VERIFIED TRANSCRIPT*

PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

Inquiry into budget estimates 2006-07

Melbourne — 5 July 2006

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Executive Officer: Ms M. Cornwell

<u>Witnesses</u>

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

Mr H. Ronaldson, secretary;

Mr R. McDonald, executive director, corporate resources; and

Mr R. Straw, executive director, Multimedia Victoria, Department of Infrastucture;

Ms P. Hutchinson, acting secretary; and

Ms J. Treadwell, chief information officer, Department of Premier and Cabinet.

*Corrections to the transcript by one or more of the witnesses have been received and accepted after the initial publication.

The **ACTING CHAIR** (**Ms Romanes**) — I declare open the Public Accounts and Estimates Committee hearing on the 2006-07 budget estimates for the portfolios of information and communication technology and consumer affairs. I welcome the Honourable Marsha Thomson, Minister for Information and Communication Technology and Minister for Consumer Affairs. I also welcome Mr Howard Ronaldson, secretary, Department of Infrastructure; Ms Penny Hutchinson, acting secretary for the Department of Premier and Cabinet; Mr Bob McDonald, executive director, corporate resources, and Mr Randall Straw, executive director, Multimedia Victoria, Department of Infrastructure, and technical officer, for today's purposes; and Ms Jane Treadwell, chief information officer, Department of Premier and Cabinet. Departmental officers, members of the public and the media are also welcome.

In accordance with the guidelines for public hearings I remind members of the public that they cannot participate in the committee's proceedings. Only officers of the PAEC secretariat are to approach PAEC members. Departmental officers as requested by the minister or her chief of staff can approach the table during the hearing.

Members of the media are also requested to observe the guidelines for filming or recording proceedings in the Legislative Council committee room.

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 of 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 by email for verification. I invite the minister to give a presentation on the more complex financial and performance information that relates to the budget estimates for the portfolio of information and communication technology.

Ms THOMSON — Just to outline the division of the portfolio, it is across two departments — that is, the Department of Infrastructure, which includes Multimedia Victoria and the CTO, and also the Department of Premier and Cabinet for the Office of the Chief Information Officer.

Slides shown.

Ms THOMSON — We put this slide up because I think it is important to explain that the roles of the CIO and the CTO are roles of collaboration and cooperation and that the chief information officer takes on priorities of strategy and advice, policies and standards and establishes business cases for ICT projects. Once those are established they are moved on either into departments or across to the CTO, which deals with whole-of-government implementation projects.

Individual departments remain responsible for individual ICT projects. All we want to know is that they are in fact compatible with the government strategy; individual portfolio initiatives or individual agencies' initiatives are the responsibility of those agencies.

Going to the budget itself, this slide gives you the three ICT outputs that are included in the budget papers. For ICT policy programs out of Multimedia Victoria the 2006–07 budget is $4.7 million higher than in 2005–06. This is due to new initiatives in e-research projects that were announced in the Healthy Futures statement, and also a commitment in relation to the Victoria Research Laboratory as part of NICTA. In e-government infrastructure the 2005–06 outcome is $2 million higher than the budget, mainly due to the reclassification of TPAMS expenditure from capital to operating. For ICT strategy and services the 2005–06 outcome is $5 million higher, also mainly due to the reclassification by DTF of some of the expenditure from capital to operating in implementing the standardisation strategy. One of the things I want to highlight is that the outcome for 2005–06 has exceeded the target — with two new projects commenced — due to the inclusion of the e-services panel contract and the retendering of the ISP, or Internet service provider tender that is currently in the marketplace. So they have come in ahead of schedule.

Over the past few years we have been reporting to PAEC on how our major asset initiatives, TPAMS and Rosetta, are travelling financially. It is important to note that the final costs of this highly successful program will be within the budget funds that were allocated.

It has been a big year for information and communications technology and quite a lot of achievements have occurred during the year. This slide shows just a few of the major achievements. There is the ICT shared services centre, TPAMS itself in both voice, fixed, mobile services and data. Data is now 85 per cent complete and running

to schedule as well. The Rosetta project is substantially implemented now and up and running. The ICT industry plan which was launched in December of last year, which is the plan for the next five years for the industry, has received overwhelming support from the industry itself. ICT procurement is a very important initiative for this government — an Australian first in relation to procurement for whole-of-government policies for government contracts and how we deal with issues of IP and issues around insurance and indemnity.

