

# ICT Procurement Taskforce Draft Response

## Introduction

This response is based on the subjective experience and knowledge of the management of two Australian-owned SME companies:

**ViewDS Identity Solutions:** a highly capable team researching, developing, marketing, exporting and supporting Australian-developed and -owned Identity and Access Management (IAM) cybersecurity software for Cloud Service Providers, Private Clouds and enterprises.

**EB2BCOM:** resells, installs and supports the products of emerging cloud security vendors, including those of ViewDS in Australia (and SE Asia) and has been operating for 20 years.

Both companies have common directors and common majority shareholders.

ViewDS has received Commonwealth Government grants in the past, and is eligible for the R&D tax rebate.

The observations below are a mix of these companies' experiences and perspectives and encapsulate our experience with these issues for over 10 years.

## Credentials to Provide our Views

We provide Australian-developed and highly innovative software to Australian and state government agencies both directly and via partners.

We are an innovative and agile group.

We have suffered at the hands of prime contractors and have seen first-hand large tendered projects fail or overrun.

We have seen many opportunities for which we could provide solutions at a fraction of the cost, with much lower risk, and faster deployment than the solutions chosen. But the government's engagement procedures prohibited meaningful evaluation of our capability from taking place.

The current procurement by tender process seems designed for large companies who purportedly offer lower risk, but seldom deliver the value expected.

Our comments and observations refer to SMEs who produce innovative ICT products. Unfortunately the term (and statistics of) "SME procurement" largely applies to companies providing services to implement the products of foreign vendors – this will not drive innovation within government.

## Observations on Current Procurement

We have been involved with similar government initiatives and discussions for over 10 years and many of these thoughts and observations have been put forward previously.

Tinkering at the edges of current processes has been shown not to work, irrespective of good intentions. Public servants design requirements (or contract external consultants to do so) based on knowledge of, and comfort with, mainstream technologies and vendors.

By definition this prevents any innovation or agility from Australian developers of Intellectual Property (IP).

The procurement process resorts to "risk" as a comfortable reason to stay with large vendors or contractors.

## Overview

**Question 1:** The government could certainly increase innovation in government services by engaging with SMEs who develop Australian owned software IP such as ourselves, and as a by-product boost the export potential of Australian software.

The cost savings could be huge (compared with the current RFI processes that award large risky projects that seemingly under-deliver and over-run budgets).

The current processes do not facilitate government access to the capabilities and innovative products of Australian software from SMEs.

The issue is how to get ideas and responses directly from credible innovative owners of Australian IP as distinct from SME consultancies that provide services implementing the products of foreign vendors. These are jobs by another name, not innovations.

How do procurement people find and engage such innovative SMEs in the first place? The buyers requiring innovative solutions have no simple mechanism to find us and we do not have the sales budgets to compete with large overseas suppliers. These then set the ICT parameters and expectations for government procurement.

## Suggestions

Some suggestions to improve the procurement process are:

1. Extend and expand the **Business Research and Innovation Initiative (BRII)** from its pilot stage to become standard practice. This is an excellent model and allows SMEs to put forward our ideas at the business problem stage - before ICT approaches have been locked in. This will provide the government with a lower cost mechanism to evaluate solutions to problems and at the same time provide SMEs with an affordable path to engage. For example:
  - One such initiative is the BRII Children Safety Information sharing requirement challenge that we have responded to – our Australian-developed Identity Management (IAM) software is ideal for building such a system, yet we would have no way of presenting this by standard procurement processes;
  - Another project could be to provide the IAM infrastructure to underpin the security that departments require to enable them to use Cloud services. We have an Australian produced product specifically built to do this, but have not found an avenue within government to present it.

The potential benefit for the government is not only rapid access to new or different ideas and solutions, but also the saving of the costs incurred in producing a detailed specification and request for tender.

The challenge of course will be whether agencies will publish their requirements at the business need or problem stage so that they are open to innovative ICT solutions as distinct from purchasing products and services.

This concept, if it were adopted widely within government, would be far and away the best idea for improving innovation in government through ICT procurement and at the same time support the development of Australian IP by SMEs.

2. **“Collaboration between government and industry to develop ICT solutions”**. This would be an admirable approach but would require departments to work with SMEs on an affordable basis. Other governments including the US, UK, Sweden, France, Germany do this as a matter of course.

**An example:** ViewDS has built one of the few independent policy-driven fine-grained Access Authorization software products in the world. This was built at our risk as we saw the market need and that it was an extension to our identity repository software. Our major international competitor was a small Swedish company who built a system for the Swedish government under contract to

them. They then “productised” it and it is now a leading vendor for this type of software in Europe and the USA.

