

# Ministerial Statement



**Premier Mike Rann**  
Minister for Economic Development  
Minister for Social Inclusion  
Minister for the Arts  
Minister for Sustainability and Climate Change

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Tuesday, 28 April 2009

## **RESPONSE TO EDB'S ECONOMIC STATEMENT**

Mr Speaker, last month the Economic Development Board delivered to the Government its Economic Statement.

This Statement was prepared in response to the Government's request for advice about the future directions of, and opportunities for, South Australia's economy.

The Statement was guided extensively by South Australia's Strategic Plan, as well as contributions from many South Australians from business and the wider community.

I am pleased to report that despite the very difficult current global circumstances, we can be optimistic about the future of this State.

EDB Chair Bruce Carter has stated that the medium-term outlook for South Australia is bright, and the State is likely to outperform the national economy when global growth returns.

This is not to downplay the current economic challenges.

Because of the seriousness of the global financial crisis, I extended the terms of reference for the Economic Statement and requested that the EDB provide advice to Government on the global economic environment and implications for growth.

The EDB believes that this is a critical time to invest in public infrastructure, both to generate employment and to prepare for the inevitable upswing in economic activity.

I accept completely the Board's assessment, which is why this Government remains committed to a record investment of \$9.2 billion on infrastructure over the next four years, as outlined in the 2008-09 Budget.

Like all Governments in Australia, we must contend with significant Budget pressure as GST and other revenue streams decline in the wake of the global financial crisis.

However, we will not run up the white flag on the State's economy by cutting back our infrastructure program. We will maintain this strong public investment, creating jobs now and building for the future.

Our program of works includes a \$2 billion investment in public transport, with the development of a coast-to-coast tramline and electrification of our train network, which will generate thousands of direct and indirect new jobs.

For example, extending the tramline to a park and ride facility at the Adelaide Entertainment Centre is expected to generate close to 200 jobs during its construction phase. Major construction works to revitalise the Belair rail line, which started two days ago, will create another 150 jobs.

We are also further streamlining our North-South road transport corridor through projects such as the \$564 million, Northern Expressway, the largest road construction undertaken in South Australia since the 1960s, with 1500 people so far inducted on the work site.

Work started on the \$1.4 billion, 50 gigalitre desalination plant at Port Stanvac this month, with the first water to be delivered into Adelaide's water system by December 2010 and around 500 jobs to be created during the construction phase.

Work at Techport Australia, the South Australian Government funded site for the construction of the \$8 billion Air Warfare Destroyer Project, is proceeding apace.

The AWD project alone should return to South Australia about \$1.4 billion in economic benefit over the next decade, creating more than 3000 direct and indirect jobs.

Our investment in Techport will create benefits for decades to come, as we become the home of ship and submarine building in Australia.

In line with the EDB's recommendations, this Government is rolling out the social housing, transport and education infrastructure elements of the Commonwealth's \$42 billion Nation Building Economic Stimulus Plan as quickly as possible.

We were the first State to amend our development regulations to ensure projects funded under the program get started as quickly as possible.

Maintenance projects on schools and social houses have already begun, as has millions of dollars worth of investment in transport infrastructure.

From June, we will be building 105 new school halls, gyms, libraries and classrooms valued at over \$200 million. We have a further 94 applications lodged with Commonwealth, well ahead of schedule, and expect the balance of the total 520 new buildings to follow soon after.

Also from June, we will be building 246 new social houses, with 1254 to follow.

This all means jobs for our construction industry, and for associated contractors.

The EDB has called on Government to use its capital works programs to provide for increased employment opportunities for disadvantaged members of society, and we are already trialling approaches on how best to do this.

The Northern Expressway Program contract is the first in South Australia to include a requirement for 10 per cent employment of local youth and Indigenous people. Currently, local young people and Indigenous people perform 18 per cent of the project's labour hours.

The Nation Building Economic Stimulus Plan provides a further opportunity to deliver jobs to disadvantaged people.

As a first step, we are working with the construction industry to secure a commitment from contractors to employ trainees and apprentices, Indigenous people and local people with barriers to employment.

We will use this experience to inform how workforce participation requirements can be built into our own future infrastructure projects.

There is also a role for business in supporting social inclusion. The private sector has an important role in determining economic outcomes for all sections of the community, and I encourage industry to work with the Social Inclusion Board to improve outcomes for all South Australians.

The EDB has recommended examining how we engage with local industry, with a view to maintaining local industries in the current downturn and beyond - advice that I am already acting on.

I have, for example, asked the Treasurer to increase the purchase of locally-produced Holden vehicles for the State Government Fleet.

Approximately 850 additional vehicles will now be purchased from Holden over the next two years. In doing this, the Government is doing its part to support Holden and local automotive suppliers.

The Government will develop a revised local industry participation policy, which will set out the Government's preferences for engaging local industry while observing South Australia's international and national trade obligations.

This Government has already demonstrated its commitment to developing and maintaining a competitive business climate.

In July 2008, an independent audit report by Deloitte Australia showed that over \$170 million will be saved by businesses through the Government's red tape reduction program.

According to KPMG's Competitive Alternatives Study 2008, Adelaide is Australia's most cost competitive city for business, and the third most cost-competitive in the world in its population bracket.

I can announce today that the Government will maintain its commitment to competitiveness through a new target of a further \$150 million reduction in red tape over three years. In line with the EDB's recommendation, a key part of meeting this target will be a rolling 5-year review of all business regulation.

