

PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

Inquiry into budget estimates 2009–10

Melbourne — 12 May 2009

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Ms J. Munt
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Witnesses

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

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

Mr J. Strilakos, Acting Chief Financial Officer, Department of Innovation, Industry and Regional Development.

The CHAIR — Treasurer, welcome back. I now call on the Treasurer — the Minister for Information and Communication Technology — to make a brief presentation of no more than 5 minutes on the information and communication technology portfolio.

Overheads shown.

Mr LENDERS — Thank you, Chair. I have been minister in this portfolio since late December. In the first four months of the year Theo Theophanous was the minister, then Gavin Jennings was acting minister for three months, and I have been minister for last five months.

There are a couple of things to note here. Firstly, there are some really strong trends in the ICT sector. What we are seeing is that employment has grown consistently, and while it is levelling out it is still strong. We are also seeing revenues in the sector going up and also exports. While these trends are not as strong as they have been over a period of time, at a time of global contraction, Victoria's ICT sector has held up quite well.

There have been some achievements in the portfolio. We have seen the progress report, which I will not go through, but it really is the history of where we have gone and the targets we set ourselves. It is a progress report on that. Through this we are seeing jobs going forward and ongoing capital investment. While we often focus on jobs that leave an area, we are certainly seeing some good successes here, like the 300 jobs going forward at IBM in Ballarat. We are continuing to do the job that the department is meant to do in this particular area, which is building on the skills in the area and investing in particular projects. There are some very interesting measures, like the number of people applying for undergraduate courses in ICT, for example. There has been a very strong uptake this year.

The CHAIR — I hope many of them are women, because I actually gave a presentation a year or two ago to try to get more women into the ICT sector.

Mr LENDERS — I do not have that detail in front of me, Chair, but I certainly know that ICT is more than blokes drinking cans of Coke and eating pizzas. There are probably a lot of people who do not fit the stereotype as well.

There is a lot of stuff going on this year. In broadband, clearly the commonwealth has made its huge announcement of where it wants to go over the next eight years and is making a big investment in this area. Victoria, of course, has the highest, I think, or certainly close to the highest rate of broadband access to homes and businesses already. We went out there very early in the piece in this area. There are fibre links going forward in this budget, and the linking to TAFEs; there is a whole range of areas in here which build on Victoria's actual capacity in this area.

If we go to research, last year at the end of the financial year we announced \$50 million towards the life sciences super-computer. That is coming through in this budget for the project to be up and running. There will be further works in the synchrotron area. There are big challenges going forward. There is continuing growth in the current economic climate. That is big. It is how we leverage off the national broadband network and try to get the headquarters here in Victoria, which will be big for job creation. Clearly we have the issue of Satyam, a great project which we are managing through unfortunate circumstances that that company went through in India.

There is a range of challenges going forward in the area, but this has been one that Victoria has been strongly at the forefront of. I give full credit to the Kennett government. It set up a designated minister for multimedia in then Treasurer Alan Stockdale. It is something this government has worked on strongly since. The current Premier was our first minister in this area. It is an area of growth — we go forward, and we are delighted to continue working in the area. There are some real opportunities and some challenges, but it is an area where Victoria has had strength in people investment and it is a portfolio that will go forward strongly.

Ms MUNT — I am interested in your opening presentation in particular in relation to budget paper 3 at page 128. Under science and technology it gives the details and says it facilitates growth and sustainability of Victoria's science and technology sector through the development and advanced use of new, emerging and transformative technologies. In particular there are ICT projects and programs under way — there are 40 listed. In relation to your opening presentation, you detailed a number of broadband initiatives and issues, innovation funds, the development program, the national broadband network, the leverage for new national broadband

network, the bid for national broadband network headquarters. Could you explain for me the interaction between these 40 ICT projects and the broadband revolution, really, that we are going through at the moment?

Mr LENDERS — I thank Ms Munt for her question and her interest in this area. She is absolutely correct in her premise: all these things are interlinked. There is nothing that is in a sense stand-alone. The commonwealth will talk of a project over eight years that is the size of our budget — setting up a company to run out the broadband connection to the home for 90 per cent of homes with the cover of satellites for the rest. You say, ‘Where does that start fitting in?’.

