

CHAPTER 5

ELECTRONIC COMMERCE AND COMMON USE CONTRACTS

ELECTRONIC COMMERCE

5.1 Electronic commerce comprises the exchange of all information required to conduct business transactions via computer based systems. This includes "electronic mail, facsimile, electronic catalogues and bulletin boards, shared data bases and directories, Electronic Funds Transfer (EFT) and Electronic Data Interchange (EDI)".¹

5.2 Electronic commerce by Commonwealth agencies has potential benefits for both suppliers and buyers in reducing paperwork and administrative lead times and allowing agencies to adopt more efficient purchasing practices such as Just-In-Time, Quick Response and Direct Store Delivery.²

5.3 Electronic commerce has the capability of significantly boosting the ability of departmental purchasing managers to monitor and audit both departmental purchasing and the procedures used by full and part time purchasing staff to conduct purchasing.

5.4 To date the adoption of electronic commerce across Commonwealth agencies has been slow. DAS stated that the slow uptake of EDI is due to high initial costs, and the lack of an extensive trading network linked to EDI.³

5.5 A number of Government Departments, however, are making extensive use of electronic commerce. The Department of Defence in particular has taken a leading role in the promotion of Computer-aided Acquisition and Logistics Support (CALs) technology. Using CALs technology, Defence buyers and their suppliers exchange both tender documentation and graphical information for weapons system acquisition, design, manufacture and support.⁴

5.6 The Department of Defence policy on CALs, adopted in 1990, states that all technical documentation for the acquisition of new equipment will be provided in CALs format (unless this would not be cost effective).⁵ Defence recognises that

1 DAS: *Purchasing Review Task Force Report*: Exhibit 182 p 36

2 DAS: Submission 50 p 24; *The Essential EDI Workbook*, Standards Australia, Sydney 1993 p 42

3 DAS: Submission 50 p 24

4 Department of Defence: *Defence Policy on Computer-aided Acquisition and Logistics Support*: Exhibit 168 p 1

5 *ibid.*; *CALS implementation & small business interests*: Defence Industry and Aerospace Report Vol 12(7), 6 May 1993 p 7

adopting a CALS format could impose additional costs on suppliers, and have a disproportionate impact on small suppliers. The CALS policy stipulates that small business should not be disadvantaged by the implementation of CALS.⁶

5.7 The Committee commends the Department of Defence for incorporating into CALS policy the requirement that small business should not be disadvantaged by the adoption of CALS for procurement.

5.8 Electronic commerce has also been adopted by the Governments of New South Wales, Victoria and Western Australia. The Committee notes in particular the experience of New South Wales, which adopted electronic commerce specifically for period contracts following a State Government Committee of inquiry into public sector tendering and contracting in New South Wales.

5.9 The system adopted by the NSW Government, known as Supplyline, provides for daily updates on period contracts, direct ordering from suppliers and electronic funds transfer. Administrative costs of purchasing have been reduced from an estimated \$50 to \$80 per order under the manual system to less than \$10 under electronic commerce, and more effective use is being made of period contracts. The system also has the capability of generating statistics on volumes and patterns of purchasing across Government.⁷

5.10 The Purchasing Review Task Force supported the adoption of an electronic commerce regime for Government and pointed to action already taken to implement such a scheme, including the Commonwealth Electronic Trading Gateway (CETG) project. This project is aimed at developing an electronic gateway which could be used by any agency wishing to use EDI to conduct transactions without having to make direct connections to a number of supply networks, or building gateways themselves.⁸

5.11 CETG hardware and software is currently being installed, and a network of participating agencies and selected suppliers is being established. This phase of the project is expected to be completed by December 1994.⁹

5.12 The Purchasing Review Task Force noted, however, that difficulties are encountered in ensuring agency co-ordination in achieving the full potential of EDI. EDI will only be adopted for sound commercial reasons, and therefore adoption of EDI is dependant on the business case developed to support it.¹⁰

6 *CALS implementation & small business interests*, Defence Industry and Aerospace Report, Vol 12(7) 6 May 1993 pp 7-9

7 Standing Committee on State Development: *Public Sector Tendering and Contracting in New South Wales: Supply of Goods and Services Follow up Report; Report No 7*. Exhibit 207 pp 15-16

8 DAS: Submission 50 p 24

9 DAS: *Purchasing Review Task Force Report*, op cit., p 38

10 *ibid.*, p 38

5.13 The benefits of adopting electronic commerce have been demonstrated in a number of instances. Bankstown City Council, for example, has implemented electronic commerce and achieved average monthly savings of approximately \$6,400, and a saving of \$70,000 in the first year of using the system.¹¹ The adoption of Supplyline by the NSW Government has been estimated to achieve savings of \$100 million annually.¹² National Electronic Interchange Services Pty Ltd (NEIS) stated to the Committee that unit cost savings of 5-10% can be made with the introduction of 'whole-of-Government' electronic trading.¹³

5.14 In 1992 DAS, in conjunction with the Information Exchange Steering Committee, commissioned a study of the EDI and electronic commerce requirements of Commonwealth agencies, statutory authorities and Government business enterprises. The results were used to develop an EDI strategy. The key recommendation of the study was that a 'whole-of-Government' approach should be adopted.¹⁴ The Committee agrees with that recommendation.

5.15 The adoption of electronic commerce by Commonwealth agencies will improve the management of the purchasing function, allowing for the adoption of more flexible purchasing practices such as Just-In-Time purchasing and reduce administrative costs. Furthermore, the adoption of electronic commerce will enable improved implementation of Government purchasing policies by making the collection of purchasing performance data much faster and simpler.

5.16 To ensure the benefits of electronic commerce are fully realised it is important that products purchased using CUCs be traded electronically.

5.17 Electronic commerce for purchases from Common Use Contracts would also enable a large number of suppliers to be included in the network from its initiation, providing an incentive for both buyers and suppliers to trade on the system.

11 Hardie, J, Manager Internal Audit, Bankstown City Council: Speech to the National Technology in Government Conference, 25-27 February 1992, Canberra pp 3-4

12 Minister for Administrative Services, New South Wales Government: Media Release dated 28 November 1991

13 NEIS Pty Ltd: Submission 139 p 1

14 DAS: *Purchasing Review Task Force Report*, op cit., p 37

*Recommendation 19***5.18 The Committee recommends that:**

- . the Government implement whole-of-Government electronic commerce for purchasing by December 1997;**
- . the design of the electronic commerce system allow for the identification of the source of goods and services purchased (including the proportion of Australian value added); and**
- . all purchasing using Common Use Contracts be conducted via electronic commerce by December 1997.**

5.19 The adoption of an electronic commerce environment will present major administrative challenges for Commonwealth agencies. Coordinated management of electronic commerce will be critical to its successful implementation. This function should be carried out by a project team comprised of key buying agencies, Purchasing Australia and DITARD. The project team would be responsible for the planning and implementation strategies, with staff from the team returning to their Departments to implement the required changes.

5.20 The adoption of electronic commerce will also present technical challenges for both Government agencies and potential service providers. The Committee notes the view of the *Purchasing Review Task Force* which stated that "the consequences of adopting technology piecemeal is that the full benefits are seldom realised."¹⁵ In adopting a 'whole-of-Government' approach to the implementation of electronic commerce, a similar approach should be taken to the provision of the technological solutions that will form the infrastructure of the system.

5.21 The National Procurement Board should appoint a strategic partner, with responsibility for developing and implementing specific technological infrastructure solutions for each department, to work with the project team. This will have the benefit of ensuring that uniform standards are adopted across the whole of the Australian Public Service (APS), while having the flexibility to meet the individual needs of each Department.

5.22 The information provided by NEIS was that there needs to be an identified unit within each agency to be responsible for implementing electronic commerce. Experience indicates that without a dedicated unit and the involvement of senior staff the implementation of electronic commerce is likely to be delayed.

Recommendation 20

5.23 The Committee recommends that:

- a project team consisting of key buying agencies, Purchasing Australia and the Department of Industry, Technology and Regional Development be established under the National Procurement Board to plan and implement electronic commerce in Government agencies;
- the National Procurement Board appoint a strategic partner from the private sector to work with the project team, to assist individual agencies to develop and implement electronic commerce arrangements;
- the project team report periodically to the National Procurement Board; and
- each Commonwealth agency form a unit with the specific purpose of implementing electronic commerce.

5.24 The adoption of electronic commerce across the APS will incur costs in the initial phase. The experience of Telecom, the NSW Government and other organisations demonstrates that substantial net benefits will accrue to the Commonwealth from the introduction of the system in the long term. In order to facilitate the introduction of the system the Government should agree to meet the initial costs, and provide adequate resources for the project team and the strategic partner.

5.25 Appropriate auditing of electronic commerce will be required not only to ensure probity, but to measure the cost of implementation and the savings from improvements in administrative efficiency.

Recommendation 21

5.26 The Committee recommends that the project team and strategic partner be given adequate funding and resources to implement electronic commerce across the Australian Public Service.

COMMON USE CONTRACTS

5.27 Common Use Contracts (CUCs) are standing offer arrangements negotiated by DAS to procure goods and services commonly used by Commonwealth departments. There are two types of CUCs, one for information technology and the other for non-

IT goods and services. Annual purchasing expenditure on CUCs is about \$250 million.¹⁶ Under these arrangements goods and services are evaluated by DAS and a preferred list of suppliers are selected. Apart from information technology, 160 product groups are currently covered by CUCs.¹⁷

5.28 The ANAO reviewed the use of CUCs (excluding information technology CUCs) in 1992 and found that this system of purchasing can effectively harness the collective purchasing power of the Commonwealth to achieve major cost savings. The ANAO estimated that CUCs save the Commonwealth between \$58 million and \$66 million per year.¹⁸

5.29 The ANAO concluded that CUCs constitute an effective channel whereby ANZ suppliers can access the Commonwealth market. However, care must be taken with the interpretation of the Auditor-General's claim that over 80% of expenditure on goods and services purchased under CUCs is on products made in Australia and New Zealand [see paragraph 3.29 of Chapter 3].

5.30 The ANAO found that CUC suppliers had been adversely affected by devolution and the 1989 purchasing reforms, with the costs involved in selling to Government having increased by up to 10%. The increase has been a result of bank fees or merchant costs for use of the Australian Government Credit Card (AGCC), the DAS administrative commission levied on suppliers' CUC turnover and the costs associated with dealing with many more buyers.¹⁹

5.31 Prior to 1989 the use of CUCs was compulsory under Finance Regulation 46A. This Regulation was abolished as part of the Reform process in 1989.

5.32 Evidence from suppliers indicated that some Government buyers are using CUCs to establish benchmark prices, and negotiating further reductions in price from non-CUC suppliers.²⁰

5.33 The Attorney-General's Department confirmed the existence of the practice of buying off contract, and pointed out the benefits to the Department of doing so:

“Common use contracts will be used by Departments when they represent ‘value for money’ on their own merits. ... The Attorney-General's Department is increasingly finding situations where negotiations under current market conditions can achieve greater value for money. ... During any given period over the life of a CUC, market conditions change resulting in changed market prices. Departments are

16 The Auditor-General: *Audit Report No. 7 1992-93: Efficiency Audit: Saving Time and Money with Common-use Contracts*, AGPS, Canberra 1992 p 3

17 DAS: Submission 50 p 26

18 The Auditor-General: *Audit Report No.7 1992-93*, op cit., p ix

19 ibid.

20 pTizan Computer Services Pty Ltd: Submission 99 p 4

often placed in positions where they are unable to take advantage of price reductions unless they step outside the CUC framework.”²¹

5.34 The Department of Defence also highlighted an area where, it believes, CUCs may not provide the best value for money. Defence stated:

“the use of Defence CUCs is restricted to Defence bases or Defence administrative centres located within close proximity of capital cities. Defence personnel purchasing on a ‘just in time’ basis in remote locations are inclined to purchase from local suppliers rather than place orders with CUC suppliers who, because of their geographical locations, cannot provide after sales service, delivery etc within a specified time”.²²

5.35 Purchasing Australia has recently undertaken a review of purchasing through CUCs. The major findings of the review are that there is “considerable resentment” towards the system currently administered by DAS, with the DAS commission levied on CUC transactions being seen as a mechanism to finance DAS's survival; and CUCs providing only a limited choice of products. Suppliers favoured the CUC system, but were dissatisfied with their treatment by agency buyers.²³

5.36 The Committee was unable to determine the extent to which Government buyers are buying off contract, but evidence indicates that in some areas, such as stationery, it could be extensive.²⁴ The Committee is concerned over this ‘leakage’ away from CUCs by Government buyers. The Purchasing Review Task Force report stated that “there is a case for more effective enforcement of existing requirements for agencies to purchase under the CUC arrangements where they exist.”²⁵

5.37 CUCs negotiated by qualified and trained staff at a central or regional purchasing level are more likely to reflect national purchasing policy directives and guidelines.

5.38 Government buyers, in seeking alternative sources of supply, or engaging in further negotiations with suppliers for products already available on CUCs, are not treating CUC suppliers fairly. It is unreasonable that a supplier, having met the criteria determined by Purchasing Australia to provide products under CUC arrangements, should be faced with additional pressure from Government buyers to meet fluctuating market conditions. [See also paragraph 3.154 in Chapter 3 in relation to spot pricing.]

21 Attorney-General's Department: Supplementary Submission 116.1 pp 4-5

22 Department of Defence: Supplementary Submission 59.4 pp 17-18

23 Purchasing Australia: *Review of Common Use Purchasing: Executive Summary*. Exhibit 165 pp 8-14

24 *ibid.*, p 9

25 DAS: *Purchasing Review Task Force Report*, *op cit.*, p 33

5.39 By circumventing CUC arrangements, buyers are undermining the value of the system to suppliers, and duplicating efforts already made by Purchasing Australia to evaluate products and suppliers to determine a fair price.

5.40 The Committee notes that the Auditor-General's report, *Audit Report No 7 1992-93, Saving Time and Money with Common-Use Contracts*, establishes the efficiency case for approved supplier arrangements such as CUCs while identifying major areas for improvements. The Committee recommends that CUCs be subsumed within a wider approved suppliers list to broaden the efficiency gains and provide a mechanism for implementing improvements. An approved suppliers list would consist of suppliers that have undergone some form of pre-qualification, the criteria for which would include value for money, quality and industry commitment.

5.41 Approved supplier lists are essentially the heart of the type of electronic commerce systems used by the NSW Government and other organisations. The information integration capability of these systems allows the common letting of tenders for individual goods or services by disparate agencies and cost centres. This results in economies of scale in purchasing. The key to increasing critical mass in these systems is requiring purchasers to utilise the approved supplier lists. Competition is not degraded by such a structure as the EDI interface allows rapid tendering and re-tendering processes. An electronic approved suppliers list also allows the overlay of strategic purchasing policies on a product by product basis.

5.42 Electronic approved supplier lists provide valuable information bases for purchasing officers, allowing a sufficient degree of freedom (letting the managers manage) by providing a reasonable degree of choice in product categories. Training for purchasing officers is simplified for non-specialist purchasing officers.

5.43 Purchasing from approved suppliers (including CUCs) should be mandatory. Under current purchasing policy, buyers are required to purchase through CUCs, but it is widely acknowledged that this policy is not being adhered to at present. To reinforce this policy, the mandatory requirement should be incorporated in the Finance Regulations covering the conduct of purchasing. The electronic commerce environment can also provide effective monitoring and enforcement.

Recommendation 22

5.44 The Committee recommends that:

- . the Common Use Contract system be absorbed into a wider approved suppliers scheme; and**
- . the National Procurement Board monitor and advise on the effectiveness of such an approved suppliers scheme to ensure that it reflects government purchasing policy.**

5.45 The Committee acknowledges the point raised by the Department of Defence that buyers in remote locations may obtain substantially better value for money by buying off local suppliers rather than through the CUC supplier.²⁶ Under these circumstances, CUCs may not be the most cost-effective solution. In these situations, however, the onus should be on the buyer to demonstrate that the Department will achieve a better value for money solution by buying off contract.

Recommendation 23

5.46 The Committee recommends that:

- purchasing goods and services from suppliers who have approved supplier arrangements such as Common Use Contracts with Purchasing Australia be mandatory (with the possibility of exemptions for remote area buyers if authorised by an agency's chief purchasing officer in individual instances);
- the Finance Regulations be amended in line with this recommendation; and
- Purchasing Australia conduct an information and awareness campaign among suppliers and buyers informing them of the mandatory requirement to purchase from Common Use Contracts.

5.47 Instead of CUCs being used to harness purchasing power, in some cases they have knowingly been used as a list price, not intended to be the purchase price. Mr Tony Butler, General Manager, Purchasing Australia stated that: "For our IT contracts, the prices quoted are in fact ceiling prices rather than necessarily the transaction price that a department would incur."²⁷

5.48 The Committee received a further submission from DAS in relation to this issue as this report was being finalised. In it DAS stated:

"Some CUCs are arranged on the basis of set prices or set discounts from list prices, while others are arranged on an 'indicative' or maximum price basis. The prices specified for IT CUCs, for example, are generally maximum prices. This allows suppliers to offer discounts for specific needs or adjust to the current imperatives of the marketplace ... The contract terms and conditions include provision for

26 Department of Defence: Supplementary Submission 59.4 pp 17-18

27 Butler, A, General Manager, Purchasing Australia: Transcript p 1106

suppliers to adjust prices, but, when these are lowered for one agency, they must be lowered for all.”²⁸

5.49 This serves to reinforce the Committee's concern that, where CUC contracts contain ‘ceiling’ prices, there is an incentive for buyers to seek lower prices, possibly from suppliers not on the CUC list. This must serve to weaken the CUC system.

5.50 Renegotiation of some agreements may be required to ensure that the Government is maximising the benefits of its combined purchasing power. The current practice of ‘ceiling prices’ on some CUCs must be replaced by best value for money by taxpayers - in line with revised purchasing guidelines.

Recommendation 24

5.51 The Committee recommends that approved supplier arrangements (including Common Use Contracts) which contain prices that are used as ceiling prices be renegotiated to incorporate prices that reflect best value for money for Government buyers.

5.52 Poorly negotiated prices and inappropriate items on CUCs are currently overcome by purchasing officers simply buying from other sources. Following the implementation of the recommendations contained in this report, it will be crucial that the new approved supplier lists fully conform with Government purchasing policy, and are administered fairly and efficiently to enable the immediate inclusion of additional approved suppliers.

5.53 Equally, it is important that the process by which suppliers are added to the list is fair and efficient. The Committee has taken evidence from a number of companies that have experienced problems with this in the past. Particular difficulties appear to occur in specialist areas, such as security related items.

Recommendation 25

5.54 The Committee recommends that a ‘one-stop-shop’ be established for firms wishing to sell to government to minimise the complexity and delays in product/supplier evaluation.

5.55 The Committee considers that purchasing staff should undergo training in the CUC system in order to achieve the maximum efficiencies that CUCs are capable of

delivering. Buyers should undergo this training before being authorised to carry out purchasing functions.

Recommendation 26

5.56 The Committee recommends that training in the use of approved supplier schemes (including Common Use Contracts) be made compulsory before authority to conduct purchasing is delegated to Government buyers.

5.57 An area of concern to suppliers is the imposition since mid-1989 of an administrative charge on CUCs. DAS is required to collect a commission ranging from 1% to 4% from the suppliers under CUCs and pay this into consolidated revenue. In 1991-92, DAS collected \$4.9 million in commission fees.²⁹

5.58 Departments are reluctant to pay the commission, placing pressure on suppliers who are required to pay the fee to DAS.³⁰ Suppliers see the imposition of the fee as placing them at a price disadvantage compared with their competitors without CUC arrangements.³¹ The commission is perceived, particularly in the IT industry, as a tax on suppliers.³²

5.59 The use of a percentage charge rather than a flat administrative fee is seen as inequitable. The Attorney-General's Department stated:

“Value of purchases does not correlate with the actual cost of organising and maintaining a contract. Medium to high value purchases attract a high total surcharge reducing savings made by bulk purchases. The surcharge creates a situation where consideration must be given to seeking quotations or preparing specific period contracts to achieve actual savings. We believe that the surcharge has resulted in the abolition of smaller volume CUCs which DAS believes are unprofitable at the expense of Commonwealth funds.”³³

5.60 Changing the levy to a flat administrative fee would still place a cost on CUC suppliers which would not be borne by their non-CUC competitors. In response to this issue, the Purchasing Review Task Force noted that the Commonwealth Purchasing Advisory Committee will be undertaking a review of the commission.³⁴

29 The Auditor-General: *Audit Report No. 7 1992-93*, op cit., pp 3, 20, 24

30 *ibid.*

31 *Purchasing Australia: Review of Common Use Purchasing*, op cit., pp 22-23

32 *ibid.*

33 Attorney-General's Department: Supplementary Submission 116 p 5

34 DAS: *Purchasing Review Task Force Report*, op cit., p 103

5.61 The commission has, in practice, operated as disincentive to use CUCs. Agencies are effectively 'rewarded' by purchasing from non-CUC sources. Where purchases are made from CUCs the commission is, in the end, passed on either directly or indirectly to the consumer. The Committee does not regard the commission as fulfilling a useful role.

Recommendation 27

5.62 The Committee recommends that the commission levied on all sales made under Common Use Contracts be abolished.

CHAPTER 6

TRAINING AND CAREER DEVELOPMENT

TRAINING

6.1 The importance of training to develop and improve professionalism was recognised from the outset of the implementation of the purchasing reforms. The Touche Ross Report in 1990 provided extensive information on the training needs of Commonwealth purchasing staff and the availability of suitable training.¹

6.2 A major finding of the report was that a significant number of specialised purchasing topics of importance to the Commonwealth were not covered at all by existing training. Purchasing was found to be one of the most neglected areas of business and management education in Australia. Little if any training then publicly available met the needs of Commonwealth purchasing staff.²

6.3 The report proposed a strategy for meeting the Commonwealth's purchasing training needs centred on the establishment of an expert 'Purchasing Development Centre', and recommended the development of a career structure for purchasing.³

6.4 The Purchasing Development Centre (PDC) was established in August 1990. Its role widened in October that year when Service Ministers agreed to it becoming the preferred provider of purchasing training to State and Territory Governments. Since then the PDC has developed close and cooperative arrangements with several States.

6.5 The PDC offers a range of short courses from the half day 'Using your Credit Card' and the two day 'Introduction to Purchasing in the 90's' courses to a five day course in contract administration and an intensive ten day purchasing course for experienced staff wishing to develop their skills in order to undertake advanced purchasing. The PDC now has a suite of some twenty courses and is able to develop courses tailored to individual agency needs.

