



Tasmania

1999

Industry Development Plan

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INDUSTRY DEVELOPMENT PLAN

BUILDING ON CONFIDENCE

The Tasmanian Government's Industry Development Plan was delivered with its first Budget on 5 November 1998 - just six months ago. The principal objective of the Industry Development Plan, in conjunction with the Government's Fiscal Strategy, is to address the relative economic decline between Tasmania and the rest of Australia.

The Tasmanian Government recognises that the economy is about people, not just markets. Regional Australia has suffered through market-driven policies, and for this reason Tasmania has developed a whole new approach.

When the Industry Development Plan was first delivered, the emphasis was on 'Building Tasmania'. To ensure that the Tasmanian economy is built on a strong foundation, the Industry Development Plan is based on four cornerstones, which are:

- an effective industry arm of Government, the Department of State Development (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 to tap into new industry development proposals suggested by local communities and businesses.

Within just six months of its introduction, the Industry Development Plan already has its four cornerstones firmly in place. Progress is outlined in Sections 3 to 6 of this document. Early positive economic indicators in business confidence, non-residential building approvals and retail turnover show that the Tasmanian economy has bottomed out and is beginning to slowly recover. The Industry Development Plan builds on this new confidence.

The process for the successful rebuilding of the Tasmanian economy will include high level leadership, a bipartisan approach, whole of community involvement and a broad range of measurable benchmarks. The Industry Development Plan is the engine-room for this rebuilding process.

All of these important elements combine in *'Tasmania Together'* - an overarching social and economic plan for Tasmania.

The list of achievements within just six months is an early indication that the Industry Development Plan in Tasmania is working. The Industry Development Plan is a long-term plan for the whole State. The Government recognises that, following six years of relative economic decline measured against any economic parameter, the full benefits of the Plan will not flow through immediately, but throughout its first term.

However, during the period which is covered by the May 1999-00 Budget, the Government is confident the Industry Development Plan will deliver measurable outcomes for the Tasmanian economy. This 1999-00 Industry Development Plan report includes:

1. Summary of Achievements (between November 1998 and May 1999):
 - Department of State Development;
 - 10 Industry-Based Programs;
 - Industry Audits, Partnership Agreements; and
 - New Development Projects.
2. Tasmania's economic background, outlook and competitive business environment;
3. The New Department of State Development (DSD);
4. A progress report on the 10 industry-based programs delivered by DSD;
5. An evaluation and action plan from the industry audits; and
6. New initiatives in 1999-00.

1 SUMMARY OF ACHIEVEMENTS - NOVEMBER 1998 TO MAY 1999

The impressive list of achievements below has been brought about through a genuine commitment by the Government to work with business - not by pump priming, picking winners or interfering - but by being proactive and aggressive in promoting industry development.

The Government is committed to working closely and co-operatively with business, utilising the Industry Development Plan to provide Government resources strategically, thereby maximising industry growth. The Government recognises that Tasmania has a small domestic market and economy. Stimulating export and import replacement (net export) industries is the key to increasing local demand, providing benefits across industry sectors. To this end, a strategy for close contact and cooperation is appropriate for the Tasmanian situation.

The First Cornerstone - Department of State Development

The new Department of State Development (DSD) has been completely restructured. In this Budget the Government is continuing its Industry Development Plan with an increase of funding in the 1999-00 financial year of \$9.25 million. This increase includes additional Call Centre funding of \$4 million, new industry assistance, cultural and industry development initiatives totalling \$4 million and \$1.25 million seed funding to expand development capital funds in Tasmania to approximately \$40 million.

Following the election, the Government immediately set about implementing its Industry Development Plan by injecting \$6.44 million into the new Department, in line with election policy initiatives. The new funding included \$4.58 million into Investment, Trade and Development and State Industry Development, \$1.03 million into Tourism Development and \$830 000 into Cultural, Heritage and Recreational Development.

'My experience of many companies working with Government Departments over time has been patchy. The new Department of State Development is a refreshing change. In working with Cotech, the new Department is responsive and effective.' **Tim Williams, Director, Cotech.**

During the last six months, DSD has achieved significant progress in the implementation of the four cornerstones of the Government's comprehensive Industry Development Plan including:

- finalisation of the structure of the new Department of State Development, including the restructuring of the former Major Projects and Project Services Units into an industry focussed Investment Attraction and Project Development Unit;
- the design and implementation of a range of new programs to address the 10 key issues identified by the Government as barriers to local business growth, including investment ready, export ready and enterprise improvement programs;
- increased support for business finance including increased finance facilitation resources, the establishment of the Industry Development Fund for net export industries and securing additional equity capital funding for Tasmanian businesses;
- increased regional resources, including the opening of an Office of Business Assistance in Glenorchy, in support of enterprise improvement and small business services to address middle management requirements, skill bottlenecks, red tape, government regulation and assistance to business;
- increased Industrial Supplies Office resources in the regions to maximise interaction with major projects and to increase support to State Government departments with respect to import replacement, maximising local content, and encouraging networking between industries;
- established the Tasmanian Innovations Program and the Innovations, Science and Technology Unit within Business Tasmania to deliver \$1 million per annum, through the Tasmanian Innovations Advisory Board (TIAB). The Board will examine applications on a competitive basis directed towards the commercialisation of Tasmanian innovations;
- establishment of the Film Television and Multimedia Advisory Board and Advisory Council to deliver \$1 million per annum to facilitate growth in this new sector;
- establishment of a Tasmanian Government Office in Canberra which is administered by the Department of State Development;

- transfer of International Education Marketing services to the Trade and Marketing Unit of the Investment Trade and Development Division;
- establishment of the Centre for Research Industry and Strategic Planning (CRISP);
- completion of comprehensive industry audits for eight targeted industries, which have identified short, medium and long-term development prospects for these industries, and the implementation of support services for the associated industry councils; and
- the active involvement of DSD in the industry development component of a draft Partnership Agreement with the Circular Head Council, which will now be a model for the implementation of this strategy with other Councils across Tasmania.

The Second Cornerstone - Ten Industry-Based Programs

DSD has positioned itself over the past six months to put in place the resources under programs necessary to address the 10 key issues identified by the Government as affecting industry development in Tasmania.

Progress on the 10 programs is as follows:

Finance Facilitation

- Development of the new Finance Facilitation Unit which now utilises 10 avenues of referral for business to access finance, and investors to identify 'investment ready' opportunities;
- The Tasmanian pooled development fund has increased from \$10 million to approximately \$40 million;
- Australian Stock Exchange has negotiated a formal arrangement with DSD for the delivery of an investor matching program to Tasmanian businesses;
- A formal arrangement in place for direct referral by DSD to the capital facilitation company, Business Response Group, as a solution to cash flow problems for those businesses in a strong growth phase; and
- A formal arrangement in place with the Private Capital Council to provide a point of contact with DSD for the referral of prepared investment opportunities.

'I look forward to a very fruitful relationship with the State of Tasmania and I commend you for the steps you have already taken'. Dr Barry Westlake, National Manager, Enterprise Market, Australian Stock Exchange.

Red Tape, Government Regulations and Assistance to Business

- In excess of 3 950 clients contacts have been made by DSD over the past nine months;
- Expansion of one-stop-shop services through increased resources in DSD regional offices, establishment of the Glenorchy office and provision of services through *Service Tasmania*; and
- Provided increased business counselling, business license information, taxation, patent attorney and referral services.

Financial Incentives for Export and Import Replacement Industries

- Payroll tax rebates for all information technology (IT) businesses located and locating in Tasmania. Companies eligible for the granting of assistance are those which have 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; and
- Incentive packages prepared on a case-by-case basis for those businesses involved with export or import replacement, and which will make a significant contribution to the State's economy.

Import Replacement Through Local Content

- Establishment of the Procurement Advisory Group; and
- Statewide forums held to inform Tasmanian businesses about procurement policy leading to opportunities for increased local content.

Networking Between Industries to Create Economies of Scale and Scope

- Industry Audits have now been completed to identify networking opportunities; and
- Industry Councils are being established following the Industry Audits to improve networking, among other issues, within industries.

Middle Management Requirements

- Increased resources in the Office of Business Assistance enabling DSD to work with SME business clients to resolve business management issues impacting on growth potential; and
- Facilitation of business enhancement workshops.

Skill Bottlenecks

- Increased client management capabilities enabling the Department to identify and work through skill bottlenecks, including recruitment, training and development;
- Facilitated networking opportunities with other Tasmanian business;
- Facilitated outsourcing of HR requirements through private sector providers; and
- Provided support incentives for apprentices and trainees through the Tasmanian Training Assistance Incentive Scheme (TTAIS).

Access to Interstate and Overseas Markets and Marketing

- Market development linkages have been strengthened to provide better co-ordination of the State's marketing effort; and
- Transfer of the marketing of the State's Primary, Secondary and TAFE education services to DSD.

Planning Certainty for Major Developments

- An inter-departmental committee now promotes and facilitates major economic development projects by:
 - marketing of packaged development opportunities to investors;
 - removing obstacles and reducing uncertainty; and
 - DSD restructuring its project and investment attraction services into industry focused investment attraction and development project units.

Harnessing Entrepreneurial Ideas.

- The new Tasmanian Innovations Program assists small and medium sized firms commercialise innovative new products and services. The program is targeted at businesses that seek long-term growth and have strong potential to generate employment, net exports and the diffusion of new technology.
- The Tasmanian Innovations Program is a competitively based program. Applications will be assessed by the Tasmanian Innovations Advisory Board according to established selection guidelines.
- The introductory forums for the Tasmanian Innovations Program attracted 450 people.

Two New Industry-Based Programs

Business Women's Program

This is a new program that is being developed by DSD. The aim is to develop and promote mentoring services which provide for the specific needs of women in business. It is designed to enhance business performance through improved management skills from financial and management training and promotion of role models.

Enterprise Centre Program

DSD has taken a very active role through a consultative process with Local Employment Initiative (LEI) agencies throughout the State over the past six months, the aim of which is to enhance the LEI Program in its delivery of support to the micro and small business sector within the State. The result will be a new Enterprise Centre (EC) Program that has a range of small and micro business advice material to deliver at a local level in regional areas.

The Third Cornerstone - Industry Audits

'We are pleased to report to you that there is unanimous support for your recommendations from the members contacted. The Association is aware of the importance to develop the Tasmanian IT Industry and the valuable role that the State Government can play towards that development' **Ken Smith, President, TasIT, Industry Development Association.**

The first industry audit of an entire State was completed by April 1999, using 16 teams comprising in excess of 70 departmental officers from DSD, the Department of Primary Industries, Water and Energy, and the Office of Energy Planning and Conservation.

To date, consultation with industry has occurred in four ways. Written submissions have been called and additional consultation was conducted by way of:

1. interviews (140);
2. survey (831);
3. forums; and
4. workshops (53).

This process attracted participation from over 2 000 representatives of interest groups and business. In addition, over 27 briefings on the audit process have been undertaken across the State with Local Government representatives, business associations and industry bodies.

The findings of the audit process were presented to the Government on 21 May 1999.

The Fourth Cornerstone - Partnership Agreements

Comment from Ross Hine, Mayor, Circular Head Council.

The first Council to complete the negotiation of a partnership agreement with the Tasmanian Government was the Circular Head Council in the north-west. Mayor Ross Hine said that the negotiation process was both challenging and rewarding. Circular Head is delighted to have completed the first such wide ranging partnership agreement between State and Local Government.

