



building our city
building our community
ACT Government

THE ECONOMIC WHITE PAPER

for the Australian Capital Territory



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for the Australian Capital Territory

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Overview

The Canberra Plan

“The problem is not that cities have problems – a city without problems would have no people living in it – but that the problem-solving strategies have broken down. There is not so much a shortage of investment as there is a shortage of imagination and an excess of caution.”
OECD, *Urban Renaissance Studies*, June 2003.

In October 2001, the Government made a commitment to the people of Canberra to develop a new strategic framework to guide the development of the ACT over the coming generation.

The Canberra Plan is that framework. It defines a direction for the ACT and supports an agenda that will lead to its achievement.

The Canberra Plan comprises three elements – an Economic White Paper, a Social Plan and a Spatial Plan. Together these three elements provide an integrated strategy for strengthening our economy and its capacity to deliver opportunities for all Canberrans, enhancing social justice and community cohesion and opportunity, and improving our ability to manage competing uses for land and preserving our environment.

This ‘triple bottom line’ focus reflects the ACT Government’s commitment to Sustainability – to provide for our people, to protect our place and to create a prosperous future. *People, Place, Prosperity - a policy for sustainability in the ACT*

was launched by the ACT Government on 27 March 2003. The ACT Government recognises that sustainability offers the chance for us to build upon and link existing programs so that issues about our future can be addressed in an integrated way to achieve better outcomes and opportunities.

The Canberra Plan is not intended to be a detailed prescription for the future. On the contrary, the Canberra Plan and its component parts have been developed recognising that the future is unpredictable and that what is needed above all is the capacity to adapt flexibly to changing situations.

The Canberra Plan is a framework for resolving long-term issues, not the detailed solution to those issues. It won’t provide clear-cut answers to every situation but it will insist on an integrated approach to enable diverse policies to be mutually supporting, avoiding unnecessary conflicts.

Because the modern city is so interconnected, the Canberra Plan will strengthen the

cross-sectoral approach to emerging issues, and these approaches will be regularly tested to measure their effectiveness as circumstances change. The Plan will establish a long-term agenda that will involve rethinking the way we live, use resources, and do business. It will also challenge present and future ACT elected leaders to look beyond the horizon of the electoral cycle with new perspectives, constructive dialogue and innovative solutions. Above all, the Canberra Plan will articulate a common vision of a desirable future which addresses practical concerns shaping the lives of Canberra's people as they live, work, learn and play.

Success for our city, Territory and Region demands a partnership of many players in implementing the Canberra Plan. It is pleasing that so many have contributed to its development from the Region, the Legislative Assembly, major Commonwealth Government agencies, major institutions, and private sector business and community organisations. More broadly still, the Government has been committed to encouraging all Canberrans to be a part of the development of these integrated strategies. Our hope as a Government has been that through active participation will come a greater sense of community ownership and identification with the planning for our city's future. Together the Canberra community, in partnership with its neighbours, can realise its highest aspirations for itself and future generations.

Foreword

The Government has a clear vision for Canberra. We see a strong city and community, confident and prosperous, and asserting its place in the country's affairs.

Our plans to achieve this vision have been laid down in three important strategy documents - the Economic White Paper, the Canberra Spatial Plan and the Social Plan. Their coming together in the overarching Canberra Plan will provide a strategic framework to create a sustainable future for Canberra and the ACT Region.

The Economic White Paper, presented here, outlines an economic and industry policy framework to achieve sustainable growth and development. A core theme of the Economic White Paper is the need to harness the region's many assets and be a little more clever and strategic in the way we work together.

The Economic White Paper is also a strategy about building from within, looking to the firms, industries and institutions that have already committed to the ACT and working with them to grow and develop our economy, city and region.

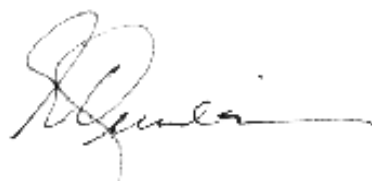
At the policy level we will do this by:

- being unashamedly pro-business and committed to actions that will make the ACT the premier business friendly location in Australia;
- knowing our strengths, opportunities and weaknesses and being judicious about how we apply community resources to industry and business development;

- building Canberra's intellectual assets and related skills base and establishing better links between our world-class research institutions and the entrepreneurs; and
- providing supportive planning and highly competitive infrastructure - the aim is to not only provide the hard infrastructure investments that any modern economy needs, but to give Canberra the look and feel of a vibrant and dynamic 21st century city.

The Economic White Paper re-states the interdependence of the three Plans and the underlying principles of sustainable development and prosperity for all. However, the Economic White Paper is about creating a highly productive and competitive regional economy and recognising that growth, properly managed, is the foundation of superior social and community outcomes. We also recognise the currency of our community is secure jobs.

In this document, we deliver the economic policy foundation that will underpin the Government's broader vision for Canberra. Making it happen will, of course, depend on the actions and responses of our citizens, businesses and institutions.



Ted Quinlan MLA
Minister for Economic Development,
Business and Tourism

Overview of the Economic White Paper

PRINCIPLES	SUSTAINABILITY				SMALL BUSINESS FRIENDLY				EMPLOYMENT				PRIVATE SECTOR DEVELOPMENT			
	SUPPORTING BUSINESS				SKILLS, IDEAS INNOVATION				BUILDING COMPETITIVE ADVANTAGE				SUPPORTIVE PLANNING AND INFRASTRUCTURE			
STRATEGIC DIRECTIONS	Action 5 Enhanced economic development structure				Action 10 Innovation procurement – single select from local industry				Action 2 Industry sector and cluster development				Action 1 The future supply of water for the ACT			
ACTIONS	Action 6 New export strategy				Action 18 Customised business training initiative				Action 3 Development through Regional approaches				Action 5 Enhanced economic development structure			
	Action 7 Appoint Small Business Commissioner				Action 19 Support for business incubators				Action 4 Risk management of industry development				Action 13 More timely and correct information on building and development applications and planning information			
	Action 8 New e-procurement tender system				Action 20 Support for indigenous business				Action 5 Enhanced economic development structure				Action 22 Establish ICT Precinct			
	Action 9 Improve local industry participation in ACT procurement				Action 23 Open Source Software Pilot				Action 16 Accelerate uptake of e-commerce				Action 30 Upgrading convention facilities in Canberra			
	Action 11 Single entry point for business to Government				Action 31 Building ICT excellence in schools				Action 22 Establish ICT Precinct				Action 38 Support for construction of new capital facilities at the University of Canberra			
	Action 12 Assistance to SMEs in dealing with planning and regulation issues				Action 32 Strengthening schools and industry links				Action 23 Open Source Software Pilot				Action 41 Better planning coordination for the National Capital			
	Action 14 Strengthen Trade Practices Act for SMEs				Action 42 Planning environment reflecting citizens' aspirations for living close to work				Action 24 Building biotechnology industry relationships				Action 42 Planning environment reflecting citizens' aspirations for living close to work			

PRINCIPLES

SUSTAINABILITY

SMALL BUSINESS FRIENDLY

EMPLOYMENT

PRIVATE SECTOR DEVELOPMENT

STRATEGIC DIRECTIONS

SUPPORTING BUSINESS

SKILLS, IDEAS INNOVATION

BUILDING COMPETITIVE ADVANTAGE

SUPPORTIVE PLANNING AND INFRASTRUCTURE

ACTIONS

Action 15	Recognition of the importance of home-based business
Action 16	Accelerate uptake of e-commerce
Action 17	Programs to support small and micro business
Action 19	Business incubator support
Action 21	Improve injury management and OH&S practices
Action 45	Best practice commitment from ACTPLA in dealing with business

Action 33	Training Pathway Guarantee for school leavers
Action 34	Skills Development for Young Adults at Risk
Action 35	Payroll Tax exemption for Apprentices in Group Training Companies
Action 36	Employment opportunities for mature aged workers
Action 37	Promoting family-friendly work solutions
Action 40	Policies to promote Government-owned IP development
Action 43	Develop Civic as Canberra's cultural and commercial centre

Action 25	Building stronger links to Commonwealth Departments
Action 26	Better links to commercialisation partners in the environment sector
Action 27	Establish an Office of Television and Multimedia (screenACTion)
Action 28	Improving local business access to defence procurement
Action 29	Recognising the importance of the tourism sector to the ACT economy
Action 39	Investment fund to leverage off commercialisation from ANU
Action 43	Develop Civic as Canberra's cultural and commercial centre

Action 43	Develop Civic as Canberra's cultural and commercial centre
Action 44	Residential and commercial land release in Civic
Action 45	Best practice commitment from ACTPLA in dealing with business
Action 46	Lifting of Retail Moratorium
Action 47	Airport as major centre of activity

Chapter 1

Enhancing Prosperity and Quality of Life for All

The Government's Vision for the ACT

The ACT will be the heart of a region known for its dynamic, innovative and growth-oriented economy and its quality of life. It will have a tolerant, creative and socially inclusive community committed to protecting the natural environment.

These objectives are inextricably linked. We strive for a society that is cohesive, tolerant and fair, and a society that protects the vulnerable and supports those in need. We aim for a society, place and environment that is truly sustainable.

We understand these aspirations can only be realised in a highly productive and competitive economy. Without sustainable economic growth and the employment and wealth that it brings, our community, social and environmental goals will be difficult to achieve.

We also know that enlightened social policies – eg, promoting equal opportunity, providing resources for people with special needs, encouraging mature age workers to contribute longer, providing family friendly workplaces, and so on – will benefit the economy.

As the focus of economic activity shifts more towards the new economy and knowledge-based industries, the question for many cities and regions is how to provide the right environment

to support and nurture this development. Leading international thinkers now argue that a base load of business activity is one thing – that is, a critical mass of knowledge-based businesses – but an equally important issue is how to attract and retain new economy workers to regional economies. Further, the important factor for cities has become ‘psychic income’ – the intangibles such as quality of life and related amenities that regions can provide this new class of worker¹.

However, we should also not lose sight of the current and broader jobs picture. While we must be conscious of positioning our city and region for new economic opportunities, there are immediate economic and jobs issues to consider.

The currency for our community, and the Government, is jobs and secure jobs.

With this in mind, there is a need to diversify the ACT economy to build a strong private sector. We need to do this to lessen the economic dependency we have on Commonwealth activity, and because a stronger and more diverse private sector represents the bridge to the new economy that will help the ACT create a more dynamic and attractive society.

We should also not fear strategies that pursue economic growth and development.

¹ The New England Council, *The Creative Economy Initiative: the role of the Arts and Culture in New England's Economic Competitiveness*, 2000.

In some people's minds, policies to increase growth come at the expense of social and spatial outcomes. This could not be further from the truth. The fact is, better performing economies also perform better on environmental and social criteria. And as economic performance improves, so do the 'non-economic' measures of community well being.

Our broad community goals – people, place and prosperity – are interdependent and linked to each other more closely than ever before. It is for this reason that the Government has developed three complementary plans for achieving its vision of Canberra – this Economic White Paper, the Social Plan and the Spatial Plan.

The overarching Canberra Plan draws the key elements of these plans together to form an integrated strategy.

The Canberra Plan will provide a framework to guide Government action and ensure incremental decisions by Government and business work towards larger goals. The Economic White Paper sets out both the fundamental principles and commitments that shape long-term Government policy. However, it also identifies immediate actions that start the process.

The ACT Government's commitment to sustainability – i.e. building quality and persistence in the process of economic development – binds together these plans and sets of objectives.

Sustainability is about providing for people, protecting our place and creating prosperity, now and into the future. It is a way of thinking, a way of making policy and a way of doing business that respects the integrity and interdependence of social, environmental and economic values, objectives and processes. Sustainability emphasises development that is socially responsible, environmentally sound and economically viable, and it strives to simultaneously meet these goals. It recognises that meeting the needs of this generation cannot be at the expense of future generations being able to meet their own needs.

The Government reaffirms the 13 principles set out in its policy statement, *People Place Prosperity: a policy for sustainability in the ACT*, designed to translate the concept of sustainability into practical action.

Principle 1

The Government will take a lead role in the transition to a sustainable ACT by recognising that a strong and productive economy must build upon and be supported by a healthy environment and a healthy society.²

The Changing Economic Environment

Improving our quality of life requires a dynamic economic base. Our options are linked to the productivity of our workforce and our businesses, which in turn depend on the value of the goods and services we produce and the efficiency at which we produce them. High levels of productivity allow nations and regions to support higher incomes and to provide a competitive return on funds invested. What is critical is the productivity levels we can achieve compared with those of the other regions we compete against.

The dimensions of competitiveness have also changed significantly in recent decades. This new environment – or 'new economy' – puts a much higher premium on innovation and adaptive efficiency. That is, the ability of businesses and other institutions, including governments, to innovate, learn and change.

The control of costs and an efficient business environment still matter but they are no longer sufficient to ensure economic success. Competitiveness depends more on the creation, commercialisation and use of new knowledge. Accordingly, high-level skills, learning, creativity and adaptation are now the key determinants of competitive advantage in many industries.

² ACT Government, *People Place Prosperity: a policy for sustainability in the ACT*, Canberra, March 2003.

Across the world, governments, companies and institutions are rethinking their policy priorities and strategies in response to this new economic paradigm. Constant innovation is now central to the performance and survival of many organisations. Similarly, there is now a clear role for governments to foster innovation, for example, through their policies on infrastructure, investment, industry assistance, regional development, and education and training.

Successful strategies for competitiveness now require a stronger emphasis on accessing highly skilled workers, creating better

information flows, improving technology and infrastructure, better management of the supply chain, high-quality basic and applied research, stronger links between educational institutions and industry, and the creation and support of business clusters. This may involve the interconnection of companies, suppliers, service providers, educational and research institutions in a particular field, linked by a range of commonalities and complementarities. The shift in the thinking required to succeed in the new economy is summarised in Table 1.

Table 1. The changing economic environment

Old ways of thinking	New ways of thinking
Costs matter most; we need to be a cheap place to do business.	Costs are important but ideas and talent matter most.
We need to attract companies to our region.	First and foremost, we need to attract and retain highly talented people; companies will then follow.
A high-quality physical environment is not an economic or business-relevant issue.	Environmental and cultural amenities are vital in attracting highly talented workers.
The key to a region's economic success is its fixed competitive advantage in some marketable resource or skill.	Competitive advantage must be created and continually renewed; a region will only prosper if its businesses, organisations and individuals are able to innovate, learn and adapt.
Government leads economic development and fundamentally determines the competitiveness of business.	Government creates the environment for growth but industry must lead in driving innovation and achieving competitiveness. Strong partnerships are needed between government, business and the wider community to bring about desirable change.

Source: Adapted from Texas Perspectives Inc., *Austin's Economic Future: The Intersection of Innovation, Creativity and Quality of Life*, November 2002

The experience and dynamics of the new economy are not entirely new. Some things have changed; others remain. The increasing pace of economic change means that the ability to innovate and adapt is now crucial, but this must be added to traditional business goals of meeting customer needs, controlling costs, ensuring quality and adding value.

Government policy must also adapt.

One of the key insights is the importance of regionally-based industry clusters, or nodes of expertise. Cities and regions are key players in international industries, providing concentrations of talent, expertise and innovation.

Regional clusters are characterised by a range of firms within a sector that are able to draw on a common pool of workers and second-tier support services providing highly specialised inputs or business services.

The ACT is well placed to prosper in this challenging environment. Indeed, it already has many of the attributes required for success in the new economy. Our value added per head of population is significantly above the national average. Our technological infrastructure is of a high standard, and many of our industries are both technologically sophisticated and highly committed to innovation. We have a thriving small business sector, a high level of labour force participation, and a relatively low rate of unemployment. The ACT also has high levels of participation in education and training and a highly educated labour force. We have strong research institutions and a cohesive and supportive community that takes pride in its city. In short, the ACT rates well on each of the 'three Ts' identified by Richard Florida as the key determinants of success in the modern economy: *Technology, Talent and Tolerance*.³

Despite these attributes, there can be no sense of comfort. We now face a number of clear challenges and vulnerabilities. For example, the narrowness of our Government revenue base, the economy's dependence on public sector demand, the ageing of our population and labour force, and the need to conserve and

better manage key community resources such as water. We also need to provide facilities and amenities that will retain our young people in the ACT and attract the best talent from elsewhere.

The new economy is dynamic, with markets fragmenting, technology constantly changing, and competition coming from new and unexpected places. Approaches and policies designed simply to maintain the status quo are more likely to be a recipe for stagnation.

There is no choice, in short, but to take a strategic view of our future development. That is the purpose of this Economic White Paper.

The Role of Government

Successful economic development requires a dynamic business environment that supports and encourages innovation. Its horizon is the long term, stretching far beyond the administration of any individual government. Assets must be built, behaviour has to change, and investments have to feed through to generate results.

The competitiveness of an economy depends ultimately on its businesses and firms – that is, the ability of the private sector to create valuable goods and services efficiently and to service demand. The role of government is to create the conditions and environment conducive to private sector wealth creation. Key elements of that environment must be a strong record of government economic management, stable and efficient political, legal and social institutions, business-friendly planning and regulation, and an education system that is responsive to the needs of the private sector.

Government also has an important role to play in working with firms, industry and the community to respond to identified challenges and impediments to their development. Accordingly, strong partnerships are a requirement for success and government has a major role to play in fostering and sustaining those partnerships.

³ Richard Florida, *The Rise of the Creative Class*, 2002.

Development of The Economic White Paper

In its policy platform for the 2001 Election, the Government committed itself to developing an Economic White Paper to:

*identify those industries where the ACT has a competitive or natural advantage, so that awareness of those industries and the opportunities they create shape overall policy.*⁴

The Economic White Paper has been subject to extensive research and consultation. A Discussion Paper, *Building Canberra's Economy, A Discussion Paper for the Economic White Paper*, was produced in March 2003. Individual businesses and industry groups were invited to make submissions on the Discussion Paper and many did. Their interests were varied (see **Table 2**). In particular there was wide-ranging support for building on the ACT Region's competitive advantages and bringing a focus to industry development.

Table 2. Major issues raised in submissions



Source: Responses to Building Canberra's Economy, A Discussion Paper for the Economic White Paper, 2003

The Economic White Paper presents the Government's vision and high-level strategy for the sustainable economic development of the ACT and its region. Although it announces a number of immediate and medium-term measures and initiatives, it is primarily a document for the long term, providing a framework to guide our economic development opportunities over the next decade and beyond.

The structure of the Economic White Paper is as follows:

Chapter 2 reviews the recent performance of the ACT economy and highlights features of the Territory's economic structure. It examines the key strengths and assets that have underpinned the ACT's economic performance and also the challenges, risks and vulnerabilities we face.

Chapter 3 presents the Government's broad policy framework for the long-term development of the ACT economy concentrating on high-level principles and key directions for sustainable economic growth and development.

Chapter 4 outlines the Government's commitment to provide an environment that is conducive to private sector development. It contains a range of government commitments to achieve the goal of making the ACT the most small business-friendly location in Australia.

Chapter 5 identifies the priority industry sectors and ways the Government can help build competitive advantage as a foundation for future growth. It contains a number of government commitments that will assist in building critical industry mass.

Chapter 6 highlights the importance of education and training as an element of any economic development strategy. It outlines a number of government commitments to strengthen the ACT's performance across schools, training institutions and workplaces.

Chapter 7 identifies the areas that are key enablers for industry growth and development, and for the attraction of business investment to the ACT. It outlines a range of government commitments to create a planning environment that responds to economic and social challenges.

⁴ Australian Labor Party (ACT Branch), *ACT Labor's Plan for Developing Industry*, October 2001.

Chapter 2

Opportunities and Challenges

This chapter reviews the recent performance of the ACT economy and highlights features of the Territory's economic structure. It examines the key strengths, assets and advantages which have underpinned the ACT's generally strong economic performance in recent times, and which will need to be further developed if the ACT is to make the most of opportunities presented. To balance the picture, the chapter also discusses the challenges, risks and vulnerabilities facing the ACT.

Performance of the ACT Economy

The ACT's economy has shown strong growth in the last decade with real Gross State Product⁵ increasing by nearly 40 per cent since 1991-92 (see **Figure 1**). A significant proportion of this growth has occurred since 1996-97.

The ACT economy relies heavily on activities generated by Government Administration and Defence. However, the private sector, and particularly the service industries, makes an important contribution to the Territory's income base (see **Figure 2**).

On the key measures of economic performance – production, income, consumption, investment and wealth – the ACT's record is strong, and

generally surpasses the performance of all other States and the Northern Territory.

The ACT workforce has a higher proportion of highly skilled workers and a history of relatively low unemployment. The ACT enjoys high average incomes and consumption. For example, the ACT has the highest level of consumption per capita of any Australian State or Territory.

Our net investment in built assets is below national average, reflecting our relatively small industry and manufacturing base. However, our levels of human capital – i.e. education, training, knowledge and skills – are quite high and also augmented by inward migration of skilled workers.

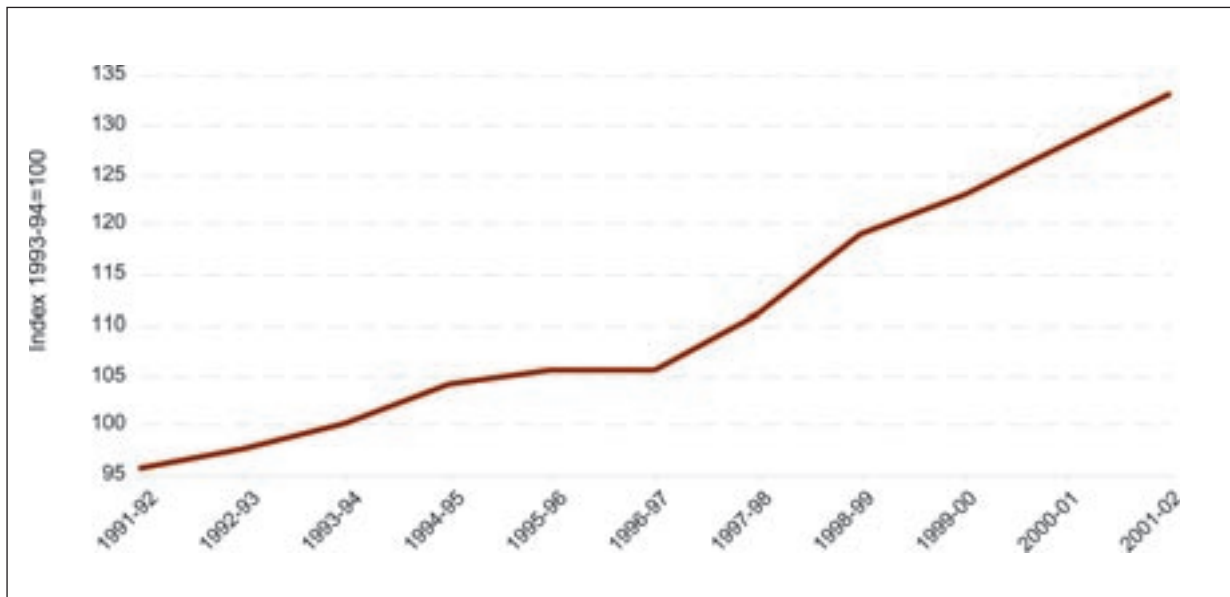
The ACT's value added per head of population is some 20% higher⁶ than the national average and accounts for around 2.0% of Australia's Gross Domestic Product with around 1.6% of the nation's population (see **Figure 3**).

Average gross household disposable income in the ACT was \$34,300 in 2002-03; more than 40% higher than the national average (see **Figure 4**). However, direct comparisons with other Australian cities, rather than States, reduces this gap.

⁵ Measured as real gross state domestic income.

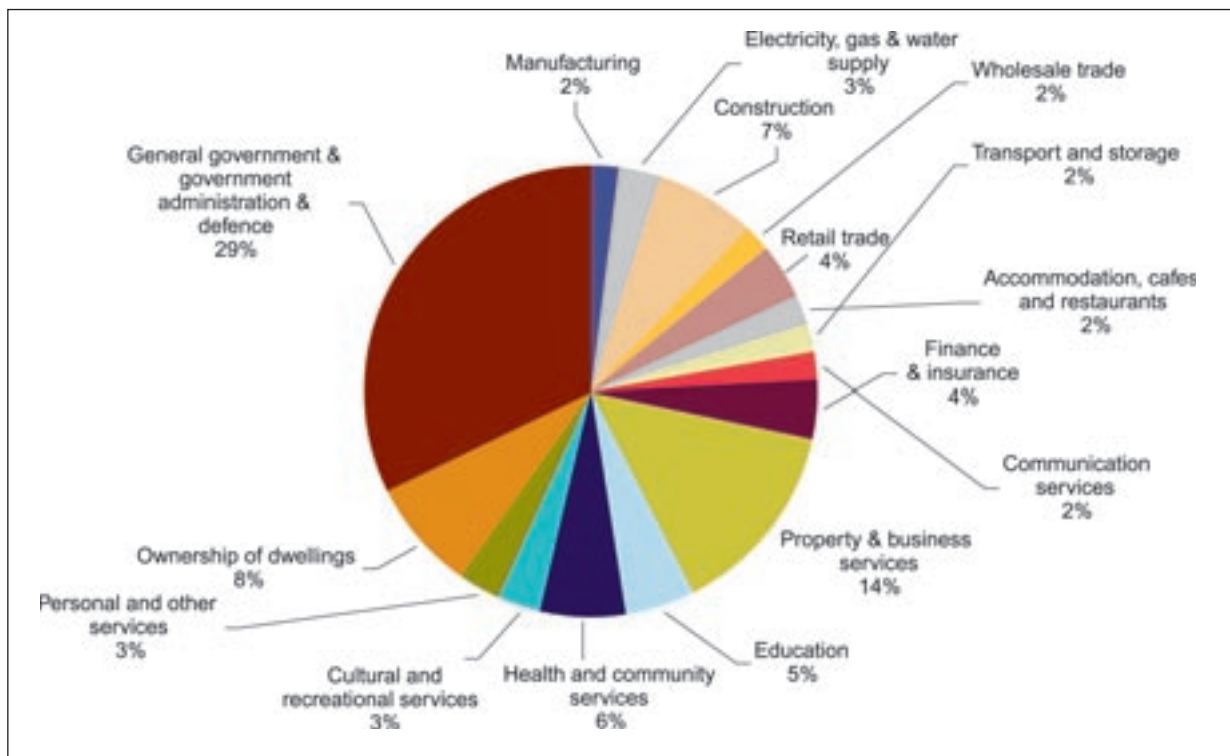
⁶ This is despite the accounting convention that assumes government activity adds no value for citizens and consumers of government services.

Figure 1. ACT's real Gross State Product: CVM: Index



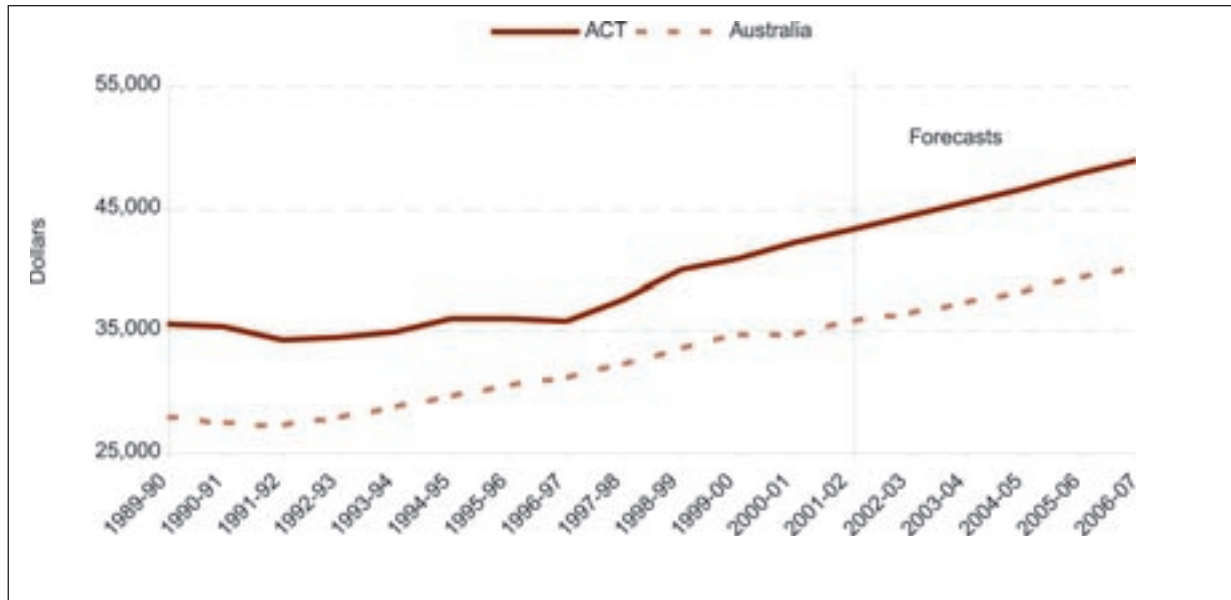
Source: Econdata (2003)

Figure 2. ACT Gross State Product by industry



Source: ABS Australian National Accounts, State Accounts, 2001-02 (Catalogue No. 5220.0)

Figure 3. Gross State Product per head of mean population chain volume measures (a)



(a) Reference year for chain volume measures is 2000-01

Source: ABS, Australian National Accounts, State Accounts, 2001-02 (Catalogue No. 5220.0)

Figure 4. Real gross household disposable income per head of mean population, 2001-02 prices (a)



(a) Current price values adjusted to 2001-02 using all groups consumer price index for relevant capital city

Source: ABS, Australian National Accounts, State Accounts, 2001-02 (Catalogue No. 5220.0)

Total gross fixed capital formation as a proportion of Gross State Product is generally lower in the ACT than in the rest of Australia. In contrast, our investment in human capital is significantly higher than other States.

