



2016 Top Markets Report **Cloud Computing** Country Case Study

Australia

Australia presents attractive opportunities for cloud exporters, with an advanced and reliable ICT infrastructure, a free trade orientation and an affluent consumer base. Market surveys reveal that the Australian cloud services market has plenty of room to grow, since only a fraction of enterprises currently report paying for cloud services. U.S. companies may face some challenges doing business in Australia due to slower economic growth and a weakened currency. Yet Australia fundamentally remains a strong market for U.S. cloud services providers.

Overall
Rank

10

Australia's trade friendly policy environment, developed infrastructure and affluent consumer base makes the country an attractive market for U.S. cloud exporters. Gartner estimates that cloud spending in Australia was \$4.1 billion in 2015 and forecasts it will grow to \$4.7 billion in 2016.¹ The country provides strong intellectual property protections, a solid legal framework for combatting cybercrime and a safe environment for data centers.^{2,3} Current leaders in the Australian cloud services market include Equinix, Amazon Web Services, IBM and Microsoft.⁴ Both the government and the private sector are potential cloud services buyers.

Australia's participation in trade agreements with digital trade components has helped ease access to the market for U.S. companies. While the Australia-United States Free Trade Agreement (AUSFTA) of 2005 does not directly address cloud computing services, it does guarantee nondiscriminatory treatment for digital products and electronic supply of services under the Electronic Commerce Chapter.⁵ In June 2015, Australia announced its bid to join the World Trade Organization's Agreement on Government Procurement (GPA). If the

government's bid is successful, Australia's accession will enshrine protections against policies that favor local cloud suppliers over foreign companies.⁶ Australia is also a party to the Trans-Pacific Partnership (TPP), which concluded in October 2015. This agreement is the first of its kind to aggressively promote trade in the digital economy. The agreement will facilitate the free flow of data, protect copyrights and prohibit data localization.

Australia's developed ICT infrastructure is well-suited to cloud computing. Through the National Broadband Network, the government is targeting 93 percent fiber broadband coverage in homes, schools and businesses by 2021. The remaining 7 percent are expected to be covered by next generation wireless and satellite.⁷ Currently, fewer than 90 percent of the Australian population has Internet access.⁸

Despite the country's friendly policy environment and strong infrastructure, current economic conditions in Australia create challenges for U.S. exporters. Due to a drop in global commodity prices and to China's economic slowdown, Australian economic growth is expected to be slower over the

next several years.⁹ Between 2016 and 2019, the Australian economy is forecast to grow by 2.9 percent annually.¹⁰ Australian unemployment is on the decline, at 5.8 percent as of November 2015, its lowest rate since May 2014, but still above its historical low of 4 percent in 2008.¹¹ For U.S. exporters, the weakening of the Australian dollar against the U.S. dollar has increased the price of U.S. goods and services relative to domestically-produced products, which may put American products and services at a disadvantage.¹²

Market surveys reveal that Australia offers extensive opportunities for growth in cloud services. An Australian Bureau of Statistics (ABS) study found that only 19 percent of Australian businesses use paid cloud services. Of the respondents who did not report paying for cloud services, 58 percent could not identify a specific reason that caused them to avoid using cloud services. Of those that did name a barrier, the top concerns were lack of information (23 percent), security concerns (16 percent), cost (11 percent) and uncertainty of the data's location (10 percent).¹³ Of those respondents that reported using cloud services, 87 percent reported paying for software and 57 percent reported paying for storage capacity. When asked to identify the benefits of cloud computing for their companies, 47 percent mentioned simplicity of deployment and 46 percent mentioned increased productivity, followed by reduction of IT costs (34 percent) and flexibility to upsize or downsize more easily (33 percent).¹⁴

To support Australia's burgeoning cloud services sector and promote the use of cloud services across public, private, and nonprofit organizations, the Australian Department of Communications and the Arts released a multisector cloud computing strategy in 2013.¹⁵ One component of the strategy is a government wide "cloud first" policy. It was introduced to promote efficiency, save costs and improve customer service. Under the new policy, government entities must use cloud services when possible, unless they are unsuitable for the purpose, provide inadequate data protection, or are more costly than alternatives.¹⁶ This push creates new opportunities for cloud exporters, since the Australian government's ICT budget for cloud services increased to \$6 billion.¹⁷

On the whole, Australia's hospitable policy environment, mature infrastructure and affluence,

along with its relatively low cloud services market saturation makes the market a prime export opportunity for U.S. cloud services providers. As the country's domestic and international broadband connectivity continues to improve and international agreements like the TPP and WTO Agreement on Government Procurement (GPA) come into effect, the Australian market is to become an even more attractive to exporters.

Guidance and Resources for Exporters

The following information is intended to provide guidance and resources for U.S. exporters looking to sell their services in Australia. The information was provided by U.S. Department of Commerce staff located in-country as well as by input from U.S. Department of Commerce industry specialists. As mentioned, the information is only intended to provide guidance and does not guarantee sales or success in the market.

- Usual buyers of cloud computing services in Australia might include: State and federal government, small and medium sized private companies and large private companies.
- Preferred business strategies to enter/expand in the market might include: Agreeing on distribution and setting up an office in country with local data centers.
- Common trade barriers to enter/expand in the market might include: Most multinational cloud vendors have set up their own data centers in Australia. It is a cost of doing business in the local market as many potential clients, especially federal government agencies, insist on their data remaining in Australia. Companies should expect some significant competition from local vendors that have already built a considerable market by having their own local data centers from the start.
- Recommendations to bid and navigate government procurement processes: In many cases, it is easier to bid with a local partner because they usually understand the bidding process.
- U.S. Department of Commerce Country Commercial Guide
<http://export.gov/ccg/australia090720.asp>

- Australian Information Industry Association
<https://www.aiia.com.au/>
- American Chamber of Commerce in Australia
<http://www.amcham.com.au/>
- Government Procurement Information
[http://www.finance.gov.au/policy-guides-procurement/data-centres/data-centre-](http://www.finance.gov.au/policy-guides-procurement/data-centres/data-centre-strategy/%E2%80%8B/)
- Australian Department of the Communications and the Arts
<https://www.communications.gov.au/>
- Trade Show
<http://connectexpo.com.au/index.html>

Citations

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- 2 <http://www.asiacloudcomputing.org/research/cr12014>
- 3 http://cloudscorecard.bsa.org/2013/assets/PDFs/country_reports/Country_Report_Australia.pdf
- 4 <http://www.prnewswire.com/news-releases/cloud-computing-driving-outsourced-data-centre-market-up-in-australia-says-frost-sullivan-300136595.html>
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- 14 Ibid.
- 15 https://www.communications.gov.au/sites/g/files/net301/f/National_Cloud_Computing_Strategy.PDF
- 16 <http://www.finance.gov.au/sites/default/files/australian-government-cloud-computing-policy-3.pdf>
- 17 Ibid.