

January 2011

## Update for Stakeholders

The following update informs stakeholders and other interested parties of the work of the IT Industry Innovation Council to date.

The Council was announced by Senator the Hon Kim Carr on 5 May 2009 in recognition of the leading role that IT plays across all sectors of our economy and its ability to enable innovation which can transform existing industries, create new ones and enhance Australia's productivity and competitiveness. The Council which primarily acts as an advisory body to the Minister is made up of 25 members drawn from across the IT spectrum, including representatives from industry, suppliers, users, education, research, government and unions. The Council also plays a strong advocacy role promoting the sector in its own right and as an enabler of innovation, productivity and sustainable development for the economy as a whole. It has defined two major areas of focus – *'Developing innovative technology - turning ideas into products and services of value'* and *'Applying innovative technology – creating competitive advantage for business and government'*. Since the Council was established, five meetings have been held, a strategic plan agreed upon and a body of work is well underway. Activities of the Council can be monitored at the following website.

<http://www.innovation.gov.au/Industry/InformationandCommunicationsTechnologies/ITIIC/Pages/default.aspx>

## Strategic Plan

Following the first meeting in July 2009, a series of stakeholder workshops were held in all mainland State capital cities throughout August 2009 to garner input on the range of issues and opportunities facing the IT industry and to assist the Council in developing a strategic plan. The workshops were well attended, and after further discussion at the second Council meeting in November 2009, a Strategic Plan for the Council was developed. The Plan outlines long term targets and outcomes for 2014, with a series of 10 milestones for 2010 to focus the work of the Council. The one page Strategic Plan is included at **Attachment A**. Activities under each of the 2010 milestones are outlined below.

### **Milestone #1 – Link the innovation agenda to the National Broadband Network (NBN) and the digital economy; promote and raise awareness of the benefits of an NBN enabled economy**

This milestone applies to both focus areas of the Council – *developing* and *applying* innovative technology and plays to the Council's 2014 strategic outcomes *'Maximising the NBN opportunity'*, *'Vibrant and growing SME IT sector'* and *'Influential Innovation Sector'*.

The Council believes the ubiquity and capacity of the NBN coupled with technology based solutions can be transformational to the Australian economy driving productivity and securing prosperity in the years to come and is actively working within and outside of government in pursuit of this milestone. The Council believes that as businesses, individuals and governments become more aware of the benefits of an NBN-enabled economy, investment in technology applications and infrastructure will increase fuelling opportunities for the IT industry as developers and suppliers and the opportunity for businesses and government to become more productive and hence competitive through widespread and innovative application of technology.

Creating this awareness and the imperative for action is a Government priority. This milestone is being led by a Council member from the Government's Department of Broadband Communications and the Digital Economy (DBCDE). The Government has been active in developing initiatives to support Australian businesses and communities so that they can access the benefits of participating in an NBN-enabled digital economy. These include:

- ***NBN Promotional Campaign: Value of Broadband*** – On 13 June 2010, the Government commenced a national awareness campaign to inform Australians about the NBN initiative and the benefits of broadband to Australian society and the economy - from health and education, through to business and social outcomes. Three

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television commercials, two press advertisements and a website ([www.nbn.gov.au](http://www.nbn.gov.au)) were produced as part of the campaign.

- *Regional forums / information sessions* – DBCDE is facilitating regional forums to inform regional areas about the rollout of the National Broadband Network and the benefits and opportunities of high speed broadband.
- *Rural NBN Coordinators* – The Australian Government has engaged Rural NBN Coordinators to help regional communities take full advantage of the opportunities of broadband. They will play an important role in improving community understanding of the opportunities of broadband and engagement in the digital economy.
- *Small Business Online* – Through the Small Business Online Program, the Australian Government has provided grants totalling \$14.3 million to 47 service providers to equip small businesses with skills to make the best use of an online presence. One of these initiatives is the *Winning Business Online* website aimed at assisting SMEs to establish a web presence to cut costs and capture new markets. The project encourages SME's to utilise free online tools to build websites, boost site traffic and incorporate social media into their business strategy
- The launch of the new website, [www.digitalbusiness.gov.au](http://www.digitalbusiness.gov.au) which provides guidance for small businesses, not-for-profits and community organisations to establish and/or enhance their online presence so that they can access the benefits of participating in the digital economy.
- In early 2011, the DBCDE Council member will also be undertaking *presentations to other Industry Innovation Councils* outlining the benefits of the NBN

