



21 July 2009

Standing Committee on Public Accounts
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CANBERRA ACT 2601



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To whom it may concern,

RE: Inquiry into ACT Government Procurement

Thank you for the opportunity to make a submission on the Inquiry into ACT Government Procurement.

As the peak industry association for residential construction, renovation and development with over 43,000 members (including 1500 operating in the ACT and Southern NSW Region) the Housing Industry Association (HIA) is well placed to comment on the government's procurement process.

HIA believes the current procurement process is unnecessarily burdensome for small to medium size projects. We also submit that a large number of potential local suppliers do not have the same opportunity to compete for government business as they do not have a proper understanding of procurement or adequate internal resources to enable them to meet and satisfy the requirements that exist under this process.

At the present time there appears to be a one-size fits all approach that is skewed towards larger businesses that have unlimited resources, and familiarity and experience in the procurement process. While this may be acceptable for multi-million dollar infrastructure projects it only serves to exclude small to medium sized businesses in relation to small commercial and residential projects or maintenance programs that are government funded.

In terms of our response we have limited our comments to the items contained in the terms of reference. We note that these terms were fairly broad and did not consider any specific procurement model.

Achieving value for money

We understand that in a procurement process this principle requires a comparative analysis of all relevant costs and benefits of each proposal throughout the whole procurement cycle. We also understand that value for money is enhanced in government procurement by encouraging competition by ensuring non-discrimination in procurement and using competitive procurement processes.

Request documentation

We submit that in order to be in the best position to determine value for money when conducting a procurement process, request documentation needs to specify logical, clearly articulated, comprehensive and relevant conditions for participation and evaluation criteria. This enables the proper identification, assessment and comparison of the costs and benefits of all submissions on fair and common basis over the whole procurement cycle.

Open and effective competition

While it is agreed that all potential contractors and suppliers should have the same opportunities to compete for government business and be treated equitably based on their legal, commercial, technical and financial abilities industry perceives the procurement process as lacking competition and being unfairly discriminatory towards small and medium enterprises.

To ensure small and medium enterprises are able to engage in fair competition for government business, officials undertaking procurement should ensure that procurement methods do not unfairly discriminate against small and medium enterprises. Agencies should seek to ensure that procurement processes are readily communicated and accessible to small and medium enterprises. We believe that all Departments should remove internal criteria and practices that work against fair access for small and medium enterprises such as excessive professional indemnity and public liability insurance requirements, as these policies have the effect of excluding many small businesses from tenders.

In the alternative, these internal criteria should be made available to all businesses so they can make an informed decision on whether they are eligible to tender. This will ensure businesses do not waste precious resources tendering and government does not incur additional expenses assessing and then rejecting the tender.

As a means of determining whether the procurement process is unfairly discriminatory towards small and medium enterprises we believe that there should be a requirement to report annually

to Government on the ability of small and medium enterprises to access government contracts. These reports should be made available to the public.

Investing in training and development

A lack of knowledge and understanding on how the procurement process operates has left industry feeling frustrated, lacking direction and in some instances opting not to tender for government projects despite having the expertise and capability to perform the work.

We submit that the Government invest in training and development on a proactive basis to actively encourage participation in tendering for government works, whilst also offering support to businesses that require ongoing assistance throughout the procurement process. This will assist in streamlining the procurement process and lead to more appropriate businesses tendering for projects. This will in turn improve internal efficiency and lead to greater competition for tenders thereby moving closer to the goal of achieving value for money.

In this respect, HIA can facilitate a greater industry wide awareness of Government procurement requirements through our industry training program. HIA would be more than happy to meet and discuss this prospect in greater detail.

Reducing red tape

Industry continues to report that red tape is preventing them from participating in the tendering process. While we understand that certain procedures and compliance requirements are essential to the procurement process we believe that there is significant red tape preventing businesses from tendering for government work.

We believe that the procurement processes currently in place for small to medium works are too onerous. Industry has reported on the insistence of the use of contracts which do not reflect the nature of the works, impose reporting substantial requirements and call up payment terms which are over and above what is generally required by other clients and which adversely impact on cash flow. There are also extensive pre-qualification and quality management process attached to procurement that act as a strong disincentive to participation due to costs associated with establishing systems and obtaining accreditation that is not required for any other work undertaken by the construction business.

We submit that reforms should be introduced to eliminate unnecessary and overly burdensome red tape. Reduction of the red tape burden on business will ensure a more efficient and effective procurement process and has the potential to save government resources.

Standardising procurement processes

On 26 March 2008, COAG agreed to support the Commonwealth initiated Standard Business Reporting program in order to simplify the process and reduce the burden on small and medium enterprises.

HIA has welcomed this initiative and is encouraging all forms of Government to apply this ideology on a much broader basis than merely reporting.

Furthermore, fiscal stimulus packages have highlighted the need to have standardised procurement processes at all levels of government. Many small businesses find the paperwork for Government tendering overly complex and inconsistent between departments and governments. Reforms should be introduced to standardise and streamline procurement contracts and other processes. This will create a business environment that is attractive and uncomplicated for all participants and maximise opportunities for small and medium enterprise.

Agency approaches to procurement training and development activities

No training or education is currently available to those who wish to begin tendering for government projects. Nor is any assistance available to those who wish to improve their knowledge of the procurement process. This has essentially left industry in the dark as to how they proceed and for new entrants has made it a 'hit or miss' process. For those who can afford or are willing to engage consultants who are learned in the procurement process some insight can be gained, however, for most small to medium enterprise this is simply not possible.

We re-iterate what we have stated previously that guidelines should be developed for industry to consult when tendering for government works.

If you wish to discuss HIA's submission further please do not hesitate to contact the author. Naturally, as submissions are collated and further consideration is given to the nature of the procurement process in the ACT HIA would appreciate the further opportunity to be involved in these discussions.

Yours sincerely

HOUSING INDUSTRY ASSOCIATION LIMITED

A handwritten signature in black ink, appearing to read 'Stuart Collins'. The signature is fluid and cursive, with the first name 'Stuart' and last name 'Collins' clearly distinguishable.

Stuart Collins
Executive Director
ACT/Southern NSW