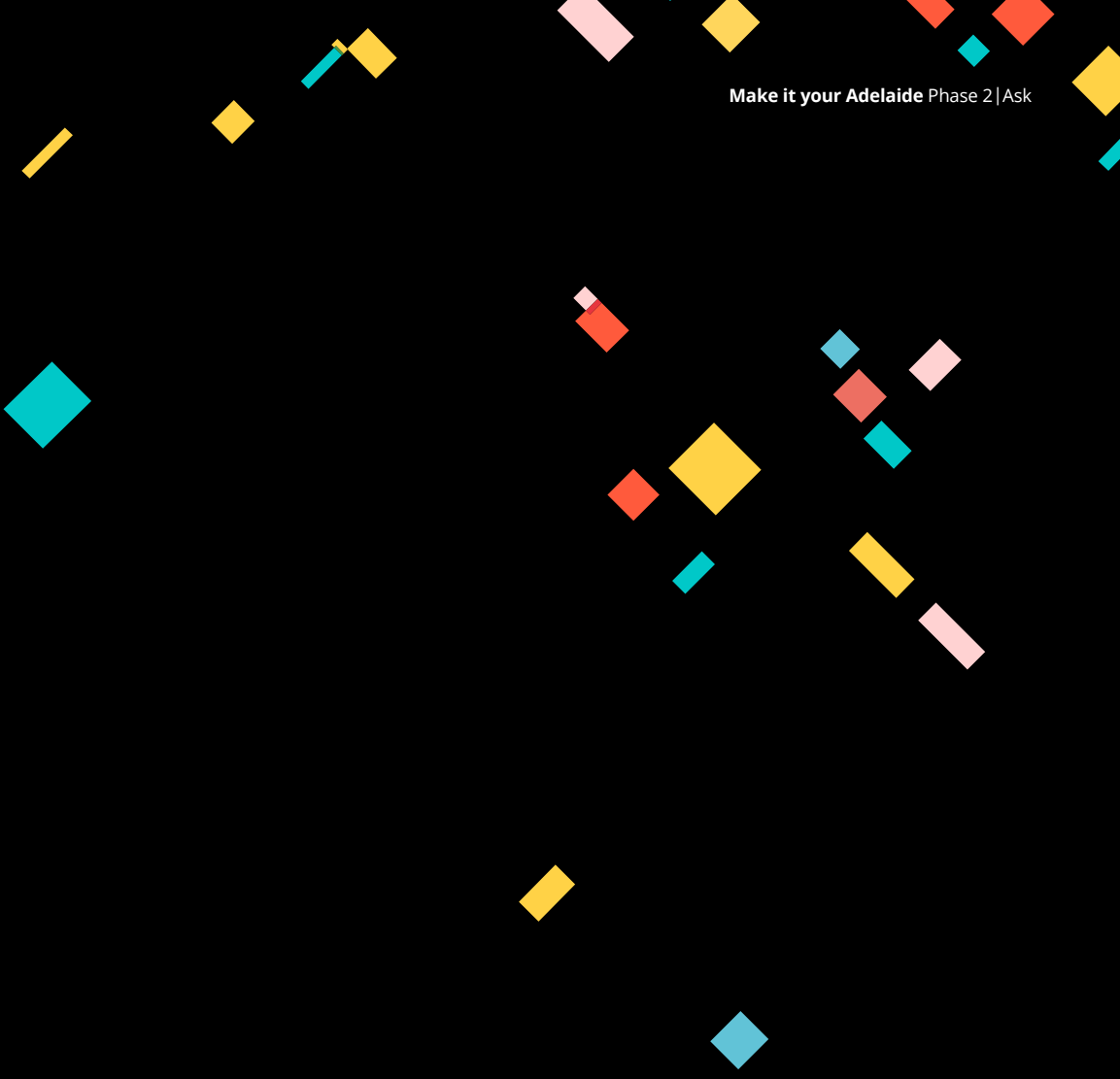# Deloitte.

Make it your
Adelaide

Phase 2 / Ask / Regions

Shaping
Future Cities

Make it Adelaide

We're a group of South Australians who are working together to reimagine our state's future. Shaping our regions is key to transforming our state.

The first report in Deloitte's Make it Adelaide series built a vision for what South Australia can be – home to 2 million people by 2027, with economic growth fuelled by eight key sectors in line with the state's competitive advantages and global trends.

In this second phase we look to the outer suburbs of Adelaide and regions of South Australia as the living and breathing source of change – shaping regions that are vibrant, productive, profitable and sustainable.

South Australia is state built on a history of transformation. Going all the way back to our ancient indigenous cultures, the South Australia we know today is a historical tapestry of rich cultures from the world over.

The settlement of German communities in the Barossa Valley and Adelaide Hills in the mid-1800's cultivated our now famous and world-class vineyards. Likewise, the settlement of Cornish miners atop the York Peninsula provided a 19th century mining boom and is where the Copper Coast got its title. The shift toward large-scale manufacturing industries in Adelaide's northern and southern suburbs during the post-war Thomas Playford years saw the arrival of British, Italian, Greek and Eastern European migrants to provide much needed labour.

So from culture to commerce, trade to taste-buds, manufacturing to migrants and more – change has been our only constant.

To ensure that South Australia remains a compelling and exciting place to live, work and invest, we need to embrace our heritage of change and harness it for the future. Continuing to transform is what will drive our success.

Deloitte is committed to working with the community, business and government to develop ideas and innovative solutions to strengthen the South Australian economy. We welcome you to join us on this journey as we identify the actions which will make these ideas a reality.

What role will you play?
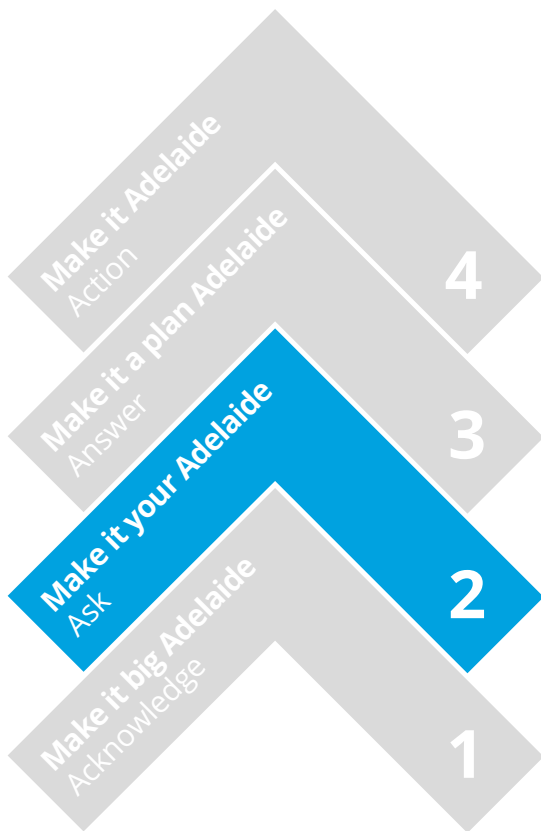
Phase 2
Make it your Adelaide > Ask

is about starting meaningful conversations about South Australia's future and to shape a vision for its economy. We are running workshops and consultations with business, government and community leaders as the catalyst for these robust conversations. Our final report will synthesise the refined ideas and diverse insights collected throughout this journey and provide a blueprint and roadmap for our future – from the city to the country and beyond.

This is the second paper in phase two of our Make it Adelaide series. The focus of this discussion paper looks beyond inner Adelaide to the rest of South Australia. The ideas presented in this report are the result of our consultations, in addition to further research. The discussion centres on the same five key themes used in our earlier discussion paper on the future of Adelaide: **infrastructure**, **liveability**, **risk taking**, **workforce** and **perception**. These themes span across the key sectors of South Australia's economy and are used to synthesise diverse ideas with a common goal.

The next phase of Make it Adelaide will focus on the need for private sector led and industry wide collaboration. Because we all need to work together proactively in order to bring to life our ideas and unleash the future potential of Adelaide and South Australia.

What this paper is and isn't
This paper is intended to spur debate and discussion about what a bigger South Australia might look like.

This paper is not a list of final recommendations, they will be outlined in our final report.

Between now and then, however, as we continue our work, we expect our ideas to continue to grow, change and evolve. Some of what's in here will make it, some of it will be discarded to history, and some will survive in a modified form.

