



Victorian Associates Day

Friday 9 November 2018
Deakin University
Warrnambool Victoria

Demographic Shifts To Our Population

The next 20 years and impact on Councils.

Phil Ruthven, Founder



WHERE KNOWLEDGE IS POWER



WHERE VISION & STRATEGY MATTERS

Topics

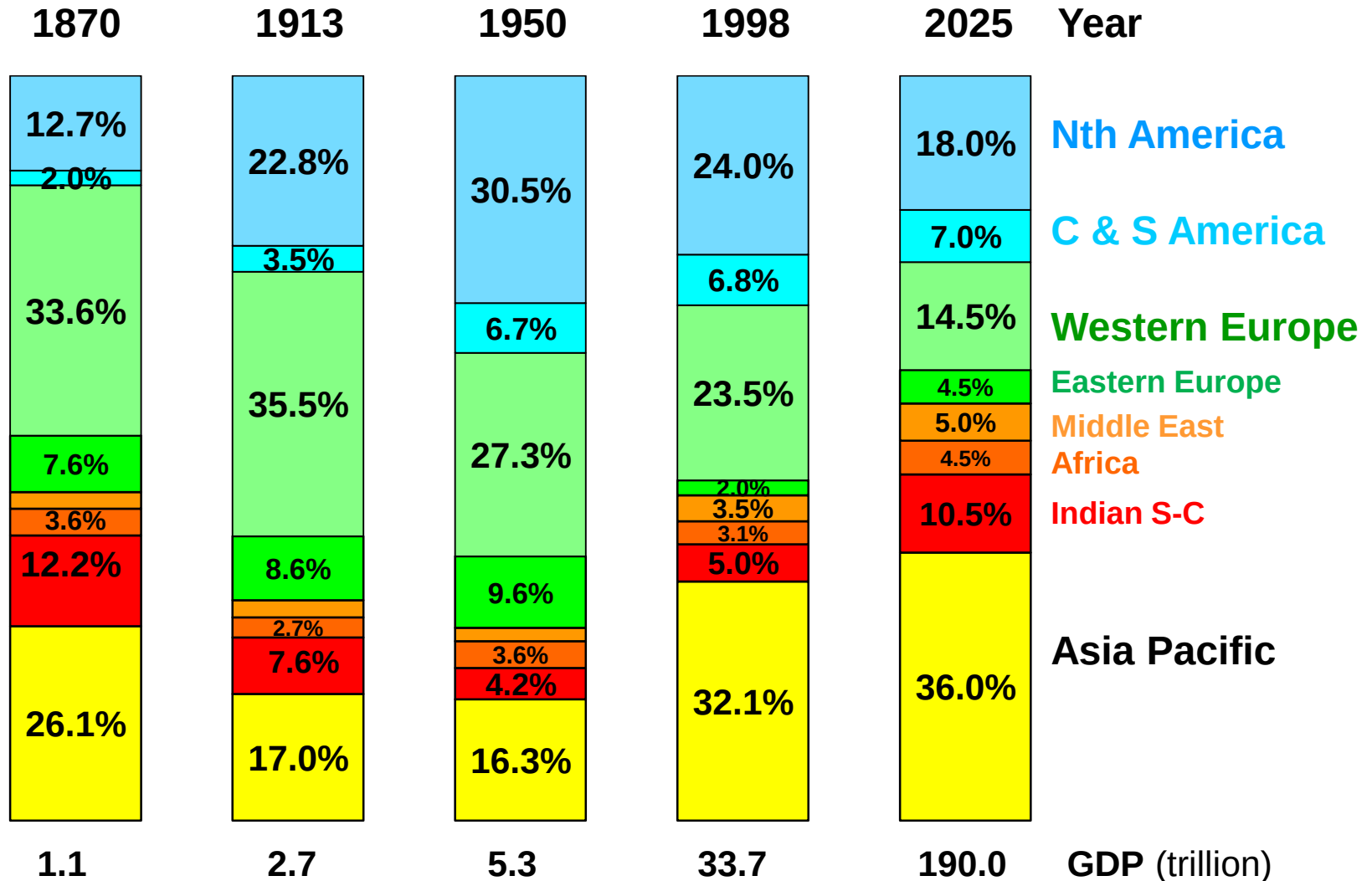
- 1. Geographic Perspective**
- 2. Our Changing Society**
- 3. Our Changing Economy & Workforce**
- 4. Government & Local Government**
- 5. The keys to business success**

1. **Geographic Perspective**

Victoria in Australia in Asia: the big picture

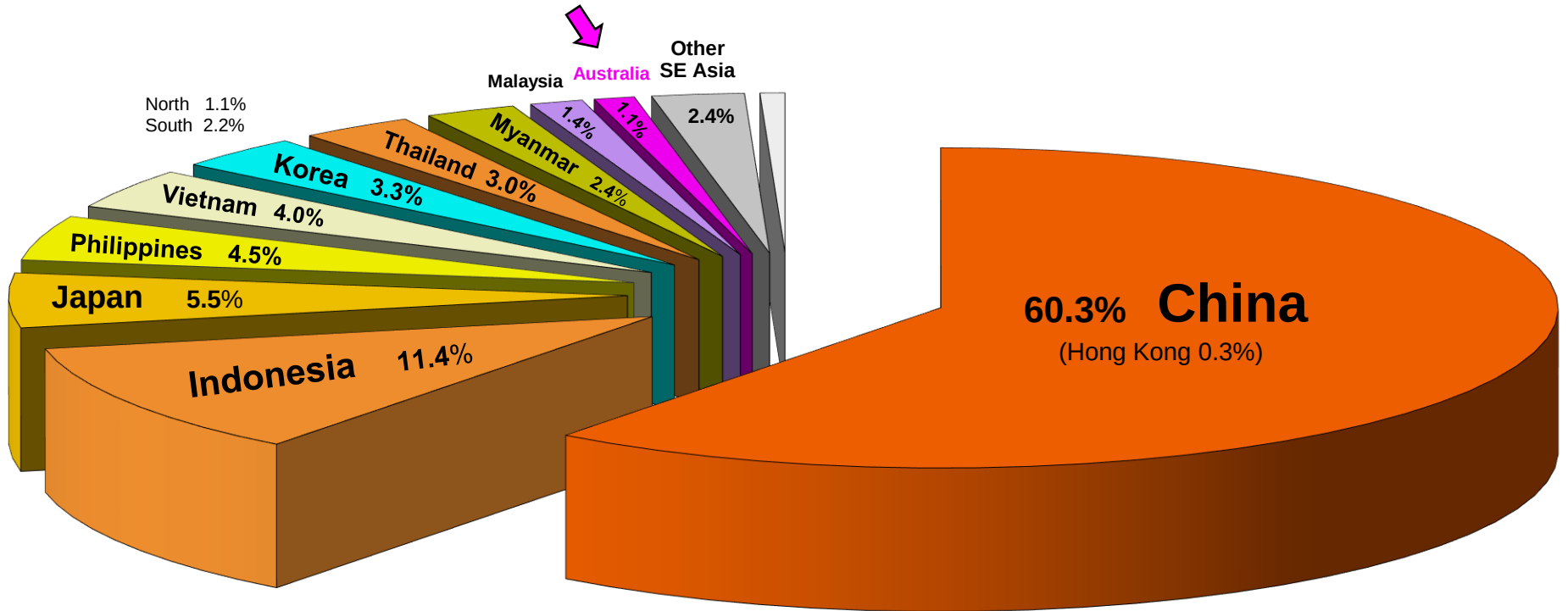
World Regions Importance

Changing importance, % of World GDP (ppp terms)



Asia Pacific Population

% of total basis 2017



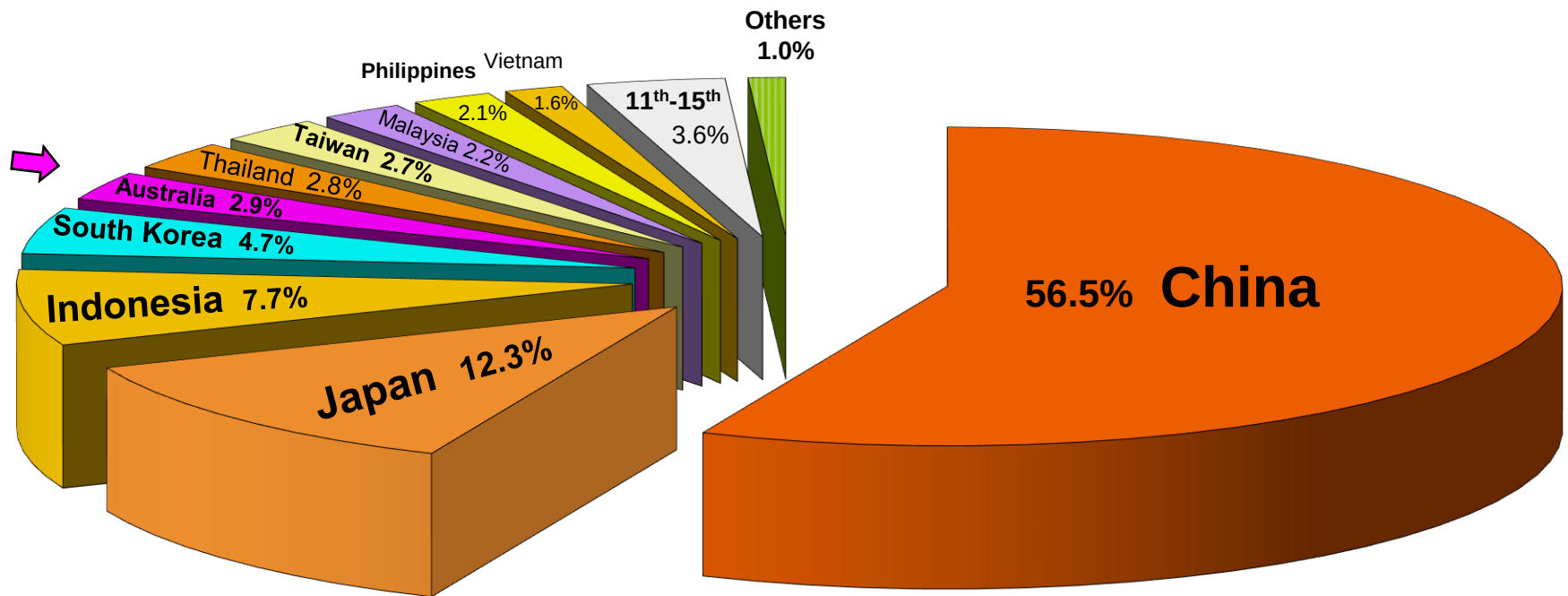
2.3 billion people
25 nations

Other SE Asia
Taiwan
Cambodia
Singapore
Laos
East Timor
Mongolia

South Pacific
NZ
PNG
Other island nations

Asia Pacific Region

GDP ppp terms 2018 (F)

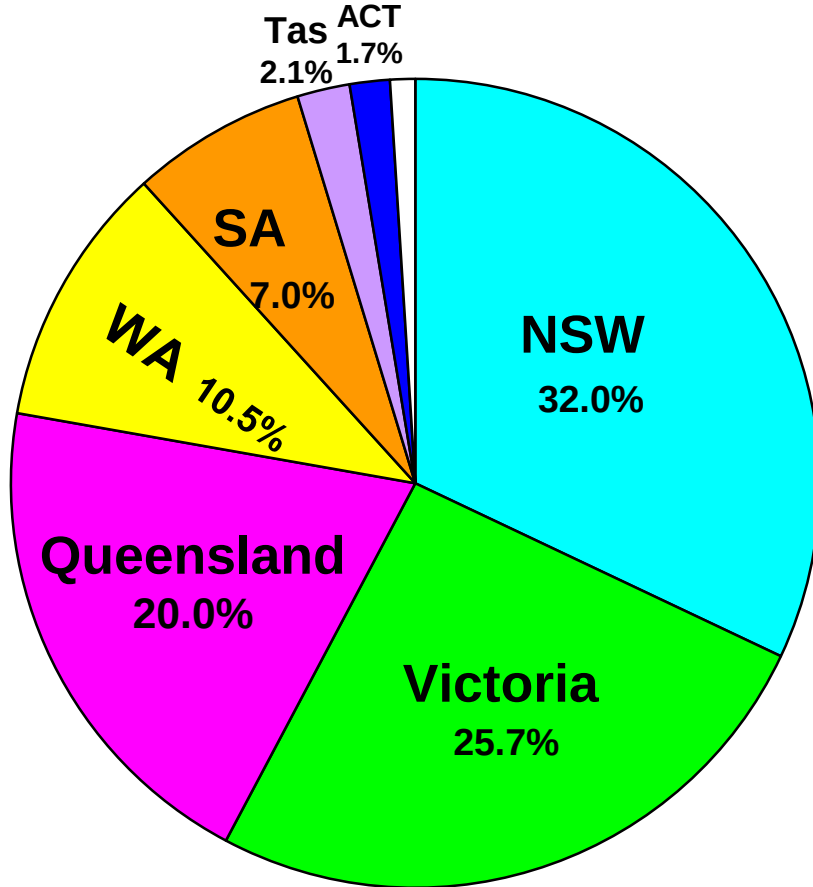


29 nations
\$US 45.5 trillion
(GDP ppp terms)

