

# CORRECTED TRANSCRIPT

## PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

### Inquiry into budget estimates 2005–06

Melbourne — 9 June 2005

#### Members

Mr W. R. Baxter

Ms C. M. Campbell

Mr R. W. Clark

Mr B. Forwood

Ms D. L. Green

Mr J. Merlino

Mr G. K. Rich-Phillips

Ms G. D. Romanes

Mr A. Somyurek

Chair: Ms C. M. Campbell

Deputy Chair: Mr B. Forwood

#### Staff

Executive Officer: Ms M. Cornwell

#### Witnesses

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

Mr H. Ronaldson, secretary;

Mr B. McDonald, executive director, corporate resources;

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

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

**The CHAIR** — I declare open the Public Accounts and Estimates Committee hearing on the 2005–06 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; Mr Howard Ronaldson, secretary; Mr Bob McDonald, executive director, corporate resources; Mr R. Straw, executive director, Multimedia Victoria, Department of Infrastructure; Ms Jane Treadwell, chief information officer, Department of Premier and Cabinet; departmental officers, members of the public and media.

In accordance with guidelines for public hearings I remind members of the public that they cannot participate in the committee 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 a 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 the precincts of the hearing are not protected by parliamentary privilege. All evidence given today is being recorded, and witnesses will be provided with proof versions of the transcripts early next week. Could anyone who has a mobile phone please turn it off. I turn it over to the minister for a brief presentation on the more complex financial performance information in her portfolio. We have this; it is appreciated. These will be tabled with our report to the Parliament, so the more succinct you are, the happier we will be.

**Ms THOMSON** — I will be as succinct as I can, but I am hoping that by also being pretty thorough with my presentation it might answer some of the questions that you may already have.

**Mr FORWOOD** — Not mine!

**Ms THOMSON** — I am sure they will, Bill! Firstly, can I personally welcome Jane Treadwell. Most of you will be aware that Patrick Hannan, who was the CIO in Victoria, unfortunately for personal and family reasons had to move back to Sydney to be with family. But we are very fortunate to have acquired Jane from Centrelink. She is absolutely a great talent, and it is fantastic to have a woman in the role of the CIO. I put that on record.

**Mr RICH-PHILLIPS** — Does it make a difference?

**Ms THOMSON** — Absolutely! I want to alert people to the fact that Jane has now been with the Victorian government for just over a month and is settling in. I am looking forward to a really proactive agenda out of the CIO's office and working very closely with Jane.

#### **Overheads shown.**

**Ms THOMSON** — I want to start by showing you how things are arranged for us. I have responsibility through both DOI and Premier and Cabinet, with the Office of the Chief Information Officer sitting in Premier and Cabinet, and under the Department of Infrastructure we have Multimedia Victoria, which has responsibility for broadband policy development, our ICT industry development and investment attraction, our programs around communities and general programs to improve people's awareness of technology, particularly IT technology, and how it can advance their own business activities.

Also within Multimedia Victoria in DOI is the Office of the Chief Technology Officer, which delivers the government ICT programs for whole-of-government infrastructure projects — an example is TPAMS — or operational ones such as services in relation to Victoria Online, and manages our procurement contracts, like Microsoft and those sorts of whole-of-government contracts. The chief information officer has responsibility — together with Multimedia Victoria but is definitely the leader — in developing the next phase of our e-government strategy and ensuring that we are looking at how we can use IT and communications to improve the way we provide services to the community and citizens. It is also responsible for looking at how our investments in ICT are prioritised and ensuring that we are making the most of our investment in IT, the standardisation of our ICT systems to ensure that we are able to work across government seamlessly, and the consolidation of our ICT infrastructure where that is appropriate.

I want to spend a bit of time on this, because this might help clarify issues about how the office of the CIO works with the CTO to carry out different types of projects. The chief information officer carries out a large number of

projects of varying size to lead our ICT strategy and management across the Victorian public service and to assimilate transformation through innovative use of ICT. It is not necessarily all coming from the chief information officer; most of the projects actually come from agencies, but we are trying to create a culture of innovation in how we use ICT and use it wisely. The CIO and CTO collaborate to investigate opportunities for ICT standardisation and consolidation, with the Office of the Chief Information Officer being responsible for the validation of the business case for a project. I will say that we spend quite a bit of time on the front end of the project work to ensure that we are getting it right. The office of the CTO is responsible for actually carrying out the implementation of the much larger across-government ICT system projects — he sees them through to implementation.

On the budget side, it goes across the portfolios. If you have a look at this slide, it might help a little bit as I explain the differences in the numbers. The reason for the major variations, particularly in the case of e-government infrastructure — as you can see there — the figure of \$13 million for 2004–05 expected as against the target for 2004–05 actually relates to lower than expected capital expenditure impacting on depreciation and capital asset charge. In a similar way the increase in the budget in the 2005–06 budget for the ICT strategy and services actually relates to an increased appreciation and capital asset charge associated with the expected delivery of capital projects in 2005–06.

**Mr FORWOOD** — Can you say that again?

**Ms THOMSON** — The capital asset charges and depreciation that comes via the formula from Treasury is what is impacting on those figures. That is basically what we are saying.

