

1960.

THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA.

JOINT COMMITTEE OF PUBLIC ACCOUNTS.

FORTY-EIGHTH REPORT.

TREASURY REGULATION 52.

(SECOND REPORT.)

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JOINT COMMITTEE OF PUBLIC ACCOUNTS.

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The Senate appointed its Members of the Committee on 19th February, 1959, and the House of Representatives its Members on 24th February, 1959.

¹ Resigned 10th March, 1960.

² Appointed 16th March, 1960; elected Chairman, 17th March, 1960.

⁴ Appointed 30th March, 1960.

³ Resigned 30th March, 1960.

JOINT COMMITTEE OF PUBLIC ACCOUNTS
FORTY-EIGHTH REPORT
TREASURY REGULATION 52
(SECOND REPORT)

DUTIES OF THE COMMITTEE.

Section 8 of the *Public Accounts Committee Act 1951* reads as follows:—

8. The duties of the Committee are—

- (a) to examine the accounts of the receipts and expenditure of the Commonwealth and each statement and report transmitted to the Houses of the Parliament by the Auditor-General in pursuance of sub-section (1.) of section fifty-three of the *Audit Act 1901–1955*;
- (b) to report to both Houses of the Parliament, with such comment as it thinks fit, any items or matters in those accounts, statements and reports, or any circumstances connected with them, to which the Committee is of the opinion that the attention of the Parliament should be directed;
- (c) to report to both Houses of the Parliament any alteration which the Committee thinks desirable in the form of the public accounts or in the method of keeping them, or in the mode of receipt, control, issue or payment of public moneys; and
- (d) to inquire into any question in connexion with the public accounts which is referred to it by either House of the Parliament, and to report to that House upon that question.

and include such other duties as are assigned to the Committee by Joint Standing Orders approved by both Houses of the Parliament.

JOINT COMMITTEE OF PUBLIC ACCOUNTS.

FORTY-EIGHTH REPORT.
TREASURY REGULATION 52.
(SECOND REPORT.)*

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* The first Report on Treasury Regulation 52 is the Forty-Second Report, tabled 8th October, 1959. See P.P. No. 60 of 1959.

JOINT COMMITTEE OF PUBLIC ACCOUNTS.

FORTY-EIGHTH REPORT. TREASURY REGULATION 52. (SECOND REPORT.)

CHAPTER I.—INTRODUCTION.

(A) INTRODUCTORY.

Treasury Regulation 52 is one of a number of provisions within Part III. of the Treasury Regulations under the *Audit Act* 1901–1960 concerned with the control of expenditure on works, supplies and services. Its present form has remained unchanged since amended Treasury Regulations were promulgated in 1942.* Paragraph (1) of the Regulation reads—

“Subject to this regulation, tenders shall be publicly invited and contracts taken for all works, supplies and services which are to be executed, furnished or performed within the Commonwealth and the estimated cost of which exceeds Two hundred pounds.”

Tenders to be invited and contracts taken for certain works.

2. The Regulation, therefore, enunciates the basic principle that public tenders are to be invited for all Commonwealth works, supplies and services. But this principle is modified by the exemption accorded to works, supplies and services, the estimated cost of which is £200 or less, and, in addition, by two forms of exception provided for in paragraph (2) of the Regulation. These are—

(i) Expenditure on works, supplies and services that is authorized by the Governor-General (which, by reason of section 17 of the *Acts Interpretation Act* 1901–1957, means “the Governor-General . . . acting with the advice of the Executive Council”); and

(ii) Certain works, supplies and services in respect of which the Secretary, Department of the Treasury, or a person authorized by him certifies that to invite tenders is impracticable or inexpedient. As quoted in Treasury Regulation 52 (2) these are—

- “(a) works executed at and supplies issued from the Commonwealth or a State Government Printing Office, Commonwealth factories, Commonwealth workshops, Commonwealth stores or Commonwealth dockyards;
- (b) silver, nickel and bronze bullion purchased for the manufacture of Australian coinage;
- (c) purchases made or approved by the Commonwealth Stores Supply and Tender Board;
- (d) purchases made or approved by the Contract Board of the Department of Supply and Development;
- (e) works, supplies and services for the Works and Services Branch of the Department of the Interior;
- (f) works, supplies and services for the Commonwealth Railways Commissioner;
- (g) works, supplies and services in connexion with War Service Homes;
- (h) pictures purchased for the Australian War Memorial;
- (i) works, supplies and services for the Marine Branch of the Department of Commerce in connexion with the overhaul of and repairs to vessels, boats and launches;
- (j) works, supplies, and services which by their nature can be rendered by a State Government Department only; and
- (k) works, supplies and services relating to the defence of the Commonwealth.”†

3. Your Committee presented our first Report on Treasury Regulation 52, the Forty-Second Report, on 8th October, 1959. The purpose of this second Report is to convey to the Parliament the terms of the Treasury Minute on that Report and to record the results of further consideration which we have given to the subject of Treasury Regulation 52 following receipt of the Treasury Minute and the departmental Working Party report and other papers which accompanied it, on 2nd June, 1960. These documents were considered privately by Your Committee at a series of meetings between the 7th and 9th June and again between 1st and 4th August when we met in Canberra to examine the matter further and to consider a draft Report.

P.P. No. 60
of 1959.

4. The Treasury Minute and the report of the Working Party appear as Appendices 1 and 2 to this Report.

* Statutory Rule No. 523 of 1942.

† As recorded in the Forty-Second Report (paragraph 30), paragraph (2) is in the course of amendment.

(B) THE FORTY-SECOND REPORT.

5. In the Forty-Second Report Your Committee did not reach a final conclusion about the future form of Treasury Regulation 52; we considered that the trades list procedure—an alternative to public tendering used almost exclusively by the United Kingdom government—should first be examined exhaustively by a departmental Working Party to see whether it would provide a better system of procurement than that currently in use by the Commonwealth Government. But as well Your Committee set down in Chapter VII. of the Report certain comments and conclusions which have been relevant to our further consideration of this matter.

Ibid., page 55.

6. *Paragraph 21.*—Your Committee found that the weight of the evidence did not support proposals to vary Treasury Regulation 52 in such a way as would permit departments to meet the requirements of the law by obtaining three representatives quotations in writing for orders (excluding period contracts) not exceeding an estimated cost of £2,000. Nor had the evidence supported alternative proposals to increase to £1,000 on a similar basis, the amount of £200 specified in Treasury Regulation 52.

Ibid., page 56.

7. *Paragraph 24.*—Your Committee set down four conditions associated with government procurement which we considered should be modified or relaxed only if they proved unnecessarily costly or there was evidence that their application was unduly hampering departmental activity. These conditions were—

Ibid., page 57.

- (a) that, as a general proposition, all who wish to participate in government business should be given the opportunity to do so within reasonable limits;
- (b) that government procurement procedures must be beyond reproach;
- (c) that government services should maintain the reputation of fair dealing in their contact with the public; and
- (d) that prices paid by the Commonwealth must be the lowest obtainable subject to quality and the purpose for which the goods are required.

Ibid.

8. *Paragraphs 25 to 31.*—Your Committee saw the system known as the trades list procedure as an alternative which might prove more effective than inviting tenders by public advertisement. However, we emphasized that we had not conducted a detailed investigation into how the trades list procedure would operate in practice and accordingly proposed that a departmental Working Party should be established to examine all factors involved in the introduction of the trades list procedure for each department. Amongst the things we considered the Working Party would need to examine were—

- (i) whether the principle of invitation to tender by public advertisement should continue to apply to certain classes of goods or activities or above a particular monetary limit;
- (ii) whether an inexpediency provision and the alternative of obtaining the Governor-General's approval should be retained in the Regulation;
- (iii) whether the protection afforded by Treasury Regulation 53* should remain;
- (iv) whether the procedure could, with advantage be invoked at a level lower than £200, say at £50 or £100;
- (v) the basis on which the trades lists should be established, maintained and reviewed;
- (vi) what arrangements should apply to those departments without a major interest in procurement or works;
- (vii) whether all firms listed for particular requirements should be invited to quote or tender on each occasion; and
- (viii) whether the directions to departments in this matter should be by Treasury Regulation or by some other means.

CHAPTER II.—THE REPORT OF THE WORKING PARTY.

