Australian Government

Australian Government response to the Joint Standing Committee on Trade and Investment Growth report

"Trade and the Digital Economy"

November 2019

Introduction

The Australian Government welcomes the Committee's report and its recommendations to support the responsiveness of Australia's regulatory system to the needs of the digital economy, and the cyber resilience of Australia's trade-focused business sector. The Government supports the direction of all the recommendations, noting that work is already underway to address them.

The Government recognises that new technologies are transforming Australian industries, workforces and communities. Our ongoing success depends on our ability to harness technological advances to improve existing businesses, create new products, services and markets, and enhance daily life.

The Government also recognises that a cohesive and coordinated approach to digital economy policy is necessary to enable businesses and citizens to take full advantage of an increasingly globalised and digitised world. This is why the Government released the digital economy strategy, Australia's Tech Future (Rec. 3 of the Committee's report) on 19 December 2018.

The Government developed Australia's Tech Future in consultation with a wide range of businesses, community groups and academics, integrating input and feedback from agencies responsible for issues related to the digital economy. There is substantial work on the digital economy occurring across all sectors, including trade. The digital economy strategy will improve the coordination and cohesion of digital economy policy and awareness. The Government will continue to work with key stakeholders, including state and territory governments to discuss, coordinate and collaborate on activities to strengthen Australia's tech future.

Responses to individual recommendations are set out below.

Response to recommendations

Recommendation 1

4.75 The Committee recommends that the Australian Government as a matter of priority, creates a single <u>portal of information</u>, with particular regard to exporting digital goods and services, including information about the development of digitally native processes.

The Australian Government supports in principle this recommendation.

The Australian Government notes that a single portal of information for businesses already exists - <u>business.gov.au</u>. The portal is a trusted one-stop shop for small business with relevant links to specific exporting information (Austrade), customs information (Department of Home Affairs) and free trade agreements (Department of Foreign Affairs and Trade).

The Government will consider expanding trade-related information on <u>business.gov.au</u> to include exporting digital goods and services.

Recommendation 2

4.76 The Committee recommends that the Australian Government, as a matter of priority, creates a single <u>window trading system</u>, with particular regard to exporting digital goods and services. This single window must be developed with a focus on interoperability to ensure rich data flows can be maintained and transmitted across borders.

The Australian Government supports in principle this recommendation.

The Australian Government is already committed to a single window through its obligations under the World Trade Organisation Trade Facilitation Agreement, which entered into force in February 2017. Australia already has a "customs" single window, the Integrated Cargo System (ICS). The ICS enables electronic reporting of legitimate physical goods that move across Australia's borders.

The Department of Home Affairs is leading an agenda to transform and modernise trade that flows through Australia's international supply chain (e.g. air cargo, sea cargo and international mail). This agenda aims to create a future international trade system for Australia that is seamless, digital, interoperable, automated and user-friendly. This system would be underpinned by an enhanced single window for international trade for physical goods only.

As digital goods and services are currently not subject to customs treatment at borders, the ICS and future single window are not relevant to digital goods and services.

> ### *Recommendation 3*
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> 4.77 The Committee recommends that the Australian Government release its Digital Economy Strategy.

The Australian Government supports this recommendation.

The Australian Government released its digital economy strategy, *Australia's Tech Future*, on 19 December 2018. *Australia's Tech Future* highlights the significant economic and social benefits that digital technologies will bring to Australian individuals and businesses. The whole of government strategy details how Australia will maximise these opportunities of technological change through policies focused on people, services, digital assets and the enabling environment.

> ### *Recommendation 4*
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> 4.78 The Committee recommends that the Australian Government continue to take future workforce needs into account in Australia's education system, from school through to tertiary education.

The Australian Government supports in principle this recommendation.

The Australian Government is committed to ensuring Australia's education and training system remains well-functioning in supplying industry skills needs.

Australia already produces a wealth of reliable information about the labour market and takes account of this when shaping policies, including education and training policies, to reduce skills imbalances.[1] The Australian Government is developing a framework for forecasting long-term skills needs including digital skills, to help prepare Australians for the changing labour market.

Australian Curriculum and Supporting STEM in schools and the early years

Responding to the challenges of the twenty-first century, with its complex environmental, social and economic pressures, requires young people to be creative, innovative, enterprising and adaptable.

