

# VERIFIED VERSION

## PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

### Inquiry into Budget Estimates 2012–13

Melbourne — 18 May 2011

#### Members

Mr N. Angus

Mr P. Davis

Ms J. Hennessy

Mr D. Morris

Mr D. O'Brien

Mr M. Pakula

Mr R. Scott

Chair: Mr P. Davis

Deputy Chair: Mr M. Pakula

#### Staff

Executive Officer: Ms V. Cheong

#### Witnesses

Mr G. Rich-Phillips, Minister for Technology,

Mr H. Ronaldson, Secretary,

Mr R. Straw, Deputy Secretary, Innovation and Technology, and

Mr J. Strilakos, Chief Finance Officer, Department of Business and Innovation.

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

**The CHAIR** — I now welcome from the Department of Business and Innovation: Mr Howard Ronaldson, secretary; Mr Randall Straw, deputy secretary, innovation and technology; and Mr Jim Strilakos, chief finance officer.

Before we proceed further I should say, given that I know we are getting to the end of the day, that members and others might not be listening if I were to do this at the very end, so I am actually going to intervene and thank Hansard staff for their forbearance through the last 10 days. Thank you very much. I am confident that the transcripts we receive will be very useful for the purposes of drafting our report.

I also want to acknowledge the effort that has been made by the Parliament, and Hansard again, in the webcasting. The minister will know that last year for the first time we audiocast the estimates hearings as, in a sense, a trial. It was very much a trial, and as a result of that the Parliament has been able to establish the webcast facilities, which we have used through these hearings. All the advice, feedback and commentary I have heard are that it has been excellent. I have not been able to see it, because I am here. I am looking forward to the next iteration when we will actually be able to have some storage capacity in the Parliament so that members can access that after the fact. We will be looking forward to the Assistant Treasurer making representations during a future budget process about that.

As one of the innovations that has been introduced this year, the Deputy has pointed out that there is a secret dump button as part of the new technology, and I thought I would advise the committee that I am contemplating the next technical innovation that we may introduce next year will be the secret lever with a trapdoor under each of the seats of the troublemakers!

**Mr PAKULA** — Or *Get Smart's* cone of silence; bring it down over our heads.

**The CHAIR** — With that, as I say, thank you very much to Hansard and all of the other staff, including the secretariat staff, who have been working very hard to make sure these hearings have been effective. Without further ado, I ask the Assistant Treasurer to give a brief presentation of no more than 5 minutes on the more complex financial and performance information relating to the budget estimates for the technology portfolio.

#### **Overheads shown.**

**Mr RICH-PHILLIPS** — Thank you, Chair. I will not respond to your earlier invitation around parliamentary matters. The technology portfolio brings together three areas of technology, being ICT, biotechnology and small technologies, and it builds on work that has taken place in Victoria over the last two decades. If you go back to the days of the Kennett government with the creation of Multimedia Victoria, when Randall Straw joined us, we have had continuity of policy through successive Victorian governments, particularly around the ICT area in supporting the development of ICT in this state, both in a research and development sense and also in an industry sense. I think it is fair to say that Victoria is now yielding the benefits of that continuity of focus and continuity of policy. With the change of government last year, the role I have was broadened from the previous role of ICT to include biotechnology and small technologies, because we see a similar opportunity for those sectors to be developed.

In terms of the slide presentation, there are only a couple of slides for the technology portfolio. The first one just relates to election commitments made in 2010, and it talks about the delivery of those with the Victorian Biotechnology Advisory Council and the delivery of what we committed to in terms of a new ICT plan, which was delivered in the form of the Victorian technology plan for the future, which has the three elements, being ICT, biotechnology and small technology, and also work around the NBN in terms of attracting opportunities for Victorian companies to work on the NBN.

The next slide picks up the targets which are included in the Victorian technology plan for the future. The blue bar shows the targets in terms of capital investment and exports for both the ICT and life sciences sectors, being biotech and small tech, and tracks performance on a year-to-date basis, being end-of-April data. You can see that currently all those four measures, exports and capex for both ICT and life sciences were tracking above or on the targets that were set.

