

**A response to the ICT
Procurement Taskforce
Consultation Paper**

For the attention of Department
of Prime Minister and Cabinet

January 2017

Dear Sir/Madam,

Please find attached our response to the recent consultation paper titled ICT Procurement Taskforce. Assured Digital Group (ADG) has read your document with keen interest, and would like to share our thoughts and suggestions. We hope that these suggestions will be considered and incorporated to improve Australian ICT procurement for the benefit of all: citizens, Government agencies, and the enterprises that support them.

Prime Minister Malcolm Turnbull has adopted the catch cry of the UK Digital Transformation Strategy “Revolution - Not Evolution” and we believe that the Procurement Taskforce should endorse and enable that vision to the benefit of the Australian people.

ADG has deep experience in ICT Procurement in the UK not only through founding UKCloud, (the leading provider of cloud Infrastructure-as-a-Service (IaaS) to UK Government) but also via our subsidiary MDS Technologies, a leading SME and active provider on the original G-Cloud (now Digital Marketplace). Consequently, we have considerable and unique insight into the characteristics that encourage and mitigate SMEs from commercial investment decisions to compete with the larger companies to provide technology services to Government.

This response provides specific feedback on the consultation paper in addition to our vision of what the ideal Australian ICT procurement landscape could achieve – transparency, inclusivity, and value-adding for all.

We are excited by the opportunity that the digital transformation of Australian Government offers the Australian public and domestic enterprise and are keen to make the necessary investments to ensure that we can help develop a marketplace of Australian owned businesses, providing services managed by Australians for the benefit of Australian citizens. We cannot understate the importance that enabling a truly open procurement process that supports both buyers and suppliers will have in facilitating the national digital transformation delivery. Without such “procurement revolution” the transformation agenda will become an orphaned policy.

We remain available to discuss the principles or effects of this response and anticipate a significant outcome benefitting the citizens of Australia.

Yours

Scott Wilkie

Chief Executive Officer

Assured Digital Group (Australia) Pty Ltd

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1 Overview

1.1 Consultation Objectives

Our strong contention, based on the Prime Minister's Digital Transformation Strategy and our extensive experience as leading supplier to the UK's Digital Marketplace, would be that the Taskforce's current objectives are NOT as revolutionary and transformational as required - being too narrowly defined around the procurement process in general and the specific contracting activity per se.

Whilst the procurement process is important, we believe that the overall objective should take on board wider ambitions that would not only address the nation's internal need to make smart procurement decisions but also understanding the opportunity that government has in the role of buyer, to provide the basis to catalyse a generation of world leading as-a-service technology businesses based, grown and driven from Australia. Such a program would not only support the Digital Transformation Agenda but also the National Innovation Strategy. It is an often-over-looked fact that for any growing business, that revenues are the lowest cost of capital and the surest route to growth.

On this basis, we would propose a wider objective for the taskforce as follows:

“To create a *dynamic*, eco-system of *innovative*, suppliers capable of supporting Australian Government's *digital transformation* to deliver, at *speed*, with *agility*, *secure*, and robust digital *as-a-service* services to the Australian Public”

This objective would/should be underpinned by two essential principles, which are captured in the current Taskforce objectives:

1. Best Value, derived through transparent competition (ie. not just in the procurement process), and
2. Easier access and lower barriers for supplier engagement

And supported by certain core principles that characterise the essential elements of a perfect marketplace, namely:

- **Transparency:** All information on pricing and service descriptions should be made available to all, with all successful contracts reported on a monthly basis. This would shine a spotlight on who is winning what work with whom and engender competition
- **Consistency:** That all service descriptions as locked for the duration of the framework period. However, pricing can be changed (lowered) during a framework but only if applied across all buyers based on clearly communicated volumes and conditions. This will prevent buyers / suppliers colluding in special one-off deals and essentially gaming the system. The consequence of this in the UK has been repeated price cuts across the board for the benefit of ALL buyers
- **Accessibility:** The contract frameworks should be for relatively limited periods (6-9 months) and kept relatively short in term (two or three years). The principle should be one of supplier inclusion rather than exclusion, which will place more onus on individual buyers to make their judgement on the quality of the supplier and will expand access to greater innovation than the traditional restricted panel framework.
- **Standardisation:** The use of internationally recognised NIST definitions to determine the characteristics of the IaaS, PaaS, SaaS lots will reduce the ambiguities of comparing services. The use of a standard framework contract that embraces suppliers terms and conditions will ensure that generic government requirements are addressed, whilst enabling suppliers to invest in delivering a standardised as-a-Service solution across whole of

government rather than a series of bespoke offerings addressing each Agency's specific contractual but ultimately meaningless tweak.