Circular Head Council believes that the most successful initiatives for State and regional development will come from local communities, not from capital cities. The new policy on partnerships can empower local councils and communities to kick start economic development and job creation from the grass roots. Circular Head's development initiatives will be keyed to carefully researched export market opportunities for premium, high value-added fresh foods from its productive agricultural products.

As the most decentralised State in Australia, it is critical to the success of the Industry Development Plan that local communities around Tasmania understand and are all working towards the same goals. The mechanism for this unified approach is through the Partnership Agreements. The Department of State Development is a key player in the development of Partnership Agreements, specifically in relation to local development issues. The following points identify needs, strategies and performance indicators drawn from the proposed Partnership Agreement with Circular Head Council;

- the need for an industry development strategy for the region which identifies priorities and strategies to enhance growth in terms of wealth and job creation;
- the development of strategies to improve and enhance Circular Head's comparative advantages in terms of clean air, water, environment and extensive natural resources;
- the need for improved information sharing and communication between the parties on key industry development opportunities;
- the need to ensure an integrated and planned approach to the development of all land-based primary industries in Circular Head;
- the parties will work actively on the continuing development of a Regional Industry Development Strategy which will identify opportunities and ongoing priorities for industry development in Circular Head;
- the Regional Industry Development Strategy will have particular regard to the competing land uses and associated economic and social impacts;
- this ongoing co-operation and planning process will utilise the results of the Industry Audits as they become available and are relevant to Circular Head;
- the North-West Regional Manager DSD, and the Council's appointed liaison officer, will convene forums involving DPIWE and DSD specialist industry development staff and representatives of the Council, to improve information sharing and communication on key industry developments (local, national and international) effecting Circular Head;
- the parties will work closely with stakeholders and key industries in the region, particularly with the objective of identifying potential investors and encouraging new investment in the development of key industries in the region;
- each year of the life of the Agreement, four forums involving DPIWE and DSD specialist industry development staff, and representatives of the Council, will be held.

New Development Projects and Opportunities

'Jim Bacon moved quickly to structure an industry assistance package which addressed the major difficulties I was experiencing in establishing a new export based shipbuilding operation in southern Tasmania.

Jim's 'can do' attitude gave me the clear message the Tasmanian Government is open for business and I am pleased to say his decisive action has assisted us in commencing infrastructure construction and will result in a first vessel launching in the new millennium.' **John Fuglsang, Managing Director, North West Bay Ships Pty Ltd.**

Manufacturing

Establishment of the North West Bay Maritime Park.

A John Fuglsang company will build a new generation of 55 metre long fast ferries that are based on a trimaran concept. The North West Bay Maritime Park is a \$60 million investment in Tasmania's growing ship building industry.

Eckart Australia chooses Bell Bay for a \$4.5 million aluminium paste project.

Eckart Australia will expand its Bell Bay aluminium paste and powder manufacturing operations following the plant's success in competing for a development project with sites in Asia, Europe and North America.

Poppy Facility upgrade

The burgeoning poppy industry backed up by an \$18 million investment by Tasmanian Alkaloids.

Opportunities

Magnesium Processing Plant

Negotiations are progressing positively on this \$2 billion project, which would bring an initial 1 000 jobs and an employment multiplier effect that will have a very significant effect on the economy.

Marine Facility: Incat expansion

Incat plans significant expansion over the next 12 months, in line with increased sales.

Salmon developments

Tassal is planning significant expansion.

Mining

The Mt Lyell copper mine revived by Sterlite Industries (India).

The century-old Mt Lyell copper mine will return to full ore production and resume mine development following the sale of Copper Mines of Tasmania to the international Sterlite group. The Sterlite Group took over the mine after complex negotiations involving the Government and commercial parties and has expressed hopes of a 50-year project based on the substantial remaining ore resource.

Gold Exploration - Beaconsfield

A new venture by Allstate Explorations/Beaconsfield Gold, investing \$51.3 million.

Opportunities

Mine Tailings Plant - Hellyer

A potential \$40 million investment operated by Western Metals.

Magnesium Mine

Negotiations are progressing positively.

Service

A 95 per cent growth in statewide call centre employment.

Call centre employment is projected to reach 2 800 by the end of 1999-00, and the Government has provided \$4 million extra in this year's Budget to meet that target.

Events

Attraction of Interhash 2000 to Tasmania.

The Government has secured one of the world's premier recreational events, Interhash 2000. The gathering of 'Hashers' from around the world is expected to draw more than 3 500 participants and to inject more than \$10 million into the State economy.

Winter Events Initiative

The Government will provide event incentives for targeted national and international events to be held in Tasmania during the winter period to address the seasonal downturn of visitors to Tasmania during that time.

Building and Construction

Federation Concert Hall

A new \$14 million concert hall for Hobart to house the Tasmanian Symphony Orchestra and music/conference centre.

Abt Railway

A \$20.4 million investment on Tasmania's west coast, rebuilding a historic rail line and original locomotives to provide a tourism link between Queenstown and Strahan.

Opportunities

Silo Redevelopment

This development represents a multi-million investment.

Rail Line from Mine to Magnesium Plant

The State Government will be a key party in this potential \$20 million infrastructure development.

Natural Gas - Infrastructure (pipeline)

Another huge investment component of the Magnesium processing plant proposal.

Redevelopment of IXL building in Hunter Street

This is a potential \$25 million investment in the tourism industry.

2 ECONOMIC BACKGROUND AND OUTLOOK

Table 2.1 outlines Treasury's estimates for key economic variables for Tasmania for the current financial year and Treasury's forecasts for 1999-00. It is important to note that the forecasts for 1999-00 do not include the impact of the proposed Crest/Multiplex magnesium processing development or the Duke Energy gas project, as neither project has yet been confirmed. This is an important qualification because these proposed projects and associated developments (around \$2.3 billion in total) would have a significant impact on the State's economy.

Table 2.1: Tasmanian Economic Aggregates and Forecasts

| | 1997-98 | 1998-99 | 1999-00 |
|---|----------------|-----------------|-----------------|
| | Actual | Estimate | Forecast |
| Gross State Product (real, % change)¹ | 2.7 | (0.6) | 2.4 |
| Employment (year average, % change) | (1.1) | (0.1) | 1.1 |
| Level of employment (as at year end, trend, '000s) | 196.4 | 194.3 | 197.1 |
| Labour force participation rate (year average, %) | 59.1 | 58.7 | 59.0 |
| Unemployment rate (year average, %) | 11.0 | 10.5 | 10.0 |
| Average weekly earnings (year average, % change) | 1.6 | 2.8 | 1.4 |
| Consumer price index (year average, % change) | (0.1) | 1.0 | 1.4 |
| 10 year Treasury bond rate (as at year end, %) | 5.58 | 5.25 | 5.50 |
| Population (year average, % change) | (0.3) | (0.3) | (0.3) |

Sources: Actual data - Australian Bureau of Statistics and Reserve Bank of Australia.
Estimates and Forecasts - Department of Treasury and Finance.

Note:

1. Treasury's estimates of real GSP growth for 1998-99 and 1999-00 focus on the underlying movements in output and are derived from trend projections based on a variety of indicators. The estimates are not designed to be consistent with the new and experimental GSP series recently produced by the ABS.

1998-99 Estimates

State final demand, which recorded only modest growth in 1997-98, declined in both the September and December quarters of 1998. The principal reason for this decline was a further fall in business investment, which was at a 4 year low in the 1998 calendar year. On current trends, employment is set to record another marginal decline, with solid growth in part time employment unlikely to offset the large decline in full time positions. Over the past year, labour force participation has fallen by slightly more than the decline in employment and hence the unemployment rate is expected to be lower than in 1997-98.

Export growth has also moderated in recent months, though remaining strongly positive, after the solid increase of 1997-98. Consumer spending has, however, been subdued. Overall, Treasury expects that the underlying growth rate in the Tasmanian economy will be in the order of -0.6 per cent in 1998-99.

Although the growth projection for 1998-99 is well below the recorded GSP growth rate for 1997-98, Treasury urges caution in the use of the most recent State GSP data from the ABS. State GSP data, especially for a small economy such as Tasmania, tend to be quite volatile and often subject to substantial revision. The GSP data have not always been consistent with partial economic indicators over recent years and hence the ABS has not yet been prepared to remove the 'experimental' status from the data. More importantly, as outlined in the footnote to the Table 2.1, Treasury's GSP estimates are designed to reflect the underlying movements in output and should not be directly compared with the ABS data.

Treasury does not believe Tasmania's economic performance in 1997-98 was as strong as the ABS experimental 2.7 per cent estimate of real GSP growth suggests. This is based on the fact that State final demand was subdued over this period, the State's population continued to decline, employment growth and labour force participation both declined further in 1997-98 and the unemployment rate continued to edge higher. In addition, the hours worked series, which provides an alternative basis for measuring State activity, recorded a decline of 0.3 per cent in 1997-98.

1999-00 Forecasts: GSP and State Final Demand

While there was a further modest deterioration in aggregate economic performance over the 1998 calendar year, and hence into 1998-99, Treasury believes the outlook for the coming financial year is somewhat brighter. On current trends, Treasury expects that Tasmania's economic growth will be around 2.4 per cent in 1999-00. This compares with the Commonwealth Treasury's estimate of national GDP growth of 3.0 per cent over this period. The latest forecasts of Tasmania's GSP growth for 1999-00 from private sector commentators tend to be slightly more pessimistic, at an average of around 1.7 per cent.

This expected improvement relative to 1998-99 is based on the fact that a number of economic indicators have shown some improvement in recent months, as outlined in this Chapter. These include a recent improvement in retail sales, business confidence, housing finance commitments and a rebound in construction employment. There are also early signs that employment may no longer be decreasing and that the population decline has stabilised.

A key reason for the weakness in State final demand over the past two years has been the lack of growth in business investment. After reaching a four-year low in the 1998 calendar year, Treasury expects a modest improvement in business investment in 1999-00. 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 which existed through 1998, with both State and Commonwealth elections, and an uncertain future in Local Government. An improvement in the outlook for Asia and the global economy, and the continued strength in the national economy, are also important. There is a number of specific projects which Treasury has accounted for in developing its growth and employment projections for 1999-00. These include: the commencement of work on the Abt railway; continued expansion in the State's call centre industry, including new developments (Qantas and the Australian Taxation Office) and ongoing expansion (Vodafone and Westpac); further expansion at Incat and new developments in the State's shipbuilding industry; a number of plant upgrades and expansions in the manufacturing sector, together with several other private sector developments which range from hotel developments to entertainment venues.

A negative for the investment outlook, however, is the ongoing weakness in commodity prices and the expectation that there will be little sustained improvement over the coming year. This has impacted on profitability in the mining and minerals processing sector and hence investment in these industries is expected to remain subdued.

Although there has been a recent rise in commodity prices, to date the rebound has been modest and projections by the Australian Bureau of Agricultural and Resource Economics (ABARE) indicate little improvement in the price of most of the State's key commodity exports. ABARE expects no improvement in the \$US price of zinc, aluminium, tin or copper in 1999-00. However, ABARE is forecasting significantly higher beef prices (in \$US terms), while there is expected to be a marginal increase in wool prices. Overall, therefore, the commodity price outlook for 1999-00 offers little support to the growth prospects for a number of the State's key sectors. Budget estimates of State Government expenditure for 1999-00 indicate that the public sector will make a positive contribution to economic growth, after negligible growth in this sector since the mid-1990s. One source of growth for 1999-00 is likely to be increased capital expenditure by Local Government, where investment was effectively placed on hold over 1998, due to the uncertainty surrounding the August 1998 State election and Local Government amalgamations.