With the broadband framework we have now announced VERN, which is the linking up of high-speed fibre to all our research and education institutions. This is in fact a great story in collaboration between governments, tertiary institutions and sectors and our research sectors. It is a great story about the potential for research into the future and the capability of speeding up research outcomes as a consequence.

We are now also looking at the development of the next phase of our e-government strategy and are also progressing again with the e-research agenda, which builds on VERN and other initiatives in the field which will again put Australia at the point of being a leading edge in research capability, which I think is an important target to reach. They are just some of the objectives of the portfolio for 2006-07.

       The ACTING CHAIR — I would like to take you back to one of the items mentioned on your slides and your list of achievements, which was the release of the new ICT industry plan, which was in December last year. So it has been running for six months and has some years to go, but can you tell us what progress has been achieved so far and what has been the response of industry to that plan?

       Ms THOMSON — The ICT industry plan is actually built on the government's agenda. The government has highlighted a number of key industry sectors that it has chosen to support that we think are crucial to the economic growth of this state. ICT is one of those, along with biotechnology, professional services, design, advanced manufacturing, environmental management and food technology as well. These are all knowledge-based industries, and ICT of course underpins all that activity.

So it is important that we have a vibrant ICT industry in Victoria. With that in mind, we decided to review the ICT industry plan and update it. The focus has certainly been to look outwardly and be export focused. Although we are great users and adopters of IT in Australia and in Victoria, if we are going to have a vibrant and recognised ICT industry, then looking inwardly is not enough. So the ICT plan is very much outwardly focused.

We believe that we need to see the industry niche itself at that higher end of skill sets and capability. We are no longer going to rely on lower end programming as a means of providing the future for the ICT sector. We believe that we have huge strengths in that area, and the ICT plan reflects that. We have spent a long time actually working with the industry and stakeholders in the development of that plan. That was over 18 months of discussions with the industry about the future of the industry, the opportunities for the industry and how we could help, as a government, to establish the best of opportunities for our companies to succeed.

The first of that was the government ICT procurement initiative. This is crucially important to the industry. Victoria is a very large user of ICT — one of the largest in the country. We are the first government in Australia to introduce a new whole-of-government ICT procurement policy which I mentioned in the address, and the first to actually recognise the right of those who provide the IT, who have the intellectual property, to be actually able to retain that intellectual property and by default to enable them to then exploit it in other business opportunities. It also means that we will have an opportunity then to hold on to the licensing in perpetuity to ensure that we still get the benefits of that technology. The eServices Panel was re-tendered in May 2006, and it incorporates new categories and specialities in relation to whole-of-government policies.

Funding for the ICT trade events and export assistance program has in fact been nearly doubled out of the plan, again reflecting our need to be outwardly focused, not inwardly focused. The new $1 million ICT linkages program encourages greater collaboration across the local industry. We believe this is going to provide a real opportunity to go international. It is going to have to be done collaboratively and in partnerships — and there is money towards the clusters to support that. A $1.9 million ICT scholarship package to equip university students with skills for the future has been established. This is very important; our greatest strength is the skill sets of people in the ICT industry. The plan has been incredibly well received by the industry. There have been articles around the country about Victoria and its standing as the leader in ICT. I would like to take the opportunity to thank the industry — and get it on the record — for the way in which it has approached the development of this plan and received it and the way in which it is working with us to ensure its implementation.

The ACTING CHAIR — Thank you, Minister. One thing I neglected to say early on is if we can ask you to keep your answers to about 4 minutes for each of the questions. That means that we get through a fair number of questions from around the table.

Ms THOMSON — Sorry — there is just a lot in the plan!

The ACTING CHAIR — There is a lot to say.

Mr CLARK — Last year, Minister, we spoke about rephasing of TPAMS and Rosetta spending. This year I see from one of your slides that an estimated $6.5 million of spending in 2005–2006 has been rescheduled for 2006–2007. On the basis of this, have there been delays in TPAMS or Rosetta? If so, what has been the nature of those delays, what is the expected current completion date for those projects and what do you expect to achieve between now and completion of those projects?