At \$310,000, the average net worth of ACT households at 30 June 2000 was second only to that of New South Wales (\$345,000) (see **Figure 5**).⁷

The long-run performance of an economy depends largely on the productive capacity of its population. Related determinants are the size of the population of working age, the rate of participation in the labour force, and the productivity of labour. Labour productivity is strongly linked to the skills and motivation of the workforce, which in turn relates to education, training and experience.

There is a strong connection between the skills base of a nation or region and the adaptive efficiency of its economy. In every Australian State and Territory, labour force participation rises – and unemployment falls – with increasing levels of educational attainment.

In these respects the ACT has performed well in the past, and appears well positioned for the future. Despite the sharp slowing of population growth in recent years (see **Figure 6**), the ACT still has a reasonably young population (a median age of 32 years compared with the Australian median of 35 years). Also, more than 70% of the ACT population is in the independent age group (15–64 years) (see **Figure 7**).

Our rate of labour force participation at 71.0% is markedly higher than the national rate of 63.6% (see **Figure 8**). Female participation in the labour force is particularly strong (65.6%, compared with a national rate of 55.8%).

Levels of educational participation and attainment in the ACT exceed those of any other State or Territory. Among people aged 25–64,

63.0% of ACT residents hold a vocational or higher qualification compared with 49.5% of people Australia-wide.⁸

The ACT's current rate of unemployment of 4.1% (July 2003) is the lowest in Australia.

Distinctive Features of the ACT Economy

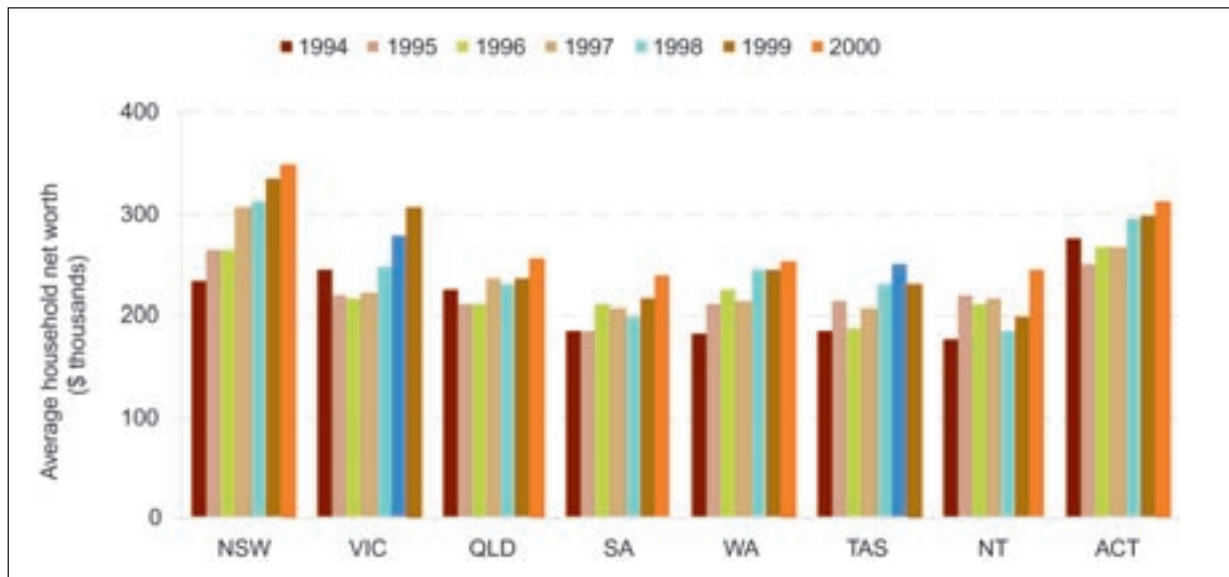
The structure of the ACT economy differs markedly from the broader national economy in a number of significant respects:

- the ACT's role as the national capital and home of the Australian Government, and related to this, the dependence on Commonwealth Government activity as a source of demand;
- a large public sector – accounting for one third of GSP and around one quarter of total employment – and relative to this, negligible activity in industries such as agriculture, mining and manufacturing (see **Figure 9**). Other significant industries in the ACT economy are property and business services (14% of employment and 14% of GSP), retail trade (13% of employment and 4% of GSP), health and community services (9% of employment and 6% of GSP) and education (9% employment and 5% of GSP);
- an occupational structure that is heavily weighted towards white collar jobs at the more highly skilled end of the occupational spectrum. For example, the ACT workforce has relatively higher proportions of managers, administrators, professional workers and clerks than the rest of Australia, but lower proportions of tradespeople, labourers and production workers (see **Table 3**);

⁷ Australian Bureau of Statistics, *Experimental Estimates of the Distribution of Household Wealth, Australia, 1994–2000*, Catalogue No. 1351.0.

⁸ Australian Bureau of Statistics, *Measuring Australia's Progress*, Catalogue No. 1370.0, April 2002, page 63.

Figure 5. Average household net worth by State and Territory, as at 30 June 2000



Source: ABS, Experimental Estimates of the Distribution of Household Wealth, Australia, 1994–2000 (Catalogue No 1351.0)

Figure 6. Annual population growth, ACT and Australia



Source: ABS, Catalogue Nos 3101.0 and 3222.0 (Series 2), and Demographics ACT

- a private sector dominated by small business – businesses employing fewer than 20 people account for some 96% of all private sector businesses in the ACT. Employment in these businesses represents over half (53%) of all private sector employment – a higher proportion than in any other State or Territory (discussed in more detail later in this chapter); and
- a narrow government revenue base, heavily dependent on transfer payments from the Commonwealth and housing-based revenues as the principal source of own-source revenue.

The employment base of the ACT economy has diversified considerably since the late 1980s, and especially since 1996. There has been a significant decline in the Commonwealth's share of total employment and a relatively strong growth in private sector activity and employment (see **Figure 10**).

However, it is important not to read too much into these changes. As a source of final demand in the ACT economy, the Commonwealth Government has actually increased its share during the same period to over 40%. The reduction in its share of total employment reflects changes in the delivery of Commonwealth services, principally through outsourcing (see **Figure 11**). The fact remains that the Commonwealth Government is the dominant source of demand stimulus in the ACT and the economy will remain highly sensitive to movements in Commonwealth Government expenditure, particularly consumption expenditure.

Many of the factors that have underpinned economic performance in recent years are unlikely to change markedly in the short to medium term, and in that sense the ACT can expect to maintain reasonably strong economic outcomes in the near term. However, there can be no guarantee that the assets that have served us well in the past will be maintained indefinitely into the future. Indeed, there are

already signs of emerging risks and pressures that need to be recognised and addressed.

Wealth distribution and equity issues are also important. There are already some wide disparities in the distribution of income, employment opportunities and wealth in the ACT community. For example, the fifth of ACT households earning the highest income enjoy disposable incomes more than four times greater than the fifth of ACT households earning the lowest income.⁹ While the ACT is little different in this respect from other parts of Australia, any further widening of the gap may have consequences for the level of poverty, health and crime in the community. Poorer social outcomes have consequences for economic development. In this important sense, a commitment to equity is as much an economic issue as it must be a social goal.

Ultimately, no economy or community can rest on its laurels. Our economic and social goals are closely linked and are the result of good policy making, rather than taken as a given in any sense.

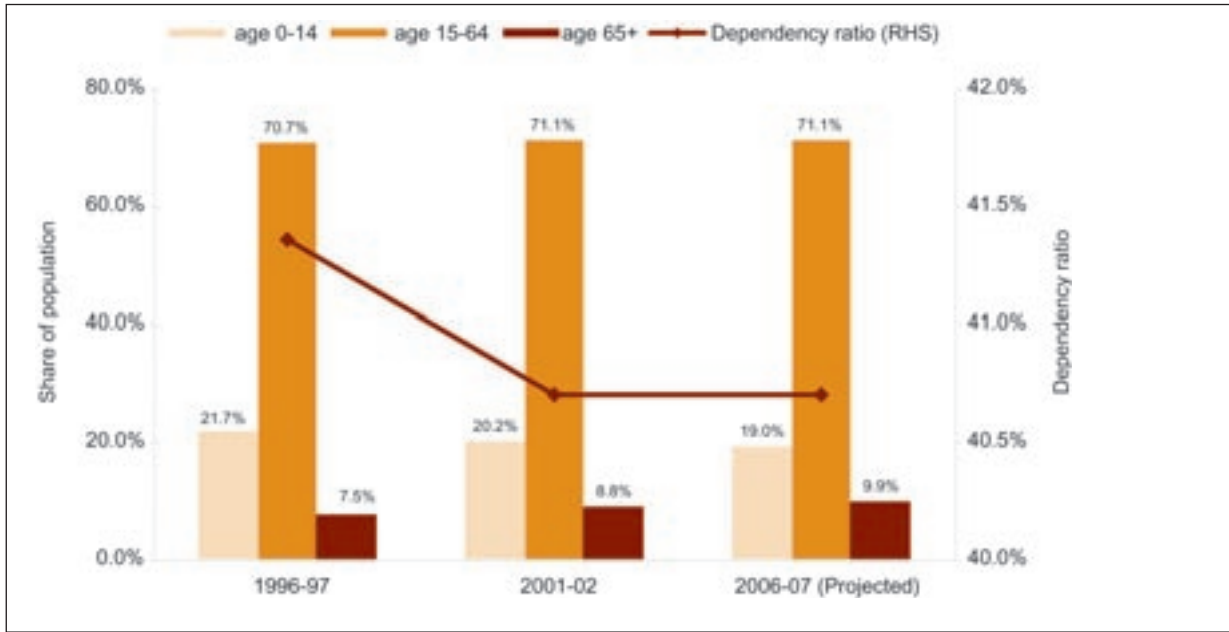
Small Business in the ACT

Small business plays a vital role in the ACT economy. There are now some 20,000 small businesses in the ACT. Around 17,000 of these are micro businesses with fewer than five employees, while around 3,000 employ between 5 and 19 people. In total, these small businesses represent over 96% of all private sector businesses in the ACT (see **Figure 12**).

In 2000-01 total employment in small business in the ACT was 52,900 people; around 53% of all private sector employment – a higher proportion than in any other State or Territory. The ACT's small business sector has also grown strongly in recent years with around 3,900 new businesses added in the three years to 2000-01 (see **Figure 13**). This is the highest rate of small business formation by any State or Territory.

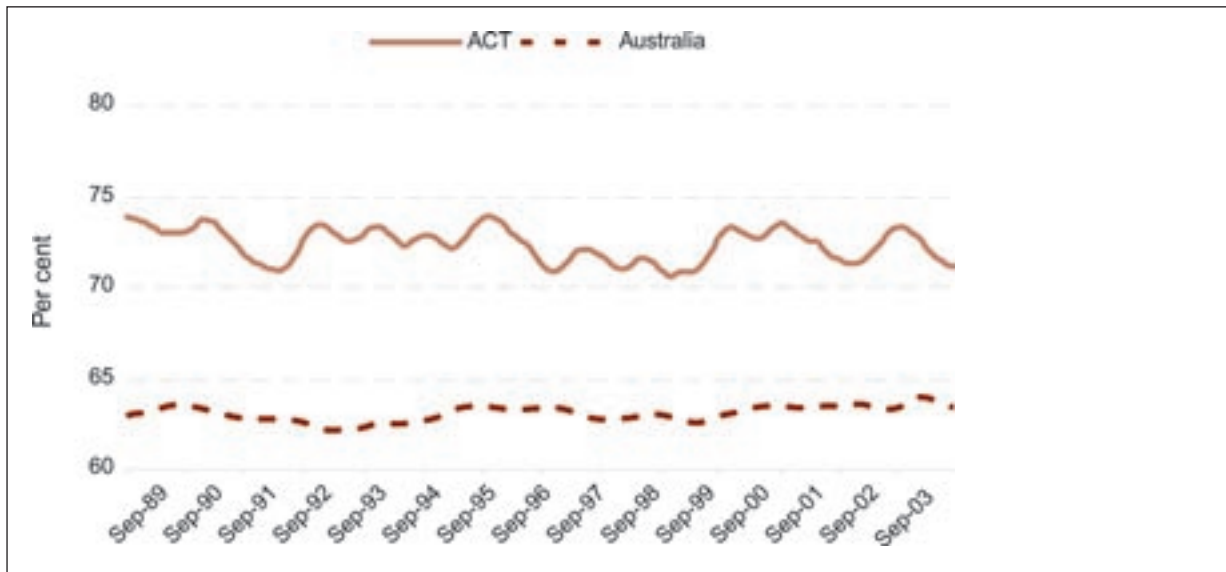
⁹ Australian Bureau of Statistics, *Household Income and Income Distribution survey, 2000-01* (unpublished data).

Figure 7. ACT population: age distribution, actual and projected



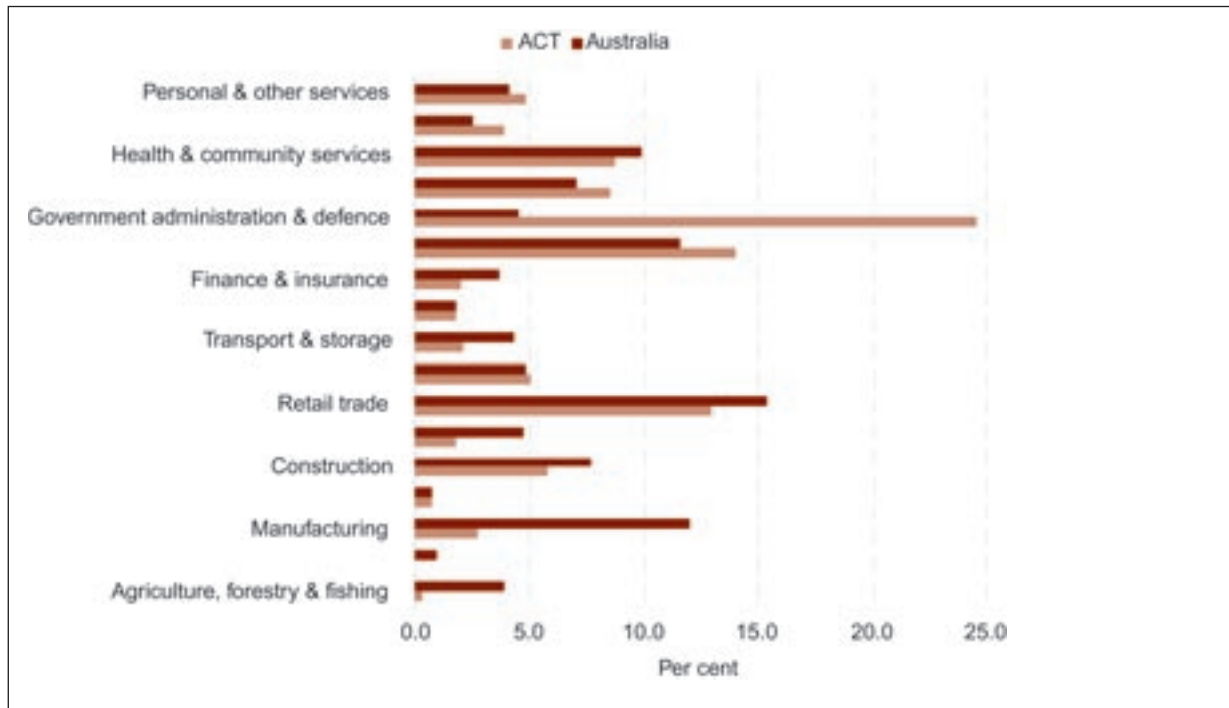
Source: ABS, Catalogue Nos 3201.0 and 3222.0 (Series 2), and Demographics ACT

Figure 8. Labour force participation rate, ACT and Australia, monthly trend



Source: ABS, Labour Force, Australia (Catalogue No. 6202.0)

Figure 9. Employment by industry, ACT and Australia Year ended May 2003



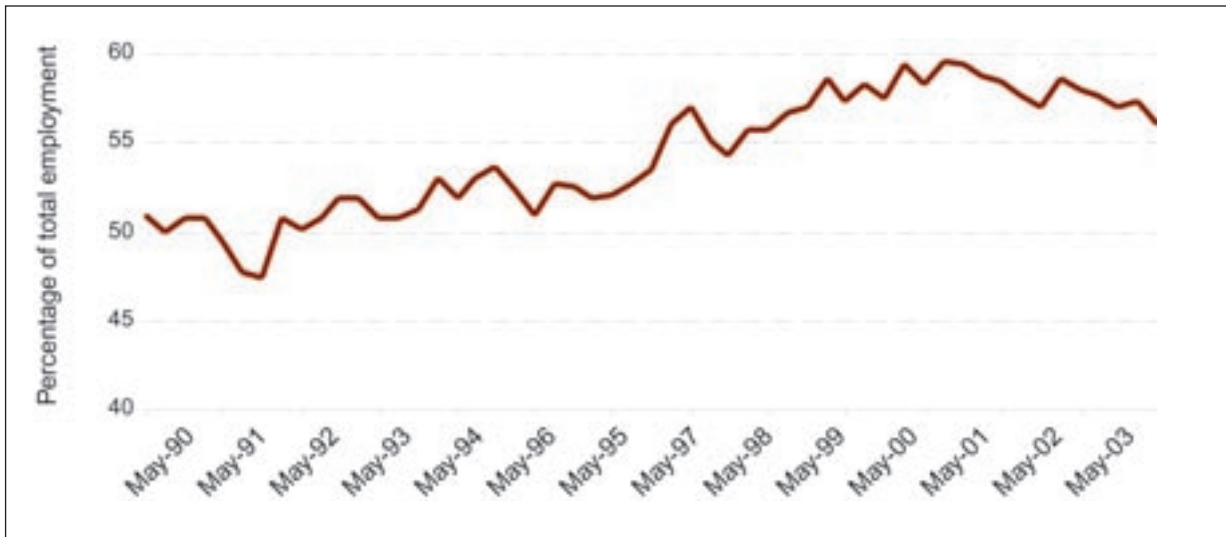
Source: ABS, Labour Force, Australia (Catalogue No. 6291.0.55.001)

Table 3. Distribution of employed people by occupation, 2001

	ACT %	Australia %
Managers and administrators	11.4	9.2
Professionals	26.1	18.2
Associate professionals	14.2	11.8
Tradespeople and related workers	8.0	12.3
Clerical, sales and service workers	30.8	29.8
Intermediate production and transport workers	3.6	8.1
Labourers and related workers	4.0	8.6
Inadequately described or not stated	2.0	2.0
Total	100.0	100.0

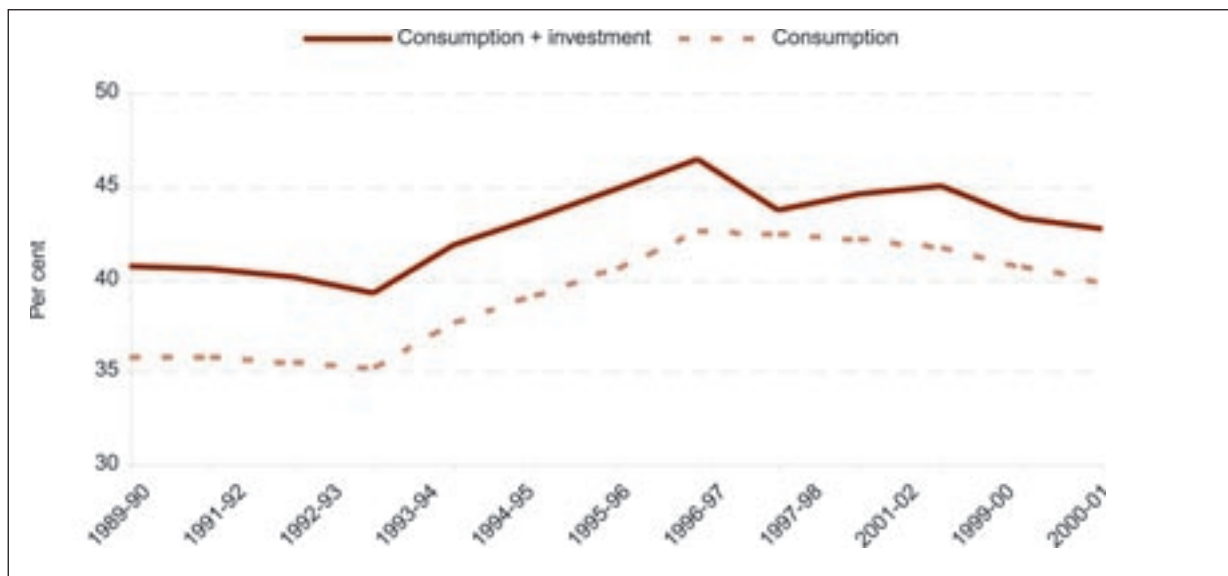
Source: ABS Census of Population and Housing, 2001

Figure 10. Private sector share of employment in the ACT



Source: ABS, Derived from Wage and Salary Earners, Public Sector, Australia (Catalogue No. 6248.0) and Labour Force, Australia (Catalogue No. 2602.0)

Figure 11. Commonwealth Government's share of final demand in the ACT



Source: ABS, Australian National Accounts, State Accounts, 2001-02 (Catalogue No. 5220.0)

Over the same period, total employment in ACT small business grew by 5,700 or 12.1% – a growth rate second only to Western Australia's.

Small business owners/operators in the ACT are predominantly male (65% of all operators) and relatively well qualified (64% holding some form of post-school qualification). The majority (56%) are aged between 30 and 49, 11% are less than 30 years of age and 33% are aged 50 or older. Most operate a single business only, but a small number (8%) operate two or more businesses. More than 70% work full-time (35 hours or more per week), and 21% work for more than 51 hours per week.¹⁰

Relative to other States, the ACT's small business operators are heavy users of computer technology. For example, the proportion of small businesses owning a computer is significantly higher than in any other State or Territory, as is the proportion using the Internet for business purposes such as payments, e-mail and research (see **Table 4**).

Home-based Small Business

Nearly four in every five ACT small businesses operates from home, even if some part of their work is done elsewhere. Not only is this a significantly higher proportion than in any other State or Territory (see **Figure 14**) but home-based businesses have been by far the fastest-growing sector of small business in recent years. Between November 1999 and June 2001 the number of home-based businesses in the ACT grew by 60%, and the number of home-based business operators by 44%.

New research has shed some useful light on the characteristics of these home-based businesses in the ACT.¹¹ For example, most home-based businesses operate wholly in the private sector, and only a small minority provide services to the

public sector either exclusively or predominantly. Businesses providing personal services or services to business make up a high proportion of all home-based businesses, but such broad descriptions fail to capture the diversity in the nature of work performed.

The home-based businesses affected by the ACT's January 2003 bushfires, for example, included a building company, a furniture manufacturer, a cattery, a number of tourism operators, a tax agent and a business specialising in the design and sale of business postcards. There were also several artists and sculptors, restaurant and café owners, teachers and educational specialists, IT contractors and other business-related consultancies, a Chinese medicine practice, a speech pathologist, a psychologist, a catering firm and a number of retail businesses.¹²

Home-based business owners rate cost-related considerations as the principal advantage of working from home, although convenience, flexibility of working arrangements and family-related considerations are also important.

Perceived disadvantages are the difficulty of separating work and family life, the feeling of being 'at work' for 24 hours a day, the isolation from mainstream business contact, and the lack of visibility or profile in the business community. Overall, however, most owners are enthusiastic about the benefits of working from home, and many state that the advantages significantly outweigh the disadvantages.¹³

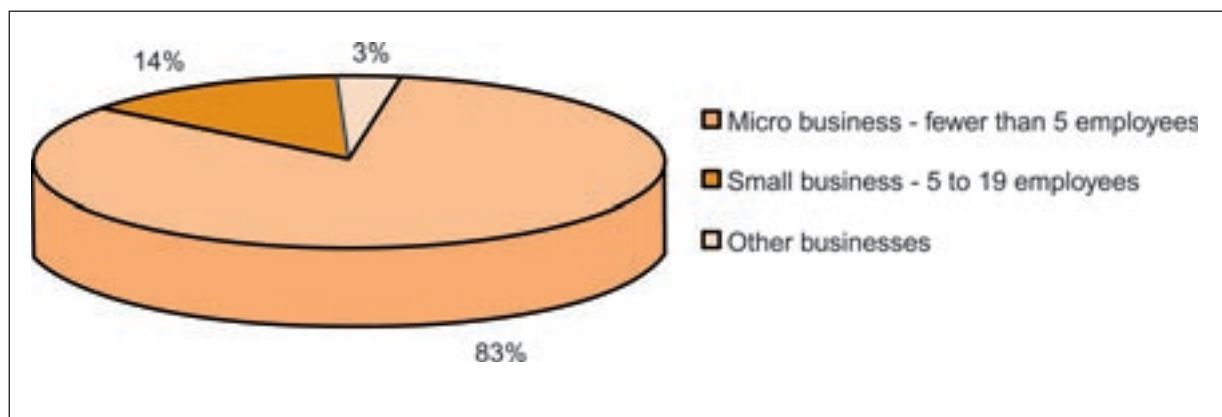
10 Australian Bureau of Statistics, *Characteristics of Small Business, Australia*, 2001 Catalogue No. 8127.0, March 2002.

11 PG Policy Consulting, *After the Firestorm: A Report to BusinessACT on the Effects of the January 2003 Canberra Bushfires on Small Business in the ACT*, June 2003; and Artcraft Research, *ACT Small Business Survey*, June 2003

12 PG Policy Consulting, *op. cit.*

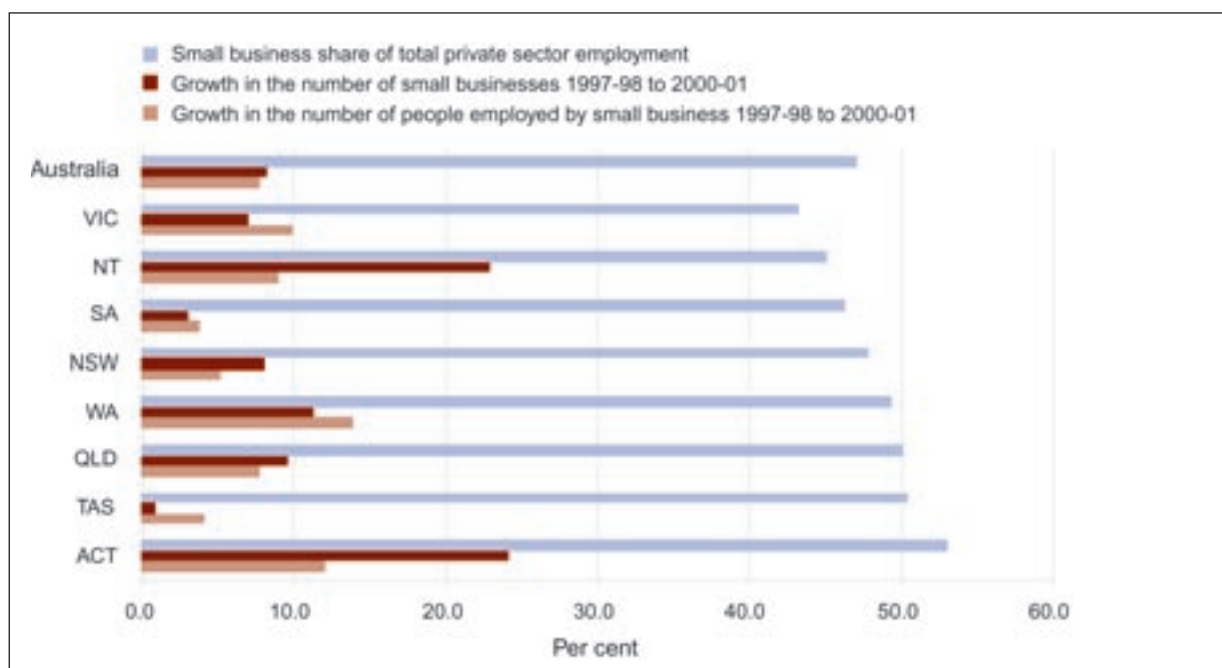
13 PG Policy Consulting, *op. cit.* and Artcraft Research, *op. cit.*

Figure 12. Distribution of ACT businesses by size of employment – ACT, 2000–01



Source: Australian Bureau of Statistics, *Small Business in Australia, 2001* (Catalogue No. 1321.0, October 2002)

Figure 13. Growth in small business employment



(a) Excluding agricultural sector employment.

