

## Digital Strategy 2.0 Feedback – NZTE Beachheads Advisors

Feedback to the draft Digital Strategy has been sought from a select number of expert overseas NZTE Beachheads advisors. We asked them to particularly consider these aspects:

- Where do the commercial opportunities for New Zealand exist?
- What needs to happen to make NZ competitive internationally?
- Should we look to build our content industry around particular technologies or verticals?

We have received feedback from these advisors:



**Claudia Batten**

Claudia Batten is part of the Senior Management team for Massive Incorporated, a New York-based company and the first ever network for video game advertising. Claudia played an instrumental role in Microsoft's acquisition of Massive in 2006. She has nine years experience in the technology sector, including four years as a corporate attorney specialising in contracts and technology law. She has advised corporations, both as customers and suppliers, on technology supply, licensing, outsourcing and a variety of general commercial contracts. Claudia has worked with large corporations in the telecommunications sector, banking and biotechnology and has specialist experience with intellectual property protection, e-commerce and privacy. She is a graduate of Victoria University in Wellington with a Law Degree with Honours and a Commerce Degree in Marketing and Management.



**Michael A M Davies**

Michael Davies is the founder and Chairman of Endeavour Partners, a boutique consulting firm that works with the top management of leading technology businesses to develop and execute strategy and build top management teams' capabilities. His academic and research work includes being a (part-time) senior lecturer at MIT's Sloan School, teaching new technology ventures at the London Business School and related research and writing, including a forthcoming book on

strategic management of high-tech businesses. He is also Chief Technology Officer and a Board Member of angel-investor-backed start-up EquuSys Inc., a firm that is bringing winning technology to horses by commercialising one of his patented inventions. Michael is one of the founders of the Kiwi Expatriate Association (KEA) in New England.



**Richard Excell**

Richard Excell holds a number of senior roles in industry, academia, and government. He is an experienced and successful international chief executive, chairman and public company director, concentrating on corporate strategy and business development. Amongst his portfolio of responsibilities Richard is Chairman of SET squared, the UK's largest university/industry collaboration aimed at exploiting new technologies, with over £300 million of research funds. He is also Vice Chairman and a founder of Pegasus Bridge Investment Fund which is focused on the defence and homeland security sector. He has also over the past 11 years been a part time Senior Industrialist to the UK Government in the development of innovation policy in the UK. This has covered knowledge exploitation, entrepreneurialism, tax treatment and skills/culture/regulations. This wide portfolio of interests and expertise gives Richard a substantial number of high level contacts in industry, government, and academia.



**Charles Ward**

Charles Ward is Chief Operating Officer of Intellect, the industry body for the IT, telecoms and electronics sectors in the UK. Intellect is a membership organisation and focuses on helping member companies to be top performers, providing insights into members' markets and supply chains and working with Government and regulators to create the most favourable business environment for the hi-tech industry. Charles was formerly Marketing Director of Computer Services and Software Association having joined in late 1999 from Compaq (previously Digital) where he was EMEA Marketing Manager for Customer Services Division. Prior to joining Digital in 1989 Charles held a variety of marketing and sales roles in De La Rue, Johnson & Johnson and 3M United Kingdom. Charles' role involves day-to-day involvement with Intellect's 750 member companies regularly contributing to executive level briefings on sales strategy, performance benchmarking, export marketing and software pricing and licensing. Charles also chairs judging committees for two national award schemes, IT Excellence in Local Government, IT Excellence and was also a member of the judging panel for the 2007 Digital Challenge competition.



**Richard Keyse**

Having graduated at Otago, Richard commenced his career in New Zealand before moving to Australia then the UK to further his IT career on the implementation of complex and large scale IT solutions. His experience has seen him become involved in the selection and management of numerous significant third party product and service providers. Richard has worked for many blue chip companies across a wide diversity of sectors, including National Mutual, Texaco Ltd, National Grid Corporation, British Telecom, SG Warburg, Merrill Lynch, Blackrock and Morley Fund Mgmt on a number of change programmes including mergers and acquisitions. He is currently establishing a global research capability for Instinet (a large execution-only brokerage). Additionally, Richard is an executive director of Global Clinic (NZ), which delivers health informatics solutions.

### **Paul Axworthy**

Paul Axworthy is head of IT for Johnson Matthey Plc, one of the worlds' leading speciality chemicals and precious metals refining businesses. Paul joined Johnson Matthey in 1987. Before that he held a variety of IT executive roles in Hoechst, Johnson and Johnson and the Calor Group. Paul has spent his career managing IT in large international manufacturing businesses with a remit covering the UK, USA, Asia and Europe. More recently he has become responsible for the development of Johnson Matthey's e-commerce strategy, IT issues within mergers and acquisitions, and continuing to steer investment towards new and innovative uses of IT.