9. The Working Party does not favour the exclusive use of a trades list system as practised by the United Kingdom government. In support of this view the Working Party has put forward a number of reasons—

- (a) Conditions in Australia differ greatly from those in the United Kingdom.
- (b) Generally there is no problem in Australia of an unmanageable number of tenders being received in response to a public invitation to tender.
- (c) In comparison with the United Kingdom, manufacturing capacity in Australia is expanding rapidly.
- (d) A considerable amount of additional work would be involved.

See Appendix
No. 2,
paragraphs
16 to 18.

* For an explanation of the provisions of Treasury Regulation 53, see paragraph 21 below.

10. However, the Working Party does not wish to abandon trades lists entirely and proposes the formal recognition of a system of procurement already operating in various forms in a number of departments. It considers that a modified trades list procedure, combined with public tendering by advertisement for contracts above a reasonable monetary limit, is an appropriate means of operating under Australian conditions. But the Working Party has not been able to agree upon what would constitute a "reasonable monetary limit" nor reach a unanimous view upon the minimum number of quotations which should, whenever possible, be obtained when letting contracts of a value below the monetary limit. Ibid., paragraph 21.

11. In the remainder of this Chapter we set down the main views of the Working Party (and our comments where appropriate) on those two questions and the remaining seven questions considered by it in accordance with the recommendation contained in our Forty-Second Report. P.P. No. 60 of 1959, page 57 paragraph 31, see also paragraph 8 above.

12. (i) *A Monetary Limit.*—The views of the departments represented on the Working Party upon a monetary limit are set down in paragraph 23 of the Working Party's main report. Those views are elaborated upon, and in some instances qualified by, the individual statements submitted by certain of the departmental representatives and appended to that report as Appendix "D". Summarized the views of the various departments and authorities are— See Appendix No. 2.

£1,000 Auditor-General (other than minor works).

Department of Air.

Department of Works.

Postmaster-General's Department.

Public Service Board.

£500 Auditor-General (for minor works).

£200 Department of Health.*

Department of Repatriation.*

Department of Supply.

Department of Territories.*

Department of the Treasury.

13. These limits are proposed on the basis of retention of the existing Treasury Regulation 47 which requires that at least three representative quotations shall be obtained for expenditures over £25† but under the monetary limit. However, in their supplementary statements, the Public Service Board and the Postmaster-General's Department have submitted an alternative proposal in the event of the three quotation minimum not being acceptable up to a limit of £1,000. The alternative proposal is— See Appendix No. 2—Appendix "D" Attachments 3 and 4.

Above £25 and up to £200 .. Three.

Above £200 and up to £500 .. Five.

Above £500 and up to £1,000 .. All listed suppliers whenever possible.

14. In the supplementary statement submitted by the Audit Office representative there also is expressed an alternative point of view on the level of the monetary limit.

" Audit would not be in disagreement with a move to extend the limit of £200 under Treasury Regulation 52. The increase might be to £500 or possibly to £1,000 " Ibid., Attachment 6.

On the other hand, Audit would not express disagreement with the views of the Contract Board of the Department of Supply, because of its long experience in the procurement field."

15. (ii) *The Governor-General's approval and the inexpediency provision.*—The Working Party agrees that both the inexpediency provision and the alternative of obtaining the Governor-General's approval should be retained in the Regulation; they say that these two provisions constitute the means whereby some flexibility is provided in the field of Commonwealth procurement. However, the Working Party considers that the present limitations upon the power of the Secretary, Department of the Treasury to authorize persons to certify to inexpediency is too restricted (his power is limited to those works, supplies and services specified in the Regulation). The proposal is that the Secretary, Department of the Treasury should have a general power, not limited in any way by the regulation, to authorize persons to issue these certificates.

16. Your Committee's comment is that the effect of such a liberalization would be to remove any form of control by the Parliament which at present has the right to disallow any new Regulation proposing to add to the list of works, &c. It would also relieve the government of any responsibility; full power and responsibility would reside in a person not answerable directly to the Parliament—the Secretary, Department of the Treasury. From the viewpoint of Parliament it would seem better that any general power such as is envisaged by the Working Party should be vested in the Treasurer who would thus accept the final responsibility.

* Conditional upon their being authorized to issue certificates of inexpediency.

† In writing if over £50.

17. In the supplementary statements to the Working Party's Report both the Departments of Supply and the Treasury on the one hand and the Public Service Board and the Postmaster-General's Department on the other have made reference to the inexpediency provision in supporting their opposing views upon a monetary limit. Supply and the Treasury suggest that the flexibility desired above £200 can be gained by appropriate use of the inexpediency process. However, the Public Service Board and the Post Office suggest that this would result in the process being used as a matter of routine in the value levels up to £1,000 and say that the process should be reserved for the exceptional or unusual cases.

18. Both Supply and the Public Service Board define the occasions when they consider the inexpediency process should be used and there is, in this instance, little or no disagreement. The examples set down by each are—

Ibid.,
Statements
2 and 4.

Supply.

1. Competition for the supplies in question does not exist.
2. Extreme urgency.
3. Development of Defence potential.
4. Standardization.

Public Service Board.

1. Competition for supply is very limited.
2. Real urgency.
3. Reasons of national policy (e.g., certain defence purposes).
4. Where is it known that prices based on public tenders are uneconomical.
5. It is an area in which there is a known lack of satisfactory response to public tenders.

There appears to be a fairly general acceptance that the reasons for an inexpediency certificate should be properly documented on each occasion of issue.

19. We comment that it is important to compare the effects of—

- (a) the use of the inexpediency process within the area between £200 and £1,000, as against;
- (b) enabling contracts up to £1,000 to be let providing a minimum of three quotations has, whenever possible, been obtained.

See paragraph
21 below.

In the first case it means that the purchasing officer, if he does not wish publicly to invite tenders, must set down his reasons and obtain the approval of a senior officer. In the second case, unless the Department itself places some restriction upon him, he need not set down his reasons nor seek the approval of a senior officer if he does not publicly invite tenders; he will meet the requirements of the law providing he makes a reasonable attempt to obtain three quotations. Thus, use of the inexpediency process places responsibility at a higher level and can provide a more positive and stricter control, at a cost however of additional administrative effort and some inconvenience. We also note that the protection afforded by either procedure would be enhanced if contracts so let were notified in the Gazette.

20. Treasury Regulation 52 is a common rule; it applies to all Departments both large and small irrespective of the nature of their activities and whether they have a major or minor interest in procurement. The alternative to public tendering of seeking the approval of the Governor-General is available to all Departments but under the present Regulation only certain Departments may be granted the authority to certify to inexpediency. Thus in practice the inexpediency process lessens the restrictiveness of the common rule in its application to major procuring departments.

21. (iii) *Treasury Regulation 53.*—The Working Party considers that Treasury Regulation 53 should be retained and gives sound reasons to support this view. This Regulation provides that all contracts in excess of £200 which have been placed following the public invitation of tenders and all Orders-in-Council authorizing expenditure under Treasury Regulation 52, are to be notified in the Gazette. It does not at present require notification of those contracts taken when tenders have not been publicly invited on the grounds of inexpediency or impracticability nor those of a value less than the monetary limit.

22. (iv) *Trades Lists below £200.*—The Working Party considers that a “modified” trades list procedure could be used with advantage at a level lower than £200; it seems that approximately half the Commonwealth Departments already have in general use some form of trades list.

23. (v) *Establishing, Maintaining and Reviewing Trades Lists.*—The Working Party proposes the use of “modified” trades lists as a supplement to the public tender system, both below and above the determined monetary limit. Nowhere in its Report, however, does the Working Party define what it means by a “modified” trades list. Accordingly, in the

course of our first series of private meetings from 7th to 9th June we sought clarification on this point from the Chairman of the Working Party, Mr. J. M. Henderson, Assistant Secretary, Department of the Treasury. We received the following telegram from Mr. Henderson:—

“The Working Party considered that the modified trades lists should be based on general principles outlined in Treasury Instructions, which should be amplified in Departmental orders to suit the needs of particular Departments. The existing lists of potential suppliers now kept in Departments should form the basis of the modified procedure, but they should be established on a formal and uniform basis. The United Kingdom procedure was considered inappropriate and cumbersome. It was visualized that there would be consultations between the Treasury and Departments prior to the issue of instructions. Although no attempt was made to draft the general principles, the Working Party holding the view that this administrative task was a matter for the Treasury, Members thought that the Instruction should cover:—

Committee Document T.R.2. (Series II.).

