

Senate Finance and Public Administration Legislation Committee
ANSWERS TO QUESTIONS ON NOTICE
BUDGET ESTIMATES 2017-18

Finance Portfolio
24-25 May 2017

Department/Agency: Finance
Outcome/Program: 2/2.5
Topic: Small Business Procurement

Senator: Kitching
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Question:

Senator KITCHING: I am happy for you to take these on notice as well. In relation to small business, can you outline what the government's procurement policies are for small business? I assume they are on a website.

Senator Cormann: We will see what we can do.

Senator KITCHING: Is there any support given to small businesses to apply for government contracts?

Senator Cormann: Those are probably things that go beyond Finance, but we will take it on notice.

Senator KITCHING: Why has the proportion of government contracts being awarded to SMEs fallen?

Senator Cormann: I am not sure that I accept that proposition.

Mr Sheridan: The percentage changes from year to year, and it is affected greatly by the small numbers of very expensive contracts that might be above those margins. If in a particular year we get an \$8 billion contract or at \$10 billion contract, that can significantly change the percentage just that year.

Senator Cormann: So the outcome can be distorted from year to year because of one-off events.

Senator KITCHING: In 2011-2012, for example, it was 39 per cent, but in 2015-2016 it was 24 per cent. But it may just depend on what is being procured in a particular financial year.

Senator Cormann: That is right.

Senator KITCHING: If you can, would you be able to have a look at that and see whether there were any factors that skewed those percentages?

Ms Huxtable: We will do what we can.

Senator KITCHING: Would you be able to provide on notice for the period 2007-2008 through to 2015-2016 the numbers and percentages of contracts awarded to SMEs and the numbers and percentage of contracts awarded to small enterprises?

Senator Cormann: We can do that.

Answer:

The Department of Finance has a number of initiatives designed to simplify the Government/supplier relationship by minimising the burden for businesses contracting with the Commonwealth, particularly small business.

The Selling to Government website provides information and support to small business to identify opportunities and understand the process to participate in the Commonwealth procurement market. The Selling to Government website can be found at: <http://sellingtogov.finance.gov.au/>.

The Commonwealth Contracting Suite (CCS) provides standardised contract and tender documents that can be used for contracts valued up to \$1 million. The CCS is mandated for use in non ICT procurements valued up to \$200,000, where a formal contract is required. Further information is provided at: www.finance.gov.au/procurement/commonwealth-contracting-suite/policy/.

The Commonwealth has a number of payment policies aimed at facilitating timely payment to suppliers, assisting with cash flow and reducing the cost to business in supplying to the Commonwealth. *Resource Management Guide No. 416: Facilitating supplier payment through payment card*, notes that payment cards are the preferred payment mechanism for eligible payments to suppliers valued below \$10,000 (refer: www.finance.gov.au/resource-management/spending/credit-card-policy/).

In addition, *Resource Management Guide No. 417: Supplier pay on time or pay interest* policy mandates the payment time of 30 days for contracts valued up to \$1 million (refer: www.finance.gov.au/resource-management/spending/pay-on-time-policy/). The policy is flexible and allows departments and agencies to implement shorter maximum payment terms with suppliers.

AusTender, the Australian Government's central procurement information system has transitioned to a new layout in responsive design. The site's updated style and automatic scaling better aligns with, and supports, the broad range of mobile and tablet devices now used to access AusTender, in particular by small businesses.

The Commonwealth Procurement Rules also include a commitment that the Government source at least 10% of procurement by value from Small and Medium Enterprises (SMEs). This commitment has been consistently exceeded.

The numbers and percentages of contracts awarded to SMEs for the period 2007-08 through to 2015-16 is provided in Attachment A. In 2013-14, Finance commenced small business data analysis. The numbers and percentages of contracts awarded to small business from 2013-14 onwards is also provided in Attachment A.

SME participation rates by the number of contracts remain relatively constant. However, a small number of high value, longer-term contracts can cause volatility in the participation rates by value in the financial year they were published. A table detailing the large value contracts that impacted SME participation rates is provided in Attachment A.