In September 2015, all education ministers endorsed the Foundation to Year 10 Australian Curriculum, which sets the standards for what all students should learn, regardless of where they live or their background, and is designed to help students thrive in the twenty-first century.

Science, technology, engineering and mathematics (STEM) skills are important in this context. Through its National Innovation and Science Agenda, the Australian Government has allocated over $64 million for school and early years STEM initiatives aligned to the Australian Curriculum and the Early Years Learning Framework.

The *National STEM School Education Strategy 2016-2026*, endorsed by all education ministers in 2015, outlines an agenda to support all young people to become more STEM capable and to increase participation in challenging STEM subjects in the senior secondary years.[2]

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[1] http://www.oecd.org/australia/getting-skills-right-australia-9789264303539-en.htm

The Australian Government is also committed to addressing the gender imbalance in STEM education and careers to ensure all Australians have the skills and opportunity to participate in the future workforce. In the 2018-19 Budget, the Australian Government committed $4.5 million over four years to support long-term strategic approaches to encourage girls and women's participation in STEM (refer Department of Industry, Innovation and Science).

National Career Education Strategy for school students

The Australian Government has a number of initiatives that aim to support students to transition from school to further education, training or work. The Government committed to develop a National Career Education Strategy, under *Quality Schools*, to prepare students for life beyond school and the jobs of the future.

Future Ready: A student focused National Career Education Strategy focuses on the importance of building skills and general capabilities in the Australian Curriculum, strengthening school and employer collaboration, and developing students' career management and navigation skills so they can make informed choices about post school study and manage multiple careers in their lifetime. To bring the strategy to life, a number of projects are underway including a report on the STEM and digital literacy skills students leaving school will require. More information is available at www.education.gov.au/national-career-education-strategy.

The Australian Government is trialling the Pathways in Technology (P-TECH) pilot program, which involves establishing long-term partnerships between employers, schools and tertiary education providers that enable industry to play an active role in supporting young people to develop the skills they need for the jobs of the future. P-TECH offers secondary school students an industry supported vocational education and training (VET) pathway to a STEM related post-school qualification.

Industry engagement in the development of vocational training

The Australian Government supports strong industry engagement in the development of national competency standards (training packages) for vocational training. Training packages underpin the design and delivery of qualifications to ensure graduates have the competencies required by employers. To develop training packages, the Australian Industry and Skills Committee draws on advice from a network of over 60 Industry Reference Committees (IRCs), representing key industry sectors across the Australian economy. A recent report by the OECD[3] commended the work of the IRCs in reviewing and developing VET training packages.

In 2018, the AISC announced that it would establish an Industry 4.0 IRC to identify the competencies need in areas such as big data supply chains, automation, digital skills and cyber security. A Digital Transformation expert panel of industry leaders has been convened to provide advice to the AISC on how to coordinate and align the work of the IRCs in relation to digital skills needs across multiple industries.

Cyber Security

Training package development is currently underway to develop 25 cyber security units of competency to add cyber security specialisations to Information and Communications Technology (ICT) qualifications. Additionally, a further eight units of competency about enhancing cyber security awareness have been developed for non-ICT specialists for use across multiple industries.

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[3] http://www.oecd.org/australia/getting-skills-right-australia-9789264303539-en.htm

Higher education

A wide range of professional associations are involved in the accreditation of higher education courses and thus are able to influence the design or delivery of higher education courses to ensure graduates have the skills and knowledge to meet future job requirements in their specific disciplines.

A National Strategy on Work Integrated Learning, which commenced in 2015, has enhanced the understanding of the skills that employers value most in university graduates, thus enabling universities to better tailor courses to meet the future job market needs.

Improving our tertiary system

Australia has a high quality tertiary system that delivers strong results for individuals, businesses and the economy. However, the Australian Government acknowledges that with globalisation, technological progress and demographic pressures we must continue to ensure the tertiary system is coherent, sustainable and fit for the future. A number of initiatives are currently underway in the tertiary, future of work and lifelong learning space.

The VET Information Strategy is the first Australian Government-led long term communications and stakeholder engagement program to raise the status of VET as an equal choice pathway, showcase its multiple training and career opportunities, and to improve national information publically available about the benefits of VET.

The Expert Review of the VET sector, *Strengthening Skills: Expert Review of Australia's Vocational Education and Training System* identified the need to raise the standing of VET to which the Government has responded as part of its $525 million *Delivering Skills for Today and Tomorrow* skills package announced in the 2019-20 Budget. Key measures announced in the package include:

National Skills Commission
The Commission will drive research and analysis of future skills needs across industry to ensure the VET system addresses national labour market priorities including those arising from developing technologies such as automation and artificial intelligence.

