

REPORT ON PROCEEDINGS BEFORE

STANDING COMMITTEE ON SOCIAL ISSUES

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

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At Macquarie Room, Parliament House, Sydney, on Wednesday 26 June 2024

The Committee met at 9:15.

PRESENT

The Hon. Dr Sarah Kaine (Chair)

Ms Abigail Boyd (Deputy Chair)

The Hon. Anthony D'Adam

The Hon. Rachel Merton

The Hon. Bob Nanva

The Hon. Damien Tudehope

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The CHAIR: Welcome to the fourth hearing of the Standing Committee on Social Issues 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. I acknowledge the Gadigal people of the Eora nation, the traditional custodians of the lands on which we are meeting today. I pay my respects to Elders, past and present, and celebrate the diversity of Aboriginal peoples and their ongoing cultures and connections to the lands and waters of New South Wales. I also acknowledge and pay my respects to any Aboriginal and Torres Strait Islander people joining us today. My name is Sarah Kaine and I am the Chair of the Committee.

I ask everyone in the room to turn their mobile phones to silent. Parliamentary privilege applies to witnesses in relation to the evidence they give today. However, it does not apply to what witnesses say outside of the hearing. I urge witnesses to be careful about making comments to the media or to others after completing their evidence. In addition, the Legislative Council has adopted rules to provide procedural fairness for inquiry participants. I encourage Committee members and witnesses to be mindful of these procedures.

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Mr JACK AYOUB, Organiser, Australian Workers' Union (NSW Branch), sworn and examined

Mr DAVID VARCOE, NSW/ACT State Manager, Australian Steel Institute, before the Committee via videoconference, sworn and examined

The CHAIR: Thank you for making the time to give evidence, and also for your submissions. Do you have a short opening statement?

JACK AYOUB: A brief opening statement from me. I just want to start by acknowledging that Australia's ranking in the Harvard complexity rankings is 93 out of 133 countries. I'm sure members of the Committee know what that complexity ranking is about. Since 1995 Australia has fallen 38 places. In the past decade, we've fallen 12 places in terms of our capacity to manufacture complex goods from a raw material to an end product. Recently, a very significant—one of the only plants in Australia that produced polyethylenes and plastics for the manufacturing of cabling and other drain water piping and so on, shut down: Qenos, in Banksmeadow. There were hundreds of jobs lost as a result.

We don't know what role government procurement could have played in supporting Qenos to remain open, but almost all of the products that they produced as a raw material will now have to be sought from overseas, in countries where emissions are higher and where workplace regulations and safety are far worse. I think those are the critical questions for the Committee and certainly what our submission will go to—advocating that we have, as in other jurisdictions, a two-stage verification process. I think that two-stage verification process or gate approval, which we can discuss, fits very well into the recently given budget in relation to the wellbeing criteria. I think that those are the essential things that we want to advocate for, and we have ample evidence as to what occurs when we don't take these things into consideration—Snowy Hydro being the greatest example.

DAVID VARCOE: The ASI is very appreciative of the opportunity to contribute to this important inquiry. In the written submission we provided to the inquiry, the majority of the information and recommendations concentrated on our thoughts on avoiding poor or negative outcomes from procurement practices, based on examples provided to us by member businesses. As the ASI is a national organisation and we're considering the experience of procurement practices taking place in other jurisdictions, for example, Victoria and South Australia, it is important to highlight that there are also examples of positive outcomes resulting from government procurement practices.

In particular, I would like to mention as an example the investment made by pipe and tube manufacturer Orrcon, at Unanderra, which is near Wollongong, in a new large-diameter, state-of-the-art pipe and tube mill, which is currently being commissioned. The justification for this mill includes the ability to supply specialised components for the manufacture of torque tubes for solar power tracking systems. This is a direct response to the local content requirements for solar that are included in the New South Wales renewable energy plan and comparable requirements for renewable energy infrastructure in Victoria. The cost of the mill is approximately \$60 million. It will employ more than 20 people, many of whom have come from outside of the steel industry and are being upskilled. Fellow New South Wales pipe and tube manufacturer AusTube Mills has also invested in new product development in response to this market opportunity. So there are as many opportunities as there are negative stories, is the point I wanted to make.

The CHAIR: Perhaps if I could begin questions with one that goes to an issue which you both raised in your introduction, which is, quality and safety standards of non-domestic product. I wonder if you both might have something further to say on why that is such a big issue and how that relates to local content. Mr Varcoe, I might start with you.

DAVID VARCOE: In our recommendations we included a number of suggestions in terms of tender evaluation. The particular recommendations relate to the terms of reference (b). What we are recommending specifically is there a number of prequalification and assessment schemes that are independently operated and completely credible in terms of their own accreditation and that it would be worth considering more widespread expectations of those being in place. The particular one I'll just expand on is called Steelwork Compliance Australia. That was set up about 10 years ago in response to a spate of very poor-quality structural steelwork. This compliance scheme aligns very closely with AS 5131, which is the Australian standard for structural steelwork, fabrication and erection. There are approximately 130 fabricators around the country—of which more than a third are in New South Wales—that have already signed up voluntarily to this scheme. They've been audited and accredited. It's an international scheme so it's not limited to local companies, but the great majority are local. We feel that's one straightforward way that the quality assurance standard can be raised and the quality of goods provided can be improved.

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JACK AYOUB: I think it's fair to say that the vast bulk of things that are manufactured in Australia are manufactured to the highest possible standards. I don't think that's a controversial statement. We're firmly of the view that government should, as the first gate within a two-gate verification process, be looking at what is the work health and safety history of the organisation, the company that it is seeking to procure from. Do they have an enterprise agreement? What are the incidences of reporting around safety? Equally, what are the standards that they adhere to? I think that's going to be uncontroversial in terms of domestic procurement.

Again, I'll come back to Snowy, as I mentioned in my opening remarks. We went for the cheapest possible option in Snowy. It's now rapidly becoming very expensive because the safety record of the organisation that was engaged was not good. We've had members who have been exposed in tunnels to deadly gases, the kind that were used on the Western Front in the First World War. That only comes through a poor record of health and safety, and low standards. It's certainly our view that that should be the Government's first stop, to say, "What are the standards of this organisation and are they the best they can be?" By having that limitation on government procurement, you lift the standards of all others who would seek to engage in that process.

The CHAIR: That takes me to my next question. You keep referring to this two-gate tendering model. Could you explicitly and in simple terms explain what that is?

JACK AYOUB: Simple terms are all I know, Chair. The first point is this basically models what's been put in place in other jurisdictions—the ACT and Victoria. Your first gate, as it were, that an organisation has to get through in terms of the tender process would be questions around quality and job certainty. What quality standards do they adhere to? Are they the best in the industry? Do they have an enterprise agreement? That would be something that would give a good indication of the kind of working conditions they have in place. What are the supplier's commitments to permanent staff, and what is their record on work health and safety? So that would be the first gate that you'd have to get through.

The second gate would be the industry participation plan that I think they should submit, and then how the pricing is going to work. Do they have a commitment to local jobs, to sourcing local content? Do they have a commitment to local economic development, and then what is their price? And the critical piece is the price. I think there has to be, as part of this process, a significant retraining in terms of the staff that assess these things to say price paid up-front is not the whole-of-life cost. Those are two very different things. If you take a strict utilitarian view—that one's cheaper than the other one; therefore, we'll go with that one—we're going to end up with all sorts of problems. That last part of the show is very important so that we can have people say, "What's the whole-of-life cost, and is this better for the State of New South Wales and people in New South Wales overall?"

The CHAIR: Mr Varcoe, your submission also goes to the idea of whole-of-life considerations and suggests that these aren't given appropriate weighting currently. How do you understand whole-of-life costings are considered currently, and what do you recommend changing?

DAVID VARCOE: We've included some detailed definition of "whole-of-life" in the submission, and particularly where we believe the emphasis is wrong at the moment is just a complete emphasis on up-front costs and not looking at the life of the thing being procured. The example that we quoted was where we did an investigation of security fencing, which is included in a lot of government procurement, particularly in school infrastructure if you think of the steel two-metre-high fences that surround a lot of schools. We were actually able to source a cheaper alternative and a locally made alternative and do a detailed evaluation of the corrosion of them. We were able to demonstrate what people have been telling us, which is that the cheaper ones were not lasting more than a couple of years. That was resulting in a replacement requirement well short of their expected design life. In that case you were talking about paying 1½ times more with the replacement than what it would have cost to build new because of the extra labour required when you've got to go back to a job site and replace some parts of it. In simple terms, it's an overemphasis on the up-front costs and a neglect of looking at the expected lifetime of the thing and whether that's going to result in an overall more costly outcome for the Government.

The CHAIR: If I can ask a question to the both of you again, in your interactions either with businesses or workers, what are expressed to you as the main challenges about getting contracts with New South Wales Government? Mr Ayoub, do you want to go first?

JACK AYOUB: I can use one small example; it's quite a particular one. There's a company in regional New South Wales that makes many things that the Government could procure, in terms of the agricultural space, particularly. They have been denied procurement because they don't have an Indigenous action plan. Yet every single person in that business is an Indigenous person, many of them young boys who have dropped out of school who have now found a job. They can't get access because they don't have a piece of paper. I think we've got to be very careful about how we do this so that we're doing it in the best long-term interest. And I think it's significant that there's an industry group sitting here opposite a union; we have basically the same song sheet on this. It's particularly hard for businesses to get in sometimes when the only assessment we make is, "This is the dollar

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figure; therefore, we're going with someone else." I note in the industry group submissions the two letters that they submitted around Dubbo and the rail track facility there. There's 1,400 tonnes of steel that's going to come from somewhere else, not an Australian organisation. That's a great shame.

DAVID VARCOE: I did probably want to add to what Mr Ayoub said in terms of that Dubbo maintenance facility example. The reason why that was brought to our attention in the first place by our members was that it was very strongly emphasised to them that it had to be built by local fabricators, which everyone said this is fantastic and people really got onboard with it. At the last minute, a decision was made to not source it locally. That aspect of people's expectations being raised about things being preferentially done locally, a lot of effort being put into it—and then, similarly, capriciously, that changing. It's very frustrating for people because they spend a lot of time tendering and if they don't have any success, then essentially that's a lost investment for them. In that case, as has been pointed out, the 1,500-tonne project would be enough for, say, a reasonable-sized fabricator for almost a year. Then there's a whole lot of other allied industries, in terms of galvanising, painting and transport, that all benefit. So when something like that doesn't go to a local business consortium, it is a huge lost opportunity for, particularly in this case, regional employment in a reasonably complex manufacturing situation.

The CHAIR: I wanted to ask a question about those case examples you gave, which were interesting, to say the least. They were letters that you sent to Transport for NSW and the Department of Education letting them know some information in the case of the testing that you'd done for Education and asking for clarification in the Dubbo situation. Did you receive any response to those?

DAVID VARCOE: The only one I received a response from was Transport for NSW. They replied to say that they acknowledged that they'd received my communication. I haven't got their response in front of me to recall exactly what was said. But, essentially, they didn't confirm that the—excuse me, I'm just finding the details of it. They didn't confirm what I was seeking, which was that it was to be imported. But they confirmed who had been awarded the contract oversight, the construction role, and that the decision was in their hands. It didn't really resolve what we were seeking, and we didn't really get a response to the recommendation side of things in terms of what they might look at doing in future.

Ms ABIGAIL BOYD: Good morning to both of you. I want to pick up on that local content aspect and the idea that we are importing 14 tonnes of steel instead of getting it from Australian shores. Presumably the emissions from that sort of transport are quite astronomical as well. Has consideration been given in any of the procurement decisions that you have seen around the carbon cost of transport when it comes to local content? Is that something that other jurisdictions are considering?

JACK AYOUB: I don't know that other jurisdictions are considering on that basis, but I think we can be very confident that if we source it locally, not only do you not have the transport emissions but it's very likely that the business that's producing that steel—manufacturing it in the steel case or whatever it may be—is adhering to the best standards that we have in this country. So the emissions overall are going to be lower and, to build that point out, if we want to be building offshore wind farms all over the place, we're going to need social licence for that. I think it's much easier to get social licence when the people who built them are in secure, good jobs, the emissions overall that are produced in the manufacture of those wind farms are the lowest that they possibly can be and that you're getting economic development on the way. I think it's a very real and pressing consideration, and if we don't ensure that BlueScope, Molycop and Tomago Aluminium have good base load power to produce those things here, they'll be produced overseas and the emissions will be higher.

Ms ABIGAIL BOYD: The best practice labour standards, it strikes me as incredible that is not already a precondition to get approval for a government contract in the first place. I really like what you're saying about the two-stage verification process. You say that it is in ACT and Victoria. Does that apply to subcontractors as well?

JACK AYOUB: Not to my knowledge, but I think it is an important question. One of the things that we put forward is that you could have, in New South Wales, a registrar that deals with a certificate process, thereby limiting the number of assessments that need to be made. If a company tenders, gets through the certificate process, has an enterprise agreement, and a good track record on work health and safety et cetera, they maintain that certificate until such time as they breach one of those things. But it is a legitimate question to say, "Does that go to the subcontractors?" An important question also is: What's the use of labour hire? It would be intellectually dishonest to say, "We are going to do this." These companies can bring on a whole stack of insecure workers when it is not necessary to do so. If it's necessary for practical purposes, then do it. But they're going to bring on all these insecure workers, keep them for the duration of the job and then kick them out the door. That doesn't breed social licence and it doesn't build an economic case for development over the long term.

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Ms ABIGAIL BOYD: In terms of assurance that once you have passed that process, when there is a problem or if there ends up being a problem with that particular contractor or subcontractor in relation to their adherence to best practice labour principles, in those jurisdictions that do have this pre-verification based on labour standards, what is your experience of being able to come back to the decision-maker to complain or try to get some sort of change?

JACK AYOUB: I'm not entirely sure of our involvement in such processes in Victoria or the ACT. I guess it's an important consideration in terms of what the mechanism is, because it's got to be dynamic. Often we make these big changes and they just sit there. The bureaucracy has got to be nimble and dynamic if we're going to do this right. So if there is a certificate process, then having some avenue whereby there's a responsibility on us, as the employee representative, to be able to engage in those conversations as to whether best practice is being undertaken—I don't know who it ultimately lies with. If you create a registrar, do they make determinations? Is it the Minister? I'm not sure, but I can take it on notice and seek advice from our organisers in other jurisdictions where it's in application whether they've had experience or not.

Ms ABIGAIL BOYD: Just a couple more questions and I will come to you, Mr Varcoe; it is hard when you're on video conference. With those standards in the ACT and Victoria being that bit better when it comes to acknowledging the importance of best practice labour principles, has the experience been that using those procurement dollars in that way has led to an uplift outside of government contracts as well?

JACK AYOUB: Yes.

Ms ABIGAIL BOYD: That would be the intention, presumably.

JACK AYOUB: Yes. Most people in the manufacturing space, certainly in New South Wales, have enterprise agreements and are doing the right thing. There are some dodgy players around whom government might procure from. If a hurdle they have to get through is, "Do you have an enterprise agreement?"—to have one, they've got to engage in honest bargaining with their employees. They've probably got to engage a union et cetera. It will lift the standard and has lifted standards in other jurisdictions in terms of players who aren't meeting the best practice, and the benefit of that is twofold. One, the workers in those environments get lifted up a touch; but also, those people who are doing best practice and providing a good, secure wage are actually on a more level playing field because the dodgy guys have got to compete with them.

Ms ABIGAIL BOYD: The experience at Snowy 2.0 has been quite confronting. I have heard a lot of those stories. What is the major lesson learnt from Snowy 2.0 for the New South Wales Government when reshaping its procurement system?

JACK AYOUB: To put it in a phrase, value for money is not price paid. Snowy is a great example where not only have you got cost blowouts and it's not going to finish on time but also had people put at serious risk of harm. You've had catering in the place that's full of maggots, with rotten food. The whole thing is basically a disaster. I'm not interested in the ideological conversations around it. Just on the raw facts, it's a disaster. So the next time we engage this, why aren't we doing it through a government procurement process where the people who are building it are the best players in the industry and it's all done by Australian companies. I don't think we ought to be apologetic to say we are going to get Australian companies to do this only and Australian workers, because they are the best in the world.

Ms ABIGAIL BOYD: Mr Varcoe, I want to come to you about the idea of the carbon cost of transport and how it's considered in price. The 14 tonnes of steel is an example. Are there other examples where we are clearly being inefficient on a broader level when it comes to using our procurement dollars to get non-local content?

DAVID VARCOE: In the example we're talking about with the Dubbo regional rail facility—it's a train maintenance facility in Dubbo, and it's actually 1,400 tonnes of steel. It's very significant.

Ms ABIGAIL BOYD: That is a lot more.

DAVID VARCOE: We did a calculation to try to highlight the exact point you're making about the transport miles or the CO₂ emissions associated with bringing something by ocean freight from another location, and our calculation was it was going to add another 250 tonnes of CO₂. So about 10 per cent of the total CO₂ embodied carbons associated with that procurement was being created by that decision to bring it internationally, according to the estimate, which we've included in the example in the submission. I can't make a general comment about other projects, but that same logic would apply. We'd be recommending that's something that's taken into consideration. Clearly there is a cost in terms of emissions. At the moment we don't believe it's considered, and it should be, if that's a focus for government in future in terms of minimising emissions. We certainly understand

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that it is. This would be a really simple thing you can measure, come up with a number and weigh up in the same way that everything else is weighed up.

Ms ABIGAIL BOYD: And bring that within that value-for-money concept?

DAVID VARCOE: Exactly right. There are internationally recognised methodologies for calculating these things. It's not up to my opinion or something. There are factors you can draw on. It's quite straightforward.

The Hon. DAMIEN TUDEHOPE: Mr Ayoub, the problems with Snowy Hydro would not have been cured by a different procurement process, would they? Really?

JACK AYOUB: I don't think we can definitively say either way, but I think it's an example—

The Hon. DAMIEN TUDEHOPE: The work is being done by Australian workers, is it not?

JACK AYOUB: Yes, it is.

The Hon. DAMIEN TUDEHOPE: So the suggestion that we have the best workers in the world is in fact correct—

JACK AYOUB: We do. We may not have the best—

The Hon. DAMIEN TUDEHOPE: —and Australian workers are actually doing that work. Some of the issues relating to that project are geotechnical issues, are they not?

JACK AYOUB: Yes, there are geotechnical issues but there are also issues in terms of how the overall process is being operated and the work health and safety compliance of the operator and the company concerned.

The Hon. DAMIEN TUDEHOPE: There are processes for addressing that, are there not?

JACK AYOUB: There are processes but it's incredibly difficult for us, for example, to engage those processes.

The Hon. DAMIEN TUDEHOPE: But the procurement process would not have solved those problems, would it?

JACK AYOUB: I think it could have because—

The Hon. DAMIEN TUDEHOPE: Well—

JACK AYOUB: You might have a view but, if you are asking me, I think they could have. If you have a process within that procurement, where you look at the track record of the business that you're engaging and that track record isn't very good, which we know it wasn't with some of the current providers, then that's a warning sign. Perhaps a tender that is slightly more expensive from a company that has a very good work health and safety track record would be chosen.

The Hon. DAMIEN TUDEHOPE: It may have given some different outcomes. But, generally, the issues that arose were day-to-day worksite issues relating to the specific nature of this project.

JACK AYOUB: There are some serious questions about practices that are occurring underground. Our organisers go underground under section 117 of the Act and do inspections, as they have a right to do. It is incredibly difficult for them to get on site and it's made very hard for them to get on site more so than any other site we attend. That's a warning sign. But there are practices being used underground that aren't best practice at times, and we've seen the results.

The Hon. DAMIEN TUDEHOPE: Have you raised the suggestions that you're raising with the Federal Government?

JACK AYOUB: I'm not sure. I can take it on notice.

The Hon. DAMIEN TUDEHOPE: Are there implications for our obligations under free trade agreements?

JACK AYOUB: There may be, but those things would have to be worked out. I don't know how that would impact government procurement, but it's a good question.

The Hon. DAMIEN TUDEHOPE: If in fact by engaging in this process you're suggesting that it impacted on our Commonwealth obligations in respect of Commonwealth agreements, then that would create a problem, would it not?

JACK AYOUB: It may create a difficulty, but it's not necessarily insurmountable.

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The Hon. DAMIEN TUDEHOPE: I put this to you, Mr Varcoe. In respect of our obligations for local content—and I say at the outset that I have absolutely no problem with wanting to make sure that we are delivering Australian content. However, if we specify in a contract that we must use Australian steel, are there implications for our obligations under free trade agreements?

DAVID VARCOE: My understanding is that there are specific carve-outs in international trade agreements for SMEs. The great majority of the businesses that we're talking about in terms of steel fabrication and manufacturing are SMEs. There are also precedents in terms of—I think, Victoria, for example, has put in a requirement for the actual steel supplied to be locally milled, which means, essentially, manufactured locally. Without having access to the specific legal advice that they've sought to design their legislation in that way, I believe that it is possible to set up the types of things that we're recommending without being in breach of international trade commitments.

The Hon. DAMIEN TUDEHOPE: I accept that analysis that there are carve-outs but, if there wasn't a carve-out, it could have implications under our obligations relating to free trade agreements.

DAVID VARCOE: I guess that's true, but the carve-out is there—

The Hon. DAMIEN TUDEHOPE: You wouldn't want a circumstance to arise, for example, where Australian-owned corporations doing work in Australia and, potentially, primary industry, for example, was excluded from European markets, for example, because we breached our obligations under a free trade agreement relating to our purchase of steel, would you?

DAVID VARCOE: You wouldn't want that. I would point to the US, for example, where they have quite strong requirements for locally milled and sourced and fabricated steel that go well beyond what we're recommending and, seemingly, that is not in breach of their surely quite broad free trade and other requirements that they're subject to. I guess I'm just highlighting that it obviously might be a jurisdiction by jurisdiction thing to look at, but there are certainly plenty of precedents for what can be done that lead us to think that it's not unrealistic in terms of what we're recommending and it need not be in breach of any requirements.

