**Introduction**
Better procurement practice is key to achieving improved outcomes and delivering value for money for the West Australian Government.

Eight smarter buying principles have been created to help steer the public sector toward making better purchasing decisions, implementing better practice, and achieving value for money.

This case study booklet has been designed in such a way that each of the eight principles will be showcased by a practical example undertaken by one of numerous agencies across the State.

The principles are:
- Looking for Opportunities
- Implementing Forward Procurement Planning
- Using DTF Procurement Practice Guide / Policies and Processes
- Optimising Contract Use and Minimise Leakage
- Minimising Piecemeal Buying
- Applying Demand Management
- Investing in Staff Awareness
- Tightening Contract Management Practice.

It will be shown that agencies have adopted some of these principles into their day-to-day procurement practices in a variety of ways. Already these agencies are reaping the rewards of improved efficiencies, staff awareness and savings.

This booklet will showcase agencies who have achieved better practice in their procurement and provide a contact should you, or your agency wish to pursue a similar course of action.

We hope that armed with this resource, and with the support of the DTF procurement staff in your agency you may be able to relate to some of these strategies and achieve better procurement outcomes.

**Looking for Opportunities**
A good understanding of your agency’s current spend is the key to getting the best from your procurement. By analysing where and how your agency spends money you can find opportunities to increase the use of existing Common Use Arrangements, establish new agency specific contracts, identify opportunities for aggregation and even make some additional savings!

There are many tools that can assist you in finding opportunities within your agency. Consider looking at your Financial Management Data, Contract Development and Management System, Tenders WA, or employing the skills of your Department of Treasury and Finance procurement representative.

As the following Fire and Emergency Services Authority case study will demonstrate, by taking a closer look at your agency’s procurement, it’s possible to find ways to do it better.
Better Practice in Procurement

The Fire and Emergency Services Authority of Western Australia (FESA) has developed a single contract for rescue equipment. By initiating this new contract FESA has been able to:

- Reduce the number of contracts it needs to tender and manage
- Create a rescue equipment contract that is operationally flexible
- Receive the best possible discount prices from a number of suppliers.

Previous Procurement Process
Prior to the single contract, FESA purchased rescue equipment from four individually contracted suppliers. The contracts were difficult to manage and extremely inflexible. FESA felt that the best prices were not being achieved by this method.

Changed Procurement Process
With the help of the Department of Treasury and Finance, FESA was able to base its new arrangement on the model currently in place for common use arrangements. Under this approach, a set of terms and conditions is agreed with a panel of suppliers. This panel supplies goods and services in a number of different categories, allowing agency buyers the convenience of a single portal for all rescue equipment purchases.

Buying rules have been developed to ensure that clear guidelines stipulate to users how to purchase under the arrangement. These are published in a buyers guide. Item specifications within the agreement have been written so that compatibility requirements are not compromised, allowing for multiple contractors to bid for multiple items.

The pricing method in this agreement is unique because suppliers have offered a standing discount offer as opposed to a traditional fixed price.

Improved Outcomes
By creating a single contract for all rescue equipment, FESA has been able to provide contract users with a single portal of information. Agency buyers are aware of purchasing requirements through education with buyers guides and clear buying rules. Process and instruction lists have been developed to ensure that FESA buys the best product at the best price from the contract.

“The Procurement Team is actively educating users on how to purchase under this contract,” said Senior Procurement Officer Skye Pichler. “Compliance with process and policy guidelines is really important,” she said.

If it's worked there why can't it work here?
The concept of “panel” arrangements fosters competition within the market but also provides FESA with the flexibility to add or remove suppliers. This was especially worthwhile for FESA as it was considered imperative that the contract be capable of moving with technological change.

“The contract period is 10 years,” said Skye. “It is important FESA has the flexibility to keep its equipment as up-to-date as possible.”

Requesting tenderers to offer a fixed discount as opposed to a fixed price has seen FESA reap significant financial savings.

“It depends greatly on the supplier and whether items are purchased in bulk or singularly,” said Skye. The discount approach has also encouraged more competition within the panel itself, with suppliers increasing their discounts to more than what was originally offered, or even offering some items for free if a bulk purchase is being made.

A Client Reference Group (CRG) has been established to effectively manage the contract. Made up of representatives from the different areas of FESA that purchase from the new arrangement, the CRG is responsible for adding or removing suppliers from the panel, updating equipment on the contract, and ensuring the dispute resolution process is handled effectively.

“By setting up a CRG, we get input into the contract from all potential users across the agency. This ensures we don’t miss any issue out, but we’ve also given everyone some ownership over it,” said Skye.

Benefits
Through this single standing contract FESA has:

- A contract which is operationally flexible
- Significant savings through requesting fixed discounts as opposed to fixed prices
- Healthy competition between suppliers on the panel
- A one stop shop for all rescue equipment purchases
- A single contract arrangement to manage
- A system that agency buyers want to be a part of.

Contact
Skye Pichler
Senior Procurement Officer
Department of Treasury and Finance
skye.pichler@dtf.wa.gov.au
(08) 9323 9896
**Forward Procurement Planning**

Taking the time to sit down and work out what exactly is on the horizon for your agency offers significant benefits. Simply getting to know what your agency buys can assist in preparing the procurement program for your financial year, in budget allocation and just keeping your agency on the ball.

Forward planning is also useful in that it helps you monitor your current contracts, provides a “heads up” for approaching expiration dates, and can be a catalyst in terms of where to from here. Planning is the key to staying on track and achieving better procurement outcomes for your agency.

The Department of Treasury and Finance website is a valuable source of information to help you work through this planning stage and includes a template for forward procurement planning. Additionally, your DTF procurement representative is available to help you out.

In the following cases the Department of Agriculture and Food (DAFWA) and Education (DoE) offer very different approaches for better equipping an agency for future procurement. DAFWA shows that by keeping a finger on the pulse big procurement projects will be less of an unbudgeted surprise and more a part of a systematic procurement plan. While DoE demonstrates how the establishment of a Strategic Procurement Unit can assist in mitigating future procurement risks.

**Keeping a finger on the pulse!**

The Department of Agriculture and Food Western Australia (DAFWA) has aggregated contract requirements and trialled new pricing techniques for some of its major capital equipment purchases. These changes have seen DAFWA:

- Reduce small and ad hoc purchases
- Improve forward procurement planning
- Explore new technologies
- Reduce the total number of agency tenders.

