

12 November 2012

Megan Collins
Director, Procurement Policy and Information Services
Department of Public Works

Dear Ms Collins,

On behalf of the Queensland business community, the Chamber of Commerce and Industry Queensland (CCIQ) welcomes the opportunity to provide feedback to the Review of the State Procurement Policy (SPP) 2012.

The economic significance of participation in procurement opportunities extends beyond the business that is directly involved. Unfortunately Queensland businesses have raised significant and ongoing issues with the current procurement framework in Queensland, namely that they are not able to easily assess, access and participate in procurement opportunities.

CCIQ believes that the SPP is a 'tool' that can be more effectively used to deliver savings across government. Given the new State Government's goal to achieve increased efficiencies in the public sector, the private sector in Queensland is ready to play a larger role. It is widely recognised across Queensland that the business community is more often than not better placed to deliver more efficient and lower cost outcomes on projects/services than the public sector. By placing more of an emphasis on the ability of private sector to deliver these outcomes, money can be saved and outcomes will be improved for community and government. Accordingly an efficient, simplified and business focused SPP will assist in facilitating greater private sector service provision and project delivery.

Whilst procurement related policies are in themselves esoteric to Queensland businesses, a simplified and flexible SPP and associated procurement framework in Queensland with its objective firmly centred on providing the greatest opportunity to Queensland businesses and the greatest net benefit to our local and regional economies should be the end goal for this review. CCIQ are firm in our view that price competitiveness and public and economic benefit (i.e. the employment, revenue and business growth afforded at the local and regional level) should be the primary criteria by which procurement is assessed in Queensland.

CCIQ remains committed to increasing local opportunities for Queensland businesses to be involved in both public and private sector projects. We are currently developing a local opportunities Blueprint to be released in late 2012 that will include a number of recommendations on how to positively progress this issue moving forward.

CCIQ looks forward to working with all levels of government and industry to increase the opportunities available to local businesses. We encourage you to take the information provided in this submission into consideration when finalising the State Procurement Policy. If you have any questions regarding this correspondence, please contact CCIQ Policy Analyst Michael McGregor on (07) 3842 2253 or email mmcgregor@cciq.com.au.

Yours Sincerely

A handwritten signature in black ink, appearing to read 'Nick Behrens', with a long, sweeping horizontal line extending to the right.

Nick Behrens
General Manager, Advocacy
Chamber of Commerce and Industry Queensland

Review of the State Procurement Policy 2012

Issues paper



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Abbreviations used in this Issues Paper

FPS	Forward Procurement Schedule
GOC	Government Owned Corporation
QCD	Queensland Contracts Directory
QGCPPO	Queensland Government Chief Procurement Office
SME	Small and medium enterprise
SPP	State Procurement Policy
SPV	Special Purpose Vehicle

1 Background

The State Procurement Policy (SPP) regulates the way in which Queensland Government procures its goods and services, including construction. In 2011-12, the budget sector¹ procurement spend was approximately \$14 billion. The SPP sets minimum standards for compliance, which are supplemented by further detail and better practice in the form of guidelines and guidance. Agencies subject to the SPP (budget sector agencies, Government Owned Corporations (GOCs) statutory bodies and Special Purpose Vehicles (SPVs)²) set their own agency procurement procedures, based on the SPP and its supporting documentation.

The Government has expressed its objectives in documents including [Getting Queensland Back on Track](#),³ as well as its [action plans](#).⁴ Procurement can contribute to the objectives and directions set by these documents in areas such as:

- **Driving savings and efficiencies** by maximising the volume of spend under management; using the aggregated buying power of Government to achieve cost savings and maximise benefits; by improving the capability of procurement practitioners so that Government can negotiate the best deals; and by focusing on up front planning to implement procurement strategies most suited to the circumstances of each procurement and the supply market.
- **Reducing unemployment**, by requiring agencies to use their best intentions to ensure local suppliers have a full, fair and reasonable opportunity to access procurement opportunities, and ensuring regional suppliers and small and medium enterprises are not locked out of procurement opportunities.
- **Cutting red tape**, by ensuring procurement policies and practices do not result in unnecessary regulation or administrative effort for agencies and industry.
- **Reducing waste**, through demand management strategies and better consideration of whole-of-life costs.
- **Restoring accountability in Government**, by ensuring procurement decisions are justifiable, transparent and accessible.
- The **revitalisation of front line services**, by reducing duplication across agencies, ensuring administrative effort is kept to a minimum, and ensuring 'fit for purpose' supplies for front line service delivery.
- **Deliver better infrastructure** by investing in well planned procurement and contract management.

¹ Departments plus some other small bodies (refer Schedule G of the [SPP](#)).

² Only where the SPV amends its constitution to apply the SPP.

³ Refer www.parliament.qld.gov.au/documents/TableOffice/TabledPapers/2012/5412T121.pdf.

⁴ Refer www.thepremier.qld.gov.au.

The Government has indicated its commitment to continue with a centre-led procurement model and strengthened procurement arrangements. Functions such as procurement performance measurement and reporting, procurement skills development, and establishment of common use supply arrangements, will be retained. Opportunities for further efficiency gains are to be explored.

Other significant procurement developments include the merging of Project Services and QBuild to form a single business unit to, among other things, optimise procurement efficiencies.⁵ Further, in 2012-13 Government intends to transfer some \$500 million of annual work to the private sector from areas such as RoadTek, QBuild and Project Services.⁶

Government requires that the SPP be reviewed, and a revised policy be prepared for implementation in early 2013.

A copy of the SPP, procurement guidelines and guidance materials is available at the [Department of Housing and Public Works' website](#).⁷ Links to the Government's other procurement related policies and instruments are also available at the [website](#).⁸

2 Methodology and timeline

Reporting and monitoring processes have been used by the QGCPO to identify issues for further examination. Literature reviews were then undertaken, followed by a scan of procurement policies and practices in jurisdictions including the Australian Government, States and Territories, as well as international jurisdictions such as the United Kingdom and Canada, in order to identify whether the SPP was keeping pace with other Governments' procurement policies, and to compare regulatory frameworks.

