

Media Release – Tuesday, 30 August 2019

Draft Report proposes change in government procurement

The South Australian Productivity Commission (SAPC) today released the draft report for the second part of its inquiry into government procurement.

The Commission was asked by the South Australian Government in late October 2018 to inquire into the efficiency and effectiveness of policies and practices in government procurement for goods and services. In February 2019 the scope of the inquiry was expanded by the South Australian Government to all of its procurement.

The first part of the inquiry was completed on 17 May 2019. The South Australian Government responded to it on 9 August 2019, accepting 28 of the Commission's 30 recommendations in full and the other two in part.

The second part of the inquiry focuses on public authorities and procurement expenditure not governed by the *State Procurement Act 2004* – for example prescribed public authorities like SA Water – and construction expenditure. It also considers the overall design of the procurement system and options to improve it.

Chair of the SAPC Dr Matthew Butlin said government procurement is important and complex, and has a large impact on the South Australian economy.

"The South Australian Government's spending on procurement is a large part of our economy – around 10 per cent of Gross State Product," Dr Butlin said.

"Our draft report sets out options for improving the value to South Australia from procurement spending. I look forward to developing these options in further discussions with stakeholders as we finalise our views."

The Commission received several new submissions and engaged with a range of stakeholders from businesses, government public authorities, and not-for-profit organisations, as well as consulting with other states.

Participants raised similar issues to those highlighted in the first report on the initial inquiry, including perceptions of excessive red tape and delays, inadequate knowledge of the market place and local suppliers and barriers to innovation.

"I greatly appreciate the contribution and goodwill of all the participants in the inquiry," Dr Butlin said.

BACKGROUND

- On 31 October 2018, the Commission was asked to conduct an inquiry to assess the efficiency and effectiveness of South Australia's procurement processes and practices
- Initially, the scope of the inquiry was limited to all public authorities subject to the *State Procurement Act 2004* and did not include capital expenditure over \$150,000 (excluding GST)
- On 15 February 2019, the Premier advised the Commission he had accepted its recommended approach to expanding the scope of the inquiry to include prescribed public authorities and capital projects
- The Commission is completing the inquiry in two parts. The Stage 1 report was focussed on the original terms of reference and the Stage 2 report will be the final report on the whole procurement system.

STAGE 1 REPORT

- The Commission has released its final report on Stage 1 of its inquiry. A copy of the draft report is available on the SAPC website – www.sapc.sa.gov.au
- The government response to the Stage 1 report was published on 9 August 2019 and is available on the Department of Premier and Cabinet website.

NEXT STEPS

- The Commission will consult with stakeholders and complete the final report by 31 October.

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