

UNCORRECTED PROOF ISSUE

THE PARLIAMENTARY STANDING COMMITTEE OF PUBLIC ACCOUNTS MET IN COMMITTEE ROOM 2, PARLIAMENT HOUSE, HOBART ON MONDAY 19 MARCH 2001.

INTELLIGENT ISLAND PROGRAM

Mr ANDREW JONES, TIDEWORK DESIGN, WAS CALLED, MADE THE STATUTORY DECLARATION AND WAS EXAMINED.

CHAIRMAN (Mr Fletcher) - I would like to establish a few ground rules for the media before we get started today. The media is present as is the requirement under our Public Accounts Act, Mr Jones, unless there are issues of your input to us today which you believe is commercial in confidence and do not want publicly known. If that's the case you'd need to mount an argument which we'd consider and make a judgment about whether we should go in camera or not. I would just like to say to the media that I require that the TV cameras at least stay back from the table and not have encounters of the close kind that might tend to intimidate either myself or the witness at any time during the hearing.

I also want to put on record a brief statement with regard to the significant amount of media speculation that has covered this particular meeting today. It's important for me to place on the public record my absolute trust in and support for the members of the committee and for the processes this committee follows. Others have chosen to use the House of Assembly to cast aspersions with regard to aspects of today's meeting. To the best of my knowledge such allegations are totally false and the use of the Assembly to undermine the processes of the Parliament is to be abhorred.

The members of the committee have to the best of my knowledge always shown a thorough commitment to investigate. They are professional in the work they have done, to the best of my judgment, and they have reported ethically on every occasion on which we have undertaken a task. I see no reason why that won't continue into the future.

This meeting will now continue. Mr Jones, *Hansard* requires that the first time you speak to the committee you state your name and your affiliations. Perhaps I could open the proceedings this afternoon by saying that we have noted your initial letter to the committee and we particularly note the request or the paper you presented to us just this morning which all members of the committee have read. I'd like to read to you the opening paragraph - you wrote it, I suppose, but I think it's important that I read that and put it on the record in full and then ask you to comment further about it. It says:

'It must be clear that this request to investigate the processes surrounding distribution of funds through the Intelligent Island program is in no way meant to implicate any other organisations involved in the Skills Development Fund application process. It is simply an expression of concern regarding the Skills Advisory Committee's possible failure to provide an objective and impartial assessment of submissions.'

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Does that sum up your reason for being here today?

Mr JONES - Absolutely. I've sworn on oath that I will give the whole truth and I am not going to mention the name of any businesses that submitted applications to the Skills Advisory Board only because I actually requested it and I know it's impossible - we didn't want the media attention as a small organisation bringing something to the attention of the Government. Obviously we can't not remain anonymous so we're prepared to make that - but I'm not prepared to mention any other businesses because they could suffer the same problems in the future of maybe government tendering if they are implicated. So I'm not going to mention any names but, yes, this is purely and simply a request to look at possible breaches of conflict of interest. We have no actual evidence but it's just a request to look at the potential of the Skills Advisory Committee that there may have been a possibility that the applications weren't assessed in a fair and impartial way.

CHAIRMAN - The heart of your submission to the committee seems to be that because parties involved in the IT industry are also involved in the assessment process, there is at least a potential for a conflict of interest. Would you like to expand on that?

Mr JONES - Yes. Looking at the Skills Advisory Committee make-up, there are businesses on the committee that also, once again I say, may have been involved in submissions to the committee and if they are in a position where they have to either leave the room or declare their interest but remain in the room when those applications are being assessed, then I feel there is definitely the potential for conflicts of interest. I have to bring up, as you will notice in the report already, the Auditor-General has already noted that the Department of State Development have in the past - well, it has been indicated in the past - that they have not had such a good audit trail of processes in their application assessment and there was the potential for control weaknesses - and that is a quote from the Auditor-General - to actually come into the actual assessment of applications and of course the Department of State Development felt that that was an overly bureaucratic statement on the Auditor-General's part and obviously may not have put it into practice, and I will expand further but initially yes, I feel there is the potential there.

CHAIRMAN - Is it not a fact that given the relative small size of the Tasmanian IT industry, that if you were to select people of significance from the industry to sit on a board or an assessment panel, there will always be that potential for a conflict of interest? Is there any way around that?

Mr JONES - I think there has to be - I mean, absolutely in a small place like Tasmania there is the potential. If you have a situation - and I will quote it - when we initially put our application in we approached the Department of State Development, we expressed our concerns regarding the issues of conflict of interest. The Department of State Development - the project manager - emailed me back and said only on one occasion was a member of the committee actually submitted a grant application and they left the room when that submission was assessed.

The chair of the Skills Advisory Committee has publicly stated on two occasions that a number of committee members submitted applications to the committee and he himself had to absent himself from the committee proceedings between five to eight times. I

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would suggest a committee that has a chair that is hardly ever sitting in the position of chair and has to be continually leaving the room, basically undermines the process of the committee itself. So, yes, Tasmania is a small place but surely there needs to be a far more impartial process whereby we can look at such a substantial amount of money that really is hopefully going to boost Tasmania's IT industry.

CHAIRMAN - If you accept that it is extremely difficult, perhaps even impossible, to get people independent of applicants on the assessment board, is there any other way of addressing this issue?

Mr JONES - In May of this year Phil Wallbank from Screen Tasmania resigned from the board because a similar situation was occurring, board members were actually assigning themselves substantial amounts of money in grants. His suggestion was that if a board member takes a position on a committee, then they make a commitment that they not submit applications under that grant approval process. I still feel there's a problem - I mean, that's a possible way around it but I still feel there's a problem where you have board members or sitting committee members involved in the assessment process that have existing business relationships with applicants who are submitting grant applications, it's still very difficult for them to be impartial.

So I can't offer an alternative - I mean, it's not my role to - I'm not a public servant or whatever to offer alternatives to the process. I just do feel that the processes do need closer scrutiny to find out a way where you don't have people on an industry committee assessing not only their own applications but the applications of business partners, but also under confidentiality issues committee members assessing the applications of their business competitors because it puts you in a very strong position if you can look at the key strategic plans of your IT business people in Tasmania if they are your competitors and you are sitting in a committee being able to look at all of their ideas, all of their views on the way in which the IT industry can go forward.

Mr WILKINSON - Are there any things in the applications that are supplied that you know of which are going to give those people who are sitting on the committee an unfair advantage?

Mr JONES - Sorry, I'm not quite sure what you are saying.

Mr WILKINSON - Getting back to the statement that you were just saying, you don't like competitors to know how you run your business, I take it, costings et cetera because they may get, as I understand your evidence, an unfair advantage. Is that what you were just saying -

Mr JONES - No, sorry. In this particular process, the application that I put forward - this whole round was you initially put a two-page application in on a business idea that you had that may be worth funding - 32 people submitted those applications. No funding - we didn't issue any kind of monies and no-one else did. The concern is that you're putting ideas forward of a possible product, a possible framework, a possible strategy that you think you could use and develop, and your business competitors who are obviously also involved in other applications can see your ideas. I feel that is a breach, to a degree, of

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confidentiality. I am sure confidentiality clauses were signed prior to any committee member taking up their post but -

Mr WILKINSON - I don't want to cut you off, but have you seen any evidence of what you're talking about?

Mr JONES - I have seen no evidence at all. We've approached the Department of State Development constantly asking for information, and rightly so they say they can't release information because it is confidential in terms that it is confidential to the people who have submitted it. I'm just saying that as committee members they are able to see those ideas, it does seem to be a problem but, as I said in the opening paragraph that the Chair read out, we have no direct evidence. This is just a request for this committee possibly to look at the processes behind the grant application used by the Department of State Development to see if there was the potential for these issues to arise.

Mr WILKINSON - All I was going to say is, if you were in the position of saying what the best method of appraising the most appropriate application should be, what would you do?

Mr JONES - I thought I had already answered that. I will say that it has already been an issue and an ongoing issue. I am aware that there have been industry associations constantly saying they want industry personnel on these committees so they can then form the decision-making process because prior, apparently, there were no industry people on the committees, it was just public servants who didn't have possible conflicts of interest. As an alternative one, I fully agree with the Screen Tasmania issue of if people go onto a committee surely they need to be able to sign an agreement saying they won't submit applications under that particular grant application, but I also do think it needs to go further.

I don't agree - this is where I probably waiver from other industry associations in Tasmania - that you need industry personnel that are actually involved in Tasmanian business or the Tasmania business IT community looking at applications. I have heard in other States where they have flown industry personnel in from interstate so they can avoid those conflicts of interest, but of course that's a monetary issue that any committee administrator would need to look at. Realistically, no, I don't have any ideas of a water-tight system but I definitely have ideas that the system that exists at the moment may be just a little bit too full of holes.

Mr CHEEK - Andrew, in your estimation, how many of the nine committee members would have business interests or interests in applying for the \$5 million skills funding? How many potentially? I will just rephrase it: do you know how many committee members have applied for funding?

Mr JONES - Not at all, no. Really, the only evidence I have that committee members put in applications was from the public statements made by the chair of the committee who has said that a number of committee members had submitted applications but they weren't present during the decision-making process. I would just assume, therefore, that 'a number' meant there was plural but I have no idea of the number.

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Mr CHEEK - So you don't know how many of the nine members would actually have business interests or have an interest in applying?

Mr JONES - No, but there are two in three organisations. Once again, it's on record that the chair of the committee has said that he didn't make any applications in that particular industry himself, but there are other organisations represented on the committee: the university, the department of Education, TAFE Tasmania, all of which possibly could have submitted an application. I simply don't have -

Mr CHEEK - So if the chair didn't submit an application why did he have to, on the evidence you gave earlier, absent himself five to eight times, because of business partnerships?

Mr JONES - Yes. He declared business partnership, business interests, and so on - previous business partnerships.

Mr CHEEK - In your application, that was just for an idea or did you have to fill in the full application which gives a lot of your company history and financial details, and others?

Mr JONES - Not at all. In the first round of applications it was just a two-page submission on your ideas, what you actually wanted to put forward, and that was submitted. The second round of applications were where you put a full application in, and I think there were only nine people asked to submit to the second round. I have no idea who they are either. I have asked the department once again for that information.

Mr CHEEK - Are you concerned about the fact that competitors will be looking at full financial details of some of the applicants?

Mr JONES - In the second round I'd imagine so, it's just that I don't know how many of those nine applications were from non -

Mr CHEEK - So where do you understand it to be at the moment? Have they made decisions on the funding?

Mr JONES - Once again, I am only going on comments in the media. John Hayden from the Department of State Development I think has said that the money has been committed but no money has changed hands so I assumed that comment may have been that a decision has been made but there is no public announcement as to who were the successful applicants. I really do not feel though, and I would like to state this, that if there is to be found a potential problem in the decision-making process and the assessment process, I really do not think it matters whether or not sitting committee members or not actually were the successful applicants. If the actual process is flawed then right back at stage one where a number of applications went in and were pushed out, I think the issue more is the fact that the process itself may have the potential to allow control weaknesses in rather than who the actual winners were at the end.

