CORRECTED VERSION

PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

Inquiry into 2003–04 budget estimates

Melbourne – 29 May 2003

Members

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Witnesses

Ms M. Thomson, Minister for Information and Communication Technology;

Mr H. Ronaldson, Secretary;

Mr B. McDonald, Chief Finance Officer Corporate Finance Dvision; and

Mr R. Straw, Executive Director, Multimedia Victoria, Department of Infrastructure.

The CHAIR — Welcome. I declare open the Public Accounts and Estimates Committee hearing on the 2003–04 budget estimates for the portfolio of information and communication technology. I welcome the Honourable Marsha Thomson, Minister for Information and Communication Technology; Mr Howard Ronaldson, Secretary of the Department of Infrastructure; Mr Bob McDonald, chief finance officer corporate finance division; Mr Randall Straw, executive director, Multimedia Victoria, Department of Infrastructure; departmental officers, members of the public, Hansard; and the media.

All evidence taken by this committee is taken under the provisions of the Parliamentary Committees Act and is protected from judicial review. However, any comments made outside the precincts of the hearing are not protected by parliamentary privilege. All evidence given today is being recorded. Witnesses will be provided with proof versions of the transcript next week. At this point I ask that all mobile telephones be turned off and pagers turned to silent.

Minister, I invite you to give a brief presentation on the more complex financial and performance information that relates to the budget estimates for the portfolio of information and communication technology. After that presentation we will have questions for 1 hour and 10 minutes.

Overheads shown.

Ms THOMSON — Thank you, Chair. Firstly the government's Growing Victoria Together and Connecting Victoria frameworks provide the foundation for our information and communications technology policy and programs. ICT is a major contributor to GDP growth, and the chart indicates how that occurs — for example, in the three years to 2005 Australia's GDP is predicted to grow by 3.56 per cent. Almost half of that growth — that is 1.77 per cent — is due entirely to ICT, so it is quite significant. ICT is a key to the economy both as an enabler and as an industry in its own right. For example, the Victorian ICT industry as at December 2002 had a revenue value of $18.3 billion, employed over 60 000 people, exported equipment worth $450 million and spent $181 million on research and development.

The budget figures include corporate costs as presented here for the two ICT multimedia outputs for 2003–04. They represent an increase in funding for the ICT portfolio chiefly due to the additional funds for the continuation of the implementation of the telecommunications purchasing and management strategy (TPAMS), associated capital charges and depreciation. These outputs are described differently from 2002–03 because they reflect the machinery-of-government changes from 1 January.

Some of our key achievements in the portfolio during 2002 were in the range of several major programs or initiatives that were commenced or continued and successfully implemented. Importantly, all of these programs had a sound basis, as they were designed under strategy work undertaken in previous years. Several examples are listed here, and members who reside in the upper house will have heard me speak at great length on a number of these programs.

Mr FORWOOD — I am not sure we got much information.

Ms THOMSON — You got plenty, Bill, you just stopped listening. You kept interjecting! On Multimedia Victoria 2003–04 objectives, Multimedia has had the responsibility of implementing Connecting Victoria, and the four key objective areas are to improve the operation of business and government; to improve the use of ICT by Victorians; to reduce the inequity in the use of ICT across Victoria; and to grow the information industries sector.

There are a number of key initiatives for 2003–04 over the short to medium term. We will concentrate on the internal use of ICT across the Victorian government to provide efficiencies and improve services to citizens, improving access to the telecommunications infrastructure required for the sophisticated use of ICT across the state. To improve the government's use of ICT, we announced in the budget the establishment of the Office of the Chief Information Officer to drive standardisation and common approaches and also to pursue high-value, strategically important ICT opportunities. The CIO will report to me through the Secretary of the Department of Premier and Cabinet. The position will run out a number of our key government initiatives as well.

On improving telecommunications infrastructure, we have had to accept that the federal government has not really tackled the issue of telecommunications infrastructure and, although work has been done in relation to broadband, we are yet to get a response from it out of its broadband advisory group. We will be developing a broadband framework as a state government — it was an initiative from the election campaign. It will not be a panacea to the problems of broadband needs and requirements across the state, but we are hoping it will boost the usage and access to broadband and create an environment to encourage infrastructure development in this state.

We will deliver on these initiatives while continuing to maintain a strong commitment to developing the ICT industry across the state, and also to encourage the use of ICT by Victorian businesses because it aids them in becoming competitive and innovative businesses. The priorities have been reflected in the 2003–04 budget with $33 million for the establishment of the Office of the Chief Information Officer; $15 million for the broadband infrastructure project and $5 million from the Regional Infrastructure Development Fund for the customer access network demonstrations.

The CHAIR — In budget paper 3, pages 116 and 119, reference is made to the government's telecommunications purchasing and management strategy. Will you outline the status of the strategy and what activities are planned in relation to its implementation, and a little on the benefits of the strategy?

Ms THOMSON — TPAMS is about how government can best utilise and get best value for its telecommunications. About $178 million a year is spent by the government on telecommunications. This is increasing. Indications are across the globe that the telecommunications and ICT spend is increasing around 10 per cent to 20 per cent across governments. We want to ensure with our telecommunications spend that we are getting best value for money and that we are also achieving savings that can be put back into ongoing developments and infrastructure.

We had a lengthy discussion about it at the last Public Accounts and Estimates Committee meeting, but TPAMS will bring together across government an aggregate buy for us that we will take out in tranches across government to get best value for money — that is, to bargain the best possible price. It is a highly competitive model. We had the option of choosing going with the best price and forgetting competition, but we think that is against our best interests as a purchaser of telecommunications. It is certainly against the best interests of Victorian users generally to go with only one company without going to a proper tendering basis on tranches and aggregation to enable competition in the marketplace, which is absolutely crucial in this sector. We think the pro-competitive model is very important.

