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

Melbourne — 16 September 2013

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Mr T. Fawcett, general manager, government affairs and policy, Cisco Systems Australia.

The DEPUTY CHAIR — Welcome back. Good to catch up with you again. Paul, Andrew and I certainly appreciated catching up with you in San Jose but also catching up with you ahead of that time too. We have appreciated the feedback and information that Cisco has provided to us to date, but this public hearing gives us another opportunity to discuss with you some of the issues associated with our inquiry into e-business and working remotely in rural Victoria. So thank you for coming back. We are recording this discussion for follow-up, and anything you say to us today is covered by parliamentary privilege. That is all I needed to say by way of introduction. You are aware of who we are, and although Damian was not in America with us, you have had the chance to meet with him at other times.

Mr FAWCETT — Yes.

The DEPUTY CHAIR — It is good to have you back. I will leave it in your hands to start with, and then we will go on from there with the feedback and discussion.

Mr FAWCETT — Sure. No problem. Do you need me to state my name or anything like that?

The DEPUTY CHAIR — Yes, could you just clarify your name and contact details for Hansard to follow up with.

Mr FAWCETT — My name is Tim Fawcett. I am the general manager of government affairs and policy at Cisco Systems Australia. Do you want me to make a few opening remarks?

The DEPUTY CHAIR — Yes, that would be good.

Mr FAWCETT — With regard to the five main points of the committee's agenda, I will briefly touch on each of them, and then it is probably best if I leave it to you to fire questions at me. That would be the best way of doing it.

You have probably heard a lot, and I know the committee has already done a lot of research into the potential benefits for rural, regional and remote Victorian people who are able to work remotely. I will be limiting — if you can say that word — my comments around that issue of mobility and teleworking. It is the area I have the most familiarity with rather than the e-business side. With regard to the benefits, you are probably already aware of this document, which is a federal government and the then Department of Broadband, Communications and the Digital Economy document, *Creating Jobs through NBN-enabled Telework*. It was done by Deloitte Access Economics and Colmar Brunton. It is a piece of research that was released last year, in November 2012, at a telework congress event at Melbourne University by the then minister, Senator Conroy.

With regard to rural and regional Australia, the research found that teleworking, or high-speed broadband-enabled teleworking, could create an additional 25 000 jobs by the year 2020 and that 10 000 of these would be created in regional Australia. It also concluded that there would be around $3.2 billion in additional GDP added to the economy by 2020 and that that would be cumulatively $8.3 billion between 2012 and 2020 when this was released.

Other key issues in the report I want to put on the record relate to the quote from Deloitte Access Economics, which is that, based on this research, teleworking could be 'the biggest structural change to the labour market this decade'. This is the Access Economics component of Deloitte. Pointy-headed economists are not known for outrageous comments, and that to me always sticks out — that they see, based on the research they did, that this is a significant structural change to the labour market. I think that is equally applicable both to capital-city CBD areas and rural and regional remote areas because I think that relates directly to the issues of employment conditions, occupational health and safety and other such regulatory matters, which I will touch on briefly — a few views on that.

I will leave you to have a look at the report or refer to the report. I know you have already seen it and probably had a good look at it, but the data in there touches specifically on workforce participation, which I think is a very big emerging issue for the Australian economy, particularly in rural and regional Australia and Victoria and particularly in the availability of older workers and the availability of women, part-time workers and people with disabilities. It also touches on the ability of people in rural and remote Australia to participate in the workforce, and I think the quote there is that around 70 per cent of people not in the labour force who are living in rural and regional parts of Australia reported that they would take up employment if a telework job was

available to them. I think that reflects that sort of lifestyle choice, but it might also reflect this issue of going where the work is. I think that is the issue that is potentially being challenged in a big way.

On the second point, around best practice, I am happy to talk to you about Cisco's story around teleworking; it is a very compelling one. We see it as a competitive difference for our business. We deploy it globally across our business, and 89 per cent of staff claim that they telework one day a week globally. We have in excess of 70 000 staff, so only about 10 per cent do not claim that they telework. From our business perspective it is a key component in our DNA, and we see it as a competitive advantage in the marketplace for us to allow our staff to do it. If you are interested in the principles and practices we deploy and the technology we use, I am happy to talk to that.

