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Office of the Deputy Secretary
Innovation, Services, Small Business & Technology Division
Department of State Development, Business and Innovation
Level 35 – 121 Exhibition Street, Victoria Australia 3000

Dear Deputy Secretary,

It is our pleasure to submit a response to the Department of State Development, Business and Innovation's call for contributions to shape Victoria's digital economy.

The Committee for Melbourne has long held the remit to enhance the future prospects of Melbourne. Founded 29 years ago, the Committee is an apolitical, not-for-profit member network that unites a cross-section of our city's leaders and organisations to work together to enhance Melbourne's economic, social and environmental future.

Our members represent over 120 organisations drawn from the city's major companies, academic institutions and civic organisations across a broad range of industries. We represent no single interest and seek to challenge conventional thinking and develop innovative policy that continues to enhance the 'World's Most Liveable City'.

Melbourne has a profound influence on the Victorian economy, representing approximately 79 per cent of the state's economy in 2012-13. Moreover, in light of this submission, in the Information, Media & Technology sector over 90 per cent of the state's economic activity takes place in Melbourne.[1]

Despite Melbourne's economic prominence, this is no time to rest on our laurels. An important factor determining our competitiveness – labour productivity – has been falling behind that of Australia and other major Australian capital cities.[2] Going forward, our ability to compete in tomorrow's global economy will depend to a large extent on our capacity to be adept and innovative within the context of a rapidly changing economic environment. While Australian consumers rate in the top five G20

[1] SGS Economics & Planning, *Australian Cities Accounts 2012-13*, February 2014.
[2] Ibid.

nations as early adopters of technology, business ranks 15th or lower on various measures of their response according to a recent report by the World Economic Forum and the Boston Consulting Group.[3] According to BCG's new chief executive, Andrew Clark:

"*This combination makes Australia a prime target for digital disruptors[…]Australian companies are in danger of being pushed aside by innovative competitors from at home and abroad unless they move more quickly to catch up with the digital revolution*."[4]

As such, it is imperative for our state to use every lever it has to raise the competitiveness of our economy, including the innovative capacity that our digital economy can provide.

The 21st century is seeing a rapid transformation in the way technology is influencing every aspect of our modern day lives. Governments around the world are increasingly recognising the benefits these technologies can bring to their communities and understand the need to use these modern tools to seize the enormous digital opportunity before them. In its digital strategy, the United States' Government provides a vivid example of the sheer speed of today's digital information:

"W*hen a 5.9 earthquake hit near Richmond, Virginia on August 23rd, 2011, residents in New York City read about the quake on Twitter feeds 30 seconds before they experienced the quake themselves*."[5]

Digital technologies touch on a wide range of facets of our economy and it is encouraging to see that the Victorian Government recognises this through the strategic themes outlined on its Digital Economy website. While there are a myriad of opportunities in this space, the Committee for Melbourne has chosen to focus its submission on open data in government and how it affects the strategic theme of Leadership in Government.

Open data in government

Open data in government is data and information produced or commissioned by government, or government controlled entities, that is free for anyone to use, re-use and re-distribute.

Many businesses and private organisations are in the process of making more information available to the public. As part of its ordinary activities, the Victorian Government also holds, creates and collects a vast amount of high-quality data

[3] Australian Financial Review, *Boston CEO says Australia business must strive to lead digital revolution*, 24 July 2014.
[4] Ibid.
[5] Executive Office of the President of the United States, *Digital Government: Building a 21st Century Platform to Better Serve the American People*, 2013.

which has tremendous potential. There is a key role for government to play in the process of sharing data so that it can be effectively mined and analysed to drive innovation.

The potential benefits of sharing relevant and appropriate data are vast and wide-ranging. Many governments around the world – including the Victorian Government – are already using captured data to improve transparency, civil participation and democratic control. Further to this, McKinsey & Company states that by increasing revenues, generating savings, and enabling economic surpluses, open data will transform every sector of the economy, with the potential to unleash more than $3 trillion in global economic value annually.[6]

Examples of these benefits can be found across the globe, with the initiatives effectively leveraging the open data policies of federal and local governments. In Finland and the United Kingdom, projects such as 'Tax tree' and 'Where does my money go?' show citizens how their tax money is being spent by their respective governments.