- (a) where considered necessary in particular categories of goods, advertisement inviting registration, and repetition at appropriate intervals.
- (b) rules for additions to and removals from the lists.
- (c) uniformity as between Departments of the forms involved.
- (d) the extent of the investigation necessary concerning applicants for registration (the Working Party did not favour the extensive procedure involved in the United Kingdom lists), and
- (e) uniformity of procedure for the use of the lists when inviting quotations.”

24. (vi) *Major and Minor interests in procurement.*—The Working Party considers that the same principles should apply to Departments whether they have a major or minor interest in procurement.

25. However, the value to be gained from a formal trades list system would vary from department to department and would depend to a large extent, upon the level of a department's procurement activities. What might be worthwhile for a department with a major interest in procurement could prove quite uneconomical and inefficient for one whose interest is less. In this regard a comment by the Department of Health is relevant—

“The Department believes that the introduction and operation of a formal trades list system could be costly. There is a distinct possibility that more staff would be necessary without any compensating advantages in smaller departments.”

See Appendix No. 2 below Appendix “D” Attachment 7.

26. (vii) *The Minimum Number of Quotations.*—The Working Party agrees on one point—that while the monetary limit is £200 it should not be provided that invitations to quote must be forwarded to all firms on the departmental lists of potential suppliers. However, agreement could not be reached on the appropriate minimum numbers to be invited under the existing limit of £200 nor over £200 should the present limit be extended.

27. Not all Departments expressed a view on this subject in their supplementary statements. The views of those that did are as follows:—

See Appendix No. 2 below.

- (i) The Public Service Board and the Postmaster-General's Department prefer to retain the existing minimum of three up to £1,000 should the limit be raised to that figure. However, as previously noted, they have submitted an alternative proposal of a minimum of five between £200 and £500 with “all on the list” being approached above £500.
- (ii) The Department of Works says that it could not agree to a proposal that all firms included on a trades list should be invited to submit offers in respect of transactions up to £1,000.
- (iii) The Audit Office suggests that there is no need to quote the number of tenders required adding that the Regulation might provide that Departments should obtain an adequate number of tenders.
- (iv) The Department of Health considers that, if a trades list system is introduced and the limit of £200 is raised, all registered suppliers should be approached except on those occasions when the departmental officer holding the ministerial delegation to authorize the purchase of supplies, certifies that some suppliers should be excluded but in such cases the reasons should be evident from the documents and open to Audit inspection.

See paragraph 13 above.

28. In the Working Party's Report and in various supplementary statements, it has been emphasized that the number of quotations prescribed in Treasury Regulation 47 is not to be regarded as a maximum. However, in one known instance (the Department of Territories) a maximum of four has been imposed. The Department says—

“ . . . In August, 1959, purchasing officers were instructed that when tenders are not publicly invited quotations should be obtained from no more than four carefully selected suppliers unless there is a special reason for doing so; . . .

Committee Document T.R. 4 (Series II.) Department of Territories memorandum of 29th June, 1960.

The amended procedure . . . is designed:—

- (a) to reduce the work involved in the receipt and examination of quotations by eliminating quotations from suppliers which, from experience, could be expected to be unsuccessful;

(b) to develop in purchasing officers a more positive and responsible approach to their work by encouraging them to get to know their products and suppliers better."

29. (viii) *Directions by Treasury Regulation or otherwise.*—The Working Party agreed that matters of government policy and of general principle should be prescribed in Treasury Regulations and elaborated, if necessary, in Treasury Instructions, and that directions setting out the detailed operating procedures should continue to be developed and issued by the Chief Officers of the respective Departments.

CHAPTER III.—THE MAIN ISSUES INVOLVED.

30. In paragraph 7 above Your Committee have reiterated from our Forty-Second Report, the basic tenets upon which Government procurement procedures should be formulated. In applying these to the problem of the form of Treasury Regulation 52 and, in particular a suitable monetary limit, our consideration falls under three main headings—

- (i) the interests of those persons seeking government business;
- (ii) departmental efficiency;
- (iii) lowest prices.

31. *The interests of those persons seeking government business.*—The effect of any system of selective tendering providing for the issue of invitations to tender only to a proportion of known suppliers or contractors on each occasion, is to restrict the right of individuals freely to seek to participate in government business. Although the preservation of the rights of individuals is not the paramount consideration in this case—the overall efficiency and cost of Government are equally as important—we do suggest, as a Parliamentary body, that before the right of each person to seek Government business if and when he so wishes, is further restricted, there should be reasonable grounds for believing that, overall, worthwhile benefits to Government will flow from any such restriction.

32. *Departmental efficiency.*—There is apparent a divergence of opinion between members of the Working Party as to the savings in administrative cost and effort which can be expected to result from raising the monetary limit above £200. On the one hand it is the opinion of the Department of Supply that—

See Appendix
No. 2 below
Appendix "D",
attachment 2.

" . . . It is open to considerable doubt as to whether any of the savings which it is claimed would result from the raising of the limit could be achieved. . . . The savings claimed in direct administrative costs are, in relation to the total value of orders placed in the £200–£1,000 range relatively small (less than one per cent.) and the more favorable prices resulting from full and open competition would more than compensate for this small saving in administrative costs."

On the other hand the Postmaster-General's Department, after listing advantages such as greater flexibility, less time to process orders, improved management, improved stock control and improved efficiency, which it claims would result from lifting the monetary limit to £1,000 (on the basis of a three quotation "minimum") says, under the heading of "overall savings"—

Ibid.,
attachment 3,
paragraph 4.

"As there is a large number of orders valued at less than £1,000 placed each year the total overall savings would be considerable, without any real risk of the Department paying higher prices for supplies."

Thus the views of the Department of Supply and the Postmaster-General's Department on the question of overall savings are diametrically opposed, yet they are the two Commonwealth Departments most concerned with the procurement of supplies. In total, the value of contracts arranged by them would be in the vicinity of £100,000,000 per annum.

P.P. No. 60 of
1959, page 52.

33. As recorded in the Forty-Second Report, Your Committee found that earlier estimates submitted to us of savings in administrative costs which would result from an increase in the monetary limit, were distorted by various factors and were not reliable. However, the extent of any reductions in administrative costs would depend to a large degree upon the procedure which was adopted under the new limit. If the new situation was that Departments would, in the area released by the raising of the limit, in future seek in writing only three or a relatively small number of representative quotations, and trades lists were retained on their present informal basis, then there would undoubtedly be some reduction in effort and administrative cost. But if the requirements were to be that a relatively large number of quotations should be sought on each occasion and that elaborate trades lists be maintained on a more formal basis, then the savings in administrative costs would decrease and might, in fact, disappear.

See paragraphs
36 to 48
below.

34. Later in this report we examine results achieved over a period of nine months by a minor works procedure operating in the Australian Capital Territory Branch of the Department of Works. This procedure, which was outlined in the Forty-Second Report, now combines local advertising with the issuing of formal invitations to tender to a limited

number of firms or persons (a maximum of six) selected from trades lists developed as a result of periodical advertising. The Director of Works, Canberra has estimated, at approximately £2 12s. per contract, the average additional administrative cost resulting from advertising*. 10s. of this covers the actual cost of advertisements, £1 10s. the cost of printing and average of four additional copies of plans and specifications for each project and the balance, 12s., the cost of additional clerical effort, handling of inquiries, &c.

Op.cit. pages 20, 21.

Committee documents T.R. 5 to 7 (Series II.).

35. Your Committee are prepared to accept that any increase in the present monetary limit of £200 based upon the retention of the present three quote minimum and not associated with an unduly involved trades list procedure, will result in some saving in administrative effort. Using the estimate of the Department of Works, (which may or may not be typical of results elsewhere in the Commonwealth) and the statistics provided to us by the Public Service Board during our earlier inquiry, the reduction in administrative costs (excluding any affect on prices), if:—

See 42nd Report, P.P. No. 60 of 1959, paragraph 100.

