

Flinders University
Australian Industrial
Transformation
Institute

PUBLIC LECTURE

Post Playford Transformation of the South Australian Economy



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INTRODUCTION

The lecture I will give today is about the role of the State Government in the economy of South Australia.

It aims to explain a particular view of the role of government and economic policy in a State that is a small part of the national economy with a small population, without major concentrations of global or national capital and without highly developed major resource endowments.

I will examine why and how the Labor Government approached the task of economic development between 2002 and 2018 within an historical context.

HISTORY

The core aim of every Labor state government since Tom Price became Premier 113 years ago has been to build a society and an economy which delivers both prosperity and equity.

South Australia's economic development has progressed from pastoralist's paradise, to manufacturing powerhouse to now, a transforming new knowledge and services economy.

This economic transition had been identified as necessary as long ago as 1964 when Donald Horne published his seminal work *The Lucky Country*.

Progressive intellectuals like Don Dunstan understood the importance of the change called for by Donald Horne.

Horne argued that South Australia needed to move from being a farm and quarry towards more knowledge intensive industries. In short, the nation and South Australia needed to move from being the lucky country to the smart country.

Each of these phases and the transition between them has involved a strong leadership role for government.

And for all of our significant differences with our political opponents, there has been a broad consensus in South Australia about the significant leadership role that government, in partnership with business, has played - to our collective benefit - from Playford through to the present day.

This approach was certainly at the heart of the Labor Government's approach between 2002 and 2018 and, I contend, accounts for our diverse and strong economy – and ultimately, is the source of our enviable lifestyle and harmonious community.

THE LABOR GOVERNMENT

In 2002 the Rann Government was elected and immediately established the Economic Development Board. It was established as an independent body comprised of a diverse group of business, academic and social leaders charged to give frank, fearless and impartial advice.

The EDB quickly held an economic summit and identified two key opportunities for sectoral growth: defence and mining.

The government recruited national defence leaders to an advisory board and established the Defence Unit as a new government entity.

Together, these developed a strategy to secure the Federal Government's tender to build the next generation of Air Warfare Destroyers in South Australia. Central to this was the \$300 million Techport Australia precinct at Osborne.

The relocation of the Army's 7th Royal Australian Regiment (7RAR) mechanized battalion, and other elements of the 1st Brigade, to Edinburgh is also providing a substantial economic boost to Adelaide's northern suburbs.

The government also invested in the mining industry, taking the unprecedented step of procuring geotechnical data of the state and making it available to explorers.

PACE – the Plan for Accelerated Exploration – drove an 11-fold surge in exploration expenditure to 2011-12 and has since established South Australia as one of the most prospective jurisdictions for mineral resources development in the world.

International engagement was driven through the creation of two new envoys in India and China.

The government pursued the goal of making Adelaide an education city, attracting three overseas universities to South Australia.

It also substantially promoted renewable energy, anticipating a carbon constrained energy future.

Improving revenue growth allowed the government to: rebuild every major hospital including the landmark new Royal Adelaide Hospital; embark on the building of a number of new schools and the widespread refurbishment of South Australian public schools; provide new emergency services facilities; rebuild, extend and electrify the tram and rail network; substantially upgrade the major road corridors and sporting and entertainment infrastructure.

These capital works projects together with the Federal Government stimulus package substantially shielded South Australia from the immediate effects of the GFC.

During 2009 BHP had proposed a \$25 billion expansion of the Olympic Dam copper deposit in what was proposed to be the largest open cut mine in the world.

In the aftermath of the GFC there was a loss of appetite for such large capital-intensive projects, leading to the cancellation of the proposed redevelopment. The GFC also brought with it the consolidation of business services to head offices on the eastern seaboard.

The election of the new Federal Liberal Government in September 2013 saw the removal of subsidies to the car industry, which ultimately led to a decision by each of the major car manufacturers, including Holden, to cease manufacturing operations in Australia.

Given the significance of the car industry for South Australia, this rocked confidence. Many analysts were predicting that South Australia was heading towards double digit unemployment by the end of 2017, the expected closure date of the Holden factory.

The government took assertive action to respond to this challenge. We knew that simply leaving it to the market to respond was not an option, so we implemented the Northern Development Plan in collaboration with local business and local government.

There were demands for more – a more comprehensive rethink of South Australia's economic strategy. This led to a decision to create a new economic plan for South Australia.

It's worth pausing to reflect on the way the Labor Party thought about economic policy and, in particular, the role of government in it.

THE ROLE OF GOVERNMENT

Small economies

A small economy does not have the opportunity that large economies have to take advantage of greater economies of scale and the presence of a larger proportion of locally headquartered companies. Government has always had to be deft to capture economic opportunities and investment.

Left to its own devices, compared to a large economy, the small economy as a whole has a higher risk of decline unless there is strategic intervention.

Since access to both new knowledge and lead customers is more probable and more cost effective in a large economy, it is likely that a firm will, over time, move from a smaller economy to a larger one.

We also believe that the government's role in economic development extends beyond creating the right conditions for growth into developing technologies which may not be fully comprehended by the market. Renewable energy is an example. This has been described by Mariana Mazzucato as the entrepreneurial State.

All of this calls for proactive government intervention.