Ms THOMSON — In relation to TPAMS, the rescheduling has mainly to do with the rollout to the schools of the fibre network. That accounts for the rephasing of TPAMS. That was not originally envisaged in the TPAMS model that came out of the actual tendering arrangements, and there is extra funding in the budget for education to be able to get fibre to every school, so it has been phased to deal with that issue.

In relation to Rosetta, there has been a rephasing of Rosetta to the end of July. We have one department left to go on stream for Rosetta, and that is DHS. That is occurring now, and should be completed mid to end of month. That will have all the departments then fully active and participating in Rosetta and the hub, which is also fully active.

Mr MERLINO — Minister, I refer you to page 134 of budget paper 3 and the output group ICT policy and programs. That output group is to deliver policy advice and projects to grow a global ICT industry — and I know that is the focus also of the industry plan. Do you have any data to provide to the committee that shows that the Victorian ICT industry is growing and what the government is doing to assist the future growth of the industry?

Ms THOMSON — That is a good question. In fact it is very hard to get data and information in relation to the ICT sector because none of it is nationally collected or collated. It is an issue that we are hoping and pushing to have addressed at a national level — to get some data and information tracking available for us all to use. However, in Victoria we have undertaken to obtain those, and have commissioned surveys for precisely that purpose, so that we can start tracking the industry and how it is in fact developing.

We commissioned Whitehorse — and this is the most up-to-date and, I guess, reliable set of statistics that are available — and in December of 2005 its report indicated that the Victorian ICT industry is growing steadily, with further growth expected for 2006. There is a graph up there for people to have a look at.

At the end of 2005 the Victorian ICT industry had almost 75 000 employees or 30 per cent of the total Australian ICT employment. It generates revenues of approximately $22.1 billion which is also 30 per cent of the Australian total ICT revenue; so you can see that against population, the industry is kicking above its weight. It continues to be by far and away the leader in private sector ICT research and development, accounting for 45.6 per cent of all private sector ICT research and development expenditure, which is up from 42.6 per cent in July 2005. It is predicted that the industry's employment will rise to 78 000 in 2006; almost 20 000 employees higher than the employment levels in 2003.

It is interesting that despite the global downturn we have been able to grow at such a rate. What the government has been able to do over the last three financial years is to help facilitate almost 3300 jobs being created, over $360 million in capital investment, and over $750 million of exports — over $600 million of these coming from those who have actually participated in our Trade Fairs and Missions program.

These of course are the reasons why we have been able to look towards the new industry plan to ensure that the next stage of development for the ICT is in an environment where the ICT industry can take advantage and grow globally, and the intention with the plan — we are very blunt about this — is that we are happy to see the industry survive here and companies survive on continuing to do what they do, but for those who want to take it that next step, then the government is there to help them do that.

It is important that we are assisting them in forming strategic partnerships, with the potential to go to new export markets. The Trade Fairs and Missions program is hugely important to give them access to the connections that

they need to do business and it has proven to be a very highly successful program in ensuring that outcomes are reached for our company.

Mr RICH-PHILLIPS — Minister, I would like to ask you about the shared services centre that you announced and you touched on in your slide presentation, that according to the slide is for DOI, DSE, DPI and DVC. I would like to get some background as to the reasons why and the benefits of having such a shared centre for those departments.

In particular, can you outline to the committee the costs to establish such a centre, the benefits that will flow from that sort of consolidation, the nature of the services that are consolidated, who is responsible for it — is it one of the departments that takes a lead role with it — and any particular reason that it was those four departments? Are there synergies across those four or is it simply where they are located? How did it end up with that particular four?

Ms THOMSON — It sounds like half a dozen questions but I will do my best to try to cover them.

The reason for shared services, to take it back to basics; the reasons why we actually looked at shared services is that fundamentally if we are going to have a proper strategic approach to how technology is used across government, then a shared service is an efficient model. It also means that you have the same technology and platforms in place which means that you can perform more efficiently as a government. It means in the longer run that your technology spend will be less because you have a shared platform from which you are operating. It is a lower risk environment.

