



CANBERRA
BUSINESS COUNCIL

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12 November 2007

Mr. Jon Stanhope, MLA
Chief Minister
ACT Legislative Assembly
GPO Box 1020
CANBERRA ACT 2601



Dear Mr. Stanhope,

Please find enclosed a copy of the Canberra Business Council and its Kindred Organisations 2008/09 ACT Government Budget Submission.

As the submission indicates, the Council remains concerned about the skills shortages, population growth and housing affordability and looks for these areas to be addressed by the ACT Government in its 2008/09 budget along with a number of other initiatives.

In the area of business taxes the Council recommends that the ACT Government look at ways to make the Territory more attractive for businesses to establish themselves and contribute to the economy.

In its submission, the Council also strongly recommends that the ACT Government reinstate its investment in Tourism.

Please do not hesitate to contact me should you wish to discuss any aspect of this submission.

Yours sincerely

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CEO

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**Canberra Business Council
and Kindred Organisations**

2008–2009 Pre-Budget Submission

October 2007

***Committed to the Growth and Development of Canberra and the
Capital Region***



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Executive summary

This submission has been prepared by the Canberra Business Council and Kindred Organisations in response to the ACT Government's invitation for submissions to be considered in the preparation of the 2008–09 ACT Budget.

The Council and its Kindred Organisations remain committed to working with the ACT Government to ensure outcomes that are conducive to stimulating growth in the private business sector and will ensure revenues are available to the Government to implement its programs. While the primary focus of this submission is the 2008–09 Budget, we encourage the ACT Government to make short term plans with a long-term focus. If Canberra and the Capital Region are to realise their potential as a world city and economic growth centre, we must plan with a view to positioning Canberra for the for the next 10–20 years.

This submission raises issues that impact on the economic growth, development and sustainability of Canberra and the region. 14 key issues are raised under the three broad headings of Economic Sustainability, Population Strategy, and Infrastructure. In all, 14 recommendations are made.

The economic sustainability of the ACT must be a guiding principle for policy making. Key among these considerations is tax reform and, in particular, payroll tax and property tax.

Tourism is a vital component of the ACT's economic fabric. In order to grow and plan, the ACT tourist industry needs commitment from the Government and a commensurate investment to support a "portfolio" approach to tourism. This includes a permanent site for Floriade, the identification of potential future hotel sites and working with the business community to identify a solution to Canberra's taxi service crisis.

International trade is becoming an increasingly important component of ACT business. The support of the ACT Government has been instrumental in the successes achieved to date and this needs to be continued and expanded.

Along with a competitive tax structure, the key economic issue currently facing the ACT is the need for a workable approach to a population strategy that addresses the ACT's skills shortages. The Council welcomed the interim report of the Skills Commission and looks forward



to working with the Commission in the consultation phase and through implementation following release of the final report.

The ACT suffers from a number of competitive disadvantages under the Federal Government's migration policies. These need to be removed through lobbying of the Federal Government. An extension of the existing *Live in Canberra* campaign will also help to attract trained employees to the area.

Housing affordability has become a key issue in attracting people to Canberra. The Government needs to extend current measures to improve housing affordability to make Canberra an attractive place for potential employees to live in.

A Workforce Participation Strategy is needed to better utilise the capacity of existing ACT residents to participate in the workforce, including measures to encourage mature age retirees to re-enter the workforce.

Canberra's infrastructure requirements are inseparable from the population and skills issues. The ACT needs a long-term program to maintain and upgrade its infrastructure. Capital works and infrastructure expenditure are required, including support for a new Convention Centre. The Council also believes the Government should be more innovative in its approach to funding for long-term capital requirements.

The Council applauds the initiatives announced by the Chief Minister to secure the ACT's water supply. These measures are fundamental to supporting a growing Canberra population and to the future economic growth of the Region.

The Canberra Business Council's top five recommendations, in terms of priority and urgency, are:

- ❖ **Taxation.** The Canberra Business Council urges the ACT Government to embark on a process of consultation and inquiry to identify a) opportunities to diversify the revenue mix and b) business-friendly reforms to its tax arrangements, which give the ACT a competitive advantage and which will have a positive impact on economic growth.
(Recommendation 2)
- ❖ **Tourism.** The Canberra Business Council recommends that the ACT Government reinstate its investment in tourism (minimum \$6m) and announce long-term spending commitments for tourism which extend beyond the current budget and cover the full Forward Estimates period. (Recommendation 3)



- ❖ **Business / Innovation Support Program.** The Canberra Business Council strongly recommends that the ACT Government commits to a business support program (minimum \$2.5m per annum) to make strategic investments in innovative knowledge-based companies including grants for both early stage, higher risk research and development (up to \$50,000 per grant) grants to build capability and capacity (up to \$200,000 per grant) and a commercialisation stream. **(Recommendation 6)**
- ❖ **Population Strategy.** The Canberra Business Council urges the Government in partnership with the private sector to develop and implement a fully integrated population strategy that establishes population and jobs growth targets and reflects both the capacity and needs of the public and private sectors in Canberra and the surrounding region. **(Recommendation 7)**
- ❖ **New Convention Centre** The Canberra Business Council recommends that the ACT Government, collectively with the private sector, immediately commit \$750,000 to undertake a scoping study and the development of a business case for a new Convention Centre. At the same time the ACT Government and the Canberra Business Council will continue to lobby to secure a financial contribution from the Australian Government and the support of the NCA for the planning and development of a new Convention Centre for the National Capital. **(Recommendation 11)**