We are also looking at shorter contracts rather than 10-year contracts. At the moment we are looking very closely at what the size of those tranches should be to add to the competition and encouragement for the infrastructure and the spend that may be required by those telecommunications companies that would bid, and also the length of those shorter-term contracts to make sure that they remain viable competitive options.

It increases our bargaining power. We are the fourth-largest telecommunications spend in the country, and the largest telecommunications spend in the state. How we deal with this issue becomes vitally important for capacity for communities to benefit from what we do as a state government. We are hoping that the use of TPAMS as a competitive model will encourage some telecommunication infrastructure spend into regional Victoria so that there are alternative networks available which increases competition into regional Victoria for customers more broadly. TPAMS is on track to deliver on those significant arrangements. I will go through some of the things that have been done since it commenced 11 months ago. The project plans and governance arrangements have been established; the existing telecommunication contracts have been managed in the transition period; extensive industry consultation has been undertaken; and the design partners, legal partners, commercial partners and probity auditor have been engaged.

The overall design and risk-management plans have been completed. Head legal contracts and initial tenders have been drafted, and the transition of the Statenet system and contracts has been negotiated. As you can understand, with a project of the magnitude of TPAMS we needed to ensure that there had been adequate consultation because we are not just looking at major carriers for the support and supply of services but also at some of the smaller potential telecommunications companies to be involved. We have publicly advertised for information, comment and advice from potential suppliers of telecommunications and goods and services. That was done on 6 February 2001 during the strategy development phase. We held several briefing sessions in August 2002 and February 2003. There has also been an online questions and answers forum which contained more than 70 questions and answers for the industry.

Mr FORWOOD — Following on from that, page 66 of budget paper 2 last year said on the TPAMS:

$48 million TEI as well as $23 million in output funding ...

How much of the $48 million has been spent? How much remains and when will that be spent? Of the $23 million in output funding last year, how much was spent in which output group? How much is in this year's budget and in which output group?

The CHAIR — If you require, the answers to these can be provided to the committee afterwards.

Mr FORWOOD — They should be able to answer that.

The CHAIR — I am just making a general comment about something that has been available to each minister. Presumably there will be some information.

Ms THOMSON — We will go through the output measures in the budget. I will just indicate where you will find the expenditure for those. Expenditure in relation to the output measures is actually in budget paper 3, page 129, under 'e-government and ICT policy'.

Mr FORWOOD — Budget paper 3?

Ms THOMSON — Yes, that is what I have said.

The CHAIR — Down the bottom — e-government and ICT policy.

Mr FORWOOD — The total amount of that output group is $31.3 million. How much of that output group this year relates to the TPAMS project?

Ms THOMSON — That will be — —

The CHAIR — I also make the point that if there are any matters which are commercial in confidence — —

Mr FORWOOD — Come on!

The CHAIR — I just make that point.

Ms THOMSON — We will certainly indicate any detail in relation to tender arrangements. We will indicate when that is an issue.

Mr FORWOOD — I will get you a copy of this committee's report into commercial in confidence and you can read it.

The CHAIR — I have, thank you very much. I just make the same point to each minister in relation to when tenders are out.

Mr FORWOOD — You are making a joke of the process.

Ms THOMSON — The operating capital for 2004–05 is $6.6 million — —

Mr STRAW — It is $6.6 million for the telecommunications component of TPAMS and $700 000 for the directories components of TPAMS.

Ms THOMSON — Which is Rosetta. For the Rosetta project, which is the actual directories, that is $700 000.

Mr FORWOOD — So the output funding is $7.3 million this year.

Mr STRAW — Excluding capital asset charge and depreciation — a capital asset charge and depreciation would be on top of those figures.

Mr FORWOOD — And not in the output group?

Mr STRAW — They are in the output group as well.

Mr FORWOOD — So it is about $10 million.

Mr STRAW — It is $8.8 million for depreciation and capital asset charge.

Ms THOMSON — On top of the $7.3 million.

Mr FORWOOD — So it is $16.1 million. Of the $31.3 million, $16.1 million relates to TPAMS, of which $8.8 million is asset and depreciation?

Mr STRAW — Depreciation and capital asset charge.

Mr FORWOOD — How much last year? What the budget paper said was $23 million in output funding over four years. We have established that we are spending $16.1 million this year so that means we have $7 million to spend over the other three years. We would have spent some last year and we have two years to go.

Ms THOMSON — There was a carryover from last year as well into this year.

Mr STRAW — The operating amount is $7.3 million out of $23 million. The $23 million identified last year did not include the capital asset charge or the depreciation which is added on top of it. Therefore of the $23 million over four years, $7.3 million is this year, last year there was a smaller amount — —

Ms THOMSON — How much was it?

Mr STRAW — It was $880 000 for last year and in Rosetta, if you put those together, $120 000, so $1 million of that was last year.

Mr FORWOOD — Which is the amount in the budget paper on page 192.

Ms THOMSON — Yes.

Mr FORWOOD — Of the $48 million?

Mr STRAW — Capital?

Ms THOMSON — When you add in Rosetta and TPAMS it is $21.9 million and there will be $25.8 million coming this year.

Mr FORWOOD — Which all makes up to $48 million

Mr STRAW — Yes, $47.7 million.

Mr FORWOOD — I just want to refer you to last year's output groups and this year's output groups and your slide which shows output groups this year in the Department of Infrastructure of $43.5 million. Last year ICT was in the Department of Innovation, Industry and Regional Development and it had a different output group structure. What I am interested to know is was the total amount to be spent last year if we had not gone through the machinery of government changes? How much was spent? How does that compare with this? I think you said you were spending more.

