TELSTRA GROUP LIMITED

Productivity Commission:
Five Pillars of Productivity Inquiry

Telstra submission on interim report proposals

September 2025

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Introduction

Telstra welcomes the opportunity to make this submission to the Productivity Commission (**Commission**) in response to its Interim Reports, released as part of the ongoing Five Pillars of Productivity Inquiry[1] (**Inquiry**). This is an important Inquiry, and it is the right time to be reflecting on the changing nature of our economy and our global environment to identify priority reforms to improve our productivity growth.

This submission focusses on the following four pillars in the Inquiry: 'Harnessing data and digital technology', 'Creating a more dynamic and resilient economy', 'Building a skilled and adaptable workforce' and 'Investing in cleaner, cheaper energy and the next net zero transformation'. We have responded to those draft recommendations and requests for information that are most relevant for our customers and business.

AI has the potential to become a general-purpose technology with transformative potential for modern economies, and it is critical that Australia harnesses the opportunity this technology presents. As Australia's largest telecommunications provider, we recognise the ability of technology and AI to enhance productivity, improve service delivery, and support Australia's national digital capability. The rate of AI's diffusion throughout the economy will rely in part on the availability of the underlying infrastructure to support it, both from a connectivity and energy standpoint, as well as – in parallel – getting the regulatory and policy settings right. We are broadly supportive of the Commission's policy thinking on AI and the overall regulatory direction proposed. Further, it is critical to strike the right balance on privacy and data settings. We have engaged with the Commission's findings and provided comments on the draft recommendations on these critical issues.

We support the Commission's draft recommendations on creating a more dynamic and resilient economy by setting a clear regulatory agenda and adopting regulatory settings that support economic dynamism. This is an important time to be examining how to encourage growth and innovation across the economy, by removing excessive and inefficient regulatory barriers, whilst ensuring necessary and appropriate guardrails remain in place.

Supporting a pipeline of digital and AI skills and capabilities in, as well as across the digital infrastructure ecosystem more broadly, will be critical to maximising the productivity potential of advanced technologies in Australia. We are supportive of the Commission's focus on 'building a skilled and adaptable workforce' via further examination of education opportunities and pathways to support digital skills and capabilities. Whilst much of the detail of this work can be best responded to by the education sector, businesses such as Telstra that are already using digital technologies, and accessing skills and capabilities across the labour market, have much to offer to this conversation, and we strongly support further engagement and consultation on this work.

Telstra agrees that reducing emissions from greenhouse gases and achieving net zero are important national priorities, and we are committed to transitioning to a low carbon business ourselves. We support the Commission's interrogation of more efficient approval pathways to support the energy transition and encourage the Commission to expand its thinking to all critical sectors that will play a role in the energy transition, including, for example, digital infrastructure.

Finally, whilst Telstra has not responded to the draft recommendations of the 'Delivering quality care more efficiently pillar', we note that digital connectivity is now fundamental to healthcare for all Australians, by enabling telehealth and digital care options, and is particularly important for Australians living in rural and remote areas. Ensuring connectivity, and the underlying infrastructure that provides it, can support the use of AI across the healthcare sector – in safe and appropriate use-cases - and is critical to harnessing the potential of digital healthcare into the future.