**Mr FORWOOD** — I will ask a question about that.

**Ms THOMSON** — You can ask a question about it, but that is what it is. Because we have spent so much time on TPAMS in previous Public Accounts and Estimates Committee hearings we thought we would cover off on TPAMS and Rosetta. I assume we will be spending more time on it, but I will cover it off. The TPAMS and Rosetta initiatives are on target to be delivered within their overall budget projections. Since the preparation of the 2005–06 budget there has been a rephrasing of expenditure, as has been shown in the tables that you have before you. It is just a rephrasing; it will not affect the overall budget outcomes for the projects. In the instance of TPAMS, the rephrasing is actually due to the fact that we did such a good deal that departments are now looking at opportunities to maximise what they may do within their own agencies around data and are taking the time to be more strategic about their use of telecommunications. Also with the SmartONE order, this has increased the scope of what we are doing in TPAMS, which sees the need for the rephrasing of TPAMS to take in that significant planning that will now have to be undertaken for that rollout.

Rosetta is in fact the directory of the government of our employees and inner agencies. It is really innovative, and no other government in Australia is conducting a project of similar scope or complexity. This has meant that there have been some delays in the contractor being able to deliver on their scheduling, and therefore the payments to the systems integrator have been delayed as a consequence.

Some outputs on this slide have been consolidated as part of DOI's review into output structures. These are done to ensure that we are reporting in the best possible way to government — that is, to Parliament. That has been done again in this instance. In the ICT projects and programs under way this is actually a new measure. It aggregates all the projects and programs being done by the government to further develop telecommunications, promote the advanced use of ICT and address the digital divide. On a like-for-like basis, this reduces from 37 in 2004–05 to 30 in 2005–06 the amount of projects under work due to the completion of a number of the programs under Connecting Victoria. So the e-business programs have now been concluded and it bottoms out when the telecommunications program has been concluded.

The ICT industry policy review is under way. One additional policy review will be undertaken in 2005–06 compared to 2004–05 as we look to the next phasing of where our policy needs to develop. The export development projects are aimed at our SME companies to become exporters of ICT products or services, which, of course, complements our opening doors to export policy. This has been increased for 2005–06 from 35 to 40.

These measures show again increases in relation to e-government and infrastructure projects under way. The target for projects are around the T2, our mobile phones out of TPAMS; our PC procurement, as we have a look at whether or not there is value in centrally purchasing our PCs across the VPS; the expected outcome of six projects for 2004–05 will exceed the target of 2005 due to data centre consolidation coming across from the CIO's office.

E-government infrastructure projects are under way. These are the eight projects for 2005-06. One is Rosetta, our telecommunications carriage services T1, which I will refer to from hereon in as TCS. Three of those projects are under way. There is the T2 mobile services transition, and our enterprise content management implementation as well.

In the office of the CIO 40 outputs were planned to be under way and completed by the Office of the Chief Information Officer in 2004-05. These outputs comprise a range of projects and initiatives of varying sizes. They range from strategic study through to reviews and advice, development of policies and standards, a whole-of-government business case for major projects, such as the data centre consolidation and shared services. In all 40 outputs were completed or were under way with 90 per cent delivery to meet the critical success factors and planned tolerances.

**The CHAIR** — Could the next two slides be taken as read?

**Ms THOMSON** — Yes.

**The CHAIR** — Would you like to make some concluding remarks?

**Ms THOMSON** — We have concluded some rather large projects, and certainly we will now be looking at the next phase of delivery for our ICT policies, both in industry and our industry plan, the implementation of the broadband framework and also the second phase of our Connecting Communities policy. We are looking to real areas of the most vulnerable and needy to ensure that we are not developing a digital divide. I will conclude by saying that some of the areas for us will be the next phase of the e-government strategy as well.

**The CHAIR** — Thanks, Minister. I want to take you to TPAMS, which has been a subject of discussion at this committee over a number of years. One of the objectives of that was to lower cost to government. My question is in three parts: firstly, what was the amount that TPAMS was able to lower the communication costs to government; secondly, explain the method used to quantify these lowered costs; and thirdly, outline how the government benefits on these lowered costs? I know that is a long question, but we try to keep answers to 4 minutes, so see how you go.

**Ms THOMSON** — I will see how I go. I think this is an important one. This is probably the third year on TPAMS and I think we are at a point to be able to report on just what a good outcome this has been for the Victorian government and for Victorians more broadly. We did have to struggle in relation to broadband, like everyone does, around affordability and access to infrastructure. They were issues for us in relation to TPAMS. We had looked at whether or not there was value in aggregating the spend of telecommunications and therefore being able to use those savings to go into providing access to data and putting that money into a more useful purpose than just being chewed up on the existing services. We have done that for our fixed voice mobile and our data services. We believe we have gotten a great outcome and have lowered the cost, which we believe will be seen in greater bandwidth capacity being utilised by the departments and agencies.