Pilot Skills Organisations
The Government will pilot two Skills Organisations, including in the digital technologies industry (with a particular focus on cyber security), to trial new, industry-led methods of qualification development and assessment, and develop standards for industry to endorse Registered Training Providers.

The National Careers Institute
The National Careers Institute (the Institute) will provide leadership in the delivery of high quality, evidence-based career development to enable Australians to make informed decisions about their learning, training and work pathways. The Institute is commissioning research on the state of the Australian and international careers sector which will then inform and shape its strategic priorities and incorporate the needs of industry.

National Careers Ambassador
The National Careers Ambassador will support the National Careers Institute to improve the quality of and access to career education nationally and, in particular, raise the profile of VET as a way of training for a job, retraining and upskilling for a new career.

> ### *Recommendation 5*
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> 4.79 The Committee recommends that the Australian Government investigate options to fund and deliver training for those already in the workforce, to give them the skills to fully participate in the digital economy.

The Australian Government supports this recommendation.

The Australian Government recognises the importance of skills and life-long learning for workers of all ages and is cognisant that supporting workers to re-skill and up-skill so they can move quickly into new jobs is fundamental to responding to technological change.

In November 2018, the Government announced that from 1 July 2019 it would extend the Support for Adult Australian Apprentices (SAAA) payment to employers who commence an eligible Australian Apprentice aged 21 years and over. From 1 July 2019, eligible employers of an adult Australian Apprentice will receive $4,000 once the apprentice has successfully completed 12 months of training.

As part of its 2019-20 Budget package the Government allocated $156.3 million over four years for an Additional Identified Skills Shortage payment of $4,000 for eligible employers and $2,000 for eligible apprentices in ten shortage occupations in Australian with an Australian Apprenticeships pathway. The skills package also included $44 million to streamline incentives for employers of apprentices and trainees, and modernise the National Skills Needs List.

As part of the Australian Government's More Choices for a Longer Life Package announced in the 2018–19 Budget, the Government is investing $17.4 million over four years into the Skills Checkpoint for Older Workers Program (the Program) to provide up to 20,000 eligible Australians aged 45-70 with advice and guidance on transitioning into new career opportunities. The Program targets those currently employed but who may be at risk of unemployment, or those recently unemployed, and not registered for assistance through an employment services program.

The Program uses individually tailored assessments and referrals, to provide workers with advice on how best to use their existing skills in the workforce, or identify opportunities for upskilling. It can also refer participants to educational and training opportunities to assist with transitioning to a new role in their current industry or switching to an entirely new career. From 1 January 2019, older Australians are also able to access up to $2,200 (GST inclusive) to undertake training opportunities identified through the Program. The individual or their current employer must match the Government's contribution, ensuring a joint investment in the skills development of older Australians. The $19.3 million Skills and Training Incentive will provide funding for up to 3,600 places per year.

Continued and ongoing access to education and training is at the forefront of Government policy. As such, as part of *Higher Education Support Legislation Amendment (Student Loan Sustainability) Act 2018*, a renewable component will come into effect from 1 January 2020. That is, starting from the 2019-20 income year, repayments of income contingent study loans will re-credit a person's Higher Education Loan Program (HELP) balance (including for VET Student Loans) which will enable amounts that are repaid to be re-borrowed in the future, up to the current HELP loan limit. This will allow individuals to pursue further study to retrain, change careers or further specialise in their current profession.

> ### *Recommendation 6*
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> 4.80 The Committee recommends that the Australian Government continue to promote digital trade standards, both technical and regulatory, with an emphasis on openness, technological neutrality and interoperability.

The Australian Government supports this recommendation.

The Australian Government will continue to take a leading role in promoting digital rules and standards globally that support business while ensuring adequate protections for consumers, as set out in the International Cyber Engagement Strategy.

In the multilateral context, Australia continues to lead efforts at the World Trade Organization (WTO) to establish an agreement that specifically governs digital trade. More than 70 WTO Members signed on to the Australian-led Joint Statement on Electronic Commerce (Davos Statement) in the margins of the World Economic Forum Annual Meeting Davos in January 2019. The Davos Statement signals members' intention to commence WTO negotiations on trade related aspects of electronic commerce.