The full list of recommendations from the report (the background to which is contained in the body of the report) is as follows:

- + **Recommendation 1:** The Canberra Business Council recommends that the ACT Government use more rigorous methodology in determining revenue forecasts to ensure a more accurate budget framework in which to make revenue and spending decisions.
- + **Recommendation 2:** The Canberra Business Council urges the ACT Government to embark on a process of consultation and inquiry to identify a) opportunities to diversify the revenue mix and b) business friendly reforms to its tax arrangements, which give the ACT a competitive advantage and which will have a positive impact on economic growth.



- + **Recommendation 3:** The Canberra Business Council recommends that the ACT Government reinstate its investment in tourism (\$6m minimum) and announce long-term spending commitments for tourism which extend beyond the current budget and cover the full Forward Estimates period.

In addition the Canberra Business Council recommends that the ACT Government:

- work in partnership with the private sector to develop a competitive proposal to attract low-cost international airlines to fly directly into Canberra
- commission a feasibility study for a permanent site for Floriade and establish infrastructure for the International Gardens and Arboretum to allow for ongoing development of the gardens and forest areas in future years
- commission a study to identify potential future hotel sites
- establish a partnership with the private sector to solve the immediate taxi crisis and implement a practical long-term strategy to provide Canberrans and tourists with a first class taxi service.

- + **Recommendation 4:** The Canberra Business Council recommends the ACT Government continue its commitment to supporting ACT exporters through:

- continuation of support to the ACT Exporters' Network beyond 2008 (three-year model)
- increased involvement and funding for the ACT Chief Minister's Export Awards
- funding for an audit of export activity in the ACT
- funding to enable more small businesses to be part of trade missions
- continuation of funding for the Washington Model
- continuation of financial support for the Focus on Business event.

- + **Recommendation 5:** The Canberra Business Council strongly recommends that the ACT Government re-instates a business support program (minimum \$2.5m per annum) to make strategic investments in innovative companies including grants for both early stage, higher risk research and development (up to \$50,000 per grant) grants to build capability and capacity (up to \$200,000 per grant) and a commercialisation stream.



- + **Recommendation 6:** The Canberra Business Council urges the Government to develop and implement, in partnership with the private sector, a fully integrated population strategy that establishes population and jobs growth targets and reflects both the capacity and needs of the public and private sectors in Canberra and the surrounding region.

- + **Recommendation 7:** The Canberra Business Council recommends that the ACT Government extend funding for the *Live in Canberra* campaign to extend its reach and effectiveness.

- + **Recommendation 8:** The Canberra Business Council recommends that the ACT Government partner with the ACT education and private sectors to lobby the Federal Government to remove the current disadvantage suffered by the ACT through the migration points system.

- + **Recommendation 9:** The Canberra Business Council recommends that the ACT Government release land for housing and apartment blocks to better meet demand and improve housing affordability in the ACT.

- + **Recommendation 10:** The Canberra Business Council recommends that the ACT Government develop cross-portfolio policies and strategies (as part of a comprehensive and fully integrated population strategy to enable those people who are currently disengaged from the workforce such as mature-age workers, mothers with young children, tertiary students and carers to remain in or return to the workforce in a manner appropriate to their needs. This includes a transition assistance scheme for re-skilling where needed.

To inform that strategy, the Council supports the commissioning of a survey of Canberrans in the 50-60 age bracket to ascertain what factors would encourage them to stay in Canberra and to participate full-time or part-time in the workforce.

- + **Recommendation 11:** The Canberra Business Council recommends that the ACT Government, collectively with the private sector, immediately commit \$750,000 to undertake a scoping study and the development of a business case for a new Convention Centre. At the same time the ACT Government and the Canberra Business Council will continue to lobby to secure a financial contribution from the Australian Government and the support of



the NCA for the planning and development of a new Convention Centre for the National Capital.

- + **Recommendation 12:** The Canberra Business Council recommends that funding be allocated in 2008-09 to upgrade the section of Pialligo Avenue between the Monaro Highway and Beltana Road and to upgrade the Majura Parkway.

- + **Recommendation 13:** The Canberra Business Council recommends that the ACT Government undertake an audit of the ACT's public assets and infrastructure and a review of the model for delivering capital works. The CBC recommends that the ACT Government improve the efficiency of the program and provide more certain commencement and completion times for projects.

- + **Recommendation 14:** The Canberra Business Council recommends that the ACT Government instigate innovative financing arrangements, involving the private sector where appropriate, to address infrastructure requirements. These should include making use of the ACT's AAA credit rating to fund long-term capital requirements.