The Hon. DAMIEN TUDEHOPE: So would you agree with me that the submission made by you would be qualified by ensuring that we honoured our obligations under free trade agreements?

DAVID VARCOE: Absolutely.

Ms ABIGAIL BOYD: And all law.

The Hon. Dr SARAH KAINE: Law generally.

The Hon. DAMIEN TUDEHOPE: In fact, I put that to you, Mr Ayoub. The first and primary obligation of people who contract with the New South Wales Government would be that they comply with the law, would it not?

JACK AYOUB: Yes. What a revolutionary thing.

The Hon. DAMIEN TUDEHOPE: So the two-gate process that you have identified wants to certify that they comply with the law?

JACK AYOUB: Yes, it does.

Ms ABIGAIL BOYD: Because some people don't.

JACK AYOUB: And you find that a difficult proposition.

The Hon. DAMIEN TUDEHOPE: No, I don't find that a difficult proposition.

JACK AYOUB: Good. We're settled. Great.

The Hon. DAMIEN TUDEHOPE: I just wonder why you want to create a new bureaucracy.

JACK AYOUB: We're not creating a new bureaucracy. We're creating a process—

The Hon. DAMIEN TUDEHOPE: You do. You want to create a new registrar, don't you?

JACK AYOUB: Which creates a process for the Government to make these determinations.

The Hon. DAMIEN TUDEHOPE: So a new bureaucracy to establish that a corporation—

JACK AYOUB: How else is the Government going to know—unless the company submits the information—whether they have an enterprise agreement, what the condition of it is or what the work health and

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safety record is? What we are saying is, yes, those things are there in the law and they have to be adhered to but we ought to check that they are being adhered to before we engage people.

The Hon. DAMIEN TUDEHOPE: The circumstances, for example, where you require workforce union density and enterprise agreements to be part of one of the gateways doesn't necessarily have to be a union approved enterprise agreement, does it?

JACK AYOUB: No, not necessarily. But I think you will find—

The Hon. DAMIEN TUDEHOPE: It shouldn't be, should it?

JACK AYOUB: —that the vast majority of registered enterprise agreements have a union attached to them and I think you will find that the vast majority of manufacturing processes undertaken in New South Wales already have such agreements. We want to be sure—

The Hon. DAMIEN TUDEHOPE: Let's just be clear then that it doesn't require a union approved engagement, does it?

JACK AYOUB: That's a determination for the relevant decision-maker to make when this policy is put together.

The Hon. DAMIEN TUDEHOPE: Have you had any discussions with the Minister in relation to this?

JACK AYOUB: Not to my knowledge, no.

The Hon. DAMIEN TUDEHOPE: Not you personally?

JACK AYOUB: Not me personally. The union may have made representations.

The Hon. DAMIEN TUDEHOPE: I asked you personally.

JACK AYOUB: Not personally, no.

The Hon. DAMIEN TUDEHOPE: Has any other person from your union had any discussions with the Minister about this?

JACK AYOUB: I can't speak for them, but I'm sure if we—

The Hon. DAMIEN TUDEHOPE: Do you know?

JACK AYOUB: I don't know. But I'm sure that, if we've made representations, they would be on the register.

The Hon. DAMIEN TUDEHOPE: Of the meetings with the union?

JACK AYOUB: Yes.

The Hon. DAMIEN TUDEHOPE: With the Minister?

JACK AYOUB: Yes.

The Hon. DAMIEN TUDEHOPE: So this process which you're advocating for here, do you think it will have any impacts on the pool of people who might be able to offer procurement services to the Government?

The Hon. Dr SARAH KAINE: That's the point.

JACK AYOUB: Yes, it will. Yes, that's the point.

The Hon. DAMIEN TUDEHOPE: So there would be a limitation of the small businesses, potentially, who could contract with the government?

Ms ABIGAIL BOYD: Why?

JACK AYOUB: No, I don't think so. Why would that be the case?

The Hon. DAMIEN TUDEHOPE: Would you not foresee, for example, that this would be a process which would be limited to contracts for a particular amount?

JACK AYOUB: All of those technicalities have got to be discussed. I'm not suggesting—

The Hon. DAMIEN TUDEHOPE: Why haven't you put that in your submission?

JACK AYOUB: Because, perhaps mistakenly, we deferred to the intelligence of the Committee to make a recommendation on those matters. The point I'm making to you is that this is the frame we ought to set up. We're

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not going to go nut-and-bolt in terms of what number it is or whether it's a small business or a large business, but we think we ought to operate in this frame. Operating in that frame is the best practice. It has been done in other jurisdictions. I don't think it's particularly controversial.

The Hon. DAMIEN TUDEHOPE: If it did have the impact of limiting the number of small businesses who might be able to tender for New South Wales procurement contracts because of the additional red tape you would impose to get through the two-gate process, would you see that as a negative thing?

JACK AYOUB: I don't know, in terms of enterprise agreement requirements and so on, that most small businesses would be captured. Of course, you'd need to have the requisite number of employees to engage that process. If most small businesses have 10 employees or so on then they may not have an enterprise agreement, and there may an exemption carved out for them in that circumstance.

The Hon. DAMIEN TUDEHOPE: There may be.

JACK AYOUB: But, again, that's for the Committee's recommendation. I think that we wouldn't want to shirk away from their various work health and safety obligations and so on.

The Hon. DAMIEN TUDEHOPE: But you've agreed with me earlier that you expect the people to comply with the law anyway. Why don't we work on the assumption that they are?

JACK AYOUB: Because that's a foolish assumption.

The Hon. DAMIEN TUDEHOPE: Why?

JACK AYOUB: I'm not deontologist in that way. I don't think that A equals B all the time. Sometimes there are some interesting things that go on and they aren't necessarily picked up. There are plenty of examples of that in the industrial relations space.

The Hon. DAMIEN TUDEHOPE: But wouldn't a better circumstance be that there be some system that disqualifies people from procurement opportunities with the New South Wales Government if they have been convicted of offences, for example, under the Work Health and Safety Act?

JACK AYOUB: I think that's implied in what I'm putting to you.

The Hon. DAMIEN TUDEHOPE: No, it works the other way, Mr Ayoub. What I'm saying to you is that there is potentially a system where a person is disqualified rather than having to prove up-front.

JACK AYOUB: I don't see it as particularly onerous for an employer to say, "Here's our enterprise agreement. Here's our work health and safety record. We're proud of it, and we want to procure on that basis." If they've breached the law, that's a different circumstance that engages penalties and so on. It's not going to be restrictive.

The Hon. DAMIEN TUDEHOPE: But would you agree with me that this is a lot more red tape around procurement processes?

The Hon. ANTHONY D'ADAM: Point of order—

JACK AYOUB: No.

The Hon. ANTHONY D'ADAM: Mr Tudehope has flagrantly disregarded the time arrangements.

The Hon. DAMIEN TUDEHOPE: I got the answer I wanted, and probably the one you wanted.

The CHAIR: Mr Tudehope, you will have one more minute in which to ask another question of Mr Ayoub or Mr Varcoe, following a question from Mr Nanva.

The Hon. BOB NANVA: I put a very simple proposition to you both. With respect to achieving better social, economic and industrial outcomes through the process, would it be a fair statement to say that past performance is the best indicator of future behaviour—an expression well coined by Mr Tudehope in the Chamber? Would you agree with that simple proposition?

JACK AYOUB: Yes.

DAVID VARCOE: Yes.

The CHAIR: Mr Ayoub, is it right to think of complying with industrial law as being red tape?

JACK AYOUB: I don't think so. Some may think it is. I do seem to remember just some time ago that I referenced the importance of whatever way we administer this process being nimble. I think it has to be nimble. We're not trying to create a circumstance where we're laden with red tape. But we ought to just comply with the

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laws that are in place and then say that the Government wants to protect its honour and engage people who are doing best practice.

The CHAIR: Thank you, Mr Ayoub. Mr Tudehope, do you have any further questions?

The Hon. ANTHONY D'ADAM: Hasn't he used his one minute?

The Hon. DAMIEN TUDEHOPE: We'll have a beer sometime. But would you agree with me that stage one is that a supplier will need to obtain a quality secure job certificate? That's additional red tape, is it not?

JACK AYOUB: I don't think so, no. I mean, it might be green or blue or some other colour, but I don't think it's red.

The Hon. DAMIEN TUDEHOPE: And there will be a bureaucracy to issue those certificates, will there not? That's the point, isn't it?

JACK AYOUB: If you're serious about government procurement, how else are you going to do it? It doesn't just drop out of a cloud. You've got to have a system by which to do it.

The Hon. DAMIEN TUDEHOPE: And you want a new bureaucracy to do this, do you not?

JACK AYOUB: The dishonesty of the question is that you say—

The Hon. DAMIEN TUDEHOPE: No, it's not dishonest. It's your submission.

The CHAIR: Mr Tudehope, let the witness answer the question, please.

JACK AYOUB: You say we want to have a big bureaucracy. You give this impression that it's a behemoth. What we're saying is we want to have a policy—

The Hon. DAMIEN TUDEHOPE: But it is a behemoth. Administered by you, probably.

JACK AYOUB: We want to have a policy that can be administered by the bureaucracy already in existence. Perhaps we need to create a registration—

The Hon. DAMIEN TUDEHOPE: Maybe it's already been done.

Ms ABIGAIL BOYD: We already have a prequalification scheme, do we not?

JACK AYOUB: In relation to what?

Ms ABIGAIL BOYD: In relation to procurement, where there's red tape for people to jump through?

JACK AYOUB: Yes, we do.

The Hon. DAMIEN TUDEHOPE: So you want them to do more?

Ms ABIGAIL BOYD: Do you find this argument inconsistent, that everyone already abides by the law, but also, it will be too inconsistent and onerous on them to be required to say that they comply with the law as part of that?

JACK AYOUB: Well, yes. It's of course naive to suggest that everyone complies with the law; they don't always. But if we're serious about doing procurement better then we need to adjust the policies by which we're doing it. The current one's clearly not fit for purpose so we need to adjust it. I don't think that adjusting it is some revolution and creates a behemoth of red tape in which we will drown.

Ms ABIGAIL BOYD: No. Are the ACT and Victoria drowning in red tape?

The Hon. DAMIEN TUDEHOPE: Yes.

JACK AYOUB: No.

Ms ABIGAIL BOYD: No.

The Hon. DAMIEN TUDEHOPE: Yes.

Ms ABIGAIL BOYD: Thank you.

JACK AYOUB: The Queenslanders are about to engage in this process. Why would New South Wales sit outside it all?

Ms ABIGAIL BOYD: Exactly.

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The CHAIR: Thank you both very much for your evidence, for appearing today and for your submissions. I think there were some questions taken on notice and there might be some supplementary questions. The secretariat will contact you both about those. You will have 21 days to submit your response. Thank you both again.

(The witnesses withdrew.)

(Short adjournment)

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Mr MATTHEW JESSOP, Executive Officer, New South Wales Wine Industry Association, affirmed and examined

Mr GEOFF KRIEGER, Member, New South Wales Wine Industry Association, and Chief Executive Officer, Brokenwood Wines, affirmed and examined

The CHAIR: Welcome to you both. Thank you for your submission and for making the time to give evidence here today. Would either or both of you like to start by making a short opening statement?

MATTHEW JESSOP: New South Wales is one of Australia's major wine-producing States, responsible for one-third of national grape production, contributing \$14 billion to the economy, employing over 53,000 people, while also being a major driver of domestic tourism and regional economies across New South Wales. NSW Wine itself represents over 1,000 grape growers and wine producers across the State, which are overwhelmingly small- to medium-sized businesses. Sydney is the largest market for wine in Australia. It is also home of the first vineyard planted in Australia, the oldest wines, while New South Wales is home to the oldest continuous wine region in Australia, in the Hunter Valley. Despite all this, Greater Sydney restaurants, bars and clubs are not major consumers of New South Wales wine. Sydney wine lists comprise just 12 per cent New South Wales wines, on average, while 44 per cent are imported. South Australian and Victorian wines both feature more prominently in Sydney than New South Wales wines do.

The New South Wales Wine Industry Association supports, funds and delivers a range of initiatives annually to grow this segment of the Sydney market, but this is moving the dial very slowly. Many in the New South Wales wine industry continue to be frustrated and angered by this situation, but it is compounded further when they see their own State Government using New South Wales taxpayers' money to fund venues, events and operators that promote and support competitors from interstate and overseas. While there are examples of New South Wales Government institutions, associated venues or events being highly supportive of local wines—like the ICC Sydney, New South Wales Parliament and New South Wales Government House—there are far too many examples of major State events and venues serving or being sponsored by Victorian, South Australian or New Zealand wines and businesses.

The Sydney Opera Bar, for example, claims that its "bespoke, Aussie-focused wine list serves to spotlight the best winemakers in New South Wales". It serves three New South Wales wines out of 36—less than 10 per cent and below the Sydney average—and lists no New South Wales winemaker by name, with these three wines being Sydney Opera House "house wines" only. We can provide many examples like this. NSW Wine believes that when it comes to New South Wales taxpayers' money being spent it makes sense to spend it supporting New South Wales businesses, and we're sure that most New South Wales taxpayers would agree with this sentiment.

Forgetting the fact, for a moment, that the New South Wales Government should have more pride in its local industry without having to be prompted, why should the New South Wales Government be more supportive of French and Spanish wine producers than its own local businesses? Why should a New South Wales performing arts organisation, venue, or event utilising State-owned premises and sponsorships, be partnering with interstate and international wineries when they can support award-winning regional New South Wales businesses that create jobs in New South Wales? When it comes to major Sydney-based events and venues, we also think it's a case of putting our best foot forward and providing international tourists with a uniquely New South Wales experience that includes wines from the first State of wine in Australia, New South Wales.

NSW Wine understands procurement is commercially driven but it does not agree with anyone who argues equal value, quality or varietal diversity cannot be found in our own State. Sadly, for some reason, every other State in Australia seems to get the fact that supporting their local wine industry is good for them and good for the State. NSW Wine is asking the New South Wales Government to show leadership on this important matter and support a New South Wales first procurement policy for local wines for all government-owned, operated, leased and contracted venues and where the New South Wales Government is a major sponsor. The impact on the wine industry would be significant and positive. It would have zero impact on the New South Wales Government budget and be particularly valuable in today's challenging economic environment.

NSW Wine believes that a New South Wales Government "Buy NSW" procurement policy for wine would provide a significant, ongoing marketing boost for New South Wales wineries and our wine regions that would positively compound over time, support industry and government sustainability targets through significantly lower food miles, underpin a strengthening Sydney market for local wine, lessen our reliance on export markets, and also see the Government put its local businesses first and be central to the State's offering to tourists, visitors and its residents. Again, the impact on the New South Wales budget would be nil. This will cost

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the New South Wales taxpayer zero but will provide significant support to a local wine industry that has been in operation for over 230 years. Thank you. I am happy to answer any questions now.

The CHAIR: I have a few general questions to assist the Committee's understanding. You spoke about the different aspects—events, venues and operators. Venues seems quite straightforward; you mentioned the Sydney Opera House as one. Could you talk a little bit about the other two aspects? Also, what is the estimated scale of the market share or market increase that you would get from your proposed policy change?

MATTHEW JESSOP: On events, Destination NSW—let's just take one agency—runs events of all size and scale throughout the year and whether they buy New South Wales wine is left down to the individuals running that event, so it's patchwork at best. But overwhelmingly, people do not purchase New South Wales wines. Those events could be small-scale, localised things in wine regions—we have examples of Destination doing events in the Hunter Valley and serving a South Australian wine—to major events that Destination or the New South Wales Government sponsors: major sponsorships through things like Vivid, Fringe, Sydney Festival and all these other festivals across the year. As to scale, it would be significant. We use the ICC as a good example a lot because they are 100 per cent New South Wales wine. Their procurement policy doesn't stipulate that they have to be. It just says where it's commercially viable and it makes sense. Even within that framework, they're 100 per cent New South Wales wine. They've consumed 400,000 bottles—or purchased.

The CHAIR: Well, someone has.

MATTHEW JESSOP: Someone has. They've purchased 400,000 bottles of local New South Wales wine over the last seven years. Their annual food and beverage bill is anywhere from \$10 million to \$15 million, with a portion of that obviously being on wine.

The CHAIR: I was going to ask you about the good examples that you mentioned. You say it's not mandatory, so how have we ended up with these good examples? What has been the impetus?

GEOFF KRIEGER: Desire. Good operators who want to put New South Wales first. They see it, obviously, as a commercial advantage to say that they put New South Wales first in terms of their procurement, for sustainability reasons, for food-mile reasons, to support their local operators. When you're running the international convention centre, it makes sense to say that you're supporting New South Wales operators. I find it confounding that it takes us to front a parliamentary inquiry into New South Wales procurement practices to discuss the fact that New South Wales Government operators fail to support New South Wales wines.

The CHAIR: When you talk about New South Wales operators, there would be some venues that are operated by the Government, but wouldn't there be some where there are outsourced providers? I'm trying to get my head around the structure of the sector.

GEOFF KRIEGER: Sure, there are. A good example might be the SCG where the operator has outsourced to an external party. There's no reason that when that tender goes into place it can't have a procurement policy similar to the ICC's, which states, where practicable, that operator will support New South Wales wineries or New South Wales beef producers or New South Wales sheep or poultry producers. There's no reason that cannot happen.

The CHAIR: Mr Jessop, in your opening statement I think you said there is not just frustration but anger in terms of your membership. Have there been particular cases or examples from your members where efforts have been made to perhaps approach and have been rebuffed? Could you give us more detail around that?

MATTHEW JESSOP: Geoff Krieger probably has a good example that's Brokenwood related.

GEOFF KRIEGER: Do you want me to talk about the Opera House?

The CHAIR: Yes, please, Mr Krieger.

GEOFF KRIEGER: The Opera House tenders for wine supply for sponsorship—actually, sorry, I'll correct myself. The Sydney Symphony Orchestra partners with a wine producer annually, and Brokenwood certainly has been part of that for a number of years. This year we got to the final point of tender and they decided that they would go with a Chinese-owned South Australian based wine producer. Fair enough. But if the tender process was written where those operators that are using New South Wales Government owned facilities where practicable supported New South Wales wines, we would not be in a position where patrons of the Sydney Symphony Orchestra, when having a glass of wine before they attend an event, are drinking a Chinese-owned South Australian based wine.

The CHAIR: Were you given any feedback?

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GEOFF KRIEGER: The only feedback was that the other operator had come in with a superior value of dollars paid in order to get on the list there or to take the position.

The CHAIR: We've been having a discussion in this Committee over some period of time about value and what value means. You're suggesting that in the example you've given value was equated explicitly with cost?

GEOFF KRIEGER: Yes, and sponsorship dollars paid. We don't believe that that is necessarily value for consumers or for New South Wales taxpayers.

The CHAIR: What would you prefer to see taken into account when considering value?

GEOFF KRIEGER: We'd love to see a whole lot of things taken into account like sustainability, food miles, value for New South Wales taxpayers in terms of supporting New South Wales owned and operated businesses—see our taxpayers' dollars going towards supporting New South Wales owned and operated businesses.

The CHAIR: That does lead me to another question that was raised by that example. When you're talking about what you and your association would like to see, are you talking about not only production based in New South Wales but Australian or New South Wales ownership?

GEOFF KRIEGER: Absolutely, yes.

MATTHEW JESSOP: Sorry, what do you mean by that?

The CHAIR: I think Mr Krieger mentioned that the South Australian successful bid was owned by a Chinese company. Is that correct?

GEOFF KRIEGER: Correct.

MATTHEW JESSOP: I think that's probably just an added frustration—that not only was it not a local producer, it's a non-Australian owned South Australian producer.

The CHAIR: Please excuse me, because I confess to not knowing a lot about the wine industry anywhere, including in New South Wales. What are we looking at in terms of foreign ownership as opposed to local ownership in the New South Wales industry?

MATTHEW JESSOP: Very small. We're overwhelmingly, in New South Wales, small- and medium-sized businesses. There is a huge amount of family-owned businesses, still, in this State. We have several very large producers in our inland region in the Riverina. But if you think of every other region you would drink wine from—the Hunter Valley, Mudgee, Orange, Murrumbateman—they're overwhelmingly small- to medium-sized businesses.

GEOFF KRIEGER: Family-owned operators.

MATTHEW JESSOP: They are, yes.

The CHAIR: In your submission you speak particularly to terms of reference paragraph (1) (e) about the evaluation criteria, weightings with regard to local content and value for money. Some of these things we've already touched upon. You also talk about environmental considerations. Could you talk us through what you mean by that and what your thinking is around that?

MATTHEW JESSOP: When it comes to emissions, as an industry I think 70 per cent of our emissions are scope 3, so outside the farm gate. That's just logistics, transport, moving wine around. Broadly speaking, as an industry, if we're going to lower our footprint, we need to do better with those food miles once the wine leaves the winery. When it comes to international wine, if you import a case of wine from, let's say, France—from the other side of the world—the emissions of a local thing is 10 per cent of a French case of wine. So by buying local wine, there is a massive saving on emissions. I've got the number here, I think, but it's relatively—I haven't got the CO2 number.

GEOFF KRIEGER: We can get that to you.

The CHAIR: That would be interesting. I'm sure my colleagues would be interested in that as well. You were also talking about New South Wales being a bit behind the game, so to speak, in terms of other jurisdictions and what happens there. We are, of course, interested in understanding how we compare to other jurisdictions. Could you talk us through the most relevant jurisdictions? It might not just be in Australia; there might be comparable—

MATTHEW JESSOP: We were talking about this prior. For a bit of context, South Australians overwhelmingly drink South Australian wine. But also, I think, there are more just South Australians in Adelaide

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who have grown up in Adelaide. I think 55 per cent of Sydneysiders were born overseas. I grew up in New Zealand and probably knew a bit more about New Zealand wine earlier in my life. So that will always exist. Sydney, historically, has never drunk a huge amount of New South Wales wine. It's hovered anywhere from 10 per cent to 20 per cent, where it sits on wine lists. Forgetting that for a second, we think the Government could take a bit of leadership here and put a bit of a marker down and say, "We will only buy New South Wales wine."