The starting point in Victoria I guess firstly is: why is this important? Broadband is the new infrastructure of the present. If you talk to a number of small businesses — I saw some figures, I think they were the VECCI’s or they might have been DTF’s figures, a while ago showing that access to full broadband saves a small business on average \$5000 a year. That was an economic measurement of the difference that it will actually make for having access to broadband. It is not just an academic exercise. It actually cuts costs to business, let alone what it does to information that is available to citizens in the 21st century, let alone what it does to the ability for students to learn, either at their own homes or through educational institutions. The question in this sense is where this all fits in. For us the starting point is that Victoria was out front there with linking broadband to every government school in the state. Once you have got 1590 or 1600 or whatever the number of government schools is these days, when you have had to work with the private sector in getting those links out to there, clearly, every significant community in the state is connected as you start off, so the capacity for businesses and individuals to actually leverage off that and get access is straightaway enhanced.

Your question of where the 40 projects fit in and how they all come into place is also particularly relevant. We have obviously been able to leverage off there. We have got more than 600 kilometres, I think, of VicTrack. They have lines out there, so one would obviously manage to use that as the information highway, literally linking the physical infrastructure to that.

A lot of that enhancing — we have put a lot of bids in to the commonwealth. We have the VicFibreLINKS program this year that really looks like adding long term to what the commonwealth can do with us. This linking to schools, whether it is a linking to TAFES, all of these build on the capacity in this area, so all the projects interlink. We have also had a number of fairly unique things in Victoria. If we look at Aurora, I think it is, on the edge of Melbourne, where there are 8000 homes being built on a classic, VicUrban modern estate. Now they have not only got third pipes and recycled water, they have got broadband to the home going into that new estate. So we are quite innovative. I think there is a similar project in Queensland — I think there is one other in the country — but essentially Victoria has been in the lead with all of these, and they logically fit together for us to be in a position to be the platform from where the commonwealth can roll out broadband. Why? We have got such a direct penetration into homes and businesses going forward with all these things linking together — the culture, the expertise and the skills — all of them in place in Victoria for us to logically lead the way.

It has been a boon to our economy, but it has also been a great boon to citizens in having more information. That is what being a part of the 21st century is. It is amazing how our language has changed now. People talk of ‘googling’. ‘Googling’ generally implies that you actually have the capacity to get information quickly, and that implies an information highway to get it for you very quickly.

Ms MUNT — Can I say that a lot of businesses are now run from homes, so you have an interaction between that — and a lot of education comes from the home, too, through these information superhighways.

Mr RICH-PHILLIPS — Minister, I would like to ask you about the Victorian broadband demand report, which used to be published each year by your department. It was published on an annual basis by DIIRD or whichever agency had responsibility, and it highlighted the availability and speed of broadband throughout various regions in Victoria and where the shortcomings were and was used by all your predecessors to attack the previous federal government over the poor quality of broadband in Victoria. Since the change in federal government that report no longer seems to be published. It is normally released in February-March. My first question is: when can we expect last year’s report, or have you simply ditched it? Or will we see this report being released going forward as it has been in the past?

Mr LENDERS — I thank Mr Rich-Phillips for his question. I will specifically refer the question about the report being issued to the deputy secretary, Randall Straw, for a response on the report being issued and where, but I think the context I would like to paint on this is that I was not part of the history of blame games — you know, the commonwealth or state, who is responsible for broadband? In my opening remarks I actually, for me, was very generous to Alan Stockdale. I am not often very generous to Alan Stockdale.

The point I would make though, I guess, on this is: if you need reports to show inadequacies, that is fine, if what you are using it for is to actually plug the holes. That is absolutely relevant; you want relevant data to do the priority areas. But I think where the world has transformed — no pun intended — has been that the commonwealth has actually come out with a plan, with a funded plan, to completely rejig broadband with universal access in the country: direct access with broadband to the home in 90 per cent of homes, and where that is just not physically or economically doable, a satellite overlay to give those homes access.

So I do not see the particular need, if the commonwealth is doing its program and delivering — and if people are dubious about the commonwealth doing it, then I think it is a legitimate question, but I am not. I am absolutely convinced that Stephen Conroy will deliver on his national broadband network plan. The commonwealth is investing what it needs. Without too much hyperbole, this is of significance like the Snowy was — in fact, more, because this is for the entire country; the Snowy was for a part of the country. Ms Pennicuik might have a different view on how good the Snowy was. But certainly the national broadband network is a program — again, Randall Straw will add or correct me — where I think about 50 per cent of homes in Victoria have got access at the moment, which is high, certainly higher than in Tasmania, where this rollout is starting. We are in a situation now where if we need to have reports going forward — —

I have completely underestimated it — the equivalent broadband coverage of the state's population. We will need figures for connection to the home, or whatever — but anyway, regardless of that — —

Dr SYKES — No, tell us the figure.

