

# PROOF VERSION ONLY

## PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

### Inquiry into budget estimates 2008–09

Melbourne — 30 May 2008

#### Members

Mr G. Barber	Mr G. Rich-Phillips
Mr R. Dalla-Riva	Mr R. Scott
Ms J. Munt	Mr B. Stensholt
Mr W. Noonan	Dr W. Sykes
Mr M. Pakula	Mr K. Wells

Chair: Mr B. Stensholt  
Deputy Chair: Mr K. Wells

#### Staff

Executive Officer: Ms V. Cheong

#### Witnesses

Mr T. Theophanous, Minister for Information and Communication Technology,  
Mr H. Ronaldson, Secretary, and  
Mr R. Straw, Deputy Secretary, Department of Innovation, Industry and Regional Development.

**Necessary corrections to be notified to  
executive officer of committee**

**The CHAIR** — I welcome to the table Mr Randall Straw as we now ask questions, up until 4.15, on the information and communication technology portfolio. Minister, I know this is a very important area, certainly in terms of job creation. I know it is not an industry which is just for men but also for women, as demonstrated at Box Hill TAFE with the programs it has of encouraging girls to do ICT. But I want to focus on one thing first of all. You mentioned with a certain amount of enthusiasm Satyam coming to Victoria. I am not too sure whether your interest in India relates to your ancestors marching with the Grecian armies of Alexander the Great into India, but certainly we do understand your strong interest in this matter. I am just wondering whether you could address the investment attraction facilitation and tell us a bit more about this investment going into Geelong and how it is going to drive further ICT investment in this state? You will find it in BP 3 at page 150.

**Mr THEOPHANOUS** — Thank you, Chair, and thank you for your introduction. I did find it interesting when I was in India comparing Greek philosophy with Hindu philosophy, and I would be happy to give you a dissertation on that instead of answering your question, but I cannot find a budget paper for it. As a matter of fact I was given an education about how the Indians had invented zero, that the Greeks had never quite got to inventing zero in their maths.

**The CHAIR** — That is pretty important for IT, since it is based on 0 and 1.

**Mr THEOPHANOUS** — It is very important for IT because in IT you have 0 and 1, and you would not be able to do much without the zero, I can assure you.

Chair, can I try and tell you a little bit about this important project, the Satyam project. The first thing I would like to do is to commend Multimedia Victoria and the ICT section of DIIRD for the work they have done in getting this important investment into Victoria. This investment will result in 2000 new jobs, and as you are aware and for the benefit of Mr Rich-Phillips — I am sure he would be interested in this — when we do investment attraction of this sort it is always linked to a set of milestones that have to be reached and benchmarks that have to be met and so forth, so we are looking forward to those 2000 new jobs materialising over the next few years. I know that Deakin University is very excited about this because the expectation is that hundreds of new graduates out of Deakin University will be able to be taken up in that facility right next to Deakin University in Satyam, and work in the ICT sector.

This is a sector which is burgeoning in Victoria and which is creating a lot of value for us. It is not only in the software, incidentally; we are doing quite a lot of basic research in hardware as well — some of which is very exciting. And it is not only Satyam; we have a range of other players that have come in as a result of the government's activities. Even from the point of view of Indian companies, Infosys, which is another Indian company, has 600 staff in Melbourne. Birlasoft is an other one which has got 120. Beyond that, TATA Consultancy Services has 160 staff as well and it set up a global delivery centre in Melbourne in 2002. IBM is centred in Victoria. It is in Ballarat; its Ballarat staff is 800. It is hugely important from the point of view of Ballarat and regional Victoria. You can see that what we are trying to do is not only build capability but build it in specific areas, and we see Ballarat as being one of the IT centres in regional Victoria. Now we see Geelong as developing into an IT centre in that technology park that will be next to Deakin University.

**Mr SCOTT** — Minister, I refer you to page 148 of BP 3 and the section headed 'Science and technology'. Having studied some science at uni, I have a specific interest. Can the minister advise the committee what the state government has done for the ICT skills initiative in building on ICT skills for the future?