Mr RATTRAY - Andrew, when the committee was initially established - you as a person in the industry yourself - what was the feeling about that committee that had been put forward on behalf of the industry? You said they wanted people of the industry. Did you

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feel that you were comfortable at that stage with the people who had been selected to allocate the funds?

Mr JONES - From a purely personal point of view I did not know the members of the Skills Advisory Committee until 23 November when I was told in an email from DSD. I had asked on a number of occasions. We submitted our application on 3 November and we were informed that we unsuccessful on 22 November. I did hear through just discussions with people in the industry of a few names of committee members, but I didn't actually know until after, until about 23 November. When I did hear - and at that stage I also had started to hear the rumours that committee members had put in applications themselves - then, yes, I did have concerns. I wasn't really discussing this very much with other members of the IT community but those that I did did share the same concerns.

Mr RATTRAY - I understand they were appointed people, is that what they were? They were appointed by -

Mr JONES - I couldn't confirm that.

Mr RATTRAY - You couldn't confirm that, no. They didn't have to make an application, you don't know about that?

Mr JONES - Yes, I'm not sure, I'm unaware of the process.

Mr RATTRAY - I'm just interested how they got there, Mr Chairman. If we don't know, we might find that out later.

CHAIRMAN - There will be a further witness later in the afternoon who will be able to address that question for you.

Mr Jones, you have identified the tension - well, two tensions really - in the process. One tension is that business interests are either making judgments about grants to their own business associates or to other competitors, or leaving the room and not participating in the process at all.

The second tension is the confidentiality matter, that people are submitting creative ideas and I suppose at later stages detail of financial arrangements within their organisation which then are subject to scrutiny by competitors. I think that sums it up as I see it. You have said personally you don't see any need for industry people to be on the assessment panel at all, that you only need people who can see a deal and make a judgment about a business case, I suppose is what you are saying.

Mr JONES - I suppose I should rephrase that. I don't see the need - there are industry organisations that are representative of the industry that probably don't have commercial interests themselves. I don't see a problem with organisations like that appearing on a committee. But for the industry organisations that do have - I mean they are commercial operating, they are in the business of tendering for grants and so on, no, I don't see the need.

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I feel industry organisations such as Tas IT which is representative of a number of IT businesses in Tasmania most possibly could provide input into a committee. But once again maybe they don't have the same level of depth of knowledge of the IT industry that organisations do. But I don't feel that specific industry organisations, especially business competitors to myself and other IT organisations, should really be in a position to make judgments or assessments of applications.

CHAIRMAN - You have made the point that that is your personal opinion, would it be shared by many?

Mr JONES - I couldn't make the judgment as to whether or not it is shared by any at all. I saw this as an issue and that is why I decided to write as an individual organisation to this committee. I haven't tried to foster any support myself outside of our own organisation. So no, I couldn't comment on whether or not its shared by other people. I think it would be concerned, I think the Tasmanian public have shown in the past that they are concerned where committees are in a position to be able to assign funds to either themselves or to their business partners.

CHAIRMAN - The second string to your bow was along the lines of the transparency or openness of the process and you quoted the Auditor-General and sections from his report on the matter. You have also quoted Victorian procurement arrangements with regard to openness and transparency. Is that an answer to the situation in Tasmania, if there was a greater degree of openness in the assessment process, if the criteria against which applicants are to be measured was clearly known and the results identified, would that ease your concern?

Mr JONES - Absolutely. I can't speak for other organisations but we operate on a ratio of 1:3 in tenders in terms of we expect to win one out of every three tenders we put in, so we also expect to lose two out of every three. Of course we've lost a number of applications but we have never appealed before because we've realised that a lot of the tender processes we've gone through are completely open, transparent, impartial and fair. This was a situation where we thought the potential wasn't there for that and so that's exactly why we made the complaint.

I should point out too that I feel it's the nature of a committee, I feel that the Skills Advisory Committee - the nine members - are more than qualified to carry out their tasks but I always thought that the nature of a committee was you have nine people whose actual combined expertise and skills together makes a very objective, impartial and independent decision-making forum. If they're continually leaving the room so that maybe only four people assess this application and three this application but nine that application, then I think the whole idea of independence and impartiality really has just gone out the door. I think a committee is appointed to make decisions as a committee and so all the committee members should really be there. That's my reasoning and I suppose I feel that with one committee member missing today that's probably reduced my statement just then

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CHAIRMAN - Touché!

Mr JONES - It came into my mind as I was saying it, sorry.

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CHAIRMAN - Everyone gets their lectures sometimes.

Mr WILKINSON - Are the meetings on tape? In other words, if there's a person away for whatever reason, are they able to go back and hear the application and hear the matters put forward or alternatively, are the applications mainly written ones and are not spoken to?

Mr JONES - Are you talking about the processes surrounding the Skills Advisory Committee?

Mr WILKINSON - Yes.

Mr JONES - I've continually asked for the minutes, I've continually asked for the guidelines surrounding the committee's procedures and I've just continually been told they're not available. This was another issue. The government's handbook for procurement doesn't cover the administration of grants and the Skills Advisory Committee was only looking at grant applications. Once again the Auditor-General's report suggests that the administration of grants should be internal guidelines within the department so I assume the Department of State Development has these guidelines that would outline the very issues you've just brought up but I haven't been able to get a copy of them. They may exist but they're definitely not forthcoming and they haven't been provided.

Hopefully if we could look at those guidelines, maybe they do promote an impartial transparent system. It definitely hasn't been transparent to this stage but they may promote it. I think what we need to do is look at those guidelines and see whether or not the actual committee were consistent with them, if they exist.

Mr CHEEK - Are you concerned about the time taken to make a decision on the skills funding?

Mr JONES - I received an email in mid-December saying that the announcement was very close, so three months down the track without the announcement coming I felt that there may be some issues surrounding why the announcement hadn't been made until this stage. But once again I can't really comment on why there's been a delay but it is strange that it has taken so long.

Mr CHEEK - Did you have expectations that you'd get funding when you applied or was any expectation given to you from DSD to members or members of the community?

Mr JONES - No, not at all, we didn't have any expectations. Like I said, as a business we operate on a 1:3 ratio and we put it in hoping to be successful but I had no expectations that it would be. When you do devote a lot of time to an application you often hope that you are going to be successful but I didn't have any external, implied expectations.

Mr CHEEK - So who have you raised your concerns with, as far as the concerns you've raised here today? What other people have you spoken to about them?

Mr JONES - We originally just dealt with the project manager from the DSD about our initial concern and we spent a lot of time talking to that particular person and they provided feedback but it was reasonably inconsistent. The inconsistencies were those responses that started making us concerned as to the impartial nature of the assessment process. Then another organisation that we had shared concern with approached some Labor politicians who provided us with a general overview that all was well with the process and we realised that rather than reapproaching the Government - we thought we'd continue to get the same 'all's well' kind of message - that's when we organised the meeting between yourself and Matt Smith and they are the only people that we've really approached. At that meeting we were given a number of alternatives and this of course was one of them. It definitely wasn't an alternative that I wanted to pursue, only because I realised it would attract the media's attention and we really did want to remain as anonymous as we could but, in the end, we had no choice but to write to the committee and unfortunately the media attention comes out and our name goes out tomorrow.

Mr CHEEK - Are you concerned about that, that it may count against you in future applications?

Mr JONES - We definitely spent a lot of time talking about the concern of going public, yes, it was definitely the very last issue that we wanted to take up but eventually we just felt that really the processes needed to be looked at so we had to take the risk. Yes, I think we definitely had concerns about the public nature.

Mr CHEEK - You've spoken to other members of the IT industry, how widespread do you think the concern is?

Mr JONES - It's my personal opinion that a lot of the people within the Tasmanian IT industry actually realise that there's a problem. I don't think they even realise the processes and the administration behind these tenders so, I don't know, maybe bringing it to the attention of a lot of people in Tasmania, the concern may rise. But, at the moment, from the people that I've spoken to, yes, there has been a concern but, like I said, I haven't spoken to many people about this issue because, once again, I've tried to keep it as quiet as possible. But the people I've spoken to definitely have concerns and, sorry, I'm not prepared to mention names of organisations that share this ...

CHAIRMAN - I think, Andrew, from our perspective where the committee is at is simply testing your evidence or your proposition to us with regard your general concerns with the focus or the tensions that I've identified and you've agreed with and we'll proceed to test those same matters against the representatives of the Intelligent Island Program at a later stage this afternoon to hope to reach a conclusion. We haven't yet decided whether there should be a further inquiry into this matter or whether we can make judgments now with regard the process, whether proper planks of the process are in place to provide integrity in the process.

We have some limitations in that we follow the money chain and where the money is either coming from the Commonwealth and has not yet been distributed, it might impose some limitations on what we can do, but certainly your submission has been very worthwhile and it has been detailed and of substance and we appreciate that. Are there any other questions for Mr Jones while he is here?

Mr RATTRAY - The industry itself - your industry itself - do you have a big umbrella body yourselves that keeps an eye on the overall industry amongst yourselves or are you all individual people?

Mr JONES - There is a peak organisation called Tas IT. We are only recent members. I don't know what kind of watchdog role they actually take, but there is that organisation. I'm not aware of any other.

Mr RATTRAY - You don't think at this stage they've taken any interest in this issue that we're talking about?

Mr JONES - Absolutely, they have. The letter that we submitted, they shared the same concerns. They distributed it amongst their members. At that stage the members of the Tas IT, which is about 90 to 100 people in the IT industry, requested that they gain more information before submitting an application to the Public Accounts Committee. We felt that we had enough information so we proceeded with our letter. I'm not sure where Tas IT are up to with regards to making a public issue of this.

Mr RATTRAY - Really what you're saying is then you have the support of industry in what you're doing?

Mr JONES - No, I'm not saying that at all. I'm not aware of that at all. Like I said, I'm not aware of where that peak industry body are actually up to in terms of whether they want to make the issue public or not.

CHAIRMAN - Any further questions?

Mr CHEEK - Do you believe there should be an appeal process for applicants who are told that their application has been rejected. At the moment there's not.

Mr JONES - I was surprised to see on the Intelligent Island web site that no appeals would be entered into especially when you are dealing with \$40 million worth of Intelligent Island funding. Yes, I found that suggestion from DSD to be a rather arrogant approach to not allowing an appeal process especially when its Tasmanian businesses submitting ideas for funding that will encourage and enhance the training and the covering of skill gaps in the IT industry. The fact that there is no appeal process is, I think, a concern.

Mr CHEEK - When did you receive notification that your application had been rejected?

Mr JONES - 22 November.

Mr CHEEK - When did you actually put in the application?

Mr JONES - 3 November.

Mr CHEEK - What was your reaction to that?

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Mr JONES - I think I already knew because during that period of time - it's about three weeks - I inadvertently was speaking to another member of the IT industry and they said, 'We've received a call from the Department of State Development today saying that we'd been successful for the second round applications. We've also been told that company' x, x and x 'have also been successful'. Of course I hadn't heard at this stage so I rang the Department of State Development and said, 'I've heard the department is ringing around today letting people know, I was just wondering if you could let me know whether or not we had been successful' and I received a response that it was all complete rumours, no telephone calls had come out of the department, they had no plans of calling anyone until a week and a half.

Once again these are the issues where I started realising there were inconsistencies with the information that we were receiving from industry as to the information we were receiving from departmental staff.

