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By e-Submission
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The Standing Committee on Infrastructure, Transport and Cities
PO Box 6021
Parliament House
CANBERRA
Canberra ACT 2600

Dear Sir/Madam

WSP Response to the Inquiry into procurement practices for government-funded infrastructure

The Australian Government's 10-year infrastructure program is supporting jobs, driving growth and helping to build Australia's way back from the COVID-19 pandemic. This \$110 billion investment, which contributes to the National Economic Recovery Plan, will secure Australia's world-leading economic recovery by boosting jobs, upskilling employees and leaving a lasting positive social impact for our communities to thrive.

WSP is a world leading professional services firm employing 54,000 people who deliver comprehensive engineering solutions and project services that transform the built environment, deliver social outcomes and restore the natural environment. In Australia, our 4,000 people support the development of infrastructure across transportation, property & building, mining, power and water sectors with a wide range of engineering, environmental, program management, digital and advisory services. Being future focused, understanding what the world might look like in the next few decades, and taking action to prepare for this future, is essential to what we do at WSP.

To assist the Federal Government House of Representatives Standing Committee on Infrastructure, Transport and Cities (*the Committee*); WSP provide the following thought leadership, research and policy advice in the attached papers.

- 1. Insights from Infrastructure Leaders on how to make mega projects work for the COVID recovery.** A joint research project between WSP and UTS to address how to maximise the benefits of spending on major infrastructure.
- 2. Leveraging Project Procurement and Delivery Approaches for Positive Outcomes.** A WSP Global paper which discusses when and how best to use the alliance collaborative contracting model.

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- 3. Delivering social outcomes through infrastructure investment.** A paper from our National Indigenous Specialist Services team which talks to the field of social procurement; including building resilience and adaptive capacity into local economies across Australia.

We hope this will assist the Committee in preparing a report on procurement practices for government-funded infrastructure and the potential to enhance the sovereign capability of the Australian industry.

Yours faithfully

Guy Templeton
CEO, Asia Pacific

Encl: [Attachment A - Insights from Infrastructure Leaders on how to make mega projects work for the Covid recovery](#)
[Attachment B - Leveraging Project Procurement and Delivery Approaches for Positive Outcomes](#)
Attachment C - Delivering social outcomes through infrastructure investment

ATTACHMENT C

DELIVERING SOCIAL OUTCOMES
THROUGH INFRASTRUCTURE
INVESTMENT



Inquiry into Procurement Practices for Government-Funded Infrastructure

With record levels of investment in infrastructure being undertaken by all tiers of Government against the backdrop of a global pandemic and widening wealth gaps, it is essential that infrastructure is recognised as a vehicle for social outcomes and reconciliation.

This submission addresses the following points of the Terms of Reference:

B/ Challenges and opportunities with existing procurement practices, including frameworks, standards, rules and norms, and intersections between tiers of government and the private sector.

C/ Challenges and opportunities to enhance Australia's sovereign industry capability, including for Australian-owned businesses.

This paper provides insights on the challenges currently experienced by industry and community as an unintended result of various social procurement policies. It recommends a more structured approach to reflect procurement within social outcomes policy, coupled with industry accountabilities, responsive to the region. It also includes applying co-design to ensure enduring social outcomes are realised beyond the life cycle of these projects.

DELIVERING SOCIAL OUTCOMES THROUGH THE FEDERAL GOVERNMENTS INFRASTRUCTURE PROGRAM

WSP is a world leading professional services firm, delivering comprehensive engineering solutions and project services that transform the built environment, deliver social outcomes and restore the natural environment.

Our diverse internal capability allows us to deliver large-scale infrastructure projects which span communities with complex stakeholder needs and aspirations. We believe that for societies to thrive, we must all hold ourselves accountable today. That means co-designing with community to create innovative solutions that are resilient to a range of possible tomorrows.

Our submission to the House of Representatives speaks to challenges being faced by industry and community implementing various social procurement policies. While the Australian infrastructure pipeline is strong, the socio-economic ripple effects aren't being fully realised to walk with and learn from Traditional Owners let alone harness the potential of other socially primed economic imperatives.

We recommend the Australian Government ties its \$110billion infrastructure pipeline to a structured social outcomes policy to secure economic agency and self-determined outcomes. This would help industry understand its obligations and how to identify and deliver place-based public benefit outcomes through delivery and beyond.

B/ Challenges and opportunities with existing procurement practices, including frameworks, standards, rules and norms, and intersections between tiers of government and the private sector

INQUIRY INTO PROCUREMENT PRACTICES FOR
GOVERNMENT-FUNDED INFRASTRUCTURE

CLEAR AND CONSISTENT POLICY DIRECTION

The State of Social Procurement in Australia and New Zealand, 2021¹ showed that policy and legislation levers are a key driver for investing in social procurement. However, the complexity of social procurement is compounded by intersecting and potentially confusing social policies within different tiers of government. Research conducted by major Australian universities in 2020 found inconsistent government policy was listed as a significant impediment to market participation for social procurement partners².

