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Productivity Inquiry
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By submission: <https://www.pc.gov.au/inquiries/current/productivity/make-submission#lodge>

RE: 5-year Productivity Inquiry: Australia's data and digital dividend – Interim Report

INTRODUCTION

Thank you for the opportunity to express the Internet Association of Australia's (IAA) perspective on the Second Interim Report of the 5-Year Productivity Inquiry: Australia's data and digital dividend. Many of IAA's members are small to medium sized Internet Service Providers. Our response is primarily in representation of the perspective of our members, as well as in support of the general well-being of the Internet industry.

IAA supports the efforts of the Commission's inquiry and believe that digital technology and data is crucial to ensuring the resilience and growth of our economy. We believe the Internet to play a crucial role in the Commission's vision to better utilise and develop Australia's digital and data technology to improve the nation's productivity. As such, we believe that policies concerning digital and data technology must take into account internet access, performance and efficiency in order to ensure a thriving industry that serves the Australian public.

While the issues raised in the Commission's interim report are complex, and will indeed require equally multi-faceted actions and response, IAA believes that at the crux of the government's work should be a focus on genuine and thorough multi-stakeholder collaboration. The erosion of trust between government, industry and civil society is an issue that must be addressed if Australia is going to attempt to uplift its digital and data capability. In-depth consultation that is genuinely collaborative can help the development of policies that are actually effective and efficient and address the issues considered in the interim report.

OUR RESPONSE

INVESTING IN REGIONAL DIGITAL INFRASTRUCTURE

Government investment into telecommunications infrastructure for regional and remote areas of Australia is an area of concern for IAA and our members. IAA firmly holds that the Internet should be operated with consideration of the public interest and thereby that reliable and affordable internet access must be provided in all areas. IAA believes that the current model of government funding to deliver the Universal Service Guarantee does not maximise efficiency or effectiveness, and indeed fails to foster a competitive market.

Furthermore, in general, IAA holds that infrastructure built by incumbents using public money should be open to access by other relevant and qualified telecommunications providers.

A competitive tender mechanism could be a more appropriate mechanism of government investment. The benefits of such a mechanism could include increased transparency to ensure the accountability and efficiency of government funding. It could also help foster competition in the telecommunications industry by providing opportunity to other industry players, including smaller ISPs.

In addition, even if such a mechanism is not viable IAA strongly recommends that in general, the government should provide greater guidance and build awareness of the funding programs available for industry. In our experience, the process for applying for government grants has been overly complex and cumbersome with little guidance or information provided to the wider industry.

NEW DATA SHARING AND INTEGRATION OPPORTUNITIES

In general, IAA supports data sharing and integration. However, it is crucial that data-sharing frameworks are relevant, effective and safe.

We raise our concern with respect to the Consumer Data Right framework and the process in which it is being implemented in the telecommunications sector. IAA along with other industry representatives have expressed concerns that the CDR is not necessary for the telecommunications sector due to the wide array of data already available to consumers, and thus the potential benefits of the initiatives do not outweigh the costs that will need to be borne by industry. In particular, the timeframe set out for telecommunications providers seem to not take into account the recommendations made by industry for a phased roll out of the various CDR components.

DIGITAL, DATA AND CYBER SECURITY SKILLS

IAA strongly supports the Commission's prioritisation of digital and data skills for the Australian workforce. The tech skills shortage is a big issue affecting the industry, particularly exacerbated due to Covid-19. According to a 2020 Randstad report addressing Australia's tech skills shortage,¹ 67% of tech industry leaders responded that they felt government prioritises other sectors, and 61% responded that the government doesn't do enough to promote the industry. According to the OECD,² Australia has not retained a strong ranking compared to international benchmarks in terms of performance in STEM education for primary and secondary schooling. IAA believes the tech labour shortage is another area that requires collaboration between government, industry and the education sector as a structural problem requiring comprehensive, long-term solutions.

Failing to meet Australia's digital and data skills needs can have a great impact on Australia's productivity and economy. Particularly in an era of unprecedented update of the Internet and digital platforms, the growth of internet users has meant the need for new technologies and has already presented opportunities for innovation and expedient growth of the sector. However, the

¹ Randstad, *Bridging the Gap: how to tackle Australia's tech skills shortage*, 2020 <<https://www.randstad.com.au/s3fs-media/au/public/migration/documents/tech-report-2020-tackling-australias-tech-skills-shortage.pdf>>.