CHAIRMAN - Any further questions? There not being, Mr Jones, I thank you for your attendance this afternoon.

Mr JONES - Could I just make one final comment.

CHAIRMAN - Yes, certainly.

Mr JONES - I would just like to have it on record that we as an organisation fully support the Intelligent Island Program. I think it is an absolute incredible program and incredible process for Tasmania. I would just like to address, I already have, but I just would like to address a comment that has been made by a departmental staff member saying that this has really come down to an issue of win, lose. I think the statement was: some people feel if they don't win, they lose.

I really would like to point out this isn't an issue of simply losing an application and then making a problem about it. As I said, we are used to losing tenders but if the process that we feel we were assessed under had the potential for conflicts of interest and breaches of confidentiality, then I think the real loser would be the State of Tasmania rather than just individual businesses. So I just wanted to address that particular comment and just make that as a final comment.

CHAIRMAN - The point is well made. Thank you very much for your attendance.

THE WITNESS WITHDREW.

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Mr JOHN HAYTON, EXECUTIVE DIRECTOR, AND **Mr STEVE JESSUP**, CHAIRMAN, SKILLS ADVISORY COMMITTEE, INTELLIGENT ISLAND PROGRAM, WERE CALLED, MADE THE STATUTORY DECLARATION AND WERE EXAMINED.

CHAIRMAN (Mr Fletcher) - We welcome Mr Steve Jessup and Mr John Hayton to the committee proceedings. Perhaps I might explain that in a moment we'll ask you to take the oath, following a brief statement from myself just to set the scene for where we are at today. When one or both of you elect to speak for the first time if you could just state your name and your affiliation for the purposes of Hansard so the Hansard can attach an identity with the voices.

The Public Accounts Committee has met on this occasion to give consideration to the Intelligent Island program. That has come forward as the result of a letter of complaint submitted to the committee. I think, in fairness to the complainant at this stage, I might read the first couple of paragraphs of their letter to us, or their paper to us; it might put things in perspective for you and help focus you to where we are at this stage. At an earlier time this afternoon Mr Jones, in his submission to the committee, said: 'It must be clear that this request to investigate the processes surrounding the distribution of funds through the Intelligent Island program is in no way meant to implicate any other organisation or organisations involved in the Skills Development Fund application process, it is simply an expression of concern regarding the Skills Advisory Committee's possible failure to provide an objective and impartial assessment of submissions. It must also be clear that the request to investigate the allegation of project funding through the Skills Development Fund is based on concerns for the possible and not the actual failure to provide an objective and impartial assessment of submissions. As a future announcement has yet to be made regarding the successful Skills Development Fund applicants, no direct evidence is available to verify either way as to whether the processes have actually involved impropriety. The point of this investigation request is that the processes may have the potential to foster improprieties'.

So it is a general concern about the future rather than an actual concern about something that has gone wrong. No allegations of impropriety have been made at this stage. I think it is important probably to put that on the record. It may be that one or either of you may wish to make a general statement. If you do, you are welcome to do that; if not, I would ask you the question so that we might all better understand the structure of the Intelligent Island program, the Commonwealth-State agreements in relation to that matter, the quantum of the funds and your ideas of the term of the process.

Mr HAYTON - Thank you, Mr Chairman. I am John Hayton, the Executive Director of the Intelligent Island program. It is our intention to both make an opening statement. I wish to deal with some of the issues that you raised in terms of setting the scene and my colleague, Mr Jessup, will deal with some of the more specific issues raised about the way in which the Skills Advisory Committee carried out its consideration of applications.

I think in some ways the coverage of what has led us here today is unfortunate and I am quite reassured by your opening comments that there are no allegations of impropriety because finding people to sit on committees such as the Skills Advisory Committee, where people invest considerable time in an unpaid sense and as a service to industry, is

not an easy thing. I think one of the things that we need to make quite clear to the public is that this process is not questioning in any way the propriety of the individuals on that committee. So, as I said, thank you for that comment at the opening stage. I wish to shout that from the mountaintops, so to speak, in order to keep public confidence in the program and the support of the individuals who are involved in the particular committee.

I think the other unfortunate thing is that there may be some confusion about the extent to which the allegations of potential impropriety apply to the program and that's why I would like to briefly outline some of the characteristics of the Intelligent Island program as a whole. Firstly, it's a joint Commonwealth-State initiative, so it's not just a Commonwealth initiative, it's not just a State initiative. It's a joint initiative funded out of the sale of the second tranche of Telstra shares. It's an initiative in which I think both the Prime Minister and Senator Alston on the Commonwealth and the Premier on the Tasmanian side had invested a degree of support and see clear benefits to the State in terms of developing its IT sector. I think we only have to look at the press almost every day to see that one source of continuing job growth in our economy is in the information technology and telecommunication sector and that's what we are about developing so that Tasmania can take a sizeable portion of the jobs in that area and grow its economy.

The Intelligent Island program itself, because it is a joint Commonwealth-State initiative, reports to an independent board and details of who is on that board have been provided to you but I just recall that the chairman of that board, and I suppose the person to whom I report, is Neville Roach. Neville is the chairman of Fujitsu Australia, among many other significant public contributions that he has made. He is a senior information technology industry figure, a senior business figure within Australia and so brings that experience to the Intelligent Island program.

The program's funding is \$40 million over five years and I think it's useful to note that that funding is to accelerate the development of the State's information technology and telecommunication sector. It is not to replace any existing State or Commonwealth program but it is there to accelerate the development of the sector in this State, and accelerated such that by 2010 the vision of the Intelligent Island program is that the information technology sector will be contributing a significantly greater proportion of gross State product. I know that sounds a bit like a piece of economic jargon, but I suppose what we are saying is that we want to put in place some programs that will enable the information technology sector to employ more people and create more output by 2010.

One of the ways we have to do that is by getting Tasmania's IT sector to focus outwards, to focus on competing both on the northern isle and also in the rest of the world. It's quite clear that if the State's IT sector remains inwardly focused, concentrating only on businesses available in Tasmania, we won't succeed. Thankfully, we have a number of State businesses that have seen that and have focused their efforts on gaining business outside the State. That is very good for the State because it brings jobs and revenue into the State, develops and employs the young graduates from education within Tasmania.

The skills development initiative that we're looking at today is one of seven initiatives of the Intelligent Island program. What it reflects is a need to ensure that there are enough information technology and telecommunication skills in Tasmania to support the growth

of the industry that we are going to try to stimulate. That is to say, we need a well educated and trained work force.

One of the lucky things that we have in Tasmania is that we have some very good graduates from a very good university program, so it is a matter of making sure that we have the jobs that can keep those people in Tasmania. So its not just in developing skills a matter of developing the supply of skills - that is to say, having more people come out with a certain skill behind them - but it is also a matter of stimulating the demand for those skills in Tasmania so that they have something profitable and good for them to do.

There are a number of areas of concern in the skills area that have been identified by reports over the last few years. I don't really need to go over many of those; I'm sure they'll be known to you. But among them, I think interestingly, is the low participation rate of women in the IT and T sector. That is something about which we might sensibly look at because its a significant pool of skilled people who could be drawn into the IT sector.

Another thing that we might need to look at is how do we move Tasmanians away from thinking that if you work in the IT sector you're a bit of a nerd. The range of jobs that people can participate in the IT sector is very wide and can include all sorts of skills, including graphic design skills. So we need to move and change the way people see the IT sector.

That, I think, outlines what the skills initiative is going to aim to do. I suppose we could work out that it would be successful if we have been able to research the industry skill requirement effectively and address any gaps that might come out of it; that we were able to present the benefits of Tasmania in attracting and retaining its IT skilled people; that we are able to enhance the sort of training that people can do in Tasmania and enhance access to initial employment, because one of the things that's shown to be difficult is how you make that leap from having a trained skill and moving into the work force.

Some \$5 million of the Intelligent Island \$40 million budget is allocated to the skills initiative over the five years of the program and, thus far, we have been through one grant round seeking projects from the Tasmanian community for developing skills in this sector. That's about where I'd like to leave it at this stage and hand over to my colleague, Mr Jessup, to look at the way in which the Skills Advisory Committee actually dealt with the applications.

Mr JESSUP - Mr Chairman, in opening comment I might point out that as chair of the advisory committee it was a position that I was nominated from and accepted from the board, as were the position of sitting on the committee itself. What I'd like to be able to do today in sitting with you is to go through the procedures and policies that we adopted subsequent to any funding applications being received and then prior before any deliberations on funding to be sure that there was no conflict of interest, to be sure that there was due process, to be sure that everything was above board and to be sure that everything was above board and to be sure that people in Tasmania, an especially in the IT industry, could have confidence in the process.

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CHAIRMAN - Could I just interpose there and clarify that in my mind. The Skills Program Committee were all appointed by the principal board, by the board of the Intelligent Island Program - there were no applications, they were headhunted or sort out and asked to participate and agreed to participate?

Mr JESSUP - That's correct, yes.

CHAIRMAN - Thank you.

Mr JESSUP - From what I understand, that is correct, yes.

CHAIRMAN - Okay, proceed.

Mr JESSUP - So part of agreeing to be here today was to specifically address and to welcome questions on any of those areas to show first the process we went through to consider those issues; secondly, how we ensured that we dealt with them on a project-by-project basis when we were undertaking deliberations and to be sure that at the end of the day what we were trying to do was to really make sure that we had projects which really addressed what John talked to earlier on was the strategic intent of the Intelligent Island and that is to create wealth for Tasmania. If we were very clear about where any conflict of interest could lie, if we're looking at defining what is conflict of interest, that is the interest which we are all here about which is creating wealth for Tasmania and that is at the heart of our deliberations about how we understood what the conflict of interests were because it can be applied to all sorts of areas and so I want to go through those steps with you, so at the end of the hearing today I'd certainly like to be in a position to go through those with you - I welcome questions about that process - but I'd certainly like to step them out from that heart of the matter which we started from and to be able to be in a position of putting that straight in the public's eye and say, 'This is the way we did it'.

CHAIRMAN - Do you wish to take questions at this stage or do you wish to proceed?

Mr JESSUP - I think I'd like to proceed first to talk about the process and, John, would you have a copy of the members of the committee here which we can go through? Thank you.

The Skills Advisory Committee consists of the following: I chair the committee; my role, apart from the committee work, is as joint managing director of a company called Cyber Learning. I am also an executive director of another company called Senitech (?). I might point out that, through the process, that Cyber Learning - Senitech (?) wasn't in existence then - didn't bid for any projects at all and I want to make that fairly clear.

Other members include Mr Andrew Catchpole, who is the manager of Prologic Information Systems, is the chairman of Software Engineering Australia; Professor Young Choi, who is the head of the School of Computing, University of Tasmania; Ms Penny Cocker, who is the acting executive director of the Centre of Excellence for Online Learning; a member of the IT Industry Council, Mr Alex Grossman, who is general manager of government and regulatory services for Ericsson Australia based in Canberra. He is also fairly informed as to skill shortages right around Australia and brings a national focus in helping us understand what are the skill shortage issues right around Australia. Professor Chris Kean, head of the School of Information Systems, University of

Tasmania; Mr Michael Stevens, deputy secretary, Vocational Education and Training Strategies, Department of Education and Mr Malcom White, general manager, Strategic Services and Regional North, TAFE Tasmania; Mr David Bartlett, manager, Innovations Science and Technology Program, Department of State Development.