Australia's Economy & Population

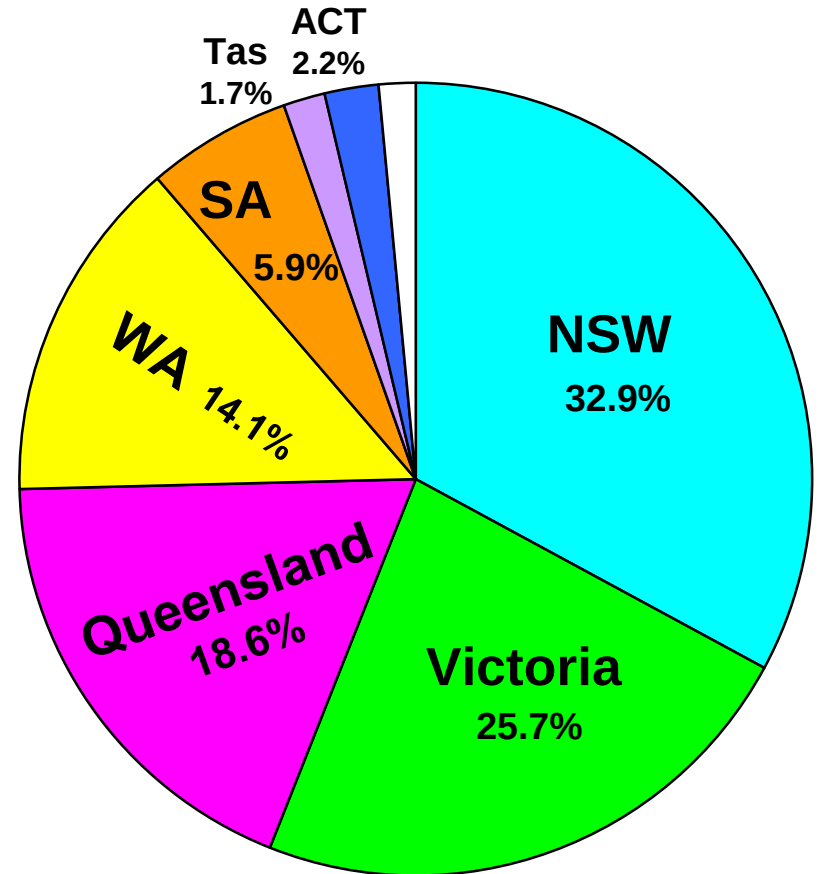
F 2017

Population



24.6 million

GDP

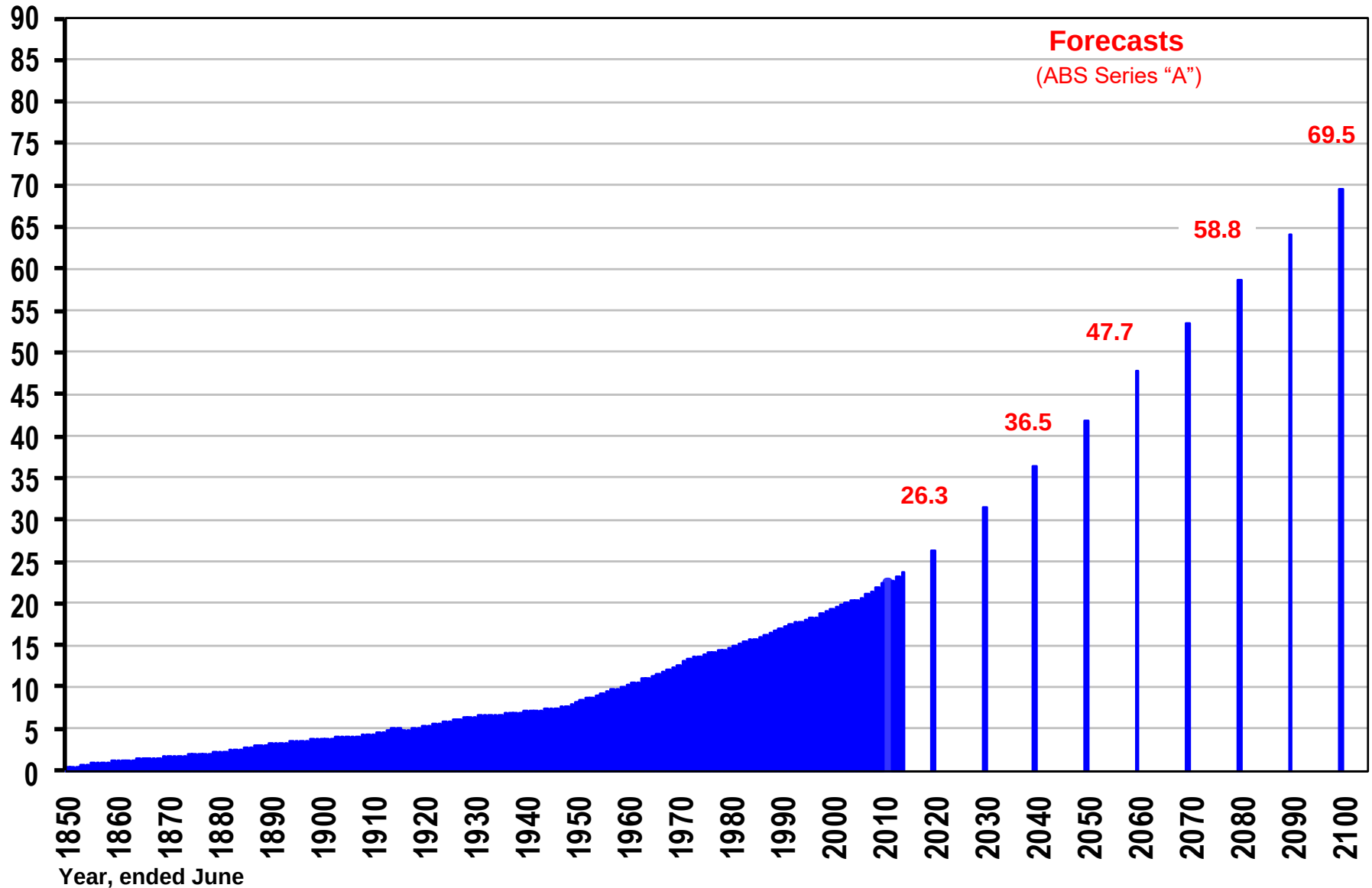


\$1.75 trillion

Australian Population

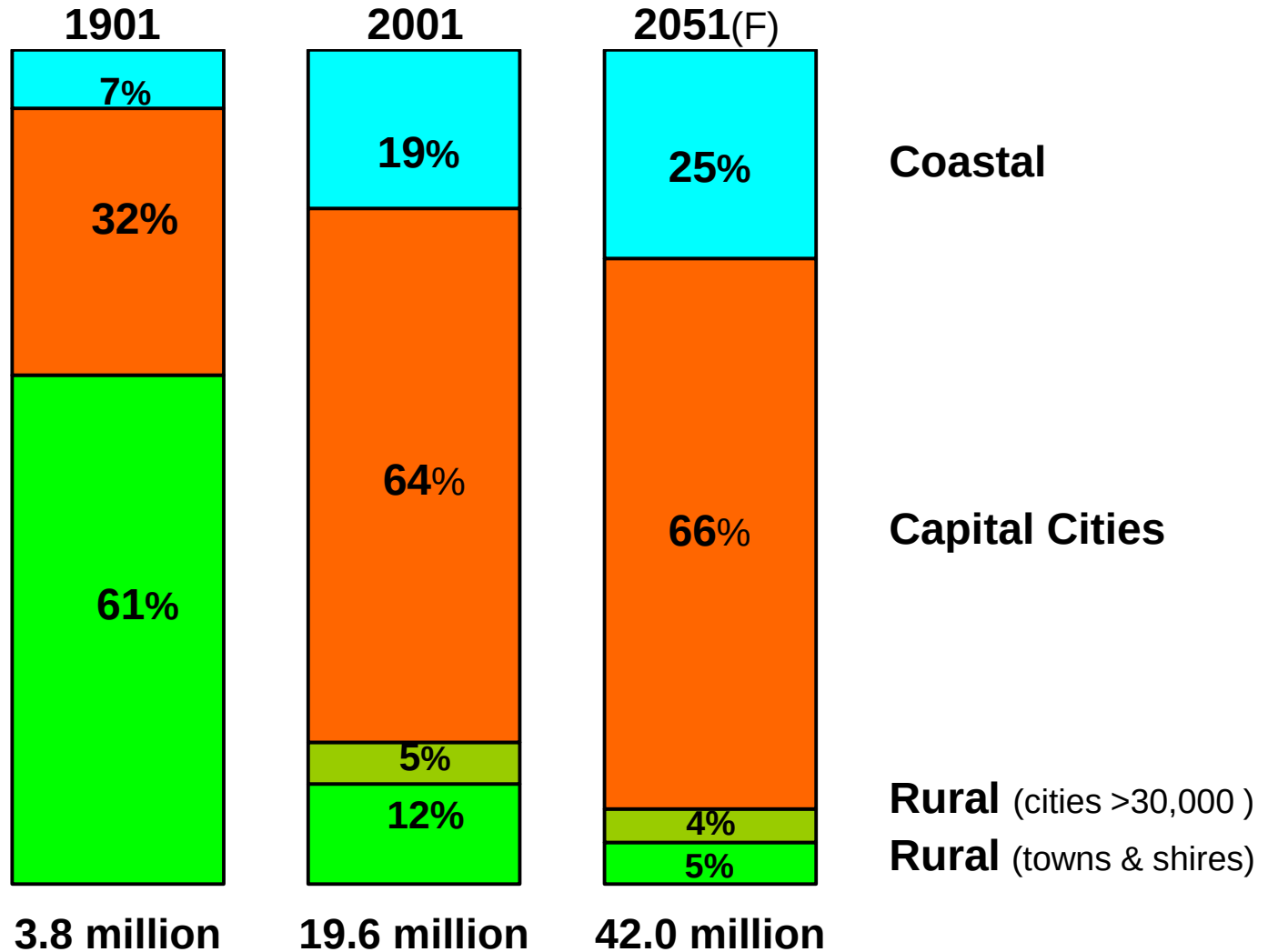
1850-2100

Million



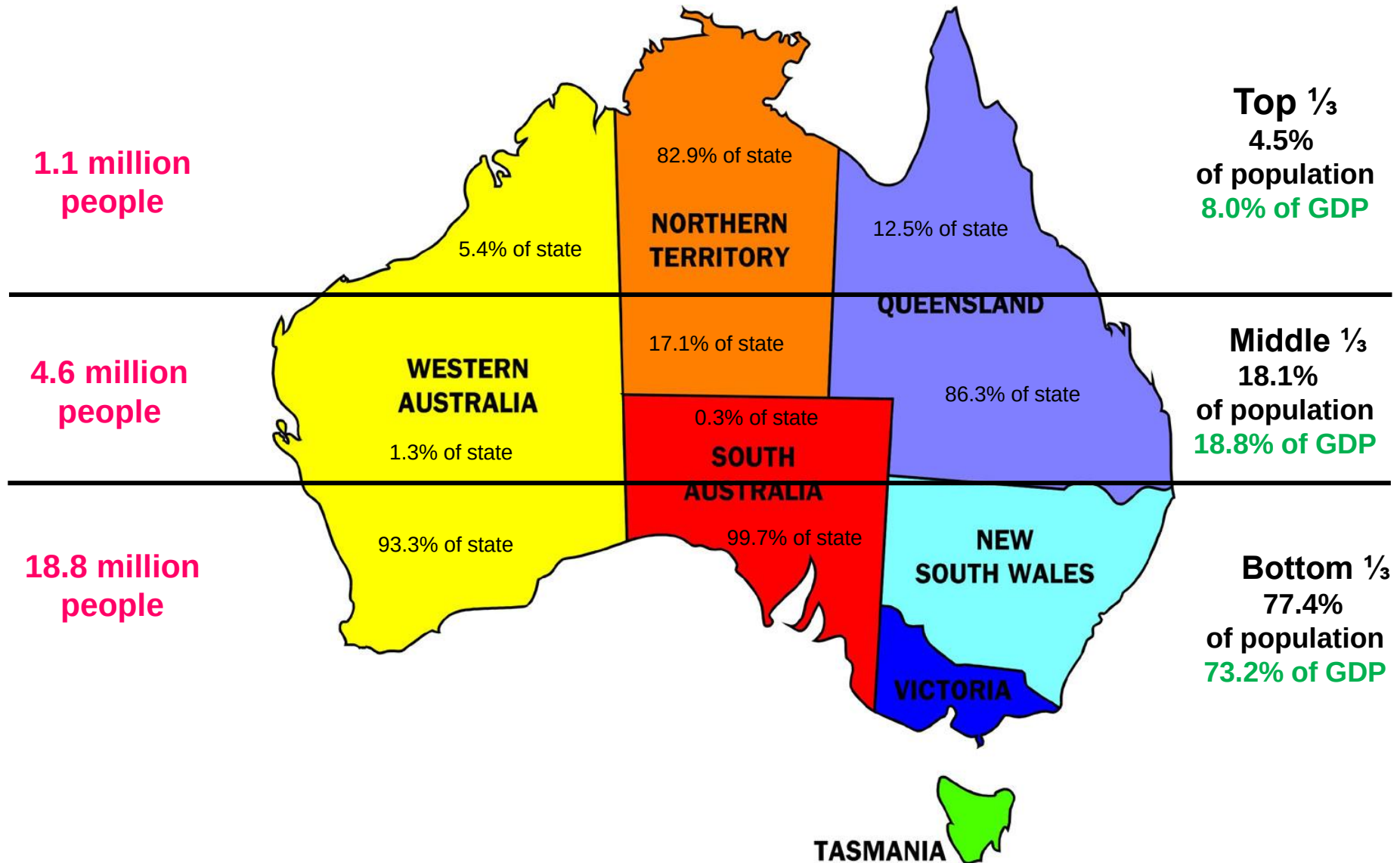
Australia's Broad Geographic Shift

% of total



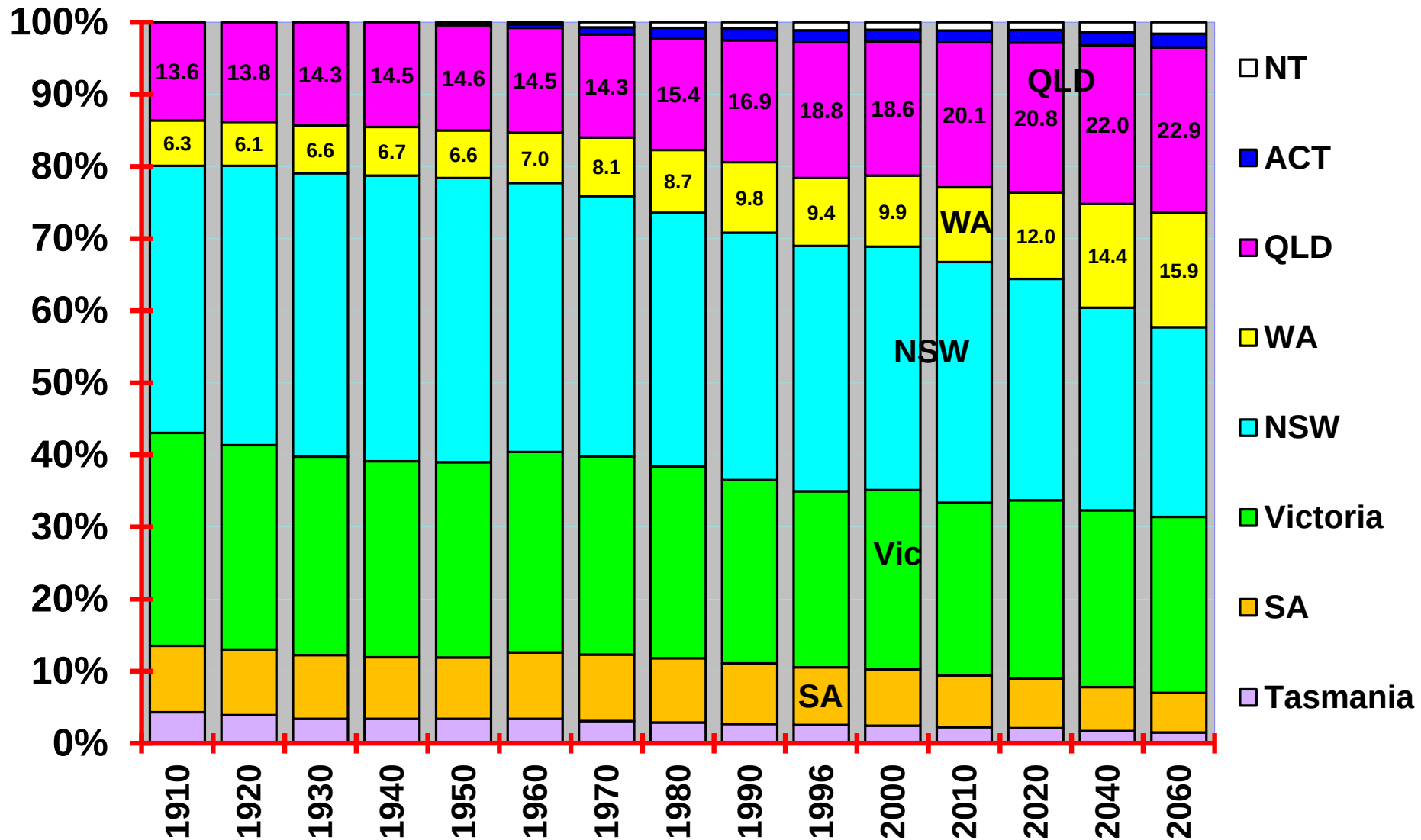
Australia's Three Geographic Zones

2016 (population in equal land masses)