Growth in the other key component of final demand, consumer spending, is expected to be positive but to remain below the national growth rate. One positive for this key sector is Treasury's expectation of a rebound in employment over the coming year after three years of continuous decline. This will, however, be partially offset by subdued wages growth over the period and the impact of a further decline in the State's population.

Overseas merchandise exports have been the strongest performing sector of the economy over the past few years, helping to support output growth in the wake of subdued domestic demand. In real terms, overseas exports have grown at an average annual rate of 8.3 per cent since 1994-95. The real increase in 1997-98 was only 5.0 per cent, however, substantially below the export value growth of 25.7 per cent in that year.

Treasury sees little reason to believe this solid growth in exports will cease, with export growth in 1999-00 likely to be underpinned by a partial rebound in key Asian markets (notably South Korea) and expectations of still-solid growth in the United States. Little overall improvement in commodity prices is expected, due in part to the uncertain outlook for Japan. As the State's largest single export market, developments in Japan are important to the State's export prospects; as a major commodity importer, developments in Japan are also crucial to the outlook for global commodity prices. In terms of export values, any further rise in commodity prices would likely be mirrored by gains in the Australian dollar, resulting in little net improvement for some of the State's exporters.

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

1999-00 Forecasts: Employment, Wages and Prices

After declining employment levels over the previous three years, Treasury expects a rebound in employment growth in 1999-00, in the order of 1.1 per cent.

There are currently signs that the decline in employment is levelling out and, as outlined already, there is a number of private sector development initiatives that will boost employment both directly and indirectly over the coming year. The Government's policy of no inner-Budget redundancy programs will provide some support to public sector employment, although this is likely to be offset by continued downsizing in Commonwealth employment (notably Centrelink).

Treasury's projection of a 1.1 per cent rise in total employment compares with an average forecast by private sector commentators of 0.6 per cent in 1999-00. Nationally, the Commonwealth Treasury expects employment growth of 1.8 per cent, which would be the seventh consecutive annual increase.

Against this backdrop of improvement in the labour market, the State's participation rate is expected to edge higher in 1999-00. The participation rate is forecast to average 59.0 per cent for the year, a moderate improvement on the 14 year low of 58.7 per cent expected to be recorded in 1998-99 and current levels (April 1999) of 58.4 per cent. The projected rise in employment will therefore limit the improvement in unemployment, by encouraging some job seekers to return to the labour market. As a result, the unemployment rate is expected to average 10.0 per cent in 1999-00, which is still 2.5 percentage points above the forecast national average.

Following the trend of the past few years, it is anticipated that there will be a further decline in population in 1999-00, led by strong out-migration to mainland Australia. Based on recent data, however, and in line with expectations of an improved labour market, it is expected that the rate of decline in the State's population will stabilise around current levels of 0.3 per cent per annum. If the improvement in employment continues, it is likely that population decline will be arrested.

Growth in average weekly earnings (of all employees) has moderated in recent years and is expected to average just 1.4 per cent in 1999-00. While this is largely a response to the decline in inflation of recent years, it also reflects the expected greater use of part time labour at the expense of full time labour.

In 1999-00, Tasmania's CPI is expected to increase by the same rate as total average earnings, that is by 1.4 per cent. This is below the rate of inflation expected nationally, which is forecast at 2.0 per cent.

Summary

In summary, the State's economic performance is expected to remain relatively subdued but an improvement relative to 1998-99 is anticipated, especially in relation to employment growth. If Tasmania is to sustainably lift its growth rate and match the performance of the national economy, significant growth in some key sectors is required.

Tasmania - A Competitive Business Environment

Being competitive as a business in the marketplace encompasses a range of issues.

It involves cost of production; innovation in terms of product type, product distribution and product marketing, all of which can impact on the quality of the market accessed, i.e. low, medium or high priced markets; access to markets and the cost involved with that access; access to finance to enable businesses to expand or install new equipment to increase competitiveness; exposure to networking opportunities to increase economies of scale and scope; and access to skill requirements and research and development facilities to maintain and elevate a competitive edge. All these issues, and more, are important either singularly or in combination to any business.

The Government's Industry Development Plan recognises all these issues and is built around addressing them comprehensively in co-operation with the business community and the workforce.

There has been much discussion about payroll tax and its effect on competitiveness where it applies at different rates in different states.

Payroll tax must be viewed in the context of overall costs to business and the range of other aspects determining competition. Equally, it must be analysed on the basis of its impact on different groups of payroll tax paying businesses.

Payroll tax is just one of a number of taxes and charges placed on business and is an expense which is tax deductible from company tax. In turn, taxes and charges are just one of a range of costs to business and costs to business are just one of a number of aspects determining competitiveness as indicated.

Payroll tax is levied on all businesses in Tasmania which have a total payroll exceeding \$600 000.

The first \$600 000 of payrolls for all businesses paying payroll tax is exempt from tax, but amounts over \$600 000 are taxed on a flat rate of 6.6 per cent.

However, the amount of payroll tax paid by a company is determined not only by the rate but by the wage and salary to which the tax is applied, and by the level of the payroll tax threshold which applies in Tasmania.

A comparative analysis has been done on the rates and quantum of payroll tax paid (after applying the rates to the actual payrolls) with other States.

This analysis shows that:

- For all levels of payroll, the effective payroll tax rates in Tasmania are lower than in New South Wales, the Northern Territory and the Australian Capital Territory.
- For payrolls of less than \$1.5 million, the effective rate of payroll tax in Tasmania is lower than for all other States and Territories with the exception of Queensland and Western Australia (i.e. for five of the seven jurisdictions).
- For all businesses employing less than 50 people (which account for 98 per cent of total Tasmanian businesses and 73 per cent of Tasmanian businesses paying payroll tax), the payroll tax liability in Tasmania is at least 15 per cent cheaper than in these five less competitive jurisdictions (Victoria, NSW, South Australia, the ACT and the Northern Territory).
- Tasmania remains competitive with most of the other five jurisdictions with respect to business with of up to 300 employees (firms of this size range account for 99.8 per cent of all Tasmanian businesses and 95.3 per cent of all businesses paying payroll tax in this State).
- For businesses with employment of greater than 300 employees, the difference in the amount of payroll tax paid in Tasmania and in any other jurisdiction (including Queensland and Western Australia) has a less than one half of one per cent impact on total business expenses, on average.

Similarly, a comparative analysis has been done on a basket of important unit labor costs to business as has been previously highlighted in the Nixon report. This analysis shows that:

- total labour-related costs (including wages, superannuation, payroll tax, workers compensation, and fringe benefits tax) for Tasmanian businesses are on average about 10 per cent lower than for businesses operating in other States;
- Tasmania has the second lowest total labour costs (as defined above) of all States, with the difference between Tasmania and the most competitive jurisdiction (Queensland) being less than one half of one per cent; and
- Tasmania's labour-related costs are more than 13 per cent lower than NSW and Victoria, and about 11 per cent lower than Western Australia.

The establishment of new businesses in Tasmania by large corporations is further evidence that the State provides a very competitive business environment. The following endorsements supports this view.

'In Tasmania the work ethic is generally better ... accommodation is cheaper and staff turnover is lower. Tasmania is the first State to use digital technology entirely in telecommunications.' - **Frank Blount, former Chief Executive Officer, Telstra**

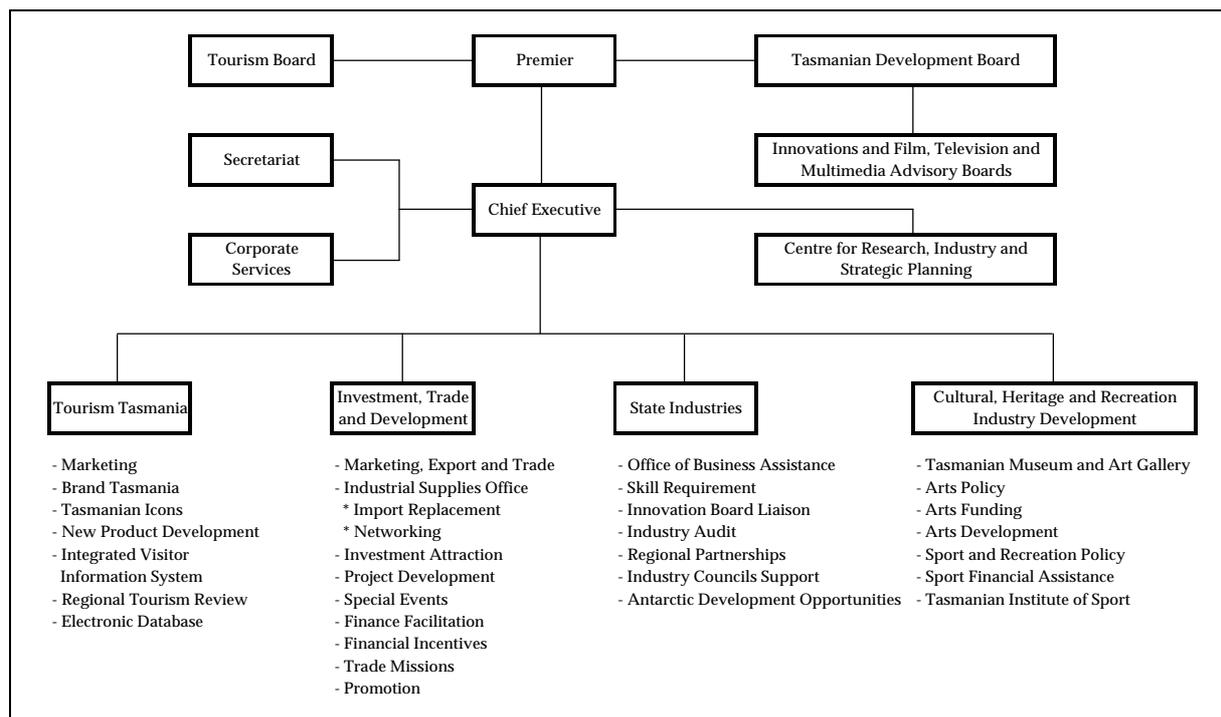
'We received more than 1 000 quality applications for the first 130 jobs at the Tasmanian Technopark, Launceston.' - **Rod Eddington, Executive Chairman, Ansett Australia**

3 THE NEW DEPARTMENT OF STATE DEVELOPMENT

The first cornerstone of the Industry Development Plan is now firmly in place through the establishment of an effective industry arm of government, the Department of State Development.

The organisational structure of the Department is summarised in the following diagram.

Diagram 3.1: Department of State Development Organisational Structure



Source: Department of State Development.

The Department of State Development employs in excess of 450 permanent, temporary and casual employees. The Investment, Trade and Development (ITD) Division of DSD will operate under a new structure in 1999 that is designed to align its service delivery with the Government's Industry Development Plan. The structure includes four sector-focussed groups – Call Centres and Advanced IT, Manufacturing and Services, Resource based Industries and Food and Beverages – and four groups that deliver services across all sectors – Industrial Supplies Office, Finance and Finance Facilitation, Export, Marketing and Events and Communications. The Department of State Development includes four Divisions - Investment, Trade and Development; State Industries; Tourism; and Culture, Heritage and Recreation Industry Development.

