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A MESSAGE FROM THE PREMIER

The worth of any policy can only be judged by outcomes. The performance of the Industry Development Plan has been impressive, underpinning Tasmania's transformation from a declining economy in the 1990s to a growth economy as we begin a new century.

The Tasmanian community is now, for the first time, sharing in the economic growth that the rest of the nation has been enjoying for a decade.

The Industry Development Plan is a structured and systematic approach to rebuilding the Tasmanian economy. Using almost any economic parameter, it has delivered the best results on record for a decade. Industry based program and sector performance has been contributed to through a whole-of-government approach, with the Department of State Development (DSD) retaining primary responsibility for coordination and delivery. All of these results are explained in detail in the next two chapters.

The confidence of business is measured by industry itself, and the results since the introduction of the Industry Development Plan have also been the highest on record. Confidence has been a strong feature in Tasmania over the last 18 months. The combination of majority government, the introduction of the Industry Development Plan, balanced Budgets and a community developed vision, *Tasmania Together*, have all contributed to this re-found sense of well being.

Now that the Industry Development Plan has a working and effective structure in place, it's time to move onto the next stage.

To maximise the outcomes of the sectoral information gathered through the Industry Audits, and more effectively utilise the resources of Partnership Agreements with Local Government and Industry Based Programs, the Industry Development Plan will in future include a more detailed focus on small regions around Tasmania.

Over the last twelve months, the Industry Development Plan has achieved concrete outcomes for business through the industry based programs, and impressive outcomes for business across industry sectors. To ensure that these outcomes not only continue, but increase in magnitude, another Government initiative, *The Competition Index*, has been released. The Competition Index clearly identifies that Tasmania provides a very competitive business environment, but also provides a State by State comparison of competitiveness, highlighting where Tasmania can improve.

In a very short time, the Industry Development Plan has achieved the broad aims of a structured engagement with industry, identified the capabilities and opportunities that industry sectors across our State have to offer, and delivered tangible outcomes to Tasmania as a whole.

The next stage of the Industry Development Plan will ensure that all communities across our State can share the benefits. I invite you to read on and find out more about the excellent business environment Tasmania offers.



Premier and Minister for State Development

1 INDUSTRY DEVELOPMENT PLAN

BACKGROUND

Within three months of its election, the Government delivered both the Industry Development Plan and its first Budget in November 1998. At that time, the principal objective of the Industry Development Plan was to address the relative economic decline between Tasmania and the rest of Australia experienced throughout most of the 1990s.

As the Industry Development Plan was put in place, particularly following the completion of the Industry Audits, it became clear that the coordinated inclusion of other Government Departments in addition to Department of State Development (DSD), is critical to optimising the effective delivery of industry programs. For example, skills related programs benefit from the input by TAFE Tasmania, and procurement related programs require the input of Treasury.

The Industry Development Plan is a structured and systematic approach to rebuilding the Tasmanian economy. In 1998, the Government's aim was to ensure that a strong foundation for the Industry Development Plan was put in place so that a sound building process for engagement with, and assistance to business would occur. The foundation is based on four cornerstones:

- an effective industry arm of Government, DSD, which identifies and converts all industry development opportunities into economic growth realities;
- the delivery of 10 industry based programs to address the barriers to local business growth, particularly those businesses with a focus on export and import replacement;
- a Statewide industry audit identifying local business capability and opportunity across eight industry sectors; and
- partnerships with Local Government so that new industry development proposals suggested by local communities and businesses have a formal link to Industry Development Plan resources.

All four cornerstones were in place by the time the Government's second Budget was delivered in May 1999.

A key feature of the Industry Development Plan is that it continues to build upon its foundation through a genuine and structured engagement between government, business and the broader community. In addition, the Industry Development Plan has strong linkages with other key Government policy initiatives that feed into the continual improvement process.

The Industry Development Plan is a working policy document that, through its structured, consultative and well resourced framework, will continue to respond and deliver positive outcomes to the Tasmanian economy and community.

Diagram 1.1: Industry Development Plan

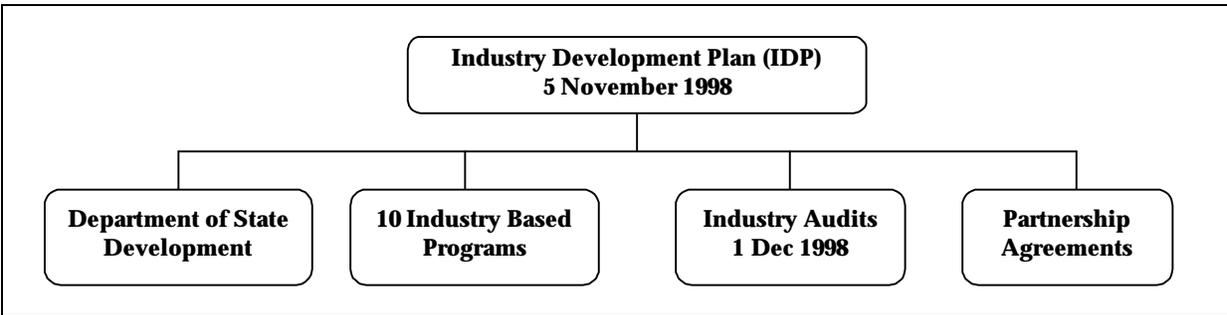


Diagram 1.1 shows the completed stages of the Industry Development Plan for the 1999-00 financial year.

INDUSTRY DEVELOPMENT PLAN – THE STAGES

As discussed on the previous page, the four cornerstones that provide the foundation of the Industry Development Plan were in place by the time the last Budget was delivered in May 1999.

The Government responded in August 1999 to the recommendations contained in the Industry Audits. A progress report on the Government response to the Industry Audits is detailed in Chapter 4.

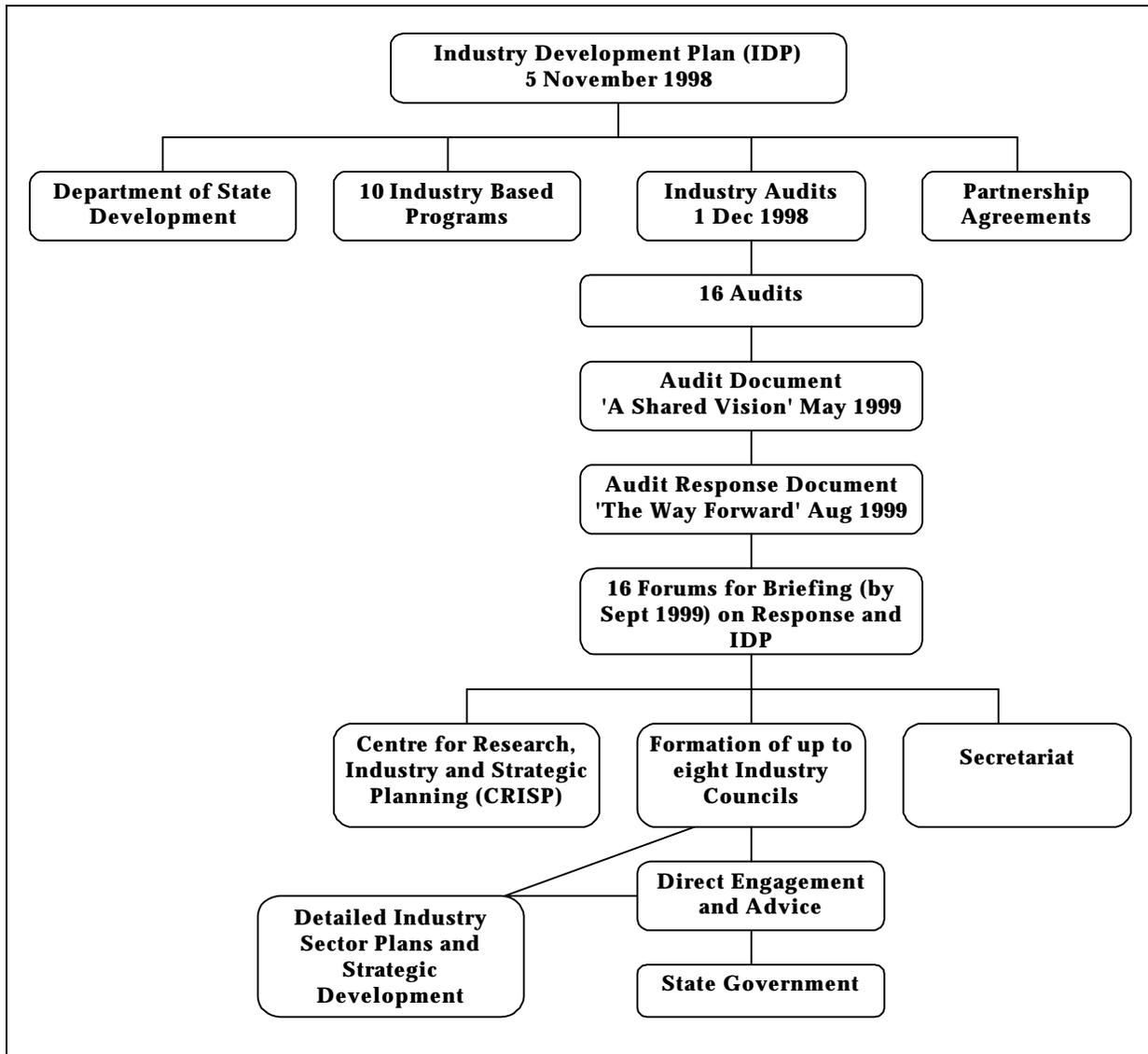
Following the Government's response, industry sectors reconvened to be briefed about that response. At the same time, the Premier invited industry sectors to form Industry Councils.

Industry Councils form a genuine partnership with the Government. Information drawn from the Industry Audits and other sources are used by Industry Councils to develop detailed industry plans, dealing with both sector specific and cross sectoral issues. Industry Councils also directly advise the Government about the ongoing needs and change within its industry sector.

Centre for Research, Industry and Strategic Planning (CRISP) is funded by the Government to assist Industry Councils develop their detailed Industry Plans and deliver further strategic development. A secretariat also provides the Industry Councils with any additional support they require.

Diagram 1.2 shows how the Government's economic policy initiatives are integrated, and how all sectors of the Tasmanian community can contribute in a structured way to the growth of the economy and the sharing of benefits.

Diagram 1.2: Industry Development Plan – The Stages



INDUSTRY DEVELOPMENT PLAN AND TASMANIA *TOGETHER*

Tasmania *Together* is the overarching social, environmental and economic plan for Tasmania, and is being developed through broad consultation with the Tasmanian community.

The Community Leaders Group, which includes representatives from across the Tasmanian community, has conducted extensive consultations with local communities across the State to develop a long-term vision and goals for Tasmania. Both Government and non-government sector representatives will work in partnership to agree to a set of benchmarks which will measure progress towards these goals.

The Industry Development Plan will be a critical to the Government's approach to delivering on the benchmarks for Tasmania *Together*.

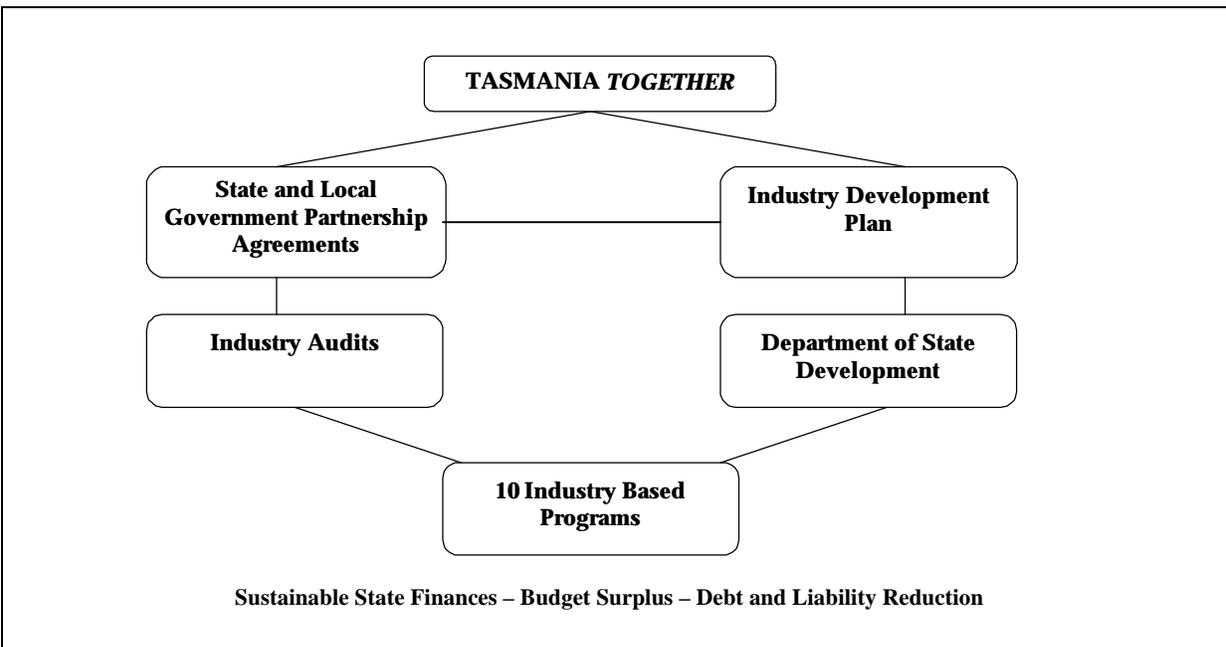
While *Tasmania Together* will provide the broad framework for the Government's social, economic and environmental policy initiatives, implementation of the Industry Development Plan will play a significant role in delivering on the economic goals set in *Tasmania Together*.

DSD delivers industry based programs which directly address barriers to growth that may be experienced by Tasmanian firms, and which actively increase growth opportunities with other businesses. The Industry Audits were carried out by DSD, identifying in detail for the first time the capabilities and opportunities of industry sectors in Tasmania.

State and Local Government Partnership Agreements are a positive means by which the interests of the State and municipalities can be met. Local Government is at the coal face of industry development and critical to the development of the State as a whole. Micro-regional information drawn from the Industry Audits will provide Local Government with the detailed information it needs for regional economic strategies.

Underpinning all of these policy initiatives is the Government's Fiscal Strategy – delivering balanced Budgets for the first time in a century and, at the same time, reducing public sector debt.

Diagram 1.3: Tasmania Together



2 INDUSTRY DEVELOPMENT PLAN OUTCOMES 1999-00

INDUSTRY PROGRAMS – OUTCOMES 1999-00

When the Industry Development Plan was introduced, the Department of State Development (DSD) was given responsibility for implementing a range of new programs to address the important issues affecting industry development in Tasmania. Achieving tangible outcomes with genuine meaning for industry is the emphasis of each program.

As the Industry Development Plan was put in place, particularly following the completion of the Industry Audits, it became clear that the coordinated inclusion of other Departments, in addition to DSD, is critical to optimising the effective delivery of industry programs. For example, skills related programs benefit from the input by TAFE Tasmania, and procurement related programs require the input of Treasury. Input to industry programs by individual government departments are noted after each industry program heading.

As these programs are new, so are the outcomes. Each program has targets and benchmarks it must achieve in future years. DSD retains primary responsibility for the delivery of industry programs.

Details on how each program operates are presented in Chapter 8, Ten Industry Based Programs.

A summary of outcomes from each of the industry programs in the period July 1999 to March 2000 are listed below, together with the departmental divisions under which they operate.

Finance Facilitation

A specialised DSD business unit operates exclusively in the area of sourcing finance for local business.

Responsible Government Agency - Investment, Trade and Development.

The Finance and Finance Facilitation Group's contribution in 1999-00 includes:

- 53 applications for financial assistance were assessed with 41 applicants being successful;
- \$15 million in finance facilitation;
- \$25 million invested; and
- 700 jobs generated or secured.

The group played a major role in negotiations to ensure that the Australian Weaving Mills plant in Devonport was quarantined from the financial troubles of its parent business. During February 2000,

National Textiles Ltd's creditors, meeting in Newcastle, approved a deed of arrangement that enabled the profitable Tasmanian business to continue operations and preserve its employment.

The group was also involved during 1999-00 in provision of a variety of financial assistance packages to enable the following enterprises to expand or establish new operations:

- Glebe Systems Pty Ltd;
- Living Imaging Ltd;
- Microwise Pty Ltd; and
- SDT Australia Pty Ltd.

"Strategic financial assistance from the Department of State Development was one of several key elements that made the shipyard at Margate possible."

John Fuglsang, Managing Director, North West Bay Ships Pty Ltd.

Red Tape, Government Regulations and Assistance for Business

One-stop shops now deliver the Department's services in towns and cities across Tasmania, in conjunction with *Service Tasmania* shop fronts (DSD, Department of Primary Industries, Water and Environment and Department of Premier and Cabinet):

- DSD made more than 3 998 client contacts in the period 1 July 1999 to 1 March 2000. Business counselling, business licence information, taxation advice, patent attorney and other referral services were provided.
- One-stop shop services were delivered through DSD regional offices, including the Glenorchy office, as well as through *Service Tasmania* shopfronts.

The Marine Farming Branch of Department of Primary Industries, Water and Environment (DPIWE) and DSD established a "one-stop" inter-departmental approval process, the Aquaculture Business Approvals Package (BAP). Information about the Aquaculture BAP can be provided at any DSD office, or on the Internet site www.BAP.tas.gov.au

"My company used the BAP site to find out exactly what permits we required, and were then able to download them directly from the site, which saved us time and thus money. We are extremely pleased with the site, as it was simple to use and very quick, and made our task a lot simpler than it may otherwise have been".

Megan McConachy, Executive Officer, Australian Ocean Biotechnology Pty Ltd.

Networking Between Industries

A number of DSD business units, including the Industrial Supplies Office (ISO), work with companies to develop networks to achieve economies of scale and scope (DSD, Industrial Supplies Office and State Industries):

The ISO's contribution in 1999-00 includes:

- \$14.7 million in successful enquiries; and
- two new business networks established which are:
 - Hayward Constructions and The Engineering Co, which were encouraged by DSD to work together to secure a tender for the construction of a \$9 million catamaran ferry for Peninsula Searoad Transport. The Tasmanian network's bid was successful and the vessel will be built at Kings Wharf, Launceston;
 - the Abt railway project, where a significant criterion for the appointment of the main siteworks contractor was the ability to encourage and utilise maximum local employment. Networks of providers were assembled to successfully bid for this work. The initial project brief for the appointment of the Project Manager for Abt, clearly stated that the Government expected most work to be performed by Tasmanian firms, which has eventuated;
- the offer for industry groups to work in partnership with the Government in setting the strategic direction for their industries attracted significant interest and has resulted in the establishment of three Industry Councils with more under negotiation. The networking possibilities open to enterprises within various industry sectors, is demonstrably enhanced through Industry Council involvement. This is particularly evident in the Information Technology (IT) industry; and
- five new business networks were created in the furniture, maritime, quality wool, manufacturing and textile, clothing and footwear industries.

"Successful precision technology manufacturers are always on the lookout for new products to increase the scale and scope of their operation. Through the assistance of DSD, my company now manufactures two new leading edge products; advanced satellite dishes and high-tech submersible buoys. The introduction of these two new products has lead to increased employment at Computer Precision Technology".

Geoff Watson, General Manager, CPT.

Maximising Opportunities For Employment Through Increased Local Content

ISO, as well as proactively pursuing networking opportunities, has two further clear functions. The ISO provides advice on the capability of local industry to provide manufacturing services, as well as products, components and services, and works with Department of Treasury and Finance and the Procurement Advisory Group to develop policy which assists local business to be more competitive when tendering for Government contracts. (DSD, ISO, Department of Treasury and Finance and the Procurement Advisory Group).

ISO increased local content for contracts won in Tasmania by servicing:

- enquiries to a total value of \$115.2 million;
- successful enquiries to a value of \$14.8 million; and
- pending enquiries to a value of \$42 million.

New Government procurement policy outcomes are listed below:

- Tasmanian business won 76.8 per cent of total Government business. All of the tenders won by local business were for contracts worth more than \$50 000; and
- Tasmanian businesses bid for about 83 per cent of Government tenders, clearly showing that local business is competing impressively against their interstate and international rivals.

The procurement results in 1999-00 have been collected by Treasury and are the first ever to be collected that record how Tasmanian businesses perform in winning Tasmanian Government contracts. Reports on the performance of Tasmanian business in securing Government contracts will now be released each quarter.

"The involvement of industry in the Procurement Advisory Group has been the key to increasing local content in Government contracts".

Manny Spiteri, Tasmanian Chamber of Commerce and Industries representative.

"My company, Modbuild, recently won a tender to supply transportable buildings to the Department of Education. I would like to commend the services of the Industrial Supplies Office throughout the tender process. They provided us with expert advice on the Government tendering and give Modbuild ongoing support. Through ISO, we have also gained the contract to supply modular buildings for the Japanese strawberry growers. We consider the ISO to be a tremendous asset to Tasmanian business and look forward to a long association with them".

John Kennedy, Proprietor, Modbuild.

Financial Incentives for Export and Import Replacement Industries

Government may use financial incentives to secure development that strategically meets the aims of the Industry Development Plan (DSD and Treasury):

- payroll tax rebates were provided to seven Information Technology (IT) businesses located or locating in Tasmania. Assistance was provided to companies with a significant participation in the IT industry, excluding those companies solely involved in the retailing of computer hardware or software, or any other type of hi-tech devices;
- incentive packages were provided to six businesses involved with export or import replacement, which made a significant contribution to the State's economy; and
- a growing number of IT businesses are in contact with DSD about expected employment growth, due to eligibility for payroll tax rebates.