In Denmark, husetsweb.dk uses a combination of information about cadastres, government subsidies and local trade registers to help improve the energy efficiency of people's home, including financial planning and finding the builders to do the work. And in Canada, city officials in Edmonton use application-programming interfaces and real-time updates to analyse the city's performance on a variety of metrics ranging from public transit performance to the utilisation of public spaces to emergency services' call-response times. Researchers can easily visualise more than 400 data sets, empowering them to make better-informed decisions on how to improve performance.

These examples are just a small selection of the many uses in which governments across the globe are cashing in on the data dividend for their communities. And while these applications are promising, they are just the beginning as open data will increasingly help governments transform the way they deliver services, while at the same time providing significant economic stimulus and cost savings. As McKinsey notes in its report on open data:

"*The expansion of open data, combined with advances in big data analytics, is freeing information that was once trapped inside the dusty pages of overlooked reports, enabling improved decision making, new product and service offerings, and greater accountability*."

Recognising this, the provision of information by opening up data to the public is an important and necessary first step. However, it is not sufficient to capture the true value of open data. From a government perspective, a successful approach means a well-developed, agile, and pro-active policy approach that recognises this technological innovation as the 'new normal'.

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[6] McKinsey & Company, *How government can promote open data and help unleash over $3 trillion in economic value*, April 2014.

In this respect, it is encouraging to see that the Victorian Government already has a well articulated open data policy through its 'DataVic access policy,' in which it "*recognises the benefits associated with mandating a whole of government approach to the availability of Victorian government data for the public good.*"[7]

However, realising the full potential of open data – which promises many applications we cannot even imagine today – will require, as noted above, an agile and pro-active policy that continually develops and evolves with time.

With this in mind, the Committee for Melbourne offers the following comments on the role of the Victorian Government in realising optimal benefits through its open data policy.

A. Funding

Data is only open if it is freely available for everyone to use, re-use and re-distribute. This is not always the case within the Victorian public service as many departments that make information available maintain a cost recovery model[8] based on the Department of Treasury and Finance's guidelines.[9]

Government funding models are under pressure and the objectives and principles behind cost recovery are in line with a general desire to improve efficiency and equity outcomes. This is an understandable and desirable approach by government, since providing open data places a number of responsibilities and their associated costs on departments, namely:

- To arrange stewardship and curation of their data;
- To make their data readily discoverable and available for use and re-use with minimal restrictions; and
- To forgo fees.[10]

However, in discussing the principles behind cost recovery, the Department of Treasury and Finance recognises there are "*situations where it may be desirable to recover at less than full cost, or not to recover costs at all*."[11] These circumstances occur when full cost recovery adversely affects the achievement of other government policy objectives or when there are positive externalities (benefits to unrelated third parties).

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[7] Department of Treasury and Finance, Victorian Government, *DataVic access policy: intents and principles*, August 2012.
[8] Cost recovery is the recuperation of the costs of government-provided or funded products, services or activities that, at least in part, provide private benefits to individuals, entities or groups, or reflect the costs their actions impose.
[9] Department of Treasury and Finance, Victorian Government, *Cost Recovery Guidelines*, January 2013.
[10] Centre for Strategic Economic Studies, Victoria University, *Costs and Benefits of Data Provision*, September 2011.
[11] Department of Treasury and Finance, Victorian Government, *Cost Recovery Guidelines*, January 2013.

Open data's positive externalities in the form of new and increasingly efficient activities, businesses and industries, as well as the public good aspects, are well documented. Furthermore, the efforts to recover costs means departments spend time, money and effort on determining prices, negotiating and administering licenses, and the associated administration and accounting costs. By making public data freely available these substantial transaction costs will decrease significantly, or potentially disappear altogether.