1 Harnessing data and digital technology

AI regulatory approach

Draft Recommendation	Telstra position/response
1.1 - Productivity growth from AI will be built on existing legal foundations. Gap analyses of current rules need to be expanded and completed	Telstra supports this recommendation in principle. Gap analyses of existing laws should be expanded and completed, and we suggest this should be done as a matter of priority. Substantial work has already been undertaken on gap analyses, which industry has contributed to over various consultation processes. For this work to be finalised and to meaningfully inform a future regulatory framework (whether comprised of existing laws or otherwise), the overarching policy intent and vision for AI regulation should be clarified. For this reason, we believe gap analysis should be completed in three steps: 1. Clarify the broad policy intent of regulation or legislation. 2. Expand and complete the gap analysis of existing laws against that agreed intent. 3. Fill any identified gaps with regulation or explanatory guidance, consistent with the overarching policy intent. Currently, different aspects of AI are at different stages of clarity and consensus on how they should be regulated. For example, it is generally agreed that privacy guardrails should apply to AI, in particular where it is using sensitive data, however other aspects of AI (such as application of copyright laws) are the subject of debate. As such, clarity on the overarching policy intent and objectives with regard to AI is needed to finalise the gap analysis work. Finally, we note that explanatory guidance is often missing. If it is decided, informed by gap analyses, that there is legislation in place that meets the specified policy intent and application, but industries do not understand how the legislation applies, guidance will be needed to enable understanding of the scope, application and obligations of the laws to the 'new' area (e.g. AI).
1.2 - AI-specific regulation should be a last resort	Telstra agrees that AI specific regulation, in general, should be a last resort – and, if necessary, should follow the expansion and completion of gap analyses of existing legislation. However, we recognise that most Australians want more regulatory protections in place for higher-risk AI settings, particularly where AI use involves sensitive personal data such as in the health sector. If any new or AI-specific regulation is determined to be required to fill identified gaps in these spaces, these need to balance the need for agility in the legislative framework to account for rapid advancements in AI and the need to allow for innovation and investment. Finally, we note that, at times, there is not necessarily a gap in legislation, but a gap in practical guidance. For example, anti-discrimination laws already exist and apply to AI systems, but when applied to specific domains there is often a lack of technical guidance and/or case law on their application. In this instance, clear and detailed practical guidance on how the law applies, and how to comply with it specifically in relation to AI, would enable AI to be effectively regulated in this space without the need for new legislation.
1.3 - Pause steps to implement mandatory guardrails for high-risk AI	The existing proposed mandatory guardrails were designed in a 'whole of economy' manner. Many organisations noted at the time of development that there were areas of the economy where the guardrails did not seem to fit the problem well and may cause challenges if implemented. For this reason, Telstra supports a pause in the implementation of the proposed guardrails. However, as noted in recent submissions to consultations, Telstra recognises that Australians want more regulatory protections in place for some high-risk AI use cases.

	Gaps in some settings are already well recognised and accepted. A move to a more targeted regime, rather than a whole of economy implementation, may be better aligned to this desire in the community while still supporting the broader economic benefits AI can bring to the economy. Overall, given the recommendation is to pause the mandatory guardrails for high-risk AI until the ongoing gap analyses are completed, we recommend that this process is undertaken as a matter of priority, to ensure regulatory certainty overall, and that appropriate guardrails are in place in the near term where necessary.

Data right

Draft Recommendation	Telstra position/response
2.1 - Establish lower-cost and more flexible regulatory pathways to expand basic data access for individuals and businesses	As stated in previous Telstra submissions on this subject, we would exercise strong caution when it comes to mandated consumer data access and sharing regimes, noting the experience with the current CDR regime. We believe the key lesson from this exercise is not to explore how new mandatory data access and sharing obligations might be imposed on Australian businesses that may, potentially, be more effective and less burdensome. Rather, it is to appreciate that the market is best placed in most cases to determine the relevant cost benefit trade-offs of relevant data access and sharing use cases to unlock genuine net productivity gains for Australian consumers and businesses and our economy, by finding and operationalising opportunities to: • better enable consumers to benefit from data about themselves and facilitate its use to drive innovation and productivity growth; and • look at where consumer data remains underused and the types of access that consumers need to get value from it. The main regulatory support required for these initiatives to succeed in Australia is to have in place overarching, economy-wide, principles-based protections (such as under the Privacy Act) to ensure consumers can be confident in the safety and security of their data when used for any given purpose. Businesses in Australia are increasingly recognising the value of sharing consumer-facing data. They are doing this not because they are required to by regulation, but because embedding data-sharing practices which benefit customers into products and services are a means to enhance transparency, build trust, and differentiate in competitive markets. In the telecommunications industry, for example, many providers are leveraging data-sharing as a strategic tool to improve customer experience and build trust. Notwithstanding the vast and ever-changing array of highly customised and non-standardised service offerings available to customers reflective of Australia's highly competitive telecommunications sector and other complexities such as "one-to-many" account models supporting multiple users with differing levels of authority, dashboards and tools have been developed to present usage metrics, billing history, and service performance to help customers make informed decisions, troubleshoot issues or optimise their service plans. This approach provides a bidirectional benefit which not only improves

	customer satisfaction and service delivery but also reduces reliance on support channels, contributing to operational efficiency. It also needs to be recognised that, although data-sharing unlocks benefits from consumer access to data, these practices entail significant costs for data holders. These include upfront investments in secure APIs, user-facing dashboards and robust data governance frameworks. Ongoing compliance costs related to privacy, cybersecurity, and accreditation add to the burden, as do operational expenses tied to customer support, dispute resolution, and system maintenance.

