



# CHAMBER OF COMMERCE AND INDUSTRY QUEENSLAND SUBMISSION

▼ *Queensland Small Business Procurement Commitment*

Department of Employment, Small Business and Training

July 2018

## Introduction

1. As Queensland's peak business body, the Chamber of Commerce and Industry Queensland (CCIQ) welcomes the opportunity to provide a submission to the Department of Employment, Small Business and Training regarding *the Queensland Small Business Procurement Commitment* Consultation Paper.
2. CCIQ has long advocated on behalf of Queensland SME's for improved government procurement policy that weights the significant contribution small business makes to the State's economy.
3. Research shows that increased involvement of Queensland small businesses in both private and public-sector projects leads to positive impacts on employment and business growth, particularly for regional Queensland.
4. CCIQ is pleased the government listened to the calls of small business and announced its Buy Queensland policy in September 2017 to ensure Queensland small businesses have the best chance at providing their world class products and services to government.
5. While the 'Buy Queensland' policy is *prima facie* a positive step, it is critical that the Queensland Government utilise this consultation process to effectively ensure a greater proportion of state expenditure is being spent with Queensland businesses who will employ locals and use local supply networks, resulting in jobs and economic growth.
6. At present, there are strong concerns across Queensland's small business community that the Buy Queensland policy is failing to demonstrate its intended effect, thereby reducing confidence that procurement officers are indeed employing the prescribed criteria to increase opportunity for local small businesses.
7. Another key concern for CCIQ is the amount of red tape in which small businesses must deal with when it comes to the procurement process, both in tendering and in the contract terms. Small businesses have repeatedly voiced their frustrations on the complexities of the process, and list it as the number one reason for avoiding the procurement process altogether.
8. Furthermore, CCIQ believes the State Government should set an ambitious target for procurement spend on small businesses, as the case with other governments around the world. As a case study to be discussed later in the submission, the UK's target of 33 per cent of procurement spend on small businesses has led to transformative changes in their procurement policy.
9. CCIQ has been highly successful in facilitating productive relationships between the Queensland Government and business, and one of the many successful projects is Business Ready QAssure (BRQ).
10. BRQ, a platform to pre-qualify businesses to enter into ICT contracts with Government departments, is a best practice example of how industry and government can work together to achieve an effective, streamlined procurement process for small business across all Queensland government agencies.

11. Over the past four years, over 5000 businesses have been processed or applied for pre-qualification on the BRQ platform. A majority have entered into successful supplier/service provider relationships with various departments, highlighting the effectiveness of BRQ.
12. CCIQ is determined to continue our support for all Queensland small and medium business by enabling them to digitise contracts, be found on global search and have a qualified online presence.
13. To this end, the Chamber welcomes the opportunity to provide feedback to the Queensland Government on this important area of policy for small businesses.
14. The following submission will canvass the abovementioned matters in more detail and outline the Chamber's recommendations for improved small business procurement policy in Queensland.

## Reducing red tape

15. CCIQ has found through extensive consultation that many small businesses are reluctant to bid for public contracts at all due to the confusing and complicated nature of the application process.
16. This fact highlights a challenge for the Queensland Government at the outset namely, small businesses remain largely disengaged with government procurement opportunities.
17. They believe they either lack the time or capacity within their business to apply to do business with government, or if they do submit tender, the procurement guidelines are so stringent that it rules most small businesses out of being able to deliver the project, and not by virtue of their capacity to do so.
18. CCIQ believes this is specifically a red tape issue, and significant work must be done to address both the actual and perceived barriers for small businesses when submitting tender to carry out government projects.
19. Calls for a reduction in red tape around procurement has been central to CCIQ's advocacy for some time. There are numerous examples around the world in which Queensland can follow. In the UK for example, policy change led to a year-long exercise which vastly opened opportunities for smaller businesses to secure over £12m worth of government contracts.
20. One crucial change, government lawyers created shorter, more user-friendly public-sector contracts through reducing 50,000 words and simplifying the language in their Crown Commercial Service (CCS) contract terms. The new standard public sector contract saved both smaller businesses and the government money and resources by not having to wade through dense contracts, and allowed small businesses to be paid quicker.
21. Such changes to the procurement process in the UK is said to have immensely helped in the government's target for small businesses to make up 33% of its procurement spend by 2022.
22. Other key reforms by the UK government to make public procurement more accessible to SMEs are:
  - a. A requirement for contracting authorities to insert provisions in all public contracts to ensure prompt payment through the supply chain; and

- b. The requirement to advertise as many public-sector opportunities in one place (Contracts Finder), and to publish award notices for contracts and call-offs from framework agreements.
23. In other words, governments must set an example to small business by executing best practice when it comes to payment terms, and that transparent procurement data is critical for small businesses when assessing whether to tender or to whom contracts are being awarded.

