

Committee: Inquiry into procurement practices for government-funded infrastructure
PO Box 6021
Parliament House
CANBERRA
Canberra ACT 2600

16th July 2021

Dear Committee,

Preamble

For over 12 years Hughes et al have provided large greenfield and brownfield projects advice, strategy design and implementation on how to execute better local content practices.

We have a small team of specialists and list a client base that includes, the Commonwealth Government, ProjectEnergy Connect, Snowy 2.0, Australian Singapore Military Training Initiatives (ASMTI) Shoalwater Bay and, Pajingo gold mine and Bravus Carmichael Mine. In addition, we have developed other local industry strategies for Clough, CPB Contractors, Downer, Thiess and QGC Shell. We have 6 years' experience working with international Joint Ventures.

Our team draws on experience of building globally recognised local industry strategies for BHP, and global employment strategies for Rio Tinto, Hewlett Packard, and Goondiwindi Regional Council.

At the time of writing, we are working on initiatives to maximise the investment in over \$4.6bn in capital works, 3,800 jobs in Queensland, New South Wales, and Western Australia.

Our mission is to design strategies that assist major projects maximise economic outcomes with a specific focus on our passion for regional development.

We also have a ten-year partnership with a specialist regional development software provider uWorkin, and through this arrangement, we create digital employment ecosystems, supplementing 'on the ground' strategies. The links below reflect an active ecosystem creating successful sustainable connections in Central Queensland.

- www.workincentralqueensland.com.au
- www.shoalwaterbayjobs.com.au
- www.livecapricorncoast.com.au

Familiar with Commonwealth Procurement

Our work on the ground is familiar to the Industry Capability Network (ICN) and we have recently provided advice to clients in submitting tenders to ARTC Inland Rail and are therefore highly familiar with the current Commonwealth procurement environments.

Day to day we are the champions of the Australian Jobs Act 2013. We have written and reviewed over 15 Australian Industry Participation Plans (AIP Plan).

Local Procurement Best Practice

In September 2020, we produced a free resource entitled the "[Project Directors Local Content Guidance Note](#)" and published it on our website. I have attached a copy to this letter and throughout our summary response we reference individual topics in **bold**.

The [Guidance Note](#) is designed to be a "How to" for c-suite level executives and senior managers in the investment chain, the Project Director of the infrastructure project builder.

A question commonly asked is "How on earth do I build that major piece of infrastructure on time, on budget with zero harm AND help in rescuing the local economy?"

The Guidance Note reflects a specific piece of advice, to a specific cohort of people, with a specific challenge. Whilst we believe there is some information of significance to the Inquiry in our summary topics on policy, we believe there is a lot more than can be achieved by a range of stakeholders, investors, industry, councils, State Governments, and the Commonwealth Government, to not require the writing of a book to help someone try and navigate the chaos that is local industry participation in Australia.

We certainly would prefer to be contributing to a collaborative policy and process framework that makes it easy for the Commonwealth to deliver economic and employment value from infrastructure projects. (**Topic 9**)

The current local content culture in Australia, under Commonwealth Legislation, means that an international supplier can set up an ABN and a shared office space and effectively compete in Australia, for Australian taxpayers' dollars and not have the cost burden that Australian head quartered businesses have.

In some market sectors, it is acknowledged that Australian companies cannot compete, and global competition and innovation should be encouraged, but it should also be insisted that at the very least, globally relevant procurement decisions are made in Australia, by Australian permanent staff who have undergone formal induction into the Australian local content.

How can our manufacturing industry ever learn if they do not get the opportunity to compete, and the common courtesy of constructive and developmental feedback on their procurement application on projects, they themselves as Australian taxpayers, are paying for?

Furthermore, if the process of procurement is opaquely run overseas, how can our major civil and construction companies ever increase their scope of the renewables and tunnelling markets if Australian owned contractors and Australian permanent staff are not part of the successful procurement process of tunnelling and transmission technology and services? Procurement knowledge is the critical path to winning work, once the work is won, Australian businesses can prosper.

Taking a common sense approach to Australian business growth

That is not to suggest that Australia can provide the raw steel at a competitive price, and that is not to suggest Australia should suddenly starting manufacturing tunnelling machines, its more that there is a huge Australian opportunity to be part of the onshore assembly of these incredible feats

of engineering. How Australians learn to assemble those major projects is ground zero on increasing Australian interests and market share of Government and private investment.

Development Framework and Legislation

How Australian owned businesses and workers develop the engineering, manufacturing, fabrication, mechanical and electrical skills/ capabilities to construct AND assemble major projects is at the very heart of Australia's economic resurgence, and central to that knowledge acquisition is the international procurement process. When you consider how much knowledge Australia is losing, it is worth reflecting whether an ABN and receptionist is really the highest barrier to market entry into Australia.

Further, it is worth reflecting that whenever an international company looks to engage the market, or when, Australian owned businesses want to leverage the Australian market, they are presented with a supply chain and labour policy, a framework of collaboration and system to engage the market that was last reviewed in 2001, was in effect commissioned in the Howard era and who's strategy and system of engagement was conceived before Facebook. *At a practitioner's level, the Australian Jobs Act 2013 does not actually support the development of Australian jobs.*

In the words one of our German clients "Of course we will comply with the Australian Jobs Act and National Framework. But why is it so inefficient?"

The limiting factor that prevents optimising local industry outcomes for Commonwealth procurement is that the contracts are not designed for collaboration around local industry, the frameworks are not clear, and the systems and processes are at best inefficient, at worst obsolete.