Government interventions

There are numerous ways for government to appropriately intervene:

- accelerating growth in parts of the economy that are already successful such as the food industry;
- accelerating the growth of sectors linked to these already thriving sectors – such as developing ICT services supporting the mining industry;
- attracting segments not present in the economy that can leverage off existing strengths– such as specialised industrial packaging within the food industry;
- attracting sectors not present in the economy that could connect previously unrelated sectors and hence drive innovation as seen in drone services connecting agriculture and mining;
- transitioning competence and capabilities embodied both in people and capital equipment out of declining sectors into new sectors that can utilise these competencies and capabilities, as seen in car manufacturing employees moving into medical devices manufacturing;
- ensuring the presence of and access to capabilities that will underpin success such as the way cyber security supports high tech manufacturing;
- using government procurement policy and processes to drive innovation such as the Office of the Industry Advocate.

We also understand that long-term economic growth is driven by capital investment, which often requires public investment.

Investment driven growth

The capital stock for investment-driven growth is far more than financial. I see it as a matrix of six types of capital.

- Intellectual and social capital
Competing in the international knowledge economy means ensuring that the appropriate people, skills and capabilities are developed
- Democratic capital
The government needs to improve their accountability and the transparency of their dialogue with citizens in order to achieve the commitment of the whole community to a shared vision of the future. This creates a secure investing environment.
- Cultural and leisure capital
The competition among regions is intense and a strong capital city brand is a potent weapon to maximise the visibility of a region's qualities and allows it to differentiate itself from its competitors and attract creative people.
- Environmental capital
As quality of life becomes an important source of competitive advantage, cities have to provide a clean, green and safe environment for their citizens.
- Technical capital
The demands on a city's infrastructure change and expand constantly. Road, rail, port and ICT infrastructure are essential for a thriving economy.

And of course
- Financial capital
Growing demands on State Budgets, combined with diminishing revenue bases, mean that we need to be creative and flexible in our financial strategies, and increasingly, partner with the private sector in providing not only direct financial assistance but appropriate balance sheet support to privately funded infrastructure investment.

For the Labor Party, the purpose of economic policy is to not merely promote economic growth, but also to ensure that the benefits of that growth are distributed equally.

The Purpose of Economic Growth

While a focus on economic growth may be urged on governments by those who are well placed to capture the benefits of a growing economy, this may at times offer little benefit to those who do not have access to these opportunities or who are adversely affected by a changing economy.

Hence, the way in which the economy distributes its benefits, the way in which it shares the burden of change, is as important as the average rate of the economic growth.

With these approaches in mind, my government embarked on the creation of a new Economic Plan.

THE PLAN

The Economic Plan was constructed through collaboration with a broad cross section of the South Australian community including academia, business, unions, and the non-government sector, led by the EDB.

The 10-point plan was launched in August 2014 with the vision of *Making South Australia A Place Where People and Business Thrive*.

It focused on five sectors identified as having the highest potential for the creation of growth and jobs, and five enablers which were to assist in driving growth in these sectors and also the broader South Australian economy.

They were as follows:

TABLE 1: ECONOMIC PLAN

ECONOMIC PLAN

The economic priorities that make up the Economic Plan include five sectors that have the most potential to lift our growth, and five enablers to drive the changes our economy needs.

| THE SECTORS | THE ENABLERS |
|---|--|
| <ul style="list-style-type: none">> Destination of choice> Premium food and wine> Unlocking our resources> The knowledge state> Global leader in health and ageing | <ul style="list-style-type: none">> Vibrant Adelaide> International connections> Growth through innovation> Best place to do business> Opening doors for small business |

Destination of Choice

A deliberate decision was made to substantially increase the marketing budget for tourism.

We vigorously pursued the upgrade of Adelaide Airport to create a world-class international airport.

Direct international flights, through the attraction of Qatar, Emirates and China Southern, have better connected South Australia to the world.

Visitors to South Australia accounted for a record \$6.7 billion in March 2018 growing by 10 per cent on the previous year.

Direct employment in the tourism sector was 36,700 in the year to June 2016: an increase of 5,400 since June 2013.

Lonely Planet's Best in Travel 2017 listed the Kangaroo Island Wilderness Trail, which was opened in 2016, as the third best new opening for 2017.

KI has been supported through new direct flights from Melbourne, an upgraded airport, and the creation of the Kangaroo Island Commissioner to further promote the island.

The State Government's Events Bid Fund has substantially boosted attracting visitors to major events from interstate and overseas.

Making the Festival and Fringe yearly festivals, the addition of the Film Festival, Oz Asia, Fashion Festival, Hybrid World Festival and Umbrella: Winter City Sound Festival, have all contributed to the growth in arts tourism in South Australia.

Premium food and wine

South Australia's traditional food industries remain a mainstay of the South Australian economy. This informed our approach to the Murray Darling Basin Plan where we fought strongly for the water the river needed to be healthy - but at the same time wanted to protect South Australian irrigators.

South Australia played a pivotal role in the national negotiations, securing a \$240 million adjustment fund for Riverland irrigators to allow them to produce with even less water.

The Northern Adelaide Food Park was established at Edinburgh Parks to help drive growth and exports in the value-add food sector. A Food Park Business Attraction Fund assisted international and domestic businesses looking to relocate to the precinct.

