

VERIFIED TRANSCRIPT

PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

Inquiry into budget estimates 2010–11

Melbourne — 11 May 2010

Members

Mr R. Dalla-Riva

Ms J. Graley

Ms J. Huppert

Mr W. Noonan

Ms S. Pennicuik

Mr G. Rich-Phillips

Mr R. Scott

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Witnesses

Mr J. Lenders, Minister for Information and Communication Technology, and

Mr Randall Straw, Deputy Secretary, Department of Innovation, Industry and Regional Development.

The CHAIR — I now welcome Mr Randall Straw, deputy secretary, Department of Innovation, Industry and Regional Development. I will be calling on the minister to give a brief presentation of no more than 5 minutes on the more complex financial performance information relating to the budget estimates for the Information and Communication Technology portfolio.

When the button is ready I am sure we will be able to start the presentation, which has already been circulated.

Mr LENDERS — While in the financial services portfolio I circulated a document, in ICT I would not presume to circulate a document; it will all be electronic.

Overheads shown.

Mr LENDERS — Slide 1 is just a very brief outline: ICT is spread across a range of portfolios. I, essentially, in my ministerial portfolio have responsibility for the industry itself, as you would expect from a Department of Innovation, Industry and Regional Development minister, and that is generating and facilitating jobs and the things the industry needs. I also have carriage of ICT as an enabler, so, again, we can support that innovation that lets ICT be used to take functions that otherwise would be done in a far less efficient or less interesting way.

Just for the record, the digital divide, the community use of ICT, is under the portfolio responsibility of the Minister for Community Development, Lily D' Ambrosio. The main procurement, the government use, is under the responsibility of Tim Holding as the minister for finance, with the responsibility of the government services group in DTF and then individual procurements all under a number of individual ministers. Mine will be on facilitating the industry and some of the applications that can be used for ICT as an enabler.

The sector through the global financial crisis — again, this is a sector of the economy that grew. We have two measures up there: revenues, exports. They go up and down a bit depending on data time and where you are in individual contracts. Also of course we have seen jobs go up strongly over that period of time and we have seen exports continue to go up strongly. So we have got 87 000 people employed directly in this sector, and we are seeing it as a sector that is growing.

If we look at achievements in the last year, we have attracted jobs, which is one of the measures going forward, and that has been facilitated by capital investment going forward. We have also still facilitated a lot of exports. I led a mission of small Victorian ICT companies to Mumbai and Bangalore. The sort of work that DIIRD can do through our mission in Bangalore is to give support to get some of those small companies export opportunities overseas. It is great to see Victoria growing jobs in doing that. So, we have facilitated.

Then there is the skills package — I have talked on skills before. A number of broadband projects of our own within the broader framework of what the National Broadband Network is doing through the commonwealth. These are the sorts of things — hard infrastructure itself but also through IBES and others — where we see real innovation and skills and R and D coming in and a series of new initiatives going forward.

If we move on we now come to applications and what we are doing to generate our community interest.

Video shown.

Mr LENDERS — So, Chair, an example of the sort of work we do to engage our young and innovative people. It is extraordinary, some of the apps that are out there now. For people just to get government data out there, to get young people working — and some not so young, but mainly at the younger end of the spectrum. It is amazing what is generated and achieved, and that is part of the facilitation this portfolio is about.

If we go through priorities, clearly the biggest priority for us this year is facilitating the rollout of the NBN, and perhaps Mr Wells can get an app on finding things in the budget. That might be a challenge for him on this.

The CHAIR — Is that a BlackBerry application?

Mr LENDERS — The other big thing of course for us is rolling out the new ICT plan for Victoria, and you did flag you would ask all ministers a question about where we are going. This is the new four-year plan for the future going forward. They clearly are the two biggest priorities in the portfolio this year.

If we move through, we find that that is the end of the presentation. Succinct, a bit of good ICT in there and a budget app, Chair, hopefully that will help people find special boxes in the budget and will be a great one for next year.

The CHAIR — I am not sure how Hansard is going to deal with the apps.

Ms HUPPERT — I think that that type of application you have referred to might be quite useful in the current circumstances that we have had experience of this morning.