The next and final slide shows again against the targets which were established in the plans for job creation: with ICT, 1000 jobs; and life sciences and the biotech/small tech, 150 jobs. We expect both those targets are on

track to be exceeded in this financial year. I will leave it there, Mr Chairman, and welcome questions from the committee.

**The CHAIR** — We have fairly limited time for questions in this portfolio, so I will be quick. Given the key growth and efficiency initiatives announced in the budget, can you please outline for the committee the likely impact of the budget on enhancing service delivery, promoting productivity and achieving efficiency gains within this portfolio? In responding could you please also indicate how you intend to monitor the portfolio's effectiveness in maximising improvements in these areas, and could you please inform the committee what you consider to be the likely impact of your initiatives on industry and the community stakeholders in the portfolio?

**Mr RICH-PHILLIPS** — Thank you, Mr Chairman. The big initiatives for this portfolio are the initiatives announced in the Victorian technology plan for the future across the three streams. There are two elements to that plan; one is in the traditional industry development area, and the other is productivity and driving productivity in the broader non-technology economy. As a consequence of that focus, we believe the plan is particularly important for driving those productivity objectives of the government. I imagine the committee has by now, over the course of the last two weeks, heard about the government's four economic pillars.

**The CHAIR** — Tell us again!

**Ms HENNESSY** — Some said there were five. We can't work it out!

**Mr RICH-PHILLIPS** — There are four, one of which relates to productivity growth in the economy. We have seen over the last decade that productivity growth in Victoria has not been where we would want it to be. Turning that around is obviously an imperative to driving an improvement in the standard of living for the Victorian community. One of our focuses working in DBI with the industry development role is ensuring that we can drive some productivity growth in the sectors that we work with. That is the focus of the plan, so certainly to the extent that the budget delivers the plan objectives and the targets established in the plan we believe it will be very much a positive for the relevant technology industry sectors as a consequence of those initiatives.

**Mr PAKULA** — Minister — a process with which you are very familiar — I ask you to turn to budget paper 3, page 88. The DBI output summary shows an overall 7 per cent variation negative for 2012–13 but in the innovation and technology line item a 20.1 per cent variation negative. Between DBI's revised output for 2011–12 and the output for 12–13 in total there is a \$66.3 million cut. We have asked the other DBI portfolio ministers about their portfolio responsibilities, any cuts and the weight that their particular portfolio bears, so I ask you the same question. In programs that have been cut, ceased or reduced in the technology portfolio of DBI, can you detail what the burden is for your portfolio area?

**Mr RICH-PHILLIPS** — In response to Mr Pakula's question, in the technology portfolio the impact is comparatively small. There are two areas where that reduction has an impact. One is the Connecting Victoria program, which is a half-a-million-dollar impact, and the other is the biotechnology plan, where the impact is 1 million. Of course the structure of the outputs span — basically I think there is an output that spans three portfolio areas. The majority of those changes, pluses and minuses, are in the other portfolio areas.

**Mr PAKULA** — A very quick follow-up: can you just tell us, if you can, the impact of that million and half million in biotech and Connecting Victoria. Does it mean the programs cease, or does it mean they are just scaled down? What is the actual impact of those reductions?

**Mr RICH-PHILLIPS** — Essentially it is a scaling down of the programs. They will continue at a reduced level, but I do not expect the impact will be significant.

**Mr MORRIS** — Minister, in your preliminary remarks you referred to the formation of the Biotechnology Advisory Council. Can you update the committee on what has been happening. Obviously it has been formed, but how has that been going?

**Mr RICH-PHILLIPS** — I thank Mr Morris for his question. The Victorian Biotechnology Advisory Council was an election commitment of the government's, which was funded in the budget last May and has been established over the course of the current financial year. The committee was formally established in December, following a selection process where we sought membership from the biotechnology sector. We went

through an expression of interest process which received quite a substantial number of applications from people who wanted to join the council.