"In December 1999, we were able to employ a new graduate from the University of Tasmania as a Project Systems Engineer. As a direct result of the payroll tax assistance, we will shortly employ an additional new IT graduate".

Bill Cromarty, Managing Director, W.A. Cromarty and Co Pty Ltd.

Middle Management Requirements

Responsible Government Agencies - DSD and TAFE Tasmania.

Middle management in Tasmanian firms is assisted by DSD's and TAFE Tasmania's strategically targeted enterprise development programs:

- 123 business enhancement workshops were staged throughout the State;
- 180 enterprises and/or individuals attended the workshops; and
- TAFE Tasmania has established a *Learning Business* Team which provides support to small businesses to improve skill levels in generic areas of planning, marketing, management of people and financial management.

"The training provided me with a good foundation for managing the small business I am involved in, and allows me the flexibility to suit my lifestyle".

Ms Kelly Barringhaus - Braeside Dental Surgery.

Skill Bottlenecks

Responsible Government Agencies - DSD, TAFE Tasmania and Office of Vocational Education and Training.

The Skills Response Unit identifies skills shortages and facilitating mechanisms for overcoming business logjams:

- the introduction of a new Small Business Employment Initiative to replace the former Tasmanian Training Assistance Incentive Scheme will assist in the creation of 350 new jobs through the new apprenticeship scheme;
- establishment of an Enterprise Office within the Department of Education and appointment of a Principal Education Officer to coordinate programs, provide support and professional development to school staff and liaise with associations, firms, government and the community;
- establishment by TAFE Tasmania of an industry based program structure with industry reference groups to advise on delivery issues and to endorse program business plans;
- delivery of new programs by TAFE Tasmania, including a significant increase in IT training, training of employees of Call Centres, pre-vocational agriculture and horticulture programs (using an on-site industry based model), and increasing the level of workplace training delivery for the skills development of existing employees in the tourism industry; and
- DSD has developed a new program which specifically addresses skill bottlenecks in the Textile Clothing and Footwear (TCF) sector.

"The assistance of regional DSD Client Managers working with Texskills (a private provider of training packages) in developing and implementing training modules for machine operators has complimented other business initiatives being undertaken by the company. A flexible and innovative work force is imperative to meet the challenge of imported product in this sector, and DSD assistance in this area has been of benefit to the company and the workforce."

Mr Geoff Parker, General Manager, Australian Weaving Mills.

Access to Interstate and Overseas Markets and Marketing

Responsible Government Agencies - DSD, Industrial Supplies Office, Tourism Tasmania, Department of Infrastructure, Energy and Resources, Department of Primary Industries, Water and Environment.

Increasing export sales of Tasmanian goods and services through the establishment of trading relationships:

- 245 overseas students were attracted to study in Tasmania this year;
- \$20 million in export contracts;
- \$13 million revenue from events and trade missions;
- \$17 million in external media exposure through events; and
- \$14 million investment through business migration.

"Last year's visit to Germany led by the Premier, Jim Bacon, added valuable momentum to efforts to secure a \$5 million wool contract for Tasmanian growers. Trade is dependent on meetings between people and the constructive participation of a political leader can accelerate the negotiating process".

Robert Wallace, Project Manager, TQM-Trading Pty Ltd.

Planning Certainty for Major Developments

Responsible Government Agencies - DSD, Department of Infrastructure, Energy and Resources, Department of Primary Industries, Water and Environment.

An inter-departmental committee now promotes and facilitates major economic development projects:

- an inter-departmental committee promoted and facilitated major economic development projects by marketing packaged development opportunities to investors and removing obstacles and reducing uncertainty;
- reform of the planning system has commenced which supports a more standardised approach to development assessment across the State. In consultation with Local Government, the State Government expects to implement a common performance based framework for new planning schemes in Tasmania;
- the *Major Infrastructure Development Approvals Act 1999* was passed by Parliament, creating a clearer path for projects that could otherwise be complicated by the requirements of different

Local Government assessments. The onshore natural gas pipelines proposed by Duke Energy International will be assessed under the new system; and

- an inter-departmental committee coordinated agency input to the Abt Railway project, resolving land access issues by involving Crown land specialists and Forestry Tasmania.

"A positive and non-bureaucratic attitude by the Department of State Development helps solve many of the

Tony Chen, General Manager, Tasmanian Abalone Farms.

Harnessing Entrepreneurial Ideas

The State Government established the Tasmanian Innovations Advisory Board (TIAB) to encourage and assess new and innovative ideas and assist in the expansion of the State's industry base.

- to March 2000, grants totalling \$435 000 had been awarded to 13 Tasmanian companies; and
- in a supplementary program for harnessing entrepreneurial ideas, DSD has developed an IT Industry Development Program to increase the level of technical skill and business management capability of the IT Industry in Tasmania. The program also aims to facilitate networking and promote the capability of Tasmanian IT firms. To date, almost 50 organisations have registered for this program, and many of these have been granted assistance.

"Assistance through the IT Industry Development Program allowed our product to take the next step towards commercialisation".

John Fiotakis, Inventor, Fiobuoy.

New Industry Based Programs

Business Women's Program

- three seminars were held in the regions to offer mentoring tailored to the specific needs of women in business. The program aims to enhance business performance through improved management skills from financial and management training and promotion of role models.

"The Winning Ways for Women seminar was very informative. It gave me confidence and inspired me to start my own business. It was also good for making contacts and the networking has since proved really useful".

Lisa Johnson, LM Entry Database Services.

Enterprise Centre Program

- \$600 000 has been committed to support 12 enterprise centres and triennial funding agreements have been entered into with the organisations for the period January 2000 to December 2002 with \$50 000 per annum for each organisation.

"The enterprise development assistance offered by DSD is of significance to small business in Tasmania and would encourage all SME manufacturers to work closely with DSD to improve their business performance."

Mr Gerry Verdouw, Kingborough Community Enterprise Centre.

Tasmanian Government Office (Canberra)

- received 176 requests for assistance and advice (about 40 per cent of these relating to funding);
- initiated the provision of information (including policy advice, "door opening" services, issue management and business leads) to Tasmanian officials and others with a total of 343 notifications in 12 months; and
- received 102 visits by State Government Ministers, senior officials, local councillors, business and community group representatives.

INDUSTRY SECTOR – OUTCOMES 1999-00

Industry sectors in Tasmania that include businesses involved with export or import replacement, were all involved in the Industry Audit process. The Industry Audits were carried out over eight key industry groups comprising 16 sectors. Utilising the framework provided through the Industry Development Plan, the engagement between Government and industry sectors is a structured and specialised activity, often requiring the involvement of expertise drawn from across government departments.

The Department of Infrastructure, Energy and Resources (DIER), the Department of Primary Industries, Water and Environment (DPIWE) and the Department of State Development (DSD) are the lead government departments involved with industry development across industry sectors. Other government departments such as the Department of Education and the Department of Treasury and Finance are involved in cross-sectoral matters. However, DSD is the central agency involved with all industry development issues.

It should be noted that Tourism Tasmania, a Division of DSD, is a significant contributor to industry development in Tasmania, particularly through the flow-on effects that the Services Industry Group provides to all sectors.

DSD's Investment Trade and Development (ITD) Division is structured in four industry groups which include Call Centres and Advanced IT; Manufacturing and Services; Resource Industries; and Food and Beverages, as well as four groups that deliver services across all sectors Industrial Supplies Office; Finance and Finance Facilitation; Export; Marketing and Events. Details on how each Division operates is presented in Chapter 7, Department of State Development.

Outcomes from each industry sector that involves or has the ongoing involvement of industry and Government are listed below. The government departments and their divisions involved with specific industry sector outcomes are noted after each industry sector heading. In addition, outcomes from Divisions within Investment Trade and Development are noted.

Information Technology, Communications and Advanced Technology

Responsible Government Agencies - DSD - Call Centres and Advanced Technology, Innovations, Science and Technology.

The Call Centre and Advanced Technology group's contribution in 1999-00 included:

- 11 projects completed;
- \$34.5 million invested; and
- 1 180 new jobs generated from completed projects.

The Call Centre and Advanced Technology group set an ambitious target for 1999-00 of increasing call centre and back-office employment in Tasmania by 30 per cent. At the end of February 2000, the target was firmly in sight with total jobs in the sector estimated at 2 500, compared with 2 100 at 30 June 1999. Total employment in the sector has increased by more than 80 per cent since the Election of August 1998:

- Ansett Australia announced in October 1999 that it would add 104 jobs to its Tasmanian Technopark Launceston call centre, following an agreement with DSD on funding for infrastructure improvements;
- Davnet Ltd committed in October 1999 to a 100 job expansion at its North Hobart call centre, following negotiations with the State Government;
- the Premier announced in Burnie, on 22 December 1999, that Skilled Communications would establish a call centre in the refurbished Farmers Supermarket, employing at least 50 people within two years and with a longer term job target of 200;
- the 500 job Qantas call centre began operations at the Glenorchy Tasmanian Technopark in January 2000, with 45 Tasmanian recruits performing faultlessly on the first day;
- the Colonial Trust Bank committed in February 2000 to the creation of 100 new jobs in Tasmania by expanding its 24 person call centre in Launceston. The Bank later confirmed that it was proceeding with the project despite a merger being negotiated with the Commonwealth Bank;
- Security Response Service informed DSD on 25 February 2000 that it would establish a planned call centre in central Hobart, instead of constructing a purpose built facility at Hobart International Airport to service its planned national franchise network;
- a Victorian based IT company, Ultradata Australia Pty Ltd, agreed to establish an information technology centre in Hobart, providing up to 20 jobs;
- a new software engineering firm specialising in video analysis software, Glebe Systems Pty Ltd, is established in Hobart, generating eight quality jobs; and
- a Passport Information Service call centre is located within an existing call centre in Hobart, generating up to 30 new jobs.

Manufacturing/Engineering

Responsible Government Agency - DSD - Manufacturing and Services

The Manufacturing and Services Group's contribution in 1999-00 includes:

- a major project involving an increase in staffing levels at InCat was completed;
- \$10 million invested; and
- 100 new jobs generated.

North West Bay Ships constructed a 2 500 square metre shipbuilding facility and administration centre near Margate during the year and began work on a 55 metre aluminium passenger ferry with a high performance trimaran hull.

Liferaft Systems Australia (LSA) secured a \$2 million order for its marine evacuation equipment from Western Australia during October, its largest single order from a company other than Incat Australia Pty Ltd. LSA exported systems to shipyards in Spain, China and Italy.

DSD provided \$420 000 in funding for the construction of a state of the art test basin at the Australian Maritime College. The facility will enable Tasmania to maintain its position as a national centre for marine industry research and development.

Following DSD involvement, Peninsula Searoad Charters Pty Ltd committed to build a \$10 million, 600 tonne steel ferry at Kings Wharf, Launceston. The project will generate 50 jobs through sub-contracts over 10 months.

Botanical Resources Australia announced on 29 February 2000 that it would build a \$1 million pyrethrum refinery at Ulverstone, creating 42 new jobs. The fast growing industry had formerly exported pyrethrum extract for overseas processing.

Mining and Mineral Processing

Responsible Government Agencies: DSD - Resource Industries and DIER

The Resource Industries Group's contribution in 1999-00 includes:

- 15 projects under management;
- \$3 700 million potential; and
- 1 500 potential jobs.

Dominion Mining Ltd announced in September 1999 that it would fund a \$5 million bankable feasibility study into the extraction of metals from Hellyer Mine tailings, giving it a 50 per cent interest in the venture with mine operator Western Metals Ltd and an option to acquire 100 percent. The resource is estimated to contain about \$1 billion worth of zinc, silver and gold.

Alliance Gold Ltd disclosed in December 1999 that it had joined Encore Metals NL in a feasibility study into a \$15 million project to establish a Tasmelt Regional Smelter at Zeehan. The project has potential to generate 30 jobs.

Bass Resources announced in October 1999 that it would spend \$5 million on a pre-feasibility study into a magnesium metal project in Tasmania. The company also lodged a development application with the George Town Council on a parcel of land owned by Comalco at Bell Bay.

Australian Bulk Minerals (ABM) will invest \$7 million to refurbish its No 5 furnace at Port Latta, increasing iron ore pellet production capacity by 550 000 tonnes a year and securing 250 jobs at the pellet plant. The company will convert its fuel source at Port Latta as soon as natural gas becomes available.

The Government announced in February 2000 that it would contribute \$4.5 million to an exploration program at the Renison Bell tin mine and to a feasibility study into tin smelting at the mine. Murchison United NL will invest \$9 million on exploration at its lease over the next six years.

Agriculture, Aquaculture, Fishing, Food and Beverages

Responsible Government Agencies - DSD - Food and Beverages and DPIWE.

The Food and Beverages group's contribution in 1999-00 includes:

- nine projects completed;
- \$2 million invested; and
- 22 new jobs generated from completed projects.

DSD committed funding and practical support to assist onion growers in North-West Tasmania to comply with quality assurance standards required by overseas customers. Quality accreditation achieved by 65 farmers will serve as a template for similar projects in other commodity groups.

Tasmanian Abalone Farms told DSD in August 1999 that Asian abalone markets were buoyant and that cultured Tasmanian abalone was now recognised in Taiwan as a premium product. The company spawned 10 million abalone in the 1999 spring season. DSD is working with a number of parties in an effort to expand the industry.

Kokan Mining, the owners of Aquatas, announced in November 1999 that the Tasmanian Atlantic salmon producer would increase employment by 30 per cent over three years, with annual sales doubling from \$20 million to \$40 million. The expansion plans follow Aquatas' purchase from the Crown of the Port Huon industrial site.

Energy/Building and Construction

Responsible Government Agencies - DSD and DIER

- A \$2 million package was announced for Northern Tasmania on 10 December 1999, including \$1.1 million for various aspects of the Inveresk Railyards urban renewal project.
- The State Government, the Hobart City Council and the Hobart Ports Corporation Pty Ltd signed a memorandum of understanding on 1 February 2000 on a process to ensure the orderly future development of Hobart's Princes Wharf.
- A \$1.5 million DSD loan was provided in November 1999 to the Hotel Grand Chancellor to enable the \$16 million concert hall and convention centre to be constructed.

- Summit Hotels Pty Ltd announced plans in March 2000 for an \$8 million, 120 room luxury alpine chalet near Cradle Mountain.
- Summit Hotels also announced in September 1999 that it would double the size of Hadleys, an historic Hobart hotel.
- DSD is assisting private investors in the development of a \$20 million Launceston Transit Centre.
- Planning is underway for an \$8 million privately funded car park at Market Place, Hobart.
- A \$12 million expansion of the Old Woolstore tourist hotel at Wapping is also at the planning stage.
- DSD provided assistance to the assessment committee for a proposed \$6 - \$8 million hotel development at the Springs on Mount Wellington.
- DSD facilitated the lease of the old Queen Alexander Hospital building in Hobart, leading to a \$12 million redevelopment for a private hospital.

Tasmania Natural Gas Project

Responsible Government Agencies - DSD and DIER

Duke Energy International (Duke) signed a memorandum of understanding in July 1999 with ESSO-BHP on the supply of gas from Longford, Victoria to be piped to Tasmania.

Duke told an infrastructure meeting in Launceston in October 1999 that its Southern pipeline project had been brought forward because of identified demand from industrial customers. Duke said natural gas could be flowing to Hobart by mid 2002.

Duke and the State Government signed a memorandum of understanding in January 2000, extending Duke's period of exclusivity in relation to Government support for gas infrastructure developments in Tasmania.

Basslink

Responsible Government Agencies - Treasury and DIER

Basslink is the proposed undersea electricity link across Bass Strait connecting the Tasmanian and Victorian electricity grids.

Basslink is expected to have a positive impact on the State's economic development. The benefits include:

- linking the electricity prices Tasmanian customers pay to prices in the National Electricity Market (NEM) and providing customers with the benefits from increased competition in the supply of electricity;
- providing Tasmania with access to additional energy supplies to supplement its hydro generation system; and
- improving the security of electricity supply in Tasmania. In particular, it will reduce the potential impact of drought conditions on the State's electricity supply.

In February 2000, the Government announced that National Grid International Limited (National Grid), had been selected as the preferred proponent to build, own and operate Basslink.

National Grid's proposal for Basslink involves constructing an undersea link with a normal operating capacity of 480 mega watts (MW) and 600 MW dynamic rating, and is scheduled to be operational by early 2003. The proposal also includes an accompanying fibre optic communications cable to enhance Tasmania's telecommunications capabilities.

The Commonwealth and Victorian Governments agreed to a joint process for the environmental assessment and development approvals process for Basslink.

National Grid is currently working to gain the necessary regulatory approvals required for Basslink to be developed. The Tasmanian Government is currently working with the member NEM jurisdictions and the relevant regulatory bodies to ensure Tasmania gains entry to the NEM.

Services

Responsible Government Agency - DSD – Tourism Tasmania

The Major Events Group's contribution in 1999-00 includes:

- \$16 million revenue through events; and
- \$7 million in external media exposure through events.

During 1999-00, the Group supported a range of events including: Interhash 2000; the National Bands Championships; Targa Tasmania; and the Federation Internationale De Natation Amateur (FINA) World Short Course Swimming Championships. The economic benefit of supported events included a direct return on investment of \$16 million through visitor expenditure, as well as media exposure in external markets with an estimated value of \$7 million.

Germany's automobile club told the Premier during a meeting in Munich in July 1999 that it would promote Targa as a unique and excellent event to its 14 million members.

Porsche's racing team manager confirmed in July 1999 the company's commitment to Targa in 2000 and expressed a view that other German manufacturers would soon commit teams.

The International Hash House Harrier event, Wilderness Interhash 2000, attracted more than 3 800 participants and about 1 000 supporters during March 2000, injecting more than \$8 million into the Tasmanian economy.

The National Bands Championship brought 2 000 competitors and 1 000 supporters to Launceston over five days in April 2000, injecting an estimated \$2 million into the local economy.

Forestry, Timber and Paper

Responsible Government Agencies - DIER and DSD

The Deputy Premier launched The Forestry Growth Plan in November 1998. The Plan is a 10 year development blueprint involving medium-term major projects for:

- expansion of Tasmania's forest resources (softwood and hardwood) to world scale using Intensive Forest Management with a combination of plantation;

- establishment and native forest thinning totalling 10 000 hectares a year for the next 10 years; and
- development of improved forestry and wood processing infrastructure, including transport (three roads), improved log segregation and wood recovery (merchandise-flitch mills), wood biomass for energy cogeneration and integrated, value-added, processing of new Tasmanian wood products (rotary peeling).

Roading

The Mathinna Plains Road was structurally completed by January 2000 and was officially opened by the Deputy Premier on 23 May 2000.

The improvements to the Mount Albert road were completed March 2000.

As at March 2000, the Plenty Forest Road, a \$1.9 million project between the Huon and Derwent Valleys, was largely completed with structural completion due by the end May 2000.

Transport and Merchandising Infrastructure

Working parties have been set up involving the Department of Energy, Infrastructure and Resources, port and rail authorities, and municipal councils to advance development planning for transport, merchandise/integrated value adding processing sites for two forest locations – one each in the Huon and in the North-West.

Wood Processing

Rotary peeling and other eucalypt wood processing trials have been undertaken.

A major Tasmanian trade delegation promoting Tasmanian hardwoods to China was undertaken in November 1999 involving the Premier, DSD and the Tasmanian Wood Design Collection.

Resource Expansion

The five year Intensive Farm Management (IFM) program 1998 to 2002 stands at 24 000 ha. This financial year, the IFM program employs some 300 private sector contractors in plantation site preparation, planting and native forest thinning.

New Forest Package

In December 1999, the Deputy Premier announced *The New Forest Package* which included:

- addressing the issues of managing wood waste and log segregation arising from *The Ryan Report* through establishing wood merchandising trials at the Wiltshire site; and
- the creation of a Forestry Growth and Infrastructure Fund.

Log segregation

Log segregation/merchandise trials were established at the Wiltshire site in Northern Tasmania. These trials have local industry involvement coordinated through the Forests and Forest Industry Council.

Forestry Growth and Infrastructure Fund

Advances have been made on the allocation in this fund for a forest centre at Scottsdale. Community and industry representatives on the steering committee have a preferred design proposal for a leading edge architectural and technologically advanced plan which will also support regional development in tourism and local produce.

Environmental Industries

Responsible Government Agencies - DPIWE and DSD.

- Development of Resource Recovery Park/Waste Transfer Station at Mornington Quarry by Hazell Brothers, for Clarence City Council with a 20 year contract; and
- development of Tasmanian Waste Exchange Program for resource recovery.

"TasArrc is a totally Tasmanian company, initially established to convert domestic and commercial organic waste into a valuable resource. We are now developing a world first contaminated plastic recycling plant. Using scrap plastic, one of our biggest environmental problems, we are making non-toxic farming and vineyard poles. We approached the Department of State Development for their assistance which was readily provided and we believe that with their expertise and continuous input, (our efforts) will ultimately benefit all Tasmanians."

Verne Mackey, TasArrc

Export and Marketing

Responsible Government Agencies - contributing across industry sectors – DSD – Tourism.

The Export and Marketing group's contribution in 1999-00 includes:

- \$20 million in contracts secured;
- 110 companies assisted in market development;
- publicity valued at \$10 million generated in Britain and Germany;
- 445 companies attended export seminars;
- 245 students attracted, with \$4.3 million in direct economic benefit; and
- \$14 million through business migration.