Introduction

The Canberra Business Council

The Canberra Business Council is the leading business peak body of the Australian Capital Territory and Capital Region. It represents its 400 individual members and the interests of more than 35 industry organisations known as Kindred Organisations. Directly and through its Kindred Organisations the Canberra Business Council represents more than 5,000 businesses.

The Canberra Business Council provides business leadership in the promotion of economic and business development of the Capital Region by:

- + providing a forum for business, industrial, commercial and professional organisations in the Capital Region;
- + liaising with and representing the interests of business to all governments, departments, agencies, organisations and persons whose functions and responsibilities affect businesses in the Capital Region;
- + leading, or participating in, key initiatives that further the interests of economic and business development in the Capital Region;
- + providing the services and facilitating relationships to meet the needs of members; and
- + being the organisation of choice in the Capital Region for members, Kindred Organisations, staff and volunteers.

The Canberra Business Council welcomes this opportunity to make representations to the ACT Government on behalf of the business community on areas it believes are important in framing the 2008–09 ACT Budget. The Council and its Kindred Organisations remain committed to working with the ACT Government to ensure outcomes that are conducive to stimulating growth in the private business sector and to ensuring that revenues are available to the Government to implement its programs.

Aim

The aim of this submission is to represent to the ACT Government the issues of concern to the ACT and regional business community in 2008 and beyond, and to seek support for the recommendations contained herein through the 2008–09 ACT Budget.



Scope

This submission has been prepared in response to the ACT Government's invitation for submissions to be considered in the preparation of the 2008–09 ACT Budget.

The Canberra Business Council believes the Budget should promote Canberra as both the National Capital and as a centre of business and private sector opportunity. The issues raised by this submission either currently impact on the economic growth and development of Canberra and the region or will do so in the future. There are 13 key issues raised in this submission, and these may be grouped under the three main headings of Economic Sustainability, Population Strategy, and Infrastructure, as follows:

+ **Economic Sustainability**

- Taxation
- Tourism
- International Trade
- Innovation

+ **Population Strategy**

- Skills Shortage
- Migration
- Housing Affordability
- Workforce Participation Strategy

+ **Infrastructure**

- New Convention Centre
- Transport
- Capital Works and Maintenance
- Long-Term Projects
- Water Security



Beyond Tomorrow

While the primary focus of this submission is the 2008–09 Budget, the Canberra Business Council urges the Government to maintain a long-term view. That is we must plan now to position the ACT for the future. Canberra has the potential to be a world city of unique style and attractiveness and an economic growth centre with the Capital Region, as well as being a significant contributor to Australia's maturing sense of national identity through its function as the National Capital. This vision of Canberra as a world city of the future recognises that the ACT is operating in a new paradigm of growth, development and maturity. Recent property development, growth at the airport, mushrooming of the public sector, the Griffin Legacy, and the Canberra Plan are all important future considerations. Planning for today and tomorrow should be done with a view to positioning Canberra for the next 10–20 years.

Relationships

Making Canberra and the Capital Region a location of choice for people, investors and businesses requires new styles of partnership between business and government. It requires a substantial change of mindset by those in government towards the business community; and by those in the business community towards government.

A Partnering Approach

The Canberra Business Council and its Kindred Organisations strongly support partnering with the ACT government and remain committed to working with the ACT Government to ensure outcomes conducive to stimulating growth in the private business sector and that will ensure revenues are available to the Government to implement its programs.

The Canberra Business Council urges the ACT Government to use its 2008–09 Budget to extend its partnership with the business community to better address these issues.

ACT Government and Federal Government

More than most states and territories, the ACT's economic progress depends on a sound working relationship between the Federal and Territory Governments. The Canberra Business Council urges the ACT Government to identify all opportunities to work effectively with the Australian Government and its agencies, particularly the NCA, in the interests of the ACT community. The Council stands ready to support the ACT Government in this regard.



Economic Sustainability

The Canberra Business Council is mindful of the role and importance of the ACT Government Budget in establishing an economic climate that continues to support the strong growth of the private sector and the private sector's ability to provide services to the ACT (including the ACT Government) and the Australian Capital Region.

The economic sustainability of the ACT must be the guiding principle for policy making. This requires that the Government give priority to fostering growth of the private sector in the ACT and to investment in the physical and institutional infrastructure necessary.

The underestimation of revenue has been a consistent and fundamental problem in the ACT Budget process. While maintaining a conservative approach to Budget forecasting, the ACT Government should identify opportunities to improve the accuracy of its revenue forecasts to better reflect the level of economic activity in the Territory and to ensure a more accurate budget framework in which to make revenue and spending decisions.

- ① ***Recommendation 1: The Canberra Business Council recommends that the ACT Government use more rigorous methodology in determining revenue forecasts to ensure a more accurate budget framework in which to make revenue and spending decisions.***

Taxation

Taxation continues to be a cause of major concern for the ACT business community.

The Canberra Business Council emphasises that the long-term strategic issue for the ACT Government is the diversification of its revenue base. It is the Council's view that reliance on windfall gains from property and land sales and stamp duty, is an unsustainable economic and financial strategy. Having said that, the Council acknowledges that the ACT faces a unique problem because of factors, such as the size of the Federal Government's operations in the ACT, which quarantines a large part of the ACT's payroll and property holdings from ACT taxes. Nonetheless, the Canberra Business Council would like to see a serious effort by the ACT Government to reform its tax system to remove the disproportionate burden which falls on ACT businesses through payroll and property taxes and to give the ACT a competitive advantage to attract businesses.

