



Chamber of Commerce
& Industry Queensland

Industry House
375 Wickham Terrace
Brisbane Qld 4000

T 07 3842 2244
F 07 3832 3195
info@cciq.com.au

Hotline 1300 138 470
Employer Assistance
Line 1300 135 822

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The Assistant Manager
Australian Industry Participation Section
Manufacturing Division
Department of Innovation, Industry, Science and Research
GPO Box 9839
Canberra ACT 2601

Submitted via email: aip@innovation.gov.au

Dear Assistant Manager,

On behalf of the Queensland business community, the Chamber of Commerce and Industry Queensland (CCIQ) welcomes the opportunity to provide feedback on the proposed changes to Australian Industry Participation (AIP). CCIQ provides ongoing support for the Government's AIP initiative to provide Australian businesses with full, fair and reasonable opportunity to participate in major projects in both the public and private sectors, in Australia and overseas.

CCIQ is strongly supportive of initiatives that increase the involvement of Queensland businesses in both public and private sector projects due to the positive impacts on employment and business growth, particularly in those regions that are not performing strongly. Other positive flow-on effects include encouraging innovation and the adoption of new technologies, driving productivity and the establishment of best practice methods, increasing standards of living in regional areas and enhancing the competitiveness of local industries. CCIQ is keen to ensure the AIP initiative delivers these benefits to businesses located across Queensland. This submission aims to highlight the concerns of Queensland businesses and provide feedback on the Government's proposals.

Queensland business feedback on their involvement in government projects

CCIQ recently undertook a survey of 800 businesses to determine the current level of involvement in government projects and to identify ways to increase the opportunities available to local businesses. The majority of Queensland businesses (64%) had not participated in government procurement opportunities for goods, services or capital projects. Of those businesses that had been directly or indirectly involved in procurement opportunities, 44% rated the whole process and experience as average and a further 27% rated the process as poor or very poor.

Referring to the graph overleaf, it appears that much more needs to be done to improve the following aspects of the procurement process:

- Support and assistance provided by the agency or project tender manager;
- Fairness and equity of the tender selection process;
- Delivery of project and procurement and reporting requirements;
- The application process and documentation required.

Business support for the following based on their experiences with procurement opportunities:



Source: 2011 CCIQ local industry participation survey

The key reason identified by businesses for why they had not previously been involved in procurement opportunities was their lack of awareness of the opportunities available, especially at a regional level. There is a growing perception that local small businesses can not compete against larger national and international companies, particularly due to their size, inability to complete complex applications/tender processes and the substantial time and effort required to do so. There are also concerns regarding the excessive conditions placed on potential contractors and many businesses being unable to meet project tender requirements.

The majority of businesses (51%) believed insufficient opportunity was provided to SMEs and locally based businesses when awarding contracts for goods, services and major projects. Subsequently, 73% of businesses believe more can and should be done to assist local industry in gaining contracts for government procurement and major projects. More than one in three businesses believe:

- Existing policies for local industry involvement in major projects is not appropriate;
- Local industry is not provided with sufficient opportunity to engage with interstate and international companies through supply chains for major projects that have been awarded;
- Local employment is not sufficiently engaged when major projects are awarded to interstate and international companies;
- Local industry is not provided with sufficient opportunity to apply for tenders/major projects.

In order to deliver improvements, there is strong business support for:

- Improving policy and providing greater preference to local businesses;
- Maintaining a database of local suppliers interested in accessing major projects' supply chains (CCIQ acknowledges the existence of the ICN, however our survey results indicate that more needs to be done to educate businesses on the existence of databases);
- Enhancing local industry competitiveness and creating more efficient local markets;
- Supporting local industry with applications for major project tenders;
- Encouraging the clustering of small businesses to compete and tender for local opportunities;
- Providing a central portal for information on upcoming and current tender opportunities;
- Reducing red tape, duplication and inconsistencies, including simplifying tender processes;
- Improving access to finance to allow businesses to apply for contracts.

CCIQ is strongly supportive of implementing changes to the AIP initiative that address these concerns raised by Queensland businesses.

Feedback on the Public Consultation Paper

CCIQ is supportive of publishing AIP plans and outcomes to provide greater transparency and accountability for implementing these plans and engaging with local suppliers. All AIP plans should be available from a well-publicised central point to allow potential suppliers easy access to this information, subsequently enhancing their capacity to be aware of opportunities and when/where they will be made available.

Strengthening reporting requirements around how companies have attempted to engage with Australian industry should be used to inform policy development through benchmarking and the identification of best practice methods. The proposal to require the reporting of the Australian industry value added component of all opportunities provided to Australian businesses is strongly supported. CCIQ would welcome the extension of this proposal to also include an indication of the breakdown by state/territory. It is important that these reports are subsequently made publicly available and are easily accessible.

CCIQ is supportive of the proposal to require AIP plans for large Commonwealth grants of \$20 million or more where expenditure of that grant may involve the acquisition of goods and services that can be purchased internationally and where there is potential Australian industry capability to supply those goods and services. It is essential that grant recipients are well aware of the need to prepare these plans and be provided with sufficient support from the Department in order to have the plans approved within 30 days. Opportunities to extend this time constraint should be made available depending on circumstances and the availability of adequate support previously provided by the Department. Guidance material regarding the development of AIP plans must also be easily accessible and comprehensible by grant recipients to ensure minimal delays are experienced.

Support is also provided for requiring major project proponents to make greater efforts to engage with Australian suppliers in order to access the Enhanced Project By-Law Scheme (EPBS) (where tariff concessions are available for eligible imported goods that are not available from Australian production). The proposed measures, including requiring more comprehensive evidence of the opportunities being made available to Australian industry through all stages of the EPBS, are supported to ensure the objectives of the scheme are being met while still ensuring Australian industry is provided with full, fair and reasonable opportunity to supply goods and services.

CCIQ would also like to stress the following points:

- Although we are strongly supportive of enhancing local industry participation in major projects, we are not supportive of implementing a quota/target for Australian content or the introduction of penalties. This would not only be inconsistent with Australia's international trade obligations but could negatively impact on competition and the viability of project proponents;
- It is important that enhanced requirements do not substantially increase red tape, subsequently discouraging investment in Queensland regions and/or delaying the delivery of key projects;
- AIP plans should not be required for projects in Queensland that already require the development of a Local Industry Participation (LIP) plan.

CCIQ remains committed to increasing local opportunities for Queensland businesses to be involved in both public and private sector projects. We are currently developing a local opportunities Blueprint to be released in early 2012 that will include a number of recommendations on how to positively progress this issue moving forward.

CCIQ looks forward to working with all levels of government and industry to increase the opportunities available to local businesses. We encourage you to take the information provided in this submission into consideration when finalising the AIP policy. If you have any questions regarding this correspondence, please contact CCIQ Senior Policy Analyst Leanne Connell on (07) 3842 2237 or email lconnell@cciq.com.au.

Yours Sincerely

A handwritten signature in blue ink, appearing to read 'Nick Behrens', with a long horizontal flourish extending to the right.

Nick Behrens
General Manager, Advocacy
Chamber of Commerce and Industry Queensland