The New Directions Statement and the Tasmanian Electronic Commerce Centre

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Abstract

On the 10th of April 1997 the Premier of Tasmania, the Honourable Mr Tony Rundle MHA, made a speech to the Tasmanian Chamber of Commerce and Industry in which he delivered what has become known as the New Directions Statement. A significant element of this speech was the establishment of the Tasmanian Electronic Commerce Centre. This paper reports on the development of the proposal for the TECC, and the approach which will be taken by the TECC in developing and promoting the use of electronic commerce in Tasmania.

Introduction

Dramatic growth in use of electronic commerce and the Internet is transforming the global economy, causing fundamental changes in industry and consumer behaviour. This situation poses a grave threat to many of Tasmania's traditional industries and markets. It also presents an unprecedented chance to nullify the effects of the State's small size and geographic remoteness by using information technology as a new source of competitive strength.

Governments of the major economies are investing heavily in information superhighway infrastructure. Malaysia, Singapore, the UK and the European Union, the US, Japan, India, Korea, and Canada are all competing strongly to establish firm footholds in the international electronic marketplace. The Commonwealth Government has demonstrated its support for electronic commerce through its Transigo electronic procurement initiative. Most Australian State Governments are also responding to this challenge, for example the Victorian Government through its Department of Multimedia.

In this climate, incremental change will not be enough to enable Tasmania to keep pace with emerging technology and the progress of international competitors. The future of Tasmania's traditional industries, and the creation of greenfield industries, will rest on the early adoption of electronic commerce strategies as a new source of competitive strength.

The Tasmanian Government and the University of Tasmania have decided to establish an independent, non-profit centre, to be known as the Tasmanian Electronic Commerce Centre (TECC), to provide research and development facilities to help the Tasmanian business community to adopt electronic commerce, and to compete in the international electronic

marketplace. The TECC will complement other initiatives announced in the Tasmanian Government's New Directions Statement.

The TECC will:

- generate genuine Tasmanian business community ownership and control;

- operate with minimal overheads and an emphasis on outcomes;

- focus on small and medium sized businesses; and

- be independent from the Tasmanian Government, the University of Tasmania, and any single industry stakeholder.

Its role will be:

- to assist industry sectors and enterprises to
    - access new marketing, distribution and trading opportunities;
    - understand how the nature of their business will change in the advanced technology global environment; and
    - improve productivity and business agility; and

- to catalyse the formation of a viable, competitive electronic commerce service industry.

The Case For Electronic Commerce In Tasmania

The State of Tasmania is in the unusual situation of comprising a single, easily identified and highly isolated economy. The export-oriented business environment is dominated by small and medium sized enterprises (SMEs) and these are, on average, smaller than the national profile. The region's small domestic market and small capital base are physically separated from the markets, infrastructure and services of Australia's mainland states. The region's business community is also separated to some extent from the less tangible benefits of direct exposure to markets exhibiting leading-edge ideas, and best-practice performance. The village-based distribution of people and industry adds to these difficulties, reducing the potential for economies of scale and scope and requiring greater overall investment in infrastructure.

Resource-based industries have traditionally dominated Tasmania's economy, but the value of non-resource based commodities such as food and elaborately transformed manufacture is steadily increasing, as is the importance of service industries such as tourism and education - areas of competitive strength for Tasmania because these industries are less constrained by the economy's geographic isolation.

Given these characteristics, electronic commerce offers Tasmania two extraordinary opportunities. Firstly, it can support interstate and international export activity by dramatically enhancing enterprises' ability to operate remotely from their markets. Secondly, it can assist small industry groupings, and small enterprises, by enabling them to work cooperatively with counterparts elsewhere in the State or in other States and countries, and to create joint systems and marketing identities. This virtual clustering could be particularly valuable for enterprises operating as niche providers within larger industries, allowing Tasmanian firms to piggyback on the success of larger industry groups in other States and overseas. These benefits are in addition to the substantial gains in productivity, efficiency, and business agility which are possible when business processes are transformed using electronic commerce techniques.