**Mr THEOPHANOUS** — In July 2006 the Victorian government launched the program ICT: Start Here. Go Anywhere. It was a very successful campaign, and it was so successful that it was adopted nationally. Again, this is another example of Victorian leadership which finishes up going national. That campaign aimed to encourage young people to study ICT and to undertake ICT courses. I think we have around 19 000 students in ICT.

**Mr STRAW** — About 34 per cent or 35 per cent of all enrolments of IT students come out of Victoria.

**The CHAIR** — Is that right? Are the numbers going up or down?

**Mr SCOTT** — What sorts of courses are classified as ICT, and how broad is that classification, or is that a question to take on notice — just as a clarification?

**Mr THEOPHANOUS** — Do you know the answer to that?

**Mr STRAW** — There are a broad number of courses at tertiary institutes around IT. There are obviously dedicated IT courses within science faculties and IT faculties. There are also a lot of double degrees around IT as well which work in other faculties as well, so it is certainly spread across a number of faculties at university.

**The CHAIR** — There are also a lot of courses at TAFE, too.

**Mr STRAW** — Yes.

**The CHAIR** — Particularly their post-degree diploma courses. Some specialise in them

**Mr THEOPHANOUS** — There are a lot of different courses, and the government has put in a lot of programs as well to try and deliver on this. Apart from the Start Here Go Anywhere project, we have also done Upload Your Future, which is another program we have across Melbourne and regional Victoria, which has involved 3600 students in years 9 to 12. It is about getting in earlier at the secondary level and getting kids to understand that ICT is not just about sitting in front of a computer but involves some exciting possibilities. The games industry, for instance, is a huge industry that is developing in Victoria arising out of the ICT capability. We are very confident that this industry will continue to evolve. Just to answer another question that was asked of me earlier, the Victorian government has also a number of initiatives involving women in this space, with the Victorian ICT for Women Network, which is designed to encourage more women into ICT careers.

**The CHAIR** — Thank you, Minister, not just for men but also for women.

**Mr RICH-PHILLIPS** — Minister, the government's election promises were partially funded through various government efficiencies, one of which was \$20 million in savings through integrated ICT projects across government, listed on page 282 of BP 3, which required savings of \$5 million per year from integrated ICT. Can you tell the committee what level of savings was achieved in 2007–08 through what initiatives, and what initiatives will be implemented over the forward years?

**The CHAIR** — I am not sure if you can do this year, but certainly forward.

**Mr THEOPHANOUS** — I am not sure that I can give you the information that you seek, Mr Rich-Phillips, because the implication of the cross-government ICT savings is not actually my responsibility but rather the responsibility of the minister for finance. However, obviously we are involved in the sense of consultancy and of being consulted, but the responsibility for the savings rests elsewhere. Did you want to comment any further; is that your understanding?

**Mr STRAW** — Certainly when the machinery-of-government changes happened at the last election and the savings initiatives were put in place, from my understanding, certainly those savings were apportioned across the component parts of IT — some, obviously, within Treasury and Finance; some certainly within DIIRD when functions came to DIIRD. The DIIRD allocation of those savings has been achieved — they have — and they will continue to be achieved in line with the government forward estimates.

**Mr RICH-PHILLIPS** — What types of initiatives were they to achieve those savings? What specific initiatives were undertaken?

**Mr THEOPHANOUS** — That is more of an overall DIIRD question, because it is not really an MMV question. MMV is the specialist ICT agency within DIIRD, but it is not responsible for finding all of the ICT-related savings within DIIRD. That is an overall responsibility. I do not know whether you want to comment at all, Howard, as to how those savings were achieved.

**Mr RONALDSON** — Without going into detail, the big driver for significant savings for this initiative is a common desktop environment. What is really driving it is getting like software and hardware across the service, with savings really being generated out of procurement practices. That is the essential driver for savings, at least behind these figures.

