

Global megatrends & the context of strategic regional planning – *so what's that got to do with me?*

This is a supporting document to the session on ideas for regional Australia. The work is in interpretation and is opinion, not academically reviewed.

Charles Jenkinson

RDA-South West

This information paper will aim to demonstrate that since we connected through globalisation, we must therefore consider the whole and the trends that shape our world. Good regional planning goes well beyond the locality, region, state and nation. It takes account of society and commerce on an international, as well as local, scale. The information presented is based largely on Australia's national science agency, the Commonwealth Scientific and Industrial Research Organisation's study – *Our future world: Global megatrends that will change the way we live.*¹

While economics is the study of the allocation of scarce resources, regional planning might be the study of the allocation of land, assets and people and how we can take the best advantage of what we have. The power of a strategic plan is thinking broadly, taking into account as many variables as possible and like, Eisenhower finding the exercise indispensable.

When it comes to regional planning everyone does the basis. Planning 101 looks at: business and industry; comparative advantage; society and population growth, environment and climate change; and, you might undertake a social and/or infrastructure audit.

These are the basics that underpin the way we gather facts and figures



In preparing for battle I have always found that plans are useless but planning is indispensable.

**Dwight
Eisenhower**

¹. The 32-page study can be downloaded from <http://www.csiro.au/Portals/Partner/Futures/Our-Future-World-report.aspx>

from our regions. The point is that these are your local pieces of a puzzle that cannot be optimised without analysis in a broader framework. The regional puzzle is just one small part of the greater whole.

Globalisation and Australia's place in the world

Globalisation is often decried as the curse of the regions. It has certainly restructured the rural landscape as competing markets remodelled traditional commerce, supply chains and challenged economies in unheralded ways. Some academic authors argue that globalisation is the root cause of neoliberal rationalism and inequality which have sparked demonstrations at international gatherings of industrialised nations G7/G8), but for our purposes we can accept that globalisation simply means we are connected to a global economy in which there is a single world market leading to unprecedented connectivity with other peoples and exposure to different cultures. Like it or not – it's here to stay.

The fact is that we buy online, we sell overseas, we travel for holidays, talk with foreign people and watch each other's TV shows. The concerns we have are the concerns shared by others. In short, the global world is getting smaller and is becoming a global family. Therefore global megatrends count.

Anyone who remains unconvinced of the importance of the outside world need only pull out an atlas and consider that Australia doesn't *go* anywhere. No one crosses Australia to get to another place. We're at the end of the node in transport terms and our regions are invariably places to nowhere in the country that is on the transport link to nowhere.

Population is another huge issue. As much as we like to think we are important, note these statistics: North America 12,104; South America 8,612; China 22,966; Indonesia 8,297; India/Pakistan/Bangladesh 55,774; Australia 839². These figures represent daily population growth. Even Nepal (879) is growing faster than Australia. So now we are developing an appreciation for our place in the world, our relevance and why strategic regional planning needs to have a global context.

The city state of Singapore is dwarfed by India but its India's second largest investor and 8th largest trading partner despite the population being outnumbered 230:1. When you're as small

² Geohive Current World Population.

as Singapore you are forced to think globally and forced to consider megatrends. And when you're as small as Australia in population numbers you must be thinking megatrends

Changing the way we live

CSIRO notes we are changing the way we live. We're connected not just through markets but the blurring of technologies which lead to an exchange of ideas and the issues faced by the peoples of other nations. This concept is vitally important in business terms. We collectively understand that we share the climate and what is happening to all of us everywhere.

Importantly, this leads to a convergence of shared values and individual aspirations. These factors underpin the relevance of megatrends – they can be a benefit or horribly damaging. Having an awareness of the global dynamics helps mitigate risk and capitalise on opportunities that exist outside regions.

Megatrend 1: More from less

The advertisers have it – they want to sell you a compact car that gives you “more with less”. They want to sell you fertiliser so you can grow more with less. And businesses want more productivity with fewer workers. This is what keeps unsolicited email in your inbox, brochures in your mailbox and what strives to convince you that there are a host of products that you never knew you needed.