By implication, implementation of the above attributes would collectively align with Australian Government's duty to demonstrate probity and secure best value.

1.2 The UK Digital Experience – A Successful Supplier's Perspective

Much has been discussed about the UK Government's approach to digital transformation and specifically around the relative importance of the G-Cloud/Digital Marketplace as a catalyst or support for this. As a recognised successful provider both directly (via subsidiary MDS Technologies #TopFifty) and indirectly (via UKCloud #TopTen founded by ADG's Directors), ADG is able to give a clear view on what convinced the directors of a startup SME to invest relatively significant capital into the development of as-a-service cloud services against a somewhat anti-competitive market place of incumbent mega-corporation competitors with huge public affairs and government sales teams. Such an anti-competitive and non-innovative environment is still prevalent in Australia today thereby creating an APS ICT estate amongst the least productive in the advanced economies.

Both intellectual and investment capital were entrusted in the UK Digital Transformation due to the following:

1. The fundamental design principles as outlined in 1.1 above were adopted by UK Government and communicated in policy that provided confidence that the strategy was a substantive change of principle and not simply another easy-come/easy-go initiative.
2. Furthermore, these changes were reinforced by the establishment of Government Digital Services and their capability not only to determine and to implement the above policy but also and more importantly in its leadership role to DELIVER services based upon embracing these principles and practices, for the benefits of the USER i.e. the Citizen
3. The control mechanisms created around the "PM&C like" Cabinet Office provided confidence that the proliferation of traditional work-around frameworks and panels, which Agencies had traditionally used in order to procure what they wanted irrespective of Government Policy, would be constrained. Consequently, the Digital Marketplace could genuinely become the one default framework across the whole of government and wider public sector that would merit an SME investing in the necessary product and branding to compete on a level playing field with the global System Integrators. Historically, SMEs had been often left chasing frameworks and panels that were restricted to the few larger organisations capable of investing in the necessary intelligence to understand the bespoke quirks of each Agency's personalised procurement framework/panel.
4. The approach to determination of Best Value was adjusted. Historically, this had been determined through contracting with one of a small number of suppliers who had been chosen from an open (in the sense that it had been duly advertised in the appropriate channels) procurement process for a specific bundled set of products and services based on price and other criteria that had been assessed on some kind of quasi-anonymous process to protect probity and process. A delusional situation when buyers and suppliers alike understood the infinite ways to game the system, which ultimately benefited incumbents against new entrants. The mature approach has been to recognise that the process of transparency,

consistency, accessibility and standardisation itself would deliver probity as well as best value based on market competition.

- Numerous aspects of friction were addressed to ensure that SMEs and new entrants could genuinely compete without having to sustain years of “earning their right”, which was a euphemism for the market locking out new competition. These included access to appropriate government circuits and bandwidth, access to accreditation authorities to achieve the necessary standards, removal of balance sheet as a sacred cow proxy for financial stability. It was helpful that two large UK Government suppliers failed around the time of the introduction of GCloud, which reinforced the point that financial failure is a risk that needs to be mitigated through supplier diversity rather than balance sheet assessments and contractual clauses.