With regard to legislative impediments, I think this is the greatest opportunity the committee has to influence what would happen in this space. Governments have an ability to set legislation and amend legislation and regulations which have a direct market impact. It is clear to me that as Australian and state governments and local governments look at the issue of the digital economy and the way Australia is moving towards that at a state, federal and local level, one of the key issues that is perhaps not being focused on enough is our legislative and regulatory regime. Clearly technology and high-speed broadband networks are key issues. That needs to be looked at, and that is a key enabler of this. But in terms of a legislative regime which has by and large been put in place before the massive shift to mobility that you were just talking about, with high-speed broadband networks and e-business and e-commerce, in my view there is a mismatch there.

In relation to younger generations' attitudes to the way they view the internet, Cisco does a report called the *Cisco Connected World Technology Report*. In that report, two-thirds of college students — 18 to 23-year-olds — in a global survey said that they would trade off salary for the ability to access social media in the workplace, so we are seeing a real generational shift.

Interestingly, as an aside, 46 per cent of college students said that they considered being connected to the internet as important to them as air, food, water and shelter. That sounds strange to us, and it sounded very strange to me when I first read that, but for that generation not being connected to the internet and Facebook and social media and email and all the tools they use — text messaging et cetera — is like being dead. That is how much value they place on that. I think around two-thirds of that group also said that they would prefer to have a smartphone than a car.

We are seeing a real generational shift in an emerging workforce, which is bringing different attitudes to the workplace. Regarding their attitudes to strict legislative regimes which prevent them from engaging with their employer to do the things they would like to do while not obfuscating the requirements for employers to continue to provide safe and effective workplaces and work practices, I think there is a clash that is occurring there in the legislative regime. I think things like industrial relations laws and occupational health and safety laws really need to be looked at in terms of an economy that is emerging that has not previously been there.

The DEPUTY CHAIR — So just to go over that, in terms of legislation, where is the present legislation discouraging employers from employing or using more telework?

Mr FAWCETT — I am not an expert in that space, so I probably could not point to the specific provisions. What I do know is that when I am presenting on telework, and I have done a lot of that recently across a number of different organisations, the first question I usually get asked is, 'How do you handle the occupational health and safety issues?'. If you speak to some law firms about this stuff, the requirement for an employer to check the air quality of a person's home in order to allow them to work from home seems to me to be a bit, to be frank, silly. If you live in a place, the assumption ought be that the air quality of the place is not too bad. There may be exceptions, but there are issues there.

I think there are also issues around security of the home and the home workplace. If you live in a place, there is an assumption that your home is relatively secure. There have been some cases where an employer has allowed employees to work from home or at an off-site location, not necessarily the home but a sort of temporary office-type thing, where security has been an issue and people have been injured in robberies and things like that. There are what I call common-sense things, where employees are starting to say, 'I would like some more flexibility in the place I work in'. The flipside is probably that you need to take a little bit more responsibility for that place where you are going to work. You are not going to sit on the edge of a 20-storey building with your

feet dangling over the side and your laptop in hand, because that would be silly. I guess that is probably an over-the-top example, but if you are in the home, there is an expectation that you work in a relatively secure way and that you will take responsibility for your own environments that you are in, subject to things like proper ergonomic design, so someone is not sitting there hunched over.

The DEPUTY CHAIR — Which presumably Cisco does with your workforce that are working from home — that you have an occ. health and safety policy that you sign off with your staff who are working from home.

Mr FAWCETT — Correct. For the 6 per cent of our workforce who work completely remotely — in other words, they never come into an office, or they might once or twice a year — there are quite strict arrangements in place around those types of arrangements. For the remainder of the 89 per cent of our staff who claim that they telework at least one day a week, there is a less rigid regime. In other words, there is a presumption from us that those employees are taking responsibility for their own arrangements.

