

ELECTRONIC COMMERCE AND THE STATISTICAL DATA BASE

Transigo

- 5.1 Transigo is an electronic commerce system for government purchasing developed by Telstra for the Commonwealth. The original tender for the service was released in 1995 and the first release of the product was in March 1997.¹ The objective of developing an electronic commerce model stems from the July 1996 *Electronic Commerce – Commonwealth Statement of Direction*, and the *Investing for Growth* Statement released in December 1997.
- 5.2 In the *Investing for Growth* statement, the government stated its commitment to:
- delivering all appropriate Commonwealth services electronically on the internet by 2001. This will complement—not replace—existing written, telephone, fax and counter services. Enhanced delivery mechanisms will greatly improve the quality, user friendliness and consistency of government services provided to Australians; and
 - establishing electronic payment as the normal means for Commonwealth payments by the year 2000. By 2000 the Commonwealth will move, in partnership with banks, to full

1 Mr Gary Allan, Office for Government Online, *Transcript*, p. 539;
www.ctc.gov.au/electroniccommerce/index_main.htm

- implementation of Financial electronic Data interchange as the normal means for paying suppliers.²
- 5.3 Transigo was developed in a changing environment and has been plagued by insufficient take-up rates by suppliers. The following discussion outlines some of Transigo's original objectives, its shortcomings, and the electronic commerce model proposed as its replacement.
- 5.4 Some of the key objectives of Transigo were to help the private sector to:
- identify opportunities within the government marketplace;
 - access tender documents;
 - match their goods and services to business opportunities;
 - generate trading documents such as orders and invoices and transmit them to other subscribers via fax or email;
 - access information on government purchases over \$2000;
 - generate business opportunities; and
 - provide a link to an existing web site.³
- 5.5 Annual subscription to Transigo is \$348 and, if required, automatic tender matching and notification is \$240.⁴
- 5.6 Transigo also has a statistical data collection function. The Department of Finance and Administration (DoFA) advised that there are two major sources of purchasing data. First, is from the endorsed supplier arrangements where currently there are 450 companies registered. The second is from Transigo in which all Commonwealth Purchases over \$2 000 should be registered. Dunn and Bradstreet analysed this data to show the value of Commonwealth purchasing awarded to SMEs in 1995–96 and 1996–97.⁵
- 5.7 The inquiry evidence generally supported the concept and objectives of Transigo, but highlighted problems with supplier access to the system. The Department of Environment, for example, over an 11 month period advertised 27 business opportunities on Transigo but only 3 offers came back through that system.⁶ The Australian Industry Group, Defence

2 *Investing for Growth, The Howard Government's Plan for Australian Industry*, December 1997, pp. 69–70.

3 www.transigo.net.au/html/qanda.htm

4 www.transigo.net.au/html/fees.htm

5 Dr Diana Wright, DoFA, *Transcript*, p. 91.

6 Mr Andrew McKinlay, Department of Environment, *Transcript*, p. 24.

Council supported the concept of Transigo but was concerned about the number of its constituents that did not have access to the internet.⁷ The Australian Taxation Office stated:

...one on-going problem has been the take up rate of Transigo by our suppliers, very few of whom have taken out licences. This situation renders electronic commerce impossible as there must be a viable trading community for activity to occur.⁸

5.8 The Office for Government Online (OGO) reported that of the 'roughly 30 000 suppliers that are doing business on a regular basis with government, less than one per cent actually signed up and subscribed to Transigo'.⁹

5.9 In January 1999, the Minister for Communications, Information Technology and the Arts, Senator, the Hon Richard Alston, announced changes to electronic procurement arrangements. The changes will allow agencies greater freedom to select an electronic commerce service provider of their choice, and to benefit from the increased competition in the marketplace. Senator Alston stated:

Agencies will continue to use Transigo to advertise their public business opportunities and notify purchases valued at \$2 000 or more in the Purchasing and Disposals Gazette on Transigo, until 30 June 1999. In the interim, the Office for Government Online in the Department of Communications, Information Technology and the Arts will assess alternative gazettal arrangements.¹⁰

5.10 DoFA advised that the move towards a new electronic commerce system will not affect the statistical collection function of Transigo during the transition period.¹¹

5.11 From October 1998, the Department of Communications, Information Technology and the Arts and OGO became responsible for the electronic purchasing and payment framework, including development of an implementation strategy and implementing new facilities for gazettal.¹² OGO indicated that Transigo had not achieved its original purpose because 'agencies had not adopted electronic procurement as quickly as