## Common Themes

Some common themes emerged from the feedback.

**New Zealand could be a ‘digital destination’, but current immigration policy needs to change to make that possible.** Quality of life is very important for digital and creative entrepreneurs. These are sought after and highly mobile people – and the idea of living and working in New Zealand for a period of time appeals for many of them. New Zealand immigration policy should make it simpler for them to gain visas to invest, work and live here. Immigration policy and trade access discussions with other countries should attempt to gain some reciprocity, allowing New Zealand technology entrepreneurs to more easily locate in key overseas markets.

**Much business focus needed.** There is a sense that this strategy is very Government-centric and that a focus on business development is absent.

**More focus needed on skill development of entrepreneurs.** This should involve engaging them with international expertise and exposing them to international markets, which is not that difficult to do.

**More focus needed on applications and capability, less on infrastructure.** Effort needs to be applied to support the capital and skill needs of the industry, but should be carefully targeted to build on initial success rather than try to ‘create an industry’. Sustainability-related applications, and mobile platform applications in banking and health, are examples of application areas that could build on New Zealand’s strengths.

**Productivity gains need to be looked at cautiously.** More impact may be gained through (for example) a focus in developing online marketing and commerce expertise in New Zealand businesses, balanced with the required skills in modern logistics management expertise.

**Paradox / balancing act = challenges abound for infrastructure providers in developing profitable business models, but metered rate access (as opposed to flat rate access) is an innovation killer.** Innovative applications are likelier to be developed in an environment where both provider and consumer are less concerned with uncertain cost of network access.

# Verbatim Submissions

## ***Michael Davies***

Let me first summarize my view on the draft strategy as a whole, and then turn to your specific questions.

First, from a framing perspective, I think that the whole strategy should recognize that New Zealand is a nation of 5 million, 20% of whom happen to be currently living overseas. One of the key themes should be connecting New Zealand with this diaspora, both digitally and physically.

Second, there's a key piece of analysis just missing: WHY is New Zealand's penetration of broadband lower than many other OECD nations, and more importantly why has this changed? Is it a demand side issue, a supply side issue, something structural about where people in New Zealand live or which sectors they work in? The answer to this question would inform us as to (a) whether or not it really matters (because, for example, there may be something to do with the timing of broadband rollout, or demographic factors that explain this difference) and (b) assuming that it does matter, what will be effective in doing something about it, to the extent that we should be doing something about it....

Despite the fact that my whole professional career involves high-tech, you may detect what I would characterize as a healthy skepticism about unbridled Government enthusiasm for a whole bunch of infrastructure investment. First, show me that it matters, from either an economic or social policy perspective, then explain why there's a shortfall, then and only then identify the actions which will address the specific reasons for the shortfall.

Third, there's a second (implicit) assumption made: that broadband and digital connectivity are enough in and of themselves. It's not enough to just 'be digital' as the draft strategy puts it. Yes broadband is a key enabling technology, and yes our penetration lags many OECD countries BUT it has not been shown by the analysis that the people and organizations that need to be connected for economic and productivity goals are not already well served, given what they need to do. I'll grant, FWIW, that metered broadband is a very bad idea, because of how it constrains usage models and application types, but flat rate being the right answer is well established commercially in most of the world already (and strangely completely absent from the draft digital strategy).

Yes, there should be some focus on attitude (being open minded to using digital technologies, rather than just exhorting people to 'be digital' without a clear rationale, but it should be much more about APTITUDE, knowing about these technologies, what they can do, and how to make effective use of them, and on APPLICATIONS, what people and organizations are going to do with them. We need to be focused much higher in the stack. That's where Xero is. That's where Right Hemisphere is.

Yes, we should be investing or intervening where there are significant shortfalls in availability, but at least as much, if not more in capability.

We should be building individuals' capabilities, not just infrastructure availability.

The key to any sort of technology-based productivity gains are NOT how much you spend, but how smartly you spend it. That's good news for us; if we're cunning, we can learn from others, build on it, and come up with creative and innovative solutions that are just as good but don't demand massive infrastructure investment.