It is a highly likely irony that Australian government departments could buy this software as part of a large tender without knowing that there is an Australian equivalent.

3. **The Digital Marketplace.** Its usefulness for access to innovation, as distinct from products and services, will depend whether the Digital Marketplace gets beyond its current phase of being a marketplace just for ICT personnel contractors. Hopefully it will become a useful path for government procurement to find Australian software products.

To this end we recommend that there be a separate category in the Digital Marketplace for Australian SME-owned and developed software and solutions so that prospective buyers could at least identify such suppliers.

(Incidentally our UK partner is now approved and listed on the UK Digital Marketplace with a Cloud service based on our software, yet we did not fit the requirement categories for the Australian Cloud Panel)

4. **The Digital Transformation Agency.** Our early inability to engage with the DTO and the changes to the DTA role makes us unsure of whether it could contribute to the desired changes in ICT procurement.

However we contend that we have “digital access” software that could help transform the user interface for existing department systems (as we did for the Victorian government). This would be at a dramatically lower cost than mainstream options, and could be an ideal case for ‘partnering’ with the government

5. **Existing Procurement by Tendering.** Almost by definition, and certainly by current practice, the tendering process prevents SME’s providing of software to the government directly – i.e. only via a prime contractor. Based on our experiences as a sub-contractor this is not a good path for an SME. Our experiences have been very negative.

The process could be improved by seeking and testing ideas at the business need level before instigating the tender process (similar to the BRII initiative). This could enable an SME to make its case and prove up their ideas before foreign vendor products become entrenched. This could be made more effective by establishing a modular deployment model that could use innovative ideas at various stages (as well as drastically cutting risk).

What we do not recommend are mandating prime contractors to have a % of Australian content, nor designating a % of business to specific types of SME - eg <10 people; minority-owned; etc (as is the practice in the USA). We, and our ilk, are not after a free ride or preferential treatment - just a level-playing field access to the opportunities.

**Question 2.** We have certainly tried over the years to provide innovative solutions to the Government, and furthermore have had ideas and solutions that could have saved the government many millions of dollars had we been able to engage effectively.

Some examples:

1. We make software that is world leading in its user interface and satisfaction, with one notable (government) deployment winning a Web Award for the user experience in accessing government information. We believe that it could be a low cost and modular way of transforming citizen access to existing government systems. Yet try as we might, we could not engage with the Digital Transformation Office (now DTA). We assume that the imported experts did not believe that such products existed in Australia.

The impact will be that the DTA will engaged with international vendors who are our competitors, and who do not have products of the same capability.

2. Our Australian-developed directory technology has been used by the Department of Defence for many years and resisted (because of its capability) many attempts by competitors to replace it. We have developed this software into an innovative Identity and Access Management suite (a fundamental of cybersecurity) that is now being installed internationally. We have tried to engage with the Department to show them a modular, low risk, lower cost approach to their Identity Management requirements (and particularly for cloud environments) but we have not been taken seriously.
3. A feature of our new Cobalt Cloud IAM software is its functionality for enabling Secure Cross-Organisational Collaboration. Agencies can use this capability to keep control of information sharing with other organisations without having to abdicate control to a central authority. This is highly innovative and could improve acceptance and productivity immensely. We have no channel to present this to Government.

## ICT Procurement

**Question 3.** As a rule-of-thumb, the best opportunities for innovative technologies are where there are business needs or problems that have not been resolved.

In our particular fields of secure e-Citizen access and of cybersecurity we hear of ICT decisions being made by government where there was no opportunity for us to respond. There are many other SMEs who would leap at the opportunity to propose innovative solutions.

**Question 4.** With Cloud services, our perception is that the use of such services is being inhibited by, for example - the restrictive Panel categories, the 98 page Deed, charging to list services, etc.

While the government is creating barriers to using merely Platform-as-a-Service, the real innovation is in Infrastructure-as-a-Service and Software-as-a-Service applications. In the commercial world IT departments are being rapidly sidelined by users discovering that they can engage directly with Software-as-a-Service providers for “instant” applications that meet their particular business requirements without the perceived inertia of ICT departments.

For example our “Cobalt” cloud software that provides partners and enterprises with Identity Management as a Service is not listed on the Government’s Cloud Panel as there was no category for it. Yet it is (via a partner) listed on the UK Government’s equivalent. (This software is currently also deployed in India/USA, UK, Netherlands, S.E Asia plus others pending).