The reason why the four departments have gone in is because it was a bit opportunistic; it was at a time when they were reviewing their services so this meant you could have a transition across to a shared service environment that is effectively being led by DOI. So that is three questions I think we have covered and I am sorry I cannot quite remember what the others were?

Mr RICH-PHILLIPS — The nature of the particular services that are shared by the four departments and the cost to establish and the expected cost benefit in the ongoing — —

Ms THOMSON — All the traditional services you would expect, so HR — not HR — and all the IT infrastructures such as the desktop are on the shared services model. At this stage in relation to ongoing cost benefits it is more about the longer term efficiencies rather than the cost benefit that we can identify for you now. In the sense that there are efficiencies to be gained by having one platform across government which will bring benefits to government, there is no doubt about that. This is a model that has successfully been applied across governments not just in Australia but internationally and in the private sector.

On the cost of establishing it — the shared services centre will receive $4.6 million of seed investment from the CIO's office of which $3 million will have been spent in the last financial year. The rest will be into this financial year. We will have other departments joining it as their contracts come up for review and will be assessed accordingly, and then the task will be to get everyone on similar or the same platforms.

Mr RICH-PHILLIPS — Just to clarify, you mentioned HR but I think you did not intend to mention HR?

Ms THOMSON — That is an intended future.

Mr RICH-PHILLIPS — This currently includes communications?

Ms THOMSON — Communication is dealt with under TPAMS.

Mr RICH-PHILLIPS — And the cost you mentioned, the $4.6 million, given that these four departments were individually going to upgrade their systems at expiration of contracts — how much extra was required above what would have been spent to have a consolidated system? Was there any extra expense or was that $4.6 million the same the four departments would have individually spent?

Ms THOMSON — Bob McDonald, who is actually responsible for the shared services centre, might be better able to answer that one.

Mr McDONALD — Certainly, Minister. It is fairly complicated answer — and I apologise for that — because we have actually formed the centre at the same time that the four departments were running a range of small IT projects which are implementing.

Subject to full implementation of all of those projects, then we would expect that the funding for 2006-07 to be around the same as for 2005-06 in total, assuming no changes to the size of the centre. But as the minister has indicated, if additional departments move into the centre then there will be required further investment. There is actually a significant task in bringing the various departments to the single platform. As more come in, that task will be looked at each and every time and there will be costs associated with that. The substantial benefits really are that it drives the unit cost of IT down over time, and that is the most substantial benefit we will achieve in the medium term.

Mr SOMYUREK — Minister, if I could take you back to your third-last slide which was the information communications technology key 2005-06 achievements, the ICT portfolio, and to 'procurements'. Can you please advise the committee how the procurement is used as an industry development tool?

Ms THOMSON — I said at the beginning that we are a great, very large and significant user of ICT. The Victorian government would probably be in the top three nationally as an ICT user, therefore how we use our procurement tools can actually impact on the industry. Whilst we have a best-value-for-money model, and there is no way the government would move away from that intention, there are in fact ways in which we can assist the local industry in being able to participate in gaining access to government contracts without stepping away from that model.

What tends to happen in governments is that you can develop a model unwittingly that in many cases actually excludes SMEs from participating in the procurement process. This is because the task of bidding into government projects is quite onerous.

The government has looked at a number of initiatives that it can put in place to effectively level out the playing field a little bit and make it more possible for our SMEs to participate in accessing government contracts. Of course if we are going to be internationally competitive it is good for our SMEs to have access to government contracts and to use that as leverage to gain business elsewhere.

With that in mind, the industry plan had to deal with a number of issues. One was intellectual property, which I have mentioned before, and the notion that a company that creates intellectual property should be able to retain and exploit it for commercial purposes while still protecting the government's right to use it through licensing means right across government. So we are the first in Australia to act and implement this. It is now in place as a policy and it will be built into all IT contracts from here on in that intellectual property, unless there are specific reasons, will now be able to remain the right of the provider of the IP and will be able to be exploited.

