

20 December 2013

Mr John Lewis
Director – Industry Programs
Department of State Development, Infrastructure and Planning
Queensland Government
Submitted via email: john.lewis@dsdip.qld.gov.au

Dear Mr Lewis,

On behalf of the Queensland business community, the Chamber of Commerce and Industry Queensland (CCIQ) welcomes the opportunity to provide feedback on the Queensland Government's Charter of Local Content. CCIQ provides ongoing support for the Queensland Government's initiative to provide Queensland businesses with full, fair and reasonable opportunity to participate in major projects in both the public and private sectors.

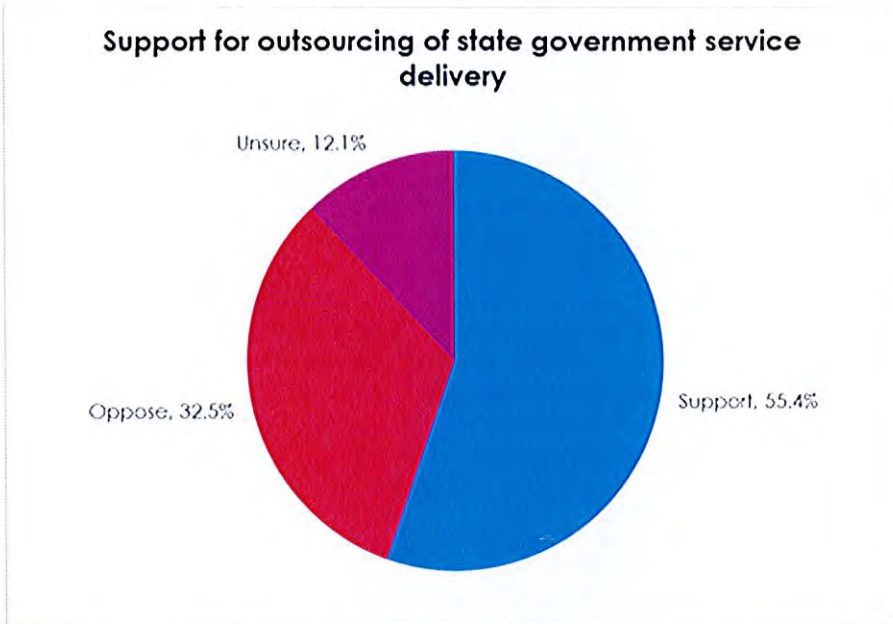
Queensland Government Charter for Local Content: A Fair go for local industry

CCIQ is strongly supportive of initiatives that increase the involvement of Queensland businesses in both public and private sector projects due to the positive impacts on employment and business growth, particularly in those regions that are not performing strongly. Other positive flow-on effects include encouraging innovation and the adoption of new technologies, driving productivity and the establishment of best practice methods, increasing standards of living in regional areas and enhancing the competitiveness of local industries.

Queensland business feedback on government tendering and their historical involvement

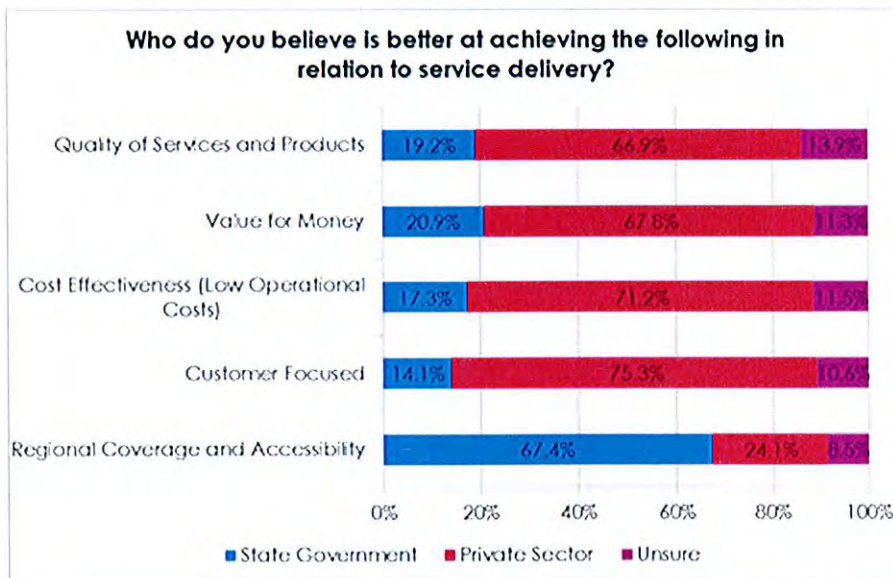
CCIQ has previously conducted a survey of 800 businesses to determine the current level of involvement in government projects and to identify ways to increase the opportunities available to local businesses. The majority of businesses (73%) indicate more can and should be done to assist local industry in gaining contracts for Government procurement and major projects.

