

31 March 2017

Committee Secretary
Joint Select Committee on Government Procurement

Via email: JSCOGP@aph.gov.au

To the Secretary,

Inquiry into the Commonwealth Procurement Framework

Thank you for the opportunity to make a submission on the Inquiry into the Commonwealth Procurement Framework (the Framework). The AMWU supports and endorses the submission of the ACTU.

The AMWU made a submission to an Inquiry into Commonwealth Procurement Procedures in December 2013. Sadly, most of the arguments raised in that submission are still relevant now as many of the problems identified have been allowed to fester. A copy of that submission has been provided as Attachment 1. The submission below is intended to complement our previous submission and that of other union parties to this inquiry.

Local First and changing our procurement culture

The Australian people expect that their government will purchase goods and services produced in Australia, where they are available. The Commonwealth government should be using their purchasing power to drive a “local first” approach to procurement policies. This policy, which is consistent with our international trade obligations, would drive economic growth and innovation, support jobs and skills and assist the Australian industry to develop new export markets.

The Framework can only be used to foster a “local first” approach if it drives a culture change amongst the purchasing officials and financial review agencies in the Australian government. The AMWU submits that the current wording in clauses 10.30 and 10.31 of the Framework has done little to correct the understanding amongst purchasing officials, identified in a 2014 Senate inquiry¹, that they were not allowed to show a preference for Australian businesses.

This mistaken impression of Australia’s treaty obligations when it comes to government procurement is toxic and damaging to Australian national interest. The Framework must set clear goals, guidelines and procedures that proudly put Australian businesses first and ensure that Australian taxpayers’ money is spent creating local jobs.

¹ Senate Standing Committee on Finance and Public Administration, Inquiry into Commonwealth Procurement Procedures, 2014

The requirements under section 4.5 and 4.6 of the Framework that require purchasing officers to consider whole of life costs are another area where the culture lags behind community expectations. Many of the concepts in this section are hard to quantify and implement without proper support for purchasing officials. This has led to a culture where the easiest decision to justify (usually selecting the goods or services with the lowest initial cost) is the one selected.

The government must ensure that it is providing sufficient support to purchasing officials to understand the whole of life costs and wider economic impact of their decisions. This will also require a change in approach from financial review agencies, such as the ANAO. Our purchasing decisions should be focused on selecting the “greatest benefit option” rather than settling for the “lowest cost option.” We must develop a culture where purchasing officials are more worried about their decisions being questioned when they select the foreign sourced option with the lowest initial cost over the locally sourced option with a better whole of life cost, rather than the other way around.

Supporting Australian manufacturing

Australian politicians like to talk about supporting our manufacturing industry, but when it comes time to provide direct support through strong procurement policies, they go missing. What workers, companies and the community want now is action. The Australian people consistently say that we should be making more things here - 83% according to a poll published in February this year² - and procurement is a direct and efficient way that a government can achieve that.

There are numerous examples of where the government’s policies are hurting our manufacturing industry. Our recent submission highlights the lack of government involvement in the rail procurement sector, and the negative impact that this is having on the Australian rail manufacturing industry. A copy of that submission has been provided for the information of the Committee as Attachment 2.

There are further evidence for the impact of procurement in the steel industry. A BIS Shrapnel report showed that mandating the use of Australian steel in local infrastructure projects was a very cost effective way to support the Australian steel industry. This would add only 0.2% to the cost of the projects, but help to support thousands of steelmaking jobs³.

The AMWU believes that the Framework fails to achieve the outcomes that the Australian community expects and that Australian workers need. It is time for state and federal governments to commit to 100% local content for all major projects. The Framework must

² <http://www.smh.com.au/federal-politics/political-news/the-one-political-view-that-unites-australians-20170203-gu54f4.html>

³ <http://www.illawarramercury.com.au/story/3407231/buying-australian-makes-sense-report/>

develop strong and practical guidelines to put Australian jobs and businesses first and drive cultural change in amongst purchasing officials.

Further, to ensure that Australian firms play a greater role in government funded work, the threshold for Industry Participation Plans must be reduced from \$500m to \$50m. There must also be a renewed focus on ensuring that these projects are used to build skills for the next generation of apprentices and trainees.

World Trade Organisation Agreement on Government Procurement

The AMWU also has concerns about the World Trade Organisation Agreement on Government Procurement (GPA), particularly the concessions that may be made by the government in the accession process. The government must not be allowed to give away important protections for local content in government procurement in this process. State and federal government must retain the ability to make decisions that support local content in government procurement now and in the future.

Australia's accession to the GPA would set the institutional framework that guides government procurement policy. As such, if the Committee is serious about improving the Framework it must ensure that it fully understands the limits that it would place on future government procurement policies and the impact that would have on Australian industry and jobs.

The AMWU has previously made a submission about the GPA to the Department of Foreign Affairs and Trade and which has been provided as Attachment 3.

Kind regards,

Paul Bastian
National Secretary
Australian Manufacturing Workers' Union