Government agencies covered by the SPP, as well as industry and union peak bodies, will be provided the opportunity to respond to an Issues Paper.

Consultation closes on 12 November, 2012.

3 Structure of this issues paper

The four main topic areas for comment in this paper include:

1. Alignment to current priorities of the Government
2. Improving efficiency and driving savings
3. Improving access to Government procurement opportunities
4. Reducing waste and duplication

⁵ Service Delivery Statement – Department of Housing and Public Works, www.budget.qld.gov.au/budget-papers/2012-13/bp5-hpw-2012-13.pdf, p. 1.

⁶ Budget Paper Number 2, www.budget.qld.gov.au/budget-papers/2012-13/bp2-2012-13.pdf, p. 27.

⁷ Refer www.hpw.qld.gov.au/supplydisposal/GovernmentProcurement/ProcurementPolicyGuidance/Pages/Default.aspx.

⁸ Refer www.hpw.qld.gov.au/supplydisposal/GovernmentProcurement/ProcurementPolicyGuidance/ProcurementGuidance/Pages/AllProcurementGuidanceMaterial.aspx.

4 Have your say

You are invited to provide comment on the topic areas set out in this paper, using the space provided. You are welcome to attach additional pages if the space provided is inadequate, or if you wish to raise issues not already covered in the Issues Paper.

CONSULTATION CLOSES ON 12 NOVEMBER 2012

Please forward your comments to sppreview2012@publicworks.qld.gov.au by 12 November 2012

5 Assistance

If you would like more information about the SPP review or this paper, please contact the QGCPO:

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6 Alignment to current priorities of the Government

6.1 State Procurement Policy objectives

6.1.1 Background

- Since 2000, the State Procurement Policy (SPP) has been founded on three equally ranked objectives:
 - To advance the priorities of the Government
 - To achieve value for money
 - To ensure probity and accountability for outcomes.
- In order to achieve these objectives, agencies⁹ are required to comply with the key policy obligations outlined in Schedule A of the SPP. These obligations are designed to assist agencies in planning and managing their procurement to meet agency specific needs, while simultaneously contributing toward the three objectives of the SPP.

6.1.2 Issue

- The SPP as a whole will be assessed to ensure relevance to the Queensland Government priorities set out in *Getting Queensland back on track: Statement of objectives for the community*.
- The three SPP policy objectives currently encapsulate the strategic goals for Queensland Government procurement. Given they have been in place for over a decade, and with the recent completion of the five year procurement reform period set by the Service Delivery and Performance Commission and the change of Government, 2012 represents a timely opportunity to confirm these objectives.
- The SPP objectives are largely consistent with the approach taken by other jurisdictions. This review will determine whether the current objectives continue to support the direction of procurement best practice and reform into the future.

6.1.3 Jurisdictional comparison

- The objectives of achieving value for money, and ensuring probity and accountability for outcomes, are comparable to objectives across numerous jurisdictions. 'Advancing the priorities of the Government' is less common, with South Australia the only other jurisdiction which ranks advancing Government priorities as a primary objective. The requirement to advance the priorities of Government is often included as part of the value for money decision in other jurisdictions.

⁹ Clause 16 of the SPP (page 12) defines *agency*, "for the purpose of this Policy as:

- A department or statutory body as those expressions are defined in the Financial Accountability Act 2009
- Any Government Owned Corporation and its subsidiaries where the shareholding ministers have given notification pursuant to s.114 of the Government Owned Corporations Act 1993 as listed in Schedule F as published by the QGCPO
- Special Purpose Vehicles as established from 1 July 2010 and existing Special Purpose Vehicles which are required to comply with the SPP by their respective constitutions".

6.1.4 Invitation to comment:

1. Are the three objectives set out in the SPP (advance the priorities of Government; achieve value for money; ensure probity and accountability for outcomes) still relevant?

CCIQ are generally supportive of the current objectives set out in the SPP. However while the current objectives are relevant, we believe more can be done to ensure that maximum outcomes are achieved for the business community and the broader economy.

2. What are the concerns, if any, about the current SPP objectives?

CCIQ is concerned that the objectives set out in the SPP do not always filter down into 'on the ground' practices. The SPP should primarily be aimed at facilitating business and industry growth, partnerships and increased accountability, at the lowest possible cost. At present, accountability and transparency around Government decisions on procurement processes is an issue for businesses and we are not convinced that the state's local and regional business community always gain the maximum benefit from SPP.

3. What improvement suggestions do you have for the SPP objectives?

The accountability and transparency of Government purchasing decisions has the ability to significantly enhance the procurement process. The SPP objectives should encourage the notion that local industry is best placed to deliver the most efficient outcomes and that by increasing local opportunities, the community will benefit more significantly. CCIQ advocate that business growth and opportunity be at the centre of SPP and accordingly the SPP needs to include and clearly articulate the benefit to business as an objective.