GEOFF KRIEGER: If you travel to Perth, you will only drink Western Australian wines because that's all they have on their wine lists. The same in South Australia. Victoria—even in Melbourne, they list twice as many Victorian wines on Melbourne wine lists as you will see here in Sydney. So there is a great opportunity for the Government to lead without costing taxpayers a cent.

MATTHEW JESSOP: Sorry, I have one more thing. As it goes with government institutions, there's a version of me in every State and we have this conversation. It doesn't come up for them, as the heads of their State associations, because apparently their government institutions do just use local producers when they partner with someone. For example, with the symphony orchestra, because Brokenwood obviously didn't get that here in New South Wales—in Melbourne they use TarraWarra, a local Victorian producer. In Adelaide they use Hentley Farm from the Barossa. In Perth they use Voyager from the Margaret River, and in Tasmania they use the local Iron House winery.

The CHAIR: Just so that I'm clear on this, what you're suggesting is general consumption of local wines in the other States is higher—

GEOFF KRIEGER: Correct.

The CHAIR: —and that's reflected in government institutions.

The CHAIR: That is reflected in government institutions, so there is no particular mandate or policy that is operating in those jurisdictions; it's just simply a reflection of consumption?

GEOFF KRIEGER: No, it's generally a reflection of desire by those governments to support their local, indigenous industries.

The CHAIR: I am just digging on this a little bit to see what could be helpful for us. When you say it's a reflection of the local desire, is that expressed anywhere in a policy document?

MATTHEW JESSOP: No, it's not. I guess that's the point I was trying to make before; it's never had to be because it's just naturally the Government at their venues and whatever it is. They support their local producers. No-one has ever raised or formalised an end-of-procurement policy.

GEOFF KRIEGER: I think a good example is the Victorian Government support of the Victorian wine industry association in terms of dollars.

MATTHEW JESSOP: Yes, the other States do receive significantly more funding for their wine industries. Even though Melbourne consumes significantly more local wine than Sydney does and their institutions, generally, use local producers as their partners—for example, next week is Drink Victorian month, where the Government will put several million dollars into campaigns just to get Melbourne drinking more Victorian wine. We'd love to see that as well.

The CHAIR: Economically, it seems to me that you are suggesting that because of the difference in market share of New South Wales wines in New South Wales, one of the additional benefits of including New South Wales wines in those venues and with those operators is exposure to the market. Is that right?

MATTHEW JESSOP: Yes, definitely.

The CHAIR: Have you done any modelling on the types of flow-on effects or benefits to your industry or the economy more broadly that you might be seeing?

MATTHEW JESSOP: We don't have any numbers. We do know that more exposure to New South Wales wines—the other side of that coin is, hopefully, tourism visits to our wine regions. We did see a bit of that during the COVID period, but there's been no formal modelling or anything done.

The CHAIR: Have there been particular growers or winemakers amongst your membership that have been better than others at securing access to government venues or has it been across the board?

GEOFF KRIEGER: It really is across the board, but I can probably speak on that. My company, Brokenwood Wines, is an overnight sensation after 54 years in business. We're owned by a dysfunctional family of 23 shareholders, all residing in New South Wales.

The CHAIR: You know that is on the transcript now?

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GEOFF KRIEGER: I do! I'm also speaking under privilege.

The CHAIR: Indeed.

GEOFF KRIEGER: We've worked really hard at making the best quality wine that we possibly can, and we've been very successful at that. There's a public company which owns Australia's unofficial database of collectable Australian wines. It's called the Langton's collection of collectable Australian wines. There is one New South Wales wine that has been at the very highest level, called "exceptional", for the past 25 years, and that is Brokenwood Graveyard Vineyard Shiraz, I am very proud to say. We have won countless awards at wine shows around the country and around the world. We're a very highly regarded winery, and we work very hard at that. I employ 80 staff in regional New South Wales and we're very proud of that as well. We produce outstanding, internationally acclaimed wines.

We find it very difficult to accept that New South Wales-owned or operated outlets in Sydney fail to support New South Wales wines. It can't be an issue with quality and it can't be an issue with price. I think we just need, as a government, to say that we're going to put a line in the sand and we're going to issue a policy that says, where practicable, the New South Wales Government will support New South Wales wines on New South Wales-operated wine lists. It's not a difficult thing to do. It's a very simple thing to do. It will be a great piece of PR for the New South Wales Government to be able to step out of this meeting and say that they were going to do it. It has no cost implications to the government budget at all.

The CHAIR: That was going to be my final question to you. While heavily implied, there weren't specific recommendations in your submission. Is there a single recommendation or would there be others? The single recommendation is for policy development that supports local producers. Is there anything adjacent to that, Mr Jessop, that you would recommend?

MATTHEW JESSOP: To use the exact wording that the ICC has in its documents, "Where practicable, the operator will maximise the use of local sources of supply where they compete both commercially and technically with non-local products." We would like to see that in all tender documents.

The Hon. ANTHONY D'ADAM: Is this the first time you have put forward that proposition to Government?

MATTHEW JESSOP: No. We started having this conversation as part of our election priorities before the last State election, and we've had this conversation with several current Ministers. We've never had any opposition or push back. Everyone thinks it makes sense. People don't understand why it doesn't already happen. Again, it would be a good news story in what are some challenging times at the moment. We've talked about it lots. I think no-one knows what the next step is.

GEOFF KRIEGER: I think the Government has just failed to act on this.

The Hon. DAMIEN TUDEHOPE: I cannot say I disagree with anything that you have said so far. Potentially there are other decisions of government. Mr Krieger, what's been the impact on your company of the decision by the Chinese Government to increase its supply of Australian-made wine? Have you got more access to the Chinese market now?

GEOFF KRIEGER: Yes. You're referring to the removal of the 212 per cent punitive tariffs on Australian wine?

The Hon. DAMIEN TUDEHOPE: Correct.

GEOFF KRIEGER: I've just had my national sales and export manager go to China as part of a New South Wales Government delegation. He has come back with orders for approximately \$15,000-worth of wine. China will reopen, but their economy is in not great shape. There have been other operators move in to take up the space that Australian producers had been enjoying up until the three years of punitive tariffs. China will come back, but it will be a slow burn. It's not going to be an immediate recovery of Australian wine exports to China. There's two billion litres of excess wine sitting in tank, barrel and bottle around Australia that was earmarked to go to China.

The Hon. DAMIEN TUDEHOPE: Did any other Australian wine producers do better?

GEOFF KRIEGER: Treasury, the world's largest single wine company, was in a position. I think it's been widely reported that it sold \$83 million-worth of wine to China in the past month.

The Hon. DAMIEN TUDEHOPE: Other States have trade commissioners, but New South Wales does not?

GEOFF KRIEGER: Correct.

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The Hon. DAMIEN TUDEHOPE: Does it impact on our ability to promote your product that we don't have a New South Wales trade commissioner?

GEOFF KRIEGER: I think most certainly. The more people that are specialists in getting trade moving is very positive.

The Hon. DAMIEN TUDEHOPE: A decision to remove the New South Wales trade commissioners to represent local industry in foreign jurisdictions impacts on your industry, does it not?

The CHAIR: Poor Barra.

MATTHEW JESSOP: The more staff we have overseas in markets where we sell wine is more helpful.

The Hon. DAMIEN TUDEHOPE: To the extent that there's a variety of things that impact your industry, access to markets is really something that is at the forefront of representation for your industry, and anything governments can do to increase your access to markets, whether it be in New South Wales, other States or overseas, would be welcomed by you?

GEOFF KRIEGER: Absolutely.

The Hon. DAMIEN TUDEHOPE: If decisions were made by other jurisdictions to reduce or to increase tariffs on Australian products by way of reprisals for decisions that were made in New South Wales, that would be disadvantageous. That follows, does it not?

GEOFF KRIEGER: Certainly.

The Hon. DAMIEN TUDEHOPE: In terms of the specific matter that you raise, generally, is it not the case that the New South Wales organisations which you referred to, like Venues NSW, that is a corporate entity that operates various sporting facilities in New South Wales—for example, the Sydney Cricket Ground, which sublets a catering contract, does it not?

MATTHEW JESSOP: Yes.

The Hon. DAMIEN TUDEHOPE: Who operates the catering contract for Venues NSW?

MATTHEW JESSOP: They're different. For example, for Allianz, at the moment, it's Merivale.

The Hon. DAMIEN TUDEHOPE: When you make a tender for supply, the contract that you have or would be seeking to enter into would be with Merivale, would it not?

MATTHEW JESSOP: Yes. Our suggestion is that, in those tender documents—

The Hon. DAMIEN TUDEHOPE: Is the submission you are making in terms of this inquiry that, when Venues NSW enters into an arrangement with Merivale, that has a provision within it that Merivale will source its product?

GEOFF KRIEGER: Correct.

The Hon. DAMIEN TUDEHOPE: So it's interfering, in a sense.

GEOFF KRIEGER: "Interfering" is probably not the word that we would use.

The Hon. DAMIEN TUDEHOPE: I'm sorry. I withdraw that. It is being involved in that contract with Merivale to say, "We would like you as an organisation to run our catering, but here is just one thing which is important." Does that apply—and you've made reference to this. Should they also be saying to Merivale, "Use New South Wales beef. Use New South Wales eggs. Use New South Wales everything else"?

GEOFF KRIEGER: Why not? I think it's very good for sustainability purposes and it's great for the New South Wales taxpayer.

The Hon. ANTHONY D'ADAM: I don't see a problem with that.

The Hon. DAMIEN TUDEHOPE: You don't see a problem?

MATTHEW JESSOP: I will say, though, that there does seem to be more awareness around food miles with produce than there does with wine. I think people seem to understand a bit quicker that they want their beef to come from down the road and not Suffolk.

The Hon. DAMIEN TUDEHOPE: But do they do that at the moment? Does Venues NSW make that decision or have any requirements relating to the purchasing policy of Merivale or the procurement policy of Merivale? It's their procurement policy which is in fact sourcing wines from other States.

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GEOFF KRIEGER: Correct. No is the answer to that. However, should it be? Yes.

The Hon. DAMIEN TUDEHOPE: You might not have an answer for this, but could you foresee that there may be some legal problems in relation to that issue?

MATTHEW JESSOP: We've had these conversations with certain people in government and they see absolutely no issue with it, even if it was more of a carrot approach rather than stick, and just local content targets.

The Hon. DAMIEN TUDEHOPE: And there are no constitutional problems that you would foresee? I don't want you to have to give a legal opinion on a constitutional issue.

GEOFF KRIEGER: I'm not going to give a legal opinion on constitutional law.

The CHAIR: Fair enough, Mr Krieger.

The Hon. DAMIEN TUDEHOPE: But what if we specified a particular State and another State objected to that? You have indicated in your evidence that other States don't have a procurement policy. They just do it.

GEOFF KRIEGER: What we have indicated is that the International Convention Centre states in its procurement policy—and it has obviously taken legal advice to say this—that it can do that.

The Hon. DAMIEN TUDEHOPE: May have done.

GEOFF KRIEGER: Or may have done. "Does" is the important part.

The Hon. DAMIEN TUDEHOPE: Correct. But other States just do it, rather than having it as part of a procurement policy?

GEOFF KRIEGER: To the best of our knowledge. Of course, we haven't taken legal advice or asked them about their legal advice.

The Hon. DAMIEN TUDEHOPE: I'm totally on side with everything that you're saying to the extent that my friends over here might suggest that using New South Wales beef and New South Wales eggs—I'm very happy with that. But there appears to be, potentially, some issues which surround that which would be open to challenge. That's why other States have imbued within themselves an acceptance that promoting New South Wales should be just part of our culture.

MATTHEW JESSOP: I think that's the frustration. It's part of the culture in South Australia and in Tasmania and Victoria and everyone just does it no matter where they are or what level of government they are in. To use another example, a producer and a member of ours was a keynote speaker last week at a Destination NSW event. As a thank you, they gave her a bottle of South Australian wine. That just does not happen in other States. Culturally, we don't have this embedded in us here in New South Wales. That's why we would like to see prompting and some framing in procurement documents. We don't think people are out there purposely doing the wrong thing. I don't think there are people across Destination NSW just trying to push South Australian wine. People just go and buy a bottle of wine or they cater something at a certain price point. We think some framing, some context and some prompting, even if it's a carrot to go that right direction, would make people—

The Hon. DAMIEN TUDEHOPE: In terms of the procurement policy adopted by New South Wales agencies, do they sometimes have sponsorship arrangements which they also engage in as part of—and I think Brokenwood is part of some sponsorship arrangements.

GEOFF KRIEGER: Many.

The Hon. DAMIEN TUDEHOPE: Indeed. Is a component of the tendering process not only potentially the cost point for the supply of the product but also the promotional aspect which they ask you to be involved in?

GEOFF KRIEGER: It works both ways. For instance, the ICC sponsors the NSW Wine Awards and makes its venue available for the judging of and promotion of New South Wales wines. That is a cost to the ICC, but they see it as part of their charter to promote the wine and produce of New South Wales. Certainly, individual operators as well as the industry are more than happy to carry their share of the burden of promotion and activity in order to make the good people of New South Wales aware of our produce. There's no question of that. We are simply saying that, in terms of procurement, it would be great if the New South Wales Government did something that costs taxpayers nothing but led the way in terms of being proud of the wines of this State by making them available as a gift at a guest speaking gig for Destination NSW.

The Hon. DAMIEN TUDEHOPE: The Sydney Symphony Orchestra is funded by the New South Wales Government but they are a separate legal entity, are they not?

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GEOFF KRIEGER: They are.

The Hon. DAMIEN TUDEHOPE: So when they make a decision to seek sponsorship or to provide at their events wine from South Australia, that's a separate legal identity?

MATTHEW JESSOP: Our view is that the government funding provided to many of these institutions is far more significant than the cents they are saving on some of these sponsorship opportunities.

The Hon. DAMIEN TUDEHOPE: I was going to come to that. A condition of the funding grants could create a circumstance whereby they specify that, in relation to catering facilities, they will use New South Wales?

GEOFF KRIEGER: Correct.

MATTHEW JESSOP: Exactly. In the case of the Sydney Symphony Orchestra, I think, their patron is the Governor of New South Wales and she is also our patron. She sits as patron of NSW Wine and then a patron of another institution where they use South Australian wine.

The Hon. ANTHONY D'ADAM: Is it possible on notice to provide us with a copy of the relevant section of the ICC procurement policy? I think that would be useful.

MATTHEW JESSOP: Yes.

The CHAIR: I know I have already asked you about the specific recommendation and you've suggested it's that policy area. But isn't it also true that what we've been talking about is, in consideration of whatever that policy might look like, that we do have to have that broader understanding about what value is and what value for money is? There is no point having a clause which says that we should where practicable if it's not at least partially married with an understanding that a broader consideration of what constitutes value is considered. Is that reasonable?

MATTHEW JESSOP: Is a consideration of value support for local State businesses? Does that feed into it?

The CHAIR: Yes, that's what I'm saying. If you just have that nudge, I think you might have called it, without some consideration that value needs to be considered beyond the bottom line price, then you might not get the outcome you're looking for.

The Hon. DAMIEN TUDEHOPE: Just in relation to that, I put to you that this definition of value for money should be looking at the total benefit to the community, and measuring and costing it in the most transparent way. It's not just about securing the lowest price or the highest quality.

MATTHEW JESSOP: Yes, and supporting local businesses.

The CHAIR: He's just quoting the procurement policy.

The Hon. DAMIEN TUDEHOPE: It's the existing policy.

MATTHEW JESSOP: On price, our view is there is no argument to be made that you cannot find the same quality at the same price points in New South Wales. You can.

The Hon. DAMIEN TUDEHOPE: You've outed a few organisations today. We've had the Sydney Symphony Orchestra and the Opera House.

GEOFF KRIEGER: We've got a heap of examples.

The Hon. DAMIEN TUDEHOPE: Are there any other ones you want to add while we're at it?

MATTHEW JESSOP: The Sydney Fringe Festival. Their major wine sponsor is Victorian producer Innocent Bystander.

The Hon. DAMIEN TUDEHOPE: Again, they're sponsored by the New South Wales Government?

MATTHEW JESSOP: Yes. Australian Fashion Week, sponsored by Wynns Coonawarra.

GEOFF KRIEGER: Held in Sydney.

The CHAIR: That's held in Sydney.

MATTHEW JESSOP: That's held in Sydney. Mardi Gras—Squealing Pig, New Zealand wine producer. The Sydney Opera House—I've already said three out of 36 wines are from New South Wales. Allianz Stadium—Totti's at the moment has zero New South Wales wines by the glass. Allianz Stadium—Bert's has one New South Wales wine by the glass. The Vivid launch in 2022 and 2023 had zero New South Wales wines

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available at the MCA launch event. The fiftieth anniversary event of New South Wales and Vietnam trade—zero New South Wales wines served.

The Hon. DAMIEN TUDEHOPE: I probably shouldn't have asked you to out them all!

MATTHEW JESSOP: The NSW Tourism Awards in 2022 had no New South Wales wine. After complaints from local producers, we helped them last year with finding some wine and they had three out of four wines from New South Wales—still not 100 per cent for the NSW Tourism Awards. Art Gallery of New South Wales—10 out of 30 wines from New South Wales, and it goes on and on.

The CHAIR: Thank you for that question, Mr Tudehope. If there are no further questions, we thank you very much for your submission and for making the time to appear before us today. It was very interesting and a bit of a learning curve, particularly for me, who doesn't know much about wine. I think you have taken a couple of things on notice, and it might also be that there are supplementary questions from the Committee. The secretariat will get in touch about those. You will have 21 days to respond. Thank you again for coming.

GEOFF KRIEGER: Thank you. Let's hope something positive comes out of it for New South Wales producers.

(The witnesses withdrew.)

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Ms THUY HO, Senior Consultant, Industry Capability Network, sworn and examined

Mr IAN HUDSON, Executive Director, Industry Capability Network, sworn and examined

The CHAIR: Thank you very much for joining us today. Before we begin questions, would you like to start by making a short opening statement?

IAN HUDSON: Yes, thanks. I might just introduce ICN to those people who are not aware of us already. The company is a not-for-profit company based in New South Wales. We've been going for about 40 years. It came together originally as the Industrial Supplies Office through a collaboration between what is now AI Group, Business NSW and the NSW Council of Trade Unions. We were the second ICN—ISO, in those days—to be set up in Australia. It started in Victoria first and then New South Wales followed quickly thereafter, both in the same year. Our role today is very much aligned with what we started as, but we have moved with the times a bit and we do things differently to how it was done back then.

Our role is to identify local suppliers that can participate in procurement opportunities. These days, to do that we have a tool called ICN gateway, recently named "Gateway by ICN". It's a nationally available tool. It's used by all of the ICNs within Australia and, if there were one, in New Zealand as well. It's a place where people can go and create their capability profile. They're telling us about themselves, a bit like a résumé. Once they've done that, they can receive email notifications about opportunities. Those opportunities come from our consultants meeting with buyers, finding out what their requirements are, and then we post those requirements onto Gateway. An email goes out and then any company that's interested in that work can put in an expression of interest, down to the individual work package level.

In New South Wales we've got a database of about 18,000 companies. Within that group, we can identify whether they're small, medium or large and we can identify if they're Indigenous or not. Then we have lots of information about what they offer; what they manufacture locally, if it's a manufactured item; obviously, where they're located, but, if they have several locations, where they are; and also any contacts that they wish to list, they can list as many contacts as they want. Then we get down to accreditation, so ISO 9001 and all of those others. They're also there so that people can identify if they have those. The reason we have that information is that when they put in an expression of interest, we provide the information they've provided in the expression of interest, which can be no more than their profile or could be responses to specific questions.

We combine that with information from their profile and we send that through to the buyer. Then the buyer is able to go through that summary information line by line and determine which of those companies it wants to take to the next step. That next step might be a tender or it could be a quote. The objective is, if people are looking for Indigenous businesses, they can find them. If they're looking for businesses that are very close to the project, because we do a lot of regional work, they can find them. It's good for regional development as well. That's about it; I think that's all I really need to say. If there are any questions, I'm happy to respond to any questions about what ICN does and how we do it. Our submission was really just responding to each of the items—very plainly, I'm afraid. I've looked at other people's submissions, which weren't quite as bland.

The CHAIR: I thought it was very helpful to have it set out in that way, Mr Hudson.

IAN HUDSON: Good, okay. If we ever do another one, we'll do it in that way. In our submission we've just tried to cover off our experience as we deal with a lot of government procurements—not directly, but through whoever is the contractor for that work. We also monitor tenders coming through so that, if there is an opportunity that we know particular businesses may not have been made aware of—because they don't look in government tenders, those types of work—then we'll bring that to their attention and let them know it's happening. We have four regional consultants: one in Newcastle, one in Wollongong, one in Wagga and one in Orange. We are about to appoint one in northern New South Wales as well. They cover the regions quite well and are part of the local business ecosystem, if I can call it that. They know a lot of the businesses. They know about the projects coming through and they also have connections with the local business networks and other networks that exist.

The CHAIR: I have quite a few questions, but I might first go to the ones which relate to evidence we've received from other witnesses this morning. In the very helpful table in your submission responding to term of reference (d), you suggest that there should be a certification for occupational health and safety management systems, and it should be valued in tender responses because it would lead to more workers being protected at work. Could you speak to that recommendation, and what, perhaps, was the driver behind including that?

IAN HUDSON: It's a bit like all of the requirements that might come through in a tender—if they're being asked for, they're there for a purpose—but when it comes to the evaluation of value for money they are not taken into account. If there is a requirement for occupational health and safety, then it should be included in the calculation of the weighting or the score for that particular tender.

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The CHAIR: I saw that you were here through the evidence of the wine industry. Obviously they are local suppliers. I wanted to see, just out of interest, if you had any reflections on the evidence you just heard?