Fourth, as part of that, the use of these enabling technologies should recognize the unique aspects of Kiwi lifestyle and exploit them in a way that reflects this. Look at who the key people are in a knowledge-based digital economy; they're a long way up Maslow's hierarchy of needs and their aspirations are about work:life:harmony rather than the relentless pursuit of productivity. That means we should be thinking about how these broadband (and wireless) technologies can empower people, and enable them to reconcile high levels of productivity, working in global economy, with their lifestyle goals, living in New Zealand. This was the central theme of my keynote to Convergence Oceania, and I've attached the relevant presentation.

This is where sustainability comes into play. As I said at the World Class New Zealanders' event last week, from an organizational perspective this is a key consideration in getting and keeping good people. It's not just good for the planet's natural resources; it's good for 'human resources'

Fifth, the draft digital strategy seems to me to fall woefully short in the area of digital skills. It recognizes the need to develop current residents, but does not grasp the nettle and confront immigration issues.

We should be making New Zealand a digital destination.

You want an ambitious goal: make New Zealand THE place where the very best of the worlds' knowledge workers aspire to come, because it's a great place to live, and if you have the appropriate skills, you can easily enter, and the infrastructure is there, and the communities and clusters are there.

Yes, this marks a significant shift in immigration policy, but it would not just overcome a current and growing skills shortage, but reverse it and make this a source of strength.

[We are uniquely well positioned to do this amongst first world countries ( :-D ) :

- Australia has poisonous snakes and spiders (and Australians) and is mostly desert (physical and cultural)
- California has earthquakes, gang wars and Arnold Schwarznegger as your Governor, the winters in New England are too cold, the summers are too hot
- it rains all the time in Ireland (as it does in the UK, which is also a ridiculously expensive place to live)
- now the South of France is fabulous (I'm thinking Sophia Antipolis), but have you EVER tried to wrestle with French bureaucracy (or the traffic in Nice and Cannes)
- and much as I love the Finns, even they wouldn't try to claim it's a great place to live (and everyone works for Nokia in any case)

I'm sure that Kevin Roberts could build an amazing ad campaign around this....]

We will only fulfill our aspirations for 'technology-based productivity growth' by doing these things:

- going beyond connectivity
- embracing the diaspora
- understanding why we're behind, and hence what will work if we need to do something about it
- focusing on aptitude and applications, what people and organizations can do with these pipes
- critically, investing in building capabilities, not just infrastructure
- doing this in a way that is consistent with the best of the unique Kiwi lifestyle
- making New Zealand THE digital destination for worldwide knowledge workers, including changes to immigration policies

Turning to your specific questions:

- the commercial opportunities for New Zealand do exist, particularly in figuring out the answers to the questions that matter most to us, but also to others: how to overcome the tyranny of distance; how to reconcile high productivity with work:life:harmony
- to make us competitive internationally we need to make significant investments in skill building, in capabilities building, both by educating people who are already there, and just as importantly making New Zealand a digital destination to which the knowledge workers of the world want to come
- this includes investments in physical linkages that are complementary to the virtual ones, both connecting the diaspora with New Zealand, and connecting internationalizing companies with overseas demand opportunities - enabling them to do the first hand discovery that's essential to success
- yes, we should look to build our digital content industry and to support other clusters as they emerge; connect them virtually, help them build complementary business ecosystems, enable them to recruit and retain the very best global skills within New Zealand - but very carefully and selectively - support demonstrated success, rather than trying to make it happen through policy interventions

Hope that this helps, and very much look forward to talking with you about it...

Michael

## ***Claudia Batten***

### Overall thoughts

I focused on the business perspective, of what it would take New Zealand to achieve its digital potential commercially. Overall I thought the paper lacks commercial depth and focused too heavily on government initiatives than on promoting digital adoption across all of New Zealand.

My specific lens is as a small business/startup and an expat/consumer.

**Investing in Start-ups and Entrepreneurs.** Capital is key to support growth of digital business. Intellectual and Monetary.

- a) Intellectual - Much was made in the paper of the lack of skilled workers and mentors, true, but there are a lot of ways you can tap into international experts in the ICT field (Beachheads/Universities/Expats etc) and I don't think we need to get caught up in the mentors not being physically located in NZ.
- b) Monetary – this should be a key focus of the paper, its critical to growing innovation and ICT adoption. Investment in small companies will promote use of broadband, wireless services, mobile, network services etc etc as well as promote ICT business in the more pure sense.

Support the **international outreach of small NZ business**. Push and Pull:

- a) Pull: A lot of ICT companies have great ideas but sit in the NZ geographical bubble without reference to what is happening in the outside world. NZ should promote international collaboration, tax benefits to companies partnering with NZ companies, send young entrepreneurs overseas to study international business environments and successful countries (ie. Ireland) and develop “come back home” programs for entrepreneurs to go overseas but supporting them to bring their ideas back to NZ;
- b) Push: Kiwis think they can do it alone and will take all the free advice in the world but don't pay professionals for the true value they can bring. Increase the funding to institutions like NZTE and Beachheads to pay for advisors and work to develop a culture of paying for these services.