Privacy

Draft Recommendation	Telstra position/response
3.1 - An alternative compliance pathway for privacy	Telstra continues to support privacy reforms that strike the right balance between providing consumers with greater transparency, protection and choice and the practical compliance burden imposed on industry. In relation to the proposed alternative compliance pathway, it is unclear how this might reduce costs and compliance requirements for entities. The Privacy Act is, for the most part, principle-based and offers flexibility for APP entities to determine how to comply with those principles. The introduction of an outcomes-based alternative compliance pathway may cause uncertainty for entities as to when they should adhere to the alternative compliance pathway rather than existing requirements, and which pathway will prevail to the extent that there are any inconsistencies. For example, Australian Privacy Principle (APP) 7 provides that an organisation must not use or disclose personal information it holds for the purpose of direct marketing unless an exception applies, such as if an individual would reasonably expect their personal information to be used for that purpose and they have not opted-out of receiving direct marketing from the organisation. If the alternative compliance pathway permits organisations to use personal information to send individuals direct marketing even when they have opted out on the basis that it is in an individual's 'best interests' to receive marketing for more affordable goods and services, an individual may complain that their privacy has been interfered with under the APP 7 requirements. This also creates confusion for individuals as they will not have information with regards to how an entity has determined that a decision not to adhere to the APPs is in an individual's best interests until that individual makes a complaint. Organisations will then need to justify why they believe they were entitled to rely on the alternative compliance pathway. Entities are likely to have different interpretations of what constitutes 'best interests' of its customers and how the alternative compliance pathway might be applied to each APP, potentially creating a patchwork privacy compliance landscape of uncertainty and differing expectations of personal information handling practices. Telstra is of the view that clearer carve-outs and pragmatic exemptions coupled with guidance published by the Office of the Australian Information Commissioner (OAIC) may better strike the right balance between providing consumers additional privacy protection and practical regulatory burden on entities, especially in areas where the benefit to consumers is minimal or unclear.
Information request 3.1: ***The PC is seeking feedback on implementation issues, including how an alternative compliance pathway should be embedded in the Privacy Act 1988 (Cth).***	

We suggest there is not enough detail on how the alternative compliance pathway would work in practice to provide specific responses to this information request.	
3.2 - Do not implement a right to erasure	With respect to the right to erasure, Telstra understands from the Attorney-General's Department Privacy Act Review Report 2022 (2022 AG Report) that "*the right would be limited to where the information should be destroyed for example by court order or under APP 11.2 as it is no longer needed*"[1]. Provided the right to erasure would only apply to personal information no longer required under APP 11.2, and there are exceptions to erasure where, for instance, it is technically impracticable or would constitute an unreasonable and disproportionate burden, we do not necessarily expect a significant increase in compliance costs to adhere to this proposal. We note the Commission's Interim Report contains a quote from Telstra to the effect that a right to erasure should not be introduced. This quote was drawn from Telstra's position outlined in a 2021 submission[2] which predated the additional commentary in the 2022 AG Report. As such, following the Government's further framing of the right to erasure and proposed limits to its application, we have reconsidered our position and are not strongly opposed to its introduction, so long as the limits outlined in the 2022 AG Report apply.