The target that was set for the project was to reduce the cost of telecommunications services to government by \$73 million over five years; that was the original target. What we actually believe we now have gotten from the contracts that we have entered into will be cost reductions of around \$200 million over the five-year period, so it has exceeded our expectations. I will explain how we have done this. The \$200 million figure is based on a like for like comparison, so if you actually take in the usage by government at the time that we went out to tender, what we were actually using, and factor in those known costs and simply apply the pricing that has been obtained through the tender to that, that is the average cost reduction that we have calculated.

Now we could have done it a different way. We could have reversed that process and actually looked at the orders that are going in for TPAMS, which are actually now greater, and calculated on that, and then the savings would have been even greater again. But we have taken the more conservative view, doing it on current usage, not the usage that has been ordered or is being ordered through the TPAMS process. I can give you a couple of examples. If we have a look at the Department of Education and Training which has got just over 1600 sites, currently 400 schools are on 64 kilobits, 360 are on 128 to 256 kilobits, 680 are on 512 kilobits and 190 are on 4 megabits. Post-TPAMS, and with the budget announcements all the schools will have a minimum of 4 megabits of fibre optic. For 400 of these schools it is an increase in capacity of more than 60 times the speed. So if we have a look at the costing of that, once it is fully implemented you are looking at around \$43 million per annum for the usage of that. If we look at it under pre-TPAMS pricing, to get this sort of bandwidth to the schools it would have cost

around \$100 million per annum. So that is a real difference. I thought, given Mr Forwood was very keen on whether or not he was going to get his BlackBerry — —

**Mr FORWOOD** — I got my BlackBerry!

**Ms THOMSON** — I know. Yes, I noticed that — you and just about every other member of Parliament. You cannot talk to anyone without them SMS-ing somebody else at the same time.

**Mr FORWOOD** — Except me — I can't do it.

**Ms THOMSON** — So I thought I would tell you about what has been arranged with the Parliament. I thought you might be interested in the Parliament, which is also participating in the TPAMS arrangements. All electorate officers are to receive an eightfold increase in bandwidth, so they will go from 64 kilobits to 512 kilobits, or half a megabit, for the same price that is being paid now — exactly the same price. In addition it is expected that there will be reductions in costs in relation to fixed voice of \$150 000 per annum and on mobiles of \$110 000 per annum. So you can see that the cost reductions are in fact real, but we do expect that there will be take-up in the use of bandwidth and the technology that I think provides more efficient and effective government.

**The CHAIR** — Thank you, Minister. That is great. Have we got copies of that overhead?

**Ms THOMSON** — Yes, we will provide you with copies of that.

**The CHAIR** — Thank you.

**Mr FORWOOD** — Minister, my question goes to your slide and BP3, page 116 on e-government infrastructure. Could you explain to the committee how the target for 2004–05 of \$22.8 million and its expected outcome of \$13 million, a drop of \$9.8 million, can be explained by changes in the capital assets charge and depreciation? I guess the first question is how much of the \$22.8 million was originally budgeted as a capital assets charge and depreciation, what was the value of the assets on which that was calculated, and why has it now dropped by \$9.8 million, which is around about 80 per cent of the final outcome of \$13 million?

**Ms THOMSON** — The reasons for the \$9.8 million underspend is \$10.1 million is depreciation and capital assets charges associated with TPAMS, Rosetta and Victoria Online.

**Mr FORWOOD** — So of the original \$22.8 million, \$10.1 million was going to be capital — —

**Ms THOMSON** — Yes, capital assets charges — —

**Mr FORWOOD** — Or more?

**Ms THOMSON** — For 2004–05, yes, that is right.

**Mr FORWOOD** — For 2004–05, of the \$22.8 million, \$10.1 million was capital assets?

**Ms THOMSON** — Yes, depreciation and capital assets charges associated with TPAMS, Rosetta and Victoria Online.

**Mr FORWOOD** — What was the total value of the assets for TPAMS, Victoria Online and Rosetta on which that figure of \$10.1 million was calculated?

**Ms THOMSON** — In terms of TPAMS, \$34.5 million, \$13.2 million for Rosetta, and \$4 million for Victoria Online.

**Mr FORWOOD** — So what is the reason that we no longer have a capital assets charge on TPAMS and Rosetta and why was depreciation not charged?

**Ms THOMSON** — It will be charged. It is just that it is rephased into 2005–06 because of the reasons that I gave on the slide which is up now in the — —

**Mr FORWOOD** — Depreciation will be, but capital assets will not. Is it not true that you have decided that TPAMS and Rosetta no longer attract a capital assets charge?

**Mr McDONALD** — That is a technical issue, Mr Forwood. It relates to two things. There is an issue related to the timing of capital expenditure, which I know you understand will have a relationship to when we would actually start to charge depreciation. So an asset is created, then depreciation will start to flow once the asset is created, and the minister has indicated that the capital side of the program has been rephased. The second part relates to the application of the capital assets charge, and there have been some changes to policy associated with capital assets charges where it no longer applies to intangible assets. In this case, where we are developing intellectual property — and I suppose in the context software fits into that category — then capital assets charges would no longer apply to software development.