**Support ICT retail.** Develop the ecommerce industry and increase support at retail outlets selling tech products:

- a) Ecommerce: Too many retailers have no or little online presence, promoting ecommerce will get more Kiwis on the Internet and savvy with its offerings. As a sideline benefit this may also develop international sales of New Zealand products. With 20% of New Zealand living abroad I would think there is a huge demand for online purchases delivered within New Zealand (gifts from expats to loved ones in NZ and offshore (homesick expats with cash who are desperate for some Kiwi culture in their homes/apartments or as gifts).
- b) Support online security, payment options and general Internet savvy through education, community initiatives, standardization/regulation – people need to feel and actually be safe while surfing/buying/downloading and interacting.
- c) Support at retail: Encourage retail to support their consumers with solid advice on how to install home ICT equipment effectively and safely. Implement the Apple “Geek Bar” concept in stores, standardize retail offerings to reduce consumer confusion, run government sponsored assistance programs or Help Desk Services to support implementation of home equipment. This would be a short term investment that could both educate

young people who can then “apprentice” in a Help Desk Function to get “ICT Miles” that they can put on their resumes to show proficiency in ICT services at a low level.

**Productivity gains?.** I think we need to be very careful framing this as an outcome. I would suggest that many productivity gains come from people being more available through communication devices and working harder, hence productivity gains. There are big impacts in lifestyle from harnessing our digital potential. With that caveat, without a doubt, increasing broadband access (both availability to all and wifi) and speed will definitely increase business productivity. Just be warned, this will have you on your laptop till 11pm sitting in front of TV answering email!

### Specific Response

You asked for recommendations in the following areas: commercial opportunities, making NZ competitive internationally, specific technologies and verticals. I address each below:

1. Where do the commercial opportunities for New Zealand exist?
  - i. Pricing: With the Kiwi dollar being relatively weaker to many other currencies, we can offer competitive prices to international businesses
  - ii. Time Advantage: “while u sleep” services, NZ works on it while you sleep – turn the time difference into a positive.
  - iii. Number 8 wire innovation: Promote the innovation of New Zealand services and apply that to the ICT industry; creative solutions to tech problems.
  - iv. Design: New Zealand has a unique and strong design aesthetic that should be exported, it’s a significant strength.
  - v. Immigration: Every second person I talk to wants to live in NZ. Grant 5 year visas for people in the ICT industry and support investment in New Zealand ICT, tie this with the capital need and allow people to “buy” short term visas (under strict requirements, perhaps through NZTE?)
2. What needs to happen to make NZ competitive internationally?
  - i. International focus is critical – we have to stop tinkering in the shed and get international awareness and savvy and PAY for it.
  - ii. Move beyond this all being about culture and government agencies, that just makes us a bigger bureaucracy I am 100% for cultural development and preservation but we have to get the business focus right to afford this and it should be balanced. Commerce will lead government quite naturally.
  - iii. Investment – we have to develop our capital markets to support growth.
  - iv. Pricing – be very aggressive about pricing and tie it with premium service to really get the attention of international businesses.
  - v. Move away from thinking its all about the ad-supported model. This is a really tough model and I think NZ will find it tough to compete internationally as it will be difficult to get the “eyeballs”.
3. Should we look to build our content industry around particular technologies, verticals etc?
  - i. Using ICT to promote sustainability. Creation of tools to monitor and improve resource use and report metrics to show wins/losses. This crosses many verticals, food and energy sectors come to mind immediately.
  - ii. Mobile – the size of the international potential is too big to ignore. Specifically looking for business applications, mobile banking and service delivery. Banking and Health could be big verticals here.

- iii. Entertainment – Lord of the Rings and Flight of the Concorde are two of our biggest brands, we clearly have the talent for producing entertainment but it's a tough industry and requires significant development. We could follow Canada's lead here and implement tax advantages for select segments and draw international investments. Education initiatives would likely also be needed for career development but we could also open up immigration policies to allow creative visas.

## ***Charles Ward / Richard Excell correspondence***

A more considered view of the complex challenge. By the way get past the issues and talk to people about what the prize would be for an economy that had a decent fibre comms infrastructure and the answer is clearly a real competitive edge. As I said before it encourages innovation in new services and we believe would also attract inward investment.

