

**THE PARLIAMENTARY STANDING COMMITTEE ON PUBLIC ACCOUNTS
MET IN COMMITTEE ROOM 2, PARLIAMENT HOUSE, HOBART ON
WEDNESDAY 23 OCTOBER 2002.**

MR CRAIG JEFFERY WAS CALLED, MADE THE STATUTORY DECLARATION AND WAS EXAMINED.

CHAIR (Mr Fletcher) - It is my intention to deal with apologies and the minutes, and then introduce Craig Jeffery from Procurement and Property to brief us in relation to their work. There is an apology from Mr Hidding who is temporarily engaged but will be here soon, but not at this moment. The minutes of the last meeting have been circulated, and those were the minutes of 22 May, 29 May and 26 September. It is my intention to deal with them in order, and deal with them in the usual way. If there is no speaker to the contrary I intend to resolve on behalf of the committee that the minutes be confirmed and sign the record accordingly. We are dealing with the minutes of 22 May first of all. There not being a speaker to the contrary, I resolve on behalf of the committee that the minutes be confirmed and will sign accordingly. The next are the minutes of 29 May. If there is no speaker to the contrary I will resolve on behalf of the committee that they be confirmed. There is no speaker. It is so resolved and I will sign to confirm. And the third minutes are for the 26 September. They have been circulated. If there is no speaker to the contrary I intend to resolve on behalf of the committee that they be confirmed. There is no speaker. It is so resolved and I sign them in confirmation.

Could I now suspend the standard business of the committee and invite Mr Craig Jeffery from Procurement and Supply to brief the committee? I note that Mr Jeffery has an officer in support and he will introduce him at the appropriate time, for those who have not already met him.

Craig, welcome along. I hope you don't mind the informality, we have other committees to go and the bells ring and we have to go back to the House at the appropriate time, so it is a matter of trying to grab some lunch as we go along, and if that is no disadvantage to you it is not to us.

There have been some expression of, I suppose on the one hand literally interpreted, some concern with the work of the office, and then others have asked what does the office do, and there may well be a lack of understanding of what the roles and functions are. So we are hoping that your presence today will clarify that situation and focus our minds on the good work that you are doing and I hand it over to you.

Mr JEFFERY- I apologise in advance to the committee. I was planning on doing a PowerPoint presentation but unfortunately our projector was double to triple booked, so unfortunately we will have to go back to the tried and true ways and go through it in hard-copy form. If it is acceptable to the committee, what I propose to do is just briefly go through this five or ten-minute presentation which hopefully will just cover some of the basic concepts, and then answer any questions the committee may have.

I am Craig Jeffery from the Procurement and Property Branch of Treasury. Usually when I am giving briefings to agency people I claim to be one of the good guys from Treasury, as in I don't have anything to do with money. So I'm one of the nice guys from Treasury and that usually goes down very well with my friends in agency land.

In relation to why my branch is looking at other government procurement policy, there are a number of reasons for that, and I suppose the main reason is obviously that agencies are large buyers of goods and services with building construction activities, so the policy aims to build on the purchasing powers of agencies. The intention is to try to enhance opportunities for local Tasmanian businesses, to create new jobs investment in Tasmania, and a lot of the policy initiatives that we are following through are intended to support the Government's strategic initiatives that are intended to enhance opportunities for small-to-medium enterprises. In terms, I suppose, of the Tasmanian business marketplace, by far the great majority of businesses fall in the small-to-medium enterprises category. As I said earlier, the Tasmanian Government is a fairly major purchaser of goods and services in Tasmania. In terms of what we are trying to do with policy, we are trying where possible to create a level playing field and provide a competitive environment for businesses. In terms of our success, as I will come to later, we monitor tendering and contracting activity from all agencies, government business enterprises and State-owned companies, and the results for the last financial year show that 404 of the 513 contracts over \$50 000 awarded went to Tasmanian businesses, so there is some success there.

In terms of the Government's commitment to what the policy is intended to do, we are trying to continue the trend of local businesses winning government contracts. We are also intending where possible to build opportunities for local businesses to compete for all available Tasmanian Government contracts. Where there are no local businesses that can independently compete for those contracts, we are trying to provide a framework which will, I suppose, assist them to combine through partnerships, joint ventures, that sort of arrangement, to bid for larger contracts, or perhaps to gain experience as a subcontractor initially with a view to getting a contract at a later date. We have done a lot of work through a whole range of mechanisms including briefing sessions such as this to provide information and advice on government policy and requirements.