I think the easiest way to explain it is to say that at the original time of setting the budget there was a view around what was required in capital and the budgeting for depreciation and the capital assets charge was associated with that split of the expenditure between purposes for capital and purposes for operating. Now that the capital is slower than what was originally estimated, which the minister has indicated, then depreciation is not flowing and because some of the expenditure may be of a recurrent purpose, which we would then expense, equally it would not apply. Thirdly, with the capital assets charge it will only apply to non-current physical assets, in accordance with Treasury policy.

**Mr FORWOOD** — How much of TPAMS is intellectual property and how much is physical assets?

**Ms THOMSON** — There are not a lot of physical assets associated with TPAMS at all. There are the LAN upgrades which have now been passed on to departments.

**Mr FORWOOD** — What would be useful for us would be if, for each of those three projects — TPAMS, Victoria Online and Rosetta — we could have asset value comprising physical assets in one column and intangible assets in the other. Can you do that for us?

**Ms THOMSON** — We can attempt to do that for you. The issue will be the two differentials between Treasury and Finance in one financial year, including software and in other years — —

**Mr FORWOOD** — I am not concerned about the financial year. What I am concerned about is that the total amount of the project at the end is going to comprise an asset value, and you can divide that up into — —

**Ms THOMSON** — We can do that — —

**The CHAIR** — It would be helpful to compare financial years. Your suggestion is a good one.

**Ms THOMSON** — We can do it. The only thing, particularly with TPAMS, is that it will have to wait until the end of the project because there may be some actual physical assets associated with the project and we cannot determine that at this point in time. We can give you what there is to date, but in relation to 2005–06 it will have to wait for the completion of the project.

**Mr FORWOOD** — Thanks.

**Ms ROMANES** — Minister, you have mentioned that part of the capital spending on TPAMS is infrastructure rollout, and there are targets related to infrastructure spending within TPAMS. Can you inform the committee as to whether these targets will be met and what the benefits of the infrastructure will be?

**Ms THOMSON** — Thank you for this question. It gives me an opportunity to talk a little bit about the infrastructure and make it very clear because there have been some messages going out which would have people believe we actually rolling out infrastructure. We are not. What we have done under the TPAMS project is to order, effectively, services from telecommunications providers. In their bidding for TPAMS they have also included infrastructure and in some instances this infrastructure is a commitment to roll out according to the government's requirements should they have won the tender process. So in the instance of schools where we have the commitment of 4 megabits of data connection, it is not government infrastructure that will be rolled out, it will be Telstra infrastructure rolled out at the expense of Telstra. It will be rolled out not just to the exchanges but to the schools themselves. It will remain Telstra's infrastructure, not ours.

If you look at DPI where they may require 2 megabits of data connection and there is no current broadband in a town, then there will be a requirement to ensure that the exchanges are able to meet the demand of DPI. We needed to clarify that point.

I also want to make very clear that in the budget allocation under SmartONE that the money allocated over four years for SmartONE is actually for the use of the bandwidth, not for the provision of the bandwidth. It is actually for the recurrent use of the bandwidth.

**Mr CLARK** — My question also relates to the broadband rollout project and I want to pick up on two aspects initially. First of all, what arrangements has the government negotiated with Telstra about third-party access to the broadband network? I see that there is an editorial in the *Age* saying it is going to give coverage to Victoria from the Murray to the ocean and we would be living in a nirvana of 4 megabit — —

**Ms THOMSON** — I think that is editorial licence.

**Mr CLARK** — That is what I would like to probe. In other words, has the government secured guaranteed access for non-government users of Telstra services to tap into the 4 megabit network, and if so on what terms have those rights been secured? Secondly, in relation to provision within government you have indicated that departments will have to meet the costs out of their own budget. I think you said education definitely would take up the 4 megabit capacity. In the example that you gave Parliament is going to 512 kilobytes because Parliament cannot afford to take up any more than that under its existing budget, so what is going to be the charge-out relationship between the central deal and individual departments? That was something education officers were not able to tell us when they were before use. Can you provide us with some detail on that?

**Ms THOMSON** — On the first question, no, we have not entered into negotiations with Telstra about access to other carriers or providers. The aim of TPAMS — —

**Mr CLARK** — I did not mean access to other carriers, I meant the right of citizens — the public — to access the Telstra 4-megabit network.

**Ms THOMSON** — The network that is being rolled out is Telstra's network. In relation to other people having access to it, this is not a cheap exercise for Telstra to undertake. To do it just for the government and ultimately not provide it to business and the community would be very foolhardy as an exercise for them. It would be a very poor investment indeed. The issue at the moment is to meet the government's needs and the requirements to meet their contractual arrangements with us, so we are a priority. But we do not have to enter into contractual arrangements with Telstra over who has access to that as far as business and what their customer base may be because it is Telstra's infrastructure; they can do what they like with it.

**Mr CLARK** — The second answer?

**Ms THOMSON** — In relation to the pricing, it is up to individual departments and agencies to utilise the pricing we have been able to negotiate. What is occurring now is that the TPAMS team — —

Can I take this opportunity to put on the record the fantastic job that has been done through DOI and Multimedia Victoria and the TPAMS team to produce the outcomes we have got. I do not think I have formally put it on the record and I do want it on the record. They have worked their proverbials off in order to ensure that we get the best outcome. They have been incredibly committed to getting the right outcomes for government and it is a great result, so I want to put on record my gratitude to them.

