



23 September 2019

South Australian Productivity Commission
GPO Box 2343
Adelaide SA 5001

Dear Sir / Madam,

SA Productivity Commission Inquiry into Government Procurement Stage 2 - AIIA SA Chapter Council Submission

Thank you for the opportunity to provide additional feedback for the SA Productivity Commission Inquiry into Government Procurement Stage 2.

ICT and Digital Technologies play a pivotal part in the South Australian economy. The Governance Institute of Australia estimates that over 85% of a modern organisation's assets are now intangible – that is, data and content.

Government in SA is a significant user and purchaser of ICT goods and services, through whole of government contracts, panel contracts, pre-qualification portals such as eProjects panel, as well as individual small and large procurements through Tenders SA. Government therefore represents a significant market share for the ICT industry in the State.

At the same time, while a number of multinational technology companies have offices in South Australia, the vast majority of providers are small to medium enterprises.

The AIIA SA Chapter would like to take this opportunity to respond to Commission's Government Procurement Inquiry Stage 2 Draft Report and recommendations provided therein.

The AIIA gives its permission for this response to be published.

Statement from the AIIA Chief Executive Officer, Mr Ron Gauci

The AIIA is pleased to be able to provide a response to the Productivity Commission on behalf of its membership. As the peak representative association for the Australian ICT industry, we represent a very broad cross section of technology interests from small to medium businesses through to multinationals that have made a substantial contribution to the Australian economy.

Accordingly, the AIIA is in a unique position to assist the SA government in developing procurement frameworks with a stronger emphasis on innovation. Through our members' experience in working with both state and federal governments in developing similar systems, the AIIA has a significant depth of knowledge that can be drawn upon. We believe that we can bring real value to the review process.

The AIIA believes that there is a need for a stronger innovation focus in government procurement processes, as this will enhance the ability of government in responding to public sector service provision and fully harness the capacity of the ICT sector as suppliers to government.

The AIIA is committed to engaging with the Commission in developing a framework that benefits the long-term service goals of the SA Government and broader ICT sector.

AIIA SA – The South Australian Chapter of the Australian Information Industry Association

The Australian Information Industry Association (AIIA) is Australia’s peak representative body and advocacy group for those in the digital ecosystem. We are a not-for-profit organisation to benefit members, and AIIA membership fees are tax deductible.

Since 1978, the AIIA has pursued activities to stimulate and grow the digital ecosystem, to create a favourable business environment for our members and to contribute to Australia’s economic prosperity.

We do this by delivering outstanding member value by:

- providing a strong voice of influence
- building a sense of community through events and education
- enabling a network for collaboration and inspiration; and
- developing compelling content and relevant and interesting information.

We represent a larger number of technology organisations in Australia, including:

- Global corporations such as Apple, Adobe, Avande, EMC, Deloitte, Gartner, Google, IBM, Infosys, Intel, Lenovo, Microsoft and Oracle
- Multinational companies including Optus and Telstra
- National organisations including Data#3, ASG and Technology One; and
- a large number of small and medium businesses, start-ups, universities and digital incubators.

Some 92% of AIIA members are small and medium Australian businesses and 8% of AIIA members are large Australian companies and multinational corporations

The AIIA has six State and Territory Councils, including a State Council in SA. Membership of the SA Council is representative of the wider AIIA profile and includes both large multinationals, small to medium businesses and start-ups.

Response to the Draft Report

Draft Recommendations 2.1 – 4.1 (Inclusive)

We note that where a portion of the Stage 2 Draft Report is devoted to procurement matters relevant to Prescribed Public Authorities (PPAs) and Construction, the AIIA has nothing to contribute in respect of those matters other than to propose that, to the extent PPAs procure ICT goods and services, the same principles and processes should apply – for instance a relevant heads of procurement group and sub-committees.

AIIA strongly supports the use of data and analytics to facilitate decision-making. Data analytics is critical to increase transparency and reporting of both the procurement process and outcomes. The use of data can readily identify opportunities to leverage contractual arrangements for technology across agencies, and to support seamless customer and business service delivery, coupled with identifying economies of scale.

Data and analytics as part of the procurement process and market engagement stages would also provide value in informing better procurement outcomes by allowing respondents to better understand context, complexity, current usage, trends and volumes.

Draft Recommendation 4.2 – Innovation

Clearly this recommendation has broader applications, but given our strong innovation focus and economic contribution it is particularly relevant to the ICT sector. The AIIA offers a strong in-principle endorsement of this recommendation and believes it would provide significant opportunities for value generation and benefit realisation as well as economic contribution to the state. There are a range of models for achieving the intended outcomes, while there is also a downside risk that suppliers are expected to make higher ‘at risk’ investments in the procurement stage. It may also be that case that different engagement models are appropriate for different types of products and services.