I have talked a lot about building local opportunities, and in practical terms that means that under the policy for all contracts at least one local bid must be sought. Contracts above \$50 000 must go to public tender unless an exemption is obtained. We are encouraging agencies where appropriate to host pre-tender briefing sessions, which is just part of the communication information dissemination process, to make the tender process I suppose more encouraging for businesses that are not currently supplying to government. For those suppliers that are unsuccessful, with a view to increasing their future competitiveness there is a requirement now that a debriefing must be offered, and the details of that debriefing must be specified in the quotation or tender documentation. We have recently run some Meet the Buyers events which are intended to forge closer links between government buyers and businesses. In relation to tenders, as I said a moment ago, tenders are required for all contracts above \$50 000. In terms of the advertising there is a requirement that they be advertised online on the Government's new purchasing web site, which is www.purchasing.tas.gov.au, and a requirement that all tenders also be advertised, at a minimum, in the Saturday edition of one of the daily Tasmanian newspapers. So in terms of advertising, agencies are free to advertise them in

the Wednesday paper or the Sunday paper or on the mainland, but at a minimum they have to be advertised in the Saturday edition of one of the daily Tasmanian newspapers.

Mr FLETCHER - When you say one, Craig, do mean just either the *Mercury*, *Examiner* or *Advocate*, or each one of them?

Mr JEFFERY - At least one of the three, which really caters for regional-type purchasing activities, so if you have a contract on the north-west coast it is obviously more beneficial to advertise it in the *Advocate*, so once again that is for the agency to choose.

Mr STURGES - I have been involved with a lot of contractors over the years, and I know they move around the State, so who formed that policy? Why can't we have it in the three major newspapers?

Mr JEFFERY - It is a minimum requirement, and agencies may choose to do that, but I suppose the mandatory requirement is that it is advertised online on the publicly-available web site, and the option is for agencies to determine if they want to advertise it in more than one paper.

In relation to tenders also, there is a requirement now that government buyers must consult with the Industrial Supplies Office for all tenders in order to identify local capability and, for those members who don't know, the Industrial Supplies Office is a division of the Department of Economic Development and is part of a national network of industrial supplies offices which all run a database of local industry capabilities. So that's a national network and the local ISOTAS runs a database of local business capability.

In terms of the suppliers in the tender documents it's now a requirement for some mandatory wording that encourages suppliers to involve the Industrial Supplies Office and the intention of that is for suppliers to talk to the industrial office to identify opportunities for Tasmanian businesses as sub-contractors or to provide materials to support contracts.

What happens is if a contract is less than \$50 000, once again it is a requirement that there is at least one quote from a local supplier. Agencies are encouraged, once again, to use ISOTAS to source a Tasmanian business if they are not aware of a Tasmanian business and can't identify a Tasmanian business through other means.

For contracts less than \$50 000, it's mandatory that there be three written quotations and for less than \$10 000, at least one quotation but purchases less than \$10 000 are devolved to agencies and the purchasing mechanism is essentially at the discretion at the head of agency.

Mr WILKINSON - The one quotation, can that be an oral quotation?

Mr JEFFERY - Yes. That can be verbal or it can be fax or e-mail or something like that.

Mr WILKINSON - So there's no real proof of the quotation if anybody wants to check it later on. Say if I answered the phone and said, yes \$10 000 and I wrote it down for \$10 000, there's no checking up on that?

Mr JEFFERY - Depending on the value of the contract you'd probably expect, at a minimum, an exchange of correspondence, a purchase order. There would have to be a paper trail and certainly Arthur's people would be looking for some evidence of a proper order trail.

In relation to the awarding of contracts and the valuation criteria, one of the key principles which I'll talk about a little later is the principle of value for money. Basically a decision based on value for money is the basis for all government contract decisions. Value for money doesn't mean that the decision is just made on price; it requires all aspects of the contract to be considered. So that's things like length of supply chain, warranty conditions, the support network, aspects of the personnel that will be supporting the contract - all of those sorts of aspects. Whole of life costing matters should be taken into account not just the price.

Decision makers are required to evaluate the benefits of sourcing locally so explicit in many of the policies is a requirement that decision makers should be doing what they can to enhance opportunities for local businesses.

We've encouraged through many of our presentations and a lot of information required of the businesses for them to detail those sorts of benefits in their bid. So rather than just putting a tender package together that relies on price and a number of other mechanisms to explicitly outline the benefits that they can provide to the agency as being a local supplier, because obviously local suppliers have many benefits and advantages over mainland businesses in terms of quicker supply, local support networks and a whole range of other things and they should be selling those benefits.

The Government is a signatory to the Australia New Zealand Government Procurement Agreement which is an agreement between the Commonwealth, the States and New Zealand.