Commonwealth Procurement as Leaders

Policy will be slow to change, international lawyers will raise concerns about international intellectual property concerns, but in all honesty, there's so much dysfunction in the domestic local participation market that there are more than enough problems already, and more than enough committed people to make a real difference almost immediately, IF they are provided leadership and a genuine "Full, Fair and Reasonable" opportunity to compete. And that is why Commonwealth procurements must be the very standard that is expected across all of Australia.

The Commonwealth must lead a narrative through their own procurement behaviours to set down a minimum standard that says, "This is how we do business in Australia, and if you want Australia taxpayer dollars, these are the standards of participation we expect." We would call this approach an Economic Licence to Operate (ELTO).

Whilst appreciating that the Commonwealth Government needs to consider all Australians, Hughes et al would like to take this opportunity to focus on our core area of expertise and passion, being the development of regional Australia.

There's so much tunnelling work in Melbourne it is hard not to get an economic result by sheer volume alone, but it is also worth noting that the Australian Industry Participation (AIP) Plans also refer to procurement over \$20 million. So, whether there is a Commonwealth investment being made through a road, a school or a major project, there needs to a tailored approach to regions to

ensure that whilst less frequent than the cities, every preparation should be made by the Commonwealth to prepare the regions to optimise the economic development opportunity.

The Commonwealth Government overall are making good progression in procurement terms. Defence has done some excellent work for industry development, and ARTC's contract environment demonstrates a step change in practicality which should be duly recognised.

That being said, our experience is there is still some way to go when it comes to incentivising the supply chain to participate in a model, rather than threats of penalties. Collaborative contracts and smart utilisation of Government co-investment into industry development are the core DNA of local industry outcomes. Whilst the sudden COVID inspired rush of interest in local industry compliance is welcomed, it cannot be all stick, because if Australia and primarily its regions are to develop and attract investment, it will take collaboration, shared accountability, and more efficient ways to engage Australian suppliers and labour into productive, effective, and safe work practices.

A Practitioner's View

There are almost too many latent and unrealised local industry opportunities for improving outcomes from Commonwealth procurement to list in one submission. However, there are six points, the Inquiry could recommend right now:

- 1) Clarify what local means;
- 2) Clarify what industry means, supply AND employment;
- 3) Clarify that knowledge transfer from procurement process is central to advanced manufacturing. i.e., Enforce supplier feedback. Incentivise onshore procurement;
- 4) Stop smothering innovation. There are more than enough problems to go around;
- 5) Give the Australian Industry Participation Authority the teeth and the hustle to turn a compliance culture of local industry adoption, into a performance culture of value seeking from local industry practices; and
- 6) Update and review periodically. Review the AIP National Framework. Is it reflective and representative of how Australia wants to start the practical implementation of local industry practices?

Conclusion

Commonwealth policy may provide the framework of collaboration with the stakeholders who share the responsibility to for local industry and regional outcomes, however Commonwealth procurement provides the example and the leadership. Moreover, Commonwealth procurement practices must lead, there is no one else.

We are delighted to be able to make this submission and commend the Commonwealth for this Committee and review of Commonwealth procurement practices. We sincerely provide this submission in recognition of the Government and Hughes et al common passion for regional growth. Our summary analysis overleaf of the Terms of Reference and link to our Guidance Note is valuable and we would be happy to discuss the lessons we have learned with the Committee, should it be requested.

Yours sincerely

Ben Hughes
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Terms of Reference Summary

The House of Representatives Standing Committee on Infrastructure, Transport and Cities will inquire into and report on procurement practices for government-funded infrastructure and the potential to enhance the sovereign capability of the Australian industry, with reference to:

- a. existing infrastructure pipelines and related supply requirements;
 - i. Start early engagement with infrastructure pipeline engagement – **Topic 5**.
 - ii. Certainty is crucial to procurement decision making. Any initiative that brings certainty of investment should be explored. No certainty, no long-term development plan.
 - iii. Develop employment models that enable Australian owned businesses to participate in more collaborative employment models more akin to a European “data sharing” model. This will improve skills development and worker security.
- b. challenges and opportunities with existing procurement practices, including frameworks, standards, rules and norms, and intersections between tiers of government and the private sector.
 - i. A response too expensive for this submission is needed to fully answer this question. We hope the covering letter supports our and see a lot of challenges and opportunities for Commonwealth procurement review. policy, practices, frameworks, standards, rules, norms, and intersections between tiers of government and the private sector. **Topics 9, 11 and 35 – 38**
- c. challenges and opportunities to enhance Australia’s sovereign industry capability, including for Australian owned businesses:
 - i. The challenges we see of Australian owned business are introduced in **Topic 10** and the opportunities introduced in **Topic’s 18 and 27**.
- d. lessons from other Australian jurisdictions and other portfolio areas, including Defence’s industry capability approaches:
 - i. Give local industry delivery a value in tender, a weighted selection criteria in procurement and budget to deliver that is protected within the project.
 - ii. It is not just procurement; it is also workforce combined. Capability AND Capacity.
 - iii. Numerous models can be viewed, but each strategy has its own project/industry and regional variation.
 - iv. It all comes down to collaborative contracting. **Topic 31**
 - v. Happy to share lessons with the Committee if asked to present.
- e. how Australia can balance its international obligations with maximising local content opportunities, including by leveraging foreign direct investment
 - i. Local content is the opportunity, not the commercial result. International investment should be presented with an efficient and competitive market to deliver projects. If Australia cannot compete, it can compete. The problem at present, is that Australians do not even get the chance to compete.