But this megatrend is really about limited supplies and consumption – particularly in the face of burgeoning world population. Buzzwords are food and water security, pricing volatility, energy and carbon futures. So there's water issues, energy and carbon concerns. Why should this matter to regional or local government planning? ... because the wealth of an area is directly linked to lifestyle and behaviour. The opportunities are there for those who see them – food demand, biofuel production, recycling. Also consider that another word for people is *consumers* and people do care. Everywhere.

So what if your products are not manufactured sustainably. Cost counts right? Yes, but No. It matters *how* you do things. Think back to the 2012 Olympics when the eyes of the world were on London. A memorable highlight was 6'5" Jamaican Usain St Leo Bolt breaking the 100m world record with a time of 9.63 seconds to win back-to-back sprint doubles. It had never been done before. Then there was the forgettable lowlight. Builders boycotted Tasmanian timber from Games building sites because old growth forest logging is still allowed in some areas. The

Tasmanian company, Ta Ann, lost millions and their links with damaging practices in the Third World didn't help either. People like orang-utans and don't like doing business with those who wilfully destroy their habitat. Customers care.

Megatrend 2: Going, going, gone

The second megatrend has some similarities to the first. Going, going, gone is about climate change and the planet losing species and habitat. Climate is hugely important in regional planning. It might advise you where to go and what to avoid. For example, would a regional planner locate a \$150m hospital on a site 5m above sea level? Would you construct an emergency services building that wasn't cyclone proof in Northern Australia?

Regional planners also need to be mindful that Australia is girt by about 26,000km of seashore – half of which is sand. Just ask anyone who bought one of the apartments in Collaroy (pictured inset) whether sea level rises are a myth. Parts of Australia are experiencing rises of 7.4mm/pa and NSW is not that bad compared to Cape York and South West WA. It's important to note that sea level rises are not eustatic but isostatic – in other words the distribution is quite uneven in different parts of the country.



Collaroy, NSW: Government has been slow to regulate coastal development but the private sector is influential as the insurance industry will not insure in some areas and banks will not provide loans against at risk property.

The loss of forests and increasing number of protected areas must be considered in strategic regional planning and fragmented 'green islands' are not a habitat solution

Megatrend 3: The silk highway

The silk highway is about the world economic shift from West to East. It's very fortuitous for Australians – especially Northern Australia and Western Australia. In part it is this proximity that has enabled bulk resource products to be competitive, but the cost of production for Australia generally means that customers have to value premium products and have the capacity to pay for them.

More middle class Asian consumers means more people who can afford our agricultural produce, goods and services. And the Asian middle class is going to skyrocket as a billion become aspirational middle class consumers.

This year's Tourism Research Australian figures³ on overseas visitation now has China as the leading market at 17% which is a greater market share than predicted and two years ahead of estimations. Indicators are that will continue to grow so the smart operators are learning a new language and are mindful of cultural nuances. It bodes well to remember that 40% of the world's middle class will be Chinese by 2050.

In terms of forecast demand for food products there is a need to drill down to different sectors. For example, China has twice as many KFC outlets than McDonald's. Why? Because culturally they eat chicken over beef which is expensive in Asia. That is changing. Meat and dairy consumption will almost double by 2030 as status means serving beef. The Australian Government predicts food demand will rise 77% by 2050. We are not the only nation to see this so there will be competition but acting now is important since the Chinese value long-term relationships and trust more than price.

There has been some debate over foreign investment as some people decry selling the farm but cross ownership provides new markets, more jobs, investment in manufacturing and adds a shared political dimension to boost economic ties and regional defence security.

It's certainly worth emphasising that Asia is not just China. India is heading towards being the next giant to emerge along with Indonesia and Indo China. Collectively there will be a mass of capital and emerging wealth not just from business but among ordinary people. Wealth means investment and not just by companies. People like to park their savings in places they trust. Places where the governance is sound, integrity is high and there is a demonstrated capacity to properly manage money.

