



# Diversification essential to ACT's economic future

There is too much reliance on government and property, **CATHERINE CARTER** writes

**D**iversification of the ACT economy is urgent and essential in order to wean us off our continuing reliance on Commonwealth Government spending and on revenue from land sales and property tax.

This is a matter of simple, basic economics. Putting all your eggs in one basket is a fundamental mistake.

Currently, government, administration and defence account for 26.7 per cent of the ACT's economy, followed by property and business services at 12.7 per cent.

Together, these areas dominate the economy and fluctuations in these sectors have a major impact on the ACT's welfare.

As an example, stamp duty on conveyances has now become the largest single source of revenue to the ACT Government, outstripping payroll tax.

In fact, since 2001, the percentage of total ACT tax revenue extracted from property has risen from 41 per cent to 55 per cent, an increase of 2 per cent since the last budget. To put this in perspective, if you pay rates in Canberra, you are one of the property owners being slugged with increasing rates and spiralling property taxes. This applies to everyone, home owners and commercial property owners alike.

It is also clear that our reliance on the Commonwealth Government is still at unhealthy levels and it is vital to encourage the diversification of Canberra's economic base through exploring opportunities for major business growth.

Any diversification of our industrial base increases our financial independence and the health of our economy. Why? Because any new source of jobs and revenue for the ACT, which includes the proposed Canberra Technology City data centre, will reduce the current Government's ever-

increasing reliance on the property sector and Commonwealth spending for revenue. In particular, infrastructure is a growing area of concern in the ACT, representing a significant share of our economy.

The provision of new, and the maintenance of existing, infrastructure has been neglected and Canberra is suffering as a result.

Developments such as the proposed Canberra Technology City development represent a considerable share of the local economy, while also supporting many aspects of society's operations.

The technology city development will account for a significant increase to the ACT's gross state product and while the Territory's gross state product increased by 5 per cent two years ago, 34 per cent of this came from Government, Administration and Defence and the next highest, 14 per cent, came from property and business services.

It's worth reflecting also on why we need this particular kind of development. In 2006, Centrelink's mainframe data centre stalled because of the failure of Canberra's power grid and the backup power system. The resulting lengthy delays in processing welfare payments made life harder for the entire nation's most disadvantaged citizens. It also demonstrated the vulnerability of Australia's national computer systems to fluctuations in the local ACT power supply.

Communications infrastructure is vital to the seat of government in any developed nation.

As to the issue of the need for economic diversification, the path that our economy is currently on is not sustainable.

Record tax revenue received from the property sector will not last, and forward expenditure in health, education and community services contained in the ACT Government's 2008-09 budget may well be at risk if

there is a downturn in the ACT property market.

Quite simply, we need an economic backup plan.

The ACT economy needs to be driven by a range of sectors to ensure it is resilient to changes in Commonwealth Government policies, as well as possible downturns in property markets.

We don't need to look too far back to see what happens when the Commonwealth decides to rein in expenditure.

Think back to 1996 when public service job cuts hit Canberra hard.

Relying too heavily on one sector of the economy for revenue leaves us exposed and vulnerable to fluctuations in the market, to say nothing of the obvious fact that such high taxes discourage investment, dampen economic growth, and hence actually reduce the potential size of the funds available to be taxed.

As outlined in a recent discussion paper, *Initiatives for Canberra - Towards Canberra's Centenary and Beyond*, the Property Council of Australia (ACT) recommends the release of competitively priced industrial land for "big box" type developments to encourage more and varied employment opportunities in the territory.

The Property Council supported the Canberra Technology City proposal in its original form and still supports the rescaled development, which will address community concerns by reducing noise and emission levels dramatically.

This development provides the opportunity to address the urgent need for diversification of industry and employment, and helps to make us less reliant on Commonwealth spending.

■ **Catherine Carter is executive director of the Property Council of Australia (ACT).**