The other area of difficulty for small SMEs is the issue of indemnity insurance. What government departments have tended to do is to have unlimited insurance requirements which there is no way an SME can meet, they do not have that level of asset. So what we have now done is to move to a model that is more risk-based and far better represents the real risk in place, therefore enabling SMEs to now bid in that process.

That of course then builds on our eServices Panel which we have had in place which means that rather than tendering for each contract the government puts out for $1 million, people can now input the details and backgrounds of companies and their capabilities once, and then all they have to do is actually bid for price on contracts under $1 million from the panel.

That has proved to be an extremely successful model for us. Over 1000 contracts worth $54 million have been ordered through the eServices Panel since 2003, with 70 per cent of those contracts being awarded to Victorian companies. Without taking away from the value-for-money proposition which is crucially important to justify the spending of taxpayers' money, it is providing opportunities for our companies to participate in gaining access to government contracts, gaining experience of working with government and gaining a reputation they can then take elsewhere to market.

Mr CLARK — My question relates to the role of the chief information officer, and I refer to your slide on the 'ICT Strategy and Services' and output group which as you would know draws data from page 196 of budget paper 3. Two of the measures there are of 'Development and implementation of whole-of-government policies,

standards and strategies', and there is a target number of 15 for that and a target number of 10 for 'Strategic projects commenced or under way'. First of all, I wonder whether, probably on notice, you could provide us with a list of the specific policy standards, strategies and strategic projects that make up the 15 and the 10 respectively? Secondly, could either you or Ms Treadwell give us an overview or outline of the key projects and tasks being undertaken by the chief information officer in 2006–07?

Ms THOMSON — We certainly can give you a list of the strategies and standards to be included for 2006–07. I might just list some of those now for you, if that is of help.

The identity and access management policy is crucially important, as you would be aware. The processes and information interoperability policy and framework, our ICT governance policy, our desktop computing strategy, our networking strategy — all of these require policies to be in place, as does our web management policy. The next phase of the e-government agenda is to be done in this financial year.

As to the information management security project, again, governments around the world are now dealing with this issue, and it is one that is being worked on by governments in a collaborative form. I think that is probably a good sign of the direction that these initiatives should take. There is also the next phase for the data centre consolidations, the integrated service delivery projects and the desktop standardisation project.

Mr CLARK — I do not think you have touched on the strategic projects, unless you covered both the strategic projects and — —

Ms THOMSON — I did. Things like the information management security project would be a strategic one that needs to be undertaken. That is crucially important.

Mr CLARK — I look forward to the list; thank you.

The ACTING CHAIR — And you are asking for a list?

Mr CLARK — Yes, I think the minister was going to give us a list of the 15 and the 10.

The ACTING CHAIR — You can take that on notice, Minister.

Ms THOMSON — I am happy to do that.

The ACTING CHAIR — Minister, I would like to go back to the e-government infrastructure output on page 133 of budget paper 3. Under that output measure, there is the inclusion of a number of programs, including the TPAMS project which you have referred to on a number of occasions already. Last year we also heard quite a deal about that project. You made statements to this committee last year about the expected infrastructure benefits that are flowing from the project. Given that the project is substantially completed, can you provide details of what benefits have in fact been realised?

Ms THOMSON — I think it would be very remiss if we did not cover TPAMS. Since I have been the ICT minister, we have had a lot of questions about it. Most members will be aware that TPAMS was a first attempt by any government to aggregate communications spend across the government. Others now have attempted or are attempting to do so, with some success, to some degree. Some are trying to replicate the Victorian model. The reason for doing that was to increase our buying power and get the best telecommunications services for the least cost to government and the best value for money proposition.

The second aim of the TPAMS was to facilitate infrastructure investment. What we anticipated originally was that we would get about $40 million worth of infrastructure investment and that there would be a cost reduction component of around $73 million. Those who sit in the upper house would be aware that we have exceeded those targets and, in relation to broadband services being provided, we have seen the rollout of much more infrastructure than we actually anticipated. In fact, the tenders were so low on price structures that departments were able to do exactly what we wanted them to do, which was to reinvest in new technology.