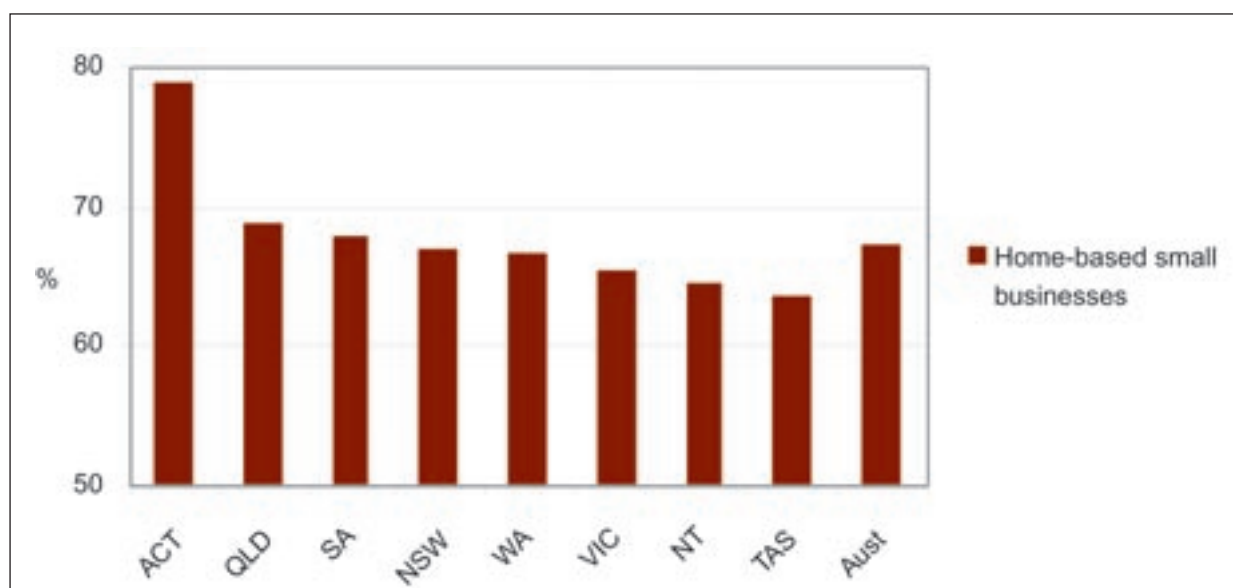
Source: Australian Bureau of Statistics, *Small Business in Australia, 2001* (Catalogue No. 1321.0, October 2002)

Table 4. Computer usage by small business operators, ACT and Australia, June 2001

(percentages of all small businesses)	ACT (%)	Australia (%)
Businesses with a computer	76.5	66.6
Businesses with access to the Internet	65.2	52.5
Businesses using the Internet for:		
E-mail		
Research	61.2	43.8
Making or receiving payments	58.2	41.5
Other	29.3	18.1
	59.3	42.5

Source: Australian Bureau of Statistics, Characteristics of Small Business, Australia, 2001 (Catalogue No. 8127.0, March 2002)

Figure 14. Home-based businesses as a proportion of all small businesses, by State and Territory, 2000–01



Source: Australian Bureau of Statistics, Small Business in Australia, 2001 (Catalogue No. 1321.0, October 2002)

Principle 2

The Government aims to make the ACT the most small business-friendly location in Australia.

Strengths and Assets

The ACT has an array of unique attributes and assets. They include:

- international status as a model of urban development, ‘richly endowed with visionary planning and design’;¹⁴
- its role as Australia’s national capital, and the seat of the Federal Parliament;
- attractive lifestyle, urban form and natural environment, offering an array of recreational opportunities;
- a strong interest in the arts – the ACT has the highest per capita involvement in Australia in arts related activities;¹⁵
- modern and efficient public infrastructure, in transport, communications, utilities and public services;
- high level of technological infrastructure;¹⁶
- a highly educated population and labour force, and strong educational institutions at all levels;
- strong research institutions and research performance – ACT institutions attract over 10% of national funding for public sector research and development;¹⁷
- a diversifying economy, characterised by high labour force participation, low unemployment and a growing export focus in key industries (education, information technology, tourism, defence and biotechnology);

- an efficient system of governance – a single level of government provides both state-type and municipal functions;
- high standards of health and health care;
- a cohesive and mutually supportive community – clearly demonstrated in the aftermath of the devastating bushfires of January 2003; and
- its youth, vitality and flexibility.

All of these attributes will help the ACT to transition to the new economic environment described in the previous chapter. In the new economy the quality of a region’s environment, education, health, cultural assets and community support structures are just as important to the attraction of investment and talented workers as the strength of the economy and stability of government structures.

The challenge, however, is not to protect and preserve these attributes, but to harness them in new and creative ways. In short, the challenge is one of innovation, not preservation.

Vulnerabilities and Risks

The ACT is also exposed to significant risks and vulnerabilities. Some are peculiar to the ACT by reason of history or circumstances, while others we share with other parts of Australia. Many of these matters were canvassed in the Discussion Paper precursor to this White Paper¹⁸. The Government has considered carefully the community’s reactions to the Discussion Paper in formulating this document.

Population and Place

Population characteristics have a major impact on the economy, the type of housing and related infrastructure, on government services, and the lifestyle of the people.

14 Organisation for Economic Co-operation and Development (OECD), *Urban Renaissance, Canberra: A Sustainable Future*, page 15

15 Australian Bureau of Statistics, *Attendance at Selected Cultural Venues and Events, Australia*, Catalogue No. 4114.00.

16 Australian Bureau of Statistics, *Measuring Australia’s Progress*, Catalogue No. 1370.0, April 2002, page 120, and ABS, *Characteristics of Small Business, Australia, 2001*, Catalogue No. 8127.0, March 2002.

17 Advance Consulting, *Obtaining Economic Benefits from Public Sector Research*, September 2002.

18 ACT Government, *Building Canberra’s Economy, A Discussion Paper for the Economic White Paper*, March 2003.

Until the mid 1990s, the ACT had high population growth fed by large numbers of people migrating to the Territory, largely associated with the establishment of Canberra and Commonwealth Government departments. This also produced a rapidly growing housing industry and strong employment prospects for a young-age population. Most of this growth occurred within the Territory with relatively little in the surrounding region.

The mid 1990s shock of Commonwealth Government employment and funding cuts to the ACT produced a short and severe economic downturn and large net migration flows out of the Territory. This single event reinforced the need to diversify the economy and this process has begun to occur mostly through private sector growth in emerging industries. In recent times, the ACT economy has rebounded and this has resulted in a return to moderate net migration gain. However, current population growth at 0.8% remains much lower than the national average.

Based on a moderate population growth scenario, the ACT's population would grow to 390,000 people in 30 years time (an additional 67,000 people and 47,000 households). This is based on current low levels of natural increase and an increase in net migration to the ACT of about 500 people per year (currently about zero). (See **Figure 15**.)

Compared with the ACT, Queanbeyan's population growth over the past decade has been high at 2.4% per annum. However, limitations on land available for development in Queanbeyan are likely to constrain future growth. Assuming additional land in areas of NSW near Queanbeyan remain undeveloped, Queanbeyan's population is not likely to increase by more than 7,000 to 10,000 over the next 30 years. However, should additional residential developments proceed, these figures could expand.

Outside the Region's major urban centres, growth is expected to continue to be fuelled by demand for a rural residential lifestyle. However,

over the next 30 years this will translate into no more than about 5,000 additional people for the Region.

Based on existing trends and policies, the ACT and Queanbeyan will grow to around 425,000 to 430,000 in 2033, with moderate additional growth in the regional hinterland.

Without moderate population growth, the ACT is facing a significant shortfall in the people of employable age that are needed to drive future growth in the economy. For example, the proportion of people aged 65 years and over is projected to increase from about 8% of the population now, to over 20% in 30 years.

Similarly, the proportion of children in the population is projected to fall from about 20% to around 14% in 30 years time (see **Figure 16**).

Without sufficient young people the economy will have less capacity to generate wealth, opportunity and services. Policies that encourage older people to remain in the workforce can moderate this effect, but not eliminate it completely.

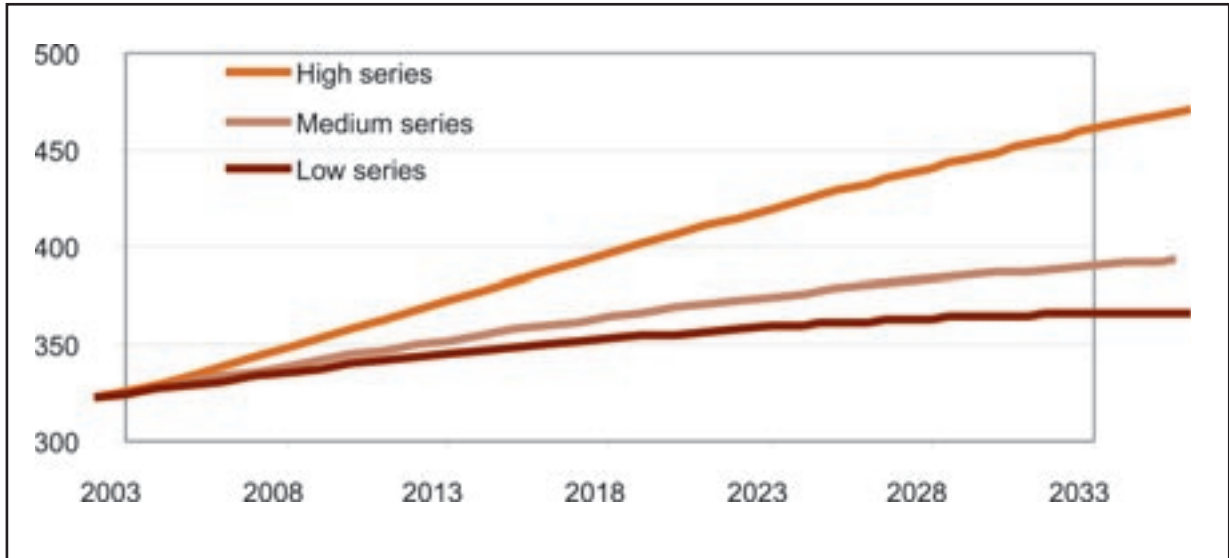
However, there also needs to be a balance of older and younger citizens that create the right social mix to maintain a dynamic community.

Moderate population growth over the next 30 years would be a good outcome for the ACT. However, without aiming for higher levels of growth, even moderate growth may elude us.

Growth at the high end of population projections would allow the ACT to reduce some of its over-reliance on the private car and to develop Civic and our Town Centres as more people-oriented places. Not only would this improve the amenity for existing residents, but some studies suggest that a more people-friendly city will help us attract more knowledge-based workers and investment.

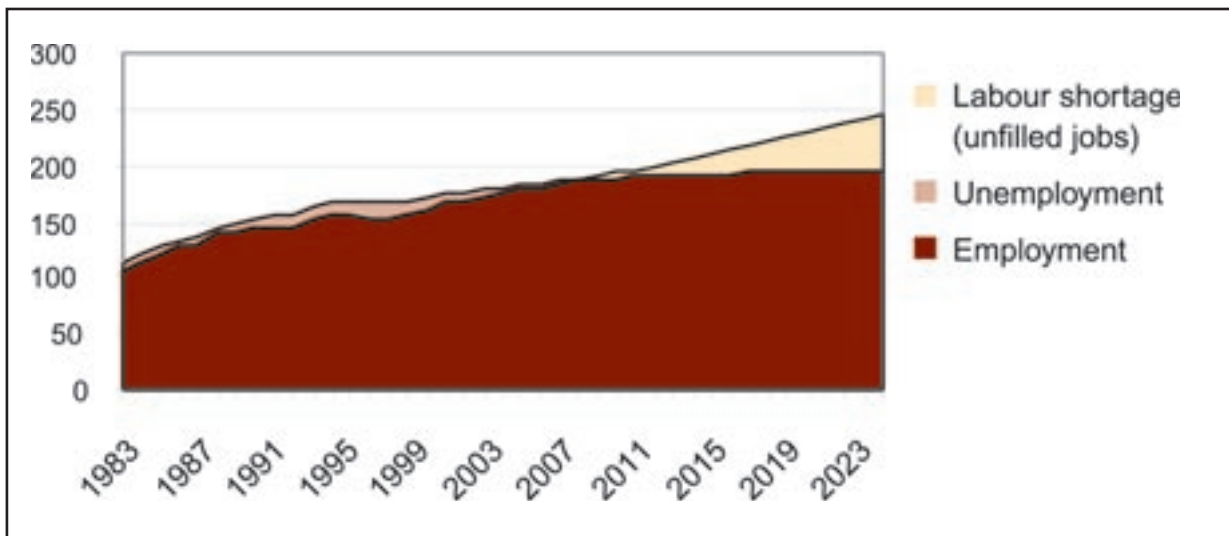
The Spatial Plan will examine contingencies based on higher population growth to 500,000 people for the ACT and the region (see **Figure 17**). This would be broadly consistent with high-end projections for the ACT made in September

Figure 15. Migration of different age groups in and out of the ACT



Source: ACT Population Projections 2002-2032 and Beyond, ACT Government, June 2003

Figure 16. Projected and economic drivers of employment growth (1983 to 2023)



Source: Demographics ACT, population projections model, 2003

Note: Demographic drivers of employment growth are based on assumptions of no change in labour force participation at each age for each sex, and 500 net migrants per year to the ACT. Economic drivers of employment growth are based on exponential growth in employment of 1.7% per year.

2003 by the Australian Bureau of Statistics. Higher growth is more likely to be achieved through an improved rate of net migration to the Territory. Some of this growth would come from targeted strategies – such as an attraction focus on international students and knowledge-workers – supplemented by other strategies to lower the ACT's annual emigration.

For example, high-end projections would require net migration to rise to over 2,000 people per year. While this figure may seem ambitious now, growth begets growth.

A strong population growth strategy makes economic sense. It will minimise the economic risk of low growth outcome and at the same time keep us open to the opportunity for growth above moderate levels.

However, higher-end growth scenarios bring with them greater spatial and environmental challenges and this is why it makes sense to consider how we can best be prepared to meet them.

A Narrow Economic Structure and Revenue Base

The ACT economy is heavily dependent on Government activity as a source of demand. For example, Government consumption expenditure currently represents around 47% of State Final Demand (the ACT Government accounts for only a small proportion of this figure). Household consumption expenditure contributes a further 40% of State Final Demand, but household expenditure is also largely dependent on Government wages and salaries. The balance of State Final Demand is made up of fixed capital formation – 10% is contributed by the private sector and around 3% by the public sector.¹⁹

Dependence on a single primary source of demand carries risk. This was evidenced by

the Commonwealth Government employment and spending cuts of 1996 that led to a severe downturn in the ACT economy. For the future, economic diversification will be critical to success. The broader the base of our economic activity – and the greater the contribution of the private sector – the more resilient our economy is likely to be.

The revenue base available to the ACT Government is also far narrower than that available to the States. Whereas payroll tax, for example, is a key source of revenue in other States, the ACT is heavily constrained by the exemption of the Commonwealth from payment of payroll tax.²⁰ The ACT's ability to generate tax revenue from the commercial property sector is likewise limited, and whereas States like Western Australia and Queensland derive large revenues from mining royalties, this revenue source is non-existent for the ACT.

Accordingly, the ACT's own-source revenue is heavily dependant on housing and land-related transactions (principally rates and land taxes, transaction-based stamp duties and conveyance revenue). These sources make up around half of all own-source revenue (see **Figure 18**). Clearly, this dependency carries risk – for example, if there were to be a significant downturn in the housing sector.

The Discussion Paper preceding the Economic White Paper canvassed a range of possible changes to the ACT's current system of taxes and charges, including possible changes to payroll tax and replacement of the current change of use charge with an infrastructure charge on commercial property development. Not surprisingly, reactions to these suggestions varied considerably.

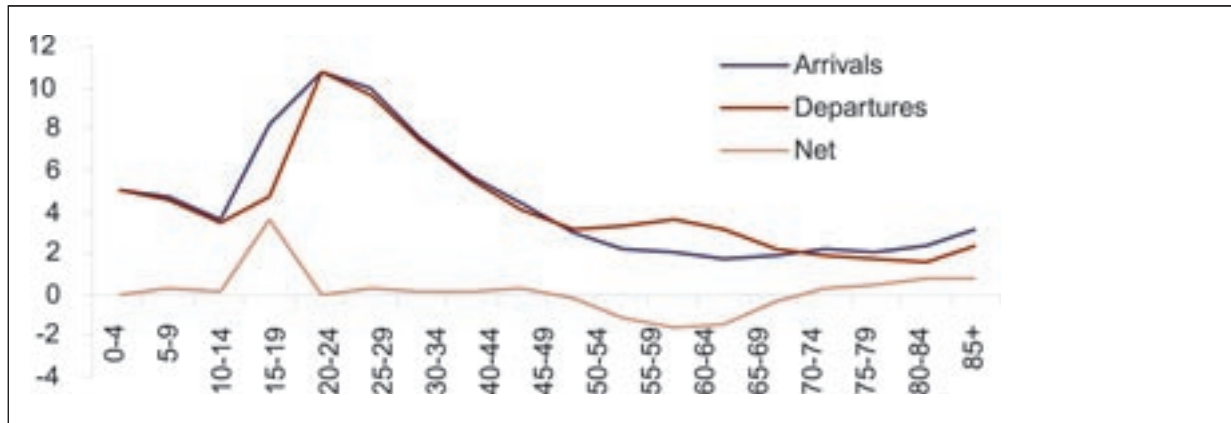
Most business respondents argued strongly against any change to the current payroll tax regime, warning that any reduction of the threshold now in place would be a disincentive to small business in the ACT.²¹ Business groups

19 Australian Bureau of Statistics, *Components of State Final Demand*, ACT, Catalogue No. 5606.0 (Table 31).

20 This exemption (resulting in an estimated revenue loss to the ACT of some \$90 million) is specifically recognised in the processes of the Commonwealth Grants Commission.

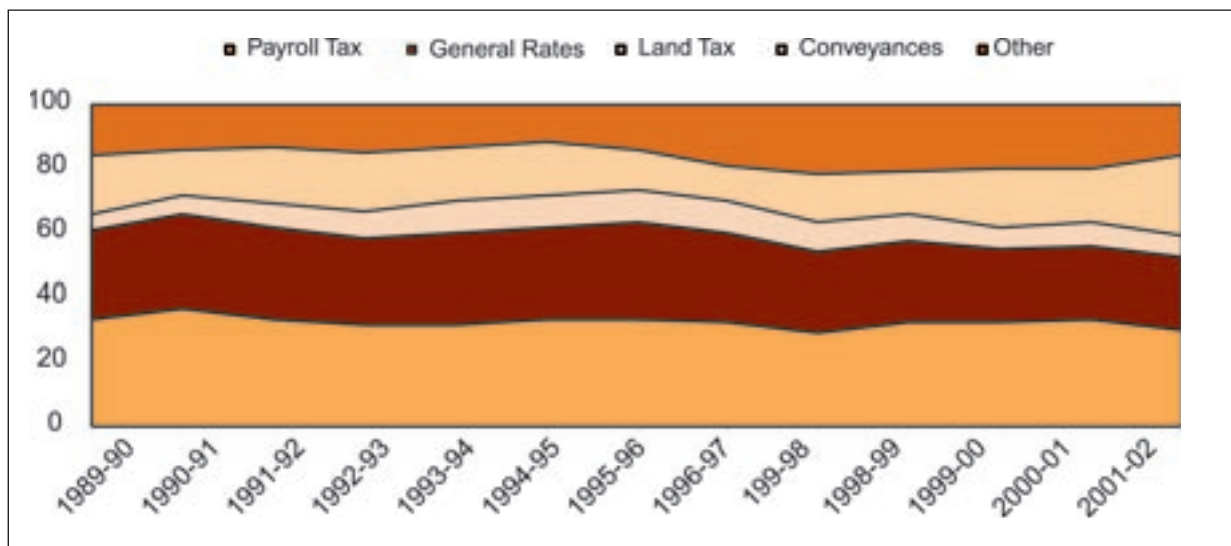
21 The ACT's threshold for payment of payroll tax is currently \$1.25 million – significantly higher than in New South Wales (\$600,000) or in any other State or Territory. Offsetting this to some degree, the rate of payroll tax applied in the ACT (6.85%) is higher than in any other State or Territory; the maximum rate applying in New South Wales, for example, is 6.0%.

Figure 17. Projected population of the ACT, 2003–2033



Source: Demographics ACT, Chief Minister's Department

Figure 18. Components of own source revenue



Source: ACT Treasury

were also sceptical about an infrastructure charge, raising concern at the impact on the local property market. Some respondents, including UnionsACT (formerly Trades and Labour Council of the ACT), highlighted the importance of developing new and alternative sources of revenue, and of convincing the community of the need for them.

Specific suggestions for new revenue sources included proposals for a system of betterment tax credits, whereby developers who met a defined set of sustainable development criteria would qualify for tax credits to offset their betterment tax liabilities; and exploring a range of other environmental taxes. The ACT Council of Social Services argued that any proposal to change the current revenue system should be analysed for its impact on both vertical and horizontal equity.

The Government is sensitive to the issues and concerns raised by respondents to the Discussion Paper and is not disposed to make any immediate or radical changes to its current system of taxes and charges. At the same time, it recognises the risks associated with dependence on housing and land-related taxes, and accepts in principle the need to broaden the current revenue base as a basis for the long-term sustainable development of the ACT.

Other Risks and Challenges

There are a range of other risks and vulnerabilities that need to be addressed if the ACT is to enjoy a rising standard of living into the future. Some risks are inherently unpredictable – for example, the impact on ACT business and tourism of the Bali bombing, the January 2003 bushfires and the outbreak of SARS. However, others are more readily identified. This latter group includes the growing pressures on the water supply to the ACT Region, the problem of housing affordability especially for younger people seeking to establish their first home, and political risks such as the campaign mounted by a number of State Governments to alter the

distribution of Commonwealth funds between the States and Territories.

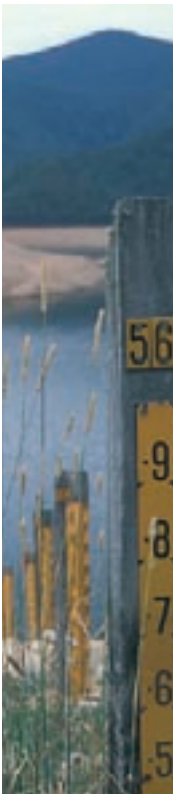
There is a clear role for the ACT Government to identify and respond to risk issues. In July 2003, for example, the Government launched the policy document, *Water ACT: a Draft Policy for Sustainable Water Resource Management*, which detailed a draft policy framework and set three key targets for the sustainable use and management of the ACT's water resources. Following community feedback and consultation, this policy will be finalised and implemented in the first half of 2004.

The Government will also participate in the forthcoming Productivity Commission Inquiry into housing affordability in Australia. More generally, the Government plans to introduce a formal risk management strategy across ACT Government operations to address the risks that can adversely affect economic development and community welfare in the ACT.

Water Resources Management

The quality and quantity of water is fundamental to where and how development takes place. All our businesses and communities are dependent on the availability of water although specific needs vary considerably. For example, some businesses such as nurseries, golf courses, sporting venues and agriculture have a direct dependence on water.

Water in the environment – such as lakes and waterways – is also important to economic activity. For example, it provides venues for major events (e.g. triathlons, sailing events), and water also enhances the attractiveness of the ACT for tourism. For our residents, water helps make the Territory a desirable place to live and conduct business.



A secured source of high quality water

The ACT has a high quality water supply with modern high quality infrastructure. The catchments are secure and protected and additional treatment plants are being established to overcome the impact of the January 2003 bushfires. Areas are set aside for new supplies if required, alternative sources are being investigated and water savings targets have been established. Environmental flows have been protected to avoid the problems faced by many other cities such as declining water quality, threats due to agricultural and industrial activities, and the need to divert water back into rivers to restore their health.

The Government's draft water strategy released in October 2003 demonstrates our commitment to the long-term security of the ACT's high quality water supplies. This will provide business and the community with certainty about access to this vital input, while continuing to protect the environment.

A city that is smart in the way it uses its water

The Government is conscious of the value of water and the need for efficient use for the greatest public benefit. This view is behind the incorporation of Water Sensitive Urban Design into all land and building development.

In addition to conserving potable water supplies and establishing an efficient infrastructure, this approach aims to increase urban amenity and recreational opportunities. Importantly, it may also stimulate new business opportunities through the demand for new water management technologies, products and services.

This design strategy will also protect and enhance the ACT's unique 'sense of place', based around its extensive system of parks, reserves, creeks and lakes. These features are important in attracting people to live, study and work in the ACT.

The ACT is also a national and international centre for water related research and education with such world-class institutions as the

Cooperative Research Centre for Freshwater Ecology, CSIRO Land and Water, the Centre for Resource and Environmental Studies at ANU, the Bureau of Rural Sciences and Geoscience Australia. With the considerable expertise in the ACT, the emphasis on fostering innovation in the Water Resources Strategy will enhance opportunities in water research, education and related business.

Action 1

The Government will implement a water resource strategy as statutory instrument under the *Water Resources ACT 1998* by mid-2004 to secure the future supply of water for the ACT.

Chapter 3

Strategic Directions for the ACT's Development – the Government's Policy Framework

The ACT Government is committed to encouraging stronger and more resilient industries and enterprises, diverse and secure employment opportunities, and a high quality of lifestyle for residents.

This chapter details the Government's policy framework for the sustainable development of the ACT. This policy framework is strategic and longer term in focus, concentrating on high-level principles and key directions for development.

An underlying principle of the ACT Government's economic policy framework is to create the environment for sustainable wealth creation. This strategic objective will be achieved via four key policy approaches:

- supporting business, with the broad aim of establishing the ACT as a premier location for business activity;
- capitalising on competitive advantages by understanding our industries and targeting government support in areas that will provide the greatest return;
- leveraging off our intellectual assets by continuing to invest in the Region's human capital to enhance skills and knowledge for business application; and

- supportive planning and infrastructure to ensure a more balanced approach where planning and infrastructure development support business and economic objectives as well as social and spatial considerations.

A range of measures consistent with this framework is presented throughout subsequent chapters of the Economic White Paper.

Creating an Environment for Growth

The Government is committed to creating an environment conducive to economic growth and development. We recognise that the strength of our economy will ultimately depend on the quality, innovation and efficiency of our private sector and institutions. The role of government is to create an environment that supports wealth generation and to ensure that all sectors of the community can share the economic outcomes. Key elements of that environment must include:

- responsible government financial management to engender business confidence and investment;

- a regulatory framework that promotes competition and avoids unnecessary regulation and red tape;
- a fair and competitive taxation system that minimises compliance costs to business;
- high quality education and training that is tailored to the needs of both companies and individuals; and
- an efficient public sector that understands business, where decision making is transparent, timely, fair and consistent.

Promoting Sustainable Development

The Government recognises that an emphasis on economic growth alone may not result in the achievement of broader social and environmental objectives. While competitive markets are generally the best means of allocating scarce resources, they may fail to give due weight to social, distributional and environmental considerations. For these reasons, the Government confirms its commitment to the principle of sustainable development – i.e. to policies that are economically sound, environmentally sustainable, and which ‘promote equity, inclusion and the development of social capital’.²²

Achieving sustainable outcomes will require a whole-of-government approach to policy formulation. As a starting point, the Government is reviewing its own decision-making processes to ensure that economic, social and environmental dimensions of policy issues are analysed and fully weighed before final decisions are taken.

Generating Employment Opportunities

The key test of any economic development strategy should be the number and nature of employment opportunities it ultimately

generates. Employment is central to the aspirations of the ACT community – not only as a source of income and material well-being, but also as a vehicle for personal fulfilment and social engagement.

Economic growth is essential to the creation of employment. A growing economy expands the choices and opportunities available to our community, providing scope to test new ideas and explore new directions. A stagnant economy limits opportunity and reduces the resources available for the community.

Principle 3

The Government will continue to focus on high employment outcomes, strong labour force participation and low unemployment.

The nature of employment has changed fundamentally in recent decades. There has been the rapid growth in service industries, marked shifts in the occupational and skills distribution of employment, the impact of information technology on work, increasing levels of job turnover and labour mobility, greater diversity in working hours and working patterns, and a strong rise in part-time and casual jobs.

Many of these changes have been accompanied by short-term negative impacts, but they have shown us that change is inevitable and we need to plan our responses; for example, promoting policies that support continuous skills development and regular access to training, flexible working hours, family-friendly working arrangements and the portability of superannuation benefits across a variety of different jobs and sectors.

Promoting employment opportunities is also important. Today there are 1,500 ACT citizens who have been continuously unemployed for six months or more. While employment assistance and income support for this group is primarily the responsibility of the Commonwealth, no



²² ACT Council of Social Service, Response to ‘Building Canberra’s Economy: A Discussion Paper for the Economic White Paper’, May 2003, page 13.

government can ignore the human and social cost associated with extended unemployment. Our role as a government is to help these citizens to acquire the skills and confidence they need to resume an active search for work and to secure a job.