As a result, DAFWA has saved in excess of $350,000.

**Previous Procurement Process**

DAFWA has historically purchased agricultural equipment and machinery as part of its Capital Equipment Replacement Program (CERP) on an as-and-when-requested basis. Significant duplication of effort and minimal forward planning resulted in many similar items being purchased from different suppliers throughout the year.

Each item purchased followed a formal contract process, resulting in significant costs for both DAFWA and suppliers submitting bids.

**Changed Procurement Process**

By reviewing purchases made under CERP, DAFWA identified an opportunity to aggregate its purchasing requirements, reducing 13 tender processes to six by bundling like products to form single contracts. Agency and Department of Treasury and Finance (DTF) procurement staff are now involved in the CERP process. These staff regularly review requirements to ensure aggregation opportunities are achieved. Forward procurement planning is also underway with procurement staff becoming more aware of the department’s needs. By using CERP and tracking contract expiration dates, staff better manage procurement activities.

Three of the six new contracts were tendered under an online auction process. Carried out in conjunction with DTF, the auction permits suppliers to outbid each other to offer the lowest possible price for items.
Improved Outcomes

By simply aggregating purchases and reducing the number and frequency of tenders, DAFWA has saved in excess of $180,000. These savings are channelled back into the CERP program allowing the department to purchase additional and often urgently required equipment. “Under normal circumstances we wouldn’t be able to afford these things,” said Ron Philippkowski, Manager of Contracts and Procurement.

These savings are likely to increase as new items are added to the CERP purchasing program. Ongoing monitoring, analysis of items on CERP, and communication with departmental requesters has also provided more savings to the agency. “Forward procurement planning has become imperative,” said Ron. “By knowing our requirements in advance we can plan and take advantage of as many aggregation opportunities as possible reducing the number of contract processes conducted,” he said.

A reduction in procurement effort has seen savings of $55,500 achieved by DAFWA. By actively reducing the number of tenders submitted DAFWA has also cut supplier costs of tendering by up to $30,000.

Using online auctions has saved DAFWA an estimated $116,000 across three tenders. “By allowing the suppliers to see the lowest possible price that’s currently being bid, we’ve managed to increase market competitiveness as well as getting us the best possible price,” said Ron.

The initiation of the auction has also seen a greater collaboration of effort between DTF and DAFWA. “We didn’t have the software, and DTF needed a project to trial so it was a perfect fit,” he said.

The online auction trial has demonstrated that this approach need not disadvantage small and/or regional businesses.

Benefits

By implementing a well monitored procurement program based on aggregation DAFWA has been able to successfully:

- Reduce piecemeal buying
- Forward plan procurement processes
- Reduce contract processes and the duplication of effort.

By trialling new technologies, like the online auction system, DAFWA has:

- Reduced negotiation effort with suppliers
- Increased competition in the marketplace
- Achieved the best price possible for equipment.

Contacts

Hans Verstegen
Manager, Business Services
Department of Agriculture & Food
hans.verstegen@agric.wa.gov.au
(08) 9368 3303

Belinda O’Connor
Re: Online Auctions
Department of Treasury and Finance
belinda.oconnor@dtf.wa.gov.au
(08) 9222 5263
Establishment of a Strategic Procurement Unit

The Department of Education (DoE) established a Strategic Procurement Unit in 2008. Reporting to the Deputy Director General Finance and Administration, its role is:

- To manage procurement risk
- Co-ordinate, aggregate and standardise procurement across the department and schools
- Raise awareness of procurement best practices, better buying strategies and common use arrangements
- Provide a central registry function for grants and review of grant and service agreement documentation for all grants valued at $100 000 and above.

Previous Procurement Process

DoE is Western Australia’s largest public sector employer. With about 37,000 staff in nearly 900 worksites, its annual budget exceeds $3.8 billion.

Much of the purchasing – except for ICT purchases and buying under common use arrangements - was undertaken on an ad hoc basis by thousands of employees.

Driven by changes in the education environment through the Director General’s Classroom First Strategy and the State Supply Commission’s policy framework, DoE focused strongly on achieving better outcomes through procurement.

How could DoE centralise and standardise their procurement to reduce non-core workloads for teachers and achieve better educational outcomes?

Changed Procurement Process

With the help of the Department of Treasury and Finance’s (DTF’s) Client Procurement Services team, and stakeholders, DoE has undertaken an analysis of their procurement environment. A paper was prepared for Executive consideration proposing the creation of a Strategic Procurement Unit.

Comprising of a Director, Principal Procurement Specialist, Senior Procurement Consultant and Procurement Support Officer, the Unit’s role is mainly risk management around procurement. It also co-ordinates, aggregates and promotes standardised procurement across the department and schools. Support for grants and service arrangements, contract negotiation and contract management practices are also provided.

Two key activities include monthly buying in education workshops and contract management workshops. The focus of these two sessions is to encourage smarter buying and promote the fundamentals of contract management.

Improved Outcomes

The establishment of the Strategic Procurement Unit has begun to deliver benefits for DoE.

“The Unit has provided a focus for procurement in the department,” said Lian Borlace, Director of Strategic Procurement DoE. “Over the past year our role has expanded to include providing advice and support to the procurement of services from the not for profit sector. This is proving challenging,” she said.

By analysing the Department’s spend, the Unit has identified that most of the spend in schools is ‘non-contracted’. This has provided an opportunity to develop specific contract arrangements, and to promote the use of purchasing cards.

“We are working with Client Procurement Services and DTF’s Strategic Sourcing on two key initiatives – a curriculum materials contract and a new classroom stationery supplies contract due to be up and running some time next year,” said Lian. “Each of these arrangements should make buying easier at the school level and deliver savings,” she said.

A key role has been identified to support the use of common use arrangements and minimise contract leakage. It is hoped this will reduce procurement effort within schools and facilitate better classroom outcomes for teachers.

By developing contract management frameworks and delivering customised training packages to staff, contract management practices should be incrementally improved.

The Unit has also created a procurement communication strategy around policies and procedures, which has raised staff awareness of better buying principles and behaviours.

“Through our communication strategy we have developed a “buying” website, published fortnightly updates on buying matters which goes to all schools and central office and ensured that procurement is part of the department’s broader induction program. We also run monthly workshops for buying in education where we focus on where to find information, policies and common use arrangements,” said Lian.