The action plan will synthesise these ideas, develop outcomes and use economic modelling to paint a powerful picture of South Australia and Adelaide in 2027.
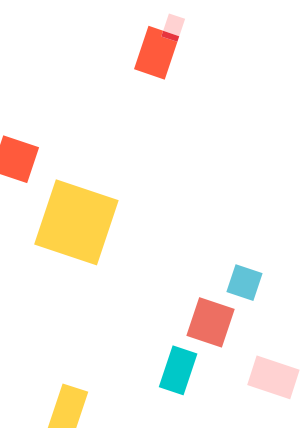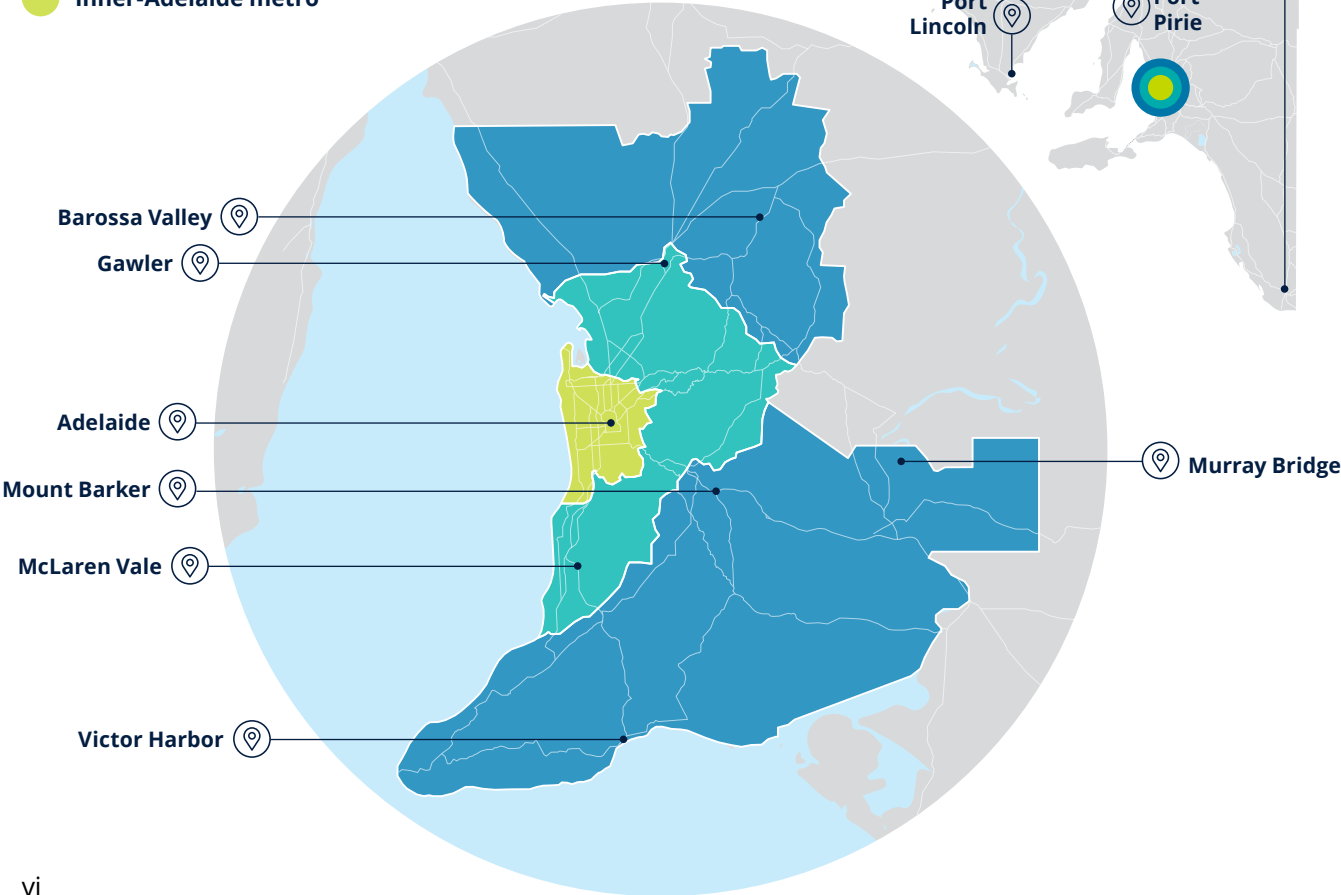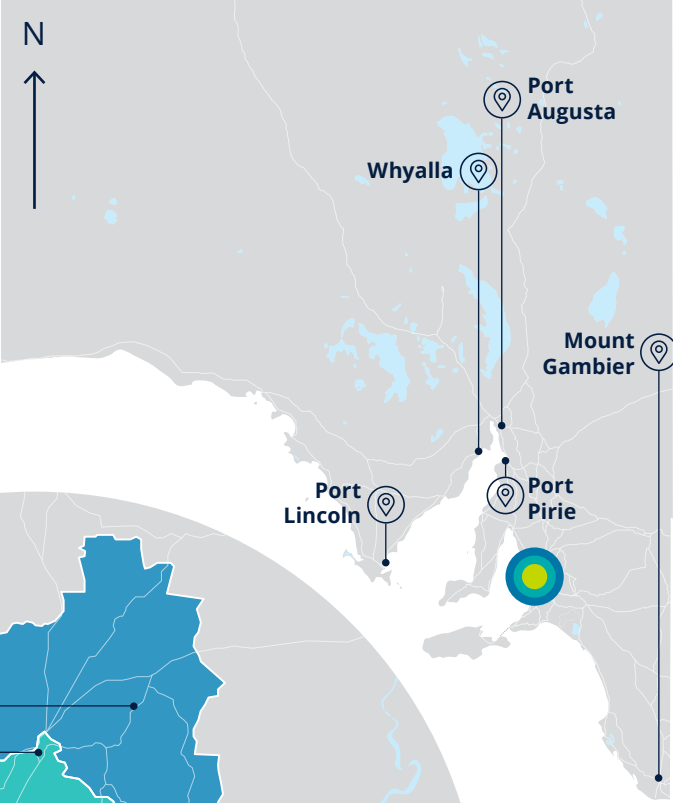
Our state

Map – the dart-board

These days it is difficult to identify where Adelaide ends and country South Australia begins when travelling outwards from the city. Like a dart board, our map distinguishes this subtle shift from city to country by identifying three regions of importance. These areas are distinct from the inner-Adelaide area discussed in our previous paper.

- Regional South Australia
- Greater Adelaide region[A]
- Outer-Adelaide metro[B]
- Inner-Adelaide metro[C]

N

Port Augusta
Whyalla
Mount Gambier
Port Lincoln
Port Pirie

Barossa Valley
Gawler
Adelaide
Mount Barker
McLaren Vale
Victor Harbor
Murray Bridge

Contents

Our sectors

Agribusiness

Tourism

Energy and gas

Defence industries

Creative industries

Professional and information technology services

Health and medical industries

International education

Executive summary

Growing potential

While Adelaide is the heart of South Australia economically, politically and culturally, it has always been the essential lifeblood flowing from the state's regional areas that keeps this heart beating. Harnessing the economic power of country South Australia and investing in our regional population centres can only multiply the benefits to Adelaide, which, in turn, will improve the future prosperity for all of South Australia.

However trends in population growth over the last decade reveal a deepening geographic divide between the city and the country. While the size of Adelaide's population and urban areas have continued to grow, South Australia's country towns have flatlined and experienced a demographic 'greying' in their populations.

These differing trends present some serious challenges to the overall growth of South Australia. However, in acknowledging these trends there are also huge opportunities for future growth that can benefit both Adelaide and regional South Australia.

It's time to unleash the potential of Adelaide's outer suburbs and regional South Australia.

Infrastructure – building tomorrow's prosperity

The infrastructure needs of country South Australia are very different to those in Adelaide.

In regional and rural South Australia, the infrastructure concerns relate to reversing the decline in population, encouraging economic growth and creating meaningful employment opportunities. One of the biggest barriers is availability and access to ubiquitous ultra-fast internet.

While digital connectivity has changed the way the world works for those living in Australia's large cities, for many in rural and regional South Australia internet connectivity is still catching up. Improving the digital connectivity of our regional and rural communities and speeding up the adoption of broadband has the potential to make us a world leader in agricultural technology (AgTech). It would also allow these communities to make use of new technologies and improve the provision of, and access to, professional and public services not currently available.

By contrast, the infrastructure concerns in the outer-metro and greater Adelaide areas relate to pressures associated with urban growth and suburbanisation. Like all Australian capital cities, Adelaide has historically grown outwards instead of upwards in and this is creating significant pressure on infrastructure.

Going forward, improvements will need to be made to encourage economic and employment growth in and around these regions, as well as improving freight and commuter corridors to facilitate better access to the inner-metro area. Adelaide is going to have to invest sensibly in infrastructure to grow its outer suburbs sustainably. This includes improving the efficiency of both our existing road infrastructure and Adelaide's public transport corridors by electrifying and extending the suburban rail network.

