, domestic monologue to being part of the global dialogue.

2

Programs to convert ideas into action like the City of Entrepreneurs movement and ANZ Innovyz START program mentoring the next generation of leaders



1

A campaign to create value in the data that lies inside government like the Premier's declaration of open government and open data; showcased in programs like Unleashed ADL and backed by Deloitte



3

Frontier technology fearlessly applied like in Adelaide's Fab Lab showcasing how the means of production is changing to rapid, digital manufacturing



9

A fresh campaign to present South Australia as open, contemporary and creative like the Economic Development Board's work behind Brand South Australia



10

Competing in global markets that are growing, and where meaningful exchange of goods, services, culture and learning can create demand for South Australian people and products, like engagement strategies for China, India and more in our region.



8

Integrated planning for tomorrow's urban infrastructure like the work to align transport movements with future urban development so we're even more physically, economically, environmentally and socially connected; living where we want to most



4

Innovation in how we plan, fund and measure the success of economic, environmental and social infrastructure, like in the pilot to test the value of social impact bonds.



7

Investment in R&D-rich infrastructure for nano and bio medical research and health, like in SAHMRI and University expansion



5

The emergence of various hubs to support new talent through ventures such as Majoran Distillery, The Mill, Hub Adelaide, Format and the new Creative Hub for the arts



6

Investment in long term civic placemaking that connects up government and non government to drive growth in the city. Like the Greater Riverbank precinct that brings sport, entertainment, culture and environment to the River Torrens



Adelaide's Next Steps

Adelaide is experiencing a momentum shift with an accelerating appetite for change. But moving us from pilot projects to a permanent preference to be world leader in programs that withstand scrutiny and deliver results means institutionalising this momentum now.

In research drawn from local, national and global sources we identify three key moves that we call Adelaide's Next Steps.

We need more skilled people, more business activity and better access to capital.

These three key steps ensure we are;

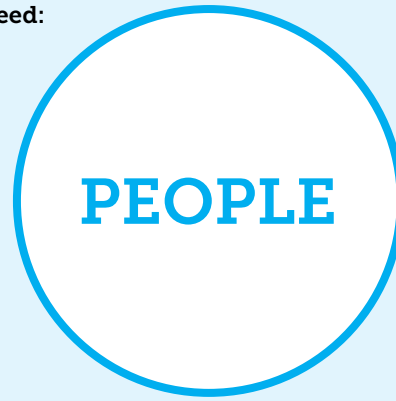
A State that is actively attracting and developing all the talent we need to capitalise on new sources of growth.

A City in which strategic business decisions are made here – both by developing new ventures and attracting and retaining thriving enterprise at all scales.

A community in which access to capital is no longer a barrier to our ideas, our ventures and our growth

These moves are not for government alone, although they are critical partners. Delivering on these key moves will require partnership and understanding that our common goal is the revitalisation of South Australia's economy with Adelaide as its capital - actively engaged in a global competition for talented people, enterprise and capital investment.

We need:



We must:

Bring our universities, business, government and communities together to develop a strategy that gives our young people the best opportunities here, and to better leverage our diaspora interstate and overseas.

The Strategy should include;

1. Develop a meaningfully engaged network of highly skilled South Australian expatriates who can be matched with opportunities in Adelaide and to inform expatriates of relevant initiatives, developments and issues, and involve them in events and activities at a deeper level than generic email or online groups.
2. World class incentives to encourage those who leave the state to retain their assets, holdings and capital here.
3. Together with the universities, build deeper and longer-term relationships with our international students, recognising their value as tomorrow's trading partners, investors and advocates
4. Be the first state to initiate an integrated 'Diaspora Action Plan' linking expatriates to South Australian strength sectors, boost both formal and informal overseas exchange programs, offer greater opportunities for younger people to assume senior leadership positions, and a talent strategy to incubate our best.

We need:



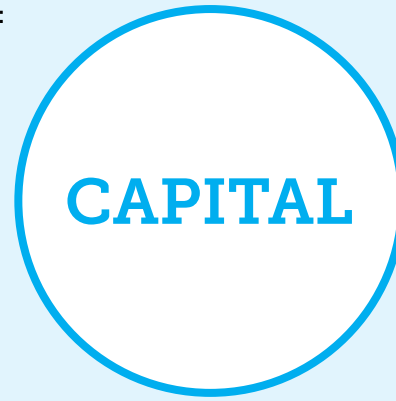
We must:

Commit to attracting several large and successful businesses to South Australia to signal a significant shift toward Adelaide, to other global and interstate players. Lessons from these first few could be used to design an ongoing enterprise attraction program.

