BRUCE DJITE

Great hospital, but how do we pay for it?

The new Women's and Children's Hospital is expected to cost at least $3.2bn.

THE new Adelaide Parklands site of the proposed Women's and Children's Hospital was always destined to divide opinion.

It's undeniable, however, that we need to provide our children, mothers, and clinicians the best possible environment to receive and deliver care.

At a cost of about $3.2bn, the new WCH is shaping up to be the most expensive publicly owned building ever attempted in this state.

I'm not a betting man, but it's a fool who would wager the WCH will come in under budget given the complexity of building such a significant and technologically advanced public hospital.

How its construction will be funded is yet to be publicly announced, but one would expect additional borrowings will be necessary.

The cost and building timelines will be heavily scrutinised.

But for me, it has brought into focus the need for a more sophisticated discussion around how we finance major projects and, importantly, how we take control of our own financial destiny. In 2020, Statewide Super's Tony D'Alessandro and Con Michalakis – in an opinion piece in The Advertiser – called on the state government to create a local pool of capital to stimulate our economy and make it easier for industry and business to access funds. Their rationale at the time was, with the state pushing the limits of its borrowing capacity, a local fund could make a big impact on our economy and take pressure off the state's finances.

Superannuation could potentially be the biggest provider of capital in South Australia, with those funds put to work supporting local projects, with immediate impact on our economy.

Just 2 per cent of Super SA's current balance would provide upward of $700m in investment capital. It's a missed opportunity if SA fails to tap into local funds like other jurisdictions have done for many years.

In 2017, Deloitte identified the creation of a South Australian Investment Corporation as one of the top 25 opportunities to kickstart the transformation of Adelaide and SA.

> **(The WCH) has brought into focus the need for a more sophisticated discussion around how we finance major projects**

The investment corporation idea was based on the successful Queensland Investment Corporation, a government-owned investment company that was established in 1991 with $5bn worth of public-sector funds for long-term investment. It now manages more than $90bn.

This type of fund allows direct investment into underlying assets and is not restricted to investing into other funds. A similar corporation in SA would generate more jobs in the finance sector and help attract more highly skilled professionals to Adelaide to manage it.

Strong leadership from government and industry is needed to support this approach and to collaborate on designing robust parameters needed to get the idea off the ground.

The Deloitte report also called for decision making about capital allocation to be brought back home to Adelaide. That is, we need a thriving local investment management industry in SA.

In 2019, there was nearly $47bn in institutional investment capital in SA, but this was almost entirely managed by fund managers from outside this state.

To engage these interstate and overseas specialists, it has been estimated we pay more than $100m annually in management fees.

Our local funds management industry is nascent, albeit there are some green shoots appearing in recent years, such as the growth of Adelaide-based Lanyon, a specialist equities fund manager. The creation of a corporation or local investment fund, or funds, would assert SA's independence, help to build a high-value, thriving local industry and reduce reliance on overseas investment.

With our state's future in mind, there is real potential for the state government and fund managers to use local capital to invest in projects that enhance our state's wellbeing and support a pipeline of projects to advance our economy.

For example: Aligning investment with industries in areas such as renewable energy, technology and agribusiness; providing capital to start-ups, and; investing in healthcare, other health industries and social and affordable housing.

And perhaps even a new hospital.

To prosper, generate wealth and build a thriving economy, we must adopt a long-term approach and a bold plan to create our own future and legacy.

The opportunity exists now to establish a pool of capital and we should embrace it.

Bruce Djite is chief executive of the Committee for Adelaide

Buy now, pain later: Regulate lending or ruin lives

EMILY OLLE

WITH grocery bills soaring, cost of living on the rise and another rate hike set to take effect, "buy now, pay later" (BNPL) services have never seemed more attractive.

Bunnings announced last week it would be introducing Afterpay at its check-outs, while major supermarkets have now introduced PayPal's pay later service.

But when a staggering number of young Australians are going without food just to meet repayments, access to these modern-day debt traps needs to be regulated – and fast.

The adage of "if it seems too good to be true, it probably is" has never rung truer when it comes to the promise of instant, interest-free cash.

Don't believe it? Just look at how they make money.

Providers charge retailers about 4 per cent to 6 per cent per transaction for the privilege of using the service. But why would they agree to pay? Because they know they will get people to buy things they otherwise wouldn't by making them less aware of their spending.

These services exploit legislative loopholes, which allow them to evade consumer laws around lending, meaning there is no onus to consider borrowers' other debts, capacity for responsible repayment, credit history or potential to overspend.

The industry's self-regulated nature means loans are more accessible to young people, lower-income earners or those without stable incomes who would otherwise be unable to access credit.

The target market shows – 60 per cent of BNPL users in Australia are 18-34 years old.

Now, many Australians struggling to make ends meet are relying on these services just to stay alive.

A survey by consumer group Choice last year found one in six BNPL customers were borrowing to cover supermarket purchases and one in seven to cover power bills. In 2020, the Australian Securities and Investments Commission found that one in five BNPL users missed instalments and had to pay late fees.

One in five had also cut back on, or went without, food and other essentials in order to make repayments on time. Of those, almost half were aged 18 to 29.

Last month, the US Consumer Financial Protection Bureau – a regulatory body created in the wake of the 2008 financial crisis to crack down on predatory lending – announced plans to begin regulating BNPL services.

The UK Financial Conduct Authority also issued a warning to BNPL services over potential breaches of the country's Financial Services Act, with concerns that advertisements did not adequately warn of the services' potential financial risks.

In August, Australian Financial Services Minister Stephen Jones flagged a shake-up of the BNPL industry to "level the playing field", with an issues paper about regulation set to drop this month and changes to come into effect by mid-2023.

While its findings remain to be seen, it is the government's responsibility to protect vulnerable Australians from falling into the BNPL trap and provide real, tangible cost-of-living help.

Let's just make sure it is not in the form of four fortnightly repayments.