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SENATE

ENVIRONMENT, COMMUNICATION, INFORMATION
TECHNOLOGY AND THE ARTS LEGISLATION

Consideration of Supplementary Estimates

FRIDAY, 24 NOVEMBER 2000

CANBERRA

BY AUTHORITY OF THE SENATE

SENATE**ENVIRONMENT, COMMUNICATIONS, INFORMATION TECHNOLOGY
AND THE ARTS LEGISLATION COMMITTEE****Friday, 24 November 2000****Members:** Senator Eggleston (*Chair*), Senators Bartlett, Bishop, Bolkus Payne and Tierney**Senators in attendance:** Senators Bishop, Calvert, Eggleston, Lundy, Minchin, Ray and Tchen**Committee met at 8.32 a.m.****COMMUNICATIONS, INFORMATION TECHNOLOGY AND THE ARTS
PORTFOLIO**

Consideration resumed from 23 November 2000.

In Attendance

Senator Minchin, Minister for Industry, Science and Resources

Department of Communications, Information Technology and the Arts

Neville Stevens, Portfolio Secretary

National Office for the Information Economy

Dr Rod Badger, Acting Chief Executive Officer, NOIE

Tim Field, Chief General Manager

Tom Dale, General Manager, Regulatory and Access

Keith Besgrove, Chief General Manager, Business and Community Online

Telecommunications

Michael Sutton, General Manager, Information Technology Development Branch

Corporate Services

Arthur Blewitt, Chief General Manager, Corporate and Coordination

Colin Roberts, Director, Information Systems Section

Department of Communications, Information Technology and the Arts

CHAIR—I declare open this public hearing of Environment, Communications, Information Technology and the Arts Legislation Committee in consideration of the supplementary budget estimates. Unless otherwise stated, responses to questions placed on notice today should be sent to the committee secretariat by the close of business on Friday, 22 December 2000. I call on the Department of Communications, Information Technology and the Arts. We will begin with general questions and then proceed to outcome 2. This will be followed by the National Office for the Information Economy, which now includes the Government Online Group. I remind senators that departmental officers should not be asked to comment on the reasons for policy decisions or the advice they may have tendered in the formulation of policy or to express a personal opinion on matters of policy. I welcome Senator Minchin, who is making his first appearance before this committee, and thank him for making himself available this morning.

Senator Minchin—Thank you, Mr Chairman.

CHAIR—Minister, do you wish to make an opening statement?

Senator Minchin—No, I do not.

CHAIR—Thank you. Senator Lundy.

Senator LUNDY—I am very disappointed that Senator Alston is not here.

Senator Minchin—So is he.

Senator LUNDY—I am sure he is. I acknowledge your presence, Senator Minchin. The first questions I would like to ask relate to the Building on Information Technology Strengths or BITS program. I want to get a very brief update as to what is happening with the incubator program under the BITS program.

Mr Sutton—We have now signed on the mainland part of the program, which was \$78 million of the \$158 million. The successful incubators were announced in April this year. Funding agreements with eight of the 10 were signed before 30 June. We signed the funding agreement with the Northern Territory incubator in the last six weeks or so. Signature of the remaining incubator, which is the South Australian BITS incubator, is imminent. The incubators which signed before 30 June have provided their first quarterly reports, which were due under the funding agreements at the end of October. Approximately six of the 10 incubators are actually up and running and open for business. Some of the incubators were starting completely from scratch and some were building on existing operations. So there has been a different pace at which they have been developed and implemented. Six of the 10 are actually open for business and accepting incubatees now. I understand approximately 15 incubator firms have been accepted as incubators, as indicated in the first quarterly reports.

Senator LUNDY—So there are 15 incubated companies within the six that are already operational.

Mr Sutton—That is correct, yes.

Senator LUNDY—Are the quarterly reports publicly available?

Mr Sutton—They are not publicly available documents. Since we have received them, we have appreciated that they have information in them which is quite sensitive to the operations of the incubator but would also be of great interest to the range of people interested in incubator activities. We will definitely be putting out some sort of public report on the incubators. We are giving consideration to the format for that report, but it will not be the reports that have actually been lodged at the end of October.

Senator LUNDY—I think I asked that question previously, whether or not it was your intention to release those quarterly reports. Can you give me a bit more detail as to why you do not believe they are in a suitable format to be made public, given they relate specifically to the expenditure of taxpayers' money and stated policy outcomes?

Mr Sutton—They are in a format which was intended primarily for internal program administration purposes. They give us information on internal workings of the incubator and their financial arrangements. There are issues of some sensitivity in there which could affect the operations of the incubator and also some of the firms which are being incubated by them. So we do not consider it is appropriate to release the actual reports which have been lodged but, as I say, we are very conscious that there is a lot of useful information in there, including from an accountability perspective. We are certainly giving consideration to what can be publicly released.

Senator LUNDY—I am not satisfied that there is a reasonable claim for some confidentiality of that. If those reports are about the internal organisation of the incubators, are the reasons you are trying to claim some level of confidentiality related to some competitive edge of those incubators such as secrets being given away? What is the issue here?

Mr Sutton—Certainly not. The issue is much more that there is information in them about their future business plans and the possibilities for strategic direction and strategic partners which have not yet come to fruition. Information about the incubated firms falls into that category. Plus there are lists in the reports which we wanted from an evaluation perspective, not just of the ones which are actually being incubated but information on all of the firms which have sought to become part of the incubator. So we have no problems at all. The information about the ones that are actually being incubated is clearly important information. But we do not consider the information about ones which were not accepted as incubators as appropriate for public release.

Senator LUNDY—If that is the case, why is it appropriate that you are provided with that information? What use to the department is information about companies that were unsuccessful in seeking to be incubated? Why do you need that information?

Mr Sutton—What we are doing with the incubators really has not been done in a focused way in Australia before. We have a lot of general business incubators in Australia, but we are very conscious the BITS incubators are going to be very useful for giving the government more general information on the sorts of start-up companies there are in Australia—where there are strengths and weaknesses, where particular niches emerge and where any difficulties emerge. The incubator works—and this is common with overseas experience—like an enormous funnel. There is an enormous range of people with ideas. A very small proportion of those ideas will be able to be turned into successful businesses. So the information on that source, that feed, is extremely interesting and is relevant to broader industry development purposes.

Senator LUNDY—It certainly is. I agree with you that it is very interesting information. I also agree with you about the sensitive nature of it, although my concerns would be more from the perspective of the company as opposed to the perspective of the government.

Mr Sutton—That is our concern, yes.

Senator LUNDY—Are prospective participants in the incubator program, the companies, aware that information is collected and collated about them?

Mr Sutton—It is a requirement in the funding agreements we have with incubators that the incubators have to provide us with certain types of information both for direct accountability and to assist with the broader information gathering about the success or otherwise of the incubators that we are seeking. All of the incubators, when they are negotiating with a potential start-up company, would make those firms aware that there are certain information requirements which the Commonwealth has which will have implications for those start-up firms.

Senator LUNDY—Even if they are not accepted into the incubator? Do you see my point? There is a very big difference between someone applying and being successful and coming into the fold, if you like, into a government program and someone applying and not being successful. I would hope that there would be a realistic expectation that perhaps more of their

commercial information would be shared with the government than perhaps otherwise. But that is not necessarily the case with failed applicants who, from what you describe, at least a silhouette of their operations or their nature of business is being provided and compiled in these reports.

Mr Sutton—Yes, hence the hesitancy or reluctance to release the actual reports. It is for exactly that reason.

Senator LUNDY—But the fact that you are hesitant to release it really substantiates my point that there is actually a question of why you should be collating that information in the first instance, remembering that these are quarterly reports on a government program regarding the expenditure of public moneys and pursuit of a government policy. Yet, by the nature of the information you are collecting, you are probably quite appropriately and tentatively saying, ‘We can’t release this because this is information for potential investors, for those companies that are no doubt still pursuing investors and trying to get support from other sources.’ The fact that they have failed in their application could work against them in pursuit of support or funding from elsewhere. So I just go back to my point: why has the government chosen to calculate that information? Perhaps, more specifically, what do you use it for inside the government?

Mr Sutton—In the public report, there would be no way we would be identifying the unsuccessful companies or in any way making it possible to identify the unsuccessful entrepreneurs. What we would be saying in the public report is that a particular incubator accepted six or eight companies over the course of the year out of 200 entrepreneurs who applied for funding or assistance through that incubator and that, of the ones which were unsuccessful—this is purely hypothetical, of course—40 were Internet start-ups, 40 were technology companies, 40 were not accepted in the incubator but were able to pursue their businesses through other means and 30 found assistance through venture capital so did not need to come to the incubator. That sort of general information is available from the reports that we have. As I said, I think that is of considerable public interest, and it is a major potential benefit of our program if we can get those sorts of messages out without impacting on the privacy and commercial interests of the entrepreneurs.

Senator CALVERT—How do you actually select the incubators?

Mr Sutton—It was a one-off funding round which was conducted late last year and in the early part of this year. It was an open competitive process. We developed some guidelines in the department which were approved by Senator Alston. In those guidelines we identified, if you like, the parameters under which we wanted the incubators to operate. Those parameters related to issues like financial accountability and sustainability as well as best practice features of incubators, based on analysis of what was happening overseas in these sorts of spaces in countries like Israel, the United States and Finland. We did not seek to define a particular model. We did not go out for a competitive process saying, ‘This is the incubator we want you to supply; fill in the boxes and come back to us.’ We set the framework and sought competitive bids. At least one incubator was to be funded in each mainland state and territory, and that is what has happened. The applications were received in January. They were assessed by the department and then by an independent advisory panel chaired by Mr Norman McCann. The advice was put to the minister following receipt of the advice from the independent advisory panel which interviewed all of the shortlisted applicants, and the minister announced the successful incubators on 10 April.

Senator CALVERT—Are these services available to regional and rural constituents?

Mr Sutton—In Australia, the BITS program is very much an IT industry development initiative. Several of the incubators have a significant presence and involvement in regional Australia. There is a much broader range of incubators in regional Australia funded under the Employment, Workplace Relations and Small Business portfolio.

Senator CALVERT—This is all pretty new ground, isn't it? Was anything like this commenced or thought about under the previous government, or is this all something different?

Mr Sutton—I cannot comment on that. I certainly think the BITS incubator program is the first systematic, if you like, attempt by government to establish a system of technology incubators in Australia.

Senator LUNDY—Getting back to the issue of what information you collect, I am presuming that the quarterly reports provided to government by the incubators themselves would be available to all partners and investors in the incubators.

Mr Sutton—I would assume that is the case. Our requirement for the incubator is that they provide us with a copy of the quarterly report. The distribution of it within the incubator would be a matter for the incubator.

Senator LUNDY—So, despite your assessment that there is commercially sensitive material in there, you do not place any restriction on the incubator as to how they circulate that information?

Mr Sutton—Given that they are the source of the information, no, we do not. It is a matter for their judgment as to how they circulate it.

Senator LUNDY—Don't you think there is a bit of inconsistency there, given that it is your requirement that the information be calculated and that it is potentially compromising, sensitive or very valuable for investors looking for some clues on good ideas companies? Isn't it inconsistent of you to not then manage the distribution of that sensitive document subsequently?

