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Introduction

I begin by acknowledging the Ngunnawal and Ngambri peoples who are the traditional custodians of the Canberra area. I thank them for their custodianship and pay my respects to elders, past and present.

My thanks as well to Greg Boorer and the team at the AIIA – I appreciate the chance to be here today with you all.

Eyes and minds are turning to May and the impending federal election.

Attention has sharpened on what parties plan to do should they win office. Today I'd like to give you a sense of the approach we would look to apply to grow our digital economy, accelerate and improve the use of technology across government and the role you can play in this.

With that objective in mind, I'm hoping to avoid a mechanistic outline of intent.

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And I'll have to advise in advance, I won't be sketching out a full spectrum outline of election policy.

But I aim to give you a very clear sense of our philosophy and ambition.

### The boundaries

In doing so I don't need to traverse the usual platitudes.

If we didn't know how important technology is to our society and economy - both now and for the future - we wouldn't all be here today.

I'm not planning to serve you the usual dose of statistical insight in an effort to show you how in touch I might be with the subject area.

I've lived the impact of technological driven change before - and during - my time in politics.

And during my time as a parliamentarian I have constantly focussed on the urgency of preparing for tech driven change.

I think this is crucial: to generate benefit and especially consider ways to help those who may be ignored in the societal awe triggered by the latest technological craze.

Tech is a tool - built and applied in very human ways.

In conception, construction and application, remembering the impact on people remains vital.

From my perspective this is a policy bedrock.

Off that platform, and through my contribution today, I want to thread the linkages between skill, social utility and inclusion and investing the public dollar wisely by combining effort between government and industry.

Again, with a focus on people, skill, public investment and industry

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collaboration.

### With People

This time last week I was standing in a school hall in Doonside, in Sydney's west.

Around me were about 1,000 students from seven schools and their teachers.

I shared the stage with the managing director of the Australian arm of a global tech giant who had been raised roughly ten kilometres down the road: Melanie Silva, the MD of Google Australia.

We were announcing our joint investment in a digital skills hub that would operate out of Doonside Technology High.

It's the first in NSW. It will open up pathways to develop digital skills in nearly 4,000 students.

For me this is deeply personal - everyone in this room knows that the skills demands on our next generation are shifting dramatically.

It's happening now and will accelerate.

But for me: how we capture the interest and imagination of young Australians from as broad a range of backgrounds as possible is crucial.

They may not all turn out to be developers, data scientists or product managers - but they will all need digital skills.

I was also happy to support this effort by Google because it was exactly the type of thing I called for in the very same place I stood over 12 months earlier.

At the NPC, at the InnovationAus Civic Nation Forum, I urged the tech sector to acknowledge public sentiment towards the sector was evolving.

That the pressure was on for tech to demonstrate its value to the wider

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community.

Not spending on brand awareness campaigns - but investing in people and helping them prepare for change happening now or change expected.

Building deep community links and opening opportunity across the country beyond typical CBD footprints is something that the tech sector must do.

Because it's in your interests - and the interests of the broader Australian community.

And it has to happen faster and at a much bigger scale.

I don't need to remind you Australia faces significant digital skills shortages.

You live this.

Boston Consulting Group says Australia faces a serious digital labour shortage of up to 18 percent by 2030.

Translated in terms of people look to the work of the Australian Computer Society: 100,000 digital and tech workers needed in the next five years. That's just to meet what we need - but if we want Australia become a global digital leader the forecast is closer to 200,000.

How do we achieve that if Australia currently records around just 5,000 domestic ICT graduates?

The Foundation for Young Australians highlights the importance of a digital response particularly for Australia's 4.3 million young people who need the skills to participate in, contribute to and shape our economy.

And over that 10 year timeframe, we've also heard how 3.5m jobs in Australia's current 12m labour market will be impacted by automation.

While 700,000 Australians remain out of work - and 1m Australians are concerned about underemployment.

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These factors mean that beyond investing in technology, the investment in human capital must drive the work of government - and industry - for the next ten years.

This was noted by the Governor of the Reserve Bank who said:

“our national comparative advantage will increasingly be built on the quality of our ideas and our human capital”.

He has also made the point:

“investment in human capital can both lift the rate of technical progress and accelerate its diffusion”.

