



The Chairman
Public Accounts Committee
Legislative Assembly
Parliament House
PERTH WA 6000

**Re: Inquiry into Information and Communications Technology
Procurement and Contract Management**

Dear Mr Hughes,

I am pleased to provide NEXTDC Limited's response to the Terms of Reference the Committee has circulated for comment from interested parties. This is informed by the design and implementation of our national network of independent data centre facilities, experience.

NEXTDC designs, builds and operates next generation data centres. We are the only ASX-listed data centre owner-operator with a national presence and our carrier and vendor independent facilities offer flexible, scalable colocation solutions to government and private enterprises.

Our journey since listing on the ASX in 2010 has seen exciting growth with initial construction completing recently when the Premier launched our fifth facility in Malaga, "P1", in February of 2014. Successfully provisioning services to Western Australia customers, including BHP one of Australia's largest minerals and resources companies, from the site has necessitated NEXTDC fast tracking the provisioning of the next 1.4 Megawatts of power to the data centre.

Moreover, as an Australian listed company, NEXTDC is extremely proud of our \$80 million investment in and value-adds to the local Western Australia economy. The construction phase of our P1 data centre facility created over 180 jobs in the local economy and provisioned over 400,000 man hours in partnership with Metrowest and FDC. Among our foundation customers were Perth's own AMCOM and KineticIT.

NEXTDC continues to enhance the value and agility of our data centre services to customers. NEXTDC's innovative AXON Virtual Cross-connect product, will allow customers to stitch together a combination of cost-effective rapid connections to any number of cloud solutions. This minimises costs and in concert with our award winning ONEDC, telemetry application which has broadened its capability for use in any data centre, anywhere allows users the ability to aggregate the management of all their outsourced IT&T equipment through one platform to provide operational savings, improve efficiency and increase visibility and control.

NEXTDC has participated in many ICT policy discussions across Australia and remains committed to demonstrating industry leadership and maximizing the efficiency of ICT investment. The following points for additional consideration by the Committee are offered against the terms of reference and themes of the call for submissions. They focus on ensuring services are inbuilt with sufficient nimbleness to maximise the efficiency of final outcomes.

Yours Sincerely

A handwritten signature in blue ink, appearing to read 'Craig Scroggie', with a long horizontal flourish extending to the right.

Craig Scroggie
Chief Executive Officer



Introduction

NEXTDC Limited welcomes the opportunity to respond to this Inquiry and is pleased at the approach taken by the Committee in seeking to engage with industry and other stakeholders in this dynamic and increasingly important area of state investment and public policy.

NEXTDC welcomes the decision by the Western Australia Government to establish a more coordinated whole-of-government approach to ICT and the intention to engage with industry. Too often in other jurisdictions, such framework documents are crafted in isolation and inevitably bind government to present day assumptions and are not revisited until well after technological trends have moved on. This creates the deleterious impact to government not just in missing the opportunity to take advantage of early take up of technological improvements, but much more significantly often locks governments to present day pricing assumptions which can have negative budgetary ramifications over the life of a policy or procurement strategy and, particularly, the forward estimates of budget cycles.

As governments face ever decreasing revenue outlooks and citizens' demand both increasing availability and for government services to be streamlined and made more utilitarian, it is imperative that governments have in place steps to utilise ICT to greatest effect.

NEXTDC's business is based on carrier and vendor neutral data centres which enable a highly competitive and complementary ecosystem of IT&T and customers and partners. NEXTDC's facilities, including our P1 facility in Malaga, is a member of the Commonwealth Government's Data Centre Facilities Supplies Panel and are home to organisations such as Australia Post, the Australian Electoral Commission, the Australian Prudential Regulation Authority and a host of private sector organisations from finance, transport, minerals and resources and retail.

NEXTDC's independence from particular vendors or carriers also enables a density of connections to and cross-connections within the facility and creates a dynamic marketplace of the digital economy. In turn, this grants flexibility to customers and delivers them the ability to rapidly reconfigure their services within the facility to leverage improved pricing, technology evolution or other prevailing conditions without the need to consider a broader migration with the inherent increased risk.

Delivery of ICT

What are the common problems witnessed in public sector delivery of ICT goods and services?

Simply put, the public sector along with the broader economy is undergoing sustained disruption. The pace and the transformative impact of ICT is such that internal ICT skills resources have either declined dramatically or simply been overtaken by new solutions. Although industry, including NEXTDC, will always be prepared to partner with public sector agencies to fill knowledge gaps and lend capacity; it is nonetheless of significant importance to take steps to rebuild and nurture ICT skill bases within agencies.