They are the members of the committee and I was given the task of managing that committee and looking at what our terms of reference, which was applied to us, through to how we put the processes in - which I elaborated on before. The committee has met three times. The first meeting was to look at its terms of reference and to make a key decision as to whether we would seek funding as early as possible, based on the fact that a lot of work had gone into creating a skills ... report on what was happening in the State of Tasmania. So part of our initial focus was on what process we would use to elicit responses from the community and we decided first up that it needed to be a split process. Instead of a single-round application, there would be two rounds: one would be a four-page application which gave a synopsis of the case and what they were trying to achieve and then, if they were successful in that process, to go through to a more detailed funding application. It was then that the committee's decision - each one of those decisions then is only a recommendation, which then goes to the board, and the board is the body which makes the final decision.

We were very keen in that first meeting to understand our terms of reference from the board and to ensure that the body could act effectively, that there was effective communication between the board and the committee. Subsequent to that, we based the first program on the Innovations program - the first round of funding - on a similar format to the Innovations program - which is running already in Tasmania - and we put a number of ads in papers and sought applications for funding. The response was pretty overwhelming, to say the least - I think from memory there were 32 applications - and when we saw the size of the applications that straight away impinged onto me that what I needed to be able to do was to ensure, given the nature of where they were from - from schools to business and a whole range of areas - - that we needed to have our procedures fairly tight.

What I might do is explain how we went through those procedures in detail to cover those areas I addressed earlier. The first thing I was really concerned about was any conflict of interest or potential conflict of interest or anything to do with conflict of interest and to communicate that fairly effectively. The process I went through was to do some research. I looked at the government guidelines from Victoria where they outsource IT projects by using outside consultants, say, for instance, from one of the big five consulting houses to look at how they manage bids where people who are on a steering committee may be giving reference to their competitors going for bids and I wanted to see what the conflict of interest guidelines for that were.

Secondly, I really wanted to understand what a conflict of interest was because there are a number of conflicts of interest. One is a real conflict of interest and another is a perceived conflict of interest but if we were looking at the real intent of the group, which was to look at skills shortages in a way which was going to create wealth for Tasmania, that could mean that a conflict of interest could potentially come from any member of that group. I might say it this way: if it was a government employee they could have manoeuvred to push a certain program off in a way which gave them and their career a bit

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of a boost, for instance - that would be a definite conflict of interest - or someone who was in business could give their competitor a bit of a shove and that would be a pecuniary conflict of interest. We wanted to make sure we had those procedures up front before we even looked at any applications for funding.

The important thing there in considering - and this is what I want to look at - is that what we looked at first up was the guidelines for that and we decided the best way of managing any particular conflict of interest was firstly to be able to nominate that there could be a conflict of interest or a potential conflict of interest on each individual thing and secondly, that the nature of that interest was declared. We managed it very simply: if that person was going to be part of a proposal they were not be included in the discussions and had to leave the room when the final consideration was made. If they were in some way related or could be seen to be related that we considered they were allowed to be at the table but were not allowed to participate either in the vote or in discussions.

I would like to go through the 32 applications for funding and clearly point out on each application the interest which was nominated and how it was managed in the first 32 rounds. I would then like to go on and talk specifically about how the decisions were made as to what projects needed to proceed to the next level of funding.

The first application was a secondary college. Conflicts of interest were declared by Michael Stevens from the Department of Education; Penny Cocker, employed by department of Education; Malcolm White, employed by TAFE Tasmania, had all participated in the discussion. It was a private college. The second one to go through this very carefully was Clarence High School. Again, Penny Cocker and Michael Stevens were all members, they were not directly involved in the writing of the application or submission for funding and they participated in the discussion.

The Cradle Coast Authority, which was a high speed virtual IT learning network, conflict of interest, Andrew Catchpole, who was an industry representative and had an affiliation with the company which put it forward. I had been approached by the company to be a service provider so I declared that conflict of interest. Malcolm White from TAFE had been approached to be a provider of educational material. All members participated in the discussion.

The Cradle Coast Authority again submitted another one, which was the fourth application, so the Cradle Coast Authority put in a Smart Region Intelligent Island using the Smart Bureau to profile, build and expand regional IT skills. Again, conflict of interests were declared by Andrew Catchpole, myself, Malcolm White and Professor Chris Keen, and all participated in the discussion.

CHAIRMAN - When you say 'participated in the discussion', we presume they didn't vote in relation to the matter?

Mr JESSUP - It's not clear here from the minutes; what I might do is go through and see if I can elaborate from that.

CHAIRMAN - Is there a vote taken on all the applications or do you discuss and reach a consensus agreement?

Mr JESSUP - There's a consensus agreement reached through the rating, which I'll go into later on with you - I am sorry if I'm a bit hazy here, I'm just reading from the minutes those processes and then I'll be open to some questions certainly later on.

Crank Media is a local firm here and Andrew Catchpole has a business partnership with the applicant. I have been involved in a mentoring program with the applicant and Penny Cocker sits on the IT Industry Council with one of the members. All members participated in the discussion.

The Tasmanian Arts Communication, Information Technology, Printing and Recreational Training Advisory Board, conflict of interest, Andrew Catchpole who was a previous member of the board then. Michael Stevens is a current member of the board. All members participated in the discussion.

Department of Education, Middle School Students - Exciting Career Options in Emerging Technologies. Again, the conflict of interest declared by Michael Stevens employed by the department; Penny Cocker, employed by the department; myself - the department is a client of my company. We all participated in the discussion.

Elizabeth College. Conflict of interest: Michael Stevens, employed by the Department of Education; Penny Cocker, employed by Department of Education; Malcolm White, employed by TAFE Tasmania. All members participated in the discussion.

Esk District Department of Education. Conflict of interest, Professor Chris Keen had discussed the proposal with the applicant.

... Team. Conflict of interest put for this proposal were David Barlett - the applicant was a client of DSD. I had been approached to be a director of the company. I did not participate in the discussion and passed the chair to Alex Grossman. Malcolm White, TAFE were a competitor of that company.

Thinking Works, the Farley Consulting Group and Driver Improvement Consultancy. There was no conflict of interest and all members participated in the discussion.

The Hutchins School Centre for Excellence. Remember what we are doing here is we are declaring not a conflict of interest but also maybe what could be perceived as a conflict of interest. Michael Stevens, employed by the Department of Education; Penny Cocker, employed by the Department of Education. All members participated in the discussion.

Kings Meadow High School. Michael Stevens, employed by Department of Education; Penny Cocker, employed by Department of Education. All members participated in the discussion.

Northern Group Training. I declared a conflict of interest as the applicant was a client; I declined to participate in the discussion or chair and it was passed over to Alex Grossman. Northern Group Training again put in another bid which was again the same thing, the applicant was a client and I did not participate in the discussion and passed the chair to Alex Grossman.

Phoenix Computer Systems. David Bartlett declared a conflict of interest or potential conflict of interest. All members participated in the discussion. The Quill Consultancy, the provision of recognised training. David Bartlett is on the IT Industry Development Program fund; Professor Young Choi, School of Computing, was mentioned in the application; Penny Cocker, member of the IT Industry Council, myself, declared from the IT Industry Council; Professor Chris Keen was mentioned in the submission. All members participated in the discussion.

Tasmanian Group Training. Malcolm White declared a potential or possible conflict of interest as TAFE is a training provider. All members participated in the discussion.

Software Engineering Australia. Conflict of interest: Professor Young Choi is on the board; Andrew Catchpole - both members refrained from participating in the discussion.

Senstra Pty Ltd. Conflict of interest: myself, I had a commercial relationship with that company; Andrew Catchpole had a commercial relationship. I did not participate in the discussion and passed the chair to Alex Grossman.

Southern Training, Employment and Placement Solutions. There was no conflict of interest and all members participated in the discussion.

TAFE Tasmania South. Malcolm White is employed by TAFE; Andrew Catchpole, the applicant is a client. All members participated in the discussion. TAFE Tasmania again. Malcolm White is employed by TAFE and refrained from participating in the discussion.

Tidemark Designs. Conflict of interest, Andrew Catchpole declared he went to school with the applicant; David Bartlett had a close relationship with the applicant. All members participated in the discussion.

Faculty of Education, the University of Tasmania. Conflict of interest, or what could be perceived as one: Professor Young Choi employed by the university; Professor Chris Keen employed by the university. All members participated in the discussion.

University of Tasmania, School of Computing. Conflict of interest, Professor Young Choi is noted as a primary interest; Professor Chris Keen employed by the university. Professor Young Choi was asked to leave the room and Professor Keen was not present for the half of the discussion.

The University of Tasmania, School of Computing. Again, conflict of interest: Professor Young Choi is head of the school; Professor Keen is employed by the university. All members participated in the discussion.

Working Futures Proprietary Limited. Conflict of interest: Andrew Catchpole, a business relationship; Steve Jessup, a business relationship. All members participated in the discussion.

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Wynyard Chamber of Commerce and Industry Incorporated, the Wynyard Software Development Centre. There was no conflict of interest and all members participated in the discussion.

What I have given you is an overview. That was the particular outcome of the meeting where we had to discuss how we were going to manage either what was could be seen as a potential conflict of interest and that is to have it noted on the minutes. And secondly, where it was ascertained that there was a conflict of interest, the procedures that we used to make those decisions. I might add that discussion, from my memory at least, would have taken an hour to an hour and a half before we got those procedures in place.

Secondly, in terms of rating the applicants - and I would like to go through those in detail. One of the concerns that we had, the advice that we had first up, if my memory is correct, is we might only get seven applicants. We were rather inundated with 32. I wanted to point out that one of the processes in looking at those 32 applicants was how those applicants were going to demonstrate that they were going to meet the strategic goals at Intelligent Island fund. They might be worthwhile projects, they might be projects which might have fitted the criteria for funding under different programs, but how were they actually going to add to the skills base in Tasmania in such a way that it was going to create wealth. That was the really important question that we had to consider because if we didn't consider that then the role the committee adopted was going to have a conflict of interest itself.

What I wanted to do in chairing the committee through this process was to outline just broadly some of the things that we knew from, or at least I was aware of, about international and Australia where skill shortages were being adopted in this particular area.

We understand that in Canada one area that skill shortage has gone to, where lots of money has gone to, is not into the IT industry but into fast growing companies which need IT to support it. So one of the things that I was keen to pursue that, as those companies understood more about IT, that there would be an expectation that IT skills would help those companies in their commercial pursuits and increase demand. And so we were trying to ensure that we had a very good mixture between the demand - things which were going to demand the IT industry to grow versus the supply side. At the moment we know from our graduates and also from the skills audit that on the supply side we can supply lots of graduates but we have a problem in Tasmania employing them here in Tasmania, and so the figures were fairly there.