The Canberra Business Council welcomes the ACT Government's announcement that it will abolish the remaining nuisance taxes listed in the 1999 GST Agreement by 2010 and urges the



Government to commit to the removal of stamp duty on business real property transfers in accordance with the existing GST Agreement.

Payroll Tax. Payroll tax is a significant disincentive to business growth in the ACT. The ACT has the highest rate of payroll tax of any State or Territory in Australia. Furthermore, the payroll tax threshold in the ACT (above which businesses begin paying payroll tax), although higher than other states, has remained unchanged for many years unlike other States and Territories. As a result, increasing numbers of ACT businesses are falling into the payroll tax net as their wages bills increase.

The Council urges the ACT Government to develop a suite of competitive policies to give concrete support to the "Live in Canberra" campaign including innovative approaches such as giving a payroll deduction to companies that meet a set of criteria e.g. attracting employees from interstate or overseas.

Property Tax. The ACT derives a significant proportion of its own-source revenue from property taxes. Together with high payroll taxes, these imposts provide incentives for employers to locate activities away from the ACT. It also creates an unnecessary barrier to new businesses moving to the Territory. In addition to these taxes being passed on to ACT consumers, the burden adversely affects the ACT's competitiveness and conflicts with the Government's previous undertakings to make the ACT "*the most small-business friendly jurisdiction*" in Australia.

- ① ***Recommendation 2: The Canberra Business Council urges the ACT Government to embark on a process of consultation and inquiry to identify a) opportunities to diversify the revenue mix and b) business friendly reforms to its tax arrangements, to give the ACT a competitive advantage and will have a positive impact on economic growth.***

The Canberra Business Council urges consideration of the following within the recommended consultation and inquiry process:

- ① ***raise the current payroll tax threshold to take account of economic and wages growth since the threshold was last moved.***
- ① ***commit to indexing the threshold for payroll tax each year in line with wages growth.***
- ① ***consider payroll tax reductions for companies that meet a set of criteria e.g. attracting employees from interstate or overseas.***
- ① ***phase out or reduce over time the Fire and Emergency Services Levy as a reasonable and realistic tax relief measure.***
- ① ***update thresholds for land tax and stamp duty to reflect the movement of property values.***
- ① ***phase out commercial stamp duty over a period of five years, and***



- ① *reduce fees and charges to establish a margin of competitiveness with the States.*

Tourism

The tourism industry is a vital component of the ACT's economic fabric. The industry is multi-faceted and draws much of its strength from the ACT's position as the National Capital and the home of key national institutions. The ACT Government is commended for its support and focus on Tourism. However, to ensure the continued strength of the ACT tourism industry in a highly competitive industry sector, the Canberra Business Council believes the Government should extend its "portfolio" approach to tourism, supporting a variety of types of tourist and related activities in the ACT, including tourism marketing, recreational tourism, events, business tourism and conventions.

The ACT region needs to be consistently promoted to retain and build its reputation as a premier tourist destination. Previous reductions in funding for tourism have meant that campaigns like the **See yourself in Canberra** promotion have developed highly-effective messages and brand materials but have been unable, subsequently, to implement them to maximum effect because of lack of funds. Government investment in tourism needs to be reinstated and extended to cover campaigns such as this, as well as more broad-based events such as spectacular sports events, food/wine etc.

To grow and plan, the ACT tourist industry needs additional certainty about the level of future ACT Government support. The Canberra Business Council strongly supports calls for the Government to announce long-term spending commitments for tourism which extend beyond the current budget and cover the full Forward Estimates period. In particular the Council supports significant funding increases to enable Australian Capital Tourism to continue to promote Canberra through campaigns like the **See yourself in Canberra** promotion and to expand the Event Development Program. Events are the key to enticing visitors to Canberra.

The Canberra Business Council supports proposals for a feasibility study for a permanent site for **Floriade** to allow that event to develop and expand; and for the establishment in this current budget of infrastructure for the **International Gardens and Arboretum** to allow for development of the gardens and forest areas in future years.

There is a need to expand the ACT's number of quality hotels available to both holiday and business tourists. A study to identify potential **hotel sites** for the future should be undertaken.

Canberra's taxi service has an unfortunate but well-deserved reputation for being completely inadequate to meet the needs of the resident population, let alone business tourism -



particularly when the Australian Parliament sits. The key issue appears to be a shortage of taxi drivers. Regardless of the cause, the ineffective ACT taxi service continues to have increasingly serious repercussions for our local businesses including hotels, restaurants, convention centres and for business tourists. This situation is unacceptable in a busy city and the nation's capital and must be resolved as a matter of urgency. The Canberra Business Council urges the Government to work with the business community to solve this problem.

