



19 December 2013

Senate Finance and Public Administration Committees
PO Box 6100
Parliament House
Canberra ACT 2600

Commonwealth procurement procedures

Dear Secretariat,

The Council of Textile and Fashion Industries of Australia (TFIA) represents the Textile Clothing and Footwear (TCF) sector in Australia. Our members are from the entire TCF supply channel both nationally and globally. We have provided parliamentary submissions on behalf of the industry for the past sixty years.

We have strong views on the issue of procurement and the manner it disadvantages Australian manufacturers and suppliers. The primary reason for this discrimination is limited understanding of the current market by policy makers, or indeed procurement officers. There are many challenges associated to mitigate or change the current culture of covert discrimination, because the folks involved would not believe they are discriminating, as they are following regulation and necessary protocols as prescribed. So evidence would have you believe there is no major problem with the current procurement protocols; but, there is. It is the biggest policy issue raised at discussions with industry stakeholders.

This is the most significant issue ... recognition there is a problem and being prepared to change the current culture of acceptance that if procurement officers follow process then there is no problem.

Specifically, there are consequential impacts upon decisions made in other ministerial portfolios to the supply channel that discriminates against Australian companies; as an example allow us to state the case study of the Fair Work Act and its impact upon the TCF sector and how it impacts procurement. We reiterate this is but one impediment, there are others and we have asked government to consider this within a White Paper ... your support of such a paper would be highly beneficial.

Debate has raged for many years about the need to protect alleged exploited workers within the TCF sector. Although there is little current evidence of alleged exploitation within the Australian TCF sector, the industry established a Code almost ten years ago, coordinated by the industry to provide certainty for procurement companies wanting to ensure ethical standards are complied.

The Government in 2007 enacted the Fair Work Act, and later, amended it to include specific clauses associated with the use of outworkers. This new legislation was burdensome and allowed the Union to move throughout the sector unrestricted, thus adding to the regulatory burden of small business.

Ethical Clothing Australia (ECA) was established with the brief to educate and accredit companies to ensure alleged exploiting behavioural change evolved in the sector. What subsequently happened was that little is spent on education with the bulk of tax payer funds being transferred to the Union to regulate the market via audit.

So the Union with the aid of the Fair Work Act, the Ethical Clothing Australia accreditation for the Homeworker Code of Conduct, and the over prescriptive Award has an unbalanced control of the market. So if Australian



companies are to operate in the local market they are required to submit and comply to union regulations and demands.

How does this impact procurement in Australia?

For Australian companies to achieve government TCF contracts they are required to be accredited with the ECA which directly exposes them to Union control via audit. If a TCF company does not subject itself to the long process of evaluation by the union and pay an annual fee to be accredited by the ECA, they cannot be appointed to a government procurement agreement. Companies are not seeking accreditation due to the severe regulatory process, thus denying themselves access

International suppliers are not subjected to this requirement, thus a clear point of discrimination against Australian companies.

Therefore, if an Australian company wanted to avoid contact with the Union they are excluded from the government procurement process ... overseas suppliers who do not deal with the Union have no such restriction.

This is blatant and obvious discrimination against Australian companies and it is essential to change the process. This may require political courage as it may contravene various Free Trade Agreements; there is too much discrimination against Australian companies, which not only is contrary to free trade principles, but places Australian companies behind our free trade peers. All we are doing with current policy and protocols is exporting Australian jobs and Australian jobs should be policy priority of any politician or indeed government. Right now it is not .. so we strongly urge you to fix it.

The answer is simple enough ... if the government requires accreditation for government procurement than allow a system that allows the industry to accredit their peers. In other words, let the industry set the standards, enforce compliance, educate and accredit as happens in other industries.

Additionally international companies can then seek accreditation via the industry body, through their own regional industry body with links to the Australian industry body.

The challenge for policy makers is to think outside the current paradigm and work with industry to improve education and seek behavioural change and allow the access.

To be specific allow us to offer the following:

1. There is the matter of national security as well - especially around areas such as defence

The supply channel must be recognised as a matter of national security. Whilst such considerations in a modern world would put aside such argument, pragmatic policy makers would seriously consider this national supply channel issue as a national security matter. We point the Committee to the Berry Amendment in the United States that requires government, especially defence, to use local providers, no matter the perceived cost.

Defence has decided on a number of Priority Industry Capabilities (PIC) that they want to remain in Australian industry. This means that investment is being made to allow access to this government procurement process, but this investment can be easily undermined by a decision made on a cheaper import. Right now there is a risk that we spend a lot of money developing capability in Australia and then it loses out to a price and quality inferior item from overseas.



2. Recognition of second and third tier suppliers in the government procurement agreement:

Main providers or suppliers be they construction, aviation etc. should be required to collaborate with Australian second and third tier TCF companies as part of the successful tender. They should be required to source as much of the product required as possible from Australia. Too often a local company might win the contract, but then source the supporting and less key materials needed from overseas (e.g. hospital curtains, sheets etc.).

3. The economic / social and environmental multiplier effect such as job creation that comes from local production needs to be considered.

The key aim of procurement is pretty much always value for money; but, there are more intrinsic values government should consider when making procurement decisions. The weakness for industry is to articulate these benefits in the restrictive process of submission. It is a procurement officer's role to provide value to the government and thus the tax payer, but if that officer does not have broader intrinsic guidelines in which to work to help Australian companies then the community is disadvantaged.

This recommendation to broaden consideration for Australian submissions should also consider the industries that are going through considerable challenges and change, and that the broader community would benefit from the government showing it's support by getting behind Australian product.

This will require a rethink on process of procurement to support Australian small business, Australian employees and the flow on effects of the Australian success in the TCF sector. Do not underestimate the importance of government support to the industry.

4. Procurement tender training

Support the Australian industry to get access by providing procurement training and education in process and procedure. Allow the industry to help itself by funding education programs to get the access it needs.

It is too often assumed Australian small business operators have the necessary government speak literacy skills, when clearly this is not the case. So help the industry to help you.

We wish you well in your deliberations as we are keen for greater access for Australian companies. This will require entrepreneurial thinking in the process of procurement policy and we would welcome the opportunity of working with the Committee, or indeed government, to help create access and opportunity.

We recognise the challenges in competing in a global market ... but, we don't need a government that discriminates against Australian companies. Make the market fair and allow us access; make the conditions the same and don't over burden us with regulation that does not apply to internationals. We are robust and ready ... just give us equal access.



Yours sincerely

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Chief Executive Officer