Ms THOMSON — Last year's would be $35.3 million — this is an estimate. It is against $43.5 million for 2003–04.

Mr FORWOOD — What makes up the additional $8 million difference? I guess it is new initiatives and I would like to know what they are. I note that the slide says excluding capital funding. Perhaps you could tell us what the capital funding is and where we would find that in the budget papers.

Ms THOMSON — We will do it bit by bit. The additional funding is an additional $6.3 million for the operation of TPAMS. The depreciation and capital asset charge — —

Mr FORWOOD — Sorry, additional over the $23 million?

Ms THOMSON — No, that is the part that comes in at that point in time. It cuts in for 2003–04, an additional $6.3 million. That is the difference — the $8.8 million depreciation and capital asset, the $4.8 million carryover from 2002–03 — —

Mr FORWOOD — What I am trying to do is get to the difference between — —

Ms THOMSON — Last year and this year. What I am saying is an additional $6.3 million comes into play for TPAMS this year. That is part of the difference. And also the cost of the depreciation and capital asset charge is in there. That is the difference. That should be your difference.

Mr FORWOOD — When you add those two up you have got $8.8 million and six-point something million adding up to $14 million here. So you have dropped some stuff off?

Ms THOMSON — Yes, we have. There is a carryover that came into 2002–03, which was not repeated at $4.8 million. There was a cessation of projects that had been completed out of Chip Skills and Connecting Victoria and Internet access. Then there was a transfer to DPC for the CIO performance of $700 000 — the $700 000 in savings that have been identified for this year — and reduced departmental overheads of $700 000.

Mr FORWOOD — And the second part of the question?

Ms THOMSON — I do not even remember the second part now that we got through this bit.

Mr FORWOOD — Your slide said 'excluding capital funding'. I was interested to know what capital funding is anticipated in this area in your portfolio of responsibilities for ICT and where we would find it in the budget papers.

Ms THOMSON — These were figures that were identified in last year's budget as capital expenditure going over the two-year period. There is $4 million for the online gateway and $47.7 million for TPAMS.

Mr FORWOOD — So there is no new — —

Ms THOMSON — No new capital, no.

Mr RICH-PHILLIPS — That $47.7 million will not be spent this year?

Mr FORWOOD — Twenty something of it will because we spent $20 million last year.

Ms THOMSON — That is right.

Ms ROMANES — Minister, a further point regarding TPAMS. You have described to us the competitive model under TPAMS that the government is pursuing. What options would the government have if it chose not to pursue that competitive model, and what would be the implications for Victoria?

Ms THOMSON — This is an important issue. A number of models were looked at prior to deciding on the TPAMS model, and a number of examples were used of what governments had been doing not just here in Australia but in overseas markets to look at how we could best leverage our telecommunication purchases and get the best value for money. Our first principle was to get best value for money for purchasing our telecommunications services.

As I said before, we are the largest telecommunications spender in Victoria. What we do as a government will affect other businesses and communities. We can help determine, in a sense, the prospect for competition into the future. We had to take those matters into account. We realised that there was a real opportunity for us here with the finishing of the Statenet FM and our voice services being provided by Telstra, and our data coming up at the same time with AAPT. These were an opportunity for us to have a good look at how we might handle that.

We have also had the development of technologies that will mean we will be able to converge voice and data on to the one system. We want to take advantage of those technology opportunities when they come, so we are also conscious of the fact that when we set the time lines for our contracts we are aware that we are taking advantage of technology as it develops to ensure that we have state-of-the-art technology to provide the kind of services that we want to provide to Victorian citizens and also ensure that we are the most efficient government that we can possibly be in the way that we use technology. All that was taken into account.

It has been demonstrated interstate and overseas that aggregation does work as a model. We went firmly down the line of needing a competitive model. The traditional whole-of-government, long-term, single-supply contract would not best meet our needs. A competitive model was the best way of providing our telecommunications. If we went with a single contract it would limit our flexibility as a government to respond to our technology advances in telecommunications, and they are moving very rapidly. What is current technology today will be old technology in two or three years time, maybe even more quickly.

It was important that we also looked at the length of the contract. As I said before, 10 years is far too long to lock yourself into a contract that leaves you with old technology at the end and therefore a greater need to spend more to get yourself up to speed with the technology as it is advanced. We were very conscious, when we came up with the

TPAMS model, that we met all those requirements. Requirements included the need to look after smaller departments' needs as much as we look after larger departments; ensuring that we were building a competitive market for the aggregation of our telecommunications spend so that what we were getting was the best possible outcome for price and value for that money; having a spin-off effect of providing opportunities for potential access to competitive market places in regions that are not competitive at the moment; and ensuring that we are getting that technology refresh which is vitally important.

Ms ROMANES — What about the cost of the contracts and the tender processes themselves?

Ms THOMSON — We would anticipate that there will be unit cost savings out of TPAMS. We envisage that departments will put that back into infrastructure and technology needs and requirements in their departments. We want to slow down the rate of the cost of telecommunications across government because it is increasing. We are far more reliant on telecommunications than we were a decade ago — everyone knows that, you just have to put up your email systems and you know that we are — so we want to ensure that we are managing the best unit price. Any savings are then reinvested back into technology refresh and infrastructure.

Mr FORWOOD — I want to continue on the issue of TPAMS as well. We established that the total capital cost is $47.7 million, of which $21.9 million came out last year and the rest is coming out this year. Can you indicate to the committee how much of last year's funds were spent? You had a budget of $21.9 million?

