

**THE PARLIAMENTARY STANDING COMMITTEE OF PUBLIC ACCOUNTS  
MET IN COMMITTEE ROOM 2, PARLIAMENT HOUSE, HOBART ON  
THURSDAY 15 MAY 2003.**

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**Mr JOHN HAYTON**, CHIEF EXECUTIVE OFFICER OF THE INTELLIGENT ISLAND PROGRAM, WAS CALLED, MADE THE STATUTORY DECLARATION AND WAS EXAMINED.

**CHAIR** - John, and also your assistant, welcome to the Public Accounts Committee. We are going down a path previously passed by both yourself and ourselves and we have met previously. You took the opportunity to brief the Council previously and we thought it may well be opportune to go to the next stage of that. We are certainly very interested in the program and in its many different directions, I guess. We would like to have you update us in regard to that and then we would look to ask some questions perhaps about matters arising from that briefing.

**Mr HAYTON** - Sure, I am happy to do that, Mr Chairman. The only unfortunate thing about this is that the time between these briefings is a bit lengthy at times. I wonder if I am able to give you a sense of the continuing momentum that the program has, but certainly I am more than happy to update you and if you want a written brief to follow this that covers the points I made, I am happy to do that.

I thought, if you don't mind, I have a couple of pages that might be useful for people to have in front of them to guide their way through - I think you may recall that the Intelligent Island program was the MOU that governed the program and was signed back in the year 2000 and essentially it was envisaged that we would be a five-year program expending \$40 million, with the sole aim of growing the State's information and communications technology sector such that by 2010, which was the vision of the people that designed the program, that the sector would contribute a greater amount to the State's economy and be one of the leading sectors in that economy.

The program itself was divided for implementation's sake into seven initiatives. What I have given you is a list of both the initiatives and the strategies. If you are interested particularly in where we are with implementation, the way to address you will be to go through the initiatives. I wanted to deliver the list of strategies too because that might be a useful discussion to have afterwards just to talk about how the sorts of activities that we are actually implementing are developed in the State sector.

The first initiative is our incubator initiative; that has been well under way for over a year now. There are 12 incubatees in the facility and you may recall that that facility is a joint venture between item 3, which is a Sydney-based incubator, specialist incubator, KPMG Tasmania and the University of Tasmania, and as you may drive down Sandy Bay Road past the university and notice that ghastly teal-coloured building that is pretty well on Sandy Bay Road, that is where the incubator is located and many of our incubatees are also located there.

**Mr WILKINSON** - Can you tell us what incubators and incubatees are please, John? The terminology.

**Mr HIDDING** - Ever had chooks?

**Mr HAYTON** - I suppose it is a hothouse to provide - the incubator itself is to provide the sort of business expertise that a technologist who has a great idea might be lacking. So if somebody comes along with a technology idea or a piece of software and says, 'I think that this is a good thing, that it has a market, it could go places but I don't know how to grow my company, I don't know how to put the business side of it in place', the incubator is there to provide that sort of support. The decisions they take on getting companies into the incubator though are commercial decisions so it is a competitive and a commercial process, not a social process. So if you come along to the incubator and you are saying, 'We've got an idea or a product or a potential product that we think is a goer, will you provide an investment?', the incubator invests in the company that is there and gets in return for its investment some equity.

The reason that it is a commercial process - the Intelligent Island goal here, the main goal is to make sure that there is an incubation facility in Tasmania and that it stays around, in particular that there is an ICT incubation facility. The only way that will happen in the longer term without a continuing stream of government funding is if they make astute commercial investments so that the companies that they take into the incubator and help grow, grow in such a way that eventually they are able to sell those investments or get further equity invested in them and that will get a return to the incubator. So, essentially, the incubatees - and I'm sorry for the terminology - are the companies that come along and say, 'Will you help us'.

**CHAIR** - Is the presence of the incubatees of a permanent nature; do they stay in or are they in there only for a period of time and then move on?

**Mr HAYTON** - They are only there for a period of time -

**Mr STURGES** - Then fly the coop.

**Mr HAYTON** - Yes, fly the coop, at least we hope and there are a number of ways they could fly the coop. Back in the heady days before the dot.com crash, we would have hoped either that the company could have been sold as a whole to somebody who was particularly interested in that product or, alternatively, that a venture capitalist might have come along and said, 'Yes, this company is now going places. It has demonstrated a record in which I'm prepared to invest and buy up a share of that company'. Part of that purchase would have been to take some of the equity that the incubator had achieved out of the picture. The third way, what they call graduating or flying from the coop, is to achieve a self-sustaining positive cash-flow basis and continue then to build in a slower way while building a market and hoping that a venture capitalist will come along that could take an interest in you.