6.6 The Department of Defence also runs its own in-house training program and has trained around 4,000 staff in purchasing through its Defence Purchasing Skills Program since November 1991. The Defence program covers the policy and procedural aspects of simple purchasing through to more complex contractual arrangements, and is coordinated around Australia to ensure consistent training and application of policy. Defence also has an extensive program for training project staff

1 Purchasing Reform Group: *The Human Element in Procurement: A Consultancy Report on Training Needs and Career Development*: Exhibits 114 - 116

2 Purchasing Reform Group: *The Human Element in Procurement: A Consultancy Report on Training Needs and Career Development: Executive Report*: Exhibit 114 p 11

3 *ibid.*, p 11

which consists of a range of modules on project and purchasing functions relevant to capital equipment procurement, and training at post-graduate level in project and financial management.⁴

6.7 The effectiveness of these training efforts, however, needs to be seen in context. Since 1989, the number of staff involved in purchasing has grown from approximately 3500 full time, and 10,000 part time purchasing officers,⁵ to an estimated 30,000 to 40,000 full and part time purchasing staff.⁶

6.8 In addition to views expressed by members of the IPSM, NSW,⁷ substantial anecdotal evidence has been given that this lack of training permeates through all levels of the public service, from people making small purchases on credit cards to buyers involved in major contracts and major projects.

6.9 This evidence is supported by the results of a telephone survey of 698 buyers conducted by Minter Research in early 1992 which showed that:

“...68% of buyers surveyed had no formal training at all in procurement or logistics, and of these almost two thirds had been involved with expenditure of more than \$100,000, and just over two thirds had been purchasing for more than five years...A significant finding of this survey was that many government officers do not recognise their involvement in purchasing.”⁸

6.10 The Minter findings are borne out to a large extent by a separate survey⁹ in 1993 which also found the level of formal purchasing training of Commonwealth procurement staff to be inadequate. The ANAO has found a similar lack of formal training among holders of the Australian Government Credit Card (AGCC)¹⁰ (see Chapter 7).

6.11 In addition to the poor uptake of training, the Committee questions the adequacy of the PDC and Defence courses. The courses are short, and although individual courses may be added together to cover all aspects of the purchasing process, there is no cohesive program available through PDC. While the Defence Purchasing Skills Program is better coordinated, the relatively short duration of the Program is probably not sufficient to allow staff to receive adequate training for more complex purchasing activity. Neither PDC nor Defence short courses offer training approaching that which might be obtained through a TAFE or university course.

4 Department of Defence: Supplementary Submission No 59.4 pp 15-16

5 Purchasing Reform Group: *The Human Element in Procurement: A Consultancy Report on Training Needs and Career Development: Volume 1, The Report*: Exhibit 115 p 4

6 Butler, A, General Manager, Purchasing Australia: Transcript p 129

7 See Transcript pp 395-402

8 Minter Research: *The Minter Report on Government Purchasing*: Exhibit 87 p 12

9 *ibid.*

10 The Auditor-General, *Audit Report No. 21 1993-94: Efficiency Audit, Department of Finance: The Australian Government Credit Card - its debits and credits*, AGPS Canberra 1993 p 13

6.12 DAS recognises that the PDC courses are interim training measures and do not provide a complete solution to the training needs of purchasing staff. Mr Sam Skrzypek, Assistant General Manager, Strategic Policy and Marketing Branch, Purchasing Australia stated to the Committee:

“We have been engaged in a number of activities, both short-term and long-term ones. The short-term activities I suppose are being seen very much as bandaid measures pending longer-term solutions to the training problem. In January this year, the government decided to give a boost to the training activity undertaken by the Commonwealth in purchasing, and it provided us with some additional funds to engage the Purchasing Development Centre and other training providers as appropriate, to provide courses that might meet agency needs.

In the long term, however, we think that the problem of training is not necessarily going to be overcome by a proliferation of short training courses, but by a recognition that there are quite specific competencies involved in training, and that people who spend a substantial part of their time in purchasing ought to undertake training programs, preferably in the tertiary sector of TAFE colleges and so on: training which uses curriculum based around purchasing competencies. We have been developing those competencies, and earlier this year obtained approval from ... the Joint Australian Public Service Training Council (JAPSTC).”

“The next stage of the process is to develop a curriculum based on those competencies, and talk to the tertiary education sector about the long-term possibility of providing training courses to the Commonwealth. That is where we see the future lying. The number of people involved in purchasing certainly presents us with a challenge. We have been developing various levels of courses and identifying various levels of competencies tailored to suit the needs of people involved in a range of purchasing from simple to complex.”¹¹

6.13 In 1992-93 DAS, in conjunction with (JAPSTC) developed competency standards for the procurement function in the Australian Public Service. The Standards have been endorsed by the National Training Board and are being used to develop a new national purchasing training curriculum.¹²

6.14 Delivery of the curriculum will be through incorporation in publicly available formal TAFE courses, as well as in the form of short courses offered by private

11 Skrzypek, S, Assistant General Manager, Strategic Policy and Marketing Branch, Purchasing Australia: Transcript p 991

12 DAS and The Joint Australian Public Service Training Council: *Procurement Competencies for The Australian Public Service*, June 1993

providers. It will provide a comprehensive program of publicly available training suited to the diverse needs of APS procurement staff.

6.15 DAS is working with training organisations to ensure that the new curriculum is adopted and also that courses based on it articulate to accredited TAFE and degree level courses. A number of TAFEs and universities have already indicated their interest and Commonwealth purchasing modules will be incorporated into the new Purchasing and Supply TAFE course being developed by the Australian Committee for Training Curriculum (ACTRAC) and industry.¹³

6.16 Specific courses in materials management and logistics which include purchasing subjects are now becoming available at some TAFEs and universities at certificate, diploma and graduate certificate and graduate diploma levels. The *Guide to Procurement Courses*¹⁴ was published by DAS in 1992 to provide details of these courses. Both DAS and Defence are working to ensure articulation between internal courses and tertiary awards.

6.17 The new curriculum should be available by mid 1994, but work is planned to continue to test and enhance it through piloting and review. In conjunction with appropriate providers, courses will be developed for delivery on and off-the-job, and through computer based training and open learning.¹⁵

6.18 Computer based training and open learning are important options in making training accessible, particularly as many staff may be unable to take time off from the workplace to attend classroom based training. There are also significant benefits in terms of cost savings for the Commonwealth as staff are retained in the workplace and are able to apply new learning immediately to the tasks at hand.

6.19 Recognition of prior learning and the assessment of existing competence are important. DAS is proposing to develop a system to provide formal recognition of procurement competence in the APS. The proposed system of recognition will enable agencies to reliably assess the competence of their staff, identify specific training needs and seek only that training required to develop the area and level of competence required.

13 DAS: Supplementary Submission No 50.4

14 DAS: *Guide to Procurement Courses*, AGPS, Canberra 1992

15 *ibid.*

6.20 The Competencies Implementation Steering Committee's strategy¹⁶ is aimed at providing training commensurate with the needs of all staff involved in the purchasing function including:

- . management;
- . staff involved only in part of the purchasing process;
- . staff involved in low-value purchasing; and
- . staff involved in complex purchasing.

6.21 The apparent lack of management awareness of the strategic value of purchasing in program delivery needs to be addressed to ensure that purchasing activities are properly planned, systems are appropriate and that staff involved are well trained. DAS is currently seeking to address this problem through the nationwide seminar campaign and specially designed short courses offered by the PDC.¹⁷ However, because of devolution this message is unlikely to reach a large percentage of the target audience.

6.22 The Purchasing Review Task Force commented:

“Purchasing is an integral management function which has traditionally been treated as the ‘poor relation’ when it comes to training, status and management attention. Very few management and business degrees give purchasing the attention it deserves... As a result, few APS management staff will have been exposed to procurement issues during their formal education.”¹⁸

6.23 This reflects a “remarkable lack of awareness of the potential benefits that more effective and efficient purchasing operations should bring.”¹⁹ The Purchasing Review Task Force proposes that compulsory awareness training be introduced for managers.²⁰ This is supported by the Committee, which also proposes that, as part of the implementation of the competency based system, universities be encouraged to include purchasing subjects in their business and management degrees to deal with the problem in the longer term.

6.24 Appropriate training must also be provided for the large number of people who do not currently recognise themselves as being involved in purchasing,²¹ but who are involved in critical parts of the process (e.g. technical and professional staff

16 This committee comprises representatives from Commonwealth agencies, the ACTU, JAPSTC, ACTRAC, the ACTRAC Purchasing and Supply Project, the National Supply Group, the Local Government Training Council and the Australian Institute of Purchasing and Materials Management.

17 *ibid.*

18 DAS: *Purchasing Review Task Force Report*: Exhibit 182 p 65

19 DAS: Supplementary Submission No 50.4

20 DAS: *Purchasing Review Task Force Report*, *op cit.*, p 65

21 Minter Research, *The Minter Report on Government Purchasing*: Exhibit 87

who may develop specifications or be involved in bid evaluation or manage contracts), or who engage consultants. Such activity often involves high levels of risk, albeit at lower dollar values. In these cases it should only be undertaken by, or at least under the close supervision of, highly competent specialists in these fields. Under the new administrative arrangements proposed by the Committee such specialists will be located in departmental purchasing cells.

6.25 Staff involved in procurement on an occasional basis need to be made aware of their responsibilities in relation to procurement policy and procedures. They need to properly understand the risks inherent in the activity to know when to seek specialist input and advice, or undergo the necessary specialist training themselves. DAS advises that special training modules are being developed as part of the new curriculum to meet the needs of this group.²² The Committee agrees with the Purchasing Review Task Force proposal that awareness training should be made compulsory for these staff.²³

6.26 The Committee acknowledges that it is not necessary for all people involved in the purchasing process to be highly trained purchasing personnel. The differing knowledge and skill requirements for low-value, low-risk purchasing and high-value, high-risk procurement activity, however, need to be taken into account so that purchasing systems and training requirements are commensurate with the complexity of the activity.

6.27 The introduction of electronic commerce with approved suppliers will limit the risks involved in low-value purchasing and ensure that accountability requirements are automatically met. Nevertheless, staff should be trained in the proper use of systems and understand their purchasing responsibilities. Effective training for such staff could be delivered through in-house short courses and supplemented by an appropriate computer based learning program.

6.28 Training for staff involved in the management and operation of high value, high risk procurement must be comprehensive and suited to the development of highly professional specialists in a variety of fields, for example, specification writing, risk management, market research, tendering, bid evaluation (including whole of life costing), industry development, contracting, contract management, and disposal.

6.29 In the case of specialist purchasing staff training needs to be comprehensive. As such it is likely to be costly. However, the establishment of purchasing cells within agencies will reduce the number of staff requiring training and ensure that training can be better targeted to the needs of individual staff.

6.30 The Purchasing Review Task Force has proposed that staff performing purchasing functions be required to undergo mandatory training.²⁴

22 DAS: Supplementary Submission No 50.4

23 *ibid.*

24 DAS: *Purchasing Review Task Force Report*, *op cit.*, p 62

The Committee agrees with this proposal. To ensure consistency, however, all courses should be based on the Commonwealth Procurement Competency Standards and approved by the National Procurement Board.

Recommendation 28

6.31 The Committee recommends that:

- Option 4, Part 6, Section 3 of the Purchasing Review Task Force Report be adopted, namely the introduction of:
 - compulsory procurement awareness training based on the Commonwealth Procurement Competency Standards for entry level, middle management and executive level staff in all Commonwealth agencies, and
 - compulsory procurement awareness training based on the Commonwealth Procurement Competency Standards for non procurement staff involved in key aspects of the purchasing process (e.g. project managers and engineers);²⁵
- training based on the Commonwealth Procurement Competency Standards be mandatory for all Australian Public Service staff performing procurement functions;
- a computer based training course be developed to supplement off-the-job training for basic level purchasing;
- all courses and the course providers be subject to approval by the National Procurement Board; and
- the National Procurement Board develop and maintain a list of approved purchasing courses and course providers for distribution to departments and Commonwealth agencies.

CAREER DEVELOPMENT

6.32 Electronic commerce, if introduced with appropriate training, would help simplify the purchasing function. However, in many instances at the agency centralised purchasing unit level, purchasing will remain a complex activity requiring professional expertise. Such expertise can only be developed over time and through a combination

of training and on-the-job exposure to a range of purchasing situations. Professional development of this type is unlikely to eventuate without the support of a well defined career path.

6.33 The establishment of a career structure for purchasing staff was recommended in 1990 by Touche Ross.²⁶ At the time, it was envisaged that departments would form purchasing cells to pool purchasing expertise, and provide a purchasing hierarchy that would allow for promotion.²⁷

6.34 Devolution, however, has had the effect of dispersing purchasing expertise within departments, isolating purchasing officers from each other while increasing their responsibilities without improving their status.²⁸ This has had the unintended outcome of decreasing the emphasis placed on purchasing as a career in itself. The pre-1989 attitude that treated purchasing as a low-status routine activity carried out by junior staff²⁹ still persists in many departments.³⁰

6.35 The Purchasing Review Task Force supported the introduction of a career structure for purchasing noting that:

“The resources required to fully train high level procurement staff are considerable. They will not be effectively utilised unless such staff are retained in the job of procurement. A clearly defined career path of appropriate status would provide a means of rewarding experienced and effective staff, thereby encouraging them to improve their skills and remain in the procurement field.”³¹

6.36 The IPSM also commented:

“Given that many changes in purchasing staff occur due to the merry go round of seeking higher grades and more money, it is high time a proper career path is established.

A realistic and well thought out career path for purchasing staff can provide the Government in due course with educated professionals who can lead the way in reducing costs and be part of an Australia wide drive to really provide us with all the goods and services needed at the right time, at the right place

26 Purchasing Reform Group: *The Human Element in Procurement: A Consultancy Report on Training Needs and Career Development: Executive Report*, op cit.

27 *ibid.*, p 19

28 Purchasing Reform Group: *The Human Element in Procurement: A Consultancy Report on Training Needs and Career Development: Volume 1, The Report*: Exhibit 115 p 190-191

29 *Proposals for Reform of Commonwealth Government Purchasing arising from Government Review under the Financial Management Improvement Program*, November, 1988, p 6

30 Purchasing Reform Group: *The Human Element in Procurement: A Consultancy Report on Training Needs and Career Development: Executive Report*, op cit., p 10; Morris, P Chief Economist, Metal Trades Industries Association: Transcript p 505

31 DAS: Submission 50 p 64

with the specified quality and quantity, at the right price for the right reason."³²

6.37 The Chamber of Manufacturers of New South Wales³³ also supported the establishment of career structures and, in addition, the accreditation of purchasing staff.

6.38 In an effort to implement a purchasing career structure, DAS developed a proposal for supplementary classification guidelines for Administrative Service Officers and Senior Officers working in the procurement function. This proposal has been submitted to the Department of Industrial Relations, where it is being considered within the broader context of APS pay and classification issues.³⁴

6.39 While the Committee acknowledges DAS's efforts, the proposal appears to have lost its momentum. This is hardly surprising, as there would appear to be scant logic in establishing such a structure in the prevailing devolved environment. The establishment of purchasing cells within agencies will help overcome this problem and support the existence of a clearly defined career structure.

6.40 A career structure for purchasing staff should be implemented without delay. The competency standards which have been developed since the DAS proposal was submitted to the Department of Industrial Relations will enable staff to be accredited within a career structure. Other recommendations of this report may also impact on the proposed structure.

Recommendation 29

6.41 The Committee recommends that the Department of Industrial Relations and the Department of Administrative Services review the career structure proposed by the Department of Administrative Services in the light of other recommendations in this report with a view to establishing an appropriate career structure for purchasing staff.

32 IPSM: Supplementary Submission No 22.1 p 4

33 Chamber of Manufactures of New South Wales, Submission No 51 p 26

34 DAS: Submission 50 p 19



CHAPTER 7

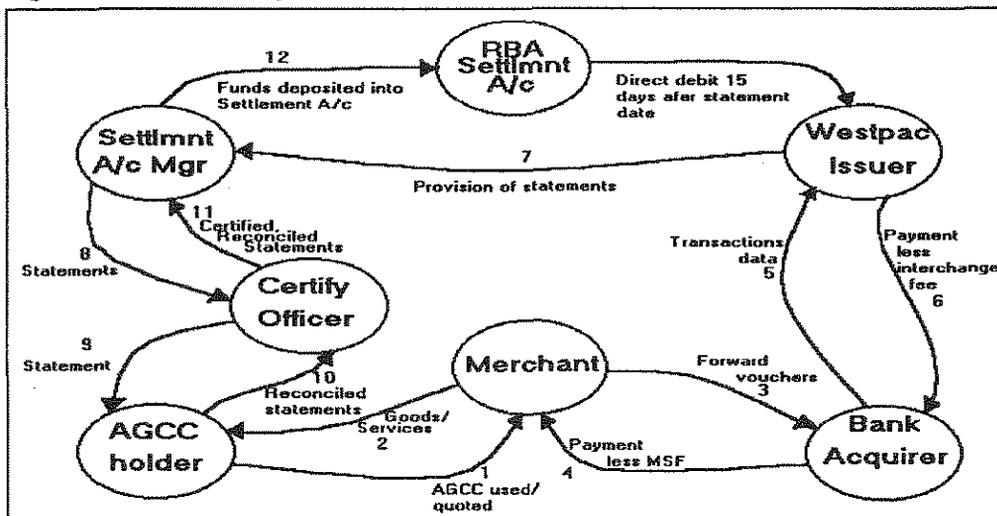
THE AUSTRALIAN GOVERNMENT CREDIT CARD

7.1 The Australian Government Credit Card (AGCC) was introduced in 1987 in response to the findings of the Efficiency Scrutiny Unit (ESU) that the then method of accounts processing was costly and inefficient. The AGCC was recommended by the ESU for use in paying for minor purchases whenever possible.¹ Finance Direction 30A strongly encourages the use of the AGCC:

“Departmental Secretaries must ensure that the Australian Government Credit Card is used to purchase and pay for goods and services unless there are sound reasons for not using it.”²

7.2 The AGCC is a Westpac MasterCard which operates with a monthly limit. It is technically a deferred debit card which differs from a personal credit card in that the balance must be paid in full by a predetermined date every month. The AGCC also has a much more complicated accounting procedure than a normal credit card involving the AGCC holder, the acquiring and issuing bank(s), the Reserve Bank, a settlement account manager and certifying officer. The process of checking, certifying, reconciling and paying accounts is outlined in the diagram below:

Figure 1 The AGCC System



(Source: Auditor-General, Audit Report No. 21 1993-94: *The Australian Government Credit Card - its debits and credits*, p 6)

- 1 Auditor-General: *Audit Report No. 21 1993-94: Efficiency Audit: Department of Finance: The Australian Government Credit Card - its debits and credits*, AGPS, Canberra 1993 p x
- 2 Finance Direction 30A, Department of Finance.

7.3 There are currently around 16 000 Australian Government Credit Cards in circulation. In the 1992-93 financial year \$418m was spent by AGCC.³

7.4 There has recently been considerable controversy about the use of the AGCC. The Auditor-General conducted an efficiency audit on the AGCC in 1993 and found that it was considerably more expensive to the Commonwealth than alternative payment methods such as cheque, Electronic Funds Transfer (EFT) and Electronic Data Interchange (EDI).⁴ The Auditor-General also found that from the original intention of the scheme for the AGCC to be used primarily for paying minor claims the system had evolved to the extent that most of the AGCC expenditure was made by transactions in excess of \$1000 with some card holders having limits of \$2m per month.⁵ The Auditor-General also expressed concern at the lack of risk management strategy, fraud control and accountability. The Committee has similar concerns.

7.5 The Committee has investigated the use of the AGCC, writing to Government departments on two occasions. The initial letter to Ministers included the following questions:

- . the value of Departmental purchases made by credit cards;
- . how many cards are used by Departmental staff;
- . what are the credit limits on each of these cards;
- . what are the substantive or acting positions held by Departmental staff with authority to use credit cards, and how many staff hold such cards;
- . what training about finance regulations governing the use of credit cards is provided to staff before they are given authority to use those cards; and
- . how many of the staff who hold credit cards have been to training courses on purchasing and what was the nature of those training courses.

7.6 The initial response from departments identified \$368m of the \$418m AGCC expenditure in 1992-93 and nearly 12 000 of the 16 000 cards on issue. Table 1 shows a summary of the responses to the initial survey of departments.

3 op. cit., p 8

4 ibid., pp xiv, xv

5 ibid.

TABLE 1 – SUMMARY OF RESPONSES TO INITIAL CREDIT CARD SURVEY

Department	\$ Value of purchases 92-3 (Q1)	Number of cards (Q2)	\$ Thousand limits (Q3)	% Staff trained (Q5,6)
Aboriginal Affairs (ATSIC)	0.37m	229	Fuel only ^a	0.0
Arts and Administrative Services	40.8m	1421	0.5-800	100.0
Attorney-General	13.2m	824	0.5-100	51.0
Defence	259.3m	5056	0.5-800 ^b	100.0
Employment, Education and Training	4.5m	359	0.5-80	100.0
Environment, Sport and Territories	6.2m	582	0.3-200	no data
Finance	2.4m	164	1-340	35.4
Foreign Affairs	1.4m	143	1-30	no data
Housing, Local Govt. and Community Services	7.0m	647	0.5-300	28.0
Immigration and Ethnic Affairs	2.5m	194	0.5-200	27.8
Industrial Relations	4.3m	119	0.3-no limit ^c	36.1
Industry, Technology and Regional Development	1.7m	295	1-80	100.0
Primary Industries and Energy	6.0m	473	2-100	25.4
Prime Minister/Special Minister of State	0.73m	96	1-50	15.6
Public Service Commission	0.1m	6	1-20	50.0
Social Security	11.0m	793	2-80	100.0
Tourism	0.2m	31	2-50	65.0
Transport and Communications	2.3m	156	1-80	44.0
Treasury	no response	31	no response	20.0
Veterans' Affairs	4.0m	165	0.3-200	73.0
Total annual (1992-93) value of purchases	368.0m			
Total number of cards		11784		
Lowest card limit (Industrial Relations, Veterans' Affairs, Environment, Sport & Territories)			\$300	
Highest card limit (Industrial Relations)			No limit^c	

^a The ATSIC response referred only to cards used exclusively for petrol and oil. These cards are in fact charge cards and not part of the AGCC system.

^b The Committee has subsequently had advice that the highest card limits in the Department of Defence are \$2m.

^c The cards with no limit were issued to senior officers in Worksafe Australia. Subsequent advice received from the Department of Industrial Relations indicates that these cards were in fact American Express corporate cards and not AGCCs. American Express do not place credit limits on these cards.

7.7 The Committee was concerned that some of the information provided in the responses was either inaccurate or lacking in detail to an extent which indicated that the monitoring of AGCC use was inadequate. The Committee has subsequently been advised by the Auditor-General that information given to the Committee by some

departments on the level of AGCC credit limits was inaccurate. These discrepancies appear to be a result of the lack of accurate management information systems within departments - a problem identified in the Auditor-General's report. In addition, the extent of training given to card holders and other officers involved in the AGCC system was not sufficient from the responses received and the findings of the Auditor-General.⁶ A further letter to Departmental Secretaries was sent on 15 December 1993 requesting the following information:

- . the names of training courses for credit card users which officers of the Department and portfolio agencies attended in 1992-3 (including a short description of each course and what organisations provided the training);
- . the number of staff who attended each course;
- . the number of days taken by each course;
- . the number of certifying officers and settlement account managers in the Department and portfolio agencies; and
- . the extent of training in purchasing guidelines given to certifying officers and settlement account managers (including a short description of courses and what organisations provided the training).