Investment, Trade and Development

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

Investment Attraction and Development Project Services

Project management is provided on a statewide basis for the expansion of existing industries as well as promoting the establishment of new industries. Support services are prioritised to focus on providing assistance to industries that are forward looking, capable of being internationally competitive and capable of long-term growth. The development of local business is compatible with best practice environmental standards. The activities of this unit also encompass the initiation, promotion and facilitation of selected major economic development projects in Tasmania to deliver sustainable benefits to the Tasmanian community. This includes representing the Tasmanian Government in dealings with potential investors and their associates and providing

proponents with services that increase the likelihood of their project's success. Other 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 coordinating with Commonwealth, State and Local Government agencies;
- coordinating the provision of training; and
- provision of 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 Finance Facilitation Unit also places investors directly in contact with 'investment ready' Tasmanian businesses.

Industrial Supplies Office

The Industrial Supplies Office (ISO) works with industries to maximise local business 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. Assistance is also provided through training and management support to targeted businesses, industry bodies and government agencies, 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'.

Events Tasmania

The Events Tasmania 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 Division focuses on support for the development of Tasmanian businesses. These services are delivered through the Business Tasmania regional one-stop Offices of Business Assistance. 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.

The following are the principal targeted services of State Industries.

Small Business Services

The Small Business Services unit provides statewide support for the expansion of existing small businesses as well as promoting the establishment of new businesses. Services are provided through the regional Offices of Business Assistance (a one-stop shop for business) and through the Business Tasmania (distinct from Small Business Tasmania) program, which aims 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 which 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.

Innovation and Information Technology Support Services

The delivery of the Tasmanian Innovations Program includes support services for the development of innovative ideas and 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 delivery of 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.

Antarctic Affairs

The Office of Antarctic Affairs provides the State with a voice in inter-governmental discussion on the 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, in partnership with the industry to maximise the economic and social benefit 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 considers that the arts, sport and recreation are all important areas of economic activity, and they are therefore included as the responsibility of the Department of State Development.

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 on-going 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 to promote excellence and participation in, and access to, a wide range of arts activities for Tasmanians and visitors to the State.

Sport and Recreation

The Office of Sport and Recreation leadership activities to support industry development include:

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

The Department of State Development 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 Planning and Policy

Industry planning and policy services are focused on establishing a strategic direction for sustainable development and an improved business environment for Tasmania through:

- managing and implementing strategies to improve the State's development infrastructure and business environment;
- contributing to policies on matters relating to business and industry development;
- developing strategic directions and plans for industry development in the State;
- conducting industry audits; and
- developing and monitoring industry plans.

Industry Research Services

Industry research services provide the knowledge base and analysis capability to underpin and contribute to the development of industry plans and policies.

Services include:

- the provision of research and analysis services focussed on business and industry development issues;
- production of research reports and strategic commentary on business and industry development issues; and
- training and skills development program for graduate recruits.

Tasmanian Innovations Advisory Board

A Chairman has been appointed to the Tasmanian Innovations Advisory Board and Board members will be announced around the time of the 1999-00 Budget. The task of the Board is 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 Tasmanian Innovations Advisory Board will report to the Tasmanian Development Board, outlining progress on the Tasmanian Innovations Program.

Film, Television and Multimedia Advisory Board and Advisory Council

A world-class Film, Television and Multimedia Office has been established as a flagship for Tasmania. The Office will provide a framework under which a wide range of creative disciplines will be brought together to create world-class film and digital products.

The primary objective is to establish and run a Tasmanian Film, Television and Multimedia Office which fosters, develops and supports 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 Film, Television and Multimedia Advisory Board (FTMAB) and Film, Television and Multimedia Advisory Council (FTMAC) will develop a long-term strategic direction for the Tasmanian Film Television and Multimedia industry and the FTMAB will develop specific programs to realise that direction. The FTMAB will:

- provide direction and co-ordination in film, television and multimedia, through consultation with industry;
- develop 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;
- tap into Tasmania's creative and intellectual resources by establishing formal networks between the Office and each regional campus of the University of Tasmania; and
- establish creative partnerships between the Film, Television and Multimedia Office and businesses to utilise local creative people effectively in the development of innovative products for export.

Industry Councils

The framework to establish up to eight separate industry councils comprising senior industry, academic, union and government stakeholders has been put in place. These industry councils will utilise the outputs of the industry audit process to contribute to the development of industry plans. The Councils will be responsible for directing and analysing strategic plan development and the subsequent implementation of key recommendations. CRISP is responsible for writing and updating industry plans and the provision of information and advice to Industry Councils in support of industry plan development.

A new business unit in the State Industries Division will provide support services for the operation of Industry Councils established through the Industry Audit process. This will include the provision of executive support, including secretarial, administrative and meeting co-ordination.

Canberra Office

The Department of State Development has established an office in Canberra. The office has been set up as a resource for the State Government to assist in achieving its policy goals.

It is important to reposition Tasmania in the minds of people, particularly senior policy makers and business leaders. By opening an office in Canberra, Tasmania can remind the rest of Australia about the potential contribution our State can make to the nation.

The Canberra office will also create a better understanding of Tasmania, its strengths, capabilities and potential for business development and investment opportunities. The office will provide access to information about Tasmanian assets and be on hand for consultation with Commonwealth Government officials in the development of initiatives.

Although administered by the Department of State Development, the office is available as a resource for all State Government Ministers and senior public servants.

4 TEN INDUSTRY BASED PROGRAMS

When the Industry Development Plan was introduced about six months ago, the Department of State Development was given responsibility for implementing the second cornerstone, a range of new programs that address the important issues affecting industry development in Tasmania. These important issues are:

- finance facilitation;
- red tape, government regulations and assistance to business;
- networking between industries to create economies of scale and scope;
- import replacement through local content;
- financial incentives for export and import replacement industries;
- middle management requirements;
- skill bottlenecks;
- access to interstate and overseas markets and marketing;
- planning certainty for major developments; and
- harnessing entrepreneurial ideas.

As highlighted in the summary of achievements above, DSD has made substantial progress in implementing this second cornerstone of development programs. The way in which each of these programs delivers services is outlined below.

Finance Facilitation

'As a very new business in the textile manufacturing industry, and one which was experiencing strong growth, avenues to provide cash to meet our orders appeared to be non-existent. Our company, Latitude 44 degrees, did not have the assets necessary to draw a loan from a bank and we could not attract an equity partner. Our problems were solved by one of the many finance facilitation avenues utilised by the Government and now in our first year of business, we have moved into the third year phase of our business plan.' **Anthony Castray, Managing Director, Latitude 44 degrees.**

A specialised sub-division of the Department of State Development now works exclusively in the area of sourcing finance for business. Through an increase in DSD funding, the Finance Facilitation Unit now has two additional officers. The 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.

As a result of direct negotiations by the Government, the number and effectiveness of avenues to finance has been dramatically increased. Previously there were only banks, most of which have headquarters outside Tasmania, and a small equity development fund as the only avenues for finance and venture capital for business in Tasmania. Banks predominantly rely on physical assets for loan security and the small equity development fund was subscribed to only \$10 million, limiting its capacity to finance a diversity of development.

Through the Government's Industry Development Plan, businesses in Tasmania now have the following avenues to assist with a range of financial requirements:

- the Tasmanian pooled development fund increased from \$10 million to approximately \$40 million;
- the Tasmanian Development Board allocating \$10 million 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 the Department of State Development;
- 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 the Department of State Development;
- 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 the Department of State Development to provide advice to investors about Tasmanian companies which are investment ready;
- Investment Opportunity Forums organised by the Department of State Development for Tasmanian investors interested in local business opportunities; and
- offering, in conjunction with banks, performance guarantees for net export industries.

Red Tape, Government Regulations and Assistance for Business

'SAT TV developed a state of the art satellite dish over four years ago. Despite our best efforts to develop our innovative product into a new industry for Tasmania, assistance was not forthcoming and in fact we were discouraged. Since the election of the new Government, and the establishment of the new Department of State Development, the assistance we have received has been outstanding and the future of SAT TV is extremely bright'. Costa Astrnakis, Director, SAT TV.

One-stop shops now deliver the Department's services in towns and cities across Tasmania in conjunction with *Service Tasmania* shop fronts. The Department of State Development also has Offices of Business Assistance in each region to provide more specialised assistance to businesses.

The Offices of Business Assistance and 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 area such as the Business Enterprise Centres, and a source of referral to any of the specialist areas in the Department of State Development; 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.

Networking Between Industries

The Industrial Supplies Office (ISO) has been provided with additional resources to encompass the task of proactively encouraging networking between complementary industries to achieve economies of scale and scope. The following is an example of how networking between industries can be facilitated by the Industrial Supplies Office.

SEMF is a Tasmanian based design and project management company that formed a joint venture with The Engineering Company to maximise opportunities which could not be achieved by either company independently.

'EMTEC' is the joint venture/network that has achieved success through building ship-loading equipment and also providing movable roof structures for the Dockland Stadium in Victoria. In addition, SEMF and Russell Smith Pty Ltd have set up a network to tender for defence facilities maintenance in Tasmania.

DSD staff have worked with the organisation to identify opportunities from the Department of Defence and through the ISO National Network of offices to identify which Tasmanian enterprises have the capabilities to network together to meet buyers requirements.

This has benefited Tasmanian business to win work that would have gone to larger organisations, interstate or to international joint ventures.

Maximising Opportunities For Employment Through Increased Local Content

*Estimates in 1997-98 indicated that around 80 per cent by value of goods and services purchased by the Department of Health and Human Services were obtained from businesses operating in Tasmania. A series of seminars designed to increase local content were conducted in October 1998. Since the seminars, the Purchasing and Contracts Unit has awarded 22 contracts with a combined value of \$8.1 million. 97 per cent of the value of those contracts went to Tasmanian suppliers. **Department of Health and Human Services***

A number of strategies have been identified by the Tasmanian Government to assist Tasmanian SMEs to increase their share of Government business, including:

- the establishment of the Procurement Advisory Group to undertake an ongoing review of the Government's procurement policies and agency tender processes;
- a statewide series of industry forums held in April 1999 and to be scheduled on a regular basis, and at least annually, to discuss the Government's procurement policy framework, particularly in relation to the further development of policies that assist Tasmanian SMEs;
- changing Government policy to require Government agencies to:
 - obtain a minimum of one quotation or tender from local businesses;
 - provide information to industry about future procurement needs;
 - contact the Industrial Supplies Office for all proposed purchases above \$50 000;
 - include reference to the services provided by the Industrial Supplies Office in tender documentation; and
 - demonstrate that the evaluation of tenders has fully considered the benefits of sourcing locally.
- increasing the accountability of Heads of Agencies by requiring them to include a statement in their Annual Report about their support for local business and to list all major contracts, including the value of work and the name and locality of contractors; and
- publishing tender and Government procurement policy information on the Internet.

Changes to Government procurement policy and increased personnel in the Industrial Supplies Office (ISO) have meant greater opportunities for local business. ISO has given a presentation at the Treasury and Department of Health and Human Services Forums conducted around the State. The presentations provided advice on how the policy changes would be implemented and how companies could increase their opportunities.

A local content policy is being developed to encourage the private sector to use ISO resources to maximise local content.

Financial Incentives for Export and Import Replacement Industries

'This industry (the IT industry) is the most important the world has ever seen and increasingly will be so. Not only does technology enable, it is also enabling every other industry. If governments aren't dealing with this industry as the most important ever, they will be left behind.' - **Robert Laurence, Chairman of the World Information Technology and Services Association**

The Government recognises the importance of having a competitive business environment in order to complement its comprehensive Industry Development Plan. However, the Government also understands 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 to grow as the requirement for information technology intensifies.