The Canberra Business Council supports the **Australian Science Festival's** submission to the ACT Government for increased funding. The Science Festival was the original and remains the nation's best science festival in size, impact and reputation. The festival provides niche tourism potential and injects millions of dollars into our local economy each year. With a relatively small injection of capital, the Science Festival could become Canberra's second major festival, after Floriade. It already attracts almost ten times as many visitors per day as Floriade.

International tourism is forecast to grow at 7% per annum through to 2014 while domestic tourism is projected to be flat until 2014. To capitalise on international tourism growth and with low-cost airlines such as Tiger and Air Asia coming into Australia the ACT should seize the opportunity to attract these low-cost airlines to fly direct into Canberra. This will require a whole-of-government, whole-of-business and whole-of-region approach with a strong and unified collective proposal.

- ① ***Recommendation 3: The Canberra Business Council recommends that the ACT Government reinstate its investment in tourism (\$6m minimum) and announce long-term spending commitments for tourism which extend beyond the current budget and cover the full Forward Estimates period.***

In addition the Canberra Business Council recommends that the ACT Government:

- ***work in partnership with the private sector to develop a competitive proposal to attract low-cost international airlines to fly direct into Canberra***
- ***commission a feasibility study for a permanent site for Floriade and establish infrastructure for the International Gardens and Arboretum to allow for development of the gardens and forest areas in future years***
- ***commission a study to identify potential future hotel sites***
- ***establish a partnership with the private sector to solve the immediate taxi crisis and implement a practical long-term strategy to provide Canberrans and tourists with a first class taxi service***
- ***the ACT Government to support the Australian Science Festival's request for increased funding over three years: \$50,000 in 2007-08; \$100,000 in 2008-09 and \$150,000 in 2009-10***



International Trade

The ACT has become more export focussed in recent years and a significant number of ACT businesses have achieved important export success and an international presence. This has been due in no small part to the support businesses have received from the ACT Government through its sponsorship and support of international trade infrastructure, through the Chief Minister's Export Awards and *Focus on Business* and through Government-backed international trade missions.

The Canberra Business Council applauds the Chief Minister's personal interest in, and leadership of, the trade missions that have taken place in recent years to China and India. The important symbolism of having the head of Government on these delegations is appreciated by the host countries and increases the credibility of the mission and access to key decision-makers and potential buyers. The Council encourages the Chief Minister to continue to support these trade missions.

The ACT Government has also provided financial support to ACT businesses participating in trade missions. Small businesses often report that it is difficult to find the extra money to take part in these missions. The Canberra Business Council urges the Government to provide funding for more small businesses to be part of trade missions.

The ACT Government has provided funding for an ACT Representative in Washington, who has provided important support to ACT businesses entering the US market. The Canberra Business Council recommends that this funding continue and suggests that the Washington Model could become a model for ACT Government and private sector partnerships in other regions.

The ACT Government also provides support to the ACT Exporter's Network, which operates through the Canberra Business Council, by supporting an Export Development Manager. This support is crucial to the continued success of the Network and the growing number of exporters and potential exporters in the ACT. The Canberra Business Council strongly recommends that the ACT government commit to continuing its support of this program well beyond 2008. A three-year model would be preferred.

The ACT Chief Minister's Export Awards and the *Focus on Business* event are both important elements of the ACT's export drive. The Canberra Business Council urges the Government to consider increasing its involvement and funding of the awards. For exports from the ACT to grow with the significant flow-on benefits to the ACT economy, the ACT must continue to promote this activity, well into the future, through the ACT Chief Minister's Export Awards.



The ACT's export performance will be enhanced by improved collection of local export data. The Canberra Business Council urges the Government to identify opportunities by working closely with the Australian Bureau of Statistics or a similar research body to provide a reliable, detailed picture of the export behaviour of ACT exporters and potential exporters. In particular, there is a need to have more up-to-date data than is currently available on such things as the numbers of exporters, products or services exported, value of exports, current and emerging export markets.

- ① ***Recommendation 4: The Canberra Business Council recommends the ACT Government continue its commitment to supporting ACT exporters through:***
- *funding to enable more small businesses to be part of trade missions;*
 - *continuation of funding for the Washington Model and extending this to other regions;*
 - *continuation of support to the ACT Exporters' Network beyond 2008 (with a three-year model);*
 - *increased involvement and funding for the ACT Chief Minister's Export Awards, and*
 - *continuing support for the Focus on Business event.*
 - *contracting the ABS (or other body) to conduct an audit of export activity in the ACT.*

Innovation

The ACT Government has recognised that innovation and the development of new technologies are key drivers of performance within the broader economic development context.

It is accepted that successful innovation policies give nations, States and regions a competitive advantage and that the ACT has a world-wide reputation for research and technology development which has given it a competitive edge nationally and internationally. To retain this competitive advantage, the ACT / Capital Region needs to relentlessly build on its knowledge-based economic advantage. Other Australian States and Territories, particularly Queensland (*Smart State*) and Victoria (*STI Initiative*), already have well-developed innovation strategies. Those States invest substantial resources in these strategies and are actively pursuing policies to attract and retain knowledge-based innovative firms.