6.2 Transparency of procurement results (contract disclosure)

6.2.1 Background

- In 2008, the SPP was amended to require budget sector agencies to publish basic details of awarded contracts of \$100 000 and over on the QGCPO's eTender website (clause 9.2). This allowed the Government to meet its obligations under the Australia-United States Free Trade Agreement, and brought Queensland into line with all other Australian jurisdictions which required some form of contract disclosure at varying financial thresholds.
- From 1 July 2011, this disclosure threshold was lowered to \$10 000 and the requirements extended beyond budget sector agencies to include GOCs, large statutory bodies and SPVs. These affected agencies were also required to publish additional details of contracts of \$10 million and over.
- The public is able to view details of procurement contracts of \$10 000 and over via the QGCPO's eTender and Queensland Contracts Directory (QCD) websites.
- The standard terms and conditions of offer and contract alert prospective suppliers that high level contract details may be published.¹⁰

¹⁰ Refer for example, cl. 30.5 at www.hpw.qld.gov.au/SiteCollectionDocuments/ConditionsOfOffer004.pdf

6.2.2 Issue

- The purpose of the contract disclosure reforms in 2010 were to enable the public to have the ability to scrutinise large disbursements of public money. Results of a review of usage indicate that public access to QCD and downloads of contract disclosure information have increased at a rapid rate since 1 July 2011 with the sharp increase in interest coinciding with the commencement of the new contract disclosure requirements. There is administrative effort required by Government, to comply with publication requirements.
- Analysis of available data shows that, of the total number of transactions above the \$10 000 threshold, over half are very low value transactions falling under the \$25 000 threshold and over 75 per cent are transactions falling under the \$50 000 threshold. Consequently, if the minimum publication threshold were raised marginally from \$10 000 to \$25 000 the number of transactions falls by at least half, which would greatly reduce administrative effort. If the minimum publication threshold were raised to \$50 000 the number of transactions to be reviewed by agencies falls by at least 75 per cent.

6.2.3 Jurisdictional comparison

- Queensland, together with the Australian Government, has the equal lowest threshold for publication of basic details of contracts at \$10 000. However, in comparison with the Australian Government, the Queensland Government requires publication of basic contract details by a broader range of Government entities. Other Australian jurisdictions publish basic contract details at thresholds varying from \$15 000 up to \$150 000.
- In relation to international jurisdictions, in the UK, all new central Government contracts over £10 000 have been published in full since January 2011. Similarly, in Canada, there is mandatory publication of contracts over \$10 000 which has been in place since 2004.

6.2.4 Invitation to comment

1. What are the pros and cons for industry, of the current SPP requirements in relation to contract disclosure?

The SPP requirements for contract disclosure are seen as an extremely valuable tool for businesses wanting to get involved in procurement opportunities. Furthermore, it acts as an appropriate accountability tool for Government decision making.

Queensland businesses overwhelmingly support increased transparency in the awarding of Government contracts and as such, the publication of their details serves to enhance this transparency.

In a recent survey conducted by CCIQ, the majority of businesses (73 per cent) indicated more can and should be done to assist local industry in gaining contracts for Government procurement and major projects. 46 per cent of businesses also do not believe that local industry is generally successful in being awarded contracts for goods and services and major projects. The requirements of continued contract disclosure will assist in resolving this issue, and if anything should be expanded to include more detail about the awarded contracts.

In another survey, Queensland businesses recently gave feedback on the current procurement policy framework and the results (detailed below) demonstrate support for enhanced SPP frameworks.

Q: 'Are the current policies and framework for Government procurement and local industry involvement in major projects appropriate?'

Responses:

- 37.6% of businesses disagreed/strongly disagreed.
- 52.9% remained neutral
- 9.5% agreed.

Queensland businesses are unanimous in their support for improved policies and greater preference given to local businesses. Many SME's are looking to be involved in contracts ranging between \$10,000 and \$50,000 and based on the fact that there has been a sharp increase in public access of this information, it proves this has been a valuable tool for the business community.

We acknowledge the complaint from agencies that the reporting requirements for contract details above \$10,000 (especially given the increasing number of procurement contracts above the \$10,000 threshold) creates a certain level of work and that this is at a cost to the taxpayer. In considering the case for changing the threshold, the cost to Government must be balanced against the benefit provided to the community both directly and indirectly through contract disclosure. By allowing small and medium business to better understand the processes of procurement, they then are able to prioritise their time on appropriate contracts. Public exposure also raises the profile of procurement opportunities and facilitates greater SME involvement which can only produce positive benefits in terms of employment and public money being returned to the state economy and communities.

CCIQ are therefore strongly of the belief that should the contract disclosure threshold's be considered for change based on the argument of 'excessive administrative burden', then the cost of providing this information should first be quantified and made publicly available for appropriate scrutiny.

In the absence of quantifiable costs associated with administering the QDC, then CCIQ are firmly of the position that no changes should be made to the contract disclosure threshold.

2. If there was scope to either increase or decrease the current contract disclosure threshold level (\$10 000), what new threshold would you recommend and why?

CCIQ believes that given 75% of transactions fall between \$10,000 and \$50,000 it is appropriate to maintain the current contract disclosure threshold level (\$10 000).

If anything, CCIQ would welcome further publication of information from the Government about procurement transactions. For example, the addition of greater discretion for agencies to consider public disclosure of contracts below the \$10,000 threshold, particularly in the case where procurement opportunities afford significant benefit to local, regional and remote communities, may be considered.

3. Are there further transparency measures for Government procurement which should be enacted by the SPP? If so, what are these?

CCIQ believes that further achieving increased transparency is possible, and should be enacted through the SPP to deliver beneficial outcomes for the public.

Procurement market research

The SPP should encourage greater transparency in the early stages of market research. The perception exists in the business community that they are being unfairly overlooked.

More often than not, SME's are missing out because their presence is largely unknown to State Government, and a change in the approach to market research would go some way to remedy this.

Liaising more closely with local chambers and industry organisations to gain a better understanding of the existing businesses in the market may assist with this process. Transparency in this area could further be enhanced by ensuring that when market research is conducted, it is also made publicly available for businesses to gain a better understanding of how the State Government surveys the region.

Relationship building and decision making processes

The responsibility and accountability of procurement officers for purchasing activities is a key element needed in achieving an effective purchasing framework. SME's are genuinely interested in enhancing their understanding about how Government procurement works and as such, measures that require procurement officers to increase the level of direct liaison with suppliers/contractors will assist this process.

