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South Australian Productivity Commission
GPO Box 2343
ADELAIDE SA 5001

Dear Sir/ Madam

Submitted via email – sapc@sa.gov.au

Government Procurement Information Request

We refer to the draft report into Government Procurement and submit the following additional information for your consideration.

The material provided relates in broad terms specifically to Chapter 4, The Procurement System in Practice and is based on our experiences with the Across Government Stationery Contract 2013 – 2016. This agreement was subsequently replaced with the current Workplace & Related Products (WaRP) contract which commenced in April 2017 and concludes in April 2020.

Strategic Procurement released the WaRP request for tender documents allowing a response period of 6 weeks, evaluated submissions over the ensuing 11 months, ultimately deciding on a panel arrangement consisting of five (5) suppliers.

Our subsidiary, KW Wholesale Stationers is one of the panelists.

Significant resources have been invested to maximize sales opportunities and after 2 years have achieved minimal success from a proposed tender value of \$40 million. The contract is published with a value of \$20 million per annum.

Information Request 4.9

The “Value for Money” question was one first encountered when schools requested exemption from the Across Government Stationery contract. The Industry Advocate & Small Business Commissioner were pivotal defining the concept and need to be recognized for their ongoing effort.

“Value for money” elements included -

- Delivery timeframes
- Emergency ordering
- Product availability
- After-market service
- Local jobs
- Quality of products
- Returns process & policy

However, many schools struggled to grasp the process and were confused further by conflicting information provided from alternative avenues which included other suppliers and Agency staff.

*K.W. Wholesale
Stationers Pty. Ltd.*



From our experience the "Value for Money" term needs to be definitive.

The weighting initiatives largely implemented by the Industry Advocate is a distinct improvement, but many Government customers have no understanding how to apply the weighting and simply make a procurement evaluation on price.

The Industry Advocate checklist requests consideration be given to the following –

- Is the Head Office in South Australia?
- Is the Distribution Centre in South Australia?
- Is the product picked and packed in South Australia?
- Are the back-office services (eh HR, IT & Financial) of the suppliers in South Australia?
- Are the Sales Personnel based in South Australia?
- Can the product be supplied from a regional business?

Procurement personnel need clear guidelines & these can be achieved by -

1. Mandatory completion & auditing of the Industry Advocate checklist.
2. The checklist provides a percentage variation which when applied confirms purchases from local panelists can be made even if the cost is higher.

Information Request 4.13

The information provided in relation to the above request is based on our experiences with the respective stationery contracts.

Stationery is often referred to as a commodity, product that can be obtained from numerous avenues and as a result extremely price competitive. We assume there are numerous other Government tenders that encompass other categories that also could be defined as commodities.

Secondary evaluations removed approximately 80% of the total value of the contract, for the life of the contract, and all resulted in sole supplier agreements. Larger agencies including TAFE SA, DPTI & DECD all undertook this process with a relatively low number of products.

Sole supplier agreements provide a perfect environment for price gouging opportunities. If the product purchased isn't on the spreadsheet there are few to none checks and balances in effect. This is alarming as it has the potential to occur ongoing for the entire life of the contract.

A panel arrangement with the guidelines clearly outlined could prevent the potential issue from becoming a reality and the norm.

We take this opportunity to congratulate you on the draft report and we look forward to the release of the final document in due course.

In the meantime, if you require additional information do not hesitate to contact me.

Regards,



Grant Eckert
Group General Manager