The DEPUTY CHAIR — Presumably you would actually get your employees to sign off on some — —

Mr FAWCETT — No, not all of them. We do not abdicate our responsibilities as an employer, but to my knowledge we have not had any occupational health and safety issues that have arisen from having a mobile workforce — not in Australia, to my knowledge. Those are two areas where I think there are opportunities. I have already touched on (d), the occupational health and safety issues, so I will take (c) and (d) together. The other issue would be around potential productivity infrastructure or savings for employees who would not have to travel to and fro for work. I saw an interesting article, which I am happy to table with the committee, if you would like it.

The DEPUTY CHAIR — Yes.

Mr FAWCETT — It was in the *Australian* in July this year. It was some work done by Bernard Salt from KPMG about the number of individual trips from regional cities to capital cities. Just to quote some figures: from the Gold Coast to Brisbane, 26 000 trips per day; Wollongong to Sydney, just over 17 000; Brisbane to the Gold Coast, the other direction, nearly 12 000; and Geelong to Melbourne — which I know includes both committee members and you yourself, Deputy Chair — 10 000. And on it goes.

If you think about the number of individual commutes, the NRMA and the RACV say that if you take one in 20 cars off the road, you turn normal peak hour into school holiday peak hour. As those who have travelled in a school holiday peak hour would know, one in 20 — 5 per cent — are off the road. If you think about those 10 000 trips from Geelong firstly, to start with the number of people who are taking their lunch money, their shopping habits and their other activities from that area every day is significant. There are the travel costs that are implied in that. These are public transport and driver costs. If someone is driving — it might be different if they are on the train — they cannot do anything else but drive and they ought not do anything else but drive. With regard to productivity, the trip to Geelong is an hour or probably an hour and a half in peak hour, so there are 90 minutes that are being lost each way every day by that number of road travellers. On those numbers alone, there is a common-sense view that there is a productivity benefit to be gained even if it is someone working from home one or two days a week. I will leave that article with you and also refer to the productivity benefits and those items that I outlined in that report.

Just a couple of quick comments. There has been a lot of focus on working from home. I think that was because of the federal government's focus around the NBN and that being a fibre-to-the-premise policy. The other thing that is emerging around Australia already and certainly around the world is the concept of smart work centres or hubs. A lot of regional development authorities are working on smart work town policies. I know in southern New South Wales there is a focus on trying to establish smart work towns, where regional and rural towns actually become the focus for people to commute to or become hubs themselves for people surrounding that particular regional or rural town.

Mr DRUM — Did you say southern New South Wales?

Mr FAWCETT — Yes, the RDA there. The regional development authority for Southern Highlands is the one there, I think.

Mr DRUM — Around Bowral and that area?

Mr FAWCETT — That area, exactly. I think it is actually around Goulburn where the focus is. In fact Goulburn might be a smart work town. The other one that has done a lot of work around this is the RDA on the Central Coast. There has been some media recently in the Central Coast local newspaper about the so-called Kibbleplex that was pledged some funding during the election campaign. Whether that materialises, we will wait and see. Kibbleplex is basically a building near Newcastle that is slated to set up a teleworking centre. Lilian, you can find that, if you are interested. Dave Abrahams, who is one of the national broadband ambassadors, has done a lot of work around that.

They have already had a number of smart work hub or teleworking centre events up there, so they are already starting to embrace that concept. You can see from those numbers on the trips from Newcastle to Sydney that about 8500 people do that. To be able to retain even one-third of those would represent an economic benefit. I think that presents real opportunities for places like Ballarat, Geelong and probably some of the areas down in Gippsland as well, where there is a lot of commuting traffic.

The DEPUTY CHAIR — Just on that, Tim, have you done any survey work among Cisco staff again to find out whether those who are working from home would have preferred to have worked from a smart working centre, if there was one, or if they liked the idea of being able to work from home those one or two days?

Mr FAWCETT — Good question. We have not. It is probably one of the few things that we have not surveyed on. We have a lot of data from the staff about teleworking and remote working. I guess at our company we do not really draw a distinction because we essentially give people the tools to work from anywhere. Our policy is really, 'We want you to work from the place where you are most productive in any one particular part of the day, week or month'. In other words, on one day a week it might be from home, on another day of the week it might be from the local cafe and on three days a week it might be in the office.

