



16th October 2017

Joint Standing Committee on Trade and Investment Growth
Department of the House of Representatives
Parliament House
Canberra ACT 2600

Dear Committee Members,

Facebook welcomes the opportunity to provide a submission to the inquiry into Australia's trade system and digital economy.

Before responding to the specific issues raised in the terms of reference, we wanted to provide some background about Facebook's services and the way in which local businesses use our services to contribute to Australia's economy and undertake international trade.

Background

By way of background, Facebook is a technology company — we build apps and services that help people connect and communicate with each other. In Australia, 15 million Australians connect and share on Facebook with the people, places and things that matter to them. And on Instagram more than 9 million Australians share content that is meaningful to them.

In addition, businesses are increasingly using online services such as Facebook, Instagram and Messenger to drive brand awareness, connect with customers and grow their business. Deloitte estimated that in 2014 alone, just Facebook generated \$4.1 billion in economic activity and 44,000 jobs in Australia.¹ According to Deloitte, a service such as Facebook stimulates the global economy by providing tools for marketers to grow their businesses and a platform for app developers to build new ways for people around the world to engage and interact. In addition, Facebook creates a demand for connectivity, which in turn drives demand for connected mobile devices and data — stimulating growth for third parties and businesses that operate in Facebook's global ecosystem.

With the increased use of Instagram and Messenger by Australian businesses, we can expect that technology services such as those provided by the Facebook family of apps has created even more economic growth and jobs in Australia since then.

¹ See <https://www2.deloitte.com/content/dam/Deloitte/uk/Documents/technology-media-telecommunications/deloitte-uk-global-economic-impact-of-facebook.pdf>

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Our services creates opportunity for small business, driving growth, opening up new markets, and fostering innovation in products and services. It drives discovery, access, competition, and savings for businesses. In Australia, 82% of people on Facebook in Australia are connected to at least one small Australian business.

New insights in to how Australian small businesses use online tools were made available as part of the launch report for the Future of Business collaboration announced in February 2016 between Facebook, the OECD and the World Bank. The goal of the Future of Business Survey² is to provide new insights on small and medium-sized businesses and a timely pulse on the economic environment in which businesses operate and who those businesses are to help inform decision-making at all levels and to deliver insights that can help businesses grow. The Future of Business Survey collates feedback from tens of thousands of businesses in many countries, including Australia, to provide a perspective from newer and long-standing digitalized businesses and a unique window into a new mobilized economy. By offering better insights and timely information about small and medium sized businesses, the Survey hopes to improve our understanding of economic trends, and can provide new insights that can further stimulate and help these businesses grow.

In the first seven months to September 2016, 5,000 small businesses on Facebook in Australia responded to the survey via email and revealed that, on average, small businesses in Australia use online tools for 5 out of 6 of these purposes, to:

1. Provide information (95%)
2. Advertise to potential customers (92%)
3. Communicate with customers or suppliers (92%)
4. Show products/services (92%)
5. Sell products/services (82%)
6. Manage internal business processes (56%)

In addition to helping existing businesses in all of these ways, our services also play an important role in providing tools to the small businesses that are looking to come online and become established. The tools we make available to the 70 million small businesses on our site help them by lowering barriers to entry for establishing a web and mobile presence, buying ads, and connecting them with markets beyond their borders. As one business owner told the Australian Communications and Media Authority, they use Facebook because ““It’s because it is easy! You can self-manage it [Facebook Page] and update it – unlike web pages.” [Small business, Mt Gambier]” (SMEs and Digital Communication Technologies: A qualitative market research report based on consultation with Small and Medium Sized Enterprises.³

One example of this is Kayla Itsines, a fitness instructor and entrepreneur from South Australia.⁴ In just a few years, Kayla and her team have grown their business from just the beginnings to a

² See <https://eu.futureofbusinesssurvey.org/>

³ See <https://www.acma.gov.au/theACMA/Library/researchacma/Research-reports/how-smes-use-digital-technology>

⁴ See <https://www.facebook.com/k.itsines/> and https://www.instagram.com/kayla_itsines/

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worldwide audience with over 14 million fans on Facebook and 7.6 million followers on Instagram. Kayla uses Facebook and Instagram to provide advice, inspiration and share success stories about her fitness workouts and healthy lifestyle options. She is now listed on BRW's 35 Young Rich List for 2016.⁵

Facebook also helps users discover new products and services from local and global businesses and thereby serves as a catalyst for economic activity that connects small and medium-sized enterprises beyond their local area and borders. For example, our Pages, social plug-ins (such as "Like" and "Share"), and advertising products reduce barriers to marketing by helping, e.g., SMEs more easily raise awareness of their brands and find people who are interested in their products and services.