I am actually interested in the national broadband network, and there has been a lot of media lately about the benefits that will flow from it. I wondered if you could give us a little more detail about how the money that is assigned, the output for ICT projects and programs, will be used to deliver the NBN and the benefits for Victorians.

Mr LENDERS — I thank Ms Huppert for her question. What we have in the output here is a range of areas. Firstly, we use, through the output, the resources of DIIRD. This portfolio has a budget — again, a modest budget. What it does is guide how we facilitate the use of resources going forward. I think the most significant thing here is that we want the environment in place that lets the NBN roll out in Victoria more quickly than the commonwealth would otherwise be providing. The commonwealth has a grand plan. It has a plan that will roll out fibre to the premises; it will roll it out across the whole country — or for 90 per cent to the premises and the rest are a mixture of satellite and wireless. This will mean every premises has high-speed broadband.

Clearly for us, the quicker we can leverage that in Victoria — and there is already a pilot project happening in Brunswick — the quicker our communities and businesses will get benefit from it.

Firstly, we wish to roll that out as fast as we can to facilitate that with the commonwealth. Secondly, on some of the really good things that Victoria has to offer as a location, like the national operating centre and a whole range of the administration and research and development behind the national broadband network, we are obviously in ongoing and productive discussions with the commonwealth into how many of those enduring jobs will come into the state of Victoria and build on the ICT base we already have.

We are the centre for ICT for graduates going through; we have the highest numbers. We are the R and D with companies themselves. I mean the very fact that Telstra itself, the largest ICT company, has its headquarters in Melbourne means there are a lot of other industries that are around it. We think the commonwealth will be able to run its NBN more efficiently with a better skilled workforce by actually having it based out of Melbourne. While I am not at liberty to announce — that is a prerogative of the commonwealth — as to exactly what jobs will be coming down here, I am absolutely confident we will get a very strong share of those jobs that are going forward because we are the best environment to do that. We have the skilled workforce. We have so much of the supply chain in here now, in actual production but also in R and D, that assists considerably in growing the NBN. It is a great outcome. If you look at a small business in Victoria, our modelling shows that on average they will be \$5000 better off per year by having high speed fast broadband connected to the business than they would be if it was not there. It is a transformational technology for our community, without even going into apps that you can run more speedily.

Ms PENNICUIK — I have a similar question which sort of follows up from what Ms Huppert was saying and also in your presentation, Treasurer, which was that the ICT industry plan I think comes to an end this year. Are you saying there is a new plan, and is that for four or five years? That is one of my questions. Where you are talking about the NBN, can you detail how Victoria is actually going to improve broadband availability particularly in regional areas between now and when the NBN comes in, which is up to eight years away, including whether that would involve such things as the fibre links?

Mr LENDERS — As the?

Ms PENNICUIK — As the VicFibreLINKS network.

Mr LENDERS — Firstly, there is investment in VicFibreLINKS going forward; there is an investment in there. Ms Pennicuik said, ‘Is it a five-year plan?’ It will be a four-year plan. The significance of it is we have an ICT ongoing plan going forward and we refresh the plans. We are going through a process at the moment of discussions with industry, whether it be Randall as deputy secretary of the department working with industry, or

me chairing round tables of stakeholders, let alone the dialogue going forward with the three main industry associations as to ‘What do you need to grow this sector in Victoria?’. That is an ongoing part of the plan. The plan will not be some radical new document. What it will be is looking at what has worked under the previous four-year plan, where we have come in that time and where we need to go. The classic is that four years ago the idea that a national government would have the vision to go forward with a national broadband network would have been something that no-one would have contemplated in a plan. Clearly the plan on what we do for broadband and a range of other things, or the infrastructure — —

Originally of course it was the Victorian government that put what then seemed high speed broadband — not so fast now — into every government school. That was actually the starting point of lots of communities having access. The plan needs to evolve with circumstances. As I said, the biggest change since the last plan came about was the NBN. We will work with the commonwealth in rolling that out.

