

Submission  
No 64

**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:** International Business Machines (IBM)

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The Hon. Dr Sarah KAINE, BEc, PhD MLC  
Chair of the Standing Committee on Social Issues  
Via Email: 22 July 2024

Dear Dr Kaine

### **Inquiry into the Procurement Practices of Government Agencies in NSW**

We refer to email correspondence with Mr Alex Stedman, Director of Upper House Committees on 17 July 2024 and thank the Committee for accepting IBM's comments in relation to the current Inquiry into the Procurement Practices of NSW Government Agencies.

In particular we wish to comment on clauses 1(e) which relates to the evaluation criteria used in tenders and how they are weighted, and clause 1(g) which relates to local content, local jobs, opportunities for quality training, workforce participation, opportunities for diversity, inclusion and the participation of disadvantaged groups, including women and minorities (see Annexure for Terms of Reference).

By way of background, IBM is one of the world's most enduring and successful IT companies that has been in operation some 113 years. It has been providing leading technologies and IT consulting services to public and private organisations in Australia for over 92 years, commencing operations in Sydney in 1932.

In 2022 IBM Australia opened the IBM Client Innovation Centre (IBM CIC) located on the campus of Charles Sturt University (CSU) in Bathurst, in regional NSW. This centre is based on the extremely successful IBM CIC located on the campus of Federation University in Ballarat, which has been in operation for over 29 years. The objective of the IBM CIC is to operate an on-shore delivery facility for consulting and technology clients in a regional location in partnership with the CSU whose students can be employed as part time or casual Interns with IBM under an 'Earn as You Learn' Program.

Giving students hands on business experience during the course of their studies, the IBM CIC and CSU partnership helps develop a pipeline of digital skills, particularly in key areas of Artificial Intelligence and Cyber Security where there are well recognised shortages. Within the 'Earn as You Learn' Program IBM has implemented a strategy that targets Indigenous Students from the local region, students from disadvantaged backgrounds, female students as well as hosts a Neurodiversity program, based on IBM's very successful program in Ballarat, Victoria.

The IBM CIC on campus at CSU was opened in 2022 and aimed to create around 250 jobs in regional NSW by 2026. Unfortunately, IBM has not been able to secure the NSW Government contracts that it sought to sustain this initiative. We also note that much of

the work IBM has tendered for has been won by Indian based IT companies, creating, on our estimate, some 200 jobs in India. These are jobs which might have otherwise been delivered from Bathurst in regional NSW with all the economic, social and eco-system benefits that would flow from that.

We are aware that the Government has a NSW SME and Regional Procurement Strategy, which we support, but its focus and weighting is limited to small to medium entities. Accordingly, as a large company we are ineligible for consideration under this program when we bid for NSW work. We respectfully request that the Inquiry into the Procurement Practices of NSW Government Agencies consider this limitation under Clause 1 (e) and recommend that the **evaluation criteria and weighting given to regional investments be applied to all companies** tendering for Government contracts, including large as well as small to medium companies.

This would provide greater opportunity and incentives for large, as well as smaller companies, to successfully invest in regional locations such as the IBM CIC in Bathurst.

This can also deliver on the matters under review by the Inquiry under Clause 1(g) namely local content, local jobs, opportunities for quality training, workforce participation, opportunities for diversity, inclusion and the participation of disadvantaged groups, including women and minorities.

We note that a 'regional weighting' approach to all companies wishing to invest in the regions was adopted by the Victorian Government in 1995 when a three-way partnership between Federation University, the Victorian State Government and IBM and was sufficient to launch the IBM CIC at Ballarat in the Federation University's Technology Park at scale. The Technology Park now hosts 2,200 employees across 62 enterprises, representing 5% of total employment in the Ballarat region, and generating around \$700m in GDP and \$628m in Gross State Products for Victoria. IBM in Ballarat currently employs around 200 people, many of whom are working on key IBM Victorian and Federal government client contracts. A copy of the Economic Impact Report, prepared for the 25<sup>th</sup> anniversary of the Ballarat CIC, is attached for your information.

IBM and CSU are very keen to secure the future of the IBM Client Innovation Centre on the campus of Charles Sturt University in Bathurst. IBM is confident with the right regional procurement policy settings, along with a transparent and ethical procurement process, we can make this a success for students not only at Charles Sturt University in Bathurst but drive an eco-system of economic growth and a pipeline of in-demand digital skills across regional NSW.

Thank you once again for the opportunity to comment on the current inquiry. We would welcome the opportunity to discuss this further with you if useful.

## Annexure

### **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**

#### **TERMS OF REFERENCE**

1. That the Standing Committee on Social Issues inquire into and report on the procurement practices of government agencies in New South Wales and its impact on the social development of the people of New South Wales, and in particular:

(a) the current state of procurement by New South Wales government agencies, in particular:

(i) the value of procurement, through whole of government or agency procurement arrangements

(ii) the policies, schemes and contracts of all categories that New South Wales government agencies procure, including labour

(iii) the number of whole of government procurement arrangements available to New South Wales government agencies

(iv) the application of the New South Wales Procurement Policy Framework and the devolved nature of the responsibilities and obligations of New South Wales government agencies under the framework

(v) the value/volume of New South Wales government agencies procurement undertaken outside of whole of government procurement arrangements

(vi) the accreditation program for goods and services procurement and construction procurement

(b) the effectiveness of whole of government and agency procurement arrangements, including standing offers, panels and prequalification schemes, in ensuring that suppliers and their subcontractors deliver value for money and comply with relevant policies and regulations, including labour laws, at the qualification, contract negotiation stage and contract management stages of procurement

(c) current capacity of procurement officials in government agencies to assess suppliers and ensure they, and their subcontractors deliver value for money and comply with relevant policies and regulation, including labour laws, at the qualification or contract stage and throughout the contract management stage

(d) any opportunities that may exist for co-regulation, and other incentives to improve labour market governance and enforcement through the procurement process to ensure the process delivers both value for money and social outcomes

(e) the evaluation criteria used in tenders and how they are weighted in making a decision to award a contract, in particular consideration of:

(i) local content

(ii) value for money

(iii) social, economic and labour market outcomes

(iv) environmental considerations, such as sustainable sourcing, energy efficiency and waste reduction

(v) innovation

(vi) subcontracting arrangements

(f) current approaches to transparency and accountability of procurement by New South Wales government agencies, in particular:

(i) function and requirements of the New South Wales Government Procurement Board and the New South Wales Procurement Policy Framework

(ii) record keeping arrangements for procurement activities

(iii) Agency annual self-reports and outcome reports

(g) the New South Wales Government's procurement practices, in particular its ability to:

(i) prioritise local content, local manufacturing, and local jobs

(ii) improve opportunities for quality training and workforce participation

(iii) provide opportunities for diversity, inclusion and the participation of disadvantaged groups, including women and minorities

(iv) support local suppliers, and small and medium enterprises

(h) procurement best practice to encourage ethical conduct and promote social development in other jurisdictions, both nationally and internationally

(i) any other related matters.

2. That the committee report by 11 October 2024.