CCIQ notes the Queensland Commission of Audit in its final report to the State Government (February 2013) concluded that there were opportunities for businesses and public benefits to be gained from greater reliance on private sector provision of services. CCIQ's survey sought the views of Queensland businesses in relation to the role of government and the private sector in service delivery. The survey found that more than half (55%) of businesses agreed that the private sector should be allowed the opportunity to enter markets and provide services previously the domain of the public sector.



Source: CCIQ Westpac Group Pulse Survey of Business Conditions

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 many projects/services than the public sector. The basis of the above rested primarily on the belief that the private sector was able to deliver significant public benefit through higher quality of services, greater value for money, operational efficiency and better customer service than state government entities currently provide. Accordingly 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.



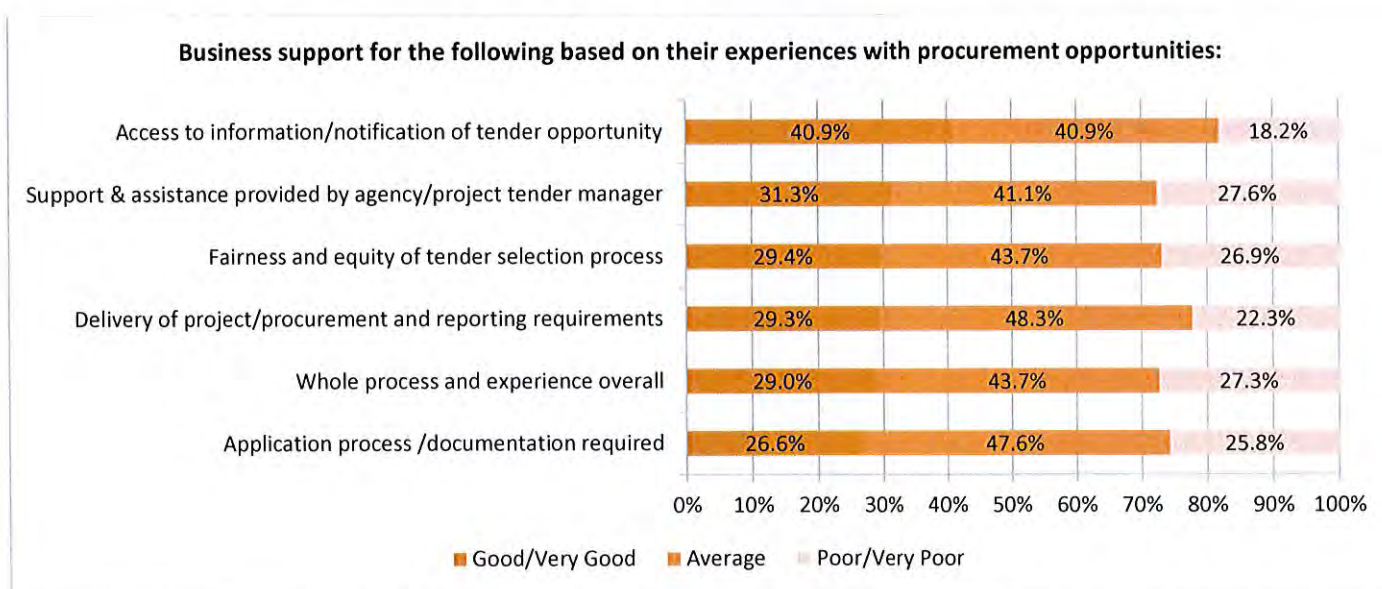
Source: CCIQ Westpac Group Pulse Survey of Business Conditions

However Queensland businesses have raised significant and ongoing issues with the pre-existing procurement framework in Queensland, namely that they are not able to easily assess, access and participate in procurement opportunities.

The majority of Queensland businesses (64%) had not participated in government procurement opportunities for goods, services or capital projects. Of those businesses that had been directly or indirectly involved in procurement opportunities, 44% rated the whole process and experience as average and a further 27% rated the process as poor or very poor.

Referring to the graph below, it appears 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;
- Fairness and equity of the tender selection process;
- Delivery of project and procurement and reporting requirements;
- The application process and documentation required.