Other highlights during the year included:

- DSD accompanied the Premier on a two week mission to France, Germany, Britain and Ireland, resulting in significant exposure for Tasmania in British and German media, more than \$10 million in investment and a range of strengthened inter-regional and industry relationships;
- the Tasmanian Quality Wool group established a long-term contract with a German cloth manufacturer delivering a premium of 14 per cent above the market price for the first consignment. It was subsequently announced that Germany's Olympic team and its paralympic team will be outfitted in cloth made from Tasmanian wool;
- a Window on Tasmanian Woods exhibition in Fuzhou, the capital of China's Fujian Province, created market awareness and led to an initial order for sawn timber;
- 17 Tasmanian businesses were represented at the five day Pacific 2000 marine and naval exposition at Darling Harbour, Sydney, in February 2000;
- following DSD assistance in securing accreditation, Hazell Brothers won a \$500 000 United Nations contract to rebuild a road in East Timor; and
- 28 local businesses were assisted in developing new export markets under the Export Marketing Assistance Scheme.

Summary of Investment, Trade and Development outcomes delivered in 1999-00

- 2 084 jobs created or retained;
- \$80 million invested;
- \$20 million in export contracts;
- \$13 million revenue from events and trade missions;
- \$17 million in external media exposure through events;
- \$14 million through business migration;
- \$15 million of finance facilitated; and
- 245 international students studying in the State, with a \$4.3 million contribution to the economy.

NEW DEVELOPMENT PROJECTS AND OPPORTUNITIES

The following new development projects and opportunities are divided into the same industry groups as used in the Industry Audits.

Information Technology, Communications and Advanced Technology

The Intelligent Island Board will oversee the utilisation of \$40 million in Commonwealth funding to ensure long-term benefits for the State's information technology and advanced technology industries.

Local company Virtual Magic and Queensland's QANTM Australia will implement a \$10 million 3D animation training and production project for Hobart after which, they expect to employ 300 people by 2002.

Opportunities

Following Tasmania's call centre successes, software design and development is emerging as an additional new technology based opportunity.

Expansion of employment in established call centres and the attraction of new operators, including the Commonwealth Bank, will ensure the further expansion of the sector in Tasmania.

DSD will also work to exploit a global trend towards shared service facilities, generating a new stream of employment.

Manufacturing/Engineering

DSD will work with Duke Energy International to attract new energy intensive industries to the State following the anticipated introduction of natural gas.

DSD is supporting a new project to construct a \$10 million, 600 tonne ferry for Peninsula Searoad Transport at Launceston's Kings Wharf.

North-West Bay Ships will become Tasmania's second fast ferry manufacturer when it launches a 55 metre aluminium trimaran.

Opportunities

DSD will work with the private sector to secure contracts for the construction of aluminium passenger ferries to operate on European rivers.

An overseas investor is considering setting up a boutique pharmaceutical plant in the State.

Mining and Mineral Processing

Duke Energy International will move into the implementation phase of the \$500 million Tasmania Natural Gas Project, generating direct employment and creating opportunities for expansions and new investments in energy intensive processing and manufacturing.

Samples of high grade Tasmanian silica flour have been despatched to potential overseas customers to enable them to assess the quality of the material. Outstanding test results have led to negotiations on the establishment of a beneficiation plant and high quality glass manufacture in the State.

Australian Bulk Minerals (ABM) has outlined a significant resource of magnesite on its Savage River lease and is mining and stockpiling the material. The company believes magnesite can be mined and delivered through its slurry pipeline to Port Latta at a world competitive price.

ABM will complete a bankable feasibility study into the extraction of vanadium from its Savage River iron ore. A preliminary study indicated annual revenue of up to \$140 million, but the project has been deferred until the iron ore business is operating to its potential.

Exploration company Allegiance Mining NL announced in October 1999 that a single drill hole at Melba Flats, near Zeehan, had revealed high grade nickel mineralisation, as well as showing copper, cobalt, gold, platinum and palladium. A second drill hole later intersected a similar ore body.

Exploration business, Defiance Mining NL, reported in November 1999 that an intersection of 1.65 metres at 10.8 grams of gold per tonne at Sophie's Reef in its Mathinna exploration lease.

Alliance Gold Ltd and Encore Metals NL will proceed with a feasibility study into a \$15 million project to establish a Tasmelt Regional Smelter at Zeehan.

Opportunities

Project Tasmanian Information on Geoscientific and Exploration Resources (TIGER) - involves the ongoing development of a data management system for geoscientific information. Includes analysis, assessment, interpretation and publication in a digital format. Linked to the Land Information System it, could lead to increased levels of mineral exploration and activity in the mining sector.

Environmental Industries

Many of the new development projects and opportunities for the Environmental Industries sector will result directly from development activity occurring across sectors. In addition to those projects, opportunities already developing include:

- a number of regional composting proposals are currently being evaluated by DPIWE; and
- upgrading of waste water treatment plants is planned across Tasmania.

Agriculture, Aquaculture, Fishing, Food and Beverages

Huon Valley Mushrooms is about to commence production of shiitake and oyster mushrooms in a specially built facility targeting mainland and overseas export markets. Other speciality mushrooms may also be grown. Revenues could be several million dollars over the next two to three years.

Opportunities

Japanese company, Ichigo Australia Pty Ltd announced that it would investigate the feasibility of growing Japanese strawberry varieties in Tasmania, with a long-term target of 1 000 tonnes of export fruit a year.

A joint submission has been made to the Commonwealth Market Access Committee by Zenith Fruits and a local grower with the support of the Tasmanian Stonefruit Association is to begin development of a market access protocol. Potential value of a cherry export industry to Japan is in excess of \$15 million.

Simplot and McCains are both exploring opportunities for export of french fries into Asia. The success of such a move depends on their ability to source raw material at a price that would enable them to be competitive with other production areas.

Webster has plans to double its walnut plantings in Tasmania. Potential revenues from the walnut industry could be \$12 to \$15 million per annum within the next 10 years for an investment of in excess of \$15 million.

Expansion in the North of the State in fresh vegetable production, via raised bed farming, will possibly produce additional revenues of \$20 million per annum as a result of several million dollars of investment.

Continued growth in wine tourism has occurred with further growth and expansion expected with the development of the Southern Tasmanian Wine route.

There are a number of new crops and enterprises that are in various stages of development. With the exception of the greenhouse vegetables, these on their own will not be large employers in their own right, but will provide high quality, unique products into niche markets. Some of these new crops include wasabi, greenhouse vegetables, large seed broad beans, hot Japanese radish, hemp, green tea, medicinal herbs, truffles, myrtus berries, mountain pepper and speciality mushrooms.

Development of a narrow leaf lupin industry in Tasmania, primarily for domestic and export human consumption, could result in a business worth in excess of \$17 million annually. Considerable cultural and market development work is required to get this industry going but DPIWE, Tasmanian Institute of Agricultural Research (TIAR) and a private company (The Growing Edge) are starting to make progress.

The Cape Barren goose industry has the potential to expand to meet already identified markets if some of the limiting husbandry issues can be resolved. The Extensive Agriculture Branch and the Game Management Unit hope to attract funding to address these issues.

The potential for the State's fledgling possum harvesting industry has been enhanced by the opening of a second licensed export abattoir. This industry has potential to grow further achieving two worthwhile outcomes specifically increased employment and export dollars plus a reduction in the pest numbers.

Several million dollars are likely to be invested in both land based abalone and eel farms in the near future. Potential revenues from these farms could be up to \$20 million per annum.

Energy, Building and Construction

DSD is facilitating a significant tourism accommodation development on Crown land in Hobart's Wapping area.

The Hobart Port Study is looking at road planning, transport integration, future port needs and regional industry issues to maximise asset usage and potentially attract additional investment.

Opportunities

Staged Developments Australia Pty Ltd has submitted a proposal for an eco-tourism operation at Cockle Creek consisting of 60 to 80 cabin style units. The site is immediately inside the boundary of the South-West National Park and a multi-stage assessment process is underway

Summit Hotels is considering a 120 unit wilderness lodge development in Cradle Valley.

Services

A major cultural festival, '10 Days on the Island', will be staged in Tasmania during March 2001 with a theme of islander life and culture.

A Winter Events Initiative will seek to address seasonal downturns for local hospitality businesses by encouraging sporting, touring, cultural and special interest groups from interstate to conduct events in Tasmania in the months of May to September.

Opportunities

DSD is seeking input from regional representatives and other parties on a program of events to mark the Tasmanian Bicentennial in 2003-04. A tall ships event will be part of the celebrations.

Forestry, Timber and Paper

Options for energy co-generation have been investigated and interested proponents identified for the *Growth Plan – Wood Processing and Marketing*.

Rotary peeling and other wood processing trials will continue with a range of identified proponents including Tasmanian and international businesses.

Opportunities

Some of the transport and infrastructure options being considered to support integrated wood processing have the capacity to serve other sector producers and regional development.

A new marketing venture involving the Tasmanian Wood Design Collection to promote Tasmanian wood will be undertaken in Japan.

Increased opportunities are expected for local and new businesses to trial integrated wood processing benefits and alternative production.

3 ECONOMIC PERFORMANCE 1999-00

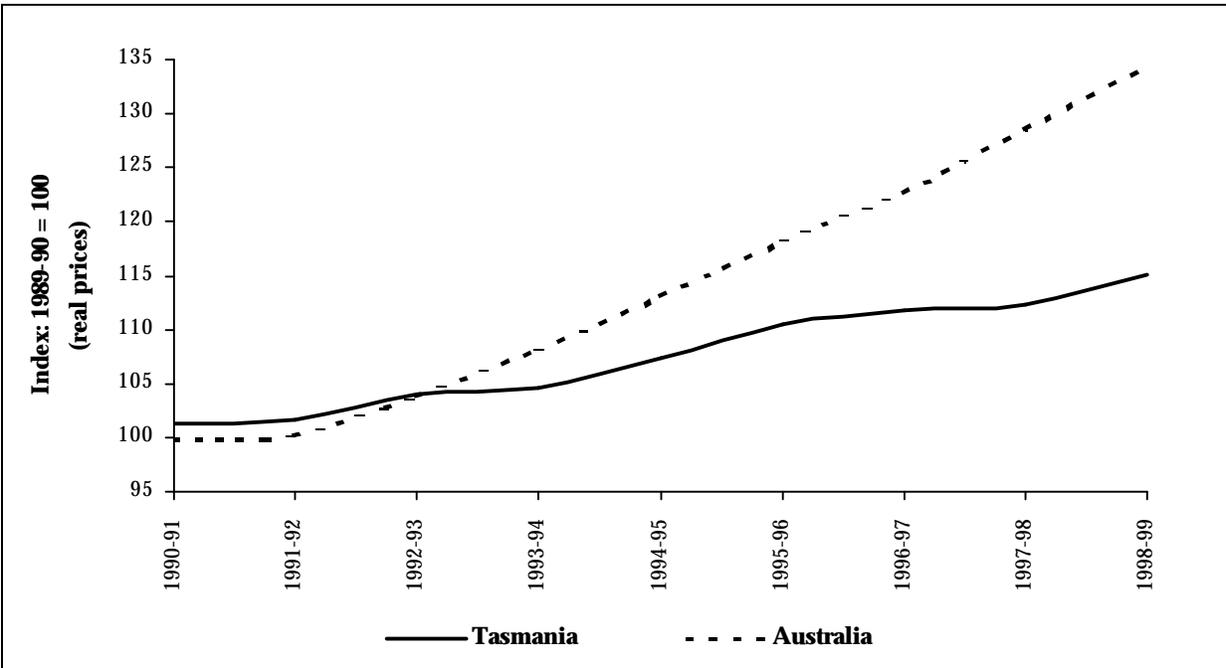
TASMANIAN ECONOMY - BACK IN GROWTH

After a prolonged period of relative economic decline compared with the rest of Australia during most of the 1990s, the State's economy is now back in growth. The following charts reveal that Tasmania has again started to share in the national economic growth that has been evident for almost a decade.

Some charts show that Tasmania has outperformed the rest of Australia in recent times in certain aspects of the economy. While the strong growth recorded in a number of series is welcome, in many cases the improvement has occurred after a prolonged period of relatively poor performance, so that the growth is from a low base. The challenge for the Government now is to ensure that these improvements are sustained over the longer term.

The Government's Industry Development Plan will assist in meeting this challenge by identifying and promoting growth opportunities in the State's key industry sectors, and determining those factors that currently inhibit growth. The Industry Development Plan will be further developed over the course of 2000-01 and is designed to enhance growth prospects over a medium-term horizon.

Chart 3.1: Economic Performance: Tasmania (GSP) and Australia (GDP), 1990-91 to 1998-99



Source: ABS, *Australian National Accounts, State Accounts*, Cat. No. 5220.0.

Following the 1991-92 national recession, the Tasmanian economy fell behind the national average in nearly all measures of economic performance and this gap has widened since the mid-1990s. The relative under performance of the State's economy is shown clearly in Chart 3.1, which only provides data up until the 1998-99 period. The latest data on GSP collected over the December and March quarters indicate a marked improvement in Tasmania's economic performance.

Some of the factors that contributed to Tasmania's relatively subdued economic performance include:

- an industry structure that lacks sufficient growth sectors;
- major job shedding in the private and public sector;
- the centralisation of financial services and corporate management in Sydney and Melbourne and restructuring in the finance industry more generally;
- a period of generally low prices for some of the State's key commodity exports (including beef, wool, aluminium and copper);
- low levels of business investment; and
- negative population growth due to a rise in interstate out-migration.

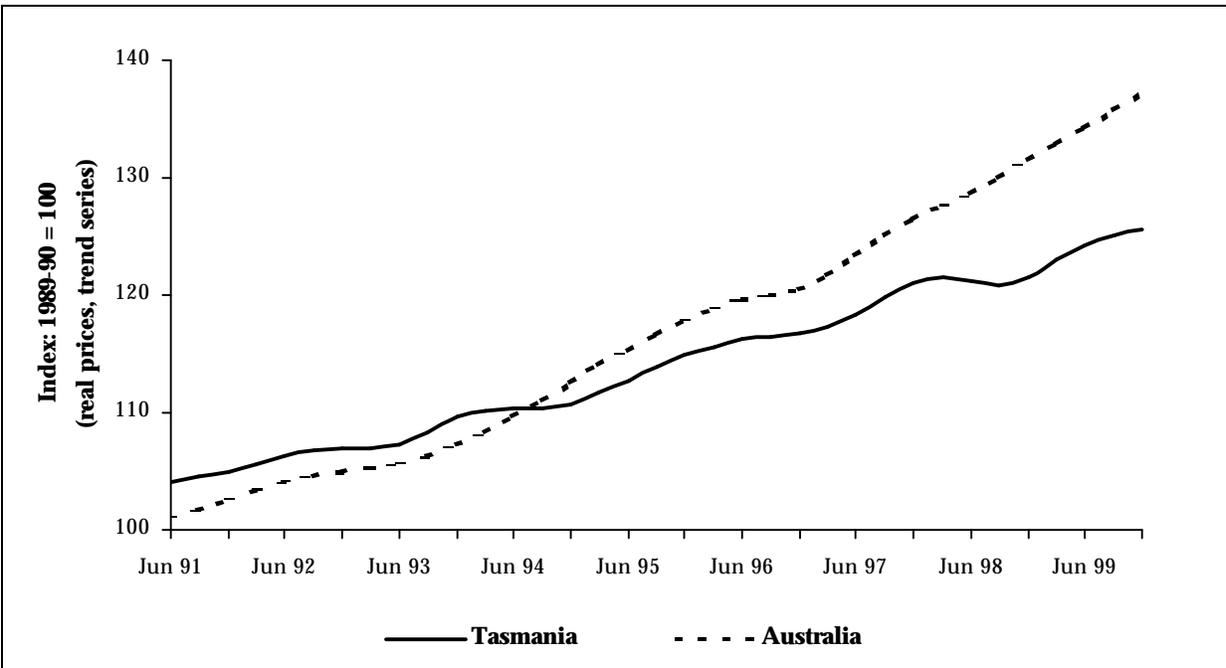
State final demand comprises consumer spending, private sector investment and total expenditure by the public sector, and has risen strongly through 1999. The principal reasons for this improvement were solid growth in consumer spending and an increase in government final consumption expenditure, with a moderate contribution from dwelling investment and business investment.

- Consumer spending represents nearly 63 per cent of final demand and has been one of the stronger performing components of the Tasmanian economy over recent years. Growth in

consumer spending in Tasmania has exceeded growth in State final demand in each of the past four years.

- Although still below the growth rates recorded nationally, as shown in Chart 3.2, consumer spending has been the indicator that has most consistently and closely tracked the national average. In 1998-99 however, the growth differential widened, which is likely to be, at least partially, a result of negative population growth and relatively slower growth in household disposable income.

Chart 3.2: Consumer Spending: Tasmania and Australia, 1991-1999



Source: ABS, *National Income, Expenditure and Product*, Cat. No. 5206.0 and ABS, *Australian National Accounts, Quarterly State Details*, Cat. No. 5206.0.40.001.

Retail trade has rebounded strongly in calendar 1999 (to be 3.6 per cent higher than in 1998). As with the broader consumer spending series, the disappointing growth in retail trade in 1998 and subsequent recovery reflects the state of the labour market over these two years. It may also have been affected by a reduction in consumer confidence and increase in uncertainty associated with both State and Commonwealth elections held over this period.

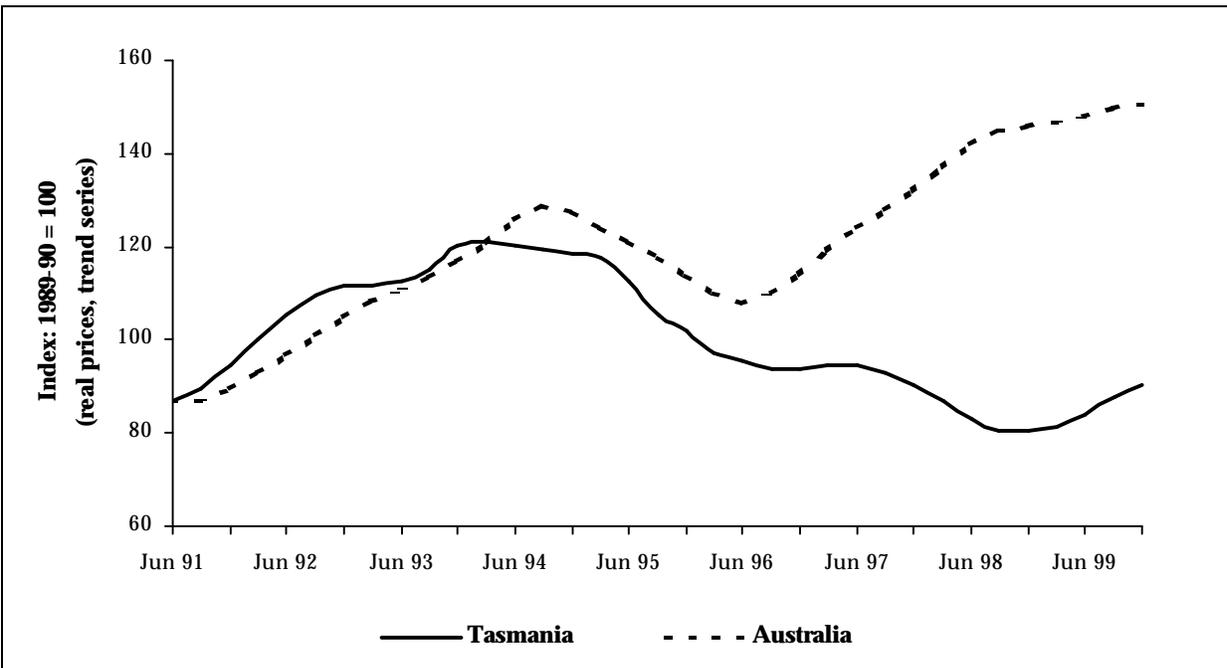
Tasmanian investment is fairly cyclical and historically it has followed a similar pattern to the national investment cycle. However, while private investment has continued to experience solid growth at the national level over the 1990s, the level of investment in Tasmania in real terms has not risen above the peak recorded in 1988-89.

The downward trend in population growth, coupled with an oversupply of housing from the early 1990s, resulted in a significant decline in dwelling investment and construction through the latter half of the decade to 1999. During this period, the housing industry was one of the worst performing sectors of the Tasmanian economy.

Dwelling investment has risen in 1999, as shown in Chart 3.3, partly as a result of consumers bringing forward dwelling construction plans ahead of the introduction of the GST. It is uncertain whether this recent improvement in dwelling investment will be carried forward post 1 July 2000.

After increasing noticeably over the previous few years, the divergence between dwelling investment in Tasmania and Australia as a whole eased minimally in 1999. By any measure, the recent improvement in housing activity in Tasmania has been marked. For example, monthly trend dwelling approvals in Tasmania have risen 56 per cent in the 10 months to February 2000, after not having previously risen since November 1993. Similarly, dwelling investment rose by just over 12 per cent through 1999, which was also the first rise since 1993.

Chart 3.3: Dwelling Investment: Tasmania and Australia, 1991-1999



Source: ABS, *National Income, Expenditure and Product*, Cat. No. 5206.0 and ABS, *Australian National Accounts, Quarterly State Details*, Cat. No. 5206.0.40.001.