**Mr RICH-PHILLIPS** — So have those savings been achieved? Presumably those savings would occur at the time you roll out new hardware or new software. Has that occurred since those saving targets were set?

**Mr RONALDSON** — The best way to put it is it is gathering momentum. It really has not hit its stride yet. But you are right: the substantial savings in that whole line across the forwards really are yet to be achieved and will be achieved by procurement once there is standardisation of the desktop environment.

**Mr RICH-PHILLIPS** — And that is standardisation across the whole of government or just your department?

**Mr RONALDSON** — No, across the whole of government.

**Mr RICH-PHILLIPS** — What sort of time frame would you expect that to occur — that standardisation?

**Mr RONALDSON** — Now you are asking me outside my expertise, but I imagine it would take some years to get a standard desktop environment.

**The CHAIR** — You can take that one on notice.

**Mr THEOPHANOUS** — We can take it on notice. The only thing I would add is you know that the budget does allow for a Services Victoria business case. One that we are examining at the moment is really in its infancy, but it is part of us wanting to develop a more efficient way of delivering access to government for citizens, not only in relation to the way we deliver that access in terms of the worldwide Net but also in terms of other ways of delivering access over the phone and so forth where we may be able to achieve some additional savings. That work is going to be done out of Services Victoria. I am looking forward to the development of some business case arising out of that to see how we take that project further.

**Mr RICH-PHILLIPS** — You do not see that feeding into that line item — the whole-of-government efficiency line item?

**Mr THEOPHANOUS** — No. It is not contained within that line item. This is in budget paper 3 at page 331, where it identifies an allocation to undertake this work. I think it is \$4.4 million.

**The CHAIR** — Thank you for that. I might add the DIIRD did respond in terms of efficiencies and savings to our questionnaire. You will find it at pages 113 and 114 in the report which we tabled yesterday, and \$2.02 million was identified in terms of integrated focus on ICT.

**Mr NOONAN** — Minister, I want to ask you a question about broadband. I note on page 148 of budget paper 3, 'ICT policy reviews under way' which relates, in part, to broadband. I wonder whether you can outline what the state government has done to advocate strong competitive outcomes for broadband?

**Mr THEOPHANOUS** — One of the things we have done in relation to this area is that we, before a lot of the other states, took action to deliver broadband into many parts of regional Victoria, particularly into our schools. We entered into arrangements with Telstra in order to deliver broadband to all Victorian government schools. It has been a fantastic project, but a very expensive one I might say. We have spent overall in delivering broadband technology around the state \$300 million, and it has put us ahead of other states. I guess one of the things that will happen is that the commonwealth, in its expenditure of \$4.7 billion — one of the things it is doing is ensuring that broadband is delivered to all schools across Australia. From one point of view I suppose those states that did not take that action might benefit beyond what Victoria does. I do not know if you already know this, but we used the railway lines that were there in order to run the fibre and take it into country Victoria. Victoria acted when no-one else was willing to. We have infrastructure in place. I do not think we are going to get a discount for it from the federal government I am afraid.

**Mr NOONAN** — You will not ask?

**Mr THEOPHANOUS** — It has not stopped us asking for it, I can assure you of that!

**The CHAIR** — It is always worth asking.

**Mr THEOPHANOUS** — I do not know how receptive they are going to be to it. The point here though is that more important than even that of the construction of the infrastructure, and I made this point at the recent meeting of ministers in Canberra very strongly, is that our central point to this is competition. If it emerges that we

get a broadband network, an NBN — a national broadband network — which does not have an adequate level of competition, that will be a huge drawback in relation to our competitiveness going forward.

I explained to you how important it is for us to be competitive in industrial terms, in manufacturing and in a range of industries. We will not be competitive if there is not adequate competition in broadband delivery, so the question of how this finishes up in the end is of huge relevance to Victoria. If there is one integrated business — a vertically integrated business — and it is not subject to adequate competition, that is not a good outcome from our perspective, so we want to see very open access rules for other players to be able to come in and use whatever network is there. We want to see, ideally, even competition at the infrastructure level. But we certainly want to make sure that that competition is present, because if it is not it will affect our competitiveness going forward.

