

Ecco Submission to JCPAA Inquiry into failed Visa and Other IT Procurements and Projects 29 Feb 2024

RE : [Inquiry into the failed visa privatisation process and the implementation of other public sector IT procurements and projects – Parliament of Australia \(aph.gov.au\)](#)

**Thank You Joint Committee of Public Accounts and Audit (JCPAA) for undertaking this enquiry, its long overdue and its exciting that this is now- finally - happening.
The track record of Australian Government IT projects is truly horrendous.
In our opinion, the primary responsibility for this failure must lie with those in senior APS positions who have the power to make a difference but who do not have the necessary leadership or wisdom or motivation do so.**

We can speak to all this from firsthand-hand knowledge. We are a small IT Consulting/ Recruitment company based in the ACT operating continuously for the past 20+ years and have a wealth of experience and insights into Government IT projects. We also make this submission as concerned Australian Citizens who are appalled at the ongoing waste and incompetence we continue to see.

Our submission is broken up in two parts:

Part 1 – **The Current State**. Summarises what we see as the major issues and weaknesses of Federal Government procurement of IT consulting and labour hire services, particularly how it relates to local SMEs like us.

Part 2- **The Future State**. Outlines our proposal for substantially resolving these issues and weaknesses via the new DTA Digital Marketplace- due to be released later this year - by simply incorporating three new features:

1. Disaggregation of large monolithic tenders, to also include Micro-Consultancy Services for pieces of work that are under the current \$80k limit.
2. Use of IT Consultancy Tenders in which SMEs can nominate as “Subordinated” to a “Prime Contractor”.
3. Allowing Labour Hire Tenders which openly declare any Pre-Decided Preferential Candidates.

We have been actively engaging and consulting with the DTA on this at every opportunity for the past almost 2 years, but as at the date of this submission, we have received no indication that any of these proposals have been seriously considered or prioritised. Regrettably, we see this as another example of the lack of **leadership**, **wisdom** or **motivation** to make a real difference for the good of Australia.

6 March 2024

Sam Bartone
Chief Consultant

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Part A- Current State: Australian Government IT Procurement is Not Achieving Value for Money

Our contention is that Australian Government IT supply panels, including the DTA Digital Marketplace, are not adequately achieving value-for-money outcomes nor fully meeting their procurement requirements

A.1 Australian Government Procurements Requirements

Australian Government procurements are legally bound by *Public Governance Performance and Accountability Act 2013* (the PGPA Act), the PGPA Rule 2014 and the [Commonwealth Procurement Rules](#) (CPRs).

The CPRs require government organisations to conduct their procurements in a way that:

1. encourages competition and is non-discriminatory
2. uses public resources in an efficient, effective, economical and ethical manner
3. provides accountability and transparency
4. manages procurement risk
5. is conducted in a method appropriate to its value

Value- for-money is also often cited as a requirement. According to [Selling to Government \(finance.gov.au\)](#), value-for-money requires the consideration of “all the relevant financial and non-financial costs and benefits”.

Our contention and a key driver for this proposal is that the current state and operations of Australian Government IT supply panels, including the DTA Digital Marketplace, are sub-optimal as they are not adequately addressing these requirements.

A.2 The Dilemma of IT Experts

Highly capable, appropriately experienced people are the primary differentiator for achieving IT projects success

1. Expert IT People are Essential

The challenge faced by many organisations. including Government agencies, is the challenge of human IT resources.

It is well known - and we think most in positions of management in the IT industry would agree - that the single most important factor for the success of IT projects is their **people**. Projects ultimately succeed or fail because of their people- even in spite of the tools or processes or other factors. Some would cite high complexity as a dominant factor contributing to project failure. But isn't that not also a function of people, the inability of reducing complexity down to manageable levels- the right people, can certainly do that.

2. Expert IT People are Limited

It stands to reason that the highest calibre, most capable, most experienced, IT experts tend to be the scarcest and the most expensive. In addition, two other factors come into play that further contribute to scarcity and cost 1. Location of Work and 2. Timing of Work. So the combination of high scarcity + not being in the right place at the right time all combine to severely exacerbate availability and increase costs of IT experts.

3. The Dilemma of Value for Money

Even if available, can an organisation afford to keep any one of these IT experts permanently on staff? What if an organisation needed 4 or 8 or 16 of them? Even if they could, would those people actually be applying the IT expertise they are being paid for 100% of the time? On the other hand, could an organisation afford NOT to have them, even if they are only needed for a small portion of the time?