From 1 July 1999, the Government will fully offset the impact of payroll tax for all businesses engaged in information technology development. All 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 will receive a full rebate of their payroll tax liability from 1 July 1999.

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. In short, a strong, innovative IT industry is crucial for the growth of all other industries. 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.

For the duration of the assistance, the company would be required to provide the Government with:

- copies of its annual financial statements and projections for the next financial year;
- details of any changes or proposed changes to employment levels; and
- details of any expansion, contraction or diversification of its business, especially if the company proceeds to diversify into an area of business which may not be covered under the definition of an IT company.

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 currently exist in Tasmania.

Middle Management Requirements - A Case Study

Tamar Design is a Northern Tasmanian enterprise that designs and manufactures various engineered requirements. Included in its range of products are hydro electric generating systems (which have been exported to Papua New Guinea) and components for the Australian Defence Force. Particular skills in high quality fitting, machining and metal fabrication are an essential part of this Tasmanian organisation. Recruitment of staff with the correct match of skills and experience to take this Tasmanian company forward and grow has been a difficult task. Commitment to train and develop staff (which is costly and cuts into production time) has largely been completed at the enterprise. TAFE Tasmania provides a core of off-the-job skills that form the foundation required for general engineering. Flexible and innovative methods of training and development are required to retain and grow job skills to meet new product and market demands. Technical skills have been complemented with organisational and social skills that will allow personnel to develop through middle management into senior roles which meet global market needs.

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.

Skill Bottlenecks

The availability of required skills by business is already recognised by the Government as a significant barrier to growth. This recognition has recently been substantiated by findings through the Industry Audits. The following is an example of how a specialised section in the Department of State Development addresses the skill issues of business.

Casaveen is a value adding business which follows the production process from the sheep's back to the knitted garment. The highest quality wool is produced from sheep grown on Casaveen Station in central Tasmania and the garments are knitted by local residents in rural Tasmania. The wool is classically styled using state-of-the-art technology, while retaining hand finished techniques.

Support from DSD in facilitation to provide training to remove the bottlenecks caused by a shortfall in skilled knitters and linkers was provided. Liaison between DSD, the Industry Training and Advisory Board for Textiles Clothing and Footwear and Texskills proved to be invaluable in addressing a flexible and innovative method of training for outsource workers in regional areas.

A commitment from Casaveen to an ISO 9002 Quality Assurance system, was the foundation for the need to focus on training and development of Casaveen staff. Support from DSD was crucial in this Tasmanian enterprise achieving this outcome and meeting the requirements for an export market.

Access to Interstate and Overseas Markets and Marketing

'Our business is unique in the land-based development and production of seafood products. Our products are bound for export and it is critical that we have fruitful contacts in overseas markets - for presentation, marketing, distribution and technology transfer. The Department of State Development has been an extremely effective facilitator in this important process.' **John Perry, Joint Managing Director, Marine Biotechnology International.**

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 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.

Planning Certainty for Major Developments

'Our company is seeking to significantly expand our airline and tourism business in Tasmania. To ensure that all the issues that involve the development are effectively managed and coordinated, we are working closely with a dedicated team from the Department of State Development. We needed the certainty that, whether the issue is planning, roads, environment, transport, sewerage or water, we would receive expert and professional assistance'. Rod Matthews and Rod McInness, Directors, Island Airlines.

An inter-departmental committee now promotes and facilitates major economic development projects. The committee is chaired by the Chief Executive of the Department and includes the heads of the Departments of Primary Industries, Water and Environment, Infrastructure Energy and Resources and Premier and Cabinet. The Department of State Development identifies and prioritises projects to be referred to the committee. Project teams managed by the Department's 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, whilst at the same time providing for appropriate input from the public. An example of this is the establishment of a Project Management Committee, chaired by the Department of State Development, to examine the future development of the Princes Wharf site. The Terms of Reference for the Committee include:

- a review of the outcomes of the Resource and Planning Development Commission assessment of the Oceanport project;
- development of guiding principles for future development on the site;
- development of a critical path and sensible project planning time-line for consideration of future projects on the site;
- recommendation on a path for marketing and attracting a suitable development for the site;
- recommendations on an assessment procedure for short-listing future proponents;
- identification of specific issues that need to be addressed by the Government, the Hobart City Council and the Hobart Ports Corporation; and
- defining the documentation required for the development of the site including site development, plan requirements, Memoranda of Understanding, development agreements, sale contracts and any other documentation required by Government to facilitate development on the site.

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.

Harnessing Entrepreneurial Ideas

The State Government has 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 objectives of TIAB will be to:

- facilitate the commercialisation of business opportunities, especially by assisting with the delivery of new products, processes and services to the market-place;
- provide grant funding for selected projects;
- educate the community about the innovation process;
- publicise local success stories through the local media;
- improve linkages between relevant State and Commonwealth industry programs;
- improve leverage of Commonwealth funding; and
- increase exports and employment.

The main client groups will be:

- 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.

The strength of each business opportunity, and its capacity to deliver employment and net exports, will be the factors that determine whether Government support will be provided. Grants will be made available to firms that have identified business opportunities and demonstrated commitment to the development of realistic commercialisation plans to take their new products, services or processes to the market.

5 INDUSTRY AUDITS

The Department of State Development was also given the responsibility of implementing the third cornerstone of the Industry Development Plan - Industry Audits.

The Industry Audits were carried out while the first two cornerstones of the Industry Development Plan were implemented. The first two cornerstones were the establishment of an effective industry arm of government, the Department of State Development, and the delivery of 10 industry-based programs by the Department.

As outlined earlier in this document, the 10 industry-based programs address key issues affecting local business development. As each of the industry-based programs is based upon issues raised in direct consultation over a number of years with business about their requirements for growth, it is not surprising that many of the findings of the Industry Audits relate specifically to these programs. Issues such as finance facilitation, skill bottlenecks, planning certainty, local content in procurement and financial incentives were all well documented in the Industry Audits.

The Government's comprehensive response to the findings of the Industry Audits will include an analysis of how effectively the 10 industry-based programs address the recommendations arising from the Audits. In addition, the Government will address other issues raised that are not currently incorporated in the Industry Development Plan.

The description of each of the following industry sectors concludes with a table which provide an initial response to some of the issues raised in the audits.

The Industry Audit process shows very clearly that the Industry Development Plan is an evolving and continually improving document. Information is drawn from key stakeholders such as business and Local Government, and then incorporated into the Industry Development Plan.

Over 70 officers have been involved in carrying out the Industry Audits. The Audits define Tasmanian capability in eight selected industries, encompassing 16 sectors, uncovering new opportunities for expansion and job creation.

It is important to understand that the industry audits will be the basis of future detailed planning for industry sectors in Tasmania, and comprehensive information to this extent has not been available in the past.

To be of maximum benefit, the audits have been conducted on a consistent basis across sectors, with key factors identified and analysed.

Key factors examined which are under the control of, or internal to, the firm included management, skills, marketing, access to information, research and development, product development, market development, electronic business systems, and process/production technology. Issues external to the firms included access to skilled labour, regulation, available Government assistance, finance, infrastructure, and technology transfer. Also examined were issues of collaboration across the industry including, networks and supply chains.

Manufacturing: Heavy Engineering

The Opportunity

It is considered that opportunities for growth are available in engineering consultancy and maintenance, steel fabricated products, mining equipment services and hydro technology and equipment.

The Industry

The heavy engineering sector is based on products and services and includes businesses that add value through research, design, manufacturing, fabrication or installation of heavy items of equipment. Heavy engineering covers structural, sheet and fabricated metal products; machinery and equipment manufactured products; repair and maintenance; and design consultancy to heavy industry.

Employment in the total manufacturing industry, of which heavy manufacturing is a major component, is just over 24 000, or 12 per cent of the Tasmanian workforce. The total manufacturing sector in Tasmania, as identified in the Australian Standard Industrial Classification, is worth \$1 415 million per annum, which is equivalent to 15 per cent of the total Gross State Product (GSP).

The sector comprises firms employing more than 20 people, annual turnover exceeding \$2 million, and the capacity to service major projects valued at more than \$3 million.

| Sector Profile | Barriers to Growth | Action |
|--|------------------------------------|---|
| <ul style="list-style-type: none"> • Employment at 24 000, or 12% of the workforce; • Industry is worth \$1 415 million per annum; • contributes 15% to total GSP; and • About half of the enterprises experienced strong and dynamic growth over the past three years | Need for statewide representation. | Establishment of Industry Council. |
| | Local content policy. | To be developed by the new Procurement Advisory Council, which includes industry representatives. |
| | Loss of skilled tradespeople. | Strategy to be outlined in the Government's Response Document. |
| | Perceived inequity of payroll tax. | Facts and initiatives to be outlined in the Budget. |

Manufacturing: Light Engineering

The Opportunity

The light engineering sector is able to adapt quickly. The sector is also innovative - many light engineering companies produce prototypes and small production runs. There are significant opportunities for the light engineering industry to develop greater synergies with product designers.

The Industry

Businesses in the light engineering sector, with order books that have been static or in decline for the past few years, are again optimistic about the future of their industry.

The light engineering industry covers a broad range of businesses involved in design, manufacturing and installations. The industry undertakes vital sub-contract work to heavy industry as well as governments.

Businesses range in size from one person operations to companies with up to 60 employees. One company has about 300 contract employees working in heavy and light engineering. Half the firms are in the \$500 000 to \$2 million annual turnover range. A large proportion are either independently or family-owned. Preliminary research indicates that total industry turnover exceeds \$177 million a year.

Among the strengths of the Tasmanian light engineering sector is its ability to adapt quickly to a changing marketplace. Businesses in the sector reported great potential for growth through new opportunities in import replacement, a focus of the new Government's procurement policy.

| Sector Profile | Barriers to Growth | Action |
|--|---|--|
| <ul style="list-style-type: none"> • Businesses ranging in size from 1 - 60; • Half the firms in the \$500 000 - \$2 million annual turnover range; • 58% of firms restricted to sales in Tasmania; • 3% with interstate sales exceeding 90% of production; and • 12% of businesses do not use computer technology. | Training and Skills. | Strategy outlined in Government's Response Document. |
| | Occupational Health and Safety. | Recommendation sought from the newly established Industry Council. |
| | Payroll tax concerns. | Facts and initiatives to be addressed in the Budget. |
| | Import replacement needs to improve. Lack of export orientation. | Establishment of Procurement Advisory Panel, increased resources to ISO. Specific programs in Industry Plan. |
| | Inadequate use of technology. | Financial incentives announced in the Budget. Intensive program of awareness of importance of IT in business. |

Marine Manufacturing

The Opportunity

There is a positive outlook for Australian shipbuilders in international markets. One of the key opportunities emerging is the further development and manufacture of fast vessels for freight use. This presents a major new opportunity for Tasmanian shipbuilders.

The Industry

The light ship cluster (LSC) is one of Tasmanian industry's greatest success stories. A group of five vibrant companies associated with, and including, Incat Australia Pty Ltd (Incat) has prospered and diversified into new and expanding markets centred around fast-ferry technology.

Over the past 20 years this cluster has grown substantially and continues to expand. It has an estimated \$230 million annual turnover. Part of this success is due to the synergies these companies have achieved. Companies such as Colbeck and Gunton, Skeels and Perkins, Liferaft Systems and Riley Industrial have not only achieved strong growth through Incat, but have managed to achieve additional export sales in their own right.