(i) all; or

(ii) half;

the particular contracts previously put to public tender were made the subject of selected tenders,† would be—

Monetary Limit.	Contracts Affected (Per Annum).	Reduction in Administrative Costs—(Per Annum).	
		(i)	(ii)
£		£	£
500	7,268	say 19,000	say 9,500
1,000	11,408	say 30,000	say 15,000
2,000	14,172	say 37,000	say 18,500

The possible effects of an extension of the limit upon the prices paid by the Commonwealth is examined in the next section of this Chapter.

36. *Lowest Prices.*—On this topic there is further divergence of opinion between major parties associated with our inquiry and the investigations of the Working Party. Some claim that lower prices overall result from public tendering, others oppose that view. But while some of these parties have been able to present details of individual contracts to support their particular points of view, in our knowledge no general attempt has been made, either in the initial departmental investigation preceding our inquiry or later by the Working Party, to undertake experiments designed to establish the probable effect on prices of a selected tendering system as against one which incorporates invitation to tender by public advertisement.

37. We have earlier in this Chapter referred to the minor works procedure of the Australian Capital Territory Branch of the Department of Works. As explained in the Forty-Second Report this procedure was introduced late in 1958 and operates in relation to works and services contracts up to £2,000 (contracts for supplies are excluded). Initially it provided for a purely selected tendering system, a maximum of six firms or persons being invited to quote on each occasion; as tenders were not publicly invited, it was thus necessary under this system to issue an inexpediency certificate in respect of each contract. Subsequently, in July, 1959, the procedure was varied by superimposing upon the selected tendering system the advertising of each contract in the local press. The reasons given for the change were:—

See paragraph 34 above.

Op. cit. pages 20–21.

“Although the small contracts procedure was functioning satisfactorily, experience disclosed that it had minor weaknesses—

Ibid., paragraph 70.

(a) Persons or firms in need of work might not have the opportunity to submit a quotation at the critical time.

(b) Persons or firms with sufficient work in hand—Departmental and/or other—might be invited to quote under the rotational system and not respond because of the work in hand.

In either of these instances the Department would not know the position with the person or firm when requests for quotations were being prepared.”

38. The Canberra procedure provides an opportunity to gauge the results which might be achieved—

(a) by a selected tendering system providing for a limited number of persons being invited to tender on each occasion; and

* The Director has said that it was not possible to obtain an accurate assessment of the cost involved. † Involving the issue of a limited number of invitations only on each occasion. ‡ As well, the introduction of advertising satisfied the requirements of Treasury Regulation 52 (1) and so made unnecessary the earlier practice of issuing an inexpediency certificate in respect of each contract.

- (b) by a selected tendering system as in (a) combined with the invitation to tender by public advertisement (the type of system envisaged by the Working Party as operating in future above whatever monetary limit is selected).

Accordingly, Your Committee sought statistics of the procedure from the Department of Works, Canberra. These show that under the current procedure ((b) above), although there is some increase in administrative effort, significant savings overall have accrued to the Commonwealth by reason of the lower prices gained in one-third of the contracts because of advertising. However, examination shows that the benefits are not as significant (and in fact may not exist) at lower value levels.

See Committee documents
T.R. 5 to 7
(Series II.).

39. The statistics which follow relate to the nine months period from 1st September, 1959, to 31st May, 1960. The number of separate contracts involved was 117 and the expenditure covered was on works and services only (as noted above the procedure has not been applied to supplies).

Value of each Contract.					Number of contracts.
Value category.	£				
0- 200	10
201- 500	32
501-1,000	43
1,001-2,000	32
					<hr/> 117

Tenders Received.

(i) From formal invitations—			
Number invited	671: Tenders received ..	265
(ii) From advertising—			
Additional sets of documents issued	249: Tenders received ..		159
	<hr/> 920		<hr/> 424

Thus advertising increased the number of tenders received by 67 per cent.

Lowest Tender received.

(i) As a result of formal invitation	72
(ii) As a result of advertising—				
(a) On the departmental list but not formally invited	..	26		
(b) Not on the departmental list	..	19		
		<hr/> 45		
		<hr/> 117		

Contract Let To.

(i) A person or firm formally invited	67
(ii) A person or firm attracted by advertising—				
(a) On the departmental lists	..	26		
(b) Not on the departmental lists	..	13		
		<hr/> 39		
(iii) Other—				
(a) Day Labour (Department of Works)	..	8		
(b) Cancelled	..	1		
(c) Not let	..	2		
		<hr/> 11*		
		<hr/> 117		

Thus in one-third (39) of the contracts, the successful tenderer was a firm who, under the selected tendering system, would not have been invited to tender.

40. An examination of those 39 contracts shows that in nine cases, tenders were not received from any of the firms formally approached on the particular occasions. Had the selected tendering procedure only been in operation, it would then have been necessary to—

- especially approach one or more contractors with a view to inducing them to tender;
- formally invite other firms on the list to tender; or
- advertise.

* Spread over the value categories as follows:—£200-£500, 4; £500-£1,000, 5; £1,000-£2,000, 2.

41. In the remaining 30 contracts, by comparing the successful tender with the lowest tender submitted by a firm formally approached on the particular occasion, the lower prices induced by advertising may be assessed.

VALUE CATEGORY £0 TO £200.

Accepted Tender.	Lowest From Firm Formally Approached.	Difference.
£ s. d.	£ s. d.	£ s. d.
166 6 3	168 0 0	1 13 9
Contracts in group	10
Additional administrative cost (£2 12s. 0d. per contract)	£26
Gross reduction in price	£1 13s. 9d.

VALUE CATEGORY £200 TO £500.*

Accepted Tender.	Lowest From Firm Formally Approached.	Difference.
£ s. d.	£ s. d.	£ s. d.
265 14 0	284 14 6	19 0 6
298 10 0†	379 0 0	80 10 0
434 10 0	435 6 0	16 0
456 0 0†	544 0 0	88 0 0
467 10 0	519 15 0	52 5 0
480 0 0	490 0 0	10 0 0
2,402 4 0	2,652 15 6	250 11 6

* In this group there were three contracts where tenders were not received from firms formally approached. The successful tenders were for £269 2s. 9d., £294 5s. and £440. † Submitted by a firm not on the departmental lists.

Other Notes—

Number of contracts in group (28 only let to private firms)	32
Additional administrative cost from advertising	£83 4s. 0d.
Gross reduction in prices because of advertising	£250 11s. 6d.

VALUE CATEGORY £501 TO £1,000.*

Accepted Tender.	Lowest From Firm Formally Approached.	Difference.
£ s. d.	£ s. d.	£ s. d.
531 10 0	554 6 0	22 16 0
620 15 6†	720 0 0	99 4 6
642 6 0	826 14 7	184 8 7
643 0 0	808 0 0	165 0 0
647 0 0†	677 0 0	30 0 0
675 9 0	780 0 0	104 11 0
721 0 0	833 0 0	112 0 0
836 0 0	1,090 0 0	254 0 0
857 10 0	910 0 0	52 10 0
864 0 0	912 0 0	48 0 0
964 15 0	1,505 0 0	540 5 0
967 5 4†	1,010 2 0	42 16 8
969 0 0†	1,199 0 0	230 0 0
984 0 0	1,827 0 0	843 0 0
10,923 10 10	13,652 2 7	2,728 11 9

* In this group there were two contracts where tenders were not received from firms formally approached. The successful tenders were for £560 and £917 10s. † Submitted by a firm not on the departmental lists.

Other Notes.—

Number of contracts in group (38 only let to private firms)	43
Additional administrative cost from advertising	£111 16s. 0d.
Gross reduction in prices because of advertising	£2,728 11s. 9d.

VALUE CATEGORY £1,001 TO £2,000.*

Accepted Tender.	Lowest From Firm Formally Approached.	Difference.
£ s. d.	£ s. d.	£ s. d.
1,033 16 0†	1,243 16 0	210 0 0
1,063 0 0†	1,200 0 0	137 0 0
1,103 17 9	1,400 0 0	296 2 3
1,232 0 0†	1,500 0 0	268 0 0
1,244 15 0†	1,457 5 0	212 10 0
1,292 0 0	1,496 0 0	204 0 0
1,521 0 0	1,670 18 0	149 18 0
1,790 0 0†	1,891 0 0	101 0 0
2,045 10 0	2,640 0 0	594 10 0
12,325 18 9	14,498 19 0	2,173 0 3

* In this group there were four contracts where tenders were not received from firms formally approached. The successful tenders were for £1,144†, £1,240, £1,840 and £1,997 6s.† † Submitted by firm not on departmental lists.

