

ECONOMICS AND INDUSTRY STANDING COMMITTEE

**INQUIRY INTO THE STATE GOVERNMENT'S ROLE
IN DEVELOPING AND PROMOTING
INFORMATION COMMUNICATIONS TECHNOLOGY (ICT) IN WESTERN AUSTRALIA**

**TRANSCRIPT OF EVIDENCE TAKEN
AT PERTH
WEDNESDAY, 28 FEBRUARY 2007**

SESSION ONE

Members

**Ms J.A. Radisich (Chair)
Mr G.A. Woodhams (Deputy Chair)
Dr J.M. Edwards
Mr M.P. Murray
Mr A.J. Simpson**

Hearing commenced at 10.24 am.

TONDUT, MR JOHN KENNETH

**Acting Executive Director, Office of Government Procurement,
Department of Treasury and Finance, examined:**

TAYLOR, MR ALEX

**Director, Strategic Sourcing Reform,
Department of Treasury and Finance, examined:**

CHAIR: Thank you for coming in today. This committee hearing is a proceeding of Parliament and warrants the same respect the proceedings of the house itself demand. Even though you are not required to give evidence on oath any deliberate misleading of the committee may be regarded as contempt of Parliament. Have you both completed the "Details of Witness" form?

The Witnesses: Yes.

CHAIR: Do you understand the notes at the bottom of the form?

The Witnesses: Yes.

CHAIR: Did you receive and read an information for witnesses briefing sheet regarding giving evidence to parliamentary committees?

The Witnesses: Yes.

CHAIR: Do you have any questions relating to your appearance before the committee today?

The Witnesses: No.

CHAIR: Do you have any amendments or changes you need to pass on to us regarding your written submission?

Mr Tondut: No, I do not believe so.

CHAIR: We have a number of questions about the Department of Treasury and Finance processes in your submission, but are there any general comments you would like to make from the DTF point of view in relation to our inquiry or your submission? Perhaps some general discussion would be a good place for us to start.

Mr Tondut: Perhaps I could reinforce some of the messages at the start of our submission. My department does not have a direct role in industry development but we certainly have an indirect role and we are very interested in the local ICT industry. We focus very much on value for money and one of the key principles there is to look at things with a longer term perspective as well as a short-term perspective, and having a competitive local industry is a key part of that. We do a range of things that we would be happy to talk through, and which we believe are to the benefit of creating that competitive local industry.

CHAIR: Would you be able to expand on that?

Mr Tondut: Certainly. First, we are a very big buyer. In the handout we attached a diagram and you can see from that that government is a big buyer in its own right and ICT buying makes up in the order of \$350 million a year, so we are a big player in the context of the local industry. Second, our core brief is value for money. Our objective is to get the best value outcome for government when we buy.

CHAIR: What are the aspects of value for money that you consider? How would you define it?

Mr Tondut: In simple terms it is about looking at prices and quality and making a judgment call on what is the best value. The State Supply Commission policy provides quite a number of details around that. There are factors such as the Buy Local policy itself that we take into account in a judgment call, but in simple terms it is to look at the quality and price and make a judgment on the best outcome for government in a longer term sense.

CHAIR: Is any consideration given to personal relationships or ease of dealing with a particular company and the experience that agencies might have and evidence that DTF may collect?

Mr Tondut: Often in the qualitative criteria there are components that look at those sorts of issues: they look at the experience of the company, the proposal that it is putting forward and the capacity to deliver an ongoing service. Hence, local presence and capacity to deliver things in an ongoing viable way are important.

CHAIR: Would those criteria have far less weight than the price?

Mr Tondut: No, I would not say that. The value for money model is to look at quality, and we look at qualitative criteria. Normally, in a tender all the players are ranked on a qualitative basis separate to price. They are ranked on price and then we make a judgment between the two.

CHAIR: How does the relationship work between the State Supply Commission policy and the Office of Government Procurement within DTF?

Mr Tondut: In simple terms, the State Supply Commission is the policy setter and regulator. Our role is to help government buy, so we have two prime services, as outlined in this handout. One is to help facilitate agency buying, so it is part of the regulation, for instance, that government agencies are required by the State Supply Commission to involve my office staff in their public tenders above \$100 000. We have an overview for any individual purchase or procurement above \$20 000. That is one role. The other core role is to look at putting whole-of-government frameworks in place - common use contracting arrangements - where there is a viable business case to do that. They are the prime roles. The third role is in regard to the document standards, contract standards and the systems we use to put in place efficient arrangements around them.