They did so well beyond what we were expecting them to do for data services. This has meant that the government has been able to ensure that 3300 government offices will be connected to high-speed broadband. That includes more than 1600 schools that will be connected to fibre optic broadband by 2008. There has also been additional infrastructure benefits from the government's fixed voice contracts with Optus, which is also investing in

competitive broadband infrastructure to deliver government services. The result has meant around $200 million being invested by telecommunication companies into infrastructure right across Victoria.

To give some examples, Telstra, by their information to us, is upgrading over 600 exchanges across Victoria to enable services to be delivered to government by fibre and DSL. It is estimated that as a result of TPAMS, Telstra estimates that over 150 towns will have access to business-grade DSL services for the first time. I do not need to tell you how important that is for regional development. Businesses have been screaming for that kind of access. Small towns and regions, 20 towns, will now have access to ADSL for the very first time so we are seeing areas of Victoria which have not been connected being connected as a result of TPAMS. Again let me stress that this is information coming from Telstra.

Telstra has already installed wireless broadband services into Seymour and Bendigo as part of TPAMS. Optus has installed competitive broadband services into more than 40 locations across Victoria as part of a direct $20 million commitment for TPAMS and because of this has seen the advantage of spending even more and has committed to rolling out an additional $40 million of broadband infrastructure across Victoria because of the business opportunities that TPAMS has actually created.

We are seeing the benefits that we were hoping to see out of TPAMS exceed our expectations. Of course, this is being done at no additional cost to government; the infrastructure is actually being provided by the telecommunications companies. It puts Victoria in a very good position for telecommunication connections compared with the rest of the country.

> **The ACTING CHAIR** — Is it possible to have a list of those 150 towns as part of the information about what Telstra is rolling out?

> **Ms THOMSON** — We do have to get that information from Telstra and they will provide it at times and intervals of their choosing. We can talk to Telstra about that.

> **Mr RICH-PHILLIPS** — I would like to ask you about security. The committee has surveyed each department in a survey it sends out after the budget was brought down, asking them about expenditure on security for the previous 12 months. DOI has answered in terms of transport infrastructure et cetera, but given the importance of this issue I would be interested in what you can tell the committee about what your agencies are doing and have done about information security and whether you have had external audits of the security of the overall IT system and whether there has been specific expenditure by your agency in ensuring the security of data held. Can you provide the committee with an update on this?

> **Ms THOMSON** — Each department is responsible for its own security measures, but what we have been doing is ensuring there is a consistent approach across departments. We are certainly looking at the issue around disaster recovery centres and have established and would expect to see more moving to a shared disaster recovery centre model. The government is assessing the adequacy of security of our IT across government and does work with departments about how to best enable it to occur. There are, as I said before, discussions nationally about these sorts of issues as well and the way forward in the current environment. The standards are based on world best practice, so there are standards in place, and we are working with government departments to move them in that direction.

> **Mr RICH-PHILLIPS** — Does the CIO or the CTO have any audit function in looking at how effectively individual departments are performing that function?

> **Ms THOMSON** — At this point in time it is a collaborative, a working-together model so there is no direct audit responsibility in that sense. It is rather ensuring that departments are able to meet the standards that are in place and working with them to ensure that they are.

> **Mr RICH-PHILLIPS** — Is there a time line for the completion of that assessment you spoke about, that is under way?

> **Ms THOMSON** — I think that is being worked through department by department, so there is not a set time line as such but rather that collaborative approach which we believe will bring the best outcomes, rather than a kind of heavy hand at this point in time.

Mr MERLINO — Minister, can we go back to TPAMS again? You mentioned that the aim of TPAMS was, one, value for money and, two, infrastructure benefits, and you answered the question about infrastructure. At last year's hearing there was a question about whether the contracts under TPAMS would continue to offer value for money given the volatility of telecommunications pricing.

A year on, can you advise the committee whether the TPAMS contract is still offering value for money and are you confident that it will continue to deliver value for money for the government over the life of the contract?

Ms THOMSON — We were certainly hoping to see, and I think I reported last year cost reductions with reinvestment back into broadband capability and new technologies. The target was to lower telecommunications costs to government by around $73 million over five years, and I stress again this is about lowering costs. We had the discussion at some length at one stage — I cannot remember if it was last year's PAEC or the one before — about the difference between costs versus savings, but we were actually able to monitor that those costs have been lowered per unit, whether it is an individual telephone call or how much data you are being supplied with, the cost of that is all contracted across agencies.