There is also potential for dramatic indirect economic and social benefits. The uptake of electronic commerce would create a niche for a new technical support industry, increase education and training opportunities, and provide business with new opportunities in rural and isolated settings. The recent Government announcement of an Electronic Showcase of Tasmanian products is an example of this approach. Business, government, and community service organisations will be presented with an opportunity to significantly enhance service delivery and customer service, to the particular advantage of people and businesses which are located outside urban areas, and people with family responsibilities or limited mobility.

Most importantly, the boost to the regional economy will be reflected in substantial social benefits, in a region whose geographic isolation hinders community development and wealth, as well as business success.

However, the demographic realities which make electronic commerce particularly important for Tasmania also form barriers to its uptake in this State. SMEs tend to be slow to adopt new technologies because they lack in-house expertise and have difficulty meeting start-up costs. Tasmanian SMEs are further disadvantaged because they are relatively isolated from support industries, from contact with advanced practitioners, and from the major population centres where roll-out of new telecommunications infrastructure and services will occur as a matter of course. For these reasons, the Tasmanian business community, particularly the small business sector, is unlikely to adopt electronic commerce as rapidly as its counterparts in the larger Australian cities unless resources are applied to facilitating the change.

The Tasmanian Electronic Commerce Centre

Establishment

For the first three years, the Centre will be seed funded by the Regional Telecommunications Infrastructure Fund (RTIF) Board, and supported by the Tasmanian Government and the University of Tasmania. The Centre will also generate an income, aiming to become self-sufficient by the end of the establishment phase.

The involvement of private sector enterprises will be sought, particularly from the financial and telecommunications industries. Selected major companies from these sectors will be invited to become strategic investors in the Centre. Strategic investors would work with the Centre, sharing their industry knowledge and making a significant contribution to Centre costs.

The TECC will pursue four goals during this establishment period:

- Assist Tasmanian industries to establish themselves in the international electronic marketplace;

- Research and develop information systems and business infrastructure to enable small to medium sized enterprises to enhance and transform business processes;

- Accelerate the adoption of electronic commerce in Tasmania; and

- Become viable as a self-funding body.

Outputs may include:

- prototypes of electronic trading systems, including marketing and electronic banking;

- business research and analysis;

- education, training and advisory services to raise awareness of the potential of electronic commerce; and

- development of electronic systems.

