

CORRECTED VERSION

RURAL AND REGIONAL COMMITTEE

Inquiry into the opportunities for people to use telecommuting and e-business to work remotely in rural and regional Victoria

Barwon Heads — 6 November 2013

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Mr B. Sutherland, owner, WaterMarks Photo Gallery, and president, Torquay Commerce & Tourism.

The CHAIR — Welcome to the parliamentary Rural and Regional Committee's inquiry into the opportunities for people to use telecommuting and e-business to work remotely in rural and regional Victoria. I hereby advise that all evidence taken at this hearing is protected by parliamentary privilege as provided under relevant Australian laws. I also advise that any comments made outside the hearing may not be afforded such privilege.

Barrie, for the benefit of Hansard please give your name and business address.

Mr SUTHERLAND — Barrie Sutherland, WaterMarks Photo Gallery, shop 2, 38 Bell Street, Torquay. As I explained to Lilian, contact for Torquay Commerce & Tourism was very short notice, so I have notes that I will speak to, but I would like to try to make it interactive. My background is 30 years of information technology and data communications, so it is a subject that I am very familiar with in terms of culture change and the architecture and infrastructure required to proceed in a cost-effective community/business benefits way.

The CHAIR — That is fine. We are happy to be interactive, but you might like to lead off with some opening remarks.

Mr SUTHERLAND — I would have liked to have been a lot more prepared, but I think we can do it pretty well. Since I have been on the committee but recently also as the incoming president of Torquay Commerce & Tourism, I have had the opportunity to start talking more about information technology. What I see in the range of business diversification in Torquay — and we are talking about classic boutique retail, cafes and restaurants through to service industries and service-type businesses and light manufacturing such as surfboard manufacture, right through to the corporate giants of Rip Curl and Quiksilver.

Rip Curl and Quiksilver are quite deeply embedded in information technology and all those components that go with it because they are operating nationally and internationally. There is a big gap between the way that they conduct their business and other businesses, and my observation is that they are a long way down the track in terms of e-commerce and telecommuting.

I would make a judgement that small to medium-sized businesses are still in the dark ages. There are individual businesses that are using these technologies. For example, ours is a small gallery, but all of our business processes are based on digital technology. For instance, we quite often transmit 10 megabyte to 150 megabyte types of image files across ADSL to and from Perth, because that is where the laboratory is located where we do all our scanning and printing of images. It is the same with media — I am talking about publications in magazines and newspapers and also film and television: they all require images of at least 10 megabits, so if I am transmitting that, I need reasonable internet speed to be able to do so. We are probably ahead in terms of penetration of those technologies more than most other small businesses in Torquay.

The CHAIR — What can we do to help get those other small businesses interested or using it here?

Mr SUTHERLAND — Two things. Cultural change is the biggest thing. As the incoming president I have seen the deficiencies in the organisations, particularly in their use of technology — and the most basic one is email. As Andrew would be aware, when we had the preservation things to save Bells Beach, the amount of emails that were flying around between the stakeholders and the players was enormous, but it facilitated a lot of data gathering and dissemination across a broad range of people, and the only way that we could proceed at the pace that we did was to use those technologies. There are some fairly savvy people in that group who can use email.

What I am finding with Torquay Commerce & Tourism is that 60 per cent of our committee members have not had one reply to any emails sent out in four to six weeks. That says there is a need for a significant cultural change. I have two or three people to whom I can send out an email and say, 'Here's project scope for impact of markets', and I will get a response that day. That is quite satisfactory: to be able to get on, check your emails, see there's something from Barrie, make a comment and send it back. I can do that a couple of times a day with several people. The rest do not do that. They all run their own small businesses, and I understand they are busy but it also sends a signal to me that if they are working in the business they are not working enough on the business, and that is the cultural change.

I am just throwing out examples here. I do not pay an accountant to do any books: I do it all myself electronically. I can log on to the tax department and I can do my quarterly BAS. I go through its gateway and I

log it all for myself. That saves me probably \$1000 a year. It is not huge dollars, but in our business it is a matter of percentage and it is \$1000 in my pocket. It is the same with tax returns: I do all that myself. I do all my financial reports, from freighting account, profit and loss to balance sheets, and I have all those linked to our expenditure and sales journals and assets and so on.

We are pretty well into e-commerce, if you like. I do not think a lot of other businesses have even gone down that path, because they use accountants, which means they are handling and shuffling paperwork to accountants to key it in when they should be keying it in themselves straight online in their business. They are paying the accountants money. I would say the average small business doing \$100 000 turnover is probably paying \$5000 and maybe \$10 000 a year in accounting fees.

We can see there are some real opportunities for cultural change in terms of the digital age to invest in Torquay and improve business proficiency.

