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Driving Business Success for Consulting Firms in the Built and Natural Environment

26 November 2013

Mr Tony Shepherd
Chair
National Commission of Audit
submissions@ncoa.gov.au

Dear Mr Shepherd,

Re: National Commission of Audit

Consult Australia welcomes the opportunity to respond to the National Commission of Audit (NCOA). The NCOA is a valuable opportunity to review the scope, efficiency and functions of the Commonwealth Government and identify efficiency and productivity improvements.

Consult Australia is the industry association that represents the business interests of consulting firms operating in the built and natural environment. Our member firms' services include, but are not limited to: design; architecture; technology; engineering; surveying; legal; and management solutions. We represent an industry comprising some 48,000 firms across Australia, ranging from sole practitioners through to some of Australia's top 500 firms. Collectively, our industry is estimated to employ over 240,000 people, and generate combined revenue exceeding \$40 billion a year.

We operate in an environment where government procures many of the services provided by our member firms. In this submission we have highlighted substantial opportunities to deliver better value-for-money for taxpayers, and improve coordination between levels of government with a renewed focus on procurement policy and process.

Representing a broad cross-section of advanced professional services firms, we have also identified those areas where government involvement is both a help and a hindrance to our firms' success. Support from government to ensure access to the skills our firms need is critical to the delivery of major projects. Equally, unreasonable intervention by the previous Government leading to new labour market testing requirements is a productivity drag.

Finally, we agree with the principle that the Commonwealth Government 'live within its means and begin to pay down debt', but urge that this not be delivered at the expense of urgently required, productivity boosting infrastructure investment.

Delivering Value-for-Money: Procurement Reform

Consult Australia has, for many years, been a leading advocate of procurement reform.

Poor procurement policies, practices and skills in the public sector have led to increased cost of delivery, time overruns, and unnecessary disputation between the parties. Reforms to procurement have the opportunity to save government large amounts of money. Indeed, it is incumbent on governments to ensure they get maximum value for taxpayers' money through the procurement process.

The Commonwealth Government spent nearly \$42 billion across some 82,000 contracts valued over \$10,000 in 2011-12. A one per cent efficiency dividend would equate to nearly half a billion dollars in savings.

In the construction sector alone, a 2009 report estimated the cost of disputation at \$7 billion per year, a figure that is likely to have grown. Similarly, a 2008 survey of pressure points in the Australian construction industry found that poor procurement practices had led to 26 percent of projects worth over \$1 billion in Australia running over budget by \$200 million or more, while a 2006 study found that only 56 percent of projects were completed on time. Better procurement practices could have prevented, or limited this waste.

There are many options for reforming procurement to prevent public sector waste and to encourage the private sector to do business with the Commonwealth Government. For example, the Department of Defence, as a procurer of a large volume of products and services, presents significant opportunities to deliver efficiencies and value for money through better procurement processes. One option we have recently suggested to improve performance across all spheres of government is through the establishment of a Procurement Centre for Excellence (See Annex A).

Consult Australia would be pleased to participate in any dialogue about this and other ideas to improve procurement in Australia.

Supporting Access to Skills: Department of Immigration Industry Outreach Officers

Consult Australia appreciates the ongoing placement of a Department of Immigration and Border Protection (DIBP) Industry Outreach Officer (IOO) within the organisation. Through their liaison work and workshops specific to Consult Australia members, the IOOs have helped the industry to develop a good relationship with DIBP, a stronger understanding of visa processes, and more efficient access to skilled workers.

This support is critical to consultants operating in the built and natural environment, where efficient access to skills is critical to moving projects smoothly from design to construction with cascading benefits through the economy. In recent decades as governments have outsourced traditional 'public works' to the private sector, the procurement of services provided by our industry has grown exponentially, but also cyclically with investment peaking at different times in different markets. Unlike other sectors, this means governments are more dependent on our firms' ability to access skilled workers quickly for the efficient delivery of key infrastructure projects as funding for projects is released.

The relatively small investment provided by the IOO program results in significant efficiencies across the industry. For example, this proactive outreach approach has had long-term efficiency benefits for the Department and employers alike, and led to reduced visa application times, which in turn provides an efficiency dividend for all concerned. The IOO program has proven to be an effective channel of communication between the Department and the industries that rely on skilled migration. The high level of employer understanding of the migration rules and processes leads to a system that functions more smoothly, and the exchange of information between government and industry helps to ensure that the migration program remains responsive to industry needs.

Consult Australia looks forward to continuing its good working relationship with the Department and supports the continued funding of this valuable program.

Removing Barriers to Accessing Skills: Labour Market Testing

The temporary skilled migration program, centred on the subclass 457 visa, is market-driven. It helps employers fill labour needs when suitable local options are unavailable. Compared with using locally-based people, the 457 visa is an expensive option for employers due to the additional lead time to fill positions, the cost of bringing workers to Australia, and program requirements such as responsibility for the cost of travel to their home country at the end of their contract. This is in addition to wages which must be as good or better than what would be provided to an Australian worker performing the same or similar role.

Employers therefore test the labour market for every hiring decision. The recent introduction of regulation for that process—Labour Market Testing (LMT)—imposes unnecessary costs on employers and government alike and it is inappropriate for the government to be involved in that market-driven process.

