

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

Mansfield — 14 August 2013

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Cr R. Bate, mayor, Mansfield Shire Council.

The CHAIR — Welcome to the Rural and Regional Committee’s parliamentary 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 law. I also advise that any comments made outside the hearing may not be afforded such privilege. Russell, could you give your name and address for the benefit of Hansard.

Cr BATE — Russell William Bate. I reside at 277 The Sideling, Jamieson, Victoria, 3723.

The CHAIR — Would you like questions as you go through your presentation or at the end?

Cr BATE — I am happy to have questions as I go.

The CHAIR — Please start your presentation.

Cr BATE — I want to cover three key topics in my 10 minutes. The first is the importance of telecommunications to rural shires in particular but Mansfield especially. I also want to cover the challenges that confront us as a shire and you as representatives of the state government. The third issue is probably not directly connected with e-commerce but is nonetheless a vital supporting element in the quest for better telecommunications — that is, the whole human safety factor.

I do not usually do this but because I think it is germane to all this I might just touch very briefly on my background. For 32 years I worked in the IT and T industry. At the time I retired, I headed the Asia-Pacific operations for one of the world’s largest computer companies. Prior to that I spent seven years as the managing director of Sun Microsystems Australasia, which was the company I went on to run the Asian operations for. I was a member of the Australian Information Industry Association board, which represented the information industry association to the federal government on policy matters. During that time I shared board membership with David Thodey, who was then head of IBM and is now the head of Telstra. I give you that background to hopefully add some credibility to some of the points I am going to make.

The capacity of our businesses to compete with urban-based and increasingly overseas businesses is largely rooted in telecommunications. By telecommunications we are looking at two or three things. One is availability, the second is speed and the third is the capacity to carry the types of traffic volumes that we need in a commercial environment.

The problem that rural communities in Australia have is fairly straightforward. We are one of the most highly urbanised countries on the face of this planet, with the vast majority of our people living in coastal cities. In that period they have become used to a high standard of communications. It is a lot easier for the major telecommunications companies to provide high levels of access and high bandwidth to people living in the city; it is expensive to do so in the bush. It is therefore reasonable to understand why we do not enjoy the same bandwidth here in regional Australia as people do in the city.

Unfortunately what that has done is build a level of expectation on the part of most urban Australians as to what is a reasonable response on the part of a business. Unfortunately most people expect that, if they ring you, you will respond within a very short period of time because, let us face it, we all carry a mobile phone. They also expect that the sort of bandwidth required to drive marketing messages et cetera is available to rural communities and rural businesses. To be frank, it is not.

This has meant that businesses that were potentially looking to relocate to the urban fringe or to be near rural areas to decentralise to take advantage of lower rents and provide a better and lower cost living environment for many of their staff are not prepared to do so because those facilities and that capacity do not exist. It immediately places the rural communities of Australia at a disadvantage when competing with the urban hubs.

Flowing on from that, in my last couple of years, because my staff were all over Asia and also in America, it did not matter where I was. When I was in Australia I was able to take advantage of this and head up to our house in Jamieson on a Wednesday or Thursday night. Because we had a reasonable standard of communication I could be there for three or four days. Mind you, that was 10 years ago. The expectations of what are reasonable communications have changed significantly over those 10 years. Could I do that today? Possibly, because Jamieson is lucky enough to have ADSL. Could I do it in most of the communities other than Mansfield? Probably not, because they do not. This is an issue that is already limiting our growth.

Mansfield is a particularly attractive community, and I am not putting this as a we are better than you proposition, but we are. We have Mount Buller, we have Lake Eildon. We have a particularly beautiful environment that attracts people here. There has been a gradual move from Melbourne to Mansfield and to its outlying communities as people want to take advantage of this. The other thing we have found is that over the last 10 or 12 years there has been an increased movement of people from Melbourne resident/Mansfield holiday to bit resident/bit resident to finally more and more people becoming resident ratepayers as opposed to the 50 per cent non-resident ratepayer community we tended to have 5 or 10 years ago.

