



THE HON STEVEN MARSHALL MP

PREMIER OF SOUTH AUSTRALIA

B297299

Dr Matthew Butlin
Chair and Chief Executive
SA Productivity Commission
GPO Box 2343
ADELAIDE SA 5000
Email: sapc@sa.gov.au

Dear Dr Butlin, *Matthew*

Thank you for your letter of 14 December 2018 recommending an approach to broaden the current inquiry into goods and services procurement.

As discussed, please find attached a Notice of Inquiry which sets out the terms of reference for the expanded inquiry. The Commission should address the terms of reference in a second stage of the procurement inquiry that covers capital procurement and all procurement by prescribed public authorities.

I thank you and the Commission for your efforts in relation to this expanded inquiry.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Steven Marshall'.

Hon Steven Marshall MP
PREMIER OF SOUTH AUSTRALIA

15/2/2019

Attachments: Notice of Inquiry

SOUTH AUSTRALIAN PRODUCTIVITY COMMISSION INQUIRY INTO GOVERNMENT PROCUREMENT – CAPITAL PROJECTS AND PRESCRIBED PUBLIC AUTHORITIES

I, Steven Marshall, Premier, hereby request that the South Australian Productivity Commission (the Commission) expand the scope of its current inquiry into the efficiency and effectiveness of South Australian Government procurement processes and practices to include capital project procurement and all public authorities including those currently exempt from the *State Procurement Act 2004*.

The Commission's deliberations on the additions to the scope are to be presented to the Government in a separate report.

Background

The South Australian Government's 'Strong Plan for Real Change', documents its election commitment to implement reforms enabling South Australian businesses to better participate in government procurement.

The State's public authorities manage and perform their procurement functions via a mix of centralised and decentralised arrangements depending on their organisational structure and functions. Whilst subject to some exclusions, they are required to comply with the State Procurement Board's (SPB) Procurement Policy Framework and the Department for Industry and Skills' Industry Participation Policy (IPP), local interpretation and application of these governing frameworks, may lead to inconsistent implementation of policy and operational guidelines.

The general government sector capital investment program reflects continued significant investment by the government in delivery of its services. Purchases of non-financial assets are expected to be \$2.0 billion in 2018–19. The forward estimates contain a major infrastructure investment program of \$8.3 billion in the general government sector over four years. As a result of feedback received from the business sector during the current Commission inquiry into procurement, the government has decided that the scope of the inquiry be expanded to include capital projects, as it represents a significant portion of government procurement expenditure and there are opportunities to improve procurement processes.

The state's prescribed public authorities collectively are responsible for a significant amount of procurement in the course of delivering functions on behalf of the South Australian Government, including capital procurement that is not included in the figures above. Procurement by prescribed public authorities, as listed in Schedule 1 of the State Procurement Regulations 2005, is also now in the scope of this inquiry.

Terms of Reference

This inquiry is an expansion of the scope of the current inquiry into goods and services procurement.

As a result, the Commission should address the following terms of reference in a second stage of the procurement inquiry that covers capital procurement and all procurement by prescribed public authorities:

1. Consider the time and costs associated with procurement, that is:
 - a. The time taken to complete the supplier selection stage of the procurement process;
 - b. The cost to business of participating in the procurement process; and
 - c. How the time and costs of the procurement process in South Australia compare to other jurisdictions.
2. Assess the level of compliance by public authorities and other declared bodies with government procurement policies, guidelines, principles, standards and directions.
3. Consider the appropriateness of procurement governance and reporting arrangements. This includes procurement under a Public Private Partnership arrangement.
4. Evaluate the effectiveness of the IPP, in particular, the IPP's impact on:
 - a. Competition between firms, including those from interstate and overseas;
 - b. Prices and value for money of goods and services procured over time; and
 - c. Broader economic effects such as the growth of local industry and employment.
5. Examine the risk management framework used by public authorities to evaluate supplier bids and specifically whether it is appropriate to the value of the procurement.
6. Consider examples of contemporary procurement policies and practices from interstate, overseas and the private sector and their effectiveness in:
 - a. Generating local output and employment;
 - b. Building industry capacity; and
 - c. Promoting innovation.
7. Provide recommendations on action the government should take to improve the effectiveness and efficiency of State Government policies and practices for the government's procurement activities.

Scope

The Inquiry now includes government procurement for capital projects in addition to the procurement of goods and services.

All public authorities subject to the State Procurement Act 2004 continue to be in scope. Applicable prescribed public authorities, as listed in Schedule 1 of the State Procurement Regulations 2005 (attached), are also now in scope.

The Commission should have regard to relevant state and federal legislation, South Australia's national and international obligations about procurement and the South Australian Government's election commitments.

Process

The Commission should consult with a cross section of businesses operating in South Australia, the Small Business Commissioner, Industry Advocate, State Procurement Board, key

business associations and industry representation (including unions), as part of the public engagement process. Engagement should also occur with the Public Works Committee of Parliament.

The Commission is to provide a separate report to the government on the first stage of this inquiry dealing with goods and services procurement, with a draft report due by 15 March 2019 and a final report by 17 May 2019.

The Commission is to provide a second report on capital procurement and procurement by prescribed public authorities, with a draft report to be provided during August 2019 and final report by 31 October 2019.

A handwritten signature in blue ink, appearing to read 'S Marshall', written in a cursive style.

Hon Steven Marshall MP
PREMIER OF SOUTH AUSTRALIA

31/1/2019

Attachment:

- Schedule 1 - State Procurement Regulations 2005

Schedule 1—Prescribed public authorities

Adelaide Venue Management Corporation
Architectural Practice Board of South Australia
Construction Industry Training Board
Health Services Charitable Gifts Board
Legal Profession Conduct Commissioner
Local Government Finance Authority of South Australia
Motor Accident Commission
Return to Work Corporation of South Australia
South Australian Forestry Corporation
South Australian Housing Trust
South Australian Water Corporation
Superannuation Funds Management Corporation of South Australia
Urban Renewal Authority