DCITA is in the process of doing a review of all the bits incubators, the Building on IT Strengths program incubators, and our In-terlink incubator is really the Tasmanian analogue of that mainland-based program. A couple of them have done as well as us but none of them has demonstrated I think the sorts of companies that we have in our incubator. We are very pleased with the success of our incubator compared to the other mainland bits incubators.

**CHAIR** - Can we just address that question for a start. I would like to encapsulate what you have said to make sure I'm understanding what you have said. In Sandy Bay there is established an incubator which has as its equity shareholders the Centre of Excellence for Research and Training, KPMG and the University of Tasmania. Each of those parties have an equity share in a separate business which is an incubator which combines with various businesses who apply and are accepted to be part of the commercial proposition.

**Mr HAYTON** - I'm sorry, I'm not sure that I heard the first bit properly. It's a consortium of item 3, a Sydney-based incubator, KPMG Tasmania and the University of Tasmania.

**CHAIR** - So the Centre of Excellence for Research and Training is the actual incubator?

**Mr HAYTON** - No, that's a different initiative of Intelligent Island.

**CHAIR** - Does the incubator have a name that we can refer to or is it just known as the incubator?

**Mr HAYTON** - In-terlink.

**CHAIR** - In-terlink, is that one corporation or is that a series of corporations involving equity participation in separate businesses who have been accepted as incubatees?

**Mr HAYTON** - In-terlink; is the corporate form that holds the incubator itself, the facility that is the incubator, and In-terlink has an equity holding in each of the companies that comes into the incubator.

**CHAIR** - All right. With the facilities that we are talking about, built infrastructure plus computer technology and all sorts of other machines?

**Mr HAYTON** - Yes, and more importantly perhaps the marketing and business expertise of the management team. The thing that the incubator is built to address is really the lack of business capacity in many of the entrepreneurs who come along with the great technology ideas. We have people who come along with these good ideas or product ideas but they just don't know how to build it, so James Robinson and his team are probably the valuable intellectual property that is the incubator.

**CHAIR** - They are employed by In-terlink?

**Mr HAYTON** - I think you are reverting to it. There are many different ways that you can set up incubators and, indeed, if you look around Tasmania there are a couple of different models present. They range from people who say, 'We've got a whole lot of space that we're prepared to rent out to you relatively cheaply; just come and be here'. There are a couple of places like that but this incubator down at Sandy Bay is about actually adding business expertise onto technologists' ideas.

**CHAIR** - So a corporation or an incubatee wouldn't get into that centre, into In-terlink, unless the consortium held an equity share in its operation?

**Mr HAYTON** - Yes, that's my understanding, and made a commercial decision that the company was likely to go places.

**Mr STURGES** - I'd just to follow on based on that commercial decision and look at the incubation period. Obviously there is no prescribed time for each incubation period but that has to be monitored. During that period of time I assume that In-terlink is funding the incubation period?

**Mr HAYTON** - That's correct.

**Mr STURGES** - And the development of that concept?

**Mr HAYTON** - Yes.

**Mr STURGES** - What's the average time, then?

**Mr HAYTON** - It probably hasn't been running long enough to give a sensible response to what the average time is. Of the 12 companies that are in incubation at the moment our expectation is that probably two of them will graduate sometime in the next couple of months. You're getting into a level of detail about the detailed operation of the incubator. I'd be happy to arrange either for the committee to visit In-terlink or I'm sure James Robinson, the managing director of In-terlink, would be happy to talk to the committee. I only say that because his degree of expertise in explaining what it's all about and what their program is is much greater than mine.

**Mr STURGES** - Thanks.

**Mr WILKINSON** - So as I understand it there have only been 12 companies that have been accepted into the incubator since the commencement of it?

**Mr HAYTON** - That's right.

**Mr WILKINSON** - And those companies have been in their incubation period and are still there with only two, you believe, to graduate in the near future?

**Mr HAYTON** - Yes, in the next couple of months. There is a point at which all of those 12 will graduate, probably over the next year or two. When the incubators were set-up it was envisaged that the time which a company would spend in incubation would be up to two years. Our incubator hasn't been operating for that length of time yet. So it is not unsurprising I think that we haven't had any graduates from the incubation process yet.

**Mr WILKINSON** - The moneys that you use to support that process come from the Intelligent Island moneys?

**Mr HAYTON** - That's right. Of the \$40 million that is available to Intelligent Island \$8 million is made available to the incubation facility. The consortium got access to that \$8 million through a public tender process.