We invested in the future of South Australia's agricultural industry through the Northern Adelaide Irrigation Scheme (NAIS), which is a key priority of the Northern Adelaide Plains Agribusiness Initiative.

The South Australian Food Innovation Centre SAFIC was set up in early 2016 to help food and beverage business to grow, develop and deliver high value products for local, national and international markets.

We continued to promote value adding in the food and beverage sector. Exports of differentiated and processed food and wine continue to grow, reaching \$3.4 billion in 2016-17, with total food and wine exports of \$5.64 billion.

Unlocking Our Resources

The government invested in a range of initiatives to support the next wave of development of our resource-rich assets and attract responsible miners.

The Copper Strategy and its Plan for Accelerating Copper Exploration (PACE) initiative has made South Australia a leading copper-rich province.

The \$600 million investment by BHP at Olympic Dam over 2017-18 will see expanded production of 215,000 tonnes of copper in 2019 rising to 280,000 tonnes in 2022. Oz Minerals is investing \$916 million in the Carrapateena Mine, Australia's largest undeveloped copper project.

To prosper from an emerging global trend for higher-grade iron products, South Australia's Magnetite Strategy has made it highly prospective.

The massive Iron Road resource in the Eyre Peninsula region has been supported to reach development-ready status.

South Australia has abundant renewable resources and the prospect of becoming a renewable energy powerhouse.

In addition to our expertise in wind and solar technologies, we are also well positioned to lead into the emerging storage and liquid fuel technologies such as hydrogen.

Our hydrogen road map opened up new possibilities in this important sector.

And our support for the gas industry, in particular, the unconventional gas sector, created opportunities for growth in this important transitional fuel.

The Knowledge State

We identified that collaboration and co-investment between global and local industry and our research institutions was key to the development of South Australia as a place of knowledge creation and innovation.

Cumulative industry and other financial support earned by our publicly funded research sector totalled \$610 million in 2015, surpassing the 2017 target of \$570 million two years early. The South Australian Rapid Commercialisation Initiative is an innovative approach to commercialising the state's publicly funded research.

We made a number of public investments to support this priority including: Tonsley Innovation District, which has attracted leading technology businesses and start-ups working closely with researchers in the new Flinders University facility. The new Tonsley Manufacturing Innovation Hub is helping companies to build Industry 4.0 capability to participate in global supply chains.

The Old Royal Adelaide Hospital site is now home to the University of Adelaide's Machine Learning Institute and the University of South Australia's Innovation Centre on North Terrace.

In addition, each year since 2012 the number of international student enrolments in South Australia has increased steadily and in October 2017 the State recorded 34,898 international student enrolments, which was 5.1 per cent higher than at the same time in 2016.

Global Leader in Health and Ageing

Health in SA, a dedicated government-funded industry attractor was established.

We invested heavily in providing world class clinical and research facilities in the Biomedical Precinct, which is now one of the largest health precincts in the southern hemisphere.

This will not only provide better health outcomes for South Australians but will also lead to the development of new industries and position us as a leader in the growing Asian market.

Through the development of SAHMRI and the wider medical precinct we have recruited the brightest research minds.

The planned SAHMRI 2 will expand the capacity to conduct ground-breaking research, and attract researchers and health and biomedical professionals.

Once completed, the new proton therapy research facility will be the first of its kind in the southern hemisphere and will dramatically increase patients' access to the best cancer care possible, improving the quality of life for many patients as well as expand ground-breaking research and create medical tourism opportunities.

We also established a new industry – the Ageing Well industry – unlocking the productivity of older South Australians and a whole new sector of goods and services to meet their needs.

Vibrant Adelaide

A vibrant Adelaide is the necessary gateway for a vibrant State in attracting new investors, residents and visitors.

As at September 2017, more than \$5 billion of potential development investment was proposed within the City of Adelaide and the inner-metropolitan area.

In November 2017, Adelaide's West End was named in Lonely Planet's top three coolest neighborhoods in Australia to visit. Adelaide was also ranked joint fifth in The Economist Intelligence Unit, The Global Liveability Report 2017.

The State Government and City of Adelaide partnership project, Market to Riverbank link is creating an exciting and vibrant connection between two iconic destinations, Adelaide Central Market and the Riverbank Precinct.

The inspiring \$610 million redevelopment of the Adelaide Festival plaza, supported by a \$180 million contribution from the State Government is continuing.

The Adelaide Riverbank, including the Convention Centre and Adelaide Oval upgrades has become a compelling destination for visitors generating valuable economic benefit for the city.

International Connections

We are well positioned to take advantage of the Asia Pacific century. Our largest trading partner is China. The focus on China through our China engagement strategy with special focus on our sister State Shandong led to the sister State relationship with Shandong as being described as one of the most sophisticated with any State in Australia.

We established and broadened international engagement and connections across multiple regions. By 2017 Ministers led businesses on eight outbound missions to 20 countries while South Australia was visited by 38 inbound missions.

Our French Engagement Strategy maximised opportunities arising from the Future Submarine Program.

In September 2017 we opened an office in Paris, which strengthened the close relationship with France.

To secure investment in new and growing businesses, we established a dedicated investment agency - modelled on the best practices of Ireland and Singapore - to attract capital from overseas and interstate, and to work with the private sector to help navigate regulatory and approvals processes.