Ms THOMSON — Yes. It is estimated that $5.7 million will be spent this year, we are not through to the final part of this year. The rest will be carried forward to 2003–04.

Mr FORWOOD — The budget for last year was $21.9 million?

Ms THOMSON — Yes.

Mr FORWOOD — We spent a quarter of it on the project?

Ms THOMSON — Yes.

Mr FORWOOD — Obviously something went seriously wrong, otherwise you would have spent last year's budget allocation of $21.9 million?

Ms THOMSON — No. I think the issue is that you put in a bid for the budget anticipating a certain spend within the contract when consultation processes were gone through. It became fairly obvious that we were having to spend most of that capital in the subsequent year.

Mr FORWOOD — But are you anticipating that the full $47.7 million will be spent in the two years and that the project will be done in two years, or are we going to find when we come back here next year that there will be an extra $20 million out of the original being spent the next year?

Ms THOMSON — I would expect that we would spend that money, that the project will be completed on time.

Ms GREEN — The government has announced the creation of an office of the Chief Information Officer. What is the necessity for such a position, and how will the effectiveness and efficiency of the office be measured and reported?

Ms THOMSON — The chief information officer is actually a very important development for the state government. I will give some credit to the previous Kennett government; it is not often that I do that. But certainly the online project that was developed during the previous government was an important initiative in getting as many government services and information online as possible. That project is complete, really. Just about everything you could put online is online, and the process is developing now for the transformation of a whole lot of the activities. But we want to gear up another stage — that is, to progress e-government. That is the way we provide services to our citizens and it is also the way we actually work across departments. In order to achieve that and to achieve standardisation across the government, a CIO is a crucial component part. So a CIO will be put in place to deliver better services to help us transform the way government uses technology to deliver those services, and also, of course, how we communicate with each other as a government. It will also mean that there is a strategic approach to the ICT developments and that we are building up a standardised approach across government and tearing down the silos and barriers that make it very difficult to deal across departments. We are the first state government to actually put one in place.

We have noted, too, that where Australia was quite a leader in e-government, Accenture's latest global e-government leadership report has seen Australia slip a little bit, from fourth to fifth. So we are moving backwards. But it reports that the appointment of a CIO does assist in helping move that e-government agenda. Canada appointed a CIO several years ago, and it actually topped that survey of e-government. It becomes a focal point for government; it becomes a driver of our e-government strategy — putting people at the centre — which is vitally important. So it will be a key role to do that, and to align our ICT investments to match our government priorities, to improve our strategic planning for ICT deployment across the government, and to accelerate the development and adoption of technical standards. We are finding there is not a lot of uniformity in our standards and architecture across departments. We need to be able to ensure that our systems do match, and also with our key ICT infrastructure across government. So there are some key areas that a CIO needs to address.

When you consider that we spend around $750 million to $1 billion a year on ICT as a government, there is a lot to manage and work through to make sure we are utilising that spend well and that we are getting the best outcomes for Victorians from that spend. We are looking forward to the establishment of the CIO. A cabinet subcommittee will be established to support the strategy development of our e-government initiatives, and also there will be, at a bureaucratic level, a committee to support the implementation of the projects and to ensure that government departments are well and truly aware of the agenda and the importance of the agenda to achieve outcomes.

The CHAIR — By way of a supplementary question, Minister, the budget papers outline $33 million being allocated to the office. At this stage do you have any breakdown of how you wish to spend that $33 million?

Ms THOMSON — Initially we are looking at around $6.8 million in the first year for the start up of the office, the staffing of the office, and to allow for the actual work to commence on the feasibility of projects that need to be undertaken across government. It is broken up over the four-year period. I think it goes up to around $8.6 million the subsequent year — yes, $8.6 million, and then $8.9 million and $9.1 million as we gear up to implement a number of the projects across the board. There is also a CTO to be established — a chief technical officer — to manage projects across government. That will also occur.

Mr RICH-PHILLIPS — I, too, would like to ask you about TPAMS. Last year we tried to explore the financial aspects of that project, and neither yourself nor the then secretary of the department, Neil Edwards, seemed to have a great deal of grasp of how the financial aspects would work. So I hope we have more success this year.

Ms THOMSON — I think the difficulty was getting you to understand rather than there being a difficulty I had in explaining.

The CHAIR — Do you have a question, Mr Rich-Phillips?

Mr RICH-PHILLIPS — In the strategy document you have outlined a number of time lines to be achieved in each stage. The first one is the completion of the strategy and design phase, which, according to your document, is due to be completed in February 2003. Firstly, has that time frame been achieved?

Ms THOMSON — Yes.

Mr RICH-PHILLIPS — The second one is the tenders and contracts phase, which is due to be completed in September 2003. Is that on track to be achieved?

Ms THOMSON — Yes. We will actually have the first tenders advertised on Saturday in relation to the replacement for Statenet FM. So it is on schedule and, yes, we will meet time lines.

Mr RICH-PHILLIPS — Okay. You said you expected it to be completed — —

Ms THOMSON — On time, yes. The subsequent timetables will be met for the tenders and contracts through to September 2003.

Mr RICH-PHILLIPS — Given that this is the single largest project in your portfolio, why are there no key performance indicators for it?

Ms THOMSON — Each component part to the project is required to meet certain standards and requirements. So there are a number of aspects as we go out. Each component part of the tendering and documents has requirements within them that need to be met.

Mr RICH-PHILLIPS — Are you able to make those available to the committee? Because there is nowhere in the budget we can go to see how this project is performing against the targets that should be achieved.

Ms THOMSON — The targets are publicly available and we are meeting those. So TPAMS is available on the web site and is measurable from that.

Mr RICH-PHILLIPS — There is nothing in the budget papers to underpin those targets.