7 Mr Greg Johannes, Australian Industry Group, Defence Council, *Transcript*, p. 6.

8 Australian Taxation Office, *Submission*, p. S114.

9 Mr Gary Allan, Office for Government Online, *Transcript*, p. 550.

10 Senator the Hon Richard Alston, *Changes to electronic procurement arrangements*, Media Release, 12 January 1999.

11 Dr Diana Wright, DoFA, *Transcript*, p. 99.

12 Mr Gary Allan, Office for Government Online, *Transcript*, p. 539.

expected, nor had the estimated 30 000 suppliers subscribed to Transigo signed up as a subscription member in any great numbers.’¹³ In contrast to Transigo, a ‘distributed model’ is being considered. OGO commented that ‘the new strategy will introduce greater competition in the Commonwealth marketplace for electronic commerce services and allow agencies to put in place arrangements which best meet their needs, given a minimum of controls.’¹⁴

5.12 In describing how the new electronic commerce system would operate, OGO stated:

Agencies will be free to select the electronic commerce service provider and bank—transactional banker—of their choice to conduct business with their suppliers, but this activity takes place within an overarching framework of standards...which ensures interoperability and consistency so that suppliers are not faced with having to deal with a multitude of incompatible systems. We hope that this will give agencies the opportunity to put in place the arrangements that meet their individual needs, but we will still retain a whole of government perspective so that the Commonwealth presents a reasonably uniform face to suppliers.¹⁵

5.13 In addition, the new electronic commerce model for procurement will have links with the Business Entry Point (BEP). The BEP is an internet-based interface to all three levels of government. It provides a service to Australian businesses to make it easier to deal with government. Currently through the BEP, users can:

- access current information on a wide range of government assistance programs and services, and business information on topics such as taxation, record-keeping, superannuation, occupational health and safety, Customs, intellectual property protection and workplace relations.
- gain a better understanding of your obligations for example, as an employer and for taxation.
- tailor your query to suit your business and area of operation.
- privately and securely undertake a number of initial business registrations which are tailored to your needs.¹⁶

13 Mr Gary Allan, Office for Government Online, *Transcript*, p. 539.

14 Mr Gary Allan, Office for Government Online, *Transcript*, pp. 539–540.

15 Mr Gary Allan, Office for Government Online, *Transcript*, p. 540.

16 www.business.gov.au/bep_siteBEP.html

- 5.14 As at March 1999, OGO was in the process of seeking expert consultancy advice to develop a detailed implementation strategy for the electronic procurement framework. OGO stressed that one of the objectives of the new system is to provide 'enhanced public access to the information gazetted by agencies, which is the source of the purchasing statistics database.'¹⁷
- 5.15 The importance of ensuring that the new electronic commerce model produces enhanced purchasing data was raised by a number of groups. The Office of Small Business (OSB) commented that 'electronic commerce systems should be designed to process this information and automatically provide departments and agencies with timely management information on which to manage Commonwealth purchasing.'¹⁸ ISONET commented that 'there was some thought in the early days of Transigo that there would be fields put in there that would identify the percentage that went to small and medium enterprises and a percentage that went to Australian industry, but that has not been forthcoming and it should be something that can be readily called up rather than being an impost on the government department or, indeed, on industry to have to provide that information.'¹⁹

The statistical data base

- 5.16 The quality of purchasing statistics was criticised on the basis of availability, timeliness and reliability. The majority of government agencies, for example, reported that purchasing data is not available on the value of purchases where ANZ suppliers were successful, and Australian content is not recorded. Environment Australia commented that 'the Department does not maintain separate records of purchases sourced from New Zealand suppliers; neither the Antarctic Division nor the Bureau of Meteorology has information readily to hand on the proportion of purchasing contracts made to Australian suppliers.'²⁰
- 5.17 Some key Commonwealth agencies acknowledged that there were problems with the quality of purchasing statistics. The Department of Industry, Science and Resources stated:

17 Mr Gary Allan, Office for Government Online, *Transcript*, p. 540.

18 Office of Small Business, *Submission*, p. S315.

19 Mr David McLachlan, ISONET, *Transcript*, p. 546.

20 Environment Australia, *Submission*, p. S269.

There are not good statistics. Whenever we have looked at this question, it has been considered that it would be a very large investment of resources, on the part of agencies, to collect good statistics and it would require them to impose more paperwork on suppliers. The best opportunity for the statistics was mooted to be Transigo and perhaps now its successor and while it may be imperfect I still think it probably presents us with the best opportunity to collect statistical information.²¹

5.18 DoFA indicated that during the review of government purchasing in 1997 that ‘most industry organisations expressed concern about a lack of meaningful data about the extent that government contracts are being let to small business.’²²

5.19 Australian Business commented that ‘it is of little use setting targets without better reporting mechanisms and purchasing statistics.’²³ A delegation from Australian Business and the Australian Chamber of Commerce and Industry (ACCI) stated:

Measuring the impact of purchasing currently is severely impeded by the paucity of statistics. This has been an ongoing issue since before Bevis, back I think to Inglis, who did an inquiry in the 1980s. It has been an ongoing saga and we think the time is right to bite the bullet on that area.²⁴

Departmental reporting

5.20 Principle four of the CPGs sets out Accountability and Reporting requirements. The key elements of accountability in the procurement framework include:

- Chief Executives are accountable to their Ministers for the overall management of procurement activities;
- senior procurement executives or heads of procurement are accountable to Chief Executives for various high-level management and coordination activities;

21 Ms Patricia Kelly, Department of Industry, Science and Resources, *Transcript*, p. 432.

22 Department of Finance and Administration, *Submission*, p. S208.

23 Australian Business, *Submission*, p. S331.

24 Mr Graham Chalker, Australian Business, *Transcript*, p. 312.

- purchasing units are accountable to their clients for the services they provide; and
- persons with procurement duties must have regard to these Guidelines in accordance with FMAR 8 and are accountable to management.²⁵

5.21 The key reporting obligations require agencies to:

- provide information on request to Members of Parliament, Senators and the public after the tabling of annual reports as specified in the *Requirements for Departmental Annual Reports*;
- remedy instances of failures to gazette as notified in their annual reports by subsequent reporting in the *Gazette*;
- report to the Affirmative Action Agency when they have rejected competitive bids from suppliers not compliant with the *Affirmative Action (Equal Employment Opportunity for Women) Act 1986*; and
- refer public works costing in excess of \$6 million to the Parliamentary Standing Committee on Public Works, and notify it of proposals for public works of estimated value of between \$2 million and \$6 million.²⁶

5.22 The CPGs state that a 'person who organises an agency agreement or Commonwealth contract must arrange for notification in the *Purchasing and Disposals Gazette* to be made within six weeks of entering into the agreement.' The financial threshold for notification is \$2000 or more.²⁷

5.23 Evidence to the inquiry focused on the type of purchasing information reported in annual reports of Commonwealth agencies. Australian Business commented that 'Departments should also be required to provide an annual assessment of SME content'.²⁸ A delegation from Australian Business and the ACCI suggested that agencies should provide more detailed performance information against government purchasing policies.

5.24 In addition, Australian Business and the ACCI indicated that they would 'like to see tenderers and purchasers being required to provide regular reports on their progress against their industry development commitments'.²⁹ DoFA responded that any move to increase agency reporting would be a decision for government. DoFA suggested that this

25 Department of Finance and Administration, *Commonwealth Procurement Guidelines, Core Policies and Principles*, March 1998, p. 13.

26 *Commonwealth Procurement Guidelines, Core Policies and Principles*, March 1998, p. 15.

27 *Commonwealth Procurement Guidelines, Core Policies and Principles*, March 1998, p. 14.

28 Australian Business, *Submission*, p. S331.

29 Mr John Martin, Australian Chamber of Commerce and Industry, *Transcript*, pp. 311–312.

would lead to additional overheads for both industry and government.³⁰ The OSB suggested that more public reporting would help to improve performance. The OSB stated:

I think if we are serious we could start doing that in the area of government purchasing. When we put out that data on government performance in the area of the SME proportion of total purchasing, you can see that that generated a lot of interest. So until we start reporting on government activity in a public and transparent way, I do not think you are going to see improvement, and that does require commitment, resources and training, and cultural change.³¹

- 5.25 The Australian National Audit Office (ANAO), however, made a cautionary note on having agency annual reports containing too much information. The ANAO suggested that there is a current trend against requiring agencies to provide detailed reporting on a wide range of issues in their annual reports.³²
- 5.26 The Committee examined annual reports from a range of Commonwealth agencies in order to assess the usefulness of the information reported. There were some positive aspects. For example, AusAid stated its tendering and contracting objectives and then outlined nine measures to further strengthen the contracting and tendering function.³³ The Australian Taxation Office (ATO) reported, briefly, on its response to the Australian Public Service procurement reforms. The ATO stated that it had 'created three accredited procurement units which arrange the majority of all strategic and high-value procurement for the organisation'.³⁴ Australia Post reported on its commitment to 'support Australian businesses and develop strong customer-supplier relationships'.³⁵
- 5.27 The Australian Customs Service reported that 'a specialist consultant was commissioned to review the procurement function in Customs and the main recommendation of the review was to establish an Accredited Purchasing Unit'.³⁶

30 Dr Diana Wright, Department of Finance and Administration, *Transcript*, p. 523.

31 Ms Dušanka Šabic, Office of Small Business, Department of Employment, Workplace Relations and Small Business, *Transcript*, p. 542.