It is also important to recognise and promote diversity of employment options in our community. While much has been made of the importance of high-tech and knowledge-intensive industries to our economic future, the fact is that many of these industries employ relatively few people directly. Their greatest benefit will arise from the creation and commercialisation of ideas and, from that, downstream employment in supporting and service industries.

We also need to recognise that the majority of the ACT workforce is employed in relatively traditional occupations – administration, nursing, teaching, retail, hospitality, banking and the motor industry – and this will continue for the foreseeable future. We need to be mindful of these facts when providing career information and advice to young people, and in the way we allocate public resources to vocational education and training. For example, many of the trades covered by the traditional apprenticeship system are in acutely short supply.

Supporting Industry

The Government's approach to industry development is about creating the conditions in which competitive strengths can flourish.

Principle 4

The Government will:

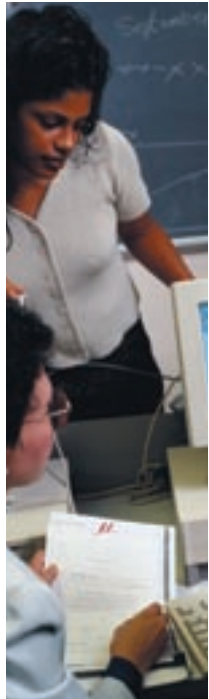
- focus support on building competitive strengths and develop these as a foundation for future growth (this is discussed further in Chapter 5);

- deliver a range of industry support programs, tailored to the needs of local businesses;
- support small business in particular, recognising the vital role it plays in the ACT economy;
- assist innovation-based firms to gain access to venture capital;
- support collaborative approaches to industry development, recognising the growing importance of networking, strategic alliances and knowledge-sharing as contributors to innovation and growth; and
- maintain an accountable, transparent and even-handed approach to the provision of industry support.

The Government is committed to ensuring that our local industries and firms are well-placed to compete for business in the ACT. However the Government is equally committed to the principles underlying the National Competition Policy reforms. Accordingly, the Government will not be introducing a local preference clause into its tendering and procurement processes. It will, however, be changing some aspects of its current procurement practices to ensure that small businesses in particular are better able to compete for government contracts (see Chapter 4).

The Discussion Paper proposed that ACT Government support for industry should take the form of training, land, infrastructure and tax abatement incentives rather than the provision of direct cash incentives. The Government confirms that this will be its preferred and standard approach, and that direct cash support will be offered in exceptional circumstances only.²³ Some respondents to the Discussion Paper argued that the provision of land, infrastructure and tax incentives was

23 A recent example of such exceptional circumstances was the devastating effect of the January 2003 bushfires on significant numbers of local businesses. In response, the Government implemented a Bushfire Business Assistance Scheme, offering direct cash support of up to \$3,000 to businesses that could demonstrate the fires had caused material damage to their operations.



tantamount to the provision of cash. The key difference, however, is that these incentives can be structured to ensure that the milestones attached to them are properly satisfied, whereas up-front cash payments offer no such protection.

Facilitating Clusters

Harvard Business School Professor Michael Porter defines a cluster as geographically proximate groups of interconnected companies and associated institutions in a particular field, linked by customer, supplier or other relationships.²⁴

A principal feature of the key companies in an industry cluster is that they serve national and international markets, drawing the bulk of their revenues from outside their immediate region. They may also sell to a leading-edge customer within the local market, but they compete for this business on a national or international basis against companies from other regions.

International research has found that companies and institutions derive a substantial part of their competitive advantage from the region in which they are located²⁵ through, for example:

- resident **knowledge, skills and attitudes** – one of the most important inputs in a company's production process;
- **strategic infrastructure** – the hard and soft infrastructure that companies and institutions need to operate. It includes transport links, scientific infrastructure, communications infrastructure, public assets, schools, hospitals, national institutions, leading-edge or discerning customers;

- **partnerships and the collaborative infrastructure** – which help to bring ideas to market based on the linkages that exist between research institutions and business, business and leading-edge customers and converging fields of science and technology; and
- **liveability** – is an equally important part of the economic infrastructure, critical to attracting and retaining competencies. For example, 'knowledge workers' often make their location decision first and then seek out potential employers. If the ACT is to retain and attract these high level competencies the region must offer the lifestyle choices demanded by these workers.

Building industry clusters has been a focused economic development around the world for a number of years and is most commonly associated with Silicon Valley in the USA. They are not a new phenomenon – Detroit, USA, is an automobile cluster, Hollywood, USA, a film cluster, Cambridge, UK, a life science and ICT cluster, Boston (Route 128), USA, a defence cluster, Milan, Italy, a fashion cluster and Bordeaux, France, is a wine cluster. It is clear that building clusters requires sustained effort.

The Government's approach to cluster development will be at a number of levels. First, we will ensure that sectors and industries that have established competitive advantage are not constrained by red tape or unnecessary regulation that hinders their potential to grow. Second, the Government will 'case-manage' its relationship with particular sectors to bring together the companies and institutions and common interests to explore networking and clustering approaches to development (see Chapter 5 for further details).

²⁴ Porter, Michael E, *The Competitive Advantage of Nations*, Basic Books 1990.

²⁵ Kanter, Rosabeth, Moss, *World Class: Thriving Locally in the Global Economy*, Touchstone Books, 1997 and Ibid.

Cluster Study

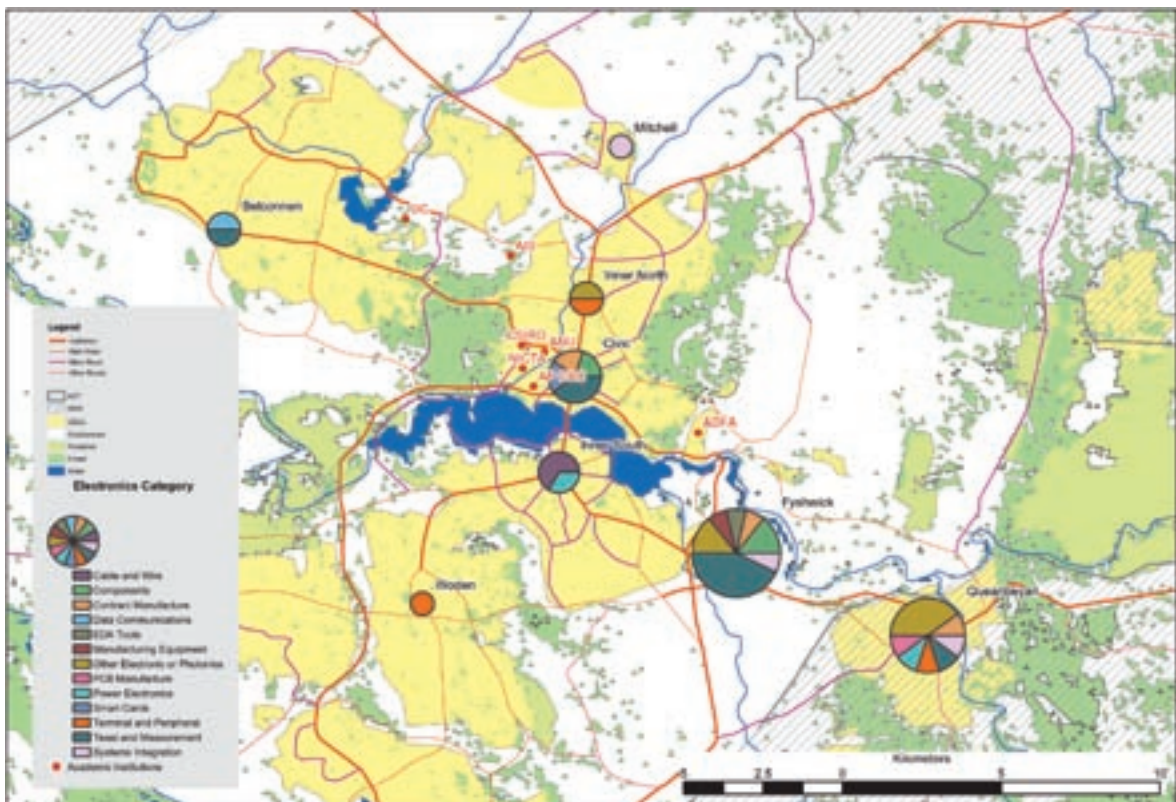
The ACT Electronics Industry Cluster

To illustrate the power of industry clusters, the Government recently funded a cluster report on the ACT's electronics industry. As an enabling technology, the ACT electronics industry underpins our capacity in the information and communication technology, space sciences and defence sectors.

The electronics sector in the ACT currently has 380 companies, employing 8,000 people and an estimated turnover of up to \$1 billion.²⁶ This result has been achieved on the basis of the ACT's links to major leading-edge customers such as Government and Defence, and the knowledge, skills and attitudes of our workforce. The establishment of the Canberra node of the National Information and Communication Technology Australia Centre of Excellence (NICTA) is a new piece of strategic infrastructure that will provide more impetus to the sector.

This cluster mapping exercise, the first in Australia for this sector, provided a number of insights into the working of the electronics industry in the ACT and its structure in terms of application and end users.

Map 1. Location of electronics manufacturers in relation to R&D institutions



Source: AEEMA, Capitalising on the Strengths of the ACT Electronics Industry, August 2003

²⁶ Dr Lyndal Thorburn, Advance Consulting & Evaluation Pty Ltd, on behalf of Australian Electrical and Electronic Manufacturers' Association (AEEMA) *Capitalising on the Strengths of the ACT Electronics Industry*, August 2003.

Action 2

The Government will facilitate the development of industry clusters in industry sectors that can demonstrate competitive advantage and that have a critical base of economic activity.

Attracting and Retaining Talent

It is widely recognised that creative people are the power behind regional economic growth. As Richard Florida says in his book *The Rise of the Creative Class*, 'Talented, creative and skilled people are the critical resource of the new age and are to modern business what coal and iron ore was to steel making'²⁷.

Accordingly, the attraction and retention of talented, creative and skilled people to our region will be major priority and also one of our most significant challenges.

For enterprises, access to a high quality pool of workers provides a competitive advantage over national and global competitors. So to for cities and regions, the ability to attract and retain talented and creative workers is critical.

The presence of a talent pool also carries a number of other benefits to the community and its economy. A ready supply of highly skilled workers appears related to a region's ability to attract investment. Talented people enhance knowledge and technology transfers in the workplace and between other sectors of the community, helping drive local innovation. A talent pool also increases intra-sector mobility, creates opportunities for professional development, entrepreneurship and the development of industry clusters.

Recognition of the importance of talented people has resulted in growing competition to attract these people to cities and regions.

Talented and creative people balance many factors in their decision on where to work and live. Research has shown that these people are moving away from traditional corporate communities to 'creative centres' – places that

offer high quality amenities and experiences outside of the workplace. They seek locations that are diverse and tolerant and provide the opportunity to validate their identities as creative people. These people are looking for enriched lives, and that means a high quality life outside, as well as inside, the workplace.

The ACT's creative institutions have an important role to play in establishing an environment that attracts and retains these people. Organisations like the Canberra School of Arts are also important in developing the arts skill base and retaining skilled arts practitioners.

Our universities and research institutions will play a multifaceted role, providing both cutting edge research and the work location for many of these people.

The ACT is well placed to continue to develop its talent pool. The ACT offers an outstanding natural environment, excellent public infrastructure, fine cultural facilities and lifestyle amenities, high standards of education and tertiary institutions, health and social services, and a strong, cohesive, open and multicultural community.

However, the 2001 Census showed that over 2,500 people aged 20–24 leave the ACT each year; about 10% of all people in that age group. While it is natural that many young people will decide to travel or move location to gain more life experiences, a priority should be to better understand the reasons behind this high level of departure. Recent research conducted for the Government has identified a range of factors behind the decision by young adults (19-29 years) to leave the ACT. The most important factor was a feeling that it lacked diversity of employment opportunities, particularly jobs in the private sector. Another important reason was a perception that the ACT lacked entertainment and arts attractive to young adults, and also lacked the "feel of a city".

This research clearly indicates we need to develop effective strategies to retain and attract talented young people to the ACT.



²⁷ Florida, R. *The Rise of the Creative Class*, Basic Books, New York, 2002.

In addition, more needs to be done to establish lifestyle elements that are attractive to young people. This might include improving the nightlife experience, holding more live music, festivals and events, expanding cultural experiences, creating more choice in outdoor activities, and developing places for like-minded people to meet.

There also needs to be stronger support for young people making the transition from education to work, including stronger links between the education sector and the local business community. The business community also needs to better understand the wants and needs of creative workers including workplace factors.

Investing in Education and Training

A first-class education and training system is a precondition for a strong and dynamic society and economy.

Building on the ACT's proud record of achievement in education and training, key priorities for the future must include:

- ensuring that all our school students, and especially those from disadvantaged backgrounds, acquire the strong base of literacy, numeracy and other foundation skills;
- improving the quality and range of education and training options offered to young people who choose not to proceed to higher education;
- aligning our education and training courses with industry needs, while recognising the importance of broadly based generic skills;
- translating the rhetoric of lifelong learning into affordable and practical learning programs;
- strengthening partnerships and collaboration between our tertiary institutions and industry, especially in the key areas of skills development and R&D; and

- developing our education and training system as a major export industry in its own right.

Partnerships for Growth

Effective partnerships underpin success in the modern economy. Key partnerships that need to be developed and supported include:

- partnerships between related industries and businesses in the form of strategic alliances, clusters and joint ventures;
- partnerships between government, industry and the wider community to improve the circulation of information and provide mechanisms for ACT residents to tap into key industry developments at an early stage;
- partnerships between our education institutions and industry as a way to address skill needs and to expand training and employment opportunities for young people; and
- partnerships between the various levels of government in our federal system.

All of these partnerships need to be improved. For example, the Organisation for Economic Cooperation and Development (OECD) recently commented:

Although there has been a substantial increase in overseas science and technology linkages by the Australian higher education sector over the past 15 years, these interactions are largely occurring within the academic community. To capitalise on the benefits that knowledge brings us, stronger connections need to be made between the producers of knowledge and the users of their research – both internationally and domestically.

The culture of university research also needs to better recognise and reward the partnerships made with other members of the national innovation system. By doing so, it should be more entrepreneurial, seeking out opportunities in new and emerging fields of research that will provide social, cultural and economic benefit.²⁸

28 Organisation for Economic Cooperation and Development, *Urban Renaissance, Canberra: A Sustainable Future, May 2002*, page 58.

Another key relationship to the ACT is the partnership with the Commonwealth Government. The ACT economy is strongly connected to the Territory's role as the nation's capital, and remains highly sensitive to movements in Commonwealth expenditure. In addition, many of the policy responsibilities relating to economic development are either the sole responsibility of the Commonwealth (e.g. defence and national economic policy) or shared between the Commonwealth, States and Territories (such as education and training policy, research policy, employment policy and industry assistance). For these reasons, a close and constructive policy dialogue with the Commonwealth must be a continuing high priority for the ACT.

Beyond the interaction on policy issues, there are more practical aspects to the relationship. For example, the ACT needs to recognise major Commonwealth departments and agencies as significant businesses in their own right and form relationships with each.

The Department of Defence is an important case in point. Defence is a major source of demand in the ACT economy contributing around \$1 billion to the Region each year. While many ACT firms have succeeded individually in establishing business links with the Department, a smarter and better co-ordinated approach will produce more and deeper business opportunities.

Smarter Planning and Regulation

Canberra is a planned city and we view this as a strength. Planning has served us well and many of the facilities and amenities we now enjoy are the direct legacy of the vision of planners of the past. But circumstances change and our policies and planning arrangements need to adapt in response. The OECD illustrated the point well in its Urban Renaissance Review of Canberra:

The decentralised model that is Canberra ... was a reaction to the environmental and social problems [of] the 19th and early 20th centuries. It is important to recognise that this solution

*is in fact part of today's problem in terms of high energy use in transport, greenhouse gas emissions, water and land use.*²⁹

There is growing evidence that many of our planning policies have lagged behind our community and social needs. For example, work on the Canberra Spatial Plan indicates that people's preferred housing location and type does not match current provision. "A growing number of people might choose non-standard housing, while the demand for higher density housing focus is likely to continue."³⁰

Housing location and type are critical factors in how the city operates, and affect many aspects of sustainability. In detailed survey work undertaken for *Towards a Spatial Plan*, ACT citizens overwhelmingly wanted to live within a short drive to work (46.4%) or a short walk away (23.7%). The current relationship between housing location and major employment centres generally works against this preference. In addition, many ACT residents live too far from work to be able to cycle. This works against sustainability objectives.

Existing planning has also led to a widely dispersed population that has seriously constrained our public transport provider to operate profitably.

These issues support the view that a closer relationship is needed between our economic development objectives and our planning responses. Planning and economic development issues are discussed in Chapter 7.

Government regulation presents another case in point. Many regulations that were introduced to address past issues remain in place today, despite major changes in the circumstances that gave rise to them. In short, we need take a smarter approach to planning and regulation in the ACT to ensure social, economic and environmental issues are properly balanced in planning processes and outcomes.



29 Organisation for Economic Cooperation and Development, op. cit.

30 ACT Planning and Land Authority, *Towards A Spatial Plan*, August 2003.

Map 3. Proposed Canberra Region Economic Area



Source: Natural Resource Intelligence Pty Ltd

The concept of the Canberra Region Economic Area has been developed to focus on a number of critical cross-border issues that are of importance to both the ACT and its immediate neighbours. These issues include land supply and development, water supply and management, and disaster planning and relief.

The ACT Government has entered into initial discussions with the NSW Government on these issues, and has made clear its commitment to reaching a formal agreement as soon as possible. This new regional economic boundary requires extensive collaboration between both Governments in order to explore all opportunities and address the issues relating to the Canberra Region Economic Area.

Action 3

The Government will continue to support the Regional Leaders Forum and the Australian Capital Region Development Council to promote the economic development and general interests of the Region. The Government will also develop the concept of a Canberra Region Economic Area in discussions with the NSW Government, as a basis for a better co-ordinated approach to the management of cross-border services and related development issues.

Risk Management

As the ACT economy becomes more globally integrated, it will be more sensitive to external shocks, risks and pressures. To date, however, there has been little research conducted to evaluate these issues and their potential impact on the economy.

The Government proposes to develop a program that will enable government and industries to establish risk benchmarks and develop strategies for managing risk.

The program will identify:

- major risks and associated risk management strategies at an industry-wide level; and
- major risks and associated risk management strategies to government administration and the ACT economy.

Action 4

The Government will introduce a program to analyse and develop strategies for managing risks affecting the ACT economy.

Chapter 4

Supporting Business

The Government is committed to providing an environment that supports the creation, growth and development of business in the ACT. The Government is committed to making the ACT the most business-friendly location in Australia.

The Canberra Partnership - An Enhanced Economic Development Structure

As discussed in Chapter 3, partnerships are a prime requirement for success in the modern economy. Successful overseas regional economic development models, such as The Greater Washington Initiative, are built on partnerships between government, the business community and major institutions. Such partnerships actively identify and progress new business opportunities, particularly through commercialisation of intellectual property and the attraction of investment.

An emphasis on developing business partnerships combined with greater recognition of the importance of small and micro business to the ACT will be the Government's key business development themes.

The proposed Canberra Partnership is a development of the Partners Canberra concept that was announced in the 2003-04 Budget. The Canberra Partnership reflects the Government's view that enterprise development pathways are best led by the business community.

The Canberra Partnership will bring business and institutions together through Government and will focus on developing existing businesses and encouraging the establishment of new ones. A key task of The Canberra Partnership will be to create business-to-business linkages between the ACT business community, and key cities and regions around the world.

In contrast to previous Government/business relationships, The Canberra Partnership will be supported by a dedicated Government agency. The agency will have the authority to direct the implementation of Government endorsed economic development and promotion programs and will advise the Government on the full range of related policies, including regulatory reform.

Action 5

The Government will:

- establish The Canberra Partnership, directed by a board of leading business and institutional members and supported by Government. The Canberra Partnership will report directly to the Minister for Economic Development, Business and Tourism and will replace the Business Canberra and Knowledge Based Economy Boards;
- give The Canberra Partnership Board both a directive and advisory role;

- make the Canberra Partnership responsible for:
 - advising the Government on issues affecting the economic development of the ACT including, but not limited to, commercialisation of intellectual property, export development, regulatory issues, inward investment, skills development and business programs;
 - directing the implementation of Government endorsed economic development and trade promotion programs;
 - working with companies, research and education institutions and government entities to establish export channels for ACT-based businesses;
 - attracting and retaining high calibre expertise to the ACT Region, and in particular the Canberra Region Economic Area;
 - managing the ACT Government's Business Migration Program; and
 - marketing the ACT and region to attract inward investment.
- enhance the role of BusinessACT to focus on:
 - providing policy advice to the Government on business related issues, including the Government's regulatory reform and red tape reduction agenda, and developing the Government's regional economic agenda;
 - the development and delivery of a suite of programs that will assist businesses to start up, grow, commercialise and export. This will include the management of the Knowledge Fund and small and micro-business support programs;

- targeting the ACT's priority industry sectors through the development of networks and clusters and the development of consortia;
- the management of the Government's program of business-related regulatory reform;
- the provision of a dedicated small business unit responsible for case-managing small and micro businesses that need to deal with ACT planning and building regulatory requirements;
- the provision of support for the Small and Micro Business Advisory Council that will advise the Government and the Small Business Commissioner on policies and programs for this important industry sector; and
- the development, provision and marketing of the ACT Government's information and assistance services to small and micro businesses.

An Export Strategy for the ACT

Export markets are an important driver of growth and development in any small economy. ACT industries such as education, ICT and tourism are building significant export credentials, but the base of activity needs to be broadened and deepened.

The ACT Government, along with other Australian Governments, has endorsed the national goal of doubling the number of exporters in Australia by 2007.

To support this objective, the ACT Government commits to a new export strategy for the ACT. The strategy is designed to foster new trading relationships and market access opportunities, to build the export capacity of local companies, and to promote a stronger export culture in the ACT business community.

The ACT Government's strategic response to the export challenge focuses on:

- building The Canberra Partnership – a joint industry and government initiative that will, among other things, extend international connections for the benefit of local businesses;
- better leveraging of the ACT as an international city for purposes of business and trade development (e.g. both formal city-to-city relationships with Beijing and Hangzhou and emerging relationships with London and Washington);
- implementing the Export Growth Program, an over-arching program that will give focus to existing export development initiatives and also provide additional levels of resources support;
- using the new Council of Education Export to grow the education export sector in the ACT, particularly through the application of market research;
- embedding further export advisory capability within the Government's economic development arm;
- encouraging the business community to take further responsibility for international business development, eg, initiatives like Canberra Business Council's management of the China export database; and
- working with other Australian jurisdictions through the Interstate Investment Cooperation Agreement to promote Australia in general, and the ACT in particular, as an investment destination. This agreement seeks to promote joint initiatives such as co-location of international offices and a joint commitment to promote a positive image of Australia in international markets.

City-to-City Relationships

The basis of formal city-to-city relationships is to provide the political connections that are designed to achieve cultural and commercial outcomes of mutual benefit.

Canberra is sister city to Beijing and to Nara in Japan, and has a close relationship with the Chinese city of Hangzhou.

In the recent past, the management of the relationships between Canberra and Beijing and Hangzhou has focused on providing ACT businesses with leads in creating business-to-business outcomes. As an illustration, the Canberra Business Council now manages the Business Register of the 300 companies which have self-identified as having export aspirations in Beijing.

The ACT is also committed to developing relationships with London and Washington for the purpose of economic development. It is clear that these two capital cities have much to offer in terms of ideas, policies and structures that can help guide our growth.

The ACT will develop these connections through the establishment of export channels –relationships that have been developed by either companies or, more usually, the Government facilitating the connection. In this regard, relationships with London and Washington offer considerable opportunity.

Council of Education Export

The Council of Education Export – a 2003–04 Budget initiative – was established by the ACT Government to help build on the already impressive performance of higher education exports. Currently, education exports contribute \$114 million to the ACT each year, and the figure is rising. The Council has been created to raise the profile of the ACT as an education destination. In addition to growing the market over time, there is a major opportunity to use the inflow of foreign students to attract a broader range of international visitors to the ACT.



Austrade

Since 2002, the ACT and Region Austrade office has been co-located with BusinessACT - a move that has proven to be remarkably successful. The Austrade Trade Commissioner ACT & Southern NSW, and all Austrade resources, are now available to those companies that have identified themselves to the Government as having export aspirations.

The ACT Government sees intelligent and targeted allegiances with Commonwealth Government agencies as an important component of business service delivery in the future. There are currently significant opportunities in areas like business extension services, export development and investment attraction.

Export Growth Program

The ACT Government will introduce the Export Growth Program (EGP). The EGP will provide increased levels of assistance in areas like trade missions; increased support for export mentoring and coaching services, particularly for business that have 'graduated' from other programs such as Austrade's TradeStart Program; and additional financial support for the appointment of Export Managers either directly or through a sub-contract arrangement with a business organisation.



Action 6

The ACT Government's export strategy is based on:

- introducing the Export Growth Program;
- extending the ACT's city-to-city relationships to new areas and regions (such as Washington, London and South Africa);
- building on formal city relationships with Beijing and Hangzhou in China, and Nara in Japan;
- working with local business organisations to grow the number of exporters;
- building on the ACT's strength in education exports; and
- facilitating better access by ACT businesses to Commonwealth Government export programs.

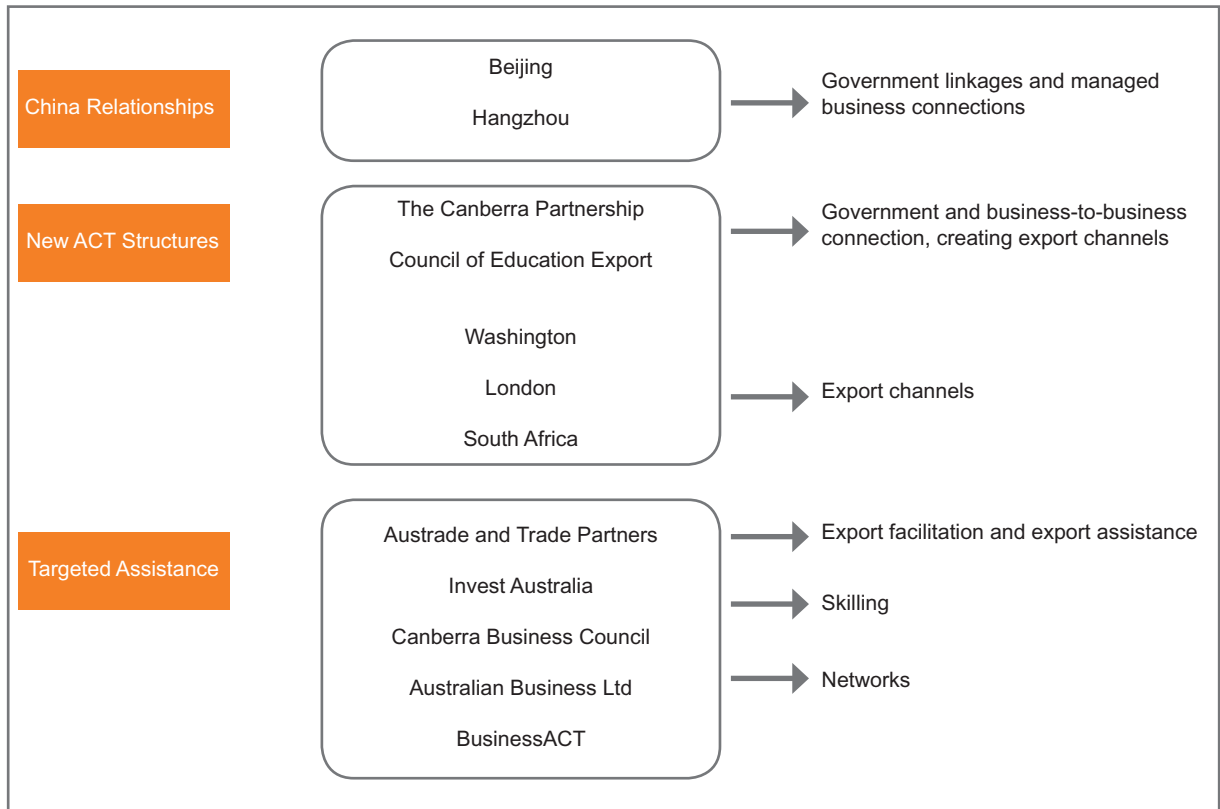
Levelling the Playing Field for Small Business

The recent strong performance of the small business sector has been one of the success stories in the ACT economy. The ACT Government wants to see the small business sector build on that success, but is mindful of the need for sensitive policy making. For example, the ACT Council of Social Services' (ACTCOSS) response to the Discussion Paper highlighted the fact that many small business operators do not aspire to employ more people; rather to provide sustainable employment for themselves. ACTCOSS argued that a distinction needs to be drawn between policies designed to help small businesses to grow into larger businesses, and policies intended to assist sole operators to maintain their businesses and enhance their economic independence.³³

A recent survey gives some support to the ACTCOSS view. Of 300 small business owners interviewed in the Artcraft survey in May 2003, only half had any plans for growth over the next

³³ ACT Council of Social Service Inc, ACTCOSS Response to 'Building Canberra's Economy: A Discussion Paper for the Economic White Paper', May 2003, pages 17-19.