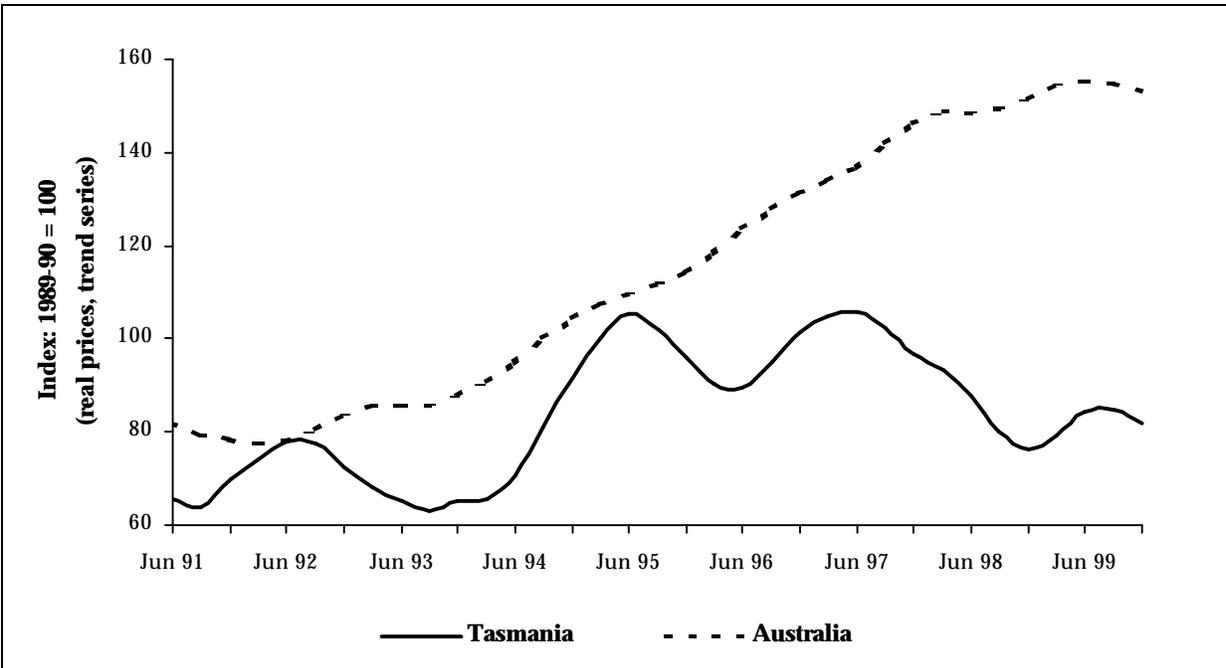
A key reason for the weakness in State final demand over the past few years has been the lack of growth in business investment. As shown in Chart 3.4, growth in private business investment in Tasmania has lagged well behind the national average since the mid-1990s. As with many other indicators, this gap in performance widened through most of this period but has declined in 1999.

Recent surveys of business sentiment point to a rise in business confidence, and investment intentions on the whole have risen. Part of the reason for this improvement in confidence appears to be the passing of the uncertainty that existed through 1998, with both State and Commonwealth elections, and the proposed amalgamations in Local Government. An improvement in the outlook for Asia (including the key market of Japan) and the global economy, and the continued strength in the national economy, are also important.

A further positive for the investment outlook is the recent strengthening in commodity prices and the expectation that there will be sustained improvement over the coming year. This will impact on

profitability in the mining and minerals processing sectors and hence investment in these industries is expected to rise from the current subdued levels.

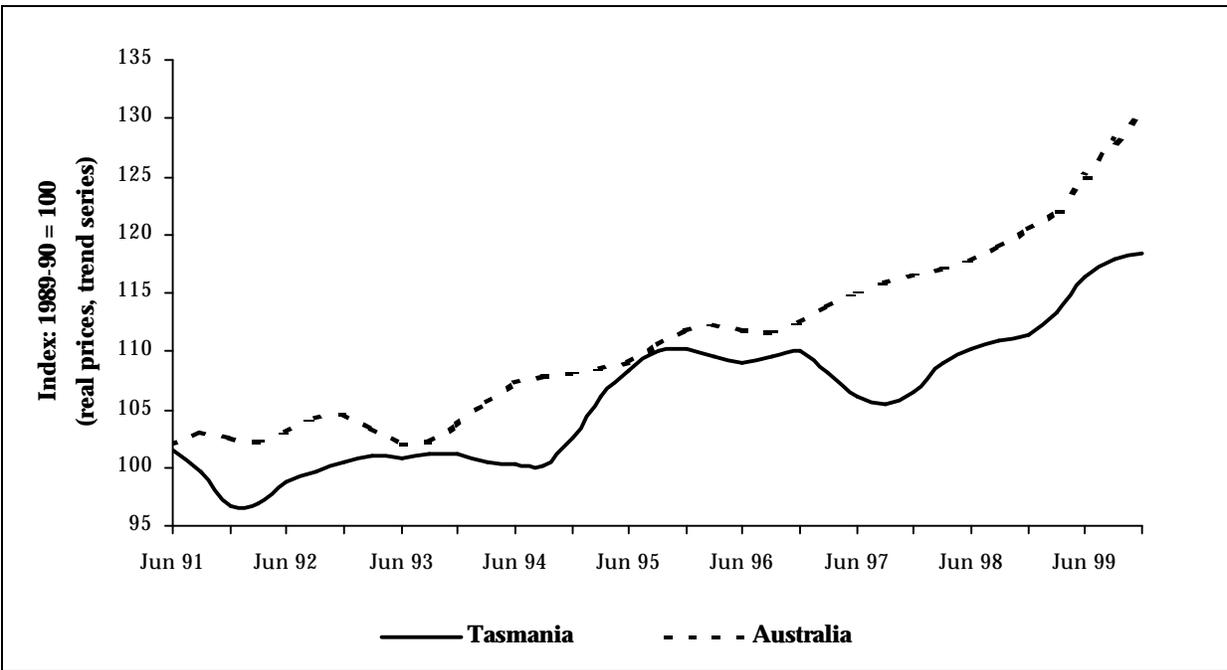
Chart 3.4: Private Sector Business Investment: Tasmania and Australia, 1991-1999



Source: ABS, *National Income, Expenditure and Product*, Cat. No. 5206.0 and ABS, *Australian National Accounts, Quarterly State Details*, Cat. No. 5206.0.40.001.

The level of total public spending in Tasmania in real terms has grown only marginally over the 1990s, despite a 5.7 per cent rise in 1999. Its contribution to GSP has fallen marginally from 30 per cent 10 years earlier to just below 29 per cent in 1998-99. Nationally, the contribution of the public sector to GDP has fallen from about 25 per cent to 22 per cent over this period.

Chart 3.5: Public Spending: Tasmania and Australia, 1991-1999



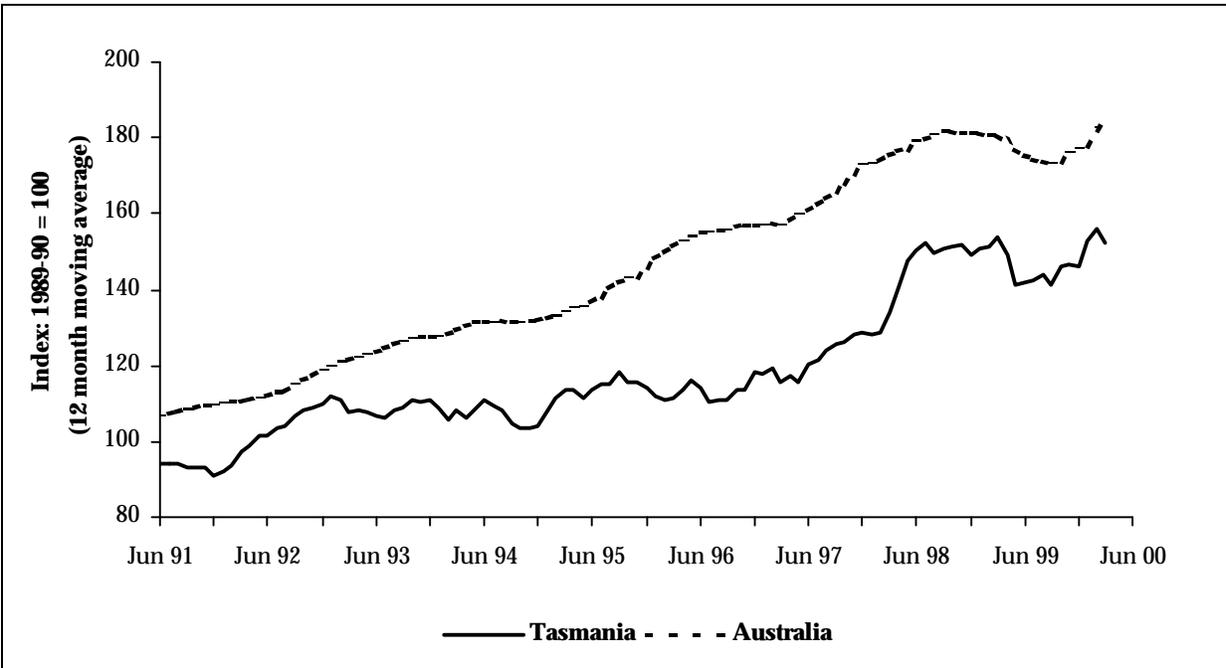
Source: ABS, *National Income, Expenditure and Product*, Cat. No. 5206.0 and ABS, *Australian National Accounts, Quarterly State Details*, Cat. No. 5206.0.40.001.

The modest decline in the importance of the public sector in Tasmania has been due to lower levels of public sector investment. The other component of the public sector is government consumption expenditure, which has recorded modest rates of growth in recent years.

The trend towards a smaller public sector is reflected in the decline in public sector employment in Tasmania, which has been falling since the late 1980s. The overall reduction of more than 11 000 jobs over this period has been due to fewer jobs in both the State and Commonwealth sectors. In absolute terms, two-thirds of the job losses have occurred at the State level but in percentage terms the decline in Commonwealth Government employment has been significantly larger. The decline in State public sector employment in Tasmania reflects a program of redundancies undertaken by previous State Governments through the 1990s.

The other major determinant of Tasmania's economic performance is net trade with other regions, including mainland Australia. In recent years, Tasmania's overseas exports have made a considerable contribution to the State's economic performance, increasing by an annual average rate of 8.8 per cent over the three years to 1998-99 in real terms, compared with an annual average growth rate of 5.9 per cent nationally. In the early 1990s, Tasmania had the fourth most open economy of all the States and Territories but the State's export performance has improved to such an extent that it has been ranked second in each of the past two years after Western Australia. Tasmania also trades extensively with mainland Australia, though definitive data are generally not available.

Chart 3.6: Value of Overseas Merchandise Exports: Tasmania and Australia, 1991-2000



Source: ABS, *International Merchandise Exports*, Cat. No. 5432.0.65.001.

In a small open economy such as Tasmania, exports to other regions can contribute significantly to State economic growth, especially in an environment where there is downward pressure on State final demand resulting from a declining population.

Even though the value of overseas exports eased in 1998-99, it was from a very high base, following exceptional growth in 1997-98. In the 12 months to February 2000, the (nominal) value of overseas merchandise exports was up nearly 3.0 per cent in year average terms, to reach a new record level of exports for a 12 month period. Over this period, solid growth was recorded in exports to New Zealand, Hong Kong, South Korea and the European Union.

As shown in Table 3.1, Tasmania's major overseas merchandise export destinations currently are, in order of importance: Japan, the ASEAN group, the European Union, North America, Hong Kong and Taiwan. Japan remains Tasmania's largest single export market, accounting for 22 per cent (or \$471 million in nominal terms) of total merchandise exports in the year to March 2000, down from 26 per cent (or \$549 million in nominal terms) in 1997-98. In terms of the remaining market share, ASEAN accounted for 17 per cent in the past year, the European Union 13 per cent, the United States 10 per cent and Taiwan and Hong Kong both 9 per cent. Over the past decade, the importance of Japan has declined, although it remains the State's most important market, while export shares to Hong Kong, China, Korea and Taiwan have increased.

There is little reason to believe this recent growth in exports will cease, with export growth in 2000-01 likely to be underpinned by further recovery in key Asian markets (notably Japan and South Korea) and expectations of still solid growth in the United States.

Table 3.1: Major Destinations of Tasmania's Overseas Exports

Country	Value ¹	Growth ¹

	\$m	%
United Kingdom	22.0	(18.5)
Germany	24.0	(38.5)
Singapore	28.0	16.7
China	60.0	(16.7)
New Zealand	65.0	80.6
Korea, Republic of	123.0	32.3
Taiwan	178.0	7.9
Hong Kong	190.0	29.3
United States of America	201.0	(9.9)
European Union	326.0	(22.6)
ASEAN	355.0	2.0
Japan	471.0	(2.5)
Total	2 164.0	(1.2)

Source: ABS, *International Merchandise Exports*, Cat. No. 5432.0.65.001.

Note:

1. Year to March 2000.

As shown in Table 3.2, the key commodity class exported from Tasmania is non-ferrous metals (principally zinc and aluminium), which comprised 27 per cent of the value of total State merchandise exports in the year to January 2000. Other significant exports include wood and woodchips (15 per cent), transport equipment, primarily catamarans (also 15 per cent); metallic ores (12 per cent); and fish and seafood (6 per cent).

As a result of Tasmania's greater reliance on overseas exports, the State's economic outlook depends to a large extent on the growth prospects for its major trading partners as well as trends in the prices of key commodity exports, notably aluminium, zinc, copper, tin, beef and wool. Because a significant portion of exports go to interstate destinations, economic trends in the mainland States are also of key importance to Tasmania. In this respect, the ongoing strength of the mainland economy is crucial to Tasmania's growth.

Table 3.2: Composition of Tasmania's Overseas Exports

Commodity Group	Value¹	Growth¹
	\$m	%
Paper and paperboard	5.2	6.1
Textile fibres and wastes	22.1	(18.3)
Medicinal and pharmaceutical products	51.8	(0.6)
Vegetables and fruit	52.7	(2.6)
Iron and steel	52.8	(45.2)
Meat and meat preparations	71.7	5.1
Dairy products	76.6	(35.0)
Fish, crustaceans and molluscs	140.0	0.3
Other and confidential items	225.2	22.9
Metallic ores and metal scrap	261.8	(7.2)

Road vehicles and transport equipment	315.3	17.0
Wood and woodchips	315.7	8.2
Non-ferrous metals	582.1	4.2
Total	2 172.9	1.3

Source: ABS, Tasmanian Statistical Indicators, Cat. No. 1303.6

Note:

1. Year to January 2000.

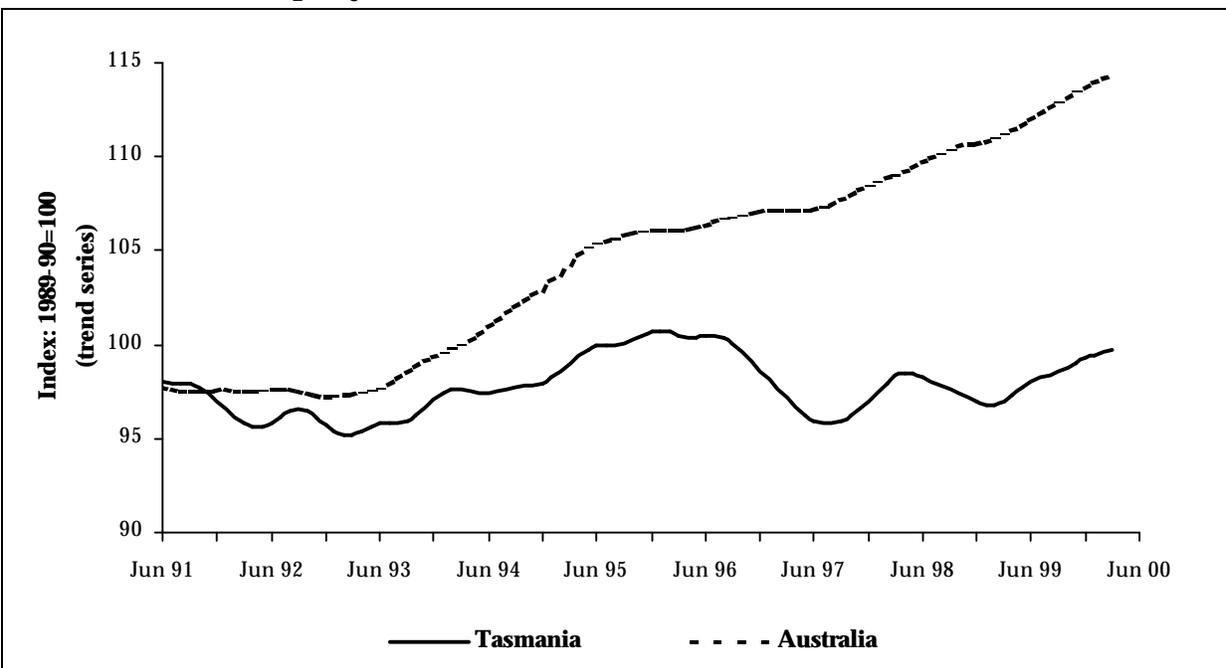
Projections by the Australian Bureau of Agricultural and Resource Economics (ABARE) indicate strong growth in the price of most of the State's key commodity exports by 2000-01. In 2000-01 ABARE expects increases in the \$US price of aluminium (up 10.9 per cent), zinc (up 5.3 per cent) and copper (up 3.9 per cent). ABARE is also forecasting significantly higher prices of beef (in \$US terms) and wool. Overall, therefore, the commodity price outlook for 2000-01 offers considerable support to the growth prospects for a number of the State's key sectors.

In addition, the prospect of continued solid growth in the national economy will further stimulate Tasmania's export demand, including demand for tourism services.

The rebound in employment levels for Tasmania over the past year or so as a result of the improved aggregate economic performance has been impressive, with employment rising in each of the 14 months to April 2000. Through the past year, Tasmania's rate of employment growth is only slightly below that of the nation as a whole.

On current trends, employment is set to record a rise of 2.1 per cent, the best result in 10 years. This increase is stronger than expected by all commentators, including Treasury, at the time of last year's Budget.

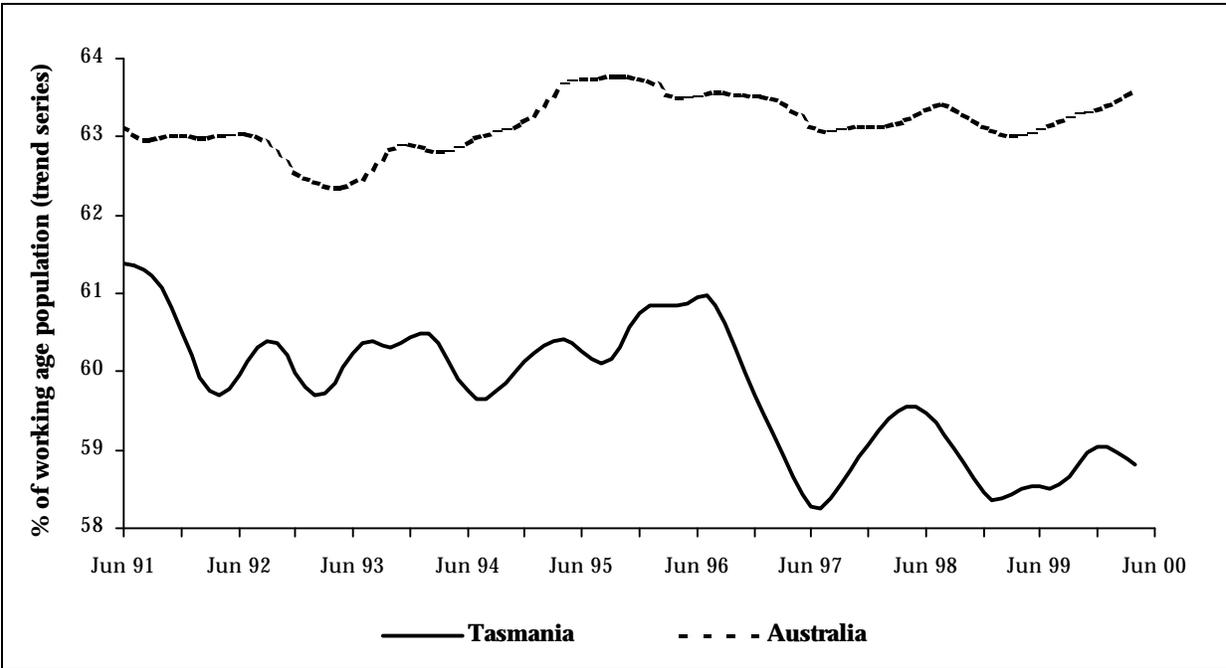
Chart 3.7: Employment: Tasmania and Australia, 1991-2000



Source: ABS, *The Labour Force, Australia, Preliminary Data on Floppy Disk*, Cat. No. 6271.0.

The participation rate is likely to improve moderately on the 14 year low of 58.7 per cent recorded in 1998-99. Over 1999-00, labour force participation is expected to rise by considerably less than the growth in employment and hence the number of persons unemployed and the unemployment rate will be much lower than in 1998-99.