Mr Sutton—Sorry, I took your question to be applying to distribution within the incubator itself. Our funding agreements incorporate requirements in relation to the Privacy Act and general commercial sensitivity considerations which would prevent that happening.

Senator LUNDY—Many of the partners or participants in the incubator are venture capital companies or, indeed, a consortia of investors that would have access to that consolidated data and all of the failed applicants. Do you think it is appropriate that they could alternatively pursue their interests using the government incubator as a source of information or perhaps market intelligence?

Mr Sutton—In terms of the actual reports or sensitive information, as I said, there are provisions in the funding agreement specifying how that information can be disseminated outside the incubator. In a more general sense, exposure of entrepreneurs in the incubator to a broad range of not just financiers but also legal firms, consultancies and marketing organisations which can potentially help those entrepreneurs is a major potential benefit of the incubator itself. So, going beyond the confidentiality, we would not want to restrict access of those sorts of firms to the incubatees because they could be of assistance to the incubatees in their future development.

Senator LUNDY—What opportunities are there for entrepreneurs to actually provide input into the program through yourself, your own branch or the incubator structures themselves?

Mr Sutton—In a direct sense, the program has worked through the funding of the incubators. We will be having, as well as the formal reports, regular contact meetings with the incubators and site visits where we will be meeting with the incubatees who are part of the incubator. We are also actively pursuing, as recognition of a strategic role for us in the department in this area, opportunities for networking with entrepreneurs and SMEs who are not in the incubator. We are conscious that, through programs like Partnerships for Development and outsourcing, we have very good networks with multinationals and major Australian IT&T companies. We see it as a significant priority for us to establish better networking with actual entrepreneurs and SMEs who are just emerging.

Senator LUNDY—Do you have any ideas formulated as to how you could go about doing that?

Mr Sutton—Almost by definition, a lot of people who we think it is most useful to talk to are just emerging. It is not like an IBM or a major IT—

Senator LUNDY—No, you actually have to go and do some work.

Mr Sutton—We do, yes. We think that is an exciting challenge. There is no established network. We need to meet them at a very early stage. Almost by definition, they are some of the most exciting people, they are the ones who are the future of the industry. There are networks of entrepreneurs in Sydney and Melbourne. In Sydney there is a group called Entrepreneurs Only; in Melbourne there is a B2Bcafe. There are forums like that in all the states and territories, I think; plus the state and territory governments have well-established networks through their own industry development operations for assisting young, newly emerging entrepreneurs and SMEs. So we are very conscious of the desirability of tapping into those sorts of networks as well.

Senator LUNDY—I am obviously familiar with those networks. One of the strong complaints that has been forthcoming is that entrepreneurs' interests were not represented in any of the negotiations, discussions or consideration of government through the establishment of the BITS incubators. I am sure you are familiar with these complaints. Taking on board what you have just said, which is that you are looking to establish those, can you identify anything specifically that you have done to ensure that the government also addresses the specific interests of entrepreneurs, particularly in the context of the incubators? I guess an example is that some of the terms and conditions of entry to those incubators are very clearly terms and conditions that position the incubator and the investor partners very strongly but in some cases arguably leave the entrepreneur quite exposed. I know it is a matter of opinion. It is also an issue of commercial negotiation, but very clearly there is a case established that public policy currently is focused on the interests of the venture capitalists, the investor, and the government's intention to create these centres, but there is no public policy attention being paid to entrepreneurs. I know it is not your area, but I am sure Senator Minchin would be sensitive to this about employee share ownership programs and other issues like that which do relate directly to the interests of the entrepreneur and indeed the employees of start-ups. I do not know whether I asked a question in there, but if you would like to respond that would be good.

Mr Stevens—I would like to respond just briefly on that, because I think the government's taxation changes did assist entrepreneurs—the capital gains tax changes, for example—

Senator LUNDY—With all due respect, Mr Stevens, they assisted access to capital by entrepreneurs, but the benefit from those taxes go to the investors and the entrepreneurs themselves whilst they have access to capital and some return. It is a slightly different area of policy that I am talking about here.

Mr Stevens—I guess what I was really looking at was the extent to which the halving, for example, of capital gains tax for individuals does help entrepreneurs, who in many cases make capital gains out of a successful small company. Those people are benefiting from those particular changes very significantly.

Senator LUNDY—Perhaps it is just because the stories I hear tend to be the ones where the entrepreneur gets burnt and the investors make the money on their exit. It depends on the example that you use. I am very much concerned about what I am hearing. Minister, I am certainly interested in any comments you have about the role that the entrepreneurs, individually or collectively, have in your policy development in this area. Can you give some indication of the government's level of concern about this as part of giving equal consideration to the issues they face, for example, accessing capital? It is actually good that you are here because this is a lot of industry policy stuff, too, isn't it?

Senator Minchin—It is true; you are venturing away from communications. I launched the Australian end of the Global Entrepreneurship Monitor by Swinburne last week in Melbourne.

Senator LUNDY—I participated in it. It is a great program.

Senator Minchin—Yes, it is terrific and I encourage you to read that report. I spoke there and answered a number of questions about this issue. I am pleased that entrepreneurship is becoming much more of a public policy issue. I think that is important, and I am glad to see your interest in it. I think taxation is a critical part of it, and relatively high marginal tax rates remain a problem. One of the disappointments for the government was that, in negotiating the changes to the tax package through the Senate, what we wanted to do in relation to the highest marginal tax rate was not able to be proceeded with; for entrepreneurs, that is a real issue. As the secretary said, the capital gains tax changes were of great benefit to entrepreneurs, but access to capital is a critical issue. Some of the programs in my department are of considerable assistance in terms of innovation investment funds and other things. We are looking at this area in our innovation action plan, and I hope that we will be able to announce some initiatives in that package that will be of assistance in this area.

The other thing that is looming larger on the policy front is the whole area of stock options. It is a tricky area for all of us politically because you have the issue of high rollers, the very well-paid executives in big companies, and there is a reluctance to see them being beneficiaries of it, but how do you deal with this issue at the small company level? We know that in the US, in particular, a more generous approach to stock options has been a critical issue in the success of start-ups, particularly in the IT areas. I think that is a policy area that needs further work.

Senator LUNDY—Thank you for that. I want to ask you a structural question. Why is BITS in communications and not in industry, where there seems to me to be some obvious synergies with other areas that you are working on?

Senator Minchin—As you know, after the last election, information technology was moved from my portfolio to the communications portfolio and I acquired resources. Because

the IT industry is so important, and it naturally links closely in with communications, I think that was a sensible change. But it does mean that we need to, and do, work closely between the two departments because there is overlap. Inevitably there is overlap and we need to ensure we work closely together on industry development issues.

Senator LUNDY—On a point of clarification, are all of the incubatees accepted into the program IT companies?

Mr Sutton—Under the funding agreement, the incubators are restricted to accepting incubatees which are directly involved in the IT&T industries or use IT&T as a key business driver.

Senator LUNDY—So they could be service provision but Internet based companies, for example.

Mr Sutton—Yes. For example, a mining consultancy firm which used IT&T as a lead-in for delivering its business or software would be perfectly acceptable.

Senator LUNDY—Can you provide me with a list of the companies that have been accepted?

Mr Sutton—That should not be a problem.

Senator LUNDY—Could you also tell me how many companies you are actually hoping will be a part of the BITS program? What is the forecast number of individual incubatees into the program?

Mr Sutton—Our guess over the life of the program is in the order of 300 to 400. That figure is on the basis of the incubators who were accepted and the figures they provide. That figure will likely evolve over time, but that is our best guess on that figure at this point in time.

Senator LUNDY—And out of that, you have 15 companies in already.

Mr Sutton—That is correct, yes.

Senator LUNDY—Is that on schedule? Given that you signed off on eight of the 10 in June, are you running a little behind schedule in terms of getting companies in and incubated?

Mr Sutton—I do not think so. The incubators were at varying stages of development. The first one that was publicly launched by the minister was the Australian Distributed Incubator in Melbourne, which was building off an initiative of the emerged CMC. That has already got two or three companies, but it was basically well positioned to jump very quickly into the market. Others have taken longer in the establishment phase because they are doing things which we think are very important, such as selecting the right incubator manager, which is going to be fundamental to the success of the overall program. So that has taken a bit of time but, overall, we have not got significant concerns at this point about the pace of progress with the program.

Senator LUNDY—Have you got any of the regional incubators up and running yet? I think there were two, weren't there? I think there was one in Newcastle and one in Ballarat.

Mr Sutton—There are no regional incubators as such. Several of them have significant regional components. The Ballarat one you referred to, for example, is a node of the Information City, Victoria, incubator.

Senator LUNDY—Are any businesses being incubated yet?

Mr Sutton—That one is an example of one that predates the BITS program. What the BITS funding will do in its involvement with Information City will enable it to expand its operations.

Senator LUNDY—There are no BITS incubatees in Ballarat as yet, are there?

Mr Sutton—I could not tell you offhand.

Senator LUNDY—I can tell you: there are not any.

Mr Sutton—It certainly builds on an existing operation. There are none of our incubators with a presence or a node in Newcastle at all.

Senator LUNDY—I was just guessing. I thought there was another regional centre identified as part of the program.

Mr Sutton—None that come readily to mind in terms of a concrete node or physical part. There are a number of incubators which will have linkages with broader enterprise development activities in regional areas. The ACT one, for example, will certainly have that. The ITem3 incubator in Sydney, as part of its application, will identify linkages with a number of regional areas around New South Wales.

Senator LUNDY—Minister, wasn't part of the commitment to the BITS incubator program that there would be a significant presence and opportunity in regional Australia for start-up businesses?

Senator Minchin—I am not aware of the details of the announcement.

Mr Sutton—The commitment was that there would be at least one incubator in each mainland state and territory, and that is what has happened. I do not think there were any specific references to BITS incubators in regional areas.

Senator LUNDY—I am sure I could find one; I will not now, though. Is there any opportunity or process that you have identified as part of this program for complaints or disputes by participating companies or entrepreneurs in the BITS program? For example, they may feel they are not being treated fairly or, because of the commercial pressure that arises through a company's early growth stages, they may feel they are being unduly compromised in accepting deals that they would not otherwise accept by virtue of their participation in an incubator program.

Mr Sutton—We have not specified in our funding agreement with the incubators what arrangements they will put in place covering those particular aspects and their relationships with the incubatees. Certainly, our strong expectation is that the relationship between firms being incubated and the incubator will be a very positive and constructive one. If that were not the case, it would be very doubtful whether the incubator would be able to succeed. Basically, we have left that sort of detail up to the incubators themselves to decide. In any event, we are very open to hearing any comments, good and bad, by both companies that have been accepted by the incubators or those that have not.

Senator LUNDY—But are you empowered to intervene in a dispute—for example, if a complaint was made that the incubator was charging too much, asking for too much equity, or whatever the issue is? Are you empowered under your agreement with the incubators to intervene and perhaps arbitrate on a dispute about what is fair and what is not?

Mr Sutton—Not directly, no.