In relation to the way that will work, the TPAMS team is now talking to the agencies about what their demands might be, what their real needs are versus what they might ultimately like to have, and you could realistically start achieving that and putting in realistic orders. Work is being done now to look at what can be done realistically within the budgets, utilising the new pricing under TPAMS and ensuring that that is worked through with each agency and that they can take the full benefits that come with the price reductions.

**Mr MERLINO** — I refer you to page 117 of budget paper 3, and more specifically your responsibility for ICT policy and programs. The ICT industry is obviously one where there are always new and emerging sectors within it. Minister, can you inform the committee what programs are undertaken within your portfolio that support the growth of emerging sectors within the ICT industry?

**Ms THOMSON** — Thank you for the question. This is an important issue for us in relation to the industry and where we are progressing. This is an industry that changes very quickly. As we realised from the downturn that virtually occurred overnight, new and emerging industries, opportunities and technology open up very quickly. As

a government we need to be aware of what those opportunities may be. But what is even more important is that the industry itself is aware of the opportunities.

One of the issues we have, because we are such a large SME base, is making sure that people understand the benefits of working together and reaping the opportunities. We are a small market which must look to export if we are going to have a vibrant ICT sector. One of the things we have done is to support the development of clusters. I think last year I would have outlined some of those clusters. We have had two additional clusters added to that current list. We have a cluster for the computer games industry, for which we have some really leading-edge development occurring. Over half of Australia's computer games industry is based in Victoria. There are over 300 employees. We helped and supported the opening in April of this year of the Australian Games Innovation Centre, which is now based in Victoria. We are the major sponsor of the Australian Game Developers Conference, which is held in Victoria. We support those companies heading off to E3, where they do get a lot of business coming from that. That was recently held in the United States of America. It is held in the USA each year, and we have a worldwide reputation for being able to produce some of the most innovative games, and hopefully in the not-too-distant-future we will have the announcement of the first of the games developed on our Playstation 2 development kits that will have a worldwide market. I cannot pre-empt what it is going to look like or how it is going to play, but for you guys who love war games, you will really enjoy this one because it is the Second World War in the Pacific; you can all have a lot of fun flying those aircraft and shooting down the enemy.

We also have the e-learning cluster. We are world leaders in the development of e-learning tools, yet we do not use them enough within our own educational experiences. It is being taken up in corporate areas with accelerating rate. We believe there is a great future for these companies. There are 180 members of that cluster. They held the first of their e-learning symposiums in March of this year. Twelve of our companies attended the BETT educational technology show in the UK in January this year, and we are looking for some business outcomes in relation to that. We also helped sponsor the IDEA summer conference that they held in February. Victoria.net, which I have spoken about before, is now a model that has been picked up in Queensland and is being run out of Queensland as well, so we are looking forward to some more collaboration across that area. The two new ones which I should come to are RFID and ITS — the radio frequency identification cluster and the intelligent transport systems cluster — two very important clusters. The reason why these are a little different to our other ones is that that are cross-sectoral. They take in retail, manufacturing, transport and logistics as well. I am taking an unbelievable number of these people across to Aichi. We leave on Sunday. We thought we were taking 27. We are now taking 52. We have had to close it off which is the first time ever that we have had to close off so far out from an actual trip. We are taking them in clusters with agendas and itineraries that will meet the needs of the individual clusters that we are taking.

**Mr RICH-PHILLIPS** — In a similar area, can you make a distinction between the clusters you have just spoken about and the export development projects that are listed in the budget papers, and also I guess from your answer if they are specific commercial projects, what funding is provided within this output group to support those and how do they relate to the opening doors funding that is provided through DIIRD?

**Ms THOMSON** — They are not specifically commercial projects so we will clarify that in the first instance. The export programs will be things like our trade fairs and missions program, where we do take our companies and help sponsor them and subsidise them to go to these events. We are pretty strategic about that. We have been very careful about matching our companies' opportunities against what trade fairs and missions are out there and that we will support. I guess the most recent example will have been the trip to India that we did in November where deals were signed up while we were over there, so they took advantage of the commercial opportunities, but they were not ones that we assisted them in monetary terms to do. So there is no commercial gain in it. We have had 88 grants to date given in relation to our trade events, and we are anticipating export sales around \$195 million. That is year to date, so we should do a bit better than that. We try to meet the needs of our companies through the trade missions that we support them through and on. We help prepare the material. Spotlight on Victoria is one that we do, which is about presenting our Victorian companies for the overseas market, so they can understand some of the capabilities that we have here. We provide that documentation, which is prepared by us, and it demonstrates the breadth of the capability that Victoria has to offer in IT. We also use it as a tool in investment attraction, I might add. So we work on that level in relation to the companies. We provide a bit of facilitation, where we believe there is an export opportunity or a company has identified an export opportunity but needs another IT company, or larger IT company that would complement what they are doing that might be overseas based in helping provide the opportunity to meet with them and make contact with them in some way, and we would facilitate that kind of activity. So I hope that goes some way to explain —



**Mr RICH-PHILLIPS** — Some way. I am wondering if you can provide perhaps a list of the 35 for the current year so the committee has a better understanding of what you mean by the export development projects, and also in terms of your facilitation activities, is that not duplicating the work that is done by DIIRD? How do you make the distinction between DIIRD's area and your area and why are you both in the facilitation business?