Recognition of this underpins much of Labor’s current policy announcements.

From our commitment to early childhood development.

Our investment in schools.

Rebuilding our public vocational sector.

Unlocking our university sector from current investment limitations.

Examining better links between vocational and university sectors via our post secondary education reform agenda.

This is the most comprehensive platform of educational investment announced by a Federal Opposition in living memory.

Why am I making such a big deal of this to an audience like this?

Aside from the obvious - you need skills and we need to tackle shortages - this is also about preparing our people for change, ensuring that we also are inclusive within that process.

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We must be mindful of being socially inclusive, equipping people not accustomed to technology with the ability to navigate in a world where so much activity occurs online.

On top of all that, we could announce as a party a range of different digital economy initiatives - but without the brains and local know-how we're going nowhere fast.

So building our digital skills pool will feature in future announcements. And when doing so you can expect to see from us a determination to engage industry support and buy-in to the skills challenge.

To be upfront with you all, government will not be able to do this all on its own - we need industry to engage.

Some have already - aside from what I mentioned earlier with Google, I know Salesforce through to Microsoft and our home grown icon Atlassian are working on ways to broaden the skills uplift.

This will need to continue and accelerate.

### Building public skill

Apart from meeting skill needs within industry, there's been a growing concern about the lack of digital capability within the Australian Public Service.

The Australian Public Service Commission's State of the Service Report 2012–13 revealed:

47 per cent of agencies reported skills shortages in ICT procurement, 69 per cent of agencies reported having an overall ICT skills shortage.

The Auditor General report released yesterday in an area of interest of mine - Human Services - indicates that digital capability within some Departments is still not at the level we might aspire to seven years on.

For example:

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- it has taken four years to fully implement one and partially implement two of the three recommendations made in 2014–15;
- there was a lack appropriate mechanisms in place to monitor and report on the effectiveness of its transition to digital services, with only one high-level performance measure in place; and,
- the current benefits realisation approach does not clearly articulate how each individual sub-project contributes to the Programme’s overall objectives and key performance measures.

I am not criticising individuals here, I think these are symptoms of insufficient consideration of digital skills and training being built into our public service. Not surprisingly, when you desperately need skills, what do you do?

Turn to outside help.

So these capability gaps lead to an over-dependence within the public service on ICT contractors — particularly for complicated, high-value ICT work.

The APS employs over 14,000 ICT personnel. A third of them: contractors.

The share of external ICT personnel has grown over the past six years.

No surprise: the spend on internal ICT personnel has fallen accordingly.

This over-reliance on contractors is unsustainable going forward.

The cost of this?

The average annual cost of an internal ICT employee is around \$132,000.

The cost of a contractor: \$214,000.

We need digital capability for a host of reasons.

From lifting the quality of government digital transformation through to better managing the cost of this activity.

And that both sides of politics agree. For example, Malcolm Turnbull observed

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a few years ago that:

“...there has been a practice for government in particular to outsource what should be the legitimate work of the public service to consultants.

"What we have to do ... is stop panning public servants and do more to ensure that they do their job better. And one of the ways to do that is to make sure they do the work that is their core responsibility, as opposed to outsourcing everything.”

Having said that, this is in fact what this Government has continued to do.

Again looking at Human Services where not only are particular services outsourced, but then the assessment of the success of outsourcing is outsourced!

Where Departments are developing their digital strategies there seems to be shortfalls to such as designing a path towards digital service delivery and then then not developing a detailed implementation plan to support this.

This is symptomatic of a project management approach that can be taken when contracts have end dates that precede roll outs or full implementation.

That is to say long term effectiveness requires further development, management of implementation plans and ongoing monitoring and reporting arrangements to create an effective transition to digital service delivery.

While leaving those remarks there, it's also important to recognise the observations of other recent work.

For example, the Senate digital transformation inquiry made the case that digital should be considered a core job for public servants.

That it should not be viewed as “adjacent” to back office functions or service delivery, quote:

“...the APS risks becoming exclusively a cadre of generalist managers who no

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longer have the requisite policy and technical skills to conduct the business of government...

“it is also not possible or prudent to view ICT expertise as the exclusive and proper preserve of the private sector.”