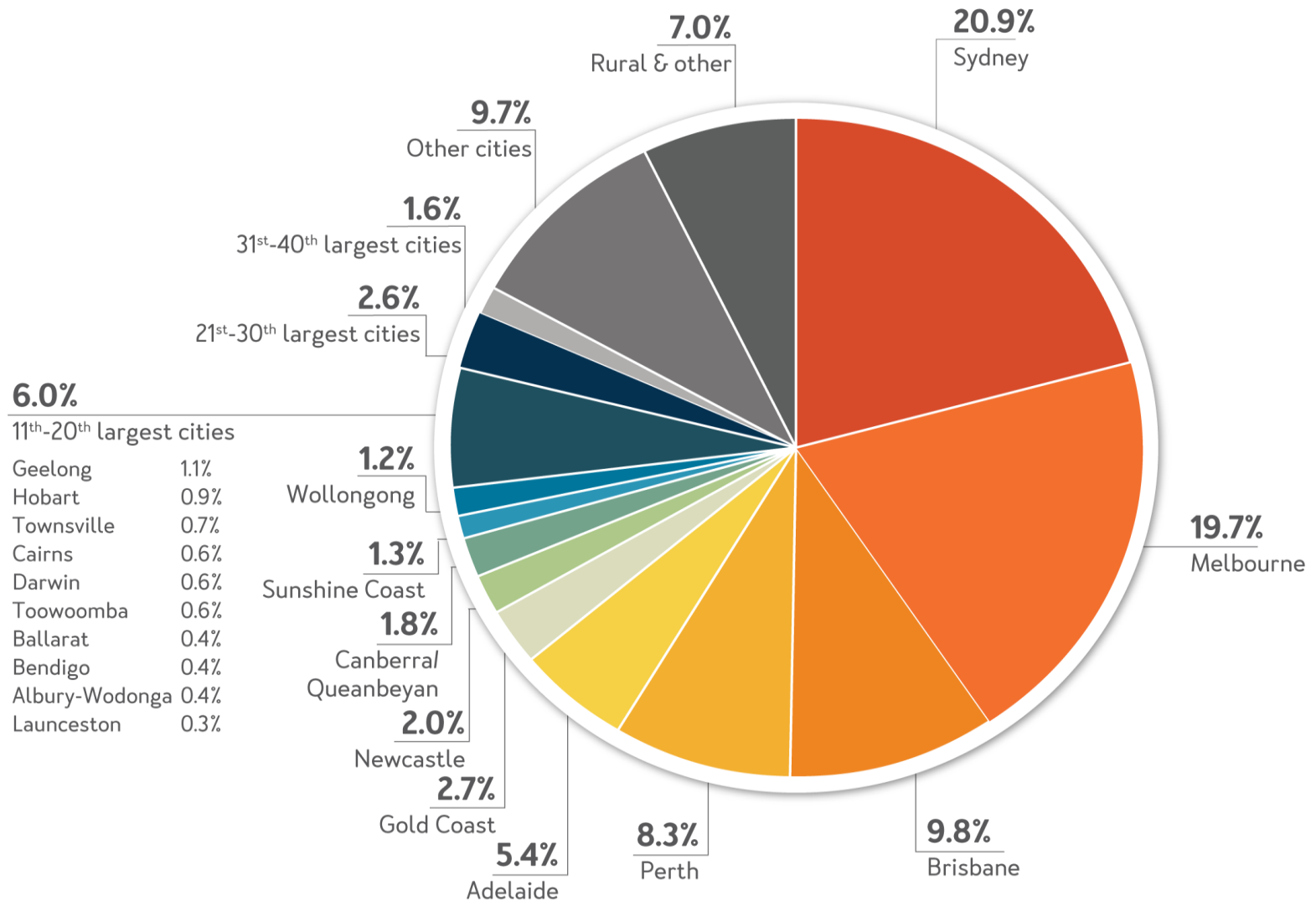
Australian Population Distribution

Shares of total by states and territories



LARGEST CITIES: AUSTRALIA

F2017



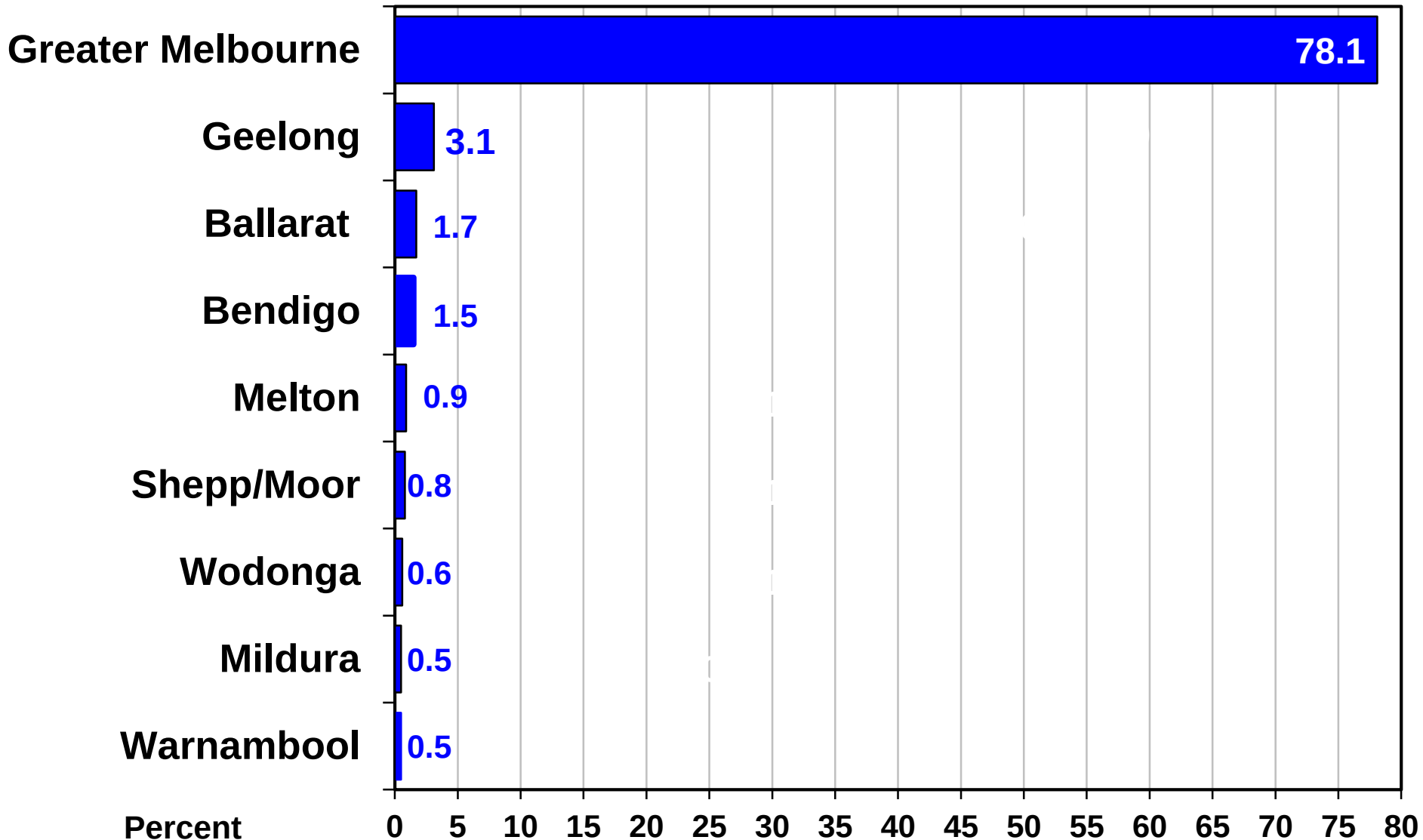
24.6 MILLION

20 largest cities: 19.5 million or 79.1%
40 largest cities: 20.5 million or 83.3%

SOURCE: ABS & Ruthven Institute 23/05/2018

Victoria's largest cities

% of state, 2019 (F)



2.

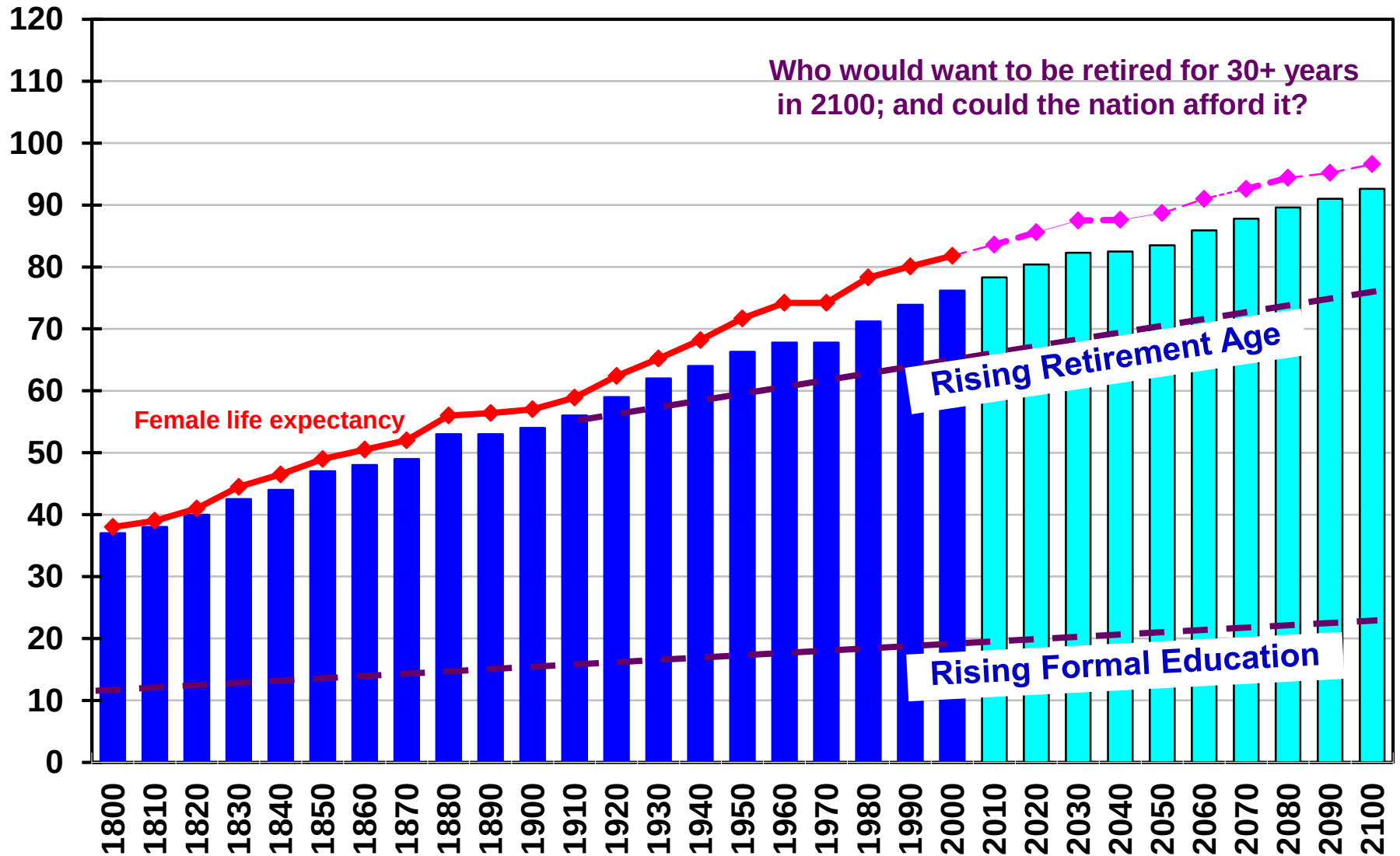
Our Changing Society

Our Changing Society

- ❖ Living longer
- ❖ More generations co-existing
- ❖ Living with more leisure
- ❖ Smaller/different households
- ❖ Moving to coast and equator
- ❖ Changing ethnic mix (Eurasian)
- ❖ New tribalism (less local)
- ❖ A stabilising divorce rate
- ❖ Fast rising incomes & wealth
- ❖ Apartment living rising
- ❖ Home leasing on the rise
- ❖ More spending on services
- ❖ Outsourcing tasks and chores
- ❖ Rise of virtual shopping
- ❖ Living with ICT
- ❖ The Internet/Information age
- ❖ Increasing knowledge
- ❖ Increasing financial literacy
- ❖ New entertainment & sports
- ❖ Electronic “guardian angels”
- ❖ Working differently
- ❖ New industries/ occupations
- ❖ Changing spirituality
- ❖ Outlawing discrimination
- ❖ Changing politics (ideologies)
- ❖ Ecological sensitivity