Basically that agreement means that all States, Commonwealth and New Zealand have agreed that they will not give preference to local business over other Australian and New Zealand businesses. So in terms of preferential support, bids from Tasmanian businesses are ranked equally with bids from other States or New Zealand.

Mr WILKINSON - Can you ask questions as you go along?

CHAIR - As long as you're not interrupting his train of thought.

Mr WILKINSON - Please tell me to shut up if I'm interrupting you.

Mr JEFFERY - No, I'm happy to take questions. I should've said in advance I'm happy to take questions now or at the end.

Mr WILKINSON - With that do you know the percentage - in other words, is Tasmania worse off because of that as opposed to other States or are we on a par with other States?

Mr JEFFERY - Our expectation is, I suppose, that Tasmanian businesses would be, if anything, advantaged by that, Tasmania being a relatively small marketplace compared

to broader Australia or even Victoria and New South Wales. A number of States, I suppose, over the years have looked at various mechanisms to try to explicitly provide preference for their local businesses. But when you set up that sort of fortress where you're saying we are going to buy - and basically you restrict a lot of opportunities for people to come in but then again you're restricting opportunities for people to go out. So I suppose, from Tasmania's point of view, the market interstate is a lot bigger and businesses, as evidenced through our contract tender database, are getting a lot of success with government contracts in Tasmania and that success also provides them with a bent whereby they can leap-frog into other markets as well. So it's not seen as a disadvantage at all.

In terms of how government purchasing works, we're now in very much a devolved purchasing framework so in terms of - I probably should have said earlier how Treasury fits into all this. My branch is the Procurement and Property Branch of Treasury. We're responsible for the whole-of-government procurement policy. We also manage a number of whole-of-government contracts which are now - many years ago I think the former Supply and Tender Board were managing somewhere in the region of a couple of hundred common-use contracts as they were known then. We are now managing, I think 15 whole-of-government strategic contracts and they're for goods and services that are used across government, so things like motor vehicles, petrol, computers have a whole-of-government lease finance, a corporate card. So they're the sorts of contracts we manage. Apart from that, each agency is responsible to undertake its own purchasing and contracting activities within the framework of the Government purchasing principles and they're set out in the Handbook for Government Procurement which is given power, I suppose for want of a better term, under the Treasurer's instructions. So the Treasurer's instructions are issued under the Financial Management Audit Act and the Treasurer's instructions require agencies to comply with the Handbook for Government Procurement. So that's how the policy gets its teeth.

The handbook sets out four key principles for government procurement. I've talked about a couple of those. They are value for money, which once again doesn't mean just price but means making a decision based on whole-of-life decisions and a whole range of other issues, open and effective competition and the way the policy encourages open and effective competition is having those various threshold levels. So if \$50 000 public tenders are required \$10 000 and above, three written quotations are required and the intention of that is to encourage competition with a view that the better the competition the better the price or the better the value-for-money outcome.

Another key principle is building opportunities for local business. Many of the strategies that I've mentioned earlier and am probably going to come to in a moment are intended to enhance opportunities for local business and the whole package is governed by a code of conduct that governs the ethical behaviour of staff involved in purchasing which is outlined in the handbook.

In terms of some of the initiatives, the Government established a procurement advisory group in 1999 which includes representatives from business, industry associations, unions, government agencies. The role of the procurement advisory group - and I'm currently chairing the procurement advisory group - is to provide advice to the Treasurer and to monitor agency purchasing and contract activities with a specific focus on enhancing the capacity of Tasmanian businesses to competitively bid for government

business. There's been a whole of raft of strategies introduced, including the recent development of the purchasing.tas.gov.au web site which includes a section on winning government business. So that's a specific section targeted at Tasmanian businesses - going through the policy framework, giving them tips on how to win government contracts, contact information on who to talk to in terms of government buyers, what the complaints process is, how to register with the industrial office and basically everything that we thought suppliers needed to know to deal with government. There's a section on tenders which provides details of all the current closed and awarded tenders, a section on contracts which is really just providing details on the whole-of-government contracts I referred to earlier and we are currently developing a new section which is called Buying for Government which is, I suppose, a mirror image of Winning Government Business which is targeted to providing information to suppliers. Buying for Government will provide information for government buyers in relation to the policy framework and it will all be available online from their desktop. We held Meet the Buyers events in June 2002 which were attended by over 900 business people. The Government has recently signed an agreement with the Victorian Government to access its procurement training course material. There is now a requirement that agencies establish tender review committees in all agencies to review tender and evaluation processes used for tenders of over \$50 000, so that is basically a process where they have a check list and they make sure that all the correct processes have been followed throughout the tender process and get that signed off before the contract is awarded. We have established an interdepartmental procurement reference group to really provide an agency input into the development of much of this policy and particularly the web sites and the training mechanisms. There is a tender contract data base where we get information from agencies, government business enterprises and State-owned companies on tenders called, number of bids received, contracts awarded in terms of number and value, and whether Tasmanian businesses won them, and that sort of information.

