AUSTRALIAN INDUSTRY GROUP SUBMISSION to

Department of Science, Information Technology, Innovation and the Arts

Queensland Digital: Draft Digital Economy Strategy

9 December 2013

The Australian Industry Group (Ai Group) commends the Queensland Government for releasing *Queensland Digital*: *the draft Queensland Digital Economy Strategy* and welcomes the opportunity to comment on it.

Ai Group is a peak industry association in Australia which along with its affiliates represents the interests of more than 60,000 businesses in an expanding range of sectors including: manufacturing; engineering; construction; automotive; food; transport; information technology; telecommunications; call centres; labour hire; printing; defence; mining equipment and supplies; airlines; and other industries. The businesses we represent employ more than 1 million employees.

Ai Group's submission addresses the high-level vision and objectives of the strategy and two of the four key areas identified in it: Queensland Government Services and Business and Industry. The main points in our submission are:

- We commend the Queensland Government on releasing a forward-looking digital economy strategy.
- We support the commitment to expand government online service delivery, particularly where this is tied to cutting red tape and transaction costs and improving the quality and convenience of services. We would be pleased to work with the Queensland Government to identify the areas of highest priority for online service delivery.
- We agree that more work is needed to ensure that Queensland businesses and industries maximise the opportunities available to them in the digital economy.
- We recommend the Queensland Government considers both how it can leverage existing resources and where new Queensland specific resources are needed to maximise the efficiency and cost-effectiveness of its approach.
- We also support a partnership based approach to delivering and disseminating services and information.
- Workforce skills are a critical determinant of whether businesses can identify and take advantage of digital opportunities. We recommend the business and industry focus area includes an action item specifically on this point.

Queensland Digital Vision and Objectives

Ai Group supports the definition of the digital economy in the strategy and the strategy's objectives and four focus areas. We particularly support the strategy's recognition of the economic benefits arising from smart adoption of digital technologies and services.

Increasing productivity and competitiveness are two key economic challenges facing Australia and business and government adoption of digital technologies and services is part of meeting these challenges. As the World Economic Forum noted in the 2013 edition of the *Global Information Technology Report*, the focus of digital economy policies developed by governments is shifting to sophisticated and targeted strategies that make the most of a region or country's competitive advantages.

> The lesson for policymakers and national leaders is clear: having laid the necessary
> groundwork by building our broadband infrastructure and ensuring access, it is now time
> to differentiate around distinctive opportunities and capabilities. Governments have a role
> to play as digital market makers. That means making deliberate choices about what
> sectors furnish the best opportunity for that absolute advantage… and focusing on them.
> It means understanding the trade-offs between job creation and productivity that

increasing digitization brings, and creating mechanisms to offset potential job losses. Finally, it means understanding what capabilities you must bring as a policymaker to advancing your country's digitization agenda. Do you need to play the role of direct developer, financier, or facilitator?

These issues are relevant for the Queensland Government as it considers what role it should play in promoting the digital economy in Queensland.

Focus area: Queensland Government

Ai Group supports the Queensland Government's proposed commitment to a 'digital first' approach to service delivery. This is consistent with recent commitments from the Australian Government and other states. We also welcome the Queensland Government's intention to integrate its approach with other jurisdictions.

We support the action ideas suggested in the Queensland Government focus area, and in particular, the suggestion to develop a Digital Government Strategy for Queensland based on a 'digital first' stance. We recommend that a Digital Government Strategy includes the following elements:

- A timeline for implementing the digital first policy;
- Commitments to:
  - online end-to-end delivery of services where feasible;
  - using online service delivery to reduce red tape and transaction costs for business users of government services and to improve service quality and convenience;
  - a multi-platform approach to service delivery that expressly considers mobile service delivery opportunities.
- An audit of government services to determine where they are delivered offline and online, the volume of use, and the capacity for online services delivery.
- A process for setting benchmarks for online service delivery and measuring performance against the benchmarks on an ongoing basis. Benchmarks should include measures of service quality as well as the number of services delivery online. The results of these measures should be regularly and publicly reported.
- A process for consulting with industry to identify high priority areas for online service delivery.
- A strategy for establishing a culture that recognises that online service delivery should be the default.
- Specific actions to promote open data practices within the Queensland Government.

We also support the action item proposing a review of Queensland Government legislation and administrative processes to identify potential hurdles to online service delivery.

Ai Group would be pleased to work with the Queensland Government to identify the priority opportunities for shifting services for business online and strategies to ensure that business customers have the skills and technology to take advantage of them.

We also support the action item which proposes to work with the Australian Government to leverage programs to maximise digital infrastructure and services for Queensland. As the Department would be aware, the Australian Government is currently reviewing the quality of telecommunications in different locations around Australia to inform decisions about whether to amend the national broadband network rollout timetable to give greater priority to regional and metropolitan areas and we would encourage the Queensland Government to participate in that process.

A recent survey of businesses conducted by Ai Group found that 38 per cent rate their existing telecommunications infrastructure as inadequate to some degree, with frustration most acute in outer metropolitan and regionals areas. We have recommended that poorly served businesses are industrial estates in outer metropolitan and regional areas should be accorded greater priority in the rollout timetable. We would be pleased to work with the Queensland Government to identify Queensland businesses' priorities for improved digital infrastructure.

