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Digital Infrastructure: Driving productivity in the age of AI

Good afternoon everyone, and thank you to Jim, Michelle, and TelSoc for the opportunity to speak.

Today, I'd like to speak about the role the telecoms sector should play in two key pillars of the Government's policy agenda: Productivity growth, and 'AI in Australia's interests'.

Intrinsic to this policy agenda is Australia's sovereignty, local capability, and economic resilience.

What is required to deliver 'AI in Australia's interests', and what role can the telecommunications sector play as the disruptive impact of AI is felt across the economy?

I'll approach my remarks today in three parts.

First, I'll describe the role played by the telecoms sector when it comes to improving Australia's productivity.

Second, I'll talk to the foundational role that telco plays in enabling AI.

Third, and most importantly, I'll focus on the significant reforms required to enable the telco sector to deliver the productivity growth and 'AI in Australia's interests' that the Government seeks to achieve.

So let's begin with our role in improving Australia's productivity.

The telecommunications sector plays a key enabling role in Australia's digital economy, which underpins so much of the opportunity for productivity growth.

The tech sector is now the second-largest contributor to GDP behind only mining, and growing 50% faster than the economy more broadly[1].

In 2025, this contribution grew to an estimated $248.5 billion, equivalent to 8.9% of national GDP.

It is also *the* most significant contributor to productivity gains over past decade – through the embedding of technology across all industries including advanced manufacturing, finance, healthcare, construction and retail.

[1] https://techcouncil.com.au/wp-content/uploads/Technology-as-Australias-Productivity-Engine-Updated-260324.pdf

Within the technology sector, telecommunications has historically delivered outsized multifactor productivity – or MFP – gains, relative to its economic size.

Government data confirms that telco services contributed almost 15 per cent of total economy-wide multifactor productivity growth over the decade to 2020[2] – a remarkable contribution from a comparatively small sector.

Telecommunications is the one and only sector in the Australian economy where service levels have increased while the retail cost of services relative to the Consumer Price Index has decreased – by more than 20% compared to 2016.

The telecommunications sector's contribution to Australia's productivity is substantial and well-documented.

In 2023, the Bureau of Communications, Arts and Regional Research (BCARR) concluded:

[2] https:// www.infrastructure.gov.au%2Fsites%2Fdefault%2Ffiles%2Fdocuments%2Fbcarr-telecommunications-srvices-and-productivity-march2023_0.docx&ved=0CAEQ1fkOahcKEwjAuJng5oWWAxUAAAAAHQAAAAAQAw&opi=89978449

“The productivity performance of IMT [Information, Media and Telecommunications] has been mixed since the start of the century. Growth was more subdued than the market sector more broadly up until around 2007–08. Since then, IMT has grown more strongly and has outperformed the market sector. This has been particularly noticeable since 2013, with IMT’s MFP growing around 3 times faster than the market average.”[3]

For the Telecommunications Services subdivision, the research estimated that multifactor productivity increased noticeably from around 2013, growing four times faster than the market sector overall.

“No other IMT subdivisions grew as strongly” as Telecommunications Services, it found.

In the decade to 2020, total MFP growth was 3.3 percentage points, with IMT contributing around 0.6 percentage points. That equates to 18 per cent of total MFP growth over that time – about 2.2 per cent of GDP.

These figures are striking.

[3] Ibid.

Telecommunications – a comparatively small sector – contributed nearly 15 cents in every dollar of economy-wide productivity growth over the decade to 2020.

This reflects the pervasive role that connectivity plays in enabling productivity gains across the Australian economy.

Other studies have shown that the GDP benefit of the National Broadband Network between 2012 and 2022 ($122 billion) equates to 4% of all growth in GDP, and one quarter of annual MFP growth in that period[4].

And such is the multiplier effect of faster connectivity, the same economic projections from Accenture suggest the NBN will deliver a $400 billion boost to GDP between 2023 and 2030.

The pervasiveness of digital connectivity, and the role it plays in boosting productivity, result in a multiplier effect of capital invested in digital infrastructure that will be hard to match in other areas.

[4] https://www.nbnco.com.au/content/dam/nbn/documents/about-nbn/reports/reports-and-publications/accenture-2024-economic-and-social-impact-insight-report.pdf.coredownload.pdf

This dynamic is the engine of Australia's tech-enabled growth story, and the tech enablement of other sectors is now creating growth at a Compound Annual Growth Rate (CAGR) of 4.4% - double the growth seen a decade ago[5].

There are challenges in measuring productivity, and these are particularly relevant to the telecommunications sector.

BCARR's research noted that the positive effects on MFP from telecoms rest on the assumption of a relatively constant share of investment and capital income within the broader IMT division.

But the current returns on invested capital we're seeing in telco put those assumptions at risk.

This is a significant warning.

Telcos historic contribution to productivity has been underpinned by sustained private investment.