I will give you an example. The Tasmanian minister was scathing in Canberra when we met, because they pay about six times as much for the same amount of data to be delivered into Tasmania. That is because there is a single provider and one tube going down there. They can basically be charged whatever that provider wants to charge. We cannot allow ourselves to be in that circumstance.

**Ms MUNT** — You briefly touched upon ICT investment in Geelong. I was wondering if you could give me a greater level of detail of what that actually is involving?

**Mr THEOPHANOUS** — ICT investment in Geelong of course is going to be led by Satyam and the development of Satyam down there, but we do not want it to be exclusively related to Satyam. Satyam is going to build a facility of about \$75 million in Geelong next to the university down there, and it will employ 2000 jobs. But the vision for Geelong, from our perspective, is to try and get a hub — a technology hub — which involves ICT. I think it is probably premature to talk about a Geelong Silicon Valley, but that is the vision that Deakin University has. We would like to help them to achieve that vision. Part of it might be also surrounding the cultural precincts, where we might like to do something in that cultural precinct which relates to some high-tech things and showcase some of the capability in that region in ICT. The answer to your question is that Deakin University needs to develop its capability as an ICT training centre, and then with Satyam and a number of other players going down there we are hoping we can build a hub in Geelong which is going to be an ICT hub.

**Mr RICH-PHILLIPS** — Minister, I would like to ask you about Project Rosetta. As you know, the Auditor-General released his report yesterday. In relation to the operating recurrent costs of the project, you said that the project had exceeded its budget by 107 per cent. You had allocated, or MMV had allocated, 700 000 a year for four years — \$2.8 million — and the actual costs were \$5.8 million. Can you tell the committee what the recurrent budget for Rosetta operations is over the forward estimates period?

**Mr THEOPHANOUS** — I cannot answer your specific question, because the project is actually under the minister for finance. But I can speak more generally about the Rosetta project. This was a whole-of-government initiative. It was 2002 to 2006, so it was during that period. The responsibility was with the minister for finance.

**Mr RICH-PHILLIPS** — Sorry, Minister, can we just clarify that point. Previous ministers for ICT have claimed ownership of it. Has it transferred since it was completed, or —

**Mr THEOPHANOUS** — It was transferred from the minister for ICT to the minister for finance, and from Multimedia Victoria to the Department of Treasury and Finance, in January 2007, officially. The Auditor-General found that the initial project into implementation estimates were not realistic, as you are aware and you have referred to that. However, he also found that no significant cost or operational implications that the project was delivered from the expected capital cost. He also found that Project Rosetta was delivered successfully, that it delivered the planned functionality of a whole-of-Victorian government enterprise directory and a uniform set of electronic directories to the core 10 departments and that the project can be used as a foundation for future ICT projects across government.

It was a foundation project. I have mentioned also to you before that we are now looking to the future through Services Victoria in what will be the next stage of a whole-of-government approach to this important area. Services Victoria will look to — of course again as I mentioned we are looking at not just the Web but also a single contact number potentially going forward on a model of New York. You might know that in New York there is 311 number — there is a 911 but also a 311 — which is for access to government through a single number. We are investigating a range of those potential innovations for the Victorian government through the Services Victoria project.

**Mr RICH-PHILLIPS** — I will take it up with the minister for finance.

**The CHAIR** — That is a task for our next hearing. That concludes consideration of budget estimates for the portfolios of major projects, industry and trade, and information and communications technology. I thank the minister and departmental officers for their attendance today. The committee has a couple of issues we will follow up with you, and there may be some questions forwarded to you in writing at a later date. The committee asks that written responses to matters be provided within 30 days. I thank Hansard as well.

**Committee adjourned.**