We are not fully exploiting this potential. I look at my two immediate neighbours. If you want to know just how much this community has changed, my two immediate neighbours do not come up by car, they fly up in their own helicopters; they have their own helipads. This is a bit of a fundamental shift in a rural community. I know at least one of those guys would like to spend four or five days a week up here and three days a week in Melbourne, but his communications do not allow that. I am sure I am speaking on behalf of many other people dotted around this shire who are high net worth individuals who could be spending more time here, who might even be opening small offices here but who cannot do so because of the lack of communications. This is limiting our shire growth. It is limiting it in terms not only of the individuals who would like to telecommute, it is limiting it in terms of our businesses that could be expanding and it is limiting it in terms of the competitiveness of our businesses. I am sure, Paul, that as someone who lives in a rural community I speak for you as someone who understands this.

The CHAIR — What I would also remind you is that the inquiry is not about delivering the services. It is about what the state government can do to complement them when those — —

Cr BATE — I am just about to move on to that. So what are the barriers? To be frank there is not a great deal that either side of this discussion can do, and its roots go back to when Telstra was taken public. Unfortunately at the time that we took Telstra public the universal service obligation was limited to the provision of a wireline phone to a home. Whether through lack of foresight or basically not wanting to discourage people from investing in Telstra there was no move to increase the universal obligation to undertake provision for broadband and wireless communication. The costs associated with that would have made Telstra almost a poor investment.

We have a very active telecommunications advocacy group here. Only last week we met with the regional head of Telstra. The reality is this: every installation or every improvement in telecommunications in the country is a strictly economic proposition as far as Telstra is concerned. We have looked at a variety of possibilities — piggybacking on state emergency services facilities et cetera — but inevitably the answer comes back to what is the cost and what is our projected revenue if we provide that service? Look, the equation does not work.

The only way the state government or federal government can balance that equation is through subsidising the provision of facilities in the areas that require it. Obviously the budget is not limitless so you have to be fairly careful in how you prioritise that expenditure. I note the policy announcement by the Leader of the Opposition yesterday for \$100 million to go into the provision of facilities in black spot areas, and obviously that will be carefully prioritised, but without direct financial subsidy you will not get any of the telcos improving the facilities because their primary objective is to their shareholders and their bottom line. The government has no legislative power, to the best of my knowledge, that would have any effect on any of those communication companies with regard to mandating an improvement or diversification of the universal service obligation.

One thing that I think is important — and this is my closing subject — is not directly related to e-commerce. What it is related to though is human safety. Vast areas of rural Australia have little or no coverage, and in the event of bushfires, major disasters, road accidents et cetera, rural people are put at a very high risk. Within our own shire the areas which are most popular for camping, up the Goulburn Valley towards Woods Point et cetera, these are the sorts of areas that have no mobile phone coverage. They are also the areas that are most directly under threat from bushfires during the summer, and yet our emergency services, our bushfire warning system, is predicated on text messaging. It has absolutely no impact whatsoever on areas of highest risk. I think that while we look at this through commercial eyes and we look at it through what can we do to improve the businesses and living capacity of people in rural Australia, we also have to factor in that human safety aspect.

Mr HOWARD — Okay, Russell. One of the things I was interested in was you were talking about your neighbours as an example of people who rely on quality connectivity and therefore they cannot stay up here and

they end up having to spend a lot more of their time in Melbourne. Is there or has there been an investigation of the opportunities of having an IT hub-type arrangement here in Mansfield where you appear to have better connectivity, that would see people like that not necessarily having to go back to Melbourne but being able to stay in their community and go to some sort of hot desk-type arrangement that would see them having good connectivity here?