Supporting these initiatives, Council members each play an advocacy role encouraging industry, both the IT industry and more broadly, to realise its benefits. Alex Zelinsky, a Council member and Group Executive, CSIRO Information Sciences hosted a week-long summit called "Broadband for Society Summit" which examined ways of realising our broadband future. Held in November in Tasmania, one of the first NBN roll out sites, the summit showcased innovative technologies and applications that enable and are enabled by, widespread broadband connectivity.

In focus are CSIRO's new wireless broadband technology trials in which CSIRO is evaluating new approaches to the delivery of high-speed connectivity in rural and regional areas. The trial took place in December in Smithton, one of the first towns in Australia to be connected to the NBN.

The Summit attracted widespread attention and attracted several hundred delegates with excellent speakers including Gordon Bell Microsoft, Peter Fleming NEHTA, Phil Robertson NICTA, Ian Birks AIIA, Colin Goodwin Ericsson, George Margelis Intel, Kate Cornick IBES, Prof. Wenjun Zhang, Shanghai Jiaotong University, Michael Denning Adobe and Catherine Middleton, Ryerson University, Canada.

## Milestone #2 – Develop a unified industry message

This milestone indirectly applies to both areas of focus in that it supports the awareness creating activity of the Council and is intended to simplify and align messaging to stakeholders in the digital economy. It plays to the Council's 2014 strategic outcome *'Influential leadership position for the IT sector'*.

Chair of the Council John Grant and Council members Tracey Fellows and Suzanne Roche convened a workshop with representatives of a wide range of associations including the Australian Computer Society, the Australian Industry Group, the Australian Information Industry Association, the Australian Services Roundtable, the Business Council of Australia and the Communications Alliance in July to understand the position of each industry organisation on the significance of innovation through technology and to ascertain the potential for all organisations to speak with a common message in dialogues with government, business and the media. Participants agreed that there was a common purpose that could be communicated by all organisations in their dialogue with the Government and more broadly.

This 'common purpose' was identified as endorsing the drive for national productivity growth as the foundation for national wealth. Participants further agreed that such improvement was largely dependent on innovation at all levels of the Australian economy and society and that this improvement would fundamentally depend upon the development and deployment of information and communication technologies supported by the right skills, infrastructure, policies and regulation.

Attendees discussed forming a 'Declaration' of those present – an Industry Manifesto for National Productivity through Innovation through Technology. This Declaration would establish a messaging framework under which each organisation would pursue advocacy of issues of interest to them. The draft declaration is yet to be formally endorsed by the associations present but says:

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*'While Australia is enjoying a period a relative wealth, prosperity and cohesiveness, our declining levels of productivity growth and global competitiveness give concern for the future. Innovation will be essential to delivering the individual and collective productivity that will sustain Australia's wealth and expansion in international markets. Fundamental to the innovation that drives productivity is the development and deployment of information and communication technologies.*

*We therefore urge our political and business leaders to make it a national priority of government and business to drive productivity improvement through the development and deployment of information and communication technologies.'*

### **Milestone #3 – Influenced current legislation around Research and Development (R&D) tax credits and stock options**

The milestone applies to the Council's focus on *developing* innovative technology and plays to the Council's 2014 strategic outcomes '*Vibrant and growing SMI IT sector*', and '*Skilled and innovative people*'.

Through a working group of the Council led by Paul Kristensen and including Amanda Heyworth, Graham Hellestrand and John Grant, the Council took a very strong position on the government's proposed R&D tax credit legislation through two submissions arguing the case for appropriate support and incentives for R&D in furthering innovation in IT. Ultimately it contributed to re-drafting the proposed legislation with the amendments directly addressing concerns raised by the Council. The changes met the interests of the IT industry and have been supported by the Council and industry associations such as the AIIA. The status of the legislation to date is that as of 25 November 2010, the *Tax Laws Amendment (Research and Development) Bill 2010* had passed through the House of Representatives but subsequently failed to pass the Senate. On 25 November Senator Carr advised that the legislation will now not be voted on [in the Senate] until February at the earliest.