Mr LENDERS — Well I am answering — —

Dr SYKES — No, come on, you were going to.

Mr LENDERS — Dr Sykes, I am answering Mr Rich-Phillips's question, and Mr Straw may well wish to put that figure forward. It means I am underselling Victoria.

Dr SYKES — Let the man speak.

Mr LENDERS — I am underselling Victoria.

Dr SYKES — How much are you underselling it by?

Mr LENDERS — I am normally accused of overselling. I am underselling, which goes to show what a modest minister I am.

Dr SYKES — Tell us how modest you are.

Mr LENDERS — In response to Mr Rich-Phillips — —

Dr SYKES — How modest are you?

Mr LENDERS — In response to Mr Rich-Phillips's question, before I hand over to Mr Straw, the issue is seriously this: you have a report to show gaps so you can actually get the commonwealth to address those gaps or the state can plug the hole behind it. That is why you have a report; that is logical, you do not have a report for the sake of a report. The commonwealth now has an ambitious eight-year plan, a \$40 billion-plus plan, to have broadband to the household for 90 per cent, and then 10 per cent by satellite over the top where it is not practical. So we have addressed the need.

I will happily handpass the issue of why we are not producing a report, but I think I know the answer already: because the fundamental need has been addressed by the commonwealth policy.

Mr STRAW — Mr Rich-Phillips, the policy rationale on why we did a supply-demand report and did it for years was that we believed there was a lack of information in the market and we believed information would provide — obviously from a policy perspective, we could work through what government should do in this area — to the private sector quality information around investment decisions. We believed that was lacking in the marketplace, hence we did the supply-demand reports. It showed, obviously, gaps, certainly in regional areas, but it also showed what the demand opportunities were, which we believed helped the private sector make decisions.

One of the reasons why we have not done one in the last year, I think it is — I think October 2007 was the last data — is that we believed it was moving on. Obviously the commonwealth was moving into this space and other areas, but we believed that was all about first generation broadband, and what we call first generation are things like basic ADSL services, basic satellite services et cetera. In the end the report was showing I think that 94 per cent of all Victorians were covered by basic broadband.

The next game is basically next generation broadband, which is what the commonwealth and the minister were referring to, around the national broadband network. They have made commitments in regard to coverage. Certainly if we did anything around supply-demand we would be doing it in next generation broadband, not basic broadband. That is basically why we did not see value in doing that next report, and we are considering whether or not it is worthwhile, in the context of the commonwealth announcements, to do next generation supply-demand coverage reports.

Mr RICH-PHILLIPS — Given that the Treasurer has acknowledged that the commonwealth plan is eight years, if there is genuinely a tool to identify gaps rather than a political tool after October 2007 — the timing is obviously ironic — would it not be relevant for the Victorian government to continue with that demand report until the commonwealth platform is implemented in eight years time?

The CHAIR — I will take that as a statement, and we will move on to the next — —

Mr RICH-PHILLIPS — No, it was a question. It was: shouldn't the state be continuing with it?

Mr LENDERS — We did VicFibreLINKS, which I mentioned before, reading this budget, and we continue to plug gaps while waiting.

Mr NOONAN — I want to stay with the issue of the national broadband network, which is clearly dominating this space, and refer to budget paper 3, page 130, which refers to investment attraction and facilitation. Given those output levels, I wonder how the state government's recently announced determination to win the national broadband network's corporation headquarters for Victoria impacts on those output projections.

Mr LENDERS — I thank Mr Noonan for his question. For us to get the headquarters of the national broadband network in Victoria would be a really big shot in the arm to our already strong ICT sector. In the end there will be jobs created right across Australia for the rollout. There will be technical jobs, there will be construction jobs, there will be labouring jobs — a whole range of jobs which will go consequently around the country for the rollout of broadband, and that is a win for every community across the country. But in the longer term for getting the headquarters of the network here in Victoria is that there is a lot that goes with it; it is not just the jobs themselves in a corporate HQ. What it does is leverage off that — whether it be the research and development that goes with it, whether it be the innovation, whether it be a lot of the companies that we have in Melbourne and the academic institutions that are already taking people through. That just builds on that going forward. Telstra has had its headquarters here in Melbourne, so the largest telco has been down here. But we also have so many other companies out here. When the commonwealth announced it we were looking at what Victoria had to go. I went out into the eastern suburbs at the time and saw a string of companies that were around and were providing real service in this area.