We had effectively, when we signed up to TPAMS, entered into contracts which will result in the lowering of costs by almost $200 million over a five-year period. When we initially entered into TPAMS we expected $73 million in reduced costs. We are now seeing closer to $200 million, but we are also allowing for the benchmarking of those costs against market value at any given time. One of the issues was: will we be able to perpetuate that, and this enables us to do that with that benchmarking and being able to renegotiate over the life of the contract, so we are able to gauge how our costs are performing against costs across the country.

We have in recent times had discussions with Telstra over the services of the provision of data and have in fact chosen to continue on the contract with Telstra for a further three years under the opportunities that the initial contract arrangements have allowed us to do, with a further reduction of $32 million in costs over the next four years. What we are looking at is further reductions in costs in the provision of services of data as a result of the renegotiated contracts with Telstra, which means that government will be providing even greater benefits in reductions of telecommunication costs than we originally expected with the $200 million worth of savings. So this is a great outcome for government, and given the heavy rollout of infrastructure that is being undertaken, this is a great development for Victoria.

Mr CLARK — Minister, could you tell the committee what overseas delegations and other visits you took part in over the year just completed, what delegations and other overseas travel you have planned for the year ahead, what has been achieved and what is hoped to be achieved by these various trips, and what they have cost or are expected to cost taxpayers?

Ms THOMSON — Well, that is multifaceted again. Let's see if I can do this. The trips for the last financial year were India in October 2005, and then more recently Japan, the USA and Israel in April. There are no plans for future trips for this calendar year.

As to the outcomes from some of those trips, I will put this into context, because I think it is important to. I have talked about the trade fairs and missions programs and how important they are; they are very important. Taking a minister along provides access to levels of business and government — and in many cases we are now meeting with tertiary institutions — at a level they otherwise would not get access to. That is why it is beneficial having a minister on board.

I can give you some examples as to why that is in fact the case. We took 32 on the original trip to Japan. This was part of the Aichi delegation. It was certainly the largest ICT delegation from across Australia to ever go to Japan. It exceeded our expectations, I have to say. We went to Japan looking to see what opportunity there was for our companies to both look to doing business with Japanese companies that have a global impact and also look at what opportunities there might be for them to do business in Japan in their own right.

The export opportunity as assessed by those companies is around $9.5 million over two years. We were also able to get an investment of 50 jobs from Fujitsu back into Victoria, so that was a great outcome of that trip.

The most recent trip to India last year, during which I opened the Victorian business office, brought in $17 million over two years. Then most recently was the Japan, USA and Israel trip. We took 21 to Japan and 10 to Israel. We got investments out of the US on that trip accounting for, again, 50 new jobs. We also got investment out of Israel

into Victoria by an IT company, with another additional 50 jobs. Out of Japan to date the companies expect $4 million in export-driven opportunities. The Israeli figures are still to come through.

This is the first time we have been to Israel, and we are again looking for opportunities for global partnering for our companies. Israel itself relies very heavily on SMEs, so we see some great opportunities coming out of that.

Mr CLARK — Perhaps you could get back to us with the details of the costs of those trips, if you could?

Ms THOMSON — Yes.

The ACTING CHAIR — Minister, you have already outlined what you plan to do to assist the Victorian ICT industry to continue to grow. Can you tell us more about what area is identified as the greatest risk to that growth and what specifically you are going to do to deal with that threat?

Ms THOMSON — I think we have seen some really good figures today about where the industry is going, but there is no doubt that we are in a far more competitive market than we have ever been in. If you are talking about an industry being affected by the global market, no industry is more affected than the ICT industry because the job can be done effectively anywhere in the world. We have taken the attitude here that we need to be looking to ensure that we have a very strong ICT base in Victoria — that is both investments into Victoria from overseas companies and also our companies looking outward. There are great strengths. It is a wonderful job being able to go and promote Victoria because there is a great story to tell about the environment in which to do business, the environment in which to live, but most importantly the selling point of Victoria is the skills of our employees and potential employees.