Senator LUNDY—Do you think you should? This is a program promoted by the minister; it has government fingerprints and badging all over it. That is fine, because that is your policy. But you effectively do not have control of it in that regard and you do not have control of the terms and conditions that could be imposed on participants, other than in your initial agreement, do you?

Mr Sutton—The general approach that we took with the development of the program is very much that our efforts—the rigour, if you like—went into the selection process for the incubators themselves. In a sense, there is a recognition in the way the program was developed that we were seeking people who knew this business, knew the incubation game and could do it better than the government. The general approach was to have a rigorous selection process but then to be as hands-off as possible. They have their objectives of developing start-up Australian businesses. They are committed to milestones and performance indicators in our funding agreements. But the approach very much has been for the government to take a hands-off approach within fairly broad parameters about how they actually do that. The program is very much focused on the outcome of developing world-class Australian companies and addressing a market failure in this area.

Senator LUNDY—I understand the motivation behind it. To put it more sharply, how would you deal with a complaint where an entrepreneur came to you and said, ‘My IP has been ripped off. I have been participating in this incubator, and unless you can support me in some way I have lost my business.’

Mr Sutton—I must admit that has not happened yet. If it does happen we would certainly get in touch with the incubator to check out their version of events. We certainly envisage having, and want to have, a very constructive relationship with the incubators, but that will not prevent us from raising issues like that with them. I would be confident that we would find a way. There are no direct procedures for handling situations like that. I think that is one example of any number of issues that could come up that we would address by direct communication with the incubator.

Senator LUNDY—Of the \$78 million spent on the incubator program, can you tell me what proportion of that money will actually go to incubatees to support them through their start-up and early stages?

Mr Sutton—I could not do that offhand.

Senator LUNDY—I understand it will be difficult because of the different formulas within the different incubators, but could you perhaps take that on notice and extrapolate those figures out for each incubator so we know what your targets are?

Mr Sutton—Yes.

Mr Stevens—Are you asking for the actual amount of direct capital going to these firms? Incubators provide services for these firms which do support their growth during the period. I am just seeking clarification as to what you are trying to get at.

Senator LUNDY—I would like as much information as you can provide about each incubator and their model. I have seen the summaries of the successful applicants, but what I am interested in, from a public accountability point of view, is: out of that \$78 million, how much is going to the incubators and all of the administration; and how much, as a raw proportion, of that money is actually going to incubatees, knowing that there will be other sources of capital for those incubatees as well.

Mr Stevens—So you are really looking for the amount of administration money as opposed to the amount of money being spent either directly or indirectly on the firms.

Senator LUNDY—Yes. Could you nominate the indirect and direct spend, too—for example, if there is a capital grant to the company, as opposed to in-kind support which comes to the company via the administration of the incubator?

Mr Stevens—I think it is worth pointing out that we did make it very clear at the start of the program that we were not prepared to spend government money on bricks and mortar, for example. We wanted the money, as far as possible, to go to supporting the firms, either directly or through investment services.

Senator LUNDY—That is really why I am asking the question—to see how successful you have been in that. The rhetoric surrounding this program was very much about helping the start-up, not helping businesses being incubators as opposed to incubatees. I would now like to turn to industry development issues more generally and also issues relating to the industry development associated with the IT outsourcing program. Is that also in your area, Mr Sutton?

Mr Sutton—Indeed, yes.

Senator LUNDY—Lucky you. As you are probably aware, the claim by the government that all sorts of glorious industry developments have been derived from the IT outsourcing program has been well documented. I would like to go through them very specifically. It is very useful that OASITO has documented these claims very specifically in its annual report. I might use that as the basis of my questions, but I am sure you can appreciate that I could use any number of ministerial statements, speeches, replies to questions in the chamber and so forth. Can you tell me how you calculate the number of new jobs the minister claims are associated with the IT outsourcing program?

Mr Sutton—Those figures for new jobs and the other elements are specifically identified in the contracts which are signed with each of the primes. I am assuming you are talking about the out of scope initiatives?

Senator LUNDY—Actually both, because my understanding is that both the OASITO's report and statements by the minister actually claim both in and out of scope benefits being derived. I am interested in exploring both. I appreciate you are mainly focused on the out of scope industry development initiatives?

Mr Sutton—We monitor both parts.

Senator LUNDY—Good, then you can answer questions on both. So let us start with how you ascertain or define what a new job is under the contract.

Mr Sutton—I would have to take on notice the exact detail of how that is defined under the contract. Certainly the figures that are officially published are ones that are negotiated during the contract phase and are derived from the contracts themselves.

Senator LUNDY—So when the minister said there have been 400 new jobs created, where was that figure derived from? Is that from the number of contracts or from one or two contracts?

Mr Sutton—Without knowing the precise source of that one, it would likely be an overall figure based on analysis of all the relevant contracts.

Senator LUNDY—This might help you. The annual report states:

Across the Initiative, the five IT outsourcing contracts to date—
so that is three, five, tax, health and eight—
include commitments of around \$280 million of exports or import replacements—
and I will come to that—
and approximately 400 new jobs in regional Australia.

I need to know from you very specifically how that 400 regional jobs figure is derived—from whom and which contracts?

Mr Sutton—Senator, I would have to take that question on notice.

Senator LUNDY—If you could and if you could tell us very specifically where those jobs are located and who the employer is. What sorts of checks and balances do you do, given that you have just said that the figures for new jobs are actually contained within the contract themselves? It is your job to monitor and report on industry development. How do you check that the figures that have been committed to in the contracts are actually realised?

Mr Sutton—Under each of the contracts, the prime contractor is required to lodge an annual report. That annual report is audited by an independent auditor to verify that the figures contained in it are correct.

Senator LUNDY—Have you received any of those annual reports?

Mr Sutton—Yes. Up until this point in time, we have received two reports from CSC and a report from EDS. A report from Advantra covering its first year for group 5 is imminent.

Senator LUNDY—It is overdue, isn't it?

Mr Sutton—It is overdue, yes.

Senator LUNDY—By how long?

Mr Sutton—By approximately two months, I think the figure is.

Senator LUNDY—Was the report from EDS overdue?

Mr Sutton—No.

Senator LUNDY—Are those reports made public?

Mr Sutton—No, they are not.

Senator LUNDY—Why not?

Mr Sutton—Because of the potential for release of the reports to be injurious to either or both of the primes and the subcontractors engaged in delivery of the services.

Senator LUNDY—On what grounds are you claiming confidentiality for those reports? What is in them that is injurious?

Mr Sutton—Details of commercial operations. This has been an issue which OASITO has had legal advice on, and it has been identified that the information that is in there is commercially sensitive to the point of potentially being injurious to the companies involved. I should say that we are intending to release, in the not too distant future, a summary report of the outcomes that have actually been achieved from the industry development perspective under the contracts so far. That report is currently being prepared. It cannot be finalised until the Advantra one is received and factored into it. But the intention will be to make as much

information as we can available without threatening the commercial interests of either the primes or the subcontractors.

Senator LUNDY—Why would a report into industry development and the degree to which companies actually complied with their contract with the government have any basis for commercial confidentiality? I must put on the record, Minister, that I do not accept the claim of commercial-in-confidence for these reports on the industry development of the IT outsourcing contracts, and would ask you or the appropriate minister to provide a detailed explanation as to why you are making such a claim. It is not only outrageous but defies a very broad principle of what the government is trying to sell itself on with this program, which is that there is some benefit to industry, and yet you are failing to provide that information publicly, other than in some pending sanitised form. I do not know whether you have a comment, but I am sure you can understand why that information is absolutely critical in the current debate about the validity or worthiness of the IT outsourcing program generally. I do not know whether you would care to comment, but I would be very interested in your views on this.

Senator Minchin—All I can do is note your comments, pass on your observations to Minister Fahey's office and ask if they want to make any further comment.

Senator LUNDY—Why is it Mr Fahey's responsibility, given the industry development component is very clearly within the Department of Communications, Information Technology and the Arts and very clearly comes under output 4.1, which is how to advance Australia's participation in the global information economy? This is about industry development; it is not Mr Fahey's decision, surely.

Senator Minchin—Policy responsibility for IT outsourcing lies with Mr Fahey.

Senator LUNDY—That is my point: IT outsourcing. This program was presented by the government as being very much about this part of IT outsourcing. This industry development was very clearly put into this department for this purpose. You yourself have contributed to the debate and argued, as you did before, that there was some industry development outcome occurring in this program, and yet we sit here today and you are refusing, for whatever reason, to provide that information in the public arena. Can you see the inconsistency in your position?

Senator Minchin—I am not familiar with this matter. All I can do is note your request and see whether there is any further information we can get you.

Mr Sutton—There is an issue as to whether it is more appropriate for OASITO to handle specific questions, given that its—

Senator LUNDY—Why? I do not understand. Every time I raise a question with respect to industry development with OASITO, they make it very clear to me that that is not an issue for the department of finance; that in fact it is managed by this portfolio and the decisions relating to that information are solely the auspice of this portfolio. That is on the record from the last round of estimates.

Senator TCHEN—I think the minister has made it quite clear, Senator Lundy, that if you really need the information you put it on notice.

Senator LUNDY—I am not talking about the minister's comments.

Senator TCHEN—You can put the question on notice. There is no need to pursue the matter.

Senator LUNDY—I am responding to a response by Mr Sutton, if you would keep up with things.

Senator TCHEN—The department has said that they do not have the information; it is Minister Fahey's area. Minister Fahey is not here.

CHAIR—I think the question of where programs lie—

Senator LUNDY—At least make your interjections relevant.

Senator TCHEN—It is totally relevant. We have not got all week here.

CHAIR—I think the question of where programs lie really is a government policy decision and it is not really appropriate for you to quiz officers about those sorts of issues.

Senator LUNDY—Chair, thank you, but please understand my frustration when I go between agencies and departments and am continually referred by others back and forth. So I finally come to the point where I was referred last time, which is this portfolio, to ask these specific questions and I am now told to go back. What I am asking Mr Sutton, if you were listening, was why he has just told me that I should go back to OASITO. So what I am interested in is what direction you have received from Finance to not field these questions or not deal with this issue. I can assure you that they have referred all the questions of the industry development type specifically back to this department.

Senator TCHEN—Chair, I think we can all understand Senator Lundy's expression of frustration. But I think there is a very simple solution to this: put the question on notice. Then there is no problem.

Senator LUNDY—No, it is not a simple solution, because I am sick of putting questions on notice and getting nowhere. The government needs to be accountable for the industry development aspects of IT outsourcing, and they are failing to be accountable. I do not accept being referred to other agencies and departments, knowing full well that this afternoon I will be referred back to you, as an acceptable answer. So I am looking for your support, Chair, to ask the officers to give me some clarity and to assist me in this.

CHAIR—It is not necessarily the officers' role to advise a Senate estimates committee of the reasons the government has decided that responsibility for a program should lie in a different area. That is a policy issue and that is not an appropriate question to ask, I think. And it is not appropriate for the officers to answer, necessarily, unless they wish to.

Senator Minchin—Mr Chairman, I am not directly familiar with this, but I would have assumed that the policy as to what, if any, information is made available that is regarded as commercial-in-confidence in relation to IT outsourcing is a matter for OASITO and therefore for Minister Fahey. We will pass on your request. I think the officer has something to add, too.