The significant successes include the attraction of Technicolor, SONNEN, Veroguard, Oz Minerals and Boeing.

By March 2018 IASA had secured over \$2 billion of investment projects, creating \$9.8 billion worth of benefit and over 10,000 jobs.

The discipline in implementing the 10 priorities over the past four years was not only key to addressing the immediate pressure on employment due to the loss of the car industry but also for putting in place a foundation for short and long term economic and jobs growth.

It illustrates the benefit of the public, private and non-profit sector working together and investing together in the critical economic, digital and social infrastructure that is needed to underpin our State's development; and preserve the environment and sustain the liveability that we all treasure.

Of course, the path was not without significant challenges and I want to select a few moments which could be regarded as points of inflection where the government chose to act in a way which had far reaching consequences.

Growth through innovation

The innovation ecosystem was supported by the creation of a variety of programs, including small grants to micro businesses, creating a venture capital fund for the next phase of development, and mentoring schemes through projects such as Techstar, ANZ's Innovyse program, Microsoft's Innovation Centre and UniSA's Australian Centre for Business.

Between 2013-14 and 2016-17 the value of sophisticated exports grew by \$400 million from \$4.1 billion to \$4.5 billion – achieving the targeted growth required to offset the cessation of exports from the automotive industry from October 2017.

Shipbuilding will be a powerhouse for growth of the State's advanced manufacturing sector.

The Future Submarine program and shipbuilding program, are together the largest defence procurement undertakings in the nation's history.

The creation of a virtual shipyard by Dassault will help South Australian companies working on defence projects to develop their digital capability and provide them with the opportunity to compete for work on a global scale.

The Gig City Program offers affordable ultra-fast internet speeds of up to 10 gigabits per second – 100 times the national average speed – at key innovation precincts and co-working spaces across Adelaide.

Best place to do business

The State Government's tax, planning, and regulatory reforms are helping to attract companies to South Australia and reduce business costs, enabling investment, expansion and the creation of sustainable employment opportunities.

The government abolished all stamp duty on business transactions – the only place in the nation to do so.

The reform of South Australia's workers compensation scheme ReturnToWorkSA is saving business around \$220 million per year.

The State Government has created a new Planning, Development and Infrastructure Act 2016 to deliver speedier, more certain development controls.

We created a Co-ordinator General to unblock development applications.

We continued to cut red tape, removed out-dated laws and reduced uncompetitive or unproductive processes that impact on business.

We launched an annual Simplify Day to deliver a broad range of reforms in regulatory and business processes.

In 2016 and 2017 Simplify Day reforms amended 101 Acts and Regulations and removed 22 Acts.

We implemented a system of 90-day projects of public sector reform designed to unblock persistent regulatory burdens.

Opening doors for small business

Small business is an important engine for job creation.

The State Brand we created is not just a logo – it is about affecting how people perceive South Australia, adding value to our economy by providing South Australian businesses with an established identity that they can utilise as they promote their products on the global scene.

We created a Small Business Commissioner to advocate directly to government on behalf of small business.

We locked in the nation's lowest payable payroll tax rate of 2.5 per cent for the State's small businesses.

We introduced job accelerator grants to provide up to \$15,000 for apprentices for small businesses.

The South Australian Venture Capital Fund we funded supports not only investment in local early-stage companies with high growth potential, but has attracted co-investment from interstate and overseas venture capital funds.

The South Australian Early Commercialisation Fund provides critical support to local innovative start-up businesses.

Small businesses also receive export assistance from Trade Start and through the Export Partnership Program.

The government used the \$200 million Future Jobs Fund to support the development of globally competitive industries.

