

4 June 2008

The Manager
Information Technology and Telecommunications Policy
Ministry of Economic Development
PO Box 1473
WELLINGTON

Dear Sir/Madam

Re: Draft Digital Strategy 2.0

I am writing in response to the Government's releasing of the Draft Digital Strategy 2.0 document, which is open to public feedback.

While Business New Zealand does not wish to provide extensive comments on the significant range of questions asked in the document, we would like to raise a few points regarding some issues we believe have an important effect on the future outlook of the strategy.

Business New Zealand's overall view on telecommunications is that a reliable and advanced telecommunication infrastructure is needed that is updated and available throughout the country. We view broadband as one of the key means by which businesses can improve their productivity growth, and therefore welcome steps for the higher uptake of the service as long as actions do not impede both fundamental property rights and investment in New Zealand. Without question, the path to improve New Zealand's broadband uptake will involve significant investment, which we have always viewed as best initiated by the private sector.

We agree that there is a continuing change in the digital environment, which means any strategy needs to be flexible enough to adapt to new digital requirements across a broad spectrum of users and applications. Examining this from a business user's perspective, given New Zealand businesses are typically micro-small in size, issues relating to digital businesses and the 'long tail' (section 2.1 – The Digital Revolution) provide significant opportunities for many businesses, as the disadvantages of distance are all but eliminated in terms of displaying products and services on a global front. We believe this is an area where there is considerable scope for further gains in terms of general economic growth within the country, and would endorse further emphasis on how to engage SMEs in developing a stronger digital focus.

In addition, section 2.1 also touches on the various technology bases that are increasingly becoming merged. We would want the strategy to recognise the various

formats of technology, with an aim towards identifying those applications that can provide advantages such as low cost, ease of use and relatively simple opportunities for upgrades. For instance, we note the increased roll-out and use of fibre network is discussed throughout the strategy, but alternatives such as mobile technology also need to be factored in so that businesses have the best opportunity to provide innovative and low cost platforms.

We note the three initial enablers of the original digital strategy – *connection*, *confidence* and *content* now include a fourth enabler – *collaboration*. We would like to mention the following points regarding a few of these enablers:

Connection

Regarding *connection*, the paper states that recent regulatory changes have laid the groundwork for more competition within the telecommunications sector and will stimulate investment in broadband infrastructure. However, we believe that such actions have also come at the cost in terms of uncertainty in the market, and options to invest.

We also note that the paper mentions the Government's long-term vision is for fibre-to-the-home, but the economics for this to occur in the short-term are simply too challenging. For instance, while the New Zealand Institute has added to this debate by way of a preferred solution that involves a combination of Government, private capital investment and industry participants, a key aspect whether any such possibility could move forward involves the incumbent's agreement to sell its access network. The incumbent may make the decision not to sell, which in turn could initiate further Government imposed regulatory actions. While we support competition in any industry, decisions made to improve competition should not come at any price.

Collaboration

Regarding the new enabler of collaboration, we view business (section 6.3 of the paper) as the fundamental element through which all digital goods and services are operated and delivered in the digital environment. We do not view the five broad collaboration groups (communities, businesses, government, researchers and Maori) as having equal weighting in terms of maximising New Zealand's digital potential in regards to enhancing productivity growth, and we would want the strategy to take a pragmatic view toward identifying those groups where the 'biggest wins' can be obtained.

Likewise, we note that the three key benefits (or "outcomes") fall into three key areas, involving productivity, sustainability and community (including New Zealand's unique identity). We would strongly recommend that the strategy focuses more towards productivity benefits, as this is a key way in which the remaining two benefits would be attained as increased growth affords the ability to create sustainable solutions and build stronger communities (however defined).

In addition, the document points out that business groups can play an important role in disseminating knowledge about the application of digital tools between businesses.

Business New Zealand agrees with this viewpoint, and we look forward to engaging in the process whereby our various regional and industry associations are able to share information regarding digital tools to improve business performance. However, a key aspect of this will be to show businesses the real productivity and growth gains from digital advancement. Introducing any change in systems must produce a net financial benefit, otherwise any other benefit, however defined, will generally not encourage change. Therefore, any digital strategy that involves business organisations such as Business New Zealand and its wider family must address collaboration from an economic viewpoint as a first priority.

Lastly, while we understand that the Maori community may feel that development of using digital technology is important for their economic and cultural wellbeing, we do not view their stance as any more or less important than any other ethnic group in New Zealand. The future population demographics of New Zealand show that Pacific Peoples and the Asian community will increase at much stronger levels in future years. Recent figures by Statistics New Zealand show that the Asian population is to grow the most when looking out to 2026, rising 3.4% per year, followed by the Pacific population (2.4%) and the Maori population (1.4%). This would mean that the Maori and Asian populations would be very close in number, with the latter probably overtaking the former looking beyond 2026.

Much of the rapid growth in the Asian population will be driven by migration, thereby leading to a possible disconnect between language and technology use which may hamper digital advancement amongst a growing section of the New Zealand population. In addition, the Pacific population is expected to reach 480,000 by 2026, and may face many of the 'digital barriers' that Maori face given current trends in their socio-economic environment. Although the Pacific population will represent around half of the Maori population, our need to boost productivity levels means all demographic groups should be examined to meet the opportunities of the digital environment.

Therefore, we believe that either the Maori section of the key collaborators should be integrated within 'communities', or be revised under a different heading of 'Ethnic needs', to encompass all ethnicities.

We thank you for the opportunity to comment.

Regards,

A handwritten signature in black ink, appearing to read 'P. O'Reilly', with a stylized flourish at the end.

Phil O'Reilly
Chief Executive
Business New Zealand