People are exporting technology to other parts of the world. We are doing work. The R and D that goes out there is quite extraordinary. Going out to Bayswater, Pacific Broadband is an Australian company that is out there and is exporting overseas, The extraordinary thing about Pacific Broadband — it is well worth seeing and this would be typical of so many other companies that are at the cutting edge in this particular area — is it is actually employing young Australians straight out of I think it was Swinburne University in this particular case. There were a number of students I met who have placements for a year or more out in companies like this. They

are earning a living, they are learning a skill and it is an absolute investment in young Australians in these particular areas.

If we get the national headquarters of the broadband company here, one for the national company doing it, you have actually got a very strong churn out of ICT graduates in Victoria with skills in this area. For them, they have got a good labour market to actually employ people. You have got so many of the critical companies out here who, again, they can work with. So R and D involves that, also the rollout, also the convenience — the costs of doing business will be less in Victoria because we have got the critical mix here.

For us they are good jobs for the future, they are export-oriented jobs and having the headquarters here means that that next generation — referring to the next generation, but as we go on and on into the future, as you have the refinements of it, if we have got the corporate HQ here, if we have got the R and D that goes with it here, it all builds on itself and means Victoria becomes even more of a hub of excellence in ICT. That is the attractiveness for us in having it here, but the immediate thing for most citizens, of course, is getting that high-speed broadband to the home of the next generation. But for the state economy, having the headquarters here will really leverage off a lot of what is already here, so that is the attractiveness for us.

The CHAIR — Thank you. A final question on ICT from Dr Sykes.

Dr SYKES — My question relates to the rollout of the national high-speed broadband coverage. I should say that lack of broadband coverage is a significant issue in much of the electorate of Benalla. I have many people in the Strathbogie ranges, lifestylers and genuine farmers, who just cannot access reasonable speed broadband, if at all. Even fellows like a young fellow called Daniel Hooper, a 20-year-old, next generation farmer at Devenish, 20 kilometres from Benalla, just off the Hume corridor, cannot access adequate broadband coverage. So there is a need out there.

Mr Rudd has made a commitment to provide the new, high-quality service to 90 per cent of Australians or homes, but as I understand it communities of less than 1000 are not covered in his commitment — even though you talked about delivery for the entire country, communities of less than 1000 do not appear to fit into that. You made some reference to access for other communities to satellite broadband. I would ask the question: how will the missing 10 per cent be covered? If it is by access to satellite services, will they be at a comparable quality and a comparable cost? As a very specific question: can the nearby community access broadband that is connected to the state's schools around the countryside?

The CHAIR — Minister, we want to wind this up.

Mr LENDERS — I will be quick. While I have certainly been spruiking and talking up the federal scheme, the eight years, I do not want to be churlish and say to Dr Sykes, they are specific federal initiatives, some of those he is referring to. They are a legitimate part of policy discussion here and the commonwealth, through its broadband to the home, the new generation, has dealt with the 90. There is obviously a big debate going on in Tasmania and other places over where this is rolling out over the towns of under 10 000.

Dr SYKES — Under 1000!

Mr LENDERS — Under 1000. They are issues in a sense that really are more federal. We have an interest in that and we will obviously advocate with the commonwealth for that satellite coverage to go down to places where there is not new generation broadband to the home.

The specific issue, though, about whether people can access the broadband that goes into government schools, I will take formally on notice. I know part of the big driver we have had always has been that once a commercial operator actually needs to run the old-style cable to a government school, it means the cable is in that town and suddenly it becomes that the leveraging off that for commercial use has just been so much easier.

The specific of whether or not a person can access it, that one I will take it on notice. The main design has been that we need to use the market to roll it out — putting in that requirement to go to every government school in the state has brought it to areas that otherwise it would never have been to. That has been the main driver of what we have done.

Dr SYKES — I just clarify that there are many, many communities in my electorate and other parts of rural Victoria that have less than 1000 people, so you were spruiking the national program, but please lobby and ensure that many country Victorians have access to the technology that has been offered to other people.

The CHAIR — Thank you, Dr Sykes and the minister for taking that one on board. I thank Mr Straw and Mr Strilakos for their attendance.

Witnesses withdrew.