

Business  
Council of  
Australia



Submission to the Department  
of the Prime Minister and Cabinet  
regarding the Digital Economy  
White Paper

JANUARY 2013

### About the BCA

The Business Council of Australia (BCA) brings together the chief executives of 100 of Australia's leading companies.

For almost 30 years, the BCA has provided a unique forum for some of Australia's most experienced corporate leaders to contribute to public policy reform that affects business and the community as a whole.

Our vision is for Australia to be the best place in the world in which to live, learn, work and do business.

This submission is in response to the request from Senator Conroy, Minister for Broadband, Communications and the Digital Economy, for additional input into the government's Digital Economy White Paper.

The Digital Economy White Paper is being developed for release in the first half of 2013 and will expand on and incorporate an earlier commitment to produce a Cyber White Paper. The Digital Economy White Paper will build on the government's existing National Digital Economy Strategy.

In summary, the BCA's recommendations are that the white paper should:

- cover the whole of the market for information and communications technologies, not only the government's National Broadband Network (NBN)
- commit to competitive and efficient ICT markets as the best way to achieve the goal to be a leading digital economy
- spell out a role for public policy that facilitates and enables (and not hinders or directs) a market-led approach to achieving the benefits of the digital economy in the areas of skills and training, regulation, taxation and collaboration
- build understanding of the different ways the digital economy impacts on different sectors to guide the design of policies that enable firms and employees to adopt and adapt to change
- avoid setting targets or putting in place policies and programs to influence business behaviour such as teleworking and the use of cloud computing – the use of these should be determined by the market
- detail how government will use ICT to make government service delivery like health, ageing and education more efficient and a better experience for citizens
- report on the effective implementation of the NBN policy around two key areas:
  - that the rollout of the National Broadband Network by NBN Co is being implemented efficiently in terms of cost and time
  - that the NBN does not negatively impact on competition in the communications sector and restate the government's commitment to applying competitive neutrality policy to NBN Co, which ensures a level playing field between public and private businesses
- present a coherent government strategy to deal with cyber security, drawing together multiple existing initiatives.

## The purpose of a Digital Economy White Paper

The 'digital economy' describes an ongoing transformative process that is here today. Changes in business models and consumer behaviours continue to unfold at a rapid pace. The BCA recognises the high importance of information and communication technologies as enablers of innovation, productivity and economic growth.

Markets for ICT hardware, software, IT services and communications products (goods and services) are dynamic and highly competitive. New products are continually being introduced to meet increasing demand from consumers for better functionality and from businesses for business inputs that can lower costs, lift productivity and improve competitiveness.

Getting policy settings right to unleash innovation and productivity from new ICT products will be crucial to growing our economy. The better we are at innovation, the higher will be our multifactor productivity and therefore economic growth. Innovation is the key to the transition to and growth of new avenues to wealth creation and will help ensure we use scarce resources more efficiently and in a sustainable manner.

In this context the white paper should recognise that the future benefits of ICT development will primarily be driven by the ongoing development of markets and by private business and consumer decisions.

In terms of spelling out a role for government, the white paper should define how public policy can facilitate and enable (and not hinder or direct) this process. The paper should identify where government can play a role to boost security around ICT use and protect consumers and businesses from cyber attack.

The white paper will need to consider the role for government carefully to ensure policies facilitate structural change rather than prevent it. Government should avoid targeting specific outputs in a market that is moving so quickly, for example targeting future take-up rates of current technologies that may well be quickly superseded.

Importantly, it can detail how government will use ICT to make government service delivery more efficient and a better experience for citizens.

As a priority, the paper should critically evaluate how current and future policy settings will impact on the use of information and communications technologies broadly by firms and governments, including through:

- The cost, availability and quality of ICT products, which is in turn a function of the competitiveness and efficiency of the ICT sector in Australia. Key policies to assess for impact are the current regulation of the communications sector and the implementation of the government's National Broadband Network policy.
- Regulation and taxation settings and whether current policies impose barriers or provide the right incentives to invest in ICT products to lift productivity or to innovate in product development.
- The capacity of organisations to make the best use of technological advancements, e.g. the availability of ICT skills, flexibility in deploying technological advances and general managerial capabilities in the Australian labour force.
- Providing a secure digital environment. With greater dependence on ICT there are potentially greater risks of cyber security breaches, with major implications for the security of information held by consumers, businesses and government.

Some actions to capture the benefits of the digital economy through productivity growth could include:

- *Prioritising a market-based approach to policy that enables firms to adopt and adapt to competitive pressures.* The government can use the white paper to ensure all policies are supporting a market-led approach where the benefits of the digital economy are determined by changes in markets that will lift productivity and business competitiveness through changing business models (and ultimately deliver benefits to consumers). Policies should not prevent firms

and employees from adopting and adapting to these new competitive pressures and opportunities. Governments should therefore prioritise policies that support well-functioning and flexible markets, and avoid making knee-jerk regulatory reactions that prevent this from occurring. We make some further comment on these policy areas in the following section.

- *Build understanding in government of the different ways the digital economy impacts on different sectors*, which will generate knowledge that can then be used to tailor regulatory and policy actions towards improving sectoral outcomes where appropriate (for instance, in retraining employees in significantly disrupted industries to assist them to fill new roles). A recent report by Deloitte identified that one third of the Australian economy “faces imminent and major digital disruption” (and nominates sectors such as finance, retail, media, and information and communications technology itself).
- *Reforms to government service delivery* in areas like health, ageing and education that use ICT to provide services more effectively and more efficiently. In many cases this will demand a shared policy agenda across federal and state governments to support the greater use of electronic networks for information management and delivery of key services. It might also require government actions to establish national standards, update certification processes, implement national privacy legislation and provide seed funding for pilot projects. The white paper should detail how the federal government will work with other governments and industry to deliver these reforms.