The Melbourne-based startup called Annex Products that makes Quad Locks is an example of this. Quad lock is a brand of light, strong and secure smartphone mounts for armbands, bikes and cars. The business was funded by a successful Kickstarter campaign in 2012 and using Facebook's marketing tools was able to grow their business to export to over 100 countries in the first six months of their business (<https://www.facebook.com/business/success/quad-lock>).

Future of Business — International Trade

International trade also now looks very different than it did decades ago. Using online platforms such as ours, small business owners can operate across borders more easily and efficiently. And around the globe, 199 million people on Facebook are connected to small business in Australia, which presents a tremendous trade opportunity. In addition, 79% of people on Facebook in Australia are connected to at least one small business in a foreign country.

One example of this is Cool Cabanas from the Gold Coast in Queensland (<https://www.facebook.com/CoolCabana/>). Cool Cabanas has over 122,000 likes on Facebook and the business attributes 95% of the business's success to Facebook. By using targeted advertising that allows businesses to promote their goods to people in specific locations in the US, Facebook marketing enabled the business to expand globally, with a particular focus on California and Florida. The demand became so large in that Cool Cabanas has to set up warehouses in California and Delaware. (more details here: http://www.huffingtonpost.com.au/2016/10/17/how-facebook-can-help-smes-grow-an-international-audience_a_21478989/)

As part of the January 2017 report for the Future of Business Survey mentioned above, the focus was on small businesses and international trade. The report found that:

- Digital presence matters for international trade: 17% of small businesses with a digital presence are engaged in international trade. But small businesses that have yet to trade internationally face challenges including market access limitations and other customs and foreign country-specific regulations.

⁵ See <https://www.businessinsider.com.au/meet-kayla-itsines-the-girl-who-unintentionally-became-an-internet-sensation-with-over-1-7-million-instagram-followers-2014-12>

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- Small businesses engaged in international trade are more confident about the present and near-term outlooks of their businesses than non-traders. And these small businesses attribute growth — in revenue, resources, and jobs — to their use of online tools to trade internationally.
- Small businesses that use digital tools for a higher number of purposes are more likely to engage in international trade.

Of potential interest to the Committee, from March to May 2017, 10% of small businesses in Australia reported in the Future of Business Survey that they were trading internationally, including 17% exporting.

To respond to this trend of local businesses using our platform to trade across borders, we have developed a customised suite of tools to assist businesses grow internationally. Businesses can now use a new feature in our Lookalike Audiences tool to reach customers in new countries who are similar to their existing ones. In addition, advertisers with Website Conversion or mobile App Install objectives can use our extended location targeting capabilities by selecting a worldwide region or trade zone. Facebook will then deliver adverts to selected regions and then optimise delivery to the countries with the greatest return. We're also introducing resources to help businesses optimise their global campaign strategy, including hosting webinars on international marketing with Facebook and a handbook on finding the right customers in new countries.⁶

Regulatory systems that support the digital economy

To ensure that Australia's trade architecture and regulatory system are responsive to the contemporary needs of the digital economy, we encourage the Committee to consider ways that the government can encourage and support local entrepreneurship and small business growth and speed the adoption of emerging technology and lower barriers to access for emerging technologies within and around Australia. In addition, ensuring that Australia's regulatory framework is consistent with global frameworks will ensure that global services are able to offer local entrepreneurs and small businesses, the same services as their counterparts in other markets. If, for example, key regulatory policies relating to copyright, tax and privacy — to take a few examples — are not consistent with other key competitive markets, this increases the cost to do business in Australia and can discourage businesses from achieving the gains that can grow the economy and promote trade.

Examples of pro-innovation policies include:

1. **Provide STEM degree enrollment/completion incentives and work-study programs.** Ensure a strong pipeline of Australian students in STEM, including a focus on increasing the number of women and underrepresented groups studying STEM.
2. **Support Business R&D and Innovation.** Create a competitive, pro-innovation tax code using IP Boxes and R&D tax credits that incentivize the creation of high value intellectual property and investment in R&D.