² OECD, *Programme for International Student Assessment*, <<https://www.oecd.org/pisa/>>.

lack of appropriate talent to undertake the necessary work to create and support Australian based technological systems can stifle the growth of Australian start-ups and technological innovation.

In addition, with the increased cyber-security risks in recent times, the lack of skills to ensure the security of Australia's digital systems and data proposes major risks to the Australian society more broadly.

While IAA acknowledges the need for skilled migration, the struggle for skilled talent due to the difficulties posed by the pandemic has highlighted the vulnerability of a plan that relies on sourcing skilled migrants. IAA emphasises the need for a domestic talent pool that is resilient to external factors in order to ensure the sustainability of Australia's workforce.

IAA recommends the implementation of an end-to-end plan to improve the skill supply from early education to ongoing industry training. A comprehensive and targeted strategy focusing on technical education should start from primary education and continue into lifelong training for workers already in Australia's workforce. According to the OECD,³ Australia has not retained a strong ranking compared to international benchmarks in terms of performance in STEM education for primary and secondary schooling.

While this plan should be the product of multi-stakeholder input to ensure the development of meaningful and relevant courses according to the needs and demand forecasts of industry, greater funding should be provided for primary and high school curricula to include digital components in each discipline. Tertiary education should also be made more readily accessible, with greater focus on teaching real-world skills through institutions like TAFE. Ongoing training should also be prioritised to allow people to up-skill and/or move into data and digital roles.

BALANCING CYBER SECURITY AND GROWTH

From the outset, IAA recognises the importance of the government's recent focus on uplifting Australia's cyber security. IAA has been actively involved in the various consultations held by government in relation to the reforms introduced in recent years. While we support the work of government to protect the nation's data security and critical infrastructure, we are again concerned about the manner in which many of these reforms have been implemented.

IAA along with industry and other stakeholders have consistently raised our concerns about the nature of the critical infrastructure legislation which seem to be unnecessarily burdensome, or ineffective. In addition, the lack of genuine consultation and clarity has been a critical issue eroding industry trust in government with respect to such legislation which have created new requirements for industry to comply with on short notice.

For example, the cyber incident reporting obligations was set out by telecommunications legislation equivalent to the *Security Legislation Amendment (Critical Infrastructure) Act* for the telecommunications sector.⁴ According to government, this separate framework was purported to provide more clarity to the sector. However, this actually resulted in more confusion, and a shorter grace period afforded to telecommunications providers. While other sectors were provided with a three month grace period to familiarise themselves with the new obligations, telecommunications

³ OECD, *Programme for International Student Assessment*, <<https://www.oecd.org/pisa/>>.

⁴ *Telecommunications (Carrier License Conditions – Security Information) Declaration 2022* and the *Telecommunications (Carriage Service Provider – Security Information) Determination 2022*.

providers were given essentially no grace period when the equivalent obligations became effective only two days after the legislation came into force. To add insult to injury, it was also apparent that the people conducting the briefing had not actually used the online system that was in place to submit the data, and so could not answer basic questions on usability and content required!

This results in immediate costs to industry as resources are unexpectedly diverted to ensure their organisation's compliance. Consequences can also include industry failing to adequately comply with obligations due to the confusion and misunderstanding caused by the lack of time and information provided. This can mean Australia's critical infrastructure systems are not properly protected.

IAA has consistently called for in-depth multistakeholder consultation, as well as sector specific consultation to ensure that the government gains greater insight into the needs and requirements for each sector. The Department of Home Affairs' lack of engagement strategy in developing the critical infrastructure regime is a serious issue that has also been recognised by the Australian National Audit Office.⁵ We believe thorough and genuine collaboration with multi-stakeholder input will result in more well-rounded solutions to tackle threats to Australia's critical infrastructure.

With regard to the proposed automatic cyber incident reporting systems, IAA is greatly concerned that this may allow the government with too much access into organisations' systems and amount to an overreach of government powers. In addition, this could also have unexpected consequences of opening up unintended back doors for bad actors to exploit.

If such an approach is to be implemented, IAA stresses the paramount importance of through collaboration and testing to ensure the security of those systems used. In addition, IAA recommends the approach should be optional only for those organisations who struggle and would like to follow such an approach.

