

Enhancing Commonwealth Procurement Rules

Submission to the Department of
Finance:
3 July 2024

aspenmedical



Introduction

Aspen Medical commends the Department of Finance for its ongoing efforts to refine and optimise the Commonwealth Procurement Rules (CPRs) to ensure they support Australia's economic and strategic interests. We propose several enhancements to the CPRs. These enhancements aim to better recognise and prioritise critical service sectors as sovereign capabilities, address practical challenges faced by local businesses, and support systemic reforms for a more accessible procurement environment. These recommendations aim to bolster national security, economic resilience, and social outcomes whilst aligning with existing policies and international obligations.

Recommendations

Explicit Inclusion of Sovereign Capabilities

- **Recommendation:** Amend the CPRs to explicitly recognise and prioritise certain service sectors, such as health, cybersecurity, IT, education, and mental health services, as sovereign capabilities.
- **Rationale:** The services sector is a cornerstone of Australia's economy, accounting for nearly two-thirds of GDP and employing over four out of five Australians. By explicitly including these sectors in the CPRs, the government can ensure their stability and development, especially in times of crisis.
- **Implementation:** Modify Section 4 of the CPRs to include a new clause recognising these service sectors as critical to national interest. Provide guidelines for procurement officials on how to assess and prioritise bids from these sectors.

National Resilience Factors (E.g. Security, Crisis and Disaster Response)

- **Recommendation:** Integrate specific guidelines within the CPRs that prioritise procurement from Australian service providers that enhance national resilience capabilities.
- **Rationale:** Ensuring that critical services are sourced domestically can enhance national resilience, mitigating risks associated with reliance on foreign providers.
- **Implementation:** Amend Section 6 on Risk Management to include an emphasis on national resilience. Develop criteria for evaluating the potential impact of suppliers on these areas, give weight to Australian suppliers, and incorporate them into the evaluation process.

Economic and Social Benefits

- **Recommendation:** Strengthen the criteria for evaluating economic and social benefits in procurement decisions to include contributions to national resilience, such as employment in critical service sectors, local investment, and community health outcomes.
- **Rationale:** Evaluating economic and social benefits comprehensively ensures that procurement decisions support broader national goals, such as economic stability, contribution to Australian government revenue (taxes), and public welfare.

- Implementation: Enhance Section 4.7 to provide more detailed guidance on assessing economic and social benefits. Include case studies and best practices to help procurement officials apply these criteria effectively.

Support for SMEs and Indigenous Businesses

- Recommendation: Enhance support for SMEs and First Nations businesses in the sectors identified as national sovereign capabilities by providing targeted assistance and setting specific procurement targets.
- Rationale: Supporting SMEs and First Nations businesses in critical service sectors can build a more resilient and diverse supply chain, contributing to economic growth and social equity.
- Implementation: Include specific clauses in Section 5 to outline support mechanisms, such as capacity-building programs, financial incentives, and simplified procurement processes for SMEs and First Nations businesses. Establish clear targets and reporting requirements for Australian SMEs and First Nations businesses so that officials can track progress.

Addressing Practical Challenges for Local Businesses

- Recommendation: Implement systemic reforms to ensure a more accessible procurement environment for Australian, regional and local businesses, particularly startups and SMEs.
- Rationale: Many local businesses face barriers in accessing government contracts despite receiving grants for innovation. Ensuring the government acts as a customer to these businesses can provide them with fairer opportunities to participate in procurement processes.
- Implementation:
 - Simplify the procurement process for SMEs and startups by reducing red tape and providing clear guidelines on how to demonstrate economic benefits.
 - Establish a feedback loop where businesses can communicate challenges they face in the procurement process, and use this feedback to make continuous improvements.
 - Develop workshops and training sessions to educate local businesses on navigating the procurement landscape and meeting government requirements.

Risk Management and Supply Chain Resilience

- Recommendation: Incorporate more detailed requirements for assessing supply chain resilience and the risks associated with foreign assistance or control in procurement processes, particularly for services deemed sovereign capabilities.
- Rationale: Strengthening supply chain resilience and managing risks related to foreign influence are essential for maintaining the integrity and security of critical services.
- Implementation: Update Section 6 on Risk Management to include guidelines for evaluating supply chain resilience. Develop a checklist for procurement officials to assess the risks associated with foreign control and influence.

Innovation and Capacity Building

- Recommendation: Promote innovation and capacity building in procurement practices by incentivising collaborations with local research institutions and universities and including requirements for knowledge transfer and skills development in contracts.
- Rationale: Encouraging innovation and capacity building enhances the capabilities of domestic service providers and ensures that Australia remains competitive in key sectors.
- Implementation: Add a new subsection under Section 4.7 to specifically address innovation and capacity building. Provide examples of successful collaborations and knowledge transfer initiatives to guide procurement officials.

Suggested Implementation Plan

- Develop comprehensive guidelines and training materials for procurement officials to ensure they understand and can effectively implement the new rules.
- Conduct workshops and information sessions to educate suppliers, especially foreign suppliers (who should need Australian partners) about the new procurement priorities and guidelines.
- Establish a monitoring and evaluation framework for officials to track the impact of the changes on procurement outcomes. This includes setting up key performance indicators (KPIs) to measure progress in areas such as national resilience, economic benefits, and support for SMEs and Indigenous businesses. Tracking of procurement performance should be published on an annual basis.
- Regularly review and adjust the guidelines based on feedback and performance data to ensure continuous improvement.
- Develop risk mitigation strategies for officials to address potential challenges, such as compliance with international trade agreements and managing increased administrative burdens. This includes conducting legal reviews and impact assessments to identify and mitigate risks.

Conclusion

Aspen Medical's recommendations aim to enhance the Commonwealth Procurement Rules by recognising and prioritising critical service sectors as sovereign capabilities. By integrating these changes, the Department of Finance can support Australia's long-term strategic interests, including national security, economic resilience, and social well-being. We believe that these enhancements will lead to a more robust, innovative, and equitable procurement framework that better serves the needs of the nation.

We appreciate the opportunity to provide our input and are available for further discussions to refine and implement these recommendations effectively.

References

- Commonwealth Procurement Rules (CPRs), Department of Finance.

wherever
you need us

ABN 32 105 250 413

aspenmedical.com