Benefits

While the Strategic Procurement Unit is still in its infancy, DoE hopes that adopting this approach to procurement will achieve significant financial, educational and risk management benefits.

Contact

Lian Borlace
Director of Strategic Procurement
Department of Education
lian.borlace@det.wa.edu.au
(08) 9264 4285
Policies and Processes

Policies, processes and practice guides reflect modern, streamlined business practices. They aim to provide you with a simplified and more flexible buying process. Process and practice guides intend to make purchasing and contracting an easy to follow process.

The Department of Treasury and Finance website can steer you toward information on current policies, and the Procurement Practice Guide also available here is an invaluable tool for outlining processes. The procurement process toolbox is filled with different ways to go about your procurement, some of these move away from the traditional models most are familiar with. As the following cases will show, despite these guidelines procurement can be tailor made to suit your agency, and still abide by overarching policies.

A fresh approach to IT procurement

An innovative approach to the procurement of IT infrastructure services has presented Landgate with some unique and rewarding opportunities. By revolutionising the way the tender and subsequent evaluation process is carried out, Landgate has:

- Assumed greater control over its procurement process
- Delivered a more efficient procurement outcome
- Met all agency IT infrastructure service objectives
- Delivered to the agency a high quality, value for money product.

Previous Procurement Process

Before this new procurement process, Landgate followed a more traditional tendering method. As a result, the outcome did not maximise the benefits Landgate received from the tendering process and a significant percentage of the time was consumed with the complexities of negotiation.

Changed Procurement Process

The more traditional method lacked some of the flexibilities offered by newer collaborative models. Focusing greater emphasis on the formation of positive working relationships between vendors and agencies during the procurement phase, the newer models help to deliver greater efficiencies and positive outcomes for both parties.

Under this new system only suppliers who attended a mandatory pre-tender briefing were able to respond to the tender. This allowed Landgate to regulate the release of sensitive information and ensure that each respondent received the same message about the intent and purpose of the tender and Landgate’s required outcomes.

The supplier presentation step was eliminated. Also, non-negotiable contractual provisions were identified early in the process, and removed from negotiations.

The linchpin of the new strategy was the adoption of the Discovery Workshop evaluation method, a practical addition to the conventional desktop evaluation process. Although the nature and structure of these workshops was designed by Landgate, an independent facilitator was appointed to control procedures at each workshop session and a probity auditor was present throughout the entire process. This level of control was to ensure the workshops were not used...
as a platform for second bidding or premature negotiations, but opened up dialogue between the parties, reducing the risk of hidden issues and misunderstandings.

The sessions included specialised scenarios that represented examples of actual technical problems experienced by Landgate. Attendees were then required to workshop and present their solution and solution path under the scrutiny of the evaluation panel. As Landgate was seeking operational confirmation of the tender content, it mandated that operational team leaders were invited rather than sales staff. This allowed for demonstration of the tenderer’s technical knowledge, their ability to work as a team and to use structured processes to manage a range of issues. The panel was then able to re-assess the desktop evaluation scores with a unique level of confidence, based on detailed questioning and the tenderer’s demonstrated capabilities.

“Adopting this strategy overcame the limitations of the traditional evaluation approach,” said Peter Morris, Project Manager for Landgate. “This provided a much greater depth of analysis and allowed the procurement team to deliver a highly successful outcome,” he said.

Improved Outcomes
Landgate’s procurement strategy delivered a fast, economical outcome that met all contractual objectives, saving time and money. Landgate reported:

- Many items moved off the negotiating table, shortening the negotiation period by up to two-thirds, to less than three weeks, a saving in resources and time for both the supplier and Landgate
- The resulting contract price is expected to be more than 14% below the original business case estimate
- An improvement in customer supplier relations as the contractor also adopted performance assessment and management, thereby promoting quality service outcomes for Landgate customers
- Development of a Service Level Agreement with an emphasis on service management processes and a shared approach to solving problems.

“The outcome of the procurement strategy, while achieving the desired contractual requirements and value for money, was that the evaluation team was able to explore operational performance and supplier culture within the evaluation process,” said Peter.

This saw the award of a $173 million IT infrastructure services contract to Kinetic IT Pty Ltd.

The Discovery Workshop evaluation method has already drawn interest from other public sector agencies keen to improve their IT procurement outcomes and Landgate will continue to use this highly successful strategy in future procurement projects.

Benefits
By revolutionising the tendering process, particularly the evaluation component, Landgate has:

- Produced an outcome focused on customer requirements
- Generated greater depth of understanding from the tender evaluation process
- Reduced the duration and complexity of the negotiation period
- Delivered a product focused on the delivery of a quality service, in accordance with the Agency requirements.

Contact
Peter Morris
Project Manager
Landgate
peter.morris@landgate.wa.gov.au
(08) 9273 7495
Better Practice in Procurement

Adding tools to your Procurement Toolbox

Developing and negotiating a contract which can be used by one or many agencies can be difficult in any economic environment. So, how do you negotiate such a contract in a way which makes it attractive to both supplier and buyer?

The Fuel common use arrangement (CUA) was awarded by the Department of Treasury and Finance (DTF) at the time of the resource boom. This made it a challenging task when recalling the CUA for contract developers to make the tender attractive to prospective suppliers. By thinking outside the traditional procurement process box, DTF has successfully:

- Addressed challenges posed by the economic climate
- Received the best possible prices
- Improved supplier – contract management relationships.

Previous Procurement Process

The original Fuel CUA had four companies supplying fuel to government with a bowser discount. These suppliers submitted tenders using a traditional procurement process. At the time the contract expired, Western Australia was in the midst of an economic boom. Government buying formed a very small part of the business of fuel providers, leaving DTF with minimal leverage for negotiation.

Changed Procurement Process

Market research indicated that because of the low impact government business had on the overall turnover of the fuel industry, obtaining tender submissions in a traditional and competitive way would not work. Suppliers would be more willing to participate in a speedier process.

Possible contractors were identified, and then approached, to obtain their input to the procurement strategy and documentation. As a result, invitations to negotiate were distributed to suppliers outlining government requirements and setting the basis for negotiations.

In most cases standard terms and conditions are appropriate for whole of government contracts. However, in this case, clauses related to limited liability and other issues were appropriate for the fuels contract and were added to the request document by suppliers and contract developers. This increased the likelihood of suppliers being willing to take part.