The CHAIR — That is one part of the inquiry. Another part is about teleworking.

Mr SUTHERLAND — Now, what do you mean by that?

The CHAIR — Where someone might be employed in a business in Melbourne but they might actually work in Torquay.

Mr SUTHERLAND — Right. Yes, we do. We have a lot of that, and it is driven by the surfing culture, which is the primary culture in Torquay. Everything revolves around Bells Beach and the breaks, and when they work the town is gone. That goes in a series of shifts throughout the day, depending on what business it is. The tradies are in there, out and gone by 9 o'clock. The retail businesses and small businesses like mine come in on the next shift, about 9 o'clock, when there is a quiet period and we have our session and go. Then the teachers, the mums and the dads all come in after school.

In between that time we have a range of businesses located at Torquay — when I talk about Torquay, I am talking about Jan Juc and everything — that actually work at home to Melbourne. They include barristers, lawyers and marketing people. I am trying to think of some others, but they are the sorts of people we have. I surf with them and I understand what they do. They will work from home and exchange digital documents up and down ADSL or broadband, and then they will take a trip to Melbourne, in the case of the barristers, for a meeting or to appear in court. Given that so many people are coming into Torquay and the town is growing, rather than building a railway line and having more people travelling, it would be far more cost effective to have some good infrastructure and some facilities in there to provide for some telecommuting process.

The CHAIR — What would you envisage the facilities would look like?

Mr SUTHERLAND — Broadband. The national broadband network. I think the way the present government is doing it will roll it out much faster, and now I am speaking with my communications hat on. We do not need 100 megabits per second, in fact 10 megabits per second for me, transmitting a 10-megabit image is like — Bang! If I have got half a dozen even now, on the slower ADSL over the copper network in Torquay, I can just hit the enter button and be doing something else. So there is not a lot of productivity to be gained by making that go faster. Where the productivity gain is for us and a number of other businesses in old Torquay is the stability of the Telstra network system, and ADSL or broadband runs on the top of that. My downtime averages, in our opening hours, about 30 per cent, and that is extraordinarily high considering what I said before — that we do use that technology quite a lot in our work. So I put that down to old Telstra technology. The infrastructure — copper wires, junction boxes, repeater stations — all that sort of stuff that ADSL runs over, I would say in Torquay it is severely degraded.

The correlation I have for it is that when it rains, within 6 hours I have fluctuations in performance on ADSL, and a number of other businesses report the same thing depending on where you are. So we are not going to be able to go down the path of exploiting the digital age, and I mean not only just straight out e-commerce like we are doing, where we are placing orders and getting stuff back or I am transmitting images, I am talking about moving to more sophisticated videoconferencing facilities in small business. I see that as a technology that will come.

You already have Skype, which is the beginnings of that, you have Facetime on your mobile phones, so those sorts of things are starting to wrap themselves around business, and for a town like Torquay or any of the coastal towns, that is the way it will go, quite quickly, in the next 15 or 20 years so that people can have the lifestyle on the coast to run their businesses into Melbourne and nationally and not have to get into a car and travel.

Mr DRUM — Barrie, the companies and businesses out there that are techno-savvy are probably also the ones that are part of your association and which are looking to create networks et cetera. If we as a government are going to be presented with new infrastructure and an NBN in whatever model it looks like, how can government put its arm around and educate and upskill some of those more recalcitrant businesses that are stuck in the old days?

Mr SUTHERLAND — I do not like a lot of government intrusion into business. Brutally, it may be that if you do not change and do not have the vision to change, market forces will sort it out. You will not survive.

The CHAIR — You will go out with the dinosaurs.

Mr SUTHERLAND — Yes.

Mr DRUM — But if you look forward three years and see the type of technology we are going to have, say, around 25 megabits per second available to everybody via something or other, how do we get the average builder or retailer or these types of people engaged and get them to realise — do we offer courses through a business association? Do we offer courses through councils?

Mr SUTHERLAND — I think you can, but I have a real example with Torquay Commerce. I have to drag people kicking and screaming into the information digital age, and I do not have the answers yet other than a change of business ownership. The young people coming through — and this is where I see the change — anyone under 35 is technologically very savvy. I watch my granddaughters and they are doing stuff and I say, ‘How do you do that?’ and it is like bang!

This is one of the great arguments I had about the original national broadband proposal of fibre to the home — that the young generation does not need that because you see them walking around, they are on the internet, they are doing their communications, they are checking the restaurants, they are checking our gallery to see if we have got so and so, and that change is happening. I think all you can do is facilitate that and make sure it continues to happen and that you are hitting the right technologies. But as far as the older generation goes, I think all we can do is gently guide them along.

