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 — 28 October 2013

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Dr T. Williams, chief executive officer, Committee for Sydney.

The CHAIR — Thanks very much for taking the time, Tim. Welcome to the Rural and Regional Committee of the Parliament of Victoria's inquiry into the opportunities for people to use telecommuting and e-business to work remotely in rural and regional Victoria.

Dr WILLIAMS — Thank you for inviting me. I feel very honoured to be part of it.

The CHAIR — Good. 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. Can you, for the benefit of Hansard, give your name and business address?

Dr WILLIAMS — Yes. I am Dr Tim Williams. I am the chief executive of the Committee for Sydney. My home address is 2 Jamieson Avenue, Fairlight, New South Wales, 2094.

The CHAIR — Thanks very much, Tim. Would you like to just open up with some remarks about the Committee for Sydney and how they see opportunities for e-commerce and teleworking?

Dr WILLIAMS — As the chief executive of the Committee for Sydney I recently wrote and published a report for the committee on digital engagement, really. It was called *We the City*, but I had previously written as an independent consultant a report I think you aware of called *Connecting Communities — the Impact of Broadband on Communities in the UK and Its Implications for Australia*. I have a written a number of strategies around exploiting digital opportunities, largely for the councils and public sector.

I work for the Committee for Sydney; I have the role of chief executive. I have a broader interest. I am happy also — it is relevant, I think — that I have a very strong background in regional economics in the UK. All these interests come together in a discussion of what the opportunity is for regional towns in Australia arising out of the digital transformation.

The CHAIR — Good.

Mr HOWARD — In terms of some of the key things you think we ought to be aware of, what are some of the key things you believe can be done in the regions to improve those opportunities?

Dr WILLIAMS — I said in *Connecting Communities* — I have written a number of reports, which I will send you the links for to make it easy. I think there is an opportunity to, in a sense, redraw some of the balance between cities and regions within Australia. Over the last century obviously there has been considerable centralisation and population movement to the cities. I think the new digital infrastructure we are going to talk about gives an opportunity to either retain or attract some of the people — the talent — we need to maintain or reinvigorate our communities. I think there are opportunities around decentralising the economy to strengthen regional places. That, I think, is the big-picture opportunity.

The CHAIR — So what do we need to do to help that happen?

Dr WILLIAMS — I think we have to recognise what it is that the digital opportunity is and also to recognise what role needs to be played by the public sector, I believe — councils and state government in this context.

If you do not mind, Chair, I will run through a few ideas. Essentially we have the opportunity to enable people to not make long-distance commutes. Indeed we have the opportunity to enable people to stay or live in regional places and still participate fully in a modern — indeed international — economy because of the digital technology. I think the challenge is that although big enterprises and big companies are aware of a lot of the opportunities, a lot of the small to medium size enterprises in regional Australia are too busy earning a buck to actually find out a lot about them, so I think there is a big role to be played by business support, advice and guidance from councils and from state government to help the small to medium size enterprises understand the opportunities of the digital infrastructure and how it can be used. Basically a lot of small companies are just too busy with their noses to the economic grindstone to find out what the technology can do. Therefore I think there is a role, especially in regional Australia, for councils and the state government to be a big information provider — show and tell — of what can be achieved.

The CHAIR — How do they engage with the companies that are too busy with their noses to the grindstone to go looking?

Dr WILLIAMS — I think part of the problem is that people are intimidated by technology. I am a technophobe really. I am an e-virgin who has become an evangelist. I am not the most technically progressive of people, but I have learnt enough, and I have done that by watching and learning what you can do with these technologies. I think that because SMEs are so small, if councils are, for example, changing their own business models through digital technology — for example, if they are engaging with their communities in new ways — why can they not invite their local SMEs into a discussion with council officers about how the council is proposing to modernise itself and to change its relationship with its clients and its customers?

For example, maybe a council could lead the way on a multi-centralised approach to its own business. Some councils have large areas to cover in regional Australia, and, if you can expand that — of course they have, with iPads and with remote technology — then less staff would have to come in to the central office of the council all the time. I think there may be a role to invite local businesses into councils to discuss how the council itself is leading the way on digital technology, and that could cut a lot of the cost and the learning of the company. I think there is a role for councils.

Mr DRUM — Tim, we have seen a fair bit of councils — certainly up around Armidale and Coffs Harbour — that are running a whole range of modern technology seminars to try and engage businesses.

Dr WILLIAMS — I wrote the digital strategy for Coffs Harbour, and those seminars were part of what I recommended. Sorry to interrupt you.

Mr DRUM — That is fine. They are also battling a little bit of lethargy and struggling to engage, maybe because they are too busy. They were also about the other side — that is, some of the small businesses are probably not quite adapting readily enough.