Of the 32 applicants, I can't pinpoint them exactly - but of the 32 applicants which came through I think roughly about 24 or 25 dealt with what we would call supply side in an area of multimedia - and I will just go through that. They were mainly to do with setting up multimedia labs in schools. We could have spent the whole \$5 million in the first week if we'd wanted to. It was to do with offering what we saw after our deliberations on it a real supply side of multimedia skills and what people were ramping - what they called certificate 1 and certificate 2 skills, which are the lowest entry skills into the value chain. What we were at a loss at was trying to work out how those particular strategies would add wealth to Tasmania. We could certainly provide opportunities for lots of young people between sixteen and eighteen to get skills in multimedia but to no jobs, and so

when we didn't know how that was again going to address the strategic aim, which was creating wealth for Tasmania and that was a fairly important challenge.

What we were trying to do because we saw a need in that particular area was to try to look if there were projects which came out of there which could be sustainable on one level - that is, it was not going to be long-term dependant on funding but it was something which was going to be there in the long term, that was going to grab our attention and, secondly, if it was replicable. So therefore if something was proposed in Hobart we could see that it was both sustainable and replicable - that is, that we could see that it could be run out right around the State so it could have an economic benefit or a training benefit for the State. So we were particularly keen to look for projects which were going to address ways of creating wealth which was part of it. That was the first area that I talked about, which was the executive training. The second area, how do we make a decision between supply side and skill side; thirdly, how do we then encourage other skills which are needed in IT, which is entrepreneurial and business management skills? We had no application for development in that particular area.

The other thing is how do we encourage the management of IT companies through growth? What the Intelligent Island Board was about was creating and the whole initiative is about creating wealth through the growth of IT. When an IT company goes from 10 to 30 to 50 to 100 employees it produces incredible challenges. I think the last thing that we were very aware of in our deliberations before we went to ranking anything was that five years ago most people had not even heard of the Internet. We were not to know what technologies and what skill shortages were going to be there in five years' time and how we could allocate then the funding arrangements. We could supply everything and dilute it and it had no economic benefit for the State and we had to tactically manage the funds for things that we could not even imagine were happening now and what the marketplace might demand. So they were the challenges of the committee.

Each of the deliberations were then ranked according to the criteria and then sorted as to how they met the strategic goals: whether they clearly met the strategic goals, whether it was a question of whether they met the strategic goals and whether they didn't meet the strategic goals and the criteria. That was our first ranking process. Each bid was ranked and then through consensus that ranking was then added to the process. At that stage we were trying to split the pile of 32 into three groups: one, which we could ask for further information which would provide an avenue for them to go to the next stage of funding; two, where they could get more information to us and possibly come up for another; or a third stage which was 'sorry, at the moment it's not ready for funding'. So they are the three categories we put them into.

CHAIRMAN - Would you explain that just a bit more, that categorisation? The first category was where your committee was unsure in its mind about the application and therefore you sought further information from each of the applicants in that section. Am I correct there?

Mr JESSUP - No. I will basically restate the process. There was a four-page document they needed to fill in and then what we were saying was that those particular applicants we considered were ready to go went to the next stage of filling in a further detailed fifteen or sixteen-page submission.

CHAIRMAN - So you didn't invite all 32 to go to that stage?

Mr JESSUP - No.

CHAIRMAN - Did you rank the 32 according to these three stages you've just identified or did you only rank the second level?

Mr JESSUP - We ranked those we were particularly interested in pursuing first up. We then looked at those we were still uncertain about and those which we said would have to go back and restart and rethink the issue through. May I just add that we were very cognisant, as we were reading proposals, of the need to have more information in the IT community and that's why we didn't want to say, 'Full stop, no, let's not proceed with that'. We wanted to be fairly encouraging of people to think of this area and that was part of the process of not putting a fine line through the whole lot.

CHAIRMAN - So during the first stage you had 32 on the table and you ranked them according to whether there was general consensual support for them as a group?

Mr JESSUP - No, the first rating was the level to which they met the criteria for the application. You have the criteria in front of you, and I might read those through.

CHAIRMAN - Well, I understand the criteria; we've got a lot of this information because it was provided by John at an earlier time. I thought you said in the preliminary selection you were looking to take these 32 and say, 'These are clearly worth supporting; we are uncertain about this second group; and this third group are not goes at all. We can send them back to home base and tell them to start all over again'. Am I correct in the way I understand that situation?

Mr JESSUP - Yes, just pass that by me one more time.

CHAIRMAN - All right. Your committee looked at those 32 applications and identified a group which were clearly worth supporting, clearly worthy of moving on to the next stage. There was a second group that you had doubts about and you couldn't really make up your mind about at that stage, and there was a third group which you categorised as not fitting the criteria which were to be rejected.

Mr JESSUP - That was our initial thinking. We then looked at the middle group; from that middle group we then looked at each of those particular groups in detail to ascertain whether they should continue on in the program or go back to home base, to use your words. So we took those through and made a decision as to which one they ultimately fitted in.

CHAIRMAN - Did you ask that middle group for further information or did you just make your judgement on the basis of the information you had available at that time?

Mr JESSUP - Well, there was not an opportunity to ask for further information. We had the applications in front of us which the applicants needed to address the criteria.

Mr HAYTON - Mr Chairman, the two-stage process the committee adopted was adopted to reduce the amount of work for applicants, so the four-page application process gave applicants an opportunity to put their idea, if you will - 'What is this thing we think you, Intelligent Island, should fund in terms of skills development?' So that's the only opportunity those applicants had to provide information to the committee. That was a decision taken by the committee to ensure that the amount of red tape and paperwork people would have to go through in making an application was reduced to a minimum. As I understand it, the assessment of that idea, once that idea was assessed as meeting the criteria that group of people were asked to provide further information and go to the next stage - which was fifteen or sixteen pages worth of detail. We didn't want people investing time and effort in an application which was clearly not going to meet the committee's requirements.

Mrs JAMES - I was just wondering whether the committee's expectations were made known to applicants?

Mr JESSUP - In terms of the expectations?

Mrs JAMES - Yes - to outline in which way they could enhance the program. I think they did a second submission, didn't they? Those who got through the first one and were invited to put in a second submission, was it made known to them what the committee's expectations were? We talked about being entrepreneurial and various other things there which you were looking for.

Mr JESSUP - Significant guidance had been -

Mrs JAMES - Yes - significant guidance, apart from just saying, 'There's the criteria'. What you'd be looking for, particularly with the entrepreneurial people and what they might do. I was also wondering how intellectual property is safeguarded by the committee?

CHAIRMAN - Could I ask Mr Jessup, has he finished his presentation? I did start asking questions and now other members want to ask questions. Are you prepared to take questions now or would you like to pursue your explanation further?

Mr JESSUP - I would just like to wrap it up. Where we are at is, I believe, we are fairly up-front about the process we went through to make those decisions. What I wanted to assure here is there were some fairly clear guidelines in terms of conflict of interest and non-disclosure of information. Each of the committee members signed a non-disclosure declaration and each of the applicants also agreed that any comments on behalf of the committee would be directed through me. Does that cover it?

Mrs JAMES - Yes, it does.

Mr JESSUP - Right. Thank you.

CHAIRMAN - Okay. Are there any questions of either Mr Hayton or Mr Jessup?

Mr RATTRAY - I'd like to ask one, Mr Chairman. In the time when you've had your ten people up front there, those who are coming up in the second group of people that you're

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asking for the information, where do they sit in the process if they come again and they make their second application? Where do they get listed? Do they catch up to the ten that you've considered are probably okay? Where do they go? Do some of them slip by the wayside again and go back into the third group?

Mr JESSUP - I might point out that first up all the applicants through the application process, if I wanted more information, which was the question you alluded to, had contact numbers for Department of State Development to get information about the program. That's the first thing. They also had a fairly clear outline of documentation as to what was required of the program, what the parameters in terms of the criteria for the selection of programs and they were given information, especially through the web site, as to the strategic intent of the Intelligent Island Program.

Mr RATTRAY - And they were made aware of that?

Mr JESSUP - They had to go to the web site to actually get all the information.

Mr RATTRAY - And it was there.

Mr JESSUP - It was there.

Mr RATTRAY - Clearly provided.

Mr JESSUP - It was there provided, and they had contact numbers from State Development to ring up and do that. In terms of those people who were able to go to the next round, each person was written a letter following the first round explaining why their application had been declined or accepted to go to the next round. I'm pretty sure that those people were invited to ring someone for further information and if they wanted to resubmit, it was fine.

Mr CHEEK - So there was in fact a formal debriefing for each applicant if they weren't successful, as is generally the case with other government procurement policy.

Mr HAYTON - Applicants had the opportunity to talk to us. One of them certainly took the opportunity to talk to me and then I raised those issues with Steve before I got back to them.

Mr CHEEK - They were aware that they could have a debriefing?

Mr HAYTON - This is all happened slightly before I'm around, but I think that was -

Mr JESSUP - If we recall what the procedures were and what the procedures are, the committee then only made recommendation to the Intelligent Island Board.

Mr CHEEK - I understand that. Did they clearly understand the criteria? Was that available from the early stages because we did receive evidence that that wasn't available and guidelines weren't available? Has that been available ever since the first applications were invited?

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Mr JESSUP - From what I understand, the information was available from the website and they needed to download the application form with all the guidelines on it.

Mr CHEEK - Everyone was aware of that?

Mr JESSUP - Well, that's where they needed to get the application forms from. That was in the advertisement.

Mr CHEEK - The strategic goals you talked about and in fact you had a lot of applications for school labs, I think you said most of them were -

Mr JESSUP - Yes.

Mr CHEEK - were people aware that that's what you didn't want? Would they have known from the strategic goals that you'd set, was that passed onto them?

Mr JESSUP - We weren't to know what applications we were going to get and we, in one way, were pleasantly surprised to see the number of applications we did have. In terms of the strategic intent, that certainly, in terms of what the policy of the Intelligent Island Program is about, is certainly available on the web site as well.

Mr HAYTON - You will have noticed from the information that we provided to you that it contains the guidelines that were available to them all, that the committee had done the best job it could, I think at the time, of explaining both those characteristics of projects that it would support and characteristics of projects that it would not. What is quite clear is that this was the first round of this particular program. None of us had any idea of the sorts of projects that came forward. We will take that information forward with this and that when we do the next round of this process we will be able to make different and more informed judgments to provide information to people about what is and is not acceptable.

Mr CHEEK - How many committee members had direct applications for funding?

Mr HAYTON - I can provide you with that piece of information.

Mr CHEEK - Well, you would know from the minutes.

Mr JESSUP - From the minutes, that's what I'm just quickly going through. If I could just quickly through, I will let you know.

Mr CHEEK - We could probably do that later rather than taking the time to do that now.

Mr JESSUP - From my mind, one, but I will reaffirm that.

Mr CHEEK - I suppose you'll have to go through again, if I ask the question: how many would have had business associations with some of the particular applicants? Would there be more of those? Can you get that information as well?

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Mr HAYTON - Well, in fact Steve gave it to the committee in his initial explanation. All of the business applicants, conflicts of interest were quite clearly - and not only conflicts but perceptual and possibly perceived - and that was the important thing about that list of conflicts of interest, it wasn't to say that there was an absolute level of conflict of interest going to go on but most of those were actually about whether or not a perception could develop of a conflict of interest.

Mr CHEEK - I noticed from the minute you are saying that this was certainly notified the conflict of interest but they still took part in discussions?