Taking these factors into account, Victoria University's John Houghton in his study on the costs and benefits of data provision, concluded that "*the direct and measurable benefits of making Public Sector Information available freely and without restrictions on use typically outweigh the costs. When one adds the longer term benefits that we cannot fully measure, and may not even foresee, the case for open access appears to be strong.*"[12]

As such, the Victorian Government's objective of increasing the State's competitiveness and associated prosperity should override the cost recovery efforts of the departments when making information freely available to the public and funding should be made available to achieve this important outcome.

B. Useability

As mentioned above, the provision of information by opening up data to the public is an important and necessary first step. However, to capture the true value of open data, the ability of other parties to use that data will determine whether the data will reach its full potential and subsequent benefits to the community.

For this to be achieved in Victoria, the Committee nominates three areas that, if addressed by state government, can add significant value.

Formats

The data that government provides must be available in formats that can be easily retrieved and processed by computers. In many instances, this is not the case in Victoria. Often the user will need specialised software to read the data that the government provides, while sometimes the user will even have to resort to the cumbersome task of manual data entry.

This creates unnecessary hurdles in the use of government-provided data. The collation and release of data in commonly accepted formats will enhance the extent to which data can be accessed and used by external parties, and will in turn boost its rate of uptake and subsequent use of data.

[12] Centre for Strategic Economic Studies, Victoria University, *Costs and Benefits of Data Provision*, September 2011.

Currency

The value of data can vary depending on the currency in which it is released to the public. At present, data in Victoria often gets aggregated and released on an annual basis even though it is captured on a more frequent basis.

There is no doubt that annual information is still important, but releasing it more frequently – monthly, weekly, daily or even real-time – will substantially increase the uses and subsequent value of the data.

Rights

Currently, permission rights to government-provided data varies depending on the department that curates and releases it, meaning the controls around access to data and its conditions of use is not consistent. This creates confusion and is seen as a significant hurdle for users. Moreover, economists have concluded that government or 'Crown' copyrights have social costs and a negative economic impact.[13]

Therefore, a commitment by government to move away from data copyright to a process of standardised and unrestricted access to data is necessary to move forward in this space.

Moving away from data copyrights is in no way unprecedented in Australia and there are many examples of successful transitions to standardised and unrestricted licensing. As the Government 2.0 Taskforce noted in 2009:

"*Australia has been moving towards more open data management since at least 2001[…] Today both the Australian Bureau of Statistics (ABS) and Geoscience Australia (GA) are again leading, both licensing much of their output using 'Creative Commons' attribution only and thereby permitting others to use, and remix it with minimal cost and restriction*."[14]

Creative Commons licensing has come to be widely used and accepted. By moving to intellectual property rules that are transparent, fair, and promote innovation, governments could help create a growing ecosystem of "data-preneurs" who turn a profit by using open data to create goods and services.[15]

As such, the availability of standardised and unrestricted rights for use, re-use and re-distribution of government data in Victoria will be crucial in our efforts to create truly open access.

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[13] Centre for Strategic Economic Studies, Victoria University, *Costs and Benefits of Data Provision*, September 2011.
[14] Department of Finance and Deregulation, Government 2.0 Taskforce, *Engage: Getting on with Government 2.0*, December 2009.
[15] McKinsey & Company, *How government can promote open data and help unleash over $3 trillion in economic value*, April 2014.

In conclusion

It is clear that open data plays an increasingly important role in knowledge-based economies. In announcing a new Assistant Minister to the Premier on e-government, the Queensland Government recognised the economic and societal benefits that the 'open data revolution' will bring and appropriately stated that "*In the past, Governments gave away land to stimulate economic development. Now information is the new currency*."[16]

The Committee for Melbourne is encouraged by the Victorian Government's efforts to date and the positive signal that the call for contributions to shape Victoria's digital economy sends to the community. We hope that this submission assists the Victorian Government with the continued efforts in this direction.

Please do not hesitate to contact the Committee to expand on any of the points touched on in this submission.

Regards,

Kate Roffey
Chief Executive Officer
Committee for Melbourne

[16] The Queensland Cabinet and Ministerial Directory, Queensland Government, *Queensland Government's 'open data' revolution begins*, 9 October 2012.