



SA Productivity Commission Inquiry into Government Procurement Stage 2

AIIA Submission

AIIA National contact details¹:

Level 1 131 Canberra Ave Griffith ACT 2603

GPO Box 573 Canberra ACT 2601

T 61 2 6281 9400

E info@aia.com.au

W www.aia.com.au

¹ Note, this submission has been compiled by the AIIA South Australian Chapter given the scope of the inquiry is South Australia. For more information, please contact the AIIA SA Council.

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 technology organisations of all shapes and sizes all around Australia, including:

- Global corporations such as Apple, Adobe, Avanade, 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.

Background to this submission

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 the inquiry and provide a number of suggestions for improvement of the procurement process and market experience as it relates to ICT and digital goods and services, based on feedback from its membership.

In order to provide context to this submission, the following section on Transparency also provides a brief overview of the current government procurement mechanisms in place for ICT goods and services in SA.

Opportunities for improvement

1 Transparency

1.1 Tenders, Panels and Purchasing

SA Government ICT procurement for projects is predominantly transacted through the various eProject Panels. As a prelude to comments below, it is important to draw a distinction between it and other procurement mechanisms the Productivity Commissioner will have encountered:

1.1.1 TendersSA

TendersSA is the primary vehicle for government issued tenders, including all non-ICT tenders. A Request for Tender is generally issued openly – it is visible to all prospective suppliers. Registered users are able to download tender documents. Registration is unrestricted. Generally, the list of parties who have downloaded tender documents are visible. Progress of tenders is visible only to the extent that an award notice is published. In most cases, the awarded party is named once a contract has been awarded and sometimes the price of the winning bid (for a fixed price tender) is also published.

1.1.2 eProjects Panels

There are seven 'eProjects' panels catering for procurements of different categories of services, value and risk profiles (refer: <https://eprojects.sa.gov.au>). These panels are operated by Department of Premier and Cabinet and are the primary procurement path for project-based supply of ICT goods and services up to a certain value.

The panels are formed of pre-qualified² suppliers. Pre-qualification includes suppliers specifying which of a range of services they are able to provide. The panels are open to new suppliers at any time and suppliers have the ability to update their details at any time. Registration is required for each panel a supplier wishes to be a member of.

Agencies typically use the panel to identify registered suppliers to whom they will make a market approach via an EoI, RFQ, RFP, or RFT.

By their nature and in contrast to Tenders SA, the eProjects panels are exclusive in that there is only access to relevant market approaches for suppliers already on the panels.

For any given procurement, candidate suppliers are selected by agencies. While this mechanism works well for agencies to engage the market as it essentially represents a secondary procurement process only, there are disadvantages for the vendor community, in that:

² The eProjects Portal website describes a "panel of pre-qualified suppliers" but responses to offers generally require bidders to re-demonstrate their qualification and capability.

- the criteria used to make selections are not visible to the market,
- suppliers have no visibility of available procurements other than those for which they have been selected as a candidate, and
- there is no visibility of the level of business transacted through the panels, or won by particular suppliers.

1.1.3 Other Panel Contracts “Standing offer contracts”

Panel contracts refer to panels established by agencies or across government. These panels are used to establish a set of pre-qualified suppliers to whom contracts or purchase orders for goods and services may be issued on an ongoing basis.

These Panels have relevance in the ICT procurement sector, particularly through the whole-of-government “Provision of Temporary Staff Services Contract³” which covers the provision of ICT staff and, to a certain level, professional services staff. A supplier’s price-point is a significant qualifying factor – this is essentially an open-book pricing model geared for provision of staffing resource as a commodity item.

Other agencies have established their own panels for the provision of professional services in the ICT sector (eg SA Health is in the process of establishing such a panel).

There is generally no expectation that a panel member will be guaranteed any particular level of business or any particular share of business transacted through the panel.

The criteria used by agencies to determine which panel they will issue a contract to on a case-by-case basis are generally opaque to the supplier community.

