

Opportunities and challenges for the Australian ICT Services sector

**A review of Australia's positioning in the regional
ICT Services Marketplace**

Ian Birks
Chief Executive Officer
Australian Information Industry Association
17 March 2010

- ICT is the foundation of services and the knowledge economy. Past estimates identify ICT as contributing 78% of productivity growth in the services sector
- The Asia-Pacific region will lead the world in the delivery of ICT services by 2020
- Technology innovation is essential to a competitive knowledge economy and the main driver of long-term productivity growth
- **A vibrant domestic ICT sector is essential to the future of Australia's services sector and economic standing**

- The Australian ICT market is estimated to be worth over AUD\$120 billion
- 30 300 ICT businesses
- ICT sector employs around 300 000 people; 550,000 employed in ICT roles across industry
- In 2007–08 Australia's ICT exports increased to \$6.6 billion while imports of ICT goods and services totalled \$34 billion, creating a trade deficit of \$28 billion
- Verticals anticipated to enjoy 5-7% CAGR over 2008-11 include Educational Services, Healthcare, Transportation, Energy & Utilities and Communications
 - These verticals will be integral to the future of ICT services

Components of ICT spend (Asia Pacific)

Hardware US\$b		Software US\$b		Computer Services US\$b		Communications US\$b	
Japan	44.6	China	14.4	Japan	62.8	China	255.0
China	33.0	Japan	13.1	China	24.8	Japan	230.0
India	10.5	Australia	3.8	Australia	8.9	India	65.5
South Korea	8.3	South Korea	2.6	South Korea	7.9	South Korea	54.3
Australia	7.4	India	2.2	India	6.4	Australia	40.1
Taiwan	3.2	Taiwan	1.1	Singapore	2.1	Taiwan	17.1
Indonesia	2.1	Singapore	1.0	Taiwan	1.8	Indonesia	15.8
Hong Kong	2.1	Thailand	1.0	Philippines	1.6	Thailand	13.5
Singapore	1.8	Indonesia	0.9	New Zealand	1.2	Malaysia	10.9
Pakistan	1.6	Malaysia	0.6	Pakistan	1.1	Hong Kong	7.0
Malaysia	1.4	Hong Kong	0.5	Malaysia	1.1	Singapore	6.7