The Council also made a submission to the Board of Taxation review into elements of the taxation arrangements for Employee Share Schemes, specifically in terms of: *How to best determine the market value of employee share scheme benefits*; and *Whether shares and rights under an employee share scheme at a start-up, R&D or speculative focused company should have separate tax deferral arrangements, despite not being subject to a real risk of forfeiture*. The Review Report and recommendations made to the Government by the Board showed that several of ITIIC's concerns and recommendations were considered but were not accepted as appropriate amendments that would yield tangible outcomes for SMEs or innovation generally in Australia. In response, the Council responded to the Chair of the Board of Taxation reiterating its position. The Council sees this issue as inhibiting the ICT sector's development potential and more widely as inhibiting innovation. The Council will continue to pursue this matter.

In both of these activities the Council noted and has communicated what it sees as a structural flaw in government with the levers for innovation and incentive resting with financial entities in government rather than innovation entities.

### **Milestone #4 – Framework for professionalism created and managed by one association**

This milestone applies to both focus areas of the Council – *developing* and *applying* innovative technology and plays to the Council's 2014 strategic outcomes '*Globally Recognised Capabilities (Brand Australia)*', '*A World Class R&D & Education System*' and '*Skilled & Innovative People*'. It also plays to improving the IT industry's capability to deliver technology based solutions consistently and predictably and having an Australian education and training capability framework that articulates between school, VET through to university degrees.

Led by Council members Anthony Wong and Peter Cole, the Council is supporting the ACS in developing a national framework for professionalism in the IT sector through a single, globally recognised ICT professional accreditation framework managed by one association. The ACS has been working in collaboration with other professional societies, through bodies such as the International Professional Practice Partnership (IP3), to establish an international benchmark for professionalism in ICT. Three new levels of certification have been or are in the process of being developed - 'certified technologist', 'certified professional' and 'certified specialist'. All will be in place by mid-2011. The framework also recognises non-university trained professionals. The ACS will continue to foster awareness of and to promote the benefits of this program to those within business, industry, government and

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academic circles. These stakeholders are key to accepting and recognising a new calibre of ICT professional, one who makes an even stronger commitment to professional development, ethics, and professionalism.

## **Milestone #5 – Gained formal link between ITIIC and Commercialisation Australia (CA)**

This milestone applies to the Council's focus on *developing* innovative technology and plays to the Council's 2014 strategic outcomes '*Vibrant and growing SMT IT sector*' and '*Exporting Solutions to the World*'. Led by Steve Connolly, the Council wrote to Minister Carr in December 2009 outlining the view that given the inherently pervasive nature of ICT, the new Board of CA should include suitable representation from the ICT sector. The letter noted that given the obvious propensity for the ICT sector to undertake innovative and risky research, CA will inevitably have major dealings with companies from the ICT sector; and the Board should have the expertise and experience to understand the importance of ICT in fostering innovation as a precursor to commercial products, both within the sector and across the economy.

Minister Carr's appointment of Dr Laurie Hammond (Co-Founder and Director, iQ Capital Management Pty Ltd) as Chair of the CA Board was welcomed by the Council.

In April 2010 CA announced the recipients of the first round of funding, and from a total of \$9.6 million in grants nearly 40% (\$3.8 million) was directed at ICT related projects. The second round of funding was announced in October 2010 with ICT related projects again accounting for nearly 40% of total grants.

The Council will continue to monitor this program and has invited Mr Doron Ben-Meir, CEO of CA, to speak direct to the Council in 2011 about the CA program.

## **Milestone #6 – ICT Education, Skills & Training objectives underpinning innovation**

This milestone applies to the Council's focus on *developing* innovative technology and plays to the Council's 2014 strategic outcomes '*A world class R&D and education system*' and '*Skilled and innovative people*'.

Led by Graham Hellestrand with Ros Eason, the Council is scoping a plan of work aimed to enhance and coordinate IT education, skills and training activities. The issue is a complex one ranging from high school student training through to tertiary education and covering a range of entrepreneurial, innovation and leadership skills needs. The supply of adequate 'work ready' skilled personnel will also involve consideration of alternative strategies to attract the necessary number for example through gender balance issues and mature age IT workers.