COORDINATING THE POLICY AND REGULATORY ENVIRONMENT

IAA reiterates that the poor engagement with industry by government is a key issue that has been of great concern for IAA and its members, along with other industry representatives. As it pertains to the telecommunications sector, the policy context has become increasingly confusing and complex with the growing number of government departments and regulatory bodies overseeing different areas to whom industry must answer.

Attempting to keep up with the increasing number of regulations, at times seemingly duplicate or at worst unnecessary can have an adverse impact on productivity. Indeed, poor consultation has proven to do so, with industry being given less than two days' notice to attend an industry information session on security legislation reforms, meaning organisations have to change priorities unexpectedly to attend such sessions. In particular, for smaller organisations like many of the ISPs we represent, this is a great cost to business.

IAA recommends first and foremost that the government reduce the number of bodies regulating the telecommunications sector so that industry only has to deal with the Australian

⁵ Australian National Audit Office, *Auditor-General Report No. 38 2021-22: Administration of Critical Infrastructure Protection Policy, 2022*, <https://www.anao.gov.au/sites/default/files/Auditor-General_Report_2021-22_38.pdf>.

Communications and Media Authority, the Australian Competition and Consumer Commission, and the Department of Communications. As the department responsible for the governance and with awareness of industry operation, we call for all legislative reforms headed by other departments to be referred to the Department of Communications to be applied to the sector. IAA strongly believes this will reduce the risk of duplication and existence of incompatible regulation which would result in unnecessary burdens and increased costs for industry. It would also assist in fostering strong relationship between industry and government.

IAA also calls for establishing clearly set out minimum standards and thresholds for regulatory processes. While we understand that there will be emergency situations where regulation will need to be implemented urgently, in general best practice guidelines should be practiced under normal circumstances to rebuild trust and ensure greater engagement.

These minimum standards may include conducting open consultation forums that explain how the proposed reform would work, set out clear objectives, observing minimum time frames for each step of the consultation and review process, providing training resources and/or other information guides to assist with regulatory compliance, publishing a proposed version of the reformed legislation as per the proposed amendments as opposed to the confusing list of amendments that is currently published, committing to publish an explanatory material of some sort clarifying why the reform is needed, and genuinely taking into account industry input or recommendations made by other bodies.

In addition, IAA recommends the consultation period for reform pertaining to the telecommunication sector include an Industry Impact Assessment and Internet Impact Assessment. This process should be conducted prior to the implementation of any changes or any legislation coming into force. The assessment criteria for these should be devised with multistakeholder input. Conducting such assessments can better ensure the effectiveness of regulation and minimise the risk of adverse consequences that may arise from new legislation.

CONCLUSION

Once again, IAA appreciates the opportunity to share our response to the interim report on the 5 Year Productivity Inquiry. We strongly support ensuring the continued and accelerated growth of data and digital technology to improve Australia's productivity. While there are various areas and complex issues requiring addressing, IAA firmly holds that committing to genuine collaboration and dialogue between stakeholders including government, industry, education sector and civil society, is key to ensuring the birth of ideas, innovation and effective and efficient regulation to lead Australia into the future. IAA is sincerely committed working with other stakeholders to be a part of this process.

ABOUT THE INTERNET ASSOCIATION OF AUSTRALIA

The Internet Association of Australia (IAA) is a member-based association representing the Internet community. Founded in 1995, as the Western Australian Internet Association (WAIA), the Association changed its name in early 2016 to better reflect our national membership and growth.

Our members comprise industry professionals, corporations, and affiliate organisations. IAA provides a range of services and resources for members and supports the development of the Internet industry both within Australia and internationally. Providing technical services as well as

social and professional development events, IAA aims to provide services and resources that our members need.

IX-Australia is a service provided by the Internet Association of Australia to Corporate and Affiliate members. It is the longest running carrier neutral Internet Exchange in Australia. Spanning six states and territories, IAA operates over 30 points of presence and operates the New Zealand Internet Exchange on behalf of NZIX Inc in New Zealand.

IAA is also a licenced telecommunications carrier, and operates on a not-for-profit basis.

Yours faithfully,

Narelle Clark
Chief Executive Officer
Internet Association of Australia