Australia will continue to pursue rules that promote openness in our regional and bilateral trade agreements. Our most recent free trade agreements (FTAs)—including the Comprehensive and Progressive Agreement for Trans-Pacific Partnership, our bilateral agreements with Peru, Indonesia and Hong Kong, the Regional Comprehensive Economic Partnership, and the 2017 review of our Singapore agreement—contain some of the most ambitious e-commerce provisions in the world, including rules targeting restrictions on data flows such as data localisation requirements. We are also pushing for high standard e-commerce outcomes in ongoing negotiations, including with the Pacific Alliance, and with the European Union.

In shaping these rules, Australia will remain mindful of the importance of technological neutrality and interoperability. These considerations will guide, for example, our approach to rules on electronic authentication, electronic signatures and legal frameworks governing electronic transactions.

The Australian Government engages in multilateral economic bodies including the OECD, G20 and APEC, to advocate the development of rule-making on digital trade. In these fora, we are taking practical steps to help build consensus on digital trade rules, including supporting initiatives on digital trade measurement, consumer protection, and undertaking research on enablers of digital trade.

Together with rules, technical standards play an important role in shaping an enabling environment for digital trade. Harmonising these standards between countries improves the conditions for global digital trade by making it easier to do business across borders. The Australian Government will continue to promote the development of interoperable global standards, including by supporting Standards Australia's contribution to the development of standards through the International Organisation for Standardisation and the International Electrotechnical Commission.

The Australian Government will continue to support cooperation between national standards bodies and regulatory agencies across the Indo-Pacific. This includes supporting work through the ASEAN-Australia Digital Trade Standards initiative, which provides a framework to cooperate with ASEAN in

developing, adopting and using international digital trade standards that support inclusive economic growth in the region.

The Australian Government is working with the New Zealand Government to implement a common approach to electronic invoicing (e-Invoicing)), progressed most recently at a meeting between Prime Minister Morrison and Prime Minister Ardern in February 2019.[4] This is based on a shared technical standard and will enable interoperability of e-Invoicing systems. E-Invoicing will allow direct, electronic exchange of invoices between suppliers' and buyers' financial systems, improving the ease of doing business between Australia and New Zealand.

Recommendation 7

4.81 The Committee recommends that the Australian Government continue to support a permanent moratorium on duties for data flow.

The Australian Government supports this recommendation.

It has been the Australian Government's long-standing position to support a permanent moratorium on customs duties and to advocate this position in the WTO. Australia views the WTO moratorium on customs duties on electronic transmissions as applying to all goods and services transmitted electronically, and we do not see any benefit in WTO members applying customs duties on these. Any move to apply customs duties would increase the costs of goods and services purchased online and may act as a disincentive for business and consumers to engage in e-commerce.

The Australian Government believes the moratorium acts as a driver for growth in e-commerce as it maintains liberalising trading outcomes and provides predictability for businesses and consumers. This supports our ambitious trade agenda and ensures Australian businesses have the opportunity to access key international markets.

The Australian Government has already made the moratorium permanent with some trading partners through commitments in FTAs.

Recommendation 8

4.82 The Committee recommends that the Australian Government work within the WTO to develop an internationally consistent system of measuring data flow.

The Australian Government supports in principle this recommendation.

The Australian Government will continue to work through a range of relevant international organisations, including the OECD, to bring about an internationally consistent system for measuring data flows.

Research into measuring digital trade, including data flows, is already being carried out by international organisations, in particular through the Inter-Agency Task Force on International Trade Statistics whose members include the OECD, the WTO and the IMF. Complementing this work, the

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[4] www.pm.gov.au/media/joint-statement-prime-ministers-rt-hon-jacinda-ardern-and-hon-scott-morrison-mp

OECD has developed a Digital Services Trade Restrictiveness Index (Digital STRI). Building on the existing OECD STRI, the Digital STRI aims to identify, catalogue and quantify barriers to trade in digitally enabled services.

Recommendation 9

4.83 The Committee recommends that the Australian Government ensure that all Commonwealth agencies comply with the Australian Signals Directorate's Essential Eight cyber security and resilience mitigation strategies.

The Australian Government supports this recommendation.

The Australian Government is committed to ensuring all Commonwealth entities raise their level of cyber security and understand the risks they face. The Essential Eight represents the Australian Signals Directorate's (ASD's) best advice on the measures an entity can take to mitigate the threat of a cyber incident and manage their risks.