Liveability – ready, set, grow!

The lifestyle enjoyed by people in greater Adelaide and South Australia's regional towns is one of the reasons why people choose to live outside of the inner city.

South Australia's large regional population centres, like Mount Gambier and Port Lincoln, present significant economic opportunities in industries such as tourism and agribusiness. But growing these regional centres will require a reversal of the current trends that see young and prime working age people leave our regional areas, as well as a narrowing of the economic and social inequality between Adelaide and country South Australia.

Improved liveability, in terms of access to quality schooling and education services, health care facilities, retail and entertainment precincts, childcare and aged-care, are essential for attracting the critical mass of people necessary to generate agglomeration benefits.

Risk-taking – the failure in doing nothing

Going forward, South Australia's economy can expect to be buffeted by powerful global-disruptors from which we can either profit or perish.

These include: greater environmental challenges, such as hotter days, drier conditions, as well as heightened risks from extreme weather events and natural disasters; a seismic shift in consumer preferences in international export markets due to the rise of the Asian middle-class; and, increased competition from developing economies in our traditional export markets as they catch up technologically and become smarter. South Australia needs to prepare and position itself to take advantage of the potential opportunities these challenges present.

It cannot be 'business as usual'. Going forward, South Australian businesses can't expect what has worked in the past to continue delivering profits in the future. Fostering a culture of innovation and a willingness to invest in risky ventures is important. But our producers will also need to have a variety of technological tools at their disposal to deal with a more harsh and volatile climate, and to maintain an edge over our international rivals. South Australian business and producers will have to be proactive in Asian markets and have their 'finger on the pulse' to shifts in consumer preferences.

Government and the private-sector alike need to ensure that competitive forces are brought to bear, and that the path is cleared for firms who are keen to grow and who are willing to innovate. Because, when everyone becomes focused on not losing rather than growing the pie, nobody wins.

Workforce – attracting skills to jobs, and jobs to workers

The South Australian labour market is a conundrum. While workers in Adelaide travel increasingly long distances to work from their homes on the urban fringe, employers in regional South Australia struggle to attract and retain workers. Getting workers to where they are needed and jobs to where there are skills is complex and multifaceted.

In country South Australia, retaining young people and enticing the types of workers who drive economic growth and productivity are key problems. More needs to be done to improve the quality of education and training opportunities in regional areas to retain young talent.

Immigrants are an important part of solving workforce gaps in regional South Australia. Regional communities should recognise the beneficial economic, social and cultural contribution permanent migration has made historically, and continues to do around Australia today.

On the urban fringes of Adelaide there are also workforce opportunities currently not being taken full advantage of. Adelaide's suburban fringes attract a diverse range of skilled, semi-skilled and low-skilled workers, many of whom would most likely work closer to home if given the opportunity. The proximity of these workers to some of Adelaide's premier food and wine producing regions, combined with underutilised industrial land in Adelaide's outer suburbs, provides a unique synergy for business to invest in value-add industries – such as, food and wine production and processing, logistics and supply hubs, defence industries, as well as tourism and hospitality services.

Perception – be different, then shout it loud!

South Australia has so much going for it – there is something for everyone. And, yet, very few people know about us, our lifestyle, our skilled and talented people, and the potential economic rewards on offer. We remain one of Australia's best-kept secrets.

South Australia has already done a good job at setting itself apart from the pack. However, not enough is done to highlight this fact and make the most of it.

Differentiating our products to highlight their provenance, their quality, and their clean and green credentials will require innovative thinking, investment and collaboration. And not just at the farm gate, but up through the whole supply-chain and current value-add process. A paddock-to-plate approach could help farmers realise greater value by becoming price-makers rather than price-takers.

Establishing appellations, like those used in France to distinguish wine from Bordeaux or Champagne, is another way our producers could differentiate as well as enhance the value and prestige of agricultural production. In other parts of the world, regional appellations have preserved agricultural land from development, while simultaneously attracting investment in the value-add manufacturing stages of production.

South Australia needs to stop keeping its treasures hidden, we need to let the rest of the world know where 'X marks the spot'.

5

1

A state of many growths

## Making the whole something better than the sum of the parts

What is good for South Australia has always been good for Adelaide. Adelaide is the heart of South Australia economically, politically and culturally, but it is the essential lifeblood flowing from the state's regional areas that keeps this heart beating. They are what give Adelaide its purpose of place, its raison d'être.

What is good for Adelaide also needs to be good for the rest of South Australia. However, all too often Adelaide is considered synonymous with South Australia bringing into question this symbiosis. Trends in South Australia's population growth

over the last decade reveal a deep geographic divide. Chart 01 shows the growth in the populations for each of the regions we identified on our map (pp. vi) indexed at 2006 levels. While the population of country South Australia grew by 3 percentage points over the decade, the population of the greater Adelaide region grew by 20 percentage points – almost seven times faster. That equates to regional South Australia adding about 8,700 people and the greater Adelaide region adding 27,600 people – approximately the size of Mount Gambier's population in 2016.

Chart 01: South Australian annual population growth indexed by region, 2006-2016

Source: Australian Bureau of Statistics (ABS)[1]

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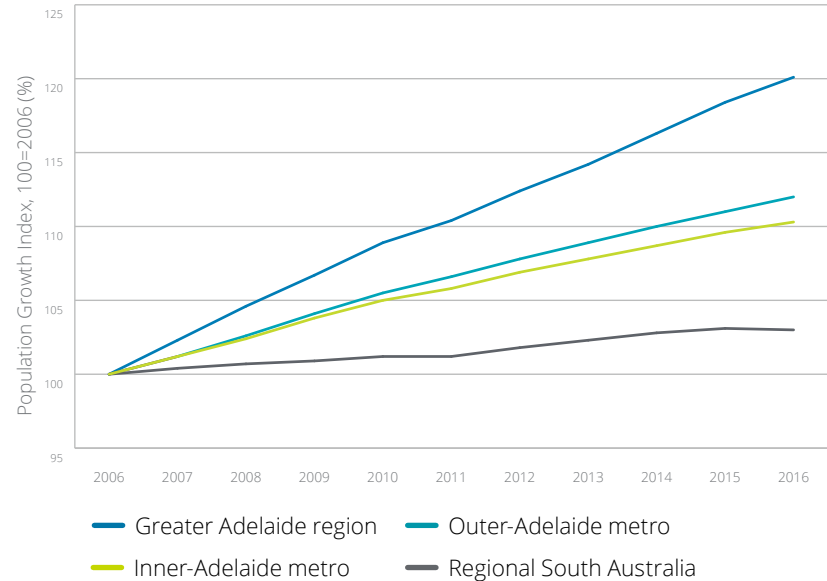
Trend #1 – Adelaide's growing urban waistline

Over time, Adelaide has figuratively eaten the lands that fed it. Land where broad acre and livestock farming, fruit orchards, vineyards and market gardens once dominated are now Adelaide's outer northern and southern suburbs.

The trade-off for this was the transition of the South Australian economy toward the value-add industries of the 20th century. In Adelaide's north and south, heavy manufacturing industries such as car manufacturing and oil refining were established as well as education, science and technology precincts. An abundance of land and affordable housing saw people flock to Adelaide's northern and southern suburbs to take advantage of the jobs and opportunities that flowed from these new industries. This population growth also generated additional jobs and business activity in construction, retail and service industries.

Today, however, these trends have shifted considerably. While Adelaide's outer suburbs continue to reach further and further into areas once considered agricultural, the jobs that sustained these populations have gradually migrated inwards over time toward the CBD. These days, Adelaide's fastest growing urban centres – at Mount Barker, Victor Harbor and Murray Bridge – are located beyond the traditional Adelaide metro area (see our map, pp. vi). Moreover, unlike the past, almost half the number of workers living in Adelaide's outer northern and southern suburbs and the greater Adelaide region now travel to the inner-metro area for work each day. We explore this in more detail in our chapter on **infrastructure**.

Trend #2 – our shrinking country towns

The growth of South Australia's country towns and regional centres are flat-lining. While Adelaide has grown, population growth in regional South Australia only averaged a stagnant annual growth rate of 0.3 per cent between 2006 and 2016.[2]

Compounding this, the demographics of country South Australia are 'greying'. As we explore later in our chapter on liveability, not only do young people flee country areas for Adelaide, but older people leave Adelaide to settle in the country. The result is a net loss of the workers who drive economic growth and productivity.

A glass half-full

Despite the challenges these current population trends present, they also provide a number of opportunities to grow South Australia in ways that can be of benefit in both Adelaide and country areas.