7 Improving efficiency and driving savings

7.1 Driving savings and other benefits through procurement

7.1.1 Background

- A five year procurement reform program concluded in mid 2012, which was based in part on the results of an external review of budget sector agencies' performance in managing their significant areas of procurement expenditure. It has proven successful in helping to realise cumulative savings and benefits of nearly \$1 billion in the budget sector for the five years through to 2012.
- As part of this process, a procurement performance baseline and improvement targets were established for the budget sector providing a focus and catalyst for improvement.
- Budget sector agencies have also reported that improvements can be made with respect to procurement capability and agency capacity, to realise greater value for money.

7.1.2 Issue

- Analysis indicates that further significant savings and benefits could be realised through procurement. This is based on current budget sector agency capability standards.
- With procurement representing (on average) around one third of total financial outlays of any budget sector agency and with increased focus on good spend management with external suppliers, it is important that mechanisms for the identification and realisation of these opportunities be considered.

7.1.3 Jurisdictional comparison

- Western Australia began its reform in 2004 with an initial focus on establishing whole-of-Government contracts, followed by an emphasis on improving agency specific contracting.
- New South Wales reform commenced in 2006. A key agenda was the establishment of a State Contracts Control Board responsible for whole-of-Government contracts, as well as operating an agency accreditation scheme for goods and services procurement. Based on their assessed procurement capabilities, agencies are able to undertake different levels of procurement. The NSW Government has recently announced that the reform agenda will be refreshed. This will see a stronger push in building capability in agencies with the aim of generating benefits equivalent of \$1 billion in four years.
- In New Zealand, a four year procurement reform program commenced in 2009. The initial priority has been the aggregation of common spend areas through whole-of-Government arrangements, along with building of capability and capacity within the Government procurement workforce.
- The United Kingdom commenced its 'Transforming Government Procurement' reform in 2007 with a focus on building capability across the Government departments, implementation of whole-of-Government arrangements, and strengthening the central procurement body to drive the reform program. An agency accreditation program is being piloted in early 2012.

7.1.4 Invitation to comment

1. From an industry perspective, what changes to the SPP would help increase efficiency in procurement?

From an industry perspective, a number of issues need to be addressed to increase the efficiency of procurement. In particular reducing the 'red tape' and simplifying the tender process would go a long way towards inviting greater SME involvement in State Government procurements.

Recognising that SME's are often under-resourced compared to larger companies, there is a need to assist in access to information. Where possible, all Government information relating to procurement processes and outcomes should be centralised. At present, over 80% of the businesses surveyed about Government procurement are supportive of providing a central point for information on upcoming and current tender opportunities. Furthermore, streamlining services and providing a truly one stop shop for State Government Procurement serves to benefit the local community. This not only reduces the regulatory burden for small to medium businesses but also encourages Government to be more efficient and accountable.

Given that the eTender website is one of the major access points currently used by the State Government and businesses alike, broader use of this as the primary portal for the State Government should be considered. However there is some recognition issues related to the eTender website and therefore increased promotion, coinciding with broader (or mandated) state and local Government use, would go a long way to improving the business issues, perceived or otherwise, in relation to accessibility and transparency.

Businesses have identified the 'complexity' of procurement processes and policies as another barrier to greater participation. Therefore tender documentation and the language used in procurement guidelines should be simplified. Additionally, businesses frequently complain that they are required to change operating, accounting and reporting systems (e.g. ITC platforms and programs, and accounting and invoicing templates and timeframes) to meet State Government administrative systems/processes rather than there being flexibility in this regard. Businesses note that no other private sector contractor/client would request a supplier to change systems and processes as the State Government does.

There is currently a large amount of rigidity in contract reporting and the negotiation process, which is acting as a key barrier for SME's. There could be greater delegation around decision making and discretion given to contract and project managers when considering tender applications. Officers and managers should have the ability to negotiate contract terms outside standardised contracts to reduce the rigidity for businesses engaging in the process.

2. What changes to the SPP would help drive the realisation of further savings and other benefits through procurement, and what role could industry play?

CCIQ do not believe that significant savings can be delivered through marginal changes to SPP and reductions in administrative burden for State Government agencies. Rather we believe SPP is the 'tool' that can be more effectively used to deliver savings across Government.

It is widely recognised across Queensland that the business community is more often than not better placed to deliver more efficient and lower cost outcomes on projects/services than the public sector. By placing more of an emphasis on the ability of private sector to deliver these outcomes, money can be saved and outcomes will be improved for community and Government.

Given the new State Government's goal to achieve increased efficiencies in the public sector, the private sector in Queensland is ready to play a larger role. CCIQ have the view that the State

Government should withdraw from service delivery in general and try as much as possible to extend the opportunity for service delivery to the private sector.

There is therefore a need to review and wherever possible increase the scope for what services and goods are going to tender. An efficient, simplified and business focused SPP will assist in facilitating greater private sector service provision and project delivery.