Other Notes—

Number of contracts in group (30 only let to private firms)	..	32
Additional administrative cost from advertising	..	£83 4s.
Gross reduction in prices because of advertising	..	£2,173 0s. 3d.

42. The results in the £0 to £200 group support the existing Treasury Regulation 47 permitting selected tendering up to £200. Above £200, the selected tendering procedure combined with local advertising (which meets the requirement of public invitation to tender) has produced better results than selected tendering alone although the gains are mainly evident in contracts above £500. The statistics are—

Group.	Gross Reduction In Prices Because of Advertising.	Additional Administrative Expense From Advertising.	Net Reduction In Prices.
£ £	£ s. d.	£ s. d.	£ s. d.
200– 500	250 11 6	83 4 0	167 7 6
500–1,000	2,728 11 9	111 16 0	2,616 15 9
1,000–2,000	2,173 0 3	83 4 0	2,089 16 3
	5,152 3 6	278 4 0	4,873 19 6

These statistics cannot, of course, reflect the benefit to the Commonwealth in those nine cases where the only tenders received were those attracted by advertising.

43. In the £200–£500 group the net reduction of £167 7s. 6d. represents 7 per cent. of the prices of the six contracts concerned or, on the assumption of an average contract price of £350, 1.7 per cent. of those of the 28 contracts in the group let to private firms.

44. In the £500–£1,000 group the comparable percentages are 24 per cent. and 9.2 per cent. (assumed average price £750 for 38 contracts) and in the £1,000–£2,000 group 17 per cent. and 4.6 per cent. (assumed average price £1,500 for 30 contracts).

45. None of the 106 successful tenders (including the thirteen not on the department's lists) to whom contracts were let has proved unsatisfactory. The Director of Works has said in this regard—

“None of these contractors has performed unsatisfactorily to date. Of course, some of the contracts are still current.

There have been some instances of slow progress, but, generally, these delays have been due to matters over which the contractors have not had complete control (e.g. materials not available on time, unable to recruit additional labour when required, unable to gain access to houses, &c., as desired for maintenance purposes.”

46. Under the existing procedure, technical officers are allowed to nominate up to two of the maximum of six firms approached on each occasion. The statistics show that in 57.3 per cent. of the 117 contracts concerned the ultimately successful tenderer was one of the firms which had been formally invited to tender; in 33.3 per cent. of cases the successful tender was attracted by advertising; in 11.1 per cent. of cases the successful tenderer was not on the trades list of the Department.

47. The characteristics shown by these statistics may or may not be typical of those which would be reflected by other statistics if gathered in respect of other areas of supply and works and services activity in the Commonwealth. But, in the absence of those other

statistics, the results of this survey of the minor works procedure of the Australian Capital Territory Branch of the Department of Works are such as to prompt some hesitation to accept the claims that worthwhile overall savings would accrue to the Commonwealth if the present monetary limit of £200 was raised to £1,000. However, the indications are not so strongly against a lower limit of, say, £500.

48. The system of public tendering now adopted for the Canberra minor works procedure shows clearly to advantage in the value areas above £500. The advantages are by no means as evident below that limit and there is some room for doubt whether they would exist at all. We acknowledge too that a similar survey undertaken in the field of supply could feasibly produce evidence less favorable to the public tendering system.

CHAPTER IV.—YOUR COMMITTEE'S CONCLUSIONS.

1. Your Committee accept the conclusion of the Working Party that a trades list procedure on the lines of the system adopted by the United Kingdom government is not generally suitable for application in Australia but that a modified form of trades list procedure, combined with invitation to tender by advertisement above a specified monetary limit, provides a suitable procurement system for the Commonwealth Government.

2. Little tangible evidence has been provided to support the proposals to increase the monetary limit to £1,000.

3. The survey made of the minor works procedure of the Australian Capital Territory Branch of the Department of Works suggests that there could be some overall advantage to the Commonwealth in retaining the present monetary limit of £200. However, that information relates only to one area of Commonwealth procurement activity and concerns only works and services expenditure—not expenditure on supplies which constitutes three-quarters of the total expenditure which comes within the ambit of the present Treasury Regulation 52; the same pattern cannot necessarily be expected to occur over the whole area of Commonwealth procurement.

4. Your Committee's whole consideration of the subject of Treasury Regulation 52 has been clouded by the sustained conflict of opinions between experienced Departments. This conflict may well have been resolved had practical surveys similar to that conducted in Canberra been undertaken before the matter came before Your Committee.

5. In the light of that conflict of opinion and although little in the way of substantial evidence has been put forward in support of their cases, Your Committee are not disposed to discount entirely the sustained views of some major departments that it will be to the overall advantage to the Commonwealth to increase the monetary limit. In this regard we note again that the benefit to the Commonwealth from public tendering as reflected by the minor works procedure in Canberra is most evident above the level of £500.

6. In all the circumstances and on our judgment of the evidence that has come before us, we recommend that the monetary limit in Treasury Regulation 52 be increased to £500, provided that—

- (a) Treasury Regulation 47 is also amended to provide that at least five representative quotations shall, whenever possible, be obtained if the expenditure involved will exceed £200; and
- (b) Regulation 53 is amended so as to require that all contracts let of a value in excess of £200 are notified in the Commonwealth Gazette irrespective of whether an inexpediency certificate was issued, selected quotations sought, and Order-in-Council obtained or public tenders invited.

7. Your Committee consider that formal recognition should be given to trades lists. Uniform procedures and principles might be determined and incorporated in Treasury Instructions for the guidance of departments.

8. We consider the lists should be utilized both above and below the monetary limit. Above the limit we would visualize the lists being used conjointly with the public invitation of tenders by advertisement and with the inexpediency process. Below the limit the lists should form the basis of the selected tendering procedure.

9. In view of the increase Your Committee have proposed in the monetary limit we do not consider it necessary to extend, either to the Treasurer or the Secretary, Department of the Treasury, a general power to authorize persons to certify to inexpediency. For the present we consider the existing form of Regulation should be maintained whereby the classes and types of expenditure in respect of which those authorities may be granted, are specified by the law. However, the Treasury Instructions might attempt to define the types of cases where the process may be used and should require that the reasons for the issue of a certificate are properly recorded.

10. The Forty-Second Report of Your Committee illustrated that there was scope for more efficient departmental procedures within the framework of the existing Treasury Regulation 52. The Treasury Minute on that Report shows that some changes already have been effected by Departments and that others are proposed. These, together with the further development of trades lists and the lifting of the monetary limit to £500, should permit of a material improvement in procurement procedures.

11. But, as hitherto, it will remain very largely the responsibility of the Departments themselves to achieve full efficiency in procedures within the limitations imposed by the law, having due regard to the interests of those persons seeking to do business with the government and the overall cost of procurement.

For and on behalf of the Committee,

F. J. DAVIS,
Chairman.

R. C. DAVEY,
Secretary,

Joint Committee of Public Accounts,
Parliament House, Canberra, A.C.T.

4th August, 1960.

APPENDIX No. 1.
Report Paragraph 4.

TREASURY MINUTE ON THE FORTY-SECOND REPORT—
TREASURY REGULATION 52—TABLED 8TH OCTOBER, 1959.

Summary of the Committee's Conclusions.

The Committee:

Treasury Minute (2nd June, 1960).

The Treasury has examined the Report and, where appropriate, has discussed with the Departments the observations and conclusions of the Committee.

INVALIDITY OF TREASURY REGULATION 52.

found that the present Treasury Regulation 52 was invalid to the extent that it purported to apply to the procurement of works and services;

The validity of the Regulation is being considered: further action is also dependent upon the outcome of Paragraph 31 (viii) of the Report.

AUTHORITIES ISSUED BY THE SECRETARY TO THE TREASURY.

established that certain authorities issued by the Secretary, Department of the Treasury to unincorporated bodies such as the Commonwealth Stores Supply and Tender Board had not met the requirements of paragraph (2) of the Regulation and recorded that some other authorities issued by the Secretary, Department of the Treasury, since 1949 in anticipation of amendment of the Regulation could derive no support from it;

The authorities issued to unincorporated bodies have been replaced. The amendment of the Regulation to include other authorities issued by successive Secretaries to the Treasury in anticipation of an amendment of the Regulation is under correspondence with the Parliamentary Draftsman.

