

SOUTH AUSTRALIAN PRODUCTIVITY COMMISSION INQUIRY INTO GOVERNMENT PROCUREMENT

I, Steven Marshall, Premier, hereby request that the South Australian Productivity Commission (the Commission) undertake an inquiry to assess the efficiency and effectiveness of South Australian Government procurement processes and practices.

Background

The purchase of goods and services represents a considerable portion of total government expenditure and is critical to the provision of public services. In 2016-17, the use of goods and services totalled \$4.9 billion on a consolidated, whole of government basis comprising 24 per cent of total expenses from transactions for that year.

The State's public authorities manage and perform their procurement functions via a mix of centralised and decentralised arrangements depending on the organisational structure of the various agencies. Whilst they are required to comply with the State Procurement Board's (SPB) *Procurement Policy Framework* and the Department of 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 small business sector has indicated that the public procurement process for goods and services is too costly and labour intensive and requires too much supporting information for small firms to participate given the likelihood of success in any given tender process.

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

Terms of Reference

The Commission is to evaluate the effectiveness and efficiency of State Government policies and practices for the procurement of goods and services (not including capital projects) and identify reform options to improve procurement practices and the impact of procurement on local industry output and employment.

In particular, the inquiry should:

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 with government procurement policies, guidelines, principles, standards and directions.
3. Consider the appropriateness of procurement governance and reporting arrangements.

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 procurement of goods and services.

Scope

The procurement of goods and services (not including capital projects).

Procurement, as defined by the State Procurement Board, is a three-stage process including:

- a. Acquisition planning;
- b. Supplier selection; and
- c. Contract management.

All public authorities subject to the *State Procurement Act 2004* are 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.

The Commission is to provide a draft report by 15 March 2019 and final report by 17 May 2019.



Hon Steven Marshall MP
PREMIER OF SOUTH AUSTRALIA