Where urban fringe development might be perceived as a threat, particularly to agricultural lands, the increased proximity to a large pool of skills and workers also present value-add opportunities for agribusinesses in food and wine production and processing. Other opportunities, particularly in Adelaide's northern suburbs, also include: defence manufacturing and technology industries around the defence establishments near Elizabeth and Techport at Outer Habor. The creation of jobs around Adelaide's outer fringes nearer to people's homes would also help alleviate the costs associated with traffic congestion around Adelaide's metro area.
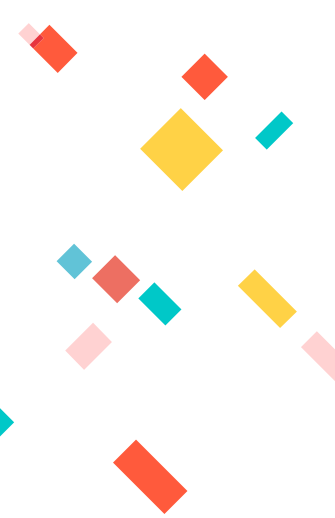
Similarly, more could be done to make the most of the population trends in regional South Australia. It should be possible to attract and retain both younger people and older ones to regional communities. The country lifestyle of regional South Australia with its strong sense of community, its peace and quiet, beautiful natural surrounds, and housing affordability are many of the same factors that attract those in their prime working age and their young families to townships in the greater Adelaide area. Further, the attraction of older retired people to regional communities present opportunities for private sector investment in health, aged-care and lifestyle services. This is in addition to the many other investment opportunities that already exist in agriculture and tourism.

**The dynamic duo –
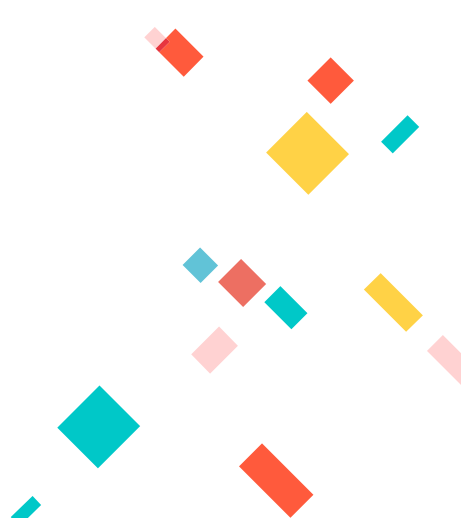how do we better the whole
of South Australia?**
Harnessing the economic power of country South Australia and investing in our regional population centres can only multiply the benefits to Adelaide, which, in turn, will improve the future prosperity for all of South Australia. Part of this is about making our regional population centres and Adelaide's outer suburbs more liveable, but the other equally important part is about creating jobs across a diverse range of occupations in our agricultural, energy and gas, as well as defence industries.

Throughout our consultations this sentiment was reflected in our conversations with government, business and communities. This chorus of representative voices raised a diverse range of issues, which we then categorised as belonging to one of **five key drivers**.
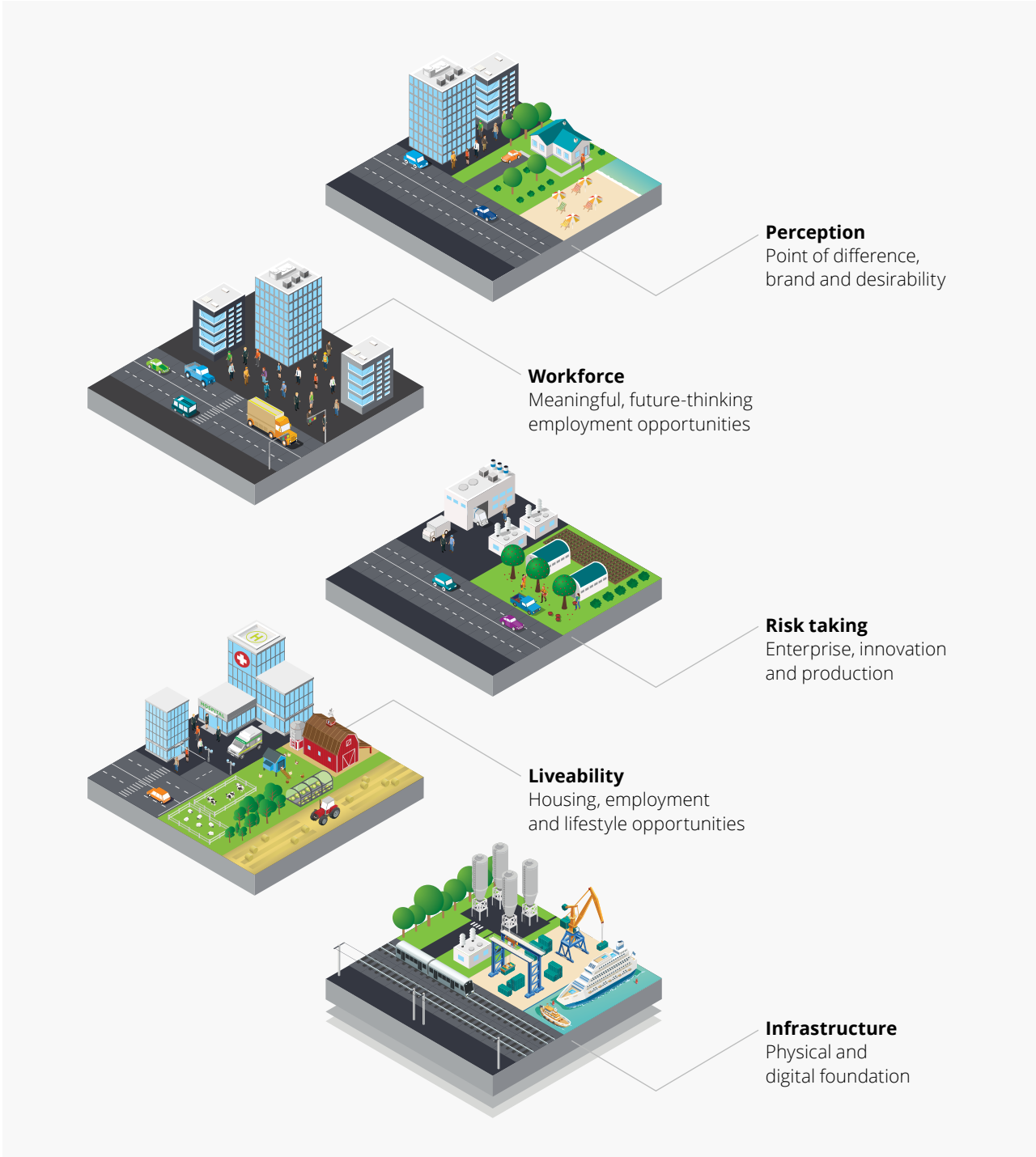
The first theme is **infrastructure**. All successful economies require great infrastructure – it is how future prosperity is built.

The next three themes centre on developing social, financial, and human capital. They focus on the **liveability** of regional South Australia (and how it can be enhanced to grow our population), **risk taking** (or lack thereof) across our business community, and on **workforce** and skills.

Finally, we think about **perception**. How can South Australia differentiate itself and be recognised in a crowded and competitive global market?

South Australia's drivers

Perception
Point of difference,
brand and desirability

Workforce
Meaningful, future-thinking
employment opportunities

Risk taking
Enterprise, innovation
and production

Liveability
Housing, employment
and lifestyle opportunities

Infrastructure
Physical and
digital foundation

2.

Infrastructure

Building a prosperous South Australia

The infrastructure needs of country South Australia are very different to those in Adelaide's northern and southern suburbs and its greater region.

In regional and rural South Australia, the infrastructure concerns relate to reversing the decline in population, encouraging economic growth and creating meaningful employment opportunities.

By contrast, infrastructure concerns in the outer-metro and greater Adelaide areas relate to pressures associated with the prevalence of suburbanisation, the improvements that can be made to encourage economic and employment growth in and around these regions, as well as enhancements to freight and commuter corridors to facilitate better access to the inner-metro area.

The digital divide

Digital connectivity has changed the way the world works. For those living in Australia's large cities, the internet has revolutionised the way people live, work and play. It has led to new products and services, greater consumer choice, as well as access to employment opportunities that transcend local markets.[3] However, the benefits from increased digital connectivity have not been felt by everyone, and important sectors of our economy are missing out on advances in technology associated with this digital revolution.

The frustrating reality is that, for many in rural and regional South Australia, consultation participants told us that internet connectivity is less reliable and fast than in the city and mobile phone coverage still falls short, reflecting other research.[4] While almost unimaginable to those living in Adelaide, we heard from consultees who still carried around multiple mobile phones with different carriers because of coverage issues.