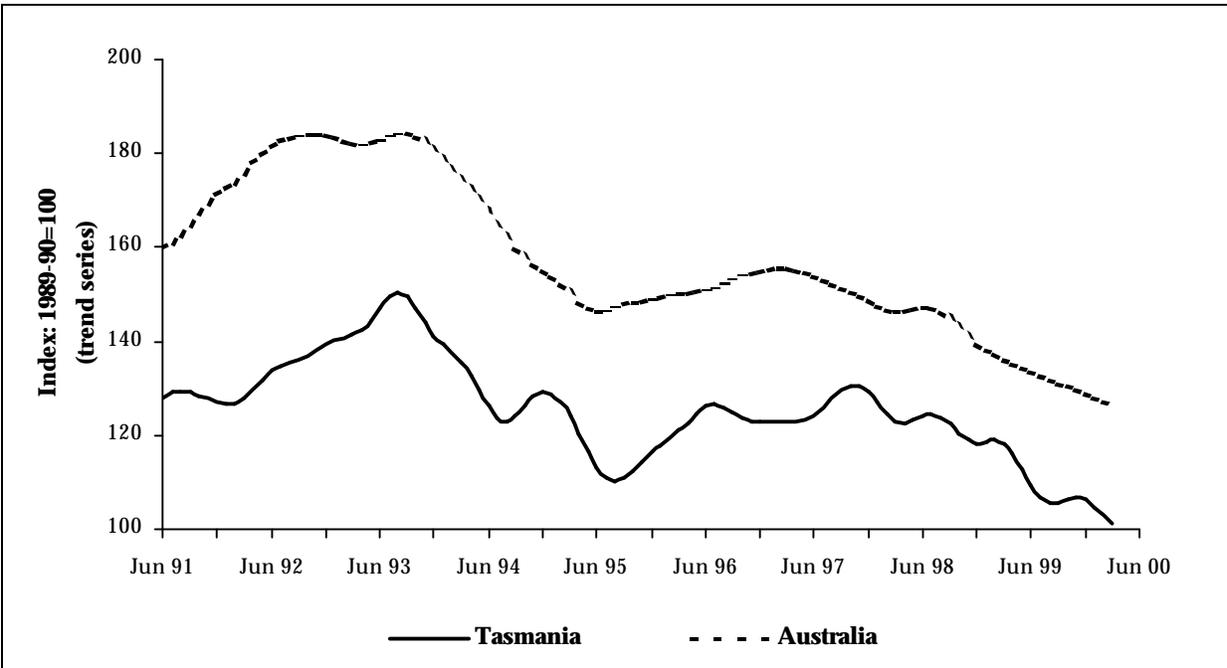
Chart 3.8: Participation Rate: Tasmania and Australia, 1991-2000



Source: ABS, *The Labour Force, Australia, Preliminary Data on Floppy Disk*, Cat. No. 6271.0.

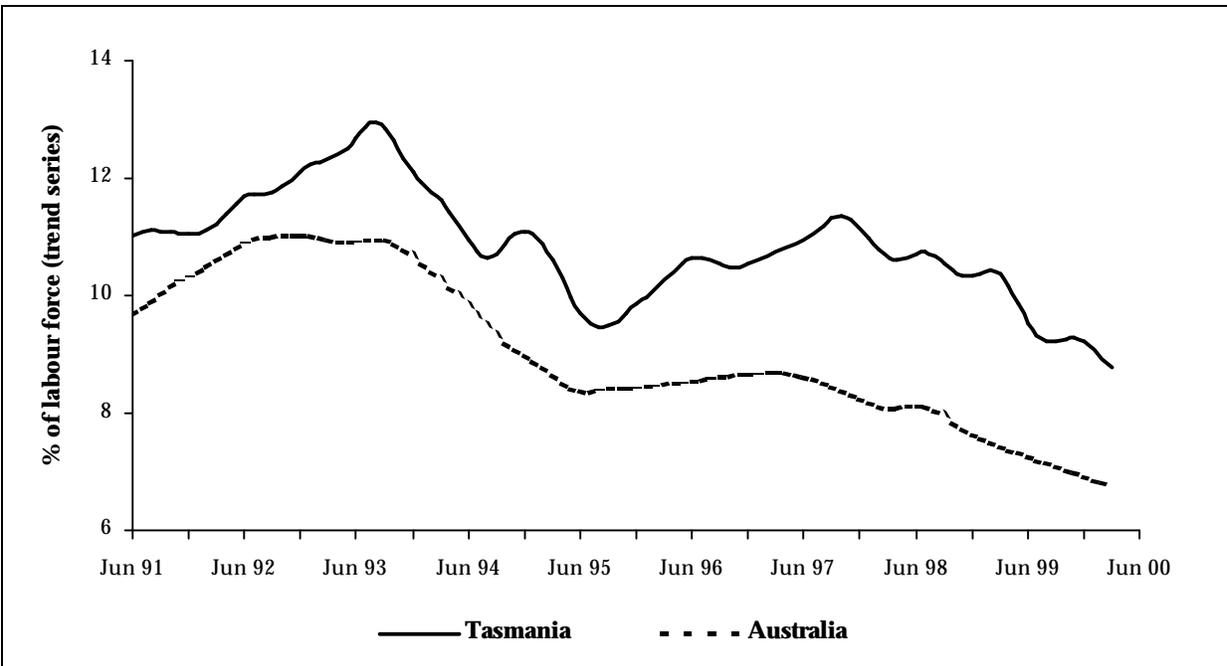
Although still at an unacceptably high level, the number of unemployed Tasmanians has dropped dramatically since late 1998 and is currently at its lowest level since early 1990. While most other jurisdictions have experienced falls in unemployment, Tasmania has recorded a proportionately greater reduction than any other State or Territory.

Chart 3.9: Number Unemployed: Tasmania and Australia, 1991-2000



Source: ABS, *The Labour Force, Australia, Preliminary Data on Floppy Disk*, Cat. No. 6271.0.

Chart 3.10: Unemployment Rate: Tasmania and Australia, 1991-2000



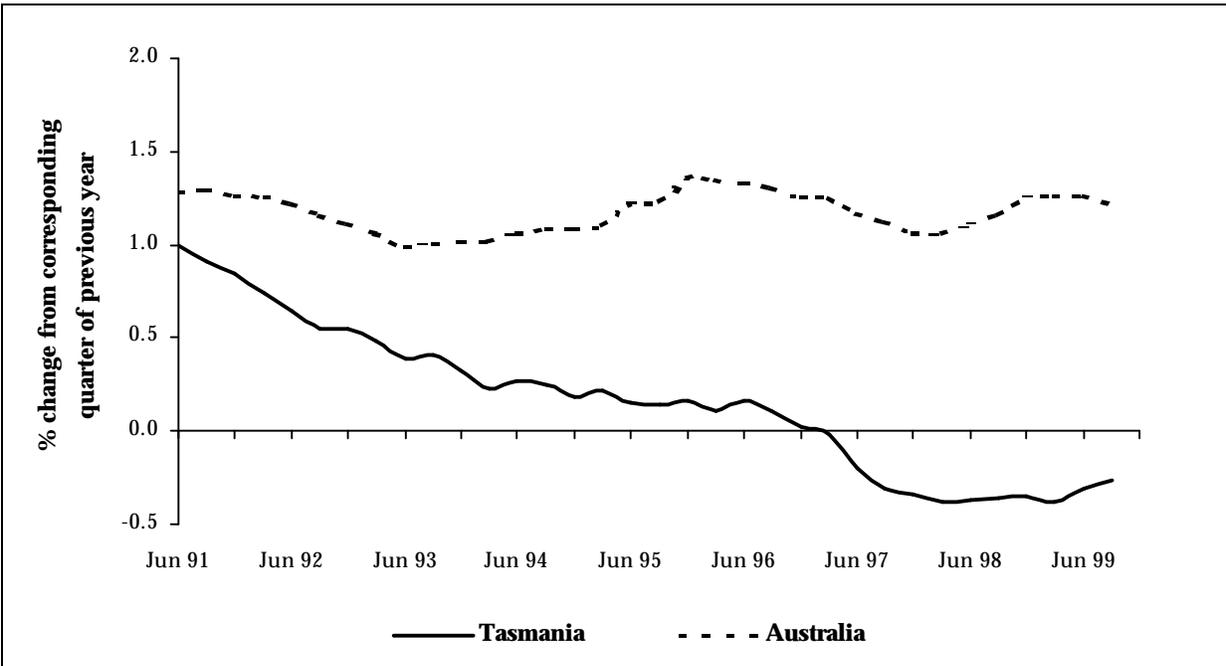
Source: ABS, *The Labour Force, Australia, Preliminary Data on Floppy Disk*, Cat. No. 6271.0.

The relative flatness in the labour force participation rate has meant that the 5 400 new jobs created over the past year have primarily been filled by job seekers directly from the unemployed pool. The Government is closely monitoring and analysing the labour market to ensure available skills meet increased job opportunities.

A consequence of Tasmania's subdued economic performance through the latter part of the 1990s has been the downward trend in the State's population, caused by a sharp rise in interstate out-migration.

In the two years to 1998-99, Tasmania's total population declined by an annual average rate of 0.4 per cent, in contrast to the 1.2 per cent growth recorded nationally. This has been the first period of negative population growth for the State in over 50 years.

Chart 3.11: Population Growth: Tasmania and Australia, 1991-1999



Source: ABS, *Australian Demographic Statistics*, Cat. No. 3101.0.

From the most recent estimates available, however, it appears that there has been a reduction in the rate of population decline, as shown in Chart 3.11. It is probable that this recent improvement reflects, in part, the sustained recovery in the State's labour market that has been evident since early 1999. The positive performance of the labour market through 1999 and into 2000, together with the likely lag between changes in the labour market and changes in net migration, suggest that a considerably smaller decline in population will occur in the current year.

SUMMARY TO DATE

- The unemployment rate in February, March and April 2000 was 9 per cent, the lowest for a decade.
- The number of unemployed in February, March and April 2000 was between 19 200 and 19 700, the lowest for a decade.
- The Government's target of 3 000 additional jobs in the 1999-00 period is on track. The participation rate has remained steady since late last year.
- There were 14 consecutive months of job growth till April 2000.
- Job growth in Tasmania is now comparable to the nation as a whole.

- The March quarter TCCI/Colonial Trust Bank Survey of Business Expectations was the strongest in the survey's five year history.
- The value of merchandise exports of \$2.2 billion in the year to February 2000 is the highest 12 month total on record.
- Compared with one year earlier, the number of residential building approvals in March 2000 is up 55.7 per cent and the value of private sector non-residential building approvals in the year to March 2000 is up 31.2 per cent.
- The ANZ Job Advertisement Survey for March 2000 reported the highest number of job ads in more than four years, corresponding with the peak in the employment series. For the year to March 2000, job vacancies as recorded by the ABS are up 90 per cent on the same time last year.
- The March quarter 2000 retail figures were up on the same time last year, and came in on the back of the December quarter, which were the highest value on record.

TARGETS AND BENCHMARKS 2000-01

The Government has put in place economic, financial and industry program performance targets and benchmarks for the 2000-01 period.

As discussed earlier, benchmarks are particularly important in measuring the success of *Tasmania Together*, to which the Industry Development Plan contributes in terms of the State economy.

State Budgets

In accordance with the Fiscal Strategy, State Budgets will be in surplus during the term of the Government.

Jobs

The Government's job target is again for an additional 3 000 jobs over the 2000-01 financial year.

Population

In line with sustained job growth, the total population for Tasmania will move from decline to growth within the term of the Government.

Industry Based Programs

The Department of State Development (DSD) has set a series of targets and benchmarks for each of the industry based programs. All of these targets are included in Chapter 15 of Budget Paper No 2 *Operations of Government Departments 2000-01*.

Gross State Product

The value of Gross State Product (GSP) for 1999-00 was \$11 606 million (nominal). The target for GSP in 2000-01 is \$12 392 million (nominal). The rate of GSP growth is expected to be 2.7 per cent (real).

Economic Monitoring and Analysis

DSD is responsible for the implementation of the key elements of the Industry Development Plan and liaises with industry. The Department of Treasury and Finance is the source of economic analysis and advice and provides policy advice on Tasmanian economic and industry development matters. Treasury's Economic Policy Branch provides information on specific industry and commodity markets important to Tasmania's economic development.

The Economic Policy Branch also works collaboratively with the research unit of DSD, the Centre for Research Industry and Strategic Planning (CRISP) on industry related matters. This arrangement between the two Departments assists in monitoring the Industry Development Plan and ensures the Plan is appropriately targeted as internal and external economic circumstances change.

The Economic Policy Branch has undertaken a number of initiatives to provide the Government with advice on various aspects of Tasmania's economic performance. These include:

- examination of the factors underlying population growth using econometric tools and series forecasting;
- examination of the capacity of the Tasmanian labour market to meet the employment demand generated by new investment projects;
- critical analysis of academic research papers in relation to the Tasmanian economy and related issues; and
- provision of regular tailored briefings to the Government on developments in the Tasmanian economy.

Treasury has also undertaken a number of significant projects in relation to issues that affect Tasmanian business. The Competitiveness Indices Project, which was developed in response to the Industry Audits, involved the development of a set of indices for a range of business inputs in order to derive an objective comparison of Tasmania's strengths and weaknesses as a location for business. This project is discussed in further detail in the following section.

A significant feature of the Competitiveness Indices Project has been shift away from 'desktop analysis' to direct consultation with Tasmanian businesses. This process has enabled a better understanding and a more accurate assessment to be made of the factors and issues affecting Tasmanian businesses. The Competitiveness Indices Project assist in ensuring that the information supporting the Industry Development Plan accurately reflects the economic conditions and circumstances faced by businesses in the Tasmanian economy.

THE COMPETITION INDEX – A STATE BY STATE COMPARISON

The Industry Audits carried out in Tasmania were unique – no other State in Australia has ever carried out such a comprehensive assessment of the capabilities and opportunities provided by its industry sectors. Similarly, the Competitive Indices Project undertaken by the Department of Treasury and Finance is the first time any State has carried out a comprehensive assessment of business inputs and their relevance to individual industry sectors.

There has been ongoing debate in Tasmania, and other jurisdictions, about the competitiveness of prospective business environments. For the debate to have meaning, and importantly, for issues that impede competition to be addressed, an objective assessment is critical. The document, *The Competition Index - a State by State Comparison*, provides a very useful model by which local industry can assess the competitive business environment in which it operates. The Competitive Index also provides valuable information to an industry considering investment or establishment in Tasmania.

Composite indices have been prepared for a number of cost categories and a number of industries. A summary of the rankings for each State for the composite indices is provided later in this Chapter.

The indices reflect the estimates by Treasury that can be expected to apply to average or representative firms in each State. They do not necessarily reflect the cost conditions that would exist for any individual firm. Also, the indices have been prepared on the basis of the costs that would be experienced by a new firm setting up rather than those faced by existing firms. Assistance provided to new firms by State Governments has not been included in the calculations.

Tasmania compares favourably in the labour cost index primarily as a result of relatively low wages costs in the State. Tasmania has the lowest average labour costs (including on costs such as workers' compensation and payroll tax) of all the States. However, the payroll tax burden, as a stand alone item, is above the average for all States.

Tasmania also has a stable workforce, with the lowest level of industrial disputation and the highest retention rate of all States. However, the skill base of the Tasmanian labour force is the lowest for all the States.

Tasmanian land and accommodation costs are among the lowest nationally, with the lowest value and rental costs for industrial and commercial land and the lowest municipal rates, although data limitations for the municipal rates component mean that some caution needs to be exercised in the use of this component. The land tax burden for business in Tasmania is comparable with that in other States.

Energy prices in Tasmania are relatively high, compared to those in other States, for all forms of energy.

Electricity prices in Tasmania for most customers have been higher than those in New South Wales and Victoria. In these States, there is a contestable market and customers are benefiting from the excess generation capacity in New South Wales and Victoria. However, prices in Tasmania are comparable with those in South Australia and lower than those in Western Australia.

Fuel prices in Tasmania are generally higher than in the other States.

The absence of natural gas means that Tasmanian businesses must rely on the significantly more expensive liquid petroleum gas (LPG).

It is likely that the introduction of natural gas via the Duke Natural Gas Project will significantly improve Tasmania's energy cost competitiveness.

Access to ports is much better in Tasmania than in other States, with a relatively high proportion of the State's businesses within close range of a major port.

A major hindrance to Tasmanian businesses is the relative isolation of the State. While for some businesses, such as those that rely primarily on overseas markets, the relative isolation of Tasmania may not be a problem, it remains a constraint on the establishment of many businesses in the State. Tasmania's relative isolation causes problems in relation to the marketing of goods and services, reduced access to business and financial services, increased freight costs and, in some cases, difficulty in attracting skilled labour to the State. The Market Access Index reflects the significant disadvantage that Tasmania suffers as a business location through its isolation.

The industry based cost indices provide a guide to those industries for which Tasmania is a relatively low cost producer. However, the costs that have been included in the indices may not represent a large proportion of total costs.

Indices have not been prepared for the agriculture, forestry and fishing sector, which includes growth industries such as aquaculture, because there is less information available for this sector. In addition, inherent differences between States, such as climate, make comparisons difficult because of the very different nature of the sector in each State.

For example, aquaculture in Tasmania has unique characteristics compared to the rest of Australia, mainly due to the suitability of the State's waters to growing Atlantic salmon, an industry which continues to grow rapidly.

However, research and work will continue on competitive indices that will incorporate both new information and advice from industry, and statistics as they become available.

An example of an industry in which Tasmania has a comparative advantage is the IT industry, which is included in the property and business services sector. Tasmania emerges as having a cost advantage in this sector and, if proximity to a market is not essential, business conditions in Tasmania are favourable.

For more detail on *The Competition Index – a State by State Comparison*, please refer to the full document which can be obtained by contacting the Department of Treasury and Finance, Tasmania, or referring to the Department's website www.tres.tas.gov.au.

Table 3.3: Summary of Ranking of States

	NSW	Vic	Qld	SA	WA	Tas
<i>Category-Based Indices</i>						
Direct Labour Costs	6	4	3	2	5	1
Labour Skills	1	4	5	3	2	6
Labour Turnover	3	4	5	2	6	1
Industrial Disputes	4	6	5	2	3	1
Land and Accommodation	6	3	5	1	4	2
Energy Cost Index	2	1	3	4	6	5
Freight Cost Index	3	5	1	2	4	6
Forestry Endowment Index	3	4	2	5	6	1
Mineral Resource Endowment	3	6	2	5	4	1
Market Access Index	1	2	3	4	5	6
Access to Ports Index	5	4	6	3	2	1
Port Charges Index	6	5	2	3	4	1
<i>Industry-Based Cost Indices</i>						
Mining	6	3	5	1	4	2
Manufacturing	6	2	4	1	5	3
Accommodation, Cafes and Restaurants	6	1	5	2	4	3
Finance and Insurance	6	4	5	2	3	1
Property and Business Services	6	3	5	2	4	1

Notes:

1. The most favourable ranking is 1 for all of the indices.
2. Direct Labour Costs include wages, payroll tax, superannuation, workers' compensation premiums and fringe benefits tax.
3. The Forestry Endowment Index refers to the area of each State accounted for by forests, excluding conservation areas.
4. The Market Access Index provides a guide to the proximity of businesses in each State to a major population centres.

4 INDUSTRY AUDITS RECOMMENDATIONS - PROGRESS REPORT

INDUSTRY DEVELOPMENT PLAN 2000 - GOVERNMENT'S RESPONSE TO THE INDUSTRY AUDITS

The *Tasmanian Industry Audits - A Shared Vision* was the most comprehensive assessment of industry capability undertaken anywhere in Australia. The Audit's enormous detail and numerous recommendations required a considered response from the Government.

The Audits represented the contribution of over 2 500 Tasmanians identifying opportunities and constraints to economic growth in the State. 16 Audits covering eight industry sectors were conducted over a six month period.

The process involved a cooperative approach and consultation between all levels of government, industry and the community and produced 257 recommendations for both industry and government over a wide range of issues. The Audits are essential building blocks of the future. They provide industry endorsed baseline information and identify key issues for future planning and decision making. In many cases these issues are best addressed by the Government and industry working in partnership.

The *Government Response to the Tasmanian Industry Audits* delivered in August 1999 put in place a key element of an integrated and ongoing strategy that contributes to the over-arching Industry Development Plan. This strategy was not a single event. It recognised the importance of a longer-term commitment to economic development and of the need for soundly based and consistent policies.

The Government is committed to a whole-of-government response when addressing those issues that are within its jurisdiction and in assisting industry, where appropriate, to address industry issues. The Government anticipates industries and individual firms will also respond to the Audits in a manner consistent with their circumstances and capabilities.

The Government's response to the Audits was comprised of the following key elements:

- analysis of key cross sectoral strategic themes;
- departmental responses to Government issues;
- completion of Industry Audit consultation process;
- formation of Industry Councils; and
- progress reports on implementation.

A summary of the issues within these elements follows.

Cross Sectoral Analysis

This component of the Government's response canvassed generic issues across all Audits, including capabilities, opportunities and constraints.

Five key themes arose as concerns from the Industry Audits:

- skills and training;
- markets;
- access to information;
- regulations and the business environment; and
- technology.

Each of these concerns is being addressed through the 10 industry based programs.

Departmental Response to Government Issues

State Government Departments have addressed those recommendations in their jurisdiction.

A significant number of issues for the Government identified in the Audits were the subject of existing attention by the responsible Departments. Departments have taken advantage of the material in the audits to review their services, programs, priorities and resource allocation.

Of the 257 recommendations put forward by the Industry Audit teams, 246 are supported by the Government and are being implemented.

Completion of Industry Audit Consultation Process

Audit teams completed the final stage of the Audit process by conducting forums appropriate to their sectors. They reported on the final Audit recommendations and briefed industry on options for further participatory mechanisms, including the formation of Industry Councils.

Industry Council Formation

The Government has indicated that it will support and work with up to eight Industry Councils to develop detailed industry action plans in sectors of strategic importance.