Total industry employment is about 1 500. 78 per cent are employed by the LSC and the balance by 26 small and medium-sized enterprises. Nearly 60 per cent of these smaller firms have an annual turnover of less than \$500 000.

| Sector Profile | Barriers to Growth | Action |
|--|---|--|
| <ul style="list-style-type: none"> • \$230 million annual turnover; | Concern over equitable shipbuilding assistance. | State Government to raise with the Commonwealth. |
| <ul style="list-style-type: none"> • Industry employment about 1 500; | Need to establish performance bonds. | Program announced in the Industry Development Plan. |
| <ul style="list-style-type: none"> • 78% are employed by the light ship cluster and the balance by 26 small and medium-sized enterprises; and | Perceived inequity of payroll tax. | Facts and initiatives addressed in the Budget. |
| <ul style="list-style-type: none"> • Incat has an annual turnover of more than \$200 million, employing about 1 000. | Skills shortages. | Strategy outlined in the Government's Response Document. |

Printing

The Opportunity

With Tasmania's printing industry focused on the local market, growth opportunities are being missed in external markets. Most printers say that demand is much stronger in interstate markets. 60 per cent of printers not currently exporting would like to do so.

The Industry

The printing industry covers a range of enterprises involved in the printing of text, designs and graphics onto a broad range of products. These include books, brochures, corporate stationery, labels and packaging. The industry also includes the repair and maintenance of equipment, graphic reproduction and advertising consultants or print brokers.

Exports and import replacement hold the key to the future of the Tasmanian printing industry.

Significant export growth potential exists interstate and overseas to supply packaging and other niche printing products into new and existing markets. Opportunities abound for local printers to gain more work from government and other organisations currently using interstate firms.

Approximately 1 800 people are employed in the printing and print-related industries in Tasmania. The average firm employs about 20 people.

75 per cent of the industry sector has experienced steady growth of between five and 20 per cent during the past three years. This compares favourably with the industry nationally which grew only 4 per cent during the same period.

| Sector Profile | Barriers to Growth | Action |
|---|---|---|
| <ul style="list-style-type: none"> • About 1 800 people employed in printing and related industries; | Marketing capability. | To be addressed by the newly established Industry Council, in conjunction with DSD. |
| <ul style="list-style-type: none"> • Average firm employs about 20 people; | Transport costs. | Strategy to be outlined in the Government's Response Document. |
| <ul style="list-style-type: none"> • 89% of revenue generated in Tasmania, only about 10% interstate; and • Most firms have grown 5-20% over past 3 years | Import replacement to be improved. Lack of export orientation. | The Government has established the Procurement Advisory Panel comprised of industry representatives. The ISO has received increased funds. Specific export and trade program in Industry Development Plan. |
| | Need statewide co-ordination. | Industry Council to be established. |

Arts

The Opportunity

The film and television industry offers the biggest growth dimension for the arts. It is expected to grow at an average annual rate of 10 per cent due to new investment and increases in the Australian Content Standards. The introduction of digital technology will eventually halve film production costs.

The Industry

Artists who chose to live in Tasmania's stimulating environment present perhaps its most positive face to the world; a film industry expected to grow 10 per cent a year; a symphony orchestra of international renown; excellence in design and craftsmanship; and artists and authors who see themselves and measure their success in a global context.

The arts industry includes varying fields of creative expression. The Audit looked at:

- composers, visual artists, playwrights, writers, poets, designers and craftspeople;
- performing artists, dance, music, orchestral and theatre companies;
- film, TV and video producers;
- museums, art galleries and performing arts venues; and
- retail galleries, publishers, technical and support services.

The arts is a \$69 million industry for Tasmania arising, in the main, from a base of public institutions, not-for-profit arts organisations, sole traders and small businesses with equally small numbers of employees.

The impact of the arts on Tasmania is given perspective when it is realised that 495 000 people, more than the population of Tasmania, participated in events during the Hobart Summer Festival in 1999. A further indicator of the value of arts employment is available from Australian Bureau of Statistics figures that indicate that about 16 200 Tasmanians earned income from cultural pursuits in 1997, with a further 28 000 contributing in a voluntary capacity.

- Sector Profile**
- \$69 million industry;
 - 495 000 people participated in the Hobart Summer Festival 1999;
 - 16 200 Tasmanians earned income from cultural pursuits in 1997; and
 - 28 000 contribute to the industry in a voluntary capacity.

| Barriers to Growth | Action |
|---------------------------------------|--|
| Lack of regional content established. | \$1 million fund established through the Film and Multimedia Advisory Board. |
| Training needs. | Strategy to be outlined in the Government's Response Document. |
| Lack of mentorship. | Investigation into capacity of existing Mentor Resources program. |
| Lack of networks and distribution. | To be addressed by the new Industry Council and ISO. |

Textiles, Clothing and Footwear

The Opportunity

At a time of falling sales and a downturn in employment due to reduced tariffs and increased competition from cheaper overseas products, Tasmania has fared better than other States. A number of companies have shown the benefits of value-adding and attention to niche marketing. Growth will continue in national and international markets for these companies and others who adopt the same principles.

The Industry

The future of the textile, clothing and footwear industry hinges on value-adding, improved marketing skills and excellence in design. Some companies have already achieved success by producing high quality goods; the use of new technology; aggressive marketing; and staff training.

Employment in the industry is 2 132, or 1.9 per cent of Tasmania's manufacturing workforce. Turnover is \$198 million per annum, or 4 per cent of the total manufacturing industry's turnover.

The Audit covered textile, fibre, yarn, woven and textile product manufacturing, knitting mills, clothing and footwear manufacturing but excluded other leather products and laundry/dry cleaning.

Most companies in the industry are small, but there are one or two major companies in each sector producing high quality, high value-added goods. While these few larger companies achieve most of their sales in export markets, the majority rely on local sales at the lower end of the price scale.

- Sector Profile**
- Employment at 2 132;
 - Turnover at \$198 million;
 - Currently one major company in each sector; and
 - Workforce has low turnover and high productivity

| Barriers to Growth | Action |
|---------------------------------|---|
| Need an industry-wide strategy. | To be addressed by the new Industry Council. |
| Need for statewide council. | As above. |
| Skills and training. | Strategy to be outlined in Government's Response Document. |
| Procurement. | Government has established Procurement Advisory Panel with representatives from industry the ISO to assist. |

Mining and Metals

The Opportunity

Most employment growth in the mining and mineral processing industry will come from processing indigenous ores, not mining them. Symbolically, magnesium and natural gas are important projects because of their potential to boost investor confidence and change the face of Tasmanian industry. The magnesium project has the potential to lift exports from the sector by \$469 million, taking the sector's contribution to exports to more than 50 per cent of the State's total. Steel manufacture has been identified as an opportunity at Port Latta and a regional smelter on the west coast could process mineral-rich waste materials.

The Industry

According to 1997-98 figures, the Mining and Mineral Processing Industry in Tasmania is a \$1.3 billion industry and directly employs 3 700 people, equivalent to 1.9 per cent of total employment. It represents about 40 per cent of all exports and over 6 per cent of Gross State Product.

The State has excellent potential for exploration and although the industry is experiencing a trough in the business cycle, there are new projects in energy and metal production under consideration. However, the present situation regarding mining investment is becoming critical. Also, the outlook for expansion at existing processing facilities will depend on an improving business environment in Tasmania.

The mining industry in Tasmania is based on a small number of large mines approaching the end of their economic lives. The closure of one or two of these mines would have far-reaching social and economic implications for Tasmania through the loss of direct and indirect employment. New discoveries will be critical to sustain the industry's contribution to the economy, thus the need to embark on a program to improve Tasmania's position as a location for exploration investment.

| Sector Profile | Barriers to Growth | Action |
|--|---|---|
| <ul style="list-style-type: none"> • Industry valued at \$1.3 billion; | Need for more geo-scientific data. | Recommendation to be provided by the Industry Council. |
| <ul style="list-style-type: none"> • Directly employs 3 700 people; | Competitive wholesale electricity market. | Government works toward resolution of Basslink |
| <ul style="list-style-type: none"> • Represents 40% of all exports; and • Represents 6% of GSP | Skills and training. | Strategy to be outlined in the Government's Response Document. |
| | Community awareness. | Recommendations to come from the Industry Council and work with DSD programs. |

Forestry, Timber and Paper

Industry Opportunity

The industry generally has a skilled and trained workforce and a sufficient level of production technology to provide a strong base for growth.

The Industry

The forest, timber and paper industry is a significant industry in Tasmania contributing five per cent of Gross State Product. The industry recognises that some traditional activity will decline, however there are still opportunities for growth and diversification.

The industry is a major economic driver, generating sales worth more than \$1.1 billion per annum, 95 per cent of which are interstate or overseas. 2 000 people are employed in forestry and logging, with another 4 000 in downstream processing. The industry supports a major network of other enterprises in supply chain logistics and transport, and assists with the maintenance of vital shipping links to the State. Most products are sold in price-sensitive commodity markets. Profits in most sectors have been low, in line with interstate and global experience. However some enterprises are achieving above average returns by market innovation.

| Sector Profile | Barriers to Growth | Action |
|---|------------------------------------|---|
| <ul style="list-style-type: none"> • Sales worth more than \$1.1 billion; • 95% of sales are for interstate or overseas; • 2 000 people employed in forestry or logging; and • 4 000 employed in downstream processing. | Planning and regulatory framework. | Recommendations to come from the Industry Council. |
| | Training and skills. | Strategy to be outlined in Government's Response Document. |
| | Research and development funds. | Government to work with Industry Council. DSD and Canberra Office to be used to identify funding opportunities. |
| | Interstate marketing. | To be addressed by DSD marketing program and the ISO. |

Energy

The Opportunity

The global emphasis on greenhouse gas emissions will influence the energy sector in developing future supply options. The Commonwealth Government is pursuing a range of greenhouse initiatives. Some of these measures may be conducive to Tasmanian energy providers entering the emerging markets for green energy supplies.

The Industry

The energy industry in Tasmania is in transition. Nationally, there has been a rapid change in the way energy markets function, particularly electricity. The basis of much of this change has been reform, geared at efficiency gains and maximum competition within markets.

Major users told the Audit that the lack of competition in the energy market is preventing the expansion of many businesses in Tasmania.

Tasmania's energy requirements are provided by a mix of hydro-electricity (36 per cent); petroleum products (42 per cent); black coal (11 per cent); and other renewable sources, for example, wood and wood wastes (11 per cent). Traditionally, major industries like smelters and paper mills were attracted to the State by the availability of competitively-priced and reliable hydro-electricity.

The energy sector is a major contributor to the Tasmanian economy. Electricity production, at \$452.7 million per annum and employing 1 689, contributes about 5 per cent of Gross State Product. If coal is included, the energy sector's employment is about 1 800, approximately 1 per cent of total State employment.

| Sector Profile | Barriers to Growth | Action |
|---|--|---|
| <ul style="list-style-type: none"> • Energy production equals \$452.7 million; • Employing 1 689 people; • Contributes about 5% of GSP; and • Opportunities through the proposed National Green Power Scheme. | Limited competition. | Government working to establish Basslink. |
| | Transparency of monopoly arrangements. | As above. |
| | No on-line gas. | Government negotiating with Duke Energy. |
| | Need statewide representation. | Industry Board to be established. |

Building and Construction

The Opportunity

To stimulate employment, industry and government need to adopt strategies together to identify new and emerging opportunities locally, interstate and overseas. These objectives can be achieved through the establishment of an industry council.