Improved Outcomes

The change in procurement process has not changed the way the Fuel CUA operates. Instead it has focused on attracting suppliers to the CUA, allowing DTF to create a contract that continues to feature the bowser discount, while maintaining the flexibility of giving government buyers purchasing choice.

Direct negotiation has seen DTF attract more companies as suppliers, allowing government buyers access to more fuel stations around the State. An added benefit was that the upfront time put into the contract’s development has led to improved contract manager and supplier relationships. Suppliers also received improved outcomes through a simplified and more targeted tender process.

“This was necessary to make the contract more attractive,” said Tony Halberg, Assistant Director for DTF’s Strategic Sourcing. “If we hadn’t made these alterations, we risked not being able to form a new whole of government contract.”

To ensure that probity was maintained DTF carefully planned and managed the direct negotiation approach and sought legal advice as required.

“Direct negotiation will not work for every agency in every instance,” said Tony. “This is just another process for the procurement toolbox.”

Benefits

By identifying the problems posed by the traditional procurement process in a market sector in which the government has little influence and adopting a system of direct negotiation DTF has:

- Created a CUA with increased purchasing options
- Modified contract clauses to suit the specific market
- Developed a stronger working relationship with its suppliers.

Contact

Adrian Tirli
Assistant Director
Department of Treasury and Finance
adrian.tirli@dtf.wa.gov.au
(08) 9222 5389
Tourism WA implemented a two-part procurement process consisting of an Expression of Interest and a Request for Proposal relating to the purchase of Strategic and Creative Advertising. By implementing this approach Tourism WA has:

- Minimised evaluation time
- Minimised time and effort required by potential suppliers at the Expression of Interest stage
- Improved the focus on the qualitative aspect of supplier responses enabling a more effective final tender supplier selection.

Previous Procurement Process
Tourism WA's previous contract for the procurement of advertising involved a single stage procurement process. Under this method, agency credentials, case studies, strategic approach and pricing were requested from each applicant for evaluation. Numerous submissions were received displaying a range of capabilities. Considerable time was spent evaluating these lengthy submissions from which supplier selections were made. The end result was that three separate contracts were awarded covering four separate types of services. “This was the right approach at the time because it allowed Tourism WA to ensure the services it required were met by the most appropriate supplier, including above the line and digital services,” said Chana Henry, Senior Procurement Manager.

Changed Procurement Process
Three years later, Tourism WA implemented a change to the process for the procurement of strategic and creative advertising services. At the time of this tender Tourism WA was at a critical juncture in its brand development and wanted to ensure it had the best value for money ideas and could hit the ground running at appointment stage. Hence, it was decided to implement a two stage process involving credentials only and a more in-depth insight into the tenderer’s business approach. Tourism WA was confident their requirements could be met through this two stage process. In addition, a decision was made to not separate the tender into components as per the previous tender because industry had advanced and become more integrated and there was a desire to maximise integration across components and minimise administration (account management) costs.

By initiating a two-stage procurement process, Tourism WA filtered suppliers at stage one of the process, reducing the initial contribution required by the evaluation panel. A credentials-only Expression of Interest was the first step in the process. This focused on an organisation’s capacity to deliver the required outcome and minimised time and effort required by potential suppliers at the Expression of Interest stage.

From the market responses received, the evaluation panel short-listed four suppliers to advance to the second stage, which focused on the creative strategy. This stage involved initial presentations, written proposals outlining creative strategies, a creative pitch, strategic qualitative criteria, a two envelope pricing methodology, and a final evaluation.

It allowed the panel to gain important insights into the tenderer’s actual approach to solving real life business problems.

“A two envelope pricing methodology separated qualitative criteria and written submissions from pricing,” said Chana.

The end result was that one supplier was awarded the contract for all components.

Improved Outcomes
The previous procurement process saw evaluation panels dedicate significant time considering numerous offers, for numerous components, some of which met the agency’s specifications and many of which did not. By splitting the procurement process into two stages, Tourism WA has been able to focus on suppliers whose credentials matched their requirements and gain detailed insights into business fit.

“Most companies would have been capable of fulfilling the first stage requirements with minimal time and effort, so that if they weren’t successful they hadn’t lost too much in terms of their resourcing,” Chana said.

“This is especially important in such a competitive market,” she said.

In addition, a limited number of tenderers went to the more resource intensive stage two, ensuring only those with a good potential business fit were required to invest in responding to that stage.

Having the second stage of the process separate also made the evaluation easier for the panel to handle and enabled the panel to gain a rich insight into the short-listed companies’ abilities.

“During the second stage, the qualitative criteria and written submission focusing on a creative strategy were assessed first. The pricing envelopes were opened after the assessment had been completed of both the written submission and the creative presentation,” Chana said.

“This ensured that Tourism WA’s brand strategy and creative concepts were able to be met without the bias of pricing influencing decisions,” she said. “It also assisted with a full value for money assessment being made.”

“By staging the evaluation process it was much smoother and less overwhelming for the panel,” said Chana.

“A review of the process was undertaken for future improvements to be made,” she said.

Considerable time was saved by undertaking this procurement process.
“We had the contract in place in half the time it took to do the original one and the client’s had a strategic approach ready to be implemented at contract award,” said Chana.

“We didn’t have much time and we still needed a good outcome,” Chana said. “We had a brainstorming session, identified what we needed and talked through our proposed changes to make sure they would work,” she said.

Tourism WA has been able to award a $4.4 million contract over five years to a single provider delivering an integrated solution.

Reducing the number of contractors has also made contact management easier as there is only one contractor to deal with.

“The procurement process worked very well for Tourism WA and will be used again for other requirements,” said Chana.

Benefits

By implementing a two-part procurement process Tourism WA has achieved a contract that:

- Allowed evaluation of the short listed agencies against their specific recommendations for Tourism WA
- Allowed Tourism WA to determine how each short listed agency responded to its specific challenges
- Gave Tourism WA a head start on the strategic and creative process which ultimately saved time and money
- Provided deeper insights into business fit
- Filtered applicants at an early stage ensuring expected standards are met
- Demanded less initial input from suppliers
- Made contract management an easier task.

Contacts

Chana Henry
Senior Procurement Manager
Department of Treasury and Finance
chana.henry@dtf.wa.gov.au
(08) 9262 1842

Stephanie Buckland
Executive Director, Marketing
Tourism Western Australia Australia
stephanie.buckland@westernaustralia.com
(08) 9262 1704

Optimise Contract Use

Over 50 common use arrangements (CUAs) exist to assist agencies to procure commonly purchased goods and services. These contracts offer buyers particularly competitive prices with contracted suppliers, are user friendly and provide efficiencies.