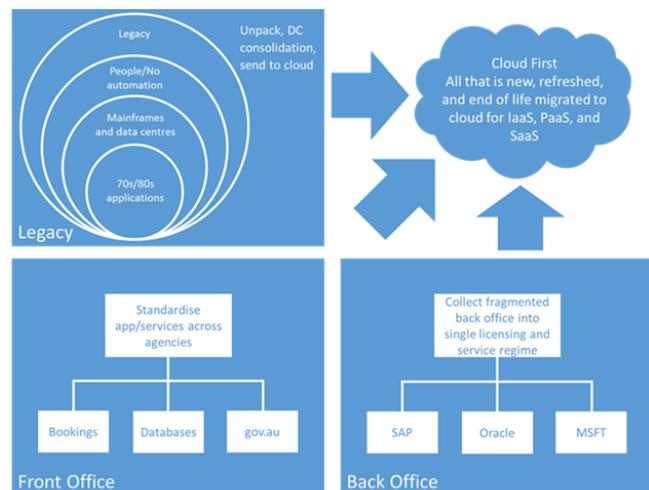
2 Understanding Digital Services

It is important to determine the full scope of IT services that should be covered by any resulting procurement policies that might emerge from this consultation and how this will be communicated both now and in the future. In addition, how these services might be addressed throughout their lifecycle. ADG would recommend that there are three related but different perspectives that should be understood:

- The differences and similarities between the development, deployment or use of new applications as compared with the on-going integration of existing legacy environments
- The relative differences between traditional aggregated service management contract encompassing full-lifecycle management and disaggregated commoditised as-a-Service services, where contracts and services are standardised and commitments (and consequential liabilities) are limited
- The nature of as-a-Service being, from the perspective of the supplier, a standardised service in all respects that whilst configurable is not adjustable to each individual customer’s needs, which enables the supplier to deliver a scale as-a-Service offering at a Best Value price point.

2.1 New Applications and Legacy are Similar/Different

As the adjacent chart identifies, different strategies should be introduced to address alternative uses cases that Agencies are likely to face in their journey to a fully digitally based service to meet their user needs. However, this does not necessarily determine that a different approach is required to support the procurement of these services. Simply that all services are understood and can be catered for under one coherent approach.



2.1.1 New Applications

A consistency of approach should be adopted to the development of new applications that will mandate interoperability and (re) usability along similar lines to those promoted by the UK Government. This includes the following:

- The Digital Services Manual which drives open source, a common UX and absolute clarity about the primacy of USER NEED
- Development of cloud native applications where resilience is built into the application rather than the physical infrastructure
- An increasing use of data analytics to improve performance, user engagement built on PaaS/common Platforms

However, one aspect of the GDS approach to avoid is the near religious fervour that can be created by small tribes of technical zealots. Don't forget it is about the USER NEED not the technology

2.1.2 Back Office

ERP and back offices application providers are world class experts at creating Fear, Uncertainty and Doubt (FUD) in the mind of any customer seeking to move away or negotiate better terms. Governments are not invulnerable to this. Almost all back office applications can be operated on cloud based IaaS. However, vendors will use the FUD of licences and/or performance requirements to persuade the customer to avoid the risk of change.

The UK Government has attempted to address this by ensuring that all ERP/Back Office contracts are migrated to a single Shared Services Platform mostly built on cloud IaaS and benefitting from the resulting cloud economies. In addition, this has proven an excellent mechanism for pulling together and managing the wider Government licence estate to provide a stronger negotiating position with the vendors.

2.1.3 Front Office

Mission criticality is rarely dependent upon some bespoke feature set that differentiates one Agency from another to the extent that a completely different application is required rather than slightly different configuration of a core PaaS/SaaS offering. A booking system is a booking system. CRM is CRM. UK Government mandated that if an agency had to build a new application then they had to ensure that all aspects of 2.1.1 are followed so that the code could be reused for the benefit of other agencies.

2.1.4 Legacy Challenges

Data centre incumbency and the related perceived costs/risks associated with moving are one of the greatest barriers to migration to a portfolio of as-a-Service offerings. UK Government contracted with one supplier in a joint-venture called Crown Hosting to establish a single provider and mandated that ALL data centre contracts as and when they reached term MUST be migrated into these facilities. Despite considerable and inevitable noise from almost every Agency, the understanding gained from the disaggregation of bundles of legacy debt during forced migration of services into more efficient centralised infrastructure, is likely to generate some of the greatest cost savings and service improvements of all. Especially as this facilitates migration of services to as-a-Service rather than simple re-platforming onto a different physical hardware environment. This is about true consolidation as part of a medium-term journey to cloud as-a-Service.