### **Policy settings to support a market-led approach to the digital economy**

This section provides comment on themes that should be considered for the digital economy to support a market-led approach to realising the benefits of the digital economy.

#### ***An efficient and competitive communications sector***

A dynamic, competitive, efficient market that is open to the latest global products will provide access to the enabling technologies necessary for new business and consumer services to be delivered and for Australian businesses to be globally competitive.

In principle, the role of all public and private communications services provision in underpinning Australia’s future digital economy should be to provide all of Australia’s cities, towns and regions with fixed and wireless broadband services and speeds they demand at lowest cost.

Communications sector policies should support an efficient and competitive market that delivers this outcome to consumers in all areas of fixed broadband, wireless broadband, wi-fi technologies, cloud computing and the like, with the role of government clearly linked to addressing failure of the market to achieve these aims. A commitment to an efficient and competitive market should be at the core of a Digital Economy White Paper.

The Digital Economy White Paper should not only be about the government’s NBN investment (as suggested in the draft outline accompanying the letter from the Minister for Broadband, Communications and the Digital Economy in December 2012). Wireless broadband connections, for instance, now make up half of all broadband internet subscriptions and must be explicitly included.<sup>1</sup>

Ubiquitous, high-speed and reliable broadband access is important. Cost is also an important consideration – the costs of communications infrastructure delivery and operation are ultimately recovered from consumers in user charges. Lower cost provision means lower costs to consumers, more take-up and use of broadband services, and greater opportunity to maximise the benefits of the digital economy.

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1. ABS, *Internet Activity*, cat. no. 8153.0, June 2012.

Two initiatives are worth considering in the white paper to promote a competitive and efficient communications sector:

- The last major assessment of the telecommunications sector by the Productivity Commission was in 2001. The Digital Economy White Paper offers an opportunity to ask the commission to update this study to ensure there are no regulatory or other policy constraints on the efficient operation of ICT markets.
- The BCA 2012 report, *Pipeline or Pipe Dream*, highlighted the barriers to cost-effective delivery of capital investments to grow networks, such as the difficulties in obtaining approvals for wireless broadband towers and the historically poor record of the implementation of major ICT projects globally due to the challenges of managing complexity. The current COAG construction costs review should identify how to limit or remove these barriers to cost-effective project delivery in new communications infrastructure.

With regard to the implementation of the NBN policy, the white paper can be used to provide confidence around two key areas:

- That the rollout of the National Broadband Network by NBN Co is being implemented efficiently in terms of cost and time, and that there is flexibility in the NBN policy to pursue alternative rollout options that could deliver the high-speed broadband Australia needs at lower cost and in quicker time.
- The impact of the NBN policy on competition across the communications market, particularly in the wholesale market. The white paper should restate the government's commitment to competitive neutrality policy, which ensures a level playing field between public and private businesses and supports efficient investment.

### ***Policy settings that can facilitate a market-based approach to growing the digital economy***

This section provides comment on some areas of policy that should be included in the white paper and how they can facilitate a market-led approach to getting the benefits from the digital economy.

- **Skills:** when it comes to skills, we need to think broadly. While technical skills will be important and in high demand, it will be entrepreneurial, business and management skills that will enable our workforces to identify opportunities from new technologies and leading-edge practices both here and overseas, and implement new production methods successfully.
- **Regulation:** a challenge for governments will be to ensure that regulatory frameworks that are needed to safeguard the interests of consumers and protect privacy in the fast-changing digital economy are constructed so as not to unduly hinder business transformation and innovation.
  - This won't always be easy to do, but better outcomes will arise where best practice regulation-making processes are followed, including with high-quality Regulatory Impact Statements, where early and proper industry consultation takes place to identify the consequences of regulation, and where public servants are appropriately skilled and experienced to deliver high-quality regulatory outcomes.
- **Industry policies:** governments should not set targets or put in place policies and programs to influence business behaviour such as teleworking and the use of cloud computing. These should be determined by the market. Businesses should be left to weigh up the costs and benefits of adopting new digital technologies (e.g. cloud computing) or new digitally enabled business processes (e.g. teleworking) and make decisions that are in the long-term best interests of the business.
- **Collaboration:** as we stated in our submission to the 2008 Cutler review, improving collaboration to support innovation is a major national issue for Australia and will be important for delivering the benefits of the digital economy:
  - institutional and policy settings should improve collaboration within Australia and internationally, in particular collaboration aimed at increasing the level and effectiveness of the commercialisation of research and development

- support ‘innovation partnerships’ between business and the research and education sectors, particularly through ensuring that publicly funded research is informed by the needs and opportunities identified by industry, or so-called ‘third stream’ funding. This would include examining the benefits of extending the requirement for researchers in universities and research organisations to have a partner or partners outside their organisation when making an application for various research funding mechanisms
- explore how to improve knowledge and skills of collaboration in Australia. This would involve undertaking research into collaboration and disseminating information about effective collaboration practices.
- Security: digital security for business is a key issue the BCA would like to see taken up in the Digital Economy White Paper, including:
  - consolidation of multiple government initiatives on digital security into a single coherent strategy, i.e. the Cyber White Paper element of the Digital Economy White Paper, the Cyber Security Strategy, Cyber-Safety Plan and other initiatives in government
  - identifying and facilitating where government and industry can work together to enhance security for businesses at risk of cyber attack.

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