

CROSS PORTFOLIO

Efficiencies in Whole of Government Information Technology Infrastructure

Function: Agriculture, Forestry and Fishing, Education, Financial and Fiscal Affairs, Foreign Economic Aid, General Research, General Services, Government Superannuation Benefits, Health, Labour and Employment Affairs, Legislative and Executive Affairs, Other Economic Affairs, nec, Public Order and Safety, Recreation and Culture, Social Security and Welfare, Tourism and Area Promotion, Transport and Communication, Mining and Mineral Resources, other than Fuels; Manufacturing; and Construction

Financial Implications (\$m)

	1997-98	1998-99	1999-00	2000-01
Administrative Services	0.0	-25.0	-1.8	-2.0
Attorney-General's	0.0	0.0	-1.4	-3.1
Communications and the Arts	0.0	0.0	-1.0	-2.2
Employment, Education, Training and Youth Affairs	0.0	-0.7	-11.6	-11.4
Environment Sport and Territories	0.0	0.0	-0.2	-1.9
Finance	0.0	-2.0	-2.3	-2.5
Foreign Affairs and Trade	0.0	-0.1	-1.4	-2.1
Health and Family Services	0.0	-1.9	-11.0	-10.5
Immigration and Multicultural Affairs	0.0	-0.3	-3.6	-3.6
Industrial Relations	0.0	0.0	-0.4	-0.8
Industry, Science and Tourism	0.0	0.0	-4.7	-11.0
Parliament	0.0	0.0	-0.6	-1.4
Primary Industries and Energy	0.0	0.0	-0.9	-1.2
Prime Minister and Cabinet	0.0	0.0	-1.3	-1.7
Social Security	0.0	-5.9	-25.4	-24.8
Transport and Regional Development	0.0	0.0	-0.4	-1.0
Treasury	0.0	-2.2	-21.5	-22.2
Veterans' Affairs	0.0	0.0	-0.0	-0.0
TOTAL	0.0	-38.1	-89.5	-103.5

Explanation

An evaluation of possible consolidation and outsourcing of IT infrastructure undertaken by the Office of Government Information Technology (OGIT) and the Department of Finance found strong evidence of significant potential benefits from such consolidation and outsourcing within a whole of Government competitive tendering and outsourcing framework.

The Government is seeking long-term improvements in the structuring and sourcing of IT services across agencies aimed at facilitating greater integration in the delivery of programs and realising significant cost savings. Efficiencies will be obtained by consolidating the Commonwealth's IBM and compatible data centres and outsourcing IT infrastructure services across all Budget-funded agencies subject to the outcome of competitive tendering (CT) processes. Agencies with Running Costs below \$10 million in 1998-99, and agencies operating IT systems or services concerning national security, have been excluded from the scope of this measure. CT processes will be undertaken in accordance with whole of Government principles and arrangements on consolidation and competitive tendering. The corresponding measure for funding for the coordination process is titled 'Efficiencies in Whole of Government Information Technology Infrastructure - Additional Funding for Office of Government Information Technology' (see Finance Portfolio).

Whilst agencies are not required to consolidate or outsource IT infrastructure in the absence of a sound business case they are expected to:

- apply a CT process to these services and achieve levels of efficiency and performance equivalent to those indicated in the evaluation; and
- achieve savings.

Savings are based on estimates of the minimum savings agencies could be expected to achieve through consolidation and outsourcing their IT infrastructure and are net of employment transition costs. Savings are effective from the end of 1998 for mainframe agencies and the end of 1998-99 for other agencies.

A successful process of consolidation and outsourcing will lead to:

- improved service delivery by integrating services to common client groups through consolidation of IT infrastructure;
- rationalisation and standardisation across agencies;
- economies of scale from integration of data centre processing requirements;
- cost-effective technical and user support across mainframe, mid-range and desktop/network platforms;
- improved management of IT services; and
- market leverage from larger volumes.