10/02/01
Secretary,
Finance and Public Administration Committee

Dear Senators,
I have been it the IT industry for 25 years. Nearly the whole of this time has been spent in technical areas. While I have opinions on the way the outsourcing policy has been implemented, my expertise is not in finance so I will leave that to others.

I would like to give you some food for thought in relation to the future of IT, part of the terms of reference:
"and the means of ensuring that any future IT outsourcing is an efficient, effective and ethical use of Commonwealth resources, with particular reference to:
(d) the means by which opportunities for the domestic IT industry, including in regional areas, can be maximised. "

I would like to discuss two points:
a) outsourcing agencies, e.g Electronic Data Systems(EDS)
b) a possible future structure of Government IT

a) Outsourcing agencies
If you take EDS as an example, you might ask the question, how did they get as big as they are?. They got started by gaining expertise in managing technology then when they were sold to General Motors they had a huge platform to build on. The point here is that size matters. This is highlighted by Sterling Software, which was recently sold to Computer Associates for a reportedly $US4bn, there main claim to fame is that they did most of the outsourcing for the USA government. In my opinion one of the major problems with the Outsourcing policy was that it was sold off bit by bit instead of looking at the possibility of consolidation.

My point here is that if the Government Outsourcing was given to an Australian company they would be able to develop all the same expertise and savings and the profits would stay in the country.

b) Future Structure
How could we go about achieving the above goal? Back a bit there was the Button plan. I believe this involved setting up a single agency to service the Government. While the plan was probably sound, I believe it failed for two reasons. Politics and the then technology. Both of these items I now believe have been negated. The politics of the agencies fighting among themselves to remain independent has been negated by the fact that most of them are now outsourced. I also believe the Button plan was crippled by the change in Government. However I think if we look at the Button plan again there would probably still be many relevant ideas.

Now for the technology side. When the Button plan was proposed the Government agencies were running very large machines that logistically required a great deal of environmental support, i.e. large data centers. Additional ones would have had to have been built, the cost of which would have probably wiped out any savings at least in the short term. Some of these data centers were built (ATO HIC CUSTOMS)

However, over the last few years the size of the machines and the cost of the infrastructure to support them has decreased dramatically. So much so that I believe you could fit all of the computing power needed for all Government agencies into the EXISTING data centers in Canberra and still have room for backup sites.

Another significant factor is that you can take an agency such as Attorney Generals and run it as a completely separate entity on an existing machine alongside several other agencies, all of which would have there own virtual machine. The larger agencies would need one (or more) machines of their own, but they could all be run from existing data centers.

The developments in networking over recent years has also been astounding and is likely to continue. I believe the Universities recently announced a plan to totally integrate their network, the benefits of being able to communicate between academic research institutions is obvious. The point about the networks is that they can be set up to be integrated or separate depending on the requirements of the agency. The network could still be managed by one Outsourcer or agency which could start off small and gradually get big enough the same way EDS did.

SUMMARY
In summary I would like to stress two points:
1) NOW is a good time to be looking at the future direction of IT. We have the technology and people we only need a Captain to say "make it so".

2) It is the current Governments stated aim to try to get the cost of IT to the Government down to the lowest level possible, by asking Outsourcers to bid the lowest price. While you, will during the course of this enquiry, no doubt discover whether that has been achieved, the Outsourcers are not going to do the job for free. They are going to make a profit. While all of the Outsourcers are from overseas that is where the profits go. So the Government gets their IT costs down, but what is the cost to Australia?