A complete list of all whole of government CUAs is available online at Contracts WA. The Department of Treasury and Finance also conducts Better Buying seminars to help you make best use of these contracts. It’s important to remember that both whole of government and agency specific standing contracts exist. As the following Department of Health case study will show, by setting up agency specific contracts as “pick and buy” arrangements, agency buyers can approach this type of contract as they would going to the supermarket.
A suite of six – optimising contract usage

Many agencies have a range of products they purchase that have a low value, but are used often. The question is: how can this purchasing be done most effectively?

The Department of Health (DoH) addressed this question by developing a suite of six contracts featuring a range of low value and frequently purchased electromedical equipment in a flexible “pick and buy” arrangement.

The contracts have been successful through:

- Encouraging faster procurement processes
- Reflecting current technologies in an ever-changing market
- Improving contract management
- Reducing the requirements for contract exemptions
- Showcasing a wide range of available medical machines.

Over the five year life these contracts are likely to return a saving of around $1.6 million.

Previous Procurement Process

Before the introduction of the suite of six contracts, the supply of electromedical equipment fell under two contracts: hospital and dental electromedical equipment. DoH identified that the business requirements remained, so a contract arrangement was needed, but with a fresh approach.

With a total combined spend of $21.8 million, the medical contract had existed for six years while the dental contract had a four year life, but the same products remained on offer for the term of the contract and contract management was ad hoc. Critically, significant time and energy was spent processing purchase orders and exemptions. The procurement effort required was significant considering the value of the items being purchased.

Changed Procurement Process

By reviewing the initial contract, DoH analysed what equipment the department purchased under $150,000 and at what volume. This helped determine what new items should be included. Based on this information, the contract was split into six: each with a different clinical focus.

The new contracts were each set up as a “pick and buy” arrangement. This allows purchases to be made directly from already appropriately qualified suppliers as the equipment is required.

Contracts are updated on a 6-monthly basis, allowing DoH to update their requirements, and providing contractors an opportunity to update the list of products offered on contract. At each refresh consultation is held with the evaluation panel of biomedical engineers - the initial evaluation panel. These experts have a crucial role at each refresh period. The involvement of these professionals also benefits the contract’s ongoing evaluation, as the knowledge and expertise they possess allows DoH to meet the practical needs and requirements of the medical staff.

Improved Outcomes

DoH’s suite of contracts for electromedical purchases under $150,000 is worth $22.5 million over five years. It’s estimated that savings are likely to reach $1.6 million with the new arrangement.

The introduction of refresh periods in the contracts has given DoH the opportunity to add and remove items from the contracts as required, ensuring the contract keeps up with the department’s needs.

“If you didn’t have any refreshes, DoH would end up with significantly out-dated equipment,” said Procurement Manager Kathryn Abbott.

“Under this contract set-up suppliers are able to offer “specials” for a given amount of time, including price discounts and are even able to bundle packages to include free accessories. This provides greater value for purchasers who receive top notch equipment at reduced prices,” she said.

With the inclusion of periodic contract refreshes the commitment from the original evaluation panel and other stakeholders has had to be extended.

“Keeping this communication open has definitely added to the success of these contracts,” said Kathryn. Communication is also important in the contract management of the six contracts. This process is facilitated by the Department of Treasury and Finance, which works with the DoH to achieve the best results.

“Contract management is important,” said Kathryn. “We’re talking about critical equipment, so with poor management the results could be significant for the health system.”

Under the “pick and buy” arrangement buyers are able to simply choose what products they wish to purchase, in consultation with biomedical engineers, and then contact the supplier and have the equipment delivered. This ease of use has formalised a significant amount of purchasing resulting in fewer exemptions and, as a result, a reduction in transaction costs.
Benefits

By splitting up its original contracts into a suite of six frequently refreshed contracts, DoH has achieved a procurement strategy that:

- Reflects current technology in the market, allowing the department access to the most up-to-date equipment
- Allows purchases to be made with minimal transaction costs
- Provides the department with the opportunity to standardise
- Offers a wide range of items for purchase that are suitable for the varying clinical requirements of individual health care units.

Contact

Kathryn Abbott
Procurement Manager
Department of Treasury and Finance
kathryn.abbott@dtf.wa.gov.au
(08) 6444 5196

Minimise Piecemeal Buying

Making numerous low value and ad hoc purchases within your agency can have significant impact on your spend. If you only need a small amount of something consider banding together and aggregating purchases within and across agencies. This type of collaboration can mean not only financial savings, but also rewards in terms of establishing relationships and sharing information with other agencies.

As the following case study will demonstrate, aggregating purchases across agencies elicits significant benefits. The Goldfields Esperance Regional Buying Centre has created a contract that meets the needs of various agencies that require a similar service. The case study shows that by looking at the purchases you make, and then seeing what others around you require, perhaps you could create a contract that will service everybody’s needs.
Group Buying Arrangement – Aircraft Charter Services

The Goldfields Esperance Regional Buying Centre has initiated a group buying arrangement for airline travel within the Goldfields region. The establishment of the group buying arrangement has:

- Identified a contractor with fixed rates and conditions
- Incorporated the needs of many agencies
- Identified actual spend
- Reduced time wasted when booking individual services.

Previous Procurement Process

Prior to the joint contract, there was no arrangement in place for air travel within the Goldfields region. As such, agencies were required to seek their own competitive quotes when the need arose. They operated in isolation and were not aware of what other agencies with the same needs had done previously, or what prices had been paid.

This process was time consuming and inefficient, wasting considerable agency staff time that could be better utilised. Further, because there was minimal understanding of the spend incurred by each agency, the potential for large volume buying could not be taken advantage of.

Changed Procurement Process

Discussions with members of the local client council identified that considerable time and money was spent by agencies chartering air services for travel in the Goldfields region. Little was known as to what the actual spend was, although estimates were around $200,000 annually.

There was recognition of the potential benefits of putting in place a group buying arrangement. This would enable all agencies in the region to access the one contract, enabling the buying to be undertaken more quickly and at a pre-determined price. The group buying arrangement was drafted incorporating two large users, the Departments of Education and Corrective Services, as well as other regional users. Aircraft requirements, regulations and local capabilities to deliver services were considered.