If returns on invested capital (ROIC) fall below the weighted average cost of capital (WACC) – as is

[5] https://techcouncil.com.au/wp-content/uploads/Technology-as-Australias-Productivity-Engine-Updated-260324.pdf

increasingly the case[6] – the conditions that generated this contribution will erode, and future productivity measurements will reflect that.

The telecommunications sector also presents broader measurement challenges.

Conventional productivity measurement may actually *understate* the sector's contribution to the economy, since the gains from improved connectivity are largely captured not by network operators themselves but by consumers, businesses, and Government alike.

Prices for telecommunications services have reduced by 23% over the past decade in inflation-adjusted terms[7], and the share of disposable household spending on telecommunications services has fallen[8].

Over the same period, prices of many other essential services have increased – often substantially.

So with that overview of the role telco plays in Australia's productivity, I'll now turn to the role played by telco in AI.

[6] David Kennedy, State of the Australian Telecommunications Industry – Telco at a Crossroads 16 Oct 2025
[7] Australian Bureau of Statistics, Consumer Price Index, 2015-2025
[8] Department of Infrastructure, Transport, Regional Development, Communications and the Arts. 2023 (p.5, p.9). Australian households and the affordability of telecommunications, Evidence from Household Income and Labour Dynamics in Australia (HILDA) data, Working paper

In December last year the Commonwealth released its 'National AI Plan'.

This plan recognises that AI is dependent on two critical components: data centres, and high-speed telecoms networks[9].

Data centres rely on connectivity to submarine cables, fibre-optic networks, and 5G networks to deliver AI services to businesses and consumers.

Without these networks, data centres are stranded assets.

The ATA recently merged with the Australian Mobile Telecoms Association, AMTA, which has commissioned a report by Deloitte Access Economics that considers the importance of mobile connectivity for accessing AI.

While the report is still in development, Deloitte has undertaken consumer research which found that almost two-thirds of Australians already use AI-powered mobile tools.

[9] https://www.industry.gov.au/publications/national-ai-plan

Of that figure, almost 60% said that mobile AI tools made them more productive, saving them 1 hour and 45 minutes per week, on average.

Australia's productivity agenda and AI agenda are closely entwined – and both are ultimately dependent on fast, reliable connectivity.

Last month the Prime Minister delivered a speech titled 'AI in Australia's interests', where he made the case for localised AI development.

He said, "We want more Australian companies and global firms developing AI here. To boost our sovereign capability. To strengthen our national security. And build our economic resilience."[10]

If the Government has these ambitions for AI, then there is a strong argument that these same ambitions should be applied to telco networks.

We should want more Australian companies and global firms developing *digital infrastructure* here.

To boost our sovereign capability.

[10] https://www.pm.gov.au/media/ai-australias-interests-0

To strengthen our national security.

And build our economic resilience.

A generational investment boom in the datacentres that house AI applications should not take investment in telecoms networks for granted.

Telco industry analyst David Kennedy from Venture Insights has called out that on average, Australia's three largest telcos are making returns on invested capital below their cost of capital.

In other words – they're losing money on new network investments[11].

He pointed out a 'decoupled trend', where rapid data traffic expansion is not translating into revenue growth.

This is a fundamental problem – not just for our industry, but for our nation.

The digital infrastructure that provides the connective tissue to AI datacentres should be a key part of Australia's National AI plan.

[11] https://ventureinsights.com.au/research/telecom/state-australian-telecommunications-industry-crossroads

If we want to boost our sovereign capability,

To strengthen our national security,

And to build our economic resilience;

Then we need investment in the networks that enable it.

The role played by digital infrastructure in our national security was spelled out in detail by the defence minister in a recent speech.

Speaking on the topic of maritime security in the Indo-Pacific, the defence minister dedicated the majority of the speech to submarine cable security.

That's significant.

When the Government is spending $368 billion on nuclear submarines[12], the defence minister chose to speak about submarine cables.

He said that, globally, we were witnessing "attacks against subsea critical infrastructure at a scale and frequency that is historically unprecedented."

[12] https://www.aspistrategist.org.au/budgeting-for-australias-nuclear-powered-submarines/

Australia was singled out as “among the most exposed nations in the world to this threat.”

He said that “Around ninety-nine percent of Australia’s internet traffic flows through just fifteen subsea cables. Consider that number for a moment. Fifteen cables — fifteen physical assets on the ocean floor — carry essentially the entirety of our international digital connectivity.”

“Our financial systems, our health systems, our communications, our intelligence partnerships, our ability to operate as a modern economy and a functioning state: all of it is critically dependent on infrastructure that is exposed, that cannot move and – as we have now seen demonstrated in the Baltic – can be cut with an anchor in the middle of the night.”[13]

The core argument here does not just apply to submarine cables.

All telecommunications networks are the critical infrastructure required to operate “our financial systems,

[13] https://www.minister.defence.gov.au/speeches/2026-05-30/address-2026-shangri-la-dialogue-plenary-session-three

our health systems, our communications, our intelligence partnerships, our ability to operate as a modern economy and a functioning state."