Government resources would be better spent on enforcement of existing rules on the use of the subclass 457 visa. Targeted, risk based, enforcement would be particularly powerful for ensuring that abuse of the system and workers does not occur, or is quickly detected and eliminated.

Delivering Productivity Improvements: Investing in Infrastructure

Infrastructure provision has lagged population growth in Australia for three decades. If we are to seize an advantage in what is the fastest growing region of the world's economy, obstacles to the development and delivery of infrastructure must be overcome.

Since 2004, Australia's strong economy, supported by the mining boom and AusLink investments, together with an increase in private financing has seen some improvements in the delivery of infrastructure projects that have helped to manage congestion costs and supply constraints. The benefits of this investment to our productivity are clear with estimates suggesting benefits of approximately \$2.85 for every \$1 invested in highways, rail and urban public transport alone. However, while positive, these improvements are against a growing infrastructure deficit that puts at risk our ability to maintain economic prosperity in the longer term.

Increased infrastructure investment that improves economic capacity and productivity must be the first policy response to the challenges of increasing congestion and declining quality of life in Australian cities, and will have the added benefit of easing pressure on migration policy and achieving a more sustainable future.

Recent uncertainties associated with infrastructure funding, planning and governance for major infrastructure projects have negatively impacted those firms involved in these projects, and industry confidence more broadly. Effective governance combined with a long-term funding framework supporting a strong pipeline of infrastructure projects at all levels of government is vital, and will support the growth of associated industries. While government services must be delivered with the greatest efficiency possible, it is critical that in the rush to pay down debt, we do not sacrifice those substantial capital investments needed today to ensure productivity tomorrow.

Consult Australia is a strong supporter of Infrastructure Australia and the ongoing provision of independent, expert and transparent advice supporting a robust long-term pipeline of infrastructure projects. To that end we strongly recommend additional investment, and a strengthened role for Infrastructure Australia to support the integrity and strength of the advice it provides to government.

Equally, we support the Government's continued investment in policy development supporting more innovative financing and funding for infrastructure. The simple fact is that there is just not enough funding available under current Commonwealth and state government arrangements. We believe there are significant opportunities to better leverage government funding of infrastructure through

Consult Australia Submission – National Commission of Audit

the development of policy levers that facilitate greater private sector investment. The work of Infrastructure Australia, the Department of Infrastructure and Regional Development, Treasury and the newly established Infrastructure Financing Taskforce must continue in this regard, and be supported by strong consultation and representation by industry, including those responsible for the design and delivery of major infrastructure projects

We would be pleased to discuss further the issues raised in this submission. Please contact [REDACTED] [REDACTED] Director of Policy & Government Relations on [REDACTED] or phone [REDACTED]. I look forward to hearing from you as The Commission progresses the Audit in the weeks ahead.

Yours sincerely,

[REDACTED]
Chief Executive

Annex A:

A Procurement Centre of Excellence

Establishing an independent Procurement Centre of Excellence to develop and implement best practice procurement and deliver value for money.

With large amounts of public funds being spent on infrastructure, it is incumbent on governments to ensure they get maximum value for money through the procurement process. To buy wisely you need wise buyers: there are substantial opportunities for governments and business to share expertise, and identify and deliver solutions that improve productivity and value for money across the procurement process.

The Australian Government spent nearly \$42 billion across some 82,000 contracts valued over \$10,000 in 2011-12. A one per cent efficiency dividend would equate to nearly half a billion dollars in savings. Including the value of procurement across 6 states, 2 territories and 562 local governments: the opportunities to translate these savings into new infrastructure, hospital beds, police and other essential government services, are substantial.

In the construction sector alone, a 2009 report estimated the cost of disputation at \$7 billion per year, a figure that is likely to have grown. Similarly, a 2008 survey of pressure points in the Australian construction industry found that poor procurement practices had led to 26 percent of projects worth over \$1 billion in Australia running over budget by \$200 million or more, while a 2006 study found that only 56 percent of projects were completed on time. Better procurement practices could have prevented, or limited this waste.

To overcome persistent deficiencies in procurement skills and practices, we recommend a whole of government approach supporting the establishment of an Australian Centre for Procurement Excellence, building on the work of the Australasian Procurement and Construction Council (APCC):

We recommend:

The Procurement Centre of Excellence expand the APCC's role and remit, broadening government engagement and building on work across jurisdictions considering efficiencies in procurement. The Centre would be tasked with building a stronger relationship between government and business and supporting best practice procurement in Australia at all levels of government. The Centre should:

- be established as independent of government;
- build stronger linkages between government and with industry sectors;
- provide transparent expert advice to all levels of government; and
- develop guidelines, build capability and improve standards.

The Board of the Centre for Procurement Excellence should include equal levels of representation from industry, and government.

The Council of Australian Governments (COAG) in collaboration with the Business Advisory Forum should lead a Government & Business Procurement Summit in 2014 to build the mandate supporting the establishment of the Procurement Centre of Excellence. The Summit should:

- highlight opportunities across all sectors to share expertise, increase productivity and deliver savings and efficiencies through better procurement.
- Identify key stakeholders, determine the terms of reference and appropriate governance supporting the Procurement Centre of Excellence.