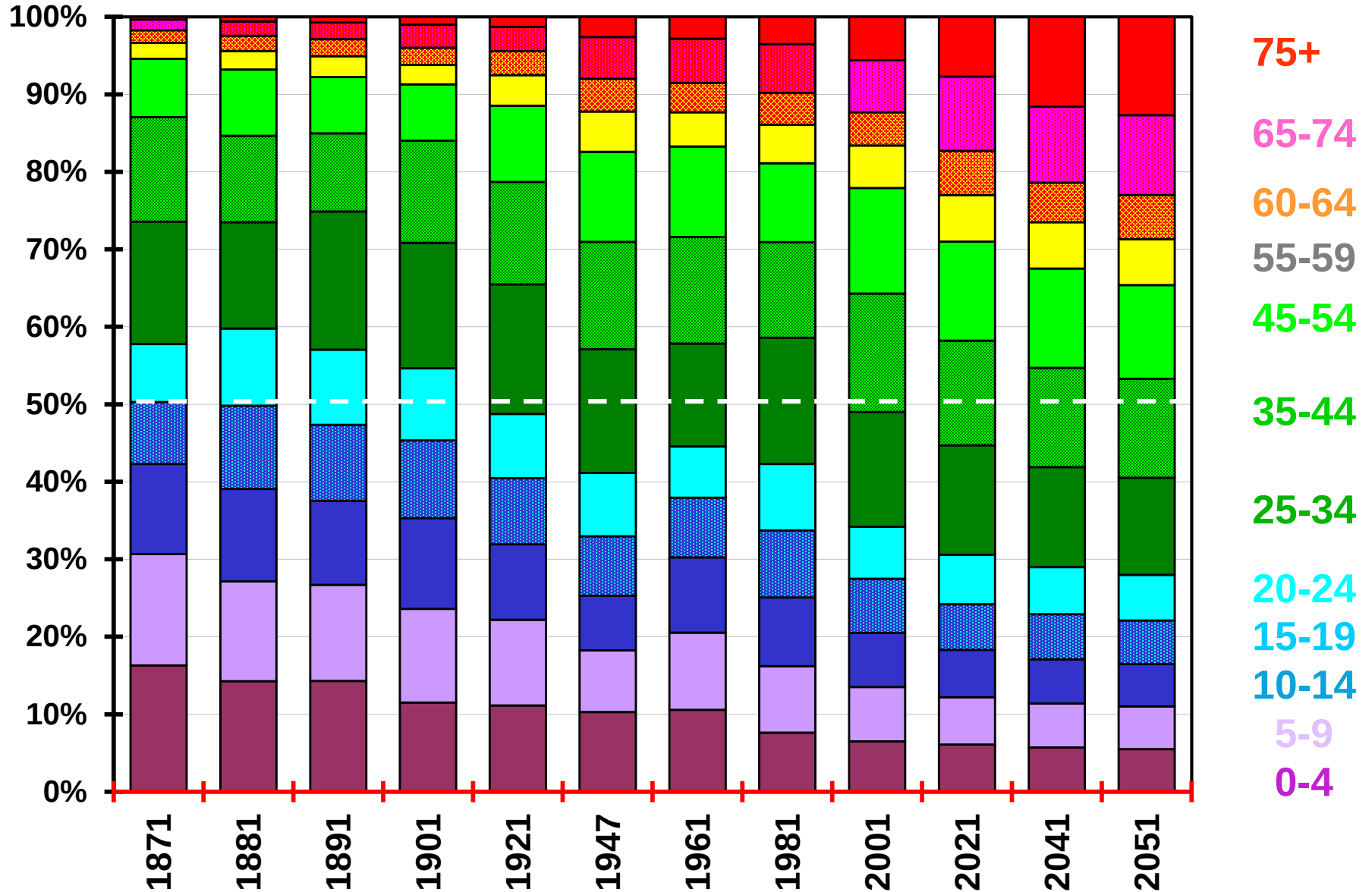
Living Longer And Working Longer

Life Expectancy And The Retirement Age of Male Australians



Australia's Age Distribution

1871-2051

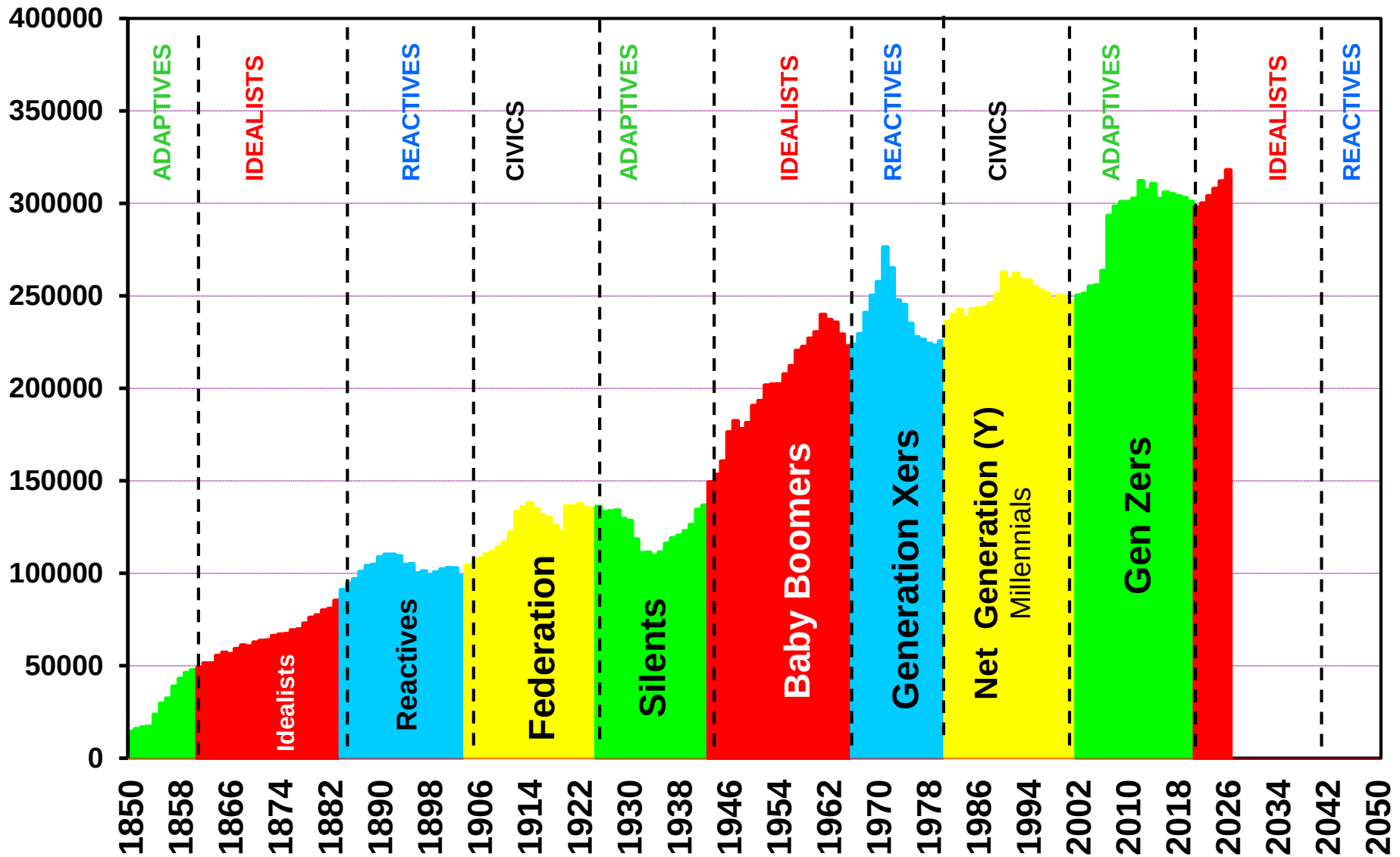


So, what is old?

- ❖ **At 65 years of age:**
 - ❖ in 1800, you were dead 27 years ago.
 - ❖ in 1900, you were dead 12 years ago;
 - ❖ in 2000, you had 12-15 years to go;
 - ❖ in 2100, you may be two-thirds through your life!
- ❖ **We need to be very careful about what an “ageing society” or the “greying of Australia” really means.**
- ❖ **Even at 70 years of age many will still be working, probably part-time, and be fit and healthy.**
- ❖ **One in four children born in 2001 are expected to live to a hundred; more if female.**
- ❖ **We need to keep raising the age definition of “old”**

Australian Births

By Generational Types 1850-2016+



The Four Types of Generations

Civics (Heroes)

The wealth creators and nation building generation. The can-do generation, pragmatic and rationalist. Not a lot of social graces.

Adaptives (Artists)

The generally silent, obedient but more socially aware generation. Adapt wealth-building to other social needs. Make good leaders

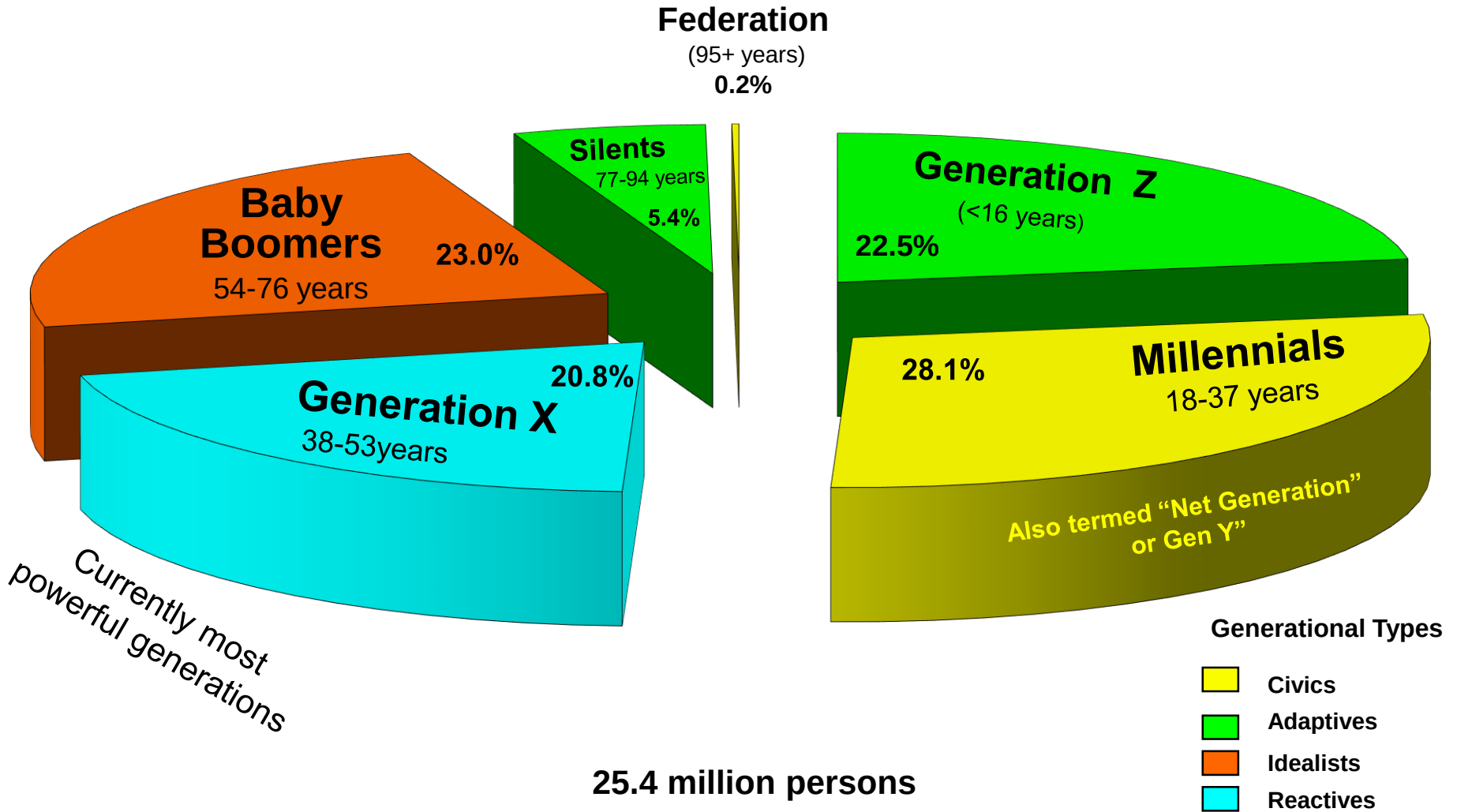
Idealists (Prophets)

The social visionary and idealistic generation. Want to change the world *now*. Humanists and social re-engineers. Big spenders.

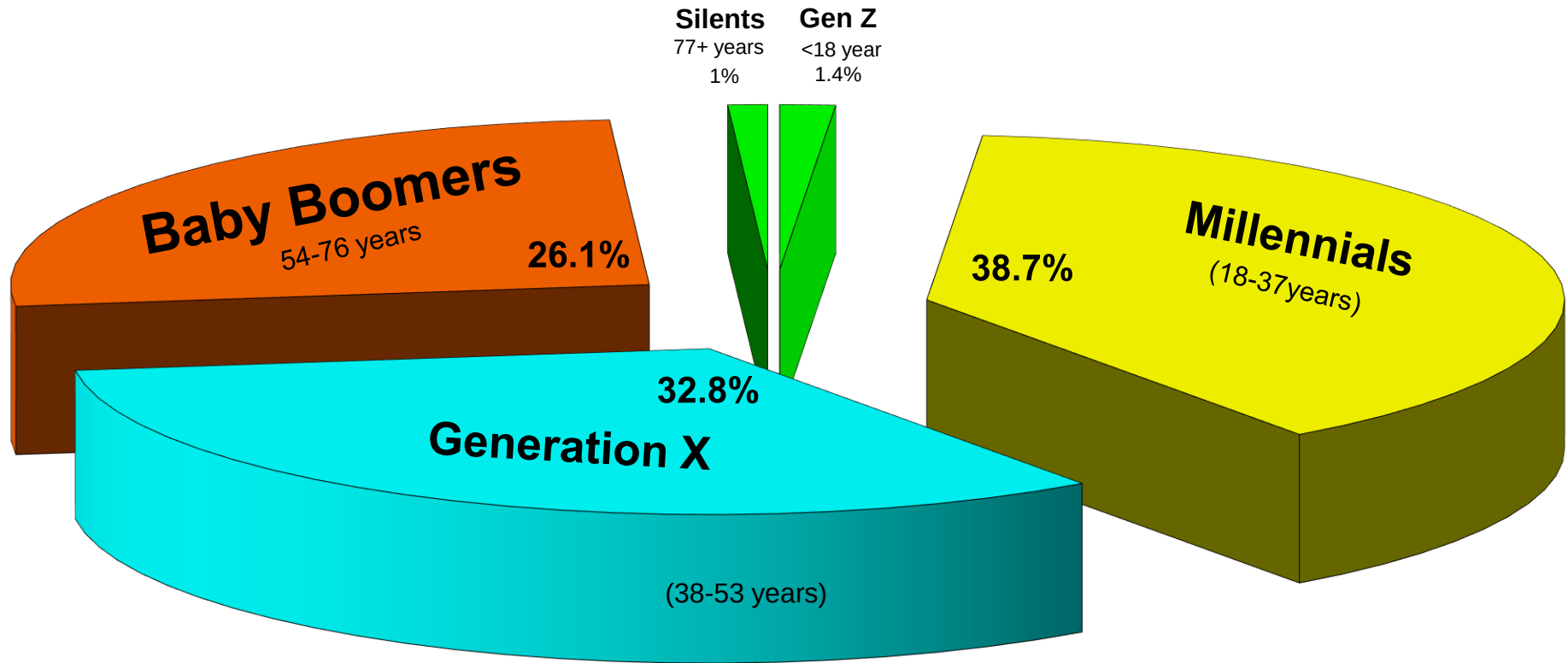
Reactives (Nomads)

The reactive, conciliatory generation. Consolidators of change and peace-seekers. Repair damage of idealists. Pave way for new civics