Cr BATE — Serviced offices is not a bad interim solution. Certainly the commute for most of our outlying communities which are principally affected is generally about 30 minutes. You start to lose some of the perceived benefit. Bear in mind a lot of these people are not nine-to-fivers. By definition their roles can mean they are up at night. In the immediate cases of both of my neighbours, they run international businesses, and to try to carry that out with a nine-to-five structure would not work. The other thing too is that very quickly even those facilities start to run into bandwidth constraints. If I look back to the sort of bandwidth that sufficed for us in the 70s when we were still on green screens and teletypes, the way in which this is being consumed nowadays is very difficult to keep up with. The era of the smart phone and the iPad have basically meant that our communications take a nosedive during the summer period, the holiday period, when we get this massive influx of visitors. Every kid nowadays has his mobile phone. You can really see a genuine deterioration in most of our outlying communities during that period. It is a possibility. It is a short-term fix. It requires once again someone to take that big initial investment with a fairly high degree of risk.

The CHAIR — Russell, you talk about the need for better bandwidth and better pipes, and we hear that loud and clear. If those were to be improved, in your community you have your early adopters and the people who sit back and watch. If the bandwidth was there, how could we as a state government encourage greater adoption?

Cr BATE — Look, I think this is going to sound funny but in some ways the problem is not greater adoption, it is by whom it is adopted. This is going to be a universal problem. The bandwidth problems that we have at the moment are not necessary caused by high priority usage. Unfortunately with the telecommunications environment, as people in this room would know, you can be on the internet doing accounts or something and all of a sudden one of your kids fires up in his room and your daughter fires up texting somewhere and they are downloading again somewhere else, and all of a sudden you are looking at bandwidth that takes you back to the 1980s. I think promotion and availability will bring people into it. How we go about limiting that usage to high-priority usage, I do not know. Ultimately it starts to get to the billing policies of the telcos themselves. I can promise you this: you provide it, we will fill it, and we will fill it in a very short period of time.

Of course our job is to do the other things around economic development to make sure that once that bandwidth is there the council has removed all the other barriers to people coming up here or increasing their operations or the types of operations they have here to use that bandwidth for meaningful economic purposes.

The CHAIR — Has your shire any information about the number of tourism businesses and the number of farm produce businesses that would be looking to use the market?

Cr BATE — Yes. I can get you an economic profile of Mansfield shire either electronically or in hard copy. The other document that we would like to give you, which I think is a really excellent document, is a product of the telecoms advocacy group, and I will make sure we get copies to you. What it shows is something you need to know, which is the absolute fallacy of the coverage maps provided by the three major telcos. They are fantasyland. Telstra's is the most accurate. When you move out of Telstra and you look at the coverage maps, the coloured bits show allegedly where you can get mobile communications in the shire. I do not know what the provisions are under the Australian advertising regulations, but you could take most of them to court on the basis of what they are publishing, because this is essentially what they are publishing. The next page shows Optus. You would be lucky to receive an Optus call in the shire, and yet according to Optus you do not have to worry; it is everywhere. Vodafone is probably the most truthful.

This is another problem, because when you talk to the telecommunications companies that is what they will tell you and, to be perfectly frank, it is bullsh — —

Please do not be taken in by that. If you ever doubt the veracity of what I am saying, come up here and we will have a quick drive around. In the half-hour drive from Jamieson to Mansfield this morning I was out of communications for 20 minutes, and that is on the Midland Highway technically. It is just indicative of the problems we face. There is a huge amount of misinformation.

The CHAIR — I suppose with the remote work options, and we will call Mansfield remote — —

Cr BATE — Yes.

The CHAIR — Because it is remote from Melbourne.

Cr BATE — It is, yes.

The CHAIR — What approaches could we use to assist the regeneration of this area and the growth of businesses in Mansfield?

Cr BATE — Whatever you could do, either as a state government or through your various parties at the federal level, to identify and co-fund — and the funding does not need to be exclusive by the way — the provision of facilities in some of these areas would probably be the single biggest thing you could do. To a degree it is up to us to promote the shire, the opportunities, transportation, the education, the health care, the people et cetera, all the things that ultimately encourage people to come up here. I might add that those services and facilities are fairly readily available in Mansfield largely due to the fact that a lot of doctors ski. We have excellent medical facilities, we have a first-class hospital and we have good schools. All of these things help to provide the environment that encourages people to move here and to open up businesses, but of course with those one or two major barriers.

