

# Questions to prompt your thinking

## Overview

1. How can the Australian Government make better use of ICT procurement to increase innovation in government services?

What are the incremental and more transformational changes that could be made?

2. Has there been a time that you tried to provide innovative solutions to the Australian Government and failed?

Can you provide examples about what happened, why, and what you think the impact was on government.

## Snapshot of Procurement

3. In what areas of the Australian Government's ICT procurement are the biggest opportunities for innovative technologies?

4. What are the key barriers to getting innovative technologies, such as cloud services, into the Australian Government?

5. What are the key barriers for SMEs and startups in the Australian Government's ICT procurement process?

## Rules

6. Are the Australian Government's procurement rules easily accessible, easy to understand and navigate?

7. How could the Australian Government's procurement rules and processes be improved to make it easier to offer innovative solutions to government?

8. What rules, including any security requirements, limit the Australian Government's use of cloud services?

## Capabilities

9. What capabilities does the Australian Government need to be able to take full advantage of digital technologies, now and in the future?

10. In your experience, what are the biggest capability gaps in Australian Government ICT procurement?

How could the Government better develop or access the capability required?

11. In your experience, has the governance approach used by agencies to manage large ICT projects enabled or inhibited the success of those projects?

## Culture

12. How does culture influence the Australian Government's approach to ICT procurement?

What sort of culture and attitudinal change would better support innovative ICT services and get more SME and startups working with the Government?

13. What experience have you had with "partnering" with the Australian Government and what is required to do it better?

## Would you like to provide the Taskforce some feedback?

AcronymIT has been a local SME and provider to the Federal Government and Local Government since its inception on March 2001. During this time we have operated in a climate where ICT desktop outsourcing was all but mandated, full circle back to right sourcing and insourcing. There has been a significant shift in the Government's take up of ICT and the cost of ITC itself.

The Government has lost a lot of its skill and is now, more than ever, dependent on external consultants to deliver necessary skills. Clients that once had technically accredited purchasing teams, now out outsource this function and much of their contracts management.

Since the Gershon Review in 2008, the Government has continued to drive its strategy of annual efficiency dividends and productivity increases. This has come at a great cost to the ICT industry. Money for projects to industry has all but dried up. Many of these projects are now being delivered internally using internally contracted staff, placing further pressure on an already brittle ICT industry.

At what point does the government decide that enough is enough? Core services start to degrade in order to reduce budgetary expenditure.

### □ **Small to Medium Enterprise(SME)**

There seems to be no tangible benefits for being an SME, little weighting applied to tender evaluations with favour and large and small sales going to multi nationals. Some tenders still incorporate SMEs in their evaluation criteria but this almost never translates to adjusted business selection.

There was a time in the 1990's when being an SME meant something. An incentive for people with drive, prepared to take the risk and start a company. An incentive where multinationals were mandated to utilise 10% of SME services in their delivery framework to Federal Government. Today multinationals compete with SMEs and are blending solutions (product and services), often going in at cost or below to negate SMEs. Multinationals then employ ongoing project change management variations to make their blended solution profitable.

Agencies need to be accountable (suggest to the ANAO), and demonstrate how they meet their SME obligations. This extends to outsourced companies that provide services to the Commonwealth.

**Solution: Value for money concession - allowance of 5% variance in margin for product and 10% for services for SMEs (compared to non-SMEs).  
Independent validation of SME inclusion.**

### □ **Indigenous Procurement Policy (IPP)**

This IPP is about creating opportunities for Indigenous businesses to grow and employ more people. It is also about stimulating private investment in new

Indigenous businesses. The policy targets 'financial independence for these Indigenous businesses to grow and employ more people. It is also about stimulating private investment in new Indigenous businesses'. Are these not all important attributes that are also relevant within the SME community?

Surely the Government understands that growth in the SME business sector reflect increased tax revenues from Australians who are hard -working individuals trying to compete with mutli-nationals who take their profits offshore or who don't even base their business here and pay no tax.

We are all for equality in the workplace and are an equal opportunity employer but this policy is unfair. It is established to stop non parity but contributes to this very same thing with multinationals as posing as indigenous organisations. We now understand some federal agencies are using the IPP as a path of least resistance as it requires only one quote and their ICT procurement is directed through this vehicle rather than seeking panel quotes.

As an SME, we strive to meet all the government's requirements, often at significant cost to the company. Where is our protection? Projects and procurement up to \$200K can simply be awarded to an Indigenous supplier.

**Solution: On par evaluation for Indigenous and SMEs. The Government is targeting three per cent of Commonwealth contracts awarded to Indigenous businesses by 2020. As there are many more SMEs than Indigenous businesses, lets target a further 30% of the balance of all contracts awarded as SME businesses, using the same metrics as the IPP.**

#### □ **Competitive Neutrality**

AcronymIT would like to understand, "what ever happened to competitive neutrality?" It seems that we are regularly competing with Government for the supply of goods and services. Examples include:

Whole of Government (WoG) deals established and mandated by Finance, that effectively see Finance acting as a value-added reseller.

- For Microsoft, there is the WoG Volume Sourcing Agreement (VSA-3) that sees Finance charging agencies a central admin fee of >1.3 %
- For Hardware (under Panel arrangement (SON 3295723), the Central Administration Fee charged by Finance is 2% of the value of orders, and it is mandated that agencies buy under this arrangement.

Why is the Government billing itself for traditional channel services?

The Government has a lead agency that provides traditional reseller channel services, then charges the rest of Government money for the services it provides, in the form of administrative fees. This ultimately leads to less growth in the private sector which means less PAYG and Company Tax which means less revenue. This approach is not saving money - it is costing money.

Additionally, with reseller channel margin slashed (or removed altogether as the Government tries to go direct to the vendor), the Government attracts less value add from the reseller. There is simply no margin to fund servicing or marketing to the client. This then becomes a role of the vendor (who are not resourced to provide this function) and the government receives a reduced service.

**Solution: Stop reducing ICT expenditure and allow the channel to provide value add back to clients. Maintain the channel ecosystem that has been established by the vendor and allow it to perform as per its design.**

□ **Panel Contracts**

There is a general feeling that agencies don't widely use all the options available to them under the panel arrangements. This means that they are potentially not getting access to the most appropriate or cost effective solutions. Furthermore, AcronymIT has never been contacted by any Department that has a panel, to update our capability or vendor list. This is the basis from which agencies select a supplier and yet we have no way to update our information sets.

Lastly a new 'initiative' from Department of Finance is to pay an administrative fee of \$275 per category before being admitted on to the Cloud Services Panel.

Government should not be demanding a fee to be paid before an entity can actually do business after having successfully completed an expensive tendering process.

We have also been told by a number of agencies the FY 2018 is going to be even tighter than the current year. Government spending needs to increase and a focus on using Australian channels and not getting the cheapest from to Government at the expense of Australian businesses. Getting a better price from a multinational vendor usually only means the margins and support gained from the Australian channel is foregone. The bigger 'government' misses out on lost tax and of course jobs lost to Australians. It should be noted that driving the price down for a product does not

change the landed price and American parent company will demand from its Australian subsidiary and the only way they can reduce their price to government is to cut out the costs and services delivered by the Australian channel.