Our objective is to make South Australia the most competitive place in which to invest or operate a business in Australasia. A competitive business climate means more businesses will establish and remain in South Australia, creating more jobs for South Australians.

The EDB has also advised us to increase our commitment to training and workforce development.

We continue to have historically high numbers of people undertaking training courses and apprenticeships - we had 33,500 apprentices and trainees in South Australia at the end of September last year.

Through our SA Works program, the Government provides skills development and training programs for young people, Aboriginal people, and people with a disability seeking to re-enter the workforce.

South Australia was also one of the first States to secure Commonwealth funding to help train more than 12,000 job seekers. We'll receive almost \$40 million over four years to help boost the skills and qualifications of our job seekers.

Partnering with industry to deliver training, build capacity, keep people in work and get people back to work becomes even more critical during an economic slowdown. Now, more than ever, we need to know we are providing the right support.

For this reason, as recommended by the EDB, the Government is undertaking a review of SA Works, to ensure it remains responsive to the State's labour force needs and contributes to South Australia's economic development and social inclusion outcomes.

Mr Speaker, this Government is committed to creating and protecting jobs in the face of this crisis.

There is no question that times are tough and that some jobs will be lost, but the Government will do everything in its power to protect jobs, create jobs and prepare for future growth when the global economic climate improves.

However, the Economic Statement is about much more than how to respond to the current crisis – it is a blueprint for future growth in this State beyond the current crisis and into a future where South Australia outperforms the nation.

On the advice of the EDB, this Government has vigorously pursued strategies to diversify our economic base by encouraging mining and defence activities, as well as our education exports industry.

We will maintain our effort in these areas, but we also need to capitalise on areas of future strength.

The Economic Statement identifies renewable energy as an industry with an enormous potential for growth, and we are well placed to establish ourselves as Australia's leading clean energy State.

South Australia is currently home to 58% of the nation's wind generation, 32% of the nation's domestic grid connected solar electricity, and more than 70% of the country's geothermal exploration licences.

Our original target of 20 per cent renewable energy produced in the State by 2020 is on track to be met well ahead of schedule. We expect to reach and exceed this target.

To do this, we must continue to promote technological innovation in a range of renewable energies, fast track demonstration plants, minimise regulatory impediments and secure industry investment.

To lead this process, I am announcing today that I will appoint a Renewable Energy Commissioner.

The Commissioner will work with a new Renewable Energy Board, Chaired by the Chair of the Economic Development Board, with representatives from the Climate Change Council and the Premier's Science and Research Council, as well as the renewable energy sector and universities.

Supporting the work of the Board and Commissioner will be a new renewable energy fund, further details of which will be announced later this year.

The EDB has also recommended that our Government's industry policy focus on export-oriented industries such as education, services and advanced manufacturing.

Education is an area where the State has made significant gains, and our international student numbers have grown to almost 28,000 from around 6,000 at the start of this decade.

A recent Access Economics report showed that in 2007-08, international students contributed more than \$660 million to Gross State Product, creating approximately 6,500 jobs across the economy.

The Government is committed to encouraging further growth in student numbers.

To do this, the Government has decided to waive the primary and secondary State school fees for dependents of international higher degree by research university students on home-country scholarships from June this year. This will place these overseas students in the same position as other parents in South Australia.

This will encourage more graduate students to study in South Australia and encourage these students to settle here permanently, boosting the stock of high-skill graduates in high demand areas within the State.

We must aim to succeed in other service industries as we do in education.

To that end, the Government will ask the EDB, supported by the Department for Trade and Economic Development, to make the services industry one of its priorities for 2009-10. We will ask the Board to oversee a project to map the strengths and weaknesses of traded services and provide advice to the Government on how best to remove barriers to service exports.

To encourage the State's focus on manufacturing and traded services, the Board has recommended that the SA Centre for Innovation be restructured as the flag-ship organisation for business innovation and certain traded services, operating at arms length from Government.

The Government accepts this recommendation, and the South Australian Centre for Innovation will be positioned outside Government from 1 July 2009.

The economic growth envisaged by the EDB can only be maintained if we can guarantee water security for the State.

That's why the Government has brought forward the construction of a desalination plant to provide a non-climate-dependant source of water from 2010 onwards.

The Government has also commissioned the preparation of a State Water Security Plan, to be launched in mid-2009.

The Water Security Plan will address the EDB's recommendations in relation to water security.

The Economic Statement notes that the State's population target of two million by 2050 is likely to be achieved ahead of schedule, but adds that the target can - and should - be reached by 2027.

The Board recommends that the Government review and update its population policy with the objective of reaching this target, further increasing our share of skilled migration, stemming the outflow of locals interstate and increasing workforce participation.

To respond to this recommendation, the South Australian Government will publish a revised population policy by the end of 2010, which will be heavily informed by the forthcoming 30-year plan for Greater Adelaide, be released for consultation later in the year.

In relation to regional development, I am pleased to report that a new Regional Development Australia network being progressed that will more closely align with the South Australian Government Regions. It will provide local businesses and communities with a single shop front for programs and services of the three levels of government.

I am very pleased that the Government has appointed former Premier, Rob Kerin, to lead South Australia's transition to the new regional development structure.

Mr Speaker, the EDB's Economic Statement contains a number of recommendations in relation to education and training and public sector performance. The Government is working to implement these recommendations and further details on education and training will be provided in the budget context. The priority actions identified by the Board are also being examined and will be implemented when possible.

The preparation of this Statement was a detailed and involved process over a number of months. I would like to thank the Economic Development Board for their efforts and for yet another piece of important advice to inform the policy decisions of this Government.