There are Luddites out there. I surf with people in their 50s who run businesses in Torquay who do not have email, and have fax machines. I mean, the fax machine has gone. The technology is finished. Any business that is tech-savvy should not need to have a fax machine because everything is pretty well digital. It is a tough question to answer. You cannot impose it because you will get resistance. Certainly from Torquay Commerce’s perspective in terms of our whole reorganisation of functional positions, we have identified information technology and resources as something that has to be managed. Once we do that, I think that would be the way to help us, to get some cultural change.

The CHAIR — Barrie, the committee heard when we were over in America that to get people to locate to an area to telework they have to have an affinity with an area. I would imagine that Torquay is a place that many people would have an affinity with. You have the beach there, it is a great place to live.

Mr SUTHERLAND — Absolutely.

The CHAIR — But we have also seen that hubs can be of assistance. We visited a hub in Melbourne. I do not know whether you know about hubs, but would the Torquay Commerce think there would be a need for a hub in Torquay?

Mr SUTHERLAND — Can you describe what you mean by a hub?

The CHAIR — A hub is where there will be eight or a dozen hot desks, where an individual who is either teleworking or running their own small business can come and hire that hot desk for half a day or a day, and people talk about how it breaks down the barriers because when an individual works on their own they do not

socialise so it brings in the opportunity to socialise. They can network there and the businesses can do business with other people using the hub. Has the Torquay Chamber thought about things like that?

Mr SUTHERLAND — No, we haven't, and it is an interesting concept. Have you got any documentation or anything on that?

The CHAIR — We will have evidence that has been supplied to us. We can give you some of that information.

Mr KATOS — I could perhaps get some information about that.

The CHAIR — Andrew can. There you go.

Mr SUTHERLAND — Yes, because we could have a session. Andrew could come along at the general meeting and do something like that.

Mr KATOS — I would be more than happy to do that.

The CHAIR — They are also called coworking centres.

Mr SUTHERLAND — Yes. I understand.

Mr DRUM — These centres can effectively take on whatever form a community wants.

Mr SUTHERLAND — Are there real live working examples, say, in New Zealand or — —

Mr KATOS — There is a good one in Melbourne. At the Spencer Street end of Bourke Street there is a very good working example.

Mr SUTHERLAND — So people could come in on the train and work and go out, that sort of thing, because you would not want to be driving your vehicle into Melbourne? I am not saying no but I am saying yes, maybe. It is an interesting concept to look at. In terms of socialisation I think most of our remote workers get so much through surfing, they go away and work for a few hours and then they come back for another surf. You will be sitting out in the surf line-up and you are actually talking about business.

We have some interesting people. I was surfing the other week with Ross Clarke-Jones at Bells. We were in the water at about 6 o'clock and we were starting to talk about business. I said to him, 'Where are you at with your training for the Hawaiian season and what about that place you were looking at in Mount Moriac as a home base for what you do?'. I meant his media and all that sort of thing, and yes — we were just talking about those sort of things, so that is the type of person we have got.

The CHAIR — How do you get to talk about that while you are out catching a wave or something like that?

Mr SUTHERLAND — It is the culture.

Mr KATOS — There is a bit of down time while you are out there waiting.

Mr SUTHERLAND — Yes.

The CHAIR — About your own business, Barrie, where are your markets if you run a gallery?

Mr SUTHERLAND — Probably 80 per cent is local in Torquay and Jan Juc, or 75 to 80 per cent when I look at the sales by postcode. But again a lot of those can be Melbourne people with holiday homes, too, and I do not go down to that detail.

Mr HOWARD — But they find you through your physical business address, rather than on the Net, then?

Mr SUTHERLAND — Yes. On our customer database the first thing we get is the postcode, apart from email and so on. That way we can look at where the dollars are going. It is a quite effective tool. The other thing we do also — and this is not really digital — is just have a sheet of paper next to the EFTPOS machine and when they come in we ask, 'How did you hear about us?'. If they say, 'We saw you on the website', we tick

that. I have stats of that over six years and the highest percentage is word of mouth recommendation. Therefore we do not advertise. What was the question again?

The CHAIR — Where do you do your business — and 80 per cent of that is local?

Mr SUTHERLAND — Yes, a lot locally. Nationally, in pretty well every capital city, I think, and we have business in small towns and so on — up and down the east coast and across to Western Australia. Internationally, we have sold into London, Sweden and New York, so we have that. I mean, it is not huge but we do have that international spread. We get hits on our website. We do not do straight-out e-commerce, if you like: pick your item, put it in the shopping cart, give us your credit card number and we will ship it. We do not do that because it is a bit hard to do it with a big framed print because everything is pretty well custom made to what the customer wants — the frame type, the image type, that sort of thing.