7.8 The responses to the second letter to departments provided the Committee with considerable information about the nature and extent of AGCC related training. However, the responses also highlighted the lack of a coordinated approach and some significant lapses in training coverage.

7.9 Despite the numerous courses cited by departments the Committee is concerned that many departments do not appear to be effectively implementing AGCC training. In one instance some requested information on training could not be provided because it was not kept.⁷ An officer from another department, upon receiving the Committee's letter, telephoned the Committee secretariat to ask what a settlement account manager was. A number of departments questioned the need for certifying officers to receive training in purchasing guidelines.⁸ While some departments, such as the Department of Employment Education and Training, provide extensive training with emphasis given to the requirements of the Commonwealth Procurement Guidelines,⁹ others provide very little significant training beyond basic half day AGCC courses. The number of card holders attending these courses is often a very small percentage of total departmental card holders.

7.10 The lack of a centrally coordinated approach to training is also apparent from the responses. The Department of Defence is one of a number of departments which have developed courses from within its own organisation whereas other departments rely solely on courses provided by DAS and the Department of Finance (DoF).

6 *ibid.*, p 14

7 Department of Defence: Submission 59.6

8 See for example Department of Primary Industries and Energy: Submission 109.3

9 Department of Employment, Education and Training: Submission 32.3

Departments might be able to make use of courses offered by departments other than DAS and DoF which better suit their operational needs if AGCC training was better coordinated. Under the current decentralised system, however, this does not occur.

7.11 In the course of the Committee's inquiry it has become clear that the current AGCC system operates at a high cost to the Commonwealth and with a lack of control. Having evaluated the Auditor-General's findings and following its own investigations the Committee has identified four particular areas of concern:

- . lack of training;
- . the large number of card users;
- . the need for more information on AGCC purchases; and
- . the use of the AGCC for large capital purchases and high monthly card limits.

LACK OF TRAINING

7.12 The introduction of the AGCC along with decentralisation and devolution has seen a great increase in the number of people undertaking a purchasing function for the Commonwealth. However, of 16 000 AGCC users the Auditor-General estimates that only 35% have received any training.¹⁰ In relation to the training of Settlement Account managers the Auditor-General makes the following statements:

“very few departmental Settlement Account administrators had any formal training in regard to their duties.”¹¹

“the failure of departments to ensure provision of specific training to Settlement Account Administrators has a multiplier effect beyond restricting these staff in fulfilling their duties, in that they are often the sole source of guidance for AGCC holders within their unit or location.”¹²

7.13 The Committee shares the Auditor-General's concerns in relation to probity due to the low level of training in the AGCC system. Of more direct relevance to the Committee's inquiry, however, is the problem this creates for the implementation of purchasing policy. For Government buyers to implement purchasing policy it is not enough for the Government to publish guidelines and expect every credit card user to follow them. The Auditor-General found that there was a very low level of knowledge among AGCC holders of current Commonwealth guidelines for purchasing and payment of accounts despite these being issued to all AGCC users.¹³

10 Auditor-General: *Audit Report No. 21 1993-94*, op cit., p 14

11 *ibid.*, p 15

12 *ibid.*

13 *ibid.*

7.14 Adequate training is essential for AGCC users if the Government is to have control over its purchasing. The Auditor-General has recommended that DAS become the sole provider of training and that the training of officers involved in the AGCC system become compulsory.¹⁴ DoF, which is currently responsible for the administration of the AGCC, has opposed this recommendation:

“The centralisation of training to create a monopoly situation, as well as the prescription of compulsory training, are in stark contrast to the thrust of the reforms of the last ten years which have sought to increase flexibility, responsibility and innovation in public sector management. Secretaries of departments are responsible for the effective control and use of the AGCC within their organisations and consequently, it is for them to determine what level of training and instruction is required in the light of expected usage and other related factors.”¹⁵

7.15 It is ironic that the Department which has effectively prescribed the use of the AGCC through Finance Direction 30A opposes the prescription of training for the card's users. The DoF is encouraging the use of a system which is uncontrolled and for which there is unsatisfactory training. It is clear that the emphasis placed on AGCC use through the Finance Directions has not been followed up with a proper monitoring of the system. This is because DoF has taken the view that the reforms of the public service accompanying devolution have placed the responsibility for monitoring AGCC purchasing with departments. Unfortunately, the findings of the Auditor-General and evidence given to the Committee point to the failure of departments to undertake this role. As the department charged with responsibility for the “administration of the Public Account”¹⁶ DoF is displaying a very relaxed attitude to the expenditure of public funds.

7.16 As DoF appears unwilling to undertake the responsibility of ensuring adequate training of AGCC users, settlement account managers and certifying officers, DAS, which already has a substantial administrative role with the AGCC system, would be an alternative. However, the Committee is not convinced that Purchasing Australia, given its past record, would be an effective administrator of AGCC training. The additional involvement of the proposed National Procurement Board (see Chapter 2) to oversee the implementation of the Auditor-General's AGCC training recommendation would be an important adjunct to the proposal which would allow for an independent examination of the effectiveness of the training, particularly in relation to the implementation of procurement policy. The Committee is in agreement with the broad thrust of recommendation No. 2 of the Auditor-General¹⁷ and therefore recommends the following:

14 *ibid.*, p xxii

15 *ibid.*, p xxiv

16 Administrative Arrangements order - Schedule of Administrative Arrangements, 24 March 1993 p 9

17 Auditor-General: *Audit Report No. 21 1993-94*, *op. cit.*, p xxii

Recommendation 30

7.17 The Committee recommends that:

- . all training courses for AGCC holders be approved by the proposed National Procurement Board;
- . all new AGCC holders attend a training course approved by the National Procurement Board when they receive an AGCC;
- . all AGCC holders with a purchasing function attend approved training courses on purchasing and that this training involve instruction in Government procurement policy;
- . all managers responsible for approving AGCC expenditure attend approved training courses;
- . all Settlement Account Administrators or alternatively, those finance section staff working at unit level who are responsible for arranging payment on behalf of AGCC holders, attend an approved training course, at least every two years;
- . existing AGCC holders spending in excess of \$50,000 p.a. be targeted and required to attend an approved course;
- . all training be provided at a regional level and be free to users; and
- . the National Procurement Board evaluate the feedback received from training courses as part of its ongoing process of improving arrangements for the AGCC.

THE LARGE NUMBER OF CARD USERS

7.18 Improved training of AGCC users is important. However, with 16 000 people issued with cards the process of training would take some years and require considerable resources. From its own investigations and the Auditor-General's findings the Committee has been given reason to question the necessity of having such a large number of AGCC users.

7.19 In the three month period over which the Auditor-General reviewed AGCC use 26% of card holders did not use their cards at all and 9% of card holders accounted

for 77% of expenditure.¹⁸ It would appear from these findings that the number of card holders could be reduced significantly without any detrimental effect on the scheme as a whole.

7.20 One reason for the large number of unused or little used AGCCs may be the encouragement given to AGCC use by Finance Direction 30A. It is possible that in following this direction some departments have issued AGCCs to staff who rarely make purchases for the Commonwealth, but have the AGCC available if the need arises. In these circumstances, where the AGCC is rarely used, even trained card holders would tend to forget the guidelines and policy. The use of substantial resources to train people who use the AGCC so infrequently is also questionable.

7.21 The Committee believes that a change in emphasis is needed in the Finance Directions to discourage AGCC issue to staff without an ongoing purchasing role. In addition to this, ongoing monitoring based on usage statistics to reduce the number of card holders would greatly improve the efficiency of the system and make training the people involved much more achievable. It could reasonably be expected that this approach would reduce the number of AGCC holders by at least half. With the implementation of an electronic commerce system the Committee would expect the number of AGCC holders to be reduced far more.

Recommendation 31

7.22 The Committee recommends that:

- Finance Direction 30A be removed and the following direction be inserted: "Departmental Secretaries must ensure that the Australian Government Credit Card is only issued to officers with an ongoing purchasing role."; and
- ongoing monitoring based on AGCC usage statistics be conducted to reduce the number of card holders.

THE NEED FOR MORE INFORMATION ON AGCC PURCHASES

7.23 One issue which is of great concern to the Committee is the lack of information available from departments on AGCC usage. The Auditor-General found that:

“departments and agencies are unable to readily identify what usage the AGCC is put to and what advantages and disadvantages accrue from patterns of use...”¹⁹

7.24 The Auditor-General was forced to undertake its own surveys and rely on data from Westpac and the Reserve Bank to obtain enough reliable information to base its findings on.²⁰ The failure of departments to keep detailed information on AGCC use appears again to be due to the belief by the Department of Finance that the responsibility for monitoring AGCC use had been passed to departments and the subsequent failure, in most instances, of departments to undertake this role. This is of particular concern to the Committee as it believes that purchasing policy cannot be effectively implemented without proper information about what is being purchased.

7.25 The credit card system of which the AGCC is part appears to be a major impediment to the provision of detailed information. Personal credit cards do not need detailed information on purchases to be put through the system as an individual can reconcile receipts with the statement issued by the bank without any great difficulty and need only be accountable to themselves. While corporate credit cards in the private sector need greater account kept of their use than personal cards, these cards are intended primarily for personal business expenses, as opposed to the AGCC which is regularly used for large purchases and account payments, and the level of accountability required would rarely be as high as that in government where the expenditure of public funds is involved. When an AGCC is used the merchant may only need to record “goods” on the payment record. It is up to the AGCC user to record the details of the expenditure. The problem with this system is that in many cases the payment has already been made by the time any checking is done in the department and that the reconciling of accounts depends to a large extent on the details kept by the officer concerned.

7.26 The Committee believes it would be preferable, both as a safeguard against fraud, and as an instrument to provide information on purchasing to aid the implementation of Government procurement policy, if greater detail on purchasing could be generated by the AGCC system itself. The Auditor-General mentions the development in the United States of a ‘procurement card’ which would provide for the following:

- specific purchasing data, such as identification numbers unique to each purchase to be included on sales dockets and monthly card statements;
- set limits on individual transactions; and
- the restriction of purchases to selected merchants.²¹

19 *ibid.*, p 25

20 *ibid.*, p 3

21 *ibid.*, p 88

7.27 A procurement card with the above features would allow for more information to be provided on purchases as well as more control over card users. The restriction of purchases to selected merchants could be used in line with common use contract arrangements if desired.

7.28 The collection of information on AGCC use, however, is only part of the problem. While the responsibility for monitoring card use rests with departments, a uniform purchasing policy approach will be very difficult to achieve. The day to day management of the AGCC system can be left to departments, but information needs to be collated and evaluated by a central body to provide the Government with the ability to assess the effectiveness of the system in meeting its purchasing policy goals. The Committee believes this role should be performed by the proposed National Procurement Board.

Recommendation 32

7.29 The Committee recommends that

- the Government investigate the development of a US style procurement card which provides greater information on purchases and allows for more control over card use; and
- the proposed National Procurement Board be given responsibility for collating and evaluating information on AGCC use and that the Board advise the Government on the performance of the AGCC system in relation to purchasing policy.

USE OF THE AGCC FOR LARGE CAPITAL PURCHASES AND HIGH MONTHLY CARD LIMITS

7.30 One aspect of the AGCC which sets it apart from any other credit card, including personal, corporate or government, is its use to pay for large capital purchases. The Auditor-General is “unaware of any other entities outside the Commonwealth who undertake capital procurement utilising credit cards.”²² The use of the AGCC for large capital purchases is inconsistent with the often stated aim of value for money in Government procurement as this use is particularly costly to both the Commonwealth and its suppliers with the only apparent beneficiary being the AGCC issuing bank (Westpac).

7.31 When an AGCC (or any other credit card) is used to pay for goods or services there is a cost to the supplier of between 1.3% and 8% of the value of the transaction in the form of a Merchant Service Fee (MSF).²³ The exact percentage of the fee is determined between the bank and the merchant on a confidential basis. It is clear, however, that the larger the amount of the transaction, the greater the fee. The Auditor-General estimates that with this cost being inevitably passed on to the purchaser, either directly by it being added to the price, or indirectly through its impact on the supplier's overall cost structure, the cost to the Commonwealth of the MSF in 1992-93 was between \$5.4m and \$12.6m.²⁴

7.32 The cost to the Commonwealth of the MSF alone should be enough for the AGCC scheme to be under review. When the annual running costs of the scheme, estimated by the Auditor-General to be \$5.2m,²⁵ are added to the MSF cost, the possibility of achieving the stated goal of cost savings being brought about by the introduction of the AGCC is at best questionable.

7.33 The Committee is concerned by the cost to the Commonwealth of the MSF. However, another difficulty with the MSF is its impact on suppliers. The ability of suppliers to absorb the MSF is likely to depend largely on the size of the individual organisation as well as the size of the transaction. In the period of the Auditor-General's investigations the largest purchase made using the AGCC was by the Department of Defence and totalled \$892 532.²⁶ This transaction would have attracted an MSF of between \$11 603 and \$71 402. A large multinational organisation would in most instances have a greater ability to absorb this cost and not pass it on to the Commonwealth than a small supplier. The Committee has found that small suppliers tend to be local companies. The use of the AGCC for large capital purchases may therefore actually cause discrimination against Australian companies. For this reason, as well as the considerable cost to the Commonwealth of the MSF (the Auditor-General estimates the cost of paying the amount above by cheque would have been \$12.60),²⁷ the Committee believes that the AGCC should not be used for large capital purchases.

7.34 The simplest means of preventing large capital purchases by AGCC is by reducing the maximum limit available to a level which effectively only allows the card to be used for small purchases. The Auditor-General has recommended that most individual transactions be limited to under \$1000.²⁸ This would be an effective prohibition on large capital purchases.

7.35 \$1000 may not be the most convenient purchasing limit for all departments and the imposition of such a low arbitrary limit may hinder the efficiency of the system.

23 *ibid.*, p 23
24 *ibid.*, p 83
25 *ibid.*, p 82
26 *ibid.*, p 23
27 *ibid.*
28 *ibid.*, p xiv

However, considering that the current AGCC limits are monthly and that the Auditor-General's recommendation is for a transaction limit, the limit could not be too much higher without allowing a level of expenditure above what could be considered minor purchasing. A \$2000 per purchase limit may be more appropriate as this would work in with the current finance guidelines which require additional accountability measures to be taken for purchases over \$2000. The Department of Defence has also supported a \$2000 limit in its response to the Auditor-General's recommendation.²⁹

7.36 Purchases above \$2000 should be made by alternative payment methods such as cheque, Electronic Funds Transfer(EFT) and Electronic Data Interchange(EDI). The Auditor-General has estimated that the cost of the AGCC per transaction becomes greater than the cheque system somewhere between \$500 and \$1000 (depending on the size of the MSF).³⁰ EFT/EDI systems may not be practical immediately for all types of transactions, but once one of these systems has been established the cost per transaction is likely to be considerably lower than the cheque system and even more convenient for the purchaser than the AGCC. There may be rare instances, such as foreign currency transactions, where the convenience of the AGCC may justify the extra cost for larger purchases. On balance, however, the Committee believes that the benefits of a reduction in the maximum limit far outweigh any inconvenience this may cause.

7.37 In addition to the limit per purchase restriction the committee believes that there should be a reduction in the maximum allowable monthly AGCC limit. There could be no justification for any AGCC holder having a limit of more than \$100 000 under the arrangements proposed by the Auditor-General and in this report. A limit even this high would be difficult to meet with such a low limit allowed per purchase.

7.38 A further additional restriction of only one card being issued per officer is also necessary. Evidence taken at a public hearing from Mr John Otten of the IPSM indicates that multiple card issue has been used to overcome imposed limits:

“The credit cards were a stand-alone thing. In fact, talking about the Department of Defence, I conducted a workshop at Moorebank. There were a couple of sergeants there, a couple of lieutenants, and one ... girl who had 10, \$80,000 credit cards. She had \$80,000 in credit. She did not have a clue. She said, ‘When you have a credit card you don’t have to worry about [Finance Regulations] 42 or 43. You do not worry about the regulations, you have a credit card’. I said, ‘Well, we need to give you a credit card course’. We quickly booked her in but I do not know how many grenades like that are running around because you only see maybe one per cent.”³¹

29 *ibid.*

30 *ibid.*, p 24

31 Otten, Mr J, IPSM: Transcript p 407

Recommendation 33

7.39 The Committee recommends that

- . the maximum AGCC purchase limit be reduced to \$2000; and
- . that monthly AGCC limits should be restricted to below \$100,000 and that only one card be allowed per officer.

7.40 The adoption of the Committee's recommendations would result in a much smaller AGCC scheme both in number of cards and level of expenditure. More training, control over card use and information about purchases will make the system more efficient and accountable as well as allowing the Government to effectively monitor and implement its procurement policies.

7.41 The implementation of the AGCC scheme has seen it move in a direction which was never intended by the Efficiency Scrutiny Unit. Instead of credit cards being used primarily for minor purchases, the opposite has become the case. The fact that this has been allowed to occur without any major review until 1993, six years after the scheme's introduction, is a serious lapse by the Department of Finance. This department ultimately must accept that its responsibility under the Administrative Arrangements Order for "governmental financial administration and accounts, including administration of the Public Account"³² does not dissolve with devolution.

32 Administrative Arrangements Order - Schedule of Administrative Arrangements, 24 March 1993

CHAPTER 8

OTHER ISSUES OF CONCERN

8.1 Many issues were raised in the course of the inquiry. A number of these could be broadly described as entry barriers faced by local manufacturers, suppliers and contractors trying to gain access to the Government market. These issues are dealt with in this chapter.

8.2 Other issues dealt with in this chapter concern: ownership and exploitation of intellectual property; embedded services; purchasing statistics; and ethical purchasing.

UNLIMITED LIABILITY AND THE GOVERNMENT INFORMATION TECHNOLOGY CONDITIONS (GITC)

8.3 A number of suppliers stated to the Committee that the need to accept high levels of liability when entering contracts with the Commonwealth constitutes a major impediment to small business entering the Government market. AEEMA indicated that one of its members had been required to carry unlimited liability for a contract worth only \$150,000.¹

8.4 MTIA commented that, in relation to risk sharing between the Commonwealth and suppliers:

“The Commonwealth's approach appears to be inconsistently applied; it varies from region to region and contract to contract. There is also a major trend ... to require more of the contractual risks associated with tenders, once let, to be borne by the contractor without realistic balance of risk.”²

8.5 Suppliers are faced with the choice of assuming the risk themselves, or seeking insurance to cover this risk. The MTIA notes that the insurance necessary to cover this risk is “very expensive and only available from overseas insurance firms”. The MTIA considers it to be “unrealistic” of the Commonwealth to expect contractors to obtain insurance to cover the high level of risk exposure associated with Government contracts.³

1 AEEMA: Submission 55 p 17
2 MTIA: Supplementary Submission 47.1 p 15
3 *ibid.*, pp 16-17

8.6 In response to this issue the Attorney-General's Department stated that the risk management strategies adopted by the Commonwealth reflected its negotiating power as a buyer:

“When a supplier is in a strong negotiating position, as is common where the buyer is in the private sector, contracts are usually prepared by the suppliers' solicitors and the conditions naturally tend to favour the suppliers. It is quite unreasonable to argue that the Commonwealth should accept those conditions simply because other buyers with less bargaining power have in practice accepted them in the past.”⁴

8.7 The Committee notes the point being made by the Attorney-General's Department that the Commonwealth, being the largest buyer in the Australian market is therefore in a unique position to negotiate favourable terms and conditions in contracts. However, the Committee considers that the use of the Commonwealth's bargaining power in this way acts against the interests of smaller local firms and against the interests of the Commonwealth.

8.8 The level of risk that suppliers are expected to assume can act as a disincentive for small local firms to enter the Government market. In the *One Nation* Statement in February 1992 the Prime Minister stated in relation to local firms in the information technology industry:

“Their capacity to expand in the public sector marketplace has ... been limited by the high risks involved. Unlike private sector contracts where risk sharing between suppliers and users is common, the Government has insisted that suppliers bear all the potential costs of systems failures.

The Government will remove this impediment to expansion of the industry by applying the concept of 'limited liability' in its systems integration and software development contracts. Following an assessment of the risks involved in individual contracts, the Government will consider accepting more of the risk and setting limits to the suppliers' liabilities for damages.”⁵

8.9 In response to this policy initiative, Purchasing Australia has moved to cap liability in major PE panel contracts for information technology (IT) hardware and software. The large systems contract, for example, has a liability cap of \$15 million or 5 times the value of the contract, whichever is the greater.⁶

8.10 The MTIA states, however, that this policy has not been implemented for individual IT contracts. IT contracts are made up from standardised sets of conditions

4 Attorney-General's Department: Supplementary Submission 116.1 p 6

5 *One Nation*: Statement by the Prime Minister, the Honourable P.J. Keating, MP, 26 February 1992, AGPS Canberra 1992 p 95

6 DAS: *Purchasing Review Task Force Report*: Exhibit 182 p 103

called Government Information Technology Conditions (GITC). Currently, GITC liability provisions require suppliers to accept uncapped liability, which includes liability for economic and consequential losses “irrespective of whether they arise from the negligence of the supplier”.⁷

8.11 In response to this, the Attorney-General's Department argued that in an uncapped contract the supplier is not responsible for all losses that a buyer may suffer. Under Australian law a buyer can only recover its losses to the extent that it can prove these losses were caused by the breach of contract or negligence by the supplier.⁸

8.12 The Committee considers that the Attorney-General's Department is missing the point made by the Prime Minister: that the high level of risk acts as an impediment to small local firms entering the Government market. The existence of uncapped liability provisions in the GITC does not conform to the intent of the policy announced by the Prime Minister in the *One Nation* Statement.

8.13 The initiative announced by the Prime Minister should be included in the GITC, and extended to all Government contracts.

Recommendation 34

8.14 The Committee recommends that the National Procurement Board, in conjunction with the Attorney-General's Department:

- . review the liability provisions of Commonwealth contracts with a view to capping the liability of suppliers; and**
- . review the GITC with the objective of incorporating limited liability provisions into information technology contracts.**

COST OF TENDERING

8.15 The high costs associated with tendering act as a disincentive for smaller local manufacturers to bid for Government work and can also act as a significant drain on the financial resources available to industry. Suppliers claimed that tendering costs can be as high as 20% of the overall contract price. Attempts to recover this cost inflate the bids.

7 MTIA, op cit., p 17

8 Attorney-General's Department: Submission 116.1 p 5

8.16 An example was provided to the Committee concerning an information technology network replacement contract let by the Department of Social Security. Ten bids were produced by the information technology industry for the contract, each bid costing between \$1.5 million and \$2 million, representing a total bid cost of \$15 to \$20 million. The net profit potential of the contract was estimated to be between \$5 and \$8 million.⁹ The Department of Social Security has responded that those who submitted tenders were able to “assess the risks and costs of tendering and make a business decision on whether to respond.” The Department has disputed the estimate of bidding costs, saying that “indications were that, for the majority of tenderers, the costs were in the range of \$0.5 million to \$1 million.”¹⁰

8.17 Queensland Systems Integration (QSI) identified three critical contributing factors to the cost of tendering. These are:

- . the length of the tendering process;
- . the complexity of tender documentation; and
- . bidding requirements.