The functions and goals of the Centre will be reviewed after three years, at which stage the Centre is expected to be viable as a self-funding body.
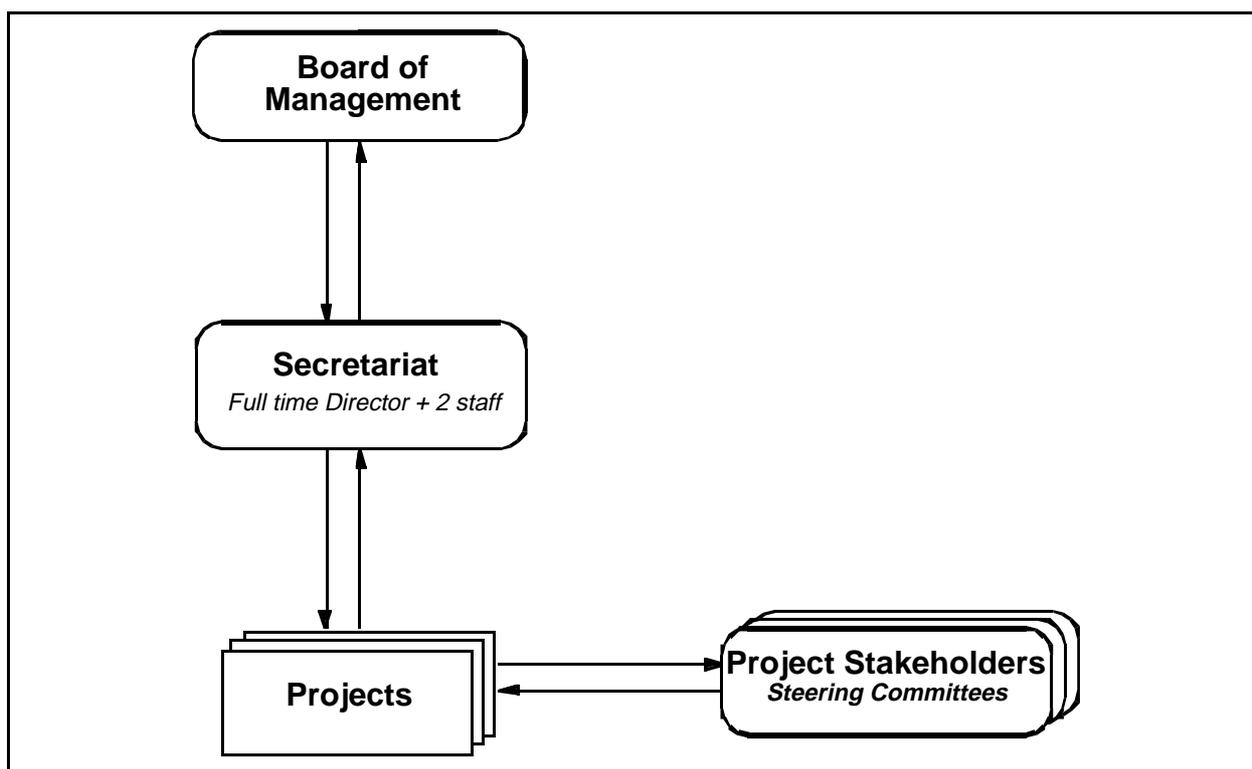
Structure

The Centre will established as a non-profit company.

The work of the Centre will be directed by a small Board of Management, including:

- an independent chair, drawn from the Tasmanian business community

- two Directors from Tasmanian industry;

- one Director from the Tasmanian Government; and

- one Director from the University of Tasmania.

The Board will also have the ability to appoint up to two additional Directors, representing strategic investors.The TECC Board will maintain strong links with the State Government's Directions for Information Technology and Advanced Telecommunications (IT&AT) initiatives.

Figure 1: TECC Structure

The TECC Board will be served by a small secretariat, responsible for the management of the centre. This will include a full-time Chief Executive, and limited support and secretarial staff.

As directed by the Board, the Chief Executive's management responsibilities will include:

- establishing of necessary links and networks with industry;

- initiating and overseeing projects;

- educational and promotional activity;

- seeking appropriate strategic investment; and

- managing the operation of the Centre.

The Centre Board and secretariat will provide a vision, framework and organisational shell, around the facilitation activities which will be the Centre's function. Researchers and facilitators working for, or in association with the Centre, will be physically located near the relevant industry base. To support this approach, the Chief Executive will have offices in both the North and South of the State, provided by the Northern and Southern Tasmania campuses of the University of Tasmania. In this way, the Centre will be able to secure the genuine involvement of affected industry sectors, and to keep overhead costs associated with the TECC Board and secretariat to an minimum.

Relationship with other electronic commerce initiatives

The existence of the TECC will in no way preclude the initiation of electronic commerce activities or projects in many other environments. In particular, the TECC will establish linkages with:

- other Tasmanian Government Directions initiatives;
- other bodies with expertise in electronic commerce such as Tradegate ECA and Australian Business Online; and
- national initiatives such as the proposed Electronic Business Network and Australian Electronic Business Centres.

Relationships with the business community

Extensive community consultation in relation to the Centre has already been undertaken. In late June, the TECC Establishment Steering Committee held seminars in the North and South of Tasmania, to discuss the proposal with businesses enterprises from across Tasmania. The seminar in the North of Tasmania was held in association with the Launceston Chamber of Commerce. These awareness seminars drew a total attendance of over 100 people and have resulted in continuing stream of expressions of interest and requests to be involved with the Centre. In addition, the Establishment Steering Committee has been contacted by many enterprises and industry peak bodies which were unable to attend the seminars, and have been subsequently provided with the same information.