7.2 Common use supply arrangements

7.2.1 Background

- Whole-of-Government common use supply arrangements allow the Queensland Government to leverage its buying power by aggregating its spend volumes thereby maximising value for money outcomes (both cost savings and other non-financial benefits). Individual agencies may also establish arrangements for use within their agencies, and can mandate such arrangements if they determine this is appropriate.
- The arrangements have delivered extensive savings and avoided significant costs for Government. Savings and non-cashable benefits include:
 - reduced tendering and contract management costs for Government and industry by reducing duplication of arrangements in common spend categories
 - improved visibility of Government spend through centralised information management and uniform vendor reporting requirements
 - reduced costs and red tape for suppliers doing business with the Government, due to greater consistency in terms and conditions and dealing with one contract manager rather than many
 - goods and services meet the needs of a broader set of agencies, as well as relevant quality, service and environmental standards
 - strong and consistent management and monitoring of contract and supplier performance, thereby reducing risk exposure for Government
 - the use of products and suppliers that have met consistent, rigorous specifications and contract terms and conditions
- Clause 11 of the SPP requires budget sector agencies to use common use supply arrangements established under that clause. A high proportion of non-budget sector agencies and non-Government organisations also use the arrangements.
- The QGCPO currently manages 30 whole-of-Government procurement arrangements for common expenditure commodities across the sector and other lead agencies manage other common use arrangements.
- In establishing arrangements, QGCPO conducts market sounding activities which vary to suit the nature of the market and the procurement. Depending on the situation, QGCPO consults with stakeholders including industry peak bodies or suppliers. Depending on the arrangement, consultation could range from an Expression of Interest process, industry briefings, or simply discussions with suppliers. In choosing the best method of consultation, QGCPO is conscious of minimising costs and time involved for industry.

7.2.2 Issue

- As a general rule, common use supply arrangements should only be established where they represent good value for money. Accordingly, the significant procurement plan for the development of these arrangements is developed in consultation with product advisory committees. The significant procurement plans involve internal demand and supply market analysis to determine the need for each arrangement and the most appropriate procurement strategy.
- The overall cash savings and benefits available to Government from common use supply arrangements can be reduced when agencies choose to not fully implement the arrangements, or where agencies use off-contract suppliers.

7.2.3 Jurisdictional comparison

- Mandating the use of whole-of-Government common use supply arrangements by Government agencies is a common practice in Australia, however the number of arrangements centrally managed differs across jurisdictions. It is also a common practice in the private sector.

7.2.4 Invitation to comment

1. From an industry perspective, what do you consider to be the benefits and disadvantages of whole-of-Government common use supply arrangements?

Value for money is consistent with fiscal management strategies and decreasing debt levels. However, whole of Government common use supply arrangements may reduce the opportunities for smaller businesses who cannot compete with larger (national and international) companies and who cannot deliver the scale of product required to meet whole of Government needs. There is a strong need to balance the outcomes of cost savings with the potential benefits returned to the community that would flow on from greater Queensland based SME involvement. Should whole of Government common use supply arrangements be progressed then the Queensland Government needs to invest significantly and expedite assistance and facilitation of SME clustering tools for service delivery and procurement opportunities.

2. How can the Government's use of common use supply arrangements be improved or enhanced?

As above

3. Do you think there should be more, or less, common use supply arrangements established? Please describe the reasons why.

As above

4. From an industry perspective, how could the establishment or operation of common use supply arrangements, be simplified?

As above

5. Should the SPP provisions relating to common use supply arrangements also apply to GOCs and large statutory bodies?

As above

8 Improving access to Government procurement opportunities

8.1 Local supplier engagement

8.1.1 Background

- The current approach undertaken by the Queensland Government is to provide equality of opportunity for local industry tendering for Government contracts. To support this, the SPP includes provisions such as those listed in Table 1 below.

Table 1

SPP Explanatory notes – Policy objectives:	Each agency should use its best endeavours to ensure that competitive local suppliers are given a full, fair and reasonable opportunity to supply the Queensland Government...
SPP clause 5.1.3 - Significant Procurement Plans:	Significant procurement plans should also demonstrate that agencies have considered opportunities for participation by competitive local suppliers.
SPP clause 7 - Regional development and employment:	Agencies must devolve to the lowest practicable geographical level, procurement decision making and associated budgets for goods and services that the agency assesses are low expenditure and for which there is a low level of business risk.
SPP clause 9 - Transparent procurement – Promote access to Government procurement opportunities:	Agencies must promote access to Government procurement opportunities by publishing and maintaining the following information on the QGCPO eTender website: - a Forward Procurement Schedule outlining anticipated significant procurements. - all open invitation opportunities

- Procurement aimed at supporting small and medium enterprises (SMEs) can be excluded from free trade agreement process requirements (for example, requirements around open tendering).
- The impact of the current policy position with respect to local suppliers requires assessment in terms of whether more specific or different requirements for use of local suppliers is likely to contribute to the Queensland Government's priorities of a four per cent unemployment target and improvement of the state economy.
- Requirements regarding local supplier participation are detailed in the *Queensland Industry Participation Policy Act 2011* and Local Industry Policy administered by the Department of State Development, Infrastructure and Planning. These are consistent with the SPP and provide for the preparation of local industry participation plans for certain procurements.

8.1.2 Issue

- There is no evidence to suggest that the existing mechanisms that Queensland currently has in place are deficient in providing equality of opportunity and access to Queensland Government procurement, however it is important to examine whether the existing provisions are effective or require adjustment.

8.1.3 Jurisdictional comparison

- A focus on local industry or SMEs in procurement frameworks is common in Australia and internationally.

- A broad jurisdictional scan has identified varying approaches to local industry and SME engagement through procurement. These range from no advantage provided, through to set aside schemes and price preferencing.
- The trade agreements in which Queensland participates prevent the introduction of 'buy local' policies which discriminate against non-Queensland suppliers.

8.1.4 Invitation to comment

1. To what extent do you consider the provisions within the SPP are ensuring that local suppliers receive full, fair and reasonable opportunity to tender for Government business?

CCIQ acknowledge that on face value, the provisions outlined in the SPP are conducive to providing opportunities for local suppliers to tender for Government business. However in practice there is room for substantial improvement.

Queensland businesses do not believe that the current provisions are being adhered to, and in many cases it fails to result in appropriate outcomes. Many Queensland businesses are adamant that in spite of these provisions, they are not afforded appropriate opportunities to tender with Government.

Business feedback highlights that 44% rate the 'whole procurement process' as average, while 27% rate it as poor or very poor. They also believe that much more needs to be done to improve the following aspects of the procurement process.