IAN HUDSON: My view is a little bit different to theirs because we see the other ICNs in the other States and we know how they operate. The Victorian model is a bit different to ours. They have the Local Jobs First policy. Even though the word "Victoria" may not appear very many times throughout that, it is, as I say in here, all about ensuring Victorians get preference in local procurements. This is a good thing in itself, except that, the same as when we had tariffs, they lead to a little bit of fat getting into businesses. Australia is not big enough for us to be sustained in many industries just on local volumes. We need to be fit for export.

Therefore, if we add fat—and that is another point; we add a lot of overhead through good things—it does make us not competitive. It is best to have a good, competitive marketplace—and this is my view—and then we have better businesses as a result. They're always trying to reduce costs and do a better job. The overhead things I spoke about might be environmental requirements and worker health and safety. They're very important, but if somebody is comparing something from New South Wales versus somewhere overseas in a less developed economy, then they'll find if they delve into it that the other economy is not requiring the same standard of worker health and safety and environmental protection. You can't compare apples with apples as they are quite different, but that doesn't generally get taken into account.

I know that in Europe they were considering an extra duty, or something, on imports that came from countries that didn't embrace the same environmental requirements. There almost needs to be an adjustment factor applied based on the conditions that exist in the other countries so that people are comparing like items and so local industry is not being disadvantaged by having better protection of the environment and its people. We all want a high standard of living, and part of that is being able to come home from work in a safe manner.

The CHAIR: That adjustment factor that you're talking about, does that also apply—I noticed that the final comment in your submission is about modern slavery and the danger of procuring products that are made through modern slavery-like conditions. Are you suggesting that kind of adjustment be considered? How else are you thinking this might be addressed?

IAN HUDSON: It would be a subjective assessment, unfortunately, but it can be done and must be done, I believe, to make things equal. If you buy from an Australian company—I'm not saying there is no chance—the chance is less for modern slavery being an issue than if you're buying from overseas and from certain regions of the world, of course.

The CHAIR: That exact point has been held up by the report from the NSW Anti-slavery Commissioner. Talking about ICN and what it does, you talk about a supply chain mapping process that you note supports buyers and decision-makers regarding major projects and foreign investments. We've tangentially touched on supply chains this morning as well. Could you talk me through what that process is? You also note that tools in other jurisdictions are helpful with this aspect.

IAN HUDSON: The supply chain map is looking at the procurement well before it actually commences. It is more desk research but does involve a lot of sending email from the desk and contacting companies et cetera. We have a database, as I said, of about 18,000 New South Wales companies. If we know that a major project is coming up and it requires certain equipment or services, then we can interrogate our database, identify the companies that can provide all of those things and then put together a report that says "this is how many companies do this and this is how many companies do that". If there are no companies that can do something that's required, we can go outside our own database and look for other sources. If we do that, we will perhaps add some more to the numbers. If there are none, then we can suggest potential suppliers that don't currently make or supply what is required but do something in an adjacent industry. Oil and gas into hydrogen is a good example where they are used to a lot of the requirements of that industry that can be brought across into hydrogen. It is not a big step to be moved across and, therefore, they have the potential to be a supplier.

The CHAIR: With that mapping, the information and the report that you deliver out of that, is that requested by agencies that are putting out a tender? Where does your part fit in the process? Who requests that information and where does it go?

IAN HUDSON: We do it for agencies.

The CHAIR: Do they request it of you, or do you do it when you see a tender?

IAN HUDSON: Both. We have responded to a tender once. We haven't done a lot of them—we've probably done four in total at this stage. We've done one from a tender and two where we had a relationship with the agency and knew they were heading down a certain path for a procurement, and so we provided this information to them as a part of our contract.

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The CHAIR: I wanted to ask a little bit about some of the specific aspects of the procurement process that you refer to in your submission. One of them was panels as a barrier to engagement. I think the words used were that panels create roadblocks. Could you explain that a bit?

IAN HUDSON: They can do. It's unintended, of course. Panels are generally a good idea, but from what I've observed—and I put a case in there about a signage issue—they do need to be monitored to make sure that they're refreshed. In that particular panel, the number of suppliers had diminished because some of the businesses had stopped supplying for one reason or another. There were fewer businesses supplying, but there was no opening for new suppliers to come in and replace those ones that had exited. As a result, there was a capable supplier that could have supplied into these projects but was unable to because they were not on the panel.

The CHAIR: You note that the organisation has been around, in one form or another, for about 40 years. That gives quite a bit of sight across changes. I wondered if you had any views about changes that have taken place across procurement and anything that you think is valuable from the past that we might look to.

IAN HUDSON: I haven't been with the organisation for 40 years, I am pleased to say. They have been with the organisation for about 14 years and me for about 13 years. My first role was in Aboriginal business. It was a specific role looking at trying to get more procurement from Aboriginal businesses. So what has changed is—well, it's like a continuum with all new procurement things, in that when I started there were requirements for companies to engage Aboriginal businesses, as an example, and certain agencies had a percentage that needed to be met and some didn't.

So then there was a general requirement for all agencies to have Aboriginal requirements in their policies. Then people were submitting tenders saying, "We'll do this, this and this", and it was great; they were going to help Aboriginal businesses. But those requirements or those commitments didn't make it from the tender into the contract, and so, "Whoops, that didn't work. We'll try something else." So then they came into the contract. Now they are in the contract, and what people are doing—Transport, in particular, is very good. They have gone beyond just putting it in the contract and making it a requirement or a demand.

The Regional Rail project in Dubbo is a great example, where they've had a group coming together on a regular basis called Jobs, Skills and Industry Participation, JSIP, from different stakeholders in the region, and had them working collectively on how they can get more local businesses involved in that project. Sometimes it's skills, sometimes it's just knowing about them, sometimes it's somebody actually pulling them in and making sure that company is up to speed with what needs to be done. So there is a continuum of all these things and, as I said, Transport is good because it is a bit more advanced than other agencies, but we can see the other agencies moving forward—the ones we are involved with.

THUY HO: And previously we had a local jobs policy as well within New South Wales, where there was a 20 per cent weighting for New South Wales businesses. That got abolished a number of years ago. It didn't work very well at all in terms of the companies that were put in these local jobs were essentially just put in them because of an address that the companies, in their tenders, had in New South Wales. They weren't looking at their capabilities. So when that was abolished and it was going to market to see who has the capabilities, who has the capacity to do the work, it actually did open things up a little bit more for local businesses, because they can prove that they have the ability to tender properly for the work and do the work as well.

The CHAIR: One of the things you raise in your commentary is weightings. You note that weightings in tender documents can be really broad, so it could be 60 per cent price, 40 per cent non-price. How does this impact on a local supplier's ability to tender, particularly SMEs?

IAN HUDSON: Imagine yourself sitting down trying to write a tender that is going to meet the requirements of the buyer. If they say, "We are going to give 60 per cent weighting to non-price matters" they probably would say also that, "These are the elements that are important to us." But it's very hard to say, "Well, I can make this change to my offering, but will it be valued when I put that into my price or is it going to cause me to lose the work?" So I believe it should be open and transparent, rather than only the people behind the tender wall knowing what the actual requirements will be and how each of the elements will be weighted.

The CHAIR: Obviously, you deal with a lot of local suppliers, and you've covered off on some of the aspects of the terms of reference. If you had to sum up the key barriers for local suppliers in New South Wales accessing government procurement spend, what would they be?

IAN HUDSON: There is a downside to not having any requirements for local content and that is that the people making the decisions feel like they're not empowered at all to give any preference to New South Wales businesses. So you have two ends of the spectrum. One is having rules—which, it came to mind while the wine people were talking that it might be unconstitutional. But I'm not a lawyer. I do suggest you get a lawyer to clarify

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that, because there is something about trade across borders in the Constitution, and I feel that's being violated. Where was I?

The CHAIR: I was asking about barriers.

IAN HUDSON: Okay. So that's no rules at all, where you end up with the people evaluating the tenders feeling totally unempowered to give a sensible decision of buying locally—which might even be just fewer carbon miles or whatever you want to call it—through to having strict rules and creating a protectionist environment. The tendering system is very open, so anybody can submit a tender in response to an RFT, which is fine, except it's wasting a lot of especially small- and medium-sized businesses' time where they don't have any hope of getting that work. Here they are spending probably days and distracting themselves from their business, when they really didn't have a chance of being able to get that work. So being able to spell that out up-front in the tender, so that people can self-select with the criteria, for example, would make that process easier. As I said in my submission, once they have tried once or twice, they give up and throw their hands up, because they say, "Well, we put all this work in; we didn't get anything. We're not going to worry anymore."

The other barriers would be—I won't get too much into specifics, but a particular large piece of equipment that's used by all State governments, if it's being procured in Victoria, there is a preference for Victoria. Maybe I said it in here. If it's being procured in Queensland, there is a preference for Queensland. But in New South Wales, there is no preference, so the New South Wales producers are competing with Victorian and Queensland companies. But if they want to sell into Victoria or Queensland, they are at a disadvantage. They want to get scale, but they are being encouraged to have a manufacturing facility in New South Wales—not so much—and also in Victoria and Queensland. All it does is split the volume across several manufacturing plants, and that's just not good for anybody. And if you want to be globally competitive, it's important to be consistent and have product going through your line day in, day out, so you can get good at it, know what the future holds, order accordingly et cetera.

That brings me to another barrier and that is that the procurements are often quite lumpy. I see this has been addressed to a certain extent with the latest round of buses. Government procurement typically says, "We want it, and we want it by a certain date, and we want it all." If there has been any delay in preparation of the RFT, then the end date doesn't change; it's coming off the time that the tenderer has to respond. As I've said in the submission, if they know early enough, they can plan with development of skills, development of equipment, investment in new equipment et cetera. And then, if that procurement is a consistent, long-term number rather than, "We want them all next week", it's a lot better to run a manufacturing plant with steady ongoing work than trying to make 100 next week and then none for the next six weeks or years.

The CHAIR: So, if planned in a particular way, there is the capacity for government procurement spend to act as a stabiliser for the market to allow the planning and development of particular organisations or industries?

IAN HUDSON: Definitely. It would help to stabilise it. But there's a lot of things that are only procured by governments—well, mostly procured by governments—and I wouldn't like to be on the end of that chain. It's very jerky.

THUY HO: Another barrier that has been conveyed to us is that specifications in government tenders are quite outdated. Some of the goods that go into certain buildings or projects are not with the times, yet they keep being specified. The manufacturers that are competing for these tenders don't make these products anymore. They're spec'ed out of these tenders because of that. So it's an endless loop for them. They can't get in to tender. They go and speak to the architects, and the architects say, "This is what's been specified; we can't change that. It's a long process to change it", so they can't tender for it. They talk to the architects, and it's just an endless loop. They have asked us to speak to the relevant government departments to see if they can get it respecified, and it's in the too-hard basket.

The CHAIR: I think there is some work being done, both here and in Victoria, about some of the construction specs, particularly environmental standards.

THUY HO: Yes.

The Hon. DAMIEN TUDEHOPE: Thanks for coming today. The definition of local content that you have adopted is defined as Australia and New Zealand. That would, of course, mitigate against what the wine industry was advocating to us, as you heard before. I think you made the observation that it may be unconstitutional—not that you're representing yourself as a constitutional lawyer—if interstate trade was not completely free, which seems to be the definition adopted by the Australian Constitution. A proposal to prioritise local content in procurement tendering, that preference be given to New South Wales organisations—would you see that as a problem?

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IAN HUDSON: Yes and no. I would see it as a problem to the extent that it creates protectionism. I would not see it as a problem in that it empowers the decision-makers to actually give some preference to local content.

The Hon. DAMIEN TUDEHOPE: Some of the policies which you identified in your submission that did seem to work well—you identified the Aboriginal Procurement Policy. You think that, as adopted by the NSW Procurement Board, works well?

IAN HUDSON: Yes, I believe so. It's been revised several times, so it's gradually been improved. It works well.

The Hon. DAMIEN TUDEHOPE: In terms of a model, if you wanted to prioritise a particular outcome, is that a model you would potentially embrace? Say we wanted to include some other social outcome, would that be, potentially, a model that could be adopted?

IAN HUDSON: It's not perfect. It allows what's referred to as "black cladding", where a company will do a JV with some Aboriginal people to create another business which is essentially the original business. Also the social benefit of providing orders to an Aboriginal business is going to a business owner, so it's somebody who's already fairly successful in being able to gain finance, pay bills and that sort of thing. It's not helping—

The Hon. DAMIEN TUDEHOPE: It doesn't help someone get into the—

IAN HUDSON: Yes, and it's not getting down to the Aboriginal people who are suffering from all sorts of issues, and one of those is low income. It's not going to help them unless, as I've seen in some really good cases, the business also has a policy of carving off a certain proportion of its income or profit to the benefit of Aboriginal communities.

The Hon. DAMIEN TUDEHOPE: One of the things that the Government has tried to do through Buy NSW is do what you do, which is to try to marry agencies with suppliers so that the agencies have a broad spectrum of potential suppliers that they can contact. Your organisation in many respects is a much better version of Buy NSW in that you provide an enhanced, bird's-eye view of what the business actually can offer more than what suppliers can offer through Buy NSW. Is it your view that one of the problems of Buy NSW is that it doesn't really capture enough data about organisations to properly represent their capability?

IAN HUDSON: I wouldn't say they don't capture enough, but they could work collaboratively with us and we could share one database rather than having two places where people need to submit their details in order to be found and used.

The Hon. DAMIEN TUDEHOPE: Do you share your database with Buy NSW?

IAN HUDSON: No.

The Hon. DAMIEN TUDEHOPE: Would you?

IAN HUDSON: We'd work collaboratively with them. One of the beauties of our data is it's not perfect, whereas government needs everything to be perfect. But it's fit for purpose.

The Hon. DAMIEN TUDEHOPE: We have also heard that there are significant problems with people who are seeking to tender and there's not enough information available to assist people who want to get into the business of contracting with the Government. Some of the things that have been done are—your organisation provides assistance to organisations who may, for the first time, want to contract with government. They can approach you, and you would assist them through a potential exposure to the tendering process and the tendering opportunities.

IAN HUDSON: We would give them some high-level advice only, but in this coming year we'll be putting on another person to provide more detailed assistance.

The Hon. DAMIEN TUDEHOPE: The Small Business Commissioner, for example, does provide tutorial assistance about how to complete a tender. Have you reviewed that material?

IAN HUDSON: Yes, and we would refer people to the Small Business Commissioner, Business Connect and—

The Hon. DAMIEN TUDEHOPE: Business Connect also does and I think the Service NSW concierge service does a similar sort of assistance for businesses who want—are there observations you'd make in relation to how that can be improved?

IAN HUDSON: You can do tender training and feel like you understand things. If you've got a good trainer, it's really enlightening. But it's nothing compared to when you actually sit down with a tender. You print

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it off and then you start wading through the pages going, "What are they actually after?" That is always at the back; I believe that it should always be at the front. Then you try to understand the words et cetera. The big thing would be—people in those organisations that you mention provide a bit better than general advice, but what they really need is somebody to sit down with them for their first tender, maybe their second, so they get hands-on experience in "do this; don't do that", rather than something that's given in a three-hour free session.

THUY HO: A lot of the time it's the education process that we provide to these small businesses. They need someone to give them a bit of a bird's-eye view of this is how you work with government and this is typically what you need to do to prepare yourself. They don't feel they get that sometimes with going to an organisation that's just going to help them fill out the tender documents. They want that little bit of a helping hand to get them to understand "This is what the whole process is going to look like. This is what you'll be required to do and how long it might take." For them it's just that little bit of a helping hand to give them the overall process that they need some assurance with.

The Hon. DAMIEN TUDEHOPE: There's two other things I'd like you to comment on. One is that there is a general perception that people who are unsuccessful—and I think you made this observation, Ms Ho—potentially don't understand the tender, but they don't get much feedback on why they're not successful. One of the worst things in relation to spending a lot of time doing a tender is being unsuccessful and not knowing why. Do you have any observations on how we could improve that process?

THUY HO: One of the results of that process is that people get disheartened and then they say, "I'll do it once. I won't do it again." Then you lose that for the forthcoming tenders that potentially come out. We always encourage our buyers that we work with to give some sort of feedback—some constructive feedback, if possible—just so that they can help educate the suppliers on what they're missing or what they can do to improve themselves for the next time. We don't always get that feedback because of timing issues or the confidential nature of what the feedback is, and that's something that we are always working on—to get that feedback to the suppliers, because that helps them for the next step. That's on our to-do list. We have a project called project "Blackhole", where we are trying to improve that process to get people to give that feedback loop that we want to help the suppliers and buyers with, but it's an ongoing process that I don't think anyone can perfect until you get that feedback.

The Hon. DAMIEN TUDEHOPE: I think that encapsulates a bit, but the second component, potentially, is the concept of value for money. The agency seeking to procure a particular service often is identified—and wrongly identified—as what is the best price that you can do while satisfying the various criteria contained in the tender document. Is there more work to be done with government agencies in terms of education around tendering and understanding how you get to a proper notion of a successful tender? How do you communicate that to the sellers? There is a training component for the buyers as well as the sellers.

IAN HUDSON: We can all do with more training, I'm sure.

The Hon. DAMIEN TUDEHOPE: But how do you dispel the notion that value for money is not just the dollar sign at the bottom of the submission?

IAN HUDSON: I don't know if you've seen Christopher Day's submission yet.

The Hon. DAMIEN TUDEHOPE: No, I have not.

IAN HUDSON: I like the concept. I haven't read it in detail and tried to pick it to pieces, but taking into account value for money by having a formula for being able to put in the components of other things that are not monetary to evaluate a total price or a total score is probably the way to go.

The Hon. DAMIEN TUDEHOPE: Is that not the way NSW Procurement already does or should do loadings for various things in relation to contract evaluation?

IAN HUDSON: It's beyond what they do currently. Taking into account the economic benefit to the State or the country is not currently in the equation.

The Hon. DAMIEN TUDEHOPE: I want to take you to a different topic, and that is the issue relating to modern manufacturing or advanced manufacturing. Do you have a view in relation to the work which was being done by the manufacturing commission and whether that was something which was beneficial to improving opportunities for buyers in New South Wales?

IAN HUDSON: I think there is a good opportunity to have somebody within government who is getting out and understanding manufacturing by being out there, boots on the ground, and understanding—similar to this—what are the key issues that are preventing people from moving forward in manufacturing. We have to bring manufacturing back; I think everybody realises this now. So it's worth putting some resources in to help.

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The Hon. DAMIEN TUDEHOPE: The Federal Government has just created a role of a modern manufacturing commissioner, whereas the New South Wales Government has abolished the role.

IAN HUDSON: Is that so?

The Hon. DAMIEN TUDEHOPE: In term of new opportunities or identifying the complexity of advanced manufacturing, a modern manufacturing commissioner would have an important role in understanding that process properly.

The CHAIR: We now have a Minister.

The Hon. DAMIEN TUDEHOPE: Do you understand? Lots of individual industries, of course, have their own complexity, and having a centralised process for making sure that potential buyers in individual industries understood those complexities is something the Government could improve.

IAN HUDSON: Yes, and they can do that either by themselves or through us, because we already have those connections.

The Hon. DAMIEN TUDEHOPE: Or through a modern manufacturing commissioner.

IAN HUDSON: Indeed—any way they'd like to.

The Hon. DAMIEN TUDEHOPE: Do you identify any expertise within the Government to support the growth of advanced manufacturing for your members?

IAN HUDSON: We have a Minister for domestic manufacturing.

The Hon. DAMIEN TUDEHOPE: Expertise.

IAN HUDSON: There are programs in specific areas, like clean energy, that are supporting people who want to get into the manufacturing of materials and equipment for clean energy. There's development. With the Tangara replacement, for example, there is keen interest to better understand what capability we have and what can be done to ensure that there are good outcomes for the State from manufacturing those locally.

The CHAIR: I have a couple of follow-up questions. We have heard a couple of times over the past few days about the different services or the different information that we currently do have available—which is good—through the Small Business Commissioner and Business Connect, but it seems to me that we have heard from multiple organisations in evidence that there still seems to be a gap that is not filled. I am just summarising and checking that I have understood. It seems to me that personal, one-on-one mentoring is more effective than the types of services that you consume a bit more passively. Is that a reasonable summary of what you were saying?

IAN HUDSON: I think I would agree with that. I certainly saw it in the Aboriginal space. You could do a business plan for them, but then the second stage of helping them with implementing of their business plan was really important—just somebody to bounce things off and talk to.

The CHAIR: To be clear, the role that ICN plays is not only in the pre-tender stage; you can also provide advice on the implementation stage.

IAN HUDSON: Yes. I might have conflated a couple of things there. We were doing some work for Indigenous Business Australia, and that involved providing mentoring.

The CHAIR: That is an additional service.

IAN HUDSON: Correct.

The CHAIR: Good to know. In your introduction you mentioned the genesis of ICN and it being multi-stakeholder. What's the structure now? How do you fund yourselves?

IAN HUDSON: We are funded by the New South Wales Government through Investment NSW. That's our funding, and our structure is still pretty much the same as it was.

The CHAIR: Multi-stakeholder input.

IAN HUDSON: Yes. Multi-stakeholder—on our board.

The Hon. DAMIEN TUDEHOPE: That is continuing funding, is it? The funding is continuing in the last budget.

IAN HUDSON: Yes, we are expecting it to. It hasn't been signed yet, but it will be by Friday, fingers crossed.

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The Hon. DAMIEN TUDEHOPE: One observation you made and which you were asked questions about by the Chair was in relation to occupational health and safety management systems to be included as part of the tendering process. But you then go on to say:

Being mandatory would eliminate many SMEs, but valuing it in tender assessment would provide an extra incentive ...

Potentially, one solution to that would be that you would not mandate it in relation to contracts below a particular amount, but you would mandate it for contracts above a particular amount.

IAN HUDSON: That's how things would generally work but, in reality, everybody needs to look after their staff.