Mr JESSUP - No. What we notified that there could be a possible and that is one thing that we worked through then was the possibility of a conflict of interest or people declared a conflict of interest. We wanted to make sure that it was scrupulous. I might add there's a second thing there, in one application where it was of incredible commercial nature, given the fact that Andrew Catchpole and I were on the committee, that some sensitive information was going to be made known to both of us. The State department rang up the particular company and said, 'Are you aware x, y and z are on the committee?' and they said, 'Fine, we know Steve, we know Andrew and we're okay with it proceeding'. So we were trying to make sure that we managed it in light of what we did as effectively as possible. I just want to reiterate: we wanted to make sure that the procedures we adopted understood exactly what a conflict of interest was, how it could be best managed and how it could be declared and that was the important thing.

Mr CHEEK - So if it was a perceived conflict of interest that was declared, did they still take part in a vote on who should go through to the next round?

Mr JESSUP - Where someone actually had a conflict of interest they did not take part in the vote.

Mr CHEEK - So was there a vote on everything going through to the next stage? Was every single application voted on?

Mr JESSUP - Every single one was discussed, every single one was rated and we rated them as to where they fitted initially into those three areas.

Mr CHEEK - So was there a formal vote taken on each one?

Mr JESSUP - I think it was done by consensus.

CHAIRMAN - Can I just clarify something? Your initial advice that there was a vote or people did not vote ... There were no votes taken, that's what you're saying, aren't you?

Mr JESSUP - I'm just trying to get all the steps because I've got a number. There was that meeting and there was a subsequent meeting. In terms of the minutes, we have the process that was declared and who participated in the discussion and who left the room or who didn't participate. We've made that fairly well up-front in what we've noted in the minutes as to how that was managed. What I am just trying to do from the procedures there, people were certainly involved in discussion and we then knew where people were coming from in terms of whether there was a potential conflict of interest because then

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the committee was fully informed. When the committee is fully informed then we know when people are talking because there are still people going to add value in that process and that's the whole thing.

CHAIRMAN - It's not unusual that there would be consensual agreements with regard a process like that. My only concern is that where there is a potential conflict of interest and there is no vote then a person's participation in the debate is the same as having a vote, isn't it? There's no difference between them.

Mr JESSUP - No, sorry. What I'd like just to correct is one thing there. You will note that at some stage during that people left the room when that was considered as to which pile it would go into or, like myself, I removed myself from the Chair and specifically did not involve myself in discussion or where that rated itself in the process.

CHAIRMAN - So that's where you had a direct pecuniary interest, unqualified -

Mr JESSUP - Where I saw where I could have a direct pecuniary interest, yes.

Mrs JAMES - Are the minutes publicly available?

Mr HAYTON - They're not public documents.

Mr CHEEK - Do you think they should be?

Mr HAYTON - No, I don't think there is any particular reason why they should be. They are available, if people wanted to use the FOI process then they would be out and about.

Mr CHEEK - When you go to the next stage - you've already gone to that, I would think - and they have to give financial information, what happens in that situation when you have a business competitor or a business associate who has to give financial information that could be of some advantage? Do you leave the room?

Mr JESSUP - The procedure adopted where that happened was the Department of State Development verified that financially they could undertake the project and then we did not see that information at the meeting. So the financials themselves were independently verified by the department and so therefore nothing of a commercial nature was passed on which would provide that conflict of interest opportunity.

Mr CHEEK - How many times would you as chairman, and obviously having your own business, have left the room during deliberations on the 32 applications?

Mr JESSUP - I didn't leave the room in the 32 applications.

Mr CHEEK - You were there all the time?

Mr JESSUP - I was there all the time.

Mr CHEEK - So there was no direct conflict of interest?

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Mr JESSUP - I had no application in.

Mr CHEEK - No - you personally. Business associates, for instance or people you did business with?

CHAIRMAN - I think you said you were an applicant for a board or had been asked to sit on a board of a company.

Mr JESSUP - Yes, I have been asked to be a managing director of one company but it doesn't mean I should leave the room. There's no conflict of interest. I declined the offer but I needed to be up-front, but in fact that was the thing. With the fact of it being a commercial relationship I don't see that I need to leave the room. The fact that I don't participate in the discussion and someone else chairs and I don't put the application in, I am receiving no direct pecuniary interest, I'm receiving nothing of interest. As a matter of fact, if you would really like to know, all those applications were knocked on the head and didn't proceed, so the system that we'd adopted works.

Mr CHEEK - Just to get this straight. The system was you declared an interest where you might have a business association or do business with their client, you stayed in the room but you didn't take part in the discussions at all? Therefore you didn't have any influence at all on the decision.

Mr JESSUP - I had no influence on the decision at all.

Mr CHEEK - So you didn't take part in any discussions.

Mr JESSUP - I didn't take part in any discussion.

Mr CHEEK - I'm not talking about you particularly, I'm talking about anybody under that criteria.

Mr JESSUP - Where someone was saying if we look at the issue of pecuniary interest here, which is the line you are looking at, where that was seen to be a direct pecuniary interest with a number of the organisations there which I was directly working with as a client, I did not participate. They were the guidelines we established for the operations, they were the guidelines we decided were appropriate. If I was to put an application in it would not have been appropriate for me to be in that room.

Mr CHEEK - Can you understand the concerns from other businesses who may, if there are people on there who are their competitors, feel quite nervous that you would have access to information about their private business - I'm not saying you would but that you may be able to use against them?

Mr HAYTON - I think we need to knock this particular issue - deal with it absolutely directly. There are only three alternatives: we can put Tasmanians on the committee that was making these selections with industry experience; we can put some Tasmanians on it without any industry involvement; or we can put non-Tasmanians on it. This market, in particular in this industry, is so small that there is almost no industry participant that we could put on a committee like this who would not potentially end up with some form of

either a conflict of interest or more likely a perceived conflict of interest. So in that sense we're caught between a rock and a hard place.

If we had put non-Tasmanians on it, for instance, then you can be sure that we would have got criticism that said, 'You are not doing the right thing because you've put these people on this committee who do not have any experience of the local market'. So what did we do? We set up a committee that has Tasmanians on it who understand the industry sector because they are participants in it. There is at least one member of that committee who is not a Tasmanian but who, nonetheless, is an industry participant, so there's a degree of probity provided by that. We set up a series of procedures to enable the committee to undertake its work and avoid this conflict of interest issue as best it can.

Mr CHEEK - Did you consider that it might have been a good idea to get nominations from TasIT, somebody they'd feel comfortable with, rather than appointing yourselves?

Mr HAYTON - I don't understand what you mean by appointing ourselves.

Mr CHEEK - Well, somebody who is a member of the TasIT organisation that they would nominate to go on the selection committee, somebody they would feel comfortable with, rather than you, the Intelligent Island board, appointing the people to go on there, to give them some input and consensus of somebody they would feel comfortable on there rather than you appointing them and having some concerns raised.

Mr HAYTON - That would have been one way for the board to proceed but why would we stop at TasIT? Would we ask SEATas, the Software Engineering Association, Tasmania branch? Would we ask the Australian Computer Society? At which stage and at what line, where do you draw the line on the level of consultation? What the board had in mind was that it needed to get this program under way. It looked round and I'm sure board members took soundings from the local IT community about who would be best put on this board.

Mr CHEEK - I just thought that with 100 business members of TasIT that would have been a fairly big source for the skills part of it where obviously a lot of those people would have been applying under that particular category. I was just asking whether you considered it and you've answered it by saying you would have to go a lot further than that. I don't necessarily agree with you but you've answered the question.

CHAIRMAN - In listening to Mr Jessup's explanation of your process and the emphasis you've placed personally on the pecuniary interests and general conflicts of interest and the need to rate the various applications, it seems to me that you have recognised that there are tensions in that system and you've endeavoured to mitigate those tensions with the new organisation. What efforts have you made to go external to your own deliberations and mitigate the tensions with the people out in the community who are putting the applications in to you?

Mr JESSUP - I think that's a very good question. I don't think it matters what system we have, there will always be some potential for conflict of interest and it really comes down to how we best manage that and then how we communicate that to the IT community. Certainly I've had quite lengthy discussions with TasIT around early December last year

about the process and we were able to actually uncover a fair bit of information, both in terms of their policy themselves as to how they address and lobby and secondly, they are saying they need greater consultation in government decision making. I'm a member of TasIT and they've put them in a very difficult position. So the important thing out of all of this is, yes, there is an important need now as we understand more about what an Intelligent Island program is, is to be able to go and get not only the IT community, as I was saying before, the business community, because the more we can stimulate business to be thinking about using skills to grow their business in this particular area, the more demand we can also create.

So there is an education program, I believe, that needs to be engaged in at great length. We have five years to run this program so let's spend the time to make sure we get it right.

Mr HAYTON - Mr Chairman, if I can add to that. What the board has done is to set up a sub-committee that will be looking at the entire skills development issue. That sub-committee has already begun work. Probably next week, if I can find the time and get schedules arranged, Peter Gartlan - who is a member of that sub-committee and also a participant in the industry - and I will be going to talk to the TCCI.

What we're going to do there is to talk to them about how we can bring about a greater awareness of the IT industry and its skills and capabilities among general business in Tasmania and once again looking at the demand side of the equation here. That is to say how do we produce demand for the skills that are being produced in Tasmania?

So there are a whole range of public information issues that need to be dealt with here and they don't relate just to this particular initiative, they relate to the entire Intelligent Island program.

I would expect that in early April when the grant deed for the Intelligent Island ... is signed and our chairman will be in town, we've already agreed with Tas IT and with the Industry Council that he should address a meeting of the industry, open to anybody in the industry, to talk about the current state of the Intelligent Island Program. When the Intelligent Island Board holds its next meeting, which will be in Launceston in May, we will do the same thing in Launceston.

I don't think the level of consultation that we're talking about needs to be restricted only to the skills development program. We, the board and the secretariat, will be carrying out a major initiative in terms of explaining what the program is about to the wider community. Part of the reason why that hasn't occurred thus far is that I was only appointed on 18 December and I have spent the past couple of months getting the secretariat on board and responding to parliamentary public accounts committees and doing various other bits and pieces like that. So once that admin start-up processes are complete communication will be our major priority for us.

Mr CHEEK - Where does your funding come from? That comes from the Intelligent Island Fund itself - the chief executive?

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Mr HAYTON - The funding for the secretariat and running costs of the activity is to be agreed between the two governments and will be funded from the interest raised on the original grant.

Mr CHEEK - Do you think that because in Tasmania you don't have competitive tendering, if you like, on this sort of scale, do you think that's caused problems? I mean, as far as grant applications go, normally they're not competitive like this. You apply for them during the year, you might get them at different stages during the year. Do you believe on this scale to have competitive tendering has caused problems for Tasmania? We are not used to this amount of money being applied to the Tasmanian public. It is a great thing, it is a wonderful thing for the State. Do you concede there have been problems because of this with the Department of State Development?

Mr HAYTON - I don't work for the Department of State Development, I work for the Intelligent Island Board.

Mr CHEEK - Sure, I understand. You would have had a fair few dealings with them, though.