That goes to the point about the general discussion around teleworking or mobile working. A lot of people go to the nth degree of this policy and think that humans will never come out of their homes again, that they will be stuck at home, that 'The employer will require me to work 24 hours a day and be always on' and things like that. What we find at our company is that most people balance that themselves, if they have that just completely open flexibility.

The other thing I point out about our teleworkers and our remote workers is that they are the highest performing workers in our business. They are the ones who, in employee surveys and employee engagement surveys, say that they are the most content and the most engaged. We have higher retention rates and lower attrition rates with them, and we have higher productivity rates with them. At Cisco we estimate that we get back two-thirds of every hour that our staff save in not commuting. In other words, they work an additional 40 minutes in every hour that they are not commuting. As an employer we would probably like to see that a bit more balanced, but that is the way that people are choosing to use that time.

Finally, I noted, Damian, that you asked a question about the public sector and its uptake of teleworking or mobile working. Certainly the federal government has come to the party around the target that it set for the general economy in the national digital economy strategy, which was to have 12 per cent of the Australian workforce teleworking at least one day a week by the year 2020. Through some advocacy, partly from us, the federal government announced that 12 per cent of the federal public service would be teleworking by the year 2020. The federal public service is conducting some trials at the moment. They have been running since about July of this year, and they are scheduled to finish in January. Seven agencies and about 200 people across a range of levels in the public service are doing it in order to, I guess, make the shift towards that.

From meetings that I have had with the Secretary of the Department of the Prime Minister and Cabinet, Dr Ian Watt, I think that he quite clearly understands that this is an issue that people in the federal public service see as being a critical issue for them being able to attract and retain quality workers and staff. I would strongly encourage the committee to make a recommendation to ask the Victorian government to look at a similar policy. I know that of all the state governments around Australia the Victorian government has certainly been very progressive in terms of looking at ways that it can increase its productivity.

I certainly think that there is a leadership role for the state government in encouraging teleworking. I probably disagree with the previous speaker a little bit in terms of where the government can go on this. I think it can do a

lot more than just sort of create the conditions and encourage people through information; I think it can actually lead. Based on some of the numbers that I have just given you about the way our business operates, there are productivity benefits to be gained.

On some of the initiatives that have already been undertaken in terms of decentralising agencies, moving the Transport Accident Commission down to Geelong is an example of that. While decentralisation is not a teleworking policy per se, I think there are really significant productivity cost savings to be made through adopting teleworking and smart working hubs, particularly in regional and rural centres. A government agency could take an anchor tenancy, if you like, in a smart work hub in a rural or regional area and attract other businesses into that by the fact that it is taking an anchor tenancy.

Finally, I know the previous speaker mentioned the Sensis SME e-business survey. There was a statistic in there — not the 2013 one, but a previous one — that 82 per cent of small to medium enterprises that use telework report that they get a productivity benefit from it. That was not quantified; they did not quantify what per cent they get back from it, but quite clearly there is anecdotal and gut feel evidence that SMEs using this are also benefiting from it. I will stop there.

Mr DRUM — Tim, with the work that you are doing with a whole range of different businesses, is there one sector that you might describe as low hanging fruit, where you cannot understand why this particular group do not do this more often? It might be that government can in fact target a certain sector to make them aware of the benefits of this. Is there any particular sector you can think of?

Mr FAWCETT — Yes, it is a difficult one because you find little golden nuggets in a whole bunch of different sectors. For example, I presented to the Australian human resources industry conference a couple of weeks ago. Human resource professionals are looking at this in a very big way in terms of challenges like 'How do we attract and retain people?' and 'How do we teach managers how to manage a workforce that they might not necessarily see every day?'. That is quite challenging, particularly for middle level managers.

I met someone from a coffee company there — and I am happy to provide the details to the committee; I do not have them with me — that has their headquarters in Sydney but a manufacturing plant in Perth. They have adopted mobile and remote working in a big way as a way of improving their business. I presented at the Australian Institute of Management when they released a report — and again I made reference to this before — about flexible work in 2012. It is from the New South Wales and ACT chapter, but there is a lot of stuff in there about teleworking.