In this competitive situation the Canberra Business Council has serious concerns about the gap in funding for innovation, start-up capital and investment in innovative infrastructure left by the abolition of the Knowledge Fund. The Council strongly recommends that the ACT Government reinstates a program (minimum \$2.5m per annum) to support business growth and to promote and sustain knowledge-based economic development and to make strategic investments in innovative infrastructure. The Council recommends that the program should fund both early-stage, higher-risk research and development (up to \$50,000 per grant) building capability and capacity (up to \$200,000 per grant) and a commercialisation stream. The ACT Government should also make financial contributions, where appropriate, to make bids from the ACT entities more competitive against other states. This innovation grant program would complement other programs such as *ANU Connect* and *Capital Angels*.

- ① ***Recommendation 5: The Canberra Business Council strongly recommends that the ACT Government re-instates a business support program (minimum \$2.5m per annum) to make strategic investments in innovative companies including grants for both early-stage, higher-risk research and development (up to \$50,000 per grant) grants to build capability and capacity (up to \$200,000 per grant) and a commercialisation stream.***

ScreenACT

The Canberra Business Council administers *ScreenACT* on behalf of the ACT Government. The Council recommends that funding for *ScreenACT* be extended to 30 June 2009 at which point an evaluation of the arrangement can be made following the submission of a half-yearly and annual reports on the achievements of the projects undertaken under the auspices of *ScreenACT*.



Population Strategy

Skills Shortage

As well as the need for a competitive tax structure for the ACT, the key economic issue facing the ACT is the need for a workable approach to a population strategy that addresses the ACT's skills shortages. These issues have been recognised recently by the ACT Government as priorities.

The Canberra Business Council welcomed the Interim Report of the ACT Skills Commission as an important step towards tackling the skills shortage in the ACT and applauds the Report's acknowledgement that the skills shortage is not just about a lack of skills but about a shortage of labour and people. The Canberra Business Council agrees with the Interim Skills Commission Report that unless this issue is given priority and addressed effectively, it will become a crisis, particularly as the population ages over the next 10-15 years.

With a booming economy and little unused capacity in the ACT labour market, the current size and projected growth of the population, simply will not be able to meet the future needs of the public and private sectors in the ACT. The Canberra Business Council supports a multi-faceted and fully-integrated strategy (taxation, housing affordability, childcare, education, health, water security etc) to give Canberra a competitive advantage in attracting people to live and work in the ACT. This includes a fully-integrated suite of longer-term strategies to improve retention and participation rates and, at the same time, position and market Canberra to attract, through interstate and international migration, more people to live and work here. This is particularly important given the strong competition developing among Australian States, Territories, regions and internationally, to attract a skilled workforce.

The Canberra Business Council supports the concept of government, educational institutions and business working in partnership to ease the skills shortage. The Council stands ready to work with the Government and educational institutions, such as the CIT, to pilot a program which matches suitable students with employers prepared to offer part-time and casual employment in areas of skill shortage.

Addressing the skills shortage is not just about implementing measures to improve retention and participation in the ACT public service. 60% of the ACT's employed residents work in the private sector and the majority of Canberra businesses are small (90% of Canberra businesses employ between 0 – 19 employees and only a very small number have 200 employees or more). While the Council applauds the recommendation that the ACT Government take a lead



role on many of the initiatives, using the resources of government to offer conditions of employment in the public sector that cannot be matched by the private sector, particularly by small business, will inevitably distort the employment market as workforce participants gravitate towards government.

In addition, any ACT specific impost on business designed to encourage workforce participation—such as the creation of a maternity leave fund for ACT private sector employees (a Report recommendation)—could have the unintended effect of discouraging business growth. Before any recommendations are included in the final report a careful cost-benefit analysis should be conducted for every proposal.

The Council looks forward to working with the Skills Commission in the consultation phase and implementation following the release of the final report.

- ① ***Recommendation 6: The Canberra Business Council urges the Government to develop and implement, in partnership with the private sector, a fully integrated population strategy that establishes population and jobs growth targets and reflects both the capacity and needs of the public and private sectors in Canberra and the surrounding region.***

The Government should extend funding for the *Live in Canberra* campaign to assist trained employees in areas of skill shortage to relocate to Canberra, and target students graduating from ACT tertiary institutions and other approved training programs to encourage them to offer themselves for employment in the ACT.

- + ***Recommendation 7: The Canberra Business Council recommends that the ACT Government extend funding for the Live in Canberra campaign to extend its reach and effectiveness.***

Migration

The ACT suffers from a number of competitive disadvantages in attracting overseas migrants when compared to many other areas in Australia. These disadvantages affect the ACT's ability to attract overseas students and to retain them after they graduate, its ability to attract skilled tradespeople and professionals, and its attractiveness to business migrants. One solution lies in changes to the treatment of the ACT under the Australian Government's migration policies and administrative arrangements. The Council offers its assistance to the Government in any representations it makes to the Australian Government for changes to remove discrimination against the ACT under migration policies.