While we have favourably looked upon federal government moves to broaden the intake of public servants with digital capability (via digital apprenticeship pathways), it's worth questioning the scale - and pace - of that endeavour.

This is something that our side is considering as we look to the needs of the public service into the future.

And where we do make the decision to invest in capability we also have a pressing need to defend and maintain that capability.

As a Labor Party we're all about people improving the quality of their employment - and the way they're remunerated for it.

We value the dedication of many public servants who forgo much more lucrative careers to pursue public service.

However we are concerned about reports of large vendors to government actively poaching talented public servants to work on the very government ICT projects they were hired to complete.

Don't get me wrong, we love that you love the talent that exists in the public sector.

It's a pleasant change to the sport of deprecating hard working public servants.

But we need to hold onto and build that skills base for the reasons I've outlined.

And we're also very mindful of this point: by siphoning digital talent out of the public sector, when we are short of these skills, is self serving: it reinforces the need to engage more contractors for digital projects.

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Considering the way this then escalates costs within one of the largest areas of spend for government - this is not a trivial concern.

That's why I am flagging that in government we will take a close look at the mechanisms available to us to track "digital poachers" - and rein in their actions.

This may include reviewing contract terms and contract management approaches.

It may mean tracking the behaviour of vendors and reflecting that in contract review.

Again, we respect individual public servants - for a range of valid reasons and at particular points in their career - may make a decision to explore a new work opportunity.

But luring them away with hefty salary offers in a way that reinforces public sector dependency on ICT vendors is something that merits closer investigation - on behalf of the public service and the taxpayer.

It may sound harsh but bear in mind - this would happen at a time where you should expect to see an economy wide push to lift skills.

If that's happening, and we're trying to simultaneously lift skills in the private and public sector - there should arguably be little need to poach.

### Digital transformation

We've been on the record highlighting our concerns about the way digital transformation has been managed under this government.

I don't need to travel over old ground today. And the last thing you need with dessert today is a hefty serve of partisanship.

Clearly both sides of politics understand the imperative - it's important for the average citizen in the way they engage with government.

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It helps government deliver services more efficiently.

It also helps them improve the design of services.

It engages our public servants effectively.

And in the long run it's better for the taxpayer.

Please note the order in which those benefits have been listed.

Because that's what Malcolm Turnbull emphasised early in the digital transformation journey: prioritising citizen experience as the prime motivator but now we increasingly see cost and savings highlighted.

Trust in digital transformation is important. If citizens think that tech is being deployed simply to squeeze dollars or make it harder to get human service, this will undermine the process.

Having citizens at the centre of design is crucial - it's one of the reasons why automated government processes, like robo-debt, fell foul of the public.

This should guide thinking as we lever off AI to help drive the delivery of government service into the future.

This week saw Canberra engage in one of its perennial past-times: Estimates.

Earlier in the week we questioned the DTA - focussing primarily on one recent event: the ANAO report into the way the ACIC managed its biometric project.

I don't need to focus on all the highlighted criticisms by the Auditor-General or ourselves during Estimates.

But it was telling that when we focussed on the DTA's role in investment advice and portfolio oversight that government senators wanted to highlight that the DTA lacked a mandate to intervene in failing projects.

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This is misplaced - the issue is the whole-of-government failure to accept responsibility and accountability for digital projects.

It's obvious technology will be the heavily relied upon by government.

Accepting responsibility for the conceiving, financing and management of major projects needs to be owned at the highest levels. Not simply at the time of a public announcement.

The case with the ACIC biometrics project showed that while the tendering of the project met expectation,

management of the project and engagement with either vendor or other arms of government when things were turning sour was atrocious.

Regardless of political hue, this is a major challenge for digital transformation within government.

To ensure it is not seen as niche but central to departmental performance.

### Growing our ecosystem

I wanted to cover off finally, two areas where Labor wants to work with bigger and smaller players to build the Australian tech ecosystem.

In the cut and thrust of daily political life, Labor has announced something that tends to be overlooked by commentators obsessing over drama and intrigue.

But this is big news for business: our Australian Investment Guarantee.

It's a policy offering that delivers a way better tax offering for Australian businesses wanting to invest.

Under Labor companies, small, medium and large making new investments can immediately deduct 20 per cent of their new investments, with balance depreciated in line with normal depreciation schedules from the first year.