Industry Councils are very much about ensuring decisions by government and business in relation to industry direction are based on the most up-to-date information and take a strategic approach.

The State Government recognises that it is important for industry sectors to be independent. This represents a significant shift in expectations, with the Government expecting industry to take responsibility for their own councils.

To date, three Councils have been established and are operating effectively. They are the Food; Cultural; and Information Technology Industry Councils. The Food Industry Council and the Information Technology Industry Council have both completed draft industry action plans.

The Government expects that a number of other councils will be formed in the near future covering the building and construction; environmental; marine manufacturing; and business and financial services industries. The Government has stressed that the councils must be the initiative of the private sector.

Government support includes the services of a dedicated secretariat and access to support from DSD and other State government departments. The Government will provide advice on methodologies to facilitate the development and production of Industry Action Plans.

Implementation of Recommendations Progress Report

In the Response to the Industry Audits in the August 1999 the Government committed to monitoring progress and reporting on the implementation of the recommendations of the audits.

DSD has reviewed the Department responses and has prepared summaries of the response for each audit. Where multiple responses have been provided the most common response has been reported. In cases where responses have been reported as being 100 per cent complete and ongoing they have been counted as being 100 per cent complete.

The implementation of 77 per cent of recommendations has either been completed or is the subject of ongoing attention or service delivery.

The implementation of a further 10 per cent of recommendations is more than half completed.

More than half the recommendations require and are receiving the ongoing attention of the responsible Departments. The response to these recommendations is in most cases a continuing service. They will only be capable of being classified as being 100 per cent completed when the service is no longer relevant.

The Government does not support four percent, that is, 11 of the recommendations. There will be no Department action with respect to these.

5 MAJOR INDUSTRY INITIATIVES FOR 2000-01

This Chapter outlines the major industry initiatives by the Government for the 2000-01 period. The initiatives are listed under the Government Departments which have responsibility for their delivery. Following the listing of initiatives for the 2000-01 period, each Department except for the Department of State Development has also included a Status Report on 1999-00 Major Industry Initiatives. The Department of State Development has listed its progress on 1999-00 major industry initiatives in Chapters 1 and 2 of this document.

TASMANIA *TOGETHER* AND INDUSTRY INITIATIVES

In 2000-01, the way in which Government and its departments plan initiatives will be radically reformed.

The Government has set aside significant funds in the 1999-00 and 2000-01 financial years for Tasmania *Together*. As the development of a long-term social, environmental and economic plan for the State will occur through the Tasmania *Together* process, industry initiatives delivered by agencies will necessarily be linked to that plan.

Tasmania *Together* will provide the over-arching framework and links between major Government policy initiatives. The strategies and goals of the Government's Industry Development Plan, State and Local Government Partnership Agreements, 10 Year Health Plan, Learning *Together* and other major initiatives, will all focus on achieving the vision and goals in Tasmania *Together*.

At the same time, the Budget process will be amended to incorporate both short and long-term planning to achieve the community's goals for the year 2020. Social, economic and environmental community outcomes will be directly linked to agency Outputs and strategies. The Government's Budget Strategy will concentrate on achieving the community outcomes to be set in Tasmania *Together*.

The Government, industry and the broader community's performance in achieving the goals outlined in Tasmania *Together* will be regularly monitored and reported against.

A specific set of benchmarks will form an integral component of the plan and will be regularly assessed to ensure that all Tasmanians are aware of progress being made in achieving their goals. Reports will not only be made to Parliament but will also be widely circulated throughout the community. Current performance indicators measuring progress for major Government initiatives will also need to reflect the benchmarks to be set in Tasmania *Together*.

BENCHMARKING

Both the Government's and the broader community's performance in implementing *Tasmania Together* will need to be closely and regularly monitored. Once the vision and goals for *Tasmania Together* have been finalised in the early part of the new financial year, *Tasmania Together* will enter the benchmarking phase. Benchmarking Committees made up of stakeholder group representatives will be convened by the Community Leaders Group (CLG) to develop a set of benchmarks to measure progress towards achieving the community's goals. All Department performance measures will need to comply with and contribute to the performance benchmarks set in *Tasmania Together*.

IMPLEMENTATION

Tasmania Together will challenge the existing culture of government by introducing a medium to long-term planning horizon, accompanied by greater levels of community involvement, transparency and accountability.

It is anticipated that *Tasmania Together* will continue beyond the term of the current Government and will inform and guide future Governments. While *Tasmania Together* will provide a framework for Government decision making, work has only just begun on putting in place the governance and management structures to support the plan.

How *Tasmania Together* is incorporated into Government decision making, particularly the Budget process, will be crucial to the viability and credibility of the plan. While the ultimate goal is to ensure an ongoing partnership between the Government and non-government sector in implementing *Tasmania Together*, the Government will need to highlight its commitment by ensuring decision making is guided by the plan.

Substantial progress has been made in developing new Budget processes focussing on building community outcomes into the Budget and the preparation of Agency Performance Plans as a mechanism for long-term planning and accountability for implementing *Tasmania Together*. As far as possible these structures are being developed in a coordinated approach with existing processes to ensure that *Tasmania Together* becomes a part of the daily business of Government.

To underline the Government's commitment to *Tasmania Together*, funds have set aside in this Budget to create an independent statutory board to report to Parliament and the community on the progress towards achieving the goals and benchmarks in the plan.

The Board will consist of five to seven members from a variety of backgrounds, including government, business, community, welfare, environment and education sectors. There will be a public nomination process for membership of the Board with recommendations being made to Cabinet and endorsed by other political parties.

In the long-term it is expected that the Board will report on progress directly to Parliament every two years. It is also expected that the Board will play a major role in reviewing the benchmarks after a suitable period of time. The Board will also promote *Tasmania Together* within the broader community, not only to raise awareness of the plan, but to encourage the non-government sector to incorporate the goals and benchmarks into their own strategic planning.

Department of State Development

Investment, Trade and Development

- continuation of the Call Centre and Advanced Technology Program, including incentive packages to attract new projects to the State;
- development of an Agricultural Productivity Enhancement Plan to support the optimum use of the State's water resources in promoting increased output and efficiency in the production of vegetables and other high-value crops;
- development of a Tourism Equity Investment Fund to assist in the provision of equity capital to Tourism projects; and
- implement a Tourism Infrastructure Investment Strategy to address one of the key recommendations of the Tourism Industry Audit.

State Industries

- Intelligent Island - as part of the Telstra Social Bonus, the program will be a significant new initiative to contribute to the development of an internationally competitive Information Technology and Telecommunication (IT&T) industry in Tasmania;
- Small Business Employment Initiative - an employment creation program designed to encourage the uptake of trainees and apprentices and their skill development in key industry sectors;
- Industry Councils - provide support to Industry Councils in the formulation of strategic industry plans;
- Strategic Technology and Management Practices program - to increase the uptake of Leading-Edge Technology and management practices by small and medium sized enterprises;
- Biotechnology Review - to undertake a review of the biotechnology capability in Tasmania to establish appropriate industry strategies to develop a longer-term viable industry in Tasmania;
- Science and Technology Policy - through the Tasmanian Innovations Advisory Board, develop a policy paper which supports the development of a science and technology industry in Tasmania; and
- continuation of current range of Business Development Programs as outlined in the Government's Industry Development Plan.

Centre for Research and Industry Strategic Planning

- support Industry Councils in the development and production of their Industry Action Plans by providing technical planning guidance and support and facilitating industry consultation processes;
- provision of specialist research services focussed on strategic industry development issues to provide the information base to underpin the development of policy and industry plans;

- development and refinement of industry policy including the Government's Industry Development Plan and priority areas including biotechnology and regional development; and
- development of the Department's Graduate Employment Program - building on the experience and success of the 1999 program by improving and broadening the formal training element and ensuring a comprehensive outplacement experience is provided to graduate trainees.

Tourism Marketing and Development

- in partnership with the Tasmanian Brand Council, other industry sector councils, and the Governments Icons Program, further develop and promote the Brand Tasmania concept to strengthen the perceived value of Tasmania and Tasmanian products and services in external markets;
- further increase the exposure of Tasmania in the editorial content of domestic and international print and electronic media to take advantage of the increased international media attention being generated by the 2000 Olympic Games;
- develop strategies to combat the potential negative short to medium-term effects of the introduction of the GST and the holiday switching behaviour associated with the Sydney Olympics on the Tasmanian Tourism industry;
- development of an integrated precinct development strategy for Cradle Valley in partnership with the Kentish Council; and
- development of a Food and Wine Tourism Strategy in partnership with the producers, to take advantage of the State's reputation for the production of fine quality food and cool climate wines.

Cultural, Heritage and Recreation Industry Development

- progress the Tasmanian Museum and Art Gallery (TMAG) 10 year Redevelopment Plan;
- launch the Cultural Festival Development Program to encourage arts organisations to develop events for inclusion in major festivals;
- the inaugural Cultural Festival, "Ten Days on the Island – Tasmania Celebrates the Arts" – will be held in March 2001;
- the presentation of the inaugural Tasmanian Literature Prize will form the centrepiece to the Tasmanian Reciters and Writers Festival;
- increased Office of Sport and Recreation support for Local Government to facilitate and plan local sport and recreation developments; and
- continue the expanded Project Hahn, assisting to meet the needs of young people at risk.

Department of Infrastructure, Energy and Resources

ABT Railway Project Management

The Department is providing project management services in the reconstruction and recommissioning of the ABT railway. The reopening of the ABT railway will provide a world class tourist facility and

will generate significant employment and development opportunities during the reconstruction phase and for the ongoing benefit of tourism on the West Coast.

Gas Regulation

The Department, in consultation with industry, is facilitating the development of gas reticulation and retailing in the State and is also developing the legislative and regulatory framework required for the establishment of all aspects of a natural gas supply industry. This legislative/regulatory framework will cover the construction and operation of gas transmission and distribution pipelines, gas retailing and the use of gas equipment and appliances.

Wiltshire Junction

The Department has commenced a planning study into a single track rail line from Wiltshire to Smithton. A key part of the first phase of planning is a social and economic assessment. The impetus for the study came from Circular Head Council through the Partnership Agreement process.

Integrated Transport Strategy Development

Tasmania initiated and is managing a national project that is designing and piloting a technology system that will facilitate improved safety and access to the road network for heavy vehicles. Unlike other States, Tasmania cannot provide general access for higher productivity vehicles. This technology system will, however, help tailor access arrangements for industries where transport is a major cost component.

Forestry Growth Plan

The development of the Forestry Growth Plan by Forestry Tasmania signalled a new phase in the development and growth of the forest industry in Tasmania building on the signing of the Regional Forest Agreement (RFA). The Department is working closely with all sections of the forest industry to ensure the best outcomes for the State and the forest industry in implementation and integration with the transport task. This will ensure movement of product from the forest to places where downstream processing can take place occurs in a safe, coordinated, efficient and affordable manner.

Western Tasmania Regional Mineral Program

The Department will be administering Commonwealth funding to facilitate development in the minerals industry on the West Coast. The key projects will be the investigation in association with the Department of State Development of Port Latta as an industrial site and the production of geoscientific data to attract further mineral exploration to the West Coast.

Status Report on 1999-00 Major New Industry Initiatives

Magnesium Opportunities

DSD continues to work with a number of proponents on proposals to add value to North-West Tasmania's significant resource of magnesite:

- Crest Magnesium NL has completed a pre-feasibility study into a proposal for large-scale magnesium metal production;
- following the dissolution of a joint venture with construction business Multiplex, Crest is now seeking to recruit a new partner. Crest is also investigating options for the production of magnesium based pharmaceutical products in Tasmania;
- Bass Resources NL also is conducting a pre-feasibility study into a Tasmanian magnesium metal project; and
- Australian Bulk Minerals (ABM) disclosed in October 1999 that it is mining and stockpiling magnesite at its Savage River iron ore mine. The company believes high grade magnesite can be mined and delivered via its slurry pipeline to Port Latta at a world competitive price. ABM is investigating local and external markets for the material.

Update on Public Vehicle Licensing Reform

During 1999-00, legislation was passed by the Parliament enabling the abolition of Tasmania's antiquated public vehicle licensing system. At the time of writing, supporting regulations are close to completion with an anticipated commencement date prior to the end of the financial year.

Work will proceed during 2000-01, with specific focus on the refinement and introduction of the accreditation system, which will underpin much of the reform. In addition, it is expected that industry initiated reviews of a range of the State's passenger transport services will commence.

Complete implementation of the reforms will take up to five years from the date the legislation commences.

Update on Infrastructure Inventory

Work will continue on the infrastructure inventory with a view to ensuring best practice asset maintenance. The major initiative of the coming year will be the identification of strategies to meet emerging infrastructure needs.

Department of Primary Industries, Water and Environment

- Working with and supporting the Community Leaders Group who are developing the vision, goals and benchmarks for Tasmania *Together*.
- Participating in the development of Partnership Agreements with Local Government authorities.

- Implementing industry initiatives as a consequence of the Circular Head Council and Launceston City Council Partnership Agreements, working cooperatively with other Government Departments and the relevant Local Government authorities.
- At the first meeting of the Premier's Local Government Council, chaired by the Minister for Primary Industries, Water and Environment, it was resolved that a Statewide Partnership Agreement be drawn up to implement the Model Framework for Planning Schemes.
- Initiatives to develop and promote clean safe products in the agriculture sector include:
 - development of the "Food Industry Plan" and the pursuit of the priority developments coming from the plan; and
 - development of a regulatory framework to control and regulate genetically modified organisms that allows for Government policy on genetically modified organisms to be implemented.
- Assist the dairy industry in readjustment in order to meet the deregulated market arrangements.
- Expand and diversify the aquaculture industry by utilising native species such as rock lobster and striped trumpeter through priority research partnerships with industry through the Tasmanian Aquaculture and Fisheries Institute (TAFI).
- Continue to develop a sustainable aquaculture industry through balanced planning, review and allocation processes making new water available for aquaculture.
- Development of an independent and workable outcome from the Marine and Marine Industries Council for the establishment of a Tasmanian representative system of marine protected areas.
- Ensure significant outcomes from the Irrigation Partnership Program by expediting assessments for permits and approvals, and the further development of a water resource and dams strategy.
- Promotion and facilitation of eco-tourism developments on public land, including the finalisation of Regional Forest Agreement tourism interpretation facilities at Freycinet National Park, Meander Valley and Scottsdale, along with new visitor facilities at Mount Field National Park and Hastings Caves State Reserve.
- State water quality management through the establishment of Protected Environmental Values and associated water quality objectives, promoting wastewater re-use, guidelines and a strategy for management of urban stormwater.
- Resolution of the issue of Government valuation service delivery within Tasmania.

Status Report on the Progress Towards Implementing the 1999-00 Initiatives

- Implemented new water legislation to provide a framework for the sustainable development and equitable use of the State's water resource.

- Actions undertaken to develop and promote clean safe products in the agriculture sector include:
 - establishment of an organic unit to promote organic exports and encourage this important new industry;
 - continued development of labelling opportunities (eco-labelling) for vegetables produced using Integrated Pest Management and other reduced chemical methods;
 - the identification and demonstration of techniques to reduce chemical input for vegetable and tree fruit industries;
 - working closely with the Tasmanian Institute of Agricultural Research (TIAR) to align future research and development activities with priorities emerging through the Industry Planning process and arising out of the work of the Food Industry Council; and
 - continued support to the peak industry Quality Assurance (QA) body, Tasmanian Quality Assured (TQA) and continued provision of technical support (such as disease surveillance and management) to underpin QA systems.
- In association with the dairy industry, the development and demonstration of QualDairy, a QA program, and the implementation of SafeDairy, a Hazard Critical Control Point (HACCP) system at the Elliott Research and Demonstration station.
- Continuation of the Commonwealth FarmBiS program and the FarmwiSe courses to provide greater training opportunities for primary producers and improve risk and business management skills.
- Continued assessment and development of new crops and conditions, specifically canola, herbage cultivars and new oat varieties.
- Ongoing development and implementation of fisheries management policies to ensure both commercial and recreational fishing are undertaken in a sustainable manner.
- Actions undertaken to develop and trial in a number of municipalities of the Model Framework for Planning Scheme for Local Government authorities:
- The West Coast Planning Scheme is based closely on the Model Framework. This planning scheme was recently certified by the Resource Planning and Development Commission and will soon be placed on public exhibition.
- The Government has a Partnership Agreement with the Circular Head Council which includes an agreement to progress a new planning scheme based on the Model Framework. The Draft Circular Head Council Planning Scheme is to be submitted to the Resource Planning and Development Commission for certification and subsequent public exhibition.
- The Waratah/Wynyard Council is working in coordination with the Circular Head Council and officers from the Department of Primary Industries, Water and Environment in developing a new planning scheme. It is expected that the draft Waratah/Wynyard Planning Scheme will be forwarded for certification to the Resource Planning and Development Commission this year.
- The Huon Council has also commenced work on a new planning scheme which will be based on the Model Framework.

- The Kentish Council has formally advised the Government that they would be interested in developing a new planning scheme based on the Model Framework.
- Continued LIST (Land Information System Tasmania) and IT enhancements within the Department and across Government for the benefit of the Tasmanian business sector and community.

Department of Premier and Cabinet

Support to Community Forums and Regional Cabinet Meetings

The program of 40 Community Forums and Regional Cabinet meetings which the Government undertook to conduct during its first term in office is well advanced. As at 12 April 2000, 16 Forums had been held around the State.

Public participation in the Forums has been positive, with a wide cross-section of Tasmanians taking the opportunity to raise the issues of concern to them directly with Cabinet Ministers.

Managing the Service Tasmania Project, including Increased Electronic Service Delivery through Service Tasmania Shops.

The Department of Premier and Cabinet continues its role in managing the development of *Service Tasmania*, including electronic service delivery through 24 *Service Tasmania* shops, *Service Tasmania* by phone (14 phone billpay services including seven local councils) and *Service Tasmania* over the Internet (an increasing number of information services and Internet billpay services becoming available).

Service Tasmania service delivery channels are inclusive of arrangements to deliver services on behalf of a range of local councils. These arrangements support the Government's initiatives in the development of Partnership Agreements with Local Government.

Department of Education

Education, training and information systems within the Department of Education are significantly contributing to the development of industry in Tasmania. This is evident in the following ways.

Ensuring a more Cohesive Approach to Vocational Education and Training Planning and Delivery

Planned Vocational Education and Training (VET) activity for the year 2000 is supporting the State's Industry Development Plan and contributing to *Tasmania Together*, the overarching social and economic plan for Tasmania. State VET Plans for 2000-01 will build this support through alignment of activity with advice from the Industry Councils, established by the DSD. Planned activity is also in line with the recommendations of the *Schofield Review of the Traineeship System (1999)* which stresses the need for planning processes to be made more responsive to the economic and social priorities of Government.

A number of key strategies have been proposed to move towards a more strategic, integrated and cohesive planning framework for vocational education and training. Enhanced coordination of the responsibilities of the Office of Vocational Education and Training (OVET) and DSD in respect of planning to meet industry needs will be achieved through:

- alignment of industry groupings used by DSD and OVET for planning purposes;
- alignment of industry groupings used by OVET and DSD for planning purposes with Australian Bureau of Statistics employment data to facilitate more informed planning processes;
- enhanced linkages between DSD and Industry Training Advisory Boards (ITABs) which provide information on industry skill needs;
- integration of OVET and DSD planning cycles and timelines for collection and presentation of information for planning purposes;
- identification of likely long-term demand for skills and resourcing implications;
- identification of long-term changes in industry structure;
- participation in industry forums focusing on practical responses to identified skills needs in specific industry groups. These forums would include regional representation by industry and training providers to ensure a regional focus; and
- integration of a process for identification of skilled labour needs into DSD project management processes including registration of such needs on the DSD project management database.

Targeting Priority Areas

Growth derived through efficiencies in VET activity for the year 2000 is targeted to areas of State and industry strategic priority detailed in the following table:

Table 5.1: Vocational Education and Training Priority Areas

Priority Areas	Annual Growth Target hours
Information technology, advanced communications and advanced technology (including multimedia)	25 000
Marine manufacturing	20 000
Agriculture, food and beverage and environment and land management	20 000
Business and financial services, including small business	30 000
Language and literacy	5 000

A number of existing training programs will be replaced by new National Training Packages which reflect national industry best practice.

Consistent themes in relation to training needs across a number of industry sectors covered by the Industry Audits have been identified. Key themes are:

- marketing;
- enterprise financial management;
- business management;
- personnel management;
- electronic commerce; and
- information technology.

TAFE Tasmania currently provides vocational education and training provision in all of these specified areas. The process used annually to determine key outcomes for TAFE Tasmania will ensure that programs offered by TAFE Tasmania are closely aligned with these areas.

The critical nature of the growth of tourism, and its value to the economy, was noted in Industry Audits which documented a potential for tourism to rank second behind manufacturing as Tasmania's top earning industry. OVET will target Commonwealth funds to provide employment and training opportunities in the eco-tourism industry.

Employment and training opportunities will be increased in the IT industry through creation of employment and training partnerships between the IT industry and schools over the next four years.

A major initiative of the Department of Education has been the establishment of a Managed Network program to foster new partnerships between schools and local IT firms. The program is providing professional technical support to Government schools to manage their data cabling, networking equipment and servers.

A pilot program commenced in 1999 has identified the specific needs of schools and service specifications. These service specifications are to be published and an accreditation process established. Accreditation will be awarded to companies capable of developing and maintaining networks in accordance with schools' needs. DSD is providing industry assistance funding to help develop the capabilities of local IT firms.