The overwhelming sentiment expressed by all of those consulted in relation to the TECC is that they know that they must move towards electronic commerce, but do not know how, or what kind of electronic commerce investment would be most beneficial. Almost without exception, those consulted see the TECC as the way forward.

The governance structure and processes of each TECC activity or project will be designed to maximise the business community involvement and ownership in the overall centre, and in each of its activities. The strong industry participation on the Board will also be instrumental in setting the overall direction and priority of the Centre.

The governance structure, duration and mode of operation of each activity will be tailored to the requirements of each activity or project. However, a general methodology is:

- **Steering Committee:** A Steering Committee formed by the relevant industry sector would have ownership of the activity, directing planning and progress within the framework established by the TECC Board; and

- **Project Team:** A typical activity would involve a full-time leader, a full time business analyst, and commonly part-time members with skills in industry liaison, technical matters and systems design, and research. Teams will be physically located close to the relevant industry base.

In this way, industry-based steering committees will have ultimate ownership of all TECC activities.

Focus Of The TECC

There will be two main types of TECC activity:

- Whole-of-industry activities will be aimed at;
    - increasing the awareness and understanding of electronic commerce possibilities;
    - building networks within industry; and
    - overcoming barriers to the adoption of electronic commerce.

- Industry-sector specific activities will involve the Centre working with a particular industry group or enterprise to develop an electronic commerce system, marketing approach, or idea, to proof-of-concept stage only. These activities will demonstrate the possible business benefits of adopting electronic commerce.

It is important to note however, that the Centre will not only refrain from competing with the private sector, but that one of the most important roles of the Centre will be to stimulate and support the private sector electronic commerce service industry. Without the TECC to drive demand, a world-class service industry is unlikely to emerge in Tasmania, at least in the foreseeable future. By increasing the uptake of electronic commerce technology, the Centre will also stimulate demand for electronic commerce support services in the State, as well as generating flow-on business for the private sector. The research, advisory and training services provided by the TECC provides will then complement the services available from commercial providers, rather than competing with or displacing this important, growing industry.

At this time, priority industry groups are those which were named in the Premier's 1996/97 Budget speech. All of these industry groups have a presence throughout Tasmania and many of them are the dominant employer in rural areas. They are:

- dairying and dairy processing;
- vegetable growing and processing;
- the apple industry and other high value agriculture;
- aquaculture and marine farming;
- tree farming;
- wood processing and paper production;
- service industries based on information technology or information processing;
- specialist manufacturing;
- design and craftsmanship; and
- tourism, especially nature-based tourism.

Agencies and enterprises of the Tasmanian Government are also expected to be early clients of the Centre. Pilot projects involving government agencies will demonstrate the capabilities of the Centre and the benefits to business of electronic commerce.

The TECC will generate intellectual property of three identifiable kinds.

Firstly, Tasmanian industry bodies will gain significant new knowledge and skill as a result of their involvement in projects. This will increase to their ability to continue to plan, develop and implement electronic commerce systems, independent of the Centre. The governance structures of the TECC and of its projects are designed to maximise the amount of information and knowledge which is generated within the Tasmanian business community.

Secondly, intellectual property will be generated in the course of the research activity associated with the Centre. This intellectual property will vest either in the University, the Centre, or the research students who engage in the research, depending on the principle investigators in each research project, and on any agreements which are made prior to the research being undertaken. The TECC will not routinely use non-disclosure agreements to restrict the publication of such research. Rather, the intention is that as much as possible of the research done in association with the Centre will be able be publicly released through the normal academic and other channels.

The third type of intellectual property will be the new knowledge gained from the development of electronic commerce systems. Some of this knowledge will be generic and will remain vested in the TECC, while some will be specific to individual projects and may be jointly owned with relevant industry groups. Agreements concerning ownership of intellectual property of this kind would be expected to form part of project agreements between stakeholders and the TECC, made at the beginning of projects.

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