If they get on the internet, they can click through our galleries. A classic one not so long ago was a customer from Melbourne. She telephoned me from her mobile after she had been on the website. I asked her what image it was because on the left-hand side at the bottom of the image we have the actual image number that is in our catalogue. She said that and I said, 'Okay. I'll just check it'. She said, 'No, I've got it up here now' — she was looking at it on her iPhone — and she said, 'It's the one with the sun coming up'. I said, *Bells Dawn*. So we conducted that transaction with her on her mobile doing things and she placed the order there and then and then transferred a \$500 deposit directly into our account. So that is how we can do is remotely and it really works very, very well. But again the whole performance depends on whether ADSL is up or down.

Mr KATOS — Barrie, how do you go in the summer months with your ADSL? With the influx of tourists, do you have problems?

Mr SUTHERLAND — No, not really. I mean, we do not get a lot of business from tourists. They are there to go to the beach, not to come shopping up in a gallery. They may walk in and we will get business later on, but with the big sales like a \$1000 print for a wedding that a number of people will put in for, we conduct them like I said in the example. They may not even come into the gallery.

Mr KATOS — Does your internet connectivity diminish with the influx of tourists?

Mr SUTHERLAND — Yes, I would say so, in peak times definitely. It gets overloaded, and I am actually trying to gather data outside of the range when it goes down, when there are overloads or heavy loads in Torquay at that time.

Mr DRUM — With all the new estates springing up around Torquay, with that phenomenal growth, are any of those estates being built with extra fibre, say, already in the ground, that you are aware of?

Mr SUTHERLAND — I do not know. I am not sure what is happening with Armstrong Creek. I see advertisements for it. My view is that with fibre to the node you should not have even any cables from there; it can be wireless. That is why I gave that example about the young people and the technologies. My daughter, who lives in the US, has the US equivalent broadband to the door but it is not fibre-optic; it is copper and runs to a node to Gulfport, where she lives. She hardly ever gets on her home computer. It is all on her iPhone — everything is mobile. To me that is the way to go in Torquay. Forget about the old copper in the ground. Run fibre-optic to a couple of big nodes like Surf City Plaza or the CBD and go out, bang, with wireless technology from there.

Mr HOWARD — The only other thing I was going to ask is: in terms of your skills to develop your website or to use IT as you do in business, where did you pick up your skills?

Mr SUTHERLAND — I had 30 years with Alcoa in IT. The hard one that was thrown at me was, 'We're going to create a new position. It's called communications manager'. 'What does that mean?'. 'Well, you're now responsible for all data communications and telecommunications'. So that was a very steep learning curve — extremely steep learning curve. I got thrown in right in the middle of the deregulation of Telecom, with Telstra and the split off and the formation of Optus. I went through a lot of heavy stuff reading on those planes back and forth to Melbourne and Sydney from Perth. That is where the background came from.

I have said for some time that the NBN design is flawed because you are never going to get 100 megabits per second even into this place, because once you hit the wall it is all copper and you have computers that have current technologies which have restrictions on buffers and buffer capacity and the speed of the process. It is never going to handle 100 megabits per second coming down like a huge 20-inch-diameter water main coming to a half-inch thing, so you have that constraint.

Mr KATOS — You mentioned earlier that you get your printing done in Perth. Is that because you have an affinity with someone in Perth or because the technology allows you to do that?

Mr SUTHERLAND — Technology allows us as well, but the affinity was there from when I was with Alcoa. That laboratory was doing Alcoa, Hamersley, Mount Newman, Woodside — all their sort of corporate work. I just wandered down to our PR department where someone had come back from the US with a film that I said, 'Where do I go to get some good colour prints from'. They said, 'Go there'. At the time they were a certified Kodak Q-LAB. There was usually one in every capital city, but that is all gone with the demise of Kodak. They are still there. They do the Mercedes Benz processing for all their advertising shots in Australia. So, yes, there is an affinity, a relationship. There is no-one in Geelong or Torquay that can provide the quality and services that they can. In Melbourne, probably yes, but for me there is no point. I would have to travel to Melbourne. I might as well just sit there and go tap, tap, tap — bang. Those relationships can be transported, if you like, across the country if you are expanding your business.

The CHAIR — Barrie, that has been very helpful. Do you have any final comments you would like to leave with us?

Mr SUTHERLAND — I think I have covered all my points. Cultural change will be slow and lifestyle drives many businesses in Torquay. There is a diversity between the corporate and the medium to small — I have that. There is a big diversity in the small businesses, and the infrastructure.

The CHAIR — Thanks very much for taking the time to come along here today and share with us your views and thoughts about how to move forward. In about 14 days Lilian will send you a copy of the Hansard transcript. You will be able to make corrections to obvious errors but other than that, it will be at it is. Once again, thank you very much.

Mr SUTHERLAND — Good. I hope you guys got something out of it, too.

The CHAIR — Very good.

Witness withdrew.