Mr A.J. SIMPSON: In the process of purchasing your IT equipment, do you have any input into the disposal of the old equipment? Does the tenderer take the old components away? I am chasing a recycling issue with the IT industry. Do you have any part in that at all?

Mr Tondut: We have recently launched a new common use contract that specifically addresses that issue. There are three components to the contract. The first component is to provide a selling service, so the equipment can be auctioned or disposed of. There is a recycling component so there is an opportunity for businesses, or more particularly not-for-profit organisations, who want to recycle government equipment.

CHAIR: Is it so they can re-use the equipment for their own purposes or is it to disassemble and recycle it?

Mr Tondut: It is to re-use it for their members' benefit. That is a common option.

[10.35 am]

Mr Taylor: Generally the equipment is donated to the not-for-profit organisations, which restore and provide the computers to people who cannot afford them. It is a genuine community program.

Mr G. WOODHAMS: Can you name a not-for-profit organisation that does that?

Mr Taylor: One of the suppliers is tied up with the Lions club of Rockingham. That is one of the two suppliers. These sorts of not-for-profit organisations take old equipment and refurbish it. They make sure that the equipment is working properly and add new software to it before providing it to

underprivileged kids and families who cannot afford to buy computers. They are then given training and are connected online.

Mr Tondut: That is the second component. There is effectively an open invitation for those types of organisations to register to be on that panel.

CHAIR: How do they do that?

Mr Tondut: They do that by approaching the Office of Government Procurement. We advertise that opportunity every six or 12 months.

Mr Taylor: We recently advertised that opportunity, but anyone can supply it at any time.

Mr Tondut: The third component is when a company on the contract is engaged to dispose of ICT equipment in an environmentally friendly way. Instead of a lot of equipment going to landfill, the various components are recycled as much as possible. I understand that the percentage of components sent to the landfill is a very small amount. That option is now readily available for all government agencies through a common-use contract.

Mr Taylor: Another notable issue is the increasing trend in the industry for manufacturers to take back computers and recycle them. That is likely to add an additional cost at the front end of buying a computer, but for an extra \$50 the manufacturer will take back the computer and commit to recycle it in an environmentally friendly way. This is the trend being set by some of the better industry players. They are acknowledging that environmental issues are important, and that is becoming an important part of their marketing strategy. Eventually this issue will be picked up by the industry in general.

Mr M.P. MURRAY: Does the buy local policy operate in varying degrees? Is there a buy local Australia policy, a buy local Western Australia policy and a buy local country town policy to help country towns survive? Is a bias given along those lines, or is it just applied in straight dollar terms?

Mr Tondut: It is definitely not the last summary. The buy local policy is a fairly complex document and the various aspects of it depend on what we buy and from where we buy it. I will refer to the regional situation, which I think is the core of the member's question. As part of the Office of Government Procurement's core role, we want to strengthen the implementation of the government's buy local policy. The sorts of things that we are doing include the common-use contract arrangements that I have talked about. Generally, we make those types of contracts mandatory for the metropolitan area, but non-mandatory for regional areas. We encourage regional buyers to consider buying local products. It is not mandatory to use the common-use contracts in regional areas to buy PCs or photocopiers etc.

The availability of the regional distribution network is an important consideration in the selection process when a common-use contract is entered into with a manufacturer to buy some technological equipment, for example. That is one of the factors taken on board in deciding which companies will get onto the panel in the first place. Eight or nine manufacturers are contracted for supplying PCs, and they have something in the order of 30 regional distributors that they will use for the distribution network and the after-sales warranty and that sort of thing. We are encouraging a whole-of-life model and we are encouraging manufacturers to have links through the supply chain with the distributors. That is one way of strongly supporting the buy-local policy in a regional sense.