*So the question arises, is **permanent and full-time employment** of $M \times$ highly expensive but necessary IT experts a cost-effective approach when in fact they may not be required for the full duration?*

So, whilst appropriate, expert IT resources are essential to the success of IT projects, the dilemma arises as to how to achieve **the cost-effective engagement** of such people as and when they are actually needed.

Our contention is that Australian Government IT Supply Panels, including the DTA Digital Marketplace, do not effectively address nor manage this dilemma.

A.3 The Dilemma of IT Supply Panels for IT Contractors

We believe the current state of Australian Government IT supply panels for IT contractors is sub-optimal.

1. Inherent difficulty in Comparing Contractors.

At present, Government IT Supply panels typically offer monolithic long-term contractor roles. The underlying premise is that contractors will be selected on a comparative basis taking into account their past experience, technical skills, soft skills and contractor rates. However, by its nature this is a flawed approach as it is difficult to make effective comparative decisions.

2. The population of “Perfect Candidates” is Un-Necessarily Constrained.

Moreover, an inherent limitation is that the range of “perfect” candidates is constrained beyond what it needs to be by random factors of geography and temporal coincidence at a point in time.

3. Inherent Over-Generalisation of Requirements.

Because of these random constraints of time and geography etc, described above, Agencies may dilute or generalise their requirements so as to expand the candidate population. For example by offering, long-term contract roles for particular categories of skills. Unfortunately these may solicit overwhelming volumes of “sub-optimal” candidates, thus forcing agencies to use their own, internal list of “preferred suppliers”. This is exactly the opposite of what the supply panels are intended to achieve. Anecdotal evidence suggests that this is a common practice on the Digital Marketplace.

4. Chronic Under-Utilisation and Over-Payment of Costly Experts Skills.

Moreover this model does not address the questions of cost-effectiveness as indicated above. For example where an IT expert is hired for a 12 month contract role how much of that time actually makes use of that expertise? Anecdotal evidence suggests it is unlikely to be 100%, but perhaps only 50%. The rest of that time may be utilising much lower levels of competency and/or average professional/ soft skills, even though they continue to be paid at the expert level. And indeed, at other times the contractors work may require other types of expert competencies which the contractor may not have and for which they are unsuited and yet may be required to perform simply because of expediency.

5. Sub-Optimal Outcomes.

The net outcome of all these factors is to undermine the true value-for-money being achieved and to compromise the on-the-job performance, effectiveness and efficiencies.

In their submission to ANAO Report no 5 (2022-23) in 2023 the DTA stated that “ ...given the number of registered sellers, [open tenders] will have **adverse outcomes** for the duration of procurement, cost of procurement, and use of resources across both government and industry “ . They further stated that the... “ Small-to-medium and First Nations’ enterprises have provided feedback that they will often forego opportunities with large numbers of sellers invited. This is because responding to opportunities takes considerable resources and financial cost, often with little return, where their inclusion on an opportunity was only to 'tick a box' “

If we take all these issues and multiply them by the tens of thousands of IT contractor roles across Australian Government Agencies and Authorities the true extent of the problem begins to emerge.

We believe that this current state does not conform to the Australian Commonwealth Procurement Rules described above by not encouraging competition but by restricting it. In addition, the sheer scope, size and complexity of such long-term contractor assignments, rather than alleviating risk and promoting transparency tend towards the opposite.

6. Labour Hire Tenders with Pre-Decided Preferential Candidate(s).

Labour Hire Tenders have an additional, unique issue that also bears attention. Anecdotal evidence suggests that in some cases Gov’t Agencies may have already pre-decided the candidate(s) they want for a role(s), and that the tendering process is nothing more than a process and box to tick. Whilst being clearly un-ethical, this is also a huge waste of everyone’s time and effort and an unnecessary burden on the IT industry. It is particularly damaging to SMEs who respond in good-faith to such tenders. As they operate on very limited resources and funds, they have the least capacity for such ongoing waste and over time will discourage them from active tendering – which is **the opposite of what the DTA wants**.