## **Milestone #7 – ITIIC strategic priorities reflected in government policy**

This milestone applies to both focus areas of the Council – *developing* and *applying* innovative technology and plays to all the Council's 2014 strategic outcomes.

The contribution to the policy and legislation development processes in Milestone 3 was a specific example of this milestone. Also through this milestone, Council Chair John Grant undertook to work specifically with Minister Carr's other advisory bodies to produce a broader understanding of the role of IT across the economy. In meeting this commitment he, together with other members of the Council, participated in the inaugural *Collaborating for Success* conference held in April 2010. The conference brought together members of all DIISR industry and innovation policy focussed advisory bodies – leaders of industry, research, and science – to exchange ideas on innovation, consider models of best practice, and help link business to the Government's increased investment in public research. Importantly many of the opportunities highlighted through the conference are consistent with or reflect the strategic priorities of ITIIC.

The Chair has also participated in meetings with other Industry Innovation Council Chairs in which they are able to investigate and propose solutions on cross cutting issues, including highlighting IT as an enabling technology across all other industry sectors.

Council members were also very active during the recent Federal election campaign on the NBN. The importance of the NBN to regional Australia proved to be a significant factor in the outcome of the election.

## **Milestone #8 – Elevated programs that promote entrepreneurial and leadership skills**

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This milestone applies to the Council's focus on *developing* innovative technology and plays to the Council's 2014 strategic outcomes '*Vibrant and growing SME IT sector*', '*Exporting solutions to the world*' and '*Skilled and innovative people*'.

Led by Amanda Heyworth, the Council had identified particular gaps in business "execution" skills in early-stage ICT ventures and undertook to investigate Commonwealth, State and academic programs aimed at supporting leadership, management and entrepreneurship skills. However, having identified a plethora of such programs, it was determined that their quality and impact was mixed and that it was not appropriate for the Council to promote any particular program to the Government. It was also noted that there are differing academic views on the benefits of mentoring and direct teaching of entrepreneurial skills.

The Council is now exploring alternative options for providing advice to Minister Carr on this issue, including exploring activities through the Society for the Knowledge Economy, possible opportunities under the new ACS accreditation framework, and possibilities offered through tertiary student work placement programs.

In addition, the Council agreed that exposing IT students to a market validation discipline would be a worthwhile pursuit and that this issue might be considered as a specialisation under the new accreditation Framework. Discussions with academics at University of Adelaide, ANU and Melbourne Business School suggest there are good prospects of piloting a "product commercialisation" program at a top tier university in the second half of next year. The program would then be refined and rolled out more broadly across Australia. The Council will explore this further in 2011.

## **Milestone #9 – Council members are powerful champions of innovation in the ICT industry**

This milestone applies to the Council's focus on *developing* innovative technology and plays to the Council's 2014 strategic outcomes '*Globally recognised capabilities*', '*Vibrant and growing SME IT sector*' and '*Influential leadership position*'.

Led by Suzanne Roche, members of the Council have participated in and supported a range of forums promoting and showcasing technology as an enabler of innovation and pursue every opportunity to promote the Council and its agenda. The Council is consulting with other Industry Innovation Councils to promote the role of IT in stimulating innovation in their industries and is working with the Department of Innovation, Industry, Science and Research to ensure the programs they have in place to support business are well equipped to advise on the innovation and productivity gains to be achieved through technology. In these and all its activities, Council members are proving to be vocal champions of the important role of IT innovation in business and the community generally.

A series of articles focused on the importance of technology in driving innovation, productivity and competitiveness and several case studies showing how companies have applied ICT to innovate their business have also been developed or are in the process of development and the Council is actively pursuing their publication in relevant print and online publications. Member authored articles have appeared in the ACS Magazine *Information Age* and the AIIA website.

Five members of the Council were selected to tell their 'innovation story' in a series of multimedia profiles. These profiles highlight the importance of innovation in the business context.

Council members provided input to the Australian Industry Group's review of the national innovation effort, which was reflected in the final report *Innovation: New Thinking New Directions*.