As part of an open tender process, the Regional Buying Centre sought offers from appropriately experienced, skilled and qualified aviation operators to provide ongoing management, operation and maintenance of aircraft charter services for state government agencies throughout the Goldfields region.

Improved Outcomes

By aggregating air travel services and creating a single contract that could be used by all agencies requiring travel in the Goldfields region, the Regional Buying Centre has opened up communication between agencies that ordinarily operate in isolation.

"We discovered that lots of agencies required this service, and that many agencies were replicating the work already done by others," said Robert Tagliaferri, Senior Procurement Manager. "By talking to a few, we were able to nut out the general requirements and make a single contract that would address everyone’s needs,” he said.

“Some of the conditions we’ve set encourage the agencies to talk more,” said Robert. “For example, if DoE only has two people that need to go to a particular town, but a flight requires six passengers, it can contact some of the other agencies to see if they need to fly out too”.

The new contract also means that if an agency has enough people to fill a flight, they can simply book the contracted supplier as opposed to chasing numerous quotes, saving significant time and effort.

The group buying arrangement has also been successful in determining exactly how much money is being spent on regional air travel. "We originally thought the contract would be worth about $600,000 over three years,” said Robert. “But the more research and analysis we did the higher the number climbed.”

In fact, the original estimate has more than trebled to $600,000 per year and current spend analysis has indicated a contract value of $1.8 million over three years.

Benefits

By creating this contract as a joint arrangement, the Goldfields Esperance Regional Buying Centre has:

- Created a single contract with fixed prices
- Reduced the level of duplicated procurement effort
- Identified an area of significant government spend
- Addressed the needs of many agencies
- Encouraged a better working relationship between agencies.

Contact

Robert Tagliaferri
Senior Procurement Manager
Department of Treasury and Finance
Regional Buying Centre, Kalgoorlie
BMW Regional Programs
robert.tagliaferri@dtf.wa.gov.au
(08) 9080 1101
Better Practice in Procurement

Understanding what your agency actually needs, compared to what your agency wants, and setting up processes to control this could mean significant savings.

Your Department of Treasury and Finance Procurement Professional, and the tools available on the Department of Treasury and Finance website, can assist you initiate a robust procurement plan.

As the Western Australia Police will demonstrate, by setting up a centralised purchasing system for air travel, it is possible to better pursue the needs of a client and resist the pull of wants resulting in significant financial savings, increased customer service and unhampered operational needs.

The Western Australia Police has implemented a streamlined arrangement for its airline travel bookings. As a result, it has been able to:

- Standardise its travel booking process
- Reduce intra-state, domestic and international airfare costs
- Control and utilise accumulated airline credits
- Decrease the workload of numerous frontline staff.

All of this saves WA Police in excess of $1.5 million annually.

A small team, consisting of 1.5 full time employees, is responsible for the booking of about 4000 airline tickets each year – the vast majority (85%) through the online booking tool.

Previous Procurement Process

Before the centralised booking service, the purchase of all travel requirements fell on frontline staff who made ad-hoc purchases on top of their regular duties. The costs associated with travel services were significant with only 25% of tickets purchased being low cost or “best fare of the day”. Also, the purchase often required the services of a travel consultant at the nominated booking agent Carlson Wagonlit Travel (CWT), costing the department an additional $20 per booking. Because bookings were made on a decentralised basis, airline credits accumulated across the agency in an adhoc manner and were rarely used before their 12 month expiry.

Changed Procurement Process

The centralised booking service directs all travel requirements to a single email address or fax. This is manned by 1.5 full time staff who act upon requests. The team determines the best possible fare type taking into account the requirements of the traveller. Bookings are made using the CWT online booking tool and confirmed travel information is sent to the relevant employee.

A database of all travel arrangements is then updated with required information. From this database it is possible to monitor travel credits accumulated through flight cancellations, and keep an up to date list of the name in which the credit is held and its expiration date.

Improved Outcomes

Savings achieved by WA Police through this centralised purchasing arrangement amount to about $1.5 million annually: $30,000 of this has simply been the result of using the online booking tool as opposed to a CWT consultant.
“With the new schedule of fees we are saving $20 with every online booking made,” said WA Police Executive Manager Taxation and Accounting Services, Ian Holt.

The single portal has encouraged the team to better understand all facets of the WA Police Service and government travel policies, as well as the policies of many airlines. This knowledge has resulted in selection of the most economical fare, with over 85% of tickets booked at the cheaper Non-Y variety, saving WA Police an average $150 per ticket!

Efficient control and use of airline credit across the agency has been improved with the introduction of a travel database that tracks all travel booked by WA Police. The database also allows WA Police to monitor current credits held by the department.

“All credits that can be, are used before their 12-month expiry,” said WA Police Travel Coordinator Barbara Baker.

“If you use some airlines, you can only use the credit if the person who held the original flight is flying again,” she said. “It’s important to stay on top of who has credits because the people who are flying rarely remember!”

Under Barbara’s supervision, the database also allows reports to be produced more quickly and accurately.

Client satisfaction with this new program has been significant with users thanking the team for their “…wonderful and very professional service”, also highlighting the flexibility available under the new arrangement: “I very much appreciate all the trouble you went to accommodate my constantly changing requests”.

Benefits

The centralised booking system allows WA Police to:

- Save money by using an online booking system
- Save more money by purchasing the cheapest available fare
- Better utilise airline credits
- Increase customer satisfaction
- Produce up to date and accurate reporting information.

Contact

Ian Holt
Executive Manager, Taxation and Accounting Services, Finance Directorate
WA Police
ian.holt@police.wa.gov.au
(08) 9222 1229

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**Invest in Staff Awareness**

Are your staff on the same page when it comes to procurement? By investing in staff awareness you have the advantage of a well equipped workforce who are capable of taking hold of the reins and pursuing agency goals.

The Department of Treasury and Finance’s Procurement Education team run regular seminars to help educate Government Buyers. Information regarding these seminars, along with practice guides can be obtained from the DTF website. The Public Sector Standards Commission and Corruption and Crime Commission websites also house some very useful information and training guides that may assist.

As the following Botanic Parks and Gardens case study will demonstrate, by introducing rigorous staff training and centralised portals of knowledge sharing like an intranet, it is possible to incorporate smarter procurement processes within your agency. Benefits can be realised by having more knowledgeable staff and increased flexibility in the roles your staff can undertake.