**Ms THOMSON** — We have responsibility for the facilitation for ICT industry. DIIRD does not do that. We do that. However, in the business development area where they have business development programs in place, we do not do those. So there is very clear delineation between DIIRD and Multimedia Victoria which is understood by both departments, and we work very closely together to make sure that we are not overlapping, but more importantly that we are trying to ensure that there are no gaps in the services that we can provide. We also try and complement and work with the commonwealth as well. So where we can what we are attempting to do is to get complementary work being done not just across government but across jurisdictions. I might say we are taking, I think, 52 across to Aichi for the IT conference, and Austrade has managed to find four IT companies across Australia to go to Aichi so I think our record of being able to organise trade mission delegations is very good. Can I say one thing — —

**Mr RICH-PHILLIPS** — Austrade's is the same as normal.

**Ms THOMSON** — I will take this opportunity to say that I have met with my federal counterpart, Helen Coonan. I am hoping that from those discussions, which I thought were the most positive I have ever had with my counterpart in the IT area, I am hoping we might be able to work more collaboratively together and improve our capacity to get greater outcomes for our companies.

**Mr RICH-PHILLIPS** — Just on the dollars — you could perhaps take this on notice — are you able to tell us of this output group, how much of that funding is committed to your export programs?

**Ms THOMSON** — Yes, we can do that.

**Ms GREEN** — Minister, I refer to you page 116 of budget paper 3 relating to e-government infrastructure projects under way. Could you please provide details of whole-of-government ICT projects that have been undertaken that have delivered savings to government?

**Ms THOMSON** — I think it is important we understand what the potential is for us to capitalise on the whole-of-government and what we can do in relation to projects. The most obvious one is TPAMS, and we have probably covered the savings there and it speaks for itself. The other one probably that came as a bit of a surprise was the Victorian office telephony services for which we were able to get 21 000 effectively telephone handsets connected — what is that 5-digit number that we all dial internally at Parliament House or into the agencies from Parliament House? We were able to conclude that with NEC and it achieved cost savings of around \$5 million over a five-year period. That was probably a much better outcome than we expected to get. We thought we would probably come out cost neutral at best in relation to that, so we have actually managed to do that well.

I think the other thing we have done well with too is the establishment of the e-services panel for the whole of government for those lower-cost IT projects that may be undertaken, which means there is less administrative work for departments in letting the contract and all the work is front ended. It also has some additional spin-offs for our Victorian SMEs who find it much easier to enter into and gain contracts through the government through that process.

**Mr FORWOOD** — Minister, you might care to take this on notice as well. I wonder if you could provide the committee with a list of the 30 ICT projects and programs under way shown in ICT policy and programs on page 117 of budget paper 3, and the dollars that attach to them, and the 50 programs on page 175 of budget paper 3 under ICT strategy and services and the dollars that attach to them? I do not expect you to do it now, but that would be useful.

**Ms THOMSON** — We will certainly be able to provide you with a list of the projects. Whether we can give you a comprehensive list of dollars attached — we will do our best endeavours.

**The CHAIR** — Minister, you referred in your presentation to the broadband framework. Could you elaborate on the objectives of the framework and outline some of the benefits of it?

**Ms THOMSON** — Yes, I am happy to do that because the broadband framework for us is now our overarching document that looks at how we can utilise the way that we provide our services using the technology in a better way. We have six strategies under the broadband framework, so if I can outline those I might be able to give you some good examples of how we are utilising the framework to advance what we are doing.

The first is in relation to the aggregation of our telecommunications spend, and the outcomes I have gone through so I am not going to go through that one again, except to say that without TPAMS and that negotiated outcome, then the ability to use \$89 million to provide 4 megabits to schools would not have been able to be done. That is over a four-year period. We talked about \$43 million versus \$100 million so we would not have been able to do it without the outcomes of that.

Strategy 2 is leading broadband use. To that end the Hume regional broadband digital imaging project is an area in the north-east of the state where we have funded and supported the digitalisation of radiography up there. The links between the major hospitals and the minor hospitals linking to base hospitals, and ultimately being able to link to GPs, is a fantastic initiative. I actually got to see a GP talking, at the same time they were looking at an image in relation to a patient, to the base hospital at Wodonga, and able to get a specialist's advice on how they should deal with what was a break. It just means that we are really now going to be in a position to have this technology ensuring that all Victorians over time will have access to the very best specialists advice and care, no matter where they are in Victoria. I think these are great initiatives.

I also want to talk about the Yarra Valley enriched learning environment which I announced out of our broadband innovation fund, which is about utilising the school networks. So we have got seven secondary or post-primary colleges and about 40 primary schools all linked in James Merlino's area. It covers part of his electorate.