At that presentation there was a guy from the Australian Navy who looks after submariners and he asked a question, 'How can I get my submariners teleworking?'. The assumption is that they are always on the submarine. They are not. In fact they are not on the submarine for two-thirds of their time. One of the big challenges for them is that they are away from their families a lot and they are quite isolated when they are in the submarine environment out at sea. This guy wanted to look at ways that he could introduce more flexibility in their working arrangements when they come home so that they do not necessarily need to do the 9-to-5 thing every day. There might be an ability for them to better balance their work-life balance as an offset.

In general, this could suit anyone who is a so-called knowledge-based worker or any person who goes to work and by and large sits at a desk or has meetings with people and is not operating a piece of critical machinery or is someone who is customer facing and absolutely needs to be behind a counter. I think anyone in professional services or firms, anyone in administrative roles — such as accountants, lawyers, management consultants, advertising firms, the public service, any of those types of firms — has an ability to work not necessarily from a desk in a CBD location or in an office location.

Mr DRUM — Could you help me out with a practical question? Call centres are quite often a way of getting jobs out into the regions. Would it be cost-effective for a call centre worker or a contact centre worker to work from home?

Mr FAWCETT — Absolutely.

Mr DRUM — So you would just give them a second number? That is all you would need — a second number?

Mr FAWCETT — Yes. There are a range of different things that would need to be put in place, depending on the type of service people are offering. If you look at Medibank Private, for example, a private health insurance agency, they run a nurse-on-call and a doctor-on-call service on behalf of the Australian government. I think the Victorian government provides funding for that too, as well as the services provided around Australia. They have specifically targeted their nurses in particular to work from home — one, because they are accessing a trained workforce that is looking for some flexibility for a whole range of different personal reasons and, two, because it is a massive cost saving for them. They do not need to provide the contact centre footprint, whether that be in a CBD location, which is prohibitively expensive, or a rural or remote location, or they might provide a combination of both.

The third thing is that it allows them to access a workforce that is not necessarily based in the particular state they are in, so they could access appropriately trained nurses who are in other states and territories, for example. They have put a number of safeguards in place — for example, they have an ability to speak with their staff through a second telephone line, which relates to security and a whole range of things when you are dealing with the public. They also put in place a whole bunch of other technology things which enable that person to have access to the appropriate corporate tools, in particular, across a network, which is 99 per cent failsafe. In other words, if someone is in an emergency situation and they have called the nurse on call, you do not want the call to drop out because of some of the things you were talking about before like poor telephony quality.

The DEPUTY CHAIR — So there are physical ways of dealing with the issue of having 30 workers and ensuring that the calls are shared across those 30 workers — it defaults to the next available person? That is all physically quite possible with a working-from-home system?

Mr FAWCETT — Absolutely. I appreciate some of the questions you were asking some of the previous presenters around mobile coverage and internet coverage in rural and regional areas. It is eight years away from being fully fixed, but it is happening. It might not be happening as quickly as a lot of us would like, but it is happening. Generally where there is high-speed broadband coverage or even just reliable ADSL coverage, those sorts of things are manageable. The technology issues are not really the key thing here; it is really the people, process and employment practice issues that I think are the key issues.

Mr DRUM — This is a much bigger issue than I had ever thought. Coming from the regions I had no idea so many businesses had been hamstrung by poor mobile coverage. If they stand in a paddock and try to check the results of their crop with an agronomist, they cannot do it. They have to go back to the house and sometimes into town or back into the small community to have their conversation. We have seen and heard about lots of things that are quite debilitating for small businesses.

Mr FAWCETT — That is why when we spoke to the committee previously my colleague Rami Hagg, who is our regional manager for Victoria, mentioned the rise of wi-fi connectivity and how towns, for example, might be able to create wi-fi hubs to attract tourists. As you pointed out earlier, Andrew, there are a number of people who are taking their devices with them and who want to use those devices while they are watching television or while they are moving about for a whole range of different things.

The reason we are concentrating on fibre to the home or the premise when a lot of people are looking to use mobility is wi-fi. A lot of the service providers like Telstra, Optus, iiNet et cetera are focusing on the way that they can off-load data to wi-fi networks to enable them to optimise their existing built infrastructure — for example, around emergency calls and things like that — so the call systems are not jammed. Fibre to the cabinet or fibre to the premise is a key component of that. You can actually run quite extensive wi-fi networks off fibre, and we see that as a massive emerging business opportunity for us.