**Mr WILKINSON** - And that \$8 million covers management, marketing, everything?

**Mr HAYTON** - All of the expenses necessary to effectively run the incubator and support the individual incubatees. There is a limit under the grant deed that can be spent on any one incubatee.

**Mr WILKINSON** - But that money goes to running the teal building down Sandy Bay Road? I wondered what it was.

**Mr HAYTON** - I don't that I would have said running the building, but it's there for instance to support and hire the CEO of In-terlink and the senior staff members that he has that all support each of the individual incubatees.

I want to emphasise the fact that this incubator is not about providing a piece of property, although it does do that in part; it's about providing business expertise. So the crucial part of the incubator is the level of expertise in the CEO and his case managers that help the 12 incubatees.

**CHAIR** - John, being a public accounts committee I guess we are going to want to address this question either in totality or separately. We're already starting to go down the path - the initial receipt of \$40 million in the year 2000, a five-year program, we're into the second or third year of that program now. Of the \$40 million, \$8 million has been appropriated towards the incubator progress, so one presumes that \$1.3 million, \$1.4 million or \$1.5 million is going to be spent each year on that incubator program over the five years of its course that's within their management. We do want to ask you to address the financial implications of the programs. It may well be the best time to address them as we deal with each one individually rather than in totality.

**Mr HAYTON** - Okay. The comment I would make about the incubator is very much that our support for the incubator is pretty well front-loaded, so there will be more of the money paid out to the incubator over the first three years of its life then over the last couple. The grant deed specifies all that and that was part of the arrangement with the incubator. So 20 per cent of our funds are effectively committed to this and we have a signed legal agreement which says that we will pay those funds out as long as the incubator meets a series of performance indicators as specified in the grant deed.

**CHAIR** - Okay.

**Mr HAYTON** - Are we happy to move on to the next initiative?

**CHAIR** - Yes.

**Mr HAYTON** - Sorry, there is one thing I did want to comment about the incubatees. There are a growing series of clusters in the industry that we have been sponsoring and it's really interesting to see that some of the incubatees fit into those clusters so there are a couple of entries in aquaculture and marine science building on Tasmania's already significant expertise in those areas and just taking that into IT and, similarly, a couple are in e-health which we also think are very positive.

Our second initiative is the Enterprise Development Fund. As you may recall, at the last briefing I think I said to you all that the board had commissioned a couple of studies into how this initiative would be best developed and the original conception was to look at

capital adequacy issues: how do or how can Tasmanian companies access capital. The conclusion of the investigations that we had was that there was nothing that the board could do effectively to address that particular issue and so this particular initiative has been redeveloped and it is now looking at a few things. It's looking at some basic building blocks that we feel that the industry will need and will be supportive of the industry after the Intelligent Island Program had finished. It's looking at a small grants program to support the cluster development process and it's looking at a larger grants program in particular to support members of the industry who are prepared to work collaboratively either to develop the business outcomes of the group and, hopefully, to the benefit of the broader ICT sector.

Those three things each have a quite distinct component. Of the \$5 million that is notionally allocated to this initiative, \$4 million is allocated to our large grants program. Our program was announced in January. The applications for that process closed in March. We currently have 18 applications for support and a committee chaired by Mark Kerslake, the Secretary of Economic Development, and containing a couple of business representatives, a person from DCITA, the Department of Communications Information Technology and the Arts in Canberra, and myself are currently evaluating those applications and we would expect that a result would go to the board sometime in the middle of the year, probably to the board's July meeting. Whether we make the July meeting will just depend on the level of due diligence that we have to undertake. As you can probably imagine, in the ICT sector some of these applications deal with particular technologies for which we will need some expert advice.

**Mr HIDDING** - With the average quantum of request for funding.

**Mr HAYTON** - The average. The total quantum -

**Mr HIDDING** - Is \$4 million available.

**Mr HAYTON** - is \$4 million available. The total request, in terms of the 18 applicants, was somewhere around \$18 million and probably the greatest number were in the \$250 000 to \$300 000 range but there was a spread from \$50 000 through to \$3.5 million.

**Mr HIDDING** - Will a list of those applicants at any time be available? I'm just thinking from a point of view of understanding what's actually out there, the sort of organisations that need this sort of help. Incidentally, does this include the Cambridge Press people in Launceston who done the deal with Cambridge?