I think it is up to shires to attract business, but we can only do so once one or two of the key infrastructure issues are addressed, and telecommunications is clearly today probably the biggest infrastructure issue that we need to address. Mind you, any funding for roads is always gratefully received.

The CHAIR — Being a mayor, you would know that you get an extra \$1 million a year.

Cr BATE — It hardly touched the sides, I can assure you.

The CHAIR — But it is a start.

Cr BATE — I have not even sealed the drive to my house yet, and that is breaking a long council tradition.

Mr HOWARD — Russell, I heard you saying that if you had better connectivity, then you could see great opportunities for businesses and for more people to move into the area or even just to travel here knowing that there are not limitations in their connectivity. Are there any particular businesses that the shire might try to focus on to encourage them to come here if you had better connectivity?

Cr BATE — You have got a fairly good agenda today, between now and 2.30 p.m., with a fairly broad representation of local businesses. The businesses that I would be looking to attract are what I would describe as knowledge businesses. They include consultancies, design-based businesses et cetera. In fact there is potential for some research. There is even potential for a certain amount of telecommunications — IT & T-type businesses. Knowledge-based businesses almost invariably consume bandwidth if you look at the transmission of diagrams and complex documents. Medical remote diagnostics is a huge consumer of bandwidth. I would be looking to attract all of these sorts of businesses. Realistically Mansfield is limited from a transportation perspective; we do not have a rail centre. We rely on road transport and yet we are not on what you would describe as a major highway. Manufacturing businesses will by definition be small, high-value businesses. I think it was de Bono who some years ago said that if you are remote from your market, you should be in the business of electrons and not atoms, because anything that requires transportation of low value, high bulk is not a business for us.

Fortunately for us the environment and the facilities here will attract, and do attract, those knowledge-based low-volume, high-value businesses. That is the sort of profile.

The CHAIR — Your advocacy group has a future plan. What does that include?

Cr BATE — Basically we have been about two years getting to this point. The final report back from Telstra — and I might add it was completely realistic and I much preferred to get that from them rather than pie-in-the-sky stuff — came last week. I think what it made very clear, and this inquiry is most opportune, is that we had gone to Telstra and we had also spoken to members of government with a proposition that yes, we

understood there was a fairly high cost of establishing, in particular looking at wireless facilities. Why could they not piggyback on the ambulance services and other emergency services facilities around the shire? Because dotted throughout Victoria are a lot of existing towers, masts et cetera that service the emergency services with radio communications. Generally they have two aspects which are pretty good. One is vehicle access, and one is power — that is sometimes solar and sometimes other. But Telstra came back to us and said, ‘Okay, we have looked at these’; we had mentioned four or five. They went through each of them individually and said, ‘Okay, here are the problems with this, with this and with this’, and they fell into two groups. Either there were still considerable costs in upgrading those facilities to achieve the capability, or the other was that the cost of itself was potentially achievable but the consumer traffic that it would generate was not sufficient to justify Telstra’s involvement.

I might add that in some cases if you look at the public safety issues, they were in very critical areas from a public safety point of view, but Telstra quite reasonably argued, ‘I’m sorry, we are about making a buck, and it is going to cost us’. In general we were talking millions of dollars — \$1.5 million, \$2 million, \$3 million or \$4 million for most of these sites. They could not see a payback in terms of increased billable traffic from those areas. It was then that we finally realised that unfortunately the only route for our group, and indeed for most rural communities, has to be through advocacy, the political system and through state and federal governments. Unfortunately, as I pointed out earlier, with the public offering of Telstra the capacity of government, state or federal, to have any legislative power is limited. Ultimately it is just a matter of co-funding and subsidising. At that point in time we decided that, okay, most of our efforts will now have to go through the political system. They will have to go through state and federal governments, and then you were here.