The CHAIR — The minister has just answered.

Ms THOMSON — Because it is a very detailed project, the way in which you can publicly monitor it is through the meeting of the requirements under what is publicly available on the net.

Mr DONNELLAN — On page 129 of budget paper 3 under ICT industry and community development it appears that the target for investment recruitment projects was exceeded for the past financial year. I would appreciate it if you could provide an outline to the committee of the type of investments that have been secured to achieve this result.

Mr FORWOOD — And why there are none allocated for this forthcoming year.

The CHAIR — Mr Donnellan's question.

Mr DONNELLAN — I did not ask that.

Ms THOMSON — In relation to investments, we have a very good record over last 12 months, and we have certainly had a very strong year in investment facilitation in the ICT sector. One of the major investment attractions that was worked on was Computershare, which will actually see an investment of around 1200 new jobs at the development of an Abbotsford site. This is an important investment for Victoria — it is certainly the largest one — and it came up against some quite major competition from overseas. It had a board meeting here in Melbourne just prior to the decision being made, and I was fortunate enough to be able to address the board. I have to say that it had a number of overseas directors truly grilling about what Victoria had to offer in relation to — you know, 'Why should we be here rather than in the US?'. I have to tell you, Americans do have a philosophy that it is best in the US. But still the decision was made to come here, mainly because of the attraction of — —

Mr FORWOOD — It is an Australian company!

Mr BAXTER — It is an Australian company — Graham Morris.

Ms THOMSON — It is a company that is worldwide and was fighting for its headquarters — and it is Chris Morris. The greatest competitor was Montreal, and it very nearly went to Montreal. It has meant that we see substantial job growth and increase here, and it has directors who are not Australian directors on its board. So it was a great achievement.

Mr FORWOOD — Was it not listed on the stock exchange?

Ms THOMSON — It was a great achievement to get Computershare here. Its decision was being made as to whether it would be based out of North America or here, and it is terrific to see that it has come to Melbourne. It is a great achievement and one that we should be proud of.

The other thing, too, is that the IBM Regional Software Solutions Centre at Ballarat will create 300 new highly skilled jobs. It will also provide work experience for ICT undergraduates in regional Victoria, which is a fantastic thing for Ballarat and the surrounding regions. The work completed there will cover a range of research and software development services such as application development, software consulting and technical support for the Asia-Pacific region. We have also had Anite PS, an English company, invest in Victoria, creating 30 new jobs. So we have had a fairly good outcome for the industry.

We have also seen Acclaim Entertainment increasing its investment in Victoria. This reflects the fact that we also have a very strong and vibrant computer games industry. Out of Europe and the United Kingdom we have also had Bosch and Smart Force. From Asia, Infosys and Tata Consulting have also invested into Victoria. Clearly this means jobs are being created in Victoria that are vitally important for this sector, helping to ensure that we remain a centre for ICT into the future. It also means jobs for kids going through university now.

Mr FORWOOD — Could you please make available a list of the companies that make up the 115 target, and could you explain, given the importance of everything you have just said, why you have dropped the target for the forthcoming year? We have just had a long exposition on why this is so important. If it is so important, why do we not have a target for next year? Why have we gone to some other system?

Ms THOMSON — The target does not necessarily best identify the investments that you attract. You want to get high-quality ones. We certainly want to make sure we get those in the higher order so that we are getting highly skilled jobs being created out of the investment. You asked the question why is it not continuing.

Mr FORWOOD — Why have we changed the output groups?

Ms THOMSON — Because we wanted to be consistent with the arrangements that are occurring in the Department of Innovation, Industry and Regional Development in investment attraction. Those measures will now be met and accounted through DIIRD. The investment attraction measures will be the DIIRD measures.

Mr FORWOOD — But you have no control over that.

Ms THOMSON — We will continue to do the work in relation to ICT investment attraction; it will be reported through the DIIRD output. And that is what has been the case up to now.

Can I just explain this so that Bill understands it? In fairness, he has got a right to hear it. Of course Multimedia Victoria has always been a part of DIIRD. It has now been, with the machinery-of-government changes, moved across to the Department of Infrastructure. What we are doing is maintaining the reporting system with DIIRD, which has always been the case. We are just ensuring that it gets reported through DIIRD under its investment attraction output.

Mr FORWOOD — Page 129 shows the total output cost of $12.2 million. Up until last year part of the output cost in that group was investment recruitment projects. So part of the money spent in this output group last year got $115 million. What you are now saying to us is that you will continue to spend the money out of this output group to try to do it, but you will report in a different department through a different output group.

The CHAIR — Not $115 million, 115 projects.

Mr FORWOOD — It is 115 projects.

The CHAIR — Quite different. The minister would probably be delighted to have an extra $115 million thrown her way. On page 129 it has 'Investment projects under development' and it has a number. So the target is 25.

Mr FORWOOD — It dropped from 115 to 25.

The CHAIR — They are different headings.

Ms THOMSON — They are different measures.

Mr FORWOOD — I know they are different measures.

Mr RICH-PHILLIPS — My supplementary question is in relation to the original answer on Computershare. I was wondering if you could tell us what financial incentives were offered — —

The CHAIR — That is a different question.

Mr RICH-PHILLIPS — No, it is not. Computershare was the topic of the original question.

The CHAIR — No, it is in relation to IRP — —

Mr RICH-PHILLIPS — It is in relation to the original answer on Computershare. I was wondering if you could tell us, Minister, what financial incentives were offered — -

The CHAIR — That is a different question.

Mr RICH-PHILLIPS — No it is not. Computershare was the topic of the principal question.