Mr Sutton—If I could make the distinction between commercial-in-confidence issues which relate directly to the contracts: it is OASITO's responsibility for the contracts. We are certainly responsible for the industry development aspects of those contracts, but relating to commercial-in-confidence issues, they really are OASITO's responsibility rather than our own.

Senator LUNDY—But correct me if I am wrong: the companies are required under their contract to provide a report on industry development to you—

Mr Sutton—Yes, they are.

Senator LUNDY—Not to OASITO.

Mr Sutton—That is correct.

Senator LUNDY—Right, so I am asking you: why are you not going to make those reports to you public?

Mr Sutton—Because of the commercial-in-confidence considerations. Questions on those considerations would more appropriately be directed to OASITO.

Senator LUNDY—I do not accept that, and the question I have on notice about providing a fuller and very specific explanation as to why you are refusing to disclose that information to this committee will be required. The other aspect of it is: has the government released a report to date—that is, last year—regarding a sanitised version of industry development?

Mr Sutton—Not that I am aware of.

Senator LUNDY—Don't the contracts require an annual report to be submitted?

Mr Sutton—Yes, they do.

Senator LUNDY—Was an annual report received last year from CSC?

Mr Sutton—Yes, there was.

Senator LUNDY—Why didn't the government report publicly on the findings in that report in whatever form?

Mr Sutton—Again, at that stage there was only the CSC contract that could have been reported upon.

Senator LUNDY—Sure.

Mr Sutton—So to release information about that would have necessarily compromised potentially the commercial-in-confidence aspects.

Senator LUNDY—Do you think, then, by melding all the information across four different contractors is somehow going to protect their interests? Blind Freddy knows what these contractors are up to and where they are falling apart and where they are doing well.

Mr Sutton—With three contracts they will be in a position to provide an overall perspective on the success of the program.

Senator LUNDY—I believe it is the public's right to know, and certainly the industry's right to know, the specific performance of each of these multinational contractors and Advantra—their relative performance on industry development. We already know by virtue of the Audit Office report that there is a great variation between the performance of those companies on their industry development outcomes. I guess there is little point in asking you. Minister, I ask you to acknowledge the public interest in providing that information about each of those contractors specifically in their performance on their industry development proposals.

Why? I have no choice. Senator Alston is not here so he cannot speak on behalf of his department, so I am really stuck with just pitching these issues up to you and asking you to respond. But it really is becoming very difficult, particularly in an environment where the government have now shifted their claims for the worthiness of this whole program from savings which have been disproven to industry development which is now kept secret. I find

that not only offensive in terms of the public interest but also incredibly frustrating for the purposes of trying to move through a process here.

Senator TCHEN—Chair, is Senator Lundy asking the department to disregard the ministers and just provide information?

Senator LUNDY—I was asking the minister.

Senator Minchin—The government has not shifted. It was always clear in relation to IT outsourcing that it was about efficiency of government, reducing the cost to government, and industry development. That has not changed. There are substantial savings from this program as well as industry development implications. All I can do is undertake to convey your requests for further information to the Minister for Finance and Administration. It is ultimately his responsibility.

Senator LUNDY—And to the minister for communications.

Senator Minchin—I will also direct your requests to him.

Senator LUNDY—Because I believe it is his responsibility to what degree this is made public. He has the policy charter to advance Australia's participation in the global information economy. The interests of the local IT&T industry are a significant part of that policy outcome, I would expect.

Senator Minchin—And they strongly support IT outsourcing.

Senator LUNDY—And I strongly suspect that the minister for communications and IT has a very strong interest in this. What I find quite extraordinary is that the government has determined—obviously on the advice of the department of finance—to keep this information secret. I ask you, Mr Sutton: have you received written advice from the department of finance not to disclose those reports?

Mr Sutton—I cannot point to a particular document. I do not know the answer to that question. I would be confident that there would be a—

Senator LUNDY—I ask you to provide any documentation on this matter between you and the department of finance or OASITO or the minister's office to the committee. Then I would at least have some indication from you that I can then use to go back to the department of finance so they do not give me the brush-off back to this department when I ask them these questions this afternoon. Another claim of industry development is that around \$280 million of exports or import replacements have been secured out of the IT outsourcing program. Can you tell me the formula for assessing that and on what basis you arrived at that figure?

Mr Sutton—Again, it is on the basis of commitments under each of the contracts which have been signed to deliver that level of exports.

Senator LUNDY—Do you have any way of cross-referencing and independently checking on whether those figures are accurate?

Mr Sutton—The figures you are referring to—and I should say also the figures referred to in the ANAO report—were commitments that were given, which vary across the different groups. Again, they will be subject to verification in the annual report in terms of the actual outcomes that are being achieved, and those outcomes will be subject to an independent audit.

Senator LUNDY—When you say 'the annual report', do you mean the annual report of the agencies and departments involved in each cluster?

Mr Sutton—No, the ID report of the prime contractor.

Senator LUNDY—Let me get this clear: this claim by OASITO, by your minister, by other ministers about industry development is all derived from reports provided by the vendors or the external service providers themselves?

Mr Sutton—No, the figures in those reports were the figures that have been committed to by the prime contractors in their outsourcing contracts.

Senator LUNDY—So they are not verified as yet.

Mr Sutton—The outcomes on those commitments are the key feature of the annual reports, which I submitted.

Senator LUNDY—Which we have not seen, and are not likely to see, because you are not going to make them public.

Mr Sutton—As I say, we will be reporting on the overall performance of IT across the initiative.

Senator LUNDY—So when our OAISTO says:

Across the Initiative, the five IT outsourcing contracts to date include commitments of around \$280 million dollars of exports or import replacements and approximately 400 new jobs in regional Australia. that is only a commitment; it has not been achieved, that you know of, as yet.

Mr Sutton—Yes, those are the contracted commitments.

Senator LUNDY—So when the minister stands up in the chamber he is using this data relating to commitments, not what has actually been achieved.

Mr Sutton—At this point in time, yes, that is correct—although our minister has recently issued a press release in relation to the Australian Taxation Office contract and EDS, which actually is talking about industry development outcomes under the ATO contract.

Senator LUNDY—So he would have seen the annual report from EDS to you.

Mr Sutton—Yes, that is correct.

Senator LUNDY—Why can't we see it if he can?

Mr Sutton—What we are able to release is the public version of the report, the overall outcomes.

Senator LUNDY—Which you are working on.

Mr Sutton—Indeed.

Senator LUNDY—But you are not going to differentiate between companies.

Mr Sutton—Indeed, that is correct.

Senator LUNDY—You are not going to; so we will not know what proportion of the industry development outcomes can be attributed to EDS, to CSC or, indeed, to Advantra in your report that you are going to release publicly.

Mr Sutton—We are still working on the precise format for the report. As I say, we will be looking to release as much information as we can without releasing information that could be potentially injurious.

Senator LUNDY—Or potentially undermining of the minister's previous public statements. I am not expecting you to comment on that. Again I refer to page 22 of the OASITO annual report, which says:

The contracts ensure that some 30% of the total work is done by Australian small to medium enterprises ... and that of all the goods and services provided under the contracts to date, approximately 75% will be Australian Value Added content.

Is it the same again, that that is being derived from the commitments in the contracts but no other report released publicly or analysed to date?

Mr Sutton—That is correct. Those figures are based on an analysis of all the contracts that have been signed.

Senator LUNDY—So any claim the minister has made about that work having been done is based on commitments, not demonstrable outcomes?

Mr Sutton—That is correct—until recently, when we started to get more reports in.

Senator LUNDY—Do you see my point that, unless those reports are made public, we must simply take the minister's word for it; there is no public accountability in the process of determining whether the contractors are meeting their industry development requirements?

Mr Sutton—Any figures that are released regarding outcomes would be based on the audited reports that had been received by the department.

Senator LUNDY—What opportunities do the Australian companies involved in the IT outsourcing contracts—that is, subcontractors—have to report to your department or section their comments or views about the relative industry development capacity that they are experiencing as subcontractors to the larger companies?

Mr Sutton—We receive reports from the prime contractors. There are no formal procedures in place for us to receive reports from subcontractors. However, we are certainly open to receiving at any time information from companies that may impact on the process.

Senator LUNDY—Have you ever solicited information from the subcontractors or Australian small to medium enterprises participating in the IT outsourcing program?

Mr Sutton—We meet subcontractors from time to time to gather their experiences as part of our general monitoring and the general industry development process that we undertake. We think that sort of information and informal contacts are very useful.

Senator LUNDY—Do you have any formalised contacts, given that there is a formal contractual process for the prime contractors to report to you? Do you have a process for gauging the relative experience of SMEs engaged in this program?

Mr Sutton—We do not have any formal processes in train.

Senator LUNDY—Do you have a complaints process for SMEs engaged in this program who feel that they are being exploited, for whatever reason, for the purposes of the provisions in the contracts under industry development? I remind you of the experience of Wizard Computer Training in respect of Advantra when that contract was first signed. They received appalling treatment at the hands of that prime contractor at that time. Have you learned from that experience and put in place some sort of support or complaints mechanism to deal with that sort of exploitation?

Mr Sutton—No, we do not have any formal procedures in place.

Senator LUNDY—Do you think you should?

Mr Sutton—To my knowledge, there have not been many instances where that has emerged as a problem or a significant issue warranting the consideration of more formal processes. If there were enough instances, we would certainly consider putting formal processes in train as part of our process of monitoring the contracts.

Senator LUNDY—Have you received any complaints from small to medium enterprises that their intellectual property has been ripped off?

Mr Sutton—Not that I am aware of.

Senator LUNDY—Would you be in a position to do anything about it if you did?

Mr Sutton—In a formal sense, I suspect the answer to that would be no. In an informal sense, we have regular communications with the prime contractors—and not just through their annual reports—particularly in the first year of the contracts, to try to ensure that everything is on track and that adequate procedures are being put in place. We would certainly be able to raise any complaints or comments that we hear with the prime contractors, and we do.

Senator LUNDY—I noted with interest a newspaper report in the *Sydney Morning Herald* entitled ‘Sackings add to IT outsourcing strife’. In all of your loose use of the commitments made by the prime contractors as far as industry development goes, do you modify your advice to the minister or your own assessments of performance in certain cases? For example, in this case it is reported that CSC sacked 230 staff in one go. Given where the new job claims could possibly lie, does that modify your calculations or do you just ignore that kind of stuff?

Mr Sutton—I am not aware of the specifics of that article. If it impacted upon the commitments that they have regarding the delivery of outcomes, we would certainly report it to the minister. If it did not impact on the commitments that they had given, I do not think we would see a need to report that to the minister.

Senator LUNDY—Apart from articles like this one being published, how would you monitor the relative employment levels of these prime contractors for the purposes of industry development and the jobs commitments?

Mr Sutton—Again, it is very difficult. I am not aware of the article that you are talking about. Where are the sackings that it is referring to? Are they within CSC?

Senator LUNDY—Yes.

Mr Sutton—I am fairly confident that there are no commitments in the contracts to the actual employment levels within the prime contractor itself.