CSIRO notes that Australia could be the Switzerland of Asia – a small country, very stable, well developed financial services sector, have advanced economies, experienced and knowledgeable in banking and money management. Australia cannot dig dirt



³ TRA International Visitors in Australia, year ended March 2014.

forever and needs to start working on alternative futures ... maybe even as the Switzerland of Asia dealing in money, pharmaceuticals and truffles rather than money, watches and chocolate.

Megatrend 4: Forever young

This megatrend affects all of us in every town, every country. Ageing is not exclusively an Australian issue. This is a demographic profile that is heading towards a world population of over 2 billion people aged 70-plus by 2050.

On the home front, Treasury predicts that 25% of Australians will be over 65 by 2040. (That compares with Japan which is on track for 40%). In terms of Australia, the percentage tells only one story, the actual numbers are trebling but migration is keeping the percentage down. In 2002 there were five workers for every person aged 65+. By 2040 the ratio will be 2.5:1 and increased migration is not an answer because those people will age too and the problem never goes away but compounds over time.

Workplace retirement ages are already climbing and are being staged, but the simple interpretation is that anyone born before 30 June 1952 qualifies for a pension at 65 and those born in 1966 and later do not until they are 70. For the nation it is good because we need the skills and for the individual it may also be beneficial if super is savings aren't quite so super. On balance, the grey folk are a valuable resource – not just in the labour market but in society. There are clubs and organisations that can benefit from their professional skills and the time they have to give as volunteers. Any form of future planning should take these people into consideration and be mindful of their massive potential to flex political muscle and have influence at the polls.

This point should not be underestimated. 'Forever Young' is eminently important to strategic planning which should take into account some unwelcome impacts, although they also provide opportunities. There will be a need to prepare for rising health costs and widening savings gaps. There will be a need for varying levels of care and for the mobile there will be demand for recreational facilities and more age-friendly urban design. Also note that a fair proportion



The World Masters Games has grown annually. The 2009 Sydney event attracted 28,676 competitors (including champion kayaker Richard Fox)

of Boomers are very active cashed up bogans going for the classic “adventure before dementia.” And remember all those overseas aged folk: Any facilities we create for ourselves can be used by visitors too. Be aged friendly. Look after your Boomers now and pick up those middle class tourists from Asia in the years ahead.

Megatrend 5: Virtually here

Virtually here refers to the digital revolution that is all around us. There is a convergence of interoperable technologies which dominate lives. Technology has made the world smaller, exposed its citizens to new things and provided insights into other cultures. It is a phenomenon that has thrown up oddities such as *Gangnam style*, a one-hit wonder craze started by an obscure South Korean, Psy, who has the record for YouTube hits – a staggering 1.8 billion. The upshot of that was a performance with rapper MC Hammer in Times Square on New Year’s Eve. That’s real multiculturalism. Not forced. Not given its own day or government department or logo, but embraced by ordinary people. It’s a powerful megatrend that leads to a convergence of cultures and shared values. There has been political change wrought by the internet in Tunisia, Egypt, Libya, Yemen and so on ...

This ‘One World’ view strikes at the heart of social globalisation. You visit eBay and select a blu-ray movie. Then that ‘Buy Now’ mouse click triggers a supply chain that crosses international boundaries.

Some people bemoan the threat of the internet to retail – but hey, regional Australians can sell online too. It’s not forbidden and the opportunities for regional Australia are immense. This is distance neutral infrastructure and all our regions should be crying out for this most essential investment in our future. Down in the corner of WA there is an emerging creative sector which is more your *Star Wars* animator and less your glassblower. It’s now worth \$350m pa and came from nowhere a decade ago.

Technologies in the virtual world are a both a threat and an opportunity to more traditional practices. Most people are well aware of eHealth benefits and the potential of hi-tech teleconferenced education so that will not be explored here, but the need to dump some traditional behaviours must be emphasised. Let us share a Kodak moment and briefly digress by having a glimpse at what can happen when failing to embrace change.