2.2 As-a-Service not As-a-Term Contract

Disaggregation is a key principle for the development and deployment of digital services. Whether this encompasses the selection of multiple SaaS applications and/or development of integrated applications that are deployed on a common IaaS or PaaS, the challenge this will raise will be establishment of the capability to provide a common service management environment suitable to support the services and meet the user need. This might be outsourced or as with the UK, increasingly brought back in-house or a hybrid mix of the two. Successful disaggregation has not only to address the service issues but also data compatibility, security and consent, which can be

assisted by a clear understanding of the sovereignty of the data storage and the integration APIs between different applications.

The consequence of successful disaggregation is the ability to buy true as-a-Service applications where the Agency only pays for the services as and when they use them, with whatever upfront commitment they chose to make. In an IaaS environment, this could mean that services can be switched-off in the 70% of the weekly hours that do not form the typical Monday-Friday 8am-6pm business hours of the public sector. Even today in the UK, few Government services have shown the confidence to automate this functionality and are consequently missing out on the significant additional savings that this could generate.

Traditional as-a-term contracts may be constructed as hourly based or even appear short-term. However, invariably the nature of the contractual commitment effectively acts as the basis to re-engineers the term cost into the minimum contract term to risk limit the suppliers exposure to delivering something that is inevitably bespoke to the specific Agency and cannot easily therefore be repackaged for others to (re)use.

2.3 Interoperability not Proprietary

From a cloud as-a-Service provider perspective, interoperability is the standardisation that enables them to replicate the service from a single common form of infrastructure and/or code across multiple customers who can then benefit from the resulting economies of scale. However, from a buyer perspective interoperability also encompasses the ability to switch in/out the services of alternative suppliers with limited or nil risk or cost. The truly confident cloud as-a-Service provider understands this and recognises the benefits to be gained from accessing customers of the competitors rather than the fear of being the net loser.

If and/or when encouraged by buyers, almost all of legacy IT service providers and many of the emerging global cloud as-a-Service providers are cultural and investor driven to build in proprietary features that will ultimately manifest as a barrier to further cloud integration. It is important, therefore, that buyers strive to seek out standardisation but also that they demand accessibility to features and data formats that permit ease of adoption and migration across multiple providers.

2.4 NIST with Cloud Services Enablement

The UK Government resolved one of the challenges of standardisation and at the same time differentiated between traditional service delivery and cloud as-a-Service based offerings through the use of the US based NIST standards to define the three areas of IaaS, PaaS and SaaS. NIST definitions effectively promote technically automated, elastic (re)deployment of IT resources in a commercially agile, pay-as-you-use, approach. This challenges the supplier that often presents their dedicated fixed hosting asset managed as a "cloud" platform, which is effectively only for the benefit of the single customer under some fixed term contract that effectively charges all resource costs back to the customer irrespective of how flexible the charging unit might appear.

In addition to the NIST defined services, UK government also established a services category to accommodate all those people based activities that might occur to support the development and migration of digital services based on cloud as-a-Service contracts. These were also standardised through the use of the Skills For the Information Age (SFIA) methodology, which determines the capability being deployed and the relative risk environment associated with the deployment.

	Strategy & architecture	Business change	Solution development & implementation	Service management	Procurement & management support	Client interface
1. Follow	£450	£450	£416	£276	£416	£416
2. Assist	£722	£722	£509	£347	£509	£509
3. Apply	£854	£854	£585	£431	£585	£585
4. Enable	£1,015	£1,015	£728	£540	£728	£728
5. Ensure/Advise	£1,329	£1,329	£907	£702	£907	£907
6. Initiate/Influence	£1,699	£1,699	£1,038	£894	£1,038	£1,038
7. Set Strategy/Inspire	£1,995	£1,995	£1,472	£1,229	£1,472	£1,472