Using Telstra Social Bonus funds, the program will be extended to all schools starting in July 2000. This program is providing access to quality, cost effective local services for schools and is promoting quality standards and increased employment opportunities within IT firms across the State.

VET in Schools

Through the VET in Schools Program, OVET will develop and implement initiatives that:

- assist young people in gaining skills relevant to the employment market and improve continuity and flexibility of pathways between schools, VET and University;
- support the outcomes of the Information Technology and Telecommunications Skills Forum;
- encourage and consolidate industry education partnerships to provide skills formation programs in schools and colleges that meet the needs of local and community business organisations;
- support explicit and well articulated education, training and occupational pathways;
- support and encourage industry contribution to structured workbased learning programs for young people in education and training;

- increase the participation of youth and community members in vocational education and training through a statewide network of industry skill centres for school students in rural and remote communities for example, through the Circular Head Partnership Agreement a skill centre for school students will be established in Smithton with network linkage to 12 other skill centres around Tasmania); and
- provide support and advice for industry and enterprises to seek skill centre funding from the Australian National Training Authority.

Student Enterprise in Government Schools

Student enterprise activities across Tasmania were boosted during 1999-00 following the allocation of \$100 000 in the State Budget.

Initiatives in 2000-01 will include:

- implementation of Youth Enterprise Forums for study in priority schools;
- development of digital support materials;
- incorporation of enterprise learning into the curriculum; and
- expansion of professional development.

TAFE Tasmania as the Major Public Training Provider

Major TAFE Tasmania initiatives that support industry development include the following:

The 'Learning Business' Team

TAFE Tasmania has established a *Learning Business* Team which provides support to small businesses to improve skill levels in generic areas of planning, marketing, management of people and financial management. Establishment of the Team followed consultation with stakeholders in small business development to ensure complementary strategies and possible joint programs.

More Flexible Delivery

TAFE Tasmania will continue to extend flexible delivery options by:

- increased online learning materials;
- promoting assessment services for enterprises, or employees, for recognition of competence against units of competence or full qualifications;
- extending workplace training opportunities through the introduction of national training packages within six months of the publication of each endorsed training package, subject to some conditions; and
- customising training to suit enterprise or industry needs and assist with the cooperative development of associated training plans.

Industry Responsive Programs

TAFE Tasmania has established an industry based program structure that will strengthen its links with key stakeholders. Where practical, each industry program will establish an industry reference group to advise on delivery issues and to endorse its program business plans. Industry Training Advisory Boards (ITABs) and other industry representative bodies will continue to be consulted.

Some TAFE Tasmania teachers are being retrained to enable them to shift from teaching courses in lesser demand to those in higher demand.

In accordance with the requirements of the final year of the national VET Efficiency Plan, TAFE Tasmania will deliver an additional 100 000 hours of unfunded activity.

TAFE will achieve the status as a Quality Endorsed Training Organisation for TAFE in 2000.

Progress within specific program areas is outlined below:

Information Technology, Communications and Advanced Technology

There has been a significant increase in IT training including training of employees of Call Centres. TAFE Tasmania has also enhanced multimedia training through a partnership with QANTM, a Queensland production firm.

Light/Heavy/Marine Manufacturing

The metals and engineering training package is being implemented in consultation with industry. It is anticipated that the training package, plastic welding with marine application, will be made available later this year.

Agriculture, Aquaculture, Fishing, Food and Beverages

Pre-vocational agriculture and horticulture programs will be made available in 2000. The adoption of training packages for agriculture and horticulture has shifted the delivery of training from campus to an on-site industry based model.

Tourism

In response to industry demand, Drysdale will:

- increase the level of workplace training delivery for the skills development of existing employees;
- consult with industry and community groups in regional areas to align training programs with local constraints relating to seasonal activity and skilled employee retention rates;
- work with local enterprises to ensure that learning is relevant to individual needs; and
- establish a memorandum of understanding with the Tourism Council of Australia and Tourism Tasmania focused on developing training that addresses specific industry training needs in Tasmania.

Arts

Textile looms have been set up in Launceston to extend training options. To increase multimedia opportunities, TAFE Tasmania will also trial an alignment of IT and Applied Design teaching teams.

Government Services

TAFE Tasmania is addressing the need for enhanced business skills in the Government sector by providing additional training for middle managers. The training is being provided by offering flexible training packages, weekend workshops and on the job assessment.

Printing

TAFE Tasmania is currently in a joint venture to increase delivery options for the industry through a Workplace Training and Assessment program in Screen Printing.

Textiles, Clothing and Footwear

The teaching units in Textiles and Graphic Design skills are responding to the need identified by Tasmanian Textiles companies for improved training for existing staff in skills areas associated with design.

Construction

TAFE Tasmania is working with the Construction and Building Industry Training Advisory Board and group training companies to develop new and innovative entry level training programs in trade areas with potential skills shortages.

Department of Treasury and Finance

Import replacement is an important component of the Government's Industry Development Plan. A number of strategies to enhance opportunities for Tasmanian businesses to compete for Government business were approved by the Government in December 1998. To date, the following strategies have been implemented:

- the creation of the Procurement Advisory Group in April 1999;
- the establishment of a tender/contract database to measure the success of the procurement strategies; and
- the establishment of a Tasmanian Government Tenders website that provides Tasmanian businesses with information, including Department contacts, details of Government procurement policy and tender advertisements.

In addition to the above strategies that have already been implemented to enhance procurement opportunities for Tasmanian businesses, the Government has approved a range of further initiatives as part of its Procurement Action Plan, including:

- the development of 'How to do business' guidelines for Tasmanian businesses;

- the development of a formal procurement grievance mechanism;
- a review of other States' procurement policies to identify those that favour local businesses; and
- the identification of electronic procurement opportunities.

Continuing on from 1999-00, a major initiative for Treasury is successfully managing the Basslink implementation program through the Basslink Development Board. The Basslink Development Board was established to facilitate the establishment of Basslink as a commercial opportunity in the National Electricity Market. The Board oversees the Basslink implementation program, which seeks to establish an undersea link across Bass Strait connecting the Tasmanian and Victorian electricity grids.

In February 2000, National Grid International Limited (National Grid) was selected as the preferred proponent to build, own and operate Basslink, an undersea transmission cable between Loy Yang in Victoria and Bell Bay in Tasmania. National Grid is one of the largest independent electricity transmission companies in the world, owning and operating the high voltage network in England and Wales, connecting generators with distribution companies and major customers, together with interconnectors with Scotland and France.

The Basslink project is valued at around \$500 million and National Grid expects to have the link in operation by early 2003. The next major step for the project is the completion of the environmental assessment process over the coming year. During this period, the Government will be working with the member jurisdictions of the NEM to facilitate the State's entry to market.

General Initiatives

Business Incubator

As a component of Tasmania's \$40 million Intelligent Island funding, the Building on IT Strengths (BITS) Program will be used to establish at least one incubator centre in the State.

The BITS Incubator Program will be used to improve the rate of commercialisation of information technology, communication and research and development ideas, assist start-up firms in those industry sectors, and other start-up firms which use information technology and communication as a key business driver.

The BITS Incubator Program integrates into other elements of the Industry Development Program, such as the IT Industry Development Program, the Harnessing Entrepreneurial Ideas industry based program and payroll tax rebates for the IT industry.

Petrol Price Monitoring

At the Treasurer's request, the Government Prices Oversight Commission broadened the scope of the Petrol Price Monitoring Report to cover average retail prices for diesel and LPG (Autogas) in Tasmania with comparisons to Melbourne averages. The name of the monthly Report has accordingly changed to Fuel Price Monitoring Report.

Informed Sources, an information provider, has been commissioned to provide average retail price data for the two fuels in Hobart, Launceston, North-West Tasmania and Melbourne. The average retail prices for the two fuels are calculated at the end of each month and reported in the Diesel and LPG Prices section of the Report.

The new monitoring regime will track the monthly average retail price movements of diesel and LPG over a period of time using Melbourne as a reference point. It will also highlight the price differential of the two fuels between major Tasmanian centres and Melbourne as a major mainland centre.

Increased Fuel Competition

An independent fuel wholesaler and retailer, Liberty Oil, is negotiating to establish in Tasmania, thereby increasing fuel competition and resulting in lower fuel prices to consumers.

Hosting arrangements have already been secured for storage of wholesale fuel by Liberty Oil. A number of existing retail sites are currently under offer by Liberty Oil. In addition, a significant proposal has been put forward to establish a greenfield site in Southern Tasmania.

Once retail sites have been established by Liberty Oil, wholesale fuel from Liberty Oil will also be available to retailers. The result will be increased competition at both the wholesale and retail level.

First Home Owners Assist Program

Five large industries in Tasmania have combined to assist first home buyers. The Real Estate Institute, the Housing Industry Association, the Law Society of Tasmania, Finance and Legal Industries and Tasmania's three daily newspapers joined forces in this initiative.

Under the program, a lump sum payment of \$7 000 is made available to all first time home builders or purchasers. Tasmania will be the biggest beneficiary from the program Australia wide, as the State's home loan affordability is higher.

The First Home Owners Assist Program should result in the continuation of record building activity in the State in the 1999-00 period. The cooperation of five large industries to initiate the program is a very good example of what Government is encouraging as an element of the Industry Development Plan - networking between complementary industry groups.

6 INTELLIGENT ISLAND

Tasmania is receiving \$40 million for the Intelligent Island Program as part of the Telstra Sale Social Bonus. Other elements of the Social Bonus include funding for computers in Tasmanian schools and funding for regional telecommunications and the delivery of Government electronic services.

The Intelligent Island Board was announced on 1 March 2000 and met for the first time on 28 March 2000. The Board's first task is the development of a business plan in consultation with the Commonwealth and Tasmanian Governments, the Tasmanian information technology (IT) industry and others. This plan will help to ensure the one-off funding is managed strategically to ensure the program contributes to longer-term, sustainable growth in the Tasmanian IT industry. This will generate flow-on benefits throughout the community and especially to other industries that are supported by the IT industry.

Elements of the Intelligent Island Program being developed by the Board will include:

- investment in bandwidth infrastructure;
- business incubator program;
- funding for IT research and training;
- multimedia and e-commerce centres of excellence; and
- a commercialisation of research and development.

Other states have received dedicated funding for business incubator programs, but under the terms of Tasmania's agreement with the Commonwealth, the Tasmanian business incubator program will be incorporated in Intelligent Island. A \$20 million first tranche of funding is scheduled to be delivered in the final quarter of 1999-00.

Making a difference

*The Intelligent Island funding will **not** be frittered away in grants to individual enterprises. The funding will be used to implement improvements to infrastructure that will offer potential long-term benefits to all technology based business operating in the State.*

There is an obvious analogy to physical infrastructure projects, especially road building. A new highway is not built to benefit any particular business, but its existence enables a wide range of enterprises to benefit through more efficient and cost effective transport, increased traffic flow and better market access.

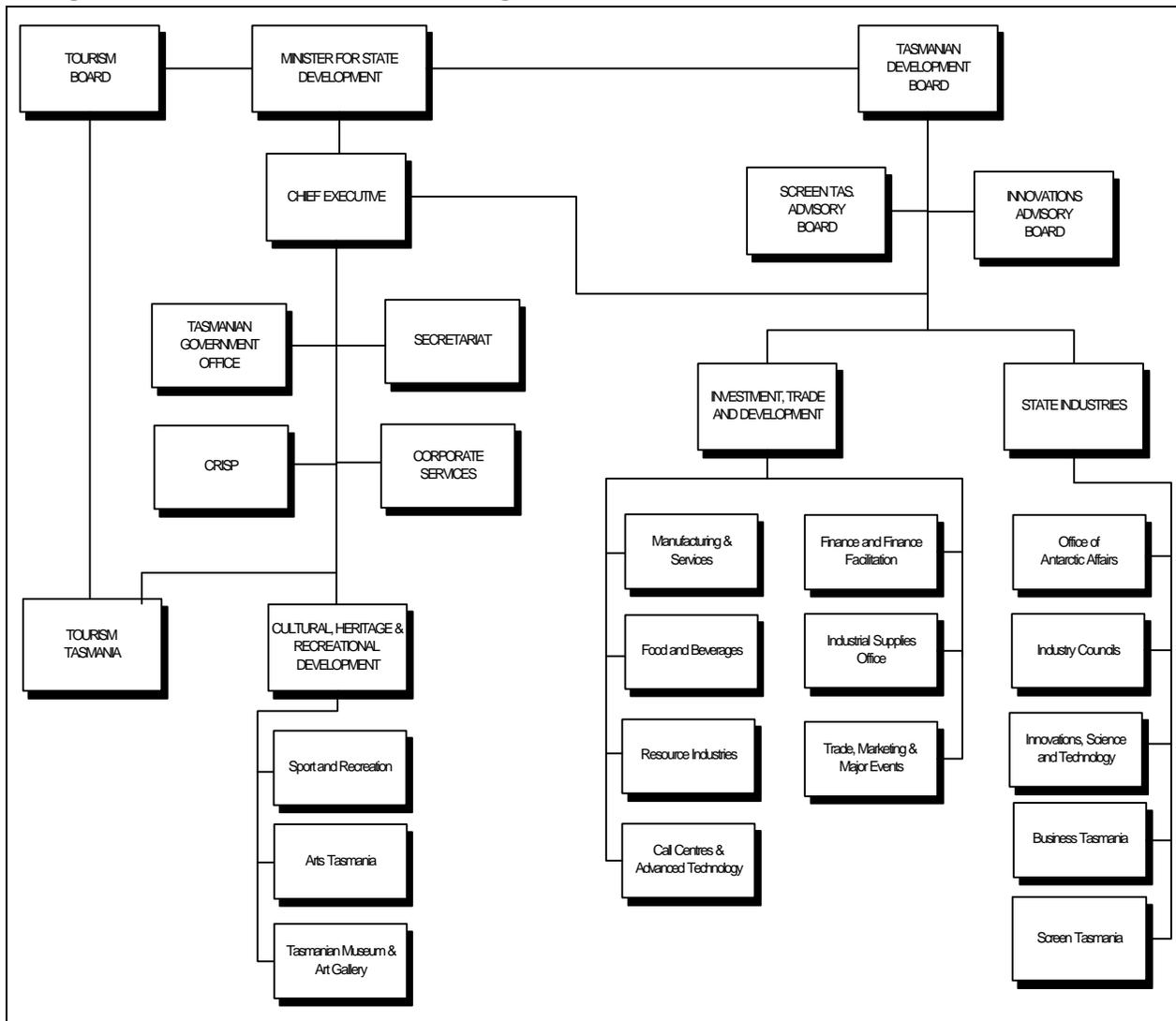
Application of Intelligent Island funds to infrastructure projects, rather than to individual businesses, will maximise long-term benefits for the overall Tasmanian IT sector.

The IT Industry Council, established in response to the audit, will play a significant role in developing a Tasmanian IT&T Industry Plan based on audit recommendations. The Plan, being developed by the Council in consultation with industry participants, is expected to be an important input into the Intelligent Island Program.

7 DEPARTMENT OF STATE DEVELOPMENT

DSD is functionally constructed around five primary outputs: Tourism Marketing and Development; Cultural Heritage and Recreational Development; Investment Trade and Development; and State Industries. The functions of the Department are described under the following headings.

Diagram 7.1: DSD Organisational Chart



Tasmanian Development Board

The Tasmanian Development Board is empowered under legislation (section 8 of the *Tasmanian Development Act 1983*) to:

- develop and carry out measures to encourage, monitor and promote employment in the private sector in Tasmania;
- develop and carry out measures to promote investment in Tasmania;
- promote cooperation between the public and private sectors for the purpose of any such measures;
- support and expand existing business undertakings and business opportunities in Tasmania; and
- conduct research for the purpose of the development or establishment in Tasmania of business undertakings.

The Tasmanian Development Board has direct responsibility for Investment Trade and Development and State Industries, the central industry development divisions of DSD. These divisions call upon other sections of DSD to provide the services they require for effective operation. In view of its responsibility for good governance and the realisation of the objectives of the Industry Development Plan, the Board also has an interest in the efficient operations of the wider Department.

Investment, Trade and Development

The Investment, Trade and Development (ITD) Division of DSD now operates under a structure designed to align its service delivery with the Industry Development Plan. The structure includes four sector focused groups – Call Centres and Advanced Technology; Manufacturing and Services; Resource Industries; and Food and Beverages – and four groups that deliver services across all sectors – the Industrial Supplies Office; Finance and Finance Facilitation; Export; and Marketing and Events.

The services provided by Investment, Trade and Development (ITD) can be grouped under five main headings.

Investment Attraction and Development Project Services

Project management services are provided on a statewide basis to support the expansion of existing industries and to promote the establishment of new industries. Priority is given to enterprises that are forward looking, capable of being internationally competitive and capable of long-term growth. Developments must be compatible with best practice environmental standards in order to win DSD support.

Project support services include:

- providing advice, referrals and project facilitation in areas such as approval processes, infrastructure and site selection;
- assistance in the recruitment of new staff and coordination with Commonwealth, State and Local Government agencies;

- coordinating the provision of training; and
- providing information to assist with company decisions to invest in Tasmania.

Finance and Finance Facilitation

Through the Finance and Finance Facilitation Unit, the Government is able to provide financial advice and assistance to projects of strategic importance and the provision of finance facilitation services to assist local business to expand or to fund new ventures. The unit also places investors directly in contact with 'investment ready' Tasmanian businesses.

Industrial Supplies Office

The Industrial Supplies Office (ISO) works with businesses to maximise local involvement in new projects and major expansions. The ISO maintains a database of Tasmanian capability and uses it to encourage buying organisations to source goods and services from within the State.

Marketing and Export

Assistance is provided to Tasmanian businesses in the identification and development of new domestic and overseas markets and opportunities. Training and management support is also provided to targeted businesses, industry bodies and Government Departments, and through targeted trade missions and trade fairs. The Marketing and Export Unit also has expertise in overseas markets, to pursue market opportunities and follow up 'market intelligence'.

Major Events

The Major Events Unit supports the maintenance of existing major events and the attraction of special events to Tasmania, assisting in the promotion of the State and the expansion of business opportunities.

State Industries

The State Industries Unit focuses on support for the development of Tasmanian businesses. These services are delivered through the regional one-stop offices of Business Tasmania. State Industries' programs and services contribute to:

- enhanced capability of Tasmanian businesses;
- increased networking between industries;
- harnessing of entrepreneurial ideas; and
- resolving middle management requirements and skills.

Business Tasmania

Business Tasmania provides statewide support for the expansion of existing small businesses, as well as promoting the establishment of new businesses. Services are provided through regional offices in Burnie, Devonport, Launceston, Glenorchy and Hobart. The aim is to raise the level of management expertise in the small business sector and promote a general awareness of the benefits of quality management practices. This unit also provides the development and delivery of the Business Women's Program.

Enterprise Improvement Services

The Enterprise Improvement Services Unit provides statewide support for the expansion of existing businesses that are forward looking, internationally competitive, and capable of long-term growth and development that is compatible with best practice environmental standards.

Support services and programs comprise the following:

- industry support targeting small to medium-sized enterprises which have the potential to develop significant export capability;
- delivery of State support programs, including enterprise improvement, investment ready and export ready programs; and
- delivery of selected Commonwealth programs.

Export Ready Program

DSD has assisted North-West Coast vegetable producer, Field Fresh Pty Ltd, to implement a Quality Assurance system for sustainable environmental practices to meet the import requirements of overseas customers.

Quality of products and systems to meet international customer specifications is a challenge being met by Tasmanian enterprises and DSD through Business Tasmania and the Enterprise Development Program.

Investment Ready Program

Tamar Estate Wines, a Northern Tasmanian enterprise, has completed the first stage of a planning process to seek equity based investment to grow their business through broader market penetration.

"The direct assistance of a dedicated Client Manager delivering both electronic and paper based working manuals set the frame work for the development of a Memorandum of Understanding between the enterprise and future equity partners. Having a foundation document to refer to as a guide is of immense value to all participants in the process".

Mr O'Keefe, Tamar Estate Wines.

Export Assistance Program

Huon Valley Mushrooms has been assisted by DSD's Export Assistance Program to further develop their markets into interstate and overseas. Huon Valley Mushrooms is a sturdy Tasmanian business with an agility that keeps it ahead of the field. Astute management of accumulated 'know-how' has made sure that no one is in the dark about this Company's potential to take speciality mushrooms to Australian and overseas tables.

With more than 40 tonnes per year of the prized *Shiitake* mushroom imported into Australia each year, Managing Director Michael Brown believes that the potential for Huon Valley Mushrooms to provide for import replacement and export enhancement is set to explode with growing consumer awareness.

"As an emerging exporter, I have found the assistance provided by DSD and, in particular the Export Marketing Assistance Scheme invaluable."

John Richards, Managing Director, Easy-Fit Fencing Components Pty Ltd

Textile Clothing and Footwear Program

DSD is assisting Australian Weaving Mills to overcome industry skill shortages and skill bottlenecks in the operation of their manufacturing processes.

Innovation and Information Technology Support Services

The delivery of the Tasmanian Innovations Program includes services to support the commercialisation of innovative ideas and to encourage information technology based businesses. The three main elements of these services are:

- advice and information on the requirements of a business to commercialise an innovation;
- provision of financial assistance to accelerate the commercialisation of innovations through the operation of the Tasmanian Innovations Advisory Board; and
- support for information technology based businesses in Tasmania through:

- increased uptake of the use of information technology by Tasmanian businesses;
- intensive client management provided by field officers supported by DSD and private sector industry specialists;
- promotion of information technology as a tool to improve the export capabilities and competitive performance of Tasmanian businesses;
- operation and ongoing development of the Tasmanian Technopark at Dowsings Point, Hobart; and
- providing services supporting the development and marketing of a viable, sustainable, internationally competitive technology and innovation based industry sector.