POINTS OF INFLECTION

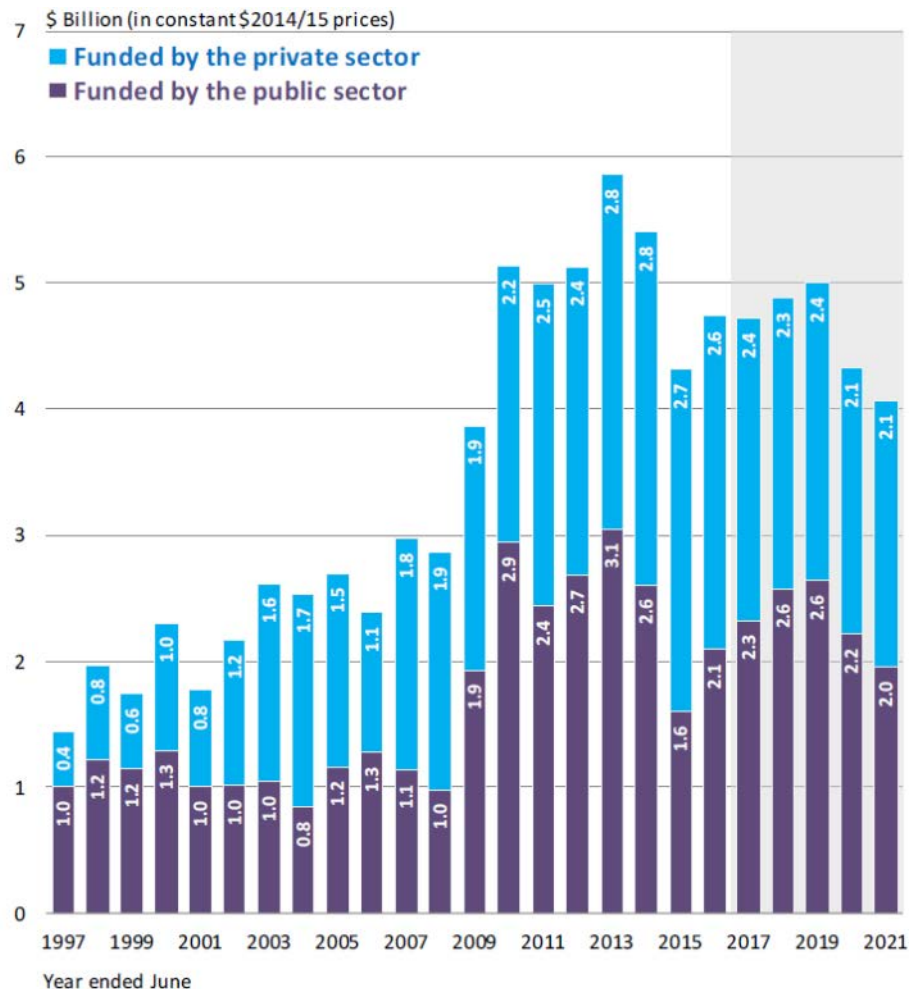
Infrastructure spending

The GFC dramatically reduced State Government revenue leading to calls for austerity in South Australian public sector spending.

The South Australian Government made a key strategic decision to sacrifice its AAA credit rating to maintain its infrastructure spending.

We also took the view that the collapse in revenues associated with the GFC was temporary and that we should not chase down those lower revenues by slashing government spending on services because to do so would sacrifice our liveability and place the burden of the GFC on those who could least afford it.

TABLE 2: Total engineering construction



Data source: Australian Bureau of Statistics, BIS Oxford Economics

Future Submarines

The incoming Liberal Government's decision to delay major defence procurements extended the so-called valley of the death – that is, the gap between the conclusion of work on the air warfare destroyers project and the beginning of work on the building of Future Frigates and submarine projects.

This heightened sense of uncertainty extended to the Commonwealth's decision to foreshadow its preference for an off-the-shelf submarine built in Japan.

The subsequent campaign led by the South Australian Government secured not only submarines to be built here in South Australia but also a commitment to a continuous pipeline of naval work centred in Port Adelaide.

Port Pirie

The ageing lead smelter at Port Pirie had breached EPA standards concerning lead-in-air emissions. This represented an unacceptable risk to the health of Port Pirie residents.

The company advised that without relief from these regulations, the smelter would have to shut. The effect of the closure of the smelter on the regional economy of Port Pirie would have been catastrophic.

The government offered its support. A taskforce was formed, a new technology was found. Nyrstar, however, did not have the financial capacity to make this \$700 million investment.

The South Australian Government pledged a \$300 million underwriting facility. The investment went ahead to create a new multi-metal processing facility which has created a long-term sustainable future for the Port Pirie smelter.

Whyalla

When Arrium went into administration there was a grave risk that the steelworks would close because the steelworks were the least profitable part of Arrium's national and international operations. This would have had a catastrophic impact on the regional economy.

The successful sale of Arrium to billionaire Sanjeev Gupta, with the subsequent plans for reinvestment in the Whyalla steelworks integrated into his global network, was in large measure due to the representations and investments made by the South Australian Government.

These included: \$50 million by way of grant to the new owner on the basis of ongoing operation of the steelworks; \$10 million grants to suppliers to the Whyalla steelworks to assist them to survive during the period of administration; representations made to the Australian rail track corporation to bring forward orders of steel railtracks to support the viability of the Arrium steel works; state procurement policies which give preference to Whyalla steel; and brokering the support of all major parties to match the South Australian Government's \$50 million commitment.

Blackout

Over the past 10 years a stalemate occurred at a national level over the effective integration of climate change and energy policy.

With the closure of coal fired power stations, including the northern power station in South Australia, we've seen the concentration of market power leading to higher prices and increased instability and insecurity in the NEM.

The September 2016 blackouts and their aftermath revealed a national electricity market which was not fit for purpose. An opportunistic political campaign created great reputational risk for South Australia.

We devised a \$550 million energy plan designed to take charge of our energy future and deliver reliable, affordable and clean power for South Australians. Under that strategy, we built a State-owned power plant and used our government electricity load to attract a new solar thermal plant.

We also built the world's largest grid level battery and attracted unsolicited bids from around the world to invest in renewable energy technologies.