8.18 In QSI's experience the tender process could take up to a year to complete, while the time between the commencement of the project and when revenue begins to flow to a company can be several years.¹¹

8.19 The Purchasing Review Task Force notes that a number of initiatives have been adopted to address this issue. The Department of Defence has undertaken a survey to determine the costs incurred by tenderers relative to the scope and complexity of purchases. In cases where the tendering processes have resulted in excessive costs to tenderers, the Department has decided to reimburse certain reasonable costs. The Department will also reimburse certain costs associated with tendering, such as project definition studies.¹²

8.20 The survey of tender costs conducted by the Department of Defence is an initiative that should be adopted by all Commonwealth agencies. Such surveys should be repeated at regular intervals.

9 pTizan Computer Services Pty Ltd: Submission 99 p 6

10 Department of Social Security: Submission No 115.3 Attachment A

11 Richards, J, Chief Executive Officer, Queensland Systems Integration: Transcript p 822

12 DAS: *Purchasing Australia Task Force Report*, op cit., p 69

Recommendation 35**8.21 The Committee recommends that:**

- the National Procurement Board examine the costs associated with tendering and provide Commonwealth agencies with guidelines which will minimise costs;
- individual purchasing cells within Commonwealth agencies regularly review the cost of tendering as part of their financial management of purchasing; and
- the National Procurement Board review every 5 years the costs associated with the preparation of Requests for Tenders, preparation of tenders by suppliers and tender evaluation.

8.22 The Purchasing Review Task Force identified the following options to reduce the cost of tendering:

- pre-qualification/registration of suppliers;
- application of standard evaluation periods for less significant procurements; and
- meeting reasonable costs incurred by those tenderers invited to retender.¹³

8.23 The Committee considers that the options identified by the Purchasing Review Task Force warrant further consideration.

Recommendation 36**8.24 The Committee recommends that:**

- the National Procurement Board examine prequalification/registration of suppliers as a means of reducing evaluation costs;
- standard evaluation periods be applied for less significant purchases; and
- Commonwealth agencies consider, on a case by case basis, meeting reasonable costs incurred by those tenderers invited to retender.

COMPLEXITY OF TENDER DOCUMENTATION

8.25 The complexity of tender documentation adds to the cost of the purchasing process both in terms of the resources needed to prepare the documentation within a department and the resources needed by suppliers to interpret the documents and prepare tenders.

8.26 It was alleged that the degree of complexity often goes well beyond what is normal commercial practice.¹⁴ For instance, Government departments may develop and include in tender documentation standard specifications to cover a wide range of product and project circumstances. Tenderers may be required to adhere to these general specifications (which may be hundreds of pages) regardless of product or project size which may be small. Wasted time, expense and risk may be quite large.

8.27 Complex documentation requires extensive analysis to prepare a tender and can involve large response teams. Bidding requirements often involve demonstrations, benchmark tests and visits to reference sites, doubling or trebling the cost of a bid.¹⁵ It was also pointed out that the complexity of tender documentation impacts on the Department letting out the contract.

8.28 The Purchasing Review Task Force put forward the option of reviewing and standardising tender/contract documentation as a method of reducing the overall number, variety and complexity of documents.¹⁶

8.29 The Committee considers that the adoption of its recommendations concerning the establishment of purchasing cells within departments and the implementation of electronic trading would streamline the administrative processes associated with tendering and reduce the complexity of tender documentation. The appointment of appropriately skilled staff to deal with contract functions within the purchasing cells would ensure that a greater degree of expertise is brought bear on the more complex aspects of tender documentation, and in negotiations with suppliers. However, a review of tender/contract documentation with the objective of reducing the overall number and complexity of documents would in itself be a worthwhile exercise.

Recommendation 37

8.30 The Committee recommends that the National Procurement Board engage appropriate consultants to assist in a review of Commonwealth purchasing documentation to reduce the overall number, variety and complexity of documentation.

14 Jardine, G, Deputy Managing Director, Mincom Pty Ltd: Transcript p 814

15 Richards, J, Chief Executive Officer, Queensland Systems Integration: Transcript p 823

16 DAS: *Purchasing Review Task Force Report*, op cit., pp 70-71

QUALITY ASSURANCE

8.31 The Commonwealth's policy on Quality Assurance was released in May 1992. The policy became effective for goods and related services from 1 July 1993, and all other services from 1 January 1994. The policy's objectives are to promote continuous improvement:

- . of the quality of goods and services purchased by the Government; and
- . in the competitiveness of Australian goods and services in export and domestic markets.¹⁷

8.32 The policy requires:

- . Commonwealth agencies to identify goods and services for which quality assurance is required; and
- . suppliers to demonstrate that they have met quality assurance standards.¹⁸

8.33 The policy identifies six categories of quality assurance. Three are based on AS39000 standards, which are equivalent to the international ISO9000 standards. These standards apply to the production methods used by manufacturers to achieve quality, rather than the technical or performance requirements of the goods themselves.¹⁹

8.34 The other three categories are concerned with:

- . the quality assurance of a specific product;
- . interim means for assuring quality; and
- . inspection of goods on receipt.²⁰

8.35 The policy, however, does not mean that goods produced to AS39000 standards will necessarily be bought by Commonwealth buyers. These products would need to be evaluated to ensure that they meet buyer requirements.²¹

8.36 The Committee received a number submissions expressing concern over the application of this policy. Complaints were received that companies were encouraged

17 *Commonwealth Policy on Quality Assurance in Procurement: Exhibit 86 p 1; Quality Assurance for Suppliers: A Quick Guide to the Commonwealth's Quality Assurance Policy, Purchasing Australia, Canberra, undated, p 5*

18 *Quality Assurance for Suppliers: A Quick Guide to the Commonwealth's Quality Assurance Policy, Purchasing Australia, Canberra, undated, p 5*

19 *Commonwealth Policy on Quality Assurance in Procurement: Exhibit 86 pp 1-2*

20 *ibid.*

21 *ibid.*

to get quality accreditation but found it of little advantage in getting Government contracts. One company found it ironic that, after a program of achieving quality standards and accreditation, it is now losing Government contracts to lower priced and poorer quality imports.²²

8.37 DAS policy documents state:

“A common misconception is that a certified quality management system in itself is sufficient reason for a supplier to be always given preference over a non-certified supplier. This is valid only when the buyer has identified a certified quality management system as a mandatory requirement. In other cases the value for money assessment of bids may identify a non-certified supplier as offering better value for money than a certified supplier. This could be due to a range of factors including better conformance of the product or service, more suitable delivery arrangements, or the cost to the buyer of ensuring conformance may be less than the cost difference between the certified and non-certified suppliers.”²³

8.38 However, in its submission to the Committee, DAS stated that under the quality assurance policy the Government will be “increasingly seeking suppliers with certified quality assurance programs”, and that the policy is designed to “provide an incentive to ANZ suppliers to adopt such standards by indicating that the Commonwealth itself will require assurance of quality from its suppliers, appropriate to the intended use of purchases of goods and services”.²⁴

8.39 These two statements demonstrate the mixed signals being sent to ANZ manufacturers. The latter statement could reasonably be interpreted to mean that the Commonwealth will seek to encourage greater adoption of quality assurance programs by ANZ suppliers by buying from quality assured suppliers wherever possible. The former statement, on the other hand, could reasonably be interpreted to mean that applying value for money criteria to the evaluation of product would not necessarily favour an accredited supplier.

8.40 Gaining quality assurance accreditation can have long term benefits for suppliers, and the principles underlying the quality assurance policy in relation to Government purchasing are intended to promote industry development. The Committee considers that the application of this policy does not necessarily serve these underlying principles.

8.41 The Commonwealth should pursue a clearer quality assurance policy. Whenever possible, the Commonwealth should buy from quality assured and efficient suppliers.

22 Cooper Tools Pty Ltd: Submission 43 p 4

23 *Commonwealth Policy on Quality Assurance in Procurement*, op cit., p 3

24 DAS: Submission 50 p 17

Recommendation 38

8.42 The Committee recommends that:

- quality assurance accreditation be included as one of the criteria when evaluating tenders; and
- where available quality accredited suppliers are not selected, justification be incorporated in the decision documentation.

OWNERSHIP AND EXPLOITATION OF INTELLECTUAL PROPERTY

8.43 The ownership and exploitation of intellectual property arising from new Government procurement requirements was raised by the MTIA.

8.44 The MTIA acknowledged that defining the ownership rights of intellectual property can be difficult, but that there is a need to balance the legitimate claims of the Commonwealth, which sets the conditions for the creation of the intellectual property, and the seller who brings appropriate talent to the task of developing it.²⁵

8.45 Current Commonwealth policy on ownership of intellectual property is that where the Commonwealth has paid full commercial price for work and/or services, the Commonwealth owns any intellectual property produced.²⁶

8.46 The Australian Information Industry Association suggested that the Government should actively look for opportunities to have joint development projects with Australian companies, receiving royalties from the profits if it wishes, and allow the companies to commercialise the intellectual property involved. This was suggested in the context of overcoming the possible problems of companies which hold intellectual property rights being taken over and the rights being lost overseas, or of transnationals exploiting the intellectual property developed by local subsidiaries.²⁷

8.47 The Attorney-General's Department reacted cautiously to this suggestion, stating that:

“The main problem with joint ownership of IP is that any act in relation to IP ... would require the agreement of both parties. Obtaining such agreement may be administratively time-consuming and may be impossible as a matter of negotiation. Care would also need to be taken in drawing up the contractual arrangements governing the suggested

25 MTIA: Supplementary Submission 47.2 p 5

26 Attorney-General's Department, *op cit.*, p 3

27 See Transcript pp 461-466

arrangements to ensure that the Commonwealth and the company were not considered partners at law with joint liability.”²⁸

8.48 Joint ownership of intellectual property developed and paid for by the Commonwealth, as suggested by the Australian Information Industry Association, may be the best solution in some circumstances, but the risks for the Commonwealth could outweigh the potential benefits.

Recommendation 39

8.49 The Committee recommends that:

- ownership of intellectual property be referred to a Parliamentary Committee for inquiry; and
- until that inquiry is completed, the question of ownership of intellectual property be addressed on a case by case basis.

SLOW PAYMENT BY THE COMMONWEALTH

8.50 Slow payment of invoices by the Commonwealth can have a disproportionate impact on small businesses. The Australian Chamber of Manufactures stated in its submission that suppliers can experience payment delays of up to 120 days for Government contracts, placing heavy cash flow restraints on small companies.

8.51 Paragraph 8.9 of the *Finance Directions* states that:

“It is the Commonwealth's policy to pay its accounts on the due date. The due date is the date specified in the agreement with the supplier. Suppliers have the right, and proper expectation, to receive payment of accounts in accordance with agreed terms, and have the right to seek to include penalties for late payment in contracts.”²⁹

8.52 Despite the existence of this policy, payment delays are being experienced by suppliers. Long payment delays impact most severely on SMEs. The Committee considers that this policy needs to be reinforced by automatic penalties for late payment.

28 Attorney-General's Department, op cit., p 4

29 *Finance Circular 1991/14*

Recommendation 40

8.53 The Committee recommends that all Commonwealth contracts include automatic penalties for late payment.

EMBEDDED SERVICES

8.54 A striking case of lack of opportunity to compete with overseas suppliers occurs in the Australian freight and insurance sectors. When the public sector purchases a product on a Cost Insurance and Freight(CIF)/Free Into Store (FIS) basis the placement of freight and insurance activity for the import is in the hands of the overseas supplier, often denying the Australian based freight and insurance companies the opportunity to compete.

8.55 The Government response to the problem of embedded freight and insurance services is contained in Commonwealth Procurement Circular 90/9 of November 1990 which states that:

“In complying with Commonwealth policy, and applying the concept of value for money, procurement officers should consider:

- the cost of insurance and freight; and
- the opportunity for QANTAS, Australian ship owners, local insurers, freight forwarders and other local suppliers to participate in these activities...

... By recognising that insurance and freight costs can be significant in their own right, procurement officers may be able to achieve major savings in the cost of overseas procurements or indirect importation of supplies.

Achieving these savings could start with the simple step of requiring bidders to identify the prices of insurance and freight in their offer. The bid price can then be compared with prices quoted by local suppliers of these services ... and a decision taken on whether the bidder's prices represent value for money.”³⁰

8.56 Despite the general procurement guideline of open and effective competition and a specific purchasing circular regarding the separation of the cost of freight and insurance from imported product, access by the Australian freight and insurance sector has not materially expanded. Both the insurance³¹ and freight industry³²

30 DAS: *Commonwealth Procurement Circular 90/9*

31 Australian Insurance Association: Submission 42 p 2

32 Fliway-AFA International Pty Ltd: *Insurance and Freight Working Party, Stage 1, Government Purchasing Practices*: Exhibit No 2

consider that Commonwealth Purchasing Circular 90/9 has been ineffective, failing to alter the behaviour of Government purchasers in a manner that creates significant opportunities for Australian based firms to compete for freight and insurance work.

8.57 The 'simple step' of identifying the price of freight and insurance appears not to have been taken in the majority of cases. The frequency of importing product on a Free On Board (FOB) basis (where the purchaser arranges the freight and insurance) does not appear to have substantially altered. In 1991 a survey of Government Business Enterprises and Statutory Marketing Authorities by the Insurance and Freight Working Party identified that, while agencies imported 21.4% of goods on an FOB basis, they exported 36.3% on an FOB basis thus giving overseas suppliers nearly 70% more access to activity.³³

8.58 The failure of the purchasing system to remove bias against Australian suppliers in spite of specific targeted action to do so reflects the impotence of the current arrangements in affecting purchasing behaviour in the devolved environment.

Recommendation 41

8.59 The Committee recommends that:

- agencies be required to demonstrate that their purchasing practices identify and separate embedded/ancillary goods and services in imports;
- agencies be required to demonstrate that ANZ industry capability has been properly considered in the acquisition process; and
- where freight and insurance services on imports have not been acquired on a Free on Board basis, the agency demonstrate that local freight and insurance suppliers have had an opportunity to tender and that the local suppliers' bids were not competitive.

PURCHASING STATISTICS

8.60 To date, no comprehensive statistics on Government purchasing have been collected. Purchasing Australia informed the Committee that there is no central system to collect or classify the purchasing transactions of departments.³⁴

33 *ibid.*, p 4

34 DAS: Submission 50 p 22

8.61 The Committee encountered problems caused by the lack of purchasing statistics when attempting to determine the level of local content in Government purchasing. Purchasing Australia informed the Committee that, as with overall purchasing statistics, no statistics have been kept on contracts entered into concerning Commonwealth purchases from ANZ suppliers.³⁵

8.62 The Committee asked a number of departments to provide information concerning the use of local suppliers. The response from the Department of Employment, Education and Training (DEET) was representative of other departments. DEET stated:

“Systems have not been established to record nationally the Australian content of these purchases ... Purchases are generally made under common use contracts arranged by DAS, and [purchasers are] guided by DAS advice including advice on ANZ content.

[DEET] is concerned to support Australian suppliers and content. The first priority however is value for money”.³⁶

8.63 The Department of Defence and Telecom Australia, however, could provide information concerning local content. The Department of Defence claims that 60% of capital equipment expenditure is spent in Australia, while Telecom claimed a local content level of approximately 70% in telecommunications equipment that it purchases.³⁷

8.64 The lack of data on Government purchasing is not a new issue. A number of committees of inquiry into Government purchasing have pointed to the lack of data as a major impediment to their investigation of purchasing activity. The 1974 Committee of Inquiry into Government Procurement Policy (the Scott Committee) noted that:

“[The Committee] is somewhat disappointed that procurement statistics are either not available or, where available, are not in a suitable form to allow the type of examination that the Committee would have liked to make. ... As a Committee, we have found some difficulty in obtaining facts and figures which would provide us with a detailed picture of the growth of purchasing over the years. Indeed, some figures which the Committee believes are essential for the effective control of the procurement function, have seemingly never been prepared.”³⁸

35 *ibid.*, p 23

36 DEET: Submission 32 p 2

37 Department of Defence: *Defence Report 1991-1992*, AGPS, Canberra 1992 p 114; Telecom Australia: Submission 90 p 1

38 *Government Procurement Policy Report By Committee of Inquiry, May 1974*, AGPS, Canberra 1976 pp 47, 70

8.65 This view was echoed in 1987 by the Committee of Review on Government High Technology Purchasing Arrangements (the Inglis Committee) which stated:

“To date the gathering of data concerning Commonwealth purchasing has met with only partial success and as a result available data on purchases is very limited. ... The Committee considers that the present statistical base was an inadequate basis on which to review and make recommendations on Government technology-intensive purchasing.”³⁹

8.66 The lack of data was seen to have serious consequences for the development and implementation of Government policy. The Committee concurs with the Inglis Committee's conclusion that:

“Without such data it is very difficult to make confident policy decisions concerning Government purchasing, or to monitor cost effectiveness of the purchasing policies which are in place.”⁴⁰

8.67 When the DAS review which resulted in the 1989 reforms took place the problem of inadequate data had not been remedied. In view of the lack of purchasing data, one commentator has observed that “the abandonment of the pre-1989 procurement regime was done without quantitative support [and] based mainly on anecdotal evidence”.⁴¹

8.68 Commonwealth Procurement Guideline No. 12 states that buyers should actively seek out potential ANZ suppliers, and communicate and build relationships with these suppliers. The lack of data concerning Government purchasing makes very difficult any evaluation of the extent to which this aspect of the policy is being implemented.

8.69 The lack of purchasing data contravenes DAS's own policy framework for purchasing. The Commonwealth Procurement Framework released in October 1989 states:

“To assist the Government in determining the effectiveness of purchasing policies and practices in general, DAS is required to collect and analyse appropriate statistics related to purchasing”.⁴²

8.70 Despite numerous recommendations from committees of inquiry, the lack of an adequate purchasing database is an issue that DAS has not adequately addressed. The Federal Government spends a significant amount of money annually on goods and

39 *Committee of Review on Government High Technology Purchasing Arrangements*, AGPS, Canberra 1987 p 20

40 *ibid.*, p 24

41 Stewart, R, Department of Government and Public Administration, University of Sydney: Exhibit 1 p 7

42 Minister for Administrative Services: *Commonwealth Procurement Policy Framework*, AGPS, Canberra 1989 p 10

services, and has an obligation to Australian taxpayers to provide information on how and where that money is being spent.

8.71 The Commonwealth Purchasing and Disposals Gazette is the main existing mechanism to provide information on Commonwealth purchasing across all departments. Under Finance Regulation 43B, agencies are required to publish in the Purchasing and Disposals Gazette details of any contracts costing more than \$2000.

8.72 Purchasing Australia has reservations about the use of the Gazette as a source of purchasing data.⁴³ The options identified in the Purchasing Review Task Force report to improve data reported in the Gazette are to:

- . amend the Finance Regulations to require agencies to gazette payments on goods and services rather than estimates of the financial liability of contracts or estimates of the value of standing offers;
- . replace the industry based Product and Service Code, which is used in the gazette to classify goods and services purchased, with a more useful commodity classification system such as the UN Central Product Classification;
- . require agencies to include in the gazettal notification reports, the Australian Company Number or Australian Registered Body number of the supplier of goods and services purchased by the agency; and
- . facilitate compliance with Finance Regulation 43B by waiver of gazettal charges and dissemination of reports to agencies.⁴⁴

8.73 Three further options identified in the report are:

- . gather statistics from sources other than, and in addition to, the Purchasing and Disposals Gazette;
- . establish a Statistics Office with responsibility for collection, collation and dissemination of purchasing information; and
- . adopt electronic trading which will provide the capability to retrieve data for analysis.⁴⁵

8.74 The adoption of these options would provide far more detailed and accurate data which would be of use to both Government buyers and suppliers.

8.75 The options identified by the Purchasing Review Task Force in relation to the Purchasing and Disposals Gazette should be adopted for immediate implementation.

8.76 The Committee notes the "ongoing concern" expressed in the Purchasing Review Task Force report that departments are not complying with the requirement

43 ibid., p 47

44 ibid., pp 47-52

45 ibid.

to gazette purchases.⁴⁶ In order to reinforce the legal obligations of departments in relation to Finance Regulation 43B, the Committee considers that the Minister for Administrative Services should write to Departmental Secretaries informing them of the reporting responsibilities of departments under Finance Regulation 43B.

8.77 The AGPS levies a \$10 charge per gazette entry in the Purchasing and Disposals Gazette. In the Purchasing Review Task Force's opinion the charge may act as a disincentive to departments lodging entries with AGPS. The Purchasing Review Task Force notes that, for example, the Department of Defence spends approximately \$50,000 per year on gazettal of purchasing information.⁴⁷

8.78 A decision to abolish gazettal charges would have an impact on the revenue base of AGPS. In order to compensate for the loss of revenue from gazettal charges, AGPS could generate reports on purchasing for sale to the public and private sector.⁴⁸ In order to allow wide dissemination of these reports, the price of the information should be kept as low as possible, probably preventing AGPS from implementing full cost recovery.

8.79 Abolishing gazettal charges would, however, reduce the administrative costs to departments associated with purchasing and provide an incentive for greater compliance with Finance Regulation 43B. The Committee considers that, in abolishing gazettal charges, alternative funding arrangements to compensate AGPS for potential revenue loss should be investigated.

8.80. As the Purchasing Review Task Force noted, DAS collects information from Common Use Contract suppliers, the Department of Finance collects some information on payments made by agencies, and agencies operate Financial Management Information Systems which incorporate purchasing data. These provide alternative sources of information on purchases.

8.81 The Department of Defence is developing a purchasing database and information system. Under this system, Department of Defence contracts may contain the following information:

- . contract value;
- . contractor name
- . industry segment;
- . country in which expenditure occurs;
- . actual expenditure on the contract; and
- . Australian Industry Involvement commitments (where applicable).⁴⁹

46 *ibid.*, p 50

47 *ibid.*

48 *ibid.*

49 Department of Defence: Supplementary Submission 59.7 pp 4-5

8.82 The Committee endorses this approach by the Department of Defence, and considers that the collection of this type of information should be undertaken by all Commonwealth agencies. The collection and annual publication by Commonwealth agencies of this information would add significantly to accountability.

8.83 The Purchasing Review Task Force report discusses the option of establishing a Statistics Office within Purchasing Australia, identifying several advantages:

“Consistent definitions can be applied in the collection of statistics, a working knowledge of the data and its intricacies can be developed and localised, and statistics derived from the data are more likely to be more consistent and hence comparable.”⁵⁰

8.84 The Committee concurs with the view that such statistics should be collected but considers that this should be done by a unit established by the National Procurement Board.

8.85 In considering the design of an electronic commerce system, it is important to ensure that it allows the production of necessary data. This data should be made available publicly through AGPS.