Not being able to access high-speed internet or reliable mobile phone coverage places a handbrake on the productivity and economic growth of these regions, as well as stifling further innovation and the ability of agribusiness to adapt quickly to new challenges.
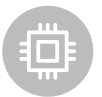
The rollout of Sky Muster, the National Broadband Network's satellite internet service for rural Australia, is a step in the right direction.[5] Another is the State Government's proposed expansion of GigCity to Mount Gambier.[6] However, the real-time transfer of data and information between trucks and harvesters, drones, and other sensors will rely on internet and mobile connectivity being ubiquitous, reliable and, perhaps most importantly, trusted by users.

Improved digital connectivity of South Australia's regional and rural communities has the potential to make us a world leader in the innovation and development of agricultural technology (AgTech). It would allow our farmers, food producers, and winemakers greater access to new and emerging forms of technology, including: sensors and the Internet of Things, 3D printing, robotics and drones, 'big data' and real time analytics, 'blockchain' tracking and supply chain analytics.

Improved digital connectivity would also allow regional and remote communities to better utilise video- and tele-conferencing technologies to access critical social services virtually. Access to professional services (e.g. financial, legal and scientific) and public services (e.g. education and health) not currently available would also go a long way to improving the **liveability** of these communities.

Further, it would offer professional services related to the agricultural, energy and resources industries in our regional population centres the opportunity to expand their businesses and export their services to interstate and overseas – improving **workforce** and employment opportunities.

Football, meat pies, kangaroos and a quarter acre block
Australian capital cities have tended to develop out, rather than up. Adelaide is no exception to this, as people continue to live further beyond the areas historically considered to be Adelaide's outer metro. According to the ABS, the greater Adelaide region as defined on our map (pp. vi) – which includes Mount Barker, Victor Harbor and Murray Bridge – grew at an average annual rate of 1.85 per cent between 2006 and 2016, outpacing the growth rates of both the outer-Adelaide (1.14 per cent) and inner-Adelaide (0.99 per cent) metro regions.[7]

At the same time as Adelaide has expanded, jobs have migrated inwards and the number of people needing to travel further for work has increased. Adelaide is a car-dependent city, and our congestion problems are growing.[8] According to 2011 ABS Census figures, approximately half the number of workers living in Adelaide's outer northern and southern suburbs and the surrounding greater region travelled inwards to inner Adelaide for work.[9]

Of these, an estimated 77 per cent travelled by car, either as a driver or passenger, which equates to 90,037 cars travelling back and forth between the inner-city and the outer urban fringes.[10] This is in addition to the 154,111 cars already driven by inner Adelaide residents to work each day.[11]

As we discussed in our first report, the choices which people are making are changing and, increasingly, individuals and families are choosing to live in denser places in the inner-city. On the other hand, many people continue to desire the sort of lifestyle for their families that they grew up with – an affordable house with a decent backyard for the kids.

Brave choices need to be made by policymakers. And, if we are to continue delivering these kinds of lifestyle choices for families, we need to start making changes now.

These communities need to be the sort of places where people choose to live. And there's no escaping the fact that getting the policy settings wrong has real costs – if we don't plan suburbs well and build the right infrastructure, we could be stuck with more congestion and less liveable communities.

Case study from Calgary: Choosing to go up, as well as out

For over half a century, Calgarians wanting to break into the housing market had to get into a car and drive away from the city until they reached a suburb that they could afford. This was not seen as a problem until the city began to look at the costs of this outer urban development and who was actually footing the bill.

A report for the City Government predicted that if Calgary developed more densely and with a grid pattern transport structure, instead of continuing to spread out with a hub and spoke transport structure, CAD 11 billion could be saved on infrastructure alone over 60 years.[12]

The incoming Calgary government took notice and used this information to write their Municipal Development Plan.[13] From these goals of sustainable density, they began a bold reform agenda that rebalanced the costs of infrastructure between Government and developers, and advocated for the city to densify in order to remain sustainable.[14]

But, there wasn't "a war on the suburbs". In fact, the municipal governments around Calgary along with the City Government formed the Calgary Regional Partnership. This meant that all municipal governments in the area agreed to work together to meet the goals of the Municipal Development Plan.

Now, Calgary's suburban municipalities aim for the same housing density goal of 10 units per acre in greenfield developments, meaning that Calgary is not just densifying at the core but is also encouraging the creation of village centres in its outer suburbs.[15] This has given Calgary's peripheries a unique opportunity to develop their own personalities that can compete with the CBD on cultural terms, rather than just being dormitory suburbs.

In 2014, since the the Municipal Development Plan began to be implemented, the City of Calgary reported that population density increased by 10 per cent and the previous trend of city residents moving to the suburbs had reversed.[16]
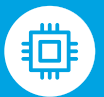
Getting urban growth right – village centres that leverage infrastructure

If South Australia is to grow its population, inevitably many of the people who will be joining us here will be coming because they're attracted to the lifestyle provided in the greater Adelaide region. What we need to do is get that growth right, connecting local economic opportunities to communities, as well as supporting economic activity in the inner-Adelaide metro.

Our industries need to develop so that they are close to where people live – there needs to be a focus on industrial development across the greater Adelaide region through projects like the Northern Adelaide Irrigation Scheme and continued development of tourism in our wine regions.

Part of this, as we discussed in our previous report, involves a denser inner Adelaide. But the other half of the story is building new suburbs which are walkable, provide a mixture of different types of housing, have ample green space and are well connected to efficient public transport.

The first stage in this process is continuing to improve the speed and efficiency of Adelaide's suburban rail network through electrification. Extending the existing train lines further outwards to the new outer suburbs, such as Aldinga in Adelaide's far south or to areas around Gawler, would also provide greater choice around mode of transport.

Improving rail also has the advantage of meaning that local bus services can become feeder services, rather than operate as parallel services to the city.

Continued road investment is needed, but should involve more than just building wider and longer freeways. We also need to look at ways to use our existing road infrastructure more efficiently and to improve the public transport corridors (particularly around rail) that link the outer suburbs and greater Adelaide region to the inner-city. This is especially important to maintain accessibility to road freight coming from our regional areas and crossing through Adelaide or in accessing South Australia's key export terminals – i.e. Port Adelaide and the airport.

One way that we could improve our use of existing road infrastructure is to influence people's commuting behaviours and their modes of transport. Current trials of road user pricing for freight being undertaken by the South Australian Government are a step in the right direction.[17]

Whatever the solution going forward, reducing congestion across Adelaide's roads and improving traffic flow will be essential.

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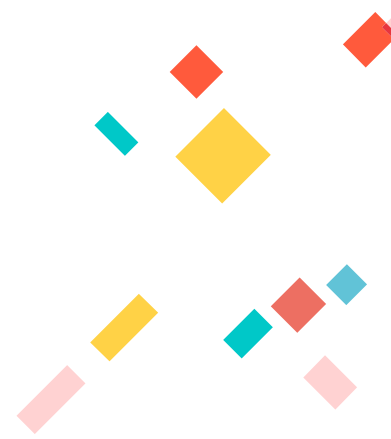
Liveability

Activating regional South Australia

The pursuit of the lifestyle that country living offers partly explains rapid population growth in the greater Adelaide area. The promise of tightknit family friendly communities, set in open and natural surroundings, combined with affordable housing are the ideals that housing developments in and around the greater Adelaide area have been built on. These same attributes could also be applied to any one of South Australia's many other large country towns.

However, the difference in population growths between country South Australia and the greater Adelaide region could not be more stark. For example, while the greater Adelaide region grew at an average annual rate of 1.85 per cent from 2006 to 2016, the population growth in regional South Australia almost flatlined at 0.3 per cent per year.[18]

Not only does this represent a waste of the vast array of existing social and economic infrastructure criss-crossing the state, it is also indicative of a failure to further invest in the infrastructure necessary to retain and attract people, particularly young people.

What is it that the townships within the greater Adelaide region have that our large country towns are missing? How can we change our current momentum to also grow our large regional population centres?

The size and share of South Australia's largest population centres as at 2016

	No. of people	% of state total
Adelaide[19]	1,429,122	83.4%
Mount Gambier[20]	26,993	1.6%
Whyalla[21]	22,424	1.3%
Port Lincoln[22]	16,258	0.9%

Source: Australian Bureau of Statistics (ABS)[23]

Adelaide: the 1.4 million kilo gorilla

Even for a state in one of the most urban countries in the world, South Australia's population is unusually centralised in the capital city. More than three-quarters of all South Australians live in the Adelaide metropolitan area, and South Australia is the only state in Australia not to have a regional city above 50,000 people in addition to its capital.[24]

Compounding this centralisation is the fact that country South Australia continues to lose many of its young minds to Adelaide year after year. While retaining young people is a challenge for South Australia more broadly, it is particularly acute in regional South Australia. According to ABS 2016 Census figures, for example, country South Australia experienced a net loss of 6,397 people aged 0-24 years, relative to 5-years before, most of whom moved to Adelaide.[25] By contrast, regional South Australia experienced a net loss of 204 people aged 25-54 years and a net gain of 965 people aged 55 years or more, relative to 5-years prior.[26]

Resuscitating our regions – mimicking proximity

There are a lot of significant economic opportunities in our regional towns and centres and we explore a few of these in the other chapters of the report – they include expanding agribusiness, growing regional tourism and making the most of our energy resources – both gas and renewables.