The challenge of course for us as a state is that you can add value to that. If the commonwealth is coming in already with a commitment to connect fibre to the premises everywhere, or, if it is a remote area, which basically is a community of less than 1000 people, it may be the option that you have satellite or wireless to deal with that rather than the fibre to the premises. Their commitment is that universal coverage going forward. It begs the question ‘What should a state be doing?’. It is a legitimate question in the sense of does a state rush forward extra infrastructure to speed that up when the infrastructure is coming anyway, or can the state get the environment in place to encourage the commonwealth to put that infrastructure in more quickly than it otherwise would? There are a range of options for us, but we are absolutely convinced that if we make this the quickest place, the most efficient place and the friendliest place to do business, where you work with the commonwealth, where you have the skills and you have all of those other things in place, the commonwealth will bring more of it forward than it otherwise would.

But there is ongoing investment in the last budget. VicFibreLINKS continues to roll out, and of course if you look at budget information paper 1, you will see a number of capital works programs which are just reported on year by year — what we rolled out from what we have previously announced. The environment for us is incredibly exciting. It is the infrastructure that lets you do the applications on it. ICT is an enabler; it is transforming our society in so many ways. We are just delighted that we finally have a national government that is seeing it as part of its responsibility to roll out this network, so that our society can get on with it and it will make a big difference.

Ms PENNICUIK — In your budget paper 3, page 122, it mentions ICT projects under ‘Science and technology’, and the total budget is \$164 million, but how much of it is for ICT projects?

Mr LENDERS — DIIRD as a department is one that has a series of ministers. The budget aspect of both my portfolios is modest by DIIRD’s standards. If you compare it to skills, regional development or a range of others, it is a modest budget. Randall Straw, as deputy secretary, has carriage over my area of ICT, he also has carriage over the industry and trade area, he also has carriage over the innovation area, and possibly a lot more — Randall is a very busy and capable man. What you see across DIIRD of course is that if in the IT space there is industry support, that comes out of the industry and trade component of the department. With ICT, we do not actually allocate the funds per se. A portion of those will be for ICT projects, but the way DIIRD operates is that we measure them as industry support more generally.

I am not sure, Randall, whether you wish to add anything to that at all, or we can take it on notice and quantify what part of that industry support is ICT, but as the facilitating minister my issue is to get the policy foundations right and the facilitation right. It is technically an issue for the Minister for Industry and Trade as to where the investments in the portfolio go. We can probably get you something on notice, if not a preliminary answer to it now.

Ms PENNICUIK — Treasurer, there are 37 projects there, and then there is a whole stack of other projects that are listed under ‘other subjects’. I would like to get that detail.

Mr LENDERS — The general construct we will have is: clearly here there will be a budget line for investment support, which ICT and financial services for that matter have a capacity to draw on, like any other part of the DIIRD portfolio will. While it is administered by the Minister for Industry and Trade, it will be recorded in the DIIRD annual report, but we will not necessarily put a line next to each of those named projects

what the quantum is, for obvious commercial reasons, in the annual report we will list all the projects that receive the assistance and the quantum for the whole lot together. I will take on notice how more specific we can be without breaking that basic — —

If we start breaking it down into ICT as opposed to other parts of the investment support, we may start compromising some of those commercial-in-confidence arrangements. We will need to take that on notice. Randall, did you want to add anything to that?

Mr STRAW — No. The funds for the ICT portfolio are spread across about five of the outputs areas. As the minister pointed out, there are specific funds for the ICT portfolio, but there are other programs within the DIIRD area and other industry and trade portfolios that also benefit the ICT industry and ICT projects as well.

The CHAIR — It would be very good if you could give us some further information on those. Thank you, Minister.

Mr SCOTT — I also refer you to page 122 of budget paper 3 where there are references to ICT projects, programs and policy reviews. Could you outline the state of ICT skills in Victoria and what government initiatives have been implemented in this area?

Mr LENDERS — ICT skills are one of the areas that we continue to invest in as part of the growing service economy that gives us a competitive edge. I talked a lot on financial services about the growth there and similarly in ICT. The most critical starting point for us is what happens in our school system, when you start getting that ICT is a career, something that surprisingly has not been that strong to date when you would think it would be. For members of Parliament who do those deb balls, I guess, using as a test where someone reads out what people's aspirations are going forward as a measure — —

Dr SYKES — I do that.