We have established a procurement complaints process, and details of that are available on the web site and there are guidelines for both suppliers and government buyers to make sure that, if a supplier is unsuccessful or just has a grievance, they have an established process to go through. If they are not happy, they can continue going up the steps of the procurement complaints process until the matter is resolved and we track information on complaints and report that to the Procurement Advisory Committee annually. I think there were round about 300 contracts awarded by our interbudget agencies in the last financial year, and I think we had 8 complaints, the majority of which were resolved either initially at an agency level or with the agency complaints officer, so it was a pretty good result.

Recently with some changes to whole-of-government advertising arrangements, tender advertisements are now all in one place under a banner heading Opportunities for Business in Tasmania, and that section is in the Saturday edition of each of the three daily Tasmanian papers, so if a business wants to find out business opportunities there is only one section they have to go. All tender advertisements are now in that section which is clearly flagged as State Government opportunities for business.

There are requirements now for agencies, as part of the ongoing process, to provide information on tenders and contracts in their annual reports, including a statement from the head of agency of their support for local business and what that agency has done to encourage or enhance opportunities for local business. In terms of ongoing activities,

there are quite a few things happening, but the main things are the development of the buying for government part of the purchasing.tas. web site. We are currently doing some work on the introduction of e-tendering, enabling tenders to be lodged in an electronic form into an electronic tender box rather than in hard-copy form. I suppose in terms of broader e-commerce and e-procurement, a pilot exercise has been ongoing for the last 18 months which has been coordinated by the Department of Premier and Cabinet, so we will be participating in evaluation of that pilot exercise. Hopefully that was not too long for you.

Mr FLETCHER - Well, there was a lot of detail in there, and I thought, rather than ask you questions, I would ask members of the committee questions to see how much of it they actually assimilated along the way. Are you ready to go?

Mr JEFFERY - I'm ready.

Mr FLETCHER - Craig, you paint a fairly optimistic picture, and the concept of the Procurement and Property section and the system it enhances, I suppose, by my judgment. Others might disagree with that, and I do not want to be negative to that, but the concepts on which you pin your business are ones of value for money and encouraging local business, and they seem to some degree to be in conflict with the Australia New Zealand agreement which says Tasmanian businesses won't be advantaged over businesses of other jurisdictions. I wonder how you manage that situation.

Mr JEFFERY - In terms of the Government Procurement Agreement, it really requires that there is no explicit monetary preference given, so in other words if you are comparing an offer from a Victorian supplier to a Tasmanian supplier you don't add 10 per cent preference to the Victorian one and do that. So in terms of what government procurement policy has been about, we are trying to provide a framework that I suppose encourages local businesses and enhances opportunities for local business, so local businesses are encouraged to participate in the process and, if you like, to take part in the race, but there is no guarantee that they will finish first. But at least we are providing a whole range of mechanisms that are intended to encourage them to take part, so they are aware of the opportunities. There are mechanisms in place to try to encourage that open competition. They are encouraged to take part, and then if they are not successful there are mechanisms there for them to get a debriefing.

Mr FLETCHER - I understand that, but I am wondering whether you make any monetary adjustments. Suppose a Victorian firm quotes x and a Tasmanian firm quotes $x+10$, and you look at the Tasmanian firm's offer and you see there is security of supply and a short length of supply arm, good after-sales service. Do you then attach a monetary value to those additions, which is encouraging Tasmania business, that over-ride the 10 points differential between the two prices?

Mr JEFFERY - That's pretty much what the value-for-money principle is about, and so rather than agencies just going out and - I suppose for some lower-level purchases, things like Bic pens et cetera, the decision is probably always going to be made on price in relation to one supplier offering a Bic biro and another one that is the same product, but where there are differences in relation to the product being provided and how it is being provided, the evaluation process should build in a valuation criteria to take account of all

those factors that you have said, and then they could be explicitly scored. It may be that they are given various weightings depending on how important they are to the overall result, and then at the end of that you are making a decision on value for money, not just on price.

Mr FLETCHER - Okay. Is there anything built into the process in the way of quality control to determine that you are making value judgments?

Mr JEFFERY - A couple of things. I suppose the first thing is in relation to the requirement now that agencies have tender review committees and so the role of the tender review committee is to examine the whole process and make sure that the evaluation has been made on a proper balanced basis and that they are built on proper evaluation criteria. I suppose if an agency goes through a pre-tender briefing then there is opportunity up-front to get some feedback as to the process that is being planned, and at the end through the debriefing, and then, if there is a complaint, those issues are resolved through that way.