By its nature, a panel contract is exclusive in that procurement is restricted to panel members. Depending on the panel, there may be no mechanism for recruitment of new participants (i.e. the panel will be established for a defined period of time – up to 10 years is not unknown – and then be dissolved). Some panels have defined recruitment cycles (e.g. annual) or provision for discretionary recruitment (e.g. to replace departed panel members)

There is generally very little visibility⁴ to panel members about the level of business transacted through the panel or any information about the volume of business transacted on a supplier by supplier basis. There is generally no visibility to non-panel members.

1.1.4 Agency Purchasing

State Government Procurement Policy (refer <https://www.spb.sa.gov.au/sites/default/files/Simple%20Procurement%20Policy%20v6.4%20January%202019.pdf>) allows agencies to procure goods and services below a \$33,000 threshold with only a single quotation.

There is no visibility about the volume of business transacted at this level or the suppliers who receive work. Such procurements can sometimes be subsequently

³ <https://www.spb.sa.gov.au/sites/default/files/AGC%20Sum%20Info-%20Temp%20Staff.v1Dec16.pdf>

⁴ ‘visibility’ refers to information provided by procuring agencies for the use of suppliers. There may be secondary sources of information – for example individual agencies may be required to include in their annual report a listing of suppliers with whom they procured more than a threshold level of service, however, this information is generally too old or too highly aggregated to be of use to suppliers.

leveraged into a <\$220,000 procurement using the particular skills/experience of the incumbent supplier to justify a reduced number of quotes (using provisions of section 10 of the procurement policy).

1.2 Data and Analytics on Government ICT usage, volume and trends

While TendersSA provides a list of contracts and successful respondents, there is an overall lack of transparency preceding or during the procurement process related to the wider context and landscape of the Government's current usage and volumes related to most ICT goods and services.

For instance, there is no publicly available information about the volumes and scale of government requirements or analytics on trend data on transition from traditional ICT to more modern services offerings across agencies.

General volumetric and trend information would be useful to provide relevant context to procurement initiatives without needing to refer to individual agencies.

Currently, it is often only the incumbents of a major contract who understand the size and complexity of the work, with other suppliers being at a disadvantage due to lack of access to market intelligence.

1.3 Transparency of process

TendersSA and the eProjects panels both provide functionality to be notified of relevant market opportunities. Beyond initial notification and relevant clarification or briefing information, there is currently little visibility of the progress of a response through the government evaluation process once it has been submitted. Equally, there is generally no visibility of the criteria used for evaluation.

In some instances, individual market approaches list which suppliers have downloaded documents but this is not the norm.

It would be helpful to have greater visibility and transparency of the evaluation criteria and possibly high-level weightings, as well as of progression of a response through Government assessment stages.

It would also be helpful to understand market depth and competitive playing fields as much as possible as it may encourage suppliers to partner more readily and therefore also create a more diverse response field for Government.

1.4 Quality feedback

While State Government Procurement Policy requires that unsuccessful suppliers must be offered the opportunity to receive feedback, such feedback is frequently unhelpful by being too high level or abstract, not delivered in a consistent manner (thus not allowing longitudinal analysis of performance/success rates and relevant causes), or actionable in the sense of driving improvement and encouraging learning.

It would be useful to be afforded an opportunity to work with Government on how to make feedback more useful to industry, so that this process enables suppliers to learn where their responses did not meet expectations or could be improved and where they did not meet minimum requirements. An engagement with industry on criteria for consistent, quality feedback can then, over time, lead to better responses and provide a learning opportunity to suppliers for their next engagement. This would include ensuring that successful bidders are also provided feedback.

1.5 Suppliers, capabilities and contracts awarded

Current ICT panels and contracts provide very limited visibility of who is winning work and what type of work is being won. However, federal government models can provide a template for greater visibility and transparency.