Senator LUNDY—So the CSC contract does not carry a commitment for new jobs?

Mr Sutton—Not as it directly relates to CSC. The commitments are written down in the contract. They vary from case to case. I am reluctant to comment any more on this without knowing the details of the article or the specific instances you are referring to.

Senator LUNDY—I am certainly happy to provide a copy of it, but could you take on notice this question: what consideration would you give such an event for the purposes of calculating a net jobs growth or loss for the industry development commitment? Indeed, what overall comment or commentary would you give about the employment—or otherwise—created by the IT outsourcing program? I have one final point on industry development. What

penalties exist if companies are found not to have achieved their industry development commitment—that is, if they have breached their contract? I know we have been through this before, but you are facing a situation where at least one contractor may not have reached its commitment. What can you do about it?

Mr Sutton—The contracts contain specific sanctions for breach of industry development commitments under the contracts. In administering the contracts, we very much take the approach that we are interested in achieving the industry development outcomes that have been identified under the contracts as opposed to enforcing sanctions. If there are any difficulties with the achievement of a particular commitment under the contract, we negotiate with the prime contractor. Our first priority is to ensure that the industry development outcomes are achieved. If variations to the contract are required, we are able to negotiate those on the basis that there will be no diminution in the overall quality and value of the industry development being delivered under the contract.

Senator LUNDY—So if they breach it, you then work with them to patch it up, so you make it easier for them to pass the test, if you like. That is pretty weak, isn't it?

Mr Sutton—The commitments are many and varied within and across the contracts. They are of a nature that it is more than possible that there could be substantial overachievement in some areas and underachievement in other areas. In considering an overall report, we consider how the company has been performing overall in relation to the contract. If there are any problem areas, we will work with them to identify means of addressing the problem and ensuring that their commitments overall are met.

Senator LUNDY—So if the company finds it expedient to do a bit of industry development in one area but not in another area that puts them outside of their contractual obligations, that is okay by you?

Mr Sutton—In a situation where—and it can be for any number of reasons—something that was negotiated at the time of the contract is not proving to be practical or achievable, what we do is work with them to review the contract in the same way that a broad range of commercial contracts are reviewed. But from the starting point, our basic position is that there can be no diminution in the overall industry development outcomes that are delivered under the contract.

Senator LUNDY—That is your assessment as to what constitutes a diminution or otherwise?

Mr Sutton—Yes, it is our department's assessment of variations that will ensure that that criterion is met.

Senator LUNDY—Minister, it would not really be in the minister's interest to find any of the companies failing under their industry development commitments, would it? It would be embarrassing, wouldn't it?

Senator Minchin—Naturally the government is hopeful and optimistic that they will all meet their requirements.

Senator LUNDY—It is very fortunate you say that because you have implemented a process that allows a degree of flexibility that in fact it is impossible for those companies to fail in their industry development commitments, because we have just heard that not only will the department bend over backwards to assist those companies, including through variations of contracts, to achieve their industry development but you will allow companies to boost up

other areas where they can achieve it to offset areas where they have failed in their commitments. It is a win-win for the government, isn't it?

Senator Minchin—If that is the case, then I think that is great.

Mr Stevens—I think it is important to make the point that Mr Sutton was not suggesting there is any reduction in the amount of industry development required under the contract.

Senator LUNDY—No, it was very clear what he said. It is a completely flexible system.

Mr Stevens—I think in a commercial world we all understand that, with the best will in the world, plans that might be valid at one point will not be as valid in 12 months time. There must be some flexibility in regard to achieving industry development targets. As we both know, this is a very fast moving area. If I can stress, there is no reduction in the overall level of industry development required under those contracts, and I think that is the important point.

Senator LUNDY—I think that point has been acknowledged and taken. My point is that it is impossible for these companies to fail. I also want to make the point in response to your question that it is the minister and, indeed, a range of departments—particularly OASITO, which promotes this IT outsourcing program—that have made a habit of being very specific about the industry development outcomes and not always expressing them as commitments, as they have been in the OASITO report, but as things that have been achieved. If we check the *Hansard*, I think we would find that even Senator Minchin would have found himself expressing those outcomes as givens as opposed to commitments. That is my point: it is the government that is choosing to be specific about it, yet what we have heard today is that there is absolutely no evidence—certainly not on the public record—that any of those commitments have in fact been achieved. So it is the government that is making the specific claims.

Mr Stevens—I do not think that has been said this morning at all. I think Mr Sutton has referred to the achievement of a number of commitments. He referred to a ministerial press release, I believe, which talked about some commitments that have been achieved.

Senator LUNDY—That is great but, as you know, because we have heard today that a lot of this stuff is commitments we do not know that that has been achieved. We have not had the opportunity as a committee or as an opposition—indeed the industry has not had the opportunity—to assess whether those commitments are being achieved. With all due respect, there is a time and place when we need more than just the minister's public statement, press release, to validate some of these claims. It is a highly sensitive area, and I would have thought the government would have been acknowledging of that and making some of this material public.

Mr Stevens—I think that is the purpose of the reports that Mr Sutton referred to earlier.

Mr Sutton—Indeed, yes.

Senator LUNDY—We are yet to see those reports and assess them for their quality. But I maintain that I do not believe there is a justification for any commercial-in-confidence claim for the annual reports provided to the industry development branch in this department.

Mr Stevens—I think we have been through that—

CHAIR—We take note of your views, Senator, but I think we should move on.

Senator LUNDY—Okay. Perhaps we should move on to the National Office for the Information Economy. Is anyone here—I may not have notified it correctly—who could talk about the department's own group 5 outsourcing experience?

Mr Stevens—We have corporate officers here. I expected you to ask the questions, so we have brought the relevant people.

Senator LUNDY—I appreciate that. I was not sure whether I had formally notified—

Mr Stevens—You had not, actually, but we assumed that you might want to ask some questions.

Senator LUNDY—I appreciate your anticipating that, thank you. The Australian National Audit Office provided a very interesting report into the IT outsourcing, and particular emphasis was placed on the relative failings of the group 5 Advantra contract in which this department is a participant. Have you had any significant issues with respect to Advantra's provision of service within your department? By 'issues', I mean problems or occurrences that have left you less than satisfied with their performance?

Mr Stevens—Perhaps I can answer that question generally and then I will ask my colleagues to answer in specific terms. There is no doubt that, in the early stages of the contract, the service was not as satisfactory as we would have liked. We did have a number of instances where the service was not satisfactory, and that has been accepted and acknowledged by Advantra. The service levels are now exceeding our expectations, but I will ask my colleagues to give you more details on that.

Mr Blewitt—During the process of the contract we have developed a series of measures by which we actually address with Advantra, on a month by month basis, their performance against the contract. As Mr Stevens indicated, particularly in the last several months we have improved significantly. Firstly, we are currently introducing a new standard operating environment which I think will enhance our systems capacity quite considerably. Secondly, any concerns about the contract are addressed directly with Advantra on a daily basis and, more particularly, they participate in our management processes at least once every month or so. So there is good interaction between the groups to ensure that deficiencies are addressed quickly.

Senator LUNDY—Have you ever had any reason to require sanctions or penalties—or service credits, as they are commonly known—of Advantra in relation to the service they have provided your department?

Mr Blewitt—As you know, there is a capacity in the contract to impose sanctions, and we have obviously dealt directly with Advantra right from the start of the contract in addressing that. In that case, we have taken action as necessary.

Senator LUNDY—Can you give me a monetary figure for those service credits?

Mr Blewitt—We will take that on notice.

Senator LUNDY—One of the significant issues raised in the ANAO report related to the prior identification of savings to the contracts. From memory, you did not have any budget deductions in anticipation of your IT outsourcing, or did you?

Mr Blewitt—Yes, we did.

Senator LUNDY—What is the value of those deductions since 1997, 1996 or whenever they were implemented?

Mr Blewitt—The deductions to the department were \$172,000 in 1999-2000 and \$354,000 per annum from 2001 onwards.

Senator LUNDY—Can you just confirm again: the ANAO report identified the fact that the minister for finance did not actually require the prerequisite savings to be identified before the group 5 contract was signed off.

Mr Blewitt—We will have to take that on notice.

Senator LUNDY—Have you read the ANAO report?

Mr Blewitt—Yes.

Senator LUNDY—It is certainly in there. In terms of the relative costs to your department within obviously the group 5 cluster, if you had not expended any money on new technologies or changed your business systems since the signing of the contract, would the department have saved any money?

Mr Blewitt—That is quite a difficult question on the basis that, since the initial assessment was done on a snapshot of the time—

Senator LUNDY—I know, but I am asking you if that snapshot of time had stayed the same, because this is an issue of the benchmark you would have established in the process of negotiating the contract.

Mr Roberts—It is a difficult question. Hypothetically, back then when we did that snapshot, we had identified that there would be some savings. All I can say is that, if the world had not changed, I guess we would have realised those.

Senator LUNDY—So the fact that you have just progressed your technology in line with natural progression has meant that you have not saved any money at all on the bottom line.

Mr Stevens—In addition to that, a number of staff have changed since those baseline figures were done. So we cannot really compare apples with apples, I am afraid.

Senator LUNDY—I think that is part of the point: there is very little opportunity to compare apples with apples, so what I am trying to do is pare it back to that point at which the department benchmarked its costs against what the contractor provided. It became very clear within the Australian National Audit Office report that, in particular, the group 5 project was singled out as not having gone through a whole series of processes to identify the level of those initial savings prior to the contract being signed, whatever the methodology that was going to be used.

Mr Roberts—In fact, it does specify. I am not sure where you are getting that information from.

Senator LUNDY—The Audit Office report very clearly says that there was not a ministerial sign-off on having prerequisite savings established before the signing of the contract. You might have done it at your level, but the process was not followed through in the department of finance.

Mr Stevens—I can only speak for ourselves, but we did a lot of analysis on the savings and the levels of service required.

Senator LUNDY—Have you been approached by Richard Humphry for the purpose of participating in his review of the IT outsourcing program?

Mr Stevens—Yes, I have.

Senator LUNDY—Will you be participating?

Mr Stevens—I think I am seeing him next week, from memory, but I am not sure. I will certainly talk to him.

Senator LUNDY—You took on notice to provide me with details about the financial level of sanctions applied, didn't you?

Mr Roberts—Yes.

Senator LUNDY—Thank you. That is all I have on this area.

[10.05 a.m.]

National Office for the Information Economy

Senator LUNDY—Chair, with respect to the discussion we had earlier about who was responsible for what, could I ask you as chair to make the appropriate inquiries as to which minister or which portfolio is responsible for the questions I asked about provision of information on the industry development?

CHAIR—I think the secretariat will do that.

Senator LUNDY—Through you, Chair, I am sure they will. But I wanted to direct the question to you specifically.

CHAIR—Yes, I heard that. But I think we will get the secretariat to deal with these matters.

Senator LUNDY—Thank you, Chair. Can you provide me with an update as to the changed arrangements with respect to the National Office for the Information Economy, the Government Online group and so forth?