We also are opening up regional offices. We have now opened three satellite offices for the Office of Government Procurement in Bunbury, Geraldton and Kalgoorlie. Their role is to work with the local government buyers to identify the local needs, to work with the local industry associations and to understand the local industry capacity and to see whether more products can be bought locally. The regional offices work with the head offices of the government agencies in Perth, who have

traditionally tended to focus on buying and coordinating out of Perth. We are encouraging the regional offices to buy locally when there is a local regional market.

CHAIR: How much does it cost to maintain the regional offices?

Mr Tondut: I cannot answer that specifically off the top of my head. We have relocated to the regions some positions that were previously based in Perth. Therefore it is not a net increase in resourcing; it is a matter of relocation. So far, nine resources are in those locations, comprising a manager and three resources in each of those locations. The other cost is the running of a local office. We have aligned ourselves with the local regional development commissions because we believe that is a good link to people with knowledge of the local industries. Effectively, we are sharing accommodation and infrastructure wherever we can. We are looking also at the possibility of sharing with the Department of Housing and Works, which also has a regional buying role for building-related procurement. That is another way of trying to ensure that there is no net increase in cost.

CHAIR: The committee has heard evidence from industry expressing concerns about accreditation for government contracts. We have heard that there is some speculation SPIRIT will be discontinued. Will you comment on that? If it is discontinued, will the SPIRIT-approved companies have to be recredited for common-use agreements or for general condition of contracts?

Mr Tondut: I will start with an overview and ask Alex to add to it. SPIRIT is the name that we have given to a range of procurement frameworks, specifically for the services component of ICT. It is not for goods or for telecommunications; it is for buying IT services. It covers a number of things, not just the prequalification issue to which the member referred. When we talk about SPIRIT and about changing it, we might be talking about the various aspects of it. SPIRIT introduced a standard form of contract so that a similar contract request document and similar contract conditions were used. They were changed recently because we have just launched a new set of standard conditions. We are looking at how to transition people from the old framework to the new framework.

CHAIR: Will it be a transition rather than a cut-off whereby people are made to start again?

Mr Tondut: SPIRIT also includes a prequalification component. The model that was put in place a number of years ago divided a purchase into many different categories against which suppliers were qualified. Alex can tell the committee how many categories there were, but there were a lot. We are currently looking at reducing the number of categories or even removing them altogether during the next evolution. A third aspect of the SPIRIT procurement framework is around the buying rules. A fourth aspect of SPIRIT is around the technology tool that we use to communicate with the pre-qualified suppliers. I return specifically to pre-qualification. It is something that we are looking at right now. Alex, would you like to talk about your model?

[10.44 am]

Mr Taylor: As John suggested, we are reviewing SPIRIT and we are having extensive discussions with industry.

CHAIR: Is that through particular representative bodies for individual businesses?

Mr Taylor: The AIIA is the major link to the industry, but we are talking to other industry associations and individual suppliers. I guess in summary the SPIRIT framework has been in place for a number of years and has delivered some particularly good outcomes for industry and government. We are at the stage of reviewing SPIRIT, and the sorts of issues that come out of that review are that one end of the spectrum says, "It was useful and it has done its job. Let's have no framework at all, just the standard buying rules in the ICT area, as we do for other buying in government; that is, the framework put in place was useful and has delivered some good outcomes to industry, but now let's just move to the same buying arrangements as for other goods and

services that government buys.” Another view is, “Do we keep the SPIRIT framework in broadly the same framework with some tweaking at the edges?” In the latter sort of framework, our current thinking would be that a registration process continues in the new framework and we would be looking to try and transition existing suppliers straight across. We accept that it is unlikely that there will be any strong reason to go through a full pre-registration process again. As I say, do not commit us to that, but our current thinking - we hear industry’s concerns - is that we would not want to go through another registration process unless there is a very good reason for doing so. I guess, in summary, we are looking at where we go with the SPIRIT framework, and we are talking to industry about options, and they are broadly within the spectrum that ranges from, “Let’s just finish with SPIRIT and get into a normal process with no pre-registration, and people will put their hands up for quotes and tenders as they wish to put them up,” to “Do we maintain a registration process standard accompanied by standard contract documentation etc?”

We hope and expect to have that resolved by about mid-year - June or July this year - and we are actively engaged with industry and we can take their views on board.