A.4 The Dilemma of IT Supply Panels for IT Projects

We believe the current state of Australian Government IT supply panels for IT projects/ consultancies is sub-optimal

Long-term consultancy projects, whilst also subject to the same issues as for long-term contractor roles, are able to mitigate these to some extent because they can call upon a range of project resources / skill sets. However they do present a different type but equally pervasive and detrimental problem- **ie big corporations locking away work, within themselves, that could otherwise be made available to help grow our own fledgling Australian IT consulting companies and achieving better outcomes for the IT projects.**

In a recent article (<https://theconversation.com/consultants-like-pwc-are-loyal-to-profit-not-the-public-governments-should-cut-back-on-using-them-205920>) by Andrew Podger - Honorary Professor of Public Policy, Australian National University- highlighted how consultants may be “...tailoring advice to recommend supplementary work, **particularly where that might not be subject to competitive tender...**”

This is a winner takes all market approach that tends to favour the biggest corporations as they are typically the ones that will win the large, multi-year IT consulting projects. As far as we know, there is generally no standard requirement or policy within current IT supply panels that demand or encourage co-operative participation and engagements with smaller, more specialised local players. Projects are typically tendered as a single monolith and there is no requirement to apportion and share that work with external parties, even if that would achieve a more cost-effective and optimal outcome for the Government Agency. Thus it is purely at the sole discretion of the incumbent supplier as to how to manage and allocate their work. Understandably they will tend to favour their own resources and allocate it to their own people regardless of how suitable those people may be and without having to satisfy external scrutiny or accountability.

[A.5 The Dilemma of IT Supply Panels for IT Assignments](#)

We believe the Australian Government IT supply panels do not currently support / offer smaller parcels of work and the current procurements processes for these services is in direct contravention with the underlying intent and principles of the Commonwealth Procurement Rules

The current Government marketplace and IT procurements business model is geared towards high cost, monolithic project consultancies. The larger and more expensive the work being offered, the greater the barrier to local SMEs. Its all well and good for Government policy to encourage that work be offered to SME's but if that work is not appropriately scoped, sized and structured then local SME's will not have the size, capacity or capability to compete for it. In DTA's submission to ANAO Report no 5 (2022-23) in 2023, Attachment D – "Common digital procurement pain points for government buyers and industry sellers" stated that "... while some agencies mandate engagement of small and medium vendors in any approach to market, **there are sometimes no sellers who satisfy both size and capability requirements...**"

The DTA Digital Marketplace is currently geared towards offering work value at greater than \$80,000 and typically in the order of hundreds of thousands and millions of dollars. There is no streamlined, standard process to allow for agencies to fulfill smaller, more granular requirements of less than \$80,000. So currently agencies tend to use personal networks and relationship to identify suppliers of these types of services. Or they simply hand this work over to the incumbent suppliers of the large projects, regardless of whether or not they are suitably skilled/equipped to take on the work or can provide it in a cost-competitive fashion.

We believe this is certainly in contravention of the Commonwealth Procurement Rules as covered above. It allows potentially hundreds of millions of dollars of work to be inequitably/ unfairly awarded and to be implemented in a sub-optimal fashion. Therefore, it is not fit for purpose and we believe should be addressed immediately as a matter of urgency.

[A.6 The Dilemma of IT Risk Aversion](#)

Anecdotal evidence suggests that a significant problem within the APS is the apparently entrenched mind-set that a bigger corporation is safer and therefore better than an SME. Some evidence of this is exemplified in Attachment D – "Common digital procurement pain points for government buyers and industry sellers" of DTA's submission to ANAO Report no 5 (2022-23) in 2023: "...Agencies are missing out on opportunities to innovate because they **renew contracts with tried and tested sellers** ..." ... "senior executives may have a limited understanding .. which can result in **risk-averse decision making and result in poor procurement outcomes.**"

This mindset means that Government IT procurements may be framed with the "big players" in mind and SMEs are thus disadvantaged or excluded from the outset.

But is it in fact the case that the bigger players are better? Given past experiences (cf [IT procurements examples 1](#) , [IT procurements examples 2](#) , [IT procurements examples 3](#) , [IT procurements examples 4](#)) and including the most recent widely publicised example with Price Waterhouse, it is questionable that bigger is in fact better. Many would argue that is not, as does Dr Adam Lucas (School of Humanities & Social Inquiry, University of Wollongong) in his submission on 21 April 2023 to the Senate Inquiry into management and assurance of integrity by consulting services (Consulting services) <https://www.aph.gov.au/DocumentStore.ashx?id=c9066312-1095-4565-88c0-03dd96ce77da&subId=741062>.