During the consultation process, we repeatedly heard that more needed to be done to breathe life back into our regional towns to retain the young and attract skilled workers. The solution to this: **improve liveability.**

Despite the availability of jobs in regional areas for certain occupations (e.g. agronomists, horticulturalists, nurses or pharmacists) and the willingness of employers to pay a premium; often, money and opportunity is still not enough to compensate workers for the disadvantages associated with moving to a regional centre.

These disadvantages include:
- A lack of access to quality education and health services
- A lack of meaningful employment opportunities for a worker's spouse or partner
- The perception that there's less to do on a Saturday night.

Ostensibly, attracting people to regional townships should not be as difficult as it seems. The rapid urban sprawl of Adelaide and the growth of previously small townships – such as Mount Barker, Victor Harbor and Murray Bridge – signal a strong preference, particularly among prime working age individuals (25-54 years), for the sort of quality of life and sense of community that regional centres offer. According to ABS 2016 Census figures, for example, a net inflow of 2,829 prime working age people was recorded for the greater Adelaide area, relative to 5-years prior.[27] This in comparison to the 11,166 net outflow of prime working age people from the inner-Adelaide metro, and the 236 person net outflow from the outer-Adelaide metro.[28] However, what these townships in the greater Adelaide area offer that South Australia's true regional centres lack is their convenience of proximity to inner Adelaide and the amenities of its large population.

While it is not physically possible for South Australia's regional centres to be closer to Adelaide, it is possible for our regional centres to mimic proximity. This includes ensuring that the needs of the local population are more than adequately met with access to quality schooling and education services, health care facilities, retail and entertainment precincts, as well as childcare and aged-care.

Utilising technology and investing in ultra-fast and ubiquitous internet will go a long way to mimicking proximity and delivering on these services. Touring showcases of art, music and culture artefacts could also be used to improve the cultural divide between Adelaide and South Australia's regional areas. The massive art piece by Guido van Helten at Coonalpyn, in the state's South-East, on their grain silos are one such example where art and culture has helped put a small country town back on the map.

Flipping the switch back to growth

Growing a town is easier said than done.

Historically, regional cities have emerged over time in most other Australian states, but is something that continues to allude South Australia. While some are artefacts of bygone economies, others continue to thrive and grow – Bendigo is one such example. The critical mass of these cities provide efficiencies of scale and 'thicker' markets. This attracts professional services, generates cultural vibrancy, as well as creating commercial opportunities for retail, food and lifestyle outlets. Most importantly, these cities act as economic, social, cultural and political hubs that service their surrounding regional areas.

Growing South Australia's regional population centres, like Mount Gambier or Port Lincoln, could go some way to reversing the depopulation of our regional areas, as well as improve the economic and social inequality between Adelaide and country South Australia. This task, however, would require focused effort and considerable resources.

And – not everywhere has the economic strengths to make this growth sustainable in the longer term. Growth needs to be about responding to economic opportunities presented because places have a competitive advantage. An example of this could be the refocus and consolidation of public funds and services to Roxby Downs to assist the expansion of mining and energy activity in the state's north.

The development of a particular regional population centre would need to be prioritised over others in the same catchment area. Towns that are likely to grow are those which already have strategic importance to growth industries (particularly agribusiness, energy and gas, tourism and defence industries), have an existing population and infrastructure, and are attractive destinations for private sector capital.

4

Risk taking

Resting on our laurels

The prevailing attitude is that South Australia 'plays it safe'. As explored in our previous paper, we do a poor job identifying nascent talent, backing innovation and in taking risks on unproven entities, people and products. This is to the detriment of all our industries, from the smallest to the largest businesses.

Past performance is not indicative of future returns

Risk averse behaviour is deeply entrenched in South Australia. This not only has an adverse impact on innovation and development, but actually serves to stifle creativity and the conception of new ideas. Failure to eschew these attitudes and behaviours will become increasingly costly as developing countries become smarter, international markets become more competitive, consumer preferences change, technologies improve, and as the environment that sustains us becomes increasingly hostile and unpredictable.

We can't expect what has worked in the past to continue to deliver into the future. Now more than ever, it is important that South Australian business and industry foster a culture of innovation and a willingness to invest in risky ventures. Into the future, this is going to be essential for maintaining our competitive edge in the face of an increasing number of future uncertainties.

Macro-disruptors – profit or perish

Going forward, South Australia can expect to be buffeted by strong global economic winds from which we will either profit or perish. These macro-disruptors to our status quo include:
- environmental change and climate variation
- new consumers and changing tastes
- technological change and diffusion.

It cannot be 'business as usual', so how should South Australia be positioning itself to prepare for and take advantage of these challenges?

Rain, rain, go away...

As the climate changes, South Australia is projected to experience increasingly hotter average temperatures across all seasons, hotter extremes and for longer spells, and heightened bushfire conditions.[29] This is expected to be accompanied by lower annual rainfall and prolonged droughts, but also more intense extreme rainfall and flooding events. By 2050, for example, it is predicted that average temperatures will have risen by between 1.1°C in the state's South-East to 1.5°C in the state's far-North, while average rainfall will fall by -4.8 per cent and -12.1 per cent, respectively.[30]

These climatic changes and the threat they pose to fresh water supplies will adversely affect households and our major sources of economic activity, particularly South Australia's farmers, winemakers, and fishing businesses. The increased threat of natural disaster (drought, extreme storm events, flood and fire) will also put additional pressure on maintaining major infrastructure across the state, contributing to uncertainty around the reliability of supply of essential utilities (e.g. electricity and water).

Government and business should prepare for these future threats in their current planning and decision making.[31] There are already some good examples of projects where preparations have been made to secure sustainable supplies of water for Adelaide's households and the surrounding agricultural areas. These include: the state government's investment in large-scale desalination at Lonsdale, the privately-led Willunga Basin Water scheme to irrigate McLaren Vale vineyards using treated waste water, and, most recently, the Northern Adelaide Irrigation Scheme to supply agriculture and horticulture in the Barossa and Light regions with treated waste water.

However, more can be done. In the face of a harsher climate and unforgiving weather extremes, it is essential that South Australian producers have many technological tools at their disposal to increase yield and maintain consistency of supply. More should be done to provide greater opportunities to develop our agricultural sciences and AgTech sectors, as well as to ensure that the innovations that are made in South Australia are then developed and commercialised in South Australia.

Keeping up with the Wei's

Going forward, South Australia's key export markets in agriculture, food production, and winemaking will need to become increasingly Asian focused as the countries just north of Australia's shores become home to most of the world's 'middle class' consumers. By 2030, it is predicted that more than 54 per cent of Chinese urban households will have reached 'upper middle-class' status[32], while around 3.2 billion people across Asia will be middle-class.[33]

For our food producers this represents a lot of mouths to feed. However, a burgeoning Asian middle-class will also mean a seismic shift in consumer preferences. In addition to higher demands for sources of protein that typically come with higher disposable incomes, consumers are likely to become more concerned with issues around quality, the ethics and sustainability of their consumption, and the source of origin. Specifically, this includes concerns around food safety (i.e. free from pollutants and contaminants), standards in the methods of production, supply-chain integrity, provenance and the environmental impacts of production.[34]
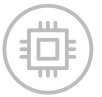
As patterns of consumption change, South Australian businesses and producers need to have their 'finger on the pulse' lest we get left behind. Being highly perceptive to the preferences of these new consumers will be essential for maintaining and growing our share of these emerging markets.

From stump-jump plough to farming in the Cloud

South Australia has a long history of technological innovation, particularly in agriculture. Notable innovations range from the development of the stump-jump plough in 1876 and mechanical sheep-shears in 1909, through to innovations in sustainable farming. Historically, having a technological edge has increased our productivity while lowering our costs of production to keep us ahead of our international competitors.

However, the increasing pace of technological change and the sophistication of technology means that maintaining this edge has become more expensive. Further, the increased rate of diffusion of new technologies from advanced economies to developing ones is driving down the production costs of our international competitors. It is essential that South Australia make the most of new technologies, better utilise our highly skilled workforce, and take advantage of our existing scientific and technical knowhow. What is needed is greater funding for research and development, as well as greater investment in digital infrastructure across regional South Australia.