Tom Crago is also participating in the Book Industry Strategy Group which was announced in February 2010. Involvement in this forum allows input on the structural adjustment issues facing the book industry as we move into a digital economy.

Council members have also contributed to the development of the Research Industry Workforce Strategy by the Department of Innovation, Industry, Science and Research.

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## Milestone #10 – Enterprise Connect Business Advisers (BAs) equipped and confident to advise on IT enablement

This milestone applies to the Council's focus on *applying* innovative technology and plays to the Council's 2014 strategic outcome '*Vibrant and growing SME business sector*'.

Led by Mike Lawson, as a first step the Council developed a series of questions to gather information on BAs experience of how their client firms currently use and view IT and their own confidence in providing advice to firms on IT issues. The questions were circulated through the Enterprise Connect Market Conditions survey in May 2010.

Key findings include:

- When asked if firms were under-investing in IT, the clear response was **yes**, but the reasons were varied. The top 3 responses were a lack of technology skills/knowledge base within firms, cost issues, and a lack of information about what IT can offer.
- Nearly 80% of BAs felt that further investment in IT would significantly increase their client companies' competitiveness, viability and/or performance.
- When asked if BAs would welcome a package of information about IT solutions for business, a resounding 97.9% said **yes**.

The survey results highlighted an opportunity for the ITIIC to provide information and/or assistance to Enterprise Connect BAs to ensure the benefits of adopting IT solutions for business are fully realised by Australian industry.

### In Summary

2010 was a year in which maintaining momentum around the Council's agenda was interrupted by the Federal Election and its impact on the normal processes of government. This having now passed, the Council is setting the 2011 Milestones in the 2011 – 2014 Strategic Plan which will be endorsed at the next meeting in early 2011. This will set the targets and define the activities for the next twelve months, a period in which we expect to see higher levels of awareness within business and community as to the imperatives of the global digital economy and the need for Australian businesses and governments to increase their investment in developing and applying innovative technologies.

# IT Industry Innovation Council Strategic Road Map 2009-2014

May 2010

## 2010 Milestones

- Linked innovation agenda to NBN and digital economy; promote and raise awareness of the benefits of an NBN enabled digital economy
- Developed a unified industry message and encouraged consolidation of associations
- Influenced current legislation around R&D tax credits and stock options
- Framework for professionalism created and managed by one association
- Gained formal link between ITIIC and Commercialisation Australia
- ICT Education, Skills & Training Objectives underpinning innovation
- ITIIC strategic priorities reflected in government policy
- Elevated programs that promote entrepreneurial and leadership skills
- Council members are powerful champions of innovation in the ICT industry
- Enterprise Connect advisors equipped and

## 2014 Targets

Growth in inbound investment into Australia (R&D, Venture Capital)  
Increased number of Australia universities in Top 100 global universities

Measurable growth in NBN-related service development and take-up  
Implementation of a transformation and

Growth in number and rate of IT startups & SMEs  
Increased number of employees in R&D and IT business  
Value of technology products and licensing sales

Growth in IT exports and outward investment  
Venture capital of new companies - sales, jobs  
Evidence of increased and effective collaboration between

Resourced for success - Aust in top quartile of OECD in  
R&D investment & recognised as a leading R&D player  
Connected with the best -leading R&D global players

Increased patents, new products and service per capita  
Growth of innovation as measured by OECD  
Quantum of research investment (BERD)

PM publically acknowledges critical value of technology and IT industry to Australia's future  
Productivity gains thru technology are global best practice

## 2014 Outcomes

**Recognised Global Capabilities**

**Maximising the NBN Opportunity**

**Vibrant, Growing & Entrepreneurial**

**Exporting Solutions to the World**

**A World Class R&D & Education System**

**Skilled & Innovative People**

**Influential Leadership Position**

## Pathways

**Influence, Align & Exploit National Priorities**

**Align Funding & Research to National Priorities**

**Increase Global Commercialisation Capability & Capacity**

**Harmonise Approach to Policy & Regulation**

**Improve Image of Science & Innovation**

**Align Education System**

**Exploit NBN & Digital Economy**

**Create a Unified Message**