Social procurement policies can paradoxically further disadvantage already vulnerable people if they are imposed on an unprepared or unwilling industry, or where large infrastructure projects impact multiple community groups, adding to their complex and potentially competing needs.

Good policy intention is often undone because of fluctuations in social procurement targets region to region, leading to confusion for those responsible for implementation on the ground. The State of Social Procurement Report also found 86 percent of industry representatives surveyed believe social procurement will become more important in the future.

SPEND OUTCOMES

There are barriers to entry currently being experienced by Australian industry and social procurement partners. Challenges can include principal contractor's targets not being adequately linked with project governance. The role of social procurement or supplier diversity managers may also be misunderstood³, resulting in project commitments being missed. Rather than linking social procurement across project milestones, it is often allocated to tail spend, or the last 20 percent of project budget. This has three significant impacts on social procurement: it reduces diversity of thinking for the project at critical phases, it reduces the overall amount of social procurement dollars spent, and it stunts cumulative growth potential for those suppliers.

Certification with intermediaries such as Supply Nation are ideal for quality assurance. However, we recommend a blend of certification and relationship-based approaches to gain credibility with Country and community.

There is concern that these inconsistent policies are not being monitored⁴, in that there may potentially be no consequences for non-conformance and that the focus for government procuring authorities is on output rather than outcomes.

Overall risk for all parties would be reduced if Government introduced clear assessment criteria, consistent measurement and reporting.

Even distribution of targets between principal and subcontractors can be an excellent way to increase supply chain capability and diversity of spend. Where this isn't working, we see a 'pass down' effect, where subcontractors inherit government targets without the demonstrated capability to welcome and retain social procurement partners. This can lead to perceived but rarely actual safety, productivity and cost risks in employing people from these groups. A mix of upskilling and clear government guidelines via legislation would help ameliorate this loss of traction.

In summary, these opportunities include:

- industry representatives being better prepared to ensure transparency in tenders;
- the market having time to make decisions about joint ventures, strategic pursuits and prepare for collaborative contracting (designed to address poor outcomes associated with fixed price contracts);
- diversified supply chains to dislodge stigmatised views of what is or isn't a good business opportunity (works package) to allocate for social procurement;
- growth of new place-based businesses, by scoping works and co-designing with First Nations communities, to grow relationships, capacity and increase repeat business outcomes; and
- management of reputational risk associated with a loss of social license to operate if social procurement commitments are not delivered.

INQUIRY INTO PROCUREMENT PRACTICES FOR
GOVERNMENT-FUNDED INFRASTRUCTURE

EMPLOYMENT OUTCOMES

There are clear signs of traction from social procurement and local content policy, with programs like Career Trackers and alternative programs into industry, like ABCN, Skills Lab and WSP's own program, Koori Job Ready. Intergenerational change for First Nations peoples in Australia will come from brothers and sisters seeing their parents, care givers and family participate in sustaining, meaningful work, resulting in career progression. Inadvertent challenges for First Nations people to secure income equity and meaningful employment include:

- the assumed role and implied responsibility of representing all First Nations people at events
- prevalence of short-term appointments or casualised workforce;
- work located far from Country or home, often dependant on driver's license and car ownership;
- low skill roles due to perception or actual small talent pool with limited technical skills;
- onerous criteria beyond inherent requirements of the job;
- poor fit or limited cultural capability of the organisation;
- limited or no reporting in industry on career progression;
- perceptions of cost around skilling and job creation as well as stigma that this may slow teams down;
- reduced access to TAFE or comparable courses due to fee increases;
- limited access to the language of business and management.

Social outcomes policy would enable government planning requirements to connect the function of stakeholder engagement with social procurement policy, resulting in upward economic mobility and reduced dependence on welfare services. In effect, increased transparency of pipeline could secure skilling and business hubs, so community members living in proximity to forthcoming infrastructure projects will have tapped into these programs and are ready and able to work in line with the phased rollout of infrastructure. This transparency would help meet the needs of the market and secure local multipliers long after the project is complete.

**IMPLICATIONS FOR SOCIAL
PROCUREMENT BUSINESSES**

Social procurement partners are often expected to be competitive, despite their business models being designed to deliver services and cater for decent pay, progression and culturally safe workplaces.

There is an opportunity to undertake research to assist government understand market advantages of using the term *Supplier Diversity*, rather than *Social Procurement*. The current paradigm of social procurement positions 'social' first and merit second, compounding stigma and consequently reducing market share.

C/ Challenges and opportunities to enhance Australia's sovereign industry capability, including for Australian-owned businesses



INQUIRY INTO PROCUREMENT PRACTICES FOR
GOVERNMENT-FUNDED INFRASTRUCTURE

SOCIAL OUTCOMES POLICY

Organisational value, customer expectations and a desire to demonstrate corporate social responsibility were listed as key drivers by industry in the State of Social Procurement report and 150 of Australia's top listed companies report on the United Nations Sustainability Goals⁵, though challenge for many of these companies is articulating how they are working towards these goals. It illustrates the opportunity for a stronger and structured national approach, recognising infrastructure projects as vehicles to deliver point-in-time and long-range long-lasting social outcomes and reconciliation. Actively monitoring these deliverables will build better conditions to generate public benefit. The sector responds well to government-mandated policies, which set clear targets and make social procurement a source of competitive advantage.

