

Not Relevant

612 OVERSEAS TRAVEL FOR THE MINISTER FOR INFRASTRUCTURE AND THE
CHIEF INFORMATION OFFICER (Patrick Conlon) - **NOTED**

Not Relevant

TO: THE PREMIER FOR CABINET TO NOTE

RE: OVERSEAS TRAVEL FOR THE MINISTER FOR INFRASTRUCTURE AND THE CHIEF INFORMATION OFFICER

1. PROPOSAL

- 1.1. That Cabinet note the Minister for Infrastructure, the State's Chief Information Officer and the Chief Information Officer for the Department of Health will visit a number of United States based technology companies to secure financial and operational support for a substantial computing environment evaluation program to be carried out during 2007.
- 1.2. That Cabinet note the Minister for Infrastructure and the State's Chief Information Officer will visit a number of government agencies in Europe that have successfully implemented information technology enabled service delivery reforms.

2. BACKGROUND

2.1. ICT Infrastructure

In 1995 the South Australian Government entered into a 10-year arrangement with EDS to provide a range of outsourcing services for the Government's Information and Communications Technology (ICT) infrastructure. One outcome of these arrangements is that the Government has a degree of network connectivity and equipment standardisation that sets the benchmark for Australian governments.

The Future ICT program is currently renewing these arrangements, replacing the single outsourcing arrangement with a multi-vendor approach. It is expected the Future ICT arrangements will result in lower unit prices for all of the ICT commodities provided under the EDS arrangements.

2.2. Business Software

The Government's business software is not as standardised as its ICT infrastructure. By comparison to the infrastructure arrangements, the Government's business software arrangements can be characterised as being aging and diverse, lacking the standardisation, modernity and cost effectiveness required of large, modern enterprises such as the Government. One consequence of the lack of standardisation is the need for agencies to implement and maintain expensive security measures, called firewalls, between each other to prevent intrusion. While these firewalls prevent intrusion, they also inhibit the seamless flow of information between agencies, entrenching a siloed approach to the management of information assets amongst these agencies and inhibiting inter-agency collaboration and a more integrated approach to service delivery to citizens.

The government's desktop computing arrangements are similarly diverse. In circumstances where unqualified standardisation is a driver for low cost and high performance, the government has over 500 desktop computing variants, called 'operating environments', managed across the 31 quasi-independent government networks created by the respective agency

firewalls. Some diversity is required at the edges as government provides a highly diverse range of services that the ICT systems have to support, however the available evidence indicates a level of diversity that is highly inefficient, both in terms of cash cost and public sector productivity.

Desktop computing is a high spend area of the Government's overall ICT outlays. Government spends approximately \$100 million per annum on desktop computer hardware and software. Respected industry analysts such as the Gartner Group and IDC estimate that the initial purchase cost of desktop computers is usually between one quarter and one third of the total cost of owning the equipment. These analysts cite costs in maintenance, support and lost productivity through downtime as the other cost drivers. On that basis, the total cost ownership for desktop computing in South Australian government might be as high as \$350 million per annum

There is little standardisation in desktop computing configuration amongst agencies. Whereas the government's infrastructure is procured centrally according to a relatively narrow range of standards, desktop software and business applications are procured by agencies according to local preferences rather than any common specifications.

Gartner Inc estimates that the cost of diversity-driven inefficiencies can exceed 20% of the total cost of ownership of computing environments in large enterprises. The diversity of the government's computing environments and the associated support costs and uncoordinated licensing arrangements carry a premium estimated to be around 10% of the total cost of ownership, or up to \$35 million per annum.

The Office of the Chief Information Officer (CIO) will conduct some trials to validate these assumptions and estimates (see section 3.2 below).

2.3. Government Service Delivery

Governments around the world are rethinking the way they serve their citizens. The pressure for reform stems from long-term challenges that are now becoming crises, such as the aging population and government workforce and the skyrocketing cost of healthcare. Natural disasters in South Australia, other parts of Australia and around the world have demonstrated the difficulties that traditional bureaucratic government has in addressing complex cross-agency challenges. These pressures have ratcheted up the pressure on governments to demonstrate that they can discharge their mandates.

Another challenge for today's governments is that citizens' expectations are increasing. Leading private sector companies have trained people to expect higher levels of service, personalisation and efficiency – standards that citizens are now beginning to apply to governments. British Prime Minister, Tony Blair noted:

"Expectations are higher. This is a consumer age. People just don't take what they're given. They demand more".

In response to these challenges, a growing number of governments around the world are finding creative and innovative ways to serve the public better. They are becoming more flexible and less bureaucratic, casting off traditional practices, structures and systems in favour of services that are

more focused on the citizen. In many cases these approaches have reduced costs while also improving service outcomes.

ICT has a role to play in supporting and enabling the reform of service delivery, but will not generally take the lead. To date, ICT-based reforms of government service delivery have been carried out under the banner of 'e-Government' where ICT projects have had primacy over user demand or business need. While this has been effective in putting services online, it has led to a proliferation of websites, portals and electronic services that have been in many cases incompatible, confusing, overlapping and expensive.