⁶ See <https://www.facebook.com/business/news/going-global-with-facebook>

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3. **Promote Entrepreneurship and SME Growth.** Increase access to capital for local entrepreneurs and small businesses by encouraging risk financing (venture capital) and traditional lending from banks. Improve federal procurement opportunities and demand-side policies for small and innovative companies.
4. **Speed Adoption of Emerging Technology/Lower Access Barriers.** Incentivize targeted R&D, support programs that incorporate new technologies into education curricula, subsidize equipment and training for traditional industries to modernize their operations.
5. **Increase Public-Sector Research and Funding.** Increase government funding for high-quality public research institutes and universities; increase government funding for STEM research; open government/public research data sets and support open access to scientific publications/research data funded with public money.
6. **Maintain self-regulation approaches to emerging technologies such as virtual reality and artificial intelligence.** Allow industry self-regulation and best practices for emerging technologies and minimise regulations on innovation in new areas, presently virtual reality and artificial intelligence, before they get off the ground.
7. **Protect Free and Open Internet.** Avoid unnecessary regulation of Internet content, services, and applications. Provide strong intermediary liability protections for intermediaries, such as through copyright safe harbours.
8. **Promote strong digital trade provisions in trade agreements.** Trade policy in Australia should grow the digital economy by ensuring the free flow of information across borders, eliminate barriers to connectivity, and create an environment that allows businesses of all sizes to use technology to flourish.

Promoting cyber-resilience within Australian businesses

Keeping user data secure from cyber threats and attacks is a fundamental priority for Facebook. We invest significant resources to this end, and we are constantly innovating to stay ahead of the game. Our collective security depends more on one another than ever before.

Our security systems run in the background millions of times per second to catch threats and remove them before they ever reach you. To defend against modern security threats, more and more companies are realizing that they need to work together. Building on our expertise of connecting people, we created an online platform called ThreatExchange with more than 180 participants like Microsoft, Dropbox, Yahoo, Tumblr, and Pinterest to make it easier for companies to learn from each other's discoveries and make their own systems safer.

In addition to the considerable investment we make to protect the security of our services, we have also developed security tools for individuals and businesses who create accounts on Facebook to use to provide additional security for their data.

Specific examples of these tools include:

- *Login Alerts:* you can turn this tool on to receive notifications whenever there is activity on your account that looks suspicious or there is a login from an unrecognised device.

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- *Login Approvals*: a two factor authentication tool that requires a login in approval code to be provided, in addition to your name and password, when you access your account from a new phone or computer.
- *Security Check-up*: a new tool that makes it easier to find and use the security controls for your account.
- *Page Roles*: to provide greater security to page administrators, they can assign page roles so that people can help them edit, moderator or run ads from their page without having full administrator access.

We also promote awareness of these security tools and security measures to individuals and business in Australia. We have run prompts for people to take Security-CheckUp to people in Australia over ## times. And we have developed the Security Basics resource, an interactive module that walks people through key account security information — see:

<https://www.facebook.com/about/basics/stay-safe-and-secure> We are also a long-standing partner in the Australian Government's Stay Smart Online Week and have promoted security tips to over half a million people from the Facebook Australia Page.⁷

It is important for government and industry to work together to help ensure that Australian businesses continue to receive important security information and build up their cyber-resilience.

Through the Future of Business Survey, Australian businesses told us that:

- **53%** of SMBs told us that **learning from each other** is one of the primary ways they find the information and education to master the new mobile environment, second only to online searches (68%). Those businesses are more confident.
- **Optimism in the economy**: Connections matter. When businesses connect and learn from each other they are more confident. Nearly two-thirds (59%) of businesses that are confident about the economy are learning from other businesses, whereas **half** (48%) of unconfident businesses do not.

These data points suggest that initiatives designed to promote knowledge sharing with and between local businesses may be useful as part of any cyber resilience strategy. We would be open to exploring with the Australian Government ways in which we can assist in this knowledge sharing.

Please let us know if you have any questions.

⁷ See for example the Stay Smart Online Week 2016 Login Alerts video:
<https://www.facebook.com/FacebookAU/videos/10154296593977415/>

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Kind regards,

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