The Industry

There is growing optimism within the Tasmanian building and construction industry that activity is beginning to increase. While the industry is predominantly focused on opportunities within Tasmania, there are a growing number of enterprises successfully pursuing new markets interstate and overseas. Industry has reported escalating export demand for quality joinery and kit homes. Tasmanian skilled labour is also in demand. The industry has more than 3 300 small to medium-sized enterprises; it directly employs about 10 900, 6 per cent of the total Tasmanian workforce; and it contributes 6.3 per cent of Gross State Product.

In general, the industry is much less active than a decade ago, or even as recently as a year ago. The decline can be attributed to a number of factors including, the general state of the Tasmanian economy, a lack of investor confidence, a declining population and lower-than-average incomes. Property values have stagnated and vacancy rates for office buildings have increased significantly. Nonetheless, the industry is crucial to the Tasmanian economy. Its flow-on effects to the remainder of the economy need to be understood and recognised.

| Sector Profile | Barriers to Growth | Action |
|---|----------------------------|---|
| <ul style="list-style-type: none"> • 3 300 small to medium-sized enterprises in the industry; • directly employs 10 900 people; • contributes 6.3% of GSP; and • strong growth in non-residential building approvals. | Planning schemes. | Strategy to be outlined in Government's Response Document. |
| | Appeals process. | As above. |
| | Training and skills. | As above. |
| | Procurement. | Procurement Advisory Panel established and made up of industry representatives. The ISO receives increased resources to address sector needs. |
| | Need for Industry Council. | Industry Council to be established. |

Environmental Industries

The Opportunity

Under the National Greenhouse Strategy there are particular opportunities in energy conservation programs and the use of renewable energy resources. The net reduction of carbon dioxide emissions through the creation of carbon sinks (such as forestry plantations); emissions trading; marketing low greenhouse power; and manufacturing new renewable energies (and their components) are specific examples.

The Industry

The environmental industries, in partnership with Government, can change the State's 'green image' to a 'green reality'.

The industry has the capacity to improve the quality of the Tasmanian environment, generate employment, capture export market opportunities and make businesses in other sectors more efficient by producing less waste and using fewer resources.

The Audit showed that the environmental industry is knowledge and engineering intensive and has a competitive advantage based on its diverse skills base, strengths in consulting, and waste management and recycling.

The OECD has projected that the global environmental industry will be worth \$300 billion by the year 2000. In Australia it is worth \$7.8 billion per annum or 1.5 per cent of Gross Domestic Product. The current annual value in Tasmania is more than \$150 million.

The industry is strategically important because it cuts across all sectors of the Tasmanian economy and provides the knowledge, skills and technology that underpin the sustainable development objectives of the State. It is evolving, dynamic and growing at 6 per cent each year, despite the industry having a low profile.

| Sector Profile | Barriers to Growth | Action |
|---|---|--|
| <ul style="list-style-type: none"> • Global environmental industry worth \$300 billion by 2000; • Tasmania's annual value is \$150 million per annum; • Audit identified 135 firms supplying environmental goods and services; and • Employment at about 1 200. | Need for statewide representation. | Industry Council to be established. |
| | Insufficient networking. | Assistance through the ISO and the Industry Council. |
| | Sector not adequately recognised as contributor to economy. | Closer contact with DSD and further recommendations from the Industry Council. |
| | Weak coordination | To be addressed by Heads of Agency committee chaired by DSD Chief Executive. |

Agriculture, Aquaculture, Fishing, Food and Beverages

The Opportunity

Tasmania relies on its 'clean and green' image to provide it with an advantage in the sale of a range of food and agricultural products. Markets are seeking products that are grown in conditions that are not damaging to the environment and with the minimal use of chemicals. Tasmania is in a unique position to continue to both improve sustainability and to substantiate claims to its clean green image through quality assurance programs.

The Industry

The agriculture, aquaculture, fishing, food and beverages industries will provide the State with growth opportunities worth about \$600 million over the next five years.

This Audit identified a diverse range of opportunities that will increase production, improve productivity and achieve higher prices for Tasmanian food and fibre products.

Continued production growth is forecast for higher-priced fresh and processed food products. At the same time, continued support to mainstream sectors such as wool, beef and wild fisheries is vital for the ongoing viability of rural and urban communities.

Agriculture, aquaculture, fishing, food and beverages are a major component of the Tasmanian economy, providing about one-third of Gross State Product and approximately 70 000 jobs. International exports total \$563 million per annum, about one-quarter of the State's export income. The Government has set a target of doubling Tasmania's primary industries output within 10 years and to increase the value to \$2.5 billion per annum.

The gross value of agricultural produce is \$717 million per annum, while the gross value of marine products has continued to perform impressively, with an annual value of about \$214 million. The food and beverage sector has a combined annual value of \$1.36 billion, demonstrating its potential to increase income for the State by further value-adding to the diverse range of high quality raw produce. In addition, extractive crops, such as poppies and pyrethrum, contribute about \$100 million a year to turnover.

| Sector Profile | Barriers to Growth | Action |
|--|---|---|
| <ul style="list-style-type: none"> • Growth potential \$600 million over 5 years. • Contributing to about one third of GSP; • Employing approximately 70 000 people; • Agricultural produce valued at \$717 million a year; and • Marine products valued at \$214 million a year. | Need for statewide representation. | Industry Council to be established along with the Food Council. |
| | Need for Tasmanian brand initiative. | Recommendation to come from the Industry Council. |
| | Identify profitable market opportunities. | Utilisation of ISO and 'access to interstate and overseas markets and marketing' program. |

Advanced Technology and Information and Communications Technology

The Opportunity

Electronic commerce is a global phenomenon that is fast emerging as a key lever for business growth. Small and medium-sized enterprises will become more competitive by operating more efficiently. E-commerce is an 'enabling' technology that allows organisations to operate seven days a week, 24 hours a day.

The Industry

The generic term IT refers to the industry sub-sectors covered in the audit including multimedia, electronic commerce, hardware and software, software development, communications and call centres.

Advanced Technology, also referred to as Elaborately Transformed Manufacture (ETM) and biotechnology, are addressed as individual firms and matched with particular industry sectors. This results in many of Tasmania's ETMs with key IT/software capability being included in the light manufacturing audit and biotechnology being encompassed within agriculture or forestry audits.

The IT industry has the 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.

The audit has identified more than 290 businesses operating in the industry. More than 60 per cent have an annual turnover of less than \$500 000. One-third of all businesses surveyed anticipate rapid growth of more than 40 per cent during the next year.

| Sector Profile | Barriers to Growth | Action |
|--|---------------------------|---|
| <ul style="list-style-type: none"> • Audit identified more than 290 businesses in the industry; • 60% have an annual turnover of less than \$500 000; • One third of all businesses anticipate growth of more than 40% during next year; and • Growth in this sector will assist other industry sectors to grow and compete. | No peak body. | Industry Council to be established. |
| | Training and skills. | Strategy outlined in the Government's Response Document. |
| | Procurement. | Procurement Advisory Panel established and made up of industry representatives, increased resources to ISO. |
| | External markets. | DSD program, 'access to interstate and overseas markets and marketing', to address. |

Services

The services industry comprises three separate audits: Government Services, Business and Financial Services and Tourism.

Government Services

The Opportunity

Tasmania has research and development capability in diverse areas including the Antarctic and the Southern Ocean, temperate hardwood forestry, public policy, environment, ceramics, maritime and marine, population health, agriculture, mining, economic modelling and learning and rural health.

The Industry

The government services sector includes education, training, public health, community services, sport, recreation, and Local Government services.

Education, health, sport and recreational services are potentially lucrative exports for the Tasmanian economy and the groundwork is underway.

International education already draws 1 700 students here annually, is worth \$40 million a year, with an anticipated 50 per cent increase in the foreseeable future.

Of the international students studying in Tasmania, 60 per cent are in higher education, 15 per cent in vocational education and training, 25 per cent in secondary schools and of these, 4 per cent are in intensive English-language courses. Each student spends \$10 000 to \$20 000 a year, depending on the length of the course, and pays for their own accommodation, upkeep and travel.

| Sector Profile | Barriers to Growth | Action |
|---|--|---|
| <ul style="list-style-type: none"> • International education already draws 1 700 students annually; • International students contributing \$40 million a year with an anticipated 50% increase; • Health and community services directly employing 8 300 people; and • Local Government employing 3 500 people. | Marketing of Tasmania as a location needs improvement. | Industry Council to work closely with Brand Tasmania program. |
| | Inadequate research. | Industry Council to work with Government on funding requirements, DSD and the Canberra Office to assist. |
| | Inadequate educational marketing. | Industry Council to work with DSD program, access to interstate and overseas markets to formulate and implement strategy. |
| | Increase promotion for sport and recreation participation. | Industry Council to make recommendations to the Government. |

Business and Financial Services

The Opportunity

Globalisation is increasingly affecting the sector. The erasing of geographic and physical boundaries is presenting the opportunity for enterprises, small or large, to operate from Tasmania while exporting to vast national and international markets.

The Industry

In the information age, the future of the business and financial services sector lies in the application of knowledge and intellectual power to identify and meet the needs of business for sophisticated and complex information, analysis and advice.

This Industry Audit covered: financial planning; the legal profession; accounting services; architects; engineers and other building consultants; marketing; management consultants; banks; insurance companies; and other business services.

The business and financial services sector employs 8 per cent of the Tasmanian workforce, full and part time, and is worth \$693 million per annum, seven per cent of the Gross State Product.

In Tasmania there are more than 2 800 firms in the sector. Of the 77 firms surveyed, 78 per cent anticipate growth over the next 12 months. 30 per cent of these firms expect this growth to be more than 20 per cent.

- Sector Profile**
- Sector employs about 8% of the Tasmanian workforce;
 - 2 800 firms in the sector;
 - Value of sector is \$693 million, or 7% of GSP; and
 - Of the 77 firms surveyed, 78% anticipate growth over the next 12 months.

| Barriers to Growth | Action |
|--|--|
| No direct communication with Government. | Industry Council to be established. |
| Networking. | As above and through the ISO. |
| Skills and training. | Strategy outlined in the Government's Response Document. |
| Women not involved with industry planning. | Utilise new DSD 'Business Women's Program. |

Tourism

The Opportunity

Industry sees the development of, and access to, Crown land, particularly national parks, for recreation and tourism purposes as difficult. Yet opportunities exist to develop 'themed' recreational, sporting and retail products to lift the tourism dollar yield in areas that support wilderness experiences, such as Strahan.

The Industry

Broadly, the tourism industry includes businesses that provide hospitality and services to visitors and locals. These services include attractions, experiences, accommodation, food, refreshments and transport.

The industry contributes annually between seven and eight per cent of Gross State Product and directly and indirectly employ more than 17 000 people. In recent years, the total value of tourism expenditure has been estimated at \$857 million per annum and growing annually at an average of 4 per cent. Of that, spending by interstate and overseas visitors was \$571 million.

The growth of tourism, and its value to the economy, is critical. Not only can tourism provide substantially increased revenue and many more jobs in a relatively short time, but it can do so without heavy capital investment.