The CHAIR — No, it was in relation to recruitment projects that that was requested. It was a supplementary question.

Mr RICH-PHILLIPS — Supplementary to the minister's answer, when she spoke about Computershare.

The CHAIR — Do you want the next question?

Mr RICH-PHILLIPS — I want the supplementary to the minister's answer.

The CHAIR — This is in relation to investment recruitment projects.

Ms THOMSON — And as is always the case in relation to individual investment incentives and work done, they are not disclosed, and you know it.

Mr RICH-PHILLIPS — The nature of them, if not the quantum.

The CHAIR — Mr Baxter, your next question please.

Mr BAXTER — I take you back to your slide presentation, Minister. What is the slide headed 'Contribution of ICT to Australia's GDP' endeavouring to demonstrate to the committee in terms of the Victorian context.

Ms THOMSON — Bill, we have identified ICT industries as one of the key enablers and industries that are vitally important to Victoria. That chart indicates not just how important it is to Victoria as a sector in its own right, it demonstrates the importance of ICT right across Australia in driving the economy and driving other sectors. We use the Australian ones because Victorian companies will not just do business in Victoria, we want our Victorian ICT companies doing business across Australia and across the globe. It is indicative of just how important the sector is in driving economic growth.

Mr BAXTER — I am not sure that it helps the committee. My interpretation of the graph is that ICT on a national scale is declining in importance in terms of GDP growth. If GDP growth has risen above 3.5 then the significance of this is hovering around the 1.6, 1.7. I do not want to get into an argument about all that. I just fail to see how it helps this committee.

Ms THOMSON — It indicates that technology does drive economic growth, and it does. I do not think you will find any commentator anywhere who does not say that technology is driving economic growth, and it is vitally important. It is why we spend so much time talking about the importance of innovation, the importance of the use of technology by companies to drive their economic growth potential — and not just in making them more efficient businesses, which technology does do; the utilisation of new technologies makes them competitive in a world market that is highly competitive. So as the world grows, so does their technology base and adaptation and innovative ideas, so we must ensure that we are supporting that in Victoria.

Ms ROMANES — On page 119 of budget paper 3 it is stated very clearly — and you have reinforced this through your presentation — that the government places great importance on the building of ICT skills across the population. Could you tell the committee, looking at page 129 of budget paper 3, which of the projects listed there are skills programs directed at school students and what the key objectives of these programs are?

Ms THOMSON — I appreciate this question because we are conscious of the importance of young people understanding what IT career opportunities are available for them. One of the greatest attractors we have to bringing companies to Victoria or to see Victorian companies expand their operations here is the fact that we have such a highly skilled work force from which they can choose. But we cannot be short-term in this view. We are conscious of the fact that we need to encourage young people into ICT careers. It is important to be able to maintain the level of skills required to meet future industry needs.

We were concerned that most people saw ICT careers as a career for nerds and not very attractive, so why should they head in that direction? We commenced a campaign called New Realities which focuses on how IT skills can be used. Part of the campaign is a video presentation that goes out to years 9 and 10 students in Victorian schools. Over the past two years more than 23 000 students have participated in the New Realities campaign. It is a fantastic campaign. The video presentation shows how you can use IT skills, so there is a designer or someone working in animation showing that this is now really an exciting industry, that ICT skills were exciting to have and there are many things you can use and do with them.

I was fortunate to go to a couple of these sessions, the most memorable one being in your neck of the woods, Bill, at the Benalla secondary college. They brought in all the years 9 and 10 students to a New Realities presentation, and as they were coming in you could see that they looked as if they were in the class under duress. By the time they had the initial introduction and the video had demonstrated what you could with IT skills — and they had a guy who designed surfboards and used computers in the design of surfboards — you could see the kids starting to get involved in the actual presentation. The best part of the presentation was bringing back a former Benalla secondary college student who now works in and has a career in the IT industry. He explained what it meant for him personally. Coming out of that campaign the responses that we are getting from students is, 'I was not thinking that I needed IT skills or a career, but I am now thinking about it. This is worth while'.

Our concern has been again heightened by the fact there are very few young women choosing to take up ICT careers. We are seeing problems with the intake into university levels. Although this year's current intake has been met, it was more of a struggle this year in getting those applicants for tertiary level. We do not want skill shortages in three years. As we move forward we need to have young people taking on those careers now. The campaign for this year will actually centre around ICT skills for careers in ICT and also around women, to try to encourage young women to think about ICT as a career option. We will be rolling out that campaign through the school systems now. We have companies that are prepared to provide speakers to support the video presentations. It is one of the most valuable supports that we have going out to the schools.

Mr RICH-PHILLIPS — I wish to ask you about the Victrack fibre optic network you announced last August with the Minister for Transport. In the press release you said the work would get under way in December 2002 for completion in early 2004. Firstly, is that on track, did it commence when it was supposed to, and is it still on schedule for 2004 completion? What is the impact of that network in relation to the existing commercial fibre optic networks which the telcos have? Given half the capacity is going to be available for commercial use, outside the use for transport, what will the impact be in terms of the industry?

Ms THOMSON — In relation to the time lines of the project, that is a matter for the Minister for Transport who runs Victrack.

Mr FORWOOD — We will ask him.

Ms THOMSON — Feel free to ask him. In relation to the competitiveness of the actual line, it will be on a lease arrangement, as I understand it, the capacity.

Mr FORWOOD — Why does not Randall just answer the questions?

Ms THOMSON — We believe they will be potentially lease arrangements for commercial operators to use.

Mr RICH-PHILLIPS — Is this something for which you have joint responsibility? What is the responsibility?

Ms THOMSON — No, it is the responsibility of the Minister for Transport with Victrack. Victrack has total responsibility for it.