Focus area: Business and Industry

Ai Group welcomes the strategy's inclusion of a business and industry focus area given the increasingly well-documented link between improved productivity and technology adoption as well as evidence that some segments of the business community are being left behind.

Earlier this year, Ai Group released a report called *Ready or Not? Technology Investment and Productivity in Australian Businesses*, which was based on a survey of nearly 350 CEOs. It found that 33 per cent of businesses that invested in new technologies in 2012 reported labour productivity improved, compared with 16 per cent of those businesses that did not invest. Fifty-four per cent of businesses that intended to invest in new technologies in 2013 expected labour productivity to improve compared with just twenty per cent of businesses that did not plan to invest.

The report also confirmed that the benefits of the digital economy are not shared equally amongst businesses. Fewer than 50 per cent of companies were confident in their capability to take advantage of opportunities afforded by access to high-speed broadband. Small to medium enterprises (SMEs) were the least confident, with only 40 per cent of medium sized companies and 47 per cent of small companies expressing confidence compared with 70 per cent of larger companies.

In October 2013, Ai Group released a report on business users attitudes to high-speed broadband based on a survey of just under 200 businesses. Fifty-nine per cent of respondents had not begun to prepare for the NBN rollout. Manufacturing companies were the least likely to have prepared, with 68 per cent reporting they had taken no steps, followed by mining companies (60 per cent) and construction companies (45 per cent). The services sector was the most prepared, with only 39 per cent of companies reporting that they had taken no steps to prepare. The majority of businesses that planned to prepare for the NBN rollout anticipated doing so within one to three years (28 per cent). However, 30 per cent had no intention of preparing at all.

Comments on action items

Ai Group generally supports the action items suggested in the draft strategy. We agree that businesses, particularly SMEs, would benefit from resources to help identify digital opportunities relevant to their business.

Before commissioning new content such as a digital productivity toolkit for the Queensland Government's business and industry portal we recommend that the Queensland Government identifies existing resources that it could draw on. The Australian Government, for example, has established the Digital Business Kits program, which is supporting the development of ten digital business kits that will provide content tailored to SMEs in a particular industry. The kits will launch in the second half of 2014. Ai Group is developing a kit for the manufacturing sector and other kits have been awarded in the food and restaurant industry, construction, professional services and farming. Federal programs such as Enterprise Connect and the Digital Enterprise program also provide opportunities for Queensland businesses to lift digital awareness and skills.

Ai Group would be pleased to meet with the Queensland Government to brief them on our work in these areas and to identify opportunities to leverage that work in the context of the *Queensland Digital* strategy.

The draft *Queensland Digital* strategy also seeks feedback on the most effective means of reaching businesses regarding digital economy opportunities. In our view, collaboration between the Queensland Government and other stakeholders will be critical. Ai Group research has shown that businesses primarily get their information about new technologies from other businesses and the investment activity of competitors is a key spur for other companies to invest. Suppliers and clients are particularly important in this area and are often a source of information and training. This has implications for Government interventions in this area including:

- It is likely that it will be more effective and efficient for the Queensland Government to work collaboratively with the business community to deliver programs as this will expand the reach and audience for information and will match the channels that businesses are already using to get information.

- Developing digital resources / benchmarking tools targeted at a particular section of the business community (for example, a sector level and company size level) will be important because they will have higher relevance to the audience. Ai Group's experience is that case studies are a very powerful way of engaging the interest of businesses. We recommend that the Government work with the industry to develop case studies from different industry sectors to highlight successful examples of where companies are taking advantage of digital economy opportunities or transforming their business.

- Working collaboratively with partners will allow the Queensland Government to be more efficient and cost-effective in developing and disseminating resources.

Further action items

Workforce skills are a critical determinant of whether businesses identify and exploit digital opportunities and we recommend that the Queensland Government considers adding an additional action item in the business and industry focus area relating to workforce skills development. The action item could commit to identifying core digital skills needs in Queensland businesses, including areas that are of particular importance to Queensland's industries and areas of competitive advantage, and outline a strategy for ensuring that skills needs will be met. In our view, key priorities for workforce skills development in the digital economy are:

- Improving **foundation skills** amongst the workforce such as literacy, numeracy and problem-solving. These skills are essential building blocks for digital capabilities in a technology rich environment and need to be acknowledged as a first step in the challenge of lifting the digital capabilities of the workforce.

- Improving **digital literacy and innovation skills** within businesses generally.

- Improving **advanced skills** in key areas such as science, technology, engineering and maths (STEM), which includes advanced ICT skills. Design and advanced marketing are other important areas of specialised skill needs in a digital economy.

- Improving management and leadership capabilities. There is consistent evidence that the productivity benefits of ICT usage often rely on complementary changes to organisational culture and / or processes to be fully realised. This makes the quality of management and leadership skills within the workforce important to the ability of businesses to take advantage of digital economy opportunities.

Conclusion

Ai Group commends the Queensland Government on producing a forward-looking draft digital economy strategy. We would be pleased to meet with the Queensland Government to identify areas where we can assist the Queensland Government to realise the strategy's objectives and action items.