[A.7 Current State – Problems and Weaknesses](#)

We believe the Australian Government IT supply panels are seriously sub-optimal and do not adequately support the principles nor intent of the Commonwealth Procurement Rules

As discussed above, we believe the Australian Government IT supply panels for provision of IT contractor roles and IT projects/ consultancy services are sub-optimal and do not adequately support the Commonwealth Procurement Rules. When it comes to tendering for provision of smaller pieces of work under \$80,000, the situation is even worse as there is little if any support for these types of work by IT supply panels- Government agencies are on their own.

We can summarise the shortcomings and weakness of the current state as follows :

1. **Higher risk of sub-optimal outcomes from tender processes.** Longer-term contract roles and larger monolithic consultancy projects by their nature are inherently more complex, their boundaries/ scope less clear and therefore entailing many more unknowns. It stands to reason that evaluation and selection of tendering suppliers in this context, will be open to inconsistencies and be more difficult, increasing the likelihood of poor selection. Poor selection of supplier will ultimately mean failing to meet intended outcomes, not achieving value-for-money and not meeting the CPR requirements.
2. **Higher risk of damaging and discouraging market competition.** The larger the piece of work being offered, the more it favours the larger, multi-national corporations. This is simply because smaller, local IT companies are unlikely to have the range of resources, capabilities and capital required to meet all the requirements. The impact of this is that it stymies the development and growth of Australia's local small IT businesses and dampens competition, which is in direct conflict with the CPR requirements.
3. **Higher risk of Australian Government agencies failing to meet their charters.** The net, combined effect of the above two outcomes, if not addressed, could be highly damaging for Australian Government agencies. Some examples that come to mind include : ongoing and endemic shortages of appropriate IT resources; ongoing IT project failures and poor performance; increasing project wastefulness and cost-inefficiencies leading to increased funding pressures; increasing likelihood that Government agencies will fall further behind in meeting their statutory responsibilities; increasing likelihood of Government agencies facing serious and adverse ANAO findings.
4. **Higher risk of of Australian Government IT industry failing to achieve its full potential.** The net, combined effect of the above outcomes 1 and 2 act to undermine the growth of Australia's indigenous IT industry. Instead of supporting and promoting the growth of small, specialised IT businesses and start-ups, our industry will continue to be dominated by the incumbent suppliers and large multi-national organisations. Instead of encouraging and increasing workforce participation with innovative, flexible employment opportunities– eg for retirees, part-time parents, disabled persons etc- the opposite will happen and workforce will continue to drained.

Part B- Future State

B.1 Proposed Change 1: Micro-Consultancy IT Assignments

We believe that Australian Government IT supply panels should facilitate and offer smaller parcels of IT work so as to better support the principles and intent of the Commonwealth Procurement Rules, achieve better IT delivery outcomes for Government agencies and help grow Australia's indigenous IT industry.

What we are proposing is that Australian Government IT supply panels offer smaller, more granular parcels of work, to augment and supplement the existing long-term contracts and project consultancies. We call these *micro-consultancy IT services or assignments*. This could be done by offering these type of work on existing IT supply panels such as the DTA's Digital Marketplace or via new special purpose panels or both.

In ANSWERS TO QUESTIONS ON NOTICE 16 December 2022 for the JCPAA Inquiry, the DTA stated "...we do share a common aim of **improving the way digital and ICT procurement is conducted across government**.. " and stressed that "DTA continues to engage and work across government to address key themes ..." including "continually improving marketplace panels and whole-of-government arrangements to **encourage competition and get the best possible value for our government buyers** " and emphasises that "When used as intended, panel arrangements ensure that government buyers: **encourage competition enable participation of Indigenous and Small-to-Medium enterprise** " .

We believe that the inclusion of these more granular type of work will effectively target and resolve all the current weaknesses and deficiencies identified with the **Current State** outlined above and will realise a **Future State** that is more compliant with CPR requirements and will encourage and grow a flourishing small IT industry in Australia.

We define "**micro-consultancy**" IT services/ assignments as **shorter-term**, parcels of work that produce some kind of deliverable or outcome and conform to at least some of the following constraints:

- **Reliant on Experts**. Success or failure in doing this piece of work is highly dependent on having a very high level of 1-m specialised expertise which would typically be acquired from 10 or more years of professional industry experience.
- **Produce Deliverables**. Produce some kind of deliverable or outcome- eg a written report of analysis and recommendations; mentoring or training staff to a higher level of competency etc.
- **Have Standardised Deliverables**. Deliverables are based on some kind of common template/ structure that is industry recognised and./or standardised.
- **Are Autonomous**. This is loosely defined as work that is doable primarily off the client site, out-of-business hours and with relatively minimal dependences on deep client-specific knowledge, analysis or inputs.
- **Are Shorter-Term**. This is s loosely defined as being from 1 person-hour to 1 person-month of work effort.