In 1976 Kodak owned 90% of the film processing and 85% of film camera sales in the US. By 1996 it was pulling \$US16.5bn per annum, but in 2011 it posted a third quarter loss of \$220m. Ah – so digital killed it? Yes and No. Digital did kill film – but it can be argued that Kodak’s rut became its grave as the company not just failed to look ahead but failed to realise the opportunity it had. Kodak had a digital camera in 1975. It was this ground-breaking prototype that should have led to the development of world market-leading technology and marked the company as the leading innovator in its field. Anyone who thinks that ‘virtually here’ is over-rated needs to take a Kodak moment and give additional thought to the opportunities that abound for regional Australia.



Steven Sasson inventor of the world's first digital camera – it weighed 3.5kg and took 23 seconds to record a 0.01 megapixel image on a cassette tape.

The future will reveal a bleak outlook for traditional CBD thinking. Trying on clothes might be as simple as standing in front of a camera and seeing fashions flash (on your body) across a screen. The technology will measure you and send you the right size in the post. The only requisite is that someone invests in the technology.

Those with a main street retail strip will need to make it attractive and provide a positive experience so the negatives of parking and travel are outweighed. So what are you going to do in your planning to provide an “experience”? Futurists are predicting the CBDs will be less relevant in the future. Perhaps ... but not so long as they are reborn and relevant

Teleworking might also seem less applicable to regional people but it seems ironic that those places with the best connectivity have established digital working hubs. The regions should be looking at wi-fi enabled digital hubs so at least it is possible to aggregate demand for fibre to a single point rather than expect government to run cables everywhere or dot the landscape with a rash of expensive wireless towers.

Megatrend 6: Great expectations

We all have great expectations. We want personalised service, a choice of beers from every corner of the planet or gumboots that come in two dozen colours. These are our great expectations – but ‘great’ isn’t necessarily better in the “it’s all about you” society where “you deserve it”. In the “me society” people have children later and there is an increasing demand for single person dwellings despite the construction industry being wedded to 4x2s.

Love the change or hate it ... expectations *are* growing and will continue to grow as we become globally accustomed to having food, water, shelter and security. That’s not to say that we live in a perfect world. Far from it. These trends reveal the way things are becoming – not necessarily the way they are now.

In 20 years extreme poverty has been halved but the tragedy is that a third of people in developing nations still live in slums and 15% are undernourished or hungry. Maybe we should all give a little more this Christmas. Rising ethics and a sense of fairness is a megatrend. Being smart in business means taking care of people in life (see inset).

Poverty remains an issue. However it will not always be this way. It is predicted that in Asia, a billion people will transition from poverty to middle incomes, from *survival mode to consumer mode*.

It is comforting that the consumer megatrend is not towards material things but to experiences. This means we not focused on having a Ferrari in the garage but would delight in having a birthday hoon around a race track in an old Holden. This is classic bucket list stuff. It’s about having a story to tell. What bucket list experiences can your region offer?

Great expectations are very much about self – about feelings and the development of self. Mature age education is a megatrend characteristic. More people are using their discretionary



Rana Plaza, Bangladesh, April 2013: sub-standard materials lead to the building’s collapse and death of more than 1,100 people. Western companies who have goods made there are condemned. PVH (makers of Calvin Klein and Tommy Hilfiger labels) pledge never to use another manufacturer where safety is a concern. Other top labels have since followed suit.

spending for self-improvement. Not just for professional advancement but out of pure interest and the joy of learning. Education expenditure by Australian households rose from \$22bn to \$31bn in the five years to 2011. And thanks to overseas students who spent \$18bn in 2010 on our education services.

With wealth comes leisure time. In the six years to 2010, Australian weekly expenditure on art, culture, entertainment and film rose 25%. Opportunities abound. What about meeting great expectations by using existing catering facilities to run a culinary course during the holidays? The facilities exist. People love cooking and love to learn – love to experience.

Concluding remarks

- More from less** means what you do matters because people care
- Going, going gone** is the climate component in regional planning
- The silk highway** is seeing the economic shift from West to East
- Forever young** isn't necessarily 15 years older than you are now – it means the mass of people with life experiences will change everything
- The virtual world** is here and now – it is a threat and an opportunity
- Great expectations** means we all want more – not so much stuff we can hoard, but stories we can share

So what do global megatrends mean to your region? And how do you respond to the changing world order in a way that provides long term benefits to your areas?