- ① *Recommendation 8: The Canberra Business Council recommends that the ACT Government lobby the Federal Government to remove the current disadvantage suffered by the ACT through the migration points system.*

Housing Affordability

During the years of Canberra's strong population growth, Canberra's housing affordability was an important incentive for many young people to relocate to Canberra. While employment prospects in Canberra remain strong, declining housing affordability and escalating rents have removed this incentive. The risk now is that unless the ACT can attract sufficient numbers of potential employees to move to Canberra, businesses will be forced to move their activities to other places where they can attract employees. The same risk—that employers will move to where the employees are—also exists in relation to Federal Government functions. The ACT Government needs to adopt measures which improve housing affordability thereby reinstating Canberra's competitive advantage and again making Canberra an attractive place for potential employees to live.

- ① *Recommendation 9: The Canberra Business Council recommends that the ACT Government release land for housing and apartment buildings to meet the demand for housing and to improve housing affordability in the ACT.*

Workforce Participation Strategy

Increasing the available workforce by better utilising the capacity of existing residents to participate in the workforce will help address the skills shortage in the ACT. The Canberra Business Council supports the development of a range of strategies to increase workforce participation by engaging or re-engaging older workers, mothers returning to the workforce, students wanting part time jobs, carers wanting to return to the workforce or work part-time. The strategy would need to identify the needs of each group, including more flexible work-styles, retraining and childcare, and changing mind-sets about the effectiveness and value of part-time and older workers.

Mature-age workers. In relation to mature age workers the Council supports a survey of Canberrans in the 50-60 age bracket—the group tempted to take early retirement at 55 because of generous public sector superannuation entitlements—to better understand the factors that would encourage them to stay in Canberra and participate full-time or part-time in the workforce rather than to take early retirement.



Carers. The majority of Carers are of workforce age (18-64 years) representing 75.6 per cent of all Carers. Many Carers wish to work on a part-time or full-time basis, but find it difficult to re-enter the workforce without support for their ongoing care needs. Carers who have suffered a bereavement often need intensive or longer-term support to facilitate their adjustment back into a non-Carer role. The Canberra Business Council supports Carers ACT proposal that unpaid Carers who wish to return to the workforce be provided with re-skilling and training. Solutions to achieve sustainable workforce participation rates for Carers will also be assisted by the funding of policy workers at Carers ACT. This is already an area of identified need for Carers in the ACT.

- ① ***Recommendation 10: The Canberra Business Council recommends that the ACT Government develop cross-portfolio policies and strategies (as part of a comprehensive and fully-integrated population strategy to enable those people who are currently disengaged from the workforce such as mature-age workers, mothers with young children, tertiary students and carers to remain in or return to the workforce in a manner appropriate to their needs. This includes a transition assistance scheme for re-skilling where needed.***

To inform that strategy, the Council supports the commissioning of a survey of Canberrans in the 50-60 age bracket to ascertain what factors would encourage them to stay in Canberra and to participate full or part-time in the workforce.

Occupational Health and Safety Commissioner

The newly revised role the Occupational Health and Safety Commissioner will involve promoting Occupational Health and Safety (OHS) and Workers Compensation on the basis of outsourcing appropriate activities, information and functions. It is essential that this position receives sufficient funding to ensure that adequate OHS promotion is undertaken. The Canberra Business Council recommends that the Government guarantee an ongoing allocation of at least \$250,000 per annum (indexed to CPI) in addition to the allocation for staffing, wages, accommodation and on-costs.



Infrastructure

Canberra's infrastructure requirements are inseparable from the population and skills issues addressed in the previous section of this submission. Unless the ACT has an adequate system of physical infrastructure including water, roads and transport, power and telecommunications it will not be able to attract and maintain the population it needs to address the skills shortage and the other population-related challenges it faces.

New Convention Centre

While recognising the significant ACT Government investment in refurbishing the existing National Convention Centre, the ACT cannot afford to delay any longer the planning and development of a new Convention Centre. The Canberra Business Council urges the ACT Government to immediately commit financial support to the Council's plan for a scoping study and the development of a business case for a new Convention Centre as outlined in the Council's report: *Delivering a Convention Centre for the Nation -- A Way Forward*.

- ① ***Recommendation 11: The Canberra Business Council recommends that the ACT Government, collectively with the private sector, immediately commit to \$750,000 to undertake a scoping study and the development of a business case for a new Convention Centre. At the same time, that the ACT Government and the Canberra Business Council continue to lobby the Australian Government to secure a financial contribution and the NCA to secure its support for the planning and development of a new Convention Centre for the National Capital.***

Transport

Pialligo Avenue Upgrade

The proposed current upgrade to Pialligo Avenue is a very welcome addition to Canberra's infrastructure and the ACT Government is commended for this decision. The upgrade will assist in alleviating the congestion that currently occurs in and around the Majura Valley however, under current plans, the small portion of the road linking Civic with the Airport between the Monaro Highway and Beltana Road is not being upgraded. This section of Pialligo Avenue will cause significant traffic delays and needs to be upgraded as soon as possible.

Majura Parkway

The Majura Parkway is carrying increasing levels of traffic causing long delays to motorists at peak times. These significant increases can be directly related to the strong residential growth in Gungahlin and residents choosing to use Majura Road to commute to the city and beyond.