Mr A.J. SIMPSON: The State Supply Commission gives feedback to unsuccessful tenderers. Is this done as a matter of course, or is it a way to develop a relationship with the unsuccessful tenderer - to say, “Do this and this, and you may do better next time”? Is that what the process of feedback is about, to establish those contacts and build them up?

Mr Tondut: It is not the State Supply Commission’s role to give feedback. It is our role to do that; it is actually the role of the buying authority to provide the feedback. If we are putting a contract in place, for a whole-of-government project, we will do it. If an agency has the responsibility - many agencies do that - then the primary role is to provide that feedback, and that is normally done through the evaluation panel that made the decision. The State Supply Commission gets involved in a very small percentage of cases in which a complaint has been made. They become the point of contact in situations in which a supplier is not satisfied with the feedback. We have not achieved the right outcome in situations that have gone that far. We want to give the feedback as early as possible.

Mr A.J. SIMPSON: I can imagine it gets pretty damn competitive for certain products for which X amount is required, and it is a matter of how much the suppliers want to cut their margin. I can imagine it must get very competitive.

Mr Taylor: I would like to add to that conversation and the question that was raised earlier about local businesses and their engagement with agencies. Part of the qualitative selection criteria when examining tenders will be referee checks. In a lot of cases, the referees will be other government agencies who have used the services of that supplier.

CHAIR: There is no compunction for any agencies to provide referees; in fact, there is a presumption against it.

Mr Taylor: There is not, but a lot of agencies provide references for suppliers or give them to another agency. I guess the local question has two elements. Firstly, we are getting good outcomes. In our documentation, we talk about over 90 per cent of business going to local companies. I guess it is pragmatically logical that it would happen that way; that pragmatically, a government buyer would rather deal with somebody in Perth than deal with a supplier or supplier’s representative in the eastern states or overseas. From experience it is a lot easier to deal face-to-face with suppliers in Perth or Western Australia than it is to deal with suppliers in the eastern states or overseas. I think this is a logical reason for government agencies wanting to buy locally and to give every consideration to buying locally. On the issue of local suppliers, past performance with other government agencies is taken into consideration when agencies make buying decisions. The last comment was that when suppliers are unsuccessful in tenders, they are offered feedback on what was lacking in their tender, which provides an opportunity to speak to them about being more competitive next time around. All these things work in a positive sense to support local industry.

Dr J.M. EDWARDS: By way of clarification, is a departmental reference a formal response or informal? Is the reference then available to the company to use in any other way, or is it something that remains inside government - comments made and passed around that do not go any further?

Mr Taylor: The references are at the request of the supplier. When we put out a tender, we say to the supplier, "Tell us what you are going to provide - the details and so on - and give us some references or reference sites." It is their choice if they want to say, "Oh, by the way, we have already provided this service to Agency X, and Bill Smith or Betty Smith, manager such-and-such, will be a referee for us," because they have spoken to that particular person. If they nominate that agency and that person as a referee, as part of the tender evaluation process, the evaluation panel or someone on the panel will ring that person and ask how they went. As with most processes, the supplier would want to be sure about how the agency sees their performance. In a lot of cases it is positive, but in some cases it is not so positive. The supplier must nominate agencies. The evaluation panel does not seek backdoor references on the company, but will check with agencies that the supplier has nominated.

CHAIR: There has been other evidence presented to the committee that some of the smaller companies feel that the time and effort involved in the pre-qualification process is not recognised, and they feel excluded from government goods and service providing opportunities because of the investment that they are required to put in. Do you have any comment about that?

Mr Tondut: My first comment is that I would be a little bit surprised if that was a very common comment. In the SPIRIT pre-qualified framework right now, I think there is something in the order of 350 or more businesses that are pre-qualified. The process is continuing to pick up new players all the time. There was a major pre-qualification model several years ago, but it is open, so people are coming forward and getting on the panel regularly now. If it is specifically around getting onto the pre-qualified model, I am surprised. It is not that onerous a process. It is about a supplier proving that it has the skills to perform in the particular category that it is applying for and agreeing to the terms and conditions that government wants agreed upfront, which gets them to the pre-qualification point. It is, I guess, something that would be worthy of review as part of where we are going now.