Ms GREEN — I have a further question on ICT skills development. What data or statistics are used to help make decisions relating to what skills may be in demand by the industry, and has anything been done to improve the quality of this data?

Ms THOMSON — As I have already said, the marrying up of ICT skills and jobs for the future is vitally important. There have been a number of bits and pieces of data around in relation to that, but often of varying quality. Because it is a sector that is changing all the time, not everyone calls everything the same thing. The descriptors for the jobs are different and also the requirements for the jobs can be quite varied. It makes it very difficult then to try to match skill sets with people coming through our tertiary institutions and those looking to recruit for jobs in the sector. In recognising this we developed the ICT skills tracking and monitoring system so that we could gather currently available ICT skills supply and demand data. This information is supplemented with specifically commissioned industry demand data to produce what is known as the ICT skills snapshot. We released the very first of those in August 2002. This is provided through work that we commissioned through the IT skills hub and we have been finetuning it ever since. The third snapshot will be released in July of this year.

This is the only system in Australia that pulls together all the known statistical sources to enable a comprehensive view of the demand of a supply of skills in the ICT sector. The ICT skills snapshot reports on a biannual basis and extracts the data into the system. It has been fairly difficult to do, I have to say, as you try to marry what people are looking for in job adverts and qualifications that people might actually have, so there is still some finetuning to be done. The industry demand data is collected via workshops biannually and from over 50 companies who are key users of ICT skills. The companies represent a collective work force of approximately 70 000, so this is really an opportunity for us to have the most up-to-date demand information that we can possibly get. The quality and the depth of the data in the system is, as I said, continually having to be improved to ensure that we can draw on the best quality ICT skills demand and supply information so that we can have informed policy development. It is important, I think, not just for us, but also for tertiary institutions to be able to look at the kind of skill sets that are in demand out there — and for businesses as well.

The one that is coming out currently, we are adding quarterly recruitment data from the recruitment sector via a partnership that we have in place with the information technology contract and recruitment association. So this data will actually match the skills requirements of the advertised positions against the skill sets of the individuals recruited. So what you see happening is that there are certain certifications that various companies might have, but the students themselves comes out with a certain degree or course structure, and how those two are married is what we will start to draw together. They constantly are revising occupation names, so what you might call X is called Y by someone else. So we have all these things that we need to work through, but it is a great addition to our work as a government, and certainly much welcomed by the sector which sees a great need to try and get some uniformity around titles of jobs and also around qualifications.

The CHAIR — Just as a supplementary, do we in government still have difficulty obtaining skilled people to work in our own technology jobs? I know two years ago it was really very difficult. Does that still prevail?

Ms THOMSON — I cannot report on what would be happening in each department in relation to that. I would not know.

Mr FORWOOD — On page 9 of *Growing Tomorrow's Industries Today* the government's short-term targets for ICT were: 800 new jobs created in Victoria each year; over $250 million in investment attraction each year; and Victorian ICT annual exports valued at $150 million. The first part of my question is: were these targets achieved in 2002–03? What jobs and investment withdrew from Victoria in that year — we know about Ericsson, for example — and what effect did that have on the numbers? And finally, how is the government getting on with its medium-term and long-term targets, also on page 9 of that document? You will recall, I know, that the long-term target is $1.5 billion in ICT experts by the year 2010.

The CHAIR — Experts or exports?

Mr FORWOOD — Exports.

Ms THOMSON — Okay, we will see how we go. In relation to the new jobs, the target is on track to be met for 2002–03.

Mr FORWOOD — Can you give us a break-up?

Ms THOMSON — Well, not — —

Mr FORWOOD — No, take it on notice.

Ms THOMSON — Ericsson, as we know, withdrew due to the global climate in IT and has contracted worldwide virtually back to headquarters. We also are seeing a bit of a slowdown. There has been a global slowdown, but there is still nervousness generally in the economy, of course, because of current global situations.

We have had some positive indications that for the ICT sector it has bottomed out. In fact we are looking forward to a levelling-off period now in the IT sector and hopefully job growth and developments globally which also has an impact, of course, on Victorian job growth. And we have fared better than most other states in relation to job losses, a lot due to the kinds of ICT jobs that we have available in Victoria and the kinds of companies that are based here, which has meant that there has been more stability here in Victoria than there has been in other states. The amalgamation of Compaq and Hewlett-Packard globally saw some job losses here, but not significant ones.

The last indication I got from the CEO of Hewlett-Packard was that he envisaged it was minimal in Victoria. So with the rationalisation of other operations, Victoria in the end held up pretty well, really.

The CHAIR — Good. Thank you very much.

Mr FORWOOD — The other two targets — the $250 million and the $150 million?

Ms THOMSON — Oh, sorry. The longer-term targets?

Mr FORWOOD — There are the short-term targets, which were the jobs, $250 million in investment attraction each year — —

Ms THOMSON — No, sorry. Yes.

Mr FORWOOD — And $150 million in exports. And the long-term target is $1.5 billion in exports by the year 2010.

Ms THOMSON — No, we still believe they are all on target —

Mr FORWOOD — Sorry.

Ms THOMSON — On track.

Mr FORWOOD — So we will achieve the bottom two in this financial year, 2002–03?

Ms THOMSON — We believe we are on track to do that, yes.

Mr FORWOOD — Like with jobs, if you could give us the break-up we would appreciate it.

Ms THOMSON — And that nod is a yes, we will take that on notice. Hansard does not record nods.

Mr DONNELLAN — Earlier this year, on 12 February, I think, you launched a package to do with the computer games industry — not being a player myself, but it is an important part of ICT. I am interested to learn where the support for the computer games industry sits within the ICT industry and community development section of budget paper 3, and can you provide a background for what is involved in programs to support the industry and what results have been achieved to date?

