



ENGINEERS AUSTRALIA

25 May 2015

General Manager
Small Business, Competition and Consumer Policy Division
The Treasury
Langton Crescent
PARKES ACT 2600

Dear Sir/Madam

Thank you for the opportunity to comment on the Final Report ('the report') of the Competition Policy Review.

Engineers Australia is the peak representative body for the engineering profession in Australia. With over 100,000 members across Australia, we represent all disciplines and branches of engineering. Engineers Australia is constituted by Royal Charter to advance the science and practice of engineering for the benefit of the community.

Over the last decade, Australia's engineering workforce has been strongly reliant on skilled migration to augment the supply of graduates from our domestic universities and TAFE colleges. Domestic supply of engineers has averaged approximately 9,500 graduates per annum. In contrast, chronic skills shortages over the last decade have seen demand range from 15,000 to 22,000 engineers per annum.

The *ad hoc* and cyclical nature of investment in engineering construction and infrastructure in Australia has created a situation where engineering employment has been subject to boom/bust cycles, most recently apparent in widespread engineering skills shortages (the subject of a 2012 Senate Inquiry). While domestic demand for engineers has fallen drastically over the last three years, the historical peaks and troughs in the engineering profession suggest that this situation is only temporary. In light of recently announced infrastructure investment outlined across consecutive federal budgets, it is reasonable to expect that demand for engineering services will soon rebound strongly.

It is a simple fact that during the recent engineering skills shortage, Australia could not meet demand for engineers through domestic supply alone. Accordingly, levels of permanent skilled migration and temporary, employer-sponsored migration are at record levels – over 54 percent of Australia’s engineering workforce is now overseas-born.

In order for Australia’s engineering workforce to adequately respond to future demand spikes, it is critical that government policy settings adequately address the underlying causes of this structural skills deficit.

Engineers Australia is a strong proponent of creating a culture of innovation in Australia. We believe that innovation will be a deciding factor in Australia’s successful transition to a high-tech, high-value and sustainable economy.

With its close relationship to productivity, innovation is extremely important to the economic success of our country. Although there are a number of avenues to increased productivity, we believe innovation is the most significant factor.

In the absence of sustained innovation, the rate of growth in labour-constrained economies will ultimately fall to zero. Innovation can drive productivity improvement across all sectors. However, innovation is not limited to private sector activity alone. Government, through the regulation and legislation it enacts, through the expertise it deploys and the products and services it procures, is also a key driver of innovation.

With approximately 60,000 engineers employed in various aspects of infrastructure planning and delivery in this country, Engineers Australia is particularly pleased to see the report recognise the importance of infrastructure as a central driver of Australia’s economic success. However, for government to maximise procurement outcomes and value-for-money on its infrastructure and capital expenditure, it must be an informed buyer.

Contracting by Australian governments has grown enormously over the past two decades. While once most procurement was simply an administrative task in acquiring products and services used internally by government agencies, it is now increasingly delivering infrastructure and frontline services that the public use daily. This transition has seen procurement transformed from a clerical function to one that is central to delivering an agency’s program goals and advancing the government’s core objectives.

Government procurement has become more effective and efficient over the last decade due to the increasing ‘professionalisation’ of the procurement workforce and new procurement approaches. However, there is still a significant need to improve.

Most pressing is the need to achieve better value from procurement. This does not mean simply getting something for the cheapest possible price; it means considering the whole-of-life, financial and non-financial costs and benefits that accrue to all relevant stakeholders including the agency, end users and government as a whole. It also means ensuring that what is being procured is actually needed, that it will actually meet the

requirements, that it aligns with the agency's program and corporate objectives, and that it contributes to advancing the government's enduring and transient objectives. In too many instances, procurement has been focused on meeting the requirements of one area of an agency without considering how it could advance other government objectives.

Critical to achieving better value for money is being an informed buyer. This means having the knowledge – including costs, benefits and risks – to take a multi-stakeholder perspective in answering the following questions:

- Why buy?
- What to buy?
- When is it needed?
- How to buy?
- How much to pay?

For engineering-intensive products and services, engineering expertise is required to assist in answering these questions. It is critical in providing sound professional judgement during certain stages of the procurement cycle.

Capitalising on the skills and knowledge of engineering professionals to make more informed procurement decisions requires agencies to be able to access the appropriate volume and type of engineering expertise when needed, economically and efficiently. Accessing best value for money engineering expertise may mean using a combination of internally and externally sourced expertise.

Engineers Australia's Government as an Informed Buyer report, released in 2013, makes a number of recommendations to ensure that agencies have access to the appropriate level of engineering expertise to support the procurement of engineering-intensive products and services. The 'Informed Buyer' report recommends, *inter alia*:

1. Agencies should explicitly recognise that procurement is a strategic and core function, and focus their activities on developing procurement systems that ensure alignment between procurement and multi-level governmental objectives.
2. Agencies should use the procurement cycle methodology to identify the contribution that engineering expertise makes to their procurements, to identify the volume and type of engineering expertise required, and to determine how best to access it.
3. To ensure that governments make informed decisions at a public service wide level on the most cost effective way to access engineering expertise to support agency procurement, agencies should collectively examine how improvements could be made by addressing constraints in the sourcing of engineering expertise.
4. Agencies should identify uncommon and specialised engineering expertise that is critical to their outputs, and develop effective and efficient arrangements to ensure its continued provision.
5. Agencies undertaking capability and maturity assessments of procurement systems should incorporate engineering expertise considerations into their methodology and outcomes.

6. Agencies should identify issues specific to engineering professionals and factor these into their workforce ageing strategies.
7. Agencies should identify any remuneration gap between public and private sector engineering professionals, determine if this acts as a disincentive to recruitment and retention, and if it does, takes steps to close the gap.
8. For areas where an agency is a significant market player in the use of engineering expertise and where there is a shortage, agencies should influence the supply of expertise through increased recruitment and training of graduate engineers.
9. Public services should seek to better facilitate the movement of engineering professionals between agencies.
10. Public services should commission a study of the reasons why engineering professionals stay or leave, and use this information to improve retention strategies.
11. Each public service should establish a cross-agency engineering community of practice to improve engineering practice, encourage multi-agency engineering workforce planning, and facilitate the movement of engineers between agencies.

A few decades ago, there were more than 100,000 engineers employed in the government sector in Australia. Today there are less than 20,000. With the ranks of engineering professionals employed across the government sector continually thinning, clear steps need to be taken to ensure that the aspirations contained in the Final Report of the Competition Policy Review can actually be delivered.

Engineers Australia welcomes the release of Final Report of the Competition Policy Review and we congratulate the government on releasing this report for public comment.

Should you have any questions about matters outlined in this submission or Engineers Australia's positions more broadly, please do not hesitate to contact me either by telephone on 02 6270 6544, or by email on BJackson@engineersaustralia.org.au.

Yours faithfully



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