We believe that the systematic and standardised public tendering of micro-consultancy work by Australian Government Agencies would have profound and transformational benefits such as:

1. **Increased growth of smaller IT businesses and fairer competition in the IT industry**. By offering smaller micro-consultancy work that is shorter-term and deliverables/ outcomes focused, a vast range of work opportunities that were previously locked and hidden within monolithic projects will be opened up to Australia's small IT businesses.

Resources and small consultancy teams can be brought in as required on a JIT basis providing quick-turnaround of deliverables and outcomes. Small IT businesses will no longer be locked out or disadvantaged but can tender for and compete for work they are specialised in. This will encourage entrepreneurs and start-ups to formulate their competitive strategies and develop their unique or niche capabilities confident that they will be given opportunities to establish their presence and compete for work on their merits.

2. **Vastly increased levels of workforce participation in the IT industry.** Moreover as much of the micro-consultancy work is autonomous and can be performed out-of-hours and/or offsite, this work will be doable and attractive to large sectors of people that were previously unavailable or uninterested, such as: mothers and fathers raising young families; senior IT professionals who are transitioning to or have retired from the workforce; workers from remote or regional Australia or indigenous communities ; and workers living with certain disabilities such as mobility impairments and cognitive and/or social/ emotional impairments. The addition of these people to Australia's IT workforce will also help alleviate current resource shortages and cost pressures and help alleviate the "**Dilemma of IT Experts**" described above.
3. **Vastly increased levels of IT delivery productivity and efficiency** across Australian Government Agencies and the whole IT Industry more broadly. As micro-consultancy work is shorter-term and deliverable focused - and in some case can be performed out-of-hours and/or offsite- IT experts will be less constrained by location and availability. In this way, the reach of recognised IT experts from across the country can be engaged across a multitude of micro-consultancy IT assignments, irrespective of their location. Their wide experience and deep technical expertise can be leveraged to greatly increase the chances of success and to achieve or exceed the intended outcomes/ deliverables. Again, helping to alleviate the "**Dilemma of IT Experts**" described above.
4. **Support Australian Federal Government transition to grow APS IT capability.** The transition away from a long-term contractor base and more towards a larger, more capable, permanent APS staff will inevitably face challenges and run into capability gaps along the way. Research published by the Australian and New Zealand School of Government (ANZSOG) (<https://theconversation.com/to-restore-trust-in-government-we-need-to-reinvent-how-the-public-service-works-121634>) identified nine specific skills - such as data analytics, behaviour change and systems thinking - that are essential to a modern APS internal capability and highlighted "hands-on coaching" as a particularly effective pathway for achieving this. The use of micro-consultancies is an ideal vehicle for filling these gaps. Micro-consultancies can assist the incoming APS staff ramp-up their learning, skills, and capabilities. Specific IT experts can be engaged for specific short-term assignments to coach, mentor and assist APS staff to achieving high-value deliverables/ outcomes as and when needed.
5. **Inherently higher levels of independent scrutiny and original thinking to help ensure project success.** Single supplier projects, by their nature and combined with a centralised control structure tend to be more insular and less open to scrutiny. For example, a team member may be reticent or unqualified or unauthorised to challenge or criticise a fellow team member or long-time work colleague or friend. On the other hand, project teams sourced from multiple suppliers tend to be inherently more competitive, more willing to scrutinise and critically appraise each-others work. This is only natural as each supplier is independent and bring their own specialised expertise/ skillset to the project. They are thus in an advantageous, inside position to more deeply analyse and validate according to their particular perspective. And, equally importantly, are more willing to challenge and expose what they may perceive as weaknesses or flaws.

In addition, single supplier projects, are at higher risk of falling into a sub-optimal and potentially dangerous “group-think” mind-set. Gartner Research have been vocal about this. Their research <https://www.gartner.com/smarterwithgartner/diversity-and-inclusion-build-high-performance-teams> has concluded that “diversity” is necessary to avoid “group-think” and is a critical factor to building “High-Performance Teamsneeded for project and product design, and engineering activities”.