- Support and assistance provided by the agency or project tender manager (41.1% average and 27.6% poor/very poor)

- 43.7% currently rate the fairness and equity of the tender selection process as average and 26.9% poor/very poor.

- Nearly 50% rate the delivery of project, procurement and reporting requirements as average and 22.3% as poor/very poor.

- Nearly 50% rated the application process and documentation required as average and 25.8% poor/very poor.

While the State Government has stated:

'There is no evidence to suggest that the existing mechanisms that Queensland currently has in place are deficient in providing equality of opportunity and access to Queensland Government procurement'

Business experiences (as outlined above) contradict this belief. The current provisions and their lack of apparent implementation are acting as a key barrier to affording local suppliers fair and reasonable opportunity to win Government business. A focus on risk and responsibility in decision making should be avoided, and instead increased flexibility and ability to negotiate properly with SME's is essential.

2. Are there any barriers within the current SPP which prevent equality of opportunity to tender, by local suppliers?

CCIQ believes that the current provisions within the SPP and their lack of consistent implementation have acted as a key barrier to SME's participating in Government procurement opportunities.

Queensland businesses have highlighted a number of barriers that are currently preventing equality of opportunity in the procurement process.

The main reason procurement opportunities have not been accessed is the lack of awareness of procurement opportunities or no information on the opportunities available in the region.

- Over 55% of businesses surveyed were not aware of opportunities/lack of information on opportunities in the region

There is also the growing perception that local small businesses cannot compete against the larger national and international companies, particularly when the application process is too complicated or requires too much time and effort to complete.

- Nearly a third (27.1%) did not believe they could compete with larger interstate and/or international suppliers/competitors

- The application process is, for 25.8% of businesses too complicated and requires too much time and effort.

- over 40% of businesses who had submitted a tender application indicated they had done so with the help of an external advisor/consultant or tender writer.

There is also the view that there are too many conditions placed on potential contractors, with many businesses unable to meet project tender requirements.

- Over 20% of businesses believe that there are too many conditions placed on potential contractors/unable to meet project tender requirements.

In summary SME's believed that the 'the conditions they were required to demonstrate and the cost of submitting a tender application was too onerous thus making the tender opportunity not worthwhile. There was strong support for greater flexibility afforded to SME's who should not have to fulfil so many reporting requirements on tender contracts (as compared to larger companies and significant/major projects. Many SME's believe the questions on the tender applications do not go any way to appropriately determine whether their business is suitable for the contract, their ability to deliver goods and services required and their cost competitiveness (but were more so a reflection of political pressure to show action on other social and environmental policy issues).

3. Do you have suggestions for change to the SPP that will increase participation by local suppliers in Government procurement, without contravening free trade requirements?

Although CCIQ is strongly supportive of enhancing local industry participation in major projects, we are not supportive of implementing a quota/target for Australian content or the introduction of penalties. This would not only be inconsistent with Australia's international trade obligations but could negatively impact on competition and the viability of project proponents.

As aforementioned, there are a number of barriers preventing SME's from accessing procurement opportunities. CCIQ believes that a number of areas should be focused upon with the goal to increase local participation. These include:

- Enhance the awareness of procurement opportunities for businesses through improved online communication systems, streamlining the number of points that businesses hear this information

from (i.e. different Government departments) and improve engagement with regional businesses through industry bodies such as local Chambers of Commerce.

- Where possible, if a tender application from a local business is deemed to be suitable but is less competitive in terms of value for money, engage with the local business to seek to understand the local businesses underlying cost and whether the local business has the capacity to alter their offer. Subsequent to the finalisation of the contract, greater engagement and consultation with unsuccessful bidders to help them understand the basis for their unsuccessful bid would go a long way to encouraging future and ongoing participation in Government business opportunities.
- Reduce the length of time taken to complete the tender application process for SME's. Given that many SME's are time poor, reducing their administrative burden wherever possible is essential. Because their application is not guaranteed to win a contract, many businesses feel they are wasting their time filling out applications when they more than likely won't be considered. Altering the process to deliver more documentation after successful bidding would free up burden for many businesses and would make the process more competitive in the meantime.
- Encouraging greater use of initiatives such as the Industry Capability Network to facilitate greater participation of local SME's.
- Encouraging and supporting the clustering of small businesses to work together in competing for tenders and opportunities. Many businesses find this a daunting task and are unaware of how to go about doing this. Government agencies are better placed to broker relationships and clusters between like businesses.

8.2 Finding procurement opportunities

8.2.1 Background

- There are three sources of information for prospective suppliers seeking procurement opportunities, which are facilitated by the SPP. Agencies are required to:
 - publish open tender opportunities on the QGCPO [eTender website](#)¹¹
 - publish forward procurement schedules (FPSs) on the eTender website
 - update and maintain the [Queensland Contracts Directory](#)¹² (budget sector agencies only).
- Suppliers can register with eTender in order to receive automatic notification of tenders or possible upcoming procurements. The QCD is a listing of existing contracts and standing offer arrangements, and provides a useful tool for prospective suppliers to identify whether there are arrangements in place for the supply of their goods and services, and contact details. This can assist suppliers to market their goods and services to the right people within agencies, and identify when existing arrangements will be expiring.
- This section deals mainly with FPSs. Clause 9.1 of the SPP states that “*agencies must promote access to Government procurement opportunities by publishing and maintaining on the QGCPO's eTender website: a Forward Procurement Schedule, outlining anticipated*

¹¹ Refer <https://secure.publicworks.qld.gov.au/etender/index.do>

¹² Refer <http://qcd.qgcpo.qld.gov.au/pages/home.aspx>

significant procurements. The schedule should cover, at a minimum, each upcoming financial year or beyond where possible”.

- In addition, two of the free trade agreements in which Queensland participates require procuring agencies to encourage the publishing of annual ‘notice of procurement plans’ for the upcoming fiscal year.