**Mr HAYTON** - This is an open hearing, Mr Chairman?

**CHAIR** - Yes, it is.

**Mr HAYTON** - So I don't feel at liberty to talk about the individual applicants and applications.

**Mr HIDDING** - Will there be a list available afterwards?

**Mr HAYTON** - I wouldn't envisage that we would make available a list of the applicants because some of those applicants - well, it is commercial-in-confidence and some of

them are unlikely to be successful and whether they wish to advertise, that will be up to them. I would certainly envisage that all of the successful applicants will be publicised once the decision to support has been taken. That is one element.

The second element is an amount of money, \$500 000, that the board has set aside for small projects up to \$50 000 and those projects are to support cluster development.

What the program has done is under our skills initiative we funded a commercial development manager in the Education department and that person has done a great job in creating what we call the e-learning hub. That is a collection of all of the ICT sector companies that are interested in the e-learning domain and there is a significant number of them. Essentially what we are starting to get is a cluster development exercise in e-learning.

Similarly we have funded a project to do roughly the same thing with all of the companies that might be interested in e-health and the industry itself has put together a group of companies that are interested in marine aquaculture ICT.

So we have three quite distinct groups there as well as a project that we have funded to look at companies that are in the software domain because we think that's a highly prospective area for development in the Tasmanian industry.

The money that has been set aside for this \$500 000 is so that as those groups come together and think through the sorts of activities that might be supportive of their development there is some money reserved and available for small projects. The sort of thing that we have done there, for example, is to fund a project in what's been called a marine ICT opportunities audit. That is a consultancy that will work with those companies that are in the marine ICT and aquaculture area as well as the institutions that are doing significant research in Hobart to look at whether there is intellectual property in the institutions that might be commercialised and also to set up a structured relationship between the companies and the institutions such that they can periodically talk to each other because there might be ideas that the scientific community has that they're never going to commercialise themselves but which may have commercial opportunity and the companies will only know about it if they have a way of talking together. So that is an example of the sort of project that might be funded under that particular tranche.

A couple of other projects which fall into the basic building blocks that we are undertaking are our ICT directory which will be an online directory of the Tasmanian ICT sector. It will allow every company that wants to participate to put on a synopsis description of who they are and what they can do, whether or not they have won any awards that they want to make visible to people. They will have a link to their own web sites and communication details and on this web site as well will be an ability to run what is called a list serve. So if you want to send a message to the industry then this will be a way of doing it and all of the industry will be able to sign up to the list serve to be able to get those sorts of messages. That project was recently awarded to Human Solutions which is a Tasmanian IT company.

The other significant project is our industry survey. Most of the information that is available on the industry is either anecdotal or very, very high level, so the Australian

Bureau of Statistics information for Tasmania is not terribly useful because if it disaggregates the information it almost identifies companies so it keeps it at a very high level. So we have just awarded a contract to White Horse Strategic, which is a Melbourne-based firm, to carry out a survey of the Tasmanian ICT sector and it will do that twice. If that is found useful then the Department of Economic Development can make a decision about whether or not they wish to keep it going.

Unfortunately one of the most useful series of statistics that we had access to was the payroll tax rebate statistics but because the Government has increased the level of the payroll tax rebate, there is going to be a break in the series and so we need some sort of independent way of working out what the growth rate in the sector is. So that's our enterprise development program.

In terms of actual commitments, in terms of signed contracts, at the moment we're probably looking at a couple of hundred thousand but, as I have said, there are processes under way that should within the next few months lead to the commitment of a significant number of millions of dollars under that program.

The third initiative is our centre of excellence in research and training. I don't know how much history I should go over here, Mr Chairman. This initiative has been under development for over a year now and I think I would have explained to you at the last meeting that we had that we'd engaged in a significant consultant process to look at the sorts of expertise present in Tasmania that we might build an ICT research and development centre on. The board has identified as a key outcome of this process energising industry and having enterprise development-related outcomes as well as ensuring that it contributes to the growth of skills and we hope acts as a potential beacon for our investment attraction program by advertising Tasmania and something that Tasmania does extraordinarily well.

The current state of this initiative is that the board has approved an in-principle focus on bio and health informatics. That builds on some key strengths that we have present in Tasmania, not least our epidemiological research, the willingness of the Tasmanian population to be part of epidemiological studies and also a growing community of interest in the ICT sector itself in participating in health-related ICT. That is indicated by the fact that down at In-terlink we have a company that is developing software, for example, that will be deployed in the aged care sector and they are selling that software into the United States through the North American Nurses Diagnostic Association, so we are talking about people who have software that is actually good real market opportunity. Another company, such as Phoenix Systems, which is on the north-west coast, has a significant market in pharmacy software so we already have a base level of activity in the health informatics area which we hope this will join into.