The CHAIR — Yes, right.

Mr DRUM — Firstly, I am sorry for being late.

Cr BATE — That is all right.

Mr DRUM — How are the black spots going out around Jamieson at the moment?

Cr BATE — Jamieson is not too bad. In fact, Jamieson, thank heavens, is probably one of the best served of the remote communities. But do not leave Jamieson and go north of Kevington.

Mr DRUM — No.

Cr BATE — Particularly in mid-summer during a bushfire, I would not advocate it. Mind you that is not a public statement that I would wish our tourism people to hear, but it is a growing concern to a lot of people, particularly after we have had four fires through there in about the last 10 years.

Mr DRUM — With the work you have been doing with the ABC, and your knowledge of the overall concept of black spots around Australia, it is always going to be the case that the latest invention is going to be rolled out to the highly populated areas. It is going to take a number of years before it is ever going to be commercially viable to be rolled out in some of our less populated areas.

Cr BATE — Yes.

Mr DRUM — Therefore we do in fact need some sort of equalisation fund. Would you agree with that? It is not going to be a problem we can fix today, tomorrow, next month or in five years time. In five years time they will have invented something else.

Cr BATE — We have had a considerable leap forward through the NBN. There is no doubt that we already have communities here that in the very early stages of NBN rollout are benefiting from it. That starts to solve the broadband network. It will not be a universal solution across this and every shire, but at least it is starting to address some of the commercial issues we have been discussing. It does not address the wireless issue. While it means that those businesses who were heavily reliant on their internet presence may start to see some improvement, some capability, it is still not going to resolve wireless communications. Once again it tends to assume that if you are going to be up here and you want to carry out any sort of business, that you are going to have to be stuck at home.

Shortly you will hear from one of our tourism operators who runs a trail ride business, quite a big trail ride business. Unfortunately with the nature of his business, he is not always at home. You are not going to solve everything. I mean, we are still looking at world hunger, world peace, and a whole lot of other stuff. Unfortunately telecommunications tends to fall in that area. As I was saying before, the rate of increase of or take up of bandwidth will mean we will always be chasing our tail. Unless every parent in Australia removes the mobile phone from the hands of their children, we are just not going to win that race. But we can certainly do a lot better than we are. You will never get 100 per cent, and there is a point at which you say to people, 'Look, it is your decision to live there. You will have to make reasonable preparations to ensure that you have the facilities that you need to operate from there'.

But I do not think it is unreasonable, when you look at communities, Damian, that you and Paul serve, that they would have an unrealistic expectation of provision of those sorts of facilities. We are not exactly talking about the remote outback of Australia. Yes, you are not going to solve everyone's problem. Some people are going to have to make those provisions, but I think what we are arguing for is a reasonable level of service to those communities who would have every reason to expect a reasonable level of service. That unfortunately is going to take government intervention, as it has through the NBN.

The CHAIR — All right. Russell, have you got any concluding remarks that you would like to make?

Cr BATE — No, I think I have probably said more than I need to. I compliment you on the fact that this inquiry is happening. I hope something can come of it. As I said earlier, it is going to be tough because the whip is not in any of our hands and it is just going to cost money. But ultimately it is a decision that the state and federal governments have to make — that is, where does this sit in their priorities? If we do not address it, then I can assure you the boundaries of Melbourne will continue to grow and grow and grow, and it will not be long before some of the outlying Hume suburbs are inner suburbs and there are some problems associated with that.

The CHAIR — Thanks very much, Russell, for taking the time to come along and give your address today.

Cr BATE — No trouble.

The CHAIR — In about a fortnight's time you will receive a transcript of what has been recorded by Hansard. You will be able to make corrections to obvious errors, but other than that it will be as it is. Once again, thank you very much for your time.

Witness withdrew.