Mr FLETCHER - I suppose the true test of quality is commitment to the processes. If there is a complaint the agency is required to hear that complaint and an aggrieved party will say you have given an imbalance somewhere along the line.

Mr JEFFERY - Yes.

Mr HIDDING - Mr Jeffery, you spoke about 15 whole-of-government contracts, which certainly have come down a lot from where they used to be. There is an industry statistic across the public sector around Australia as to the amount of compliance with those contracts. It is one thing having a contract in place, it is another requiring all the agencies to comply with those contracts, and I am wondering how many instances of non-compliance there are or what level of compliance you claim.

Mr JEFFERY - Under the Treasurer's instructions and through the Handbook for Government Procurement it is mandatory for all interbudget agencies to buy off common-use contracts where they are in place.

I agree with what you say and I suppose in the past when there was a broader number of whole-of-government contracts particularly in areas where there is a fairly active market and for instance I can think of a couple of examples off hand say, audio visual equipment where there's obviously a very competitive marketplace and at that time photocopiers was another industry where there was a competitive market. There was some leakage from the whole-of-government contracts but by reducing those and I suppose making them strategic, whole-of-government contracts and targeted at those goods and services where the Government is buying large volumes such as motor vehicles then we can provide a volume that should generate a good price so with the contracts we've got in place the pricing is generally at such a level and the markets are such that there's relatively low leakage, I suppose.

Another one where in the past there was some leakage was our whole-of-government computer contract. A couple of years ago we did a big review of the contract for the supply of computer equipment. We consulted with all stakeholders and restructured the contract and provided a number of mechanisms including a six-monthly review because

what we found was that the contract was put in place for two years and if a contractor changed business or went out of business or a new one came into the market there was no mechanism to bring them on. We now review it in six months and can bring them on or off and we've got a much broader range of equipment on offer so that if an agency wants to buy what's commonly known as a clone machine rather than a brand-name machine that gives the capacity to do that.

So with the mandatory warranty requirements under our computer contract we're getting all our equipment with a two-year warranty at a good price so there's really, we think, almost no reason why anyone would not buy off the contracts that are in place now.

Mr HIDDING - You don't have a percentage figure that you claim for compliance?

Mr JEFFERY - We'd like to think it was 100 per cent, human nature suggests that it never would be but I think it's pretty close to that. To some extent it's somewhat self-regulating as the industry knows what activity is happening and people that are on the contract don't want to see leakage and so they will generally tell somebody. These were issues in the past when I first became involved in this area but not an issue any longer, thank goodness.

Mr HIDDING - Just one small one.

The advertising you were talking about, where it's all bundled together into a double page or almost a double-page feature: who pays for that? Who's bundling?

Mr JEFFERY - We've got a whole-of-government contract for advertising and so we've got an agency that coordinates all the advertising. We've also got a whole-of-government contract to buy the advertising space so we get a government price in terms of the advertising space.

The coordination of the ad - agencies have their ads for tenders they lodge them with our advertising agency which is TMP Worldwide, which aggregates them up and places the ad and if it's half a page or one page or two pages then the cost of that is divided amongst the agencies on a pro-rata basis depending on -

Mr HIDDING - On the cost allocation, who pays for the great big strip down the left with nothing in it except for the Tasmania Together stuff down the bottom?

Mr JEFFERY - In advertising terms for some reason they call it the stippled strip but I've never understood that.

Once again, that's part of the whole-of-government contract and that is allocated across the agencies who have got tenders advertising. That strip is also always used so tenders that have run one Saturday in the main body the next Saturday they'll have details of active tenders in that stipple strip at the side. So to some extent agencies get two advertising on specific tenders, I suppose.

Mr HIDDING - Costs about \$0.5 million a year in terms of space.

Mr STURGES - Chairman, if I could just follow on from that line, Mr Jeffery. If I could just seek a point of clarification.

Dealing with complaints - the way I understood your presentation today - if an unsuccessful tenderer wishes to complain about the process then it's dealt with within the agency. To me, if that is the case - and I have no problem; I am not putting into question the credibility or the integrity of the agency, but it is a bit like putting a fox in charge of the chookhouse. Is there an independent process that these people can go to if they seek redress outside of the agency?