Mr Taylor: It would absolutely be worthy of review. The other issue I should perhaps note is registration. I guess there is a small minority of suppliers that are registered on SPIRIT and perhaps have the mindset that, "If I sit in my office, the phone calls will start coming to me very quickly from agencies." With 350 suppliers on SPIRIT, it is a very competitive framework. The advantage of the SPIRIT framework is that agencies can look on a database and see who the suppliers are in the particular ICT area of what they are buying. Equally, we encourage suppliers to get out there and talk to agencies and make themselves known to agencies; not simply register and hope that business will just flow in. There is a balancing equation here. They need to get out and promote themselves because agencies need to know about them. Agencies will tend to want to focus on a range of suppliers that they have dealt with before.

CHAIR: Do you think there is a trend from agencies towards engaging medium and large enterprises because of the broader range of services and goods that they can deliver?

Mr Tondut: We have been looking at that question in some of the statistics; the State Supply Commission has actually asked us to have a look at it. From what we can see, the answer is no. There does not seem to be a change in the proportion of the mix of work between the different sized businesses. Clearly what the numbers show is that smaller businesses tend to be more highly represented in the lower-valued work than in the higher-valued work, because that is really what their target market is, so the higher the value, the smaller the percentage of small business. However, overall, small business is still picking up a fair slice of the work. I would be guessing the number - I am happy to provide some information if the committee wishes - but I think the number is in the range of 40 per cent or something like that for small business.

Mr Taylor: In our discussion with the CCI, they have made the point that we need to provide more information to industry generally about who is winning work - small, medium or large companies. I think there is an issue that a lot of this commentary on small business is a perception issue rather than fact. We have certainly taken on board the fact that we need to put more information out into the marketplace, showing the percentage breakdown of who is winning what - the reality as opposed to, in some cases, the perception.

Mr Tondut: Another thing that has been associated with small businesses feeling that the process is too hard is the documents that we use - not only the pre-qualification, but also the request document that goes out, and the general conditions of contract that suppliers have to abide by. That is part of the reason we wanted to do it from a whole-of-government point of view. We have been working with the State Solicitor's Office to come up with a standard form so that suppliers get to know what the general conditions of contract are, and know that they are not changing from one agency to another. That will help take some of the complexity out of it.

CHAIR: The committee has heard that the Department of Treasury and Finance has engaged with the State Solicitor's Office to try to simplify things in order to help government and industry, but it has also heard that the SSO has not necessarily been helpful in streamlining that process. Are there any major barriers that you can easily identify that can somehow be overcome so that we can more easily engage businesses?

Mr Tondut: Given the fact that we launched the new set of documents in January, it is pretty early days to conclude that we have not made a significant step forward.

CHAIR: Sorry, the reference I am making is to submissions the committee has received, and they are dated before January. The committee received this information at the end of last year.

Mr Tondut: Over the past year we worked with the industry through the AIIA, the State Solicitor's Office and other government agencies, and launched a new suite of documents from 1 July, which comprise a new standardised request document and a new standard form for the general conditions of contracting. That became operational for non-SPIRIT related procurement from January.

CHAIR: It will be far too early to have received much feedback about that, I would think.

Mr Tondut: The area in which I think we can do some more work - it is particularly an issue for small business - is below the public tender threshold, where the procurement is below -

CHAIR: Is it below \$20 000?

Mr Tondut: It is below \$100 000. In cases in which there are written requests below \$100 000, we are looking to produce some even further simplified request documents. I think that is an area in which we can do some more work.

[11.00 am]

CHAIR: That sounds good. Maybe we should move on to another area right now. There has been a lot of talk about unlimited liability. Some people might say that it is the conservative approach of DTF. It is probably a badge of honour that the department wears with pride. However, we have found that it has been shown to be a bit of a problem for SMEs in the ICT sector. Prior to the recent policy changes, the policy was to cap liability, but many agencies did not do this, and the negotiation process seems to be fairly costly. What is WA's current position on liability with ICT contracts, and what steps are we taking to ensure that procurement staff are skilled in contract negotiation and will not simply adopt the default position?