With the potential over the next eight years to employ 26 000 people and to earn more than \$1 billion each year, tourism could rank second behind manufacturing as Tasmania's top income earning industry.

| Sector Profile | Barriers to Growth | Action |
|---|--|---|
| <ul style="list-style-type: none"> • Contributes between 7-8% of GSP; • Directly and indirectly employs 17 000 people; • Total value of tourism expenditure estimated at \$857 million; and • Visitors spending approximately \$571 million | Industry base needs to be developed through new markets. | Industry Council to work closely with DSD programs such as 'access to interstate and overseas markets and marketing'. |
| | Communication strategies to be improved. | Industry Council to work closely with DSD and the Government. |
| | Sea and air capacity. | Strategy to be outlined in the Government's Response Document. |

Industry Audits - Action Plan

The presentation of the Industry Audit reports by the Department of State Development on behalf of Tasmanian industries to the Premier was carried out on 21 May 1999. The presentation to the Premier is only stage one following the Audit process.

The Government will prepare a response document to the Industry Audits which will be delivered in June. The response document will specifically address the recommendations made in the Industry Audit documents. The actions outlined in the above tables provide a general and preliminary response to some of the recommendations made in the Audit documents.

Industry Councils will be established that will represent industry sectors and provide advice to the Government. The Industry Councils will also be responsible for overseeing the preparation of detailed industry plans, based on the data collected from the Industry Audits. Assistance to the Industry Councils will be provided through the Centre for Research, Industry and Strategic Planning (CRISP).

The new Department of State Development, and the 10 industry-based programs, will be able to immediately address a substantial number of recommendations arising from the Audits.

Linkages will be increased with the Government's Social and Economic Plan, *Tasmania Together*, and with the partnership agreements with Local Governments across the State.

6 MAJOR NEW INDUSTRY INITIATIVES FOR 1999-00

General Initiatives

Payroll Tax Rebate for IT Industries

From 1 July 1999, the Government will fully offset the impact of payroll tax for all businesses engaged in information technology development. All 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 will receive a full rebate of their payroll tax liability from that date.

Petrol Price Monitoring Mechanism

As a further initiative, in this Budget, the Government is delivering on its commitment to establish a petrol pricing watchdog. This will address the community's increasing concern about the higher prices paid by Tasmanians relative to their mainland counterparts. The watchdog will be responsible, with the support of the Royal Automobile Club of Tasmania (RACT), for monitoring and regularly publishing petrol prices, highlighting price differentials, enhancing competition and for following up complaints with the Australian Competition and Consumer Commission. This will be the first step in bringing petrol prices down in Tasmania. The Government is also investigating ways in which competition in the wholesale market can be substantially enhanced.

'Opportunity for Investors' Forums

The Government recognises that there are significant advantages in providing Tasmanian investors with information about local 'investment ready' opportunities. Many investors would be provided with increased confidence knowing that they can be easily and quickly contacted about issues which involve their equity or debt arrangements. 'Opportunity for Investors' forums will be conducted in conjunction with other development related forums conducted by DSD.

Student Enterprise

The Government is serious about creating an enterprise culture in Tasmania, and those endeavours most effectively begin with the encouragement of young people. The Department of Education has allocated up to \$100 000 to employ a full time coordinator, and resources to develop student enterprise activities across Tasmania.

Enhanced Monitoring of Tasmania's Economy

A key support activity for the Industry Development Plan is the provision of expert policy advice on Tasmanian economic and industry development matters. While the Department of State Development is charged with implementation of the key elements of the Industry Development Plan and will be liaising with industry, the Department of Treasury and Finance will be the source of economic analysis and advice which will assist in monitoring the Industry Development Plan and ensuring that the Plan is appropriately targeted as internal and external economic circumstances change.

To meet this challenge, Treasury will put additional resources into economic analysis. Treasury will provide assistance to the Government to ensure that its industry development policy is appropriately targeted to Tasmania's economic circumstances on an ongoing basis. This will require improved collection and interpretation of intelligence on the specific industry and commodity markets important to Tasmania's economic development.

In addition, Treasury has initiated a project to provide the Government with advice on the economic performance of the State's major industry sectors. The primary focus of the analysis will be those industry sectors expected to play a role in the State's future economic development.

Department of State Development

Investment, Trade and Development

- increased Industry Development grant and project funding to further enhance Tasmania's ability to attract and facilitate the development of major projects including call centres and industry projects arising from the Industry Audit process;
- increased resources to support finance facilitation services to businesses and to secure increased equity capital funding for Tasmanian businesses; and
- increased event funding for a winter event program and additional major events.

State Industries

- increased resources in regional Offices of Business Assistance to support expanding enterprise development programs and small business support services;
- increased funding for targeted enterprise development programs including the Enterprise Improvement, Investment Ready, Export ready and Business Women's programs; and
- implementation of the Tasmanian Innovations program and the Film, Television and Multimedia program.

Centre for Research, Industry and Strategic Planning

- increased research resources through the Graduate Employment program;
- continuation of targeted Industry Audits to identify sector specific strategic trends and opportunities, and new planning requirements and development initiatives in response to the Industry Audit process;
- provision of information and advice to Industry Councils in support of industry plans; and
- ongoing evaluation and research to identify strategic directions for future economic development.

Tourism Marketing and Development

- introducing a comprehensive brand initiative in partnership with those private and public industry sectors trading their goods and services outside Tasmania to strengthen the perceived value of Tasmania and Tasmanian products in external markets;
- increased resources for marketing activities to further strengthen Tasmania as the nation's premier touring destination and to:
 - increase the exposure of Tasmania in the editorial content of domestic and international print and electronic media;
 - develop new products in international markets;
 - strengthen the education and loyalty programs undertaken with the domestic travel trade and encourage the development of the incentive market as part of the important meetings, incentives and conference sector; and
 - maximise the potential of the Internet to familiarise consumers with Tasmanian visitor experiences;
- development of the tourism industry by implementing the recently completed Attractions Strategy to identify and develop new tourism services and experiences in response to market demand;
- enhancing the long-term viability of small tourism businesses through developing knowledge and skills in the areas of yield management, tourism marketing and distribution;
- complete and implement a statewide strategy to improve visitor information by providing an integrated approach to brochures, maps and route information and visitor information centres; and
- support the establishment of a new School of Tourism at the University of Tasmania and Tasmania's participation in the Co-operative Research Centre for Sustainable Tourism.

Cultural, Heritage and Recreation Development

- enhancing the cultural outcomes from the Tasmanian Museum and Art Gallery (TMAG) by increasing the collection management resources and developing the facilities to expand public programs and the promotions of museum activities;
- undertaking a feasibility study and review of the TMAG 10 year re-development plan, within the context of the Sullivans Cove Cultural Precinct, including the development potential for a multi-disciplinary exhibition and storage facility proposed for adjacent land;
- increasing the development and cultural outcomes from the arts industry by increasing arts grant funding and by developing a major cultural festival for Tasmania; and

- escalating the Government's commitment to meeting the needs of young people at risk by doubling the number of placements in Project Hahn from 200 to 400.

Department on Infrastructure, Energy and Resources

- the Department has commenced undertaking planning studies to provide effective and efficient transportation of ore from the proposed Crest/Multiplex Magnesium Mine. In the 1999-00 financial year, the Department expects to finalise and gain planning approval for a rail system which will transport over 400 000 tonnes of ore annually from the mine site at the end of Farquars Road, South-West of Wynyard, to the proposed processing plant at Bell Bay;
- major reform of the State's public vehicle licensing system to ensure a safe, coordinated, efficient and affordable road transport system that will meet the needs of the Tasmanian community and business well into the 21st Century; and
- a major initiative for the Department in 1999-00 will be to develop an infrastructure inventory. The inventory will build on the Government's Industry Audits and contribute to the overall Industry Development Plan. It will seek to establish a comprehensive inventory of the State's infrastructure to support future development and provide a key input to strategic decision-making.

Department of Primary Industries, Water and Environment

- in partnership with the Department of State Development, the development and implementation of long-term plans for Tasmania's primary industries following the Industry Audit process;
- implementation of new water legislation to provide a framework for the sustainable development and equitable use of the State's water resource and the development of water management plans established under the new legislation;
- initiatives to develop and promote clean safe products in the agriculture sector include:
 - the facilitation of strategies to further develop organic production in agriculture;
 - the identification and development of appropriate labelling opportunities (eco-labelling) for agricultural products produced with reduced chemical input for export markets;
 - demonstration of reduced chemical production systems for Tasmanian vegetable industries;
 - 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; and
 - 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 Elliott Research and Demonstration Station;
- implementation of the Dairy Research and Development Corporation Dairy Business Focus program which provides training to enable financial and business management skills to be developed by Tasmanian dairy farm businesses;
- implementation of the new Commonwealth FarmBi\$ program and continuation of Farmwi\$e courses to provide greater training opportunities for primary producers and improve risk and business management skills;
- industry support and extension for the State's deciduous fruit industry to maintain market share in traditional markets and expansion into new markets;
- assessment and development of new crops and conditions, specifically canola, herbage cultivars and new oat varieties;
- development and implementation of fisheries management policies to ensure both commercial and recreational fishing are undertaken in a sustainable manner;
- support the managed and considered expansion of finfish and shellfish aquaculture through continued development of marine farming plans for key zones around the coast and ensuring the plans go through extensive community and industry consultation;
- expedite the allocation of shellfish and finfish leases to enable expansion to take place within approved marine farming zones;
- development and trial in a number of municipalities of a model planning scheme for Local Government Authorities to standardise the format and style of all planning schemes, including arrangements by which they are implemented and administered;
- release of Crown Land, including 19A-35 Hunter Street, Hobart, and the Royal Derwent Hospital, New Norfolk, to encourage development;

- extend the range of information services provided to the Tasmanian business sector and community through the Land Information System Tasmania (LIST); and
- maintenance of existing National Association of Testing Authorities (NATA) accreditation, and achieve NATA Certification Services International (NCSA) systems certification for the Government Analytical and Forensic Laboratory;

Department of Premier and Cabinet

- continued development of partnership agreements between State and Local Governments;
- coordinating the development of a long-term Social and Economic Plan for Tasmania, '*Tasmania Together*';
- support to community forums and regional Cabinet meetings; and
- managing the *Service* Tasmania Project including, increased electronic service delivery through the *Service* Tasmania shops.

Department of Education

- developing TAFE Tasmania as a major public training provider, including:
 - providing an additional 100 000 hours of training delivery;
 - retraining TAFE teachers in areas of low demand to those of emerging need such as the information technology industries, call centre training and workplace assessment;
 - implementing training packages incorporating appropriate staff development; and
 - achieving Quality Endorsed Training Organisation status for TAFE Tasmania by 2000.

Department of Treasury and Finance

- At a national level, Tasmania has contributed to the ongoing development of a range of policy initiatives that are intended to facilitate the adoption of national overarching principles and agreed actions. National actions under consideration include:
 - Australian jurisdictions have recognised the potential benefits available to them by implementing electronic commerce in a coordinated manner and are progressively adopting more effective processes to capitalise on the opportunities offered by electronic commerce. Jurisdictions, through the Australian Procurement and Construction Ministerial Council, have endorsed a draft National Framework which proposes a consistent approach on a number of key areas to assist both industry and government. The areas include Security, Authentication, Tender Management Systems, Supplier Registration, Catalogues and Identification systems. Such an approach is intended to lead to system inter-operability and consistency that is seamless for suppliers, ensuring that those wishing to supply Government can do so in the most cost effective way possible.
 - a major initiative for Treasury in 1999-00 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. Under this program, the Basslink Development Board will manage the proposals submitted from prospective providers, short list proponents and seek to recommend to the Government a preferred Basslink proponent. The performance target for 1999-00 is for the Basslink Development Board to recommend to Government a preferred proponent by February 2000. The Board announced a short list of proponents in mid November 1998.