8.86 The collection of purchasing data obviously involves a cost. The Committee acknowledges the point made by the Department of Defence:

“Good purchasing statistics are very important, but their benefit must be balanced against the costs of collection, processing and reporting. Much of the data collected currently describes purchasing activity, rather than measuring purchasing efficiency and effectiveness. Before prescribing the data to be collected, its use and need ... must first be clearly established. Data sought should also ideally be as compatible as possible with existing automated purchasing support systems”.⁵¹

50 *ibid.*, p 52

51 *ibid.*, p 4

Recommendation 42

8.87 The Committee recommends that:

- . the National Procurement Board establish a unit for data collection and review existing procedures and capabilities to implement Government-wide data collection on a cost effective basis;
- . the electronic commerce system be designed to allow the production of necessary data; and
- . this data be made available publicly through AGPS.

Recommendation 43

8.88 The Committee recommends that:

- . the Finance Regulations be amended to require agencies to notify, in the Purchasing and Disposals Gazette, payments made on goods and services;
- . the Minister for Administrative Services write to all departmental secretaries informing them of the reporting responsibilities of departments under Finance Regulation 43B;
- . the \$10 per entry charge on entries for the Purchasing and Disposals Gazette be abolished;
- . Commonwealth agencies be required to include in Gazette notifications of purchases the Australian Company Number, or the Australian Registered Body Number of the supplier; and
- . the Product and Service Code, currently used in the Purchasing and Disposals Gazette, be replaced by a more useful commodity classification system.

DEFINITION OF 'AUSTRALIAN MADE'

8.89 Determining the definition of 'Australian Made' to be used in assessing local content has been a vexed issue for some time.

8.90 DAS informed the Committee that a number of definitions has been developed and used to determine local content for a variety of reasons arising from the administration of the preference margin. Additionally, other departments, such as the Australian Customs Service, have developed definitions to enable them to administer Government programs and enforce legislation. The definitions are:

1. Net of Imported Content: Local content is obtained by subtracting imported component costs from selling price (thus including selling, marketing, distribution, and installation costs, duty, finance costs and profit) This is expressed as a percentage of selling price. This method is used by DITARD and some state Governments.
2. Advance Australia Foundation definition: The Advance Australia Foundation calculates local value added during Australian manufacturing processes as a percentage of ex factory costs. This method aggregates the value of local material, local wages, and production overheads, but excludes selling, marketing, distribution and installation costs, duty and profit. The Foundation requires Australian content to exceed 75% in order for a product to qualify for certification.
3. Closer Economic Relations Agreement: Similar to method 2 except New Zealand as well as Australian costs are considered and items with local content in excess of 50% are treated as local products.
4. DAS Build Up: This takes Australian 'value added' as a percentage of net selling price. Only costs that can conclusively be identified as local are admitted. Selling expenses, financial costs and profit are excluded. General and administrative expenses are included as local content.
5. DAS Build Down: Import costs, selling, marketing and distribution costs, financial costs and profit are subtracted from the selling price leaving 'local content' which is calculated as a percentage of the selling price. This is intended to be a simpler approach than DAS Build UP, and theoretically produces the same answer.
6. DAS Pre 1977: Prior to November 1977 DAS used a definition which calculated local content by subtracting imported components from ex factory costs. This is a similar method to that used by the Advance Australia Foundation.
7. DAS 1977 -1984: This definition was used in applying the preference margin policy. Import costs, selling, marketing and distribution costs, financial costs and profit are subtracted from the selling price leaving 'local content' which is

calculated as a percentage of the selling price. This is similar to the Build Down method, except general and administrative expenses are excluded from local content.

8. AUSTEL Industry Development Arrangements: This method is based on Total Australian Production (TAPS) costs, less the in store cost of imported goods as a percentage of TAPS. This is similar to method 6, but excludes inwards freight on imported components.⁵²

8.91 Working Groups on Country of Origin Labelling were formed as a result of a request by the Minister for Consumer Affairs, the Hon Jeanette McHugh, MP, to make country of origin labelling more comprehensive, accurate and informative.⁵³ These Working Groups developed a further definition of 'Australian Made' for labels on products sold in Australia.

8.92 Currently there is no legislation governing the use of terms such as 'Australian Made' to identify products (other than provisions of the *Trade Practices Act 1974* covering false and misleading advertising).⁵⁴ Under the proposal of the Working Groups, a new division would be inserted in Part V of the *Trade Practices Act 1974* specifying the terminology, or descriptors, that can be used on labels for all goods sold in Australia. The new division would apply to consumer goods as defined in the Act.⁵⁵

8.93 The Working Groups favoured the adoption of a primary and secondary testing scheme to determine the origin of goods. In the primary test, goods could be labelled 'Made in Australia' only if they acquired their essential character in Australia. This is the test applied by the Federal Court in cases brought under the Trade Practices Act.⁵⁶

8.94 The secondary test is a value added test, and is based on costs incurred in Australia. This test would define a product as 'Made in Australia' when 85% of the factory or works costs of the product were incurred in Australia. For products with less than 85% Australian input, the following descriptors would be used:

'Made in Australia' with a qualifier indicating the level of Australian contribution (where between 50% and 85% of the factory or work cost is incurred in Australia); and

52 DAS: Supplementary Submission 50.3

53 *Report of the Working Groups on Country of Origin Labelling of Consumer Products*, May 1993 p i

54 *ibid.*, p 3

55 *ibid.*, p i

56 *ibid.*, p ii

'Assembled or Produced in Australia' with a qualifier indicating the level of Australian contribution (where less than 50% of the costs are incurred in Australia).⁵⁷

8.95 Any definition of local content for the purposes of data collection should incorporate a 'value added' criterion, and be applied consistently across all agencies. The descriptors developed by the Working Groups incorporate a value added criteria, and will be applicable nation wide by virtue of being incorporated into the *Trade Practices Act 1974*.

8.96 The Australia-New Zealand Closer Economic Relations Trade Agreement also specifies a value added definition to identify Australian and New Zealand products. Under this definition, goods only partly manufactured in Australia or New Zealand must have a minimum of 50% value added in either country to qualify as Australian or New Zealand made.⁵⁸

Recommendation 44

8.97 The Committee recommends that:

- the labelling scheme proposed by the Working Groups on Country of Origin Labelling of Consumer Products be adopted; and
- the descriptors used in this labelling scheme be used as the basis for a definition of local content for the purposes of purchasing data collection.

ETHICAL PURCHASING

8.98 The concept of ethical purchasing arises where purchasing policy is subject to government social policies. These social policies include environmental matters, affirmative action and employment opportunities for Aborigines and Torres Strait Islanders.

8.99 As a general rule, it is not appropriate to seek to impose Australian social standards on other nations which have different cultural attitudes and social structures. However, it is appropriate to ensure that Australian producers are not disadvantaged by having to meet higher standards than their competitors. The most clear-cut case where such care is needed is in relation to environmental issues.

57 *ibid.*, p 19

58 *Suppliers Guide to Government Purchasing in New Zealand*, Ministry of Commerce, Government of New Zealand, May 1992 p 10

8.100 In regard to government purchasing of paper, the Prime Minister announced in December 1992 that:

“Commonwealth departments and agencies would be required to use recycled and other environmentally preferred products. The objective of this policy is to encourage waste minimisation and the ecologically sustainable management of paper fibre resources in Australia.”⁵⁹

8.101 Unfortunately, this policy has not translated well into purchasing practice. Local suppliers are subject to government imposed cost factors that are not part of the cost structure of a lower priced import. Associated Pulp and Paper Mills (APPM),⁶⁰ noted that they are subject to stringent environmental legislation, guidelines and provisions which affect their cost structure while some of the cheaper imported product from countries like Brazil and Indonesia is not subject to this type and level of on-cost in production.⁶¹ The effect of this cost disadvantage is not widely understood in a devolved purchasing system where government paper purchasing is often on a lowest price basis.

8.102 APPM further noted that Australia probably has the world's best, or equal to world best environmental requirements in the pulp and paper industry, as with most other industries. APPM were of the opinion that the 40,000 devolved purchasing officers were not well informed purchasers:

“They do not see a trail of hundreds of tonnes of dead fish or raped tropical rainforest that is not being replanted or husbanded in any way. They do not see a dollar a day workforce; they see none of those longer term issues which are all cost impediments that we, as Australian manufacturers, are happy to abide by and to do the very best we can to meet our environmental responsibilities.”⁶²

8.103 A major concern identified by APPM was the looseness of definitions concerning environmentally preferred paper subsequent to the Prime Ministerial statement:

“I regret to say that that policy has been hijacked by the bureaucracy. The statement issued is a watered down, almost meaningless statement that means that virtually every supplier to this country, including suppliers of dumped and environmentally very unfriendly papers, still qualify under the current definition. ... There is still a great deal of resistance, I regret to say, at the

59 Australian Archives: *Guidelines on Papers for Use by Commonwealth Agencies*, AGPS 1993 p 1

60 The APPM Paper Division has merged with Australian Paper Manufacturers Fine Papers Group and is now known as Australian Paper within the Amcor Group.

61 APPM: Submission 52 p 17, 18

62 Quigley S, General Manager, Paper Division, APPM: Transcript p 525

bureaucracy level for such a definition to require other than open slather, no restriction type buying.”⁶³

8.104 APPM further identified the need for the enforcement of better environmental standards in response to discussion on how government could improve environmental assessment:

“There are two things related to that. First, an environmental standard is recognised - which has meaning and teeth and equates to at least the world's best practice we have to adhere to - in our labelling, whether it is an eco-labelling system, blue angel system or one of the world labelling systems. Secondly, we very carefully audit, monitor and determine whether our imported offshore manufacturers are meeting those standards. We do not - as is the current policy within CEPA - write to Indonesian or Brazilian governments and say, “Do your paper manufacturers meet these standards?”. So there is an enforceable environmental policy which is monitored and applies equally.”⁶⁴

8.105 Government purchasers have a duty to implement government policy in environmentally sensitive procurement in two areas. The first is to not disadvantage our environmentally responsible domestic industries. The second is that, as government officials, purchasing officers should not be encouraging environmentally unsound practices in other countries through procurement. Suitable standards coupled with effective monitoring are necessary. The Committee understands that specifications for the objective environmental criteria for paper are being investigated by the Commonwealth Environment Protection Agency (CEPA).

8.106 There are factors other than environmental standards, of course, which might give overseas suppliers an unfair advantage over Australian suppliers. The absence of, or disregard for, minimal conditions for labour is one example. Where there are internationally accepted minimal standards, such as those agreed to by the member nations of the International Labour Organisation, then the Commonwealth Government should clarify Australia's position on such standards.

63 *ibid.*, p 534

64 *ibid.*, p 539

Recommendation 45

8.107 The Committee recommends that:

- in principle, social policies that apply to local firms should, wherever possible, apply to overseas firms; and
- where the Australian Government imposes identifiable net cost disadvantages on local suppliers through imposition of environmental standards, the extent of that net cost disadvantage be taken into consideration in price and access terms in Government purchasing and tender evaluations.

Arch Bevis, MP

Chair

Report adopted by Committee 3 March 1994

DISSENTING REPORT

1. I strongly and actively support the major thrust of the Standing Committee's Report into Government Purchasing Policies. In particular, it is my belief that the Federal bureaucracy has developed a purchasing culture perhaps best described as a bias towards overseas goods, services and suppliers. Such an attitude by Commonwealth agencies and personnel is to be deplored.

2. I absolutely support the thrust of the Committee's recommendations which is that the Commonwealth should maximise Australian content of Government expenditure of taxpayers' funds wherever possible.

3. However, it is my view that in including the section of the report headed *Ethical Purchasing* at the end of Chapter 8 the Committee is misguided.

4. The Committee states, quite properly:

"As a general rule, it is not appropriate to seek to impose Australian social standards on other nations which have different cultural attitudes and social structures."

5. However, the Committee goes on to equivocate on this complex issue and draws conclusions and recommendations at odds with the general rule statement above.

6. Consideration of this highly complex issue draws the Committee into an area of debate which is, in my view, firstly, beyond the reasonable scope of the inquiry and secondly, not properly examined in detail by the Committee.

7. The question of extent to which Australia should or should not seek to impose its social standards on other nations goes far beyond the rather simple issue of Government purchasing policy and into the highly emotive issue of nationalism. It raises the spectre of restrictive versus free and open international trade.

8. The Committee recommends (Recommendation 45) that:

"In principle, social policies that apply to local firms should, wherever possible, apply to overseas firms; and ..."

9. This recommendation is in my view philosophically wrong and practically impossible to implement. The term "social policies" could include: requirements concerning conditions of labour; wage rates; affirmative action; training levies; superannuation contributions; child care payments; retirement incomes policy; and quite possibly taxation rates to name but a few. All countries differ from each other in the mixture of such social policies. It is not our place to become the world's social guardian. It is also entirely unclear how a government could begin to assess to what extent

Australian firms are “disadvantaged” by comparison with overseas firms as a result of differing requirements of national social policies.

10. The Committee also makes a recommendation (Recommendation 45) that Government purchasing policy take into account any cost disadvantages Australian firms might incur as a result of meeting Australian environmental standards which do not apply to firms in other countries. There seems to be little justification for singling out environmental requirements for special consideration in Government purchasing. Other social policy differences between Australia and other nations could have an equal or greater impact on price differences between local and overseas suppliers.

11. For all of the above reasons I wish to disassociate myself from the entirety of that part of the Report headed *Ethical Purchasing* and Recommendation 45.

BOB CHARLES MP

APPENDIX I

CONDUCT OF THE INQUIRY

On 20 August 1992 the then Minister for Administrative Services, Senator the Hon N Bolkus, requested the Committee to inquire into and report on Commonwealth Government purchasing policies and the regulation of 'Made in Australia' labelling.

The Committee advertised the inquiry nationally in major metropolitan newspapers. In addition, submissions were sought directly from relevant Commonwealth Government Ministers, State governments and industry.

The inquiry lapsed with the dissolution of Parliament on 8 February 1993. Following the re-appointment of the Committee in the 37th Parliament on 12 May 1993, the Committee decided to continue the inquiry, and the Minister for the Arts and Administrative Services, Senator the Hon R McMullan, re-referred the inquiry to the Committee. The inquiry was re-advertised on 6 June 1993, with interested organisations being invited to provide further submissions to the Committee.

The Committee has received 154 submissions (not including supplementary submissions) which are listed at Appendix II. In addition the Committee has received 227 exhibits and these are listed at Appendix IV.

Thirteen public hearings were held in Canberra, Sydney, Melbourne and Brisbane. Ninety-five witnesses appeared before the Committee and over 1100 pages of evidence was recorded. The witnesses are listed in Appendix III. The transcript of all the evidence is available for inspection at the Committee Office of the House of Representatives and at the National Library of Australia. This is the first report of the inquiry into Government purchasing policies. Having presented this report to Parliament, the Committee will now pursue a number of issues that arose during the course of the inquiry, and may hold further public hearings in relation to these matters.

APPENDIX II**LIST OF SUBMISSIONS**

Submission No	Date	Person or organisation
1.	17/09/92	G R J Coghlan Colan Products Pty Ltd
2.	23/09/92	Mr T D Williams Fliway-A.F.A. International Pty Ltd
3.	23/09/92	Mr David Christie David Christie and Associates
4.	24/09/92	Mr David Sprigge The Association of Consulting Engineers Australia
4.1	17/06/93	Supplementary to Submission No 4
5.	24/09/92	Mr C B Goldstein J Goldstein & Co Pty Ltd
5.1	25/06/93	Supplementary to Submission No 5
6.	30/09/92	Mr Jim Fitzpatrick
7.	01/10/92	Mr Drew H Posthuma
8.	01/10/92	Colonel Roger J Dace Institute of Value Management Australia Inc
8.1	03/11/92	Supplementary to Submission No 8
9.	07/10/92	Mr Norm Spencer Advance Australia Foundation
9.1	19/11/93	Supplementary to Submission No 9
10.	08/10/92	Mr Rob Hulls, MP
11.	07/10/92	Mr A M L Baylis Logical Technologies Pty Ltd

11.1	11/08/93	Supplementary to Submission No 11
12.	13/10/92	Mr T Webb Food Policy Alliance
13.	16/10/92	Mr E Hay Australian National Audit Office
14.	16/10/92	Mr J Cumming AUSTAND
14.1	30/12/93	Supplementary to Submission No 14
15.	28/10/92	Mr Don Phipps Industrial Supplies Office (ISO)
15.1	08/09/93	Supplementary to Submission No 15
15.2	27/01/94	Supplementary to Submission No 15
16.	20/10/92	Mr J V Plunkett IR&D Board
17.	20/10/92	Mr B Davies Kambrook Group Australia
18.	22/10/92	Mr G J Kendall Stanilite Electronics Pty Ltd
18.1	24/06/93	Supplementary to Submission No 18
19.	16/10/92	Mr C Lamond Email Ltd
20.	22/10/92	Mr I Day Cerebos (Australia) Ltd
21.	22/10/92	Ms L Henderson-Lancett Corban and Blair Pty Ltd
22.	23/10/92	Mr R Keely Institute of Purchasing and Supply Management Ltd
22.1	09/09/93	Supplementary to Submission No 22
22.2	27/01/94	Supplementary to Submission No 22

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23.	22/10/92	Mrs Y Bain AM The National Council of Women of Australia Inc
24.	19/10/92	Mr R Crowe N.T. Confederation of Industry and Commerce
25.	26/10/92	Mr Graeme Inchley Apple Computer Australia Pty Ltd
26.	26/10/92	Mr G Kierath MLA Minister for Labour Relations; Works; Services; Multicultural Affairs Government of Western Australia
26.1	29/12/93	Supplementary to Submission No 26
26.2	9/02/94	Supplementary to Submission No 26
27.	26/10/92	Mr Philip C Chambers Fuji Xerox Australia Pty Ltd
28.	26/10/92	Mr Arthur Carr Sebel Furniture Ltd
29.	27/10/92	Mr P A Gedge
30.	27/10/92	Ms Lorraine Peachey Commonwealth Department of Tourism
30.1	20/10/93	Supplementary to Submission No 30
30.2	31/01/94	Supplementary to Submission No 30
31.	30/10/92	Mr Harvey Wallace Australian Owned Companies Association Ltd
31.1	2/03/94	Supplementary to Submission No 31
32.	28/10/92	Mr Roger Peacock Department of Employment, Education and Training
32.1	19/07/93	Supplementary to Submission No 32
32.2	26/08/93	Supplementary to Submission No 32
32.3	12/01/94	Supplementary to Submission No 32

33. 05/07/93 Mr Brian Livermore
IBM Australia Limited
- 33.1 15/09/93 Supplementary to Submission No 33
34. 29/10/92 Mr John A Webster
The Institution of Engineers Australia
35. 29/10/92 Mr I D Tulloch
- 35.1 01/02/94 Supplementary to Submission No 35
36. 30/10/92 Ms Susan Ryan, AO
Plastics Industry Association Incorporated
37. 30/10/92 Mr Michael Lamb
ALCATEL Australia
- 37.1 22/12/93 Supplementary to Submission No 37
38. 30/10/92 Mr Rodd Pahl
International Public Relations Pty Ltd
39. 30/10/92 Mr Peter Pool
Aerospace and Defence Industries
- 39.1 19/01/93 Supplementary Submission No 39
40. 30/10/92 Mr Rob Durie
Australian Information Industry
Association Limited
- 40.1 25/08/93 Supplementary to Submission No 40
41. 02/11/92 Mr Peter Fritz
Small Business Council
42. 03/11/92 Mr Derek Carrington
Australian Insurance Association
43. 03/11/92 Mr Peter M Reynoldson
Cooper Tools Pty Ltd
44. 03/11/92 Mr Harry Solari
Solari Engineering Pty Ltd
45. 03/11/92 Ms Nola McCallum
Australian Federation of Business Women Inc.

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46.	03/11/92	Mr E A Woodfield New Zealand High Commission
47.	04/11/92	Mr Leigh W Purnell MTIA
47.1	16/12/92	Supplementary to Submission No 47
47.2	23/09/93	Supplementary to Submission No 47
48.	06/11/92	Mr R B Wilkins The Cabinet Office - New South Wales
49.	06/11/92	Mr Mark Gledhill Australian Chamber of Manufactures
49.1	14/12/93	Supplementary to Submission No 49
50.	05/11/92	Senator the Hon Nick Bolkus Minister for Administrative Services
50.1	02/11/93	Supplementary to Submission No 50
50.2	00/01/93	Supplementary to Submission No 50
50.3	10/10/93	Supplementary to Submission No 50
50.4	13/09/93	Supplementary to Submission No 50
50.5	09/07/93	Supplementary to Submission No 50
50.6	16/11/93	Supplementary to Submission No 50
50.7	10/12/93	Supplementary to Submission No 50
50.8	31/01/94	Supplementary to Submission No 50
50.9	24/02/94	Supplementary to Submission No 50
50.10	2/03/94	Supplementary to Submission No 50
50.11	2/03/94	Supplementary to Submission No 50
51.	10/11/92	Mr Shane Coombe Chamber of Manufactures NSW
52.	12/11/92	Mr A O'Shannessy Australian Pulp & Paper Mills

52.1	<u>Confidential</u>	
53.	12/11/92	Senator The Hon Gareth Evans Minister for Foreign Affairs and Trade
53.1	15/11/93	Supplementary to Submission No 53
53.2	31/01/94	Supplementary to Submission No 53
54.	12/11/92	Mr H R Spier Trade Practices Commission
54.1	24/06/93	Supplementary to Submission No 54
55.	16/11/92	Mr Alex Gosman Australian Electrical and Electronic Manufacturers' Association Limited
55.1	20/08/93	Supplementary to Submission No 55
55.2	22/12/93	Supplementary to Submission No 55
56.	24/11/92	Ms Gae Pincus National Food Authority
56.1	17/02/94	Supplementary to Submission No 56
57.	26/11/92	Mr Harris Boulton Grocery Manufacturers of Australia Limited
58.	26/11/92	Mr Tim Piper Confectionery Manufacturers of Australasia
59.	27/11/92	Senator Robert Ray Minister for Defence
59.1	07/09/93	Supplementary to Submission No 59
59.2	11/11/93	Supplementary to Submission No 59
59.3	18/10/93	Supplementary to Submission No 59
59.4	25/01/94	Supplementary to Submission No 59
59.5	25/01/94	Supplementary to Submission No 59
59.6	12/01/94	Supplementary to Submission No 59

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59.7	23/02/94	Supplementary to Submission No 59
60.	23/12/92	Mr David Stephens Department of Transport and Communications
60.1	21/09/93	Supplementary to Submission No 60
61.	15/01/93	Hon. R Willis Minister for Finance
61.1	26/10/93	Supplementary to Submission No 61
61.2	08/11/93	Supplementary to Submission No 61
61.3	28/01/94	Supplementary to Submission No 61
61.4	20/01/94	Supplementary to Submission No 61
62.	15/01/93	Mr R G Butterworth The Treasury
62.1	26/10/93	Supplementary to Submission No 62
62.2	08/02/94	Supplementary to Submission No 62
63.	18/01/93	Mr C F Vassarotti Australian Custom Service
64.	01/02/93	Mr E Rodeck The Society for Balanced Trade
64.1	30/06/93	Supplementary to Submission No 64
65.	07/06/93	Mr R Ciseau Hardie Health Care Products Pty Ltd
66.	04/06/93	Mr Rex Brown Browns Mowers & Chainsaws
67.	04/06/93	Mr Len Cordiner SGS Australia Pty Ltd
67.1	23/12/93	Supplementary to Submission No 67
68.	07/06/93	Mr Stewart van Raalte Pennant House Flags