8.2.2 Issue

- Assessment of FPSs published on eTender indicates that both the number of FPSs published, as well as the number of agencies publishing FPSs, is decreasing.
- The policy requirement for agencies to publish all significant procurements via an FPS contributes to achieving value for money by providing suppliers with lead time to prepare their business for Government tenders, resulting in increased competition, the potential for more innovative approaches to tenders, and/or more bids from local suppliers and SMEs.
- A change in the FPS requirement by removing the requirement for agencies to publish FPSs for all significant procurements and instead require agencies to assess whether early publication of tender information is advantageous, may improve certainty for industry about likely future procurement opportunities, while reducing administration effort for agencies.
- Amending terminology from ‘Forward Procurement Schedule’, to read ‘Potential Future Procurements’ may better reflect the nature of the data to be published, as well as keep in line with terminology utilised in other jurisdictions.
- Any modified requirement relating to the publication of FPSs will still require that agencies publish forward notices for ‘covered’ procurements under the free trade agreements.

8.2.3 Jurisdictional comparison

- Most jurisdictions in Australia have a mechanism for the publication of FPSs, as does New Zealand. In most jurisdictions, this process is voluntary and assessed on a case by case basis by procuring agencies.
- Those jurisdictions which mandate the publication of advanced notice to tender often include this process as a component of agency annual planning requirements.
- Queensland is unique in using the terminology ‘Forward Procurement Schedule’ with other jurisdictions favouring terms such as ‘Advanced Tender Notice’ or ‘Potential Future Procurement’.

8.2.4 Invitation to comment

1. **Do you think the SPP should continue to require agencies to publish all open tender opportunities on eTender?**

Queensland businesses are strongly supportive of Government initiatives to reduce administrative burden and centralise communication points. Accordingly, the eTender portal is seen as a valuable tool for businesses and should be further improved.

The quality of the online tender system needs to be enhanced to be a truly one stop shop for all information about procurement in Queensland.

2. Do you think the SPP should continue to require budget sector agencies to update and maintain the QCD?

As mentioned previously, it is essential that where possible, Government procurement activities and notifications should be published and made available to SME's in a centralised location. It is seen as a valuable tool in assessing their opportunities to contract with Government.

3. Are you aware of forward procurement schedules, and where to find them?

Whilst CCIQ is aware of forward procurement schedules due to our relationship with the State Government, as previously discussed feedback from Queensland businesses indicates a very low level of awareness of existing forward procurement schedules.

4. Is 'forward procurement schedule' still appropriate terminology, or should it be changed – if so, to what?

The language used in the SPP and tender documentation has previously been identified as an issue for Queensland businesses. Accordingly there may be merit in changing the terminology to increase the recognition. Businesses find it hard to decipher Government terms and conditions and simple plain language is needed.

CCIQ suggests that it might be changed to:

- '*Business Procurement Opportunities*' or
- '*Upcoming Business Tender Opportunities*'

5. Are there other mechanisms which would better provide forward notice of potential procurements to industry? If so, please outline your suggestions.

CCIQ believes that the Government needs to work more closely with industry associations to advertise and promote local opportunities, and to seek feedback about appropriate policy mechanisms.

9 Reducing waste and duplication

9.1 Identifying and removing any unnecessary administrative activity and regulation

9.1.1 Background

- The SPP has established a high level centre-led framework which gives agencies considerable discretion and flexibility in their procurement activities. It confers no regulation or burden on industry, and establishes mechanisms (such as common use supply arrangements; standard terms and conditions of offer and contract; the Queensland Contracts Directory; eTender) which reduce duplication, administrative effort and risk to industry and agencies.

9.1.2 Issues

- The Queensland Government has stated its intention to reduce 'red tape' and regulation. Further, there is a need to ensure that Government procurement processes are efficient, effective, and do not impose unnecessary costs on industry.

9.1.3 Jurisdictional comparison

- Procurement policies in a range of other Australian jurisdictions tend to be considerably more prescriptive and process based than the SPP, regulating for example, number of quotes agencies must seek for procurement above certain thresholds, requiring sign-off for procurement over certain value or risk thresholds, and requirements for automatic open tender above certain thresholds.

9.1.4 Invitation to comment

1. **Are there any opportunities to amend the SPP or other Government procurement related policies¹³, to reduce 'red tape' for industry when engaging in procurement with Government?**

Refer to response below, under section 10.2.

2. **Are there any areas of duplication in Government procurement, which could be overcome through amendments to the SPP?**

Refer to response below, under section 10.2.

¹³ For example, those policies listed in Schedule D of the [State Procurement Policy](#).

9.2 Procurement related policies

9.2.1 Background

- One of the objectives of the SPP is to advance the priorities of the Government. Further, in determining value for money, procurement officers must also consider how the procurement will contribute to the advancement of the priorities of the Government.
- The priorities of the current Government are reflected in Schedule B of the SPP. These include:
 - Grow a four pillar economy (through agriculture, tourism, resources and construction)
 - Lower the cost of living for families by cutting waste
 - Deliver better infrastructure and better planning
 - Revitalise front line services for families
 - Restore accountability in Government
- In addition, Government will communicate its expectations in specific economic, social or environmental policy areas. Examples of current policies or instruments which intersect with the SPP are the Local Industry Policy and the ICT SME Participation Scheme. A list of existing procurement related policies is set out in Schedule D of the [SPP](#).
- In practice, procurement officers will incorporate consideration of what will represent best value for money for each procurement into significant procurement plans. This will then be factored into price and non-price criteria in invitations to offer and evaluation plans.