Dr Badger—As you know, the National Office for the Information Economy was established as an executive agency on 18 October this year. The functions of the National Office for the Information Economy now contain those of the original NOIE, plus those of the office of Government Online, plus what are emphasised as strategic dimensions of IT industry policy that were in the department.

Senator LUNDY—Can you just explain a little further what the strategic dimension of IT industry development means?

Dr Badger—The easiest way to explain it is that NOIE will have a primary role in overall policy in the area, and the department will essentially look after the program activity. Most of the discussion you have had so far today on the program aspects of BITS or the IT outsourcing are handled by the department. We will focus probably much more on long-term issues—on issues to do with the state of Australia; Australia's state as an information economy, promotion of that issue, et cetera, looking at international investment in general, that sort of more general activity—than on program management activity.

Senator LUNDY—Minister, where does that fit with your charter in the industry department?

CHAIR—Are you sure we are not recrossing territory we have covered?

Senator LUNDY—I probably am, but I am curious.

Senator Minchin—Yes, I think I explained that the responsibility for IT, IT policy and industry development in relation to IT is now in DCITA.

Senator LUNDY—Right. There is no formal arrangement where NOIE reports to both you and the minister for communications?

Senator Minchin—No.

Senator LUNDY—So it is just cosy.

Senator Minchin—As I said before, it is important that, where there is overlap, which does occur, our departments work closely together—Richard's office and mine. But it is working successfully. As I have said publicly, for example, we are working together with Minister Kemp on the development of the innovation action plan, because obviously there are issues in relation to our general support for R&D, commercialisation and those sorts of issues that impact on IT. But we do work closely together on those issues where there is overlap.

Senator LUNDY—Are there any formal links at all between NOIE or the department of communications and industry in terms of committees, boards?

Mr Stevens—I think it is more informal, but there is very regular contact between the two organisations, partly because a number of officers have worked in both organisations. It is a very informal arrangement and I think a fairly cooperative arrangement.

Senator LUNDY—I have a couple of questions on those longer term issues. Again, it is fortuitous that Senator Minchin is here, because I know he engaged in a discussion with my colleague Senator Campbell the other day about big picture future directions for the IT&T industry. So any input would be welcome, of course, Minister. Can I ask officers of NOIE for their views on the relative growth of the Australian IT&T sector and its impact on issues like the value of the Australian dollar? Firstly, what depth of consideration have you given to the relationship between those two features of Australia's IT&T and the economic environment at the moment and, secondly, what strategies do you have in place to try to improve the situation?

Senator Minchin—It is obviously appropriate for officers to talk about growth and development in the industry, but I do not think it is appropriate for these officers to speculate about why the Australian dollar happens to be at US52c.

Senator LUNDY—No. But I am asking them if that has been a consideration in the development of those strategies.

CHAIR—I think the minister has given his direction there. It is the new economy versus the old economy, I guess.

Senator LUNDY—It is actually not that simple. The first question is: is NOIE of the view that there is a relationship? The minister has obviously indicated his view. I am asking you whether you think there is a relationship between the value of the Australian dollar and the relative growth of the Australian IT&T industry sector.

Senator Minchin—Officers would not be expressing official views. They might have their own private personal views, but that is not appropriate for this forum. It is not NOIE's policy, charter or responsibility to be speculating about what may or may not be the multiplicity of causes of fluctuations in the value of the dollar.

Senator LUNDY—I am sure, Minister, you accept that their charter is extremely broad and that they need to listen to all facets of public debate surrounding these issues.

CHAIR—Senator, I think the minister has given a very clear direction there and it might be better to move on to another subject.

Senator LUNDY—I think the minister has expressed an opinion. I still think my question stands. Are you considering that in your deliberations?

Senator Minchin—You did ask a more factual question about growth and development of the industry, which it is appropriate for officers to respond to, but it is not appropriate for them to speculate about what may or may not be the causes for the current value of the dollar.

Senator LUNDY—It is a big part of the debate, isn't it? It has been asserted by many in the midst of the debate that the relative growth of Australia's IT&T industry sector has had an impact on the value of the Australian dollar.

Senator Minchin—With respect, Senator, it is a debate between economists, none of whom agree. There are just as many who completely reject, as I said yesterday, the notion that the sort of market valuation of Australian IT&T companies has any impact on the current value of the dollar as there are who assert that. You can call in economists and have a debate, but that is not a matter for these officers nor for this particular forum. As you know, the government absolutely reject the suggestion that somehow the market cap of IT&T companies in Australia is a factor in the current price of the Australian dollar. We reject that absolutely.

Senator LUNDY—I did say 'relative growth' as opposed to 'market cap'. It is not a definitive figure. It is about performance as well as definitive industry figures.

Senator Minchin—The leading proponent of this argument is David Hale, who I met with at the World Economic Forum. He says the sort of relatively low market capitalisation as part of the total business sector of Australia somehow has got some influence on the price of the dollar, but, as I say, there are many economists who reject that argument completely. But that is the David Hale argument. We can all as politicians and economists debate that, but I do not think that is appropriate for these officers in this forum.

Senator LUNDY—Perhaps I can put it this way: is the government of the view that the relative growth—relative compared to other industries' growth levels in this country—is important to our economic future and to shoring up Australia's opportunities in the information society, the global digital economy or whatever you want to call it?

Senator Minchin—We have all said that knowledge based industries are the industries of the future. As industry minister, I have been particularly keen to emphasise that knowledge is an increasing function of all industries. I agree with Jack Welch who famously said recently that the old economy-new economy divide is a bunch of crap—and I think he is well qualified to comment. It is just as important for Australia's mining industry to become knowledge based as it is for us to develop a purely knowledge based industry such as IT. We want to see the growth and development of a whole range of knowledge based industries in this country, but that applies equally to existing traditional industries, such as mining and agriculture, as to the development of the IT industry.

Senator LUNDY—I know. Are you trying to tell me that the IT&T sector lines up, without overarching significance, with all the other sectors? I am sure you are familiar with the presentation of the argument—I know that NOIE is because it effectively underpins its charter—that, because of its enabling capacities, the IT&T sector has a relative status above other industry sectors as we previously defined them: existing industries, traditional industries, old economies or whatever you want to call them. So my question stands: is the relative growth of the IT&T sector considered critical for its enabling capacities over and above other industry sectors?

Senator Minchin—I am not the minister responsible for IT. As industry minister, I can say only that IT&T is a critical enabling technology. It is important that Australian industry across the board applies the new technologies as rapidly as it possibly can because that is essential if we are to remain internationally competitive. There are two aspects: the application of information technology to existing industries, and the development of an IT&T industry in Australia per se. In a sense, one feeds off the other. To the extent that Australian industry is motivated by the need to be internationally competitive, that ensures the rapid embrace, acquisition and application of information technologies. So there is clearly a substantial impetus in the growth of the IT industry in Australia per se. We have a rapidly growing IT industry, particularly in the service sector.

Senator LUNDY—I think we agree that the IT&T sector has a special role because of its enabling capacity. We are not really at odds in that regard. It is okay for you to say that special attention to the IT&T sector is important for economic growth. I do not think you should be afraid of saying so, given that you reached that point yourself.

Senator Minchin—By creating this portfolio and the sorts of programs that we have talked about this morning, the government recognises that IT has a special role in that the overall competitiveness of Australian industry is critically dependent on information technologies.

Senator LUNDY—In terms of NOIE's work in that area—I know it covers a range of programs—I am particularly interested in its views on the opportunities that exist for e-government style services: I guess the supply side of new technologies and how that can encourage things like e-commerce. What strategies is NOIE considering specifically in that regard? I know that officers from OGO are present, but I am really looking for some clues about your considerations from a higher policy level as opposed to an implementation level regarding government services online.

Dr Badger—Firstly, under the new arrangements NOIE and OGO are the same organisation. By and large, the government has made it clear that it sees its own use of IT and online services as a very important exemplar to the rest of the economy of how these services could be used and delivered, to demonstrate their impacts on efficiency, et cetera. The words 'leading edge user' come to mind as being what is behind the overall approach by government. The government has a strategy for getting its own services online by 2001. In putting those services online it wishes to have an environment in place which takes account of all those factors in the economy which will encourage the greater use of the online environment, whether it be ensuring that privacy considerations are met, that transactions have sufficient security to encourage their use by consumers, or having an environment in which small businesses are encouraged to relate to government on these sorts of issues.

Senator LUNDY—Just on that point about small business, recent events regarding the implementation of the GST and efforts by particularly the Taxation Office to provide an opportunity to make those lodgements online were met with a high level of frustration and, arguably, would have turned a lot of small businesses—who were perhaps experiencing their first online transaction with the Australian tax office—off the whole experience. Did NOIE look at that, or have you subsequently analysed the efforts of the tax office for the purposes of this aspiration of becoming a best practice electronic service delivery point?

Dr Badger—I think the people who have been working in the Office of Government Online have been working with the tax office on a range of practical considerations. The point about the implementation of the GST is that it was a very large and complex operation.

Senator LUNDY—But that was all the more important a challenge for the government to get it right, surely.

Dr Badger—What I was going to say was that in addition to those sorts of activities there are also a range of programs that come out—the ITEL program, for example, which is specifically directed towards promoting the take-up of online by small businesses.

Senator LUNDY—Just on that, the annual report says that you spent \$1.685 million on the ITEL program. It seems to me that the one very significant and major opportunity to facilitate small business access online was with the incremental upgrading of technology in small business with the implementation of the GST and packages like Quicken and MYOB; that a far more efficient way of actually achieving that would have been getting that online experience right, rather than splashing around another \$1.6 million on other programs. Would you agree?

Dr Badger—No, I do not agree at all. The two circumstances are quite different.

Senator LUNDY—In what way? Why are they different, if you are about best practice and genuine about your aims?

Dr Badger—There may be similar aims between the two activities but, by and large, we are using two quite different methods of achieving the objectives. We are not in a position to comment on the details of the implementation of the GST. You will need to talk to the ATO. I am afraid I cannot.

Senator LUNDY—This is the whole point. On the one hand, the minister made the point before about old and new economies and that these days the focus is on the actual services themselves and how you actually put technology to work for business or industry and so on. The same argument applies to government service delivery. If your policy outcome is to get small business online I cannot see why you are so hesitant to actually buy into the service delivery capabilities of government policies like the GST or the tax office capabilities to do that. Is there such a demarcation that disables NOIE from participating in those debates?

Dr Badger—The government has a strategy for getting its services online. I am not commenting on a part of that strategy which is the responsibility of another agency. We certainly work very—

Senator LUNDY—You cannot really do it then. You cannot do what you are saying you are trying to do if you do not have at least a role to play in assessment or advice of what those opportunities are with other agencies.

Dr Badger—The role of NOIE and OGO is to work with the agencies to provide them with advice and support on the implementation of the government's strategy. Responsibility for the hands-on service delivery rests with the individual agencies. I do not know the extent of the detailed discussions that have taken place about various aspects of the GST and tax. I am sure that I could find out for you the extent of the interaction about things such as digital certificates and a range of things like that. The general philosophy is that OGO and NOIE are responsible for strategy and for providing advice and monitoring, whereas responsibility for the actual delivery of services and for relationships with particular customers or clients rests with the individual agencies.