Regards

Charles

Richard

In digging out some material that may help you with your short presentation/discussion in NZ I have set myself the challenge of trying to answer the question "what Digital developments are shaping the market" in 5 minutes.

As a preface this is not an easy question to answer because it depends on your standpoint. My official view is that of the technology "establishment", ie the large traditional players supplying the corporate market place with IT and services. Whilst there are fundamental shifts underway things move slowly because the companies and their customers are locked into old ways of doing things and can only change at a certain rate. So, for example, the sort of thing we notice is the continuing trend to off-shoring and the power base of big, capable powerful Indian companies with massive stock market valuations that now dwarf some of the US companies. This alone presents some future challenges.

However if you were to look at the technology industry from a different standpoint say a journalist or VC you see a different picture. This view is far more interesting and it's easy to recognise because it is being shaped more by consumer behaviour and the advent of new styles of businesses made possible by technology developments. From a purely technological angle "convergence" (a cliché to some but nevertheless real) as described in the document I emailed you is a driver.

It's hard to distinguish between cause and effect but the combination of proliferation of devices, connectivity (broadband availability), innovation in on-line products and services coupled with a healthy appetite among consumers for all of it is causing seismic changes.

A couple of examples (for which there is evidence in slides)

Web 2.0, the term for the 2nd generation of dotcom, is working. There are plenty of examples of successful on-line businesses now. EBay and Amazon are the obvious ones.

Why is traditional ITV in trouble? Because TV advertising is suffering. In 2005 Google's US on-line ad revenues exceeded the top 3 TV networks combined. On-line advertisers know which 50% works! They don't have to pay for the other 50%

The pareto law (80/20) does not apply on-line. Customer profitability is more even with on-line business.

There is less tech investment, certainly in Europe, in traditional software companies. There is more interest in disruptive businesses that supply a service or are involved in the creation and distribution of content. I have been in meetings with VC's, previously investing in traditional tech businesses, where there is a clear interest in companies like Betfair and other gaming applications.

The current spat between Virgin and Sky is about controlling access to the home. There is a view that once BT's next generation network is rolled out satellite TV will be dead hence content companies buying broadband providers.

There is not an obvious and immediate direct impact on traditional business to business IT except that

- The proliferation of devices means that the corporate network cannot be bounded in the sense that an IT department can ring fence the corporate network domain. This has huge security implications
- Similarly the amount of unstructured data (ie text, voice, images etc) routinely entering the corporate domain presents all sorts of challenges in storage, retrieval, search etc. All this stuff is becoming increasingly difficult to control from the centre of an organisation.
- Businesses are aware of software as a service, ie Salesforce.com which is a credible CRM system available over the web, and Utility Computing which is almost a modern day bureau service but without limitations. Both models do not require you to own any IT as such. You can pay for what you use. These are attractive propositions provided you don't already have an immovable legacy investment in IT of course.
- With new forms of software development, particularly re-using or borrowing components it's difficult who owns what IP and whether it has any value or not.

This has an impact on skills. We at Intellect see our members providing the power tools of the Digital economy. We compete with India now and sometime soon directly with China as well. So we need the bright folk to develop the power tools and well as innovate in service creation.

Regards

Charles

## Future of Broadband Problem

The future of broadband faces a crisis: an incentive problem derailing the ability of mass-market Internet users to take advantage of Moore's Law. Today's prevailing business models give wired and wireless broadband operators the perverse incentive to throttle innovative, high-bandwidth uses of the Internet. It exacerbates traffic problems and increase operating costs. If this problem is not addressed now, many commonly foreseen broadband developments are unlikely to happen as planned. These include the next generations of videoconferencing, interactive video and television (broadly defined), collaborative gaming, peer-to-peer applications, grid-oriented computing, network-based backups, data-capable wireless networks (3G and beyond) and the sophisticated portable networked gadgets that will use them, and fiber-to-the-home networks. Delays in these innovations will hurt the makers and users of networks and all of their upstream complements, including content, applications, services, and devices.

