

From: Vito Rinaldi [REDACTED]
Sent: Wednesday, 18 September 2019 3:31 PM
To: Butlin, Matthew
Cc: DPC:SAPC
Subject: Inquiry into Government Procurement Stage 2

Importance: High

Dear Dr Matthew Butlin,

I have looked at https://www.sapc.sa.gov.au/_data/assets/pdf_file/0015/114108/Government-Procurement-Inquiry-Stage-2-Draft-Report.pdf#page=9&zoom=auto,-118,843

I am concerned about the Economic Contribution Test (ECT) removal for ICT contracts under \$550,000.

I have been communication/discussing with Ian Nightingale/Mark Carey/Rob Lucas, as well as Julian Robertson and have been expressing my concerns to have an Economic Contribution Test (ECT) for ICT contracts under \$550K.

I run an Information Technology business called Blue Crystal Solutions (BCS) from Hindmarsh Square, Adelaide, South Australia. We employ 40 employees and operate nationally, our headquarters in Adelaide. BCS perform approximately 20% of our ICT Services work for SA Government. SA Government ICT project and managed services provides BCS with the experience and reputation which has resulted in opportunities all over Australia.

As you know the provision of ICT services can be performed remotely and "out of country" in most scenarios.

Arguably one of the most outsourced procured services. Most ICT Services would generally fall under \$550,000 as there is rarely any large capital involved in the provision of ICT services, especially with the advent of the public cloud, as it will force SAG Agencies to use a capex model instead of capital.

Procurement reform by removing ECT for ICT contracts under \$550K is dangerous, I believe that ICT Economic Contribution Tests (ECT) **must** exist for ICT contracts under \$550K, I strongly suggest that **there must be an exception for ICT**. As ICT work can almost always be performed remotely from outside of South Australia. I am suggesting the sample used for the postulation is not an accurate representation for ICT organisations selling into SAG Agencies, as I know examples where interstate and international ICT companies have told untruths and are performing services to SAG Agencies from outside South Australia. It is important to note, that the current DCSS contract only has two suppliers, this has led to the destruction of a lot of ICT companies, and as a result not too many SAG Agencies ICT procurement examples to choose from.

The ECT is different for ICT and removing it for work under \$550K for ICT will decimate our industry. I am very interested in ways in which Government can add an ICT amendment to the Simple Procurement Policy and Simple Evaluation Plan to reflect an ICT Focus for ECT; as ICT is different to procuring the likes of machinery, roads, trams, servers, trucks, buildings, stationary, etc.. etc... For example, a \$500,000 ICT contract will carry more of a multiplier effect per unit price than the equivalent of a tram of the same price.... (noting trams would cost around 8M per KM...).

Some points to note:

The current ECT form takes 5-10 minutes to fill out and is not onerous... it is the necessary! And as a supplier BCS don't mind doing it! bring it on!

There are examples where BCS have falsely lost ICT business to interstate organisations. Not having a formal ECT for ICT projects under \$550K will open the doors for no measurement.

If there is no ECT for ICT contracts under \$550K, then Ian's team cannot police ECT for contracts under \$550,000 as there will not be any ECT to measure against. Then, there will be nothing for Ian's team to validate and police. Once the contract is gone, then it is gone... compare this with manufacturing in South Australia... it is generational to comeback. It will slip from under our noses.

Ian's team needs to have the jurisdiction to police and validate contracts that SA Gov are signing up to, especially under \$550K and for ICT. This needs to be ongoing.

How will Agencies determine whether to include ECT requirements into the evaluation of quotes between \$220,000 (GST inclusive) and \$550,000 (GST inclusive). Why not include something in the Simple Procurement that provides guidance to agency staff about how this would happen e.g. some basic questions when the quotes are evaluated. If this was required, SAG would have some way of monitoring the outcome. This way you have something to measure

and report to government – the location of the business winning the quote and the percentage jobs/labour hours delivered in the State.

ICT is the future and intertwined in almost all industries, ICT is becoming dominate, representing and challenging the way we work and operate in almost every business.

In summary, I strongly suggest that ICT Procurement be dealt differently to other procurement, and that ECT needs to exist for ICT contracts under \$550,000, I recommend there be an ICT ECT obligation for contracts under \$550,000, this way it can be monitored and measured, and protecting the ICT industry.

Can you please take on my suggestion for serious consideration within the due process?

Please feel free to contact me if you have any further questions.

Kind regards,



Vito Rinaldi
Managing Director