The work force is a highly skilled work force, but there are some real issues that are looming that need to be addressed. We have read recently, and over the last couple of years, probably since the dot-com collapse, that we have seen a lowering of students choosing ICT courses as a first preference. This is an issue for us because if we are to sell Victoria as a destination for ICT we need to know that we have some of the best and brightest available.

While Victoria — and you saw the slide — is turning out more ICT graduates by far and away than any other state, this is a reputation that we want to maintain. We also want to maintain the reputation of producing highly skilled people from our universities who are able to take up those new jobs at that high order end. We are concerned about that. We are concerned as to why young people are not choosing ICT careers. We have done some research into why that is the case.

While there have been quite a number of talkfests about the looming disaster we are facing in relation to these courses, it was time to do something, so I brought together industry representatives from the associations, not just the ICT's industry associations but VECCI, AIG and others, our tertiary institutions, our nine universities, TAFE sector representation, department of education representation at that TAFE level and ourselves as a government to talk about the looming issue around entry into universities and the longer term agenda as well about how those courses meet the needs of industry.

I am pleased to say that it was not just another talkfest, that we moved on from that. There has been a real commitment given by everyone in that room to move forward. We have developed a short-term strategy to promote IT careers for 2006 year 12 students, and we are looking at developing a medium to long-term strategy to deal with the issues about the relationship between the industry and the tertiary institutions and core structures.

There are a number of models that are now available to us that we can use that ensure that there are those proper linkages occurring, that the courses are relevant and that we are creating an environment where students want to undertake those courses as a first preference and that we see a steady stream of students moving into ICT careers to meet the future jobs that we know that are there.

We now have two working groups established, one headed by the Australian Information Industry Association, which is responsible for marketing activities around the campaign for 2006 year 12 students, and the other, headed by the Australian Industry Group, that will coordinate a range of roadshows and information events to promote IT careers in the lead-up to the university course preferences a little later in the year.

I want to get on the record again my appreciation to everyone who participated in that round table, the collaborative approach that has been taken to dealing with this issue, and the fact that people have put time, effort and in fact

money towards ensuring that we are able to fill our courses with young people prepared to take on ICT careers of the future, which means that we will have a strong industry into the future.

Mr RICH-PHILLIPS — When the Auditor-General reviewed TPAMS back in May 2005 he made some recommendations about clarifying the reporting roles and functions of organisations like the office of the chief information officer and other central agencies that were involved in major IT projects. Can you tell the committee what progress has been made against that recommendation from the Auditor-General?

Ms THOMSON — I think unless it is specifically spoken to, what we have done is clarified the role of the CIO's office and the areas that the CIO's office has responsibility for, and the relationship between the CIO office and the CTO. Those arrangements have been clarified.

In relation to reporting, you will see that there were different measures put against the CIO this year specifically for the purposes of making the responsibilities of the CIO's officers and the functions they will undertake in the office clearer, around not just projects but the other areas that the CIO's office undertakes. Those measures have been undertaken, so there is a far more transparent understanding of the role of the CIO's office in relationship with the CTO and how they work and the devolvement of work. From the planning stage, that might be undertaken in the CIO's office for whole of government right through to the development of business case; then for whole-of-government projects, that goes to the CTO's office for implementation. That has all been clarified.

In relation to individual projects within a department, the CIO's office may offer advice and assistance in regard to the project itself. It does not run the projects; it just offers advice and ensures that it does meet and is consistent with the strategic agenda of the government. The functions and responsibilities of those projects are with that line agency.

Mr RICH-PHILLIPS — I assume there is some sort of protocol document that sets that out?

Ms THOMSON — There is a chart that sets out protocols.

Mr RICH-PHILLIPS — Would our committee be able to get a copy of that?

Ms THOMSON — That slide basically does do that.

Mr STRAW — There is one there.

The ACTING CHAIR — That concludes questions for the ICT portfolio. Thank you, Minister, and witnesses who have appeared before the committee this morning, and thank you to officers who have contributed to preparation for this hearing today.

Witnesses withdrew.