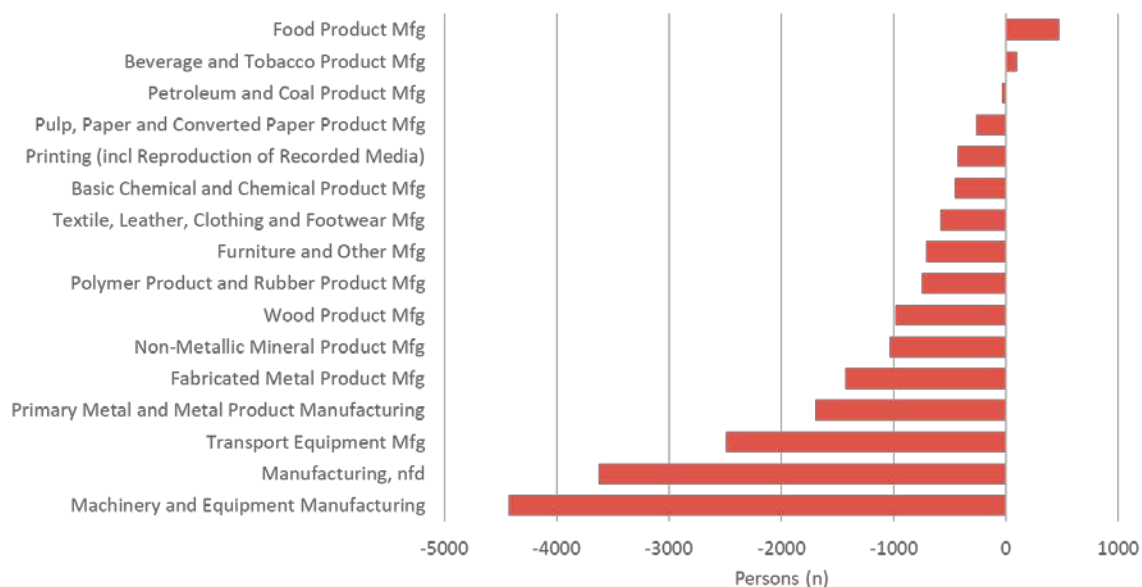
What we have witnessed over the past 16 years is a dramatic transformation of the South Australian economy.

THE TRANSFORMATION

The Structure of the South Australian Economy

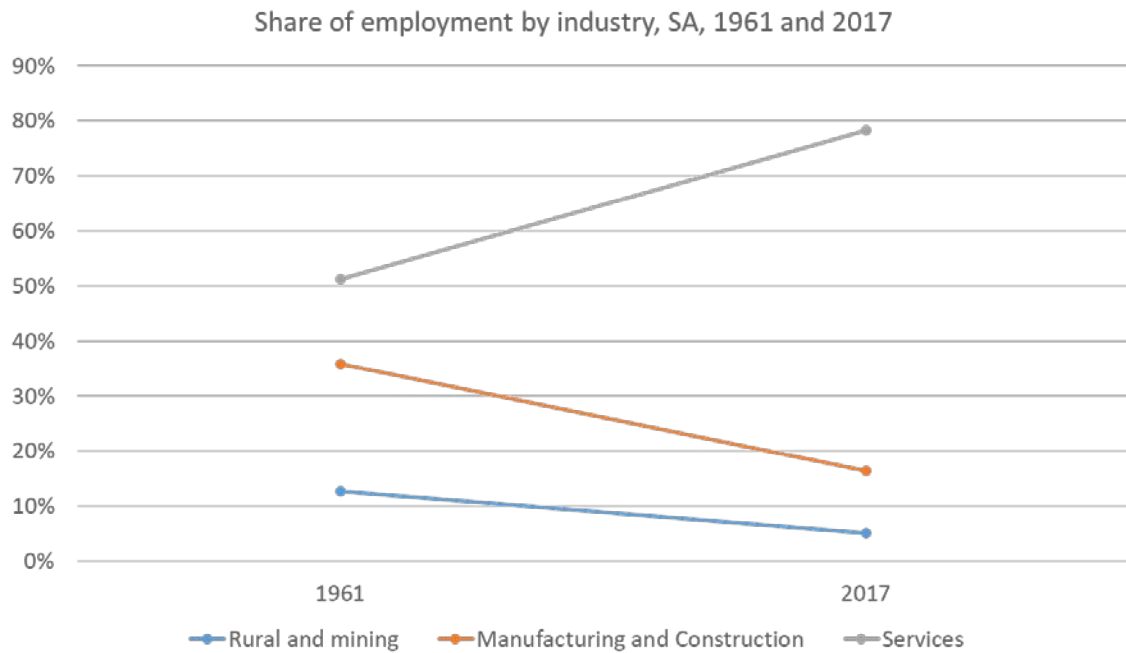
That transformation is apparent in the structure of our economy. The manufacturing workforce between 1933 and 1961 grew by over two-thirds to comprise 35.9 per cent of all employment. By 2017 manufacturing employment had shrunk to just 16.4 per cent of all employment. While the general picture for manufacturing is downward, there are areas of growth in advanced manufacturing, including food manufacturing.