69. 15/06/93 Mr W J Kelly
Queensland Purchasing and Sales
Administrative Services Department
Government of Queensland
70. 18/06/93 Mr L N Kennedy
71. 22/06/93 Hon A Griffiths, MP
Department of Industry, Technology and Regional
Development
- 71.1 30/07/93 Supplementary to Submission No 71
- 71.2 29/09/93 Supplementary to Submission No 71
- 71.3 15/09/93 Supplementary to Submission No 71
- 71.4 14/12/93 Supplementary to Submission No 71
- 71.5 11/02/94 Supplementary to Submission No 71
- 71.6 23/02/94 Supplementary to Submission No 71
72. 24/06/93 Mr Ross Wilkinson
Executive Computing Pty Ltd
73. 23/06/93 Mr D T Merson
MINCOM Pty Ltd
74. 23/06/93 Mr C Henderson
75. 21/06/93 Ms J A Craven
76. 24/06/93 Mr A D Lamshed
Champion Compressors Ltd
77. 29/06/93 Mr J D Grew
Progen Industries Ltd
78. 24/06/93 Mr R F Moss
Cyanamid Australia Pty Ltd
79. 22/06/93 Mr R West
The Tasmanian Greens
80. 23/06/93 Mr Allan Niass
Niass Educational Systems

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81.	24/06/93	Mr Peter Davis Krone Australia Technique Pty Limited
82.	25/06/93	Mr John Twyble The Lincoln Electric Company (Australia) Pty Ltd
83.	00/06/93	Mr Stan Moore NSW Farmers' Association
84.	29/07/93	Mr W J Meeke Skywest Aviation Pty Ltd
84.1	12/01/94	Supplementary to Submission No 84
85.	<u>Confidential</u>	
86.	23/06/93	Mr Philip Green Style Engineering
87.	06/07/93	Mr D L Carrington Australian Insurance Association
88.	29/06/93	Mr Peter Kirkwood Abacus Trading Company
89.	08/07/93	Mr Harris Boulton Grocery Manufacturers of Australia
90.	08/07/93	Mr L J Smith Telecom Australia
90.1	20/01/94	Supplementary to Submission No 90
91.	19/07/93	Mr D Amos Maryvale A team Construction, Forestry, Mining and Energy Union
91.1	26/07/93	Supplementary to Submission No 91
92	20/07/93	Mr P Davis Krone (Australia) Pty Ltd
92.1	26/11/93	Supplementary to Submission No 92

93	20/07/93	Ms S McCready Textile Clothing and Footwear Union of Australia
94.	05/08/93	Stephen Hill The Christopher Company Pty Ltd
95.	21/07/93	Mr Philip Andersen The Printing and Allied Trades Employers' Federation of Australia
96.	05/07/93	Mr D B Sawtell ACESAT Satellite Corp. Pty Ltd.
97.	03/08/93	Mr K P Baxter Department of the Premier and Cabinet - Victoria
98.	06/08/93	Mr Peter Moylan Australian Council of Trade Unions
98.1	17/01/94	Supplementary to Submission No 98
98.2	25/02/94	Supplementary to Submission No 98
99.	08/08/93	Mr G Cadogan-Cowper pTizan Computer Services Pty Ltd
99.1	<u>Confidential</u>	
99.2	16/01/94	Supplementary to Submission No 99
100.	04/08/93	Mr Ross Wilkinson
101.	08/08/93	Mr Peter G Thorne Department of Computer Science The University of Melbourne
102.	20/08/93	Mr J B Ness MITEC Ltd
103.	23/08/93	Mr J Richards Queensland Systems Integration Pty Ltd
104.	<u>Confidential</u>	
105.	01/09/93	Mr Geoff Croker Graphics Computer Systems

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106.	20/08/93	Mr Neil H Callow Town Properties Corporation Pty Ltd
107.	12/07/93	Ms Valerie Campbell
108.	03/08/93	Mr Graham Chalker Australian Chamber of Commerce and Industry
109.	22/02/93	Mr Geoff Gorrie Department of Primary Industries and Energy
109.1	23/09/93	Supplementary to Submission No 109
109.2	30/08/93	Supplementary to Submission No 109
109.3	07/02/94	Supplementary to Submission No 109
110.	07/12/92	Mr Albert Hellweg Hellweg International Pty Ltd
111.	13/09/92	Mr Maurice Ryan
112.	21/09/93	Ms Anna Christie Synergy Conventions Pty Ltd
113.	22/09/93	Mr Frank Walker QC MP Special Minister of State
114.	28/09/93	Mr Peter Kennedy Public Service Commission
115.	23/09/93	Hon. Con Sciacca MP Parliamentary Secretary to The Minister for Social Security
115.1	27/09/93	Supplementary to Submission No 115
115.2	20/01/94	Supplementary to Submission No 115
115.3	16/02/94	Supplementary to Submission No 115
115.4	17/02/94	Supplementary to Submission No 115
116.	30/09/93	Mr Terry Gallagher Attorney-General's Department
116.1	11/01/94	Supplementary to Submission No 116

116.2	21/02/94	Supplementary to Submission No 116
117.	14/10/93	Hon. L Brereton MP Minister for Industrial Relations
117.1	21/01/94	Supplementary to Submission No 117
117.2	22/02/94	Supplementary to Submission No 117
118.	12/10/93	Senator Nick Bolkus Minister for Immigration and Ethnic Affairs
118.1	21/12/93	Supplementary to Submission No 118
118.2	21/01/94	Supplementary to Submission No 118
119.	19/10/93	Senator the Hon John Faulkner Minister for Veterans' Affairs
119.1	07/01/94	Supplementary to Submission No 119
120.	21/10/93	The Hon Robert Tickner MP Minister for Aboriginal and Torres Strait Islander Affairs
120.1	21/02/94	Supplementary to Submission No 120
121	21/10/93	Mr Stan McLiesh CSL Limited
122	22/10/93	Hon. Ros Kelly MP Minister for the Environment, Sport and Territories
122.1	27/10/93	Supplementary to Submission No 122
122.2	24/01/94	Supplementary to Submission No 122
123	28/10/93	Ms Sarah Meageen Thycon Industries Pty Ltd
124	21/10/93	The Hon. Kim Beazley MP Minister for Employment, Education & Training
125.	12/10/93	The Hon. Peter Cook Minister for Trade

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126. 26/08/93 Dr J D White
Transfield Shipbuilding Pty Ltd

126.1 20/01/94 Supplementary to Submission No 126

127. 07/11/93 Ms Elaine Simes

128. 12/11/93 Mr Roger Bektash
EFFEM Foods Pty Ltd

128.1 30/11/93 Supplementary to Submission No 128

129. 05/11/93 Mr Brett Iggulden
Planet Lighting

130. 16/11/93 Mr Brian Mathieson J.P.
BWN Industries Pty Ltd

131. 24/11/93 Mr Graham N. Thomas
Megara Australia Pty Ltd

132. 25/11/93 Hon. B L Howe, MP
Deputy Prime Minister and Minister for Housing,
Local Government and Community Services

133. 03/12/93 Mr R F Whitehead
R.F.W. Truck Manufacturing Company

134. 20/12/93 Mr R W Knapp
Australian Mining Industry Council

135. 10/12/93 Mr D Green
Christian Leaders In Waverley

136. 20/12/93 Mr Kohtaro Miyagi
Canon Australia Pty Ltd

137. 12/01/94 Mr Darby Johns
Albox Australia Pty Ltd

138. 19/01/94 Ms Kay L Winter, Chair
Network/Database Issues Task Force
Federal Libraries Information Network

139. Confidential

140. 18/01/94 Ms Kerrie Milburn-Clark
AMCOR Paper

141. 31/01/94 Mr A C Cullen
Australian Bankers' Association
142. 21/01/94 Miss Paula Bowen
Australian Institute of
Health and Welfare
143. 20/01/94 Mr A Leahy
Department of The Prime Minister
and Cabinet
144. 31/01/94 Mr G R Seymour
Australian Taxation Office
- 144.1 08/02/94 Supplementary to Submission No 144
145. 31/01/94 Mr Gary Prattley
National Capital Planning Authority
146. 01/02/94 Mr Joel Schwalb
Ipex Information Technology Group
147. 12/01/94 The Hon. Stephen Martin MP
Speaker of the House of Representatives
148. 02/02/94 Mr Brian McKay, AM
Ericsson Australia Pty Ltd
149. 03/02/94 Mr J L Staker
State Supply Board South Australia
150. 03/02/94 Mr John Stocker
CSIRO Australia
151. 04/02/94 Mr Graham Evans
Department of Transport
152. 16/02/94 Mr P Bert
Australian Hearing Services
153. 07/02/94 Mr Jonathan Osborne
Datapac Australasia Pty Ltd
154. 23/02/94 Mr A S Cole
Department of Health, Housing, Local Government
and Community Services

APPENDIX III

LIST OF HEARINGS AND WITNESSES

Canberra, 8 October 1992

Australian Customs Service

Mr J Drury, National Manager, Import-Export Control

Mr R Janeczko, Regional Manager for New South Wales, Import-Export Control

Canberra, 15 October 1992

Department of Administrative Services

Mr T Butler, General Manager, Purchasing Australia

Mr K Erwood, Manager, Purchase Australian Office, Purchasing Australia

Mr H Karman, Acting Assistant General Manager, Information Technology
Contacts and Standards Branch, Purchasing Australia

Ms J Mills, Assistant General Manager, Purchasing Services, Purchasing
Australia

Mr S Skrzypek, Assistant General Manager, Purchase Australian Branch,
Purchasing Australia

Canberra, 26 November 1992

Advance Australia Foundation

Mr N Spencer, Executive Director

Confectionery Manufacturers of Australasia

Mr T Piper, Manager, Corporate and Legal Affairs

Effem Food Pty Ltd

Mr R Bektash, Technical Affairs Manager

Helene Curtis Australasia

Mr T Rothwell, Managing Director

National Food Authority

Mr P F Tough, Director, Food Standards

Trade Practices Commission

Mr C Arkley-Smith, Senior Project Officer

Mr H Spier, General Manager

Canberra, 23 June 1993

Department of the Arts and Administrative Services

Mr A P Butler, General Manager, Purchasing Australia
 Mr D J Jess, Acting Assistant General Manager, Purchasing Australia
 Mr L D Le Fevre, Assistant General Manager, Purchasing Australia
 Mr S B Skrzypek, Assistant General Manager, Purchasing Australia
 Mr R G Webb, Assistant General Manager, Purchasing Australia

Department of Defence

Brigadier N L Horn, Director General, Joint Project Management
 Mr D I Huntley, Assistant Secretary, Advanced Purchasing and Contracting Support
 Mr M Ives, First Assistant Secretary, Capital Equipment Program Division
 Mr M McNamara, Principal Adviser, Logistics Projects
 Dr G Verney, Assistant Secretary, Industry Policy and Programs Branch
 Mr M Waller, First Assistant Secretary, Industry Policy and Operations Division

Department of Industry, Technology and Regional Development

Mr K L Croker, Assistant Secretary, Research and Development Grants Branch
 Mr J Grant, Assistant Secretary, Information Industries Strategy Branch
 Mr G Hallinan, First Assistant Secretary, Light Industries Division

Industrial Supplies Office (Australasia) Ltd

Mr J E Box, Chairman
 Mr D N Phipps, Managing Director

Melbourne, 19 July 1993

Transfield Shipbuilding

Mr P T Black, Industry Program Manager, Transfield Defence Systems Division
 Dr J D White, Chief Executive

Australian Chamber of Manufactures

Mr M Connell, Principal Consultant, Trade and Business Strategy
 Mr M J Gledhill, Trade Counsellor

Telecom Australia

Mr L Smith, General Manager, Supply

Construction, Forestry, Mining and Energy Union

Mr D G Amos, Consultant
 Mr N Anderson, Member, Maryvale A Team
 Mr C Moody, Coordinator, Maryvale A Team

Private Citizen
Mr B Davies

Sydney, 20 July 1993

Alcatel Australia Ltd
Mr M Lamb, Manager, International and Government

Australian Telecommunications Users Group
Mr W E Rothwell, Executive Director
Mr B A Cox, Manager, Corporate Projects, Ericsson Australia
Mr P Davis, Manager IT Applications Group, Krone (Australia) Pty Ltd

IBM Australia Ltd
Mr G F Bell, General Manager, Public Sector and States
Mr B Livermore, Senior Policy Consultant

Institute of Purchasing and Supply Management
Mr A F Jones, Councillor
Mr R H Keeley, Immediate Past President
Mr J G Otten, Councillor
Mr D T Urquhart, Treasurer

Textile Clothing and Footwear Union of Australia
Ms S McCreadie, Economic Research Officer

Logical Technologies
Mr A M Baylis, Chief Executive

Canberra, 29 July 1993

Australian Information Industry Association
Mr R G Durie, Deputy Executive Director
Mr P J Upton, Executive Director

Australian Electrical and Electronic Manufacturers' Association
Mr B Cooper, Staff Member
Mr B J Douglas, Deputy Director

Metal Trades Industries Association
Mr P Morris, Chief Economist
Mr B Nicholas, Member
Mr B Phillips, Member
Dr K Richmond, Senior Industry Policy Coordinator

Associated Pulp and Paper Mills

Mr A O'Shannessy, Consultant
Mr S P Quigley, General Manager, Paper Division
Mr A W Williamson, Manager

Canberra, 30 July 1993

Department of Employment, Education and Training

Mr J W Muir, First Assistant Secretary, Performance and Review Division
Mr G T Rayner, Director, Financial Policy
Mr R Wilson, Acting Assistant Secretary, Business and Planning Branch,
Systems Division

Department of Industry, Technology and Regional Development

Mr G Hallinan, First Assistant Secretary, Light Industries Division

Department of the Arts and Administrative Services

Mr A R Adair, Manager, Purchasing Development Centre
Mr C J Akeroyd, Director, Supply Information, Purchasing Australia
Mrs H M Brooke, Acting Manager, Professional Development Section,
Purchasing Australia
Mr A P Butler, General Manager, Purchasing Australia
Ms J M Mills, Assistant General Manager, Purchasing Australia
Mr S B Skrzypek, Assistant General Manager, Purchasing Australia
Mr R G Webb, Assistant General Manager, Purchasing Australia
Mr B E Wingrove, Manager, Financial Services, Purchasing Australia

Canberra, 9 August 1993

Department of the Treasury

Mr T A Lowndes, Assistant Secretary, Economic Development Branch
Mr A J Ross, Director, Technology and Economic Development Section,
Structural Policy Division

Department of Finance

Mr A MacLean, Principal Adviser, Financial Management Division
Ms C E McKay, Chief Finance Officer, Environment, Sport, Territories and
Tourism Section
Mr D K Wallace, Assistant Secretary, Industry and General Branch

The Christopher Company Pty Ltd

Mr S J Hill, Managing Director

Australian Council of Trade Unions
Mr P Moylan, Industrial Officer
Ms P M Ranald, Industrial Officer and Research Coordinator
Mr J Saunderson, Research Officer
Mr G N Whitehead, National Industrial Officer

Brisbane, 23 August 1993

Private Citizen
Professor R Jensen

Mincom Pty Ltd
Mr F G Gibson, Manager—Marketing Services
Mr G H Jardine, Deputy Managing Director

Queensland Systems Integration
Mr J P Richards, Chief Executive Officer

Mitech Ltd
Dr J B Ness, Managing Director

Sydney, 6 December 1993

Industrial Supplies Office (NSW) Ltd
Mr J B Moran, Director, Defence and Industry
Mr T Toivonen, Senior Consultant

PJP Aerospace and Defence Industries
Mr P J Pool, Managing Director

RFW Truck Manufacturing Company
Mr J Rapinette, Works Manager
Mr R F Whitehead, Managing Director

Canberra, 7 December 1993

Department of Industry, Technology and Regional Development
Mr J Grant, Assistant Secretary, Information Technology Industries Branch
Mr H Tipson, Director, Information Technology Client Services Section
Mr R Trenberth, Deputy Secretary

pTizan Computer Services Pty Ltd
Mr G F Cadogan-Cowper, Managing Director

Thycon Industries Pty Ltd**Ms S Meageen, Assistant General Manager****Mr T Robarts, National Sales Manager, Thycon Industries Pty Ltd****Department of the Arts and Administrative Services****Mrs C M Box, Manager, Purchasing Australia****Mr A P Butler, General Manager, Purchasing Australia****Mr S B Skrzypek, Assistant General Manger, Strategic Policy and Marketing Branch, Purchasing Australia****Mr R G Webb, Assistant General Manager, IT Contracts and Standards, Purchasing Australia****Mr B E Wingrove, Manager, Financial Services, Purchasing Australia****Canberra 31 January 1994****Department of Administrative Services****Mr A P Butler, General Manager, Purchasing Australia****Mr T J Fewtrell, Acting Assistant General Manager, Promotions and Policy Projects Branch, Purchasing Australia****Mr J Mellors, Executive General Manager (Corporate)****Ms C Moore, Assistant General Manager, General Operations Branch, Purchasing Australia****Mr S B Skrzypek, Assistant General Manager, Purchasing Australia****Mr R G Webb, Assistant General Manager, Purchasing Australia****Mr B E Wingrove, Manager, Financial Services, Purchasing Australia**

APPENDIX IV

LIST OF EXHIBITS

Exhibit No	Title/Document
1.	Stewart, R: <i>Purchasing/Contract Reforms in Australian Government - Industry Policy by Another Name</i> , Draft chapter for Committee for Economic Development (CEDA) - <u>Governance and Economic Efficiency</u>
2.	Attachment to Submission No. 2: Correspondence between Fliway - A.F.A. International Pty Ltd, Senator Button and the Department of Industry, Technology and Commerce concerning international freight and insurance purchasing
3.	Attachment to Submission No. 2: Correspondence concerning USA to Australia Defence Freight Forwarding Tender and Fliway bid for the UK/European Defence Freight Forwarding Tender
4.	Attachment to Submission No. 2: Submission to the Department of Foreign Affairs and Trade concerning international freight services
5.	Attachment to Submission No. 6: Motion passed by the Bonython Federal Electorate Council of the Australian Labor Party concerning labelling
6.	Attachment to Submission No. 6: Stephen Mayne: <i>PacDun faces action over Chinese Socks</i> , press clipping, undated
7.	Attachment to Submission No. 6: Harry Wu: <i>Inside China's prisons for profit</i> , Readers's Digest, April 1992, pp 139 - 43
8.	Attachment to Submission No. 6: Peter Hughes: <i>Buying Australian may be as simple as ABC</i> , press clipping, undated
9.	Attachment to Submission No. 6: Australian Owned Companies Association Limited: <i>AusBuy Guide No. 2</i>
10.	Attachment to Submission No. 6: Submission to the South Australian State Supply Board concerning misleading labelling
11.	Attachment to Submission No. 9: Advance Australia Foundation: <i>Australian Made Campaign - Guidelines for Licensing</i>

12. Attachment to Submission No. 9: Australian Owned Companies Association Limited: *Our Aims and The Immediate Objectives for the Australian Owned Companies Association*
13. Attachment to Submission No. 9: Advance Australia Foundation: *The Australian Made Product Directory*, 2 x 3 1/2" hard disks with explanatory notes
14. Attachment to Submission No. 11: *Keating's Economic Statement: Special Liftout*, Financial Review, 27 February 1992, p 10s
15. Attachment to Submission No. 11: Peter Young: *Consortia slug out QEC deal*, press clipping, undated
16. Department of Administrative Services: *The Power of Purchasing*, videotape and hard copy script, produced by Film Australia, 1991.
17. Attachment to Submission No. 12: *The Food Policy Alliance - Policy Statement, Participants and Activities*
18. Attachment to Submission No. 12: *MADE IN AUSTRALIA: Does it mean what you think it means?; How can it be made to mean it is genuinely Australian?*, Food Policy Alliance, September 1992
19. The Auditor-General: *Audit Report No. 3 1991-92: Project Audit - Implementation of Purchasing Reforms in the Australian Public Service*, AGPS, Canberra, August 1991
20. Attachment to Submission No. 16: Executive Summary of the Industry Research and Development Board's submission to the Industry Commission's inquiry into the National Procurement Development Program
21. Attachment to Submission No. 16: Supplementary submissions, dated 3 March and 12 March 1992, from the Industry Research and Development Board to the Industry Commission's inquiry into the National Procurement Development Program
22. Attachment to Submission No. 16: Industry Commission's inquiry into the National Procurement Development Program - list of findings and recommendations
23. Attachment to Submission No. 16: Correspondence between Mr J V Plunkett, Chairman, Industry Research and Development Board, and Dr Max Parker, Commissioner, Industry Commission, concerning the Commission's inquiry into the National Procurement Development Program

24. Attachment to Submission No. 26: *Supply Policy Manual*, State Supply Commission, Government of Western Australia
25. Attachment to Submission No. 41: House of Representatives Standing Committee on Industry, Science and Technology, *Small Business In Australia: Challenges, Problems and Opportunities*, AGPS, Canberra, January 1990
26. Attachment to Submission No. 41: Federal procurement assistance programs for small business, Small Business Administration, USA
27. Attachment to Submission No. 41: Government Response to the Report of the House of Representatives Standing Committee on Industry, Science and Technology: *Small Business in Australia: Challenges, Problems and Opportunities*, November 1990
28. Attachment to Submission No. 41: Department of Industry, Technology and Commerce Small Business Unit, *Meet the Buyers Canberra 1990*, AGPS, Canberra, 1991
29. Attachment to Submission No. 41: John Matthews, *Studies in Organisational Analysis and Innovation Number 7 - TCG: Sustainable Economic Organisation through Networking*, University of New South Wales, July 1992
30. Attachment to Submission No. 42: Insurance and Freight Working Party, *Report: Stage 1 - Commonwealth Government and GBE Purchasing*, July 1990
31. Attachment to Submission No. 42: Australian Insurance Association, *1991 Annual Review*,
32. Attachment to Submission No. 42: Joint Media Statement, Minister for Industry, Technology and Commerce, Senator John Button and the Minister for Administrative Services, Senator Nick Bolkus, *Ministers Urge Government Buyers To Use Local Freight And Insurance For Overseas Purchases*, 12 December 1990
33. Attachment to Submission No. 42: Commonwealth Procurement Circular, *Consideration of Insurance and Freight in Commonwealth Procurement*, November 1990
34. Attachment to Submission No. 43: Media Release, CooperTools Pty Ltd, *Coopertools Gets Behind "Australian Made"*, September 1990
35. Attachment to Submission No. 43: Media Release, CooperTools Pty Ltd, *Sole File Manufacturer Meets The Challenge*, March 1990

