



## **GIVING KIWI BUSINESSES A FAIR GO**

### **The Issue**

In tough economic times the Government has to make sure it gets the most value out of every dollar it spends.

The New Zealand state sector – nearly 200 agencies – spends approximately \$30 billion on goods and services, including infrastructure each year. These contracts cover a wide range of products and services including construction, IT software and services, cars, furniture, recruitment services, travel, and legal services.

The way the government runs these contracts has very real consequences for Kiwi businesses and workers. This work provides opportunities for businesses and their workers. It provides jobs and a source of income for families.

National is undermining this opportunity by making it harder for Kiwi businesses to compete for these valuable contracts. More needs to be done to provide opportunities for businesses to grow and create jobs.

### **Current Situation**

We can make changes to the way Government buys services that delivers opportunities for Kiwi businesses.

One of the ‘top 20’ suggestions to come out of the Jobs Summit in 2009 was to introduce a training requirement as part of government procurement processes. However, National hasn’t taken this anywhere. Three years on the Government released its five principles of government procurement and there was no mention of supporting jobs by introducing a training requirement.

National has ignored the full economic benefits – in terms of jobs, technology and revenue – that can flow from these contracts. By focussing only on the short-term price and specifications of the contract, National is missing an opportunity for all New Zealanders. Having a New Zealand business deliver a service creates jobs, grows the economy and results in more tax revenue for the Government. These benefits are called spill-overs and have real value in terms of dollars and jobs. Governments around the world craft their policies to capture the spill-over benefits to their economy.

Further, the contracts can be unnecessarily complex. They are bundled together in a way that makes it difficult for Kiwi businesses, which are not as large as overseas corporates, to compete.

New Zealand is out of step with the rest of the world. The Obama Administration ensured that stimulus projects used American made components where the costs were not unreasonable. Singapore has a holistic approach that considers non-price factors such as design, upgradability and after-sales support so that if these additional benefits outweigh the additional cost to Singapore, it is acceptable to deviate from the lowest cost principle. Australia requires tenderers for government work to outline their use of Australian suppliers in every bid. All of these policies are within international rules set by the WTO.

## **Labour's Solution**

We must make sure we're getting the most benefit out of every taxpayer dollar we spend. Labour will make sure that when the Government spends taxpayer money it contributes to New Zealand's economy (where that makes sense), not someone else's.

We will look to change the procurement policy to ensure that Kiwi businesses get a fair go when it comes to government contracts.

- We will require government departments and agencies to undertake a wider economic analysis of major contracts to ensure it delivers the best price and quality as well as delivering the maximum positive benefits to the New Zealand economy.
- We'll introduce a 'one in a million' condition to ensure that businesses granted significant Government contracts are required to train an apprentice for each \$1 million of investment.
  - The condition would be started in the construction sector before looking at other sectors where the rule or similar requirement may apply.
  - We would work with the industry on the details of the implementation.
  - The UK Department of Business Innovation and Skills states that "good practice suggests that 1 apprentice per £1 million investment is a reasonable requirement". They also point out that the Olympic Delivery Authority committed to creating an additional 250 new apprenticeship places on the Olympic Park and Village, by requiring that 3% of the project workforce on new 2012 contracts were apprentices.
  - The exact number of additional apprenticeships is difficult to estimate because no breakdown of the procurement spend is available. However, it is likely to be significant.
- We will look at following Australia's example and require tenderers to outline the use of New Zealand components and suppliers in every bid.
- We will structure the contracts - in terms of size, design and sequencing - in a way that gives more opportunities to New Zealand businesses.

## **Cost**

There are no additional fiscal impacts required from this policy. Departments and agencies will be expected to manage this policy within existing baselines.