**Mr FORWOOD** — About one-tenth.

**Ms THOMSON** — It really is about enabling teachers to develop online curriculum together. There will be a training for teachers; it will be able to link in parents, and we are helping to provide support for that to occur so that parents can keep in touch with the school and ensure that their kids work is being done. There is a lot of innovation in that area. It is only going to be limited by their imagination as to how that will go, and we are really looking out for that.

There is one that I particularly want to mention in relation to our regional mobile digital mammography project, which is being jointly funded with Human Services and also some federal funding. But I just want to talk a little bit about what we are doing here because this is leading edge. Digital imaging is not new; that is not new technology. It is leading-edge technology, but it is being applied across the world. But what is a first for the world will be the fact that we will have this imaging available in mobile vans. So what it will mean for women in country Victoria is that when they go and have their breast screen done, if something is wrong, instead of waiting for lengthy periods of time for film to travel down to Melbourne to be looked at, where there may be some issues for that to come back to suggest retesting and all those sorts of things, it can be done immediately. It means that on the spot, if there is an image up there that the staff within the van have concern about, they can have that image transmitted immediately, looked at by someone who is a specialist in the field who may be able to indicate immediately what further action may be required or needed to be done, or whether there is just a fault in the actual image.

This has got to be a real relief for women in country Victoria who do not have to leave where their support base is; they do not have to sit there worrying as to whether or not there is something that they have to do; it will be dealt with in a far more efficient way. It can mean that if further treatment is required it will be done more effectively and in a more timely way, so it could change the whole prognosis for the woman involved.

**Mr CLARK** — Can I come back to the TPAMS contract and ask about two aspects of it? First of all, can you provide the committee with the scale of the charges that are going to be paid by the government in acquiring the various services from TPAMS? You are shaking your head; presumably you are going to tell us it is commercial in confidence?

**Ms THOMSON** — Commercial in confidence, yes.

**Mr CLARK** — Perhaps you could tell us therefore why you say it is commercial in confidence. The second aspect of my question is that in an era of falling telecoms costs, and naturally as time goes on you would expect telecommunications charges would diminish or the per unit cost prices would diminish, what assessments

have you done of the savings that are being achieved to government by TPAMS over and above the sorts of savings that would have flowed anyway from the general climate of falling telecommunications charges?

**Ms THOMSON** — Can I just say to start off with that there is no better deal that has been done anywhere in Australia than the one the Victorian government has now done with TPAMS; there is no better deal on offer to provide that kind of outcome.

**Mr CLARK** — I would like the evidence to demonstrate that.

**Ms THOMSON** — We cannot give the costings — it is commercial in confidence. The actual individual price reductions cannot be given out, but the fact that we have lowered the costs to government by around \$200 million over five years is a significant cost reduction in anybody's estimation. The fact is that we are going to see over \$100 million of infrastructure rolling out that will not be at government expense but at the expense of the telecommunications companies. Not all of that is fibre — some of that will just be upgrades to DSL exchanges that will be associated with the Optus rollout of \$20 million. Also there is infrastructure around mobile as well with the \$6.5 million Telstra is spending on the new EVDO mobile broadband service rollouts of a hundred base stations. When you consider the size of what we are looking at — 4000 government sites, 40 000 voice circuits, 25 000 mobile services and data that is 15 to 40 per cent better — it is just an incredible achievement. We are getting our mobile and voice services up to 40 per cent cheaper than before. But you are not seeing those kinds of percentages. Let's not talk about —

**Mr CLARK** — You can go and get free Internet-based telephone services quite readily off the Web. This magnitude of reductions, while it is obviously good news, is not necessarily the result of the contract versus the general decline in telecom prices. What I am saying is: give us the evidence that supports all the things you are telling us about what a good deal this is.

**Ms THOMSON** — We cannot give you the actual pricing. The pricing is the lowest —

**Mr FORWOOD** — You can, but you won't.

**Ms THOMSON** — It is commercial in confidence, and the issue is that these are ongoing. In your instance about will you continue to gain the benefits if costs continue to reduce, the answer is yes, because TPAMS is two years with an option for an additional one plus one plus one. We are talking about being able to look at what pricing is doing and take that into account with TPAMS. We have done that deliberately, understanding that the telecommunications market is always changing, and we have accepted that. I can tell you there has been a lot of work done by the department in relation to the costs to corporates and what they are receiving from their telecommunications buy, what other governments are paying for their telecommunications buy, and in relation to that we can have great confidence that we have put in place the best possible deal available in Australia for what we are getting.

**Ms ROMANES** — Minister, on page 117 of budget paper 3 there is reference to particular investment projects under way. With your responsibility for investment attraction for the ICT industry, can you provide the committee with details of what action is taken to attract ICT investment into Victoria?

**Ms THOMSON** — Thank you very much for the question in relation to this. We are probably at an important crossroads in the ICT industry. The market is getting more buoyant and there are greater opportunities. It is certainly the most global marketplace that you could find. When we talk about a global economy, certainly IT is where it really is. It is to that end that it is very important that, if we are going to have a strong ICT sector here with our own companies, we must also have a very strong presence of large corporations in order to achieve the reputation that we need to have globally.