As more and more sectors of the Australian economy utilise AI, this dependence on digital infrastructure will only grow.

And that provides the ideal segue into the third part of my speech: the reforms required to enable the telco sector to deliver productivity growth and AI where every sector ultimate depends on connectivity.

If the Australian Government has the policy objective of improving productivity, the deployment of digital infrastructure must be a national reform priority.

Shortly after the last federal election, the must-read book for anyone into politics was 'Abundance' by Ezra Klein and Derek Thompson.

The Treasurer read it. The Chair of the Productivity Commission read it. The Assistant Minister for Productivity read it.

The Treasurer said the book was doing the rounds with his colleagues[14].

So being a political tragic myself, I read it too.

If I could summarise it in one sentence, the core message of the book is that we need to make it easier to build stuff.

Less red tape. Fewer hoops to jump through. Less bureaucratic meddling. More building.

In the Treasurer's own words, "we've got to stop getting in our own way."[15]

I hope that it becomes mandatory reading for anyone involved in planning approvals.

Because we have to make it easier to build digital infrastructure in this country.

Three structural barriers are actively limiting the telco sector's capacity to further improve productivity across the economy:

1. Access to key inputs, particularly spectrum,
2. Excessive regulatory cost and complexity, and

[14] https://www.theguardian.com/australia-news/2025/jul/13/abundance-the-us-book-is-a-sensation-among-our-progressive-mps-but-can-it-spur-action-in-canberra
[15] https://www.lowyinstitute.org/external-publications/are-we-getting-our-own-way

3. Multi-jurisdictional deployment roadblocks.

We need to stop diverting millions into unnecessary regulatory costs, and turn that investment towards critical digital infrastructure.

Mobile towers can be constructed in just a week or two – yet council assessments take an average of 211 days.

In some jurisdictions new builds can take up to two years to be approved, despite the community crying out for better mobile coverage and capacity.

Here's just a few real-world examples:

- An application for one new mobile site took 664 days before it was ultimately refused.
- Another site took 377 days tangled in bureaucratic red tape before it was refused.
- Applications in one local government areas routinely take more than 450 days to be reviewed.

To put that in perspective: the Empire State Building was built in 410 days.

That's right: the most famous skyscraper in the world – 103 stories high – was built faster than the time it takes

some councils to review an application for a new mobile site.

We have to make it easier to build digital infrastructure in this country.

It's a similar situation for fibre optic networks, the backbone of the internet.

The deployment of one intercapital fibre route required:

- More than 3,000 land access activity notices,
- More than 1,100 construction certificates,
- More than 1,700 land access surveys, and
- More than 170 cultural heritage and environment assessments.

Another project required engagement with more than 200 different entities across State and local government, native title holders, tenement title holders, and private land title holders.

Construction through one segment just 30km long required 16 different approvals, across four government departments, and 12 different title holders.

This excessive red tape resulted the project being delayed by a year and half.

I mentioned earlier that AMTA had commissioned a report by Deloitte Access Economics on *Reforms to Modernise Australia's Telecommunications*.

Deloitte found that small reforms would produce disproportionately large economic gains – especially in new growth areas and regional Australia.

A 10% improvement in regulatory practices could unlock around $430 million – which could then be channelled into additional telecommunications investment annually.

A 25% reduction in approval timeframes would allow industry to deliver between 150 and 200 accelerated mobile sites every year, bringing improved connectivity to up to 250,000 Australians sooner.

And a 10% reduction in regulatory complexity with nationally consistent planning practices would deliver around $150 million in annual productivity gains.

The report identified 3 short term opportunities:

First, establishing a national Digital Infrastructure Coordinator General, to support streamlined governance to accelerate significant deployments.

Second, create a harmonised planning framework with incentives for adoption by local councils.

And third, amend Schedule 3 of the Telecommunications Act to adopt a risk-based approach to fast-track low-impact builds.

We were pleased to see the Government commit to accelerated planning approvals announced as part of the Federal Budget.

It can't happen fast enough.

The report also identified 3 longer term opportunities:

To develop a National Spectrum Strategy to provide investment certainty, drive efficient allocation and lay a pathway for the rollout of 6G.

Creating targeted planning and land-access relief for Government co-funded sites.

And a process for streamlining the Tel Act over time, so it can be flexible in managing the requirements of a rapidly-changing sector.

We have to make it easier to build digital infrastructure in this country.

So I'll conclude by saying this:

The telecoms sector is punching well above its weight when it comes to productivity.

The services we provide underpin productivity growth across all sectors of the economy, particularly with the rise of AI.

'AI in Australia's interests' ultimately requires Australian digital infrastructure – mobile networks, fibre networks, and satellite networks alike.

We need them to boost our sovereign capability.

To strengthen our national security.

And to build our economic resilience.

As a nation, if we want these things, then we have to make it easier to build digital infrastructure in this country.