DEPARTMENT OF HEALTH—ORDERS IN COUNCIL.

considered that the Department of Health, while acting with the letter of the law, had unreasonably sought the approval of the Governor-General to expenditure;

The Department of Health has established a Contract Board at the Commonwealth Serum Laboratories and proposes as a general rule, from 1st July, 1960, to call tenders for all purchases which will exceed £200. Steps have been taken to reduce considerably the purchases over £200 which previously were referred for the authorization of the Governor-General.

PRIME MINISTER'S DEPARTMENT—REVIEW OF
MATTERS SUBMITTED TO THE EXECUTIVE COUNCIL AND THE GOVERNOR-GENERAL.

was critical of the attitude adopted by the representative of the Prime Minister's Department towards the review of matters submitted to the Executive Council and recommended that consideration be given to a general review of the type and nature of matters being submitted to the Executive Council and the Governor-General;

The Prime Minister's Department has advised that the statements made to the Public Accounts Committee by the representatives of the Department were directed primarily towards the use of the Executive Council procedure within the terms of Treasury Regulation 52.

It is regular practice for the Secretary to the Federal Executive Council to examine all minutes presented for consideration by the Council and to satisfy himself that they are in the proper form for consideration by the Council and that the Council will be properly informed through explanatory memoranda about the background to and the nature of the action proposed. In doing this the Secretary would also ensure that the proposals have received the necessary approvals, ministerial and otherwise, before being submitted to the Council. This procedure applies of course to all minutes submitted for consideration by the Executive Council and not only those relating to Treasury Regulation 52. In the light of the comments of the Public Accounts Committee, this examination of material submitted to the Council has been continued.

In addition, as suggested by the Public Accounts Committee, a review of the overall volume and the nature of the business which comes before the Executive Council has been undertaken. At least for the present the Prime Minister's Department does not see much prospect of a substantial reduction in this business. One of the principal reasons for this stems from the fact that under legislation

Summary of Committee's Conclusions.

The Committee:

Treasury Minute (2nd June, 1960).

adopted by the Parliament certain functions are reserved for the Governor-General in Council and any variation in this procedure would therefore require amendment of legislation. This particular aspect, however, is kept under review and is examined each time amending legislation is drafted.

The Department feels that the current volume of Executive Council business or indeed any anticipated increase in that business is not sufficient to cause them concern from an administrative point of view.

(NOTE.—The Treasury has since advised the Committee by memorandum of 20th July, 1960, that the Vice-President of the Executive Council had written to all Ministers concerning the use of the Executive Council procedure under Treasury Regulation 52).

GENERAL CERTIFICATES ISSUED BY THE SECRETARY TO THE TREASURY AND THE SECRETARY, DEPARTMENT OF THE NAVY.

suggested that the validity or otherwise of general certificates issued under paragraph (2) of Treasury Regulation 52 by the Secretary, Department of the Treasury and the Secretary, Department of the Navy might need to be determined;

Advice has been sought upon the validity or otherwise of general certificates issued by the Secretary to the Treasury and the Secretary, Department of the Navy.

(NOTE.—Advice since received from the Treasury by memorandum of 8th August, 1960 indicates that action is being taken to make it clear that a certificate can be issued only in respect of specified supplies, the purchase of which has been decided upon).

GAZETTE NOTIFICATION OF TENDERS.

considered excessive the existing time lag of six days between the closing date for receipt of "notices for insertion" and the issue of the *Commonwealth Gazette* and recommended that the Treasury and the Government Printing Office examine the position to seek whether this time lag could be appreciably reduced without unduly increasing the cost of publication;

Arrangements have been made for the Gazette Officer to accept urgent notices of "Tenders Invited" until 4 p.m. on the Tuesday prior to the issue of the *Gazette*.

TRADES LIST PROCEDURES.

recommended the prompt appointment of a Working Party, representative of the Treasury, the Audit Office, the Public Service Board and departments with both a substantial and a minor interest in procurement and works to examine all the factors involved in the introduction of the trades list procedure for each department;

The report of the Working Party is transmitted for the Committee's consideration.*

DEPARTMENTAL REVIEW OF PROCEDURES.

recommended that all departments review immediately their existing tender and quotation procedures and related financial delegations to ensure that the procedures are efficient were not unnecessarily involved or restrictive and that they provided reasonable safeguards against patronage and malpractice;

Departments were asked to advise the results of their review. A copy of the advices received is attached.†

SERVICE PROCUREMENT.

recommended that concurrently with the activities of the Working Party on trades lists, the existing arrangements under which the Service Departments obtain their supplies should be investigated by the Treasury, the Public Service Board and the departments concerned to determine whether they were unduly restrictive or uneconomical and, if so, what alternative arrangements should be made.

A kindred enquiry by the Defence Department was recommended by the Defence Committee in May, 1959. The investigation proposed by the Committee has not been commenced in the belief that that other examination would cover the ground. However, the Defence Departments has advised that action was not taken and that it would be preferable for the investigation recommended by the Committee to proceed. Arrangements will be made for this to be undertaken in the immediate future.

* See appendix No. 2 to this Report.

† By reason of the voluminous nature of these advices they have not been included in the Report.

FORTY-SECOND REPORT OF THE JOINT COMMITTEE
OF PUBLIC ACCOUNTS.

TREASURY REGULATION 52.

REPORT

OF THE

WORKING PARTY.

CONSTITUTED PURSUANT TO RECOMMENDATION 31,
CHAPTER VII.

DEPARTMENTAL REPRESENTATIVES CONSTITUTING THE WORKING PARTY
APPOINTED PURSUANT TO RECOMMENDATION 31, CHAPTER VII.

Chairman, J. M. HENDERSON, Assistant Secretary, Department of the Treasury.

Nominated Departments—

Department of the Treasury	..	S. G. HERRING, Chief Finance Officer. G. J. BALFOUR, Senior Finance Officer.
Auditor-General's Office	S. G. JACOBS, Senior Audit Inspector.
Public Service Board	W. T. GLEESON, Senior Inspector. H. G. DOWSING, Inspector.

Departments with a substantial and a minor interest in procurement and works—

Department of Works	E. A. DAVIDSON, Chief Finance Officer. J. P. SPARKES, Acting Chief Superintendent of Stores.
Postmaster-General's Department	..	E. W. EASTON, Assistant Director-General T. H. SKELTON, Director, Stores and Contracts.
Department of Supply	C. K. DAVIES, Assistant Secretary. J. A. CHALK, Executive Officer.
Repatriation Department	C. A. NETTLE, Assistant Commissioner. R. G. KELLY, Chief Accountant.
Department of Territories	L. W. TEMBY, Official Representative (Sydney Office).
Department of Health	D. G. DUNLOP, Assistant Director.
Department of Air	R. I. CAMERON, Assistant Secretary. F. D. REID, Chief Administrative Assistant.
Secretary	J. J. LONERGAN, Senior Finance Officer, Department of the Treasury.

REPORT OF THE WORKING PARTY CONSTITUTED PURSUANT TO RECOMMENDATION 31,
CHAPTER VII. OF THE FORTY-SECOND REPORT, JOINT COMMITTEE OF PUBLIC ACCOUNTS.

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TREASURY REGULATION 52.

REPORT OF THE WORKING PARTY.

INTRODUCTION.

The Working Party held its first meeting on 27th April, 1960. It gathered information on its assignment from the departmental representatives on the Working Party and also from departments not represented.

2. In its considerations the Working Party had regard to the Committee's Report and in particular to Recommendations 21, 24–31 of Chapter VII. of the Report.

3. The term "supplies" was accepted by the Working Party during its deliberations as applying to "works, stores and services", on the assumption that the *Audit Act* 1901–1959 would be amended to validate the application of the relevant Treasury Regulation to "works and services".

4. The Working Party first directed its attention to the possibility of applying a trades lists system to the whole field of Government purchasing of supplies along the lines of the practice in the United Kingdom. That system is outlined in the following paragraphs.