Mr JEFFERY - Thanks for the question, I probably wasn't as clear as I should have been on that matter. The process is, as in many things, if there is an issue the first step is to discuss it with whoever is running the contract just to see if it is a misinterpretation or something like that. The requirement is that the person with the complaint should also go through a debriefing. So if they have discussed their thing, had their debriefing and still not happy, each agency has a nominated procurement complaints officer, who is not part of the purchasing process. They can advise that procurement complaints officer who then starts the formal logging of the complaint. There is a process where the complaint is lodged, they get a written response from the procurement complaints officer. If they are still not happy, then they can escalate it and come to my area within Treasury and advise us the details of the complaint. We may look through it and resolve it or, depending on the seriousness, might appoint a probity adviser to go through the process and resolve it that way. If they are still not happy, there are a number of other mechanisms, including they could possibly go to the Ombudsman or to the relevant minister and take it through that way.

In terms of the Ombudsman's role, the Ombudsman would always want anyone with a complaint to have dealt with the agency first and through the process they have already dealt with the agency, which means that by the time they get to the Ombudsman, the Ombudsman has most of the data they need. As I said, it is an escalating process but the intention is, if possible, that it should be resolved at the agency level by the people who are running the process, because that is the best point to resolve those matters.

Mr RATTRAY - Craig, you suggested government tenders and what you do and how you go. If I was starting up a firm somewhere and I wanted to get into the system - I would like to be considered for a government tender in the future for my business - what would I do to be recognised by the tender process?

Mr JEFFERY - In terms of somebody starting up a new business, I suppose I would encourage them to register themselves with the Industrial Supplies Office - register their capability - and someone from ISO would come out and visit you and do an assessment of your capability and what your business is doing. They would put it on their database so that would immediately give access to opportunities through the ISO network both here and interstate.

We have set up our purchasing.tas web site as a one-stop shop, so that has information on tender opportunities which you can get into by agency or by tender type. There is also the Winning Government Business part of that which is really targeted at people setting up a business, basically going through the framework. There are contact details there for the key buyers in each agency, split up by the areas in which those people are

buying and an idea as to what types of goods and services agencies typically buy and some guidance on how to put together a tender document. Once again, ISO, and organisations like that, will help.

We have run other forums and for those who are not hooked into the Internet, there is the online access centres but, if not, we have a whole range of hard-copy information - I have brought some examples of that to leave with Heather in case you people are interested in that later. So we have hard-copy information including a booklet which is a hard-copy guide for government buyers and we have a similar one which is a guide for tenderers, suppliers - people who want to do business - which basically goes through the process.

Mr WILKINSON - Could you run me through the process, please, probably to make it easier for me more than anybody else - the government wants to buy new cars. That's going to be obviously a contract over \$50 000. What do you do?

Mr JEFFERY - That's one of the whole-of-government contracts that we manage and it is due to be renewed from 1 June next year so it's a pretty timely question. So yes, we would run a tender process so we would develop a tender document based on the standard tender documents that are available on our web site. We recently have Crown Law to draw up a range of new contracts for goods, goods and services and services so that would form part of the tender document. In terms of vehicles, the way we buy is we separate the Government's requirements for vehicles into categories so there would be a four cylinder manual sedan, four cylinder automatic sedan, four cylinder manual hatchback, six cylinder large passenger sedan, commercial vehicle - so a whole range of categories. We would usually provide information as part of the tender package as to the volume of purchases in the previous contract in all those and we would send the tender package to all existing contractors which is basically most of the major vehicle manufacturers. We would advertise it in probably all three local papers as we have dealers in all parts of the State, and it would be on the tenders web site.

Mr WILKINSON - Do you go to those dealers? Say you bought it from General Motors up in Macquarie Street - do you go to them and say, 'Look, we bought them from you last time. We're putting out a tender, do you want to be involved?' Do you go that far or, alternatively, do you just advertise it and it's up to the people -

Mr JEFFERY - No, we would advertise it but anyone who's a current contractor, as a courtesy if nothing else, as part of the tender process should get a copy of your tender document without having to ask for it and we would send that. We're generally establishing contracts with the manufacturers at a manufacturer-type level on the basis that we are buying cars at government pricing from the manufacturers with a requirement they be delivered through local dealerships.

Mr WILKINSON - So the local dealerships still get the benefit, do they?

Mr JEFFERY - All government purchases come through local dealers, yes.

Mr WILKINSON - You said what you do, but you go to the actual manufacturers and you'd say that you want to buy x amount of vehicles and then if they win the contract those

vehicles are purchased through the local dealers - the local dealers being in the south, the north and the north-west or alternatively spread either way or just the single dealer?