Currently, several industry specific research bodies receive funding from government and through levies taxed on producers. While research institutes are a step in the right direction, a common complaint from industry is that they remain underfunded and that governments need to match industry levies with greater funding. Also, that the innovative capacity and impact of these research bodies are stifled by the lack of digital infrastructure in regional areas.

Back the underdog – upsizing our SMEs

When large and established businesses are comfortable enough to stop innovating and growing, it is time that competitive forces were brought to bear.

Governments already offer small-grants, subsidised-loans, or tax-breaks to assist start-ups in getting an innovative product to market. But it is time for governments and industry bodies to clear a path for new or small firms who are keen to grow, who are willing to innovate, and who will nip at the heels of the established players.

In regional South Australia, greater government investment in applications which use digital infrastructure would also allow for a greater uptake in AgTech, and encourage innovation and technological disruption in agriculture and horticulture. But, upsizing our small to medium businesses must not be a task left entirely to government. There is plenty of opportunities for good, profitable investments to be made in the agriculture sector.

One suggestion is for small to medium businesses to collaborate more and work together to take it to the larger players. In situations where there is a single buyer, smaller players have a strong motivation to band together, form a cooperative, and pool their resources and information to deliver an integrated product to their customer and to strengthen their overall bargaining position.

Another way in which greater collaboration could assist small to medium firms is through network effects and knowledge transfers. South Australian businesses should be encouraged to share their experiences, both success and failures, with other firms so that the same costly mistakes aren't made. There is also scope here for South Australian professional service firms to facilitate this and to better utilise their interstate and international networks to help eager South Australian producers penetrate new and large export markets in Asia.

5

Workforce

"Immigration is the sincerest form of flattery." Jack Paar

Pairing jobs with skills in the same location is a hallmark of a great economy. Doing this well, however, is a challenge, and something that South Australia struggles with. The mismatch between where workers live and where jobs are located is problematic in both country South Australia and metropolitan Adelaide, but for very different and equally challenging reasons. On the one hand, workers in Adelaide travel increasingly long distances from their homes on the urban fringe; whereas, employers in regional South Australia struggle to attract and retain workers.

Although complex, there are a number of steps that could be taken to get both workers to where they are needed and jobs to where there are skills.

Creating opportunities back home after study
As we've already highlighted, regional South Australia has problems in retaining its young and in attracting prime working age people – the types of people who drive economic growth and productivity. This is despite the availability of job opportunities for professional and skilled trade occupations at a wage premium.

Often, the main reason why young people leave regional communities in the first place is because schooling, vocational and higher education opportunities are limited or perceived to be of a lesser quality. As a result, many young people from country South Australia complete their education in Adelaide, where they then remain. Equalising these opportunities – either through regional delivery or by using technology where possible – could help stem the flow.

Regional communities in South Australia could also do more to entice skilled prime working age individuals. Another suggestion could be for employers to offer not just better pay, but also better work conditions, flexible work arrangements, or opportunities for professional development or further learning. It is important that employers also consider the potential intrinsic value or meaningfulness of work, and design roles that both motivate workers to be productive and also provide a sense of satisfaction in the outcome.

A place to call home – embracing immigration

South Australia has a long history of welcoming overseas arrivals from many different countries and backgrounds, many of whom stayed and went on to make this their home. Most notable today are the waves of migrants from Britain, Greece and Italy who arrived in the 1950s to provide labour for Adelaide's expanding manufacturing industries in the northern and southern suburbs, as well as Vietnamese migrants who

were resettled in Australia following the Vietnam War in 1975. These migrants, their families, and the subsequent generations have all made an important and rich contribution to the economic, social, and cultural makeup of the South Australia we recognise today.

For the last decade, much of the net overseas migration (NOM) to South Australia has concentrated around Adelaide, including its outer suburbs and greater region. While international students arriving on temporary visas have driven this trend (most likely to study at an Adelaide university), almost one-half of NOM to Adelaide between 2006 and 2016 was permanent, and an important driver of population growth. Chart 02 shows the annual NOM for South Australia between 2006 and 2016, and by broad geographic division.[35]

By contrast, very few immigrants ventured into regional South Australia, and fewer still chose to stay permanently – only 25 per cent of NOM to regional South Australia between 2006 and 2016 was on a permanent basis.

Further, despite the NOM in regional South Australia steadily increasing over time, the share of permanent migration has steadily declined. This represents a missed opportunity for regional South Australia to stem depopulation and an ageing workforce.[36]

There are growing calls from South Australia's regional communities and employers for Australia's migration system to better respond to their needs, particularly around semi- and low-skill needs, and for occupation-in-demand lists to be set at the regional level.[37] But, we also need to invite migrants to choose South Australia permanently, not just to work here on a temporary basis.

It is important to recognise the beneficial contribution that permanent migration has made, not only to the past development of Adelaide, but also to the recent experiences of growth in other regional communities. In 2010, for example, the small rural town of Nhill in Victoria's north-west permanently resettled 160 Karen refugees with great success. Five years later, the resettlement has been credited with revitalising the small community – reversing its declining population, increasing employment and economic activity, and generating a new cultural vibrancy.[38] There is no reason why similar successes couldn't be emulated in South Australia's regional population centres.

**Chart 02: Net overseas migration for South Australia per annum, 2005-06 to 2015-16**
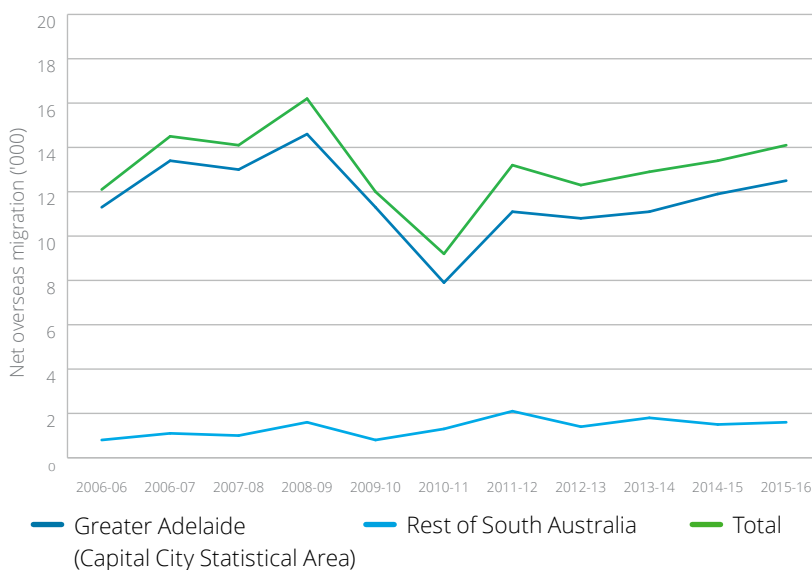
Source: Department of Immigration and Border Protection[39]

If skills can't reach jobs, then jobs need to be created around skills

Despite its challenges, urban sprawl also presents a number of opportunities for economic development in Adelaide's outer northern and southern suburbs, as well as around the greater Adelaide region, which are currently not being taken full advantage of.

Unlike Adelaide's inner suburbs, which attract a higher proportion of skilled and professional workers, Adelaide's suburban fringes attract a diverse range of skilled, semi-skilled and low-skilled workers. Currently, many of these workers also travel long distances to work because they don't have the opportunity to work closer to home. Similarly, many of these workers now live adjacent to some of South Australia's premier food and wine producing regions and tourism attractions – including McLaren Vale and the Fleurieu Peninsula in the south, the Adelaide Hills in the east, and the Barossa Valley to the north (as shown on our map, pp. vi).

The combination of the workforce available around Adelaide's urban fringe and the industries in the greater Adelaide region offer a unique opportunity for business to invest in value-add industries - such as, food and wine production and processing, logistics and supply hubs, defence industries, as well as tourism and hospitality services. Also, the availability of under-utilised industrial land around Adelaide's outer suburbs – such as Lonsdale in the south and Elizabeth in the north – lend itself to this kind of investment and to the kinds of jobs that would be created. In the defence industry, there are opportunities for business investment and jobs to cluster around skills related to land-force and aerospace technologies near the defence establishments at Elizabeth. Similar opportunities to create jobs near to where people live exist at Techport located at Outer Habor building ships and submarines.