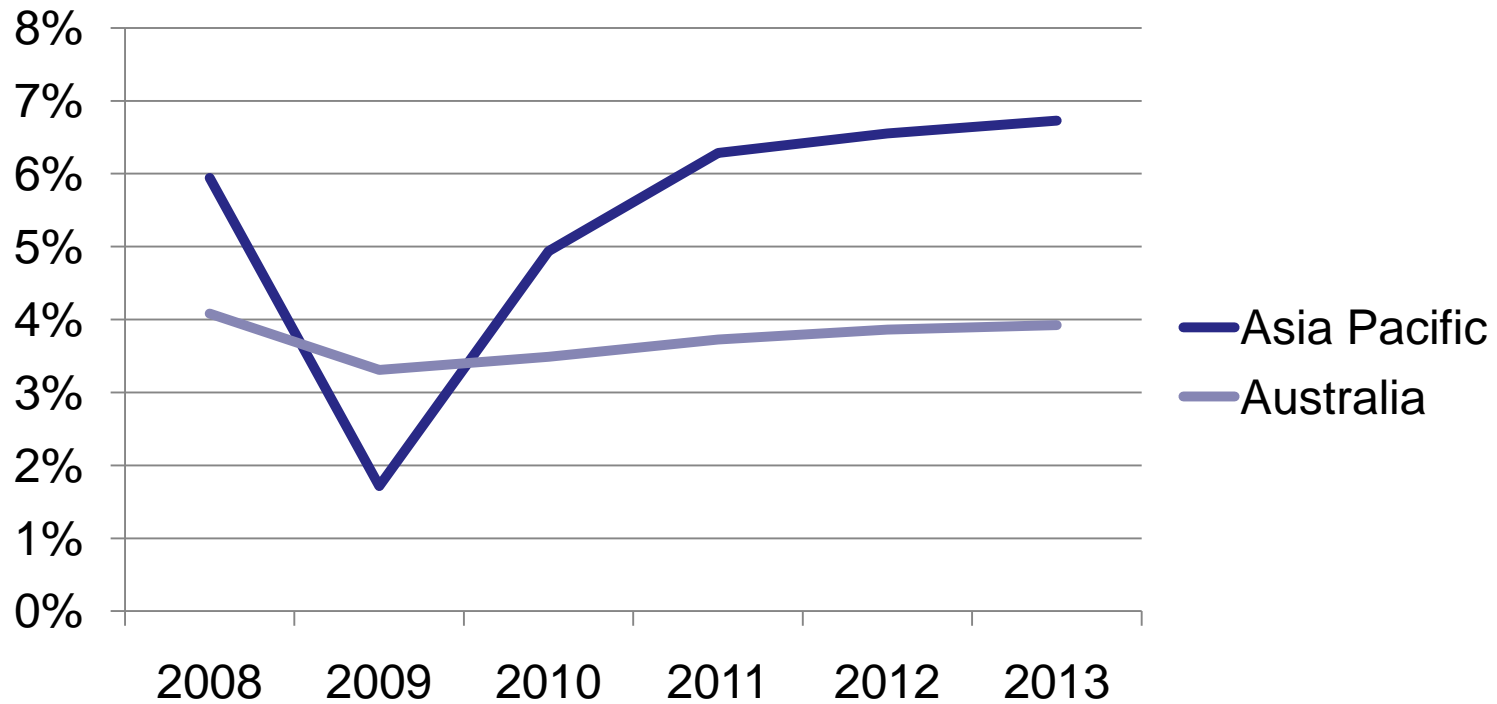
World Information Technology and Services Alliance, *Digital Planet 2008*

- **National Broadband Network**
 - The Australian Government announced on 7 April 2009 it would establish a new company to invest up to \$43 billion over eight years delivering superfast broadband to Australian homes and workplaces
- **Digital Economy**
 - Value-added outcomes for business and industry: speed to market, customer engagement and cost efficiency
 - Integration of key verticals: eHealth, Financial Services, utilities sector
- **Innovation Agenda**
 - National Broadband Network
 - National ICT Australia (NICTA) (\$185.5 million over 4 years)
 - R&D Tax Credit Scheme to be introduced July 2010

- Asia-Oceania is set to increase its share of world GDP from 35.7 percent in 2005 to 43.2 percent in 2020
- ICT services will make a vital contribution to this growth
- Over the next decade, Asia-Oceania is expected to become the largest supplier of Information Technology and Business Process Outsourcing (BPO) services to the world
- An estimated 74.5 percent of global technology and ICT services demand is expected to be sourced from the region by 2020

- In 2007, Australia's IT Services market was second only to India in the Asia Pacific region, well above the regional average
- By 2012, our growth rate is forecast to fall to 9th out of 10 leading Asia Pacific IT Services Markets

IT Services Market: CAGR percentage 2008-13



- Skills
 - Domestic skills remain an issue for the wider industry
 - ICT remains the highest user of the 457 visa program
- Infrastructure
 - Commitment is strong, but we must deliver
 - International connectivity will be as important as domestic infrastructure

- Relative cost of service delivery
 - Costs of doing business from Australia are high compared to other regional economies
 - Government must develop and maintain a competitive local environment
- Digital Economy outcomes
 - NBN is a requirement, not the goal
 - Success means an application-rich environment and the transformation of existing business models
 - The right outcomes depend on engagement across government, business and industry
 - Lead areas include eHealth, Financial Services and Smart Grids

- Leadership in the booming regional IT Services Market is not sustainable on current trends
- Our role in the region will be based on collaboration, niche capabilities and a vibrant domestic industry
- We need to invest in domestic infrastructure and technology that will build and maintain Australia's share of this market
- Strong engagement between the ICT sector and wider Australian business and industry communities is the key to a successful future