36. Attachment to Submission No. 43: Media Release, CooperTools Pty Ltd, *Prime Minister's Award Selection*, September 1991
37. J D White, N Apple, G Haselgrove, R Dowe, D H Clyde: *Creating wealth through manufacturing - the role of Government in developing an internationally competitive design and engineering capability in Australia*
38. Attachment to Submission No. 45: Australian Federation of Business and Professional Women Inc., Agenda, 27th Federation Conference, 5 - 9 June 1992
39. Attachment to Submission No. 46: *New Zealand Industrial Supplies Office*
40. Attachment to Submission No. 51: Government of Canada Media Release, *Industrial Benefits Initiatives Announced*, Industry, Trade and Commerce Canada, 27 August 1981
41. Attachment to Submission No. 51: *Public Contracts containing the general and permanent laws of the United States in force on 3 January 1989*, Government of the United States of America
42. Attachment to Submission No. 51: Correspondence between Colan Products Pty Ltd and the Chamber of Manufacturers of NSW dated 15 October 1992
43. Attachment to Submission No. 51: Draft Position Paper - *The Ninox Story*, dated 8 January 1992
44. Attachment to Submission No. 52: APPM and its Activities
45. Attachment to Submission No. 52: Examples of products produced from major categories of printing and writing papers
46. Attachment to Submission No. 52: Printing and writing papers: Paper-type and End-use substitutions
47. Attachment to Submission No. 52: Tariff and tariff related arrangements for printing and writing papers
48. Attachment to Submission No. 52: Copy of extract from 'Guide to Government Purchasing', July 1992: Commonwealth Purchases of Paper, Paper Products, Printing and Publishing
49. Attachment to Submission No. 54: *Labelling the Origin of Goods*, Trade Practices Commission, April 1990

50. Attachment to Submission No. 54: *TPC Guide to codes of conduct*, Draft Paper, Trade Practices Commission, October 1992
51. Attachment to Submission No. 47.1: MTIA survey of the impact of Government costs, charges and micro economic reform
52. Attachment to Submission No. 47.1: MTIA's submission to the Industry Commission Inquiry into the National Procurement Development Program
53. Attachment to Submission No. 63: Section 103 of the *Trademarks Act 1955*; Lodging a Notice
54. Attachment to Submission No. 63: Copy of submission made to the Federal Bureau of Consumer Affairs concerning Australian made and country of origin labelling
55. White, J; Apple, N; Haselgrove, G; Dowe, R; Clyde, D: *Creating wealth through manufacturing - the role of Government in developing internationally competitive design and engineering capability in Australia*; Paper presented to the National Science and Technology Analysis Group 1990 Forum, Canberra, November 1990
56. "Business Ethics for Defence and Industry", Department of Defence, June 1992
57. Extracts from public evidence taken before Senate Estimates Committee D on 10 October 1989
58. Documents relating to AMECOM and the ANZAC Ships Project, dated 31 July 1989
59. Professor R C Jensen: "A Study of the economic indicators used by the Industrial Supplies Office", University of Queensland, August 1992
60. "Suppliers' guide to Government purchasing in New Zealand", Ministry of Commerce, May 1992
61. Attachment to Submission No. 73: Letter from Mr D Campbell, Group Managing Director, Network and Technology, Telecom Australia, to Mr A McElrea, Director of Marketing, Mincom Pty Ltd, dated 19 May 1993
62. Attachment to Submission No. 73: Mincom Corporate Profile 1992
63. Attachment to Submission No. 73: Mincom Information Management System: Materials Management

64. Attachment to Submission No. 73: Mincom Pty Ltd: Quality Assurance Approval Certificate granted by Lloyds Register of Shipping, dated 8 September 1992
65. "ANZAC Ship Project - AMECON Tender: Spread of work by electorate", undated
66. Document relating to tender specification requirements, undated
67. "Developing the Australian Telecommunications industry: What are the opportunities for Australian owned companies?", paper presented to the IIR Conference, dated 10 June 1992
68. "DEET Administrative Expenditure"
69. "Guide to Procurement Courses", Office for Better Buying, AGPS, Canberra 1992
70. PE Contract sales, Department of the Arts and Administrative Services, undated
71. Advertisement titled: "Sick of being 'pipped at the post' by your competitors", Government Procurement Service, undated
72. "Information Technology Purchase: Total IT Industry - Commonwealth Government; July 1992 - September 1992", The Christopher Company
73. Extract of Commonwealth information technology purchases, April - June 1993, the Christopher Company
74. Confidential Exhibit
75. "Privacy of Parliament House telephone conversations", Parliamentary Information Systems Office, 31 August 1993
76. Notes prepared on systems intergration and the SI Panel for the Inquiry into Australian Government Purchasing Policies
77. National Trade Strategy Consultative Process: Report to Ministers; Trade and Investment Forum, 13-14 July 1993, Parliament House, Canberra
78. ACTU: Employment and Jobs Growth Strategy; ACTU Congress, September 1993
79. Submission from the Australian Electrical and Electronic Manufacturers' Association Ltd to the Industry Commission Inquiry into Defence Procurement, dated 14 October 1993

80. Commonwealth Environment Protection Agency: *Developing scientific criteria for environmentally preferred paper products: A background discussion paper prepared by the Commonwealth Environment Protection Agency*, Canberra, October 1993
81. Attachment to Submission 128: Facsimile from Mr R Bektash, Technical Affairs Manager, Effem Foods Pty Ltd to Mr L Hansen, Federal Bureau of Consumer Affairs, dated 12 November 1993
82. Attachment to Submission 128: Facsimile from Mr R Bektash, Technical Affairs Manager, Effem Foods Pty Ltd to the Standards Liaison Officer, National Food Authority, dated 12 November 1993
83. *The Single Market: A Guide to Public Purchasing*, The Department for Enterprise, HMSO, September 1989
84. Official Journal of European Communities: Legislation, Vol 36, 9 August 1993
85. Attachment to Supplementary Submission 50.4: State/Territory Purchasing Policies and Practices
86. Attachment to Supplementary Submission 50.4: Commonwealth Policy on Quality Assurance in Procurement
87. Attachment to Supplementary Submission 50.4: The Minter Report on Government Purchasing, dated 29 June 1992
88. Attachment to Supplementary Submission 50.4: *Evaluation of the Purchase Australia Office Commonwealth Public Sector Awareness Campaign: Research Report prepared for the Purchase Australian Office*, Impact Research, December 1990
89. Attachment to Supplementary Submission 50.4: Booth, M and Csergo, A: *Report to the Department of Administrative Services Office for Better Buying: Survey of Purchasing Practices in the Commonwealth Public Service*, Telecom Telemarketing, March 1992
90. Attachment to Submission 50.4: Value of Gazetted Commonwealth Contracts, 1991-92
91. Attachment to Submission 50.4: Speech relating to Schiavello Commercial Interiors and Common Use Contracting, dated 4 August 1993
92. Attachment to Submission 129: Draft paper: *The Ninox Story*, dated 8 January 1992

93. Attachment to Submission 129: Letter from Mr M Gazzoli, Senior Contracts Officer, Department of Administrative Services, to Mr B Iggulden, Marketing Manager, Planet Products, dated 6 November 1991
94. Attachment to Submission 129: Letter from Mr B Iggulden, Marketing Manager, Planet Lighting, to Mr G Negus, Chairman, Environmental Futures Group, Department of Administrative Services, dated 11 November 1991
95. Attachment to Submission 129: Document, dated 12 November 1991
96. Attachment to Submission 129: Letter from Mr R O'Connell, Chief (DAU), Australian Taxation Office, to Mr B Iggulden, Marketing Manager, Planet Lighting, dated 4 March 1992
97. Attachment to Submission 129: Facsimile from Mr B Iggulden, Marketing Manager, Planet Lighting, to Mr B Fitzgerald, Department of Administrative Services, dated 6 February 1992
98. Attachment to Submission 129: Letter from Mr B Iggulden, Marketing Manager, Planet Lighting, to Mr R O'Connell, Chief (DAU), Australian Taxation Office, dated 11 March 1992
99. Attachment to Submission 129: Letter from Mr R O'Connell, Chief (DAU), Australian Taxation Office, to Mr B Iggulden, Marketing Manager, Planet Lighting, dated 10 April 1992
100. Attachment to Submission 129: Letter from Senator the Hon Nick Bolkus, Minister for Administrative Services, to Mr G Negus, Chairman, Environmental Futures group of DAS, dated 13 April 1992
101. Attachment to Submission 129: Pamphlet titled: *Ninox: A new generation ergonomic task light by Planet*
102. Attachment to Supplementary Submission 71.1: Selection of overseas purchasing policies
103. Facsimile from Mr Derek Sicklen, Australian Economic Analysis Pty Ltd to Mr Arch Bevis, MP, Chair, House of Representatives Standing Committee on Industry, Science and Technology, dated 28 October 1993
104. Submission from the Grocery Manufacturers of Australia Ltd to the National Food Authority, dated 12 November 1993
105. Letter from Mr Harris Boulton, Executive Director, Grocery Manufacturers of Australia Pty Ltd to the Hon Jeannette McHugh, MP, Minister for Consumer Affairs, dated 17 November 1993

106. Correspondence from Ms Margaret Fisher, Margaret Fisher and Associates to Mr Arch Bevis, MP, Chair, House of Representatives Standing Committee on Industry, Science and Technology, dated 22 October 1993
107. *Complex Contracting Out for Information Technology: Occasional Papers on Public Management, Market Type Mechanism Series No. 5*, OECD, Paris 1992
108. Dedrick, J, and Kraemer, K: *Caught in the Middle: Information Technology Policy in Australia*, Center for Research on Information Technology and Organisations, Graduate School of Management, University of California, Irvine 1993
109. Dedrick, J, and Kraemer, K: *National Technology Policy and the Development of Information Industries*, Center for Research on Information Technology and Organisations, Graduate School of Management, University of California, Irvine 1993
110. Attachments to Supplementary Submission 32.2: *DEET Internal Program Monitoring Report: Review of Labour Market Program Activity and Outcomes*, December Quarter 1993 and March Quarter 1993
111. Attachments to Supplementary Submission 32.2: *The Job Report: Incorporating reports on trends in student assistance, education and training*, Vol 2(4), April 1993; Vol 2(5) May 1993; Vol 2(6) June 1993
112. Attachments to Supplementary Submission 22.1: Extracts from magazine articles concerning life cycle costing
113. Attachment to Supplementary Submission 22.1: Buy American Act
114. Touche Ross Services: *The Human Element in Procurement: A Consultancy Report on Training Needs and Career Development: Executive Report*, Department of Administrative Services Purchasing Reform Group, AGPS, Canberra 1990
115. Touche Ross Services: *The Human Element in Procurement: A Consultancy Report on Training Needs and Career Development: Executive Report; and Volume 1: The Report*, Department of Administrative Services Purchasing Reform Group, AGPS, Canberra 1990
116. Touche Ross Services: *The Human Element in Procurement: A Consultancy Report on Training Needs and Career Development: Volume 2 Appendices A, B and D*, Department of Administrative Services Purchasing Reform Group, AGPS, Canberra 1990

117. Attachment to Supplementary Submission 55.1: Letter to Mr John Grant, Assistant Secretary, Industries Strategy Branch, Department of Industry, Technology and Commerce, from Mr Bryan Douglas, Deputy Director, Australian Electrical and Electronic Manufacturers' Association Ltd, dated 20 January 1993
118. Attachment to Supplementary Submission 55.1: Letter to Mr Alan Griffiths, Minister for Industry, Technology and Regional Development, from Mr Alex Gosman, Executive Director, Australian Electrical and Electronic Manufacturers' Association Ltd, dated 22 June 1993
119. Attachment to Supplementary Submission 55.1: Doutriaux, J, *High-Tech Start-Ups, Better off with Government Contracts than with Subsidies: New Evidence in Canada*, in *Transactions on Engineering Management*, Vol 18(2) May 1991
120. Attachment to Supplementary Submission 55.1: Continuing Issues, undated
121. Submission from Associated Pulp and Paper Mills to the Industry Commission Inquiry into Recycling, dated March 1990
122. *Report of the Working Groups on Country of Origin Labelling on Consumer Products: Comments by Associated Pulp and Paper Mills*, Associated Pulp and Paper Mills, Paper Division, dated 1 July 1993
123. *Application for Dumping Duties: Certain White A4 Cut Ream Copying Papers from Austria, Brazil, Finland, France, Germany, Indonesia, South Africa and the USA*, Associated Pulp and Paper Mills, dated May 1993
124. *Procurement Competencies for the Australian Public Service*, Purchasing Australia, Department of the Arts and Administrative Services, June 1993
125. Documents relating to Department of Defence purchasing procedures
126. Documents relating to the Department of Defence's DESINE contract
127. *Questions and Answers on Government Procurement Contracts: Guide to the Government Procurement Market of Japan*, Ministry of Foreign Affairs, Japan, April 1993
128. Government of the United States of America: Department of State Acquisition Regulation 6 FAM 200 Appendix E
129. Government of the United States of America: Title 48 - Federal Acquisition Regulation, Volumes I and II

130. Industry Commission: *Defence Procurement: Issues Paper*, September 1993
131. Correspondence from Mr F O'Sullivan, Chief Executive Officer, Freiberg International Pty Ltd to Mr Arch Bevis, MP, Chair, House of Representatives Standing Committee on Industry, Science and Technology, dated 18 November 1993
132. *How to Supply Quality: A complete question and answer handbook on the Commonwealth's Quality Assurance Policy*, Purchasing Australia, Canberra
133. Australian and New Zealand IT Industry Capability Project, undated
134. *Changes to Arrangements for Gazettal of Notices in the Commonwealth (Purchasing and Disposals) Gazette*, Commonwealth Procurement Circular, December 1992
135. *Prison Labour: An Industry Perspective*, Australian Electrical and Electronic Manufacturers' Association, June 1993
136. Correspondence from Mr A Pivard, Managing Director, Thomson Radar Australia Corporation Pty Ltd to Mr Arch Bevis, MP, Chair, House of Representatives Standing Committee on Industry, Science and Technology, dated 3 December 1993
137. Correspondence from Mr B Williams, Managing Director and Mr J Williams, Director, Sastek Pty Ltd to Mr T Ayers, AO, Secretary, Department of Defence, dated 18 November 1993
138. Copy of Cabinet Memorandum relating to "Australian Made", dated 9 October 1992
139. Pamphlets concerning the New Zealand Industrial Supplies Office
140. Tender specifications for cabling equipment, dated 10 May 1993
141. Drawing of two man collapsable kayak designed by Mr Peter Pool, undated
142. Correspondence from Mr J Caesar-Thwaites, Freedom of Information Section, Department of Defence to Ms H West, Administration Manager, PJP Aerospace & Defence Industries, dated 9 February 1993
143. Correspondence from Mr P Pool, Chief Executive, PJP Marine to the Hon Kim Beasley, MP, Minister for Defence, dated 28 April 1993

144. Copy of Request for Tender for Tender No. RT 22/90489F-1
145. *RAN also orders Mk III folding kayak*, Australian defence report, 10 June 1993 p 16
146. Confidential Exhibit
147. pTizan Computer Services Pty Ltd: *Secure Computing in Australia: The role for private enterprise*, dated 22 November 1993
148. Correspondence from Mr K Erwood, Manager, Purchase Australian Office, Department of Administrative Services to Mr I Heffernan, Director Operations, Australian Customs Service, dated 18 July 1991
149. Correspondence from Senator the Hon J Button, Minister for Industry, Technology and Commerce to Mr R Nanut, General Manager, Thycon Systems Pty Ltd, dated 8 December 1991
150. Document titled "Attachment 4: Local content issues", undated
151. Extract from Minutes of the Australian Customs Service Purpose Built Computer Centre Steering Committee, Meeting No. 11, dated 13 September 1991
152. Document titled "1.3 Outstanding Items: (ACS)", undated
153. Summary of Thycon products and services
154. *Getting Started with PE 54 Microsoft*, Purchasing Australia, undated
155. Attachment to Submission No. 133: Correspondence concerning the contract for the supply and delivery of a truck mounted sewer jet rodder
156. Catalogue of RFW Pty Ltd products, undated
157. *Initiatives in Commonwealth Purchasing 1988-1993*, Purchasing Australia, undated
158. Department of Administrative Services: *Purchasing Reform Plans: Guidelines for Departments, Revised*, Purchasing Reform Group, Canberra, October 1989
159. Submission from BTR Aerospace Australia to the Industry Commission Inquiry into Defence Procurement, dated 14 October 1993
160. Extract from transcript of proceedings from the public hearing held on Monday, 18 October 1993 for the Industry Commission's Inquiry into Defence Procurement

161. *Public Purchasing Policy: Consolidated Guidelines*, HM Treasury, United Kingdom, August 1988
162. *The Single Market: A guide to purchasing*, the department for Enterprise, Sixth edition, March 1993
163. Copy of tender documentation with requirement for tenderers to include provision for travel by tender evaluation officials, dated 19 July 1991
164. Copy of tender documentation for Department of Employment, Education and Training, dated 10 December 1992
165. *Review of Common Use Purchasing*, Purchasing Australia, Department of Administrative Services, January 1993
166. *Contracts and Purchasing Procedures*, Government of Singapore
167. Debriefing notes of unsuccessful tender bids provided by Freiberg International Pty Ltd, dated 2 December 1993
168. Facsimile Brochure titled: *Defence policy on Computer-aided Acquisition and Logistics Support*, undated
169. Attachment to Supplementary Submission 26.1: Department of State Services: *Outsourcing Information Technology Services in the Western Australian Public Sector: Information paper*, Government of Western Australia, August 1993
170. Attachment to Supplementary Submission 26.1: Policy statement and guidelines on outsourcing of information technology, State Supply Commission of Western Australia, August 1993
171. *Proposals For Reform of Commonwealth Government Purchasing Arising From Government Review Under the Financial Management Improvement Program*, November 1988
172. The Fifth International Seminar on Public Procurement: Agenda Papers
173. Attachment to Submission 137: Curriculum Vitae of Mr Darby Johns, Managing Director, Albox Australia Pty Ltd
174. Attachment to Submission 137: Pamphlet concerning product lines from Albox Australia Pty Ltd
175. Attachment to Submission 137: Correspondence from Ms H Onopko, Records and Archives Services, to Mr D Johns, Managing Director, Albox Australia Pty Ltd, dated 10 January 1994

176. Attachment to Submission 137: Sample Archive box and 3 ring binder from Albox Australia Pty Ltd
177. Attachment to Supplementary Submission 98.1: Extract from Prime Minister's Statement on the Environment, dated 21 December 1992
178. Attachment to Supplementary Submission 98.1: Joint statement by the Minister for the Environment, Sport and Territories, the Hon R Kelly, MP, and the Minister for the Arts and Administrative services, Senator the Hon B McMullan: "Government targets environment in buying paper", dated 14 July 1993
179. Attachment to Supplementary Submission 98.1: *Developing Criteria for Environmentally Preferred Products*: Submission to the Commonwealth Environmental Protection Agency, dated 10 November 1993
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194. Tender documentation and correspondence relating to supply and delivery of two man collapsible canoe from PJP Consultants Pty Ltd to the Department of Defence: Part 2
195. Tender documentation and correspondence relating to supply and delivery of two man collapsible canoe from PJP Consultants Pty Ltd to the Department of Defence: Part 3
196. Tender documentation and correspondence relating to supply and delivery of two man collapsible canoe from PJP Consultants Pty Ltd to the Department of Defence: Part 4
197. Tender documentation and correspondence relating to supply and delivery of two man collapsible canoe from PJP Consultants Pty Ltd to the Department of Defence: Part 5
198. Tender documentation and correspondence relating to supply and delivery of two man collapsible canoe from PJP Consultants Pty Ltd to the Department of Defence: Part 6
199. Tender documentation and correspondence relating to supply and delivery of two man collapsible canoe from PJP Consultants Pty Ltd to the Department of Defence: Part 7
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APPENDIX V

OVERSEAS GOVERNMENT PURCHASING POLICIES AND PRACTICES

1. The GATT framework imposes few obligations in regard to government procurement. There is, however, "a subsidiary Government Procurement Code which does impose certain obligations on GATT signatories which accede to it."¹ Negotiations for a revised Procurement Code are currently under way.

2. The Procurement Code stipulates that signatory governments, for certain government contracts, must use fully transparent tender procedures and evaluate bids on the basis of equal treatment of foreign suppliers, regardless of country of origin, and should not discriminate between foreign and domestic suppliers.

3. The Code covers contracts above a certain threshold (currently \$260,000) let by central government agencies nominated by the member country. No member country has nominated agencies in the transport, construction, telecommunications, electricity or water sectors as central government agencies.²

4. The Code does not cover the procurement of services and goods deemed essential to national security. National security is given a wide interpretation by some signatories. Some signatories, such as the USA and Germany, reserve the right to diverge from the requirements of the Code on additional grounds and to discriminate against non-signatories.³

5. The United States, Japan and the European Community are reported to have announced a joint agreement on greater access to Government work as part of a wider market access package. In relation to Government procurement:

- . the Japanese Government agreed to introduce an open bidding system on Government and quasi-government construction projects above a certain size; and
- . the United States Government agreed to open the tender process to Japanese and European Community groups.

6. The Japanese Government has also agreed to seek fair and transparent evaluation of foreign contractors management and technical abilities, and will encourage local governments to adopt an open bidding system for their public works projects.⁴

1 Department of Foreign Affairs and Trade: Submission 53 p 1

2 *ibid.*

3 *ibid.*

4 Hurst, J: *Deal on access to government work lifts GATT hopes*, The Australian Financial Review, 27 October 1993 p 12

International Practice

United States

7. United States Government procurement policy discriminates against all foreign suppliers. Discriminatory practices used by the US Government in procurement include Buy American legislation, discriminatory preferences, sectoral import prohibitions and small business set asides.⁵

8. Additionally, the *Trade Agreements Act 1979* prohibits Federal Government agencies accepting bids for contracts above US\$176,000 from countries which are not signatories to the GATT Code on Government procurement.

Buy American Act

9. The *Buy American Act* requires Federal agencies to buy domestic goods and services unless:

- . the cost is unreasonable in comparison with foreign goods;
- . the use of domestic goods would be contrary to the United States public interest; or
- . the products are unavailable in the United States.

10. The United States Department of Defence has further Buy American requirements, including:

- . buying food, clothing, fabrics and speciality metals that are produced in the United States; and
- . the prohibition on any foreign construction of US ships or foreign supply of major ship components.⁶

11. Buy American restrictions are applied either by a direct prohibition on buying foreign supplies, or by imposing either local content requirements, ranging from 50% to 65%, or preference margins for local suppliers which range from 6% to 50%.⁷

12. Buy American restrictions are also contained in the:

- . *National Security Act 1947*, which restricts procurement from foreign suppliers on national security grounds;

5 *Report by the Australian Department of Foreign Affairs and Trade on United States Trade Barriers Affecting Australian Exports*, Canberra 1993 p 12

6 *Register of United States Barriers to Trade*, External Affairs and International Trade Canada, 1993 pp 6-7

7 *Report on United States Trade and Investment Barriers 1993: Problems on doing business with the US*, Services of the Commission of European Communities, 1993 p 27

- Department of Defence Balance of Payments Program, which allows a 50% preference margin on foreign offers competing with domestic suppliers;
- *Competition in Contracting Act 1984*, which allows procuring agencies to restrict procurement, on a case by case basis, in order to achieve industry policy goals.⁸

Small business set asides

13. The *Small Business Act 1953* requires Federal agencies to buy a proportion of their goods and services from small business. The Government considers that 20% of the total value of all prime contracts each year should be awarded to small business.