We have been fairly successful in relation to that. In September 2004, I opened a 300-seat development centre for Satyam, one of India's largest IT companies. They are highly skilled jobs that have come to Victoria. It is the first centre that Satyam has set up that is as large as this — there is no larger one outside of India. That is significant. It is also significant for those who have gained those jobs. This is giving Victorians access to a global market and to global projects. It is going to be a great experience for them. As I said, they are 300 highly skilled jobs.

Hitachi has invested \$10 million to undertake research and development into fibre to the home and is doing that in collaboration with one of our small-to-medium companies here in Victoria, CEOS. This was actually facilitated

through our trade fairs and missions program that actually linked Hitachi and CEOS together. Logica CMG established a 24/7 global monitoring facility here in Melbourne. That actually came out of an approach and a meeting we had with Logica CMG also in India. Hansen announced in February of this year the opening of a new development centre in Melbourne which also is looking at that highly skilled area. It will look after and service customers outside of North America. As we bring in these companies, they then talk about the capabilities of the Victorian industry and that helps to gain a greater reputation for us internationally and gives us the opportunity to talk about collaborative work that can be done with our SMEs. In their own right they would not get access necessarily to the global market at all, because they are too small, but with a partner that already has access to global markets, it gives them a capacity to do that.

There is one other thing I want to mention too — out of my visit in November to India I had discussions — —

**The CHAIR** — Can you conclude on that, because you have had 5 minutes.

**Ms THOMSON** — I will conclude on this one point. In relation to this, in India in November I was able to meet with the industry minister for the state of Karnataka and to enter into an agreement that we would sign an MOU with that state. The Premier did that in April of this year, and that will mean greater ties to what is a very large IT multinational player and give us access to new and emerging markets.

**Mr FORWOOD** — Minister, I refer you to the role of CIO. I wonder if you could, firstly, advise the committee whether you still believe the division of the structure with part of the CIO being in Premiers and the rest of it being in Infrastructure is still appropriate at this time and when you anticipate that the CIO will move into Infrastructure — or perhaps the other stuff from Infrastructure will move into Premiers. Secondly, I wonder if you could advise the committee whether or not the review and advice function of the CIO covers situations such as that which you find on pages 49 and 50 of BP3, where you see that Education decided it wanted to have a 1:5 or better computer-to-student ratio and fell way short of its targets in both early and middle years. Has the CIO been consulted by the department of education on how best it can go about reaching the targets it set and which it continually falls way short of?

**Ms THOMSON** — On the separation of the chief information officer and the chief technical officer, the reason the office of the CIO was put within the Department of Premier and Cabinet in the first place was to ensure that all agencies understood the importance of the office; it was an overarching strategy. The agency was seen as neutral, in a sense. It could actually lead without having an agenda of its own, and that is very important.

**Mr FORWOOD** — We will send that to Terry; he will be pleased to hear that!

**Ms THOMSON** — He will be pleased, because the issue for agencies is that other agencies are greater users of IT and will have priorities for what they may need. The lead agency, as projects are being developed and business cases are being sought, does have to come at it with clean hands and a neutral position, and the Department of Premier and Cabinet does that. The Department of Premier and Cabinet also has a leadership role — there is no doubt about that — across government, which is only proper and correct, and it is utilising that role that the CIO's office has established at Premier and Cabinet. There are a number of priority areas that need to be completed that have commenced. Any changes to the actual housing or location of the chief information officer will, of course, be at the discretion of the Premier, as any machinery of government changes are, but at this point it is properly and strategically placed.

**Mr FORWOOD** — And education?

**Ms THOMSON** — In relation to IT projects that have been commenced — and agencies will continue to undertake IT projects — it is not the intention of the office to actually buy in on every IT project that is undertaken by government. What the office will be interested in is its strategic whole-of-government application, and whether or not it may have some purpose for which it may assist whole-of-government strategy.

In relation to individual IT projects, some departments do utilise the CIO for advice. In that project I do not believe the education department has, but that project has been under way for a long period of time, not a short period of time.

**Mr FORWOOD** — But you as minister would be concerned that it is falling some way short — —

**The CHAIR** — Thank you, minister.

**Mr FORWOOD** — Hang on.

**The CHAIR** — Thank you, minister.

**Mr FORWOOD** — She is in the middle of her — —

**The CHAIR** — The minister has — —

**Mr FORWOOD** — No, you stopped the minister talking!

**The CHAIR** — The minister has replied.

**Mr FORWOOD** — No, you stopped her!

**The CHAIR** — The minister had replied.

**Mr FORWOOD** — You stopped her!

**The CHAIR** — The minister had concluded her answer.

**Mr RICH-PHILLIPS** — You interrupted her.

**The CHAIR** — And I want to thank those in attendance for their contribution this morning. I appreciate the fact that the witnesses have attended. I also appreciate the fact that a large number of people, up until today, have spent a lot of time preparing for this hearing, so thank you very much.

**Witnesses withdrew.**