Mr LENDERS — That is what I am saying, Dr Sykes. When you get a group of year 10 or 11 students coming forward, and the compere saying, 'What do you want to do in life?', there is a lot of ICT in there that people want to do. But historically when it comes through into schools and university courses it has been weaker than we would have liked. There has been a pretty strong effort, whether it be in supporting the ICT teachers associations or the commerce teachers who deal with it, or whether it be supporting various programs in curriculum to try to get a greater nurturing in schools of ICT as a career going forward. Clearly when you go from the school space to the post-school space of either TAFE or university, we are seeing a very welcome uplift in interest both from people applying for those positions and also from those taking them up and therefore feeding more generally into the workforce. In that regard skills have been a fairly systemic area we need to go through.

We have invested fairly heavily in facilitating that, whether it is through the teachers associations or through advertising campaigns to encourage young people to see this as a career path going forward, but of course the most significant are the significant reforms to vocational education and training to try to make things far more demand driven, so if you have the student who is looking for the training to get them into a job and you have the employer who is trying to find the skills to match in a demand system that is clearly the most systemic reform we are putting in place to boost ICT skills.

We have seen a 12 per cent increase, for instance, in applications for university first preferences in ICT over the last couple of years, which again is a sign that that is starting to work. But the reality is we need to continue to be vigilant in this space. The strongest growing part of our service economy has been financial services, ICT and professional services like overseas education generally. The investment in people is what will deliver these into the future, and if your skilled workforce is one that not only has the technical skills but also the intellectual application to be innovative and to move forward — and app my state is exactly part of fostering that culture — then this will continue to grow strongly, and it will be a more and more prominent part of the Victorian economy going forward.

The CHAIR — I notice Mr Rich-Phillips has his computer in front of him, so it is probably quite appropriate that he asks the next question.

Mr LENDERS — But does he have an app on it, Chair? Has he got a good app?

Mr RICH-PHILLIPS — It has been very useful this morning.

The CHAIR — It is the search facility actually.

Mr RICH-PHILLIPS — Just on that point, I think the apps idea is a good one. I note South Australia has already done it. It has a very good tourism app available and it would be good if Victoria could catch up with that. Could I ask about the ICT industry plan, and the slide that shows ‘step the trends’.

The CHAIR — It is the one with the triangles and the squares on it.

Mr RICH-PHILLIPS — What I would like to ask about is the current ICT industry plan spans the period 2005–10, but the chart we have up on the screen basically suggests there was strong growth in ICT employment before the plan came into action, and since the plan has been in place employment has been static, which I do not think reflects particularly well on the plan given one of the key objectives of the plan was to grow employment. My question is: does that indicate the current ICT industry plan has failed in respect to employment, given the growth before, and how is the new plan going to be different in that regard?

Mr LENDERS — Firstly I would say — and I am sure Mr Rich-Phillips is being mischievous — there was this minor international event called the global financial crisis that came exactly at the same time — —

Mr RICH-PHILLIPS — That is at the end.

Mr LENDERS — The global financial crisis came forward — —

Mr RICH-PHILLIPS — We had a boom — —

Mr LENDERS — We had the global financial crisis — —

The CHAIR — Without assistance. The minister to answer.

Mr LENDERS — I suspect, Chair, that — —

Mr WELLS — The global financial crisis — —

Mr LENDERS — Someone like Mr Wells may have been dubious. In fact — —

Mr WELLS — Four years — —

The CHAIR — No interjections.

Mr LENDERS — When, Chair, I recorded last year that our economy would grow by one-quarter of a per cent I was told I was ridiculously optimistic and I was somehow or another hiding a recession.

Mr WELLS — Is that what the Prime Minister says?

The CHAIR — Without assistance.

Mr LENDERS — I would think, Chair — —

Mr WELLS — Are you sure? That is not — —

The CHAIR — Without assistance. Ignore interjections.

