

Submission
No 14

**INQUIRY INTO PROCUREMENT PRACTICES OF
GOVERNMENT AGENCIES IN NEW SOUTH WALES AND
ITS IMPACT ON THE SOCIAL DEVELOPMENT OF THE
PEOPLE OF NEW SOUTH WALES**

Organisation: Australian Manufacturing Workers' Union

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Australian Manufacturing Workers' Union Submission to Inquiry into the procurement practices of government agencies in New South Wales and its impact on the social development of the people of New South Wales.

The Australian Manufacturing Workers' Union (AMWU) welcomes the opportunity to make a submission to the Inquiry into the procurement practices of government agencies in New South Wales and its impact on the social development of the people of New South Wales. Our union represents almost 15,000 members in every city and region of New South Wales, many of our members work in industries and sectors directly connected with government procurement and their supply chains. These sectors include but are not limited to construction, the manufacture and maintenance of public transport and energy infrastructure, printing and packaging, and food processing.

However, as we argued in our 'Build Them Here' campaign around the 2023 state election, the previous Liberal government offshored much of the state's manufacturing capacity in these areas – sending billions of dollars and thousands of jobs offshore. We lost a generation of manufacturing workers, their skills, and their knowledge. In return, we got trains that were too wide for the tracks, ferries that can't handle Sydney Harbour's swells, and trams riddled with cracks – all delivered past deadline and over budget. This submission sketches a policy outline for how the new Labor government can begin to rebuild this capacity.

Our submission is divided into two broad sections. First, we outline a set of policies that would boost return on public investment by maximising local content and local jobs, thus serving the broader interests of the community through government procurement. The following section contains policies to ensure the jobs created through government procurement are well-paid and secure. The policies in both sections draw both on the AMWU's extensive experience and on best practice policies from other jurisdictions.

Maximising local jobs through government procurement:

NSW has fallen behind other states in terms of procurement policy over the last decade. This has been illustrated vividly by procurement failures in areas such as transport infrastructure and construction. Where neighbouring states Victoria and Queensland build their own trains and buses,

for example, NSW imports comparatively large amounts of public transport infrastructure. This means while other states have created good manufacturing jobs in the fabrication and assembly of this infrastructure, NSW has imported from overseas.

Additionally, projects including rail rolling stock and ferries have seen major cost blowouts and serious technical issues, which have cancelled out any on-paper savings governments hoped to make by importing rather than building locally.

To maximise the social and economic value of future government contracts the NSW government must implement the following:

- Procurement policy should mandate a 'public good' consideration for all procurement decisions including the maximisation of local investment, local job creation, added tax revenue, and research and development.
- Projects or contracts worth over \$10 million should be subject to robust analysis for local content and jobs with the findings made publicly available including the mandatory consideration of wider economic benefits. Measuring the value of projects should also be done cumulatively on an annual basis: for example, if a printing business receives multiple smaller contracts in one year that exceed the threshold, they should be made subject to the same conditions as a single project exceeding the same threshold.
- Significant projects must require robust local content targets. This should include 90% local content for major construction projects, and 80% local content for complex manufactures.
- Implement a 20% price preference policy for local business over businesses outside of Australia. This will ensure a fair playing field for local businesses that pay high wages and do not cut corners in areas like safety and environmental impact.
- Appoint a Local Jobs First Commissioner, in the model of the Victorian Commissioner, tasked with advocating on behalf of NSW businesses, as well as promoting the employment of apprentices, trainees and cadets on government projects.

Procurement as a lever to support well-paid, secure jobs:

Ensuring high levels of local content and maximising local jobs on their own is not enough. To build and maintain social license for significant projects, NSW government must ensure that the jobs created through projects are well-paid and secure, and that employers are investing in skills and training.

Some jurisdictions, such as Victoria and the ACT, use a two-step process requiring that only those businesses who have demonstrated that they can deliver well-paid and secure employment are

able to tender for certain government contracts. The AMWU submits that NSW should implement a similar criteria in its procurement practices.

To be considered for public contracts worth more than \$1 million employers must satisfy an “Ethical Treatment of Workers Evaluation”. This evaluation will consider:

- The company’s adherence to industrial laws;
- Whether they have, or a willing to enter into, an enterprise agreement with the relevant registered trade unions;
- The company’s use of “same job, same pay” principles regarding labour hire workers
- The company’s record and commitment to safety;
- Demonstration of, or commitment to the right of workers to representation in the workplace and freedom of association for all workers;
- The company’s commitment to permanent workforce with fewer than 15% of the workforce employed directly as casuals or engaged as labour hire;
- Supporting and increasing the employment and opportunities of First Nations people;
- Maximising the participation of women and gender equity goals;
- Employing apprentices, trainees, and cadets and providing adequate training and supervision on site;
- A security of payments framework;
- Stable, secure, and ongoing employment for workers; and
- Use of subcontractors and/or labour hire workers who also satisfy the Ethical Treatment of Workers evaluation.

Companies that satisfy the evaluation will be certified for a period of five years. The Local Jobs First Commissioner will be responsible for managing such certification, including periodic audits and managing any complaints that may arise about the company’s continued performance against its initial evaluation.

Conclusion

The AMWU believes the state government has levers it can pull immediately to start to rebuild sovereign manufacturing capability in NSW. Our union would very much appreciate the opportunity to discuss these matters with you further during any following enquiry.