Ms THOMSON — I think we will have to turn you into a computer-game player.

Mr DONNELLAN — Oh no, they are weird!

Ms THOMSON — I think this is one of Victoria's greatest success stories. The computer game industry here in Victoria accounts for around half of the computer-game development that is occurring in Australia. It employs 300 people; it is developing games that most of us would know the names of. So we are seeing a lot of development occurring.

We actually have *Game Plan* that we launched in 2000. In 2002 we launched *Game Plan — the Next Level*. Then last year I launched *Game Plan — Game On*. Under *Game Plan* and *Game Plan — the Next Level* a number of strategies were put in place. Some of that was bringing the Australian Game Developers Conference to Melbourne, which is occurring; helping to establish the Game Developers Association of Australia here, to be based in Victoria; giving local companies free access to Sony Playstation 2 software development kits so they can actually test their games on commercial products; and also we funded a business plan to look at the feasibility of a computer games incubator. The new initiative in *Game Plan — Game On* is $375 000 being provided over two years for the creation of local computer game content through Film Victoria's digital media fund. This will help independent Victorian game developers produce marketable games so that they own a share of the intellectual property, which is probably a crucial development stage. We will be building on the success of the Playstation 2 development kits and looking at other next-generation consoles like the Xbox — you would know, Danielle, as a mother, not necessarily a user — —

Ms GREEN — I just said I had heard of *Game Plan*, so — —

Ms THOMSON — Yes. We will also investigate the establishment of an Australian games innovation centre in Melbourne, and bring together the industry associations, a games incubator and also some of the leading

companies. One of the things that people do not realise is that the computer game development area as a global industry is now worth US$20 billion. It has now overtaken the movie industry, and therefore we believe Victoria is well placed to capture some of that market, and I think we are exporting around $30 million worth of exports in computer games annually.

Mr DONNELLAN — What was the number?

Ms THOMSON — We export about $30 million out of our games area. We have seen Acclaim Entertainment invest here, and Nintendo, THQ, Electronic Arts and Infogames are regionally headquartered in Melbourne. As a matter of interest the president of Infogrames, Bruno Brunelli, was very pleased with the operations in Melbourne and said, 'Of all our locations Melbourne is one of the best, if not the best'. So it is a great place for creative content work to be undertaken. Hundreds of games have been developed here. Tantalus has developed games for the Korean games sector, moving games into Asia. One of my favourites, only because there is no violence in it, is Jurassic Park, which was developed by Blue Tongue here in Melbourne. You actually create the park; it is a sensational game.

Mr FORWOOD — Tell me.

Ms THOMSON — Occasionally there is the odd renegade dinosaur! Torus Games is developing a game based on the movie *Minority Report* for use by the Gameboy Advance platform, and for those of you who are keen Aussie Rules spectators but not players there is the IR Gurus AFL 2003 game which gives you an opportunity to be both coach and player. We are seeing an opportunity to grow the industry, and for every new game that is developed here there is an additional $43 million in investment activity and the creation of a further 30 jobs. So it is not insignificant; it is a great industry. We have been taking companies across to trade fairs and missions and recently we had Victorian companies in Los Angeles — as a matter of fact only last week at E3 — and we had a group in Canada and the United States of America showing their games. So we are really taking up the opportunities to show the world what Victorian games companies have to offer, and it has huge potential for growth for the Victorian industry.

Mr RICH-PHILLIPS — Minister, I would like to ask you about the statement on page 96 of budget paper 2. It says:

> Victoria is providing strong leadership in its ICT uptake and modernisation of public and community service delivery.

You would appreciate that there is obviously a growing level of contact with government through the Internet, email et cetera. In a whole-of-government sense are you aware of any holes in Internet capacity or are all government departments and agencies able to handle the level of contact they receive from the public through email and Internet? Are the facilities in a whole-of-government sense up to scratch with Internet access? Is the capacity there?

Ms THOMSON — I cannot answer for individual departments in relation to how they are utilising the Internet except to say that with the online project and whether or not departments have met the targets that were set, I think under the Kennett government, we have virtually met those targets. So in fact everything that can be provided as an online service is just about being provided online. If you are saying, 'Is there room for improvement?', yes there is, and part of the reason for the establishment of the CIO is to have a look at how we are utilising web site development, the use of the Web and how we are providing services utilising technology. All those sorts of things are part of the e-government strategy that we want to roll out. So while individual departments will always remain responsible for their own service provision and their own provision of services over the Internet, we want to improve the quality across government. That is not just in infrastructure, but ensuring that there is compatibility across infrastructure so that you are easily able to move around the system. One of the criticisms that is brought to bear is that the information is there, but there is so much great information that finding it is difficult. We are hoping the online gateway will deal with that issue and provide useability of the system so that you can find what you want easily and quickly.

Mr RICH-PHILLIPS — In a whole-of-government sense does your department undertake any audit of what government is providing and where there are shortages in terms of responses — —

The CHAIR — That is an additional question.

Mr RICH-PHILLIPS — Is that something that your area looks at?

Ms THOMSON — I think there will be a far greater requirement in the future to monitor just how we are utilising our technology, ensuring that we are utilising it well.

Mr RICH-PHILLIPS — Is that monitoring currently under way?

Ms THOMSON — I think you will find that more will now happen out of the development of the CIO and CTO with real responsibility going into ensuring that across government service provisions are being met.

The CHAIR — Thank you, Minister. That draws to a conclusion our first session. I thank the witnesses and would appreciate their following up matters that have been raised in this portfolio.

Witnesses withdrew.