Mr JEFFERY - Yes, the Government's policy in terms of the government vehicle fleet so those are the vehicles that are delivered is that they be delivered through a dealer in the geographic area. So if it is a vehicle for Primary Industries up in Wynyard that would be delivered out of Burnie or Devonport. So yes, we would go to the manufacturers with a tender document specifying what categories we wished to buy the number of vehicles we'd bought, not by models but just a total number saying we'd bought *x* amount of vehicles in that category and we're seeking offers from manufacturers in each of those categories. So it is up to them whether they offer a vehicle - a four cylinder, automatic hatch - that's up to them. Once we get all those offers there is a tender evaluation which is generally an interdepartmental evaluation group that will compare those vehicles. The decision is made on a value-for-money basis and usually we would not take all the vehicles that are offered in any one category, we would usually take, depending on the number of vehicles purchased in the category, maybe one, two, three, four vehicles in each category.

Mr WILKINSON - In the end, if the prices are pretty well similar, whose decision is it in the end to say let's get a Ford as opposed to a Holden or a Mitsubishi or -

Mr JEFFERY - It would be a recommendation of that tender evaluation group which would then go through Treasury's Tender Review Committee and it would end up being signed off by the Tender Review Committee within Treasury.

Mr STURGES - Craig, just again you made reference to the procurement advisory group. I'm just interested regarding the application of that concept. I think it is a good concept from listening to you. Do they have specific terms of reference? That's one question. How were these people appointed and by whom and how often do they meet? What's the go with them?

Mr JEFFERY - Yes, they do have terms of reference. I haven't brought a copy of that but I'm happy to provide it through Heather to the committee if you would like. Believe it or not, the terms of reference are up on our purchasing web site. I seem to be giving that a bit of a plug, so I apologise for that.

Mr WILKINSON - Is it new?

Mr JEFFERY - Quite new. Members are appointed by the Treasurer following a nomination process. So various nominations went forward, the Treasurer appointed members and the group meets quarterly.

Mr STURGES - Sorry, can you just explain - if I may, Mr Chairman - the nominations where do they come from? There are a variety of industry groups, there are a number of organisations. I'm just curious as to who gets to put the nominations forward for evaluation.

Mr JEFFERY - We have a member from the Tasmanian Chamber of Commerce and Industry so TCCI nominated. In relation to getting some representation from the building industry we sought nominations from the Master Builders Association Housing

Industry Association, the Institute of Architects, Civil Contractors Federation and all those nominations went forward. Likewise, Stewart Wardlaw is currently on the group representing the Local Government Association and so it depends. I suppose there are some buyer representatives on the group and those nominations just bubbled forward when the group was set up.

Mr STURGES - Thank you. My last question on this point. How often are nominations called for? How long do people stay on as delegates or representatives on this group?

Mr JEFFERY - There's no sunset clause on their membership so it really depends on the individual as to how long they want to be involved. I would foresee that there would always be a representative from the TCCI, for instance. If somebody moved, somebody else would be nominated.

Mr HIDDING - The devolution of responsibility for buying would make sense in terms for an agency to be able to quickly get hold of a couple of cartons of something or other - toilet paper or whatever. Yet, it seems to me that there are substantial opportunities for major contracts for high-use consumables, such as business papers. In fact there is a better word, there is an industry word.

CHAIR - Reflex copy paper you're talking about?

Mr HIDDING - Yes, but there is an industry word - we did look it up. I'm talking about in particular business papers that are in fact produced on this island and shipped out again mostly and we're shipping in great quantities of papers because agencies are allowed to buy their own paper. Yet, has anybody done a job in bundling a contract for the supply of business papers to the Tasmanian Government including GBEs or whatever to get to understand the quantum of how much paper we use of the paper that is manufactured in Tasmania? I understand it to be veritable warehouse-full loads. But has somebody done a project on this?

Mr JEFFERY - I don't believe so.

Mr HIDDING - This is my particular interest and that's why I'm-

CHAIR - Just by way of interjection and it's not 100 per cent certain because my memory is not as strong as it used to be perhaps but when I was once trying to sell the warehouse from under the feet of the Supply and Tender department they told me at that stage that our usage of copy paper was about a million tonnes a year.

Mr HIDDING - Some huge amount of paper - not just copy paper but also coated business papers -

Ms THURSTANS - Printing and writing papers.

Mr HIDDING - 'Printing and writing papers' are the words. So you're not aware that there's been any project done to -

Mr JEFFERY - No.

I think it would probably be a fairly difficult exercise in that not only is purchasing activity devolved but probably the acquisition of some stationery would be even more widely devolved within agencies but I suppose specifically in relation to copy paper there have been a couple of policy initiatives, one of which is now following some representations from the Paper Mill Employees' Association amongst others. We've now got some anti-dumping provisions in place to protect in particular the copy paper against being dumped.

Mr HIDDING - Why couldn't this be contract 16?