The Digital Marketplace (<https://marketplace.service.gov.au/>) provides a mechanism whereby contracts and suppliers are categorised against services they offer and suppliers that are on the panel are visible to each other. Furthermore, the marketplace publishes current data on the types of services provided, the stage of development and information about business won – refer: <https://marketplace1.zendesk.com/hc/en-gb/articles/360000141616> .

A similar capability exists on AusTender, the Federal Government's website, which allows for dynamic reporting to be created against tender types, date ranges, agencies, etc (refer: <https://tenders.gov.au/Reports/CnConsultancyForm>).

Government Open data provides another opportunity for increased transparency and analysis of procurement data. Data.sa.gov.au contains a number of different datasets related to AusTender and also WA tenders, but no such data set is available for SA Tenders or e-Projects panels (refer: https://data.sa.gov.au/data/dataset?q=tender&sort=extras_harvest_portal+asc%2C+score+desc%2C+metadata_modified+desc)

Visibility and transparency of tender and contracting data provides greater transparency of the types of work being procured, but also the types of respondents winning the work.

1.6 Visibility of suppliers and ability to partner

In addition, the Digital Marketplace's visibility of providers and their profile of services allows other providers to seek/consider partnering on initiatives and can act as a mechanism to find collaboration/subcontracting opportunities, where a single provider does not have the complete expertise or skill set required to respond to a tender.

This type of capability may also be useful in conjunction with the above-mentioned greater visibility of likely tender respondents, as it would allow other respondents to seek relevant partnerships and collaboration opportunities in order to be competitive.

2 Multiple touch points - complexity

There are currently several touch points for ICT products and services in SA, resulting in the need to provide repetitive information to be notified of tenders or qualify for supply.

Tenders SA is able to be accessed via a simple login and password by suppliers, whereas the eProjects panel is a suite of 7 separate panels, each requiring pre-qualification – resulting in 7 different presences for suppliers with differing criteria.

AIIA members have also experienced situations where agencies were unaware of these panel arrangements, or the specific reasons for why each panel operates independently. Such ambiguity can result in difficulties for suppliers, especially new market entrants, in understanding the procurement compliance requirements and contract arrangements to which they are agreeing.

It would be preferable to establish a single portal for ICT goods and services with several different categories of supply (similar, but possibly wider in scope than the Digital

Marketplace), with the ability for suppliers to pre-register their information, service categories, credentials etc. once.

With modern technology (ASIC, ATO and other entities already offer real-time webservices and application programming interfaces), it would be possible to validate and re-validate supplier information in real time, thereby saving suppliers time in providing common information and by enabling the ability to re-use and validate company profile, financial information and qualifications/licenses whilst also adding value to Government in ensuring relevant respondents are appropriately qualified, licensed and financially sound.

Government agencies would similarly save time by avoiding the need to constantly revalidate information while the risk of suppliers providing incorrect, out of date, incomplete or misleading information would be managed.

3 Single source for reference documentation

ICT goods and services to government are subject to a number of mandated frameworks and policies, such as *Statenet conditions of connection, information security frameworks, privacy policies, records management and industry participation policies* etc. There is currently no single, comprehensive portal providing an overview and access to all relevant government frameworks and policies that apply to the ICT and digital sector. Rather, most are hosted on the responsible agency's website and therefore require/assume that a supplier is not only aware of the policy but also of the responsible agency.

It would be more efficient and also contribute to greater competition, better compliance and better risk management, if all relevant ICT/digital, security, privacy, records management and other policies applicable to relevant procurements were available in a single portal, possibly an integrated procurement portal for ICT.

4 Accessibility, Communication and Education

4.1 Understanding and currency of government procurement context, policy and value for money provisions (especially for new market entrants).

The ICT industry is a dynamic industry and arguably one with the largest number of entrepreneurs and start-ups across all sectors. Given the profile of business types in SA (over 95% small to medium business) and its parallel in the ICT sector, it is important for these new and emerging businesses to understand how to successfully engage with and supply to government.