Mr Taylor: It is certainly a topic on which we have been engaged in a lot of discussions with industry. Historically, as you have pointed out, our position has been to ask for unlimited liability from suppliers. You made that comment about negotiation time. Yes, when suppliers came back saying, "We want to argue about that particular clause", there were sometimes long and drawn-out negotiations, arguing whether we would put a cap in place. As part of this new document set, we

have reviewed that issue. Our current position is that public authorities should in most cases cap the liability of ICT suppliers at appropriate levels, and I will talk about appropriate levels. Our in-principle position is that agencies should be capping the liability where it is appropriate. However, we do state that unlimited liability should be sought when it is justified by the size, complexity and inherent risk of projects; that is, there may be some high-risk projects in which we would still want unlimited liability. There are some areas that are no-go areas for us, and we say to agencies that areas like personal injury, including sickness and death, unlawful and illegal acts, and damage to tangible property and intellectual property, are areas in which we still ask for unlimited liability because they are so important. However, in other areas we are encouraging agencies to consider capping the liability of suppliers. We are saying to agencies to do a risk assessment about what their risks are, because asking for uncapped liability is in many respects a lazy way of saying, "Well, now I've got no risk." Capping liability also introduces some risk for government, moving it from suppliers to government. Therefore, we are saying to agencies, "Do a risk assessment. If it's a low-risk contract, low value, and the chances of anything significant happening are so remote as to be almost zero, then put an appropriate cap on the liability of the supplier. Then when you go to the marketplace say, 'We've done a risk assessment. We know what our risks are. This is the liability cap we have put on this project, and it is now mandatory. Let's get on with it. You either want to bid or you don't want to bid on that basis.'" That is broadly the strategy that we are rolling out to agencies, and we will be saying to agencies, "Go through that risk assessment process and put a liability cap on those areas that are appropriate, given the risks that your agency has."

Dr J.M. EDWARDS: With the risk assessment, is there enough expertise in the departments to undertake that, or are you providing further training?

Mr Taylor: Most agencies have risk assessment management processes for the rest of their business anyway, so we are saying, "It should be part of your corporate risk management strategies anyway." However, you are quite right. One of the issues that we have with putting this policy in place is that we do not want to make it a long, drawn-out bureaucratic process, which extends to the tendering time and requires engaging expensive consultants to do a risk assessment. Most agencies will be buying things that they have bought before, and, therefore, they should over time be able to do a reasonably quick assessment. They have been there before and they know what the risks are, and only the major, one-off, unique requirements might need a more detailed risk assessment. They should be able to form a good judgment. We are also saying that they should talk to RiskCover, the government insurer. Therefore, we are looking for risk assessments to be pragmatic - we do not want to be bureaucratic - but agencies do need to be careful about striking the appropriate liability cap.

CHAIR: The 2003 IP policy states that the Government Intellectual Property Policy Council will conduct or commission a review of the policy after four years, so that would be due this year. Is that something that is planned to occur as per that time line?

Mr Tondut: I cannot comment on it. The IP policy is owned by the Department of Industry and Resources, so I am not quite sure what it has proposed with regard to a review.

CHAIR: We will check with that department when its representatives come in. I have a couple more things to go through with you.

Mr Taylor: Might I comment on the IP issue while you are thinking about that?

CHAIR: Sure.

Mr Taylor: IP clearly is an important issue in contract, even though DOIR has ownership of the policy. In the new ICT tender documents, what we have done in the standard clauses now is introduce the option for agencies to assign IP to a supplier. Therefore, I guess what we are now doing is moving from a position in which it was a mandatory clause saying the IP would be owned by the Crown. We are now providing an option for agencies to consider assigning IP to a supplier.

However, we are saying that the default position is still that the Crown keeps IP, and there are some good reasons why the Crown should and would want to do that. However, agencies might want to think about, on a case-by-case basis, whether there is some value in IP going to a supplier and on what terms.

CHAIR: At the end of last year the Victorians reversed their default position on the IP ownership issue. Is that something that has been considered in Western Australia?

Mr Tondut: We have. We are certainly aware of that, because we are working with the other governments of Australia through the Australian Procurement and Construction Council on the ICT frameworks.

CHAIR: Clearly, we are not going as far as they are just now.

Mr Tondut: No. Our intention and our belief is that the best way to manage government's risk is to open the door, as Alex said, to the traditional. It is just not negotiable. The government owns it. The default now is: the government owns the IP, but we have a contract framework that encourages the agencies on a case-by-case basis to negotiate with the supplier on ownership of the IP. We believe that the alternative puts too much risk onto government in the use of the IP that it has paid for, in an ongoing sense.