Dr WILLIAMS — I have seen a very compelling figure from McKinsey, the management consultancy, that says that the earnings of companies that invest three times as much in technology as conventional companies are increasing tenfold. There are multiples of economic benefits from getting on top of this digital revolution.

There are two aspects of the discussion that we are going to talk about. One is there is new infrastructure — the NBN and 4G. Then you have got the whole issue of how an SME might understand what digital technology to use and how it will change its relationships with clients and with its peers — actually with its market — so there is that discussion. But I think there is also the other discussion about how we can use this digital movement to strengthen the appeal of regional towns, because essentially if we do not do that, they will become even more threatened. Let me give you a scary figure: there is increasing evidence that graduates do not want to live in communities that do not have a certain level of high-speed broadband connectivity.

I think we have to put a lot of public sector effort into ensuring that the infrastructure is there in our regional towns to make them competitive to attract the talent we need. I think there are a number of discussions. I am a big believer that councils, despite their shortage of resources, that this moment of digital education about what can be achieved is critical to the success of their SMEs and that we run the danger of them falling further behind in a kind of digital divide unless we have a way of upskilling them quite quickly.

Mr DRUM — Agreed.

Mr HOWARD — And in that we obviously need to see that the rollout of the NBN and the availability of those services does not drag as it is rolled out into country areas so that they then become at a greater disadvantage because the big cities and the larger towns get it ahead of the smaller ones.

Dr WILLIAMS — Exactly. It was one of my fears. Even though I think the original concept of the NBN — to try and get fibre as far as possible into the countryside — was the right idea, even the NBN as understood by the previous government was still going, to some degree, to reinforce a digital divide by having some communities only having access to wireless and to satellite. There was something I recommended, which I do really urge. There is a lot of existing fibre. We tend to think it is just about waiting for the NBN or to wait for the wireless or the mobile telecom companies to deliver to us wherever we are. There is a lot of existing fibre, Chair, in the public sector in all parts of Victoria.

May I give you an example? The TAFE system has its own access to very fast — or quite fast — fibre. Universities have AARNet, which is globally competitive — it is like 100 megabits per second. I think

VicTrack has fibre on the track. Schools have it, hospitals have it. One of the things I have always recommended — if you live in a regional area — is the collaboration around access to using the fibre needs to be negotiated. Again, I think it is a good public sector role for the state government. If the state government has three or four different providers of fibre connectivity in most towns in Victoria, there just needs to be a joining up conversation about access to it.

The CHAIR — Have you got any examples in other states where that conversation has been had and what some of the models were?

Dr WILLIAMS — Yes. The trouble is it is one of those ideas that is so obvious, but you know yourself from your own experience that the hardest thing to do is to break down the silos and the barriers between government departments. But I think it is critical for the viability of Victorian towns that in a sense there is a collaboration structure that is enabled by state government. Instead of just thinking — I knew you would take my point — that it is all about the new stuff, there is existing stuff that needs to be better joined up to. I believe it would be useful if your committee could make some kind of recommendation around better usage of existing fibre in Victorian towns.

The CHAIR — So some of those schools or universities with it, what would happen if, say, they joined up with the hospital next door and then the pipe was not big enough?

Dr WILLIAMS — A lot of these things have got a lot of redundant capacity. I would not worry about overusage at this point in time. Some of the barriers are interesting. Schools inevitably have quite understandable rules on not having strangers on their premises and all that kind of stuff — it is about child protection — but the hospitals. universities and TAFEs are in a different place. Honestly — and I know it sounds a slightly unimaginative answer to the question — I can tell you the cheapest thing to do is to try to structure a lot of regional conversations about collaborating over the use of existing fibre. I have not got all the answers to what will trigger the collaboration in each case; I just know it is the right direction of travel.

The CHAIR — I do not disagree.

Mr DRUM — We had a classic example last week when we went to Shepparton, where we have a university co-located with a hospital. The university has the fibre, but the hospital does not. It did seem to be too stupid for it to be real, but it was real.

Dr WILLIAMS — It is a perfect example. The most intelligent thing to do sometimes is the most obvious thing to do. I think it only requires some willpower and some protocols. Also, for example, you could imagine a health-care facility or a general practitioner opening up on a university site that is well connected with R-Net, having a protocol to use that and getting world-class access to health care through using university access. I think this is really a very fertile area for discussion.

The CHAIR — Tim, you have done work on regeneration in the UK. Do you have any examples of towns or communities in rural or regional areas in the UK where there has been regeneration?