2 Creating a more dynamic and resilient economy

Regulatory proposals

Draft Recommendation	Telstra Response
2.1 Set a clear agenda for regulatory reform	It is the right time to look closely at how we get the balance right in Australia between providing necessary guardrails and encouraging innovation and growth that would benefit Australians. For these reasons, we support the Commission's recommendation to adopt a whole-of-government statement that commits to new principles and processes to drive regulation that supports economic dynamism. We agree with the Commission that this statement should: • Where possible, identify immediate concrete reductions in regulatory burden. This should include drawing on and seeking feedback on the proposals identified by regulators in the letters sent to the Government (and since published)[3] in the lead up to the Economic Reform Roundtable. By way of just one example, the ACCC's proposal to harmonise electrical safety standards across the Australian jurisdictions would support our sector (and many others) to streamline compliance processes, reduce admin burden, and enable more consistent service models nationally. • Set quantitative targets for the Government to achieve. Similar to what we've seen applied in the United Kingdom, we support the Business Council of Australia's call for Government to reduce business compliance costs by 25% by 2030. Accepting the incentives created by "regulatory budgeting" style targets may be imperfect, we nevertheless see strong merit in their power to drive concrete action in support of economic dynamism and as an accountability and transparency tool. We would see these targets operating in harmony with relevant sector deep dives, to ensure regulatory safeguards of true value to consumers and to the economy remain in place – and indeed could even be

[1] Page 174, Attorney-General's Department Privacy Act Review Report 2022.
[2] Page 64, Productivity Commission, Harnessing data and digital technology - Interim report
[3] [Regulatory reform to reduce red tape and ease burden on businesses | Department of Finance]

	strengthened as regulatory and industry efforts are better prioritised on outcomes that really matter • Be periodically updated to reflect progress, align with the Government's overall economic reform and productivity priorities and shifts in the global environment that Australia must keep pace with to stay competitive.

Information request 2.1:* *The taxonomy proposed above represents regulatory failures that have been raised regularly with the PC during consultation. We have heard of a number of broad examples that align with these categories – for example, duplicate and inconsistent regulations emerge when regulators are unable to adopt standards from comparable regulators from other states, or from overseas. We would like to hear specific examples of regulations that you think align with the categories above, and that could easily be fixed by government.

The Commission's key findings on Australia's growing regulatory burden align with our views and observations with respect to the growing regulatory burden in the telecommunications sector and its potential to inhibit economic dynamism and resilience.

Good regulation and Government policy supports Australia's economy and positive outcomes in our sector, including on consumer protections, infrastructure rollout, competition, security, affordability and more. That said, the total stock of regulation in our sector has grown over time. Navigating this can be incredibly inefficient and costly. And there has been no clear agenda or framework to identify and remove inefficient or unnecessary regulation which can otherwise impede positive consumer and business outcomes and dampen the incentives for new investments or innovation.

An easy, and highly beneficial, fix would be to improve how regulation is planned and implemented in our sector. Coordination of all relevant telco sector government and regulatory initiatives via a Regulatory Initiatives Grid, as has been successfully introduced in the financial services sector[4], would help to break down the current regulatory silos – alleviating blind-spots and duplication and supporting prioritisation of highest value initiatives to consumers and the economy via increased transparency and coordination. This is key to getting the "flow" of future regulation right in our sector.

To complement this, a deep dive into the accumulated "stock" of regulation in our sector, as recommended in response to information request 2.3, would enable identification of priority areas for reform and removal of regulatory burden. This would mean looking at what regulation may no longer be needed as technology, consumer behaviour and the structure of our sector has evolved – like Telstra's obligation to publish and distribute paper copies of the White Pages. It would also mean looking at areas where regulation and obligations could be modernised, such as where there are more efficient and reliable technologies than providing services over an aging copper network.

2.2 Bolster high-level scrutiny of regulations	Telstra supports in principle the direction of the Commission's draft recommendations to bolster high level scrutiny of regulations to ensure its impact on growth, innovation and future productivity are considered in a more rigorous and systematic way. In our own sector, despite the positive intentions of many of the regulatory and policy interventions, over time these have created overlapping and at times conflicting responsibilities and objectives between different Government Departments and regulatory agencies A more rigorous, joined up and systematic approach to regulatory impact assessment (which is nevertheless still practical, quick and simple to implement) would help to change this. On the specific reforms proposed by the Commission we provide the following additional comments: • Raising the standards for impact analyses and strengthening the role played by the Office of Impact Analysis should include tasking it to identify where existing legislation and regulation contains technology-specific obligations that could be made tech-agnostic