Currently, the University of Tasmania and the State Government have hired Dr Catherine Woodthorpe, who you may know is also Chairman of the Antarctic CRC, who is very experienced in putting together research and development activity plans and those partners are working with Dr Woodthorpe to put together a research and activity plan for this centre which the board hopes to consider at its next meeting in June and on the basis of that research and activity plan, should it be regarded by the board as sufficient, that will provide a basis then to go out and communicate with potential commercial partners that will also be involved in this project.

The support for education and training initiative, our skills development initiative, there is \$2.5 million available to that project and the board has approved so far nine projects which represent a commitment of around \$1.5 million. Of those projects, four have been completed or essentially completed, three definitely completed, on one we are still awaiting a final report - it's by no means behind time but there's a couple of months to wait for that report - and six are under way. The sorts of projects that we have funded there include the one that I referred to earlier, the commercial development manager with the Education department, and our early look at what that project has produced suggests that over \$2 million worth of projects have been successfully acquired by Tasmanian ICT companies because of the enhanced links between the companies and the Education department and the facilities that department can provide that have been facilitated by the commercial development manager.

Another one of the projects that we are looking at has developed a significant amount of resource materials for the high school environment to improve the currency of the courses being offered by the Education department but those materials are available to all Tasmanian schools should they wish to access them. We're just about, under that project, to look at a series of audiovisual case studies that might be provided to the year 11 and 12 courses, once again to ensure that the sort of materials that are available to the kids studying is interesting and is current so that we can encourage a flow of students into information technology and computer science.

**CHAIR** - John, the last time we spoke in relation to this my memory suggests to me that the appropriation was about \$5 million so there has been a change of heart in relation to that.

**Mr HAYTON** - There has. There has been a change of heart or a change of notional allocation on a couple of the programs that we've looked at. All of the allocations that were to the initiatives were regarded by the board as notional until they were actually committed so, for example, the incubator one was regarded as absolutely firm because we had a contract in place that would use it. The board has always reserved the right to recommend, both to the Premier and to Minister Alston as the joint governors of the program, that the allocation of funds between initiatives change to reflect its view of what the most important and valuable way of assisting the ICT sector is. It decided in looking at the funds that should be made available for our centre of excellence initiative that that initiative would indeed develop high-level ICT skills and so it was prepared to increase the funds available to that initiative by taking some of the funds from the skills initiative because it was expecting a skills outcome.

I think the other thing that could be said here is that when the strategy was originally developed it was a completely different environment and people had quite different views about the needs of the sector. What is true I think and it was probably true back then because it was certainly in the ICT audit but it's come through from all of the surveys of the sector that we've done that its management and entrepreneurial skills that are most important in developing the ICT sector at the moment - the broad ICT skills - are already there and that the university is producing those very well.

One of the things that we have funded under our skills initiative is something called our enterprise ready program. This is an amendment of a program that the old Department of State Development offered called commercialisation ready which was to help

Tasmanian companies look at how they might commercialise products. What we have said is that we'd like to take that particular program, put 60 ICT companies through it and make it more than just commercialisation. It is also about how you take a business that is already in existence and just make the business processes behind it better.

I expect that tenders for the delivery of that course will go out in June and we're expecting that over the year from July-August through to next July-August they will run four courses with 15 people each and put them through that program.

One of the other programs that you might also be interested in is - it has a terrible title - imbedding ICT skills in regional areas. I couldn't think of anything better and the temptation of smart titles is to get terrible acronyms. This is a project that comes out of some development work that has been done on the north-west coast and it's all about working out how you can encourage a non-ICT business enterprise to take on an ICT-skilled person. Often people who aren't familiar with ICT skills and things think, 'How is that person going to help me?' or 'I cannot afford to take on a person full-time that has that particular skills set'. This project is all about trying to find ways that will give competence to a non-ICT sector business and somebody who is familiar with those things to take on an ICT-skilled person. The first part of that project is up and running on the north-west coast and I am hopeful that the northern and southern parts of that project will come alive over the next couple of months as well. So there is some considerable work going on in that initiative and indeed there is further work to come.

We are discussing with the university a scholarship program to invest some dollars in developing research and skills in the areas of the e-crime and e-forensics which we think will potentially feed into a security focus by some Tasmanian ICT companies.