Generations In F2019



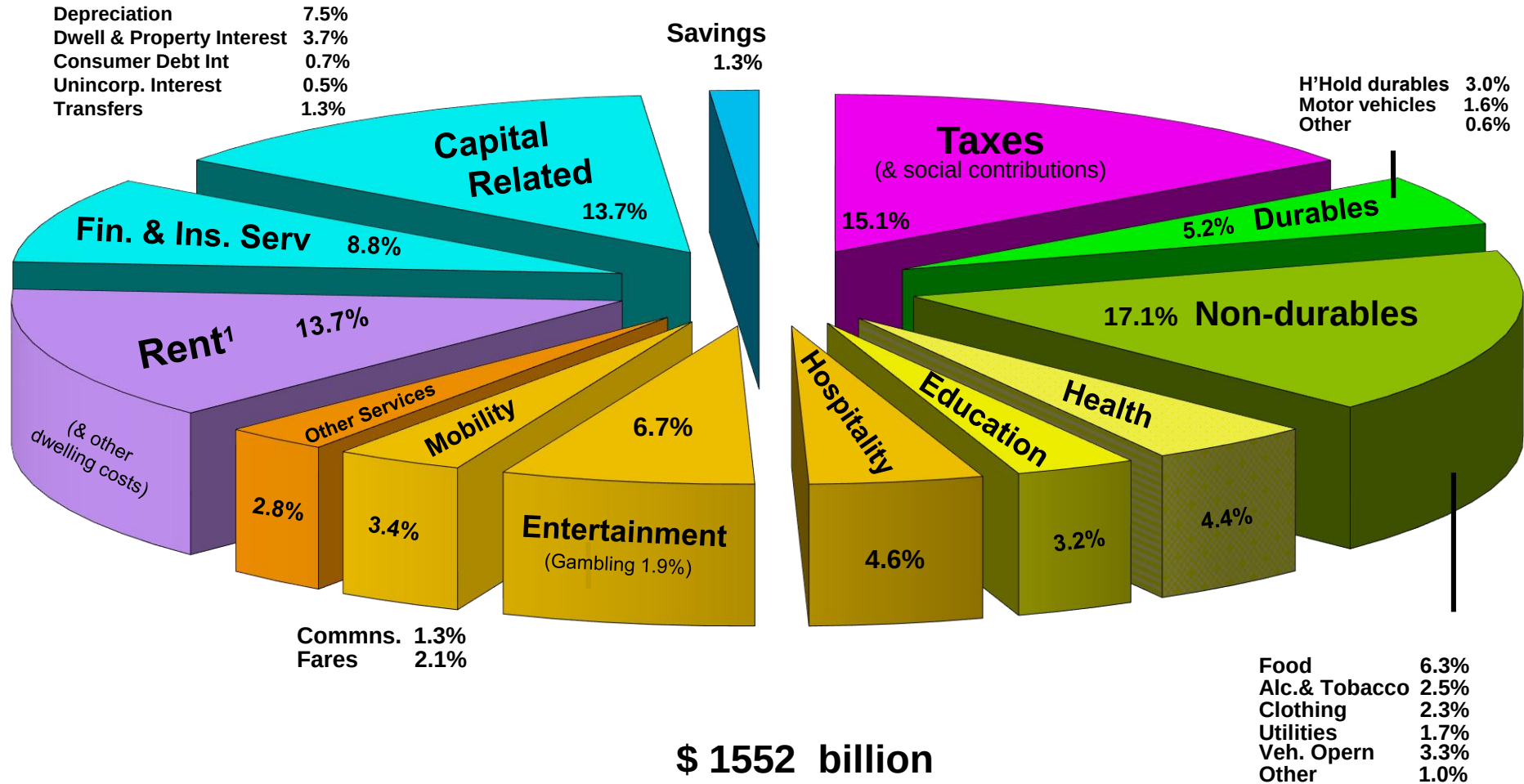
Generations in the Workforce in 2019



12.9 million persons

Australian Household Expenditure

Year to June 2018



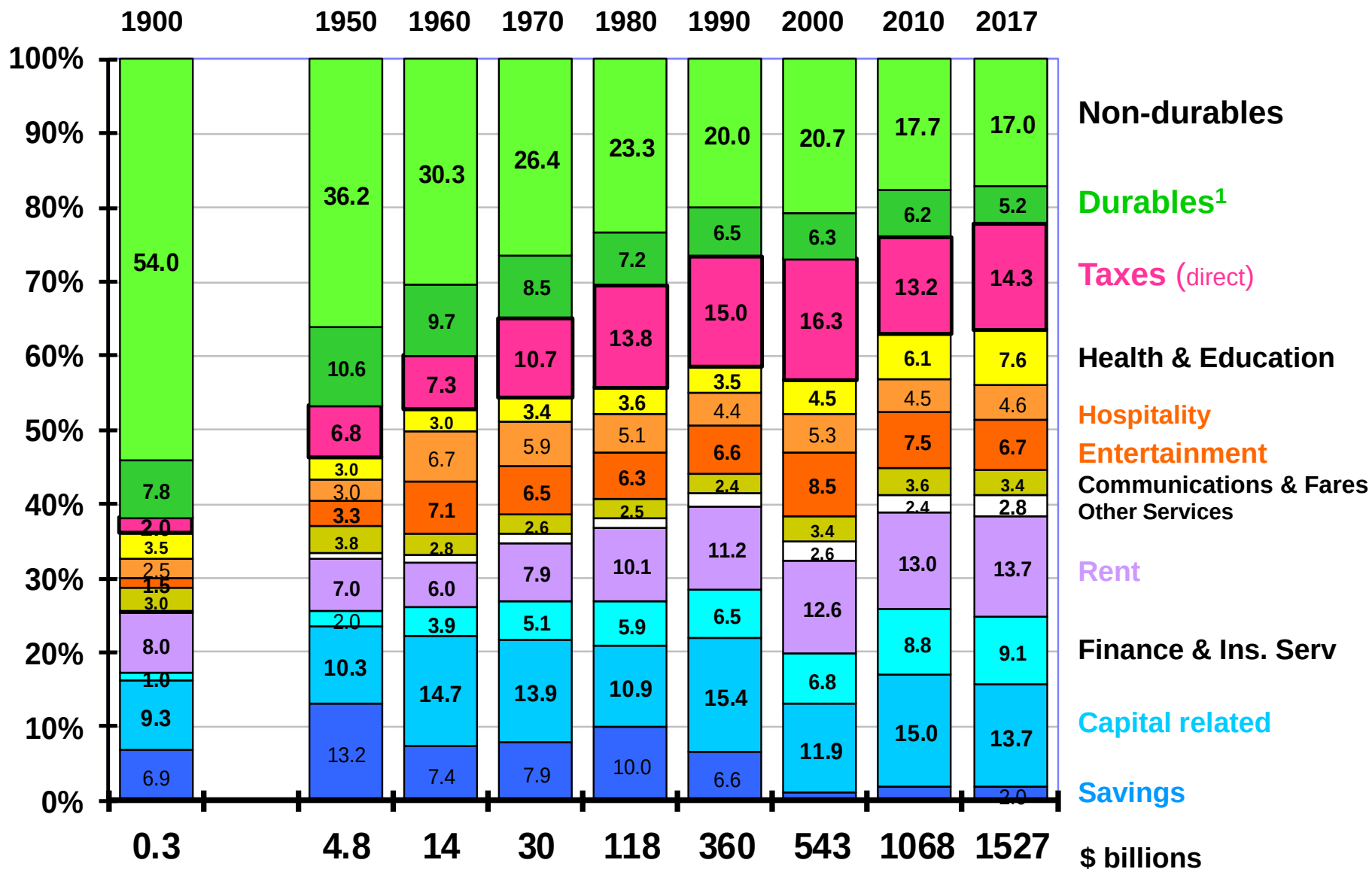
Notes:

¹ includes imputed rent (\$138 billion)

² 9.8 million in 2018 (ABS). Reduces to \$144,200 without imputed rent of \$138 billion

Changing Household Spending

% of total basis



Note: ¹ Durables includes cars, furniture, electrical, electronics etc.

Today's Lifestyles

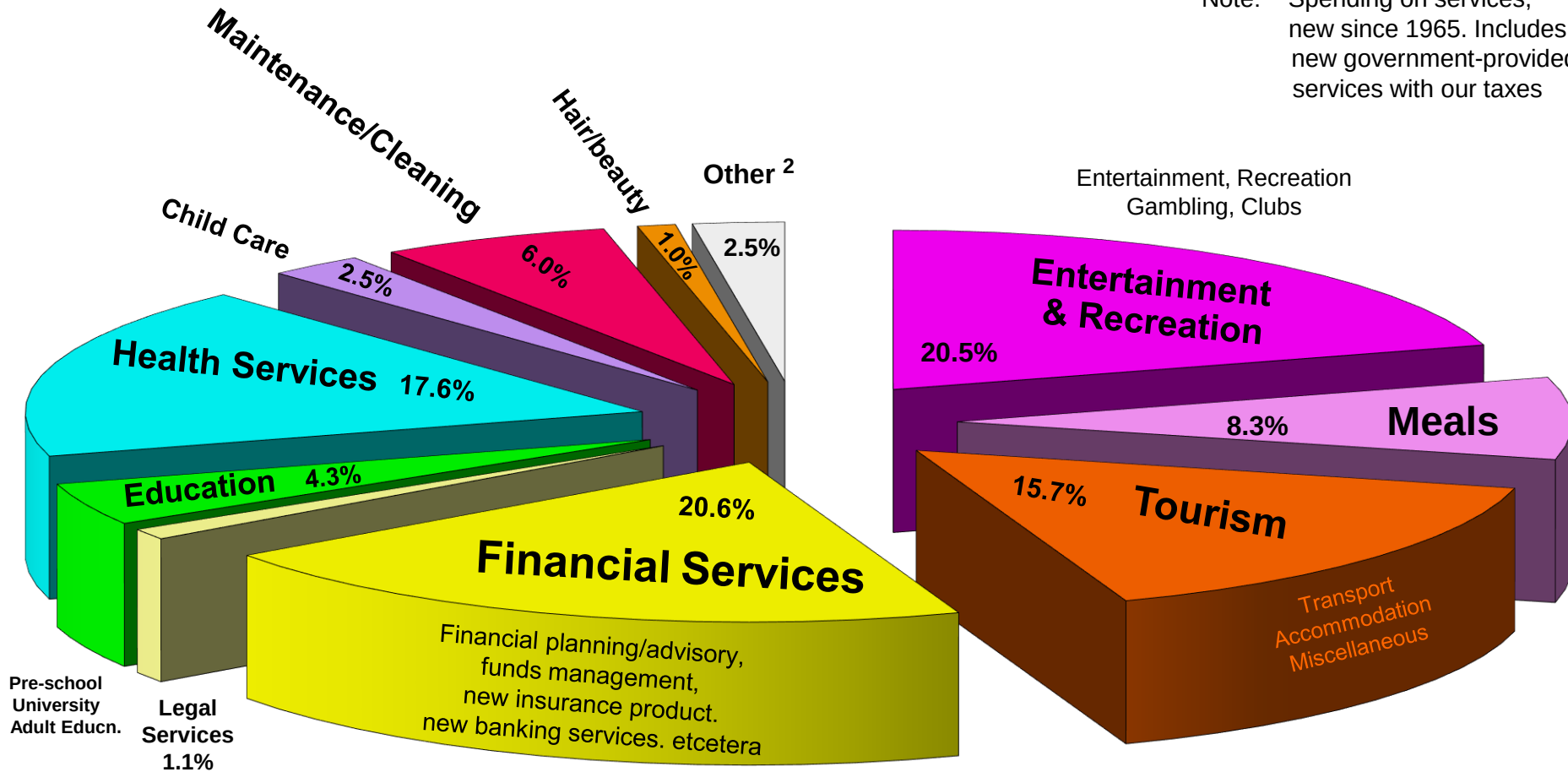
In the New Age from 1965 to the middle of this Century

- ★ **Home ownership still dominant, but leasing on the rise;**
- ★ **Apartments, high rise and medium density housing growing;**
- ★ **Dad and mum both at work, with 1-3 kids** (thank God for mobiles);
- ★ **Outsourcing of household services and chores;**
- ★ **New tribalism** (no longer based as much on neighbourhood);
- ★ **More marriages due to longer lives** (but average still c.20 years);
- ★ **The Internet** (social media, e-mail, information, banking, shopping);
- ★ **Mobile telephones, tablets, other electronic gadgets;**
- ★ **Digital/3D colour TV** (including pay TV), **Radio** (FM, DAB, Internet);
- ★ **Electronic guardian angels** (Pacemakers, Cochlear, ABS brakes);
- ★ **Sport all the time** (including on TV) **and new gambling options;**
- ★ **Modern clubs, pubs, hotels, casinos and entertainment;**
- ★ **Frequent holidays** (esp. short breaks) **and lots of O/S travel;**

Household Outsourcing In The New Age¹

F2018 (F)

Note: ¹ Spending on services, new since 1965. Includes new government-provided services with our taxes



Note: ² Baby sitting, Foxtel, Netflix, M/V hire, gardening and many others

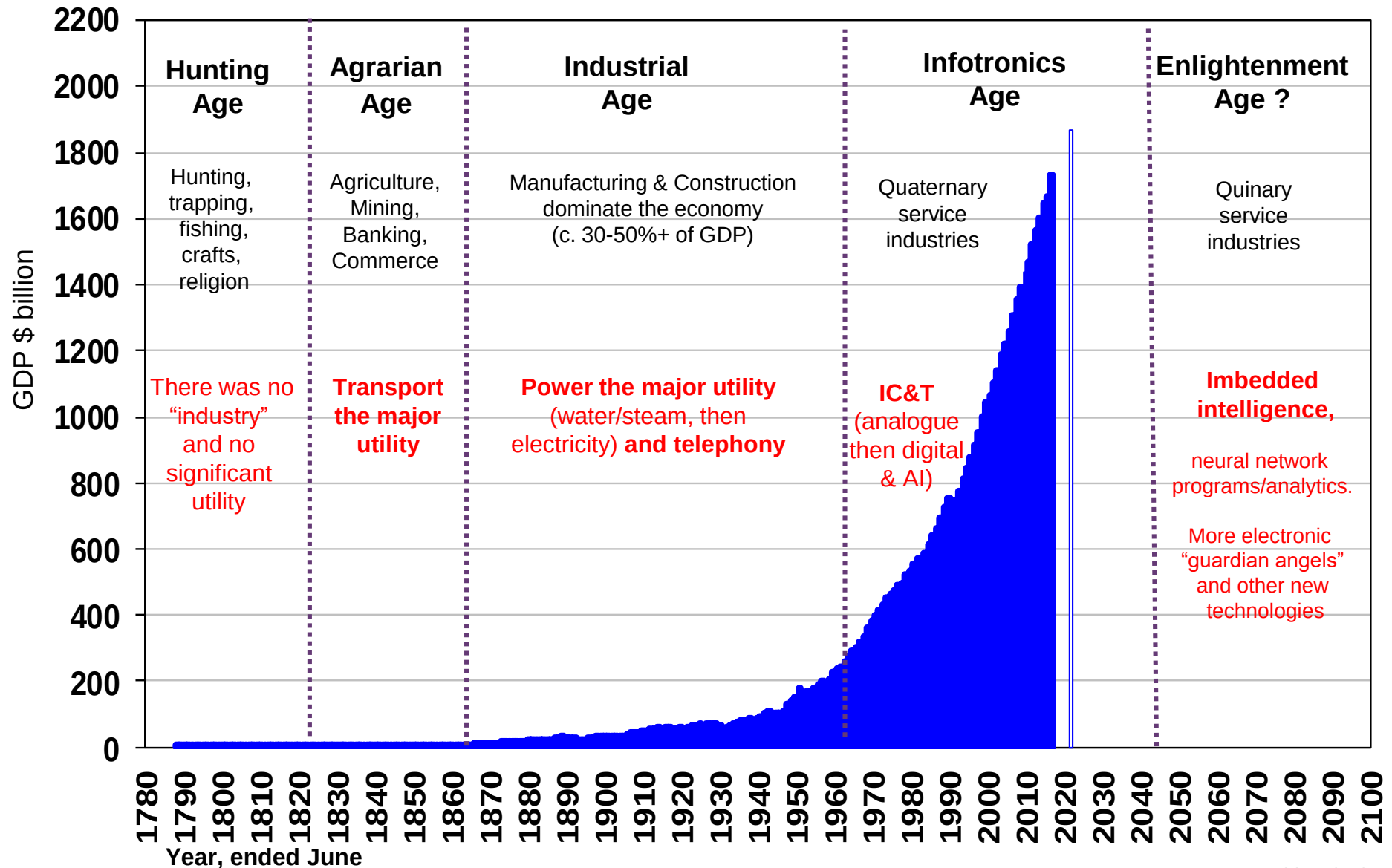
\$497 billion
\$51,200 per Household
(\$982 per week)

3.