Senator LUNDY—We have seen with OGO previously that, despite their best intentions, stated policies and efforts to coordinate the various agencies online, the timetables have blown out significantly. By virtue of other government policies, the agencies that are roped

into the policy of going online are disempowered. I guess the best example is probably Centrelink. From memory, the last time that it assessed its relative performance against the government's online policies, it found that it was falling behind by virtue of its entanglements in IT outsourcing negotiations and a range of other internal budgetary pressures on its capabilities as an agency. Do you have a role to play in providing advice on overarching issues such as that that may start to free up some of the constraints on individual agencies so that they can at least achieve those goals? Is that your role?

Dr Badger—Our role in relation to achieving the government's overall strategy is a monitoring role. We have a reporting system. There is a June report—I think it has been made public—about where agencies are at, and another report will be released in the next couple of weeks giving a further update on where they are at. Agencies have the opportunity within that framework to provide answers to a series of questions about where they are at in implementing these strategies. We are constantly kept across where agencies are up to in meeting the government's overall strategy. At the end of the day, it is our responsibility to report back to government about how agencies are going in meeting the government's policy objectives.

Senator CALVERT—What has been the attitude of the states and territories to some of these strategies—particularly the gatekeeper and the ABN-DSC strategy?

Dr Badger—Last Friday there was a meeting of the online council, which is the federal-state meeting of ministers with online responsibilities, at which the gatekeeper strategy was discussed. Mr Field will bring you up to date on that.

Mr Field—There are a number of areas where it makes a lot of sense for the states, territories and us to take reasonably common approaches, given the scale of the Australian economy. As Dr Badger has indicated, we talked about that issue last week at the online council—which is the Commonwealth, state and territory ministers meeting in this area. The states have agreed to comply and fall in with the gatekeeper digital signature framework and the related business certificate framework, which is the ABN-DSC. That is very useful because, basically, it simplifies the landscape for providers, agencies and, most importantly at the end of the day, for people such as businesses who want to use this capacity.

Senator CALVERT—Have all states and territories agreed to that?

Mr Field—Yes.

Senator LUNDY—What was NOIE's budget before this recent consolidation and what is the difference now?

Dr Badger—The total revenue for the new NOIE for the 2001 financial year is \$28,752,000. There is a series of detailed figures here. I think the best thing to do is get you a table which gives you the total for the new NOIE and the constituent parts from OGO and the IT industry side of it.

Senator LUNDY—In terms of the former NOIE, if you have those figures there or if you know this offhand, has there been an increase or a decrease in the base level funding of NOIE as it was in its former capacity?

Dr Badger—The basic resources available to NOIE for the last two or three financial years have been approximately the same. There have been some differences in the actual spending each year because of carryovers, because of the treatment of the numbers under accrual accounting and also because of some money which was in the running costs of a program that

was actually stopped. But, if you look at the core amount of resources available to NOIE—that is, the original NOIE—it has been of the same order since the organisation was established in 1997.

Senator LUNDY—So the base level is about the same?

Dr Badger—The ongoing level of resources has been transferred across from the department to the new NOIE. It has been added to by resources that were part of OGO and part of the IT area.

Senator LUNDY—Have you appointed a chief executive yet?

Dr Badger—No.

Senator LUNDY—When are you going to?

Mr Stevens—We are in the process of looking at that.

Senator LUNDY—But you have been in the process of that since July, haven't you?

Mr Stevens—No, not really. Frankly, until the executive agency had been created, it was not possible to go to the market and look for a CEO. One of the attractions of this new agency is the comprehensive nature of its activities. In fact, we are finding great interest at the moment in the position of CEO of NOIE.

Senator LUNDY—That was beautifully said, Mr Stevens. I want to get this right. Did Dr Twomey resign in July? Was it earlier than that?

Mr Stevens—It was in August, I think.

Dr Badger—I think it was effective by early August or late July.

Senator LUNDY—When did the minister announce the restructuring?

Dr Badger—I can tell you when the agency came into effect—it was on 18 October. It was probably announced a couple of weeks before that.

Senator LUNDY—I did not think it was announced much before then. So there were a couple of months in which you were reorganising NOIE but you chose not to advertise? Is that what you are telling me?

Mr Stevens—Absolutely, because until we had the appropriate structure in place it would have been inappropriate to look for a CEO.

Senator LUNDY—Not necessarily.

Mr Stevens—It would have been inappropriate to go to the market, because we would have had to advertise a position we are actually going to fill, not a position which we may be about to fill.

Senator LUNDY—Where are you at with the process?

Mr Stevens—We are well advanced.

Senator LUNDY—What does that mean? Have you got applications? Have you engaged a headhunting company? What is the story?

Mr Stevens—I have engaged a headhunting company, applications have closed and we are interviewing at the moment.

Senator LUNDY—Have you received a recommendation?

Mr Stevens—No, I said that we are interviewing at the moment.

Senator LUNDY—Sorry. So when can we look forward to a ministerial press release announcing the new appointee?

Mr Stevens—We will announce the candidate as quickly as possible—certainly before Christmas, we hope.

Senator LUNDY—What is the remuneration for that position?

Mr Stevens—That has not yet been finally determined, because it is a matter for the Rem. Tribunal to give advice to the minister. We are in the process of doing that at the moment.

Senator LUNDY—Was that the case with Dr Twomey's salary as well?

Mr Stevens—Yes, that was determined by the Rem Tribunal.

Senator LUNDY—Chair, can I put questions on notice for information that will be available down the track? I want to know everything. I want to know everything when you know everything, Mr Stevens.

Mr Stevens—Senator, we are happy to provide the information. Once the minister has made a decision based on the Rem Tribunal recommendations, we will certainly provide that information to you.

Senator LUNDY—I want full details about the salary package and a summary of the selection process. I know you have given a little bit today.

Mr Stevens—I think I have given you a summary of the selection process.

Senator LUNDY—Yes, but I want the dates of the various stages as well.

CHAIR—We will be able to pursue all these things at the next estimates, Senator.

Senator LUNDY—I know, but I am really impatient. I figure that if I ask now there may be a chance of having it by the next estimates.

CHAIR—I know you are impatient, but sometimes you have to wait for things.

Mr Stevens—Senator, if there is a date I can help you with now, I am happy to try.

Senator LUNDY—At what point did you engage the executive search firm?

Mr Stevens—As soon as the executive agency had been set up. We moved very quickly at that point.

Senator LUNDY—I am still interested in that information.

Mr Stevens—We will certainly try to provide it.

CHAIR—Senator, you have to let the department finalise it all.

Senator LUNDY—What real estate office space does NOIE lease?

Dr Badger—As we discussed at the last Senate estimates, we have office space in Sydney. We have people in Canberra at the moment both in the department's building and in Centenary House, where the officers of OGO have been. We are expecting to have the part of NOIE that is in the department's building at the moment move to another building in close proximity in the next month or so. Also, we have an office in the ISR building—a small office in Melbourne.

Senator LUNDY—In Melbourne? In the ISR building?

Dr Badger—Yes.

Senator LUNDY—Who is down there?

Dr Badger—The secretariat for the Australian Information Economy Advisory council.

Senator LUNDY—With respect to the Sydney real estate, is that still the same in all its grandeur in Australia Square?

Dr Badger—The office is still located in Australia Square.

Senator LUNDY—How many floors is that?

Dr Badger—It is just part of one floor.

Senator LUNDY—Over of the last six months, has that NOIE office space been used for any other purpose than for NOIE?

Dr Badger—The space has been used for a combination of activities of the department and of NOIE.

Senator LUNDY—What sorts of activities have been conducted in that space?

Dr Badger—There has been a range of things: meetings between individual officers and industry people and, I think, meetings associated with the service inquiry into Telstra—the Besley inquiry. I can get you some details. There is ongoing use of the office now by people from the IT industry area who are working on investment promotion. They have got people there who are using it for discussions with the IT industry in Sydney.

Senator LUNDY—Sorry, could you say that again? Is NOIE doing that?

Dr Badger—Yes.

Senator LUNDY—Having discussions with the IT industry?

Dr Badger—There is an investment promotion role; there has been an IT investment and strategy on which we work with Senator Minchin's department.

Senator LUNDY—What does that involve? What do you mean by 'promotion'? Do you mean parties and stuff?

Dr Badger—Not a lot of parties.

Mr Besgrove—No.

Senator LUNDY—What do you mean?

Mr Besgrove—We have a series of people who are working closely with Invest Australia on a range of activities, including gathering case study material—talking to people both in the industry and in the financial community in Sydney to gather, essentially, a steady stream of case studies of successful Australian companies, particularly new and emerging companies. So they are spending time talking to equity investors, including the venture capital community. We found it more efficient to have those people on a part-time basis in Sydney, so we are using the NOIE offices in Australia Square for that purpose. If I might add to Dr Badger's comment, we have also used it for a range of consultations on a number of issues, including some of the work we are doing with the Prime Minister's Science Council, for example, on R&D. So it is being used for quite a broad range of purposes.

Senator LUNDY—Not specifically associated with the work of NOIE?

Mr Besgrove—With the work of NOIE as it is now constituted, because some of the former role of the information and communications industries division has moved across to NOIE.

Senator LUNDY—But that space was being used by those divisions before the consolidation?

Mr Besgrove—Yes, and will continue to be for those purposes.

Senator LUNDY—Has any other agency or department used that space?

Mr Besgrove—I believe Senator Minchin's department have, on occasion, used the meeting facilities. I am not aware of other agencies that have used it.

Senator LUNDY—Was it used during the period of the Olympics?

Mr Besgrove—Yes, it was.

Senator LUNDY—In what way?

Dr Badger—There was a group of people there supporting the department and NOIE's activities in dealing with the opportunities that arose from a number of visitors who came for the Olympics—

Senator LUNDY—What sorts of opportunities?

Dr Badger—Broadly associated with the general area of investment promotion.

Senator LUNDY—So you would host business guests there and give them presentations—that kind of thing?

Dr Badger—I think there were discussions and I think the staff that were involved in going to other places except for meetings were in fact based in the Sydney office.

Senator LUNDY—Was any hospitality provided, like lunches, dinners, buffets—that sort of thing?

Dr Badger—I certainly am unaware that there was any hospitality provided in the offices for that sort of thing. I can check, but I am not aware of that.

Senator LUNDY—If you could just take on notice what that office—over the last 12 months maybe—has been used for. I am also interested in whether, prior to the Olympics, other agencies or departments may have used that space for any purpose.

Dr Badger—Because there are meeting rooms there—

Senator LUNDY—Yes, that includes meeting rooms.

Dr Badger—people used it quite widely as a convenient space.

Senator LUNDY—Sure. Yes, that includes meeting rooms, because NOIE is paying for the space—right? They are paying for those meeting rooms?

Dr Badger—The space is certainly leased, yes.

Senator LUNDY—If that space was being used by the government for other purposes, how does NOIE's budget get remunerated for that? Does it?

Dr Badger—In general terms, no. The space was made available on an as available basis. If NOIE was using the space for its own purpose, then obviously it would not be used by other people.

Senator LUNDY—But NOIE did not use it all the time, did they?