On this basis, multiple providers have to determine their SFIA rate, which can then be used by buyers to construct a wide range of services delivery as well as compare respective input rates from individual suppliers. This approach has created a significant downwards pressure on the resources market, especially for global providers and niche contractors who, historically, have quietly been driving rate upwards

One key activity that falls outside the combined NIST/SFIA approach is the provision of hosting services to support those potential agencies who, when seeking to build new cloud native service, determine that there is a small need for hosting services (racks, power, etc.). Initially, the UK government accepted basic hosting was a relevant enablement service before ceasing the practice once the Crown hosting joint-venture was established. However, we would recommend that hosting is included within a very clear and structured framework around Tiering, Design (TIA, Uptime), Rack size equivalents (47U 800x1200x2200 dimensions), standard supply equivalent (16A/32A) to enable comparisons.

2.5 Information Assurance and Cyber Security Must Underpin all Activities

Advances in Information and Communications Technology (ICT), are enabling greater **accessibility, mobility, convenience, efficiency and productivity** across almost all aspects of Australian life - with Australia's national security, economic prosperity and social wellbeing now dependent on ICT and digitally-driven transformation.

Whilst this heightened era of digital productivity and accessibility has created infinite opportunity, it has concurrently created **new threats and vulnerabilities** in the creation, storage and utilisation of information.

These threats are significantly more than just cyber-security related; they also extend to the accuracy, integrity and availability of information that is critical to both real-time human, and automated decisions that affect our nation and people.

The Procurement Taskforce must make recognition that:

- Agencies and personnel do not have the internal skills and resources to comply with their obligations under the Information Security Manual:
- ICT architecture, design and procurement will continued to be fundamentally flawed without recognising the current skills gaps
- Assurance and cyber security demands should not be watered down in the name of standardisation
- The low level of automation (designed and procured) in Australian ICT is a key cause of both the lack of productivity and poor information security

3 Procurement Process Optimisation

A key factor to understand is that the objective should not simply be about the contracting process itself but should be more holistic in understanding that securing the widest range of potential suppliers and delivering Best Value both require an understanding of the whole contract lifecycle. A move to standardised digital services based on a single contracting framework with much reduced term will have considerable impact on simplifying the overall process as well as providing buyers with the opportunity to change suppliers more frequently should their needs change or the supplier fails to perform to their satisfaction.

There is significant opportunity to digitise and automate many aspect of the procurement lifecycle workflows to improve accuracy and reduce engagement costs. However, we are strongly of the viewpoint that the implementation of a systems with the proposed characteristics outlined within this response should NOT be delayed for the sole purpose of automating every possible aspect of the lifecycle workflows.

3.1 Pre-Contract Qualification

ADG would recommend a Baseline set of questions are provided that are sourced from existing publicly available information where-ever possible (e.g. ASIC, etc) and where the questions are actually relevant to the provision of the likely services to be supplied. Completion of this information would be the responsibility of the supplier, could be changed at their discretion and would be a single point of information for all Government Agencies. If departments wish to seek more esoteric information at the point of contracting, then they could do so during the later stages of the contracting stage.

This single step change could significantly reduce supplier costs and increase their willingness to engage with government.

3.2 Procurement Framework Assessment

We would recommend a process similar to the UK GCloud/Digital Marketplace framework to be adopted by Australian Government that adopts all of the principles and characteristics outlined in this response. A framework should be a relatively light touch process, being based upon standardised services with limited attempts for the process itself to determine quality of service or best value, which would be left at the discretion of the individual buyer to determine in respect of the impact of the service relative to their specific service delivery. In essence the framework process would address the top two tiers of the Australian Government Procurement Rules, leaving each individual Agency to apply its own discretionary overlay to meet its own internal policies and rules. However, this later activity of down selection from a short-list must not be allowed to effectively re-open a whole new Agency based procurement process otherwise the benefits of standardisation would immediately be lost. The scale of the temptation for procurement professionals to tweak the process for their own Agency should not be underestimated. This is a significant cultural issue and can have material consequences on the success of the overall objectives.