The CHAIR: The law does not apply to one group and not another.

The Hon. DAMIEN TUDEHOPE: If there was a specific obligation as part of a tendering process to have a registrar that provides certificates showing that you have complied with various obligations and that process was mandated, would that add an extra layer of red tape to a tendering process?

IAN HUDSON: It would, but it needs to be valued. If it's valued, then you're levelling that playing field

The Hon. BOB NANVA: Your submission makes reference to VMC, the Victorian Government's tool. In New South we have a highly devolved procurement system. Do you think it could benefit from some centralisation of systems that are focused on engaging with the market a little bit more, and suppliers and buyers a little bit more, with a view to collecting, analysing and understanding data and trends?

IAN HUDSON: There is reporting, as I understand it, within New South Wales government already on these things. I haven't been privy to it. But it's difficult to get this information as you go down the layers within the supply chain. But if it's attached to the invoice, then it's a way of getting that information. The ideal world would have something like VMC, where companies do put in their data about the social procurement activities and whatever else they're doing, and then that's all accumulated in one spot through the system and reporting on it makes it happen, to an extent.

The CHAIR: Thank you both very much for appearing today and for your submission as well. The secretariat will contact you in relation to any questions taken on notice. I'm not sure if you took any on notice. If there are supplementary questions, you have 21 days to respond to those. Thank you, again.

(The witnesses withdrew.)

(Luncheon adjournment)

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Mr DARIO VALENZA, Member, Advanced Manufacturing Growth Centre, and Founder, Carbonix, sworn and examined

Mr ALAN LIPMAN, Member, Advanced Manufacturing Growth Centre, and Chief Executive Officer, Romar Engineering, affirmed and examined

Ms KRISTI RIORDAN, Member, Advanced Manufacturing Growth Centre, and Co-Founder and Chief Executive Officer, Harvest B, affirmed and examined

Dr JENS GOENNEMANN, Managing Director, Advanced Manufacturing Growth Centre, affirmed and examined

Mr BRIAN CRAIGHEAD, Member, Advanced Manufacturing Growth Centre, and Chief Executive Officer, Energy Renaissance, affirmed and examined

Mr PETER CULL, Member, Advanced Manufacturing Growth Centre, and Director, ICT International, affirmed and examined

The CHAIR: Welcome to the hearing today. Thank you all for making the time to give evidence. I note that this is a large panel, representing different businesses that are members of the Advanced Manufacturing Growth Centre. We hope to get a variety of your answers and experiences today. Would any of you like to make a short opening statement? Perhaps, Mr Goennemann, you might be the appropriate person to begin with.

JENS GOENNEMANN: Let's see about this. I'll keep it to one page, Chair. Thank you for having us, to the entire Committee. The Advanced Manufacturing Growth Centre is an industry-led, not-for-profit organisation that believes that Australia can transform from being a lucky country to a smart country through the manufacture of complex things. I note that we are, at the current time, number 93 in the world of making complex things, so there is a lot of improvement possible. However, we have a number of rather outstanding manufacturers present here today. For the past eight years, we have the aim to see us be entrusted by Federal, State and Territory governments to increase manufacturing complexity and capability, noting that manufacturing is precisely that—a capability not a sector. I think this is a very deeply wide misunderstanding in Australia and a root cause of manufacturing missed success.

The five manufacturers joining me today represent a broad range of sub-industries. They have developed products and services that address everything from managing the way we use water, making the food we eat and assisting with land management monitoring, to how we power our society and the medical devices and defence systems we need to sustain and protect our lives. AMGC only works with promising companies such as these to assist in taking their competitive ideas from concept to commercial reality and, in doing so, AMGC has amassed a substantive understanding of the barriers and opportunities to grow our country's capability, with, unfortunately, government procurement being one identified barrier.

We see that government procurement does not work in full support of our most promising and capable manufacturers—for example, during the COVID-19 pandemic, the call-out from our New South Wales Government to our local State manufacturers to "tell us what you can do and we will be your biggest customer", to only have billions of dollars spent offshore. The decision to spend offshore was not made because capable New South Wales manufacturers couldn't do it but because the people making the procurement decisions didn't know where to look. In fact, to the day, New South Wales doesn't even know how many manufacturers reside here because government relies on wrong data.

During the pandemic, AMGC proved it was possible and enlisted New South Wales manufacturers to make, which is another word for manufacturing, invasive ventilators—not to talk about it—hand sanitisers, protective equipment, emergency hospital beds and much more. Today, several of those manufacturers now have a diversified business supplying into global supply chains, like Jehbco Silicones in Brookvale—a plumbing supplier now part of the medical supply chain. While Jehbco's success is great, it demonstrates an opportunity lost for manufacture growth through procurement.

Government procurement is not just a means to an end but a means to a beginning for manufacturers, following on from hard work to commercialise, which is what we aim to see in place. Early procurement wins can be transformative for local manufacturers because, more than just income, the endorsement that comes with having the Government as a customer can be the difference between landing that larger international customer or securing the capital you need from an institution lender. More broadly, ongoing long-term procurement agreements give capable manufacturers the confidence to reinvest into their business, increase R&D activities, take on more staff or expand and diversify their capabilities because of the certainty of customer orders. As a State that represents

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almost one-third of the nation's manufacturing output, it is unfathomable that government procurement isn't better leveraged to support those manufacturers to scale and grow who are capable to do so.

The CHAIR: If no-one else has an opening statement, I might ask, for the benefit of the Committee, if you could give a very brief summary of the organisation that you're representing so it allows us to direct our questions more effectively. Perhaps we will start with you, Mr Valenza.

DARIO VALENZA: Carbonix is a manufacturer and operator of remotely piloted aircraft systems, which is a fancy way of saying "drones". We cover long distances and take high-resolution data. Our applications are things like linear infrastructure, land management, and inspecting roads, powerlines and pipelines. A short way to think about it is we replace helicopters—lower cost, lower environmental footprint, and higher quality data more frequently and cheaper.

The CHAIR: You're based where?

DARIO VALENZA: In Artarmon, Sydney.

ALAN LIPMAN: Romar Engineering is a contract manufacturer based in Western Sydney. We've been in business for more than 50 years. We manufacture everything from simple rubber gaskets for pool pumps up to rocket valves that we supply to space companies in Australia. All of this technology and infrastructure has been designed and built in Australia. We're a small to medium manufacturer with around 60 employees. Thank you.

KRISTI RIORDAN: Harvest B is a modern protein company. We have been referred to by a Federal Minister as someone who turns New South Wales wheat into meat. We started off by utilising these local crops and converting them into textures that are similar to the meats that you would eat in your everyday meals. What we've found is that because we're able to offer these more affordably than animal protein and the texture creation that we have is so strong, we're actually able to combine them with animal proteins as well. In doing so, we can have a seamless product for people who love meat, but it's more sustainable and affordable—up to 20 to 30 per cent savings for local manufacturers here. It is also healthier by reducing saturated fats by 50 per cent.

The CHAIR: Where are you based, sorry?

KRISTI RIORDAN: Our manufacturing facility is in Penrith and our headquarters in Surry Hills.

BRIAN CRAIGHEAD: Energy Renaissance is Australia's battery manufacturer. We manufacture lithium-ion batteries for commercial industrial use. They're explicitly designed for Australian conditions—tough, hot climate, cybersecure. We work with CSIRO and all the intellectual property is Australian. Our mission, really, is to reverse the tide. Rather than have billions of dollars go to importing these critical energy infrastructure products, make them here with Australian products, Australian consumables and reverse the tide—start exporting them. I'm based in Sydney. The factory is based 20 minutes to the west of Newcastle, in Tomago in the Hunter Valley.

The CHAIR: Dr Cull?

PETER CULL: Yes, I gave out a piece of paper. Have you all got it? That tells you the story.

The CHAIR: We'll make sure the Committee gets that.

PETER CULL: We research, design and manufacture instrumentation for measuring the soil, plant and atmosphere. It's used in agriculture, forestry and environmental research and management. We export to 50-plus countries. We've been in business 42 years. We spend about 500 grand a year on R&D. We have about 20 employees, from nine nationalities, I might add. There are about 14,000 similar businesses in size in New South Wales, but we do advanced manufacture. We develop all the IP. We develop the instrumentation and we simply sell it globally. It's all about measuring tree water use and tree water potential, which, in the modern age of climate change, is well sought after. This is all from regional New South Wales. All you need is high-speed internet, FedEx and an air service. We have all of those courtesy of Tony Windsor, so we're good to go. We do everything for the whole world from Armidale.

The CHAIR: That will be really helpful for us as we ask you questions. I ask a general question to all of you. We're here talking about government procurement. What are your experiences? Do you currently engage with the New South Wales Government through contracts? Have you had experience in applying for tenders? Could you tell us a bit about that experience at this stage? Dr Goennemann, do you have a general point?

JENS GOENNEMANN: It's more for the manufacturers to share their experience because they would procure, not AMGC.

The CHAIR: Okay. Who would like to go first?

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DARIO VALENZA: We've been active since about 2012. We started going out and operating commercially around 2015. One of our early engagements was with Fujitsu, who was doing a trial for National Parks, looking for invasive species. It started out with little multi-rotors. They were happy with the data but they didn't have the range, so they brought in our aircraft to cover a larger area. We went through that trial, we delivered the data and, basically, nothing happened after that. We've had a few false starts like that. We applied for the Physical Sciences Fund in 2021 and we are one of the first cohort who received it. That really helped us to continue developing our product towards a commercial reality. We engaged with the Office of the Chief Scientist and Engineer as part of that Physical Sciences Fund. They were very active in bringing us in and putting us in front of various government departments. We looked at everything from counting brumbies to looking at bushfire prevention and land surveys.

We found the difficulty was, once we were in front of them and we put our proposition before them, two things: It was very difficult to find the actual buyer, the decision-maker, and it was difficult to communicate that we're trying to do something differently to what they're used to. Currently the typical example is of using a helicopter. That's a well-proven, well-trodden path. They'll have flight profiles and instruments that they use and data that they're ready to collect. They sort of want a way for a like for like, and what we do is not the same. We do it differently. We get a better result but it's a different process. We generally find that unless we can get across that we can do the same job in a different way but better, there's a reluctance to actually adopt.

More recently we have engaged with Transport for NSW. We've just concluded a successful trial doing road monitoring for them. Again, because they were prepared to understand and to go through the process of doing the trials and proving what we can do, I think we got to a good place. We proved that it's a viable option. Now the question is what happens next. A lot of these programs tend to be a digital innovation initiative or something that's a bit speculative. Again, the Office of the Chief Scientist and Engineer supports that. There are programs that allow this new technology to be used, but the transition from that to business as usual is still a bit of a mystery to us.

The CHAIR: To summarise, you have had opportunities to work with government, but that's more stemmed from one-off schemes or programs rather than a general tender core?

DARIO VALENZA: Correct. There seems to be a disconnect between that initial proof of concept and then working that into the business-as-usual site.

ALAN LIPMAN: We're currently not engaged with New South Wales in any purchasing arrangements at all. In my tenure at the company, in the last 7½ years, we haven't had any involvement with New South Wales purchasing. I became aware earlier in the year that Transport for NSW had let a contract for the supply and install of what they call "gap fillers" on the train stations around Sydney. We would be one of the few companies in the State that has the ability to manufacture those components, but after the event we found out that the contract had been let to a New South Wales company for the supply and install. We're not an installation company, but certainly we could have been involved in the supply process.

My understanding is that these components are being supplied and installed by a Victorian company which is getting the components from a company in Victoria that is currently Chinese owned. I just would like to bring to the attention of the Committee the fact that I think New South Wales, or the Government more generally, is not aware of the capability of a lot of companies in the State. Certainly that's one of the things I would like—if we can push that up the ladder a bit and make that more prevalent.

The CHAIR: To summarise, a recommendation from you, Mr Lipman, would be that there is better data on what we currently do in New South Wales.

ALAN LIPMAN: Correct.

KRISTI RIORDAN: We do not currently have any projects and have not done any procurement with New South Wales. However, I am on the tender portal. I have looked at that and have registered on that. I think it's a challenging part of the process in thinking about how to work with the State. I very much agree with Mr Lipman, in that I think an important role the Government can play is in almost a matchmaking service: defining what the strategic areas are in the State where you want to see investment and thinking about using the power of the purse through procurement to do that, and then identifying where there are capabilities and actually bringing those two things together.

The tender process in the portal, which seems to me to be the primary way in which a new supplier can try to figure out what's actually going on, is actually quite limited. There can be long-term projects that, if you miss it, it might be three to five years before you have an opportunity to participate again. I just happened to look this morning before I came in here to see that, in the entire category of food, there is one tender that is open for Taronga Zoo and it is for ice cream. I'm quite confident that across all of New South Wales there is far more

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purchasing going on with respect to food and specifically with respect to protein. The other challenge happens to be that a lot of times there might be a service grant that is given.

It might be a catering service that is actually contracted out through procurement, but there is a lot of food that has to come in and be bought by that catering company. So if you're a company like ours that actually provides protein, there is actually no opportunity to engage if the primary purchasing is through a catering service. I would love to not only do the capability mapping and see the power of the Government to think about taking the strategic priorities that you want to invest in and think about using the power of the purse to match it to the capabilities but also think about the entire supply chain. For those people that you are engaging in awarding with tenders and agreements, can there be a part of the process where you also value when they are utilising services that are within country and within State?

The CHAIR: Just a follow-up question—you said you hadn't engaged with the New South Wales Government. Are there any other procurement-type discussions?

KRISTI RIORDAN: I have had some conversations with Federal Defence.

BRIAN CRAIGHEAD: Our customers are the middlemen. People generally don't buy batteries; they buy solutions. When you buy a battery as part of a system, you need solar panels or diesel generators or lots of other things. We call our customers EPCs—engineering procurement construction companies. Pretty much every project that you've read about that is a clean energy transition requires batteries. There is billions of dollars being spent right now in Australia. When tenders come out, we tend to be the supplier to a respondent to tenders in the case of New South Wales procurement. The issue here is that gravity is a terrible enemy of ours when time is pressure. What really happens with tender responses is, generally speaking, the middlemen will reply with what they last used. Almost always, these are imported batteries and, because of the inflation reduction, those are almost always Chinese imported batteries.

Fundamentally, our problem with procurement is that it is looking at sticker prices and looking at price not value. Our argument has been from the start that we designed our system to be better and cheaper over the long run than anything that you can import. They last longer, they require less coolant and they are recyclable. Our competitors have none of those things. In addition, they're all made here, so we're this economic driver. They drive better results for the State. None of that is valued in the tender. In fact, it's invisible. If anything, it's discouraged slightly. What you want to do, if you're driving to the bottom, is capex value without a proper value. Value is not the sticker price. That, over time, seems to have calcified in the process and it's very difficult for us to influence it. We've become devalued. We're fighting on one cylinder, not eight, because we are disintermediated from that.

Considering the amount of dollars that are spent here in every project, all of that is taking Australian money and basically shipping it over to international coffers in much larger volumes than you'd think. Let me put some numbers on that. A little example that you wouldn't realise is that the New South Wales Government is currently in the process of rolling out 8,000 electric buses. I'm all for that—that's a fantastic idea. Those 8,000 buses each require a lot of batteries on the bus and in the depot. To put it in perspective, we have a gigafactory in Newcastle at full capacity, and to serve those 8,000 buses we'd have to build another factory. There would be an economic boom for the Hunter region. We'd be hiring people like crazy to build another factory. That's just 8,000 buses and just for the batteries. There are many bigger invisible projects like that right now. Just to be clear, over the life of the battery we are cheaper than the imported batteries—it's just invisible.

The CHAIR: We have had discussions in earlier sessions today about whole-of-life costing. It sounds to me like you've done all your maths on it. Would you have that? If you don't have it here, would you be able to provide a worked-through example for the Committee?

BRIAN CRAIGHEAD: That's actually a fantastic question. The odd thing and discontinuity here is that the industry that we're in measures by the lifetime cost of energy. That's the measure that we sell to—what is the ultimate cost? The capex is largely smaller on these things that operate for 10 or 15 years. Almost all of the imported batteries cannot be recycled, no matter what you hear. The lifetime cost of energy is a holistic end-to-end view. We win those, and we should win those. We spent eight years at CSIRO designing it to win those. The issue is that is not a measure in any procurement tender. The lifetime cost of energy is not what's measured; it's the sticker costs of capex. We are about 5 per cent or 10 per cent more expensive, capex-wise, than the bottom of the Chinese market. That's enough to lose or not be considered. I'd be happy to provide the lifetime cost of energy.

The CHAIR: Have you got examples, even if you don't want to give details, of where you have missed out? You mentioned that was the case.

BRIAN CRAIGHEAD: Yes. I think there are very easy examples and lots of them: New South Wales schools, New South Wales buses and charging stations. These are all things we're very good at and just weren't

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considered for. I think that Kristi mentioned that they are largely unseen, because one project starts, and once somebody gets a flavour of the technology, they'll just roll out 100,000 times more. So a small loss becomes a big loss. So, yes, we can provide examples. Any of your large ticket items like transport, schools, education and infrastructure—these are things that are happening every day.

PETER CULL: It does come down to whole-of-life costing. I have set out an example on my page of that, and I think it's quite clear. If you consider the whole-of-life costing, the benefit of that is, as I indicate, you're quantifying carbon credits and, more importantly, the regions benefit. The intellectual properties benefit this community and not a community in Scandinavia or North America. Our customers are typically your Forestry Corporation, NSW National Parks, the department of agriculture and universities. The purchasing is ad hoc and always low price. The person at the other end of the phone has got no clue. You've got to tell them what they've got to buy to measure what they think they're going to measure, and then, of course, it's all about price. Consequently, in about three years time, the thing is a piece of junk and we start all over again. That's okay. In 42 years I've just learned to roll with it and we move on to the next customer.

My point here is there's a very clear case for developing the region by having some kind of criteria. For New South Wales, regional development would be a beneficiary. Further intellectual property would be a beneficiary. We'd be the first to spend time and money building better, and we'd just service New South Wales if there was some kind of consistency. Again, you're getting value for money and, as I indicated, in a lot of these cases too you are better managing the environment in the broader sense. Or whether you want to put it into very tangible forms like carbon credits—a natural capital which you could be accumulating. The values that you'd be accumulating with decent instrumentation would exceed the value of the better quality instrumentation by thousands and thousands of times. But there is no foresight or vision, and no long-term plan, so everything is bought ad hoc on the day at the lowest price.

The CHAIR: I asked Ms Riordan about experiences with other jurisdictions, but I'd like to open it up to the other panel members as well. Do you engage with other governments, either in Australia or internationally, and, if so, what is the comparative experience with New South Wales? Dr Cull, we can start with you first.

PETER CULL: Yes, with other governments, they're prepared to work with you over a period of years—at least three, sometimes five—to develop the, let's call it, device they need to measure their plant water use or whatever they want. So it's three or five years. Then you've got stable staff who are intelligent, who know what they're doing, so there is true collaboration. We've got a very good one with the US Department of Agriculture, an instrument in corn. Believe it or not, they're still trying to understand how corn grows and what confers drought tolerance, and we've developed the instrumentation so they can now elucidate the drought-tolerant mechanisms within the corn stem. The velocity flows are different speeds inside different parts of the stem. That will become a product for us globally and, for the US Department of Agriculture, they now know exactly the criteria they have to use to breed drought-tolerant corn. That's a collaboration we've had over about three or four years. We have worked very closely with them—the same people. They're very competent, know what they are doing, and we work with them and you get outcomes, global publications et cetera.

BRIAN CRAIGHEAD: In a nutshell, with the other States in Australia the biggest engagement we've had is both in deciding where to locate the factory and tying that to procurement, and more recently, where we are going to put the next factory. What we find is we have no response from New South Wales, but some other States and Territories have been much more open to aligning, attracting us on the basis there would be a procurement advantage to doing that. To be honest, I was kind of surprised it wasn't common sense. We have much more engagement with Federal government and support for that. In fact, one of our issues is people perceive us to be bigger than we are and more successful than we are, and we have to tone that down sometimes in Federal government. But they are much more supportive and more open to what we are trying to do, specifically with defence. Defence we have a good relationship with and, ironically, the fastest moving part of our defence work is in the US, with the US Defence. So I would characterise it this way: New South Wales has been the least successful government for us, both in support—we haven't had a dollar from them—and in supporting us in procurement as well, and we are based here.

The CHAIR: That's really interesting, thank you. We did hear from you, Ms Riordan. Did you have something to add?

KRISTI RIORDAN: Yes. Since you mentioned international, in some past lives I've had experience coming out of South Korea, out of Singapore, extensive experience with New York City and the US Federal Government as well. I think the starkest difference for me is that the efforts where I've had interactions, which were also on novel technologies, were driven because it was a strategic imperative and important to the government, whether it's municipal, State or Federal. In that case, there was a much more active role that was played by the government, of saying, "This is an area which we care about; we want to develop it." They were

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actively going out and seeking participation from industry. So my company was actually sought out by governments, including international governments coming to visit me domestically in another country.

Once that happened, there was always a point person within the government who was actually running a particular project. I think a sandbox might be something that you've thought about or heard about. I know ASIC has done it a little bit to try to get some fintech businesses into what they were doing. If you want to work with novel technologies where there is a strategic imperative to invest, it's probably going to need a slightly different process. Most of the companies that are sitting here at this table are not large enterprises, and the procurement process needs to be handled a little bit differently to be successful in figuring out not only how to get through the sales process but also how to make it successful. I think a little bit of what we heard earlier about the procurement process from Dario is that it can be a challenging process to think about how you drive that adoption inside the government and then the expansion from there. So, looking at it through a sandbox, having a point person who is actually managing it, and actually starting because it's a strategic imperative for the Government.

ALAN LIPMAN: I'm just going to come at this from a different angle, and that is that my experience at the moment is that we are not dealing with any other governments around the country, but I can tell you that we have been knocked out of many proposals in other States simply because we are a New South Wales manufacturer. Other governments tend to be far more parochial about their purchasing practices than New South Wales. I'd just like to make that point.

