

Update from the Industry Participation Advocate

January 2014

INDUSTRY PARTICIPATION POLICY AND PROCUREMENT REFORMS

Since the establishment of the Office of the Industry Advocate in February we have been busy looking at ways to increase the awareness of what locally based companies have to offer South Australian Government Agencies and one of the initiatives implemented has been the Meet the Buyer program. At the same time we have been reviewing the barriers local businesses face in being awarded government contracts.

I am pleased to advise that the South Australian Government recently approved a number of reforms to its tender and procurement processes by cutting more red tape and making it easier for local businesses to win government contracts.

These latest reforms have been adopted following recommendations made by my Office, which will increase the number of contracts covered under the Industry Participation Policy and improve its overall effectiveness.

The independence of the Office of the Industry Advocate has allowed us to be a catalyst for change, listening to industry concerns and recommending action to government on procurement reforms.

I have met with a wide range of people from industry and the business community and their input has been fundamental in helping me form a view of what is required to meet the objective of this Office which is to increase the number and diversity of local businesses securing economic benefits from government contracts.

Industry Participation Policy (IPP)

The responsibility for the Industry Participation Policy (IPP) has moved from the Department for Manufacturing, Innovation, Trade, Resources and Energy (DMITRE) to my Office and we will be the main point of contact for that policy and associated functions.

In order to make the IPP more effective a number of critical reforms were agreed, namely:

- Industry Participation Plans will cover far more of the state government procurement spend as the contract value threshold will now be \$4 million in metropolitan areas and \$1 million in regional areas (previously \$10 million);
- Industry Participation Plans will be more critical to the award criteria, with the minimum weighting rising from 2 per cent to 5 per cent in the first instance and reviewed again once our Office has finished an economic contribution analysis; and
- For any new tenders where Industry Participation Plans take affect there will be meaningful repercussions as a result of poor performance against non-compliance with Industry Participation Plans and this will count toward future tender scores.

Our Office is in the process of updating the existing Industry Participation Policy and a revised version will be released shortly. New Industry Participation Plan Templates to reflect these reforms will also be made available following the release of the revised Industry Participation Policy.

- An important change is that when acquisition plans are developed by agencies for all contracts subject to the IPP, my Office is expected to be involved in the preparation of those plans and I want to ensure they maximise the economic contribution to the state.

The SA Government also approved that a clause will be inserted in IPP contracts that gives my Office the role of regularly meeting with Tier 1 or prime contractors to review how Industry Participation Plan commitments provided in a tender are being implemented.

Strengthening the role of the Industry Participation Advocate

The role of my Office has been strengthened to:

- request meetings with government buyers on behalf of local companies;
- review acquisition plans and tender documentation in key contracts to assess any unnecessary impediments to local companies bidding;
- review tender awards to evaluate if assessment criteria have been applied;
- review contracts and assess how well IPP Plans are being applied by the prime contractor; and
- review tenders post award and, when necessary, the make recommendations to the relevant agency Chief Executive or Minister for improving industry participation in future tendering processes.

I will be working closely with the State Procurement Board to oversee the implementation of the new tendering and procurement policies approved by the South Australian Government.

Reform to procurement policies and market scoping

Procurement guidance material is being updated to specifically take account of the benefits of buying locally. For example State Procurement Board guidance will be updated in due course and issued by them. Agency guidance on value for money will also be updated in line with the State Government decision.

For all contracts valued at \$220,000 (incl. GST) or above the Industry Capability Network database should be used by agencies during the market research phase to consider appropriate local suppliers so they can be asked to make a tender.

The SA Government also decided that procurement officers should wherever possible include at least one local supplier quote within the required minimum three quotes.

Red tape reforms

Default limitations of liability, set at five times the contract value, will apply on all low-risk contracts valued up to \$1 million. My Office is currently finalising the model to implement this change with the South Australian Government Financing Authority and updated Department of Treasury and Finance Guidelines on limitations of liability can be expected within the next couple of months. This is a major change that will assist small business by reducing indemnity insurance requirements to the level of the liability cap.

The reform of one pre-qualification system across the whole of government was also approved. My Office will report back to Cabinet shortly with a model to implement this.

Procurement as an economic lever for the State

The government wants procurement to be an economic lever that benefits the state and its supplier base. I have appointed economic modelling firm Deloitte Access Economics to recommend the reform of state government procurement spending so it generates more economic contribution to our economy, delivering more jobs, investment, innovation and economic activity to the state.

The recommendations will establish the key sectors where an economic contribution test should be included in award criteria and how this should be done. The recommendations are expected to be ready in about December.

In addition to the Economic Contribution Analysis a Procurement Efficiency Review has commenced with Ernst and Young. The objective of this project is to identify tangible ways to reduce costs of tendering and procurement for business with the South Australian Government while maintaining and improving procurement efficiencies.

These two projects will recognise the importance of supporting increased industry participation through more streamlined procurement processes and the economic contribution made by locally based companies. I expect the findings from these two projects will allow me to make further recommendations to the South Australian Government.

Now the initial reforms have been approved it will be up to my Office to oversee their implementation and to monitor their effectiveness.

If you would like further information please contact my Office on 8226 8956.



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