Source: CCIQ Westpac Group Pulse Survey of Business Conditions

The key reason identified by businesses for why they had not previously been involved in procurement opportunities was their lack of awareness of the opportunities available, especially at a regional level. There is a growing perception that local small businesses cannot compete against larger national and international companies, particularly due to their size, inability to complete complex applications/tender processes and the substantial time and effort required to do so. There are also concerns regarding the excessive conditions placed on potential contractors and many businesses being unable to meet project tender requirements.

The majority of businesses (51%) believed insufficient opportunity was provided to SMEs and locally based businesses when awarding contracts for goods, services and major projects. More than one in three businesses believe:

- Existing policies for local industry involvement in major projects is not appropriate;
- Local industry is not provided with sufficient opportunity to engage with interstate and international companies through supply chains for major projects that have been awarded;
- Local employment is not sufficiently engaged when major projects are awarded to interstate and international companies;
- Local industry is not provided with sufficient opportunity to apply for tenders/major projects.

In order to deliver improvements, there is strong business support for:

- Improving policy and providing greater preference to local businesses;
- Maintaining a database of local suppliers interested in accessing major projects' supply chains (CCIQ acknowledges the existence of the ICN, however our survey results indicate that more needs to be done to educate businesses on the existence of databases);
- Enhancing local industry competitiveness and creating more efficient local markets;
- Supporting local industry with applications for major project tenders;
- Encouraging the clustering of small businesses to compete and tender for local opportunities;
- Providing a central portal for information on upcoming and current tender opportunities;
- Reducing red tape, duplication and inconsistencies, including simplifying tender processes;
- Improving access to finance to allow businesses to apply for contracts.

CCIQ Response to the Charter of Local Content

In light of the above historical picture CCIQ strongly supports the objectives of this Charter through:

- Supporting value for money objective of the Queensland procurement policy by enabling purchasers to consider a wider range of potential suppliers and encouraging greater competition;
- Providing market opportunities for local companies;
- Demonstrating equivalence with private sector best practice.

CCIQ acknowledges that the Charter is not about mandating the use of local suppliers by Queensland Government rather, providing a mechanism for agencies to be able to effectively and efficiently give consideration to a wide range of potential suppliers when making procurement decisions. CCIQ ultimately believes the State Government's primary objective must be to deliver maximum outcomes for the taxpayer's dollar. However where all things are equal, CCIQ urges the State Government to always give preference to Queensland businesses. As indicated Small and Medium Enterprise (SMEs) are often at a disadvantage when competing for government tenders and thus the Charter is a positive step in recognising the need to incorporate SMEs and their circumstances.

CCIQ is firm in its 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 a primary criteria by which procurement is assessed in Queensland. However the Charter should also aim at facilitating business and industry growth, partnerships and increased accountability, at the lowest possible cost. CCIQ believes these outcomes are collectively possible. The Charter should reflect and encourage the notion that local

industry is well placed to deliver efficient outcomes and that by increasing local opportunities, the community will benefit more significantly.

CCIQ is pleased to see that transparency of process is one of the principles clearly identified in the policy. The accountability and transparency of Government purchasing decisions has the ability to significantly enhance the procurement process. Queensland businesses overwhelmingly support increased transparency in the awarding of Government contracts and as such, the requirement for contract disclosure serves to enhance this transparency.

CCIQ is also pleased that the Charter seeks to promote industry capability and maximise local industry participation in major projects through full fair and reasonable opportunity principles. On face value, the provisions in the Charter are conducive to providing opportunities for local suppliers to tender for Government business. However as indicated in practice there is room for substantial improvement. The challenge for the new Charter and the State Government going forward is that Queensland businesses do not believe that the pre-existing provisions are being adhered to, and in many cases fails to result in optimal outcomes as they are not afforded appropriate opportunities to tender with Government. Government will need to allow for increased flexibility and ability to negotiate properly with SME's, through proper implementation of the full, fair and reasonable provisions.

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 facilitation of SME clustering tools for service delivery and procurement opportunities. CCIQ is confident that value for money will be achieved this way.

CCIQ would also like to stress that it is important that enhanced requirements do not substantially increase red tape, subsequently discouraging the involvement of Queensland businesses.

CCIQ is committed to increasing local opportunities for Queensland businesses and looks forward to working with the State Government and industry to increase the opportunities available to local businesses. If you have any questions regarding this correspondence, please contact CCIQ Policy Advisor Julia Mylne on (07) 3842 2253 or email jmylne@cciq.com.au.

Yours Sincerely



Nick Behrens
General Manager, Advocacy