Dr WILLIAMS — Yes, I have. One of my most dramatic personal experiences was working in west Cornwall, which is still rural but also a former mining area. In British terms, of course, it is nothing quite like the scale of Australia. It is 6 hours from London, but 6 hours from London means property prices collapse by about 80 per cent, so it is a very interesting example. What happened in Cornwall is that many of the miners in Victoria and South Australia came from Cornwall. It lost its population, so by the 1960s the Cornish population was down to 350 000. It is now up to 450 000. What is happening is that they are getting not just people near retirement age — I do think this is a very relevant example of what can happen — they are getting young, tree changing entrepreneurs, if you like. They are in their 30s and are bringing their young families because they want to live in a beautiful area, but they want to be assured that they can have world-class connectivity. High-speed broadband was brought to Cornwall before it was brought to many other parts of the UK, and that connectivity in that beautiful area was enough to bring a new demography to the area. I think you should have a look at the Cornish example; it is a good example of a new demography coming to small towns because of connectivity.

I think digital enables you to win the competition for talent. You have other virtues in these great Victorian towns, but they have been lacking the connectivity to world-class employment. I think this is a big, potential step forward, but it is not just inevitable. I think the public sector needs to collaborate to organise it.

The CHAIR — Did the local government do anything to complement the rollout in Cornwall?

Dr WILLIAMS — Yes. They gave a lot of support to small and medium-sized enterprises. You had the physical infrastructure coming but you also had a lot of seminars, a lot of websites and real up-to-the moment information about how this could this be used — why it was relevant to you as a farmer or as a factory owner with a small business and how you could use it. I am strongly of the belief that alongside the physical infrastructure rollout the NBN will be disappointing unless we educate people's desire to use it. I cannot think of a better way of putting it — that collaboration alongside the physical infrastructure to give examples of what you can do with it. I think it is a really critical phase. It is like an SME version of digital inclusion. Just like we need to make sure that individuals have the skills, I think it is a big moment for creating understanding amongst the business community.

Can I just add, I am a great believer in stealing ideas from others, and the — —

The CHAIR — That is what we do.

Dr WILLIAMS — You may have seen that Deloitte's did a report called *Digital Disruption — Short Fuse, Big Bang* a year ago about digital. They have a very good chart in there about which sectors of business are most disrupted by the digital disruption — for example, professional services and retail obviously. It is worth looking at the Deloitte's study as part of your research to see which sectors of the regional economy are most likely to be disrupted by digital — retail, professional services et cetera. It is a really useful piece of work

Mr HOWARD — In terms of the state government's own employment base, is there more that state governments can do to support teleworking by their staff or activities that states can do as leaders in that sense?

Dr WILLIAMS — Yes. In fact I think the advocacy and leadership roles around this digital dimension are the critical roles for the public sector, to come to your specific question. We know there are well-established productivity gains in the research, especially in certain activities, from not forcing people into a 1½ hour journey by car to the capital city to do a function that they could do just as well in their home and indeed would be happier and more productive doing in their home. There should be a range of activities that state governments decide would be more productively delivered in that way. I will come back to that.

There is a second angle, which is around actively creating what are now being called coworking hubs in regional towns. In a sense it is not just about whether people work at home or that they travel 1½ hours to the capital city, they could travel 10 minutes to their local town where there is an appropriate coworking space for a number of workers who are able to work remotely. These coworking spaces are beginning to be developed internationally. Companies like Cisco have had a big role in trying to develop coworking spaces in regional centres.

There is not just a home model or, if you like, a capital city model; there may be a model which helps to strengthen the location of regional towns as a coworking space — as a sort of halfway house between being at home and being in the capital city. I think that is worth looking at. The view at the moment in terms of the type of work that lends itself to home working, if it is not such employment, as it were, is about things like preparing reports, researching, research or engagement over the phone, iPad kind of stuff. These sit well with e-commuting. There may be other tasks that do not.

I would like to add, by the way, that the digital disruption around e-commuting and telecommuting is a big force at the moment, even in cities like Sydney where developers of new office buildings are very unclear as to the configuration of the workplace of the future, because it is not like it was before. People will now be turning up with their own equipment and wanting to sit in an agreeable space, rather than having a conventional office. So a lot of enterprises, even at the bigger scale, have been disrupted by what are design and management issues. I think the public sector, local government and state government, could play a role in showing how digital decentralisation, if you like, could lead to better productivity but also maybe help to strengthen our regional town centres.

I will say one more thing. There is a very important report that has just been published in the UK called the *Grimsey Review — An Alternative Vision for a High Street*. It looks at the future of small town centres and using digital technology in local regional centres as a way of seducing customers to use regional town centres. So it is the marriage of the new digital technology and the freedom you get as a shopper while still inviting you to a physical encounter with your town's centre. It is called the Grimsey report. I think it has lots of relevance to regional Australia.