Dr J.M. EDWARDS: Do you know what other states apart from Victoria do with this issue and where they are going?

Mr Tondut: I cannot categorically say, but I think Victoria is the only one that has announced that it was going down that path about a year ago. As I said, we are part of a project team that has brought all the governments of Australia together, and they are working with the AIIA at the federal level to see if we can come up with a common approach right across Australia to the way the government sets its documents and sets its policy settings for the way it buys. It is an agenda that came out of the ministerial council of all the procurement ministers of Australia last August. We have about a 12-month agenda to work together and come up with some recommendations around what we think we might be able to do in a national sense.

CHAIR: I will slightly change the topic again. John, the DTF submission says that there should be a separation between procurement and industry development, and it cites a tendency towards lack of transparency and accountability in those kinds of decisions in which they are combined. However, we have received a submission from the WA ICT Industry Development Forum, of which you are a member - I think you are still a member - that says that, where appropriate, consideration should be given to government procurement being used as a mechanism for leveraging ICT development. I wonder whether you might be able to elaborate on the disparity between these two positions.

Mr Tondut: The DTF submission points to the fact that the movement of procurement into Treasury occurred as a consequence of government's decision to abolish the Department of Industry and Technology, which had a brief of having the industry development and procurement very much aligned and for the driving force for procurement to be largely around industry development. Therefore, government, in a policy sense, said in 2003 that it did not want to do that. It wanted to separate the way it organised its procurement to focus only on value for money through a separate arm and that the industry development focus would be through the new group in DOIR. That is not to say that the government might not decide, on a project-by-project basis, to use its buying power for other factors like industry development, but the idea in the new model is that those proposals would come from the relevant agency and that government, through cabinet, would agree that that is what it wants us to do. A good example of that is the State Broadband Network project that is happening right now.

CHAIR: I was going to ask you about that.

Mr Tondut: In that case, the Department of Industry and Resources and the Office of e-Government have jointly put a proposition to government that it should use the buying power for

other than strict value-for-money criteria, so we are now working with those agencies on a different procurement model that would be leveraging other outputs, both in a community output and in an industry output, from the government's \$100 million a year telecommunications spend. In that case, procurement will be used as a lever, but it was not done through public servants in an agency trying to make that judgment call; it was done through government being very specific about its intention. That is something that I think is working quite well now with that separation.

CHAIR: On the broadband project, is there any information that you are in a position to share with us to tell us how that is coming along?

Mr Tondut: There is a document that has just been released to the market today.

CHAIR: Good timing.

Mr Tondut: They advertised in *The West Australian*. It is a request for registration and a request for information for anybody in industry who wants to talk to us about their views on how the framework should work, and to register their interest in that project. It is ahead of our intent of actually going to a formal procurement process probably in the second half of this year. That is a document that publicly releases information. The other thing I can tell you is that my intention was to also have the director of ICT in the Office of Government Procurement come here today; that is John Crowe. He is not here because he is actually in Canada at the moment with an officer from DOIR researching how they have put a model in place very similar to -

CHAIR: Alberta.

Mr Tondut: Yes. We have heard submissions from various stakeholders, but we wanted to go and talk to the government of Alberta about its views on it. Therefore, we have my director and the project director from DOIR talking to the government this week. That will give us another insight into how we can put a good framework in place.

CHAIR: I know that your role is not about industry development, but it is about promoting economic growth, I think, as much as possible within the confines of what DTF is given the task to do. In our research we have learned about this side of the ICT sector and its comparability with agriculture, forestry and fisheries. It seems to me that a lot of industry development and leveraging funds are put into those sectors by government, but not so much for ICT. Do you have any comments about what steps could be taken to improve the support that is given to this particular sector and any role that DTF might play, given your massive procurement budget?

Mr Tondut: I think the question goes more to the Treasury and Finance economic division rather than the procurement office. It might be something that we could take on notice to give you a DTF perspective rather than a procurement perspective.

CHAIR: That would be much appreciated. If it is possible for that division to provide to us a summary from the budget papers of just how much is invested in agriculture, forestry and fisheries, because that seems to be the best point of comparison, compared with what is put into the ICT industry, we would be most obliged.