SME participation rates (All contracts)

PROCUREMENT CONTRACTS: SME ¹ PARTICIPATION				
		SME	Other	TOTAL
2007-08	Value \$m	9,743.0	16,618.8	26,361.8
	%	37.0	63.0	100
	Number	37,878	31,615	69,493
	%	54.5	45.5	100
2008-09	Value \$m	9,585.9	23,372.5	32,962.5
	%	29.1	70.9	100
	Number	42,292	43,578	85,870
	%	49.3	50.7	100
2009-10	Value \$m	13,763.6	28,930.7	42,694.3
	%	32.2	67.8	100
	Number	45,811	35,158	80,969
	%	56.6	43.4	100
2010-11	Value \$m	10,942.5	19,368.9	32,641.4
	%	33.5	66.5	100
	Number	46,490	29,429	79,286
	%	58.6	41.4	100
2011-12	Value \$m	16,213.7	25,583.9	41,797.6
	%	38.8	61.2	100
	Number	45,588	36,713	82,301
	%	55.3	39.8	100
2012-13	Value \$m	12,441.3	26,816.2	39,257.5
	%	31.7	68.3	100
	Number	41,032	26,822	67,854
	%	60.5	39.5	100
2013-14	Value \$m	16,815.2	32,105.9	48,921.1
	%	34.4	65.6	100
	Number	36,487	29,560	66,047
	%	55.2	44.8	100
2014-15	Value \$m	16,715.8	42,731.2	59,447.0
	%	28.0	72.0	100
	Number	41,151	28,085	69,236
	%	59.0	41.0	100
2015-16	Value \$m	13,680.1	43,232.3	56,912.3
	%	24.0	76.0	100
	Number	42,737	27,601	70,338
	%	61.0	39.0	100

¹ Small and Medium Enterprise (SMEs) are defined as an Australian or New Zealand firm with fewer than 200 full-time equivalent employees.

Small Business participation rates (All contracts)

PROCUREMENT CONTRACTS: SMALL ² BUSINESS PARTICIPATION				
Financial Year		Small Business	Other	TOTAL
2013-14	Value \$m	5,693.4	43,227.7	48,921.1
	%	11.6	88.4	100
	Number	19,887	46,160	66,047
	%	30.1	69.9	100
2014-15	Value \$m	5,805.8	53,641.2	59,447.0
	%	10.0	90.0	100
	Number	23,400	45,836	69,236
	%	34.0	66.0	100
2015-16	Value \$m	5,545.5	51,366.9	56,912.3
	%	10.0	90.0	100
	Number	22,883	47,455	70,338
	%	33.0	67.0	100

Large value contracts impacting SME participation rates (All contracts)

Reporting Year	Title	Value of contract(s)	Contract Notice ID	Agency	Period (Years)	Supplier Name
2011-12	Living in accommodation	\$4 billion	CN429088	Department of Defence	33.4	Plenary Living (LEAP 2) Pty Ltd
2012-13	Telecommunications Universal Service Management Agency Universal Service Obligation Services Contract	\$6.3 billion	CN1004881-A1	Telecommunications Universal Service Management Agency	20	Telstra Corp Limited
2013-14	Defence housing and services	\$4 billion	CN1579561	Department of Defence	6.9	DHA Central Office
2014-15	Onshore Immigration detention services	\$1.9 billion	CN2748471	Department of Immigration and Border Protection	5	Serco Australia Pty Ltd
	Estate maintenance and operation services	\$1.7 billion	CN2608061	Department of Defence	6	Transfield Services (Australia)
	Employment services	\$1.2 billion	CN3174292	Department of Employment	5	MAX Solutions Pty Ltd
2015-16	Supply of blood and blood products and services by the Australian Red Cross Blood Service	\$8.8 billion	CN3353307	National Blood Authority	9	Australian Red Cross Society

Source for all tables: AusTender data combined with Australian Taxation Office data, compiled by the Australian Bureau of Statistics from the AusTender annual SME analysis (1 September annually).

² Small business is defined as a business with fewer than 20 employees.