Figure 19. Exporting our knowledge



Business Snapshot

Inland Trading – Micro Business, Maximum Returns

Once a modest exporter of fruit juice to a single Asian market, Inland Trading Co today specialises in sourcing and supplying premium wines to niche overseas markets. Exporting some of the best drops in the world, Inland Trading has found major customers in places like the ski resorts in Canada, islands in the Federated States of Micronesia and recently signed a supply contract with Malaysian Airlines.

Still small, the company employs three full-time and two part-time employees. However, each is a highly skilled with specialist knowledge to apply to the business.

Ask the owners what the company's key to success has been and they will say they think outside the square. But marketing, knowing their product and the personal touch has been part of the formula. For example, the company regularly hosts winemakers' dinners in all overseas markets and last year hosted

dinners, wine tastings and mentor seminars with Australian winemakers and the chief executives of wineries.

The company closely monitors trends, population changes and income streams before making a move into a new market. Close attention to market analysis has seen the business expand into a dozen or more countries over the last couple of years.



two years. Of the other half, 41% intended to maintain their business at about the current level, while 9% planned to reduce their level of business activity or to retire. On this evidence it seems that the motivations and aspirations of small business owners are as diverse as the work they perform. Clearly, policy needs to be sensitive to this diversity, rejecting a one-size-fits-all approach.

The Small and Micro Business Advisory Council's vision for 2012 sees a small and micro business sector that 'enjoys autonomy, independence, variety, equity in regulation and fairness in access and ... engages in effective dialogue with a government that understands and fosters diversity'.³⁴

The Government shares that vision, and has committed to a range of actions to help achieve it. In particular, the Government wishes to ensure that the current system of regulations and taxes does not impose regressive or excessive burdens or costs on small businesses.

Small Business Commissioner

The measures announced later in this chapter will help small business gain faster and more reliable access to government information and services. In addition, the measures will serve to build a better and stronger relationship between small business and ACT Government agencies. It is recognised, however, that complex issues and disputes will arise from time to time that cannot easily be resolved between the parties. Furthermore, if the ACT is to become the most small business friendly location in Australia, it needs an independent advisor who can ensure that government agencies deliver on this commitment.

Other Australian States have developed models for this purpose, such as the Small Business Commissioner in South Australia, the Small Business Advocacy Service in Western Australia and the Small Business Commissioner in Victoria. Individual arrangements differ from State to State, but common features are:

- independence from government;
- powers to investigate complaints and resolve disputes between small business, government and larger business;
- responsibility for monitoring the impact of State Government policies, legislation and regulation that affects small business; and
- working with other government agencies to foster an understanding of small business issues to promote business-friendly regulations and procedures.

In its 2001 Election Policy Platform, the Government undertook to establish a similar mechanism in the ACT. In keeping with this undertaking, the Government will establish a Small Business Commissioner as a statutory appointment with the following functions:

- facilitate and encourage the fair treatment of small businesses in their commercial dealings with other businesses in the marketplace;
- promote informed decision-making by small businesses in order to minimise disputes with other businesses;
- receive and investigate complaints by small businesses regarding unfair market practices and mediate between the parties involved in the complaint;
- make representations to an appropriate person or body on behalf of a small business that has made a complaint referred to in the previous point;
- monitor and report to the Minister on any emerging trends in market practices that have an adverse effect on small businesses;
- develop small business service charters within the Government to ensure small businesses receive high quality service;
- monitor the operation and effectiveness of those small business service charters;

³⁴ Small and Micro Business Advisory Council (SMBAC), *Contributing to the Economic White Paper: A Report from the Small and Micro Business Advisory Council*, August 2002.

- monitor and report to the Minister for Economic Development, Business and Tourism on the impact that legislation, government procedures and administration have on small businesses, as required by the Minister; and
- advise Government agencies in the development of legislation, government procedures and administration that provide alternative ways in which small businesses can comply with the requirements of the legislation, procedures and administration, as required by the Minister.

The assumption underlying these new arrangements is that small business should expect the same level of service from government agencies, as businesses themselves should provide to their customers.

In the interests of transparency the Small Business Commissioner will include in its annual report information on the number and nature of disputes investigated, the agency or agencies involved and the outcomes achieved.

The Small and Micro Business Advisory Council will act as an advisory body to the Small Business Commissioner in addition to its other policy and advisory functions.

Action 7

The Government will appoint a Small Business Commissioner as a statutory body. In broad terms, the Commissioner will:

- promote informed decision making by small business;
- mediate disputes between small and large businesses and government agencies;
- develop and monitor small business service charters within government agencies; and
- report to the Minister for Economic Development, Business and Tourism on legislation or market practices that adversely impact small businesses. The Commissioner will be advised by the Small and Micro Business Advisory Council.

Procurement Policies

ACT businesses need to be encouraged to participate in government business. Many already do so successfully but others, particularly small businesses, are deterred by the costs involved in tender processes, the perceived risks and uncertainties involved, and concerns about red tape.

The Government remains committed to an open and competitive tendering system as the best means of ensuring value for money in the expenditure of public funds. At the same time it will introduce a series of measures that will make it easier for ACT businesses to tender and compete on equal terms.

E-procurement

The Government will introduce an across-government electronic procurement and tendering system designed to simplify and streamline tendering processes, including tender and contract documentation. Among other features, the system will:

- provide suppliers with a single online point of information on government tender processes and contract;
- make it easier for government agencies to access a pool of potential suppliers, and for potential suppliers to find government business opportunities;
- provide online access to pre-qualified contractors and consultants; and
- facilitate the establishment of an electronic marketplace for low value procurement, which would be accessible to officers across the ACT Government and pre-qualified suppliers.

Initially it will involve the establishment of an e-tendering system, which will over time extend to all ACT Government tendering activities. The pre-qualification elements will be initially based on the existing construction industry

supplier and school cleaning pre-qualification arrangements, but will be broadened to cover other service providers.

Action 8

The Government will introduce a whole-of-government electronic procurement and tendering system designed to simplify and streamline the tendering process, with the objective of providing small and micro businesses with an easier pathway to government procurement opportunities.

Raising the Threshold for Full Competitive Tenders

The Government has already raised the expenditure threshold for undertaking a full public tender process to \$100,000. This change will reduce the administrative burden placed on potential suppliers by removing the full tender process for smaller scale projects. At the same time, the change extends the range of purchases where agencies are required to seek three written quotes. The previous expenditure threshold was \$50,000.

Tender Design and Selection Criteria

The industry development objectives of ACT Government purchasing policies have not been adequately supported by the Capital Region Industry Plan (CRIP) process. A CRIP requirement is that industry development selection criteria be built into tenders exceeding \$1 million (and \$5 million for construction projects).

In practice CRIP has been a blunt and ineffectual instrument that has rarely exerted any significant influence on the outcomes of Government tender processes.

A review of the CRIP³⁵ carried out for the ACT Government found that:

- often a CRIP is not sought as required by the ACT Government Purchasing Guidelines;
- when a CRIP is sought, it is often not allocated a weighting in the evaluation and therefore has little influence on the outcome;
- even when allocated a weighting, the undertakings are often not incorporated in the contract and are therefore not able to be enforced; and
- where undertakings are included in final contracts, there is no monitoring to ensure the industry development undertakings were actually delivered.

The defining question for CRIP was often whether or not the contract manager was prepared to enforce contract terms or terminate a contract on the basis that the industry development undertakings were not being delivered. As most contract managers are more likely to be concerned with the product being delivered on time and within budget, the current CRIP process adds little, if any, real value to the Government's industry development objectives.

The ACT Government believes that the considered application of suitable procurement policies can still be an effective instrument in the promotion and support of local industry development. Given the failures of the current CRIP process, the Government has decided to implement a new consultative mechanism that seeks to incorporate local industry advice into the structure of major government purchasing tenders at the key project design stage.

Under these new arrangements, agencies with contracts valued in excess of \$1 million (and \$5 million for construction), will be required to undertake pre-tender consultations with the local business community. Tender project managers will be required to explain the nature, objectives and structure of the proposed tender, and how local industry will be given a fair opportunity to compete in line with ACT Government procurement guidelines.

³⁵ Taylor, Paul. 'Maximising Industry Development Opportunities Through Government Purchasing' (Consultant's report to the ACT Government), 2001.

Tender or project managers will be required to have regard to the views expressed by industry when finalising the structure of the tender. In addition, they will be required to report back to those attending tender briefings on how the issues raised have been addressed.

The assessment criteria applying to government tenders will continue to accord with the 'best value for money' requirements laid down in ACT Government purchasing policy. They will also reflect the ACT's obligations arising from the Competition Principles Agreement and the Australian and New Zealand Government Procurement Agreement.

Action 9

The Government will replace the current CRIP requirements with a new pre-tendered consultative process. Government tender or project managers will be required to consult with local industry on the nature, objectives and structure of the proposed tender, and how local industry will be given a fair opportunity to compete.

Innovation Procurement from Local Industry Program

As a means to support the development and marketing of new local innovation in knowledge-based industries, the ACT Government will establish a policy framework within the select tender provisions of the Procurement Guidelines. This framework will provide a process for ACT Government agencies to single select ACT developed products and/or services that are innovative, unique and demonstrate value for money. Under the single select provisions of the framework, agencies will be able to purchase local innovation products or services up to a maximum value of \$100,000.

The framework will provide a vehicle for Government to pilot local innovation with a view to assisting local businesses, by way of proven

product demonstration, to promote and sell the product into other markets.

Products or services that are not new or unique will not satisfy criteria under the framework.

Action 10

The Government will establish a framework within current single select provisions of the Procurement Guidelines to provide a vehicle for Government piloting of locally developed innovative products and services.

Simplifying Access to the Government

For many ACT businesses, accessing government can be complex and frustrating. Businesses need easy and efficient ways to locate government information on requirements and processes, and on the agencies to contact concerning particular issues.

The Government will ensure that Canberra Connect is properly resourced to act as the first point of contact for business, as well as the general public. The Government will also redevelop the ACT Business Licence Information Service to ensure that it provides business lifecycle information to ACT businesses.



Action 11

The Government will enhance the role of Canberra Connect as a major entry point for providing government information to small and micro businesses at all stages of the business lifecycle.

Business-friendly Planning and Regulation

The need for a simpler planning and regulatory process was a constant theme of business responses to the Discussion Paper. The ACT Government is strongly committed to business-friendly planning policies, regulations and processes, and believes that the recent establishment of the ACT Planning and Land Authority (ACTPLA) should address many of the issues and concerns that have been raised. However, the planning system can be complex, particularly for businesses that deal with it infrequently. More needs to be done to explain both the reasons for the policies in force and the particular requirements to be met.

Action 12

The Government will enhance the role of BusinessACT by providing it with the resources to assist small and micro businesses to deal with requirements relating to ACT planning and building regulation issues.

When responding to business inquiries on planning and building regulatory matters, the ACTPLA must endeavour to provide correct and timely information. As a service to its customers, ACTPLA will develop a decision-flow system that will support timely decision-making and provide an auditable trail for the legal basis of decisions.

Action 13

The ACT Planning and Land Authority will develop systems to ensure businesses and the community are given correct and timely information in relation to building and development applications and overall planning requirements.

Strengthening the Trade Practices Act

The ACT Government is committed to working with Commonwealth, State and Territory governments to strengthen the *Trade Practices Act 1974* in order to better protect small business, and when damage has occurred, to give small business adequate access to remedies. The Government is pursuing a number of different avenues including:

- a submission to the Senate Economics Committee Inquiry into “The Effectiveness of the *Trade Practices Act 1974* in Protecting Small Business”; and
- agreement at the Small Business Ministerial Council in July 2003 to work with the Commonwealth, State and Territory Governments to ensure that the original intention of section 46 of the *Trade Practices Act 1974* is preserved.

Action 14

The Government will continue to work with the Commonwealth, State and Territory Governments to strengthen the Trade Practices Act in order to provide greater certainty and protection for small businesses.

Support for Home-based Business

Chapter 2 highlighted the growing number of home-based businesses in the ACT economy. The Government recognises the importance of this sector to the economy and the need to reflect home-based-business issues in mainstream business policy-making.

Action 15

The Government will:

- recognise home-based businesses as an important form of business enterprise and a source of job creation resulting in the development of a positive culture across the ACT Government towards home-based businesses;
- ensure that the planning rules provide maximum opportunity for the operation and growth of home-based business, subject to the maintenance of residential amenity;
- provide information and advice to businesses looking to take on their first employee;
- in conjunction with the Australian Taxation Office and the Commonwealth's Business Entry Point, use the BusinessACT website to provide quick access to online services commonly required by home-based businesses, such as Australian Business Numbers and GST registration;
- build on funding provided in the 2003–04 ACT Budget to develop an interactive online business advisory service and a greater range of online information services; and
- work with intermediaries such as the Institute of Chartered Accountants, CPA and the Home-Based Business Association to deliver appropriate business advisory services to home-based-businesses.

Business Snapshot

Campbell & Co – Doing Business at Home

In October 2000, a compelling need to spend more time with her two teenage children led Barbara Campbell to leave her 15-hour-a-day job at a Canberra city law firm to start a law business, Campbell & Co. Run from Barbara's home in Weston Creek, Campbell & Co provides legal advice to families in a caring and effective working environment.

Campbell & Co specialises in family law and takes a holistic approach to people's legal needs.

"We treat a family's legal needs as a family doctor would treat their health needs," Barbara said. "It's also a cradle to grave approach, dealing with cases from surrogacy to probate."

Campbell & Co makes extensive use of its website – www.familylawyer.com.au. The website provides online family and domestic legal advice, and hosts the Campbell & Co Newsroom where information on the latest developments in family law is available.

The company employs four people - a full-time lawyer, a part-time lawyer and two administrative and legal assistants. When there is an overflow of work, a legal secretary works from home. All staff can put family needs first.

Barbara's innovative efforts in small business were recognised at the 2002 Telstra ACT Business Women's Awards where she won the Business Owner Award. She was also a national finalist.



Better Ways of Doing Business

E-commerce

E-commerce is an increasingly important tool for many businesses, offering significant cost savings and operational efficiencies as well as access to a broader customer base and new means of customer interaction. Many businesses in the ACT have already adopted online technologies and e-commerce solutions to meet their particular needs. However, there are still many to make the transition or fully explore the possibilities that an e-commerce strategy can provide.

Strengthening the uptake of appropriate e-commerce business strategies will be important to the following sectors:

- small and micro (including home-based) business – by communicating to a larger potential customer base and by reducing cost and increasing flexibility;
- creative industries (including information and communication technology, media and entertainment sectors) – through improved capabilities to participate in local, national and international markets;
- tourism – through access to online information and booking services;
- education – through online course and content delivery, and improving the scope of education access; and
- environment and sustainability – through increased use of smart systems and technologies to monitor, maintain and improve our built and natural environments.

The development of appropriate infrastructure, platforms, content, services, skills, and legislative and regulatory safeguards will promote the adoption and uptake of e-commerce by more of the ACT community.

The Government will support a series of initiatives designed to accelerate the uptake of e-commerce in the ACT and increase business awareness of its advantages.

Action 16

The Government will:

- foster awareness of the benefits of e-commerce to business;
- encourage collaborative projects supporting business-to-business e-commerce solutions across a wide range of industries;
- adapt the Western Australian Small Business Development Corporation's e-commerce model (e-Com Entry Point) for the ACT's small business sector. This initiative will provide step-by-step guidance to businesses seeking to implement e-commerce solutions;
- further develop the Communities Online website to foster the development of e-commerce on a business-to-business and business-to-community basis. This website will offer cost-effective and simple steps for micro businesses to establish a web presence, and offer quick and easy access to a range of financial transaction services; and
- in partnership with the Commonwealth's Business Entry Point, undertake a targeted communication campaign to increase the uptake of e-commerce by groups that have low uptake levels.

Business Snapshot

Toorallie Australia – Business Growth through E-commerce

Toorallie Australia is a family-owned business making knitwear products from fine merino wool grown on its property near Bombala, New South Wales.

The design team is based in Toorallie's ACT factory and uses state-of-the-art machinery to create the styles that have become Toorallie's trademark. The unique ranges take months of development.

Using the latest technology, while at the same time maintaining its rural character, Toorallie sells to national and international markets. About 40% of sales are to overseas buyers.

From administration to marketing, the Internet has become an essential tool in Toorallie's day-to-day business operations. The company has had a website for five years and it is used to promote products, deliver comprehensive catalogues to distributors, and to sell products online. Toorallie's online store makes extensive use of images and pre-formatted order forms. Customers can also purchase selected items by fax, phone or mail.



Business Support Programs

The Government will build on the suite of programs that it has in place to assist ACT businesses.

Innovation programs

Consistent with the policy framework, the Government will boost support to programs that assist innovation and commercialisation. Since it was established in 2002-03, the Knowledge Fund has received applications from over 180 companies. In total, 74 companies have been successful with \$4.2 million in total grants paid. As a result of these projects, a total of \$11.6 million has been invested into the ACT economy and an additional 333 jobs have been created.

Both the Knowledge Fund and the ACT Business Incentive Fund will be targeted to the priority industry sectors outlined in Chapter 5.

Small business programs

The Government will continue to provide programs that assist small and micro businesses to start up, expand and employ. These programs include:

- the Canberra Business Advisory Service;
- the Business Licence Information Service;
- the Management of High Tech Start Ups Program;
- the Small Business Employment Ready Program; and
- the Business Acceleration Program.

Export programs

As part of the new export strategy outlined in Chapter 3, the Export Growth Program will be established to assist firms on a matched funds basis with market entry, mentoring and coaching and will provide assistance to employ an export manager.

ACT Industry Capability Register

Additional resources will be allocated to increase ACT business participation in the Industry Capability Network (ICN). Currently 273 ACT companies are registered on the ICN database.

Action 17

The Government will continue to support small and micro businesses through a range of programs including:

- the Knowledge Fund;
- the Canberra Business Advisory Service;
- the Export Growth Program;
- the Business Acceleration Program;
- the Small Business Employment Ready Program;
- the Business Licence Information Service;
- the Industry Capability Network; and
- the Management of High Tech Start Ups Program.

Customised Business Training Initiative

With constant changes in technology and the business environment, business owners need to develop new skills and enhance existing ones on a regular basis. While most businesses recognise this need, it is not always a simple matter to act on.

Many business owners, preoccupied with day-to-day business issues, find it difficult to participate in existing programs and, as a result, end up seeking help only when a problem or looming crisis emerges. Also, many business owners say they need short manageable training blocks designed to address specific needs and issues, and delivered at times and in ways to fit with the operational requirements of the business.

While broad skill development needs are generally well catered for (i.e. computer literacy, software training and financial skills), the diversity of the small business sector and the individual nature of training requirements poses a major challenge for training providers.

Action 18

The Government will introduce a customised business training initiative to encourage small businesses to undertake relevant skills training.

Support of Business Incubators

The ACT is home to a number of business incubator facilities. Incubator facilities currently attracting Government support (e.g. through either government funding or land use subsidies) include the three sites managed by the Canberra Region Employment and Enterprise Development Association (targeting small and micro business start-ups), the Canberra Technology Park facility at CIT Watson (focusing on start-up companies in the software games development sector), and Epicorp, which is part of the Commonwealth Government's Building on IT Strengths (BITS) program (focusing on high technology start-ups).

The ACT Government sees an ongoing role for business incubators in the ACT and will continue to provide assistance, provided there are clear and measurable economic and community benefits. To receive continuing support, business incubators will need to:

- achieve a regular turnover of businesses through the incubator;
- demonstrate successful transition of businesses to the outside market;
- demonstrate employment growth through the development of tenant/customer businesses; and
- support the development of target sectors (e.g. through clustering, the addition of special skills and capabilities, etc).

Action 19

The Government will:

- support incubation facilities and services where continuing market demand is demonstrated, but with a stronger emphasis on partnership and cooperation to achieve more effective new business and employment outcomes;
- enhance transparency in its partnering with incubator facilities by including the ongoing costs of business incubator subsidies and other support in the Budget Papers; and
- be mindful of the commercial office space market to ensure that incubators do not contribute to an environment of unfair competition in the market.

Indigenous Business Development

The development of indigenous businesses and self-employment opportunities is widely recognised as an opportunity to address indigenous unemployment, as well as providing indigenous people with better outlets to achieve greater economic independence. Currently, the indigenous unemployment rate in Australia is 23% compared to a non-indigenous rate of 7.4%.

The Government believes tailoring and coordination of business support and business information services to the indigenous community is a necessary step to achieving better outcomes.

For example, there appears to be a lack of fit in the way government business services and advice is formulated and provided to the indigenous community. Work undertaken for the Small Business Ministerial Council indicates that indigenous take up of mainstream business programs is very low because indigenous people do not access information in the same way as non indigenous people. Nevertheless, there is

no shortage of ideas and opportunities coming from the indigenous community; ideas that could come to fruition with the right advice delivered at the right time, and through more culturally relevant channels and media.

Coordination of existing indigenous business program support is also needed. For example, the Commonwealth Government, through the Capital Region Employment Council, has an indigenous business development officer currently working with indigenous businesses in the ACT Region. The Government believes that agencies with roles and responsibilities around indigenous business development need to be working closely to maximise the opportunities that exist and also to minimise the risk of resource duplication.

Action 20

The Government will:

- establish an Indigenous Business Support Officer within BusinessACT to work with the Aboriginal and Torres Straits Islander Unit of the Chief Minister's Department and the Capital Region Employment Council to facilitate indigenous business access to mainstream programs;
- provide seminars and networking opportunities for ACT and Region indigenous businesses;
- provide culturally appropriate business training for the indigenous community;
- revamp mainstream business program material to ensure that it is accessible to indigenous businesses; and
- provide cultural awareness training for agency staff delivering business programs to the indigenous community.

Workers Compensation

Workers Compensation premiums have risen substantially in recent years. For example, in the year ending 30 June 2002, average premiums rose by 24%.

However, the introduction of the new Workers Compensation Act in 2002 will provide a number of incentives and avenues for firms to reduce individual premiums.

One of the major factors that influences individual company premiums is claims performance – i.e. the actual and estimated cost of claims, past and present.

This means that a company with a high incidence of injury in the workplace – a company most likely to have poor occupational health and safety (OH&S) practices – will pay higher premiums than other like businesses. However, poor individual results also affect the premium of all businesses in a sector.

Reforms to the Workers Compensation Act will produce financial incentives for businesses to better manage injuries and focus on early return to work of injured workers. Better injury management practices by individual firms will, over time, also reduce sector premiums.

Other reforms will allow businesses to develop pooling arrangements to share risk, and this will assist groups such as taxi operators, retailers and some small businesses.

While ACT WorkCover currently has in place an advice and information service for OH&S and workers compensation, it is important that the private sector takes responsibility for reducing workers compensation premiums.

Action 21

The Government will work with the private sector to:

- assist businesses, in particular small and medium businesses, to introduce effective OH&S practices; and
- assist groups of small and micro businesses to develop pooling arrangements for workers compensation policies, thus reducing the premium costs to individual businesses.

Chapter 5

Capitalising on Competitive Advantages – Priority Industries

The Government will assist the building of competitive advantage by supporting activities and approaches aimed at developing industry networks and clusters. These efforts will be directed towards industries with demonstrated competitive advantage.

Initially, the following sectors will be targeted:

- Information and Communication Technology;
- Space Sciences;
- Biotechnology;
- Public Administration;
- Environmental Industries;
- Creative Industries;
- Sport Science and Administration;
- Education; and
- Defence.

Information and Communication Technology (ICT)

The ACT can claim to be a genuine ICT industry cluster. It is home to nearly 1,000 specialist ICT businesses (4% of Australia's ICT industry) which together employ over 7,700 people (3%

of total ICT employment). The ACT also has experienced the fastest ICT employment growth in Australia (8.2% per annum) and the highest ICT employment intensity of any Australian jurisdiction (25 ICT employees per 1,000 of population).³⁶

In addition, the ACT accounts for 25% of the Commonwealth Government's expenditure on ICT R&D.

Our ICT industry has been built largely on the skills of residents in the ACT workforce and our closeness to leading-edge customers such as Commonwealth Government departments (in particular Defence), the universities, national institutions and also Geosciences Australia.

Despite its size, the potential for further growth in the local market is relatively limited. Many ACT-based companies are now looking for growth offshore by leveraging their knowledge of the local market and customers and applying this know-how to similar overseas markets. For example, TOWER Software was recently awarded one of the largest electronic document and records management contracts in the world. Partnering with international company EDS, its TRIM™ solution will be rolled out to over 350,000 desktops across the US Navy. TOWER's development path – from locally based growth to offshore focus – is typical of how firms rise in industry clusters.

³⁶ Houghton, John W, *Australian Computer Society: Australian ICT Industry Update 2003*, Centre for Strategic Economic Studies, Victoria University, 2003.

Business Snapshot

TOWER Software – ICT Excellence

TOWER Software was founded in 1985 on the idea of providing software applications to help people locate information more quickly. Before the company was incorporated the first version of TRIM, a registry file manager, had been developed.

Today, TOWER Software TRIM product is installed at over 1,000 sites in 32 countries around the world. The company has offices in the USA, Europe and Australia, and resellers in Africa and Asia. It has grown from two to over 100 staff around the world but the company is still firmly headquartered in the ACT.

TOWER Software products are simple yet sophisticated and now cover a vast array of business processes. Integration with existing business systems has also been a priority. For example, the recently released software development kit gives customers and business partners the ability to link their records management systems with other business applications.

The latest release of its award-winning electronic document and records management software, TRIM Context™, has become the first product to achieve approved product status by the UK Public Record Office 2002, revision of its *Functional Requirements for Electronic Records Management Systems*.



The ACT's ICT industry is approaching an interesting juncture in its development. Many firms now have a presence in the international market but to take this further will require ongoing investment in research and innovation, better access to market information and the development of new market channels. The environment provided by the ACT as a location must keep up with these heightened demands. If we do not, local companies will either not be able to compete or they will relocate to locations that provide more advantages.

There is also a disconnect that exists between the substantial intellectual assets within our research institutions and our business community. This tends to reflect the different agendas. However, this is slowly changing, particularly within the Australian National University (ANU).

The Government recently joined with the ANU to secure a major node of the National Information and Communication Technology Australia Centre of Excellence (NICTA) for the ACT. The success in bringing NICTA to the ACT demonstrates what can be achieved through a partnering approach. It also highlights the quality of our institutions and the advantages inherent in the ACT.

NICTA has been established with a four-way mission of research, education, commercialisation and linkage creation. It will be located within Section 61 of City West, immediately adjacent to the ANU. The Government's \$20 million commitment to NICTA (made up of land and direct funding) represents a significant investment in the development of the ACT's ICT cluster.

The ACT's return on this investment will be maximised when local companies become immersed in the research rich environment that is created by the flow of ideas, people and links to which NICTA will give rise. While it is not a prerequisite, this flow is enhanced by close physical proximity. The Government will further leverage this investment by establishing an ICT precinct within Section 61. This will be achieved by immediately releasing Section 61 (less the portion purchased by NICTA) for development

with a cap on the amount of residential, retail and non-ICT uses. Proposed developments for this site will need to demonstrate:

- how they will integrate with NICTA;
- how they will establish and encourage linkage between City West and the ANU;
- sustainable design; and
- how they will incorporate social, cultural and retail amenities.

The establishment of an ICT precinct will also add impetus to the revitalisation of City West as an integral economic, social and cultural part of the ACT.

Action 22

The Government will establish an ICT precinct integrated with NICTA, as an impetus to the revitalisation of City West.

The ability to change in response to global trends is critical to the future of our ICT industry. For example, in recent times there has been a shift to Open Source software development, to which the ACT contributes. Our universities produce graduates who have an interest and experience in Open Source software, we are home to IBM's Linux Research Lab (Oz Lab) and NICTA will foster skills in this technology. There is also increasing interest from the Federal Government to explore and evaluate Linux based software.

The Government can help to reinforce our position as a leading location for Linux expertise by funding an Open Source pilot within the ACT Government. This could also lead to savings for Government through reduced licence fees.

Action 23

The Government will establish an Open Source pilot program to further develop Open Source capabilities within the ACT.

Space Sciences

The space sciences industry in the ACT is still relatively small, employing around 300 people, but it is one of huge export potential. The industry, which is contained primarily within the ANU, CSIRO and companies such as Auspace, Electro Optic Systems (EOS) and Raytheon, also serves to strengthen a number of other export industries such as ICT, education and tourism.

The ANU is ranked 21st in the world for the quality of its space science research. The Research School of Astrophysics and Astronomy is home to six of Australia's top 32 scientists as listed by the Institute for Scientific Information.³⁷ The ANU also has Australia's largest grouping of astronomers and Australia's most comprehensive undergraduate and graduate courses in astronomy. ANU students have been awarded five of Australia's nine Hubble Fellowships.

