AUSTRALIAN INDUSTRY

GROUP

AUSTRALIAN INDUSTRY GROUP SUBMISSION

Joint Committee on the National Broadband Network
Six-Monthly Review of the National Broadband Network Rollout

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EXECUTIVE SUMMARY

The Australian Industry Group (Ai Group) welcomes the opportunity to provide a submission to the Joint Committee on the National Broadband Network's (NBN) six-monthly review of the NBN rollout.

Ai Group is a peak industry association in Australia which along with its affiliates represents the interests of more than 60,000 businesses in an expanding range of sectors including: manufacturing; engineering; construction; automotive; food; transport; information technology; telecommunications; call centres; labour hire; printing; defence; mining equipment and supplies; airlines; and other industries. The businesses we represent employ more than 1 million employees.

Ai Group's comments relate to the e-readiness of business, and in particular small and medium enterprises (SMEs). This submission is based on findings from the recent Australian Industry Group National CEO Survey: Business Investment in New Technologies which surveyed 540 Chief Executive Officers (CEOs) in the manufacturing, services and construction sectors. The full report is attached to this submission.[1]

The report concluded:

- Business investment in new technologies is central to the ongoing transformation of the Australian economy.
- Ubiquitous broadband promises important opportunities for Australian businesses to build competitive advantages.
- Australian businesses recognise the benefits of online technologies, with a near unanimous view amongst businesses surveyed that the internet has had a positive impact on productivity levels.
- However, individual business awareness of, and preparedness for, faster broadband varies considerably.
- In particular, SMEs report lower levels of information about the benefits of faster broadband compared with larger businesses. SMEs also tend to have less confidence that they have the skills / capabilities to take advantage of a new broadband network.

These findings highlight that initiatives to improve the e-readiness of business must accompany the rollout of infrastructure if businesses and communities are to take full advantage of the opportunities that faster broadband offers.

While these initiatives will be partly driven by industry, Governments also has a role in setting a complementary policy framework. Section Two of this submission identifies possible policy options to improve business e-readiness including programs to educate and support businesses about broadband opportunities, ensuring the competitiveness of tax arrangements and encouraging collaboration between the research and business sectors.

[1] The full report is also available at:
http://www.aigroup.com.au/portal/binary/com.epicentric.contentmanagement.servlet.ContentDeliveryServlet/LIVE_CONTENT/Publications/Reports/2012/10767_ceo_survey_report_technology_web.pdf

Section One: Findings from the Business Investment in New Technologies Report

Business Investment in New Technologies

In January 2012, Ai Group published the National CEO Report on Business Investment in New Technologies.[2] The report examined the level and nature of business investment in new technologies over the last three years. It also looked at how businesses are placed to take advantage of a national broadband network and online technologies.

The report's findings highlighted the benefits of investing in new technologies. The report found that, on average, new technologies accounted for around 16% of business productivity gains. It is also identified that increasing productivity was the key driver for business investment in new technologies, with over 70% of businesses citing this as a reason for investing. Investment in new technologies increased with business size and performance.

Of businesses that invested in new technologies in the last three years:

- On average 25% developed new technologies internally and 8% collaborated with research organisations.
- Businesses were most likely to acquire technologies from an external supplier; however, this technology was often adapted to meet specific business needs.
- SMEs were more likely to purchase off the shelf products and it was less common for SMEs to purchase adapted products compared with large organisations or to develop products internally.
- Collaboration with research organisations was comparable for small and large organisations (although low in both cases), whilst medium sized companies were least likely to collaborate with research institutions.

The most common sources of information about new technologies for businesses were clients or suppliers, the Internet or journals, employees, consultants, seminars / conferences and industry associations. Overall, less than 5% of businesses reported that they directly sourced information on new technologies from government or research institutions.

Importance of the Internet for Business Activities

The Business Investment in New Technologies report also looked specifically at business use of online technologies. The report confirmed the importance of online activities to business productivity. The businesses surveyed were nearly unanimous in reporting that the internet has had a significantly positive or positive impact on their productivity. Internet activity was most important for financial activities, data exchange and placing and receiving orders.