**Question 5.** There are no “key barriers” in that there is no engagement process:

- there is no knowledge of what innovative ideas SMEs can offer;
- there is no process for engaging with software SMEs;
- there is little interest in what SMEs can offer;
- the culture is generally to perceive local SMEs as not being serious suppliers of software and solutions;
- SMEs are generally perceived to be suppliers of human resources or specialist deployers of foreign vendor technology with little innovation.

## Rules

**Question 6:** Clearly there must be procurement rules and processes.

Also as clearly, it is self-evident that the current rules are a major barrier to engaging with innovative SMEs because it rarely happens.

We continue to provide products and associated support services to Government customers, but we have withdrawn from responding to tenders because the thinking is usually settled by then - and there is little scope for innovative solutions.

**Question 7.** Make it easier for SMEs to engage and present their ideas before being asked for tender type information. Seek their ideas first before asking for three years of financial records, etc. We have been trading for 20 years but would still have to go through these processes before we can even present innovative solutions.

**Question 8.** The government is rightly concerned about security in the use of Cloud services and the need to have security standards. We know because we make such software. Our observation is that Australian ICT security policies and standards are world class, but that the Government has not caught up with the Cloud paradigm. The Cloud can be made to be as secure as a department's on-premises systems.

## Capabilities

**Question 9.** The Government needs a mechanism to enable procurement departments to source Australian SME developed and owned software. It also needs a mandate to encourage buyers to at least evaluate such products. Perhaps this could be facilitated by the digital market place having a special category detailing Australian IP ownership.

**Question 10.** The capability gaps as we perceive them are:

- the focus on large tenders requiring years of specification, tender preparation, evaluation, and contractor management. These take years, are fraught with risk and have an appalling success record. And critically they not allow for innovation ideas nor agile adaptation to changing requirements.
- the existing processes do not enable engagement with or procurement of innovative ideas from SMEs;

See elsewhere in this document for our suggestions to overcome.

**Question 11.** We are not a prime contractor, but have been a suffering subcontractor. Our experience and other observations are that there is huge waste, risk, delays and cost over-runs in most large projects. A governance culture and process that seems to focus more on probity than it does performance is probably an inhibitor to timely success. Furthermore the government is often constrained by the inability to hire the staff capable of managing prime contractors on complex multi-million dollar projects.

Our suggestion is to minimize the number of "big-bang" large projects and where possible use a modular approach where the costs, risks and timeliness can be managed.

Use of the BRIL type model may also contribute to better governance and certainly more effective competition.

## Culture

**Question 12.** There is a pervasive cultural cringe in government when considering Australian ICT software in general and from SMEs in particular. For Australian software to be considered it must have success internationally - this is the opposite to most countries where national pride and preference take precedence in procurement.

Local SMEs are not seen to be serious suppliers of software and solutions, and where there is interaction it is often patronising or humouring.

SMEs are generally perceived to be only suppliers of human resources or specialist deployers of mainly foreign technologies.

So often buyers resort to “risk” concerns as a comfortable reason to stay with large vendors or contractors.

**Question 13.** We have no experience of ‘partnering’ with the Australian Government, and indeed did not know such an activity existed (other than with large foreign companies). There is enormous potential from this with substantial consequent export revenues, but there needs to be a clear and straightforward process of engagement. We certainly have constructive ideas for such partnering that could result in Australia being a world leader in these technologies.

## Summary Recommendations

### 1. BRII

If there were only one suggestion we could make, it is to extend and use the BRII model, and deprioritise tinkering with other processes that have little chance of working.

The BRII model (as for its UK and US predecessors) would require commitment from departments and agencies to publish their requirements at the business level to encourage innovative ideas without preconceived standard ICT solutions.

It will require departments to set aside a budget to fund such a process.

The BRII model could deliver the objectives of the Taskforce:

- by enabling SMEs to propose innovative solutions;
- by exposing government procurement to innovative ideas from Australian SMEs in a very efficient process and one that is not onerous for the SME;
- by (perhaps dramatically) cutting the costs and risks of the procurement process - the feasibility study funding would be minor compared to the usual tendering process;
- by reducing the time and cost to implement solutions;
- by leading to ‘partnering’ opportunities between the government and an SME(s).

### 2. Digital Marketplace

If and when the Digital Marketplace extends beyond listing contractors, we recommend that there be a category for Australian SME -developed and -owned software and solutions. This would enable buyers to at least be aware of other options and would not compromise competitive bidding.

This could also provide a source of ideas for ‘partnering’ possibilities for the government

Submitted by:

Bob White

CEO, [ViewDS Identity Services](#)

CEO, [EB2BCOM](#)

[bob.white@viewds.com](mailto:bob.white@viewds.com)

0416 282 609