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This is not currently supported by government. No sign it will.

Importantly for this audience and the customer base you serve in the private sector, our AiG not only applies to traditionally important tangible assets like machinery and equipment,

but also to increasingly important depreciating intangible assets for both upgrades and new purchases.

This means investments in patents, intellectual property and upgrading computer software will be supported.

This is a big deal, especially when investment in intellectual property products grew from 7 per cent of measured private business investment to 21 per cent between 1990 and 2016, according to the Grattan Institute.

Supporting intangibles is increasingly important for our digital economy.

Given how we are lagging on digital innovation, if Australia can catch up to its peers, this could unlock \$315 billion in economic value over the next decade.

When it comes to encouraging firms to invest in new tangible and intangible assets and shift out to the technology frontier, we have the better plan.

As much as this will help you build better business opportunities - you could also do something to build the ecosystem here, leveraging off the AiG.

For example, investing in your own businesses where feasible by engaging local startups and other tech SMEs - and utilising the AiG to underwrite this.

You know a lot of collaboration occurs between big and small players in our ecosystem - the AiG provides a catalyst for this to occur beneficially as investment activity supported via government.

Another initiative I want to announce today also concentrates on SMEs.

The government unveiled the digital marketplace with a lot of fanfare a few

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years ago.

It didn't take long for doubts to emerge about its effectiveness.

It's a good concept and worth pursuing.

However it's concerning that a year after it was launched into beta service (2016), the platform was labelled "adrift".

It didn't meet the DTA's hopes. It seemed unclear how shortcomings would be addressed.

Online digital publisher InnovationAus reported the results of a survey conducted into the marketplace that revealed over 70 per cent of registered small business sellers on the marketplace said they won no business through the Marketplace.

Even after you consider that 60 per cent of companies advised they are already an existing supplier to the federal government, and quote:

"Of the companies that have won business through the marketplace, more than half are for contracts valued at less than \$100,000 – and 90 per cent are valued at less than \$500,000."

Similar to other concerns I hear about government ICT procurement, transparency is a big concern, combined with poor engagement, communication and feedback.

Most damning: 64 per cent rated the Australian government as difficult or very difficult to deal with.

The overall take was best summed up by Wayne Gerard, the founder and chief executive of Redeye, who correctly said the Digital Marketplace may have had good intentions, but it's not tailored for startups.

"I signed up for it and I look at it all the time, but there has not been one opportunity that has been relevant for a startup to actually want to put a solution

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to a problem through that process.”

Problem definition is one thing, solution is another.

Conceptually - engaging smaller tech players in the big business or government ICT - is something we can all agree is worth pursuing.

At this point we are not interested in scrapping the marketplace but clearly something needs to be done about it.

While Labor has avoided announcing a plethora of new boards and panels, Shadow Treasurer Chris Bowen has a long standing commitment to introducing a Treasurer’s Entrepreneurs Council.

This reflects Labor’s consistent view that innovation is an important ingredient in our national economic success.

He has said we want to hear directly from our tech community about policy initiatives worth pursuing - or correcting government policy that is detrimental to the health of our startup ecosystem.

It will meet quarterly and it will be chaired by the Treasurer himself.

What I can advise today is that one of the first orders of business for that Council will be to recommend reform to the Digital Marketplace.

It will provide a clear voice for smaller business directly to the Treasurer - and Minister for Finance who oversees overall government procurement.

Aside from advising on digital skills development and other matters as they arise, for example employee share ownership, we expect the Council to develop and recommend changes to the way the digital marketplace opens opportunity for smaller business.

### Conclusion

I’ve been very grateful for the chance to meet with you today and give you a

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sense of our thinking for a sector that will be so critical to the nation's prosperity and liveability.

What I've attempted to do is link together priorities that demand attention by government:

- Building the brains and capability of the nation to meet skills need and better prepare people for change
- The need to build public capability for better service to the nation
- Ways we can support bigger tech firms in this country through much needed investment - via both capital and human capital pathways
- Engaging bigger and smaller business in this endeavour while also opening up avenues for smaller players to flex their capability through engagement with government

Our success will be owned together through collective effort - and of everything mentioned today, this is singularly the most important message I want to impress upon you all.

Thanks again for your time today.

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