The CHAIR: That's a good point.

DARIO VALENZA: We have been fairly successful getting traction in the US. We have an operator over there who flies our aircraft on our behalf. They have done work for a number of States and they are currently doing missions for wildfire monitoring in Canada. So they're working with the authorities over there to integrate the drone capability with the current way of doing things. Within Australia, I echo the sentiment that Defence has been very responsive. It's been very smooth working with them and working out what we can and can't supply and coming to something that works for both of us. We have had good engagement with the Australian National University in Canberra through the bushfire centre of excellence, and they have been using, again, our aircraft to demonstrate bushfire prevention, monitoring, early ignition—those sorts of missions—and they have proven the capability.

One interesting experience is recently there was the Natural Hazards Technology Program, which was an initiative in New South Wales by the office of the chief scientist that had allocated some budget to allowing innovative technology to be tested by various agencies. My understanding is the way that was structured was the chief scientist went to the agencies and asked them to formulate some challenges. Specifically in the bushfire one the challenge was early detection of ignition and suppression. Within the challenge they had, "We want a drone that can go and look and find fires, and we want something that can carry 800 kilos of water, the same as a helicopter, to go and put out fires." We applied for the detection stuff but not the suppression stuff, because it just doesn't exist yet, and we were knocked back because we couldn't do both. I think that's the approach that they have over here, as opposed to, basically, "Give us something that does the job that we're already doing that isn't too different or too difficult"; otherwise there is that reluctance. But in other States in Australia and particularly overseas, the approach is a bit more proactive and flexible.

The CHAIR: We had a submission from SunDrive Solar, which I think echoes what you are talking about. They talk about the very high-skilled, very bespoke workforce that you need in advanced manufacturing. Is there a danger that if we don't support New South Wales manufacturing in the way that Mr Lipman was talking about, this type of manufacturing, these types of skills and these types of businesses will seek to go elsewhere?

JENS GOENNEMANN: I can tell you at least two on this panel, not pointing at them, sincerely considered to leave the country and utilise opportunities elsewhere because of lack of uptake—which would be a pity. As I said in my opening statement, the way we work with manufacturers is to look at the most capable manufacturers, because I believe our manufacturing needs to be globally competitive. So the reason why we're advocating for the companies present on this panel is because they are global leaders in their field.

If I just take the two companies left and right of me, I've travelled to Silicon Valley and visited and ate at hype companies like Beyond Meat. Harvest B runs circles around them. They are just better, healthier and, when we speak about climate change, to avoid all the methane, because you think you eat animal protein but it's not. I mean, that is a fantastic outcome. Energy Renaissance, for example, its technology is world leading. Funnily enough, we send our lithium to China, get it processed there because we don't possess those capabilities. We import it, but they still make batteries that are 30 per cent better than anything else I've seen on the global market.

So the topic of the day, Chair, is about procurement. Procurement is and must be a means to an end. It will never, ever change procurement to the extent that government will reach its goals. We can talk about climate

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change until the cows come home, literally, or we can speak about reduction of methane and all of that. But we have the capability in the country. If procurement is organised bottom up, it will never work. It needs to be top down, the expressed and exercised will of the government of the day that the priorities are being used for procurement as a means to an end. If it's short-term, eclectic, uninformed and short-sighted, nothing will ever happen. It will not happen through procurement alone. Procurement, again, is a means to an end.

PETER CULL: I was going to say, we're in the process of evaluating moving our manufacture to Brazil, for the reasons that are being discussed here.

ALAN LIPMAN: From an advanced manufacturing point of view—and I consider Romar to be an advanced manufacturer—we have difficulty in finding suitable people with the skills that we need, so we recruit from overseas. We have a number of employees that we've sponsored in on 482 visas to come and work for us. I have an employee that I've recruited out of Victoria to come up and work for me, as well. So the retention of these employees and the ability to grow the business is really dependent on our ability to attract the work that we need, and any support from government is welcome. But, as I say, not looking for handouts in any way, shape or form. It's the fact that government does procure across the spectrum, and, as I said before, the real issue for me is that I don't think that government actually understands the capabilities that exist in this State at the present time.

BRIAN CRAIGHEAD: Excuse me, Chair. I wouldn't mind adding to that. A little bit counterintuitively, when we moved up to the Hunter with this high-tech battery manufacturing facility, our biggest concern was about getting people. But for every job that we fill, we have 100 applications. We call our team one-percenters. We are swamped with demand. Everyone wants to move into this space, so we don't have a problem with people. We have a problem with having the offtake to hire those people. We want to hire every one of those 100 people.

I think, Jens, there's ultimately one word that accounts for everything here. Everybody here will say, I suspect, the same thing. The longer the offtake guarantee is, then the faster you grow. This is all about offtake. What government can do—the break here is that you want three- or four-year long-term safe contracts. That will change your business. The moment we have a three-year offtake agreement of any sort, we'd be hiring more people and building more things. Those one in 100 become 10 or 20 in 100.

I think this is a simple issue disguised as a complicated one, in that, really, what we're talking about here is not spending a dollar more but using procurement as a sword to slay this. I have one little other fact that I keep—my daughters are 13 and 26. I'm actively coaching them to think again on what they're doing. Because 70 per cent of the New South Wales workforce is in the knowledge space: insurance, financial et cetera. The prediction is that in the next six years, 40 per cent those jobs will be lost to AI. We are not the knowledge economy we thought we'd be. Our hair is on fire here. We are able to make things that nobody else can make in the world, and there's a really obvious answer to this: Get behind it, use procurement more cleverly. That's my take on this.

The CHAIR: We have mentioned earlier in the day the role of government procurement in smoothing the market in that way to allow for more surety.

ALAN LIPMAN: Just a very quick point if I could. The contract that was left for the gap fillers on the train stations, if Romar had been successful in winning that on some basis, we would have increased our staff by 10 per cent. I just wanted to put that in there.

Ms ABIGAIL BOYD: Thank you, all of you, for coming along and providing your expertise and experience in this space. There are a few things I wanted to touch on. Do we lack the skills and knowledge in procurement to actually understand what government requires in the first place? How do we compare to other jurisdictions in that respect? Do you want to start, Ms Riordan?

KRISTI RIORDAN: I can try to answer that question. I haven't had a lot of interactions specifically with NSW Procurement, so I'll answer this maybe at a more general level. I would go back to what is even needed and what are the capabilities. I think of it as a marketplace. It's a bit opaque to those of us in industry. Other than that tender portal, it's really hard to know what is needed, what are the capabilities and how do we actually just match the two to start to engage in a conversation. I think there is a lot of, "This person, this company has had this relationship for a long time, and we'll renew it." That's why I go back to what I see from other jurisdictions around the world being driven by more of a strategic imperative of the places in which the Government wants to make sure they're investing in industry, identifying those needs within the business and finding the capabilities in industry, and then actually putting processes in place to more proactively connect them together.

I think all of that is a precursor before you can even answer the question of whether the capabilities are within the procurement department to be able to go through the process. Some of what Dario was going through with the drones, there are some really technical capabilities in a lot of what you see on this panel here. But I think all of us, in a business where you're developing novel technologies, have to have a consultative process in our sales approach, otherwise we wouldn't sell anything. We are accustomed to actually working very closely with

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our customers to understand what it is they need, to do an assessment and to do a needs fit. We can actually provide a lot of that capability into a procurement team if there's a little bit more flexibility proactiveness and then flexibility in that process.

Ms ABIGAIL BOYD: I'll just tack on another question before you answer that first question, but it sounds to me like we perhaps need more of a co-designed process before we get to tender points then. Is that what I'm hearing?

KRISTI RIORDAN: I think so, and what are the priority areas of need. When I say "need", what I mean is what are the areas that New South Wales actually cares about. When you envision the jobs that will be here, the industries that will be here in five to 10 years time, what are those areas? There are capabilities in this State that we are at risk of seeing leaving, because there are oftentimes incentives in other States. There are incentives in other countries. There is a macro-economic climate where it might be more affordable to produce in Brazil. We don't want to see that happen. If you've got the offtake agreements here, that's a great reason to stay and continue to build that capability. I think doing that mapping of understanding—what do we care about in this State? What do we want to keep?—and then mapping that to where the needs are in the Government is the first step. Then starting to do a co-design process for procurement.

JENS GOENNEMANN: Deputy Chair, you asked a question about the capability of procurement. Since 16 years that I've lived in Australia, in every jurisdiction I have encountered a very professional public service that operates to the highest of standards. So for me that is not the question, whether procurement is underskilled. A public servant, by operating to this high ethical standard, will do what she or he has been told to do. I think that is where we lack the direction, and by default, when the direction is not there, the decisions are logically being made short term, including short-term economically based. They don't serve the vision of a State or a country.

Ms ABIGAIL BOYD: These are highly specialised, technical industries. Is there a need for us to have more people with that sort of technical background, or is it not really necessary in terms of—I'm just wondering if part of the problem is that we don't see the need to go out and engage companies like yours because we haven't worked out that it's needed in the first place. Is that part of the problem or not?

JENS GOENNEMANN: I don't think so. Let me give you an adjacent example. In this role, in six years, I've had 10 Federal industry Ministers. So you will not get a direction from both sides of Parliament when you have 10 persons in this seat. I think you elect the representatives, you need to get your act together and have a long-term demand from the public servants—who have only one employer, this Government—to have them executing your political direction. If you do that, and if the priorities—and I see consistency in priorities in the past eight years. It's commodities, value add, food and agri, defence, climate change and—did I forget one?—medical. These are the areas which are undoubtedly the areas where a country of our size can set a direction, stick to it and use procurement, amongst other things, to execute it. It's not working the other way round. It's not a question of skill and having more technical stuff in procurement departments. It comes back to you to set the direction and stick to it.

ALAN LIPMAN: My comment is in regard to the way purchasing is currently conducted. My experience is that—for instance, Romar manufactures components for the brakes on State Rail trains. We supply those components to a multinational corporation that then sells them to State Rail. But if I go to State Rail, which I have done, and say, "By the way, we manufacture these components", there is no will for them to deal with a smaller company like mine. They would much rather deal with a large company. This is very similar to what happens when I try to deal with Defence. Defence doesn't want to deal directly with me. They want me to deal through one of the prime organisations that supply them, like Lockheed or those sorts of companies. That makes them comfortable. That's part of the problem: There's significant comfort within the purchasing organisation within the State, but they want to deal with something that's easy to deal with, which is a very large corporation. They don't want to deal with small companies. Small companies are never going to get to be big companies unless we have an opportunity to supply in our own right.

Ms ABIGAIL BOYD: We are looking at recommendations as to how we can make the procurement process better in New South Wales. If we got to a point, whenever we are engaging those bigger contractors, of asking what is going to sit behind that, who they are going to contract to and where they are going to get their supply from, would that help? Perhaps that would mean we would need more of that co-design process in order to get to the point where we could scope it out properly. Would it be helpful if we mandated a requirement for those companies to indicate where they were getting their supplies from?

ALAN LIPMAN: It would help. It's all about how you enforce it. I can tell you that if you are dealing with defence primes, for instance, they've got to supply 30 per cent Australian content in what they do, or a number like that. You could say we need 30 per cent New South Wales involvement, or whatever. But, in terms of their

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30 per cent, they count buying staples and paper, catering and all those sorts of things to make up their 30 per cent. So it's a very broad brush that they draw. It would have to be managed in some way. There would have to be some sort of enforcement regime to specify what that exactly meant.

BRIAN CRAIGHEAD: Let's put some numbers on it. Last week about \$1.8 billion went overseas to buy some international batteries. That's typical. This often happens. All of that money is Australian money that has gone overseas. None of that expertise will be here, and it will all be gone. If we or anybody like us had 20 per cent of that, that would be a game changer. That's offtake. It's easy to think that's a solution, but I actually do agree with a couple of things said here. First of all, to Alan's point that that's not the whole picture and, I think more to Kristi and Jens' point, none of this matters if you don't know where you're going. If you're going on a holiday and you don't know where you're ending up, you're just going to wander around the planet and never know where you're landing. Our view has been, for some time, that there are three things that the New South Wales Government could do that would fix this.

The first thing is if there was a pre-qualified list of truly Australian—not importing and rebadging—manufacturers, pre-qualified and on a list, the procurement folks know to look at that list first. You don't have to do the work. It must be so tough for these procurement people. They've got to be a mile wide and an inch deep. They need to know a bit of everything. They can't possibly be experts. Look to the pre-qualified list. Somebody has done the work there. That's where you want to preference it. Publish it to make sure that the middlemen know "I'm going to buy from that list first." Supply Nation is a success, I think, because it's a published list that people know about. Do the same for Australian manufacturers. Make it clear who you like—pre-qualified.

The second thing is to implement value-focused scoring criteria. Move away from sticker price altogether. That's actually really good, and that's what your competitors are doing. Value recycling, value economic impact and value the local impact of these things. That's how you win, because that money stays in the economy and grows. So, a value-focused scoring criteria, no more price-focused. That's value; it's not price. The third thing and the most critical one is that New South Wales, if it was a country, would be the twentieth biggest economy in the world. Now it's time to use that spending power. The biggest issue of all in the SME world is that it's hard to go from small to big. The middle part is really difficult because you need bank guarantees or payment terms are too tough or suddenly you are locked out because folks are expecting you to enter into the sorts of contracts that a big company could enter but a small company couldn't.

What the New South Wales Government can do in procurement is act as a guarantor—better payment terms, safer and more sensible for SMEs. You can afford to do that because, if you value price, you get your return and more. Those three things, as far as I can see—I've been in this for a long time now—as I said, I think it is a simple issue disguised as a complicated one. What we need to do is just use our strength. It feels sometimes to me that we are a bit apologetic about this. But you are a big-arse buyer. You might as well use it. You can do what you want.

The CHAIR: I hope that makes it into our report, just as an aside!

BRIAN CRAIGHEAD: Is it too late to edit that?

The CHAIR: No, it's good. We'll quote it.

BRIAN CRAIGHEAD: So I think you can use it. I promise I will stop in a second, but a little example. Every project—because I've got a hammer, everything looks like a nail. Batteries are needed in everything you are doing in this State. Every project of significance is infrastructure and needs batteries and, right now, everybody is paying the most you can pay. You have no buying power because each project is a little one. The biggest project in Australia is a small project overseas, so you are buying at rack rate prices. You are waiting 12 months to get these things from people that don't really care about you et cetera.

If you aggregated that purchase power, like we used to do with wool and grain—we're very good at that as a country—you'd go from the smallest buyer to the biggest buyer overnight. Yes, you'd pay less for the same product—bigger buying power. And you can make sure that that aggregated purchase has to be—at least some percentage of it—local. Australia would become a battery powerhouse overnight, not by spending more money but by spending it strategically in an aggregated way. This is something we used to do before. We have done it before. We are really good at it, as a country. That's how we do it.

Ms ABIGAIL BOYD: I am trying to capture the second point you made there around it being not just the sticker price, which I obviously 100 per cent agree with. I think the comment you made in response to a question the Chair asked earlier was if we are only looking at the value of the person that we are transacting with through procurement rather than the downstream contractors and services, then we're not interrogating whether or not the middlemen, if you like, are also choosing things based only on price or if they are choosing on other

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criteria. So if we had a list of properly Australian companies and, as a criteria of the tender, you had to use someone on that accredited list, perhaps that begins to get us—

BRIAN CRAIGHEAD: It's the only way it will change because the age-old adage is true: Who pays says. If you're paying, you say. In this case, the behaviour will not change without a direction from you. It will not change. It has to be something which is really clear. We are going to weight this, and 80 points of the 100 points is going to come from choosing off this list, for example. You will change it overnight. But you're in control of that.

Ms ABIGAIL BOYD: Yes, and to pick up your point, Dr Goennemann and Mr Craighead, and pooling those together—and, again, I agree 100 per cent. I would love it if we had a plan where certain industries were mapped out and guided or shepherded by government. Unfortunately, that is not currently the case. But if we were to say, for instance, that these fledgling industries are industries that we want to grow here, so for these industries we need to adopt a smaller contract, breaking bigger contracts down into smaller contracts—something along those lines, to try and capture. Is that part of the recommendation as well, not just that there be different guidelines or requirements for SMEs when they are putting in a tender—so perhaps not the same level of insurance et cetera—but also that those contracts be broken down into smaller parts? Is that part of the solution?

KRISTI RIORDAN: I think that's an interesting proposal. I don't know that I was thinking about that before coming in here today. But I have seen some of our customers do that. Let's go back to the example I was mentioning a little bit earlier that New South Wales is probably most frequently contracting catering services across various different sites rather than purchasing meat, for example. We do have some customers that we serve—for example, we serve aged-care homes. Aged-care homes frequently will also work in the same kind of pattern and they will hire a catering service. But sometimes they will actually buy their protein directly because it is much cheaper because the catering company will actually put a margin on it and protein is a significant percentage of the overall cost of the catering service, so why pay for a margin to be had by the catering company?

I would also go back to a question that you posed earlier, Chair, that was related to this. There is an incredible amount of importance of having a contract with government, not only the longevity of it and being able to hire from it but capital markets right now are really tight. The credibility that can actually come from having a government contract as a part of your overall customer base helps to be able to go out to those capital markets and raise as well. If that's a structural aspect that might be considered, especially in those contracts where there's a significant cost component with a subcontractor where you might be able to carve it out, I think it's a fantastic idea.

ALAN LIPMAN: Deputy Chair, I have another comment. Before I took over as the CEO of Romar Engineering, I was CEO of a company in Western Australia that manufactured and supplied healthcare equipment. One of our big customers was the health department in WA. The Western Australian Government had mandated that, when purchasing in WA, you were given a 10 per cent leeway. In other words, you were to favour WA manufacturers by up to 10 per cent higher pricing in order to support Western Australian companies. I can tell you that, whilst it was mandated, it was never enforced and it was never followed through and it never made a difference to our business in the five years that I ran that company. Again, I think there's a lot of entrenched buying behaviour within the purchasing areas of the government. I'm sure that exists here as well.

Another example is that, prior to that, I ran a company that used to supply pathology parts and equipment to NSW Health. We had a contract for five years. At the end of the contract period, we tendered again. We lost that contract to another supplier but that supplier never got the benefit of having won the contract because it was too difficult for NSW Health to switch away from what they had been doing for five years because there was a long process involved in taking pathology stains and changing all your existing processes that are all documented. And so the buying behaviour that was there before remained. We didn't lose any sales out of it but the company that had won the tender didn't get the sales either. Again, that's a good example of entrenched behaviour and I don't know how we deal with that.

DARIO VALENZA: I echo that. Back to your question earlier about whether procurement lacks the expertise in the specific areas that they're purchasing, I think the broader question is how do you put in a mechanism to encourage innovation where you're not comparing apples with apples? If you have someone who is in charge of procurement that has a job to procure pens, for example, and they can choose between a Chinese pen or an Australian pen but at the end of the day they are replacing like for like, it's a lot easier to have metrics for comparison. But when you are replacing a helicopter with a drone or meat from a cow with a synthetic protein, you are actually not replacing like for like. How do you encourage that evaluation, judgement, testing and change the way you do things? Encouraging that and incentivising that is quite challenging because there's a risk involved.

Similarly, with fire, there's a lot of expertise around aviation for fire spotting, firefighting and asset coordination, but that doesn't necessarily map directly onto drones. Hiring a drone pilot would potentially fix that,

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but that doesn't make sense because then that department would have to hire an expert in every new emerging technology. What has been done to date is to entrust that to someone like the office of the chief scientist or people whose business it is to look at innovation, to evaluate new technologies and fund startups, and maybe build that bridge and have them make recommendations about, "Hey, here's a different way of doing things," and encourage the actually purchasing decision-maker to listen to that and give it a go.

Ms ABIGAIL BOYD: That's an excellent point.

The Hon. RACHEL MERTON: I start by thanking each of you very much for your time, contribution and participation. It is highly valuable to the Committee inquiry to hear firsthand from you. I love the passion and I love the energy. Thank you for that. Dr Goennemann might be the one to start. We have been referring to advanced manufacturing throughout the discussion. I'm just wondering if we could more greatly define advanced manufacturing and the different industries that each of you are representing.

JENS GOENNEMANN: Yes, with pleasure. Whereas I am the Managing Director of the Advanced Manufacturing Growth Centre, I don't like the name. We are changing it to the Australian Manufacturing Growth Centre—you heard it here first—because the advancement should never be static; it should be something dynamic. The differentiation between a traditional manufacturer and an advanced manufacturer is short-sighted because the advanced manufacturer of today would be the traditional manufacturer of tomorrow if she wouldn't invest into her advancement. We also have a company, let's say, who does a casting technique that is thousands of years old but they apply advanced technology to do that very competitively—for example, using advanced materials like titanium. I like to refer to "manufacturing" full stop. I would like to see those manufacturers advance to be globally competitive, which I said earlier we are not.

The Hon. RACHEL MERTON: Dr Goennemann, in terms of the Advanced Manufacturing Growth Centre, are you funded by members or is it government?

JENS GOENNEMANN: It is a government initiative. In the early days of the Liberal Federal Government, we, together with other growth centres, were established because there were found five and later six priority areas and these became the growth centres. When I refer to the obvious areas of success for Australia—either by choice such as health or such as what we are blessed with, with feeding 80 million and only eating for 27 million or with commodities, which we dig and ship and don't add value to—you come naturally to the areas of strengths of what this country has.

The growth centre idea is to nurture these areas of priorities because if a small country like ours tries everything a little bit, we will precisely achieve nothing. Unfortunately, these growth centres were established in a copy of other successful initiatives, such as the Fraunhofer institute of applied research around for 75 years or the UK Catapult for over 20 years. These types of undoubted success factors of other countries, in Australia we have only set them up for short term. We had to become self-sufficient after a time. Fast-forward eight years, from the six growth centres, only one is around and that is ours because we have become self-sufficient. But I would highly recommend for our country, whether it be our Federal or State level, to nurture these types of capabilities through organisations like ours.