Mr HAYTON - From my perspective I think that's really an interesting and important point: what do we do about people's capability in applying for tenders and grants? One of the things that the Intelligent Island Board wants to do is to create an outwardly focused industry, so the fact that Tasmanian businesses and firms aren't experienced at writing tenders is something that we have to deal with and we don't deal with it, I think, by relaxing the standard of applications for our own programs. What we do is we deal with it by trying to ensure that those firms can apply effectively for all sorts of tenders - and that includes not only the things that we do or the things the State Government does but the things the Commonwealth Government does and big firms. Any business is going to evaluate the nature of a service provider by the quality and articulation of the business plan that they can give. So if we want Tasmanian business to succeed that is a skill need that we have to address.

Mr CHEEK - I probably agree with you in a lot of instances there but I was also alluding to the fact that, because it is a competitive tendering process, you also need to make absolutely sure that the people tendering or the people making applications are happy and content that it has been put to the best use, that they have got a full debriefing on it if they want and also absolutely ensure that they realise that there is no conflict in there at all. It seems to me that this hasn't really been conveyed to them in a big way, that there are a lot of people out there who feel concerned about this process because we have not had anything on this scale before. Are there other ways that you feel these concerns should be relayed to them so that they feel a lot more content that their application has been in and has been given fair process and that people on the committee haven't been able to, first of all, steal some of their business information and ideas and, secondly, that they have given them a fair go?

Mr HAYTON - I think there's a couple of important issues in that. Firstly, everybody had the opportunity to debrief. While we were having that discussion I checked the letter and the last paragraph in the letter firmly offers people the opportunity to talk to an individual to gain further information about the process, so the opportunity to debrief was there.

I think what we need to do and will do as a board and would have done even without the impetus of this particular process is to take the experience of that first round forward and what that suggests to us is that we need to do industry consultations prior to the next round saying that we have some open meetings, that we'd talk to people about what it is that we're expecting, what it is that we're trying to do and how they might participate in it effectively and, what's more, take some feedback from that process. There may be things that come out of that process that cause us to change the way that we're going to operate. I see that's part of an ongoing business operation. Often you get feedback that suggests that you should change the way you do things. The guidelines that we issued first need to be amended. They need to be amended in light of the experience that we had with that round and we will do so.

We will change the way in which the time frame situation was managed the last time around. I think it's quite clear anecdotal evidence and people have spoken to me that businesses said they found it difficult to meet the time frame that was set down for the application process the last time around. I don't think that the process was set unfairly last time but we will respond to that query and we will have a longer time frame the next time around.

Mr CHEEK - Do you feel that also one of the stipulations should be that anybody who sits on the committee should not have a direct application?

Mr HAYTON - I think that we need to handle that through the conflict of interest procedures and, in general, no. Once again, the industry in this town is so small that to be rigid about that sort of specification potentially removes some very important people who can assess the programs effectively. We deal with that sort of issue when we have those sorts of people in front of us.

If I could just finish what I was saying before, the outcome of those other processes of having open meetings and of doing industry consultation of having a longer time frame is that we will have better publicly available guidelines, but we will probably keep things like the two-stage process which we designed last time to reduce the amount of time and effort that businesses had to put into applications that weren't going further forward.

Mr CHEEK - So you're saying there that the guidelines could have been improved upon -

Mr HAYTON - No, I'm not saying that. I'm saying the guidelines will be improved upon.

Mr CHEEK - So therefore there was room for improvement when the first lot were put out?

Mr HAYTON - No, I think that the first lot of guidelines that were put out were appropriate at the time they were put out in the light of the knowledge that the committee had of the environment it was working in.

Mr CHEEK - That's a very good political answer.

Mr HAYTON - I've often aspired to be on your side of the table.

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CHAIRMAN - Mr Hayton, has the organisation improved since you were appointed in December? Is it a better organisation?

Mr HAYTON - No, I don't think it's a better organisation. I think what has changed is the level of consultation that is taking place between the board and the program and the general community.

CHAIRMAN - So you've effected no changes of any meaningful proportions?

Mr HAYTON - Things have developed from where they were.

CHAIRMAN - What I am trying to determine the level of your worth to the organisation? Has it improved?

Mr HAYTON - I think -

CHAIRMAN - You're saying, no it hasn't improved?

Mr HAYTON - I think, Mr Chairman, that it would be difficult to determine the worth of any individual's contribution to an organisation in only three months. If you want to talk to the chairman of my board at the end of the first year of my time in office and if he says, no - well, actually if he says no I probably won't be around to ask.

CHAIRMAN - How many of those 32 first applicants would you say, would you make a judgment, were of best practice standard?

Mr HAYTON - I'd had to pass that one to Steve.

CHAIRMAN - You've already said they were in inferior - there's much to learn from the applicants in the way they prepare their applications - so you must have a standard in mind and you've said that most of them weren't up to standard.

Mr HAYTON - I think it's important to distinguish here between the way in which the ideas were communicated and the ideas themselves. There's no way I'm saying that the ideas people wanted to communicate to us were inferior but certainly some of the articulation wasn't at a level that made it clear what they were after.

The other thing was that they weren't inferior so much as they didn't meet the objectives that the Intelligent Island Program wanted to meet at the time.

Mrs JAMES - They're still incubating.

Mr HAYTON - Absolutely, they're still developing. Some of those ideas may very well come back to us in the next round.

CHAIRMAN - You made your decision with regard the criteria at your first meeting. When was that held, by the way, Mr Jessup?

Mr HAYTON - 23 August, I have.

CHAIRMAN - 23 August. So you made a decision on 23 August with regard your rating and your criteria and the process. When did that information first appear on the web?

Mr HAYTON - I will have to get back to you on that level of detail. 29 August.

CHAIRMAN - 29 August, the first meeting. Okay. If you'd just inform me when that criteria was available on the web site, I'd appreciate it, because that was the only place where it was generally available, as I understand it. You didn't send out or you didn't include in the newspaper advertisements, for instance, that you were calling applications and the criteria for assessment of applications are the following matters. That wouldn't have been in the newspaper advertisements, but it was available on the web at some date and the date it was available on the web I would like to know.

Mr JESSUP - Sure.

CHAIRMAN - I think we have all agreed or we have put the proposition to you and you have nodded your head and said that the system, the process could have been better and, 'We are finding our way, it's in a transitional stage and next time we go to a round of tendering it will be a better process'. Earlier in the day a witness to our meeting gave some support to the Auditor-General and the Auditor-General's report said there should be much more openness and transparency and the criteria ought to be made known and people ought to be able to have their application measured against an open, known criteria so that they could have increased confidence in the outcome. I think that's a very positive thing, myself personally, and I think you're saying to me probably that will be the case in the future.

Mr JESSUP - It was the case with this round.

CHAIRMAN - And you've already said that all information is available under Freedom of Information anyway, so it seems to me to be that there is a compelling case for the process to be much more open and transparent and accountable than it is at the moment, just to ease the fears in the community.

Mr HAYTON - I'm not sure what we're talking about in terms of 'much more open and accountable'. People were offered the opportunity to debrief and the letters that went back to people gave a brief precis of the reasons why their application didn't succeed.

CHAIRMAN - Yes, but I think you did agree that the criteria were bare criteria and there was no weightings attached to the criteria. People really had no idea at the time of making their application that they should be focusing particularly on your strategic objectives of employment growth and wealth creation for Tasmania. It just seems to me, unless I've missed it, that you weren't selling that point strongly at the time of calling for the first applications.

Mr HAYTON - I think we need to distinguish between the criteria used to evaluate the applications, which would have had equal weighting, and the areas that the committee saw as valuable to apply those criteria for. Undoubtedly we will do a different job in terms of talking to industry about that in the next round.

Mr CHEEK - Do you think there should be an appeal process where people who feel aggrieved can go somewhere?

Mr HAYTON - This is a reasonably minor grant-making process, it's not a commercial tendering operation. I think we need to provide the best sort of feedback we can to -

Mr CHEEK - \$40 million worth, so it's not insignificant overall.

Mr HAYTON - That's one of the things that's worried me about this entire process. We are not talking about \$40 million, we're talking about one initiative within a \$40 million program, which is \$5 million over five years, and not necessarily all of that \$5 million will be spent on the grants program under this initiative. There are other things that that money could be spent on in the service of the initiative outside of the grants program.

Mr CHEEK - In the first round of applications, how much is going to be distributed?

Mr HAYTON - Less than \$30 000.

Mr CHEEK - Less than \$30 000 in the first round out of \$5 million.

Mr HAYTON - I don't understand the conjunction of those two but yes, less than \$30 000.

Mr CHEEK - It has taken a fair while to get to this stage and then we've had -

Mr HAYTON - Well, I don't think it has taken a fair while.

Mr CHEEK - three stages and now we get to here and out of \$5 million there's only going to be \$30 000 allocated. I think most people will be quite surprised at that.

Mr HAYTON - We could walk down the street with buckets of money, I suppose, and throw it away. What this actually demonstrates to me is that the committee took a considerable period of time to look at each application to determine its fit with the strategy of the Intelligent Island Program. So the fact that we've spent less money perhaps than might have been expected is not, I think, a criticism; it just suggests that a lot of time was taken to make sure we got the right outcome.

Secondly, I don't think that it's reasonable to say that we've spent a lot of time getting to this particular place. The MOU for this program was signed in March; the program itself is barely a year old. In this initiative itself the advertisements took place in early November and we're now in March. But we could have easily have had this hearing two months ago. The fact that we haven't done anything further in part is because we were waiting for the outcome of this process.

Mr CHEEK - So when did applications close?

Mr HAYTON - All that information is in the information that was provided to the committee.

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Mr CHEEK - I thought just off the top of your head you might have known that, but I can look that up. I think it was about the end of November wasn't it, roughly?

Mr HAYTON - I think it was probably mid-November for the first round and the end of November for the second.

Mr CHEEK - So when are you actually going to make an announcement? It is four months since the applications closed.

Mr HAYTON - I would expect that the - in fact I know that the form of the grant deed will be finalised this week and I would expect that we will be making an announcement shortly.

Mr CHEEK - So what you're really saying from what you've said here today, is the applications were disappointing and not what you were looking for?

Mr HAYTON - I would agree with the last part of that statement.

Mr CHEEK - I probably am going over some old ground, though. Do you bear responsibility yourself in not communicating this well enough to the industry about what you really needed?

Mr HAYTON - I think that we can improve what we communicate to potential applicants the next time round and our ability to improve what we are communicating is based on the experience that we've had in this round.

Mr CHEEK - How many different businesses or organisations will share in the \$30 000?

Mr HAYTON - There will be two grantees.

Mr CHEEK - Two out of thirty-two.

Mr HAYTON - Two out of thirty-two.

Mr CHEEK - When do you intend to call for the next lot?

Mr HAYTON - Once we have an outcome from this process then I'll be in a position to look at where we can take this initiative.

Mrs JAMES - Do you have flexibility as to how much money you can allocate for grants depending on the value of the applications? For instance, could you say if something you considered was worth \$100 000 you could allocate that amount?

Mr HAYTON - Yes.

Mrs JAMES - So these are fairly minimal-type applications?

Mr HAYTON - They are.

Mrs JAMES - Is there a maximum you could give in grants?