Our Changing Economy & Workforce

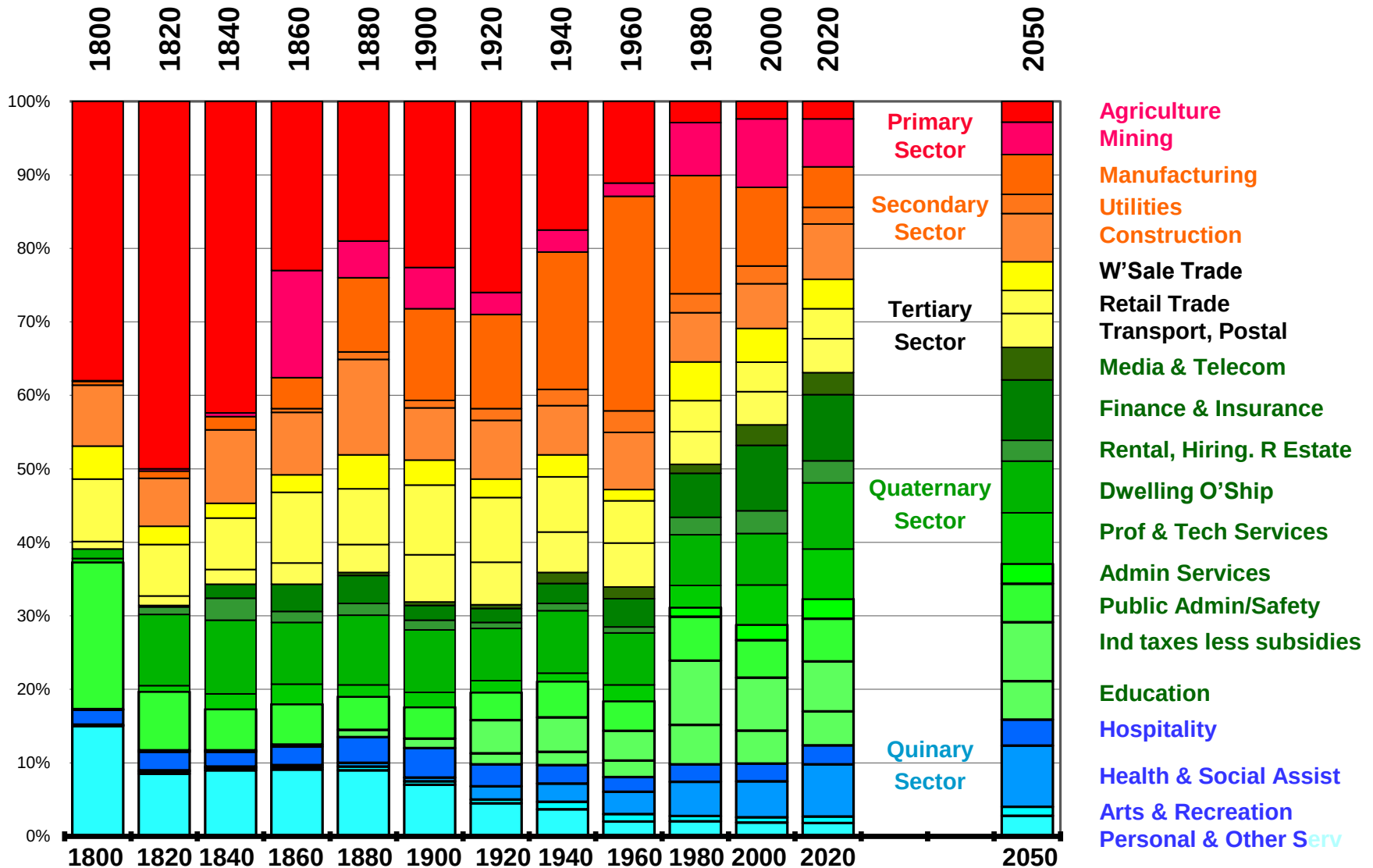
Australia's Ages Of Economic Progress

GDP @ Constant F2017 Prices 1788-2017 and onwards



Changing Importance of Industry Divisions

Australia Shares of GDP by Industry Division, 1800-2050



Note: At market prices to 1940, at factor cost thereafter

Source: N.G Butlin, ABS & IBISWorld 25/09/17

New Age Industries

1965 – 2040s+

❖ Household Outsourcing

- ❖ **Hospitality** (meals, accommodation)
- ❖ **Entertainment** (clubs, casinos)
- ❖ **Household services** (everything!)
- ❖ **Personal services** (beauty, fitness)
- ❖ **Health** (everything!)
- ❖ **Tourism** (transport, agencies)
- ❖ **Education** (pre-school, tertiary) services)
- ❖ **Child minding** (pre-school, nanny services)
- ❖ **Finances** (advice, management)
- ❖ **Other services** (inc. unmentionables)

❖ Overseas Outsourcing (To Us)

- ❖ **Mining** (energy minerals)
- ❖ **Tourism** (inbound)
- ❖ **New era in agriculture?**
- ❖ **Education** (mainly tertiary)
- ❖ **Health**
- ❖ **Aquaculture** (& crustaceans)
- ❖ **Manufacturing** (smelted ores)
- ❖ **IP** (royalty arrangements)

❖ Business Outsourcing

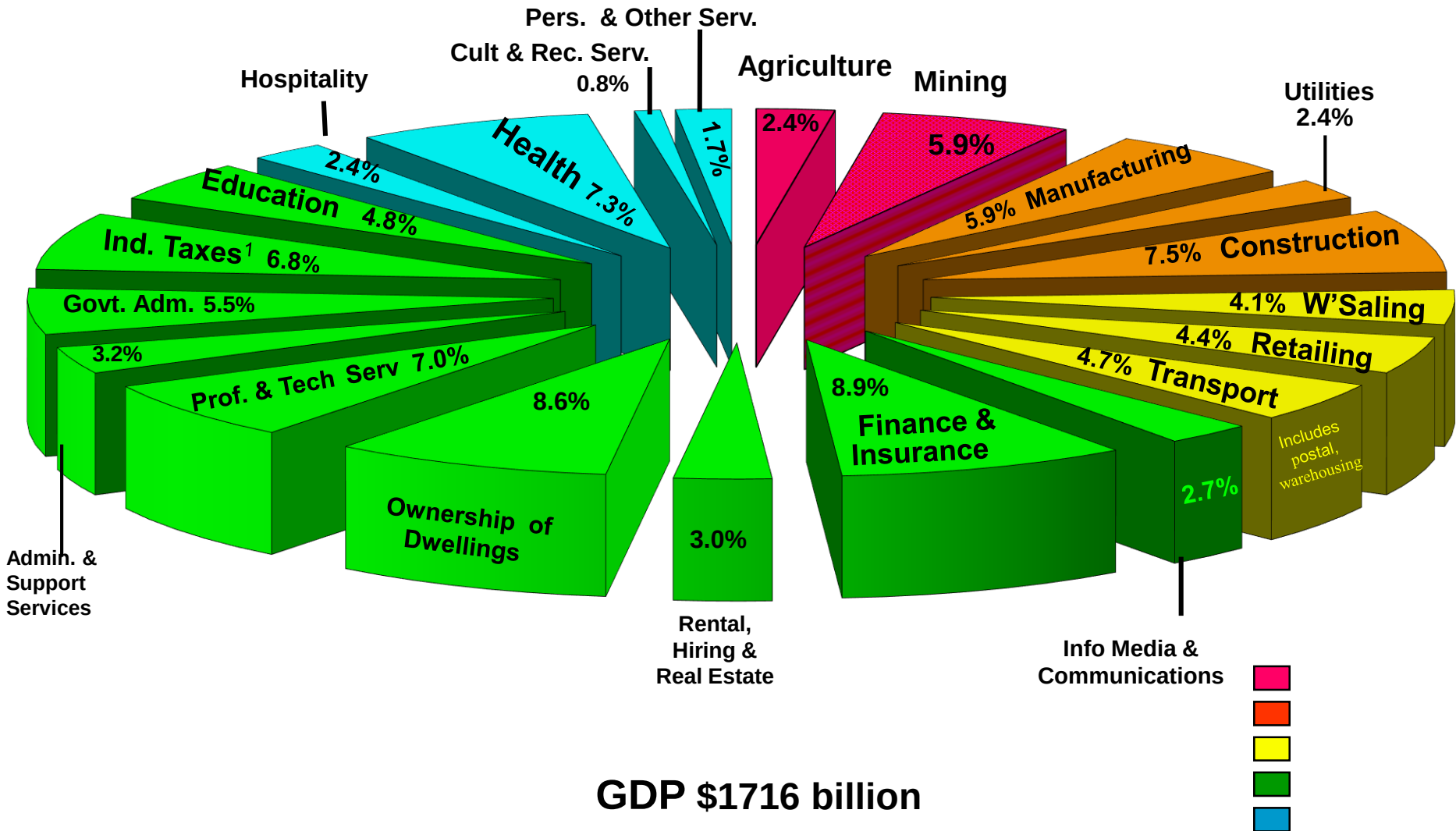
- ❖ **Trucking**
- ❖ **Facilities management**
- ❖ **Business services** (A/C. legal, computing)
- ❖ **Knowledge services** (data, consulting)
- ❖ **Cleaning.**
- ❖ **Catering**
- ❖ **HR services** (recruitment, staffing).
- ❖ **Security**
- ❖ **Call Centres/CRM services**
- ❖ **Operations** (via franchising)

❖ New Enabling Utilities (& technologies)

- ❖ **ICT** (especially very high speed broadband)
- ❖ **Cognitive computing & analytics**
- ❖ **Nanotechnology**
- ❖ **Biotechnology**
- ❖ **Just-in-time systems**
- ❖ **Self-service systems**

Australia's Industry Mix

Shares of GDP, in F2016 price terms Year to June 2018



Note ¹: Less subsidies, but includes stat. discrepancy (-0.2%)

The big employment changes on the way

New industries & occupations

More working seasons in a life (multiple occupations)

Lifetime education & training

More part-time & casual (now 32%), **on-demand work** (GIG, Airtasker)

Knowledge worker concept

No “bondage” by businesses, bosses or unions

The gradual demise of the concept of an “employee”

Workers becoming a business rather than being employees

Rise of contractual relationships

Emergence of advisers and mentors for worker contracts (E2B, B2B)

Payment for outputs, not inputs (hours of work)

No discrimination on any basis (gender, race, age etc)