The incentive problem is already evident in leading broadband markets. Popular flat-fee pricing models have encouraged penetration but also led innovative users to adopt bandwidth-intensive behaviours that impose additional costs on network operators, an especially noticeable problem once penetration saturates and revenue growth flattens. Leading network operators have considered or imposed restrictions on user behaviour, employing a range of schemes that vary in sophistication. Most simply focus on limiting user traffic, while a few also seek to monetize additional usage, typically in coarse ways that may bear little relation to actual usage costs imposed. Effective solutions to the broadband incentive problem are not obvious. Today's responses will prove inadequate as broadband markets expand. In our observation, operators have not yet found access pricing mechanisms that both make sense to users and effectively align user behaviors with the costs they impose. Overly broad limitations on user behavior will be unpopular with users and, by unduly curtailing the activities that motivate users to pay for broadband in the first place, will ultimately prove unsatisfactory to providers as well. Many operators have also proposed to respond to rising usage-based costs by extracting additional revenue from value-added services beyond basic access, such as voice-over-IP and IP-based television. We do not believe this response is adequate to solve the problem, for two reasons. First, we expect that operators' revenues from value-added services will be insufficient to cover rising usage costs, because service revenues will be limited by competition from a growing set of third parties, and by legal or regulatory attention to any perceived constraints on such competition. Second, some bandwidth-intensive broadband innovations will not have an associated revenue-generating service. Reliance on value-added service revenues does not give operators an incentive to support this subset of applications, even though the innovations they represent will be valuable to users and upstream industries.

The intent of our work is to ensure that stakeholders across the broadband value chain recognize the reality of the incentive problem, and are motivated to deal with it now, before it becomes more difficult to solve. This paper does not propose particular solutions, but rather intends to motivate stakeholders to work now to address the problem, each in ways appropriate to their particular situation and perspective. It is in everyone's interest — network operators, users, upstream value chain participants, and government stewards of our economic well-being — to find solutions that will support the ongoing network investments needed for broadband to follow Moore's Law, and for application innovation to flourish. Early recognition of the incentive problem is especially important in less mature broadband markets, such as wireless broadband in most regions, and any form of broadband in less economically developed regions. The mistakes of the past do not have to be repeated, and the earlier the broadband incentive problem is recognized, the easier it will be to avoid in the future

# NOTES FROM MEETING ON THE “DIGITAL STRATEGY FOR NEW ZEALAND 2.0” HELD ON THE 1<sup>ST</sup> OF MAY 2008 AT NZTE IN LONDON.

<u>Present:</u>	Richard Excell (RME)	Beachheads Advisor
	Charles Ward (CW)	Beachheads Advisor
	Richard Keyse (RK)	Beachheads Advisor
	Jacqueline Corbett (JC)	Investment New Zealand
	Timothy Gibson (TG)	NZTE
	Marcus Scoliege (MS)	NZTE
<u>Written input:</u>	Paul Axworthy (PA)	Beachheads Advisor

## Background and purpose of meeting

The revised government “Digital Strategy for New Zealand” was published mid April 2008 for public consultation. NZTE onshore asked Beachheads Advisory Boards offshore to provide feedback on the revised strategy, which is available for viewing at <http://www.digitalstrategy.govt.nz>

The following notes are a summary of the discussion held at NZTE offices in London on the 1<sup>st</sup> of May 2008.

## General

The Digital Strategy 2.0 (DS2.0) is a reassessment by government of the original Digital Strategy (DS1.0) for New Zealand that was released in 2005. This reassessment is designed “to [revisit] the strategy’s original goals, consider new developments and focus on the tasks ahead” (p. 4). The question is does it do this?

Given that the document widely accepts that NZ is now playing 'catch up' with many other developed and developing nations the aims of the strategy could be considered insufficiently ambitious or focused. In the time it takes to implement these proposals in NZ other economies may already be at the next stage. There is no doubt that there are social benefits to be gained from less expensive Internet access and economies for businesses too, but the overall economic benefit won't necessarily be as significant as hoped.

## What is New Zealand striving to be?

- Is it to be the same as the rest of the world? In which case New Zealand will forever be playing a chase up game as other countries develop further.
- From an economic perspective does DS2.0 see digital development as just a new channel to market for NZ products and services?
- Or is it aiming at being something different, something that will be truly transformational for New Zealand and New Zealanders, improving productivity and creating wealth?

Some in the group were present at the World Class New Zealand summit in Auckland in February 2008, at which business leaders offered a more candid view of where the challenges ahead lay. It is the view of the group that there needs to be more of a direct connection between DS2.0 and the real economic challenges the country faces.

The style of the document is very policy heavy and unlikely to inspire the wider business community or society as a whole. By comparison, in 2005 the United Kingdom released its own digital strategy document written in a concise manifesto style that was easy to digest by a similarly wide audience. The core Digital Inclusion agenda of the UK document was quite

evident and it explained clearly what was being done and why. In the UK the Digital Strategy is seen as one important step on the journey towards the creation of a competitive Knowledge Economy. Conversely DS2.0 reads like an internal document for policy makers.