In regard to the funding, we have been federally funded but we don't get membership fees. But we work now with local jurisdictions such as the Northern Territory or, since last week, with the Western Australian Government in order to make wind turbine manufacturing and have local manufacturers participate in the manufacture of large wind farms. That's how we work. We clip the ticket, in a modest way, and create a lot of impacts for our contracting partners.

The Hon. RACHEL MERTON: I cite the survey of the New South Wales Modern Manufacturing Taskforce. If I could canvass it with you and your colleagues, a recommendation of the results of the task force in 2019 and 2021 surveys was that the role of the Modern Manufacturing Commissioner should include a public relations component, in terms of raising awareness of the association of the high-tech engineering, emerging, exciting technologies and manufacturing. Further to that, in terms of the reputation, the perception and where we are, it was identified that there was a gap in the public perception of the manufacturing industry, its value and where we are. I notice that we've had a few comments there in terms of comparing the value of manufacturing in a changing world of jobs and technology. I'm just wondering if there was anything further about that?

JENS GOENNEMANN: With the modern manufacturing, it's another prefix—"advanced", "modern" or whatever. I think New South Wales is probably the leading State in producing papers and task forces and realising very little in order to really operationalise it. The taskforce, however, recommended a manufacturing commissioner, which shortly after was disbanded. I agree with you that the perception of manufacturing—I said in my opening statement that manufacturing is not a sector but a capability. If we misunderstand that and have a very narrow view on manufacturing, we miss out on many, many opportunities.

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The difference between how we see it, as a manufacturing value chain consisting of seven steps, and the way most jurisdictions in Australia are measured, namely, is that production is a very narrow view. Production is only one of seven steps in the manufacturing value chain. It's the lowest value-adding and the highest cost-sensitive element of manufacturing value chain. This is where Australia cannot and never will be competitive. The most successful manufacturing powerhouses are Switzerland, Korea, Japan and Germany, to name a few. They're not known to be low-cost countries. Production is only one step out of many in that. The higher value-adding jobs happen before and after production. By the way, we have also three times higher female participation in the higher value-adding jobs before and after production. The production shop floor, the misconception of the Australian public is blokey, is cost sensitive and represents less than 50 per cent of manufacturing jobs—this big misunderstanding is deeply wired.

The Hon. RACHEL MERTON: Do we need to reinstate a Modern Manufacturing Commissioner in New South Wales?

JENS GOENNEMANN: Whatever you do, you need to stick to it longer than 1½ years. That's not in regards to the manufacturing commissioner; this is everything that government does on both sides of the aisle.

The Hon. RACHEL MERTON: In reference to the fact that position has been cut and the Government informs us it's now being represented by a Minister, I just make reference to your earlier comment, which was that you have been leading the manufacturing sector, in your capacity as you present here today, and during that period there's been—was it nine ministers?

JENS GOENNEMANN: Ten. We only found out that one Prime Minister was also an industry Minister, so that was a surprise.

The Hon. RACHEL MERTON: Yes. Another thing—I'd be keen to get anybody's contribution on this—is that earlier witnesses today have highlighted—and I think Mr Lipman might have mentioned this—that other States are recording that there is strong leadership. The States are parochial in terms of looking after their industries, their suppliers. It was actually the wine industry that was citing that in the other States, those relevant State wines are front of shelf; in New South Wales, New South Wales wines are at the back. In terms of wanting a champion for manufacturing here in New South Wales and a leader in stability in strength and confidence, what can we do better here?

ALAN LIPMAN: Ms Merton, if I could reply? Romar Engineering four years ago decided that we wanted to go into the space business. We had particular skills in house that would allow us to design and develop a fluid and motion control device for space. I think most people in New South Wales would be very surprised at how big the space industry in this country has become, and that we are not only designing and developing components for space but we're building rockets for space, through Gilmour Space Technologies in Queensland. There's a very viable, growing industry in the design and manufacture of thing like satellites and various things. Romar decided that we wanted to be a component supplier to space. We didn't want to build rockets; we wanted to build bits of rockets. We have invested in that in our own right. That is a growing part of our business.

You talk about advanced manufacturing. Advanced manufacturing could be that you are manufacturing something in an advanced way—using new equipment, new technologies and new processes—or you could be manufacturing something that's never been manufactured before but you're using traditional methods to do that. It sort of covers two streams, if you would. But there definitely needs to be some sort of awareness made of what the capability is here.

For instance, if I just stick to our space line for a moment, when we got started four or five years ago the industry was estimated to be worth about one-quarter of a billion dollars nationally. It's now estimated to be worth \$4 billion nationally. That's significant growth. I'm sure people, potentially around this table and definitely in the State, don't realise that there are very viable companies supplying lots and lots of technology into space and leading the way. That's a good example of how a modern manufacturing commissioner could interact with those sorts of opportunities that are available in our State.

BRIAN CRAIGHEAD: I think with this, I echo Jens' point. We started this business nine years ago and I think we are trapped in a bit of analysis paralysis. We keep getting more reports. This is not about PR or who talks it up. There's only one word that matters in this whole thing—you could solve it today—and it's offtake. There's an old Scottish saying that doesn't translate very well, but one of them is "you are who you're with". You're judged by who—in this case, an order from anything that looks like a government is the best thing anybody here could get. A multi-year order would change our business.

Offtake is what drives everything, not the way it's presented and not the way it's pitched. No more reports, no more analysis. The tip of your spear is changing offtake, driving offtake through SMEs, where it makes sense, I believe. Everything else has been done. I haven't been with Jens' journey, but I've certainly seen multiple reports,

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multiple people, grants started and shut down by changes of governments et cetera. There is so much slippage. We're 10 years behind for that reason. I think, really, the tip of the spear is to look at offtake. Everybody here—Kristi, with the three- or four- or five-year, and Alan, Dario or Dr Cull—if they had a multi-year offtake agreement that was backed by the Government that is bankable—you can raise capital, hire people—it would change their business, all of that driven inside New South Wales. Everything else is a secondary part. The 80-20 here is offtake first, everything else second, is my opinion.

KRISTI RIORDAN: I'd maybe add one perspective to it as well. We haven't used the word "urgency" here yet today, but I'm going to say "urgency" a couple of times. When you're a small business, you have a lot more urgency than probably naturally exists within the Government. We've just heard a couple of people share remarks about a decade to think about overhauling what this procurement process is like. I can share that I have been sought out by Victoria and by Western Australia to relocate our business. Jens could name many businesses that have moved overseas. There is urgency, because companies have a timeline under which they have to operate that's nowhere near as long as what administrations and governments can take to actually make change. Offtake agreements matter a lot, but it also matters to put some urgency behind it to help businesses stay in New South Wales.

As somebody who relocated here five years ago, I get the sense that New South Wales has Sydney, which is the darling of Australia, a place where people want to live and there's a little bit of a perspective that people want to be here. But I think in this environment where the capital environment has changed, the cost of living is high, the cost of business is high and international competition is high—we hear of people losing out to overseas directly here in New South Wales in their own backyard—businesses have to make urgent decisions to stay alive. People do want to live here and people want to raise their families here, but when they are presented with opportunities to go to another State with significant incentives, and procurement that can help them with offtake agreements, it's a significant thing that businesses can't ignore.

DARIO VALENZA: To echo that, at Carbonix we've been courted by everyone from South Australia to Oregon in the US, and that is exactly the point. Small businesses or early startups have runway. You only have so much burn rate and you only have so much time. You take the opportunity when it arises.

The Hon. RACHEL MERTON: Dr Cull, could you elaborate on the reference you made to a business moving to Brazil? Just in terms of the circumstances around that as there might be some learnings for us.

PETER CULL: Well, all the things that are being discussed here. What advanced manufacture is, is really—you sell a widget for \$10,000 but there might only be \$500 worth of parts in it. The advanced manufacturing is not the \$500 part; it's the bit before and the bit at the end. It's huge intellectual property that goes into the widget and then the intellectual property of what you're going to do with the widget. That's where you make your money. There's a range of reasons you'd move over there. One of them is simply the market, to be frank. The second is that import tariffs are 60 per cent to Brazil, so there's a fair bit of incentive to manufacture it in Brazil. The labour costs are low, but the people are competent and the market is large. We'll probably develop the intellectual property here, but the device would be made somewhere else.

The Hon. RACHEL MERTON: You were just talking about the batteries in terms of the supply if that was available to you in terms of the boom for the Hunter. Do you want to outline what that would mean for the regions if there was a good supply arrangement on something such as batteries, in terms of jobs, industry and related industry?

BRIAN CRAIGHEAD: We're on a holy mission here. You might be shocked to hear that I'm not originally Australian, but I love Australia and I am repaying my debt. Our holy mission is this: We're in a rush to sell as many batteries as possible as quickly as possible and build more factories. We're not the story here at all. Energy Renaissance will hire 180 to 200 people directly per factory, and we think we can build about five if we can get enough offtake, but that's not the story. The story is that once you get to a certain scale—and it's not very much—when we are sustainably filling orders at three-quarters capacity in our first factory, that's enough for us to look downstream to making sales out of Australian minerals. Once we start making sales in Australia, there's 64,000 jobs there.

Yes, we want to be a successful business, but we're the catalyst. All of the other guys, the people that dig up—in 150 years we've done a good job selling the wool and buying back jumpers, but in this part we don't have to do that because we're the only country in the world with everything to make batteries here. Whether we like it or not, in 10, 15 or 20 years time those fossil fuels royalties are going. They're just going. What are you going to replace it with? There's only one thing I'm aware of that we have a unique advantage globally in, and that is that we have everything we need to make the world's most in-demand product. The big story is for us to create the offtake so we can sign cheques to all the folks that are struggling—all these mineral processing guys. Private industry will finance it once we give them an offtake. We give them an offtake once we have security of order.

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To talk about the multiplier, if we got a three-, four- or five-year agreement backed by the New South Wales Government to roll out batteries, that would be enough for us to build more factories—several hundred people at a time. That's not the story. That would be enough for us also to move and to sell tens of thousands. I am unaware of any other employment opportunity in this country like that. There are more people hired by McDonald's than the coal industry now. It's changing quickly and this is the only large-scale, high-income new employment opportunity that I am aware of that can trigger quickly, but it's a finite thing. To Kristi's point, our hair is on fire. We do it now or we don't do it. I think this is a moment in time. We shouldn't let a good crisis go to waste, and that's what we're in right now.

JENS GOENNEMANN: No matter what you ask your procurement people to do, they will not trigger that transformation or opportunity. It has to come from you.

DARIO VALENZA: To capitalising on the advantage, there is a concept in startups of the valley of death where you have a product and you have your first orders, and you are no longer a high-risk, high-reward, early-investment proposition. There is an urgency to scale. From the interactions we've had with various mentoring programs, incubators and grants around New South Wales government, it seems like investing in a startup is seen more as a cost. You are trying to promote something at an early stage, do the fundamental research and show something new and shiny, and then they are kind of cut-off and left on their own, when, really, that's the time when they need an order that will sustain them and allow them to grow. I think it's not just batteries at this table. We've got the food. With the drones it's potentially every powerline in the world and every pipeline in the world—it's big. It's a matter of scaling. To capture that scale, you need someone to take that leap and get those long-term orders in to allow the capital to come into scale.

The Hon. RACHEL MERTON: If I could just come back to the opening comment about COVID materials and equipment at that time. I appreciate there was urgency from a health perspective to source the stuff and roll it through the schools and everything like that. What went wrong in terms of domestic supply and manufacturing on that?

JENS GOENNEMANN: The sense of urgency and the assessment of the day was that we need ventilators. With that understanding at that moment, which turned out to be not necessary after all, plus the funding of \$30 million made available in a very short time, that allowed the consortium formed by the Advanced Manufacturing Growth Centre within five months to manufacture 1,700 ventilators. These were 99.3 per cent Australian parts manufactured, 100 per cent Australian made and TGA approved. You'll recall that there was a time that everybody thought we could save the day and build any ventilators, but there were only two companies who could do that. One was ResMed, who has always done it like that, and the other one was a consortium stood up by us with over 30 manufacturers all over Australia, believe it or not—and five months later delivered.

Why was it possible? Because there was the political will, there was the funding and the capability of manufacturers who did something completely different. I didn't even know what a ventilator was, but if you have a capable company doing complex things and you put your mind to something that urgent then you have this outcome. If we would do this more strategically, we would not be number 93 in the world for making things; we would be in the top 20. Because we are a G20 member, that's where we should be. The other challenge we have in Australia in procurement directed by governments, and not bottom-up by public servants, is an opportunity to also do something about the structural challenges we have in Australian industry. Of our 47,000 manufacturers, 93 per cent of them employ less than 20 people. We have a scaling problem, and procurement, we have heard many times, could be a solution to that.

The CHAIR: That brings us to an end. Thank you all for coming today and giving evidence. I know it has taken you away from the businesses you have so passionately spoken about. Dr Cull, I believe you've travelled from Armidale to join us today, so I appreciate that as well. Again, we appreciate you being here. If there were questions taken on notice or if there are supplementary questions, the secretariat will be in touch and you will have 21 days to respond.

(The witnesses withdrew.)

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Ms JAANA QUAINANCE-JAMES, Chief Executive Officer, Australian Fashion Council, affirmed and examined

Ms JOUCELEN GABRIEL, Production Manager, The Social Outfit, affirmed and examined

Mr ERIC PHU, Co-founder, Citizen Wolf, affirmed and examined

The CHAIR: Thanks very much for joining us here this afternoon to give evidence. Would any of you like to start by making a short opening statement?

JAANA QUAINANCE-JAMES: Yes, I'll make a statement. Hello, everybody. I am the CEO of the Australian Fashion Council, also known as the AFC. For transparency, I should also note that I am a board director of The Social Outfit, the not-for-profit social enterprise fashion brand also present here to give evidence today. Thank you very much for the opportunity to provide evidence to the hearing. I'd like to start by acknowledging that we're on the lands of the Gadigal people of the Eora nation and I pay my respects to their Elders, past and present. I would also like to acknowledge that sovereignty has never been ceded.

The AFC is the peak body for the Australian fashion and textiles industry and has represented the industry for over 65 years. We're a not-for-profit membership organisation, drawing members from across the textile and clothing supply chain. We have 270 individuals and companies as members and TCF—or textile, clothing and footwear manufacturers—represent 15 per cent of our membership. Forty-two per cent of our membership is based in New South Wales. In 2021, an AFC report revealed that the Australian TCF industry contributes \$27.2 billion of value annually to the economy, with uniforms and workwear accounting for \$1.2 billion of that. It also identified that the New South Wales TCF sector is valued at \$9.7 billion and employs 174,000 workers, of whom 9,000 are employed specifically in manufacturing jobs.

Through our engagement with members and experience in implementing programs in the industry, we have identified three recommendations to leverage government procurement practices to further grow our industry's economic and social contribution to New South Wales and to support the retention of sovereign capability in TCF manufacturing, which was highlighted during the COVID pandemic as being very important. I will now summarise these recommendations. Firstly, the AFC recommends provision of government funding to quantify the New South Wales TCF manufacturing industry, similar to the work the AFC currently has underway in Victoria. There is little data available today about the economic impact of the sector or the social benefits of procuring locally.

Similarly, with no public data available on the quantity of New South Wales government uniforms manufactured in New South Wales versus the quantity manufactured interstate or offshore, for example, it is also difficult to assess the potential value derived from further prioritisation by government of New South Wales manufacturing and local procurement of uniforms. To more meaningfully understand and positively impact the New South Wales manufacturing sector, we need to address the starter gap. Economic modelling would provide data on the impact of increasing government procurement on jobs, and therefore taxable income; training and access to higher skilled—and, of course, paid—occupations; and reinvestment in machinery, technology and R&D. A study of this nature would also produce a network of New South Wales TCF manufacturers, which can drive industry connectivity as well as understand local capabilities and, in turn, feed this information through to government and industry buyers.

Secondly, the AFC recommends that the New South Wales Government establish a procurement policy for uniforms and protective equipment, including targets for the percentage of local content in all New South Wales government uniform and workwear contracts, and then report on this implementation progress at least annually, as is often done in the private sector. Anecdotally, there's an overwhelming practice of awarding government contracts based on the lowest priced tender. This approach prioritises short-term cost saving at the expense of long-term social and economic benefits. A new policy could include mechanisms to consider the broader economic and social benefits that locally made bids provide, despite what may be a higher up-front cost.

The policy should also incorporate an environmental and social framework which is specific to TCF manufacturing. The AFC is committed to fair working conditions and ensuring the labour rights of all TCF workers in New South Wales, particularly those of outworkers. We also believe that it is critical to ensure a level playing field in social compliance procedures and that there is a need to ensure we are not unintentionally disadvantaging local manufacturers when they are competing with offshore providers.

Finally, the AFC recommends that the New South Wales Government implement measures to encourage industry participation, particularly by SME manufacturers. Since the removal of trade tariffs, TCF manufacturers have transitioned to smaller, more flexible and higher value-added manufacturing models, so policies need to support SMEs to integrate into these contracts, particularly the larger volume. Recommended mechanisms include

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shorter contract negotiation periods, tender briefing sessions with industry and encouraging multi-supplier applications. Citizen Wolf and the Social Outfit, who appear alongside me today, are two SME-sized New South Wales manufacturers who have successfully completed government and corporate uniform contracts and can speak directly to the benefits of these contracts to their businesses. In those cases, there was often new thinking by government in the way that they would integrate these small- and medium-sized businesses into their contracts.

In addition, the AFC recommends the Government support its buyers by installing TCF specialist procurement capability to guide the process of working with local manufacturers and achieving Australian made. Making clothes is very complex. In a devolved procurement model, it can be challenging to understand exactly how you could integrate the capabilities of local manufacturers. We see a TCF specialist provider as the conduit between government and industry to facilitate Australian-made objectives.

The AFC welcomes this timely inquiry into the procurement practices of New South Wales government agencies. The destruction of the pandemic upon global supply chains and the Federal Government's recently announced Future Made in Australia Act has reinvigorated the demand for Australian sovereign manufacturing capability. The AFC believes that, with the right policy levers, government procurement of uniforms and work wear has the potential to support the reinvigoration of an innovative and world-leading textile and clothing manufacturing industry in New South Wales.

The CHAIR: Ms Quaintance-James, picking up on this idea of sovereign manufacturing, I suspect that many people, when they're thinking about sovereign manufacturing, are probably not thinking textiles; they're probably thinking medical equipment, steel and other areas. What is it about textiles that we should be considering when we're having that discussion about sovereign manufacturing?

JAANA QUAINANCE-JAMES: I think there are a number of ways that you can look at it. The pandemic showed that we had quite significant gaps in our TCF supply chains in Australia. So should something of that nature happen again or, for example, a war which affected global supply chains—particularly in the Asia Pacific region, we are very reliant on some of those markets in particular—we could expect significant disruption. Therefore, it would be difficult for us to manufacture clothes locally. That's the risk side of it. There are also the opportunities. We grow incredible cotton and wool in this country. At the moment, the supply chain is, unfortunately, broken. We have to send that offshore because we do not have the spinning capabilities in Australia to produce that material. Even if something is final stage manufactured in Australia, it must go offshore in between. I think there is very much the need to maintain some sovereign capability. We shouldn't make everything, necessarily, but we can do some things really well. There is an opportunity for government procurement to really leverage and support the industry through its spend.

The CHAIR: Speaking of that, are there other jurisdictions that have arrangements which you think are more supportive of the industry in terms of procurement?

JAANA QUAINANCE-JAMES: I think you could point to Victoria, for example, and the Buying for Victoria platform and the ethical supplier register. There are certainly some aspects of those which do enable manufacturers to access government contracts. I think also to be celebrated is the Federal policy around environmentally sustainable procurement. Whilst still in implementation, that is to be celebrated. There is still a lot of work that all Australian jurisdictions could do, to step up how they're leveraging their procurement to drive social and economic benefit. I don't think we know, truthfully, what it means when you spend that locally manufactured dollar in a TCF factory here versus sending it offshore. What are the indirect benefits around taxes, employment and all of those other things? We don't have a lot of data on that. So I think that's a big gap that would really help us better understand what's the purpose and benefit of sovereign capability.

The CHAIR: It goes also to some of the discussion that we've been having today, and throughout the inquiry, about how you value a procurement contract and the cost of a contract. It's not just about the price; it's about those other aspects.

JAANA QUAINANCE-JAMES: I think Australia, in TCF manufacturing, cannot compete on price. That's just the reality of where we are. There are a lot of things that we could do to try and change that around advanced technology in manufacturing, which may have an impact. But you could also see having a local supply chain as a benefit in relation to being closer to that manufacturer and having more just-in-time manufacturing. For example, imagining rolling forward to a government contract—perhaps Eric might be keen to add on to this as well—how do you leverage that local supply chain so that you don't have to hold as much in volume of those uniforms? We've actually just got something on tap that you can call and get better sizing that's fit for purpose.

The CHAIR: Really what we're looking at is we don't necessarily want to compete on price, because we know where the cost is cut in other countries that produce, but we could look at things like the social aspects.

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I know you've got two excellent social enterprises here, so I would like to hear from Mr Phu and Ms Gabriel on their involvement and experience of government procurement.

ERIC PHU: Sorry, one correction. Citizen Wolf is not a social enterprise.

The CHAIR: Sorry, my apologies.

ERIC PHU: That's fine. I just wanted to make sure that we weren't perceived as such. We are a small business. A situation like COVID was very challenging for the entire industry, not just in terms of demand freezing up, but the supply chain was frozen as well, which made it extremely difficult for any fashion brand that was reliant on shops being open, on stock coming in from overseas to actually sell things. Citizen Wolf, we actually make everything here in Sydney. We source as local as we can find it and we manufacture on demand, to spec, to individual customers. As a result, we weren't impacted by COVID. We did not have a supply chain freeze; we were able to continue keeping our team employed, continue to support our suppliers locally, and continue to basically keep the doors open when a large chunk of our colleagues in the fashion industry had to close.