TABLE 3: CHANGE IN MANUFACTURING EMPLOYMENT 2011-2016



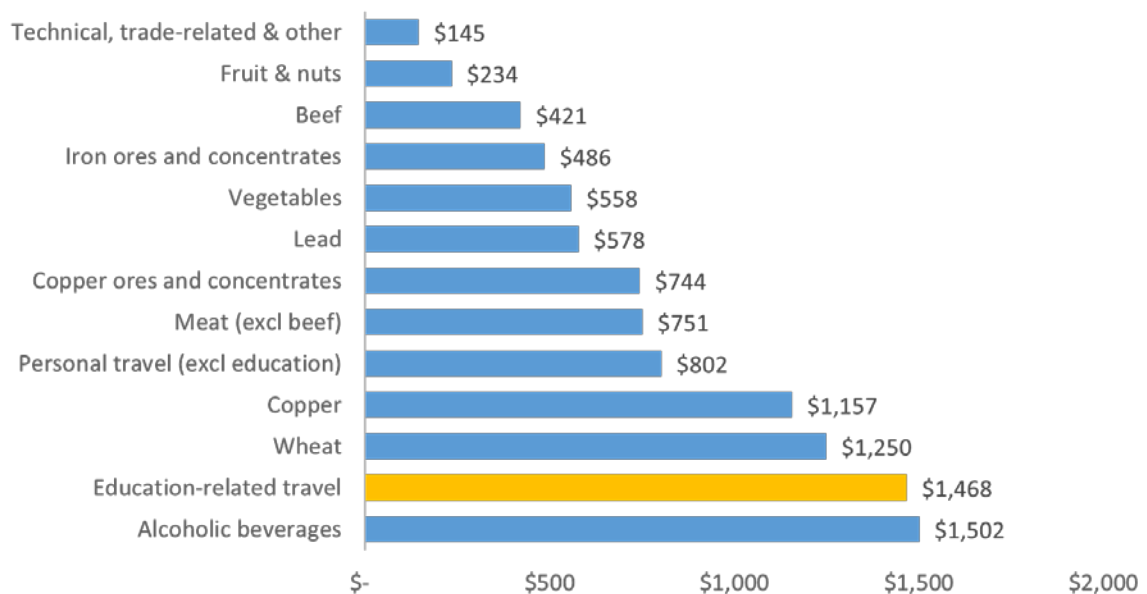
The workforce comprising 51.3 per cent of employment in the services sector in 1961 had by 2017 grown to 78.3 per cent of all employment.

TABLE 4: GROWTH IN SERVICES SECTOR 1961 - 2017



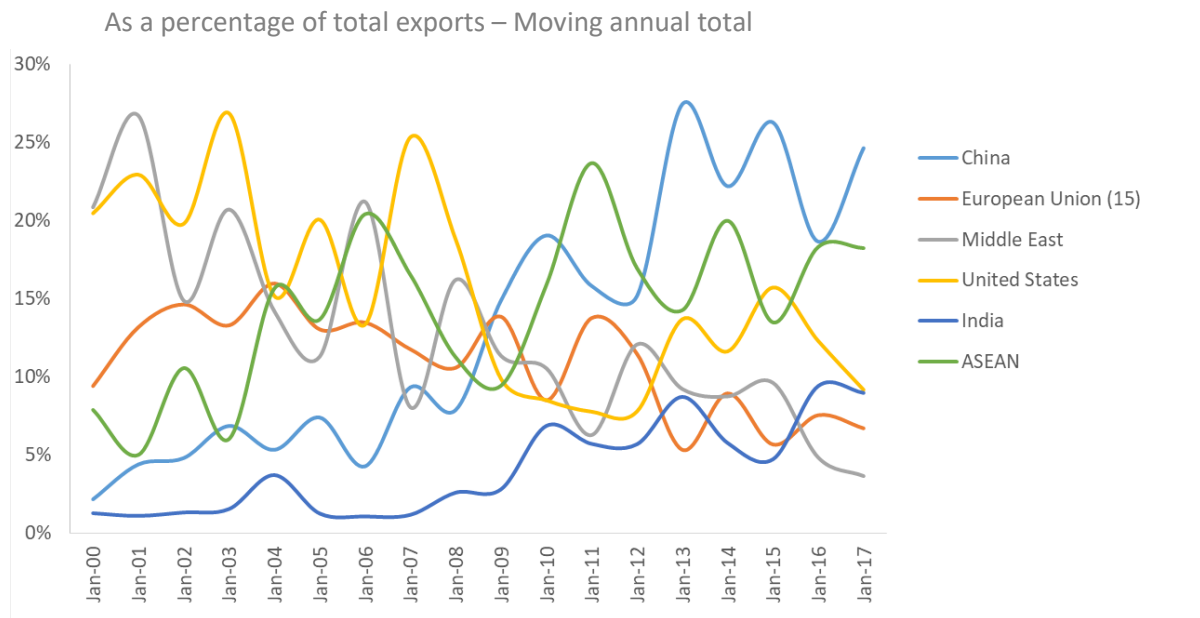
The service sector’s contribution to our economy can be seen with the rise of international education as the second-largest single export earner.

TABLE 5: SA GOODS AND SERVICES EXPORTS, JULY 2018 (\$M)



The shift to Asia as a source of trade and investment is reflected in our trade figures with China - now our largest trading partner.

TABLE 6: SOUTH AUSTRALIAN EXPORTS BY DESTINATION



Data source: Australian Bureau of Statistics, 5368.0 International Trade in Goods and Services, Australia Table 36D. Merchandise Exports, State of Origin South Australia

In the services sector, Chinese students account for 33 per cent of Australia’s overall international students. In South Australia it is 43 per cent.

In tourism, Chinese visitor expenditure is 25 per cent of Australia’s overall international visitor expenditure. In South Australia, it’s over 34 per cent.

The physical changes

This transformed economy has manifested in the following physical ways:

Techport: The centre of the nation's naval submarine and ship-building industry.