[4] See Regulatory Initiatives Grid | Treasury.gov.au

	• Any external sectoral reviews that are used to examine cumulative regulatory burdens should be aligned to the priority sectors for deep dives assessed by the Government to be most critical to the productivity and economic reform agenda. Because of the critical role telecommunications infrastructure and services play for our nation, we strongly recommend our sector is put forward as a priority sector for review.
***Information request 2.2**: Which quantitative economy-wide measures of the quality of regulation and the regulatory burden should the Australian Government track? How should it set targets for these?* There are several important dimensions to regulatory quality. We recommend the targets set and tracked by Government are focussed on those aspects likely to be most directly impactful to attainment of the Government's economic reform and productivity ambitions. As the cost and time Australian businesses must spend complying with regulation directly impacts their productive and investment capacity, we recommend the Government mandate that all proposed regulatory change imposing costs on Australian businesses must be subject to an effective Impact Analysis before proceeding. Compliance with this mandated should be tracked and published by regulator/government department to support transparency and accountability. To accompany this, we suggest introducing a novel "economic star" rating system overseen by Treasury based on the net impact of each proposed new regulatory proposal on economic growth, productivity and dynamism. The star ratings system could be developed in consultation with the Commission and industry stakeholder representatives such as the Business Council of Australia. The result would be a simple, consistent, transparent ratings label allowing for comparisons of the impact of new regulation on business productivity across sectors. It would not mean that new regulatory interventions could never be pursued if they conflict with growth, but it would ensure such trade-offs are tracked and not traded away easily or lightly. This would be reflected in a five-star rating for regulation with net impacts more likely to promote growth (e.g. calculated expected impact of factors such as improving consumer trust in transactions or supporting healthy market competition outweigh calculated expected added cost or delay for Australian businesses), and a half star rating with expected net negative impacts on the Government's productivity agenda. We would be happy to discuss this suggestion further with the Commission, if helpful. In terms of targets to reduce regulatory burden, as noted above, we support the Business Council of Australia's call for Government to reduce business compliance costs by 25% by 2030, similar to the approach adopted in the UK.[5] The UK is currently undertaking a baselining exercise to understand the administrative costs of regulation to businesses considering various different analytical options.[6] Outputs from this exercise may be informative as to how this might similarly be done in Australia.	
2.3 Enhance regulatory practice to deliver growth, competition and innovation	Telstra supports a focus on finding reasonable and practical ways to enhance the expectations placed on public servants to ensure decisions adequately take into account the impact of new (and existing) regulation on business investment, innovation, dynamism and growth. In our sector, we also believe there is scope to develop new regulation in a new way – for example, by applying a Regulatory Initiatives Grid to increase transparency and coordination, as has been done in the financial services sector. If done well, benefits would include enhanced transparency of upcoming changes; a more efficient allocation of regulatory resources; strengthened engagement between the sector, Government and regulators; and ultimately regulation that is fully context-aware and minimises overlaps and conflicts. Many of the regulators covering our sector are already subject to Government Statements of Expectations (SoE)[7]. There is likely to be

[5] See New approach to ensure regulators and regulation support growth (HTML) - GOV.UK

[6] See Written questions and answers - Written questions, answers and statements - UK Parliament

[7] See e.g. those issued to the ACMA, ACCC, E-Safety and OAIC.

	merit in Government reviewing these to ensure adequate emphasis on delivering the conditions to support growth and innovation.

***Information request 2.3**: In which sectors or regulatory systems is immediate regulatory review most warranted, and why?*

While good regulation and Government policy supports Australia's economy and positive outcomes in our sector, the balance between providing necessary guardrails and encouraging innovation and growth that would benefit Australians has, over time, become distorted. It is vital to get this balance right, because of the critical role telecommunications infrastructure and services play for our nation. including to help lift productivity and deliver higher living standards for the next generation.

In line with the Government's commitment following the Economic Reform Roundtable to undertake deep dives for priority sectors[8], we therefore strongly recommend our sector is put forward for priority review. A deeper dive process will facilitate identification of those areas where regulatory reform will add most value in supporting ongoing investment in leading digital infrastructure by our sector in aid of Australia's economic growth and resilience objectives and better consumer and business outcomes whilst ensuring appropriate safeguards and guardrails in our sector remain intact.