Partial or total working from home, where practicable

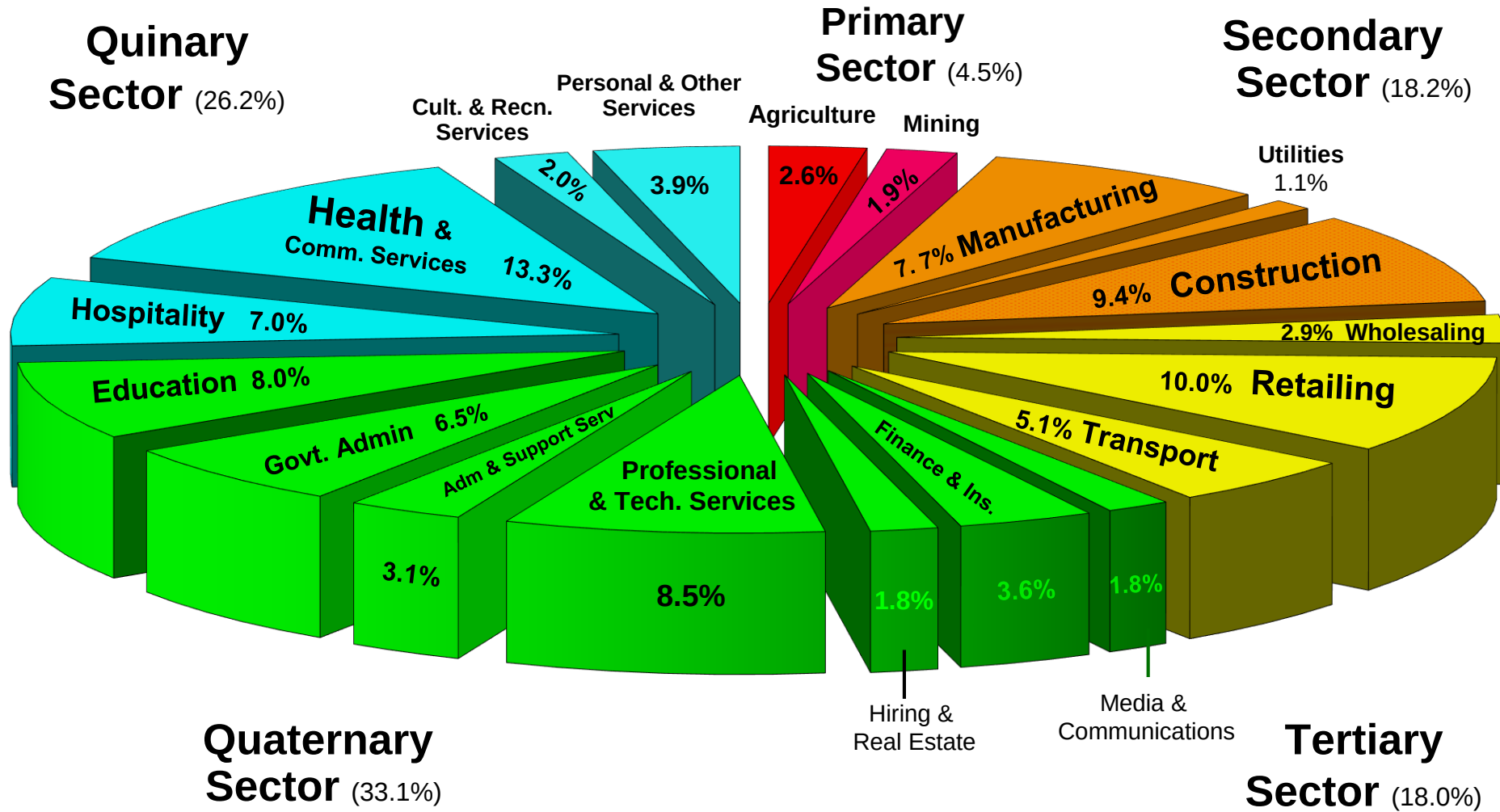
Working in a borderless world

Rising wages & salaries

And, we will neither run out of jobs or workers this Century

Employment By Industry Sectors

Australia September 2018 Share of Total Employment

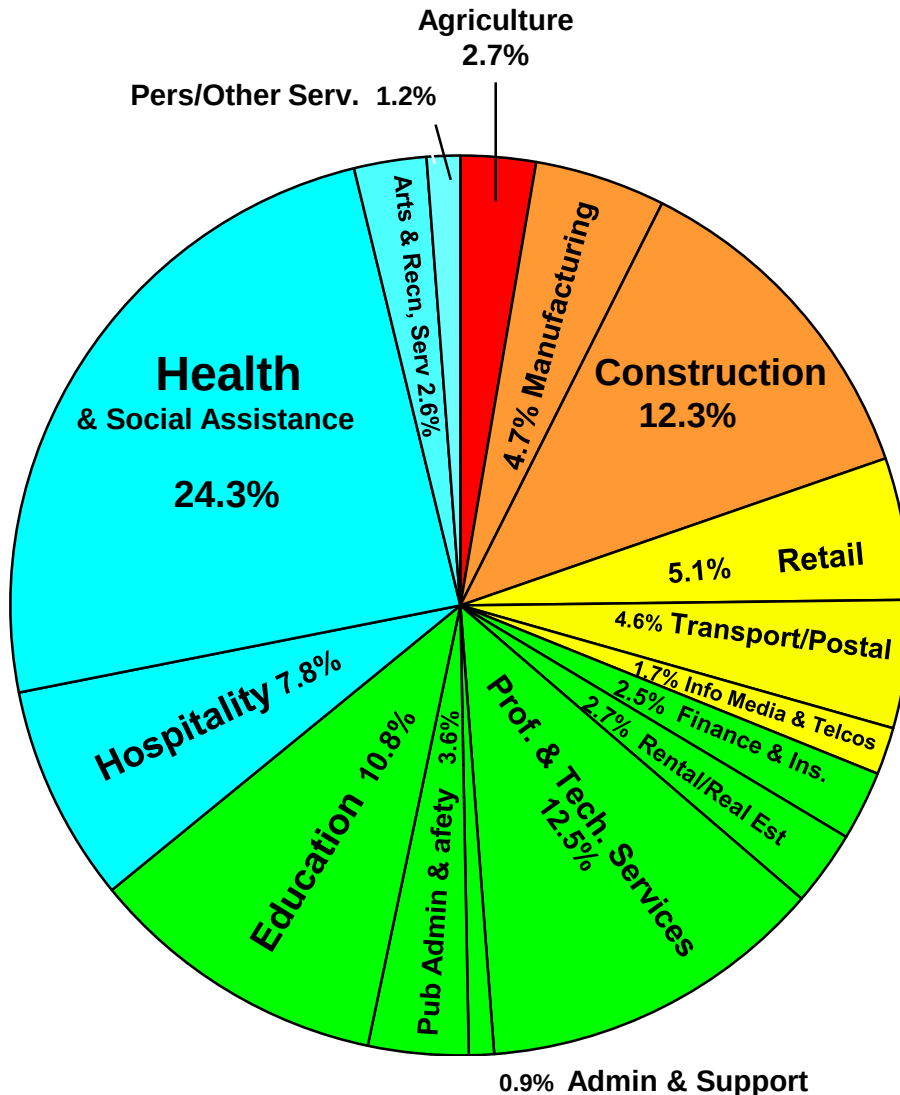


12.5 million employed

Source: ABS 6203-1 IBISWorld 24/10/18

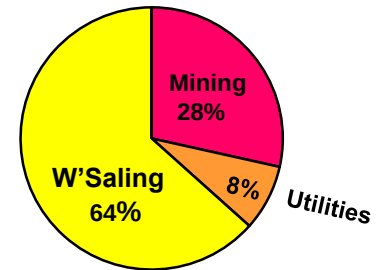
Australia's New & Lost Jobs

By Industry 5 years to September 2018 Share of total basis



New jobs 1,295,200

The nation created
over 18 times more
new jobs than it lost

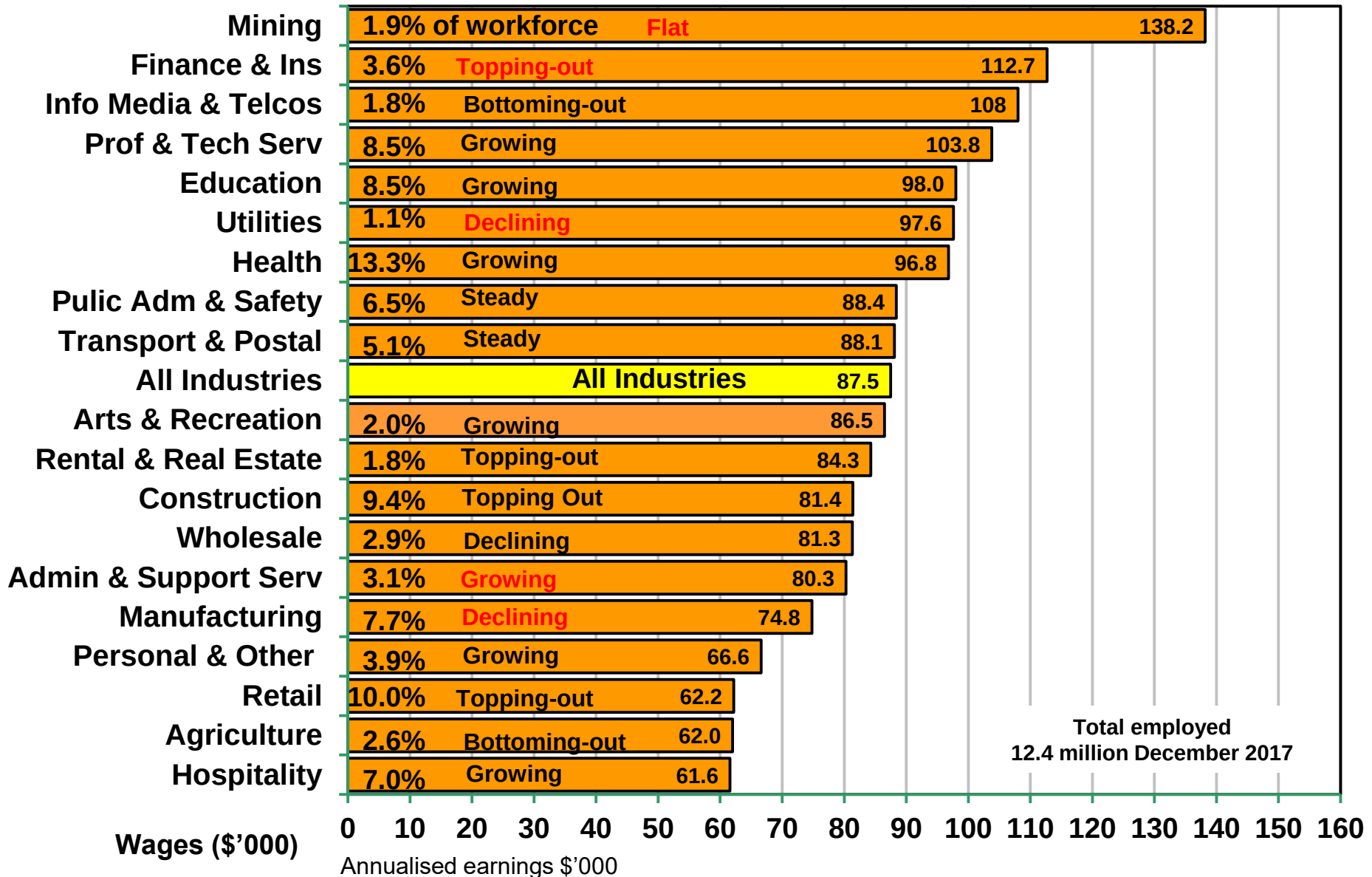


Lost jobs 72,700

**Net new jobs
1,222,500**

Where The Money Is By Industry

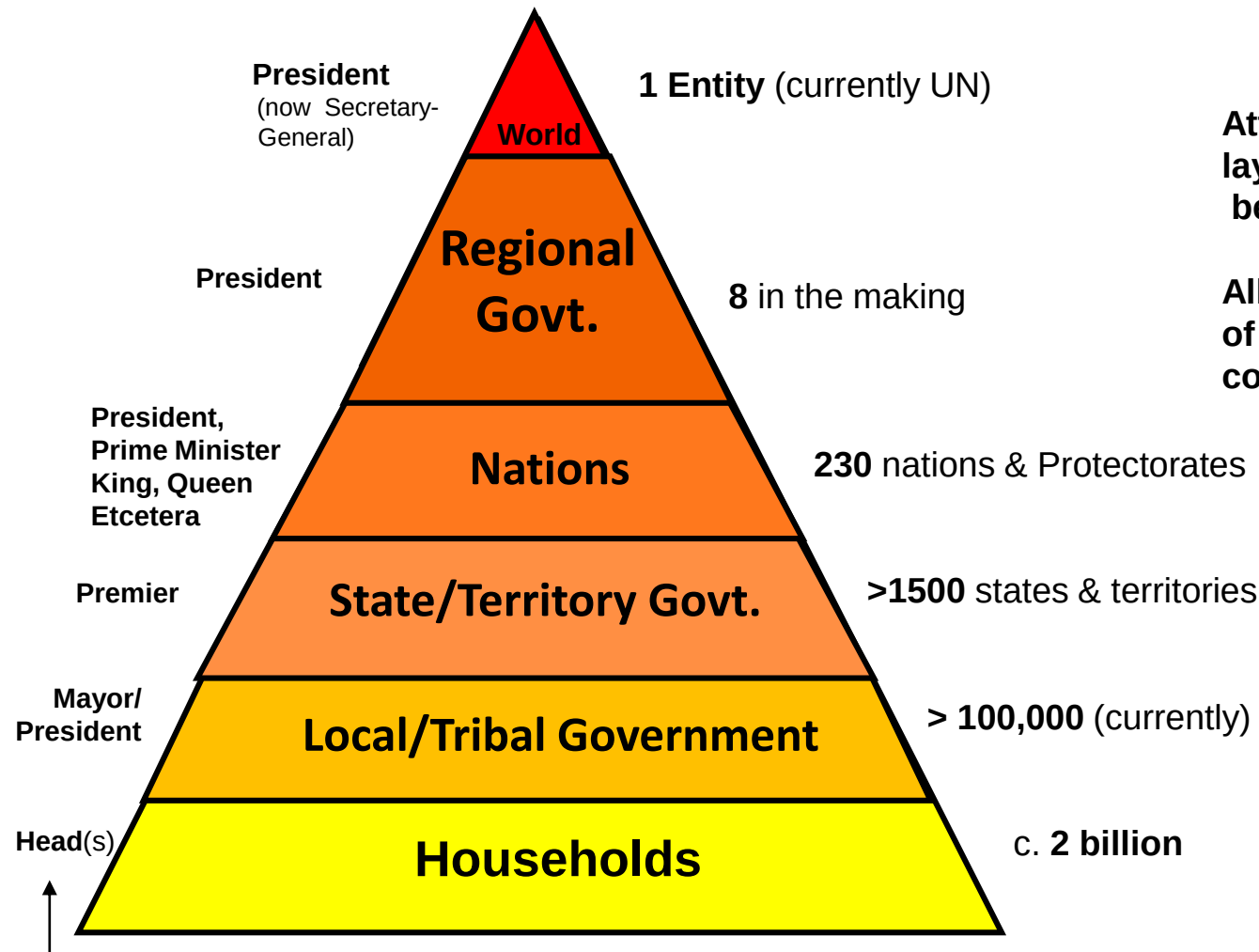
Full-Time Total Adult Earnings June 2018 (\$'000)



4.

Government & Local Government

Tiers of Government



Attempts to do away with any layer of government after it has been established, seem to fail.

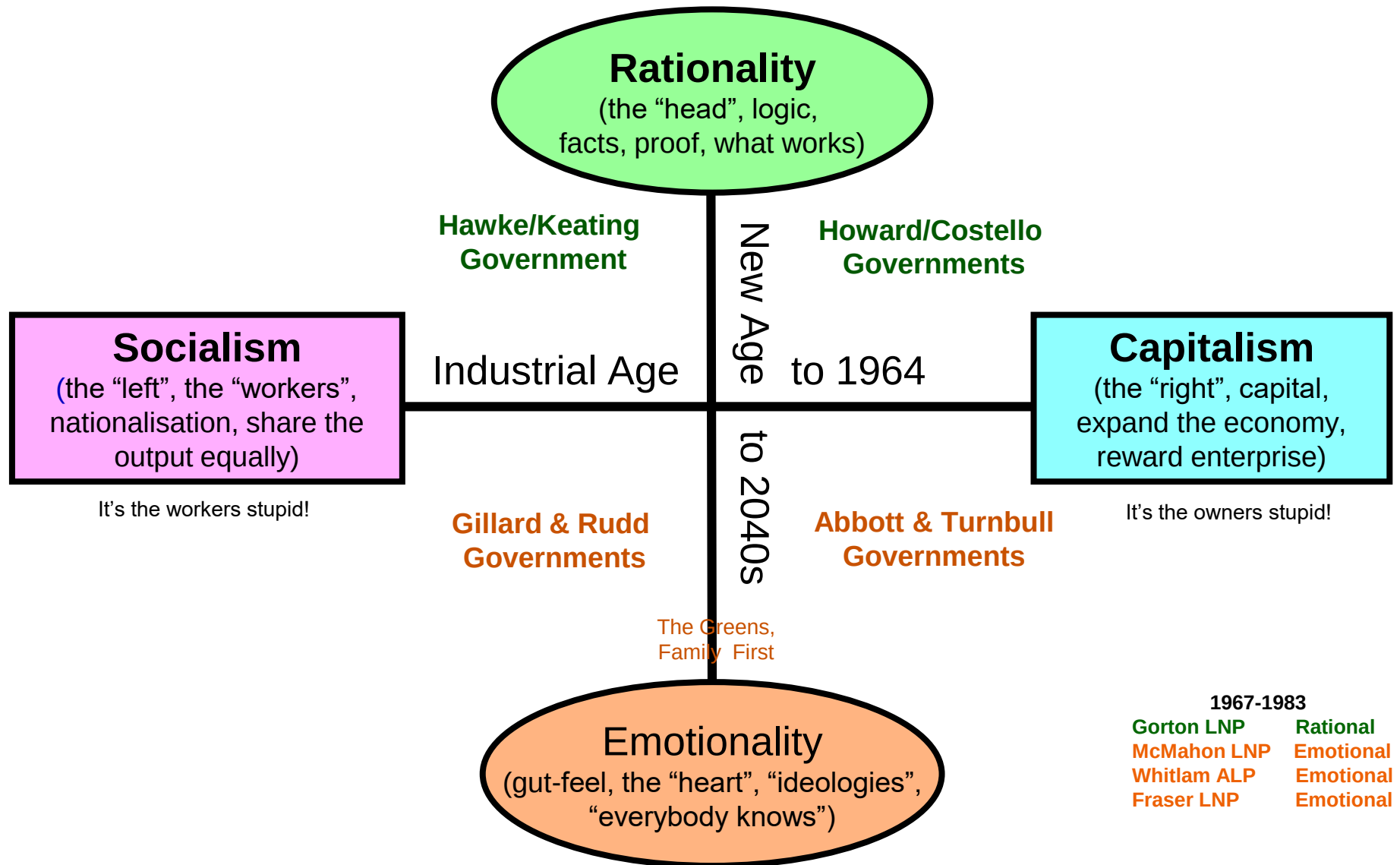
All that alters is the distribution of responsibilities, activities, tax collection and spending

(or "reference person" at Census times)