"Talented and well trained professionals are critical to the continuing success of technology companies such as Ultradata. The availability of such people in Tasmania will make a significant contribution to our continuing product innovation and delivery."

Ultradata Australia Pty Ltd Chief Executive, Gerald Pocock.

"I believe that without the ... support provided by the DSD, businesses such as Glebe Systems Pty Ltd would be unable to bridge the gap to take a product in an appropriate form into the market place."

David Mazengarb, Adviser to Glebe Systems Pty Ltd.

Technoparks

The Department of State Development operates two technoparks. The Tasmanian Technopark in Hobart, accommodates enterprises which focus on the development and expansion of science based industries, communications and complex manufacturing. There are 26 enterprises operating at the Tasmanian Technopark employing 551 people.

The Launceston based technopark was developed as an ideal call centre location. Call centres operating from the Launceston Technopark include Ansett Australia (360 employees); Westpac (236 employees); Centrelink (95 employees); and a pilot Commonwealth Government Information Centre currently employing 12 operators.

"The assistance that we have received from yourself (Tasmanian Technopark management) and other tenants in just three weeks has placed us in a far stronger position than I thought possible. We still have to prove ourselves and our ideas but we are now developing contracts and gaining introductions to people that can help us realise our ambitions."

Robert Stoneman, 3 Tier Technology

Antarctic Affairs

The Office of Antarctic Affairs provides the State with a voice in inter-governmental discussion on Antarctic, sub-Antarctic and Southern Ocean matters and seeks to enhance Tasmania's share of the economic activity generated by the regions. It promotes Tasmania's international profile as a centre for Antarctic and sub-Antarctic activity and manages the Australian Antarctic Foundation Grant Scheme.

Tourism Tasmania

Tourism Tasmania's objective is to provide leadership in promoting the State as a quality travel destination through innovative strategic marketing and sustainable development. It works in partnership with the industry to maximise the economic and social benefit of tourism for all Tasmanians.

Through the *Tourism 21* charter, Tourism Tasmania has refined its focus to provide a clearer operational framework based on a tourism growth cycle where expansion results from integrated activities including:

- marketing and distribution based on the requirements of customers;
- access to and from Tasmania;
- delivery of market ready products and quality experiences; and
- innovative research and development of significant new market and product opportunities.

The tourism growth cycle is driven and supported by an integrated industry structure and effective tourism partnerships. Tourism Tasmania, in partnership with the State's industries, is the leading force in the development of Brand Tasmania as a marketing tool for all the State's quality products and services.

Cultural, Heritage and Recreation Development

The Government regards the arts, sport and recreation as important areas of economic activity that warrant inclusion among the responsibilities of DSD.

Museums

The Department employs the staff and provides administrative services for the Tasmanian Museum and Art Gallery in Hobart, which is managed and supervised by an independent Board of Trustees. Five other museums and art galleries (in Hobart, Launceston, Devonport, Burnie and Zeehan) receive ongoing State Government funding through a grants program administered by Arts Tasmania.

Arts Tasmania

Arts Tasmania is the State Government's arts policy and funding advisory body, administering an annual program of arts grants and loans. It seeks to further the development of a viable Tasmanian arts industry and promotes excellence in the arts. It also promotes participation in, and access to, a wide range of arts activities for Tasmanians and visitors.

Sport and Recreation

The Office of Sport and Recreation provides services including:

- development of sport and recreation organisational skills;

- education and training programs;
- a planned approach to the provision of sport and recreation infrastructure; and
- services that increase export and employment opportunities in the industry.

DSD also includes the following units of expertise that provide specialised advice on State development issues.

Centre for Research, Industry and Strategic Planning

CRISP provides research and advice on medium to long-term strategic industry directions and develops industry plans and policy, with input from Government, business, unions and academics.

CRISP activities contribute to:

- strategic plans for industry development;
- policies addressing employment creation, business and industry development;
- research reports and strategic commentary on business and industry development issues; and
- support to Industry Councils through the provision of quality information and advice.

CRISP activities address the following areas:

- Industry and Strategic Planning;
- Industry Policy; and
- Industry Resource Services.

Tasmanian Innovations Advisory Board

The Tasmanian Innovations Advisory Board (TIAB) was launched on 7 May 1999 to facilitate the commercialisation of business opportunities especially assisting with the delivery of new products, processes and services to the market place, provide grant funding for selected projects and educate the community about the innovation process.

The Board provides grant funding for selected projects and seeks to educate the community about the innovation process.

The TIAB consists of experts drawn from the Government and private sectors and is chaired by Michael Field. The other members of the Board are: Professor Andrew Glenn (Pro-Vice Chancellor, University of Tasmania), John Button, Jan Lynch, Jayne Wilson and Jan Edwards. The Board reports to the Tasmanian Development Board.

The Board meets approximately every six weeks and has awarded grants totalling \$435 000.

The Board is also currently considering measures to promote innovation generally in Tasmania. Innovation is a major contributor to wealth creation and economic growth.

The TIAB continues to assess applications from Tasmanian businesses for financial assistance to exploit identifiable opportunities that will result in new products being developed. An annual budget of \$1 million has been allocated for the Tasmanian Innovations program.

The Innovation, Science and Technology Unit within DSD manages the application process and provides secretariat services to the Advisory Board.

Screen Tasmania Advisory Board

Screen Tasmania was established as a flagship film, television and multimedia office for Tasmania.

The primary objective of Screen Tasmania is to foster, develop and support the film, television and multimedia industries in creating world class work. The aim is to seek and stimulate such work within Tasmania and also capture work from outside the State.

The Screen Tasmania Advisory Board represents the film, television and multimedia community in Tasmania and provides independent advice to the Government on how best to assist the industry.

The Screen Tasmania Advisory Board:

- provides direction and coordination in film, television and multimedia, through consultation with industry;
- develops a framework for the utilisation of the resources over a period of three to four years so as to provide a long-term strategic direction for the Office;
- taps into Tasmania's creative and intellectual resources by establishing formal networks between the Office and each regional campus of the University of Tasmania; and
- established creative partnerships between Screen Tasmania and businesses to utilise local creative people effectively in the development of innovative products for export.

Industry Councils

Three Industry Councils are operating and DSD has infrastructure in place to support any further councils that may emerge through the interaction of senior industry, academic, union and Government stakeholders. A specialist business unit in the State Industries Division provides executive support services for the operation of the Councils, including meeting coordination and the provision of secretariat and administrative support.

Established and future Industry Councils will utilise the outputs of the Industry Audit process conducted during 1998-99 and will develop industry plans for various key sectors of the economy. The Councils are responsible for directing and analysing strategic plan development and the subsequent implementation of key recommendations. DSD's Centre for Research, Industry and Strategic Planning is responsible for writing and updating industry plans and for the provision of information and advice to Industry Councils in support of industry plan development.

The existing Councils are:

- IT Industry Council;
- Food Industry Council; and
- Cultural Industries Council.

"It has been very pleasing to note the enthusiasm and determination of the council members right from the outset to achieve success. An obvious breadth of skills and experience has also blended easily with a cooperative and receptive approach to working together."

Mr Peter Gartlan, Chair of the IT Industry Council

Tasmanian Government Office (Canberra)

The Tasmanian Government Office in Canberra operates as a resource for the State Government to assist in achieving its policy goals. The Office reports to the Chief Executive of DSD, but delivers services to support all State Government Ministers and senior public servants.

An important aspect of the Tasmanian Government Office's operations has been to reposition Tasmania in the minds of decision-makers, particularly senior policy makers and business leaders. By

operating an office in Canberra, Tasmania has reminded the rest of Australia about the potential contribution our State can make to the nation.

The Tasmanian Government Office assists Tasmanian businesses, Local Governments and State Government departments to access Commonwealth funding. The Office works to create a better understanding in Canberra of Tasmania, its strengths, capabilities, investment opportunities and potential for business development. The Office also provides access to information about Tasmanian assets and is available for consultation with Commonwealth officials concerning issues with potential to affect the State. It enables Tasmania to participate more actively in Commonwealth policy development, particularly in the early stages of the process.

8 TEN INDUSTRY BASED PROGRAMS

Project and Client Management System (PCMS)

The Department's IT section has developed a powerful tool for the management of the 10 industry based programs which is an essential component of the Industry Development Plan. Known as the PCMS (Project and Client Management System), the innovative program provides DSD managers with up-to-date information and a comprehensive reporting capability to assist in resource allocation, budgeting and performance measurement in relation to each of the 10 programs. PCMS is an equally efficient tool for tracking industry projects under DSD management.

Finance Facilitation

A specialised DSD business Unit operates exclusively in the area of sourcing finance for local business. The Finance Facilitation Unit acts as an agent for 'investment ready' businesses requiring financial assistance and works with each business to determine the best avenue available to achieve necessary funding. In addition, the Unit is a point of contact for investors seeking local business opportunities.

A key stream of activity during 1999-00 was the encouragement of alternate financiers to service Tasmania, to ensure wider access to appropriate types of capital needed to underpin the expansion of existing businesses and to assist emerging industries to succeed. The Unit in 1999-00 has secured its use of links from 10 to 12 private sector providers of debt or equity capital, which in turn increases financing options for local businesses. This is in addition to the normal avenues of securing private sector financing from local organisations.

In addition, the Unit is a point of contact for investors seeking local business opportunities.

The 12 avenues for finance facilitation are:

- the Australian Venture Capital Association Limited (AVCAL), a national peak body for venture capital which has now established a Tasmanian Branch. In addition to promoting the use of venture capital by business through regular AVCAL meetings, AVCAL will work closely with DSD in providing investor forums; and
- a Privately Funded Initiative (PFI) model, utilising local construction firms and capital providers, will be used where appropriate to provide infrastructure requirements for both the private and public sectors. The Finance Facilitation Unit will play a key coordinating role wherever the PFI model is proposed for implementation.

There are 10 other avenues to assist with a range of financial requirements:

- the Tasmanian Development Board will allocate \$10 million from the Industry Development Fund over the term of the Government in assistance to small to medium net export industries;
- \$1 million a year for the Tasmanian Innovations Board to provide suitable financing for entrepreneurial ideas;
- \$1 million for the Film, Television and Multimedia Council and Advisory Board to encourage the establishment of these industries in Tasmania;
- venture capital matching (enterprise market) for Tasmanian firms through a referral arrangement reached between the Australian Stock Exchange and DSD;
- assistance for Tasmanian businesses in high growth phase and with consequential cash flow problems through a referral arrangement reached between the capital facilitation company, Business Response Group and DSD;
- Investment Fund Matching program through a developing relationship between the Finance Facilitation Unit and superannuation funds around Australia;
- a facilitating role between the Private Capital Council and DSD to provide advice to investors about Tasmanian companies which are investment ready;
- Investment Opportunity Forums organised by DSD for Tasmanian investors interested in local business opportunities; and
- offering, in conjunction with banks, performance guarantees for net export industries.

The Unit's other activities include:

- assessment of applications for financial assistance by businesses and industries that are strategic to the State economy and have demonstrated growth potential;
- assessment and administration of Government guarantees for strategically placed businesses that are unable to secure support from the private sector;
- facilitation of private sector financial support for strategic property development, in particular, the development of call centres;
- cooperation with the State Government initiated development capital fund, First Tasmania Investments Ltd; and
- timely reporting to the Tasmanian Development Board.

The Unit also has wide ranging administrative responsibilities in relation to DSD's remaining loan portfolio.

Red Tape, Government Regulations and Assistance for Business

One-stop shops now deliver the Department's services in towns and cities across Tasmania, in conjunction with *Service Tasmania* shop fronts. DSD also has Business Tasmania offices in each region to provide more specialised assistance to business.

Business Tasmania and the *Service Tasmania* one-stop shops provide:

- personal and electronic assistance to businesses requiring information on business regulations and how to deal with these requirements as well as information on Government assistance available through the State, Commonwealth or Local Governments;
- a referral point from various regional bodies in the areas such as Business Enterprise Centres, and a source of referral to any of the specialist areas in DSD; and
- an opportunity for businesses in the regions to be referred to a Field Officer in the Department for case management relating to a plan for the business to achieve its growth potential.
- a "one stop" inter-agency approval process, the Aquaculture Business Approvals Package (BAP), saves industry time and money. Information on the Aquaculture BAP can be provided at any DSD office, or on the Internet site www.BAP.tas.gov.au

Networking Between Industries

A number of DSD business units, including the Industrial Supplies Office (ISO), work with companies to develop networks to achieve economies of scale and scope.

Following the Industry Audits, Industry Councils have been established that directly engage with Government and develop detailed industry sector plans. The Industry Councils also provide strong networking opportunities, as a focus for individual industry sectors and cross-sectoral networking.

Business Enterprise Centres work with businesses in micro-regions and continually generate networking opportunities.

Technoparks in Hobart and Launceston create effective networking opportunities for clustered businesses, particularly in the information technology, communications and advanced technology sectors. Clustering for these sectors will be further enhanced by the introduction of at least one business incubator, funded through Intelligent Island.

ISO is now planning major expositions in Hobart and Launceston during July 2000 to showcase Tasmanian made garments.

The Industrial Supplies Office facilitated the establishment of Clothing Manufactures of Tasmania (CMT), a 25 strong network of local businesses with capacity to collective market a range of products. CMT will concentrate initially on schools, Government department and the corporate garment market. The initiative was a response to a survey of 232 schools that indicated a lack of awareness of local manufacturing capability.

Maximising Opportunities for Employment Through Increased Local Content

The Industrial Supplies Office Tasmania (ISO) is part of a national network that provides advice to Government and the private sector on the capability of local industry to provide manufacturing services, as well as products, components and services. ISO uses its database of local capability to assist buyers to match their specifications with outputs of a short list of appropriate local suppliers

and manufacturers. In Tasmania, ISO helps Government Departments to identify local tenderers for all purchases over \$50 000.

ISO's services are designed to enhance and encourage the sustainable development of Tasmania's businesses leading to increased opportunities for employment.

Opportunities for Tasmanian companies to secure Government contracts has been further enhanced through the establishment of the Procurement Advisory Group, and a Tasmanian Government Tenders website that provides Tasmanian businesses with information, including department contacts, details of Government procurement policy and tender advertisements.

Financial Incentives for Export and Import Replacement Industries

A strong, innovative information technology (IT) sector is crucial for the growth of all other Tasmanian industries. During 1999-00, the Government has offered to offset the impact of payroll tax for all businesses engaged in information technology development. Firms specialising in the development of computer software, in the development of business computer solutions, and in the manufacture of computers, related hardware and other high-tech devices have been eligible for a rebate of their payroll tax liability.

The aim of this measure is to create a more competitive business environment in order to complement the Government's comprehensive Industry Development Plan. However, the Government is aware of the dangers of dislocation in the market through incentives. It is for this reason that the Government has directed the use of these initiatives to information technology (IT) businesses because, not only is this a growth industry sector in itself, but this sector enables existing businesses in other sectors to grow as the requirement for information technology intensifies.

The IT industry has potential for significant and rapid growth, despite Tasmania's geographic location. It has the capacity to facilitate and support growth in all other industries by increasing technology take-up rates in key economic sectors.

Companies solely involved in the retailing of computer hardware or software or any other type of hi-tech devices are not eligible for the payroll tax rebate.

Payroll tax rebates will also be available, on a case-by-case basis, to selected and significant new industries, projects or activities which exhibit all of the following characteristics:

- make a significant contribution to the Tasmanian economy on a long-term sustainable basis;
- have substantial employment growth potential;
- are involved in either exporting or import competing activities; and
- provide services or manufacture goods that do not exist at present in Tasmania.

Middle Management Requirements

Middle management in Tasmanian firms is assisted by DSD's strategically targeted enterprise development programs. Intensive client management support is provided to businesses that are

forward looking, internationally competitive, capable of long-term growth and whose development is compatible with best practice environmental standards. The priority focus of DSD is those businesses that are net exporters.

DSD programs assist management to appreciate the requirements of a business to commercialise innovations and to use information technology as a tool to improve export capabilities. In addition, firms are made aware of the options to finance business growth and how to improve the quality of business decisions through the provision of readily accessible, current, high quality information on relevant business matters. Management is also assisted in developing the skills required to plan for business growth, to identify opportunities and develop market access strategies.

TAFE Tasmania has established a *Learning Business* Team which provides support to small businesses to improve skill levels in generic areas of planning, marketing, management of people and financial management.

Skill Bottlenecks

The availability of required skills by business was identified in the Industry Audits as a significant barrier to growth. DSD has responded by establishing a specialised Skills Response Unit with a responsibility for identifying skills shortages and facilitating mechanisms for overcoming these business logjams. The Unit works closely with TAFE Tasmania and the Office of Vocational Education and Training on program development to meet the skills requirements of businesses.

TAFE Tasmania has established an industry based program structure. Where practical, each industry program will establish an industry reference group to advise on delivery issues and to endorse its program business plans. Industry Training Advisory Boards (ITABs) and other industry representative bodies will continue to be consulted across industry sectors.

To address skill bottlenecks, new programs delivered by TAFE Tasmania include a significant increase in IT training including training of employees of Call Centres, pre-vocational agriculture and horticulture programs (using an on-site industry based model), and increase the level of workplace training delivery for the skills development of existing employees in the tourism industry.

DSD has developed a new program which specifically addresses skill bottlenecks in the Textile Clothing and Footwear (TCF) sector.

Access to Interstate and Overseas Markets and Marketing

DSD seeks to increase export sales of Tasmanian goods and services through the establishment of trading relationships in potential new export markets and the further development of existing relationships. Services provided to Tasmanian businesses include:

- marketing advice to exporters and export ready businesses; and
- coordination of Tasmanian attendance at trade missions, exhibitions and other events.

Participation by local businesses in export marketing programs and at international trade shows, generates opportunities to grow existing overseas markets and to open new markets. By coordinating

the marketing of our educational institutions, and working closely with TAFE Tasmania and the University of Tasmania, DSD contributes to an increase in export revenue from the education sector.

DSD maintains its market intelligence from various sources including having representatives in Japan and Southern China, liaison with local, national and international Austrade representatives, through trade exhibitions and liaison with overseas visitors, particularly inwards buyers. In addition, trade intelligence is also extracted from Tasmanian exporters who already have significant market penetration.

More than 100 local businesses were assisted during 1999-00 in developing new export markets under the Export Marketing Assistance Scheme. In addition, DSD uses its Export Ready Program and Investment Ready Program to improve access to interstate and overseas markets and marketing.

In order to increase access by Tasmania businesses to international market intelligence, DSD will install an electronic chat room for exporters and potential exporters. Tasmanian business people travelling outside the State will be encouraged to report to the chat room on market opportunities they encounter that are not relevant to their own business but could benefit other Tasmanian enterprises. Exporters and potential exporters will be able to regularly scan the Exporters Chat Room at DSD's home site as an additional source of market intelligence.

Planning Certainty for Major Developments

A whole-of-government approach is in place for the delivery of major project support. An inter-departmental committee now promotes and facilitates major economic development projects. The committee is chaired by the Chief Executive of DSD and includes the heads of the Departments of Primary Industries, Water and Environment; Infrastructure Energy and Resources; and Premier and Cabinet. DSD identifies and prioritises projects to be referred to the Committee. Project teams managed by DSD personnel are responsible for the development, coordination and implementation of the selected projects.

A key aspect of the Government's approach to economic development is the marketing of packaged development opportunities to investors. The objective is to stimulate development by removing obstacles and reducing uncertainty.

The Government utilises a comprehensive process to deal with complex projects and provide certainty to investors, while providing for appropriate input from the public. An example of this is the establishment of a Project Management Committee, chaired by DSD, to examine options for the future development of the Princes Wharf site. During the year, the Government, the Hobart Ports Corporation and the Hobart City Council formally committed to work together on this project.

All of the potential obstacles to future development will be identified in this review process and either resolved prior to the site going to the market place, or identified as issues requiring special attention by developers. This will provide a model which defines all of the planning parameters and expectations for developers and the community.

A separate working group is looking at overall development issues in the Sullivan's Cove precinct.

In addition, the Model Framework Planning Scheme for Local Government Authorities is being developed and trialed in a number of municipalities. Enhanced planning certainty for major developments will result across Tasmania.

Harnessing Entrepreneurial Ideas

The State Government established the Tasmanian Innovations Advisory Board (TIAB) to encourage and assess new and innovative ideas and assist in the expansion of the State's industry base.

The main client groups are:

- Start-ups and Inventors: individuals, small team inventors and start-ups who approach the TIAB with business ideas, concepts, prototypes or results of market testing; and
- existing Micro/Small/Medium Enterprises: firms with existing sales, but with ideas for new products.

To March 2000, grants totalling \$435 000 had been awarded to Tasmanian companies.

In a supplementary program for harnessing entrepreneurial ideas, DSD has developed an IT Industry Development Program to increase the level of technical skill and business management capability of the IT Industry in Tasmania. The program also aims to facilitate networking and promote the capability of Tasmanian IT firms. To date, almost 50 organisations have registered for this program, and many of these have been granted assistance.

The Building on IT Strengths (BITS) Program, funded through Intelligent Island, will harness entrepreneurial ideas by assisting information technology and communications (IT & C) firms, and start-up firms which use IT & C as a key business driver.