All these issues and risks were recently highlighted and exemplified by an ANAO audit that slammed the DTA’s embarrassing, poor IT procurements performance <https://www.innovationaus.com/dta-slammed-for-breaking-procurement-rules-in-55m-ict-spend/> “....damning review.. found evidence of conflicts of interest, suppliers given unfair advantages ... **in nine ICT-related procurements** examined by the ANAO ... **frequent direct sourcing of suppliers ... does not support the intent of the [Commonwealth Procurement Rules]** including ... value for money ... DTA routinely failed to consider value for money, assess risk ...in most cases the DTA approached only a single supplier on the marketplace, **All of the contracts that resulted from single supplier approached procurements increased massively in value** In one procurement for myGov ... only a single supplier, ... Nous Group, was approached **initial \$121,000 contract ... ballooned 40-fold to nearly \$5 million**, with the scope of work changing substantially **through 10 variations****CyberCX ... handed a contract for the work, which has since increased eight-fold to \$8.5 million...** “.

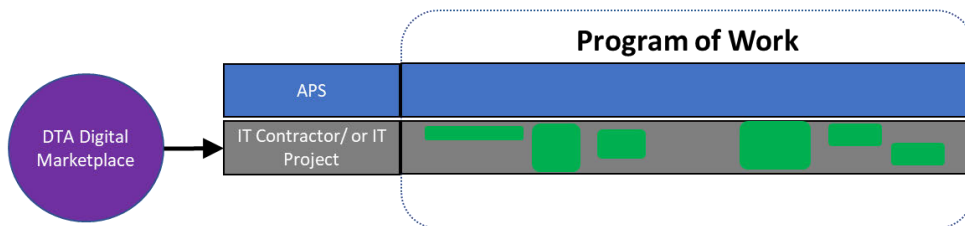
We see micro-consultancy services as an ideal resourcing strategy to inject the necessary levels of “independent scrutiny” and “diversity” of thinking into projects so as achieve optimal probity and project outcomes.

The diagram below illustrates the fundamental intention of this proposal and the future state.

Proposed Extension of DTA Digital Marketplace to incorporate **Micro Consultancy/ IT Assignments**

Current State

DTA Digital Marketplace is geared towards long-term, high cost, monolithic IT Contractor roles and consultancy projects.

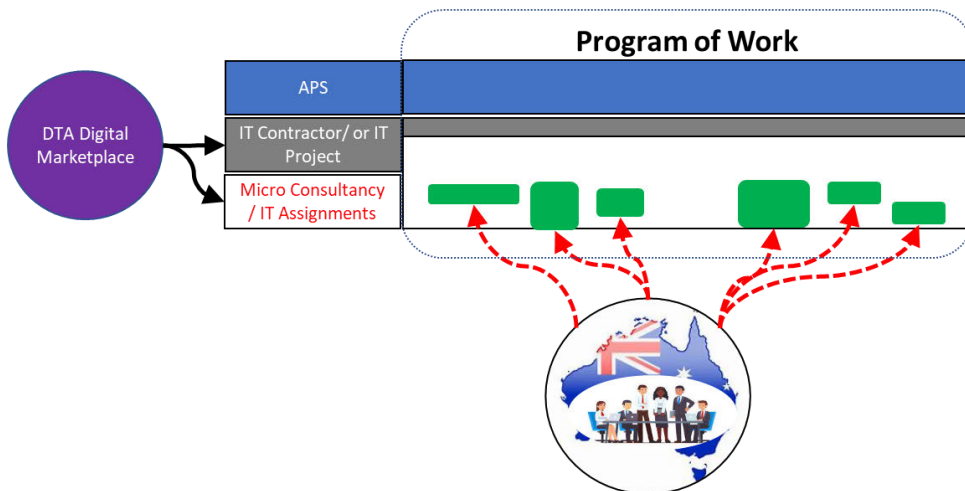


Future State

Extend DTA Digital Marketplace to support tendering of shorter-term, more granular pieces of work so as to :

- Better support Commonwealth Procurement Rules such as value-for-money.
- Encourage greater inclusion of local SMEs and help grow Australian small IT businesses.
- Achieve higher quality IT delivery outcomes and cost-effectiveness for Australian Government Agencies and their IT programs of work.
- Better support Australian Federal Government transition to grow APS permanent IT staff away from IT contractors.

The outcome is an IT marketplace that is much more flexible, more equitable, more agile, more effective and more supportive of the Commonwealth Procurement Rules. And it has the potential to provide transformational benefits not only to the Australian Government Agencies but to the whole of Australia’s IT Industry.