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**Smarter Buying Principles**

![Image of a flowchart illustrating smarter buying principles]
Practicing Best Practice – the procure to pay concept

The Botanic Parks and Gardens Authority (BGPA) has undertaken an extensive review of its finance and procurement processes. By implementing changes BGPA has:

- Integrated and simplified finance and procurement processes
- Created a knowledge sharing environment
- Increased use of existing CUAs and systems.

These changes have gained BGPA in excess of $320,000 in efficiency savings in a two year period.

Previous Procurement Process

BGPA sought to identify opportunities for improving finance and procurement activities by reviewing internal processes, other procurement activities and actively participating in State Supply Commission reviews. This helped align services with the goals of the Procurement Reform and the Office of Shared Services. The review revealed that many BGPA functions overlapped, and that very few activities operated in isolation. It identified significant opportunities for improvement in the finance and procurement functions.

“We really needed a simpler and easier way of doing things,” said Joanne Roberts, Accounts Officer.

Changed Procurement Processes

BGPA integrated and simplified procurement processes wherever possible by creating a “procure to pay” environment, using the Purchasing Card (P-Card) and the NAB Flexi-purchase system. Where this approach could not be used, purchase orders were raised.

Training sessions have been initiated to inform all BGPA staff of their responsibilities within the new process, as well as acting as a vehicle to educate staff on using procure to pay initiatives.

Improved Outcomes

The expansion of the P-Card program and the integration of the NAB Flexi-purchase system have netted BGPA efficiency savings estimated to be in excess of $255,000 over the last two financial years. A reduction in processing time and transaction fees are the main drivers of these savings. Since this approach began, BGPA has used the P-card for 74% of its transactions under $5000 as at June 2008.

The introduction of staff training sessions and competency based training has realised financial and other benefits for BGPA. With increased competencies, BGPA is now able to more appropriately allocate responsibilities to a wider range of staff, instead of the responsibility lying largely with management. This has saved an average 2.5 hours of management time monthly, equating to almost $66,000 per year! Better staff awareness has also led to improved skill transfer. Ongoing training sessions are contributing to a new information sharing environment, enhanced by the introduction of a BGPA intranet providing easy access to information, tools, links, templates, and practice guides.

BGPA is continuing to expand better practice within the department.

“It’s our goal to continuously improve on our current BGPA Best Practice,” said Joanne. “We’re working towards taking advantage of opportunities for improvement and value adding to realise more efficiency gains”.

Benefits

By initiating some of the recommendations made by a review of its purchasing systems BGPA has been able to:

- Expand P-Card usage
- Make significant efficiency savings
- Identify operational process improvements
- Increase staff knowledge and skills.

Contact

Joanne Roberts
Finance & Procurement
Business and Visitor Services
Botanic Parks and Gardens Authority
procurement@bgpa.wa.gov.au
(08) 9480 3685
Contract Management

Good contract management is the key to a happy contract life for you, your clients and your suppliers. By simply considering management at the development stage of a contract it is possible to identify issues that may arise during the contract. Especially relevant with contract renewal, the insight offered by a contract manager may be invaluable at the development stage of a contract.

The Department of Treasury and Finance provides many valuable guides, templates and suggestions that may assist with this. Further, the Government Procurement Education team regularly conducts Professional Advisory Services seminars focusing on contract management and scoping.

As the following joint Department of Transport and Department of the Attorney General case study will demonstrate, by tightening each agency’s individual requirements it has been possible to create a single contract and a joint management committee.

Aggregation of services across departments

In a first of its kind, the Department of the Attorney General (DotAG) in conjunction with the Department of Transport (DoT) has implemented a collaborative delivery system for the service and execution of civil and criminal court orders and drivers license notifications in the State’s southwest. The departments have been able to:

- Develop a single contract management process that incorporates the delivery requirements of each department
- Create a single contract servicing three distinct business areas, civil enforcement, criminal enforcement and service of DoT notices
- Improve service delivery across southern WA
- Remove the requirement for regional WA Police staff to undertake the role
- Initiate a joint Contract Management Committee.

Previous Procurement Process

Prior to the single $31 million contract, DotAG had two service providers enforcing civil court orders; Police Officer bailiffs in smaller country towns and contracted bailiffs in major regional towns and the metropolitan area. Criminal enforcement in the south of the State on the other hand, was carried out by a single contractor on a ‘no success-no fee basis’. The contractor charged a fixed fee plus commission based on the amount returned to the State. Independently DoT delivered driver license notifications via a contracted supplier costing the agency about $350,000 per year.

Changed Procurement Process

When reviewing its processes DotAG found that while the types of enforcement required by the agency were different, the processes they use for delivery were quite similar. A detailed strategy and procurement plan was developed that considered a range of options for improved service delivery. There was extensive consultation with the community, industry and stakeholders which included an examination of systems in other states and New Zealand.

A key recommendation of the review was to retain the success based fee, or a base rate plus a percentage of fine money collected, as it was felt this approach would encourage improved effort from the contractor and result in more fines being collected.
Further, by aggregating the civil and criminal enforcement services across the State, the contract would offer an increased workload for the successful supplier. “We had to look beyond our needs and consider those of the broader market,” said Ray Halse, Senior Procurement Manager based at DotAG. “We had to ensure this new idea was going to be viable and profitable, so that services would be delivered effectively”.

A financial analysis showed that the value of a DotAG-only contract verged on being unviable for any contractor, especially as services would need to be delivered across WA’s regional and metropolitan areas to achieve required objectives.

As a result, DotAG approached DoT to consider aggregating the delivery of its license notifications, adding $6 million to the contract value. Importantly this initiative resolved service delivery issues faced by DoT. Together, the two agencies had a viable joint buying arrangement for the market to consider. Despite this addition, the desire to include the whole of WA remained unviable. As such, the north of the State was excluded and the contract’s parameters only include the southern region making it a viable contract.

**Improved Outcomes**

The implementation of a single $31 million contract has enabled DotAG and DoT to improve and streamline their service delivery throughout the south of the State. The intelligence provided by the contractor provides the agencies with the most current contact information and therefore effective enforcement and service. One contract has reduced the pressures caused by the management of multiple contracts and individuals for both agencies. This approach has increased its effectiveness, in terms of ensuring an improved enforcement. In addition, Quality Assurance audits which had been conducted by both agencies, are now undertaken for both agencies by DotAG.