The DEPUTY CHAIR — My last question to you, Tim, relates to the fact that to be able to have staff teleworking you need to be able to measure staff productivity. Clearly one of the issues is that in a whole range of areas management does not see how you can manage productivity if you cannot see people sitting in their places and appearing to work. How do you challenge that concept amongst management?

Mr FAWCETT — It is the exact same issue. The fact that someone is not outside your office, in front of you somehow, within arm's reach of you or, let us say, within a yell of you is the same issue. There are plenty of examples of people who are sitting at their desktop computer playing a video game or looking at Facebook or doing something else when they ought to be working. Presenteeism, I think they call it, is not a guarantee of

productivity. You ultimately measure someone's productivity based on their work output, not whether they come to the office at 9 and leave at 5. It is the same with someone who is working virtually or remotely. The same management techniques are required, with some variations, to manage a workforce that is remote. What is changing a lot is the technology — the rise of video and the use of video, the reliability of enterprise-grade video networks and the quality that they deliver and the ability to deliver high-definition video to the desktop. These are tools that allow for so-called presence.

At Cisco we have a tool called Jabber — I am not sure why they call it that; Jabber as in 'talk', I think it is — which puts your contact list on the desktop of your laptop, desktop computer, tablet device or smartphone. It has a simple traffic light system, which is a little red, yellow or green dot next to that person's name. Green means that person is available, so they are at their desks, they are working and they are logged in. It is better for me than someone being outside my office door, because even if they are outside my office door they might have gone for a coffee or a cigarette or whatever or they might be off at lunch. If it is green, I know they are available, so if I am wanting to contact that person straightaway I instantly look it up on my desktop and send them an instant message, for example. Instead of yelling outside the office door, 'Come here!', I can say, 'Can you answer this question for me?'. Yellow means they might be on a phone call or they might be presenting or they might be at a meeting. Red means they are not available — 'Do not disturb', basically. Those types of tools are very simple things that are changing that concept of managing people.

The other area is the ability to share your desktop with someone. We are old school in working on these sorts of things now. People work online or virtually. You do not print things off any more. If I am working on something, I have the ability to click to connect to someone who I can see is available and share my desktop just like that. It is like they are standing there and looking over my shoulder and helping me fix a PPQ or a ministerial or a submission to the committee except they are sitting at their desk and working from home or they are sitting in a cafe on their tablet while they are having lunch.

While I say that technology is not the driver of this, it is certainly an enabler, and the way that it is leading to a rise in mobility and the ability to deliver those types of tools to tablets and smartphones is changing the game rapidly.

Mr DRUM — A bit too rapidly. It is very scary but exciting.

Mr FAWCETT — I know your next speaker is from the Institute for a Broadband-Enabled Society at the University of Melbourne. IBES did an excellent report titled *Telework, Productivity and Wellbeing*. I think I made reference to it before. It is an early days, first-cut attempt to tackle teleworking. It raises some really interesting issues. A further report will be coming out probably at the end of October, so I hope it is still within the committee's scope to consider that; I will make sure it is available to you. This will be a much bigger report which IBES is doing in conjunction with the University of Auckland. Cisco has funded it, although the research is independent. It will have a much bigger sample size and will look much more deeply into the issue of productivity and teleworking.

I should also say in response to your question, Deputy Chair, that the University of Melbourne has recently been awarded a grant from the federal government to establish the Centre for Workplace Leadership. They are entering into a project with us on teleworking. It is going to be looking at the issues around management of teleworking and the skills that managers need to manage a remote workforce. Like the regulatory issue this is one of the big challenges — those 21st century management skills that are required to manage in a digital economy. The work that the University of Melbourne and the Centre for Workplace Leadership will do will be extremely valuable.

The DEPUTY CHAIR — Thank you, Tim. As you are aware, Hansard has recorded what you have said today. In a couple of weeks you will get a copy of the draft transcript. Please look over it and make sure it is correct. Thank you for coming back to us; you have been very interesting.

Mr FAWCETT — No worries. Thank you for the opportunity.

Witness withdrew.