

## **POLICY POSITION - GOVERNMENT PROCUREMENT**

In a relatively small economy, the importance of government purchasing policies in fostering innovation in the development and delivery of products and services cannot be over-emphasised. Quite apart from the benefits that flow from having an expert, domestically based customer as a leading-edge client, the imprimatur of government thus conferred can be a vital element in securing export orders. The primary objective of government purchasing policies should be to provide early and constructive support to initiatives that address demonstrated market needs, are soundly based in technical and economic terms, and can reasonably be expected to become and remain internationally competitive.

Partnerships between the public and private sectors are vital in achieving effective markets in technology services. Government can lead the way through their purchasing processes that reward value and innovation.

All too often, the cheapest price can have the highest long term cost. Service lifetime, maintenance requirements (including availability of spare parts and expertise), and upgradability need to be seen as important considerations. Government and industry purchasers need to focus on value for money. In some situations, because of downsizing and de-engineering of departments, the use of inadequate expertise in the assessment of a tender can result in an increased risk to public health and safety.

Over the last decade, State, Territory and local government public sectors have been reduced in size. This has resulted in a corresponding decrease in the number of specialists within the public sector, including engineers. The loss of technical expertise in Australian governments increases the risk that contracts for engineering, information technology and other technical goods and services will not achieve government or taxpayer expectations. Consequently, governments need to adopt new approaches to ensure that they have access to the technical expertise they need to be an informed buyer of technology.

Having and utilising technical expertise is a pre-condition for being an informed buyer of engineering, information technology and other technical goods and services. It is crucial that buyers are well informed so that they are able to select and justify the option which offers best value for money; select and justify an innovative solution; reduce contractor risks by providing relevant technical details in tender documents; and prevent unscrupulous contractors taking advantage of the buyer's lack of knowledge.

While governments recognise the need to maintain and retain relevant expertise, changing conditions and contracting practice are often at odds with this objective.

There are two areas of divergence often present between government contracting policy and practice. They are:

- Loss of engineering expertise. Over the last decade there has been a 20% to 40% reduction in the number of engineers in the Commonwealth, State and Local government public sectors.
- Focus on contract management skills to the detriment of technical expertise. In the late 1980s and early 1990s, the shortage of contracting expertise and the reasonable number of technical specialists meant that priority was rightly given to improving the contracting skills of technical specialists. However, since the departure of many technical specialists, the focus on improving contracting skills has overlooked the growing problem of a decline in technical expertise. Both skills are essential to being an informed buyer.

The publication “Government as an Informed Buyer” by Engineers Australia outlines these concerns. The publication focuses on improving government contracting. The report's recommendations are equally applicable to both the public and private sectors. They also apply to other professional groups, which provide subject matter expertise including health practitioners, lawyers, accountants, economists, scientists, information technology professionals, and urban planners.

### **RECOMMENDATIONS**

- Government agencies should ensure that they have access to the appropriate level of technical expertise so they can be an informed buyer of engineering, information technology and other technical goods and services.
- Follow Engineers Australia's model, to ensure agencies have access to the appropriate level of technical expertise in the most cost-effective manner.
- Examine the good or service to be procured to determine the level of technical expertise required to be an informed buyer.
- Evaluate the relevant existing level of in-house and external technical expertise available.
- Undertake a cost benefit analysis of in-house versus contracted-in expertise at each stage of the contracting process.
- Obtain and, where appropriate, retain the required expertise.
- Place higher weighting on innovation and expertise in consultant selection criteria.
- Ensure that purchasing decisions are supported by relevant expertise, whether available in-house or from independent consultants.
- Base government purchasing on qualifications based selection (rather than the initial purchase price being the sole factor), where appropriate.
- Take into account whole of life costing issues in purchasing decisions.
- Only use Chartered Professional Engineers and technologists or engineers registered on the National Engineering Registers when procuring engineering services.
- Ensure that risk is allocated efficiently, that is to the party best able to manage the risk.