THE TRADES LISTS PROCEDURE IN THE UNITED KINGDOM.

5. The Working Party noted that at Recommendation 30, Chapter VII. of the Report, the Committee emphasized that it did not conduct a detailed investigation into how the trades lists system would operate in practice. Factual information on the operation of the trades lists procedure as established in Government Departments in the United Kingdom was therefore obtained. The information obtained in this regard is collated in Appendix "A". The main features of the procedure are—

- (a) It applies to all procurement irrespective of monetary value; public tenders are invited only occasionally e.g., for major construction works such as express highways.
- (b) The lists were compiled originally from responses to public advertisements requesting firms wishing to participate in Government business to register. Some lists took about five years to prepare in the first place. Annual advertisements were then made for some years but were discontinued in 1939 and firms are now added at their own request, or on the initiative of the Department concerned.
- (c) Potential suppliers are admitted to the list if, after investigation of their technical and financial standing, they are considered suitable.
- (d) Names of firms may be deleted from the lists if they fail to tender on six successive occasions; or if their tender prices are consistently too high; or if they prove unsatisfactory for other reasons, e.g., technical or financial.
- (e) An "ineligible" list is maintained.
- (f) The Department of Supply representatives on the Working Party advised that, on the average, twelve to twenty firms are invited to tender on each occasion, the selection being made according to certain rules and on the approval of an officer of defined status. The Ministry of Supply (United Kingdom) instructions provide that where practicable all registered firms capable of supplying the articles required, are invited to tender. If, for any reason, it is necessary to restrict the invitations, special care is exercised in the selection.

6. The primary object of the U.K. system is to secure the keenest competition, leaving no firm with legitimate grounds for complaint at not having been invited, without—on the other hand—causing an inordinate amount of work by extending the invitations to too many firms. When judicious selection is necessary, the rule is that invitations are sent to firms which held recent contracts for the articles required well as other firms which offered recent competitive prices. It is normal practice to deal, as far as possible, direct with manufacturers. Intermediaries who render no useful services are excluded from trades lists and from any form of contract negotiations. Purchasing officers are instructed to bear in mind that the smaller the value of the order, the less are likely to be the advantages of competition.

7. When there is a selective invitation of suppliers from the trades lists, a discretionary element of authority rests upon the purchasing officers. Emphasis is placed on the need for purchasing officers to maintain a constant study of their subject matter and of the industries with which they deal. There is thus a strong element of "professional" knowledge as well as of business aptitude, in the make-up of an efficient purchasing officer.

8. Apparently the main reason why the United Kingdom does not follow a public tendering system is that the number of tenderers would be so great as to create an unmanageable situation. Consequently, United Kingdom Departments maintain lists of suppliers who have been proved, or are likely to prove, satisfactory, and then issue invitations to quote as explained above.

PRESENT "TRADES LISTS" PRACTICES IN COMMONWEALTH DEPARTMENTS IN AUSTRALIA.

9. Representatives of purchasing departments on the Working Party stated that their departments maintain lists of potential suppliers for use when quotations or tenders are being sought. They have in some instances, been built up over a long period of time from a wide variety of sources. They serve as aids to

purchasing officers in providing a ready record of potential suppliers of the various types of supplies with which their departments are concerned. The statement at Appendix "B" summarizes, for the purchasing departments represented on the Working Party, the main features of their lists.

10. When tenders are publicly invited in the over £200 range, most of those departments invariably send direct invitations to tender (i.e., Tender Schedules) to *all* suppliers on their lists.

11. For requirements in the range £25 to £200 (unless tenders are publicly invited) most departments rely upon the discretion of their purchasing officers as to which suppliers are to be invited to quote. Treasury Regulation 47 (3) prescribes that "at least three representative quotations shall, whenever possible, be obtained", unless tenders are publicly invited. Inquiries reveal that the majority of departments, including the main purchasing departments, do not restrict the number to three only; the number invited varies widely according to the type and value of the requirement, the number of recorded potential suppliers and to the purchasing officers' knowledge of the particular circumstances and those suppliers. Sometimes a department invites twenty firms to quote; sometimes three or less where the number of suppliers is limited. Where quotes are called in the range £25 to £200, the practice could be described, by and large, as being a well judged and representative selection of potential suppliers from those listed.

12. The Working Party decided that it should have before it an outline of the extent to which lists of potential suppliers are used by the other departments. At Appendix "C", the information received in response to a circular sent to departments not represented on the Working Party, is summarized. It will be noted that some departments do not maintain or use lists of potential suppliers to the same extent as other departments; some do not keep them at all—the need does not exist.

13. Although the existing lists of potential suppliers have been compiled to serve a somewhat similar purpose as the United Kingdom trades lists, they are different in that—

- (a) they are records, in varying forms, authorized only by departmental instructions;
- (b) they have been prepared from various sources, viz., trade directories, tenders and quotes received, telephone directories, requests from suppliers, and from the knowledge and experience of departmental officers. They were not compiled from public advertisements inviting registration. Generally, there have been no full-scale investigations of the suppliers' technical and financial standing although some tenderers, particularly where large contracts are involved, have been investigated as to their ability and capacity to execute specific contracts;
- (c) there are no uniform rules covering their maintenance and use.

TRADES LISTS AND PUBLIC TENDERING IN AUSTRALIA.

Trades Lists—Exclusive Use.

14. The Working Party considered that the formal trades lists procedure, used exclusively, would be less effective in Australia than the present system of public tendering used in conjunction with records of potential suppliers. The formal trades lists procedure alone may well be less effective since firms may not bother to register because they may not wish to be subjected to technical and financial investigation. They may not be concerned if their names are removed from the trades lists. In the final analysis, the purchasing officer is responsible to secure the best competition that is available.

15. While apparently the main reason why the United Kingdom does not adopt the public tendering system is that an unmanageable volume of tenders would be received, that position does not obtain in Australia, where responses generally are much smaller in number. However, under Australian conditions, an unwieldy supply procedure would be created, particularly in low value areas, if a system of public tendering were applied to all Commonwealth Government supply requirements irrespective of value. The position is recognized by providing a statutory monetary limit (at present £200) above which, subject to certain exceptions, public invitation to tender applies. It should be noted that many separate requirements below the level of £200 are satisfied under period contracts which, in the majority of cases, are entered into after public tenders have been called.

16. The Working Party considered that the use of the trades lists system in the United Kingdom does not necessarily justify its adoption in Australia as an exclusive system. Conditions are very different in the two countries. Moreover, it noted that the adoption of the U.K. procedure—see Appendix "A"—would involve a considerable amount of additional work.

17. In comparison with the United Kingdom, manufacturing capacity in Australia is expanding rapidly. Figures provided by the Commonwealth Statistician indicate a small decline in the number of manufacturing establishments in the United Kingdom between January, 1953 and January, 1956. On the other hand, the number of factories in Australia published under "Manufacturing" Statistics (increased by 2,932 from 51,056 to 53,988) between 1954–55 and 1957–58. (Figures were not available for the comparable years 1953 to 1956.) Between 1957–58 and 1958–59, there was an increase of 900 factories in Australia.

18. The Working Party agreed that the trades lists system exclusively, regarded as an entirely distinctive procedure for meeting Government supply requirements (as in the United Kingdom), should not be applied over the whole field of Commonwealth Government purchasing in Australia.

Public Tendering.

19. The Working Party considered that, under Australian conditions, the principle of public tendering is generally the best and fairest way of conducting Government procurement over and above a reasonable monetary limit—and sometimes below that limit.

20. The Working Party therefore strongly supported continuance of public tendering above a reasonable monetary limit, subject to retention of the clause relating to the Governor-General's approval and the granting of appropriate authorities for the issue of inexpediency certificates. In summary, its main reasons were—

- (a) public confidence in Government purchasing is engendered—certain safeguards are inherent in that system;
- (b) all firms interested, including those which have recently commenced production, have the opportunity of submitting tenders;
- (c) new sources of supply may be located;
- (b) by and large, it encourages competition thus generally ensuring that satisfactory purchases are made at economical prices;

The Working Party noted that State purchasing authorities in Australia adhere to the public tendering system although monetary limits vary.

Public Tendering combined with Trades Lists.