For us, that resilience was extremely important. One of the things that I'd like to talk about today as well is also the impact of having government procurement contracts. That's something that we've recently only just started, but one contract from the Great Barrier Reef authority, for example, which is not a particularly large organisation within the Federal Government, still was responsible for 10 per cent of our revenue last year. Because of that, it allowed us to ride out the current challenges in the macro environment and also ensure that we not just maintain our staffing levels but we can actually employ more people because they are also longer term contracts, which gives us more surety. In an environment which is extremely challenging at the moment, little things like that make a huge difference.

JOUCELEN GABRIEL: The Social Outfit is a social enterprise. We basically exist to employ refugees and new migrants in their first Australian job. We currently have nine people working in our production room and, like Citizen Wolf, everything is done here. Our whole critical path is under one roof. Again, similarly, during COVID we were able to very quickly react to masks. That's what kept us afloat. Because everything is made here, we cut, we made, we responded to the demand and we made thousands and thousands of them. We were quick to respond because we had that infrastructure and we had that workroom and we had the workers. The workers that couldn't work at The Social Outfit were working from home. This is very valuable in this country because we have a lot of migration that comes here with these skills, but we can't transition them into jobs. This is where The Social Outfit does that. We transition them into jobs. We had our first Westpac job, which was—was it procurement?

JAANA QUAINANCE-JAMES: Yes.

JOUCELEN GABRIEL: Isn't Westpac government owned?

The CHAIR: Not anymore.

JOUCELEN GABRIEL: Yes, that's what I thought. We had that first job and they did the calculations. Of course, to get their scarves hemmed here was four or five times the price, but we did it and we executed it beautifully and it was a success for us. That was also a big percentage of what we needed to bring in, which was contract manufacturing. From that, we started to get more work. We are now doing the Australian Museum. We just made them a whole bunch of artefact pillows. These are the jobs that help me upskill my workroom, that keep people employed, and we took on three new machinists in that and gave the existing machinists more work. I can see this growing. If we are given more procurement, we can then train and then we can employ more people. Our biggest unemployment rate comes from our migrants, and a lot of them are women, and they are isolated and they are sitting at home. What we offer them is that space to do something that they really enjoy and earn above the award wage.

The CHAIR: Can I ask a question about that and declare that I have had conversations about the Social Outfit in this respect before? The types of garments that you can create are often part of a bigger uniform and a bigger order.

JOUCELEN GABRIEL: That's it, yes.

The CHAIR: Perhaps to both you and Ms Quainance-James, what does that mean in terms of how procurement processes need to be structured so that you actually have the opportunity for those bits that you are able to do on your small scale?

JOUCELEN GABRIEL: Ten per cent. If a company is producing 100 per cent all offshore, can they bring back 10 per cent, to start with, of those things that can be made here? They would liaison with Citizen Wolf or us as to what we can do. As I mentioned before, a lot of what we do is upskilling. When we get the procurement,

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we then upskill our workroom to do that. There is a lot in that training that we can do. It will be baby steps. It obviously won't be that we can take on 100 per cent of procurement, but we can start with something as small as 10 per cent and let that grow as we develop the skills of the machinists and they can take on more complex items until we can get to fifty-fifty, in an ideal world, or even 100 per cent.

JAANA QUAINANCE-JAMES: In terms of how the contracts might need to change or be rethought, it's bringing a bit of strategic thinking and a bit of TCF specialism to that contract, to be honest. The way that it works at the moment is, if the whole thing can't be done here, then it has to go offshore. We can be a bit more mindful in breaking these items down into their component parts and looking at what might be able to be done in Australia. I think there is also an opportunity to influence design and how a product is structured to support more integration of Australian made.

We know of a local factory in Victoria which has received a State Government contract to provide one of the major uniform contracts, and they are able to make the materials in Australia. But there is one part of this uniform, a seam, which is particularly complex, and we don't have the machinery to do that in Australia. For that reason, the whole order is final-stage manufactured offshore. Could we look at that in the design stage and say, "Actually, do you need that seam?" or "The seam we could do here doesn't affect the form and function of the garment for the user." I think it's about being more thoughtful and looking across those contracts. I guess that would be why we would see value in having more TCF specialism within government procurement. That helps almost broker those conversations between government and industry in order to integrate Australian made.

The CHAIR: This question might be for you, Mr Phu. What are the environmental benefits of domestic textile clothing manufacture that could be realised through procurement?

ERIC PHU: There is certainly an improvement in carbon miles in terms of how we don't have to start shipping lots of things all around the world in order for one basic garment to be made. For example, the work that we are doing with the Great Barrier Reef authority is Australian-grown cotton which has carbon sequestration methodology to take carbon from the atmosphere in the growing process. Unfortunately, as Jaana has mentioned, there is no processing of that cotton capability at the moment in Australia, so that does go overseas. But it comes back to a group that we work with in Melbourne to actually knit the yarn into fabric, and then that fabric is turned into a garment or a uniform in our Sydney factory. From a local supply chain perspective, it's about as local as we can make that.

The other thing about Citizen Wolf is, because we make everything on demand to specification using some of our sizing technology, we eliminate a lot of the waste inherent in most ordering processes. Generally, the fashion model is built on overproduction. We have to buy in minimum quantities of hundreds for a given size because no factory wants to work at that small scale if you are going overseas. You may only need to have three garments in a XXXXXL, but your minimum order is going to be 300. At the end of that process, what's going to happen? It's going to be thrown into landfill and, if it's not made from sustainable fabric, it's going to sit in that landfill for hundreds of years. It's going to leach microplastics into the environment, and it's not a particularly sustainable model, either financially or ecologically. There are lots of opportunities for us to look at innovation that is happening in Australia to change not only the materials that we use but how we manufacture to ensure that we are not making things worse for the planet.

JAANA QUAINANCE-JAMES: To add to the overproduction point and the environmental impact, the Committee may be familiar with the overseas e-commerce giants who have begun importing significant volumes into the Australian market, particularly Shein and Temu. There are a lot of criticisms of those business models, which I won't go into the detail of. But one thing that they are doing is they are very close to market. They work very close to their factories. They also do a lot of testing of product before going into bulk production. What I mean by that is they would make designer style, make a short size run—so not going into the full volume—test online what will sell to customers and only then go into the bulk production.

The thing about this model is what if we could do that in Australia? If we have a strong textile manufacturing industry, supported at the core by government procurement, I think there is also the potential for that really to be delivering more value for the fashion industry and drive down overproduction of the Australian fashion industry and create that more just-in-time model for fashion and reduce waste, ultimately.

The CHAIR: So this concept that we have been talking about today of government procurement providing a bit of ballast for the market and then enabling local industry to use that as a base from which to innovate or produce.

JAANA QUAINANCE-JAMES: In turn, it gives that local manufacturing industry the confidence to invest in the machinery, the skills and people development and space and all those other things that enable them to grow their business over time.

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The Hon. RACHEL MERTON: I very much appreciate your time and contribution and passion on the topic. It very much adds a lot of value and importance to our consideration of this. If I could just pick up on the reference to uniforms and looking at local industry being a part of that, what would that mean to local industry? I suspect that government procurement of uniforms is a pretty big area. Is local industry currently playing a role in this?

JAANA QUAINANCE-JAMES: If you are defining local as New South Wales—

The Hon. RACHEL MERTON: New South Wales, correct, yes.

JAANA QUAINANCE-JAMES: Perhaps you might like to add to this as well, Ms Gabriel. There is a relatively small proportion of TCF manufacturers that are working for particularly government procurement in New South Wales around uniforms today. There is a bigger base in Victoria, but that is not to say that there is not potential to grow that.

The Hon. RACHEL MERTON: At that procurement decision, they are looking at prices driving a lot of this as opposed to what the benefit to local industry would be in terms of jobs and suppliers. We are here just to explore how we can better open up some of that rigid decision-making to look at.

JAANA QUAINANCE-JAMES: I think, on the top line, it's about two things. It's about having better data to be able to answer your questions around what is that value. But I think you are right that it is around training and taxable income and better jobs and shorter supply chains. Secondly, it's about—sorry, the thought has just gone out of my head. I will pass to you, Mr Phu.

ERIC PHU: If I could add something, I think it's also incredibly valuable to have a local ecosystem that we can purchase from. The problem is that, if orders continue to fall in the current environment that we have, there are fewer and fewer businesses that we can actually source from and it becomes a death spiral. I think having government in its role as the largest customer for clothing in the State can play a vital role in stopping that but also reversing it and making sure that, by investing in companies that are also investing locally, we rebuild the industry to have that capability. My expectation is that while we have to move quickly, as one of the speakers previously has said, I don't expect us to be having a perfect solution in the next year. But I think there is a lot we can do to start and work towards having a situation where 20, then 30, then 50 per cent of procurement is local and that would provide an incredibly more vibrant ecosystem of suppliers than we currently have now.

JAANA QUAINANCE-JAMES: To add to the point that I was momentarily blanking on, it was around the first point being the data, but the second point being the weighting. So being, I guess, more holistic in the weightings that are applied to the consideration of contracts and looking at not just yes/no locally manufactured, but what are the components that are locally manufactured. Also, potentially preferencing certain accreditation schemes that really set some factories above others might be a consideration as well.

The Hon. RACHEL MERTON: In terms of the New South Wales TCF sector, what do we know about its economic value in jobs and industry?

JAANA QUAINANCE-JAMES: We know that in 2021 it was \$9.7 billion of value annually and that 177,000 workers were employed. That's obviously all aspects of the sector: buyers, designers and kind of everybody in between. In terms of local manufacturing, that was 9,000 workers. We don't have the data around the uniforms and workwear component of that, which I think is a gap.

The Hon. RACHEL MERTON: From your knowledge of your members, how many are actually doing business with the New South Wales Government in terms of procurement, would you say?

JAANA QUAINANCE-JAMES: Very few. Less than 10.

The Hon. RACHEL MERTON: Less than 10 businesses or members?

JAANA QUAINANCE-JAMES: Members, yes.

The Hon. RACHEL MERTON: In terms of the Australian Fashion Council, what is your membership?

JAANA QUAINANCE-JAMES: There are 270 individuals and companies, so a fairly small proportion. Obviously we also represent everything in the value chain, so we also represent very large brands: the Camilla and Marcs, the Iconics, the Zimmermans, that sort of end.

The Hon. RACHEL MERTON: The cross-section, yes.

JAANA QUAINANCE-JAMES: Yes. If we're thinking just from a manufacturing perspective, it's very small.

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The Hon. RACHEL MERTON: Less than 10. In terms of what's on offer, or what the Government is looking for, is it a mismatch with the sector, or the sector doesn't have the confidence, or is it the cost to procure?

JAANA QUAINANCE-JAMES: I think there is a long list of barriers. One, perhaps, is that Government buyers don't necessarily have the information available to them about the capabilities of local manufacturers in New South Wales. Potentially, government buyers don't have the depth of information about how you could strategically incorporate part of local content into the product. Similarly, these are very small businesses, typically. You're on the shop floor, frankly; you're not on your computer waiting for the tender platform. There are not the opportunities to connect, and the Government might feel inaccessible, so the opportunity for government buyers is not there. Also, the government procurement process takes a very long time, which can be very challenging for small business if they're not sure if it's coming through. They may be relying on it, maybe not taking other work in order to get that contract. They obviously want to be able to fulfil it, and that creates a lot of challenges as well. Eric, do you have anything to add?

ERIC PHU: I can certainly provide a personal perspective on that. Procurement can be a challenging process in terms of it takes a lot of time and resources. Some of the other organisations that I've talked to who do procurement can often spend up to a quarter of a million dollars for a contract. Those are fairly large contracts.

The Hon. RACHEL MERTON: Sorry, Mr Phu. Could you please clarify that you mean spending up to quarter of a million dollars in the application?

ERIC PHU: Correct.

The Hon. RACHEL MERTON: Of a big contract?

ERIC PHU: Of a very large one. Again, I'm not saying that's the standard, but that's an example of how much it can cost, sometimes, to go for a contract. For small businesses, the time and money can often be a risk when there are so many other things that you're looking at just in your other parts of the business. So there is an opportunity to streamline and simplify, and to make the process more inviting for things which are smaller scale. I don't think it is about small businesses going for contracts of a million uniforms for train conductors or the train staff for the next five years. But I think there will be opportunities to do, for example, small-scale runs of 200 garments for an event or something like that, which can be streamlined and do not need the same level of documentation.

The Hon. RACHEL MERTON: So possibly breaking down a bigger contract into something smaller, which may attract a simpler procurement arrangement, could be more cost effective and available to SMEs?

ERIC PHU: Exactly. The TCF sector contains a lot of small businesses. While you do have a lot of big brands, a large proportion are small businesses. For us to have a vibrant ecosystem that can thrive and can actually produce more employment would include encouraging more small businesses to participate in that process.

The Hon. RACHEL MERTON: Earlier we heard from witnesses in terms of startups and some of the difficulties for them to remain viable and competitive in the tendering process. It just needs to be recognised to keep them competitive. I suspect you may have similar experiences with some of the startups in the TCF?

JAANA QUAINANCE-JAMES: I would love to see a more vibrant startup ecosystem in manufacturing in New South Wales, but truthfully there are not a lot of people going into that world because of the many challenges, a lack of confidence around that sector or the volumes that you might be able to access. I think there's a lot of opportunity for government procurement to play a role in changing that, and also to leverage, for example, national migration policy to also consider how we might bring in not just skilled workers that help our ageing workforce challenge, particularly around the machinists, but also who is the future leadership of Australian TCF business. There's some incredible work going on around green manufacturing, for example, in Bangladesh. I'd love to see a migration policy supporting, perhaps, a new generation of business owners that would help bring the latest technology to Australia.

The Hon. RACHEL MERTON: In terms of the procurement process, from your experience, are other States doing it better than New South Wales in terms of the time, the cost, the availability and the resources?

JAANA QUAINANCE-JAMES: Not one particularly. I think, obviously, the Buying for Victoria program is probably more mature, for want of a better word—it's been going for a longer time—but it's obviously not without its challenges, either. We would raise the same concerns with that around having that TCF capability or specialism there. There is a program, but it's not necessarily driving the outcomes it could with a bit more strategic thinking applied to it.

The Hon. RACHEL MERTON: Ms Gabriel, I enjoyed your story when you spoke about the COVID masks, the speed with which you responded and the availability. I wonder if you might just be able to maybe

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comment a little bit more. I think Westpac might have been a client? In terms of the speed, the innovation and the uptake of such an industry like that, when it comes to government procurement, how can we better recognise, participate and make business available in such a situation?

JOUCELEN GABRIEL: With masks, it was a very simple skill set. I think, moving forward to tackle procurement, any percentage of it here, we need the skilled labour force. Without the machinists to actually make the garments, how can we even do procurement? For me, it's a bit like the chicken and the egg, if you know what I mean? What comes first? We need the contracts in order to employ the people in order to train everybody. Masks was a great story because they were a simple item. They were re-usable. It's what people needed. They couldn't get re-usables from overseas. We were quick to respond, and that was the selling point for most people with us. They could order 5,000 and we could deliver in a short amount of time.

The biggest challenge with any procurement is having the skilled machinists. That's going to be the biggest challenge. I am not only a production manager, but I'm also at TAFE. TAFE used to be the institution that would train these machinists. These courses don't exist anymore, but the course intake and the applicants—students that want to go to TAFE and learn sewing—is getting bigger and bigger. We've now got a lack of teachers. People want to enter this industry and they want to be makers, but we don't even have the fundamental courses to teach machinists. It needs to go all the way back to TAFE, our training institution, to implement courses. Can TAFE not respond to the requirements of procurement? Can they not work with government agencies and say, "We need to get these uniforms made, so let's create a course around skilling people to make these uniforms"? It has to go right back to that baby stage, because we need the skilled labour in order to deliver the product. I hope that answered your question.

The Hon. RACHEL MERTON: We've heard today about the cost of industry, manufacturing and business in terms of energy costs and how suppliers are managing that. Are there any reflections from your members on this in the current environment?

ERIC PHU: I'd just go back to the start of this conversation in terms of what is the importance of the fashion industry. Why have it? To me, it's a fundamental item that we need. Unless laws change in terms of indecency, we need to have clothing. It's something that we're going to consume. Right now, Australia imports a billion garments a year for our population, which is insane. When the majority of that is made overseas, it's just insane. We should have the capability to make a vital, integral product right here in Australia. The problem is that, for many, many years, it has been an industry that has been in decline for various reasons. The skill sets have been disappearing. It's something that can contribute a huge amount of value. Technology is fundamentally transforming the way the industry works and will allow us, I believe, to compete with the best brands on the planet if we have the ecosystem to actually make that happen.

The CHAIR: I have a question for you, Ms Quaintance-James, to begin with. We are one of the only jurisdictions with an anti-slavery commissioner and a modern slavery Act. The unique thing about our Act is that it is almost solely dealing with government supply chains, and that's what the commissioner looks at. I wonder if you could speak to how locally produced textiles assists the New South Wales Government in compliance with that Act.

JAANA QUAINANCE-JAMES: There are numerous ways. The nature of the supply chain being much closer and accessible—I have spent a long time in my career working with offshore factories. Just by nature of their distance, it makes it more challenging to have confidence about what's going on. In a New South Wales supply chain, you could get there within eight hours, or however far away it was. That's a key point. Secondly, the strong regulatory framework of Australia is something to be beholden and is a huge asset in terms of differentiating Australian suppliers from those offshore. Thirdly, the accreditation scheme that has existed—for example, Ethical Clothing Australia—that serves to provide confidence to local buyers around the auditing and the accreditation on the supply chain, and the implementation of that regulatory framework, is also a strength.

The CHAIR: I'd like to go a bit further on that. If we were to think about where we have been procuring our uniforms to date—largely offshore—we might be putting ourselves at much greater risk of garments being produced through the products of modern slavery.

JAANA QUAINANCE-JAMES: Yes. It's a bit odd, but international law sometimes sets a higher standard than Australian law; that is true. For example, you could look at China in relation to working hours. However, the implementation frameworks in those contexts are often absent. Similarly, the auditing frameworks for offshore facilities, it's been well documented that the issues are often referred to as a tick-and-flick approach. You can buy an audit on the internet, in fact, or you could have false sets of books and pay in hours. You know, "I can show you these if you want your working hours at this level," but the next customer, he or she is more accommodating of a different level of working hours, so show her the real ones. It's very opaque when you go

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overseas and it's hard to necessarily have confidence in what's happening and you certainly can't just go there to get even more confident. So that's the strength of the Australian supply chain.

The CHAIR: Mr Phu, I think you were here for some of the panel that we had before talking about advanced manufacturing and challenges in accessing procurement but other challenges as well. Your manufacturing and your business is based in Sydney and some of the discussion we had on the previous panel was about that choice as to where to locate. Have you considered, or been forced to consider, other options due to business conditions or that kind of thing?

ERIC PHU: It is a very common question because most customers assume that clothing is now made overseas. We've made a very strong decision to retain it in Sydney not just because we grew up here and we love working here but also because of the challenges that Jaana mentioned in terms of we can't be sure, if we were to offshore it, it meets the values around sustainability and ethics that we have built our business brand on. We're ECA accredited. We're also a B Corp, which means that we are triple-bottom-line focused and not just about profitability but also what is our impact on the community on customers and so forth. We just can't be sure that we're going to meet that standard without being based in the factory that actually does the work.

So for that reason we have made a decision to stay here despite a lot of economic pressure and a lot of customer queries as to why don't we do it overseas because it's so much cheaper. If we were to do it overseas, we could offer it at a cheaper price and so forth, but our perspective is that at some point somewhere, someone is paying the true cost. A \$10 T-shirt isn't really \$10. The social cost is being borne by a community that has got its rivers flooded with toxic chemicals. It's from workers who have been chained to an unsafe factory and working 20 hours a day at minimal dollars and that's just not worth the price. So for those reasons we have decided to stay here. It's not an easy decision. We'd love to have more people that we can support locally as well because it is a small, interconnected community. That's why, I guess, we are here today. We really believe that government has a strong role to play, not so much as a legislator but as the largest customer, to actually enforce the standards which change the market.

The CHAIR: Ms Quaintance-James, you spoke about weightings earlier and in the previous panel, again, I think that the weighting or the area that they were most interested in was local content and local manufacturing. Given that you have both The Social Outfit and Citizen Wolf here, are you talking about weightings not just in terms of local content but environmental outcomes, labour outcomes and social outcomes? Is that what you think would be appropriate?

JAANA QUAINANCE-JAMES: Yes. I think that if you got the data that we were discussing before as perhaps missing, you could use that to inform a weighting across all of those things. Local content as a requirement has embedded in it the benefit of social, in theory, but I think that that could be more explicit. I think the use, for example, of environmentally certified materials could then be a separate thing. I think often these things historically may have been lumped into one bucket. But in a government procurement context I believe it's warranted to separate them out and be really explicit about what's important—so, environmentally, the lower impact of materials. But then also perhaps there is another part, which is their end of life. What is the Government doing with those uniforms when they're finished with them? Often what happens is there is a change in uniform, so suddenly thousands and thousands of uniforms are defunct literally in one day. And, again, courtesy of Australian innovation and locally manufactured solutions, there are opportunities to work with Australian businesses on keeping that product out of landfill.

The CHAIR: In terms of weighting, the corollary of what you're saying is that whole-of-life costing, in terms of textiles and clothing, needs to happen at the end of their usefulness—where do they go, are we paying for them to fill up our landfill, that kind of thing?

JAANA QUAINANCE-JAMES: Yes, and perhaps it's a weighting component in terms of where did the materials come from and what are the social and economic and environmental components of that; the second stage, where is the item manufactured; obviously, there is a form and function component, i.e. the use phase; and then, finally, what's happening at the end of life.

The CHAIR: Thank you all very much for being here today and for the work that you all do. If there were any questions taken on notice or supplementary questions, the secretariat will be in touch and you'll have 21 days to respond.

(The witnesses withdrew.)

The Committee adjourned at 16:10.