Despite trying to address all parts of society (p. 34-37) - and the motivation to be collaborative is entirely valid - there is too much focus placed on communities and government and too little placed on business and institutes of learning and research. Collaboration is not the answer to transforming the economy and the document does not clearly set out how business and society can or will benefit from the strategy. Neither does it state clearly what is expected of the business community.

DS2.0 is too cautious, too politically sensitive and there is no benchmarking with comparative countries that have similar challenges and barriers (distance, size, resources, etc). Plans need to be more ambitious and far-sighted to get the much-needed competitive edge over other Asian based economies in the region. In the Internet world distance is fast becoming irrelevant but shared time zones and stability particularly in Asia could be turned to economic advantage.

From a NZTE perspective there is no mention of the impact on specific industry sectors. What does DS2.0 mean for the likes of F&B, Spec Man, etc. How are we doing sector by sector? What are the opportunities for wealth creation for each sector as a result of DS2.0?

One suggestion is to audit the top 1000 companies in the country in terms of their digital requirements today and what would make a difference going forward. A conversation could also be started with groups such as accountants and lawyers, who are the professionals SMEs would deal with most. They too would have insights in terms of business requirements and what would make a difference for efficiency and increased productivity.

**Given that DS2.0 is for everyone, who in the target audience is really addressed in this document?**

- |  |     |
|--|-----|
| - Policy makers                        | YES |
| - Government Departments               | YES |
| - Skills policy                        | YES |
| - Business                             | NO  |
| - Entrepreneurs                        | NO  |
| - Skills companies                     | NO  |
| - Individuals – difference to my life? | NO  |

**What is the real ambition of DS2.0?**

DS2.0 should be looking a ways to create a wealthier society.

Playing catch-up cannot be considered a goal in itself! Instead New Zealand should be looking at ways to leap frog the competition. Benchmarking is vital to ensure that New Zealand does not continue to lag behind. At the same time it is not enough to compare with countries like the UK, which itself is lagging behind countries in Scandinavia and Asia on certain criteria .

**Where DS2.0 continues to fail**

The view of the group is that while DS1.0 did address some major shortcomings in New Zealand's digital infrastructure, there are some key goals that still have not been achieved. It did not:

1. Engage non-ICT businesses.
2. Find New Zealand's point of difference
3. Engage the nation in a digital development debate
4. Get support across all government departments

Based on the content in the DS2.0 document, it seems unlikely that any of these aspects will improve.

**Where should DS2.0's focus be?**

- DS2.0 needs to be able to demonstrate how it will benefit business in terms of efficiency, productivity and revenue gain. Only if it does this will it encourage business engagement.
- DS2.0 needs outcomes, targets, funding, implementation planning and marketing.
- A key focus is the integration of ICT into all businesses and the encouragement of large companies, education and research institutes, and government to be leaders in this deployment.
- Government is not totally responsible for the transformation. Government needs to provide the right conditions. Other stakeholders need to understand their obligations.

A given is the productivity and efficiency of government. This encourages the private sector to be as good if not better. In many ways the New Zealand Government is exemplary, however in cannot just be government making the changes. Government should create the right conditions and provide a stimulus for business to be successful.

“Unbundling” should not be seen as international best practice. In the UK BT has a national responsibility. Consider also the geographical challenges in New Zealand. Remote communities will suffer. In Europe there are many examples where the EU has assisted remote areas in becoming digital by improving access to broadband. It is not enough however to believe in the adage “build and they will come”. Internet is an enabler however a state of the art fibre optic networks is not enough to assume that a particular industry will spring up. More and more areas are specialising as hubs and clusters based on a combination of infrastructure, skills, location and costs.

More often than not hubs and clusters are created around centres of learning. In the UK linking brains with infrastructure is very well spread, where universities take advantage of their knowledge base with the creation of enterprise networks which in turn encourages entrepreneurship and investment.

The group was looking at DS2.0 from a business opportunity perspective. In this context the document:

1. Does not encourage HGP companies from all sectors that would be candidates for the Beachheads programme.
2. Does not encourage businesses to move to New Zealand.
3. Lacks any benchmarking with other comparative countries.
4. Lacks clearly defined goals (catching up is not a goal, nor should good broadband per se be a goal, but rather a means to improve the New Zealand economy)

### **More Emphasis on Convergence**

A strategy that encompassed the convergence of communications into a single unified vision rather than so much focus on Broadband per se would be more beneficial in the long term. The emphasis in Europe and the US has already moved to wireless broadband offering voice and data services for mobile users that in time will edge out the traditional mobile phone networks. This reduces communications costs significantly for the providers and allows people to work more flexibly from any location. It may also overcome some of the physical challenges in NZ.