The Government is working with all agencies to improve their cyber security maturity, including:
- continuing to require compliance with four of the Essential Eight requirements;
- strongly recommending implementation of the other four Essential Eight strategies; and
- requiring reporting data on implementation of the Essential Eight as part of a new Protective Security Policy Framework reporting maturity model.

In addition, the Department of Home Affairs and the Australian Cyber Security Centre will take more proactive steps to establish effective behaviours and lift Commonwealth agencies' cyber security.

As noted in the response to Australian National Audit Office Report No.53 2017–18 *Cyber Resilience* tabled on 28 June 2018, the Department of Home Affairs, Attorney-General's Department and ASD will also work together to strengthen the standard of cyber security of Australian Government networks through enhanced technical guidance, improved verification and increased transparency and accountability.

The Joint Committee on Public Accounts and Audit has made similar recommendations and the Government response[5] to this will be tabled shortly.

Recommendation 10

4.84 The Committee recommends that the Australian Government investigate ways to assist Australian SMEs to improve their cyber security awareness and resilience levels.

The Australian Government supports this recommendation.

The Australian Government recognises the important role that cyber security awareness and resilience plays in protecting small businesses operating in the digital economy, and is working to lift the cyber security awareness and resilience of Australian small to medium-sized enterprises.

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[5]

https://www.aph.gov.au/Parliamentary_Business/Committees/Joint/Public_Accounts_and_Audit/CybersecurityCompliance/Government_Response

The Australian Cyber Security Centre (ACSC) helps Australian small business owners operate safely and successfully online. The Australian Government has committed $26 million to support the ACSC to expand its assistance to the community, including small businesses. The ACSC will develop a comprehensive online cyber security training program providing practical cyber advice for small business, older Australians and Australian families. The ACSC's 24/7 cyber hotline will be expanded to include a dedicated helpdesk for small and medium sized businesses, older Australians and families to report cyber security incidents. Specially trained staff will be able to provide tailored technical advice in preventing and responding to incidents.

The Stay Smart Online campaign provides topical, relevant and timely information on how small businesses can best protect themselves from cyber threats.[6]

Other Australian government support mechanisms are available through the Business Management element of the Entrepreneurs' Programme (EP). Under this program, eligible businesses have access to a national network of experienced business advisers and facilitators to help firms improve their business practices, including in cyber security.

The Australian Government has also announced the development of Australia's new Cyber Security Strategy for delivery in 2020 (the Department of Home Affairs is the responsible department). The Strategy's development underscores the Government's commitment to keeping Australians safe from cyber security threats and it will succeed the 2016 Strategy.

The Australian Government will continue to look at new ways to improve cyber security awareness for all Australians and ensure that it leads to behavioural change on cyber security.

Recommendation 11

4.85 The Committee recommends that the Australian Government require all agencies when developing policy, legislation or trade agreements to consider whether what is proposed is technologically neutral and whether it could create barriers to the digital economy, including by limiting interoperability.

The Australian Government supports in principle this recommendation.

The Australian Government understands that adopting a technology neutral approach to policy and regulations will enable businesses to adopt approaches that best suit their business model and consumer preferences. It will also ensure that regulators can readily respond and adapt their oversight to take account of innovation and development of new technologies.

For example, in data policy, the Government is committed to ensuring that all new systems adopted by its agencies "support discoverability, interoperability, data and information accessibility and cost effective access to facilitate access to data."[7] This is reducing barriers to data sharing and access.

The Australian Government will continue to address barriers to the digital economy through our trade agreements and our engagement in international fora. This includes pursuing trade rules that facilitate e-commerce and promote data flows across borders (including by limiting data localisation requirements), while providing adequate protections for consumers and ensuring sufficient public

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[6] Cyber.gov.au/business/
[7] https://www.pmc.gov.au/sites/default/files/publications/aust_govt_public_data_policy_statement_1.pdf

policy space.

In doing so, Australia will also continue to emphasise the importance of technological neutrality and interoperability including, for example, in developing rules on electronic authentication, electronic signatures and legal frameworks governing electronic transactions (as noted in the response to Recommendation 6 above).

The Australian Government continues to seek stakeholder input, to help assess current digital trade rules and possible improvement and will continue this engagement to ensure we pursue trade rules that fit the current and future operating environment for business.