Mr JEFFERY - It could well be. I suppose in relation to that what we're also doing is we've now set up the procurement reference group with an interdepartmental group and one of the things that we're currently looking at is what contracts agencies have in place with a view to - if a number of agencies have a contract in place then it seems to be a logical target for a whole-of-government contract. At least two agencies I'm aware of have recently established whole-of-agency stationery contracts so -

Mr HIDDING - The precedent is there then.

Mr JEFFERY - Yes. So that's an area that's under review but it just depends on what the feedback is from them.

There are a number of mechanisms how to set those up and it could well be that if an agency has a contract they can just become the lead agency and other agencies can leverage off that or else it could become a -

Because whole-of-government contracts are mandatory there may be reducing agency flexibility, I suppose, by making them mandatory, so that's an area you have to be careful of.

CHAIR - Are there further questions?

Mr STURGES - Very brief, Chairman, if I may.

Again, I say this is no reflection at all on current operations.

Just in relation to letting of contracts of less than \$10 000, and I understand in annual reports amounts of money will be specified with regard to contracts that have been let and moneys paid, but I've never read an annual report that shows the number of times contracts of less than an amount would have been let; it would have just shown an amount of money.

What sort of measurement or check and balance process is there to ensure - I'm looking at the equity issue here - that we don't have an agency letting out a significant number of contracts for \$9 999?

Mr JEFFERY - I'm not really sure how to answer that question. In the past there were some cases where contracts were being split and for various things like that -

Mr STURGES - Manipulated.

Mr JEFFERY - Yes, not manipulated but split into two stages so that they didn't fall in the tender thresholds and things like that.

We've done a lot of work in terms of finetuning the policy, putting mechanisms in place and in particular enhancing knowledge of suppliers and buyers as to what the rules are so we're getting an increasingly better educated marketplace out there. And we're doing a lot of work currently on training our government buyers with a view to making people think about why it is important for them to provide opportunities for Tasmanian businesses maybe rather than picking up the 'phone and giving the job to Craig Jeffery that did it last year, that they should go through a competitive process and make a value-for-money decision.

There's always going to be a little bit of that activity I suppose but in terms of activity below \$10 000, that was seen as an appropriate level - one that was manageable within agencies and one that was appropriate in terms of industry to leave that to the agencies' discretion.

Mr STURGES - If I may, I wasn't questioning the amount; it was what mechanism is there in place to monitor.

Mr JEFFERY - I suppose in terms of getting best value for money, what we tend to find is most people in an agency if they're going to be spending \$9 000 or \$9 500 would be getting three quotes anyway -

Mr STURGES - But they're not required?

Mr JEFFERY - But they're not required. They are required to talk to a local business and you've got to get at least one quote from a local business. If you want to have a competition you're getting two quotes so there's not a lot more work to get three quotes.

CHAIR - Craig, we're running out of time so there is a need to close this off at this stage and I'd just like one question if everyone else is finished.

I don't clearly understand the relationship between your unit and ISO - whether the relationship is simply one of your office using the data available through ISO to facilitate your work or whether ISO has a more dynamic role to play. I wonder would you spend a couple of minutes explaining that?

Mr JEFFERY - We have a pretty close working relationship with ISO and I suppose in terms of procurement policy we're using the Industrial Supplies Office register as a source of information for agencies on industry capability so they're a key source of information and so there are requirements that agencies talk to ISO to identify local capability. There are various clauses in the tender documents, as I said earlier, that require suppliers also to consider using ISO to identify potential subcontractors.

Keith Wheatland from the Industrial Supplies Office is also a member of the procurement advisory group so they're also providing input to the policy development process and Industrial Supplies Office also provides a report to the procurement advisory group in terms of import replacement activities, with is another one of their roles.

They have done a lot of work, for instance, in relation to the wind-farm development up on the north-west coast and getting some opportunities for a local firm to do some work on that, so that's an example.

In terms of agency needs, there's obviously some things that agencies buy that aren't manufactured or delivered in Tasmania and so the role of the Industrial Supplies Office is also to look at those and identify import replacement opportunities. As an example, I suppose, they've recently done some work with the State Library in relation to their bookbinding and that activity that used to go interstate is now done locally. So they identified those opportunities and worked with them so they're a pretty important part of helping agencies find local businesses and work with local businesses.

CHAIR - Thank you very much.

If there are no further questions - it may be that we need some follow-up work to this, Craig, but we'll have further discussions about that in your absence. Thanks very much for giving us the time and then explaining the operations to us.

Mr STURGES - Thank you.

Mr HIDDING - A good presentation.

Mr JEFFERY - Thank you for inviting me along.

THE WITNESS WITHDREW.