Dr Badger—No, so other people used it. If nobody else were to use it, it would not have been used at that time.

Senator LUNDY—So you did not charge any fees or—

Dr Badger—I am unaware of any charge that took place.

Senator LUNDY—What proportion of the time would NOIE have used those meeting rooms?

Dr Badger—I would have to look at that. I do not know.

Senator LUNDY—Please take that on notice and provide me with full details of who used those meeting rooms over the last 12 months. Are you in a position to nominate any other department that did use those meeting rooms on a reasonably extensive basis?

Dr Badger—I certainly do not know, I am afraid.

Senator LUNDY—Does anyone?

Mr Besgrove—As I have said, I am under the impression that ISR may have used the meeting facilities from time to time. In a similar fashion, the department and NOIE from time to time take advantage of ISR's meeting facilities in Sydney.

Senator LUNDY—I am interested in that information. Dr Twomey was Australia's representative on the international advisory committee, from memory, on domain names.

Dr Badger—He is chairman of the government part of that to GAC, yes.

Senator LUNDY—Does he still hold that position?

Dr Badger—He does. The minister announced soon after Dr Twomey's resignation—I think as part of the recognition of the resignation—that Dr Twomey would be appointed as a government representative to ICANN and carry out this role, and he still does that.

Senator LUNDY—I know there is legislation being tabled with respect to domain names. Is that something that NOIE has carriage of?

Dr Badger—The amendments to the Telecommunications Act?

Senator LUNDY—Sorry, yes—the amendments.

Dr Badger—We do have carriage of that, yes.

Senator LUNDY—I think, from memory, it is yet to appear on the bills list. Am I right?

Dr Badger—Next week, I am informed.

Senator LUNDY—What level of consultation was engaged in with the industry leading up to the preparation of that bill?

Dr Badger—I think Mr Dale might like to join us to give you the details of that.

Mr Dale—The consultation that occurred with both industry and the more general user community extended over a period of three or four months prior to the government introducing the bill. There was also consultation with auDA, the industry self-regulatory body for the .au domain space. As I think we indicated to the committee examining the bill a few weeks ago, the comments that we have received were very positive and supportive of the measures that the government is proposing to take there, although, as we explained then, the

amendments are very much of a backup or reserve power nature. We had a number of meetings with industry parties. We posted the broad details of the proposal on the NOIE web site and received overwhelmingly positive support for the broad nature of the bill.

CHAIR—I think you are a member of that committee, Senator Lundy.

Senator LUNDY—Yes, I know. I was just refreshing my memory, thanks, Chair. Mr Dale, are you involved in the area of Internet connection in terms of general connectivity strategies, communications and regional connectivity?

Mr Dale—I am not precisely sure what you mean by ‘regional connectivity’, Senator.

Senator LUNDY—Internet access in regional Australia.

Mr Dale—We are involved in some aspects of that. Some elements of the government’s approach to that area are also very much the responsibility of the department and have always been.

Senator LUNDY—I just thought of some questions that might be useful to put on notice at this point. For people in regional Australia, given that the universal service obligation specifies 9.6 Kbytes, from memory—is that right?

Mr Dale—The universal service requirement in the Telecommunications Act?

Senator LUNDY—Yes.

Mr Dale—I am not specifically sure, I am sorry. That is not a NOIE responsibility.

Senator LUNDY—I am asking the question because just recently we have had a lot of complaints that the data speed in regional Australia is quite often lower than that for a whole range of reasons. I really wanted to find out if NOIE has a role in overarching questions like that. I know it goes to the heart of the Telecommunications Act and minimum requirements, but I am trying to gauge to what degree NOIE gets involved in the those kinds of issues of Internet access.

Mr Dale—To the degree that these issues are to do with infrastructure aspects of access—and of course ‘access’ can mean a number of things—including what that infrastructure is, the speed at which it might operate as regards obligations under the Telecommunications Act and pricing issues, those issues have been primarily the responsibility of the Department of Communications, Information Technology and the Arts. Obviously, NOIE both before and after the recent change to its arrangements has worked with the department on areas of common interest, but the lead role has been taken by the department because many of those issues relate specifically to the Telecommunications Act and responsibilities of agencies such as the Australian Communications Authority. I think all of those matters are specifically within a separate program for the department.

Mr Stevens—I make the observation that NOIE did in fact have a broad-ranging inquiry into bandwidth requirements which went to some of the issues you are really getting at.

Senator LUNDY—Yes, that was released in April this year.

Mr Stevens—That is right.

Dr Badger—Within the statement of the role and functions, the order to establish the National Office for the Information Economy as an executive agency, there is a set of functions set down for NOIE which emphasises our role as providing overview policy and coordination advice to government on information economy issues. It also picks up a range of

other things related to providing advice to government on the general state of where things of the order you are talking about are. I can give you a copy of the functional statement for the national office.

Senator LUNDY—It is on the web site, isn't it?

Dr Badger—Yes.

Senator LUNDY—I will get it from there.

Mr Stevens—I am not sure that 9.6 is right, by the way.

Senator LUNDY—No, I think it is—

Mr Stevens—I cannot give you chapter and verse, but I am pretty sure that is not right.

Senator LUNDY—I think that is right. What is NOIE's latest activity in the important sphere of policy on skills shortages in IT&T?

Dr Badger—The minister is involved in some of the work on IT&T skills at this very moment, as I am reminded.

Senator LUNDY—That is why he is not here.

Dr Badger—That is correct.

Senator LUNDY—Has he put out a press release yet?

Mr Stevens—I think he is about to. At 11 o'clock, from memory, he was having a press conference.

Senator LUNDY—Yes. I was going to say it wouldn't be far away. We will be knowing about it.

Dr Badger—I am sure we could get you the details.

Senator LUNDY—I am sure you can. I will get them off the web site. Does the minister put his press releases up on the web site straightaway, or does he, more like the Minister for Finance and Administration, wait a couple of days?

Dr Badger—I am sure they are put up with all possible speed.

Senator LUNDY—Is that an issue of quality control in NOIE's area, or do you let the minister's office handle that?

Mr Stevens—It probably goes to the department's administration of the web site, to be honest. I am not sure what the different arrangements are, but in our case I think the arrangement is that we put things up as quickly as we can.

Senator LUNDY—I am very pleased to hear that. So I will be able to get it off the web site after 11 o'clock. What are you doing about skills shortages?

Dr Badger—As you are aware, the government has provided funding from the DETYA portfolio and also through NOIE for the skills task force. That is the industry based body, and that is a very major activity. We expect that that body will provide some practical links between the supply side and the demand for IT skills and, probably just as importantly, or more so, understand the nature of the demand and supply characteristics. In addition, there is a range of studies and work that we do with the education portfolio to understand the nature of what is happening, and we work with education on designing approaches that would improve the skills base.

I think we are all finding that this issue of the skills shortage is quite complex. There is a headline problem that people refer to, but there is a series of work being done which is showing us that, as we get into the issue, it is much more complex than simply a headline skills shortage issue. The Victorian government are doing work which we have been talking to them about. There are some other studies around that are demonstrating that there is a significant issue of a breakdown in the links between people with skills and those that are demanding skills, and that is a very important part of where the government is going to put its emphasis: on getting proper links between those who want the skills and those who have them but perhaps cannot get noticed by the ones that are demanding them.

Senator LUNDY—It involves very much a cross-portfolio approach.

Dr Badger—The links between us and education on these issues are very strong. We involve them in work that we do on studies. At the officer level there is quite a lot of discussion. As I said earlier, we have co-funded with them the support for the skills task force.

Senator LUNDY—Obviously, you have engaged a number in industry to participate in the skills task force. What is their process of recommendation to NOIE or to the government? Are they compiling a report now, or is it a consultative committee?

Dr Badger—It is more that they are in fact an industry based body to which the government has given support for their overall objectives. The details of the way they operate is a matter very much for that organisation. We have indicated—and certainly the minister has had significant involvement with the skills task force—that we wish to work with them to understand the issues and to look at ensuring that anything that, from a government perspective, needs to be addressed will be. Once again, they have certain responsibilities under this process of having funds provided to them. In addition, there are ongoing more informal links to ensure that the information between the various bodies is efficiently shared.

Senator LUNDY—What about your advisory body, IEAC? Has it had any changes in membership?

Dr Badger—The formal situation is that membership is up for assessment and review because it expired on 20 November. That is under active consideration at the moment.

Senator LUNDY—Are they biennial or annual appointments?

Dr Badger—They are two-year appointments.

Senator LUNDY—Who chairs that body?

Dr Badger—Don Mercer.

Senator LUNDY—Will all positions be reviewed?

Dr Badger—The process involves looking at the total membership and the balance: who is available and who is not. It is a practical issue.

Senator LUNDY—Given earlier discussions about entrepreneurs and their representation, has the government considered making a position available to an Australian entrepreneur in the IT&T sector in order to enhance his or her representation and decision making opportunities?

Dr Badger—I guess it depends how one defines an 'entrepreneur', but I think there are people associated with IEAC who would consider themselves—

Senator LUNDY—I take your point. I guess I am thinking of a start-up entrepreneur who is not necessarily established but who could bring to the board experience of his struggles to secure seed funding and growth funding in the early stages. I think that is an important perspective.

Dr Badger—I understand. There are people on the board with that range of experience. For example, Peter Coroneos from the Internet Industry Association has that sort of background.

Senator LUNDY—I think I have described the sort of person I mean—particularly those who are active in the marketplace and are seeking support. In talking earlier about the BITS program with Mr Sutton, we discussed the issues confronting entrepreneurs. Does NOIE have any initiatives or strategies to support entrepreneurs—for example, seeking information about sources of capital or intellectual property management? Can NOIE offer some leadership regarding a resource for budding entrepreneurs, particularly in the IT&T area?

Mr Besgrove—Not as such. We have brought across from the information and communications industry division that group of people who were focused on tax related issues. They have had a particular focus on issues to do with capital gains tax, venture capital and employee share options schemes, for example, which obviously have considerable implications for start-up companies. A range of other areas in NOIE also has a related focus, but at this point we do not have an individual area that is focused on the field that you described.

Senator LUNDY—Do you think it would be appropriate for NOIE to explore that field? I guess that is a policy question.

Mr Besgrove—Yes.

Senator LUNDY—Acknowledging the absence of Senator Alston to whom this question should be directed, do you think, Minister, that NOIE should develop an emphasis on the issues, challenges and interests of budding entrepreneurs? Would that be a worthy path to follow? Given its charter, should NOIE provide some sort of resource to budding entrepreneurs?

Senator Minchin—I do not think it is proper for me to comment on a matter such as that.

Senator LUNDY—I am happy for you to take that question on notice. I am genuinely interested in the minister's comments.

Senator Minchin—That is a reasonable question and we will get a comment from the minister as soon as we can.

CHAIR—Thank you, Senator Lundy. I thank Senator Minchin for appearing before the committee this morning. It is proposed that an additional session of estimates be held at a time yet to be determined to examine programs that have not been dealt with. The timing will be decided in consultation with the minister, but that session will probably take place one evening next week. I thank all officers who have appeared before the committee this morning.

Committee adjourned at 11.00 a.m.