Majura Parkway requires urgent upgrade to facilitate the increase in traffic, to alleviate the long delays currently being experienced at peak times and to provide an efficient bypass of the central business district for trucks.

- ① ***Recommendation 12: The Canberra Business Council recommends that funding be allocated in 2008-09 to upgrade the section of Pialligo Avenue between the Monaro Highway and Beltana Road and to upgrade the Majura Parkway.***

Capital Works and Maintenance

The Canberra Business Council has previously expressed its concern about the steady long-term decline in the public works budget, while operational spending has increased. While the Council supports the ACT Government's stated Budget strategy of achieving a balanced Budget over the economic cycle, within that strategy the Council urges the Government to give a higher priority to capital and infrastructure expenditure than has previously been the case. The Council is concerned about the continued low levels of investment in physical infrastructure and the length of delays in deciding on and committing funds to urgently needed infrastructure.

In its 2005 report on the ACT's infrastructure, Engineers Australia identified serious shortcomings in both the provision of new infrastructure and maintenance of existing infrastructure. Despite the Government's on-going capital works program, infrastructure continues to be a major concern to the business community. There are indications that the deficiencies and maintenance backlogs are worsening rather than improving. As a means of identifying the gaps in ACT public infrastructure and efficiently prioritising expenditure of the Capital Works Budget, the ACT Government should undertake an audit of the ACT's public assets and infrastructure.

The ACT needs a long-term program to maintain and upgrade its infrastructure. Poor coordination, planning and timing of capital works programs has added to the business community's concerns. The current model of delivering capital works needs to be thoroughly reviewed and recommendations made to improve the efficiency of the program and provide more certain commencement and completion times for projects.

- ① ***Recommendation 13: The Canberra Business Council recommends that the ACT Government undertake an audit of the ACT's public assets and infrastructure, and a review of the model for delivering capital works, including recommendations to improve the efficiency of the program and provide more certain commencement and completion times for projects.***



Long-Term Projects

The Council is also concerned about the Government's apparent reluctance to use borrowings and investigate innovative financing arrangements involving the private sector to address infrastructure requirements. Such alternative financing arrangements, providing they are subject to all normal prudential safeguards, are entirely appropriate for funding long-term capital requirements, make the best possible use of the ACT's AAA credit rating and will in no way conflict with the principles of responsible government budgeting.

- ① ***Recommendation 14: The Canberra Business Council recommends that the ACT Government investigate innovative financing arrangements involving the private sector to address infrastructure requirements, including funding of long-term capital requirements through making use of the ACT's AAA credit rating.***

Water Security

The Canberra Business Council applauds the initiatives recently announced by the Chief Minister to secure the ACT's water supply. Securing the ACT's water supply into the future is inextricably connected to Canberra's ability to attract more people and in particular, more skilled workers to live and work in Canberra. Infrastructure to support a larger population, particularly water and affordable housing, must be planned for and put in place as a matter of urgency if we are to retain and attract people.

The Canberra Business Council continues to support actions which cost-effectively reduce per capita water consumption and increase water efficiency measures in the commercial and industrial sectors. At the same time it has strongly advocated for investment in enhanced water storage infrastructure and in initiatives, such as recycling and water purification, which go beyond schemes solely reliant on rainfall.

Additional water storage and supply initiatives, such as the substantial enlargement of the Cotter Dam and the transfer of water from the Murrumbidgee River to the Googong Dam, are not only necessary to minimise severe and frequent water restrictions, they are fundamental to the support of a growing Canberra population and therefore to the very future economic development of the Capital Region.



Conclusion

The issues raised in this submission have a significant impact on the economic growth, development and sustainability of Canberra and the ACT region. The Canberra Business Council believes that many of these can and should be addressed through commitment in the 2008–09 ACT Budget. The Council and its Kindred Organisations remain committed to working with the ACT Government to ensure outcomes conducive to stimulating growth which will ensure revenues are available to Government to implement its programs.

Kindred Organisations

ACT Film and Television Council
 ACT Film Makers' Network Inc
 ACTSPORT
 Association of Consulting Engineers Australia
 Australian Hotels Association
 Australian Information Industry Association
 Australian Institute of Company Directors
 Australian Institute of Management NSW & ACT Ltd
 Australian Institute of Quantity Surveyors (ACT Chapter)
 Australian Property Institute (ACT Division)
 Australian Society of Association Executives
 Canberra Arts Marketing
 Canberra Convention Bureau Inc
 Carers ACT
 ClubsACT
 COTA (ACT)
 CPA Australia
 Engineers Australia, Canberra Division
 Family Business Australia
 Housing Industry Association
 Institute of Chartered Accountants in Australia
 Institution of Surveyors Australia (Canberra Division)
 Law Society of the ACT
 National Institute of Accountants
 Pharmacy Guild of Australia ACT Branch
 Property Council of Australia (ACT Division)



Public Relations Institute of Australia (ACT) Inc.
Royal Australian Institute of Architects (ACT Chapter)
Safety Institute of Australia Inc (ACT Division)
Tourism Industry Council (ACT & Region)