ANU astronomers have also led 12 of Australia's last 20 approved Gemini Observatory projects. These proposals included the construction of the Gemini Near-Infrared Integral-Field Spectrograph (NIFS) and the Gemini South Adaptive Optics Imager (GSAOI).

The \$5 million NIFS project is being conducted in partnership with ACT-based space engineering company, Auspace Ltd. The project was severely impacted by the January 2003 bushfires, as the NIFS was destroyed while in final testing. However, as testimony to the skill and dedication of our space science industry, the NIFS is being rebuilt in record time and is back on track.

The \$6.3 million GSAOI project, which will build a special camera for the Gemini South Telescope in Chile, was won by the ANU in an international competitive tender.

There is a significant global market for improved satellite technologies. Given the massive costs related to many satellite launches, there is a need for adaptable technology that allows modification to satellites, and particularly after their launch. The ACT is well placed to capture further export revenue from this market, including sensor technology development, satellite component design and manufacture, guidance and communications systems, and technologies and techniques for satellite control including ground station design and operation.



³⁷ Data source: Institute for Scientific Information.

Local company, Auspace, was involved in the launch of the FedSat micro satellite, placed into a low-earth orbit by the Japanese National Space Development Agency in mid-December 2002. FedSat was built, integrated and tested at Auspace facilities in the ACT. FedSat was a project of the CRC for Satellite Systems, which is also headquartered here.

The ACT is also home to NASA's Deep Space Communication Complex at Tidbinbilla, which is managed by the CSIRO and Raytheon – a multi-national which has its Australian headquarters in the ACT. The complex employs about 160 staff and is responsible for supporting interplanetary spacecraft missions and radio and radar astronomy observations for the exploration of the Solar System and the Universe.

Design and manufacture of space related technology is undertaken by Queanbeyan-based company, Electro Optic Systems. EOS is a publicly listed company, specialising in sophisticated laser technologies.

The ANU was also recently awarded a contract to design and build its Skymapper telescope for installation at the Sidings Springs Observatory. In addition, the ANU secured a \$10 million contract with Geoscience Australia for the construction, operation and maintenance of a new Geoscience laser tracking facility at Mt Stromlo. The destruction of the Mt Stromlo Observatory during the January 2003 bushfires represented a substantial setback for the ACT's space science industry; however rebuilding the facility is progressing well.

Looking forward, the main challenge for the development of the space science industry is to build critical mass. The role of The Canberra Partnership in fostering collaboration between companies, institutions and government is seen as critical to this process. For example:

- establishing a better understanding of space science within the ACT's business services sector (for example, finance, business advisory and auditing);
- enhancing commercialisation of ideas from our research institutions;
- working with our institutions and companies to build new export channels from the ACT;

- attracting the best people from around Australia and the world to move to the ACT to work, research or study; and
- promoting the ACT as a leading player in the global space science industry.

Business Snapshot

Electro Optic Systems Pty Ltd – Precision Exporter

Electro Optic Systems Pty Ltd (EOS) is a Queanbeyan-based public company that was founded in 1983.

EOS specialises in the design, development and production of sophisticated laser technologies including supporting software and electronic subsystems. EOS' principal markets are space systems, defence products and space surveillance.

For example, one of the company's advanced laser systems is being used to locate objects in space within one centimetre of their true position. One of the most important uses of this technology will be tracking space junk. Over the next decade, space missions with a combined value of more than \$US440 billion could be affected by space debris. Over the next three years, EOS will build 10 tracking facilities around the world worth around \$US100 million.

EOS was recently awarded a \$6 million contract by the University of California to design and build a 2.4-metre telescope dedicated to the search for Exo-Solar planets.

Laser tracking for military applications is also a major market. EOS laser systems are being used by new and existing weaponry for pinpointing targets and guiding weaponry fire.

Innovative end-to-end solutions have been the hallmark of this exciting company. EOS designs and builds all parts of the tracking system (including telescopes), electronics and software to run the systems and interpret the results, the laser systems, and enclosures for the telescopes and tracking equipment.

According to the company, its strength is its 68 strong workforce. Over half of its staff, spread between Queanbeyan and the USA where EOS operates a wholly owned subsidiary, are tertiary qualified and eight holding PhDs.

Biotechnology

The ACT has established capability in a number of niche markets in the biotechnology sector including plant science, neuroscience, hypertension, immunology, phenomics, genetics and medical services and devices. Although activities in the ACT have primarily been R&D focused, the global growth of the biotechnology applications sector, and the increasing flow of venture capital to this sector, points to significant commercial opportunities for the ACT in the future.

Already around 24 ACT-based biotechnology spin-off firms have emerged, mostly from the institutional R&D performed in the ACT. A significant proportion of this activity is 'public good' R&D driven by national and international priorities. For example, organisations like the CSIRO are active in areas such as entomology, plant industry and agriculture, sustainable eco systems and sustainable forests. Other leaders include the ANU (with specialised organisations including the John Curtin School of Medical Research, the Research School of Biological Sciences and Australian Phenomics Facility) and also the University of Canberra.

A major issue facing the biotechnology industry is the limited investment capital available to local firms and the lack of ACT-based commercialisation expertise. The ACT lacks critical mass in the biotechnology sector to attract the big players to the market – the large biotech companies that can more rapidly connect R&D to commercialisation opportunities and venture capital firms. Our small size, bearing in mind the highly competitive national and international environment for biotechnology skills and infrastructure, means the ACT needs to look to collaboration wherever possible. Our strong R&D base and relationships with commercial interests in Victoria, New South Wales and Queensland provides an opportunity for R&D collaboration and commercial partnering.

In this regard the ACT Government will work to build biotechnology industry relationships with the Eastern States and promote opportunities for State to Territory and company to company collaboration and partnership. The Government will also build stronger linkages with AusBiotech and other relevant industry development organisations to ensure the ACT's strengths are promoted to a national and international audience.

Action 24

The ACT Government will build biotechnology industry relationships with the Eastern States and promote opportunities for State to Territory and company to company collaboration and partnership. The Government will also build stronger linkages with AusBiotech and other relevant industry development organisations to ensure that the ACT's strengths are promoted in a national and international context.

Business Snapshot

Biotron Limited - Commercialising Biotechnology Research

Biotron Limited was formed in 1999 to fund, manage and commercialise biomedical projects emanating from the John Curtin School of Medical Research at the ANU.

Biotron is involved in both diagnostic and therapeutic techniques and is developing a portfolio of products for some of the largest and fastest growing market segments in biotechnology.

Biotron's two showpiece projects, C-Test and Virion, have enormous commercial potential. C-Test is a testing technology for the early detection and diagnosis of cancer using a simple blood test. Virion is a new antiviral agent that will block the ion channel activity of one of the HIV proteins. The Virion project is also a platform technology with potential for application to other viral diseases including Hepatitis C, SARS and dengue infections.

Biotron's business model is based on Tier 1 projects – moving innovative research through proof-of-concept studies and into preclinical and early stage clinical development. Biotron focuses on developing compounds and diagnostics for licensing to major pharmaceutical companies.

Biotron was listed on the Australian Stock Exchange in January 2001.



Public Administration

The ACT's economy is still largely driven by public sector activity. Approximately 46,000 people are directly employed in public administration and defence in the ACT, and total government expenditure makes up a quarter of Gross State Product. Private sector growth is also strongly aligned to public sector demand, including purchasing and outsourcing activity.

Not surprisingly, the ACT has developed a unique knowledge and skills base to service this demand. It has a sophisticated ICT industry, a strong concentration of consulting and professional services businesses, and a cluster of institutions that are sustained by public R&D expenditure. For example, the Commonwealth Government funds nearly half the R&D undertaken in Australia each year, particularly in ICT. This activity is largely responsible for the ACT's strong knowledge based economy.

While opportunities for ACT businesses remain strong across a broad field of activity, the Government recognises that the ACT is economically vulnerable to major policy decisions from major Commonwealth Departments. Relocation of major Departmental functions to other locations, in particular, represents a continuing risk for the ACT economy.

The ACT Government recognises that there is a need to develop stronger relations with key Commonwealth Departments, particularly the Department of Defence, Centrelink and the Australian Taxation Office. The operational and logistical requirements of these Departments – which are significant employers in the Territory – need to be understood and supported.

Action 25

The Government will develop stronger relations with key Commonwealth Departments, particularly larger employers such as Centrelink, the Australian Taxation Office and the Department of Defence. It is expected that this will be through client manager arrangements. The operational and logistical requirements of key Commonwealth Departments and agencies need to be understood and supported.

Environment Industries

Environmental management and services is a growing business activity in the ACT and also throughout Australia. For example, the ACT now has around 400 firms specialising in some aspect of environment management. These firms currently employ around 2,700 people in the ACT.

The ACT also has strong environmental credentials. It is widely regarded as being a world leader in urban environmental solutions and was the first city in the world to set a 'no waste' target for 2010. The ACT community has the highest level of environmental awareness in Australia and strongly supports good environment management policies and practices.

Our environment institutions and businesses embody a wide range of knowledge and expertise including water management, waste management and recycling, remote sensing, sustainable energy systems, meteorology, sustainable buildings, urban planning, pest animal control, geoscience, environment policy, forestry, standards, sustainable plant production systems, prevention and treatment of pollution and agriculture. The skill set includes research and development, data management, light manufacturing, engineering, geo-spatial applications, data mining, and education.

While the environment sector has a strong track record and demonstrated capability, its diversity and fragmentation poses unique challenges. The environmental industry is also constantly battling competition from cheaper and less environmentally friendly alternatives.



Like the ACT's other knowledge-based sectors, most of the R&D undertaken is 'public good' in nature and therefore without immediate commercial potential. The ACT also lacks a critical mass of larger companies – a key issue in connecting research to the market, attracting and retaining skilled people, and providing better use of assets.

To better understand industry opportunities, the Government will undertake an industry and capability mapping exercise. This will assist in better linking R&D to commercialisation partners.

Action 26

The Government will undertake an industry and capability mapping exercise for the environment sector. This will assist in better linking R&D to commercialisation partners.

Creative Industries

New research shows that talented and skilled people – and technology intensive industries – tend to migrate to destinations that are tolerant, diverse and open to creativity. This observation has given rise to the idea of the 'creative class', a new phenomenon in economic and social theory.

The ACT has a concentration of creative talent and expertise spanning different mediums, media, technologies and applications. Supporting the expansion of this talent pool is important socially and economically.

Governments have, in the past, tended to invest in physical capital to foster economic and social development. However, the new thinking requires us to take a different view and look at ways governments can nurture and celebrate creativity for the benefit of broader objectives.

The Government will be supportive of investment in creativity in multidimensional forms including the arts, music, culture, media, design and architecture. It will also support initiatives that will develop an environment that is attractive

to talented people and conducive to creativity. This includes the development of a vibrant and diverse nightlife and other leisure experiences including the a dynamic city centre.

The Government will continue to support *Arts Capital*, a framework for community cultural and creative development and growth. *Arts Capital* recognises the important role that the arts and culture play in making the ACT an attractive destination to live. It promotes six key result areas for development: the sustainable growth of arts enterprises, the development of cultural tourism, excellence and innovation of product, local audience and participation, places and spaces to cultivate creativity and the development of online arts.

The Government will also facilitate more direct specific industry development initiatives. The ACT has a growing computer games industry that has gained national attention and is generating significant export earnings. It has a strong television and film production industry that has the capacity to develop and grow, particularly through closer collaboration with the New South Wales production industry. The ACT also has world class crafts people, particularly in glass and wood design. In addition, it is home to some of Australia's most important cultural institutions, which have given us leading edge skills in art and museum display, and exhibition delivery and management.

Action 27

The Government will establish an Office of Film, Television and Multimedia. Known as screenACTion, it will implement industry development initiatives, provide location production support and work with other States on potential partnering projects.

The Office will play an essential role in fostering high quality content, creative skills development and an ACT-based screen culture. This will be achieved through close partnerships with existing arts and cultural activities and programs.

Business Snapshot

The Academy of Interactive Entertainment – Where ICT and the Creative Industries Meet

Established in 1996, the Academy of Interactive Entertainment (AIE) Pty Ltd is Australia's leading Registered Training Organisation for the Computer Games and 3D graphics industries. The AIE, which was established by ACT-based games software house, Micro Forté, is an outstanding example of how businesses in creative industries can grow through the exploitation of local industry knowledge.

Specialising in games development, games programming and 3D graphics training, the AIE has a focus on providing pathways to employment through hands-on training in team production settings. The company was awarded the Small Registered Training Organisation of the Year Award in 2002. In excess of 600 job-ready students have graduated from the AIE, many moving directly into areas of software games development and to animation companies.

The AIE's success can be attributed to its leading edge technology, strong R&D and preparedness to back local industry talent.



Sport Science and Administration

The Sport Science and Administration sector is a growing segment of the ACT economy and already a significant economic contributor. There are currently around 500 entities and businesses directly involved in sports science and administration. The number of businesses providing sport and physical recreation services in the ACT increased by 43% between 1995 and 2001.

Our major sports institutions and national teams – the Australian Institute of Sport (AIS), ACT Academy of Sport, University of Canberra Centre for Sports Studies, CIT Sports Studies courses, ACT Brumbies, Canberra Capitals and the Canberra Raiders, create a significant cluster opportunity. High-level skills and knowledge of sports management and administration, applied sports science research and development, coaching expertise, and sport infrastructure management are spread across this group.

The Sydney Olympics provided a unique opportunity to showcase Australia and its athletes to the world. Since then, the sports industry has grown strongly, particularly through emerging synergies with more traditional industries such as tourism, building, IT, education and manufacturing.

The Government believes the sports industries have the capacity to grow by maximising networking opportunities within the industry, and across government and other industry sectors.

A key challenge will be maximising commercialisation opportunities from the vast amount of intellectual property resident in the ACT.

Accordingly, the Government aims to work closely with the AIS, the University of Canberra and other key institutions to develop a business assistance path for the commercialisation of sports science research and development in the ACT.



Business Snapshot

CEA Technologies – A World-Class Defence Company

Since 1983, CEA Technologies Pty Ltd has been designing and developing leading edge radar and communications solutions for military application.

CEA radar surveillance systems are used by the US Navy, and by a range of other offshore defence customers. In Australia, CEA's radar expertise will be used in the 15 Patrol Boats being built for the Royal Australian Navy by the Defence Maritime Services/Austral team.

CEA recently undertook a \$4.25 million upgrade of its facility in the ACT to include a specialised antenna and unique radar test facility.

A Canberra grown and wholly Australian-owned company, CEA Technologies also has facilities in Melbourne, Adelaide and San Diego (CEA Technologies, Inc). CEA Technologies employs 125 people, mostly in Australia.



Defence

The Department of Defence spends around \$1 billion directly in the ACT economy and a further \$15 billion nationally. Not surprisingly, the ACT is developing significant expertise in defence related industries.

Local industry capability includes intelligence support, high technology communications, intelligence systems, logistics and command and control systems, specialist operations and warfare componentry across the Army, Navy and Air Force.

CEA Technologies Pty Ltd is an interesting example of a business developing and growing in the ACT through defence-specific supply.

Current global security issues have also brought about unprecedented interest and demand by the Australian Defence Force (ADF) to acquire leading-edge defence and security capability. The 2000 Australian Defence Force White Paper, reviewed during 2003, forecasts a sustained program of capability enhancements providing growth opportunities for the ACT defence sector.

Another major local development is the establishment of the Headquarters Australian Theatre project near Bungendore, which will bring new defence related expertise to the Region and require new streams of supply. The ACT Government recognises the importance of working with the NSW and Local Governments to ensure maximum regional benefit is created from this important national investment.

The ACT Government also recognises the advantages conferred by location. The Government, through its priority sector initiatives, aims to develop strong relations between the Department of Defence, ACT firms and Government to create points of interaction for mutual benefit.

The Government also understands that the ACT Region has the most significant concentration of defence knowledge and expertise in Australia. Almost all of the ACT's defence supply companies have been established by ex-Australian Defence Force personnel and all employ people with ADF experience.

Action 28

In recognition of the importance of the defence industry to the local economy, the Government will focus on ensuring that defence procurement takes account of local business capability and ensuring that the Department of Defence is better connected with local suppliers. In addition to the work required to improve the level of retained expenditure in the Region, other significant aspects of defence specific activity will feature:

- ACT-specific industry capability mapping, to market back to the Department of Defence; and
- connecting new defence needs to the local research and development capability. NICTA, DSTO and others offer significant opportunities to turn new defence technology needs into local opportunity.



Tourism

Tourism is a significant and growing contributor to the ACT economy and community, and helps define our national and international image. As the nation's capital, many important Australian institutions are located here. In addition major events and exhibitions attract, entertain and educate both ACT residents and outside visitors.

The economic contribution of tourism to the ACT economy is impressive. For example, over 1,000 local businesses are directly involved in tourism, which contributes around \$690 million to the economy and supports around 11,000 jobs. Key tourist related activities include:

- attractions;
- accommodation providers;
- transport companies;
- tour operators;
- wineries;
- food providers including restaurants; and
- entertainment providers.

Many other sectors of the economy such as retail and property development are also stimulated by tourism activity.

The diverse and extensive range of tourist attractions and events draw visitors to the Region. These include major venues such as the National Gallery of Australia, Australian War Memorial, Parliament House, the National Library, the National Museum of Australia and Questacon; smaller attractions such as Tidbinbilla, the National Zoo and Aquarium and Cockington Green; and events such as Floriade, Summernats and the National Folk Festival.

The additional demand created by visitors also has longer lasting benefits. For example, *Community Attitudes Toward Tourism in the ACT* research conducted by the CRC for Sustainable Tourism found that 99.8% of respondents recognised the positive community impacts associated with tourism such as better local amenities (entertainment, access and service), increased employment opportunities and a healthier local economy.

The CRC's 2002 research, *Australians Perception of their National Capital*, showed that visitation to the city plays a critical role in the formation of an accurate perception of the national capital. Given this, tourism can be seen as a key tool in presenting the ACT nationally and internationally.

Table 5 shows that while domestic visitor numbers have been rising steadily, international visitation has been falling for some time.

Also of concern, the ACT's market share has been rising only slowly for domestic visitation but falling for international visitation (see **Table 6**).

Constant and effective marketing of the ACT will not only encourage visitation but it will provide an umbrella under which other industry sectors can market themselves to attract investment.

The ACT Government's role in tourism

The ACT Government is a major player in the local tourism industry. As an owner of major territory attractions, a supporter and manager of events, and through its tourism marketing and development agency Australian Capital Tourism, the Government will continue to play a major role in developing and promoting tourism. The Commonwealth Government, through

its ownership of major national attractions and management of events, is also a major contributor to the ACT's tourism product.

The ACT Government has undertaken a major review of its role in the tourism industry, which has resulted in changes to the governance of Australian Capital Tourism. The Government is also considering opportunities to enhance facilities in one of the larger and growing segments – conventions.

Australian Capital Tourism now has a clear path for the future. Following a major restructuring and planning exercise in 2003, the Corporation's role is to lead the ACT and regional tourism industry to deliver marketing and development programs that significantly increase the economic return from domestic and international tourism.

The key goals the Government will pursue as set out in the Corporation's strategic direction document *Introducing Australian Capital Tourism* are to:

- increase awareness of the ACT Region as a tourism destination;
- increase tourism's contribution to ACT Gross State Product;
- grow domestic visitation;
- grow international visitation; and
- increase visitor length of stay.

The key domestic markets to be targeted are:

- New South Wales – Sydney and Regional New South Wales;
- Victoria – Melbourne and North East Victoria;
- Queensland – Brisbane and South East Queensland;
- Adelaide; and
- Perth.

At the international promotions level, priority will be given to a number of high yield Eastern Hemisphere markets, and also in conjunction with the activities of Tourism NSW and the Australian Tourist Commission. Selected

Table 5: Visitation and economic impact of visitation to the ACT

	1998	1999	2000	2001	2002
Domestic visitors ('000)	3,800	3,795	4,065	4,027	4,107
International visitors ('000)	252	211	200	190	184
Total visitation ('000)	4,052	4,006	4,265	4,207	4,266
Estimated contribution to Gross State Product (\$m)	705.49	694.43	748.26	679.60	686.29

Table 6: ACT market share of Australian tourist visitation

	1998	1999	2000	2001	2002
Domestic tourism ACT market share (%)	1.67	1.56	1.73	1.83	1.83
International tourism ACT market share (%)	6.05	4.73	4.04	3.94	3.81



Western Hemisphere markets will also be targeted, but almost exclusively through the Australian Tourism Commission.

The high-end Australian and international convention market has also been identified as a key area of focus. This segment has the capacity to deliver large numbers of tourists, especially high yielding visitors. It also has the potential to create demand for services and facilities (restaurants, retail, accommodation, transport), which in turn feeds into building and construction activity and more jobs.

Pathway to success

Achieving these ambitious goals will require concerted action by the ACT Government and also by the Commonwealth Government (through the National Capital Authority), and by the local and regional tourism industries.

Strong connections already exist between the key players, but there are opportunities to build better relationships. For example:

- ongoing consultation between the ACT Government and the tourism industry;
- stronger relationships with Tourism NSW, Tourism Victoria and the Australian Tourist Commission; and
- the support and commitment of 'Capital Region' tourism groups.

World events have seen a fall in world tourism activity and a subsequent increase in domestic competition. While the local tourism industry has come through these changes reasonably well, the ACT Region needs to capitalise on new opportunities to develop the city and Region's tourism products and services. Through the delivery of effective and imaginative marketing campaigns, Australian Capital Tourism can convert new awareness into real outcomes.

The ACT Government understands that further resources are needed, particularly in the areas of industry development and marketing, and in developing our facilities in the conventions sector.

Action 29

The Government recognises the importance of the tourism sector to the ACT economy and will provide funding to support tourism marketing and development initiatives that maximise the return from domestic and international markets.

It is recognised that the current National Convention Centre (NCC) is 15 years old and is no longer meeting the requirements and expectations of the highly competitive and mobile conventions market. The limitations of the existing facility need to be addressed urgently by either major upgrade or replacement.

The Government has previously announced a commercial process which will identify options available to enhance or replace the National Convention Centre. An incentive of up to \$40 million is available.

Action 30

The Government has commenced the procurement process for the development or redevelopment, and operation of convention and exhibition facilities in the ACT.

Following evaluation of Stage 1 Expressions of Interest submissions, and the completion of a detailed cost benefit analysis, the Government will consider progress to subsequent stages of the project in early 2004.

Chapter 6

Leveraging off our Intellectual Assets

With knowledge and skills now a major factor in economic performance, well-targeted investment in education and training is an essential element of any modern economic development strategy. Our education system plays a vital role in forming the foundation skills and attitudes that support innovation, creativity, and the capacity to cope with change. It is also a major source of the vocational skills and attributes that make for high levels of productivity in the workplace.

Likewise, the research undertaken in our universities is of fundamental importance to our ability to compete successfully in the knowledge-based and skill-intensive industries – key generators of wealth in the global economy. Education is not only a vital input to the development of other knowledge-based industries, but increasingly an important and highly successful export industry in its own right.

Of course, education serves other vital purposes as well. It is the primary means by which people can broaden their understanding of our society, realise their individual potential and participate effectively as citizens in our democratic process. In the area of children there is a large and persuasive body of evidence that emphasises the importance of making early development a priority. Current research has found the most rapid and critical stage of physical brain development occurs in the first three years of a child's life³⁸.

The Children's Plan and the Social Plan will address how government policies and services

need to consider and reflect the changing needs of children's lives and recognise the importance of investing in the early years of child development.

For young people, a high-quality education foundation is a vital platform for making a successful transition to the world of work. There is no more powerful predictor of a young person's future in the labour market than the successful completion of Year 12 or its equivalent.

Education is also a prime source of artistic talent and cultural values – attributes essential to a civilised society and to the attraction and retention of talented people. And not least, education is fundamental to the social cohesion of our society: a well-educated community, in the broadest sense of that term, will be one that is tolerant of difference, welcoming of diversity, caring in its attitudes, and shows support for the disadvantaged.

Building Knowledge and Skills for the Future

Chapter 2 highlighted the ACT's excellent education and training system as one of its major competitive strengths. Our ACT schools and students perform strongly in nationally standardised tests of student achievement, and at secondary level the ACT has the highest percentage of students who complete Year 12 of any other Australian State or Territory.

38 McCain, M.N. & Mustard, F. *Reversing the brain drain: Early study*: Final Report, Ontario Children's Secretariat, Toronto, 1999.

Our public education system is both strong and highly competitive. The ACT is leading the way in literacy, mathematics and scientific literacy as indicated through PISA and basic skills testing results; student-teacher ratios are the best in Australia; and the ACT has been the first jurisdiction to introduce ICT competencies for Year 10 with 95% of students achieving all competencies.

The ACT also benefits from a high-quality vocational education and training system, with a leading TAFE provider in the Canberra Institute of Technology and up to 100 Registered Training Organisations (RTOs) catering to a wide variety of training needs and markets. The ACT's vocational education and training system performs well above the national average on most of the major performance benchmarks analysed in the annual Productivity Commission report, including on those measures relating to quality of outcomes, cost of training, and support for designated target groups.

The level of higher education participation in the ACT is far above the national average, and rivalled only by Victoria. An important factor is the quality and reputation of our two leading universities – the Australian National University and the University of Canberra, both of which attract students from around Australia. As already noted, our universities gain a sizeable share of the competitive grants awarded each year for public sector research and development – far in excess of their pro rata share on a population basis.

The ACT has the most highly educated population and workforce in Australia (see **Table 8**). Among people aged 25–64, for example, 63.0% of the ACT's population holds a vocational or higher qualification, compared with 49.5% of people Australia-wide.³⁹ This high level of educational attainment has been a major factor in the ACT's high rates of labour force participation and labour productivity.

The number of overseas students enrolled at ACT educational institutions has risen by more than 60% in the past four years, from

about 2,800 in 1999 to 4,600 in 2002.⁴⁰ Direct expenditure by these students is estimated to contribute some \$114 million to the ACT economy each year, to say nothing of the cultural, business and trading links that often flow from these students' study in Australia.

For all these strengths and achievements, our education and training systems face significant challenges. We will need to confront these if the ACT is to retain its status as the nation's education capital.

For example, we must ensure all of our young people acquire the foundation skills they will need in their future lives by completing a course of full secondary education or its equivalent. Impressive though our retention rates are, too many of our young people are still falling between the cracks of our education system and into the margins of society.

The vital importance of high-quality teachers and teaching to the achievement of our educational goals, and the development of strategies for managing the large projected loss of teachers through retirement or resignation over the next five years, needs to be recognised.

It is a matter of concern that the ACT does not lead the way in all aspects of vocational education and training. Participation by ACT school students in vocational education is excellent but the declining numbers of new apprenticeships have been of concern. Recent activity has reversed the downward trend but it is resource intensive to maintain apprentice numbers in the ACT.



39 Australian Bureau of Statistics, *Measuring Australia's Progress*, Catalogue No. 1370.0, April 2002, page 63.

40 Centre for Labour Market Research, *Export of ACT Education and Training*, report prepared for BusinessACT, August 2002.

Table 7. Apparent retention rates of secondary students (a), from Year 7/8 to Year 12

	NSW %	Vic %	Qld %	SA %	WA %	Tas %	NT(b) %	ACT %	Australia		
									Males %	Females %	Persons %
1996	67.7	75.3	76.5	68.4	70.7	53.1	41.0	91.3	65.9	77.0	71.3
1997	67.2	76.3	77.9	66.9	71.6	58.6	42.0	91.6	66.2	77.8	71.8
1998	67.2	75.9	77.3	66.7	71.1	62.1	42.9	91.0	65.9	77.7	71.6
1999	67.6	76.2	77.5	67.0	71.5	66.7	52.9	92.5	66.4	78.5	72.3
2000	67.5	77.2	77.3	65.4	71.3	69.5	49.7	87.1	66.1	78.7	72.3
2001	68.2	79.3	79.0	66.4	72.0	68.7	50.9	89.3	68.1	79.1	73.4
2002											
All schools	69.9	80.9	81.3	66.7	73.7	72.6	53.0	88.1	69.8	80.7	75.1
Government	63.8	74.4	76.5	56.9	69.0	72.9	63.1	98.7	64.0	75.3	69.5
Non-government	82.4	91.7	90.6	86.7	83.1	71.8	34.1	74.0	81.2	90.7	85.9

(a) Full-time students only.

(b) To calculate the apparent retention rate at the Australia level the total number of full-time students in Year 12 in 2002 is divided by the number of full-time students in the base year, which is Year 7 in New South Wales, Victoria, Tasmania and the ACT in 1997 and Year 8 in Queensland, South Australia, Western Australia and the Northern Territory in 1998 (since those years represent the commencement of the secondary school system in the respective State or Territory). The resultant figure is converted to a percentage.