The single contract has also lead to increased communication between the contractor and departments. A joint Contract Management Committee has been established to monitor key performance indicators and resolve higher level operational issues.

Combining the requirements of both departments has allowed the contract to effectively cover all areas of southern WA. The arrangement addresses a number of major government policy initiatives including the more effective delivery of justice services in regional and remote areas.

“Some people head bush when they get into trouble because they think they won’t get caught up with,” said Ray. “With this new contract, simply relocating won’t work: it’s in the contractor’s best interest to follow up every collection.”

This has resulted in flow on benefits, as it has eliminated this work effort for the WA Police, whose primary focus is on operational police duties.

**Benefits**

“Change is a significant challenge for any department to deal with,” Ray said. “Carrying out independent research and putting heaps of time and effort into planning goes a long way into guaranteeing the success of any project.”

By implementing this new system, DotAG and DoT have been able to:

- Reduce costs by aggregating service delivery methods
- Foster a healthy working relationship with each other
- Eliminate the workload of the WA Police for these matters
- Deliver services to the south of the State and improve access to justice in this region
- Create a viable system of service delivery meeting departmental objectives and contractor needs
- Produce potential savings to government and the community.

**Contact**

Ray Halse
Senior Procurement Manager
Department of Treasury and Finance
ray.halse@dtf.wa.gov.au
(08) 9425 2957
Department of Treasury and Finance Contacts

Cluster 1
A/ Assistant Director
Jack Hondros
jack.hondros@dtf.wa.gov.au
(08) 9264 5379

Assistant Director ICT
John Dixon
john.dixon@dtf.wa.gov.au
(08) 9222 5168

- Department of Education
- Department of Training and Workforce Development

Cluster 2
A/ Assistant Director
Sharyn Houghton
sharyn.houghton@health.wa.gov.au
(08) 6444 5222

Assistant Director ICT
Mark Pitts-Hill
mark.pitts-hill@dtf.wa.gov.au
(08) 9222 6448

- Department of Health

Cluster 3
Assistant Director
Kylie Towie
kylie.towie@dtf.wa.gov.au
(08) 9222 5012

Assistant Director ICT
John Dixon
john.dixon@dtf.wa.gov.au
(08) 9222 5168

- Department of Agriculture and Food
- Department of Environment and Conservation
- Fire and Emergency Services Authority
- Department of Fisheries
- Western Australia Police
- Western Australian Tourism Commission
- Department of Water
- Zoological Parks Authority
- Other Agencies managed from Dumas House

Cluster 4
Assistant Director
Beata Bialozor-Kurtis
beata.bialozor-kurtis@dtf.wa.gov.au
(08) 9222 5514

Assistant Director
Greg Pitts-Hill
greg.pitts-hill@dtf.wa.gov.au
(08) 9222 5634

- Department of the Attorney General
- Department for Child Protection
- Department of Corrective Services
- Department of Culture and the Arts
- Disability Services Commission
- Other Agencies managed from Dumas House

- The Agriculture Protection Board of WA
- Botanic Gardens and Parks Authority
- Chemistry Centre
- Economic Regulatory Authority
- Forest Products Commission
- Office of the Commissioner of Children and Young People
- Perth Market Authority (Market City)
- Rottnest Island Authority
- State Ombudsman
- Swan River Trust
- WA Industrial Relations Commission
- WorkCover WA
- Office of the Auditor General
- Office of the Director of Public Prosecutions
- Office of the Information Commissioner
- Office of the Inspector of Custodial Services
- Parliamentary Commissioner for Administrative Investigations
- Public Trustee
- Rural Business Development Corporation
- Small Business Development Corporation
- WA Sports Centre Trust
Cluster 5

Assistant Director
Greg Thatcher
greg.thatcher@dtf.wa.gov.au
(08) 9222 5095

Assistant Director ICT
Greg Pitts-Hill
greg.pitts-hill@dtf.wa.gov.au
(08) 9222 5634

- Department of Commerce
- Department of Housing
- Landgate
- Department of Mines and Petroleum
- Department of Planning and Infrastructure
- Department of the Premier and Cabinet
- State Development
- Department of Treasury and Finance
  - Armadale Redevelopment Authority
  - Builders Registration Board
  - Burswood Park Board
  - Department of Racing Gaming and Liquor
  - East Perth Redevelopment Authority
  - Goldcorp
  - Government Employees Superannuation Board of Western Australia (GESB)
  - Health Promotion Foundation (Healthways)
  - Heritage Council of Western Australia
  - Landcorp
  - Lotterywest Lotteries Commission
  - Main Roads WA
  - Midland Redevelopment Authority
  - Office of the Public Sector Standards Commissioner
  - Public Sector Commission
  - Public Transport Authority
  - Racing and Wagering WA
  - Real Estate and Business Agents Supervisory Board
  - Settlement Agents Supervisory Board
  - Subiaco Redevelopment Authority
  - WA Planning Commission
  - WA Treasury Corporation
  - Western Australian Industrial Relations Commission
  - Western Australian Planning Commission
  - WorkCover WA

For an up to date listing of the DTF representative in your government agency please visit the website
http://www.dtf.wa.gov.au

Web Links

Access to the websites below may assist you in finding further information, and examples of better procurement practice.

Department of Treasury and Finance
http://www.dtf.wa.gov.au

State Supply Commission
http://www.ssc.wa.gov.au

Public Sector Standards Commission
http://www.opssc.wa.gov.au

Corruption and Crime Commission of Western Australia
http://www.ccc.wa.gov.au

CIPS A - the premier professional body in Australia and New Zealand for procurement professionals.
http://www.cipsaconferences.com.au

Office of Government Commerce, UK Government - showcases the sharing of good practice and action being taken to deliver sustainable procurement operations.
http://www.ogc.gov.uk

The Department of Finance and Deregulation - provides a comprehensive list of better practice in procurement case studies.
http://agencysearch.australia.gov.au

Hudson Supply Chain & Procurement - One of Europe’s largest industry specialist and recruitment teams, publishes supply chain and procurement case studies.
http://uk.hudson.com

Nelson Hall - analyst and advisory firm publishes cases that show outsourcing in procurement drawing on examples from across industry sectors.
http://www.nelson-hall.com

Procurement e-Learning from SMS Management & Technology - Australian consulting, technology and systems integration company.
http://www.ecoanalytics.com.au

DTM Global - offers product sourcing, strategic sourcing and procurement and global supply chain management.
http://www.dtmglobalgroup.com