

**Submission
No 9**

PROCUREMENT OF GOVERNMENT INFRASTRUCTURE PROJECTS

Organisation: Regional Development Australia Illawarra
Name: Mr David Muscio
Date Received: 11/02/2016

11 February 2016

Committee Chair, Mr Alister Henskens SC MP
Legislative Assembly Committee on Transport and Infrastructure
Parliament of NSW
Macquarie Street
Sydney NSW 2000

Inquiry into the Procurement of Government Infrastructure

Dear Mr Henskens

Thank you for providing the opportunity for input to the inquiry into the procurement of government infrastructure. It is vitally important that we uncover and seek to emulate the best practices of international jurisdictions with regard to procurement practice. As the region's peak regional development body, we are delighted to provide you with our views on procurement and how best this can help our region and the State of NSW. We have voiced these views recently in meetings held with Federal and State Government representatives following round table discussions with BlueScope and other key stakeholders, and also as input into a report being undertaken for the establishment of a development corporation in the Illawarra.

RDA Illawarra has been for some time a strong advocate for social and regional procurement in particular. We believe that securing optimal value from public works is a sensible approach to returning social and economic dividends to NSW and its regions. The NSW Government can play a lead role in stimulating regional economies such as the Illawarra by setting baseline criteria for government tenders such as the use of local employment, equitable access for disadvantaged job seekers, percentage of locally sourced product and other indices of regional preferment. This is vitally important to the State of NSW as our region alone earns \$16 billion in GRP with Wollongong being the third largest city in State.

We understand imposing national, State or local preferment parameters in procurement and tendering processes is not all that easy, particularly in view of the number of Free Trade Agreements (FTAs) being negotiated by the Federal Government. However, we understand that other countries do make allowances in their FTAs to protect their locally vital industries that might otherwise be in jeopardy. We would strongly encourage the NSW Government to work closely with the Federal Government to ensure that the matters raised in our submission are taken into consideration when negotiating future FTAs and that efforts are made to protect our key industries, as far as practicable.

When undertaking procurement and tendering processes consideration should also be given to the methods of estimating value for money and what that should include. For example, tender bids should not necessarily be considered solely on dollar value. Other intangible and hard to quantify factors such as employment rates and use of local personnel, regional expenditure, individual advancement and morale, social inclusiveness, addressing disadvantage, GST and payroll tax (as is the case with BlueScope) and enabling businesses to remain viable, should be part of the equation. These matters have been highlighted in our region following the downsizing of BlueScope in late 2015. If such

intangible factors are not considered this may result in an inadequate measure of total project cost and/or subsequent recurrent or maintenance costs.

Furthermore, whole-of-life product cost and quality by comparison with off-shore sources must be considered when making infrastructure funding decisions. Many anecdotes attest to faulty product sourced overseas that has to be re-worked or replaced locally, we understand this was the situation with some of the product used in the recent upgrade of the Sydney Convention Centre. Hence, the value chain benefits or intangible multiplier impacts for the State and regions needs to be considered as part of the decision making process within a transparent ethical framework for a fair evaluation of projects.

We would all agree that legislation should facilitate, not obstruct, regional and State economic development, this is consistent with the goals enunciated for the NSW Economic Development Strategy for Regional NSW. The Illawarra region is keen to work with the NSW Government to support regional resilience and encourage regional entrepreneurialism. The efficacy of public private partnerships (TOR 1) is an essential part of this equation and may invoke innovative approaches to the social dividend, amongst other things, sought from private enterprise. The Committee's investigation of world's best practice models should provide some exemplars in which public private partnerships have yielded this dividend. We fear that the recent decision made on the Maldon to Dombarton Rail Link Expression of Interest process undertaken by the NSW Government may have been a lost opportunity in this regard.

With regard to TOR 3 and 5 respectively on the "standardization of procurement process and documentation" and "methods to minimize the cost of contractors tendering for the supply of services with respect to government services", any clear and firm action on these items could improve the private sector's confidence in bidding for infrastructure projects. In most cases, would-be contractors mostly pre-qualify themselves and will respond to criteria beyond cost of completion or service delivery if these are clear and attainable.

The Committee's fourth TOR, "the desirability of a standard national process and documentation for the delivery of government infrastructure within a federal structure", RDAI would welcome the application of a formula that would deliver infrastructure development on a transparently equitable basis. This would restore credibility to the decision-making process if this was clear and free of undue, or the perception of, influence by vested interests or apparent electorate preference and provide a base for reasonable expectations for regional infrastructure development.

RDAI is very interested in hearing about the models of public sector procurement best practice the Committee's research may reveal and that may be adopted by NSW. We look forward to participating in the public hearings the Committee is planning and elaborating on the points raised in our submission. Please contact me on [REDACTED] if you have any queries.

Yours sincerely

A black rectangular redaction box covering the signature of Natalie Burroughs.

Natalie Burroughs
CEO