Source: Australian Bureau of Statistics, Schools Australia, 2002, Catalogue No. 4221.0

Table 8. Proportion of the population over the age of 15 with a non-school qualification, ACT and Australia, 2001 Population Census (a)

	ACT %	Australia %
Postgraduate degree	5.1	1.8
Graduate diploma and graduate certificate	3.4	1.4
Bachelor degree	17.3	9.7
Diploma and advanced diploma	7.3	6.0
Certificate	13.1	15.8
Not stated (b)	9.0	11.5
Not applicable (c)	44.8	53.8
Total	100.0	100.0

(a) excludes schooling up to Year 12

(b) includes 'inadequately described'

(c) includes those who do not have a qualification and those who have a qualification out of scope of the Australian Standard Classification of Education

Source: ABS Census of Population and Housing, 2001

Even stronger links between our educational institutions and industry need to be developed. Examples include between our schools and local businesses in providing work experience opportunities to secondary students; between vocational education and training providers and industry in addressing identified shortages of skills, and in devising training responses that satisfy both the immediate needs of industry and the longer term needs of students; and between universities and industry in working collaboratively to develop the commercial potential of the ACT's first-rate basic research.

We need to foster stronger relationships between our education and training institutions and sectors, so that students can move easily and flexibly between them according to their needs, while being consistent with the requirements of each institution. While significant headway has already been made in this regard, there is still much that remains to be done.

We need to build upon the impressive record of recent years by developing the ACT's potential as a leading supplier of education and training services to overseas students. Thus, a well-planned and co-ordinated effort is necessary to market and promote the ACT as an attractive study destination for potential students and their families; to develop strategies suited to major student markets such as China and India; and to achieve the standards of quality in both educational support and other facilities (i.e. residential accommodation and student support services) that are so vital to a good reputation in this highly competitive industry.

Sectoral strategies will also be needed. There seems no good reason, for example, why the ACT should lag so severely in its share of the important English Language Intensive Courses (ELICOS) market.⁴¹

Comprehensive policy responses to these important issues will be the focus of priority attention within the education, youth and family services portfolio. Accordingly, the detail of these issues is not addressed in the Economic

White Paper. However, in recognition of the vital role that education and training will play in our future prosperity, the Government has agreed to a number of immediate measures to support the economic development objectives of this White Paper. Details of these measures are set out below.

Building Student ICT Excellence

There has been substantial progress in recent years in the introduction of ICT into ACT Government schools. All schools now have a capacity to use ICT in teaching and learning, and for administrative purposes. In many areas the ACT is in the forefront being the first jurisdiction to introduce ICT competencies for Year 10 students. The ACT is also on track to be the first Australian school system to be fully connected to broadband services.

In addition to funds and support provided centrally at the school system level, all schools have invested heavily in ICT resources according to their capacity to do so. There is variability among schools however in their ability to adequately invest in ICT because of their size and consequent financial capacity, and the need to maintain quality educational services for students in other areas. There are signs that some small schools are experiencing difficulties, for example, in acquiring and maintaining computing infrastructure of the quality needed.

It is unacceptable that the acquisition of the necessary knowledge and skills be dependent on either socio-economic background or attendance at a particular school. All students must have equal access to a quality ICT environment as part of their educational experience.

The ACT must optimise the competitive advantage it has in its skilled workforce in what is increasingly becoming a knowledge economy. It is critical that, in addition to a strong base in literacy, numeracy and broad communication competency, all students have a strong grounding in ICT.



41 Centre for Labour Market Research, op. cit. page 5.

A dynamic, innovative economy needs to be underpinned by an education system that develops the capacity of students for innovative and creative use of ICT.

Action 31

The Government will ensure that the government school system is resourced to deliver ICT skills to students irrespective of school size and financial capacity.

Strengthening Links Between Schools and Industry

In recent years ACT schools have responded strongly to a range of national initiatives designed to extend the range of vocational options available to secondary students; develop the personal skills valued by employers; and strengthen the links between schools and industry. All ACT secondary colleges now operate as RTOs, and offer a wide range of nationally recognised vocational courses. Some 4,000 senior secondary students participated in such courses in 2002,⁴² and vocational education opportunities are currently being extended to students in Year 10 through partnerships between high schools, colleges and the Canberra Institute of Technology.

More generally, employability skills – the personal skills important for a successful transition to the workforce – have been promoted both through the general school curriculum and by means of programs such as School to Industry Partnerships and Young Achievement Australia.

As a further contribution to building the links between schools and industry, a new program will be developed providing senior secondary students with opportunities to work on industry-sponsored projects in workplaces. The projects will be designed to address specific issues identified by companies, which in turn will sponsor small teams of students trained in problem-solving techniques. Participating students will be provided with specific training in workplace analysis and presentation skills, and

they will gain valuable skills in communication, teamwork, planning and enterprise.

The new program will be developed in conjunction with peak industry bodies and introduced from the beginning of 2005.

Action 32

The Government will develop, in conjunction with peak industry bodies, a new program to build the links between schools and industries, providing senior secondary students with opportunities to work on industry-sponsored projects in the workplace.

A Training Pathway Guarantee

Of the 4,000 school leavers in the ACT each year, about 3,000 proceed directly to higher education or vocational education and training, and a further 700 take up part or full-time employment. About 300 neither take-up a job nor continue their studies.

It is increasingly important for young people to continue to develop their skills at the post-school level. This is because advanced skills are now a requirement for success in many jobs, and employers are increasingly using level of educational attainment as a selection filter in their recruitment procedures. For these reasons, school leavers who neither gain a job nor continue with their studies, or who enter employment with no training attached, are those most at risk of suffering prolonged periods of unemployment and poverty – not only in the short-run, but also later in their lives.

In recognition of this risk, the Government has introduced a Training Pathway Guarantee, whereby young people not already in some form of post-school study or training will be guaranteed access to one year's post-school training in a relevant and available vocational education and training course within 12 months of leaving school. The training provided must meet ACT skill needs priorities, and in most cases will lead towards nationally recognised

⁴² National Centre for Vocational Education and Training Research, *Australian Vocational Education and Training Statistics: Students and Courses*, 2002, page 9.

qualifications. Pre-vocational training and additional support will be available for those with special training needs.

The program will link with the current Student Pathways program to ensure that at-risk students receive counselling and advice on their post-school options while still at school. There may be a need to supplement the standard range of vocational education and training available in the ACT in order to develop a menu of training programs suitable for this target group. Consultations will be undertaken with RTOs to establish a network of training providers with the skills and interests to perform this role. For young people in jobs with no training provided, negotiations will take place with their employers with a view to providing government-funded New Apprenticeships training either fully on the job or in a mix of on-the-job and off-the-job training modes.

Action 33

The Government will introduce a Training Pathway Guarantee of one year's post-school training in a relevant and available vocational education and training course within 12 months of leaving school for students not already in some form of post-school study or training.

Skills Development for Young Adults at Risk

A small proportion of young adults aged 18 to 25 years need significant individualised assistance to achieve productive futures. These young people have circumstances in their lives such as homelessness, mental illness, intellectual disability and drug and alcohol dependency, and may have entered the criminal justice system. The human and financial cost to the community will continue to be high if they are not provided with targeted and ongoing support to develop their skills and achieve success.

While there is a broad range of ACT Government-funded programs for these young people, there is limited individualised,

multidisciplinary support tailored to their needs and skills development.

The Government will introduce the Skills Development for Young Adults at Risk initiative to assist these young people. Young people who are long-term unemployed will benefit from this initiative, which will focus on well-being, skills and training, and employment.

Skills Development for Young Adults at Risk will have three parts:

- the first will provide flexible, individualised case management support for improving well-being;
- the second will assist the young people to participate in training and education activities with a focus on skills development and improving employment options; and
- the third will involve working with Job Network agencies and Centrelink to help the young people find employment. This part of the initiative is affiliated with the Commonwealth Government's Welfare Reform.

Action 34

The Government will introduce the Skills Development for Young Adults at Risk initiative that will focus on well-being, skills and training and employment to assist young people.

Payroll Tax Exemption for Apprentices

Apprenticeship training continues to play a vital role in the skill formation and development of the ACT workforce, and Group Training Companies have become an increasingly important means of organising and delivering such training. Currently, Group Training Companies are exempt from the payment of payroll tax in respect of apprentices and trainees undertaking eligible approved training, but only for the first year of their training. The time-limited nature of this

exemption tends to discourage the provision of training for periods extending beyond 12 months, even where a clear need exists for longer training.

The Government will amend the Payroll Tax Act to exempt Group Training Companies from payment of payroll tax in respect of apprentices undertaking eligible training for periods up to three years.

Action 35

The Government will amend the Payroll Tax Act to exempt Group Training Companies from payment of payroll tax for second and third-year apprentices.

Developing the Skills of Older Workers

A key challenge posed by the demographic forces discussed in Chapter 2 will be to sustain and develop the skills of older workers. Our prevailing culture, which favours retirement at the earliest possible age, is not in the long-term interest of the retirees, our economy or our society⁴³. New strategies are required to provide older workers with more attractive and flexible ways to maintain an active engagement with the workforce. An essential element will be to extend the opportunities available to older workers to refresh their skill base and acquire new knowledge and skills. Equally important will be the need to ensure that the new skills they acquire are recognised and valued by employers and put to good use in the workplace.

Action 36

The Government will introduce a vocational education and training program specifically targeted at the over 45 year old age group with a particular focus on people re-entering the workforce and those in the workforce who need to retrain in order to remain in employment.

Promoting Family Friendly Work Solutions

Strategies to allow workers greater flexibility in managing work and family commitments have been on the national industrial relations agenda for some time, and include initiatives such as paid and unpaid parental leave, financial support for child care, facilities for nursing mothers, flexible working patterns, and flexible leave arrangements to allow parents to care for children during ordinary working hours. However, most of these strategies have been progressed at a workplace level reinforced by a view that these are industrial issues and should be progressed through negotiations with employers.

The drawback of the employer-negotiated approach is that many workers miss out, particularly female workers in male-dominated workplaces and industries, and parents employed in small businesses. Smaller businesses – which are the driving force behind the ACT private sector – are less likely to have available resources to offer conditions of employment such as paid parental leave and child care facilities.

Access to affordable and flexible childcare also impacts directly on the size and quality of the available workforce. Lack of access restricts parents (and particularly women) in participating in paid employment and can create serious imbalance between work and family commitments. Encouraging parents to return to the workforce after the birth of a child increases the size of the available workforce, and providing family-friendly conditions of employment may remove barriers that could otherwise influence people not to have children.

It is also important to encourage greater participation of women in the workforce to address the disadvantage experienced by women in terms of economic security and financial independence. Women remain primarily responsible for the care of children in the ACT.

⁴³ See for example, the research paper commissioned by the ACTU and the Business Council of Australia, *Age can work: the case for older Australians staying in the workforce*, April 2003.

The ACT Government currently supports a range of initiatives to address issues of childcare access and affordability. These include:

- the subsidy of emergency child care placements for 0-5year olds;
- trialing flexible hours in preschools;
- the development and circulation of a discussion paper on funding of birth to five years education;
- the 'Parents as Teachers' program; and
- the development of a Children's Plan, aimed at integrating services for the family across health, education, welfare and children services.

Given the Government's commitment to small businesses and our desire to position the ACT as a location where talented and skilled people to want to live, other approaches, such as work co-located childcare, warrant serious investigation.

Currently, the majority of childcare places in the ACT are in commercial community-based centres, rather than work-based centres. This is due to the fact that many ACT employers are not sufficiently large enough to establish demand for their own dedicated childcare centre.

The ACT Government believes there is considerable merit in exploring employer-based shared delivery models. Apart from providing arguably better and more accessible solutions for working parents, there appears to be financial advantages through FBT tax exemption on the benefit provided directly by employers. This means that where employees have access to salary packaging/sacrifice arrangements, they are able to pay fees for work-based childcare centres from pre-tax earnings. This FBT exemption, which potentially represents significant financial savings for eligible employees, is not available for community-based childcare centre fees.

Accordingly, the ACT Government proposes to examine the feasibility of shared work-based childcare centres in the ACT involving both ACT Government employers and private sector employers. Initially, this would involve the

development of a discussion paper, addressing issues such as:

- estimated demand for places;
- estimated costs of establishing a centre;
- legal requirements for establishing a centre, including advice on the most appropriate contractual arrangements to ensure that the centre qualifies for the FBT exemption; and
- potential child care service providers who could operate a work-based centre in the ACT.

Beyond a feasibility study, the ACT Government envisages one, or possibly two, childcare centre trials involving government and private sector employers.

Action 37

The ACT Government will commission a feasibility study to examine issues around the establishment of shared work-based childcare centres in the ACT. Following successful completion of the feasibility study, the ACT Government envisages a trial of one or more co-located childcare centres involving government and private sector employers.

Knowledge Partnerships

Building the capacity of our universities

Our universities are important to the economic development of the ACT. They drive our economy in a number of important ways, including:

- educating our citizens, hence creating an educated and talented workforce;
- creating intellectual property to be commercialised; and
- earning export income for the ACT by attracting foreign students.

While the primary responsibility for funding higher education rests with the Commonwealth, we must ensure that our universities have the capacity to maximise their impact on our economy and our future.

The Government will provide a one-off contribution to expand our capacity to attract talented people, build export markets and exploit our intellectual capital.

The Government will support the construction of new capital facilities for the School of Health Sciences at the University of Canberra, allowing new departments of physiotherapy, allied health and dietetics to be established and 17 new degree courses to be offered (for both domestic and overseas students). In addition to increasing the breadth and depth of the ACT's educational offering to domestic and international students, the proposal will expand the supply of qualified health professionals to the ACT labour market.

Action 38

Subject to the University of Canberra being able to meet capital and operating costs, and a positive cost benefit analysis, the Government will invest in the construction of new capital facilities for the School of Health Sciences allowing new departments of physiotherapy, allied health and dietetics to be established.

Growing education exports

In recognition of the growing importance of education as an export industry, and also because of the highly competitive nature of that industry, the Government has recently established a Council for Education Exports to promote the ACT as a preferred study destination for overseas students. A closely related objective will be to encourage international tourism to the ACT by means of promotional campaigns targeting the parents and relatives of ACT-based students. The Council's annual budget will be \$150,000, with additional funding to be sought from educational institutions themselves.

The importance of education in the creation of economic opportunity will also be reflected in planning reforms to be announced in the forthcoming Spatial Plan. The regeneration of Civic, and City West in particular, will reflect the critical value of making provision for living

arrangements that attract students from around the country and from overseas. Planning policies will be adapted to recognise that the amenity of locations greatly influences the choice of destination of mobile young people and knowledge workers.

Commercialisation of ideas

In 2000–01, over \$640 million was spent on publicly funded research and development in the ACT – about 12% of the Australian total – employing an estimated 7,700 people.⁴⁴ In addition, a large portion of the workforce is involved in the creation of new ideas and innovation within the private and public sector.

The ACT is not only a powerhouse of idea creation in terms of the quantity; it is also world-class in terms of the quality. The ANU is the national leader in citation rates for academic staff. According to the Institute for Scientific Information, the ANU ranks in the top 100 in the world in eight subjects; twice as many as the next best Australian university. These subjects include:⁴⁵

- Geosciences (10th);
- Space Science (21st);
- Mathematics (38th);
- Plant and Animal Science (38th);
- Environment Ecology (55th);
- Social Sciences General (62nd);
- Chemistry (73rd);
- Economics and Business (96th);
- Physics (96th); and
- Immunology (97th).

44 Advance Consulting Pty Ltd, *Obtaining Economic Benefits from Public Sector Research in the ACT*, September 2002.

45 Data sourced from: Institute for Scientific Information.

Business Snapshot

Seeing Machines – Ideas in Action

Seeing Machines Pty Ltd was incorporated in 2000 after evolving from R&D in the Robotics Systems Laboratory at the Australian National University.

Seeing Machines focuses on vision-based human-machine interfaces. The revolutionary technology tracks the directions in which people look and how they close their eyelids. The technology is changing the way humans and machines interact, and accordingly has enormous market potential.

Seeing Machines is now exporting its gaze tracking faceLABTM™ technology for laboratory and simulator studies of driver fatigue, distraction, human workload management systems and intelligent vehicle applications. faceLABTM™ is a leading-edge technology based on video image processing, a new method of obtaining detailed information of a human face.

In the past, technologies have used infrared methods that look for corneal reflections. Previous devices have required the user to wear cumbersome equipment that does not allow natural head movement, is intolerant to changing light conditions and cannot handle subjects wearing glasses. However Seeing Machines' faceLABTM™ is non-intrusive, making it a truly innovative product.

Seeing Machines now has 22 employees and revenue in excess of \$2 million per annum. The company is headquartered in the ACT and has distributors in Europe, Asia and the USA.

The January 2002 issue of US magazine *Discover* named Seeing Machines' technology as one of the top 100 innovations for 2001.



In addition to the ANU and the University of Canberra, the ACT is home to the CSIRO, the Australian Defence Force Academy and a campus of the Australian Catholic University. The University of Canberra relies heavily on external earnings for its ongoing operations. It has been very successful in exploiting its intellectual capacity through spin-off companies such as NATSEM and Agrecon. The University has recently made a large investment in the future of its commercialisation effort by building the University of Canberra Innovation Centre (UCIC).

The CSIRO has a significant presence in the ACT represented by five divisions, including:

- plant industry;
- entomology;
- sustainable ecosystems;
- forestry and forest products; and
- mathematical and information sciences.

The CSIRO has an international reputation for the quality and significance of its R&D. CSIRO ranks in the top 1% of world scientific institutions in 11 of 22 research fields.⁴⁶ Significantly for the ACT, the CSIRO ranks third in environment/ecology and fourth in agricultural science.⁴⁷

The relatively low levels of commercialisation and business linkage achieved to date means that the ACT is not capitalising fully on the intellectual capability of our citizens. The commercialisation of research and development represents a challenge for Australia, as well as the ACT. The opportunity cost of under performing in regards to commercialisation is substantial.

The Government has already established a number of measures to increase the level and success rate of commercialisation. We have established the Knowledge Fund, which represents Australia's most comprehensive grant program targeted at all areas of early stage commercialisation. The Government, working with the ANU, also secured for the ACT a large component of the National Information and Communication Technology Australia

⁴⁶ Data Source: Institute of Scientific Information.

⁴⁷ Science Watch, July/August 2001.

Centre of Excellence (NICTA). NICTA's four way mission of research, education, linkages and commercialisation means that for the first time a national research institution will be specifically tasked with bridging the commercialisation gap.

The inextricable link between the ACT's economic future and our capacity to commercialise ideas means that we must do more to encourage higher levels of commercialisation. Research indicates that there is still a substantial funding gap at the pre-seed and early stage of company formation.⁴⁸ The downturn in national and international venture capital markets has pushed more investment toward the later and lower risk stages of investment such as expansion and management buyout stages. This shift substantially disadvantages the ACT.

The ACT is competing nationally and internationally to reap the benefits of innovation and commercialisation. The stakes and the benefits are very high. Locations that build a critical mass of skills, infrastructure and culture can establish a self-perpetuating market that draws on ideas from other regions. A recent survey showed that despite the slow down in global ICT markets, Silicon Valley still managed to attract 33.81% of all venture capital investment in the USA. The next best was the New England area around Boston with 11.39%.⁴⁹ This shows that regions which build a critical mass can dominate a market.

The challenge for the ACT is to ensure that our ideas and intellectual assets are exploited for the benefit of ACT residents and not other jurisdictions. There are a number of other State Governments that have realised the importance of building commercialisation capability. The Queensland Government recently established a \$100 million BioCapital Fund through the Queensland Investment Corporation to commercialise biotechnology companies with a Queensland focus and funded the establishment of the Australian Institute of Commercialisation.

The Government will establish an investment fund to support opportunities that come out of the ANU. This fund will also be used to secure sources of venture capital investment to fuel the ACT's growth in new venture creation.

In addition to enhancing the commercialisation of ideas from our research institutions, the Government is committed to being a leading-edge institution in relation to the commercialisation of its own intellectual property. Governments around Australia are recognising that their citizens are not getting the full benefit from government investment in developing intellectual property. We must seek to have Australia's most commercialisation friendly policies for managing our intellectual property.

Action 39

The Government will establish an investment fund to leverage better commercialisation outcomes from the ANU.

Action 40

The Government will develop intellectual property management policies that promote commercialisation of government-owned intellectual property.

⁴⁸ Department of Industry, Tourism and Resources / PricewaterhouseCoopers, *Benchmarking Australian Institutional Investment In Domestic Venture Capital*.

⁴⁹ PricewaterhouseCoopers, Thomson Venture Economics, National Venture Capital Association, *MoneyTree™ Survey*, Quarter 2 2003.

Chapter 7

Supportive Planning and Infrastructure

High-quality infrastructure, appropriate land management policies and business-friendly planning processes are key enablers for economic growth and for the attraction of business investment to the ACT.

It also needs to be recognised that players in the new economy – companies whose primary asset is intellectual property, knowledge and skills – usually have a range of location choices and they display a much higher level of mobility than companies and industries with large fixed assets in physical plant and equipment.

The key factors behind location decisions for knowledge-based firms include the availability of skilled labour, a region's transport and communications infrastructure, the strength of related industries and services, the efficiency of planning and regulatory processes, the competitiveness of its taxation system, and the quality of the natural environment and lifestyle.

The ACT has many of these attributes but there are major challenges in sustaining them.

Within Australia, for example, most other governments have developed ambitious strategies for industry development and investment attraction, particularly targeting the new economy firms and industries. On a global scale, where the rewards of success are far greater, the competition is even more intense.

The infrastructure requirements for modern businesses have also become more

sophisticated and complex. While transport, power, water and land infrastructure remain critical, advanced technical and social infrastructure is now just as important. For example, Internet-based technologies and e-commerce capabilities have become major drivers of business efficiency; hence advanced telecommunications infrastructure is critical. The quality of social infrastructure – education, healthcare, housing and community services – is also a key consideration for many companies operating in knowledge-intensive industries.

To address these requirements, governments must provide and maintain complex physical and technological infrastructures in a manner that not only meets the current and emerging needs, but also delivers in an environmentally and socially responsible manner.⁵⁰

In its submission to the Economic White Paper, the Property Council of Australia (ACT Division),⁵¹ made a number of telling recommendations. The Property Council urged the revitalisation of Civic, drawing on the work of the OECD expert group, and committed to working with the Government on the Central Area Implementation Strategy.

Tax reform and a different approach to land management and release of residential and commercial land, in a timely manner, is urged. Planning certainty is a consistent theme of most business organisations' contribution to the debate. Optimising the use of infrastructure

50 Government of Western Australia, *Building Future Prosperity: Creating Jobs and Wealth through Industry Development*, Draft Industry Policy Statement, July 2003.

51 Property Council of Australia ACT Division, *Economic White Paper Submission*, May 2003.

and creating more business-focused marketing agencies are key recommendations. Sustainability, including the work of the Green Building Council, are matters of significance.⁵²

Throughout the consultation process for the Economic White Paper and the Canberra Spatial Plan, the strong relationship between planning policies and economic development policies was repeatedly highlighted.

The Government's position on this issue is clear. The current and future needs of ACT residents, including their economic aspirations, must shape the prevailing planning regime – not the other way around.

Detailed submissions to the Economic White Paper from organisations such as the Canberra Business Council⁵³ and the Property Council, ACT Division,⁵⁴ urge the Government to commit to a range of reforms reflecting the importance of planning systems to contemporary economic challenges.

Key issues reflected in the document *Towards the Canberra Spatial Plan*⁵⁵ challenge the planning system to:

- protect biodiversity and the unique landscape setting of the ACT;
- be prepared for outside influences on growth, such as pressure from Sydney, by catering for unexpected growth and being flexible in response to changing demands;
- respond positively to changing housing demands;
- grasp positively the shift away from the predominance of public sector employment; and
- move to an urban form that minimises resource use and supports more sustainable public transport systems.

The National Capital

Canberra is the Nation's Capital. It is the defining feature of our city and the key driver of our economic development. The presence of the Federal Parliament, major Commonwealth Departments and agencies, and national cultural institutions continue to provide significant opportunities for the city.

It stands to reason that the prosperity of the ACT will be enhanced if the ACT and Commonwealth Governments work constructively for the benefit of the city.

The report of the Non Urban Task Force, *Shaping our Territory, Options and Opportunities for Non-Urban ACT*,⁵⁶ also highlighted the need for greater cooperation to ensure opportunities for growth and change are managed well. The success of reforms emanating from the work of the Task Force will also depend heavily on the level of co-operation achieved between the Territory and Commonwealth Governments.

The need for systemic change

The ACT Government believes there is scope for streamlining our two-tiered planning system – i.e. the dual roles of the Commonwealth Government's National Capital Authority (NCA) and the ACT Government – to eliminate inefficiency and costly overlap.

The Commonwealth Government's *ACT Planning and Land Management Act* was one of four Acts that established arrangements for self-government – creating the NCA and its requirement to draw up a National Capital Plan. The Act instituted a system with unclear lines of authority and confusing and costly duplication of planning arrangements. This situation has led to barriers and disincentives to investment and economic activity in the ACT.

52 Property Council of Australia ACT Division, op cit.

53 Canberra Business Council and Kindred Organisations, *Response to 'Building Canberra's Economy', ACT Government Discussion Paper for the Economic White Paper*, May 2003.

54 Property Council of Australia, ACT Division, *Economic White Paper Submission*, May 2003.

55 ACT Planning and Land Authority, *Towards the Canberra Spatial Plan*, August 2003.

56 Department of Urban Services, *Shaping our Territory: Options and Opportunities for Non-Urban ACT*, August 2003.

The ACT Government believes it is essential that these limitations be rectified, ensuring there is a transparent planning system. For example, a planning regime in which the NCA has administrative and development control over National areas of clear national significance, while the ACT Government (operating within the planning principles identified to protect our national and planning heritage) has planning control over all other areas within the ACT.

The Government believes that such a system will help *both* the NCA and the ACT Government to perform their respective roles more effectively.

State-level planning rights for ACT residents

The key consideration in creating a better system is determining the level of planning responsibility that should be exercised under the direction of the ACT Government.

The ACT is not, and cannot be, just a city of national monuments and institutions. Valued as these are by Canberra residents, the city is foremostly home to over 320,000 Australians. As the self-governing Territory has continued to develop it has, inevitably, come under similar pressures to those experienced in other Australian jurisdictions.

Like the States and the Northern Territory, the ACT has had to look to its own resources to provide for public infrastructure and social support services. As outlined elsewhere in the Economic White Paper, the ability to provide public services has been made difficult by a limited resource base. While we are confident about our economic future and our role in the knowledge-based world, this narrow resource base means we must leverage other areas of competitiveness. Accordingly, planning efficiency and land development are more economically significant issues to the ACT than in any other Australian jurisdiction.

While the NCA, like its predecessor organisations, has continued to play a positive role in developing the ACT as a place for many important national institutions⁵⁷, the generally prescriptive nature of the National Capital Plan has not allowed the ACT to respond flexibly to opportunities that will optimise planning and development outcomes.

Notwithstanding the legislative requirement for the NCA to review the National Capital Plan, no review has taken place. This has meant that the existing Plan has not kept pace with changing circumstances and that elements of the Plan have come to assume the status of being unalterable. This approach to planning has severely limited the ability of the ACT to respond to significant urban development pressures. For example, limiting the choice available of residential settlement and employment location, and making it particularly difficult to introduce sustainable public transport systems.⁵⁸

Towards a better planning system for the National Capital

A better system – and one recognising the interests, roles and responsibilities of both the Commonwealth and ACT Governments – would be based on three broad principles.

First, for each parcel of land in the ACT, there should be one approving authority for planning, development and works approvals. This would better reflect the basic principle underlying the relevant legislation establishing the NCA and the ACT's body's politic, that the National Capital Plan would set broad parameters for the Territory Plan, which would handle the detailed practical aspects. Adopting this principle would remove present confusion, overlay and duplication that is deterring investors and hindering the ACT's efforts to promote our city. To achieve this would require a clearer definition of the term 'national significance' than currently exists so the NCA's role is more clearly delineated.

57 Prominent examples of where the NCA has exerted positive influence for the city include: ANZAC Parade, Commonwealth Place, the restoration of Old Parliament House, the upgrading of Commonwealth Park and Regatta Point, the Schools' promotion where '200,001' children visited in 2001, and the National Museum of Australia.

58 The ACT's Submission to the Commonwealth Grants Commission 2004 Review outlined the additional costs the ACT faces in trying to respond to contemporary urban planning issues.

Secondly, the processes used by both the NCA and the ACT planning and approving bodies would be better harmonised. There have been many instances in recent times where the sale of Commonwealth land and amendments to the National Capital Plan have negatively impacted upon the ACT community, businesses and individual residents, yet there is no appeal avenue available to the ACT community. The planning approvals process should not be significantly different just because a piece of land in Barton is National Land, compared with land elsewhere which is Territory Land. Both the NCA and ACT Planning and Land Authority must be equally accountable to the community for the consequences of their actions.

Thirdly, the relationship between the NCA and the ACT Government should be a partnership of equals, each acting in accordance with their respective statutory responsibilities and each treating the other with respect. The appropriate relationship between the ACT Government and the NCA is the same as that existing in the States between local government and the state government.