We are also talking to Software Engineering Australia about whether or not we might look at a project that delivers ICT-related standards. You have probably all heard of the ISO Standards which relate to general business practice. There are a set of standards that relate to the way in which you develop software programs known as CNM or SPICE in particular. Software Engineering Australia is putting together a project that will provide a way for small and medium enterprises who often do not have the resources to contemplate these full-blown international standards and provide a bridge into those standards, and we will be talking to them about that as well.

Our investment attraction initiative had \$3.5 million available to it. We are in the process of developing a set of marketing material for use and we are doing that jointly with the Department of Economic Development so that our specific ICT-related marketing material for investment attraction flows out of and builds on a general understanding of what Tasmania is as a brand so that we are all using the same story.

Furthermore, in our work in investment promotion we currently have two companies that are about to undergo due diligence for potential recommendations to the board for funding. So while none of those \$3.5 million have been committed at this stage, there is a significant amount of activity going on that I think will lead to some commitment and, as I said, two companies currently in due diligence.

There hasn't been any change in the Telecom's initiative, I think, since the last time I spoke to you. Essentially that initiative was designed to stimulate a report looking at

Telecom's infrastructure that's available to the State and whether that was sufficient to support the ICT industry. It came out of some comments by the ICT industry, at the time that Intelligent Island was set-up, that the current infrastructure did not support it well enough. The report, which is available on our website, suggests that the infrastructure does indeed support the current level.

**Mr STURGES** - Who undertook that report?

**Mr HAYTON** - Ovum proprietary limited.

**Mr STURGES** - What's your website address?

**Mr HAYTON** - [Www.intelligentadvantage.net.au](http://www.intelligentadvantage.net.au). If you like I can get a copy for you.

**Mr STURGES** - I'd like that, thanks. I would really like to see that report.

**Mr HIDDING** - You've just spent \$23 million on the optic fibre so there we go, we're away.

**Mr STURGES** - If they're saying that telecommunications infrastructure in this State is hunky-dory, get your money back.

**Mr HAYTON** - What we're saying is that the state of Telecom's infrastructure in this State supports the requirements of the Tasmania ICT sector. When people think about the ICT sector, I think they develop a picture in their mind about the need for huge amounts of bandwidth to do things.

**Mr STURGES** - No, I've 28 years in the telecommunications industry; I know what it's all about and what's required. I'll look forward to reading the report.

**Mr HAYTON** - Good, okay. We are happy to send it over.

Our marketing initiative, which is our last initiative, we've undertaken a number of programs there and there are three that I'd like to highlight. The first was our US trade mission which took place earlier this year. That trade mission took five companies to the United States. They undertook a range of activities including attendance at the major ICT trade fair which is known as COMDEX. We had, I think, some significant wins in terms of the sorts of contacts that those companies made while they were there to further their business opportunities in the United States.

As a result of conversations afterwards between the companies that went and the board, the board amended its marketing program to support return visits by companies to the same market, where they visited that market on the basis of an Intelligent Island-sponsored trade mission. That I think was a result of the board being convinced that the sort of outcome the companies could achieve through trade missions was very good.

The other thing that I'd like to mention is our attendance at CeBIT. Last week we hosted a display at the CeBIT Sydney trade fair. There were four Tasmanian companies present at that trade fair. A significant number of people passed the stand; VC investors, potential clients and potential distributors came to talk to companies and we are currently

putting together an evaluation of that. Certainly all the early indications are that it was a very successful investment. The four companies that went along -

**Mr HIDDING** - Who were they? That was obviously open so you can tell us now -

**Mr HAYTON** - Yes. The companies that went were ViewBuild which is in the production of software looking at how you build a house. How you might visualise it. Get Busy, which is in the provision of software particularly to schools but also potentially to government to control web access.

**Mr HIDDING** - Webfilter.

**Mr HAYTON** - Webfiltering is part of what they do. Crank Media which is in the provision particularly of content, high-level content. Nunatech.

**Mr WILKINSON** - Nunatech?

**Mr HAYTON** - which is a really smart little -

**Mr WILKINSON** - Nothing to do with Hollingworth?

**Mr HAYTON** - No, it's an Eskimo word. I'm still incredulous why they chose it but it's certainly distinctive and they're in the provision of a one-box solution in knowledge management and document management for small and medium enterprises.

**Mr HIDDING** - Igloos, they're one boxes.

**Mr STURGES** - That was almost funny.

**Mr HIDDING** - No, that's right. I wasn't joking.

**Mr HAYTON** - So those four companies have said to me they had a good time and a valuable time in terms of potential business outcomes.

The other thing that I'd like to mention that we are funding under this initiative is our ICT trade show and expo. That will happen in August. It has a number of components. We will be doing a trade show.