The consequence of this approach is that a larger number of relatively smaller providers would have the opportunity to secure a successful place on the framework, with success then been dependent upon their ability to deliver a service that met the needs of a specific Agency to meet their USER needs. Notwithstanding relatively low barriers to acceptance, both the financial criteria (Dun & Bradstreet score of at least 30) and technical criteria (ISO27001) should be clearly defined.

3.3 Contract Award

The contract award framework should fall into three aspects which recognise the core principles outlined and work for both buyer and supplier. Standardisation of contract is key and should be relatively painless given the related provision of standardised services that can be delivered to underpin the wider Digital Transformation agenda.

The baseline elements of the contract should be a framework that encompasses all the basic requirements of an over-arching master services agreement. It should be legally applicable to as many government agencies as possible, from the largest Agencies to the smallest public sector entity. If possible the agreement should enable all Federal, State and Local government entities to procure under the contract as well as arms-length bodies and quasi-government entities. Essentially, this then provides the widest possible community of business/project owners with a power to purchase rather than relying on the legions within the Agency with the power of no to block them from doing so.

Above the baseline master services framework, should sit the supplier terms and conditions. Without the ability to supply under standardised terms, suppliers are simply unable to deliver standardised as-a-Service services and are unable to deliver the massive economies of scale cost savings that can be driven to the user.

As a final level within the contractual stack, should be a simply call-off notice between the supplier and the end government customer, which identifies some minor elements of the agreement. However, this must not be seen as an opportunity for the Agency to effectively create a set of bespoke derogations for its own purpose, which would effectively undermine the whole value of standardisation.

Ideally, the above processes would be digitised and automated providing a central repository of data that tracks the overall activity.

3.4 Reporting & Contract Management

One of the core principles that ADG advocate to drive change across the digital transformation agenda is providing full transparency of the whole supply chain. This includes what opportunities are emerging from which Agency requiring what as-a-Service service through to who is winning and delivering what services work with whom. Aside from the deep vein of open data available for both buyers and suppliers to analyse pricing, migration rates, trends, etc, this provides a real and visible check for public probity. It causes buyers to consider why they are awarding cloud enablement services to providers that significantly higher SFIA rates than others or unsuccessful suppliers to adjust their pricing for the provision of SaaS services.

A related but often missed value of this public disclosure from a supplier perspective is the ability to reference success based on this public ledger. Government customers are notoriously reluctant to provide references or confirmation that a supplier is actually providing services to them let alone that they are providing a good service. An open, transparent reporting system circumvents this and provides successful suppliers with the ability not only to reference the actual supply but also to put a scale and duration upon it as well, which can only assist their future success. This can be a critical form of oxygen for SME or new entrant organisations.

A further progression of reporting and on-going contract management, could be the development of an "Airbnb" style customer/provider experience rating that would be visible to potential customers and suppliers. There are benefits and risks around such a scheme, however, it could be developed to secure feedback from different actors across the initial procurement and on-going contract management process such that appropriate weighting was given to short, medium and long-term engagements.

3.5 Continual Improvement

Two aspects for continual improvement should be considered. Firstly, the on-going improvement to the overall procurement approach within the wider digital transformation agenda and the success at meeting the overarching objective of a dynamic ecosystem. An area that has proved important within the UK has been the implementation of a Mystery Shopper service with anonymous reporting. This has permitted suppliers, especially SMEs, to call out buyer behaviour that has not appeared to have aligned with the core principles of the Digital Marketplace, often encouraged by their larger incumbent suppliers.

Secondly, the scope for key metrics to support individual buyers and suppliers to improve their contract performance during any given contract period.

4 Consultation Overview

4.1 Rules

A common implicit assumption within large organisations is that more process demonstrates more probity. It doesn't. ADG's contention would be that more transparency demonstrates more probity. Process just adds in costs and deters the inexperienced SME from investing time and cost to promote their services. Another implicit assumption would seem to be that more rules ensure better quality outcomes. They do not. ADG's viewpoint would be that an excess of rules simply reduces the likely supplier base, crowds out innovation and continues the historical track record of delivering poor outcomes.