While the Commissioner for Small Business and the Industry Advocate provide convenient touch points for information across all sectors, it would be useful to have a readily and widely accessible online portal to understand government procurement processes, guidelines (including State Procurement Board principles and guidelines related to procurement, e.g. a full explanation of 'value for money') and tender/panel opportunities in a single location.

While a number of education and meet the buyer events and mechanisms already exist, other channels of engagement should also be considered. For instance, informative youtube clips may provide an additional and highly accessible avenue for educating new and incumbent suppliers to government – not just to inform on general principles and available services, but also on any new policies or changes in procurement requirements (such as for instance the economic contribution test).

If all information, tenders, supplier details and contextual policy documents could be integrated into a single portal, then it would also be possible to receive notifications not only

for upcoming tenders, but also for changes to policy or relevant government compliance frameworks.

Easy access to relevant procurement information and updates can not only facilitate better quality/compliant market responses, it can also offer further opportunity to SA's significant existing and emerging technology innovation and entrepreneurship sector.

5 Innovation

Procurement processes as well as contracting frameworks need to provide mechanisms to build in value-add, technology change and innovation opportunities, given that technologies are evolving fast. This is relevant to Government in digitising and modernising its services, but also to the wider economy and each sector in it.

Based on feedback from our membership, catering for innovation in procurement could include:

- ensuring *contracts are 'elastic'*, that is, have a mechanism to add emerging and incremental technology improvements and innovations as well as emerging products and services during the course of a contract, without the need for an additional procurement process,
- creating a mechanism for *engaging in innovation activities* (see section on proof of concept initiatives) and allowing for agile development or technology evaluation as part of the contract, to providing mechanisms to take an innovation from a proof of concept – if viable – to a fully operational system and capability.
- Providing suppliers with a *description of the problem to be solved*, rather than a prescriptive solution specification, possibly in a first pass process, as this may allow suppliers to innovate to an outcome
- Providing *platforms for engagement* with industry, informing the market on government expectations, and the government of what is available from the market. This will allow identification and connections between new innovations, and government problems needing a solution.

Because innovation in all its facets is both a proudly South Australian heritage as well as a key economic advantage to the State, it may be useful to engage the ICT industry through a number of workshops in the design of relevant innovation opportunities and frameworks in the context of procurement and contracting to cater for the speed of change in technology.

The AIIA would welcome such an engagement and mobilise its membership to assist the Government in developing an innovation framework, should such an opportunity be offered.

If this could be done for government procurement, it is highly likely that it would also be useful and relevant to other sectors of the South Australian economy and possibly even provide intellectual property for a global export opportunity.

6 Competitiveness

If there was a single and ongoing mechanism to keep adding suppliers to Government panels and portals, it would facilitate visibility and access for South Australian businesses to SA Government procurements and also provide an ongoing opportunity for SA grown start-ups to win business in SA, rather than move interstate or overseas.

If the value created by the Government's entrepreneurship drive could be complemented by making it easy for start-ups to register and do business with Government, then this could add an additional benefit to our State's economy.

7 Risk-based and agile procurement approach

In order for small businesses and in particular start-ups to win business from government, particularly those that may not yet have a proven track record, it will also be useful to consider an agile space for procurement, including opportunities for small, technology evaluation or proof of concept projects.

For government, smaller projects would mean smaller risk and expenditure exposure and therefore a reduced need for high levels of liability. For small or emerging businesses, risk-based procurement would allow an entry point to the government sector. This could provide an approach to support innovation by 'right sizing' the risk profile for a small testbed project.

8 Technology evaluations/proofs of concept

Increasingly, changes in business environments and digital technologies will put pressure on existing government procurement frameworks and require avenues to experiment, test technologies (such as blockchain or artificial intelligence), or develop a proof of concept to inform an investment proposal, business case or submission to Cabinet for funding. There are currently no specific procurement mechanisms to engage in a more agile way.