### **What incentives do businesses have to transform?**

New Zealand companies are notoriously bad at working together and there is a need for a national body that will get companies working together. This body needs to be industry owned. Comparisons were made with Nasscom in India and the way the Indian offshoring companies work collectively to promote their industry globally and created and exploited a particular USP, the Capability Management Model (CMMI). However if government takes on too much ownership industry is allowed to duck its responsibilities. It is important that everyone knows they have an important part to play.

The role of business is hidden in the document and surfaces briefly on page 35. Business should be given a stronger focus as it can be the catalyst for real change. In addition, it is not just the ICT firms that need to be involved, but firms from all sectors. It is not enough that

other sectors “become aware of the potential of digital tools ...” (p. 35), they need to be instrumental in the formation of the strategy and be inspired to drive it forward.

DS2.0 doesn't even start to show where business opportunities are. An example would be digital TV, with opportunities for niche marketing not to mention it being a channel for delivery of interactive services whether they be from the private or public sector, etc.

### **The Digital Content Strategy as a component of the DS2.0**

This can be seen to be transactional and not transformational. It is just a new channel for distribution. There should be more focus placed on companies that have a point of difference, rather than focusing on the opportunities for new channels for content distribution. While this is important, technology enablers such as Massive Software contribute to transformation of the NZ economy in this area.

The Web can make companies look bigger and closer; however it doesn't remove all the barriers. Products still need to be transported to the buyer and support still needs to be provided. Internet cannot be seen in isolation. People will still tend to buy online from a known source (because they have seen physical stores, reputation, image, etc), rather than from a unknown. The internet allows people to transact with many more businesses, but that doesn't mean they will!

### **Incentive to Investment**

What is lacking in DS2.0 is inspiration. New Zealand has winners – use them to inspire others. The goals set out in DS2.0 are not ambitious enough to encourage investment to New Zealand. Once again, DS2.0 needs to be seen in context of a whole. The right conditions in terms of tax, skills in the workforce, costs and infrastructure will encourage investment.

If the development and uptake of broadband services in NZ has fallen behind other developed and developing nations potentially putting the country and its inhabitants at a disadvantage how this has happened is not clear. It seems likely that there has been a relative lack of investment in the national and international network during the last few years. The dominant telecom player in New Zealand may not have had the incentive to invest in the infrastructure and certainly won't have now by introducing 'local loop unbundling'. LLU reduces rental income on infrastructure projects.

If you contrast the situation in UK where BT have effectively had a number of years to radically rebuild the national network (BT 21CN project) based on continued revenues from customers and competitors alike before facing LLU legislation and subsequent reduction in revenue. **(Note: Need to be careful here because these issues are very country specific)**

### **Recommendations**

1. There should be three different versions of the document for three distinct audiences:
  - a. Government
  - b. Business
  - c. Citizens

Each document can then clearly outline what is in it for that group and have defined calls to action. The current document is trying to be too much for everyone and there is a clear imbalance to the disadvantage of business.

2. Communities and society is covered, but very little attention is paid to business and wealth creation. It is imperative to find the right balance in this strategy between an important social agenda and the wealth creation agenda (that can ultimately provide the money to pay for the social agenda).
3. The document requires more balance and a more commercial flavour.
4. The document requires fewer words and more punchy quantitative statements.

5. Consultation with industry about how to assist in step change. If the WCNZ summit is an indication of the general business community, they are screaming out loud to be involved.
6. Set more concrete goals (e.g. By 2012 New Zealand will have achieved ...), and make them clear and easy to read (not small print!)
7. Remove the “feel good” stories. They do not belong in such a document, particularly ones that are an embarrassment in the digital world (p. 17, 512kbps is not good quality broadband by today’s standards)
8. Adapt the language style to the audience. It is laborious to read for non ICT people, which will make it harder for them to engage.
9. Review the unbundling issue in the context of New Zealand’s population base, economies of scale, service to remote communities and what is truly international best practise.
10. Remove broad statements such as the ones that claim New Zealand to be world-class at building digital content, particularly where there are no references to demonstrate the point. Furthermore, DS2.0 is effectively not about the content, but about its distribution.
11. Provide more statistical information on the use of internet in business (b2b, ecommerce, etc) and benchmark it.
12. Provide measurement tools to assess the return for investing in the infrastructure. One example is how many and what type of companies will it assist in becoming bigger, better and more successful?

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