



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

### **Submission on the Inquiry into Commonwealth procurement procedures**

NDS welcomes the opportunity to provide a submission to the Senate Finance and Public Administration References Committee Inquiry into Commonwealth Procurement Procedures. The submission will concentrate on examining Commonwealth procurement policies and practices in relation to the purchase of goods and services from Australian Disability Enterprises (ADEs) by Commonwealth departments and agencies.

### **The current policies and procedures for procurement in Commonwealth departments and agencies**

The Commonwealth Procurement Rules Appendix A contains [an exemption](#) (No 16) from standard procurement procedures (e.g. that would usually necessitate an approach to market via AusTender) for the:

*Procurement of goods and services from a business that primarily exists to provide the services of persons with a disability*

Such procurements are still required to meet a “value for money” test. The exemption was introduced in order to encourage Commonwealth departments and agencies to increase their purchasing of goods and services from [Australian Disability Enterprises](#).

ADEs have a dual focus of providing employment for people with a disability and operating a commercial business. They have their legislative basis and broad role defined in the Disability Services Act 1986.

There are around 194 not-for-profit organisations operating over 600 ADEs across Australia. They are funded by the Commonwealth Department of Social Services (DSS) to provide training, assistance and support to job seekers and workers with disability. Funding levels are determined by the individual support requirements of each worker. ADEs employ around 20,500 people with disability. Around 75% of these supported employees have a severe or profound disability, while a similar proportion have an intellectual disability.

ADEs are involved in the production of good quality products and services, which include some of Australia’s best-known brands. In Commonwealth department and agency parlance, ADEs are known as a “minority supplier” (refer to the case study below).

NDS administered a Commonwealth procurement program for ADEs that operated for a year in 2010, shortly after the exemption detailed above was introduced. The program had mixed results, with some ADEs gaining useful orders from various Commonwealth departments and agencies, but no sustained increase in the level of this type of procurement was evident and nor was procurement from ADEs required to be reported by Commonwealth

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departments and agencies. There was no obligation placed on Commonwealth departments and agencies to purchase goods and services from ADEs.

The effectiveness of Government procurement policies and practices in relation to doing business with ADEs could certainly be enhanced through the application of certain policies. The previous Australian Government recently commissioned (through FaHCSIA, now DSS) a report investigating opportunities to increase the volume of business being transacted between the Government, the commercial sector and ADEs, with a view to enhancing the viability and sustainability of ADEs into the future. The report contained several recommendations for the Australian Government.

NDS will examine one of these recommendations, in the context of the development of a best practice model of procurement for adoption by Commonwealth departments and agencies. Such a model would complement Australian Government policy relating to the rollout of the National Disability Insurance Scheme (NDIS) and the Government's own Vision for sustainable supported employment.

### **Case Study - An example of a successful Government ADE procurement program**

NDS has been administering an ADE procurement program for the NSW Government for several years. The program has been very successful in strengthening and increasing commercial purchasing opportunities for ADEs from NSW Government agencies. Some of the reasons for this include:

- The program has been funded in excess of 4 years to allow development of a long term procurement engagement strategy with ADEs and NSW government agencies
- The program has been staffed with a dedicated project manager
- NDS has developed a project management methodology which allows any NSW government agency to engage any number of ADEs with NDS as the project manager
- This "one-stop shop" approach has made it much easier for NSW government agencies to engage with ADEs; it also means that larger, more complex contracts can be negotiated by accumulating the capacity and capability of many ADEs – managed by NDS. This means that NSW government agencies are simply negotiating with a single vendor.
- NDS works closely with the "Procurement NSW" agency to provide training and advice to government procurement and purchasing professionals on how to successfully engage with ADEs
- The NSW government has allowed NDS to collect a nominal management fee for contracts undertaken. This means that funding will taper off as NDS generates more management income and the program becomes self sustaining.

In the first 3 years, over \$9 million worth of contracts have been awarded, 37 ADEs engaged and over 350 Supported Employees have participated in the program

The program has been based on the US government's "Source America" (formerly NISH) program – a very successful program which has been running for over 65 years.

NDS recommends that the Australian Government examine the implementation of a similar model for Commonwealth departments and agencies.

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### **Case Study - An example of a recent Commonwealth department initiative designed to assist ADE procurement opportunities:**

In late 2013, DEEWR (since affected by MoG changes and now largely the Department of Education) invited ADEs to voluntarily opt into their new procurement system by completing a Vendor Information Request Form. The Form allowed the Department to create a vendor record in their new procurement system. The vendor record enabled departmental staff undertaking procurement to include minority suppliers in their initial research phase, potentially leading to a request for a quote to provide goods or services.

Importantly, this process operates in accordance with the spirit of the Commonwealth ADE procurement exemption, potentially allowing business opportunities to flow to ADEs without the need for them (or the Department) to engage in a tender process.

NDS recommends that at the very least, such an arrangement should be further investigated and more widely adopted by Commonwealth departments and agencies.

### **The economic, social and environmental benefits of utilising Australian goods and services**

NDS has long advocated that there are many positive social and economic benefits that can be gained through Governments purchasing goods and services from ADEs.

- The more business related income that ADEs are able to obtain, the more sustainable their businesses become, reducing their reliance Government funding.
- The more robust ADE businesses are, the greater the employment opportunities for people with severe disability.
- The more people with disability that obtain employment
  - the less that are reliant on more expensive, government funded day programs.
  - the greater their overall health, wellbeing and economic prosperity

A viable and sustainable ADE sector would significantly complement existing Government policy, especially in the context of the successful implementation of the NDIS.

### **Related matters**

NDS advocates that Commonwealth departments and agencies be required to report annually on the level of procurement they conduct with ADEs, including the number of ADEs transacted with and the value of goods and services procured.

### **December 2013**

#### **Contact:**

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### **About National Disability Services**

**National Disability Services** is the peak body for non-government disability services. Its purpose is to promote quality service provision and life opportunities for people with disability. NDS's Australia-wide membership includes more than 900 non-government organisations, which support people with all forms of disability. NDS provides information and networking opportunities to its members and policy advice to State, Territory and Federal governments.