The Digital Marketplace provides such a mechanism, in particular to test feasibility and develop proofs of concept or prototypes. It would therefore be useful to consider if SA Government can simply join as a partner onto the Digital Marketplace and leverage its existing capabilities to provide opportunities not just for agencies to test concepts, but for small businesses to engage more easily (noting the analytics of the Digital Marketplace show a distinct bias towards use of SMEs).

*“The Digital Marketplace is a simple and fast way to buy and sell with government. It **breaks down the barriers of entry for SMEs** (a small to medium enterprise with less than 200 employees) and makes it **easier to compete for the Australian Government’s annual ICT spend.**”*

<https://marketplace1.zendesk.com/hc/en-gb/articles/360000141616>

In addition, participation of SA Government in the Digital Marketplace would also provide additional opportunities for SA SMEs to be visible on the national stage through the same mechanism.

9 Capital expenditure vs ‘as a service’ – flexible financial models

Most major ICT initiatives currently are still procured under capital expenditure and result in either the replacement of an old or the implementation of a new business system. Similarly, most current financial models still cater for Capital Expenditure (capex) to replace assets on a relevant cycle.

With increasing opportunities and shifts in ICT services to ‘as a service’, cloud services and subscription licensing, the underlying financial model for some of these procurements will necessarily also need to shift towards a subscription model, which will require Operational expenditure (opex), rather than capex in agencies.

It may therefore be necessary to consider the flexibility of current financial models, including the ability to convert a proportion of annual provisions for capital expenditure to opex for this reason and to enable government to more readily embrace ‘as a service’ opportunities. Similarly, the development of procurement guidelines to facilitate comparative financial evaluation of capex and opex bids would assist agencies and suppliers alike.

10 Early engagement/dialogue

Many digital initiatives across Governments emphasise the need to engage customers early and often and to ensure services are co-designed with those who use them. Evidence of this is the Government's D3 toolkit (<https://www.dpc.sa.gov.au/responsibilities/ict-digital-cyber-security/toolkits/d3-digital-challenge-toolkit>), the Digital Service Standard (<https://www.dta.gov.au/help-and-advice/about-digital-service-standard>) and the IAP2 framework (http://bettertogether.sa.gov.au/media/W1siZiIsIjIwMTcvMDUvMTgvOHd0dmI2Ynd5aV9JQVAyc19TcGVjdHJ1bV8wNV8yMDE3LnBkZiJdXQ/IAP2s%20Spectrum%2005_2017.pdf) in use in SA Government.

These same frameworks could also be useful in engaging the market in the codesign of new services or service architectures, as few sectors of the economy evolve as quickly and dramatically as the ICT and digital sector.

This engagement could range from pre-procurement workshops to inform specific tenders, to wider industry-specific dialogue on opportunities to improve outcomes and cater for innovation and technology change for both government and suppliers, an open panel to engage on what works/what doesn't in current ICT procurement and contracting processes, and an open conversation on how to achieve better outcomes for both government and suppliers, as well as the State at large.

11 Conclusion

A number of the proposed improvements above are designed to address and reduce the complexity of the current government ICT procurement landscape in SA and look to greater visibility and transparency - in process, outcome, data and engagement models, to help inform the market, build a marketplace approach rather than a supplier/purchaser model and provide better outcomes for both government and suppliers.

Other recommendations also look to ease the burden on information provision and re-provision to suppliers and address barriers of entry to new market players, in particular in light of, and complimentary to, the Government's entrepreneurship focus.

Finally, some recommendations revolve around possible co-design with industry on new models and frameworks for agile procurement, innovation and market engagement. The AIIA is well placed, through its membership, to assist Government in designing new approaches and frameworks and would welcome the opportunity to add value in this space.

In conclusion, the AIIA SA Chapter would like to take this opportunity to thank the Government of South Australia and the Productivity Commission in particular for the opportunity to provide input and feedback to this important review.