The procurement industry, both internal to the Australian public sector and their advisors (EY, KPMG, Accenture etc) will fight ardently against such simplification and standardisation. Such efficiencies in process and time are essential to the Digital Transformation program but cannibalistic to many of the incumbent suppliers and intermediaries.

Specifically commenting on the "Overview of rules" graphic, we would recommend that agencies not be allowed to develop specific policies and rules; this would ensure that the commercial requirements and resulting products/service are kept as standard as possible. From our experience in the UK, ADG has found that there is little or no requirement for agency-specific rules, so where an agency decides they need a specific policy this should be scrutinised carefully prior to being allowed.

A standard framework contract should also accommodate the ability for suppliers to run their own standard contracts for all as they would in the enterprise public cloud environment. This should be based on an internationally recognised standard (e.g. NIST), which will mitigate the temptation for Agencies to tweak or bespoke contract terms for their own perceived differences from the norm.

We recommend that the government review their model contracts for ICT to ensure they are appropriate for the procurement and use of cloud services. It is possible that existing framework contracts were written before the opportunity from cloud based services was understood, and these could therefore act as a barrier to procurement. We would recommend a side consultation involving industry as well as the buyers on the detail that should ensure that model contracts also enable a fair marketplace.

As with Best Value, the priority should be security and protection of Australian citizen data. Data protection regulation already exists at both Federal and State level and so can be fed directly into any subsequent standards. The UK received significant pressure from global ICT providers (particularly managed service, cloud and SaaS providers) to reduce data sovereignty and assurance standards for the digital marketplace, fundamentally asking the UK Government to accede to US commercial interests. The UK rejected this pressure and continues to protect the sovereign interests of its citizens. There is an inherent warning to the Australian Government to maintain the primacy of Australian interests relative to the global ICT hegemony who do not value this practice. An additional focus, should be on the development of appropriate security standards, which do not constrain the market, or preclude SMEs and/or innovators from market participation but meet the requirements to protect data. This can be achieved at the lower accreditation levels (unclassified or even U-DLM) through the use of proxy international accreditation (ISO27001, CSA STAR, etc) and through a formal government accreditation at the higher levels. Experience in the UK would suggest that the national accreditation will need to be adequately resourced to address the initial wave of demand that is likely to emerge.

4.2 Capabilities

A key capability for the Australian government to consider will be in raising awareness of the transparent marketplace for cloud as-a-service. Many ICT procurement leads will not fully understand

the benefits of the marketplace, and so a concerted effort will be required in buyer education. The burden of this can be shared between government and the suppliers (who will be keen to offer training on their offerings). Case studies can be used to demonstrate successful projects and help other ICT procurement leads understand the potential of a product offering. In fact one key feature to reinforce that will be enhanced through the market transparency will be the communication of success stories and the willingness of government Agencies to reference these to other potential customers.

One of the key capabilities that will need to be established and grown is the capability to design services from the perspective of the USER and then to deliver those rapidly using digital technologies and techniques, which themselves should be capable of elastic scaling. This ability to understand the responsibility of delivery and to establish a leading practice was and continues to be one of the key values of the UK's Government Digital Services

A critical capability in this respect will for Government to think differently about the construction of a service delivery framework by disaggregating to the lowest practical standardised elements. Unless government wants to continue to pay excessive charges for underwhelming service, they will need to avoid where possible the lazy thinking inherent with simply contracting everything out in one bucket to a single prime contract or Service Integration Application Manager.

A further capability that should not be overlooked is the ability to undertake objective financial comparisons between Opex based elastic charging typical of cloud services and Capex heavy based charging typical of traditional government projects and in doing so to understand the false weightings that can be driven by underlying Opex/Capex budgets balances rather than financial logic. One aspect related to this is the management and mitigation of risk on pay-as-you-go charging that can be perceived as challenging fixed budget levels, which in reality is a simple internal financial control capability.

4.3 Culture

Government and large companies are often unintentionally patronising in their behaviour to SMEs and start-up companies. However, SMEs often play up the victim culture and can be naïve as to the challenges for government at delivering at scale. These behaviours should not be ignored to ensure that all parties engaged as mature sophisticated parties in any potential supply relationship.