6
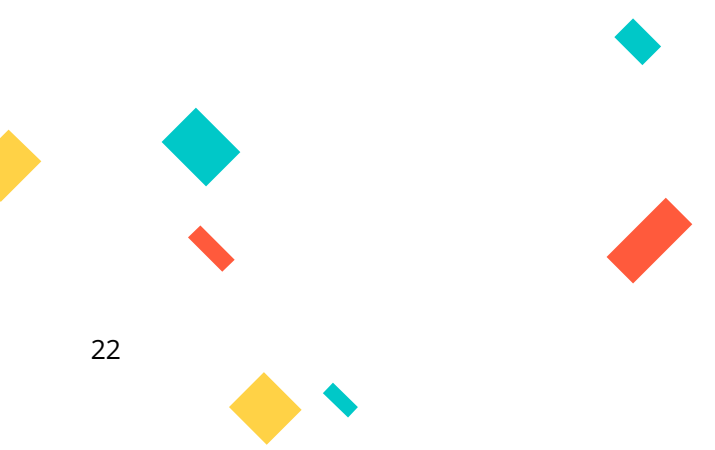
Perception

A state of hidden treasures

South Australia has so much going for it – clean air and clean water, a cornucopia of natural resources, good weather and blue skies, open space and pristine natural environments, picturesque landscapes and beautiful sunsets, as well as food, wine and culture of the highest order. It truly is a state that has something for everyone.

The problem is, very few people know about South Australia. It remains one of Australia's best-kept secrets, and our hidden treasures remain just that – hidden. While the rest of the world is increasingly looking for new and unique products and experiences, South Australia is playing a killer game of hide-and-seek. Maybe it's about time we gave them a hint.

Tasting South Australia – quality over quantity
We've already explored some of the shifts in consumption that are likely to come with the rise of the Asian middle class, but other changes in preferences can also be expected. Asian middle class consumers are increasingly concerned with quality both in what they eat and where they choose to holiday, and are likely to become more willing to pay a premium for this type of consumption.

South Australia's clean and green image fits nicely with this growing trend, but more needs to be done to make the most of this in every aspect of production. Improving the quality of our tourism infrastructure and hospitality services both in Adelaide as well as the Barossa Valley, McLaren Vale, Kangaroo Island, and the Flinders Ranges, will also be required to cater to more discerning clientele.

We also need to look for other ways in which we can differentiate our products to make them the best they can be. This might mean, for example, that our wheat-farmers consistently aim for high protein crops, or that our fish and meat producers adopt best practice to farm their stock. It may also require our producers to invest in the value-add process to improve the standard of the final product, as well as have a greater involvement in the supply-chain process to maintain the integrity of supply from farm to shelf. Taking a paddock-to-plate approach could help farmers realise greater value by becoming price-makers rather than price-takers.

Terroir branding – the importance of provenance

Another way in which South Australia could better differentiate its products and promote its clean and green image is through the creation of appellations. Most famous are the *appellation d'origine controlee* (AOC's) of France, which operate on the concept that agricultural produce is distinguishable by the natural endowments of the land itself. While the most notable of the French appellations relate to wine production, such as Champagne or Bordeaux, they also extend to most other agricultural products including chillies grown in Esplette. The use of appellations to enhance the brand value and prestige of agricultural production is also used to great effect in other parts of the world – for example, the Napa Valley wine region in the US.

To maintain the integrity of these regions and their brand-value, tight restrictions are also usually imposed around the location and standards of production. In France, for example, very strict rules are imposed on producers; whereas, in Napa Valley, the rules are less restrictive to allow for creativity and innovation.[40] An additional benefit of appellations is that they have preserved agricultural land from development, while simultaneously concentrating the value-add manufacturing stages of production. In Napa County, for example, the wine industry supported 46,000 full-time jobs in 2012, which was more than double the entire population of the Barossa Council region in the same year.[41,42]

It is not a stretch of the imagination to envisage what appellations could exist in South Australia. Our wine regions – such as, McLaren Vale, Barossa Valley, Clare Valley, and the Coonawarra – are already well defined. But, examples in other regions could include produce from Kangaroo Island, Port Lincoln tuna, Eyre Peninsula wheat and barley, or beef from the South-East and Coorong. These wonderful products could be showcased together at a location in Adelaide, such as the Central Markets, and a key drawcard for tourism both to Adelaide and these regions.
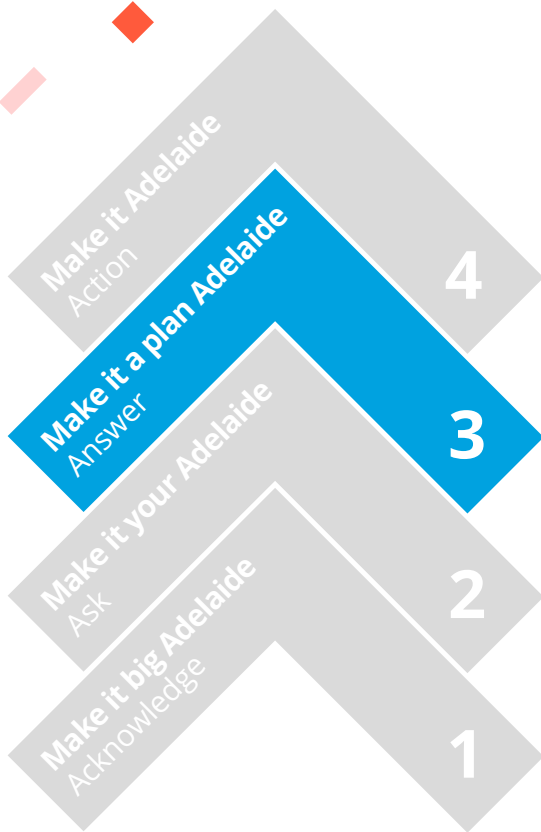
Phase 3
Make it your Adelaide > Answer
We will continue to consult on the ideas presented in this paper. We expect our ideas to grow and change, and look forward to you joining us on this journey as we identify the actions to make these ideas a reality.

25

Endnotes

A **The greater-Adelaide region includes the Local Government Areas of:** Adelaide Plains Council; Light Regional Council; The Barossa Council; Rural City of Murray Bridge; Alexandrina Council; Mount Barker District Council; City of Victor Harbor; and, the District Council of Yankalilla.

B **The outer-Adelaide metro includes the Local Government Areas of:** City of Onkaparinga; Adelaide Hills Council; City of Playford; City of Salisbury; Town of Gawler; and, the City of Tea Tree Gully.

C **Inner-Adelaide metro includes the Local Government Areas of:** City of Adelaide; City of Marion; City of Mitcham; City of Holdfast Bay; City of Unley; City of Burnside; City of Norwood Payneham & St Peters; Town of Walkerville; Campbelltown City Council; City of Prospect; City of Port Adelaide Enfield; City of West Torrens; and, the City of Charles Sturt.

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19 As defined on our map (pp. vi), Adelaide includes the inner-Adelaide metro, outer-Adelaide metro, and the greater Adelaide region..

20 Mount Gambier is as defined by the ABS 2016 Australian Statistical Geography Standard (ASGS) (cat. no. 1270.0.55.001) at the Local Government Area (LGA) level.

21 Whyalla is as defined by the ABS 2016 Australian Statistical Geography Standard (ASGS) (cat. no. 1270.0.55.001) at the Statistical Area 2 (SA2) level.

22 Port Lincoln is as defined by the ABS 2016 Australian Statistical Geography Standard (ASGS) (cat. no. 1270.0.55.001) at the Statistical Area 2 (SA2) level.

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Australian Bureau of Statistics, 2016, *Census of Population and Housing 2016,* TableBuilder. Findings based on use of ABS TableBuilder data (accessed on 20 November 2017).

26 Net migration does not consider the movement of people to and from overseas, but does account for net interstate migration. Regional South Australia is defined on our map (pp. vi).
Australian Bureau of Statistics, 2016, *Census of Population and Housing 2016,* TableBuilder. Findings based on use of ABS TableBuilder data (accessed on 20 November 2017).

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Australian Bureau of Statistics, 2016, *Census of Population and Housing 2016,* TableBuilder. Findings based on use of ABS TableBuilder data (accessed on 20 November 2017).

28 Net migration does not consider the movement of people to and from overseas, but does account for net interstate migration. Inner-Adelaide metro and outer-Adelaide metro are defined on our map (pp. vi).
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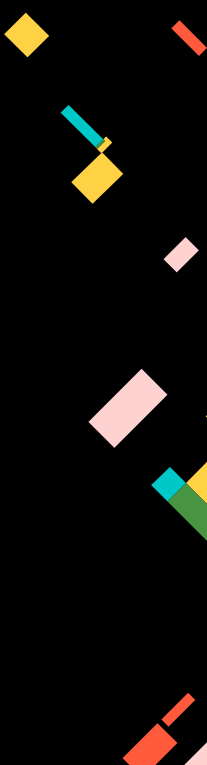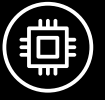
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