Mr Tondut: Okay.

[11.15 am]

Mr A.J. SIMPSON: I will ask a summing up question. As you know, we are doing this inquiry into the IT industry as a whole, and we hope to produce a report and recommendations about what we feel the government could do better. From where you are sitting at the moment, are there any recommendations or observations that we could include in that report to make things go smoothly or work better?

Mr Tondut: As I said at the start, I believe that government can and does impact on a very competitive and viable local ICT industry, and we should continue to support that. We can do that

through truly focusing on value for money, implementing the buy local policy and taking a long-term perspective on our decisions. We will benefit from a competitive local marketplace in government procurement and that will have flow-on benefits to the local industry as it looks at other markets.

CHAIR: I have one final question about procurement staffing. Everybody is crying out about the current staffing shortage in this state, in all manner of industries. Are there sufficient staff around with the specialist skills needed for government procurement?

Mr Tondut: It is a very significant focus area for us. At the moment, I believe that we do have sufficient numbers, but what we are doing with those numbers is improving their skills and, as they leave, making sure we fill their positions quickly with good people. As an example, right now 65 of my staff are on scholarships to Curtin University of Technology.

CHAIR: Sixty-five? How many staff do you have?

Mr Tondut: We have 250 staff in 28 different locations. The model we have, because of the whole-of-government approach, is that we try to do things much more consistently as a corporate body than we have ever done before. I do not know whether anybody has talked about the term "rebadging", but we have effectively converted the positions that were in the agencies putting these contracts in place, and rebadged them as Office of Government Procurement staff. The team is 250, located where they always have been - 30 of them in health and 20 of them in education, and three in Geraldton now. We are trying to keep our staff as close as possible to the government agencies that they provide services to, but to skill them and provide good quality processes and systems to support them. We have been running a graduate program. Just last month we recruited 10 new graduates, who go on a one-year development program. At the end of that program they can feed into any of the positions out there. Our attrition rates are normally at least that, so it is a way of getting ahead of the game and being able to keep up with the skills. We believe we need more professionally qualified procurement people, and we are working with -

CHAIR: What kinds of degrees are desirable?

Mr Tondut: The qualification for our new graduate program is a first degree in a whole range of areas. It is often a business degree with a major in a range of areas. We are encouraging the universities to provide majors in procurement, which is something they have never done before. Curtin University is now providing a post-graduate program for people like my staff, to train them specific in strategic procurement - the risks of doing the high-end procurement. That is an eight-unit program. One of our conditions of contract with Curtin is that the university provides an equal number of students from areas other than government, because we are trying through that contract and putting through our students, to help broader industry development. Also, the quality of the learning is much richer when you are working with private sector people through those courses. That is a very positive initiative. Probably, the other strong initiative is that we are working through the Chartered Institute of Purchasing and Supply, which is a professional body that has been operating in the UK for 70 or 80 years and started up a local chapter in Australia about 18 months ago. We think that is a good place to work with industry and with other professionals to grow the skills.

There is a range of issues to be addressed, but so far we are going pretty well. When we advertise our jobs, we are getting competitive fields at the moment. We are able to fill the positions, but because we are getting good people, it means that we are a bit of a target for other organisations that want to recruit, so it is a bit of an ongoing challenge.

CHAIR: Although I said that that was my last question, I really do have one more. You have received a copy of our terms of reference and we have had a fairly wide-ranging discussion today. Is there any information that you have in your work or experience that you would be willing to share with us that we may not have covered in our discussion?

Mr Tondut: Anything we have we are very willing to share.

CHAIR: We do not know what you have; that is the problem.

Mr Tondut: We actually have a very strong transparency agenda with the procurement reform program, and there is an enormous amount of information on the procurement reform portal on our web site. There are literally dozens of documents we have published. Anything in there I would be very happy to drill into, if there are things you still want to know.

CHAIR: Thank you very much for coming today. A transcript of the hearing will be forwarded to you in the next couple of days for correction of minor errors. You will need to return that within 10 days of receipt. If it is not returned, it will be deemed to be correct. Thank you again for your time, and we appreciate your coming in.

Hearing concluded at 11.22 am