To meet the challenges of modern service delivery, governments are developing:

- **Approaches to common business processes:** identifying common processes within government in order to achieve economies of scale, reducing duplication and providing seamless services;
- **User-focused government:** making electronic services more responsive to the needs of citizens and businesses, regardless of organisational boundaries;
- **Multi-channel service delivery:** improving links between traditional and electronic services in order to promote service innovation and ensure access for all users;
- **E-government co-ordination:** a whole-of-government perspective to e-government initiatives and their management, while taking into account existing structures and cultures of government institutions.

Several countries, mostly in Europe and North America, are leading the transformation of government supported by ICT technologies. A report produced by Booz Allen Hamilton for the UK Government notes a great many reform programs in these governments that are creating material increases in service delivery in combination with substantial cost savings.

The South Australian Government has, embodied in its South Australian Strategic Plan, ambitions for the transformation of delivery of government services and the efficiency and effectiveness of the public sector that could be accelerated or enabled by the appropriate use of ICT.

3. DISCUSSION

3.1. The Office of the CIO has developed, in consultation with the ICT Board and agencies, a program of work to standardise the government's operating environments, thereby lowering the total cost of ownership. The program aims to standardise the procurement, configuration and management of the computing environments across government. A standardised computing environment such as this is called a 'Managed Operating Environment' (MOE).

3.2. Managed Operating Environment Trial

Once the operating environment standards are set, the Office of the CIO and selected agencies will conduct a competitive trial to evaluate a number

of vendors and software systems over the next 18 months, (MOE Trial). The MOE Trial will compare, as objectively as practicable, the total cost of owning and operating our current Microsoft environment compared to a number of open source (eg. Linux) and commercial alternatives.

The MOE Trial will, for the most part, be funded and supported technically by five or more leading MOE vendors. The vendors will be selected pursuant to an expression of interest process to be conducted later in 2006. It is expected that the vendors' costs will be substantial in local terms, perhaps of the order of \$1 million each over the 18 months of the trial.

Vendors' attitudes to the MOE Trial have been canvassed by the CIO and each has given guarded indications that they will participate, however, many of the international vendors consider that approvals are more likely to be guaranteed if the Minister for Infrastructure and the State's Chief Information Officer meet with senior-level management in the vendors' respective head offices to 'sell' the MOE Trial.

Considering the impending northern summer, any such visit would need to be conducted in mid August to avoid the holiday season.

The principal benefit of the vendor visits is to secure funding and support for the MOE Trial, estimated to be worth approximately \$5 million in avoided cost to Government, from the five vendors expected to participate in the MOE Trial.

A trial of this nature is a first for any government around the world. If the trial validates the savings estimates it will, subject to Cabinet approval, proceed to a competitive procurement program. The proposed procurement would be timed to replace the 3-year contract the Government entered into with Microsoft in July 2005.

A separate Cabinet submission will be put before Cabinet to seek approval for the procurement program at the appropriate time.

3.3. Transformation of Government

European governments, in particular the United Kingdom and Sweden, are at the forefront of the transformation of government services supported by ICT. The UK Government leads the world in the transformation of revenue collection, work and welfare, healthcare and education. It has a number of case studies where significant service improvements, linked to equally significant cost reductions, have been achieved using ICT enabled transformations.

The Government's reform agenda is intended to be aggressive and would benefit from the insights obtained from other jurisdictions that have successfully implemented similar or complementary reforms.

3.4. Expected Cost and Duration

The proposed agenda for the overseas visits is expected to take approximately two weeks. Costs are expected to be below \$50,000.

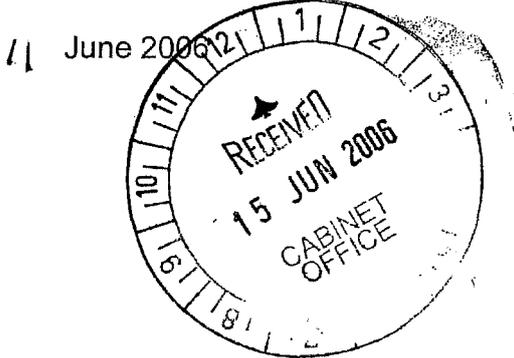
4. RECOMMENDATION:

It is recommended that Cabinet note:

- 4.1. The Minister for Infrastructure, the State's Chief Information Officer and the Chief Information Officer for the Department of Health will visit a number of United States based technology companies to secure financial and operational support for a substantial computing environment evaluation program to be carried out during 2007.
- 4.2. The Minister for Infrastructure and the State's Chief Information Officer will visit a number of government agencies in Europe that have successfully implemented information technology enabled service delivery reforms of which have also delivered significant cost reductions.



**HON PATRICK CONLON MP
MINISTER FOR INFRASTRUCTURE**



In Cabinet

19 JUN 2006