Related to this is the fact that public sector agencies are often more constrained when considering new purchases or technologies than private organisations, particularly with respect to budgeting, approaches to market and procurement rules. Although elements of this serve to protect public funds and ensure their sound use, they nonetheless can hinder an Agency's ability to accurately test the current market for capability and price.

What elements represent best practice in ICT delivery?

The exponential growth in cloud computing is indisputable and, with increasing trends of tablet computing and BYOD initiatives, it is becoming increasingly the norm for information to live outside the enterprise it serves. More significantly, these trends are driving an evolution in managed ICT services, allowing the leveraging of economies of scale and creating efficiency and productivity dividends across the economy. Governments are uniquely placed to leverage their significant purchasing power to realise these economies of scale.

Project planning is an important consideration for all ICT procurement, however the increasing reliance across jurisdictions in recent years on outsourced advice does add to the ICT skills drain within agencies and, at implementation, often involves a separate team of Agency personnel. In a nominal project, disjuncture from planning and provisioning functions and those personnel who then have operational responsibilities at implementation within the same Agency can be traced as root causes for ICT delivery deficiencies.

Such instances have been canvassed in Victoria by the Auditor General in the Digital Dashboard status review tabled in April 2015. More critically, the report suggests the need for a centralised agency to provide strategic leadership and effective guidance to accurately monitor and report on the government's ICT spend. Likewise, the creation of business cases at the outset of a project would create a rudimentary metric to measure success against and could be

augmented with further specifics that align with the Agency's portfolio outcomes.

Increased coordination and cooperation in planning would also lead to greater commonality in contract management, review processes both within and at the conclusion of a procurement term and retaining contextual knowledge within Agencies.

Government ICT Solutions for Western Australia

A crucial element which jurisdictions are increasingly exploring is balancing the protections procurement rules afford taxpayers while finding new ways to ensure up-to-date products are available to procurement managers. This is especially important in the context of ICT. Examples of this are the moves of the Victorian government to a more flexible 'register' list of approved suppliers than a more restrictive 'panel' arrangement; the critical difference being that a register is open to new entrants at any stage, whereas a panel relies upon a separate procurement to establish it.

Indeed, the Commonwealth Department of Finance has begun adopting such methodologies with the Cloud Services Panel which has in-built refresh points during the life of the panel. This mechanism gives a transparent view of when new products may be considered, what they will be, the service area they will deliver and indicative value-based scenarios. Importantly, this also creates a mechanism for Agencies to have confidence that the products approved for purchase have been credentialed by the coordinating agency.

The Cloud Services Panel also has significant elements in common with the United Kingdom's Cloud Store Digital Marketplace. In both instances, while the mechanisms do not obviate the responsibilities of individual procurement officers, it is a sensible measure that has been tested and is implemented by other jurisdictions to better deliver ICT supplies to public sector agencies.

To address large cost, highly complex ICT infrastructure challenges some jurisdictions have explored what amounts to PPPs. Although some jurisdictions, notably NSW, have implemented these to some success, they nonetheless constrain the government's ability to receive and leverage market signals and technological improvements. NSW public sector agencies are now obliged to utilise one provider for a vertical of IT services, and although nominally this saves on an element of cost it necessitates Agencies provisioning other key services elsewhere. In the case of NSW, further investment is required by agencies to access services which are readily available in the broader industry such as cloud computing. This imposes further costs, workloads and inefficiencies upon public sector. Were Agencies free of the

long-tail of this PPP or similar would likely deliver a clear net saving and provide regular opportunities for Agencies to test the market on other pricing elements.

In respect of the transformative impacts ICT can have on the delivery of government services, this is something which the Commonwealth Digital Transformation Office is actively exploring. An increasingly connected community, with greater digital literacy can utilise technology to interact with government in a more streamlined fashion and, conceivably, at lower cost. For example, NEXTDC is currently supporting work of the Australian Electoral Commission at our Canberra facility. As the Commonwealth moves to realize the significant opportunities for technology to improve the administration of polling, NEXTDC's C1 infrastructure will be a key enabler of this transformation.

Policy makers must ensure, however, ICT solutions that may be contemplated are indeed accessible to all members of the community and that solutions do not become so reliant upon technologies that they subsume the core business of an Agency. Similarly, ICT is now more positively disruptive than previously in respect of government service delivery which, regrettably, may be mistrusted or resisted by some either in the broader community or indeed within Agencies. This factor underscores the importance for coordinated and strategic policy leadership to ensure successful implementation.