**Mr HIDDING** - Where?

**Mr HAYTON** - At Wrest Point.

**Mr HIDDING** - In August?

**Mr HAYTON** - In August.

On one day we will be doing a trade show. It will probably be a 12 midday through to nine o'clock at night trade show. It will be orientated towards displays by the local ICT sector and it will be targeted at the SME market in Tasmania in particular but we will also be doing what we can to ensure that people who purchase ICT and influence ICT

purchase decisions, so from the major consulting groups, for example, are also aware that this is on and that we encourage them to come down to Tasmania to see the quality that we have to offer.

On the following day there will be an ICT-related conference. This conference will be targeted towards the ICT sector itself and will be a bit like a professional development exercise. What we are attempting to do there is find a keynote speaker who will be able to talk about growing a software enterprise and breaking into international markets. We are going to ask the Tasmanian Government to put together a panel on future ICT purchase strategies. We are looking at hosting a number of workshops on particular issues of importance to the sector and we will be doing a series of sessions on cluster development and how you do cluster development effectively.

**CHAIR** - You've given us a very good overview of the seven programs. Can I try to focus just a little bit on some specific matters at this stage? I would like you to go through the seven programs and to identify the global allocation to that program - you've given it in general terms but if I can summarise it in front of me it will make a lot of difference - the expenditure to date and the proposed expenditure in the next 12 months or in the next financial year. If we talk about the incubator program, out of the \$40 million how much have you appropriated to -

**Mr HAYTON** - Mr Chairman, to answer that question completely I would have to take some of it on notice because to forecast how much will be spent over the next year depends very much on a judgment about what the board will fund and when it will fund and what the grants will require. I can certainly tell you what the current levels of notational allocation are and I can certainly tell you -

**CHAIR** - One of the concerns that has been put to us and we'd like to get some explanation about is that it is suggested that out of the allocation of the grant of \$40 million in the year 2000 that has been invested and you are obviously getting an investment return, you're paying for administrative costs but you still have \$34 million, \$35 million or \$36 million or something like that less and we're into the third year of the program. We want to feel confident that the money is being delivered to the industry so that the outcomes that you are talking about are being delivered on the ground and as part of that we want to know how you are reporting, who you are reporting to, how does the public make judgments about the work that you're doing? What are your performance indicators or your benchmarks that allow us to make an assessment about how the Intelligent Island program is going year by year? I think that's getting it in a nutshell.

**Mr HAYTON** - Sure. I would be happy to provide a written submission to you that covered all of those points.

**CHAIR** - Okay, I think that would facilitate us. If we have that information before us and we have a need to request you to come back again, I'm sure we could arrange some compromise on that.

**Mr HAYTON** - Sure.

**CHAIR** - We're a little bit in a position - well I can only speak for myself because I haven't tested the rest of the committee out - but if you keep giving us information I'm in system overload at this stage and I'm about to blow up and bust.

*Laughter.*

**CHAIR** - Whilst I've appreciated what you have had to say and I have now a better understanding of the programs that you're driving, it's not exactly the information we'd want. We'd like to be a little bit more focused about that.

**Mr HAYTON** - Sure.

**CHAIR** - Do members have other questions they'd like to ask about the proposition?

**Mr STURGES** - That nails it for me.

**CHAIR** - Do you have a feel for what I've said there or would you like me to write you a letter requesting certain information?

**Mr HAYTON** - I think it would be useful to put it in writing, Mr Chairman.

**CHAIR** - Okay.

**Mr HAYTON** - If I could just respond briefly?

**CHAIR** - Yes.

**Mr HAYTON** - Certainly our annual and progress reports are available on our web site so in terms of judging the level of progress that we have made, there is that reporting available and because it is on our web site it's available to anybody who cares to look at it.

Just in a broad sense, at this stage in the program's existence, of the \$40 million commitment has probably taken place of about \$12.5 million and expenditure of approximately \$6 million but, as I said, the reason I'd like to respond to you is so that I can get those figures absolutely spot on.

**CHAIR** - Sure.

**Mr HAYTON** - What I hope my presentation has suggested is that there is a significant amount of work underway within the secretariat and by the board - which is now meeting pretty well monthly as it gets towards the end of its life - to ensure that the commitment process comes to a conclusion. In any program like this, it takes a while to get all of the bits and pieces in place when you're developing serious programs.

**CHAIR** - It is a critically important thing that you do. The \$40 million represents a unique opportunity that we may not have again, so it's important that you do it right.