Adelaide Oval and Footbridge: Has completely transformed the winter economy in the city.



Small bars: 100 small bars and revitalised laneways have added vibrancy to the City of Adelaide.



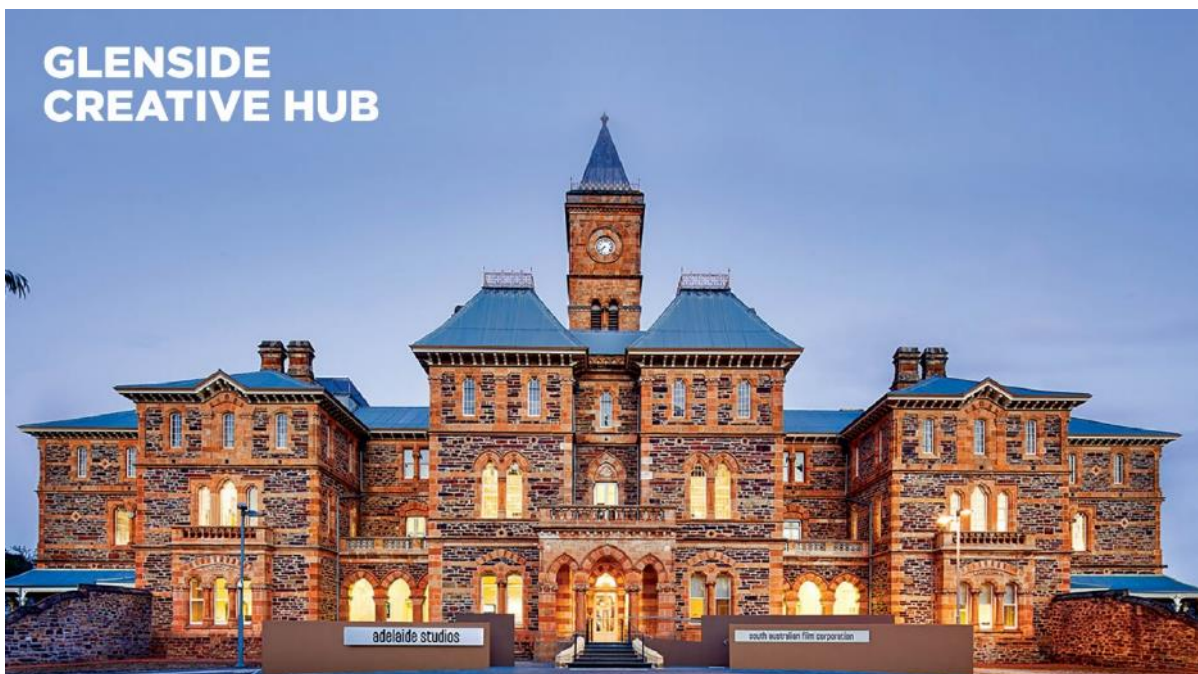
Biomedical precinct: A health and biomedical precinct comprising the new RAH, the SAHMRI building, the planned second SAHMRI building, the University of Adelaide medical school and the University of SA medical school.



Tonsley Innovation District: The old Mitsubishi Motors site has been rebirthed as a nationally recognised and globally connected innovation and advanced manufacturing hub.



Glenside Creative Hub: An old psychiatric institution is now the hub for our creative industries.



Sundrop Farms: In one of the most powerful images of change, an old coal-fired power station has been replaced by a solar desalination greenhouse.



Snowtown Windfarm and battery: Perhaps the most exciting international image of change is the world's largest battery.



The transition is also evident in how we see ourselves.

The changing psychology of the State

South Australia has a growing sense of confidence in being able to control its own destiny.

We have the confidence to assert ourselves on the national stage taking a leadership role in the significant national debates that shape the nation including:

- the future of the River Murray
- taking action on climate change
- asserting a sovereign defence capability for the nation with the future subs and future frigates
- creation of a national space agency
- leading in driverless car technologies

The economy today

And the evidence of success is all around us.

Despite our challenges, today we see an unemployment rate of 5.7 per cent which is the third lowest in the nation.

This quarter we have construction industry growth which is the highest in the nation.

This quarter we have retail spending growth which is the second fastest in the nation.

Business confidence has been improving over the last two years and in the most recent survey has reached the highest level in eight years, according to Business SA surveys.

Growth rates for the South Australian economy are the second-highest in the nation.

And we remain one of the most liveable, peaceful and harmonious places in the world.

CONCLUSION

Our government believed that, in the South Australian context, considerations of scale, population, capital stock, geography, and technological capacity require government to play a leadership role in economic development in partnership with the private sector.

An alternative view is known to economists as “crowding out” - that theory maintains that government is relatively less efficient than the market and, therefore, the less the government participates in the economy, the more efficient the economy will be, and thus the greater growth and investment will be.

This alternative view of economic policy, if followed with determination by the new Liberal State Government, would mark a break in the continuity of government economic leadership in South Australia between the Playford era and the present day.

A recent example of this alternative policy in action has been the privatisation of Australia's electricity generation and distribution industry.

A powerful rebuttal is contained in the decision by my government to deploy the world-leading technology in the big battery as a solution to the State's energy needs.

This is a classic demonstration of the role of government in developing new technologies in partnership with the private sector in a way which the market could not achieve on its own.