Importantly they are joining not as representatives but as individuals who have particular expertise in the biotechnology area. Basically the role of the council is to provide advice to government and provide a direct link to government and the biotechnology sector. We see this as an important industry sector with a lot of opportunity for growth. The value of the council in creating that direct contact between government and high-calibre individuals with standing in the biotechnology community was seen as being important, rather than having representatives of organisations.

The council was formed in December. Members were appointed, and it met for the first time. Professor Ian Gust, who is currently the chair of the Bio21 Cluster, was appointed chair of VBAC. The council has now met on two occasions. Funding was provided in the budget of \$1.2 million over four years to provide secretariat support for the council. Basically one of the first matters I have asked the council to take a look at is the report that was produced by the Auditor-General last year looking at government programs around biotechnology and the performance measures associated with those programs.

One of the challenges for government programs in this area — and it also goes to what successive Victorian governments have previously done in ICT — is a lot of the programs are focused on R and D and do not necessarily have an immediate payoff in terms of either increased investment or job creation. Nonetheless, they do have long-term benefits. The auditor, in his report last year, raised the issue around the performance measures that are put in place for the programs that the government is rolling out in biotechnology. It focused on programs under the previous government, but the reality is the same issues will arise for programs under the current government; so as a first piece of work I have asked for the biotech advisory council to look at the recommendations from the Auditor-General and identify ways in which we can better track the performance of those initiatives which are put in place which are long term for the benefit of the state, which may not have short-term, immediate, measurable outcomes within 12 months or two years. That is the area that Professor Gust and his team have started on, and they are already doing some very good work there. They met in December and met in March, and it is proving to be a very useful mechanism for government in having that interaction with the biotechnology sector.

**Mr SCOTT** — Minister, I would like to ask a question about the rapidly expanding mobile phone and tablet application sector of the ICT industry. Sadly there was the public transport app, about which probably the less said the better, but would the minister advise what action he is taking to work with the Victorian ICT industry to assist it in achieving its potential in developing apps for a range of mobile phone and tablet platforms, including Android, Windows phones, BlackBerrys, and not just iPhones.

**Mr RICH-PHILLIPS** — I thank Mr Scott for his question. This is a great opportunity for Victorian companies — the development of a new suite of software as people move to tablet devices and personal devices, of which a number are scattered around the table today.

**Mr SCOTT** — And phones as well.

**Mr RICH-PHILLIPS** — And phones, yes. Last year the government launched the VicEvents app, which was an app to highlight events taking place in Victoria and which was done both to promote a number of the tourism events taking place in Victoria but also as a kick along to the development of applications for hand-held devices. We think there is actually a lot of potential in there for small ICT companies in Victoria to develop inexpensive simple applications. That is one of the great advantages of the way in which the tablet market has developed — that there is a vast number of small suppliers developing single issue apps as opposed to the traditional software market. We think there is a lot of potential there, and the Victorian government has undertaken various apps across various portfolios, which create opportunities.

One of the other areas that the government will, I expect, have more to say about later this year is the availability of government data and the way in which the availability of government data can drive the development of new applications. The release of public sector data — obviously not personal data but the vast quantity of data that is held across government — and making that data available has in a number of jurisdictions really boosted the development of new applications for personal devices, particularly in Asia. Singapore has been very good at it, and it is something that my two departments — both Treasury and DBI —

are working on to see what can be done in terms of making Victorian government data available to drive innovation and to encourage innovation in application development.

**Mr SCOTT** — My understanding, speaking of government data and the impact on the industry, is that commonly available government data — for instance, public transport timetables — is currently not made available to the ICT industry. For example, if you do a Google map search in Victoria, it will not show you the public transport options available. My understanding is that is because the government does not provide that information to the industry, so is that going to be addressed in what you are talking about?