## Accountability and transparency

24. Accountability and transparency are key tenets of a healthy and functioning democracy. Where tax-payer spend by government is concerned, the community is rightfully entitled to scrutinise government contracts for the procurement of goods and services.
25. CCIQ holds concerns as to the culture of procurement practices within the Queensland Government, following findings from the Auditor-General note that 'confusion' and 'incomplete records' mean most private sector contracts are not properly disclosed to the public.
26. The report found that of the 90 contracts reviewed, around one quarter were properly disclosed. The reasons provided by the Auditor-General for only one quarter of those contracts reviewed being disclosed were:
  - Government departments kept incomplete records;
  - An overlap of multiple systems;
  - Lost documents, and/or
  - Procurement officers did not understand or misinterpreted disclosure requirements.
27. The importance of transparent and open procurement data is particularly important for small and medium enterprises when assessing whether to tender or compete for government contracts, as well as affording them the opportunity to hold government to account on spend.
28. The biggest challenge for the Queensland Government is preventing a repeat of the federal debacle whereby the likes of major international consulting firms are the recipients of a great proportion of government contracts but defined as SME's for the purposes of procurement. This is ludicrous and undermines the competitiveness of our small businesses.

## Building business capability

29. Small businesses often cannot compete with larger businesses, despite having the necessary skills, due to lack of resources and the prevalence of red tape throughout the tendering process.
30. Programs, such as the New South Wales Government's Procurement Advisory Program, helps small businesses to be competitive and more successful in the procurement application process and to this end, CCIQ believes such programs ought to be adopted in Queensland.

31. Furthermore, the Government must as soon as reasonably practicable conduct a comprehensive review of ‘Buy Queensland’, to identify the barriers which still exist and develop initiatives that increase SME participation in government procurement.
32. Small business procurement initiatives targeting categories of goods and services could also be implemented, as well as opportunities to encourage large corporations to be customers of high-growth SMEs.
33. Small businesses have also suggested the State Government work more closely with local Councils across Queensland to encourage the adoption of a small business friendly procurement process at the local and regional level.
34. Oftentimes, Local Governments provide standout examples of successful local procurement programs and buy local campaigns, and the Queensland Government would benefit from conducting a case study of various Councils across Queensland to generate ideas to improve SME participation in the process.

## **Business Ready QAssure**

35. CCIQ’s Business Ready QAssure (BRQ) program is a leading example of an existing technology platform that achieves both efficiency and proven success in the government procurement space.
36. CCIQ believes the Queensland Government ought to position BRQ as the preferred procurement provider for small business procurement activities across all Queensland Government agencies.
37. The benefits of doing so include the following:
  - BRQ is the largest, most up-to-date, competency-based pre-qualification database of ICT businesses in Queensland that identifies companies that are ready for contract with government;
  - BRQ reduces time and complexity for procurement officers across all government agencies by verifying required data, confirming valid insurances, performing ASIC reviews on business validity and registration, and ensuring minimum risk profiles are met;
  - BRQ is the only tool with the capability to map and identify local regional supplier and local workforces in procurement opportunities; and
  - BRQ automatically identifies and assesses procurement risk.
38. Pre-qualification procurement platforms, such as BRQ, are crucial to ensuring Queensland small businesses can reduce their red tape by accessing digital rather than paper-based procurement, resulting in efficiencies and productivity gains, as well as increased opportunities for small businesses to win government procurement contracts.
39. Through a pre-qualification offering with added training and capacity building features across all industry sectors, CCIQ can provide both the government and Queensland SME’s with a much needed, streamlined service of pre-qualification for government contracts.

40. The Government access feature to BRQ will encourage all major parties involved in tendering in Queensland working with the Chamber to identify and utilize tender-ready small businesses to execute on public sector contracts.
41. As the peak association for employers across Queensland, we have a unique understanding of the Government's procurement objectives of securing value for money, working together to achieve outcomes, strong governance and planning, and ensuring integrity, probity and accountability for procurement outcomes in Queensland.
42. CCIQ strongly believes that adopting BRQ across the Queensland Government will assist in achieving the stated objectives of the Queensland Procurement Policy and help measure those outcomes to demonstrate to small business the success of its policy application through the transparent data reporting and measurable benchmarks that BRQ offers.

## Key recommendations for the Queensland Government

1. Adopt Business Ready QAssure (BRQ) across the Queensland Government to achieve the stated objectives of the Queensland Procurement Policy and improve transparency in data reporting for small businesses.
2. Ratify policy whereby local suppliers receive a local weighting of up to 30% on any tender lodged for a significant procurement.
3. Reduce red tape for small businesses throughout the procurement process, from lodging a tender application through to the contract terms.
4. Set an ambitious target for procurement spend on Queensland small businesses above 30 per cent.
5. Issue directives as to what it means by 'best practice industrial relations' or abandon arbitrary criteria in favour of the strict requirements already in place for tendering for government contracts.
6. Conduct a comprehensive review of 'Buy Queensland' as it approaches the one-year mark, to identify the barriers which still exist and develop initiatives that increase SME participation in government procurement.
7. Assist small businesses through capacity-building programs to be competitive and more successful in the procurement application processes against larger businesses.
8. Implement initiatives targeting categories of goods and services, and explore opportunities to encourage large corporations to be customers of high-growth SMEs.
9. Work collaboratively with local Councils across Queensland to encourage the adoption of a small business friendly procurement process at the local and regional level.
10. Provide dispute resolution support to small businesses entering into contracts with the government to ensure contracts are fair.