Mr LENDERS — So, Chair, I think it reflects very clearly that what we had with the global financial crisis had an effect on ICT. It had an effect on ICT in Victoria; it had an effect on ICT in every other part of the world. I think it is worth knowing that over the past year ICT employment has gone up by 3.5 per cent. Mr Rich-Phillips asked a legitimate question: if we do a plan, we should be accountable. Has the plan worked or not worked? When the plan came into place, quite clearly we did not foresee a global financial crisis, and what we have seen with our plan is that our particular industry sector has grown in employment and grown in value of exports, which I would have thought was a pretty good sign that there was a plan going forward which has achieved very important outcomes.

I think it is also worth looking at where the economy has gone. I was asked at this committee last year was I being a pollyanna saying that only India, China and Australia would grow, and I know Mr Dalla-Riva helpfully said, 'And Zimbabwe'. I can actually say that Zimbabwe has grown if you believe the Zimbabwean Central Bank, Mr Dalla-Riva, but I will not go down that path, but China, India and Australia did grow, and I forgot to mention Poland and the Slovak Republic. But beyond there, no other members of the OECD actually grew last year, so when I came here last year and people laughed about my predictions and I made the comment in response to a question that it would be Australia, India and China, I did neglect to mention Poland and the Slovak Republic. I do concede I neglected to mention those, but this is a reflection of the global financial crisis that has hit every major economy.

Those opposite have been finally energised by ICT. They might have an app that will help them understand the graphs a bit better, and hopefully they will put in for the app, get a bit of prize money out of the Victorian government and come up with some apps that help people understand charts.

Mr RICH-PHILLIPS — Before you move on, I do not think the Treasurer has addressed this. The GFC is the last year of that chart. We are looking at a five-year trend which shows that employment has essentially been static, including more or less through the GFC. For the period of the plan, the five-year period of the plan, you have not had the employment growth you had before you had the plan.

Mr LENDERS — We have had stronger employment than there was before the plan. In the previous plan from this government we saw employment rise.

Mr RICH-PHILLIPS — That plateaued when the plan came out.

Mr LENDERS — Mr Rich-Phillips talks of plateau. It is amazing how people are so willing to dismiss the global financial crisis. Mr Wells last year was saying we are in recession in Victoria, and now we have got —

Mr WELLS — How long has it been going? Randall, help him out for goodness sake. He is digging a hole here — —

Mr LENDERS — Those opposite are getting extraordinarily excited.

The CHAIR — Just a moment, please. I remind members that interjections are unparliamentary, and normally in relation to interjections Hansard records them if they are responded to. It is not a conversation here, so Hansard should ignore any interjections which are not responded to, and most of them are not responded to, because I am sure the Treasurer will continue to concentrate on providing the answer rather than responding to interjections, and I would urge members to stay in their seats.

Mr LENDERS — In conclusion on Mr Rich-Phillips's supplementary question, we have seen a series of ICT plans that have brought the industry in Victoria strongly forward. Whether you measure it in jobs growth, whether you measure it in exports, whether you measure it in the number of students going through schools and through tertiary qualifications in this area, whether you measure in Research and Development going forward, or whether you measure it in the commonwealth's willingness to make big investments in Victoria for the NBN program or what the private sector does, I believe Victoria has withstood the global financial crisis better than most. We have seen real growth in jobs, and we clearly will have an ICT plan. The next iteration will be one that takes into account the most massive aspect of ICT in probably this decade, which is the commonwealth's initiative on the national broadband network, which will clearly be a centrepiece of what we value add around in the next four-year plan.

The CHAIR — Thank you, Minister. I am sure we will get a copy of those plans if that is possible. It is probably on the web but if you could just direct us and the secretariat — —

Mr LENDERS — Yes. Clearly we are working on updating the current plan. The existing plan we can obviously hand over, and as soon as the current plan is released, we will be delighted to hand it over to the PAEC secretariat.

The CHAIR — Thank you for that because we are interested in longer term, medium-term plans and strategies rather than short term. That concludes consideration of the budget estimates for the portfolios of

Treasury, information and communication technology, and financial services. I thank the Treasurer and departmental officers for their attendance today. Where questions were taken on notice, we will follow up with you in writing at a later date. The committee requests that written responses to those matters be provided within 30 days. Thank you very much. I know you have had a longer session, so thank you for your patience.

Mr LENDERS — Pleasure.

Committee adjourned.