As per the AIIA’s past submission to the Phase 2 enquiry, Innovation should also include technology trials, evaluations, and proof of concept implementations that identify opportunities for public sector service innovation. At present there is no clear path to collaborate with government in delivering innovative solutions that benefit both industry and the public sector. As suppliers to government, our members have previously demonstrated how adhering to existing procurement policies have undermined these outcomes, or where a lack of clearly determined outcomes beyond the trial result in lost opportunities.

This is particularly important for digital innovation, where the current procurement process may see a company innovate a service in collaboration with government through a proof of concept, only to potentially lose out or lose IP in a subsequent tender process to a potential competitor. If innovation of this type can be considered a stage one procurement process, where stage 2 can simply leverage a successful innovation, then this would significantly improve opportunities for innovative companies and service innovation for government.

Due to its national coverage and membership, as well as its connections to the Federal Government and other State and Territory Governments, the AIIA has indepth knowledge and experience of the various models for innovation implemented across the country. The AIIA would welcome the opportunity to support the development of a South Australian Government model and that of a *procurement of innovative products framework* to accommodate the ICT sector.

Draft Recommendation 4.3 – IP Policy

The AIIA expresses its strong support for this recommendation, and sees it as a necessary ‘twin’ to Draft Recommendation 4.2. As per innovation, the AIIA would welcome an opportunity to contribute to the development of relevant frameworks, informed by its intelligence and visibility of approaches across the jurisdictions.

Innovation in ICT may be expanded beyond procurement to *contracting*, where alternate models may be useful to consider, such as elasticity of contracts (extensibility beyond one agency if there is an aggregation, proven purchasing trend, commonality of need or objective to create a seamless customer experience). Similarly, it may also be worth considering those contracting models used in other industries for ICT – e.g. *energy efficiency contracting*, where overall costs are reduced for the purchaser and savings are shared between supplier and purchaser for a period of time, incentivising mutual benefits realisation. Given the Commission’s focus on procurement, this may be outside the scope of this inquiry, but may be worth future consideration.

Draft Recommendation 5 – A Better System Architecture, Option C: Procurement SA

The AIIA supports the a move to a procurement process based on the greater application of discretion and professional judgement. The AIIA shares the Commission’s view that it is difficult *...to quantify the net benefits to the state of the proposed changes, (but) considers there are good reasons for believing they are likely to be substantial.*

Certainly, it paves the way for a more collaborative engagement between government and suppliers and AIIA believes is an essential foundation for driving value through the implementation of Draft

Recommendations 4.2 & 4.3 in particular.

The AIIA is also supportive of the Commission's "Option C" – the establishment of "Procurement SA" based around the five principles articulated by the Commission but cautions that, in reviewing the *State Procurement Act 2004*, its objects are not inconsistent with those articulated for a "Procurement SA" – and so the question arises of how to ensure that such a newly established entity does not simply administratively replace the State Procurement Board, but instead adopts a greater partnership model in recognition that, while the government is a customer of industry, Industry is a 'customer' of the government procurement process and ultimately also a customer of government services, supported by relevant contracts. The principle of simplicity should be seen as simplicity of the procurement process for all parties engaged in it, rather than narrowly interpreted as simplicity for the purchaser.

Given South Australia's significant percentage of small businesses, it is also important to ensure that *whole of government* services and suppliers do not result in government preferring to deal with a small number of large suppliers, rather than a larger number of smaller providers simply to avoid additional effort in the engagement of industry – which can effectively lockout smaller suppliers from government work, reduce competition and ultimately result in an inefficient outcome. Decisions to reduce procurement to only the use of the large multinationals over local suppliers for professional services for instance is an example.

Concluding Remarks

In conducting the Inquiry into Government Procurement, the Commission has collated and made visible a wide range of long-standing issues surrounding government procurement. The Commission has also made a wide range of recommendations to address these issues.

The AIIA welcomes the opportunity to contribute to this process, and is optimistic that the serviceable adoption and implementation of the Commission's recommendations will lead to significant dividends for both the public sector and those industry sectors that function as suppliers.

Clearly, and as evidenced by some of the current issues identified by the Commission, change can be difficult on both sides of the procurement ledger and therefore engagement, communication, education and training will be essential in ensuring a successful outcome.

The AIIA believes and encourages our engagement to support such change, welcoming engagement both in the Commission's Inquiry and the subsequent government implementation of recommendations made.

Yours Sincerely,



Mr Tim Chopping
Chair, South Australian Chapter Council
Australian Information Industry Association