The program should comprise financial and non financial incentives such as;

1. Develop a focused rationale to attract enterprise sectors that are R&D-intensive, and support complex value chains such as; pharmaceuticals, nanotech and biotech, medical and health-related technologies; defence, space, and flight technology, simulation, sensing and robotics and ICT-intensive industries from the emerging fields of big data, digital, green technology networks, and new media
2. Ensure advanced innovation skills exist in overseas trade offices with authority to negotiate directly with inward investors on R&D-related incentives
3. Move first to assemble a nationally respected, high profile taskforce of industry, policy experts and leading researchers with experience in commercialisation to prepare a milestone vision document to rethink Intellectual Property in the 21st Century; the legal and financial implications of technology and globalised business. Further, partner with the Australian Government, and a regional body such as ASEAN to ensure a regional framework results to foster translation of intellectual property between jurisdictions.
4. Consider the role of social enterprise. Australia's not for profit sector remains an untapped resource for smart, well-connected and socially responsible enterprise. Adelaide can be Australia's centre for social enterprise; building on strengths we are known for.

We need:



We must:

Attract investment. Our investment settings must be of a world standard - better than the rest, making us more attractive than elsewhere. Right now this is not the case. Our naturally conservative economy constrains growth rates and returns. We need to look at the investment regimes in place across the country and in our part of the globe to see what we can do to become one of the most attractive investment centres in the region.

1. Establish an investment vehicle to work closely with Treasury, government infrastructure planning authorities, professional services firms and private investors to attract capital investment for state strategic infrastructure. This institution must be empowered to broker investment deals.

The role of this vehicle would be to;

- a. Broker capital raising from a range of investor types, including institutions, global and local superannuation funds and charitable and philanthropic sources
- b. Devise innovative finance and procurement models to enable prudent expansion of our infrastructure pipeline in Adelaide and the regions.
- c. Identify packages of assets that the State may wish to use to facilitate a 'recycling' of capital. This opportunity should extend to packages of public and privately owned assets.
- d. Exploit the potential of emerging financing models such as crowd sourced funding and social impact investing.
- e. Act as the 'boundary rider' to source and extend emerging thinking on the 'shared economy' to ensure South Australia is recognised again as a serious player in finance, infrastructure and social investment.
- f. Facilitate mentorship to start ups and emerging enterprises to remove perceived and actual barriers to access to finance.

2. A productivity-focused group be commissioned to recommend new business models to operate across South Australia on the delivery of infrastructure and services to the community. This should capture private and public sector participation in sectors such as health, education, transport, defence, manufacturing, essential services, etc. The objective will be to identify innovative new markets that can be created or enhanced to facilitate better outcomes for South Australians as both service consumers and investors.

Is that it?

The Committee for Adelaide was formed on 1 July 2013 when a diverse group of individuals and organizations came together with a shared interest in the long term future of Adelaide, and South Australia.

The Committee is a not for profit Incorporated Association with an overriding interest in the sustainable economic and cultural life of Greater Adelaide. We're non partisan and a-political; convinced that on some things we have a shared view.

The Committee for Adelaide has a goal to drive capital and community growth and investment in South Australia for a stronger economy and a great place to live.

We do this through the continued development of a sustainable Adelaide as a city of rich history, cultural diversity, creativity, social vitality, economic prosperity and world class placemaking and by identifying, developing and adopting innovative ideas and solutions for Adelaide, including promotion of:

World class standards of utility, amenity and quality for all of those who live and work in the city through smart planning policy and infrastructure development;

A prosperous, balanced and resilient economy known for its engagement with the unique resources of the city, its people and South Australia's region;

Identification, encouragement and promotion of Adelaide's talented human capital in artistic, creative, entrepreneurial, business, sport and other fields;

The city as a global incubator and early adaptor of innovation through the promotion and exchange of new ideas, technologies, products, policies and programs;

The city as an international centre for visual and performing arts, contemporary craft, advanced technologies and integrated design as a means of enhancing our quality of life;

An integrated framework for social, cultural and economic innovation which embraces diversity in all its forms – its people, their cultures, their talents and their ideas;

A progressive, vibrant, stimulating and attractive environment for all of those who live and work in Adelaide and those who visit.

This work is a summary of research drawn from local, national and international sources.

For a more detailed look at the issues raised in this publication, and to be part of the conversation, hop online at:

www.committeeforadelaide.org.au

or follow us on Twitter at:

www.twitter.com/C4ADL.