14. In addition to this overall level, each agency has a small business set aside target. Currently, these targets are 10% for the Department of Defence and 5% for other agencies. Small business also attracts a 12% preference margin in bid evaluations by civilian agencies.⁹

Canada

15. The Canadian Government applies a 'buy local' policy for purchasing goods and services not covered by the GATT Government Procurement Code. Under this policy, buyers solicit bids from vendors on preferred suppliers' lists. These lists favour Canadian over foreign suppliers. If there is sufficient competition from Canadian suppliers on the preferred suppliers' lists, foreign firms are not invited to bid.

16. Supply and Services Canada (the major purchasing department) administers a source development fund to establish a domestic supplier base. Additionally, Supply and Services Canada maintains an informal 10% price preference for Canadian content in goods and services it purchases.¹⁰

The European Community

17. The European Commission has approved a directive permitting European companies and governments to reject equipment or service bids if more than half the purchase price results from the cost of goods and services sourced from outside the EEC. The directive requires that a 3% price preference be granted to European bids when competing with non European bids.

8 *ibid.*, p 28

9 *ibid.*, p 33

10 *The 1993 National Trade Estimate Report on Foreign Trade Barriers*, Office of the US Trade Representative, 1993 pp 37-8

Japan

18. The Japanese government requires bidders to prequalify for tenders. This involves verification of the company's financial base, past performance in government contracts and general performance as a fair competitor.

19. Japan uses local, rather than international standards, which creates a large entry barrier for foreign firms. Restricted tendering practices are also used as industry development mechanisms.

Gulf Cooperation Council

20. All Persian Gulf Cooperation Council (GCC) countries maintain local preference policies. For example, Kuwait, Saudi Arabia, Oman, Bahrain and Qatar use a 10% preference margin for local suppliers.

21. In addition, GCC countries use mechanisms such as set asides (for example, in Saudi Arabia 30% of the value of a contract must be directed to Saudi companies) and bidding restrictions to favour local suppliers.¹¹

Taiwan

22. All Government agencies must procure locally if the goods and services can be manufactured in Taiwan, or if acceptable substitutes are available locally. The Taiwanese Government also has a 5% preference margin for local products.

23. Foreign suppliers can also be hindered in gaining Government contracts by non transparent procurement procedures, liability requirements that are inconsistent with international practice and unclear payment requirements.

Indonesia

24. Much of Indonesian Government procurement is funded through foreign donor assistance, and each donor imposes their own purchasing requirements. However, domestic goods and services are given preference when possible and where they are available.

25. Government procurement regulations incorporate a 15% preference margin for local goods and services used on construction sites. Foreign firms bidding on some Government sponsored construction or projects may be asked to purchase and export Indonesian products.¹²

11 *ibid.*, pp 114-115

12 *ibid.*, pp 136-137

APPENDIX VI

PURCHASING AGREEMENTS BETWEEN STATE AND FEDERAL GOVERNMENTS

1. Australian Federal, State and Territory Governments and the New Zealand Government have undertaken to take a common approach to purchasing through the Government Purchasing Agreement.

2. The key element of the Agreement is to eliminate discrimination against Australian or New Zealand suppliers by the signatories. The governments signing the agreement have also undertaken to work in a coordinated way towards achieving greater simplicity and uniformity in procurement policies, practices and procedures.¹

3. In October 1990, Federal and State Ministers responsible for purchasing policies established the National Supply Group (NSG) of senior officials to consider strategic issues in relation to Government procurement.

4. To date the NSG has worked towards:

- . developing uniform quality assurance guidelines for Australian and New Zealand Government Procurement;
- . utilising DAS' Purchasing Development Centre to train staff in purchasing and supply;
- . identifying national procurement competency standards to form the basis of a purchasing curriculum for tertiary and TAFE colleges;
- . co-operation in intergovernmental strategic procurement to identify opportunities;
- . the production of Forward Procurement Plans;
- . addressing environmental issues; and
- . common approaches in the implementation of electronic data interchange.²

5. In addition to the NSG, Commonwealth and State industry Ministers established, in 1991, the Australian Industry and Technology Council Standing Committee on Industry and Procurement (SCIP). The functions of SCIP are to:

- . advise on the development and implementation of policies and strategies directed to the use of government procurement as an instrument of industry policy;
- . co-ordinate Commonwealth and State activities related to the use of government procurement as an instrument of industry policy;

1 DAS: Submission 50 p 50

2 *ibid.*, p 51

- . monitor and review the impact of such policies;
- . monitor and undertake the further development of the Australian Civil Offsets Agreement, the Partnerships for Development Program and Fixed Term Agreements; and
- . liaise with appropriate industry and Government bodies, including the NSG, regarding the use of Government procurement in the development of specific industry sector strategies.³

3 Department of Industry, Technology and Commerce: *Annual Report 1991-92*, AGPS, Canberra, 1992 p 119

APPENDIX VII

**Extract from Report by the Christopher Company Pty Ltd:
*COMMONWEALTH GOVERNMENT PURCHASE FROM AUSTRALIAN
COMPANIES AND AUSTRALIAN BASED TRANS NATIONALS OF
AUSTRALIAN MANUFACTURED IT & TELECOMMUNICATIONS
PRODUCT***

Executive Summary

Introduction

This report was commissioned to identify the level of Australian manufactured purchase by the Commonwealth, the industry sectors covered include Computer Hardware and Telecommunications. Office Equipment (Photocopiers and Facsimiles) was also a requirement but there was little if any Australian manufacture, the only Australian value add noted was with consumables, this report therefore does not incorporate the Office Equipment purchase of the Commonwealth.

Comparisons for the purchase by the Commonwealth of Australian manufactured products was made using figures captured from publicly available information for the financial years 1991/1992 - 1992/1993.

There are 2 distinct set of figures and 2 sections in this report,

Section 1. The Commonwealth purchase of Australian Manufactured and or Assembled products from Australian Companies and Australian based Trans National Companies. Australian Value Add.

Analysis has been conducted on the level of purchase by the Commonwealth with Australian companies and Australian based Trans Nationals who manufacture or assemble in Australia.

Section 2. Australian Company Sales to the Company.

Analysis has been conducted on the level of purchase with Australian companies (defined as those indigenous organisations that are wholly owned or who have a majority shareholding in Australia and who do not report financially to an overseas parent) by the Commonwealth. Further analysis was conducted on the level of manufacturing and or assembly conducted by these Australian firms and a % of overall Australian owned manufactured purchase is offered.

Summary Information

Commonwealth Purchasing from Australian Companies and Australian based Trans Nationals who Manufacture in Australia.

The level of purchase in this category decreased from 14% in 1991/1992 to 12.1% in 1992/1993. Full details on pages 10 and 11.

Of a total Commonwealth purchase of \$788 million in 1992/1993, \$292 million was purchased in the category of Hardware and Telecommunications manufactured products from Australian companies and Trans National organisations. In 1991/1992 \$361 million was purchased.

Commonwealth Purchase from Australian Companies.

The level of purchase of manufactured goods from Australian companies only decreased from 1991/1992 when the % was 5.6% down to 5.1% in 1992/1993.

One of the greatest changes in this category was the increase by 74% of It and Telecommunications consultancy to the Commonwealth. In 1991/1992 Australian Companies obtained more than 67% of sales in 1992/1993 the % to Australian firms has dropped to 43% of the Consultancy total of \$124 million.

ANZ Content

There are numerous methods of ANZ calculation, for the purpose of this report and the ANZ comparisons in attachment 3 the older DAS method of the "Build Down" approach has been used. The methodology is for Import costs, selling, marketing and distribution costs, financial costs and profit are subtracted from the selling price leaving local content, which is then calculated as a percentage of selling price.

The "Build Up" method can also be used as it theoretically produces the same answer.

These ANZ content methods are now only being used in some older contracts.

Total Sales to the Commonwealth

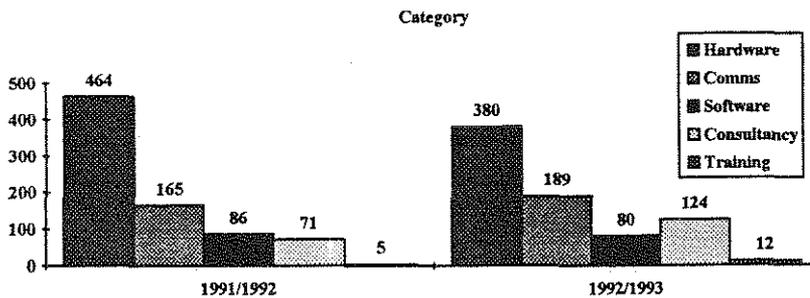
For the purpose of this report comparisons have been made with an earlier report produced by the Christopher Company January 1993 titled Commonwealth Government Information Technology & Telecommunications Expenditure with Australian Companies & Australian Products & Services for the financial period 1991 - 1992.

The table below details the level of total reported Commonwealth purchase during the previous 2 financial years.

Table 1

Category	1991/1992	1992/1993
Hardware	\$464m	\$380m
Comms	\$165m	\$189m
Software	\$86m	\$80m
Consultancy	\$71m	\$124m
Training	\$5m	\$12m
Total	\$793m	\$788m

Graph 1



As the table & graph indicates there has been a reduction in the total level of Computer Hardware purchased during the period and a small increase in Telecommunications. The category to note is the level of increase in IT and Telecommunications consultancy purchased by the Commonwealth growing by 74%.

**Commonwealth purchase of Australian Manufactured and Assembled
products from Australian Companies and Australian based Trans
National Companies who manufacture/assemble in Australia.
Australian Value Add.**

Comparisons for financial years 1991 - 1992 and 1992 - 1993

The figures for this report are obtained from the databases of The Christopher Company. The information is obtained from publicly available information produced by the Commonwealth of Australia.

The report details the level of purchases by the Commonwealth from Australian companies and Australian based Trans Nationals who manufacture and/or assemble in Australia.

Definition

The sales figures of companies and purchase levels of the Commonwealth are based on the majority of Australian companies and Australian based Trans National Corporations (TNC) who have traded with the Commonwealth during the past 2 financial years.

Australian manufacturing/assembling companies have been defined as those firms who are indigenous Australian firms that have a majority shareholding in Australia and do not in any form report financially to an overseas parent.

Australian based Trans National Corporations have been defined as those firms that manufacture and/or assemble products in Australia, where the majority shareholding is outside Australia.

Report Methodology

The report methodology was to collate data on the Trans National and Australian companies who sold products to the Commonwealth. In many instances both the Australian based Trans Nationals and Australian firms sold products that were manufactured by other companies be they Australian manufacture or import. The data was collated in order to determine the brand sales, ie the sale of product from any company. For example, Hewlett Packard in some instances manufactures in Australia some product but also sells products through a reseller channel that are fully imported. The data has therefore been collated so as to obtain all Hewlett Packard sales no matter how the product was distributed.

The total sales of Australian and Australian based Trans National Companies have been included in these figures. The sales listed in the table over the page include such categories as maintenance, services, installation and charges, although these sales do not have a manufacturing component they give an indication of the total value of trading with the Commonwealth.

**Commonwealth Total Purchase of Hardware and Telecommunications & Totals
from Australian Companies and Australian based Trans Nationals 1991/1992**

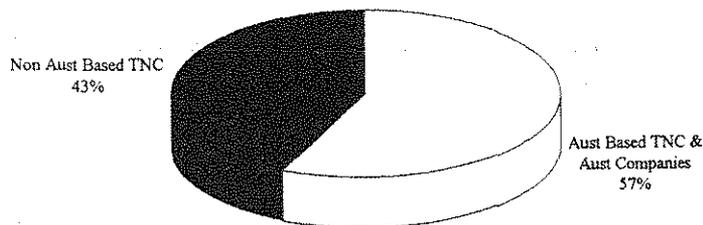
Table 2

	1991/1992	1992/1993
Total of Hardware and Telecommunications	630 029 320	570 649 845
Total of Australian and Trans National Manufacturers	361 932 427	292 507 249

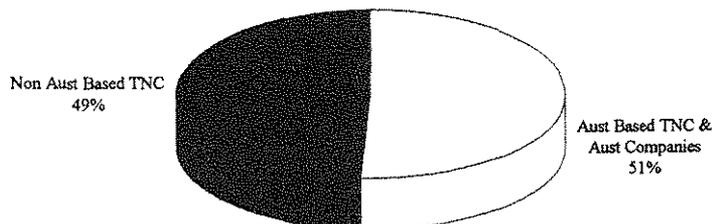
The graphs below show the decrease in purchase from 1991/1992 - 1992/1993 of manufactured and assembled products from Australian and Australian based Trans National Companies. These figures are not weighted.

Graph 2 & 3

1991/1992



1992/1993



As there are more than 2000 companies that trade with the Commonwealth the tables and graphs on the previous page show cumulative totals of manufacturers (detailed in attachment 1 & 2) that achieved sales in excess of \$100,000.00 to the Commonwealth. There are numerous other smaller firms that manufacture products purchased by the Commonwealth, the figures would assume a plus or minus 5%, allowing for the sales of the smaller firms to be included in the overall figures. The same plus or minus % would apply if the maintenance, service and installation sales were removed from the totals listed above.

A number of issues and assumptions need to be explored.

1. Within the majority of IT hardware and telecommunications companies there are few Australian or Australian based Trans National manufacturers that from their total product range, sells products that are not fully imported. In the majority of businesses a % of product is fully imported and sold without value add in Australia.
2. Australian or Trans National manufacturers in Australia do not manufacture 100% of the product in Australia. Imported component levels are high in most cases.
3. However, assuming that 100% of the product sold was not imported and that 100% of the Australian value add or manufacture was undertaken in Australia, the following percentages apply.

Table 3

	1991/1992	1992/1993
TNC & Aust Manufacturers total sales	361,932,427	292,507,249
% of tfl Commonwealth purchase	45.6%	37.1%
% of Hardware Comms only	57.4%	51.2%

These percentages **do not** reflect the actual level of Australian and Trans National manufacture in Australia.

A more accurate picture of Australian Value Add is if we assume that, 1. Australian companies and Australian based Trans Nationals who manufacture in Australia would sell to the Commonwealth 70% of products that have had a form of Australian Value Add. The other 30% would be imported and then sold to the Commonwealth as a fully imported product, and 2. if that of the 70% of products sold to the Commonwealth in Australia, an ANZ content figure of 35%* be attributed as the level of completed Australian Value Add or manufacture/assembly.

** 35% local content is a high figure which probably reflects the maximum level of local value add by Australian based Trans National and Australian IT and Telecommunication manufacturers and assemblers. Sampling of the equipment purchased by the Commonwealth is detailed in Attachment 3, where the ANZ levels do not exceed 27%. So, the 35% allocation for this report is 7% higher than the cumulative average. If the 27% ANZ figure was attributed to the aggregate figures Commonwealth purchase of Australian manufactured products for 1991/1992 would be 10.8% and 1992/1993 9.6%*

When calculating the level of Australian manufactured purchase by the Commonwealth the aggregate figures of Australian companies and Australian based Trans Nationals include maintenance and service which is not a manufactured component, assumptions have also been made that all product sold by these companies are not manufactured in Australia, mainframes included in some of these figures are an example.

A more accurate picture is created by being aware of the pitfalls that can distort the percentage of Australian manufactured purchase by the Commonwealth.

Table 4 and Graph 4 on page 11 shows the aggregate percentages of Australian manufactured product purchased by the Commonwealth.

Commonwealth Purchase and % of Australian Value Add.

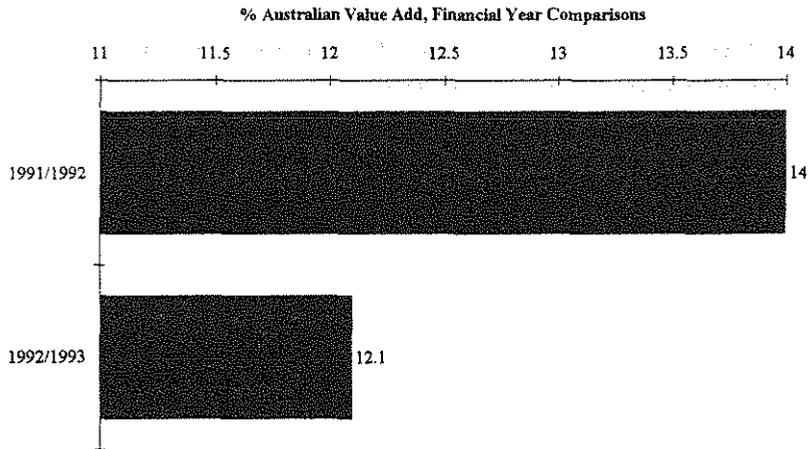
Table 4

	1991/1992	1992/1993
Total sales of products by Australian Companies and Australian based Trans Nationals	\$361 932 427	\$292 507 249
70% of the above total indicating products value added in Australia	\$253 352 698	\$204 755 074
attribute 35% ANZ content	\$88 673 444	\$71 664 275
% of Hardware and Telecommunications equipment	14% (630 029 320)	12.1% (570 649 845)

Note: The figures in brackets represent the sales that the percentages are derived from.

The figures above show a declining % level of purchase by the Commonwealth of Australian manufactured products from Australian companies and Trans National manufacturers. The graph below shows the % comparisons.

Graph 4



The above graph shows the decrease by 2% of Commonwealth purchase of Australian Value Add in IT and Telecommunications manufactured product from Australian companies and Australian based Trans National organisations.

Department Purchase and % of Australian Value Add

The following tables show the level of purchase by each Department during the past 2 financial years. Within each Department are its relevant agencies and information can be supplied that breaks down the purchase and percentage information.

A. indicates the total purchases from each Department, which includes Computer Hardware and Telecommunications only.

B. shows the level of purchase from Australian and Australian based Trans National manufacturers and assemblers.

C. allocates the percentage of Australian Value Add that can be attributed to each Department, the Australian Value Add is calculated as detailed on the previous pages. 70% of the Column B and then 35% Australian Value Add equals the Column C percentage levels.

Table 5

June 1991 - July 1992

Department	A	B	C
ADMIN SERVICES	73,095,210	57,086,538	19.1%
ATTORNEY GENERAL	14,097,965	6,496,109	11.2
DASETT	22,250,168	2,879,580	3.1%
DEET	27,527,696	20,279,566	18%
DEFENCE	162,891,776	80,540,931	12.1%
DFAT	15,363,444	11,523,717	18.3%
DHHCS	19,044,819	16,536,061	21.2%
DILGEA	8,262,386	8,117,588	24%
DITAC	44,676,800	28,459,170	15.6%
DPIE	14,818,358	4,296,466	7.1%
DPM & C	5,096,598	2,909,814	13.9%
DSS	40,787,071	33,362,992	20%
FINANCE	5,054,253	3,958,826	19.1%
GOVERNOR GENERAL	86,922	89,315	25.1%
IR	1,977,099	1,177,901	14.5%
PARLIAMENT	5,673,533	2,668,457	11.5%
TRANS & COMMS	90,946,960	66,406,137	17.8%
TREASURY	72,554,042	11,866,215	4%
VETS AFFAIRS	5,824,218	3,277,043	13.7%
Total 1991/1992	630,029,320	361,932,427	14%

Table 6

<i>Department</i>	July 1992 - June 1993		
	A	B	C
ADMIN SERVICES	40,304,747	19,827,164	12%
ATTORNEY GENERAL	16,038,903	9,496,994	14.5%
DASET	12,907,417	3,470,112	6.5%
DEET	60,948,596	41,650,982	16.7%
DEFENCE	200,264,661	89,873,572	10.9%
DFAT	21,767,773	18,482,619	20.8%
DHHCS	20,558,401	11,426,645	13.6%
DILGEA	7,284,502	4,840,502	16.2%
DITAC	16,681,326	10,078,869	14.8%
DPIE	12,060,795	2,914,710	5.9%
DPM&C	4,438,418	1,958,835	10.8%
DSS	30,559,103	17,388,024	13.9%
FINANCE	4,732,512	3,249,514	16.8%
GOVERNOR GENERAL	83,032	67,523	19.9%
IR	747,106	416,468	13.6%
PARLIAMENT	8,149,399	5,233,896	15.7%
TOURISM	998,950	7,768	n/a
TRANS & COMMS	50,988,031	32,016,207	15.3%
TREASURY	53,053,973	15,965,829	7.4%
VETS AFFAIRS	8,102,200	4,141,017	12.5%
Total 1992/1993	570,649,845	292,507,249	12.1%

Table 7

Department Purchase and % of Australian Value Add comparisons

Department	A	B	Department	A	B
	1991/1992			1992/1993	
ADMIN SERVICES	57,086,538	19.1%	ADMIN SERVICES	19,827,164	12%
ATTORNEY GENERAL	6,496,109	11.2%	ATTORNEY GENERAL	9,496,994	14.5%
DASETT	2,879,580	3.1%	DASETT	3,470,112	6.5%
DEET	20,279,566	18%	DEET	41,650,982	16.7%
DEFENCE	80,540,931	12.1%	DEFENCE	89,873,572	10.9%
DFAT	11,523,717	18.3%	DFAT	18,482,619	20.8%
DHHCS	16,536,061	21.2%	DHHCS	11,426,645	13.6%
DILGEA	8,117,588	24%	DILGEA	4,840,502	16.2%
DITAC	28,459,170	15.6%	DITAC	10,078,869	14.8%
DPIE	4,296,466	7.1%	DPIE	2,914,710	5.9%
DPM & C	2,909,814	13.9%	DPM&C	1,958,835	10.8%
DSS	33,362,992	20%	DSS	17,388,024	13.9%
FINANCE	3,958,826	19.1%	FINANCE	3,249,514	16.8%
GOVERNOR GENERAL	89,315	25.1%	GOVERNOR GENERAL	67,523	19.9%
IR	1,177,901	14.5%	IR	416,468	13.6%
PARLIAMENT	2,668,457	11.5%	PARLIAMENT	5,233,896	15.7
			TOURISM	7,768	n/a
TRANS & COMMS	66,406,137	17.8%	TRANS & COMMS	32,016,207	15.3%
TREASURY	11,866,215	4%	TREASURY	15,965,829	7.4%
VETS AFFAIRS	3,277,043	13.7%	VETS AFFAIRS	4,141,017	12.5%
Total 1991/1992	361,932,427	14%	Total 1992/1993	292,507,249	12.1%

The table above indicates the % change comparisons of each Department during the past 2 financial years.

A. shows the level of purchase from Australian and Trans National manufacturers and assemblers.

B. allocates the percentage of Australian Value Add that can be attributed to each Department, the Australian Value Add is calculated as detailed on earlier pages. 70% of the Column A and then 35% Australian Value Add equals the Column B percentage levels.

Note: The figures from The Departments of Defence and Treasury in both financial years should be viewed in a plus or minus 5% situation. This is due to the level of sales that are placed through a systems integrator and then passed onto a further subcontractor.