Mr HAYTON - The board hasn't considered whether there should be a maximum grant. It's not intended that there be huge grants under this. We'll be looking for innovative ways of meeting the skills development needs of the State and that's what the board's sub-committee is doing at the moment its considering how best to take this initiative forward and one component of that is how we should provide further guidelines and advice on the terms of reference for this grants program.

Mrs JAMES - So you can spend it perhaps on teaching or on equipment?

Mr HAYTON - Yes.

Mrs JAMES - Or anything that is going to enhance any advancement of IT?

Mr HAYTON - Yes, although bearing in mind that we do not seek to use these funds to replace existing sources of funding and existing programs run by the Commonwealth or the State.

Mrs JAMES - So they've got to be innovative.

Mr HAYTON - They've got to be innovative, they've got to be different -

Mrs JAMES - Entrepreneurial and management you mentioned, I think, earlier - on management training.

Mr HAYTON - One of the things I'd like to do is encourage the industry itself to get together to do something in professional development. I don't see that the skills development fund should actually be spending much money on that but we might act as a useful catalyst to help the industry put together a professional development program for itself, drawing together existing things. The Intelligent Island Program isn't just, I think, about spending \$40 million; it's about creating a climate whereby we can develop the State's IT sector and that involves us being catalysts in certain areas as well as being money spenders.

Mrs JAMES - I think we take it much beyond simple grants then.

Mr JESSUP - I would hate for you to go away with the idea that the issues you've put on the table we have not considered or thought about. We have given a lot of consideration to them. I think one of the important thing is that any company which may have been able to receive a grant how we could even manage that process so they're not seen to be able to get a commercial advantage out of it. There are some really fine lines to thinking all these issues through and they're some of the things which we'll need.

I want you to be aware of the depth of the conversation that this committee had in terms of taking its role very seriously. It is very fundamentally important that we understand - and I want to get that across here - that out of what we've been able to understand, first up, when we look at the skills shortage in Tasmania there is a fundamental different skill shortage in Hobart, as there would be in Launceston, as there would be in the north-west

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coast. The sorts of skills which are desired here and now in Hobart may not be the skills needed next year.

Mrs JAMES - Well, committee members are hardly likely to put their integrity at risk for a little sum which is in total \$30 000.

Mr JESSUP - That's right and so what we've looked at is that we can see there's a quality improvement process of both dialogue and that. We didn't start in the dark, we started by basing it on a successful program - the Innovations program - and modelling it initially from there as a point to start from. We looked at understanding the needs of the IT community and not giving them too much paperwork to start that process off.

I want it to be really clear that one of the concerns we did have was that with the awarding of any money going to go to private enterprise it may be used as a commercial benefit and we needed to understand how we were going to work with that. That has created a dilemma which we have started the process of working through.

Mr CHEEK - What steps are you going to take, in a nutshell, to alleviate that in the future?

Mr JESSUP - One is the issue which we've talked about - replication which we can see if there's a direct commercial benefit we may go out to tender specifically for those areas. So we agree, it's got to be transparent, we agree it has to be understood by everyone and if these are the issues and concerns we are hearing we also have those issues and concerns which we've tried to address. We've been trying to pursue something which is above board for the whole industry.

Mr CHEEK - Do you think you can ever achieve that, though? I understand the problems you put forward but where you have somebody who owns a business in the IT industry and you're making decisions on those applications whether you can ever overcome that? Okay, putting it out to tender could be one way to go but there's going to be a myriad of conflicts or perceived conflicts coming through, which you've outlined in the 32 applications. Do you think you can ever overcome that unless you actually have people there who don't own businesses and have not put in applications or have anything to do with the businesses that have applied?

Mr HAYTON - Well, the good thing about that is of course that we did. There was one person there who was from outside the State but nonetheless an industry participant and a senior business participant, so to that extent there was somebody there who had no particular interests associated with any of the applicants and because of the way in which the process has come to public knowledge I think there is another thing that we will do with the next round, which is probably to use a probity auditor. So we will go and get a person who is formally charged with ensuring that the process is carried out as independently as possible. But we should all realise that that - indeed I think is what you're trying to allude to - is not a perfect answer and it's not a perfect answer from the applicants point of view as well because one of the things that a probity auditor will do to avoid any perception of wrong play is that if one box that needed a tick in it isn't ticked, then that's basically out because that applicant didn't do what was required. So there is a degree of lessening flexibility associated with the way in which applications might be considered as we go down this more formal process. However, because -

Mr CHEEK - You can't have it both ways though, can you?

Mr HAYTON - You can't, and because it's important - I think probably most important from my point of view - to protect the reputation of those people who are servicing this initiative, that is one of the changes that we will make in the next round.

Mrs JAMES - And you'll have the disclosure provision as well?

Mr HAYTON - Yes.

Mr RATTRAY - Mr Chairman, I have been pretty interested. We have to come up some time later in our discussions of how far we are going to go with this issue that we are discussing here today and I want to ask these two gentlemen here: we haven't been going long, it was started in March 2000. The first meeting was on 29 August 2000. We're now in March. If we come back in twelve months' time and meet you people again, can we see some significant developments taking place because I believe the issue of this money is to get it out into the community to make Tasmania competitive and give us an edge or help keep up for a start, can we reasonably expect that to be the case?

Mr HAYTON - Mr Chairman, a whole range of Intelligent Island initiatives are under development at the moment. You may have seen before Christmas, the Premier and Senator Gibson announce the appointment of the Interlink consortium to run the Intelligent Island incubator. Of the \$40 million, that represents an \$8 million commitment over the next five years. So to that extent a significant amount of progress has been made. I mean, that's a large portion of our funding. Now that's going to require some ongoing management in terms of getting the project up and running.

Under the skills initiative, we have had one round and the board subcommittee is now working quickly to work out what directions we need to go in and what activities we need to take place. So I think that by this time next year you will again see significant developments in this particular initiative and those developments are going to relate to, I think in particular, a further round or more of the grant program but also a lot more attention to the demand side of the equation: how we take the skills and capabilities of the State's IT sector to the non-IT businesses in this State. So it is the productivity benefit. I don't know how much you look at the international news but Alan Greenspan keeps on saying that the strength of the American economy is due to the productivity benefit and that's largely from investment in IT. So we need to ensure that Tasmanian businesses understand that they can get this productivity benefit and how it can work for their business outcomes.

Mr CHEEK - NASDAC is not reflecting that at the moment but it probably will in the future again.

Mr HAYTON - NASDAC, I think, reflects unbridled expectations rather than anything real.

Mrs JAMES - You've got seven multimillion dollar initiatives under way, haven't you?

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Mr HAYTON - So they are the first two. The third initiative, the Centre of Excellence initiative, there is also a board sub-committee that is meeting hard on that and I would think that by the middle of the year we'll have an idea of what the focus should be for that Centre of Excellence and once that focus is decided, then preliminary steps can be under way to actually set it up. So once again by March of next year I think you would probably see some significant -

Mr RATTRAY - That's what I'm interested in, to see that you get it up and get it out.

Mr CHEEK - What role does the Department of State Development play with you as a sub-committee or as the Intelligent Island Board? What input do they actually have?

Mr HAYTON - Geoff Kelly as the Chief Executive Officer is on the board. So in that sense they have an input at the highest level. On a day to day basis Geoff, I suppose, is my frequent contact and we discuss reasonably frequently the way in which the program is going and being implemented because after all it is an industry development program. I have found the department very, very supportive as you would expect because this is about developing one of the State's important industries.

Mr CHEEK - How would you use, apart from Geoff Kelly, how would you be using State Development? As just a sounding board for applications, checking people out, checking the financials?

Mr HAYTON - There are a whole series of ways. You talked before about tendering so Geoff and I recently had a discussion of what we could do about tendering arrangements within the State that might increase the number of businesses that were government-endorsed tenderers and who should I talk to in the State Government about making sure that those people who were government-endorsed tenderers at the Commonwealth level, could maybe get an automatic flow through to being an endorsed tenderer at the State level and therefore reduce the amount of paperwork and red tape that they had to provide when they were tendering for IT projects. There is a whole lot of that sort of day to day stuff.

Perhaps more at the bigger picture level, the communications and information technology and advanced industries part of DSD is interested in attracting computer-related businesses to this State and it is possible that the Intelligent Island, through its investment attraction initiative, might want to participate in that. So I have frequent contact with the manager in that area, Herb Seewang, and also with David Bartlett in the innovations area; Rod Bleathman, who was head of State Industries and now deputy secretary there. It is more than just a sounding board.

Mr CHEEK - Is it your intention to allocate all of the Intelligent Island fund - I'm talking about the whole lot, \$40 million - over five years? Is there a time limit on that?

Mr HAYTON - That would be the board's intention at this moment. I think it is probably a little bit early to say anything other than it is our intention. If you come back in six months' time I think we will have a much greater idea of what sort of fund flow we'll need to fund the initiatives that we are approving. For instance, having approved the incubator initiative, once we sign the grant deed we will know over the period of the next four to

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five years exactly when we are going to expend what amount of funds. Once we've decided the focus for the Centre of Excellence and put a project plan in place for that we will have the same level of certainty about how we'll allocate those funds as well.

CHAIRMAN - Are there any other questions? Mr Hayton, at an earlier stage you said that your process of allocation had been held up for a period of two months because of this process. Are you factual in stating that?

Mr HAYTON - What I'm saying is that my desire or the energy that I would put into taking the next grant round forward, certainly I was hesitating because I thought that I needed to have the outcome from this. If you had any recommendations to make about the way in which you think that we should approach it or whatever conclusion you came from from the way in which we were going to approach it, it seemed only wise to wait for that outcome.

CHAIRMAN - I see, okay. We thank you for your support. We will do our best to report at the earliest possible time to allow you to get on with the business at hand. The meeting, I think, has been very fruitful this afternoon. I thank you for your input and it's been beneficial to the committee and we look forward to moving to the next step at the earliest possible time for you.

Mr HAYTON - Thank you, Mr Chairman. I might if I could just in conclusion say I think that it's important for us that any questions of probity with regard to the skills committee be cleared up as quickly as possible and, as I said at the beginning, I take heart from your comment that the committee was looking more about the future of the program than the past and that there weren't any real issues with the probity of the individuals that were on that committee. I think we need to make those points because, unfortunately I think the coverage hasn't been as fine as we might like.

Mr JESSUP - In closing, can I just add that we've come along today and spelt out very clearly the procedures we went through in terms of any potential conflict of interest or conflict of interest. I think if I've heard your comment from the Chair and from Mr Cheek about the notion of whether the industry should be more involved - for instance, with Tas IT - if they were involved we'd still be into the same dilemma that we are as of now of having people who are in the industry making judgments about industry development. Tas IT is saying that is their preferred thing, to have people involved from the industry in there. We have it there. I think the onus on all of us is to really make that policy work and to make sure that the stakeholders be that those industries who are involved in Tas IT or the Australian Computer Society have confidence in the system. That is what we're asking for and we're asking of you to be able to go through the procedures that we've done and outline those very clearly and we wanted to be very straight with you about this is the way that we've tackled the problem, given the fact that this was the first funding round. We understand that in any organisation or any way initiative it's a quality improvement process. We seek feedback and we're dearly committed to making this program work for Tasmania and thank you very much for the opportunity.

THE WITNESSES WITHDREW.