Equally, Government as a customers and as a buyer traditionally exhibits the tendency to maintain the status quo and will create numerous, often plausible at face value, reasons why their "special needs" with regard to scale, sophistication or security require a bespoke approach. These challenges can be negated by maintaining clear standards to neuter the use of 'edge case scenario' to justify continuing to buy as they always have. Departments and Agencies will typically try to exclude themselves from standardised procurement and solutions claiming Ministers and their Senior Department Staff must have support through to the PM that such exceptionalism will not be accepted for a multitude of reasons:

- Digital Transformation is dependent upon standardised interoperability and once exceptions are allowed, the transformation breaks down
- Exceptionalism is not warranted, even in many cases for defence and intelligence. Minister/s must have the awareness and authority to reject poor behaviours of their departments
- The Governments Open Data and Data Sharing Policies are dependent upon standardised rules of engagement. The current failures of these programs in Australia are a by-product of each department interpreting its obligations under the ISM and Finance programs differently
- Current poor security behaviours must be transported into the digital future. Global technology providers and system integrators must not be permitted to pressure Australia's sovereign interests to the lowest common denominator

- The high rates of virtualisation in the APS with very low rates of productivity are symptomatic of a culture of ambivalence to the needs of taxpayers and the value of automation

Across procurement professionals, there is a tendency towards aggregation of services. This typically simplifies the procurement process (for them), or at least consolidates multiple procurements into a single, larger more complex procurements, where they can demonstrate to themselves and their peers their technical expertise. However, the disadvantage is that often results in lock-into longer contracts and a limited landscape of potential suppliers

A cultural shift will be required to ensure that procurement practice changes to maximise the benefit of the nascent procurement marketplace. The shift to cloud-based products and services provides a great opportunity to save money and provide flexibility through the disaggregation of services. This is explained succinctly by Mark Foden in his video, 'The Gubbins of Government' (https://www.youtube.com/watch?v=02_3UTqXmU). Though UK-based, the explanation applies well to the Australian government market too.

5 Summary

As a major beneficiary of the procurement changes in the UK, having previously established the fastest growing company in the nation on the basis of those changes, ADG's founders are major supporters of the changes to Australian policy and the benefits that they may bring to both the citizen and Australian industry. Such changes will attract further domestic and foreign direct investment into the nation exemplifying Australian innovation.

We recommend a broadening of the Taskforce objectives:

*"To create a **dynamic**, eco-system of **innovative**, suppliers capable of supporting Australian Government's **digital transformation** to deliver, at **speed**, with **agility**, **secure**, and robust digital **as-a-service** services to the Australian Public"*

This objective would/should be underpinned by two essential principles, which are captured in the current Taskforce objectives:

1. Best Value, derived through transparent competition not procurement process, and
2. Easier, lower barriers to engagement for supplier engagement

And supported by certain core principles that characterise the essential elements of a perfect marketplace, namely: **Transparency**, **Consistency**, **Accessibility** and **Standardisation**

Key opportunities/challenges for this Taskforce include:

- Culture and structure of the APS toward complexity and opaqueness rather than simplicity and transparency
- A sense of ownership by the APS rather than a recognition of the citizen
- Recidivist activities of incumbent suppliers and intermediaries to distort the market by their anti-competitive behaviours
- A reduction of Australian sovereign interests by global suppliers in the misappropriated name of standardization
- Australian SME's must be given the opportunity in their own right on standardized terms rather than being a controlled component of an amalgamated supply
- Recognition of time value inherent in procurement and integration

Assured Digital Group remains highly supportive of this Taskforce and your objectives which we have experienced, both positively and negatively, in the UK Digital Transformation.

Australia has an opportunity to learn from both those successes and failures and create an accelerated program to success.

PM&C and this Taskforce's policy development has been closely watched by ourselves and others to assist in determining the value of investing in Australia, which has been effectively closed to open procurement and technical innovation for an extended period.

We congratulate this Taskforce on the process to date and anticipate that the Prime Minister's Vision for a highly productive Government delivering secure digital services valued by the citizen will be well served by this review.