There are two crucial differences: first, the ACT Government has the same status as other States and the Northern Territory – a situation best exemplified by the fact that the ACT Chief Minister sits on the Council of Australian Governments as an equal with other Australian State and Territory jurisdictions; second, the NCA is not like a state government in that it is not responsible to constituents for the effect of its actions. For example, if the NCA sets stringent standards for new buildings or for the location of roads, it does not have to bear the electoral or financial consequences of its actions before the local community. But a state government cannot avoid this responsibility and neither can the ACT Government.

In summary, the ACT Government considers that a solution to the current problems does exist and can readily be implemented. The basis of the solution is that:

- the NCA should wholly control national areas of clear national significance and the ACT should wholly control all other areas of the ACT;

- the principles and policies of the National Capital Plan should incorporate consistent requirements for (a) notification and appeal and development approvals; and (b) the way that amendments to the principles and policies are made; and
- the principles and policies should have regard to the vision and strategy for the ACT that is the Canberra Plan.

Action 41

Co-ordination arrangements will be put in place between the ACT and Commonwealth Governments to ensure that the reforms and strategies contained in the Canberra Plan are resolved and implemented efficiently.

Residential Land Release

In the Discussion Paper draft principle 4 proposed:

The recently announced ACT Government review of the forestry industry and the land use study should examine the economic benefits to be joined by the ACT economy and the ACT Government from the use of part of Stromlo and Kowen forests for residential purposes...

Analysis by ACT Treasury confirms that significant benefits accrue to ACT revenues if people buy land and live inside the ACT. Over time the returns on land sales and ongoing revenue is significantly greater if the people who work in the ACT and use its services actually live in the Territory.

Housing affordability is a major issue common to all States and Territories. It is important to achieve a range of affordable housing in locations that support economic development. Spatial factors that contribute to the retention and attraction of young people include lifestyle (access to recreation and cultural activities, nightlife and restaurants) and housing options (affordability and accessibility to employment, education and centres of activity). Sites that are well located with regard to employment, education, recreation and cultural activities are the key to providing housing options for young people.

Planning will ensure that a range of sites within the existing urban area, close to and integrated into major employment centres, are released for residential development providing for the full range of housing types, including affordable housing.

The case for the early and measured release of greenfield residential development in the ACT, especially in South Canberra, is compelling. While aspects of water policy are relevant, the work of this Economic White Paper confirms that there are significant advantages to the ACT of bringing on the market large scale, residential land releases in South Canberra. Accordingly, planning will also ensure that the release of land within the Territory keeps pace with demand to minimise the impacts of land supply on affordability of housing and maximise the returns to the Territory flowing from land development. This will be facilitated through the release of land in Molonglo, and in the longer term, Kowen for residential development.

Employment Centres

In *Towards the Canberra Spatial Plan* the issues around where people choose to live (see **Table 9**) and work become apparent. The ACT envisaged a high-level of self-containment of employment and retail functions. This would reduce travel distances between home and work, and home and other outlets such as education, shopping, entertainment and recreation. This notion has been eroded by changing work practices and structures, by the more recent slow growth in government office employment, and also by loss of centralised control of government location.

While these changes have been the result of the contemporary lifestyle and government systems, self-containment remains a desirable outcome. In fact, any analysis of these trends points to the preference for planning reforms that contain and focus the growth of the city around the major employment centres.

Accessibility is an important factor in the ACT's attractiveness as a place to live, work, study, visit and do business. Enhancing the ease of getting around the city is a major goal of the Sustainable Transport Plan, a key element of the Spatial Plan.

Concentrating more development in and around existing town centres, and at key nodes on transport corridors, will have a significant impact on the economic strength of the city.

Achieving a major shift towards a more sustainable system will involve a range of strategies including improving public transport services and facilities, and walking and cycling opportunities.

Opportunities to make strategic investment in transport systems that support the Spatial Plan and economic strategies for the ACT will be addressed in the Spatial Plan.

As **Figure 20** shows, the majority of people would prefer to live close to where they work – a crucial factor of any new planning regime.

If living arrangements matched people's preference for walking to work (23.7% of those surveyed) the ACT would exceed national averages for not relying on private transport for travelling to work (see **Figure 21**). The sustainability outcomes that would be achieved if people could live close to work are significant. Continuation of the current trend to a greater proportion of employment being in the central areas of the ACT (not just Civic) may indeed provide better support for our existing infrastructure and help establish a viable rapid transit system. Housing choice is also an essential feature of these reforms.

Action 42

The Government will create a planning environment that better reflects residents' aspirations for living close to work.

Civic and City West

The need to revitalise Civic has received a large measure of positive input. The OECD⁵⁹, the Canberra Business Council⁶⁰ and the City Heart Association⁶¹ in particular have urged the ACT Government to focus attention on Civic as the commercial and cultural heart of the city. Innovation and creativity are central to the view of what Civic, and particularly City West, can reflect. As the proposed centre of the ACT's

59 Organisation for Economic Co-operation and Development, *Urban Renaissance, Canberra: A Sustainable Future*, 2002.

60 Canberra Business Council and Kindred Organisations, *Response to 'Building Canberra's Economy', ACT Government Discussion Paper for the Economic White Paper*, May 2003.

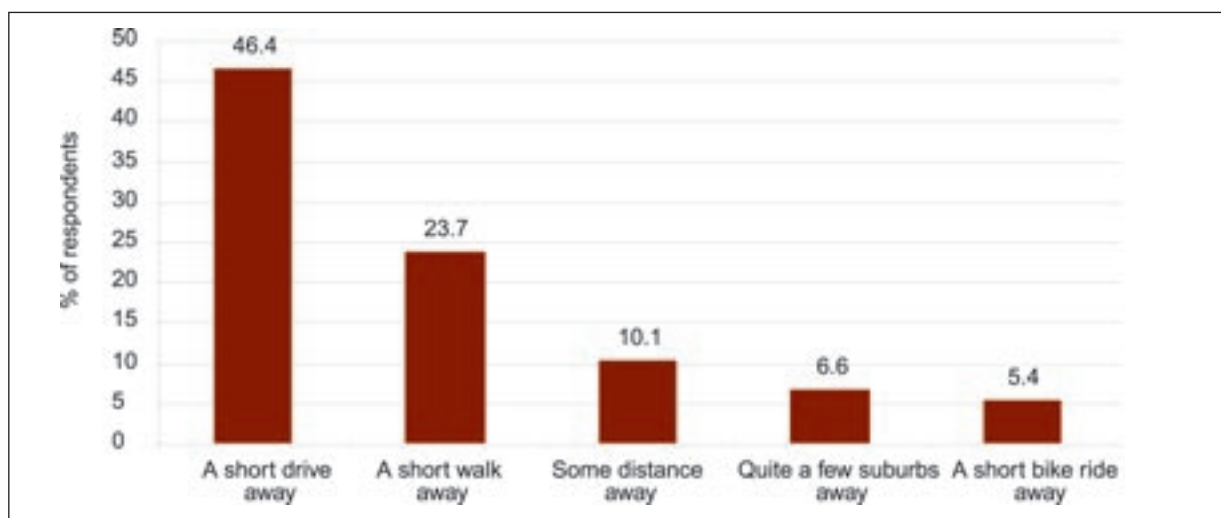
61 City Heart Association, *Response to 'Building Canberra's Economy', White Paper submission*, May 2003.

Table 9. Distribution of population, resident workforce and employment by district

2001	% of population	% of resident workers	% of total ACT employment
Belconnen	24.4	27.4	13.7
Gungahlin	6.9	8.3	3.2
North Canberra	11.1	11.5	26.1
South Canberra	6.7	9.8	22.6
Tuggeranong	25.6	28.2	9.1
Woden/Weston Ck	16.0	17.3	13.7
Other	9.2	0.3	11.6

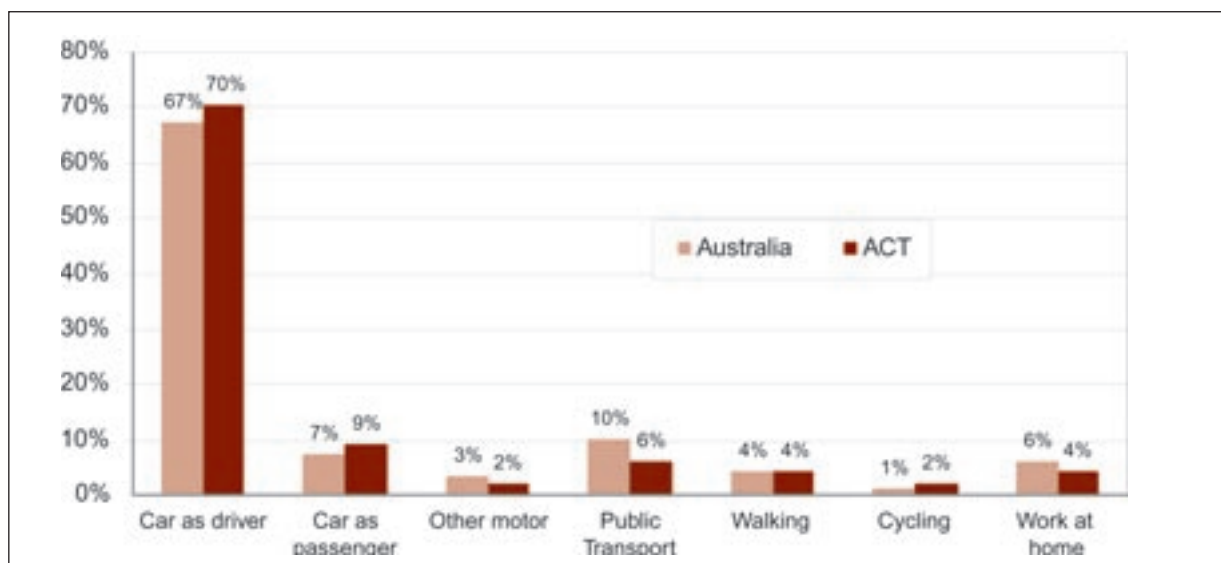
Source: 2001 census travel to work data

Figure 20. Preference for living close to work



Source: Housing Preferences Survey, July 2003

Figure 21. How we travel to work



Source: ABS 2001 Census

knowledge-based economy, City West can draw together groups as diverse as academics, cultural professionals, business people and community stakeholders. There is the opportunity to create a working and living environment that enhances the city's credentials of being a city of choice to an increasingly mobile and selective workforce. Incentives and planning policies, as well as investment in quality infrastructure, will support this aspiration.

In 2001, the ACT Government joined with its partners, the Australian National University, the NSW Government and the University of New South Wales, to achieve the location of the new National Information and Communication Technology Centre of Excellence (NICTA) in the ACT. NICTA, which will be located in Section 61 City West, will encourage a concentration of ICT R&D, drawing in private sector companies and related institutions.



Proposed Redevelopment of Section 61 City West
Source: Colin Stewart Architects & GHD

The NICTA development is highly significant for the ACT. Not only will we benefit from expanded ICT R&D and new education opportunities, but the physical location of NICTA (between the CBD and ANU) represents the first concrete step in the rebuilding of Civic.

As it now stands, the fact that Australia's pre-eminent research university is located next to the CBD is almost irrelevant from an economic development viewpoint. In other cities around the world, a thriving economic precinct would most probably have developed.

The study in this chapter is the city of Cambridge in England. Cambridge 30 years ago was an old university town, totally ambivalent to the economic opportunities that can flow from being the host of a world-class university.

Cluster Study

Cambridge - A Leading Example of Entrepreneurship

Thirty years ago, Cambridge was a small market town. The only local industries were agriculture, wool and leather. But it was famous for its university, founded in 1209. With more Nobel Prize winners than another other university in the world, Cambridge University has always had a great reputation for scientific and technological discoveries going back to the days of Sir Isaac Newton.

Today, the city's reputation extends far beyond its academic achievements. Cambridge is now known as the centre for high-tech business in Europe and is perhaps the nearest thing that Europe has to Silicon Valley.

Although the University has always produced great new thinking and creative ideas, there was little or no commercialisation linked to this until the late 1970s. A cluster of technology-based businesses began to spring up around the emerging computer hardware and software, life sciences and telecommunications. Today there are around 1,600 high-tech businesses in the Cambridge area employing about 46,000 people.

This growth has had a profound effect on the local economy. Cambridge has virtually zero unemployment and the highest level of income per head of any region in the UK outside London. Cambridge also has the highest income growth rate of any city in the country; around twice the national average.

Importantly, the city has developed a culture of entrepreneurship and commercialisation, built around the interaction between the business and the research community.

Today, Cambridge is a thriving centre of commerce, culture and learning. One of the factors behind this transformation was access to land for commercial development – a critical link in ‘the Golden Chain’.

This is not yet the case in Civic. The City West Master Plan, released as a draft for public comment in late 2003, emphasises the urgency of making planning provisions for economic, cultural and residential development designed to exploit the real opportunity afforded by the location of the ANU, NICTA and CSIRO in Civic.

This development will complement the refreshed approach to reinforcing Civic as the commercial heart of the city. Further, the Government has allocated \$60,000 to undertake a City West Arts Precinct Study. This Study will be a key element in developing City West as one of the three targeted arts and cultural precincts (the other two being Civic Square and Kingston Foreshore).

With proper planning and foresight, City West will become the heart of a creative precinct with learning, working, living and socialising opportunities attracting creative people who, in turn, will create jobs.

The goals and objectives of the Draft City West Master Plan⁶² are to:

- develop concrete examples of sustainability;
- build identifiable community spirit; and
- demonstrate leading-edge design and development.

In keeping with these objectives and recognising the essential part played by the ANU in the educational, cultural and economic prosperity of the city, the Government commits to negotiating a formal agreement with the ANU for it to develop vacant land in the City West precinct. The purpose of the development will be to further exploit economic activity derived from the ANU and other institutions.

Sustainability and leading edge design will characterise what is now a strip of land defined by carparks, a bus layover and dated designs.

Action 43

The Government will establish a Central Area Development Task Force to provide focus for the revitalisation of Civic, including a Civic Square Cultural Precinct, which will provide a key focus for cultural life in the city.

Through the City West Master Plan, the Government will focus on the economic and cultural potential of City West. The Government will add to essential infrastructure, building on the redevelopment of Civic including negotiating with the Australian National University a specific land development agreement, and eventually connecting economic opportunities between Civic and Bruce, and between Civic and the airport.

Convention Centre

Similarly, the Government has announced its intention to contribute to the building of a new or enhanced Convention Centre, possibly in Civic. Such a facility is essential to the ACT's commercial and tourism infrastructure, and will add to the vitality of the city centre. Sustainability will be a key requirement in its development.

Commercial Land Release and Clustering

The future of Civic is a priority. During the period that has seen Barton and the airport become the focus of major commercial development as employment locations, Civic has been left behind. To address this, the Government will release appropriately scaled parcels of land in Civic to encourage a new focus of major investment in commercial buildings.

Action 44

The Government, through the Land Release Program, will release residential and commercial land in Civic as part of the Central Area Strategic Implementation Plan.

62 ACT Land and Planning Authority, Draft City West Master Plan, September 2003.

A gateway to Australia's Australian National University

Existing view of University Avenue and Marcus Clarke Street intersection, City West



Proposed re-development of University Avenue, City West



Source: peckvonhartel architects

This change is also intended to ensure that the location of NICTA in City West leads to the progressive location of ICT enterprises in City West, on or near Section 61. This clustering would provide opportunities for major Australian and international ICT companies, as well as the operations of emerging ACT companies, to benefit from collaboration with NICTA.

Business Parks

The Government will support existing and new business park development where business benefit can be demonstrated.

For example, the Bruce Business Precinct is well placed to develop as a premier location for new business. In the area bordered by the University of Canberra, the Canberra Institute of Technology, and the Australian Institute of Sport (which also includes a major school, hospital and the commercial and residential elements of Fern Hill), the ACT has a well-defined precinct for enterprise clustering.

Although the location of the Gungahlin Freeway is not what the ACT Government planned for, the land between the Australian Institute of Sport and Fern Hill remains available for development. This represents a significant opportunity to create economic benefit by encouraging the expansion of the Institute. Land can be made available to support the opportunities that flow out of the world-class Institute. The presence of the University of Canberra and the Canberra Institute of Technology will encourage co-location of enterprises and generate private sector activity.

Business and Planning

Inputs to the Economic White Paper, especially from the business community, were consistent in many areas where economic development and planning intersect. The issues on which most agreed were the need for planning consistency and expedited decision-making.

Business would prefer answers to its development applications to be made and announced quickly. Many instances were cited as to the cost to business of decisions that took too long to be communicated or lacked consistency. It is recognised that the public decision making process of the planning system is in part a function of the legislative framework and the appeals structure. Yet there is much that can be done to reform the system to provide greater certainty and incentives for business engagement.

The Government, under ACTPLA, commits itself to the efficient process of decision-making and to being accountable to business proponents.

A further illustration of the need to be responsive is contained in the report *Shaping our Territory*.⁶³ The report outlines a number of real and potential opportunities for the Territory. These opportunities will not be fully realised if it takes too long for the planning system to go through its processes without regard to the economics of timeliness.

A case in point is the debate about converting some of the land previously under pine plantation to residential development. Elsewhere in this document, the need for the Territory to release large-scale greenfield sites to residential development has been discussed. To a significant degree, the strength of future Government Budgets depends on returns from land transactions. The reality is that if we take too long in the planning process, a significant community benefit may be lost. Access to major residential land supply, especially in South Canberra, is essential. The critical issue affecting the timing of additional residential supply in South Canberra is the amendment of the National Capital Plan. Under the Act, any changes to the Plan will need to be approved by the Australian Parliament before development can proceed.

While the major policy affecting residential land development will be the Spatial Plan, the ACT Government will require residential and commercial land releases to be planned with much greater regard to economic outcomes.

⁶³ Department of Urban Services, *Shaping our Territory: Options and Opportunities for Non-Urban ACT*, August 2003.

Action 45

The Government is committed to ensuring that ACTPLA operates on 'best practice' principles to deal quickly, responsively and consistently with business needs.

Retail

The dispersed nature of the city brought with it planning policies that sought to regulate accessibility to work, education and retail opportunities. The established hierarchy of retail outlets ranges from small suburban shopping centres to group centres like those in Mawson, Dickson and Weston, to the major town centres in Civic, Belconnen, Woden and Tuggeranong.

In an effort to preserve the important small and medium-sized centres, there is a prevailing policy of containing the size of the town centre malls in Woden, Tuggeranong and Belconnen. This policy, for a variety of reasons, has had the effect of only preventing the growth and development of the major facility in Belconnen. Since the introduction of the Retail Moratorium, the Hyperdome in Tuggeranong has developed well and the Woden Plaza has significantly expanded. Improved town centre facilities have not led to a decline of smaller shopping facilities – in many cases quite the opposite.

Action 46

The Government will lift the Retail Moratorium and will adopt a principle of allowing the market to determine retail outcomes.

Airport

Great cities have excellent transport connections. Since the ownership of Canberra Airport was transferred to private ownership, investment in the airport and general economic activity around the airport has increased markedly. The Master Plan, which is the major planning tool for the airport, outlines a vision for the development of Canberra International

Airport as a major passenger, freight and business hub serving the ACT Region.

Therefore it is essential that the Spatial Plan recognises the airport's role as a generator of employment and a regional hub. In particular, transport and employment links between Civic and the airport need to be given high priority.

Action 47

The Government will recognise Canberra International Airport as a major activity centre and work with the Commonwealth Government and airport management to continue to upgrade connections to the airport, especially from Civic.

The ACT Government has commissioned an independent study to examine the contribution that airports generally make to local economic development, and specifically to determine lessons and actions for the ACT. This will be important in determining how we integrate our airport and its benefits into the economic fabric of the ACT Region.

We already acknowledge that the airport is a significant economic asset in the ACT Region. Its commercial success sets a benchmark for the ACT Government in providing the same commercial environment for investors in other areas to help strengthen our existing structure and functions. For example, in relation to the revitalisation of Civic, there is a need to provide a level playing field in terms of planning policy and regulations to enable priority developments to compete successfully with the airport and Barton/Parkes.

Transport

The development of the ACT as the economic driver of the Region has been profound. Its role as the commercial, employment, educational, health and cultural heart of the Region is well documented.

The ACT sits within a region that has a range of economic generators, aside from those within its borders. Importantly, it is a layover stop for people travelling to the Snowy Mountains and to the South Coast. It is also an emerging freight hub, growing in status as the Canberra Airport improves its position as a critical place of transport infrastructure.

As Queanbeyan comes to grips with the need to take heavy traffic away from its main streets, the same applies to the ACT. Too much heavy transport uses Northbourne and Limestone Avenues and other arterials as the main access road. The emergence of the airport and Hume as commercial districts, combined with the growth of Queanbeyan including Jerrabomberra, and the seasonal factors of summer and winter tourism compel the ACT to create a traffic system that connects the Federal Highway to East and South Canberra. The development of the Gungahlin Drive Extension and the proposed development of Majura Road into a major highway is a priority (see **Map 4**).

Map 4 Proposed Majura Road Development



Source: ACTPLA

Appendix 1.

Commissioned reports

ACIL Consulting Pty Limited, *Opportunity costs for land used for softwood production*, November 2002.

ACIL Consulting Pty Limited, *Supplying and Supporting Defence: Promoting the ACT's Edge, A Report to the Chief Minister's Department*, September 2002.

ACT Government, *Towards a Sustainable ACT: Final Policy Statement*, January 2003.

ACT Government, *Your Canberra, Your Say*, December 2002.

ArtCraft Research, *ACT Small Business Survey*, June 2003.

Gupta, Dr Desh, *School of Business, University of Canberra, Final Report of Consultant incorporating the Territory's comments*, June 2003.

Market Attitude Research Services Pty Ltd, *Market research report on why young adults (aged 19-29 years) leave Canberra*, October 2003.

Minter Ellison Lawyers, *Best Practice for Government Intellectual Property Policy*, June 2003.

Mitchell Resource Intelligence Pty Ltd, National Institute for Economic and Industry Research Pty Ltd, Polmark Pty Ltd, and SGS Economics and Planning Pty Ltd, *ACT Economic Catchment: A study to define and map the economic relationship between the ACT and its Region for the ACT Government's Economic White Paper*, October 2002.

PG Policy Consulting, *After the Firestorm, a report to Business ACT on the effects of the January 2003 Canberra fires on small business in the ACT*, June 2003.

SGS Economics and Planning, *Economic Impacts of Activity Centre Development at Canberra International Airport: Draft Report*, August 2003.

Strategic Economic Solutions, *ACT Economic White Paper, Personal Services in the ACT: Industry Template and Overview*, September 2002.

The Allen Consulting Group, *ACT Economic Development White Paper: New Technologies Project*, August 2002.

The Allen Consulting Group, *Growth Prospects for 'Ageing Population' Industries and Services in the Canberra Region: An input to the Economic Development White Paper*, September 2002.

The Centre for Labour Market Research, *University of Canberra, Export of Education and Training: A report prepared for the Chief Minister's Department*, August 2002.

Thorburn, Dr Lyndal and John Houghton, *Environment Business in the ACT: Mapping the Landscape*, September 2002.

Thorburn, Dr Lyndal, Advance Consulting & Evaluation Pty Ltd, on behalf of AEEMA, *Capitalising on the Strengths of the ACT Electronics Industry*, August 2003.

Thorburn, Dr Lyndal, John Houghton and Graeme Taylor, *Obtaining Economic Benefits from Public Sector Research in the ACT*, September 2002.

Tourism Industry Council ACT and Region Ltd, *Developing Destination Canberra 2012*, 2002.

Appendix 2.

Submissions received

Submissions received which contributed to the Discussion Paper

Academy of Interactive Entertainment Ltd
ACT Department of Disability, Housing & Community Services
ACT Department of Education, Youth & Family Services
ACT Department of Justice & Community Safety
ACT Department of Treasury
ACT Department of Urban Services
ACT Health
ACT Information Management
ACT Ministerial Advisory Council on Multicultural Affairs
ACT Ministerial Advisory Council on Women
ACTCOSS
ActewAGL
Australian National University
Business Canberra Board
Canberra Business Council
Canberra Institute of Technology
Canberra Youth Business Initiative (CYBI)
CREEDA
Epicorp
John Curtin School of Medical Research, ANU
Knowledge Based Economy Board
Small & Micro Business Advisory Council
University of Canberra

Submissions received in response to the Discussion Paper

ACT & Region Chamber of Commerce & Industry
ACT Athletics Association
ACT Cultural Council
ACT Democrats
ACT Film and Television Council
ACT Housing Advisory Committee
ACT Rural Lessees' Association
ACT Ombudsman
ACTCOSS
ActewAGL
Allan, Don
ANU
AusBiotech Ltd, Canberra Region Branch
Australian Business Ltd
Australian Capital Plantations
Australian Capital Region Development Council
Australian Capital Territory Film Makers Network
Australian Cinematographers Society (ACT Branch)
Australian Hotels Association (ACT Branch)
Australian Information Industry Association (AIIA)
Australian International Hotel School
Australian Screen Directors Association Ltd
Australian War Memorial
Blue Gum School
By George Studios Pty Ltd
Canberra Arts Marketing
Canberra Business Council
Canberra Division of Engineers Australia, Institution of Engineers, Australia
Canberra Environment Centre
Canberra Institute of Technology
Canberra International Airport Pty Ltd
Canberra Learning Community Committee
Canberra Softwood Industry Association
Canberra Taxi Proprietor's Association Ltd
Chamber of Women in Business (Marisa Gerussi, Anne Farrell, Joyanne Gough)
City Heart Canberra
Clark, Dr Eugene
Conservation Council of SE Region and Canberra
Creative Digital Industries Network
Crockford, Howard
Cultural Facilities Cooperation
Darbyshire, Doug and Ann
Department of Defence
Earle, Pat
Environment Institute of Australia and New Zealand, ACT Division

Giesecke, Terry
Gilbert, R.S
Gunning Shire Council
Housing Industry Association ACT/Southern NSW
Inventive Films
Invest Australia, International Support Group
Ions, Anne
Kanowski, Professor Peter (Professor of Forestry & Head School Resources, Environment & Society, ANU)
Kicenko, Jan
Lindner, Julie
Magic Lantern Pictures Pty Ltd
Martin, Eric J
Martin, Peter
Master Builders Association (MBA) of the aCT
McDonald, Barry
McLintock, George
McNaughtan, John
Meyer Clapham
Micro and Home Based Business Association
Motor Trades Association ACT Ltd
National Capital Authority
National Information & Communication Technology Centre of Excellence (NICTA)
NEC Business Solutions Ltd
NSW Planning
O'Flynn, Melanie and Sheils, Paul
Planning ACT Together (Robin Brown and Gordon Soames)
Planning Institute Australia, Australian Capital Territory Division
Property Council of Australia
Queanbeyan City Council
Rainsaver Pty Ltd
Reeves, Gill
Sabre Computers
Shopping Centre Council of Australia
Silvey, Jerry
Small and Micro Business Advisory Council
SMS Management and Technology
South East NSW Area Consultative Committee
Sustainable Population Australia Canberra Region
Territory Planning Branch – PALM
The Village Building Co. Ltd.
Tourism Industry Council (ACT & Region) Ltd.
Trades & Labor Council of the ACT Inc
Tucker, Don
Viva Vision Pty Ltd
Wattle Day Association Inc
Westfield Ltd
Wood, Geoff
Yarrowlumla Shire Council
Yass Shire Council

Appendix 3.

List of meetings undertaken by the ACT Government during the consultation period

Peak Bodies & Associations

ACT Council of the Aging
ACTCOSS
Australian Business Ltd
Australian Electrical and Electronic Manufacturers Association
ACT & Region Chamber of Commerce & Industry
Canberra Business Council
Canberra Business Council Forum
Canberra Commercialisation Council
CityHeart Canberra
Housing Industry Association ACT/Southern NSW
Internet Industry Association
Master Builders Association of the ACT
Micro and Home Based Business Association
National Federation of Independent Business Inc.
Property Council of Australia (ACT Division)
Tourism Industry Council (ACT & Region) Ltd
Trades and Labour Council of the ACT Inc.

Businesses

Ausbiotech
Canberra Airport Group
Canberra Region Employment and Enterprise Development Association
Epicorp
Irrational Games
SMS Management and Technology
Something Ventored (Deliverer of the Canberra Business Advisory Service)
Westfield Ltd

ACT Government Advisory Boards/Councils

ACT Ministerial Council on Multicultural Affairs
ACT Ministerial Youth Council
Business Canberra Board
Knowledge Based Economy Board
Small and Micro Business Advisory Council
Sustainability Reference Group

Education Institutions

Australian National University
Canberra Institute of Technology
University of Canberra
University of the Third Age

Government Agencies & Authorities

ACT Government Departments and Agencies
Austrade (ACT & Region Office)
Australian Sports Commission
Commonwealth Department of Education Science and Training
Commonwealth Department of Transport and Regional Services
CSIRO
NSW Department of Transport and Regional Development
Planning NSW

Regional Shire Councils

Australian Capital Region Development Council
Bombala
Cooma-Monaro
Cootamundra
Crookwell
Eurobodalla
Goulburn
Gundagai
Gunning
Harden
Mulwarree
Queanbeyan
Tallanganda
Tumbarumba
Tumut
Yarrowlumla
Yass
Young

SOCIAL | SPATIAL | ECONOMIC