3 Building a skilled and adaptable workforce

Australia's digital economy depends on a skilled workforce and robust digital infrastructure. As AI and digital technologies reshape industries, there is an urgent need for a pipeline of skilled workers, especially in areas like AI, cybersecurity, data analytics, and network engineering. Training programs must be co-designed with industry to ensure relevance, support lifelong learning, and enable flexible, modular pathways for career progression. Employers should invest in internal reskilling and provide clear visibility on emerging and declining skills

Equity and inclusion must be central to the digital skills agenda. Removing barriers for underrepresented groups, supporting 'earn while you learn' pathways, and ensuring affordable access to connectivity will help all Australians develop the digital literacy and critical thinking needed for the future workforce

Finally, governance and regulation must keep pace with technological change. Establishing a multistakeholder AI governance forum with consumer and employee representatives, business, academia and Government, will ensure diverse views are heard across the spectrum of AI's impacts – including on skills, capabilities and labour needs.

AI Education proposal

Draft Recommendation	Telstra Response
1.2 Lead national efforts to ensure equitable access to educational technology (edtech) and artificial intelligence (AI)	Telstra strongly supports this recommendation. While much of the detail of this recommendation can be responded to by the education sector, Telstra supports further engagement and consultation with the business community and tech sector on these recommendations. The experience and insights of companies, like Telstra, that have been embedding digital and AI skills into the workforce for some time, would be valuable input into further thinking on these processes - particularly into the design and content of future curriculum changes, and advanced edtech tools. For example, internally, Telstra will invest in internal reskilling programs, provide visibility on in-demand skills, maintain hybrid work models, and use flexible task allocation. Insights from these processes would be valuable to further consultation, to inform future frameworks and curriculums. At this early stage, we suggest the follow high-level points to inform further development of this recommendation:

[8] Regulatory reform to reduce red tape and ease burden on businesses | Treasury Ministers

	• Training should be co-designed with industry, modular, and focused on preparing workers for change, not just current roles • Government collaboration is essential to shape VET reform, expand digital capability programs, and align with national frameworks for quality and consistency • Inclusive pathways like 'earn while you learn' and blended learning should attract diverse talent and remove barriers for underrepresented groups • Sector-wide collaboration is needed to set technical benchmarks, support national workforce initiatives, and measure adaptive capability at individual and organisational levels
Information request 1.1:* The PC is seeking views on:** ***Which agency in the existing national education infrastructure is best placed to take on responsibility for the assessment and development of lesson planning materials and the assessment and procurement/development of advanced edtech tools? ***Any changes required to the Australian Curriculum or the role of Australian Government education agencies to enable collaboration across jurisdictions to achieve the reforms?*** ***Funding implications for both recommendations, including views on appropriate cost sharing arrangements?*** As outlined in response to Draft Recommendation 1.2, we suggest that much of the detail of this recommendation would be best responded to by the education sector. However, Telstra strongly supports further engagement and consultation with the business community and tech sector on further development of these recommendations. The experience and insights of companies, like Telstra, that have been embedding digital and AI skills into the workforce for some time, would be valuable input into further thinking on these processes - particularly into the design and content of future curriculum changes, and advanced edtech tools.	

4 Investing in cleaner, cheaper energy and the next zero transformation

Draft recommendations	Telstra Response
1.1 to 3.4 inclusive	Telstra agrees that reducing emissions from greenhouse gases and achieving net zero are important national priorities. Telstra is committed to transitioning to a low carbon business ourselves, protecting nature and biodiversity and managing the physical and transition impacts of climate change on our assets, operations and the services we provide to our customers, and to do so while meeting the broader needs of our business. We agree with the intent of the Commission's recommendations to streamline approval processes to enable the energy transition. However, these recommendations are heavily focussed on implementing renewable energy projects and less on the enabling infrastructure such as transmission, firming and storage which is also critical to increasing the share of renewable energy in the system. In addition, we would like to see Government focus on reforming the approval process for **all** infrastructure projects (including telecommunications) and not prioritise one set of projects over another. There is also a significant and growing role for AI and digital infrastructure in reducing emissions, and for the telecommunications industry in supporting that. While the Commission has called out the digital skills needs, we also encourage exploring how digital infrastructure can amplify opportunities to address the transition to net zero.