1. Impacts on IT contractor Roles

By following this approach, the nature of long-term contractor roles would thus tend to be more of a generalist nature. Highly expensive IT experts and specialist would only be brought in as and when required for discrete, shorter-term, deliverables-based assignments. For example, instead of an external contractor being employed for a whole year, an internal APS officer can be enabled to perform that work, but with the help, guidance and mentoring by multiple micro-consultancies as and when required.

2. Impacts on IT Consultancy Projects

As for contractor roles, following this approach, the core of project teams would also tend to be more of a generalist nature. Again, IT experts and specialists would be brought in as and when required.

So as to encourage this, we propose that IT consultancy projects above a certain value threshold are required to comply with a “micro-consultancy” provision. In practice this would mean that as part of the tender submission the responder would have to nominate which parts of the project they have sub-contracted out to a sub-ordinate consulting companies. This approach would have two implications:

1. It would encourage large IT corporations to seek out and work cooperatively with small local IT consulting companies.
2. It would encourage deep specialisation by local IT consulting companies and promote their economic growth.

3. Use Case Contexts

We see these types of work as being used in a number of scenarios:

1. As standalone pieces of work, out-side of and independent of broader POWs/ projects.
2. As pre-requisite pieces of work to inform larger projects/ tenders that come after them.
3. As embedded pieces of work, within the scope of POWs/ projects to fill gaps or extend into pathways that previously were not foreseen.

Thus these micro-consultancies would not be exclusive or conflicting with existing panel arrangements but rather a valuable, supplementary enhancement to them.

4. Indicative Implementation Considerations

It is envisaged that this proposal would entail the following implications for implementation:

1. Tailoring of appropriate policies and procedures to facilitate inclusion of micro-consultancy work into existing or new IT supply panel arrangements.
2. Education of government agencies and raising of their awareness of what is micro-consultancy work and what IT supply panels they can use to tender it.
3. Government agencies would of course need to greater forethought to structure their IT work and factor out granular parcels of work which can then be offered as micro-consultancies.

B.2 Proposed Change 2: SMEs Sub-Ordinated to Prime Contractors

Despite the controversy and regardless of the “safeness” or merits or otherwise of large IT suppliers, like PWC, we propose a compromise model is adopted by the Digital Marketplace, as follows.

Agencies should be given the option to declare that for certain ATMs that they consider to be large and/or of particular concern etc, any SMEs that tender for them must be “Subordinated” to a “Prime

Contractor” ie a large, “safe” IT organisation. In effect this forces a joint submission between a SME and their nominated “Prime Contractor” so as to provide the required additional level of “safety”/ assurance as well as filling any capability/ resourcing gaps the SME cannot meet. It is proposed that these types of ATMs and tender submissions become standardised with a generic tri-party contract template and facilitated with appropriate processes on the Digital Marketplace.

This is different to the current approach in which the Prime Contractor is the single and exclusive party in contract with the Agency and holding the relationship exclusively for themselves. The SME now has an equal voice at the table with the Prime Contractor and has the opportunity to become known to the Agency and establish their working relationship with them.

The Benefits of such an approach are manifold and include:

For SMEs:

- It allows SMEs to offer Agencies the additional level of assurance and safety they require so that their tender submissions will be taken more seriously and considered as genuine contenders on their merits.
- It allows SMEs to establish their own niche capabilities and grow their IT industry presence whilst fostering long-term partnerships with larger organisations. And it actively encourages and facilitates SME’s to seek out and formulate these relationships thereby further growing their business.

For Prime Contractors:

- For the larger IT players who take on the role of Prime-Contractor, it provides them new pathways of cooperative growth with their SME partners. And gives them exposure to a broad range of new IT opportunities they may otherwise be unaware of or considered too small to compete for, at virtually no cost.