9.2.2 Issue

- There is an increasing trend across all Australian jurisdictions to propose the use of Government procurement as a tool for leveraging social and environmental policy outcomes. Examples of other policy outcomes which may be sought to be delivered via procurement include indigenous economic participation; social procurement; innovation; disability enterprise development; and use of local suppliers. While leveraging procurement policy is one tool that can be used to assist in the achievement of social, environmental and economic policy outcomes in appropriate circumstances, it may not be efficient or effective in all circumstances and must be considered as only one of several policy delivery options.
- It is important that procurement outcomes are not compromised, nor rendered inefficient or ineffective, by requiring buyers to consider multiple potentially conflicting value for money considerations in each procurement.

9.2.3 Jurisdictional comparison

- It is common for Australian jurisdictions to include social, environmental and economic outcomes as value for money considerations. Broader policy documents are often available which clarify the use of these provisions.

9.2.4 Invitation to comment

1. **Do you have any comments about your experiences with respect to procurement-related policies?**

Refer to response below, under section 10.2.

9.3 Sustainable procurement

9.3.1 Background

- The working definition of sustainable procurement states that “*Sustainable procurement is a process whereby organisations meet their needs for goods, services and capital projects, in a way that achieves value for money on a whole of life basis in terms of generating benefits not only to the organisation, but also to society, the economy and the natural environment.*”
- Incorporating sustainability considerations into procurement has the potential to deliver significant benefits to Government in the areas of efficiency, reduced demand, reductions in whole-of-life costs and reduced waste.

9.3.2 Issue

- The current economic climate may justify the delivery of increased efficiencies by further strengthening sustainability concepts in procurement and the supply chain to ensure reduced waste, a focus on cost saving, increased innovation in the supply market, and reduced risk.
- It is proposed that the practice of sustainable procurement can deliver enhanced savings if the areas of greatest benefit for effort are targeted. For example, at the sourcing strategy stage (development of significant procurement plan) agencies could be better identifying opportunities to reduce environmental risks and costs through more efficient procurement solutions that address water, energy, carbon, waste and toxicity. Demand management strategies as well as reducing inputs such as water and energy through the application of sustainable procurement, will have the dual effect of increasing savings to Government.

9.3.3 Jurisdictional comparison

- In Australia, most State Governments and the Australian Government have incorporated specific sustainable (social and environmental) policy statements into their procurement policy frameworks. These statements are supported by tools, training and implementation programs to assist Government agencies meet their obligations with regards to sustainable procurement.

9.3.4 Invitation to comment

1. **In your opinion, has the implementation of sustainable procurement provisions within the SPP, had:**
 - a) no impact
 - b) a positive impact
 - c) a negative impact**on suppliers and supply markets?**

C) Negative impact

2. **If you chose b) or c), please explain your response.**

Queensland SME's have been disenfranchised and had access reduced due to the nature of sustainable procurement provisions. Refer to response below, under section 10.2.

3. **Do you have any suggestions about how the benefits of sustainable procurement could be more effectively achieved via the SPP?**

Refer to response below, under section 10.2.

10 Other considerations

10.1 State Procurement Policy – completeness

10.1.1 Background

- The SPP establishes the procurement framework and embeds fundamental principles and practices of good procurement for observance by Queensland Government officers involved in procurement.
- In a procurement practice sense, the emphasis within the current version of the policy is on driving the most suitable and effective outcomes through robust, well considered planning activities. Updates to the SPP in 2007 incorporated a greater focus on capability, performance, measurement and reporting, and the 2010 amendments introduced stronger integrity based reforms.

10.1.2 Invitation to comment

- Stakeholders are invited to use this section to identify matters not presently covered in this issues paper, and to make a case for why these matters should form amendments to the current SPP.

1. Do you consider the current SPP to be complete, in terms of the matters which it covers?

Refer to response below, under section 10.2.

2. If no, what other matters should be covered within the SPP, and why?

Refer to response below, under section 10.2.

3. Are there matters currently covered by the SPP, that you think should be removed or specified elsewhere, for example, in guidelines or guidance?

Refer to response below, under section 10.2.

4. Do you have suggestions for improvements to the SPP, from an industry perspective?

Refer to response below, under section 10.2.

10.2 General comments

Please use this section to add in any other comments not already covered elsewhere in this paper.

Procurement related policies are in themselves esoteric to Queensland businesses. They serve little additional purpose other than to protect decision makers and Government agencies from any future consequences stemming from procurement contracts. A simplified SPP and associated procurement framework in Queensland with its objective firmly centred on providing the greatest opportunity to Queensland businesses and the greatest net benefit to our local and regional economies should be the end goal for this review. That being said, CCIQ are strongly supportive of the development of a simplified, efficient and transparent approach to state procurement.

The use of Government procurement as a tool for leveraging social and environmental policy outcomes should be avoided. CCIQ believe that the 'red tape' associated with demonstrating compliance with sustainable procurement, employment conditions and other social policy objectives acts as the primary disincentive for business involvement in procurement opportunities. Additionally it is questionable whether, aside from the written evidence provided in tender applications, any actual checks of business compliance with sustainability, employment and social conditions are adhered to by the successful contractor. CCIQ are concerned that the objective of achieving the greatest value for money is obscured by the weight given to social and environmental policy outcomes and might even preclude those businesses able to deliver goods and services at the lowest possible price from ever submitting an application.

There is a strong case to remove social and environmental policy outcomes from the SPP. Every business in Queensland, indeed Australia, is subject to WHS, employment, industrial relations, environmental, financial accounting and fair trading regulations and where they impose any cost/impact most already have fees, licences and permits to operate. Accordingly the requirements to report and document compliance and social and environmentally sustainable business practices are unnecessary duplication and red tape.

Price competitiveness and public and economic benefit (i.e. the employment, revenue and business growth afforded at the local and regional level) should be the primary criteria by which procurement is assessed in Queensland.

Further recommendations and a broad framework for the building on local opportunities for business will be included in CCIQs upcoming Local Content and Procurement Blueprint.