Governments and agencies also appear to play an important role in shaping how businesses use the internet, with nearly one-third of business respondents reporting that the internet was very important for electronic lodgement, such as for licence applications. Electronic reporting combined with the harmonisation of Government reporting requirements and Standard Business Reporting initiatives could be a useful tool for improving e-readiness whilst also reducing compliance costs for businesses.

[2] Technologies in the survey was broadly defined to include computers, software, machinery and equipment, and telecommunications systems.

Business understanding of the practical impacts of faster broadband

Overall, 30% of businesses surveyed reported that they had a high – medium understanding of the practical impacts of faster broadband.

However, around seventy-two per cent of small and medium business respondents reported that they had no understanding or a low understanding of the practical benefits of faster broadband. This compared with 58% for larger businesses. This suggests SMEs may need some assistance to understand what faster broadband means for their business.

Business readiness for a new broadband network

Around 55% of businesses reported that they, to a high or medium degree, had the skills / capabilities to take advantage of a new national broadband network. When Ai Group conducted a similar survey in 2008, this figure was 80%. This finding may suggest that as businesses have become more aware of the opportunities and applications that will become available to them once a broadband network is in place, they have become less confident in their present ability to take full advantage of them.

Small businesses had the least confidence in their ability to take advantage of a new broadband network. Just under 50% of small businesses surveyed rated their business readiness for a new broadband network as low – none, while the figure was closer to 40% for both medium and large businesses.

The most common strategies that businesses are considering to prepare for a national broadband network are training existing staff (80%) and employing new staff (25%).

Section Two: Improving E-readiness

The Business Investment in New Technologies Report identified a number of policy options for improving the e-readiness of business and particularly SMEs. These include:

1. **Improving the dissemination of information about new technologies**

The findings from the Business Investment in New Technologies Report suggests there is significant scope to improve business understanding of the practical impact of faster broadband and to improve business readiness to take advantage of a new broadband network. This is particularly the case amongst SMEs and for businesses in rural and regional areas.

Government has a role to play in helping to facilitate the dissemination of information about new technologies. This could include encouraging 'cluster-type' activities that bring businesses together and encourage the transfer of knowledge. It could also involve developing case studies showing how businesses are successfully utilising services and applications enabled by broadband. These case studies could focus on businesses of a particular size, on regions or on sectors.

The Business Investment in New Technologies research shows that businesses generally get information about new technologies from sources other than Government (for example, suppliers, clients, employees, and industry associations). This should be taken into account when designing communication campaigns or programs targeted at business.

Another area where further work may be required is benchmarking business e-readiness. This could help identify the e-readiness of different parts of the business community (for example, based on

business size, sector or region). It may also assist in understanding the reasons why businesses are more or less ready, which could aid the design and targeting of policy initiatives.

2. **Government programs to boost understanding of SMEs of the opportunities provided by a national broadband network**

The Federal Government's Digital Enterprise Initiative is a positive first step towards increasing the proportion of Australian businesses using online technologies. However, realising the National Digital Economy Strategy's vision of Australia placing in the top five OECD counties for business use of online technologies will require further initiatives. Ai Group supports the rollout of a five year flagship plan to educate and support businesses, particularly SMEs and businesses in regional areas. This could involve:

- Top-down work with leaders in business, technology and research organisations to define the state of the art in knowledge or productivity and broadband;
- Bottom-up work with individual businesses to assess their opportunities for and barriers to productivity-enhancing uses of broadband; and
- Accessible communication of the results to industry through existing business channels.

3. **Developing better industry-driven mechanisms for collaboration between publicly funded research organisations and businesses.**

The Business Investment in New Technologies Report showed a low level of collaboration between businesses and research institutions. Less than 5% of businesses directly sourced information from research institutions. Furthermore, only 8% of all businesses and 6% of manufacturers that invested in new technologies in the past three years did so in collaboration with a research organisation. These rates may be able to be lifted through the provision of accessible information to a cross-section of industries.

4. **Improving the competitiveness of tax arrangements by lowering the company tax rate or through more targeted measures.**

Survey respondents reported that Australia's relatively high tax rate was an impediment to investment. This was most pronounced amongst businesses that had not invested in new technologies over the past three years. This underscores that broader economic policy settings, in addition to sector-specific policies and programs, affect the capacity of businesses to take advantage of the opportunities afforded by broadband infrastructure and online services.