What a well-run nation needs

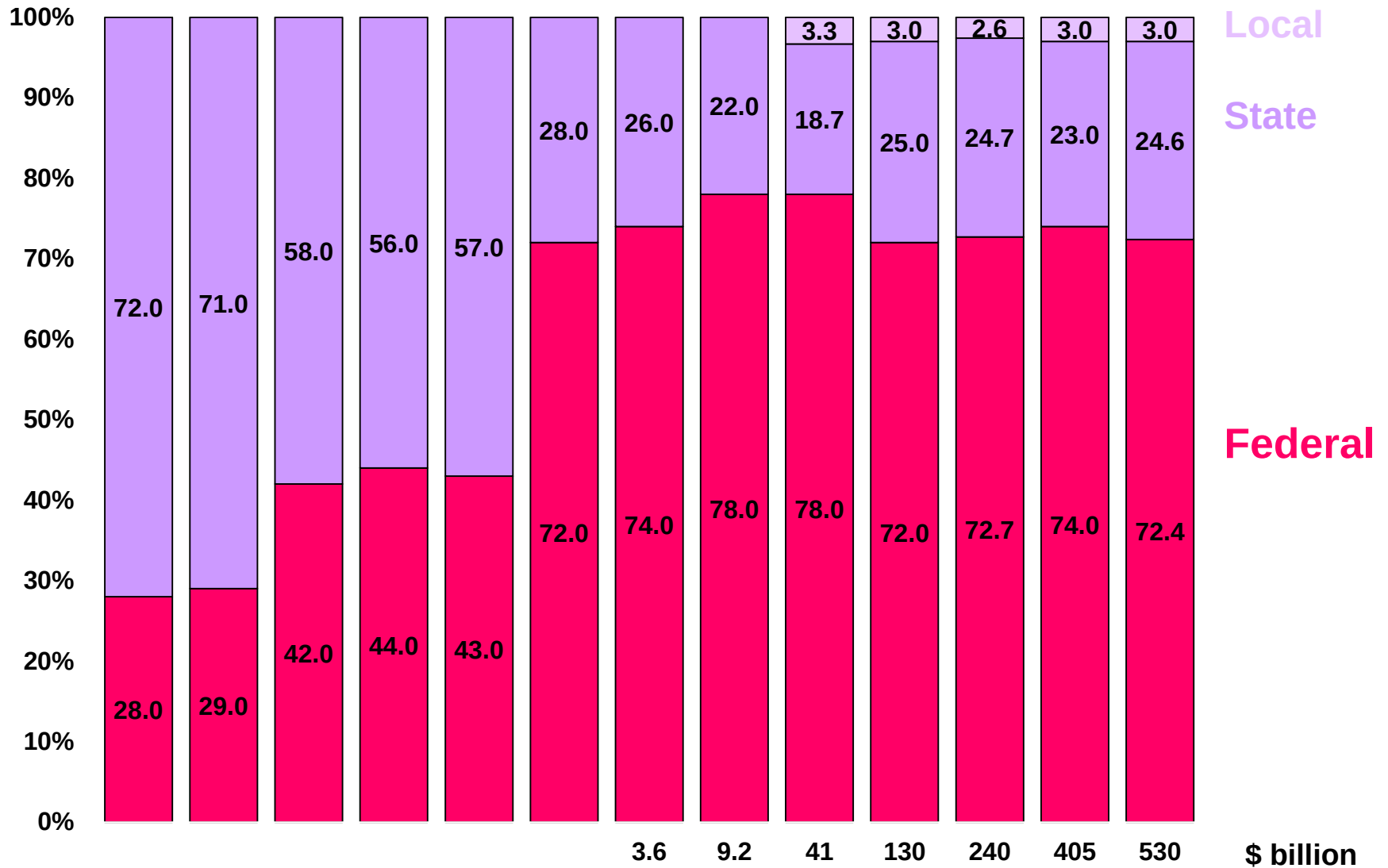
- 1. Safety (from external or internal threats or anarchy)**
- 2. Cohesive secular society (free of any discrimination)**
- 3. Democratic government (with compulsory voting?)**
- 4. A mostly happy and caring society (with welfare for the needy)**
- 5. A healthy, well-educated and increasingly cultured population**
- 6. A proud, unique and fun-loving nation (but free of jingoism)**
- 7. Continual reform (social, economic and political)**
- 8. Full employment (unemployment 5% or less)**
- 9. Rising standard of living (averaging 2% pa or more)**
- 10. Low inflation (<3%)**
- 11. Fair interest rates (to depositors and borrowers alike, around 5% real)**
- 12. Productivity growth (around 2% pa)**
- 13. A strong exchange rate**
- 14. Balanced government budgets (and low national debt, <35% of GDP)**
- 15. A positive current account with the world (paying our own way)**

Changing Political Dialectics In Australia



All Government Income, by Level

(% of Total)



Local Government Administration

This class consists of units engaged in the setting of local government policy; the oversight of local government programs; collecting revenue to fund local government programs; creating by-laws (excluding creating case law through the judicial processes of civil, criminal and other court operations); and distributing local government funds.

Primary activities

- Financial and economic management except banking (local government)
- Local government administration (except justice)
- Policy formulation and administration (local government)
- Regulation enactment and enforcement (local government)

Exclusions & references

- Business units mainly engaged in the management of commercial and business activities or activities other than local government administration are included in classes appropriate to these activities; and
- Business units mainly engaged in exercising regulatory control over specified activities are included in Class 7720 Regulatory Services

Local Government Administration

ANZSIC 7530 Australia F2019(F) **First Cut only!**

Revenue

\$ 41 billion (est.)

Growth, F2018-23 (real)

2.5% pa. (cf. GDP 2.7%)

Taxes and transfers

\$ 18.5 billion

Value Added

\$ 19 billion (0.95% of GDP)

Assets

\$450 billion

Net Assets (Equity)

\$415 billion

Average Profitability (ROE, after tax %)

2.2% est.

Lifecycle phase

Phase IV (see later comments)

Enterprises

537 (last ALGA count, one third regional or rural)

Average revenue/LGA

\$76 million

Employment ('000)

c. 200,000

Average employment/LG

37

Wages

\$ 15 billion (est.)

Key Players (F2017 Share of Revenue)

Brisbane City Council	6.1%	Moreton Bay	1.1%
Gold Coast	3.4%	Sunshine Coast	1.1%
Melbourne	1.8%	Casey	1.1%
Sydney	4.4%	Hume	1.1%
Wyndham	1.4%	Greater Geelong	1.0%
Logan	1.3%		

The Must-Know Stuff

- **Official definition of “primary activities” (product groups) in the industry class**
- **Key statistics**
 - revenue & growth,
 - value added and its share of GDP,
 - employment,
 - enterprises & outlets
 - imports & exports (where applicable)
- **Volatility of the industry**
- **Key external sensitivities affecting the industry’s direction**
- **Capital intensity**
- **Barriers to entry**
- **Cost structure and average profitability**
- **Market segments and products offered**
- **Prevailing systems & technology**
- **Competition and share of the industry output** (but how relevant for the LGA industry)
- **The phase in which the industry’s lifecycle is in** (more shortly)
- **Key success factors for the industry class** (as well as the Ruthven Institute’s guidelines)

**See Small Area ABS Statistics on
Industries (business & government)
and Households (dwellings et al)
and the trends**



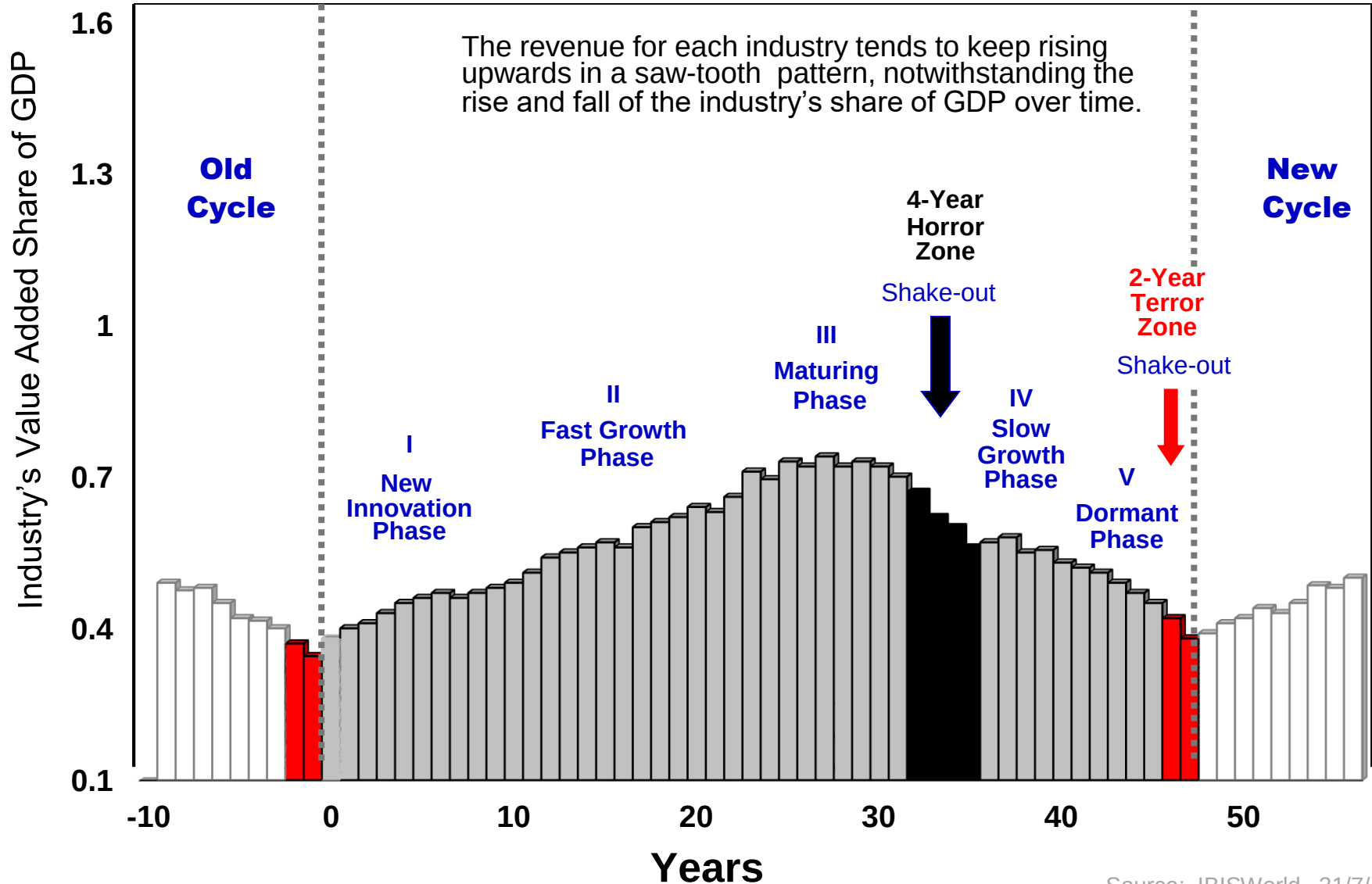
Regional Statistics by LGA 2017 [i](#) : *Regional Statistics by LGA - Economy and Industry*

Industry lifecycles

- **All of Australia's 509 classes of industry** (including Local Government Administration) **run in cycles averaging 40-45 years, some longer, and some shorter. And new lifecycles keep following the old one.**
- **Each new lifecycle brings gradual changes to an industry. There are 5-way changes to key characteristics with each new cycle and they are:**
 - **Products**
 - **Customers**
 - **Geographic location**
 - **Systems & Technology**
 - **Ownership (industry enterprises)**
- **It takes until the top of the new cycle for 60% of the industry's revenue to reflect these changes, and the end of the lifecycle to reflect 80% of the new changes. So it is a slow process.**
- **And during each lifecycle, an industry passes through 5 phases and two danger zone, virtually without exception**

Typical Life Cycle in an Industry

(Measured as an industry's value-added share of GDP)



Local Government Administration Lifecycle

Preliminary data suggests that Local Government Administration is in **Phase IV** of its own lifecycle.

Its share of GDP has been diminishing for many years as a result of efficiencies, outsourcing and other factors.

When could a new lifecycle emerge, and with what changing characteristics: the 5-way test? With products, could there be new product growth due to the transfer of state (or even some national) activities to local government. What else could happen across this, and the other 4 characteristics?

20 Largest LGs by Revenue

F2017 (\$'000)

	Brisbane City Council	2,318,125
	Gold Coast City Council	1,294,548
➡	Melbourne City Council	695,151
	City of Sydney	602,755
➡	Wyndham City Council	536,958
	Logan City Council	483,183
	Moreton Bay Regional Council	424,702
➡	Sunshine Coast Regional Council	415,285
➡	Casey City Council	413,013
➡	Hume City Council	406,849
	Greater Geelong City Council	394,070
	Townsville City Council	385,244
	Blacktown City Council	336,809
	Toowoomba Regional Council	305,915
	Cairns Regional Council	289,905
➡	Parramatta City Council	284,012
	Wollongong City Council	281,987
	Whittlesea City Council	277,175
	Gosford City Council	273,490
	Ipswich City Council	272,611

20 Largest LGs by Employees

F2017(number)

	Brisbane City Council	7970
	Gold Coast City Council	3784
	City of Sydney	1763
	Logan City Council	1704
	Sunshine Coast Regional Council	1598
	Blacktown City Council	1551
	Greater Geelong City Council	1541
	Casey City Council	1520
	Toowoomba Regional Council	1453
	Moreton Bay Regional Council	1419
	Melbourne City Council	1413
	Brimbank City Council	1325
	Wyndham City Council	1225
	Cairns Regional Council	1122
	Moreland City Council	1097
	Penrith City Council	1084
	Gosford City Council	1075
	Redland City Council	998
	Hume City Council	974
	Wyong Shire Council	906

20 Best LGs by ROSF

In the top 70 LGs of IBISWorld's 2017 year's largest 2000 enterprises
Return on Shareholder Funds after tax (NPAT/Equity,%)

➡	Hume City Council	7.74%
	Launceston City Council	7.27%
	Blacktown City Council	6.98%
➡	Wyndham City Council	6.76%
➡	Casey City Council	6.18%
	Ipswich City Council	4.74%
	Port Macquarie-Hastings Council	4.72%
	Campbelltown City Council	4.31%
	Liverpool City Council	4.30%
	Logan City Council	3.95%
	Wanneroo City Council	3.61%
	Sunshine Coast Regional Council	3.60%
	Moreton Bay Regional Council	3.52%
➡	Greater Bendigo City Council	3.50%
➡	City of Ballarat	3.45%
➡	Whittlesea City Council	3.42%
	Gold Coast City Council	3.29%
	Wollongong City Council	2.95%
	City of Perth	2.90%
	Penrith City Council	2.89%

5.

Keys To Success

WHAT THE BEST ENTERPRISES ARE DOING

The 12 business commandments



The New Age Mindset

Planning Outside-In, Not Inside-Out

In the Industrial Age up to the mid 1960s, businesses generally planned and operated on an inside-out basis: a fortress mentality

The external business environments were largely opaque to enterprises which tended to be fortress style; and enterprises were opaque to outsiders, seeing them as secretive.

In the New Age up to the middle of the 21st Century businesses must now forecast, plan and operate on an outside-in basis; an open-plan mentality

The business environments are now more transparent to enterprises, and in turn the enterprises are becoming more transparent to outsiders

Planning from the Outside-In

11 external environments

