

5 July 2019

Dr Matthew Butlin  
Chair and Chief Executive  
South Australian Productivity Commission  
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**Business SA**  
Chamber of Commerce  
and Industry South Australia

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Working for your business.  
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Dear Mr Butlin

I write in response to your request for submissions to the revised terms of reference for the South Australian Productivity Commission's Government Procurement Inquiry, Stage 2, which now incorporates capital projects and all procurement matters for prescribed authorities. Business SA makes this submission subsequent to our earlier submission to Stage 1 of the Inquiry in relation to goods and services.

#### Executive Summary

- Many of the issues Business SA raised in relation to the Stage 1 Inquiry into goods and services procurement are equally applicable to capital projects, particularly around the duplication of information requirements and the general cost of tendering.
- Considering the sheer size of capital project tenders relative to most goods & services tenders, this is an ideal place for the Commission to focus on how to implement best practice more broadly across all State Government procurement.
- Training for SMEs to access State Government capital project contracts should form part of the Commission's consideration, acknowledging this would also be helpful for Commonwealth contracts, in particular in the defence sector.
- The need to consider the issue of delayed capital project tenders is particularly relevant in the current context where the State Government's entire approach to infrastructure project assessment and funding is going through a much needed structural reform, incorporating establishment of Infrastructure SA, but in the interim, industry is in desperate need for existing funded projects to proceed.

Should you require any further information or have questions, please contact Andrew McKenna, Senior Policy Adviser, on (08) 8300 0009 or [andrewm@business-sa.com](mailto:andrewm@business-sa.com).

Yours sincerely,

Anthony Penney  
Executive Director, Industry and Government Engagement





### Why this matter is important to South Australian businesses

*As South Australia's Chamber of Commerce and Industry, with a history dating back to 1839, Business SA is the peak business membership organisation in the State. Our more than 3,000 members are affected by this matter in the following ways:*

- With an annual \$3b of capital project spend through both the State Government and its prescribed authorities (primarily SA Water), the opportunity to better leverage that spend to support South Australia's business community while ensuring value for money is material
- The \$11.9 billion infrastructure spend announced in the 2019/20 State Budget will substantially alter the Government's net debt position and that increased risk flows to taxpayers, including local businesses, which further substantiates the need to ensure the local procurement system effectively supports South Australian businesses
- Access to Government contracts can often provide the platform for many small to medium sized businesses to grow but unreasonable or costly barriers of entry to public tenders stifle such opportunities

Business SA has commented on following aspects of the Inquiry's extended terms of reference to capital projects & prescribed authorities:

#### 1. Cost of Tendering

Similarly to our initial submission on Procurement of Goods and Services, the cost of tendering for State Government Capital Projects came out strongly in additional feedback received from members. This was primarily driven by the volume of supporting information required. Recognising that there are various pre-qualification processes in use across Government, members still commented that the variation amongst these between departments and agencies was not necessarily helpful in achieving their overarching goal.

The difficulty for smaller businesses to access certain tenders structured on mandatory pre-qualification processes was also conveyed. For example, a small builder in a country town that otherwise has few opportunities for Government contract work but would like to be involved in a local school project.

In terms of duplicate information requirements, members advised the need for vastly improved whole of government processes or platforms to store relatively consistent information requirements including, but not limited to, insurance coverage, return to work information, financial information and ISIO accreditation documentation. While businesses recognise that such information is not necessarily static, they get frustrated by having to fill out large information requests with largely identical information that might have only been provided to the same Government department or agency a couple of months before.

*"Having been contracted to the State Government for over 20 years - the same details and information - which should be on record - is repeated and repeated"* (Construction company – 20 to 49 employees).



Members also argued that much of these information requests could be withheld until the contract shortlisting phase, particularly when the tendering parties were well established and known to Government.

## **2. Ultimate cost and variations**

There was some feedback provided on businesses which undercut their competitors only to recoup that margin through contract variations after the contract was awarded. This is an area the Commission needs to have regard for in how it assesses the ultimate cost effectiveness of State Government capital project procurement processes.

## **3. Delay in tender releases**

Business SA members have repeatedly raised issues concerning delays in tender releases across Government, including for capital projects.

As a recent example, Business SA understands several major construction project tenders are yet to be released after exceeding pre-announced tender release expectation dates including:

- Port Wakefield Overpass
- Joy Baluch Bridge
- Main South Road duplication (Seaford to Aldinga)
- Penola Northern Bypass

Business SA recognises the need for the State Government to ensure they have proper tender specifications in place, are achieving value for money, and that often these types of projects are also part Federal Government funded. However, with the lack of Government business cases ready for major construction projects in South Australia, it is particularly important that existing funded projects proceed as fast as is practicable to support local industry.

## **4. Specific feedback on prescribed authorities**

Additional member feedback on prescribed authority procurement practices for Stage 2 of the Inquiry was limited, although some suggested SA Water's tender processes were quite complex, particularly in relation to the Northern Adelaide Irrigation Scheme. This is somewhat related to the previous Government's intention to engineer a specific outcome from the NAIS, rather than just focus on achieving market value for the additional recycled water on behalf of all SA Water customers.