**Mr RICH-PHILLIPS** — That actually goes to the heart of what we are looking at, Mr Scott. Currently data resides in individual agencies and is not necessarily handled consistently or made available consistently. What the new set of policies, new framework, will provide is a consistent basis on which that data can be made available. The reality is there is an enormous amount of data which is not personal data that can be made available if there is an appropriate framework that gives individual agencies the sort of guidance they need as to whether it should be or should not be released. I think once that is in place it will provide a huge stimulus to app developers, particularly PDA app developers, to pick up that data and create all sorts of innovative new applications.

**Mr ANGUS** — Minister, I refer you to budget paper 3, page 15, the Victorian international engagement strategy. Minister, given the government's focus on new markets, what support is the government providing for the biotechnology sector to open new markets?

**Mr RICH-PHILLIPS** — I thank Mr Angus for his question. Access to new markets is something that is core to what the government is seeking to achieve. It is one of the four policy objectives that were articulated early this year around our economic strategy. Minister Asher no doubt spoke about the international engagement strategy in the budget and the funding that was provided for that. Part of what we are doing through the technology plan is creating opportunities for Victorian biotechnology companies to enter new markets and to explore new markets. One of the ways we support that is through the TRIP program — the Technology Trade and International Partnering program — which provides opportunities for Victorian biotechnology companies to travel to international events relevant to the biotech industry.

We are also this year very soon to send a substantial delegation to the BIO annual convention, which will take place in Boston. That is in the middle of June. Unfortunately it is a sitting week here in Victoria. I raise that because it has traditionally been the case that the BIO International convention delegation from each of the jurisdictions in Australia is led by the minister. This year I am very pleased to say that His Excellency the Governor will lead Victoria's delegation to Boston and so ensure that we do have very high-level leadership of that convention, which gives penetration for the Victorian delegates who will be participating in it. This is something that is supported by the commonwealth government. There will be commonwealth presence and there will also be a very substantial Victorian presence, which will create opportunities for Victorian biotechnology companies to exhibit their capability at what is the largest biotechnology convention anywhere in the world.

At the end of last year, in October, the AusBiotech convention was held in South Australia. That was the opportunity for the launch of the Victorian biotechnology plan. I was very pleased to see that launched at the AusBiotech conference in front of the South Australian government, which did not necessarily have a plan to match. Of course conferences like that create opportunities for Victorian companies. This year AusBiotech will be in Melbourne, which will be an even stronger boost and a stronger opportunity for Victorian biotechnology companies.

**The CHAIR** — We have time for one brief question in this portfolio.

**Ms HENNESSY** — Minister, you have spoken about and presented in your presentation to the committee the impact of the NBN project in terms of generating 1300 jobs and supply contracts worth an estimated 2.9 billion in Victoria, and I was just wondering: what is your understanding of the impact on Victoria of any decision to discontinue the NBN project?

**Mr RICH-PHILLIPS** — I have to say to Ms Hennessy that I am not aware that a decision has been made to discontinue NBN in Victoria. I think it is slightly hypothetical. The reality is that the Victorian government is working with the government of the day on NBN. The Victorian government has a difference of views with the

commonwealth around some of the policy settings around NBN, particularly what NBN is going to mean long term for competition in telecommunications and what it is going to mean for innovation in telecommunications. The reality is that most of the innovation we have seen in telecommunications in Australia in the last two decades has been as a consequence of deregulation, and all the devices we have on the table — it is a legitimate question to ask whether we would actually have these services if we still had the Telecom-government monopoly providing telecommunication services.

I think deregulation and competition have been incredibly important in driving innovation in telecommunications. We have a concern that the NBN model may undermine that, but the reality is that it is a very substantial infrastructure investment the commonwealth government is proceeding with, and therefore the Victorian government is working with NBN to get the maximum benefit from that for Victorian companies who can work on the rollout but also for Victorian consumers and users who can make use of the facility when it is rolled out. The reality is that it is being rolled out now, and we are working with the government of the day and NBN Co to make the most of it.

**The CHAIR** — Thank you, Minister. That brings us to the end of the technology portfolio. I thank Mr Straw for his attendance.

**Witnesses withdrew.**