Integrating the social procurement function to broader social outcomes policy, or perhaps legislation will help raise sovereign capability and balance outcomes across the four sustainability principal areas listed under Infrastructure Australia's white paper to help communities be functional and fair, while not adversely impacting future generations or the planet. For example, a NSW rail project recognised a First Nations Participation Plan as leading practice because it integrated with stakeholder engagement. However, it acknowledged the full potential would not be realised because state government reporting systems were standalone. A whole system policy, reflecting the expansive social performance of a project would amend this missed opportunity and help government celebrate progress made with hard to reach communities, while growing their market share.

Overarching social outcomes policy would articulate to industry their responsibility to plan for, resource and project manage community benefit across the lifecycle of projects, traversing bid to design, construction, operation and finally into the decommissioning phase. While there are many ways to generate social outcomes through these phases, it is widely accepted that as a minimum these include workforce diversity, social procurement, working with Country, climate adaptation and biodiversity, community engagement and partnerships.

Combined with routine data capture that reflects data sovereignty, infrastructure projects could articulate the quantifiable and qualifiable benefits to community resilience and adaptive capacity.

INTERNATIONAL LESSONS LEARNT

Social outcomes legislation is in place in the UK under the Public Services (Social Value) Act (2012). Australia could be fundamentally better positioned by clearly defining what constitutes social outcomes from the outset, binding whole of life targets. As a minimum, sound social procurement policy should come with model questions, like the Social Value Model released in the UK in 2020 with suggested deliverables and measurement criteria to help prepare projects, then track and report on their progress. This how-to-guide would fast-track spectrum-wide supply chain participation and lift industry capability, instead of the current paradigm where those in industry with memberships rely on intermediaries to guide contract deliverables.

INDUSTRY CAPABILITY AND CRITICAL ROLE OF CHAMPIONS

WSP recently participated in research conducted by UTS into the risks and barriers to social procurement in construction⁶. The findings confirmed the vital role of ad-hoc industry champions in realising social procurement outcomes. These industry champions often design and deliver integrated devices that help organisations make sense of vastly disconnected but interlinked business imperatives, understanding the whole-of-system nature of social procurement. They experience ambiguity and conflict in their substantive roles or are successful to varying degrees in creating new roles to service the business need. Because of their exposure to different sectors they often have unique skillsets and innovative approaches to ensure corporate alignment of social procurement programs. These people are well respected in community, opening doors and making strategic introductions to generate equitable distribution of opportunity. Given the emphasis on community-based economies, it could present a key opportunity for TAFE or community-based colleges to teach social procurement, securing alternative paths into industry for future Supplier Diversity or Social Procurement Managers.

INQUIRY INTO PROCUREMENT PRACTICES FOR
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DATA, MONITORING AND EVALUATION

In conjunction with policy development, it is recommended that an auditable tool be developed to map commitments outlined at bid stage and how they are being delivered across the project lifecycle. Based on the challenges outlined above, WSP recommends this be a weighted tool attached to project controls. We see this as a key lesson from the Social Value Act in the UK where significant commitments may be made at bid stage, without translating across the program. The tool must be rigorous, linking with global metrics.

CULTIVATING ENTREPRENEURSHIP

To ensure long-lasting sustainability of local economies, there is value in extending funding to cascade facilitation of local business into all infrastructure projects across the spectrum of social procurement, for example Yarpa Hub. While stand-alone policy can generate market share for targeted participation, cultivation of tomorrow's business leaders and innovative thinkers needs to be facilitated through a democratised service model to meet curiosity, ability and demand. This would work towards futureproofing a key talentpool, giving space for them to resolve challenges, meet local need and identify future markets.

IN SUMMARY

This submission discusses the challenges of federal, state and regional policies and their unintended implications for community, and industry. WSP recommends cohesive social outcomes policy or if relevant, legislation that reflects the whole of system nature of infrastructure projects, carrying with it adequate governance to ensure bid commitments are delivered across all project phases. This will ensure intended beneficiaries of socially primed economic policy are not further hindered by it. To do this well, it is recommended that funding be allocated to the creation of an audit tool to bind the social outcomes of a project to the same milestones reserved for economic or planning permissions. The associated policies would provide industry with the opportunity to detail project governance, staged rollout of social procurement and linkages to other areas of public benefit, such as funded business entrepreneur programs delivered in place. Social procurement rooted in the project governance would also reinforce the role of social procurement champions. To ensure this talent pool continues to be serviced, it is recommended that school leaver and industry upskilling pathways be identified.

Whether a federal social procurement policy or overarching social outcomes legislation, the key focus must be building cultural capability in leaders of industry. This will ensure social outcome commitments are an active reflection of the culture in projects, with supply chain relationships cultivated in the field of social procurement, building resilience and adaptive capacity into local economies across Australia.

Cara Wood

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