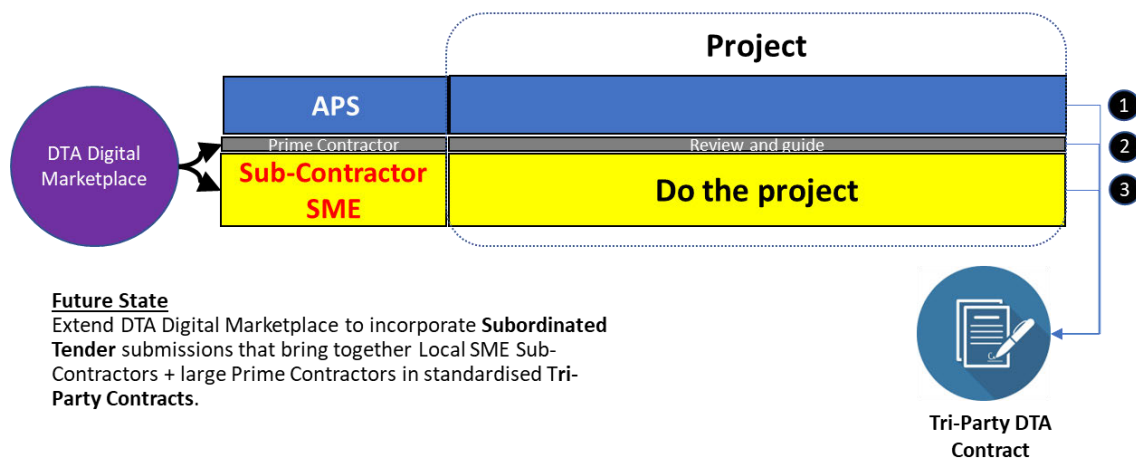
For Government Agencies:

- For Agencies, it provides more value-for money. As SMEs have inherently much lower cost structures and are more cost-competitive, their tenders will generally be at substantially reduced rates and offer greater value-for-money. This will tend to also place downward pressure on any of the larger organisations who compete with them.

For Australian IT Industry:

It facilitates the whole of the Australian IT industry to grow on a more equitable basis and within a more competitive environment.

Proposed Extension of DTA Digital Marketplace- incorporate Subordinated Tenders and Tri-Party Contracts



B.3 Proposed Change 3: Declaration of any Pre-Selected, Preferred Candidates

For labour hire tenders, it should be perfectly valid and acceptable for an Agency to have a **pre-selected, preferred candidate** if **they have a valid reason**- eg have unique skills or were proven previously doing the role etc. So **let's acknowledge and accept that may be a good thing**, and **NOT hide it**. Instead an Agency that is approaching the market for labour hire services eg IT contractor for 12 month contract, should be encouraged to **declare this and make it visible**.

For example, in these cases the ATM would declare that the **Agency already have a "preferential" candidate = YES** and declare the list of reasons why this candidate is preferred eg 1. PREVIOUS EFFECTIVE INCUMBANT OF THIS ROLE; 2. PROVEN EXPERTISE IN THIS ROLE; 3. HAVE UNIQUE/ RARE SKILL/ KNOWLEDGE etc.

In this way, **potential suppliers can make informed, risk-weighted decisions as to whether or not to compete for these clearly marked higher-risk opportunities.**

Conclusion

We have outlined what we believe are the primary shortcomings of the **Current State** with reference to the Commonwealth Procurement Rules. We have outlined a **Future State** of how micro-consultancies and our other proposed changes would resolve these shortcomings. We passionately and strongly believe that the new DTA Digital Marketplace has the opportunity to be the catalyst for transformational change for the good of Australian Government Agencies and the whole of Australia's IT industry:

1. ***Help grow smaller Australian IT companies.*** It would provide greater opportunities for SMEs and local specialist IT companies to compete for smaller scopes of work and win Government business that they would otherwise not be able to do.
2. ***Encourage SMEs and Large Corporations to work and grow cooperatively together.*** It would encourage and facilitate large / multi-national organisations and smaller, more specialised local IT companies to work more cooperatively together, each contributing their particular capabilities and skills and all growing equitably together.
3. ***Help reduce IT risk and increase value-for-money.*** It would encourage smaller pieces of work, of less complexity and less cost, with clearer boundaries thereby allowing more reliable and effective comparative assessments of competing tenders.
4. ***Help raise agility of Government IT deliveries.*** It would allow Government agencies to more quickly turn-around deliverables and outcomes and be more responsive to changing IT requirements.
5. ***Help supplement APS staff and capabilities.*** It would provide Government agencies a platform to supplement capability gaps that may arise as they transition away from external IT contractors to APS internal IT resources.
6. ***Help optimise IT solutions.*** It would encourage and enable Government agencies to better plan and structure their project work and to include critical milestones/ decision points etc to scrutinise, validate and inform subsequent project stages, thereby achieving optimal project outcomes.

We sincerely thank the JCPAA Inquiry for the opportunity to make this submission and we do hope it serves to achieve long-lasting and transformational changes for the good of **Australian Government Agencies** the **Australian IT Industry** and all **Australians**.

Thank You.