32 Mr Ian McPhee, Australian National Audit Office, *Transcript*, p. 523.

33 Department of Foreign Affairs and Trade, *Annual Report, 1997-98*, Commonwealth of Australia, p. 200.

34 Commissioner of Taxation, *Annual Report 1997-98*, Commonwealth of Australia p. 58.

35 Australia Post, *Annual Report 1996-97*, Commonwealth of Australia p. 2 and 27.

36 Australian Customs Service, *Annual Report 1997-98*, Commonwealth of Australia, p. 11.

- 5.28 Most Annual Reports of agencies, however, were limited in what they reported on their purchasing function. In the majority of reports examined, very little information could be found showing agencies' performance against the key purchasing objectives.

Conclusions

- 5.29 An effective, efficient and user friendly electronic commerce system is an essential part of the modern government procurement process. If the system is developed correctly, in consultation with buyers and suppliers, then major benefits will accrue. The lesson of Transigo should be put to good use in developing the next generation electronic commerce model.
- 5.30 Transigo was first released in March 1997. Its key objectives included helping the private sector identify opportunities within the government marketplace, access tender documents, and match their goods and services to business opportunities. Transigo was also designed to provide a statistical collection function. Transigo was introduced in a rapidly changing environment and has been plagued by an insufficient take-up rate by suppliers. This led the government, in January 1999, to announce that agencies would no longer be limited to using Transigo. The Office for Government Online (OGO) is currently responsible for the electronic purchasing and payment framework including development of an implementation strategy.
- 5.31 OGO reported that of the roughly 30 000 suppliers that are doing business on a regular basis with government, less than one per cent actually signed up and subscribed to Transigo. Government will have to ensure that the reasons for this low-take up rate are accurately documented and addressed in the development and implementation of the next electronic commerce model. The Committee supports the current strategy to develop a 'distributed model' electronic commerce system in which agencies will be free to select the electronic commerce service provider of their choice. However, this support is based on the condition that there are basic standards which ensure interoperability and consistency so that suppliers are not faced with having to deal with a range of incompatible systems.
- 5.32 In conjunction with the development of the new electronic commerce model, government must ensure that there is an appropriate and effective statistical data collection system. Government, the Parliament and industry need timely statistics for review, evaluation and performance assessment. Chief Executive Officers of Commonwealth agencies should,

- in particular, ensure that they have an effective suite of statistical indicators to assess their agencies' purchasing performance.
- 5.33 Throughout the inquiry, the quality and timeliness of purchasing statistics was heavily criticised. Most agencies, for example, could not report independently on the proportion of their purchasing that was awarded to Australian and New Zealand small and medium enterprises. A key commitment in the Commonwealth Procurement Guidelines requires agencies and departments to source at least 10% of their purchasing from SMEs. This objective was reported in an aggregate way across government. The Committee expects that the new electronic commerce model will be able to provide each agency with this type of purchasing data at an on call basis. Therefore, OGO should ensure that the statistical data collection system has sufficient data entry fields to record a range of industry development criteria by agency.
- 5.34 In concluding this section, the Committee maintains that the current state of departmental reporting of purchasing activities is not acceptable. The Committee's examination of a selection of annual reports indicated that reporting of this function rated a low priority. Some agencies stated their acknowledgment of certain parts of the CPGs, but, in the majority of cases, there was no reporting of performance against objectives. The Committee, therefore, recommends that all Commonwealth agencies under the *Financial Management and Accountability Act 1997*, and government business enterprises report, on an annual basis in their Annual Reports, their performance against key purchasing objectives. Performance information should also be available on agency internet websites and be accessible through the purchasing electronic commerce system.
- 5.35 In making this recommendation, the Committee acknowledges advice from the Australian National Audit Office that there is a trend against requiring agencies to provide detailed reporting on a wide range of issues in their annual reports. The Committee accepts this but maintains that information about purchasing objectives and outcomes is currently under reported, is significant in nature and, therefore, should be given greater priority in agency reporting requirements.
- 5.36 In assessing the impact of this recommendation, the Committee suggests that three key positive outcomes will arise. First, the Committee considers that with more effective reporting of performance, there comes greater scrutiny, feedback and through this greater incentive for agencies to improve their performance. Second, performance information reported in agency annual reports provides an opportunity for House of Representatives Standing Committees to review agency performance without the need for a Ministerial reference. This power provides these

committees with enormous opportunities to scrutinise the purchasing performance of agencies on an ad hoc basis. The third outcome relates to the opportunity for industry and relevant organisations to be more informed and aware of how agencies are performing.

Recommendation 12

- 5.37 **That all Commonwealth agencies under the *Financial Management and Accountability Act 1997*, and government business enterprises report, on an annual basis in their Annual Reports, their performance against key purchasing objectives. This information should also be made available on agency internet websites and be linked to purchasing electronic commerce systems.**

**Bob Charles, MP
Chairman
23 June 1999**