The CHAIR — Tim, you talked about the coworking centres. I know there will not be any rule of thumb, but what size communities is a coworking space viable in? We have seen Hub Melbourne. They started in Melbourne; they have gone to Sydney; they have gone to Adelaide and now they are looking at smaller communities again. Are they viable in towns with a population of 1000?

Dr WILLIAMS — There is no standard answer to that question. I do not know the answer to the question. You mentioned Shepparton. Shepparton would be an ideal example, it seems to me, of a place that could support one. If I remember correctly. I did the Hume regional digital strategy, which is available online from the RDA. I believe Shepparton is going to be quite close to a data centre as part of the NBN rollout. I think towns of the size of Shepparton and a number of those in the Hume region are big enough. Wodonga is perhaps towards the top of the scale.

I think you could probably look at communities supporting a population of 5000 to 10 000 as being capable of supporting something around the coworking space, but the way to think of it in a small place is co-location of that coworking space with another activity. If there is already a public sector or a not-for-profit activity in an office, why not add a coworking space to it, rather than create something from scratch?

Mr DRUM — That makes a lot of sense. If we have a community bank or an education facility already doing a certain amount of work, they could be the base tenant and you might have just a small ancillary area that the community could use, depending on the demand.

Dr WILLIAMS — Yes. I think a lot of what is required — I always think this with regeneration — is not just money, but cleverness. I think there is a lot of stuff going on. They call it agglomeration: you add a few things to make a critical mass. So it is not that we are just having new facilities; we are adding some new capacities to an existing place. By the way, to come back to one of the points I made, you need to think about who you are trying to attract and retain in your community. There is an interesting age group. I know that you know this, but you need to try to retain the 25 to 34-year-olds who are in their second or third job. They are the critical demography. University towns do quite well in retaining them.

Beyond that, if you could get back 35-year-olds who have a child or two and want to raise them there, that is the kind of demography that you should aim for. They are obviously increasingly digitally enabled and aware and they are looking for this kind of initiative, I think, in regional Victoria to show that the community and the public sector particularly is thinking about the future. I think there is almost a branding purpose to some of this discussion.

Mr HOWARD — Should we look at establishing data centres in regional Victoria?

Dr WILLIAMS — Yes. This is from memory, but I think that there are one or two that will flow pretty inevitably out of the rollout of the NBN. The area I know quite well is the Hume region. I think there is certainly one planned there. They are obviously greatly helped by cloud services. Again, I think that over time areas that do not have a data centre will probably look less well equipped to attract that demography that I am talking about. You do not rush into them now, but I think there is an important strategic discussion about where to put data centres in your regions and then what other economic activity we can spin off from those data centres.

Mr HOWARD — The only other issue that I want to tease out a little bit more, if I could, is about coworking centres. We have seen attempts to establish them in the past and there seems to be a whole range of different models. What are the key things you need to do to create a successful coworking centre that is going to attract people to it?

Dr WILLIAMS — That is a great question. I think there is a pretty good answer, which is that they must not look like a coworking centre. It is rather like the worst thing that you can do to deter entrepreneurs is to use the

word 'incubator'. I think the answer to the question is: something that looks like a multi-use centre that has a great restaurant and cafe in which I can mingle with like-minded techy entrepreneurs in a natural way or in a town centre. This is important, by the way. I think with town centres you need to have the ubiquitous wi-Fi. You need to find an answer to enable your town centres to have wi-Fi. Then in a sense the coworking space is the bar, cafe or restaurant, because everybody can engage using their laptops. I think in a sense the answer is that these are environments, rather than just offices. I think the answer is: a very flexible workspace attached to something that is in a town centre rather than in a university. That is critical, in a town centre, not outside.

I do not know if you know this, but the big discussion at the moment is that this global talent that is emerging that is very digitally aware like to live within 5 kilometres of a CBD. Thirty years ago they might have wanted to be on an ex-urban university campus. Now they want the university to be in the town centre as much as possible. It is the same with the coworking space. It must not feel like a business park. That is why attaching whatever technology you can get to an existing environment that has a bit of life to it is more important than having the best technology in the world in the middle of nowhere.

   Mr HOWARD — Very good.

   The CHAIR — Do you have any final comments that you would like to make, Tim?

   Dr WILLIAMS — I thought what I might do, if you do not mind, is make it easy. I will send a link to four or five of the reports I mentioned to your clerk, so you can have a look at them.

   The CHAIR — That would be brilliant. Thanks very much, Tim, for making time available today. 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 as it is.

   Dr WILLIAMS — Thank you for inviting this Welshman who has been in Australia for only three years to participate. I am a great fan of Victorian towns, so there you go.

   The CHAIR — Thanks very much.

Committee adjourned.