**Mr WILKINSON** - You will expend all that \$40 million, John, will you? The \$40 million was the Harradine money or whatever it was -

**Mr HAYTON** - That's right.

**Mr WILKINSON** - and it is your job to spend that \$40 million plus the interest?

**Mr HAYTON** - When you say 'we', I do not think that the board will be here when the final cheque is handed out. So I think what the board will do is pretty well ensure that it's all committed.

**Mr WILKINSON** - Right.

**Mr HAYTON** - But an expenditure program will be sometime out into the future. For example, in setting up our centre of excellence I would imagine that will come with a grant deed and there will be performance criteria associated with it before the final tranche is handed over. So, it may be that it is a couple of years in the future before the final amount of money is handed over on that particular project.

**Mr WILKINSON** - Right. Who does it report to? In other words, if we want to have a look at it can we look at the budget papers and see Intelligent Island program  $x$  amount of dollars expenditure  $x$ ,  $y$  and  $z$ , or where can we have a look to see -

**Mr HAYTON** - All of those figures are in our annual reports, which are on our website and which are sent to both the Premier and to the Minister for Communications, Information Technology and the Arts.

**Mr HIDDING** - One of your strategies, number four - increasing IT uptake is it?

**Mr HAYTON** - Yes.

**Mr HIDDING** - Uptake in the economy generally. That is something that I'm particularly interested in. It's obvious that the greatest amount of effort has to go out of the sharp end to try to develop sustainable industries but we can't genuinely be an intelligent island without a substantially increased uptake by ordinary Tasmanians, essentially. So what strategies have you considered that might drive that up? Where do you see the current level of penetration of Internet use or whatever? Where do you see that? I'm not talking families, I'm talking small businesses.

I might indicate to you that yesterday I was in a business, a little hobby shop, during normal business hours and I asked where the young chap was that ran it. He said he won't be here until 4 o'clock and I said, 'That's funny, where is he?' He said he's still at school. All IT based and it's a very substantial little business for a kid's thing. I guess there's probably \$30 000 worth of stock. Remote control playing all this sensational stuff; every man should go and have a play. Running over the Internet and it's a schoolkid running it. So what I'm interested in is what is the current level of penetration, where do you aspire to be and are we getting there?

**Mr HAYTON** - You've probably seen the statistics on Internet penetration and if you look at the penetration in Tasmania compared to the rest of Australia the statistics are not all that crash hot. The important thing from an Intelligent Island point of view, though, is that our program was set up not to duplicate any other program, not to replace existing programs that were underway and not to compete with anybody. The board took a

decision quite early on that there were a number of other programs, in particular programs that were funded out of the same amount of money from which the Intelligent Island funds came, that were addressing these particular issues. So of all of the things that we've done, that's probably the strategy that we have invested the least of our time and effort in -

**Mr HIDDING** - Look at that, one question I've bowled him.

**Mr HAYTON** - because there has been a significant amount of attention paid to that particular strategy by other players.

**Mr HIDDING** - Who?

**Ms GIDDINGS** - Is that like online access centres, Networking the Nation?

**Mr HAYTON** - Networking the Nation, Tasmanian Electronic Commerce Centre, all of those sorts of strategies.

Having said that we have done a number of things in particular areas where we think nobody else has played a role. For example, that project with the ghastly heading that I talked about was looking at placing ICT skills in non-ICT enterprises. What we're trying to do there is to develop a community of interest in the north-west -

**Mr HIDDING** - You mentioned 'regional'. Why regional? Why don't businesses in Hobart need ICT?

**Mr HAYTON** - They do. It started off with that title because it came out of something that was happening on the north-west coast. However, it will be deployed both in the north and in the south of the State. We kept the word 'regional' in the title because we wanted to attract the interest of people like ANTA - the Australian National Training Authority - because we thought if we can show this as a successful model then there may be ways of getting funding for it. As you probably all know if something has the word 'regional' in it at the moment there are people prepared to give it a bit more attention.

That's one of the things that we've done. I think the sort of effort we're putting into making sure that the schools' curricula display interested and current ICT-related stuff is also another way in which we're trying to ensure that kids maintain an interest and develop a facility with these sorts of things.

**CHAIR** - John and Wendy, we'd like to get some more information; we'd like to pursue this matter to some degree so I think we can resolve that we write a letter to you outlining the specific questions that we'd like developed. I take this opportunity to thank you for your presence today. As last time, you've been generous with your time and your information and we appreciate that. We wish you well and your program all the best for the future. Thank you very much for coming along.

**Mr HAYTON** - Thank you, Mr Chairman, it is a pleasure to come.

**THE WITNESS WITHDREW.**