21. The type of public tendering system which the Working Party favoured is along the lines of present practice with a modified trades list system (*see* paragraph 29) operating below a reasonable monetary limit where public tenders were not being called, and also above that limit where it was considered impracticable or inexpedient to invite public tenders. A modified trades lists system would also be used to provide the means of directly inviting suppliers to tender when public tenders are called. In other words, the Working Party did not regard the public tendering and modified trades lists systems as entirely distinct and alternative approaches. The two systems operate hand in hand under present departmental practice, above and below the existing monetary limit. This is considered an appropriate means of operating under Australian conditions.

SPECIFIC POINTS SUGGESTED BY THE COMMITTEE FOR CONSIDERATION (RECOMMENDATION 31).

- (i) *Whether the principle of invitation to tender by public advertisements should continue to apply to certain classes of goods or activities, or above a particular monetary limit.*

22. The Working Party agreed that—

- (a) there are no grounds generally to justify differentiation between certain classes of goods or activities. (As Government policy is involved the Working Party deemed it unnecessary to comment on the exceptions now prescribed in Regulation 52 (2) (a));
- (b) it is not feasible to advertise all Commonwealth requirements and some line of demarcation should be drawn between those for which public tenders are to be invited and those for which public tenders are not essential;
- (c) a monetary limit is the most appropriate line of demarcation.

23. The Working Party gave considerable thought to the figure which should serve as the line of demarcation between public tendering and quotations. It agreed that for requirements below the monetary limit public tenders should be invited if that course is considered to be advantageous. It recognized that a substantial proportion of individual requirements below the monetary limit would be satisfied under period contracts arranged through public advertisements. It had regard to the statistics provided by the Public Service Board indicating that approximately 54 per cent. of numbers of purchase orders (value, approximately £5,700,000 per annum) between the values of £200 and £1,000 are covered by period contracts while approximately 8 per cent. in number (value, approximately £1,000,000 per annum) are covered by inexpediency certificates. On this basis, and if the monetary limit were raised to a suggested figure of £1,000, it would mean that purchasing officers having the necessary delegated authority could exercise discretion as to whether public tenders or quotes should be sought in respect of an additional 38 per cent. in number (value, £4,500,000) of annual purchases in the range £200–£1,000. It would not then be necessary to issue certificates of inexpediency within that range. After examining the matter at length, the members of the Working Party were unable to agree regarding a figure which should be adopted as the monetary limit. Their views and the detailed reasons therefor are set out in Appendix "D". In summary, they are—

- (a) the Public Service Board, the Department of Works, and the Postmaster-General's Department consider the monetary limit should be raised to £1,000;
- (b) the Departments of Territories, Health and Repatriation would be satisfied with the present monetary limit of £200 provided that they are granted delegations by the Secretary to the Treasury to enable them to issue certificates of inexpediency. In the absence of such authority they would support a figure of £1,000.
- (c) the Department of Air supports a figure of £1,000 although it would not be effective as far as that Department is concerned unless a corresponding increased delegation is granted by the Department of Supply Contract Board (paragraph 155 of the Committee's Report explains the position of the Service Departments relative to the Department of Supply);
- (d) the Auditor-General's view is that a monetary limit of £1,000, other than for minor works, would be reasonable. For minor works, he suggests a lower figure of, say, £500.
- (e) the Departments of Supply and Treasury consider that no reasons have been advanced to justify the substitution of public tendering for purchases above £200 by a trades list procedure based only on a selection of suppliers at the discretion of a purchasing officer.

(ii) *Whether an inexpediency provision and the alternative of obtaining the Governor-General's approval should be retained in the Regulation.*

24. The Working Party agreed that both an inexpediency provision and the alternative of obtaining the Governor-General's approval should be retained in the Regulation. It recognized that any procurement system must contain a degree of flexibility if it is to work efficiently. These two provisions constitute the means whereby some flexibility is provided in the field of Commonwealth procurement. The need for, and the value of, certificates of inexpediency are illustrated by the use made of them by senior officers in the major procurement departments.

25. Members considered that it was desirable to retain the approach to the Governor-General for special occasions when it might be appropriate to channel a purchase through a Minister and the Executive Council.

26. The Working Party discussed the form of Regulation 52 (2) under which authority to issue certificates of inexpediency is given. It considered that the present sub-regulation is too restrictive; any extension to additional classes of supplies requires an amendment of the Regulation. It considered that delegations should be at the discretion of the Secretary to the Treasury, who could grant delegations as he thought fit.

(iii) *Whether the protection afforded by Treasury Regulation 53 should remain.*

27. The Gazetteal required by Regulation 53 is an open disclosure by the Commonwealth of the tender accepted. It serves specifically as a notice to unsuccessful tenderers of the tender accepted and generally as a notice to interested parties of the nature and extent of Commonwealth contracts.

28. The Working Party decided that, as the provision does not delay purchases, saves officers' time (by their not being called upon to answer enquiries as to the successful tenderer), does act as a demonstration of good faith and as the information is often used for circulation in trade journals, the Regulation should be retained.

(iv) *Whether the trades list procedure could, with advantage, be invoked at a level lower than £200, say, at £50, or £100.*

29. The Working Party considered that a modified trades list procedure could be used with advantage at a level lower than £200. Lists of potential suppliers are now maintained in many departments in obtaining quotations—see Appendices "B" and "C".

(v) *The basis on which the Trades Lists should be established, maintained and reviewed.*

30. The Working Party considered that modified trades lists should be used as supplementary to the public tender system (where appropriate) in an area above a determined monetary limit and also for certain purchases under that limit. They should be given formal recognition by including in Treasury Instructions general principles for the guidance of departments in maintaining such lists.

(vi) *What arrangements should apply to those departments without a major interest in procurement or works.*

31. The Working Party considered that the same principles of procurement should apply to departments with a major or a minor interest in procurement. Arrangements should be made, however, by the smaller purchasing departments to secure from the larger purchasing departments interested in similar supplies, information on potential suppliers for inclusion on their own trades lists.

(vii) *Whether all firms listed for particular requirements should be invited to quote or tender on each occasion.*

32. The working Party agreed that under the present monetary limit it should not be provided that invitations to quote must be forwarded to all firms on the departmental lists of potential suppliers. But a minimum number should be prescribed in the Regulation and it should be made clear in Treasury Instructions that this is only a minimum and more quotations should be secured, if necessary, to ensure the most economical result; also, that public tenders should be called if it is considered advantageous to do so. The responsibility is on the departmental purchasing officer to invite an appropriate number according to the circumstances of each case; sometimes he will invite all on the list, sometimes the statutory minimum, sometimes less when there are not as many suppliers in the field as the minimum prescribed. The Working Party could not agree on the appropriate minimum numbers to be invited under the present monetary limit of £200, nor over £200 if the present figure were increased.

(viii) *Whether directions to Departments should be by Treasury Regulation or by some other means.*

33. The Working Party acknowledged the relative responsibilities of the Treasurer and of the Ministers of other Departments in the accounting for and expenditure of public moneys. It agreed, therefore, that matters of government policy and of general principle should be prescribed in Treasury Regulations and elaborated, if necessary, in Treasury Instructions, and that directions setting out the detailed operating procedures should continue to be developed and issued by the Chief Officers of the respective Departments.

J. LONERGAN, *Secretary.*

J. M. HENDERSON, *Chairman.*

1st June, 1960.

UNITED KINGDOM TRADES LISTS PROCEDURE.

The fundamental principle of contract procedure, accepted by all Departments in the United Kingdom, is that contracts should be let as the result of competition by tender unless there are convincing reasons to the contrary. Tenders are not advertised publicly, however; offers are sought from a number of potential suppliers selected from trades lists operated by individual Departments. A separate series of such lists is maintained by each principal purchasing authority such as the Ministry of Supply, British Post Office, Admiralty, &c.

2. The systems operated by each of these authorities are similar and that of the Ministry of Supply, outlined in the following paragraphs, could be regarded as typical.

PURPOSE OF TRADES LISTS.

3. In order to ensure that the Ministry has an area of supply for stores, supplies and services, trades lists are maintained of firms eligible to tender. Separate lists are held for the various items or groups of stores.

COMPILATION OF TRADES LISTS.

4. The Ministry's trades lists have been built up over a period of years and are constantly being amended. Prior to 1939 it was the custom to insert a yearly advertisement in the press inviting applications for inclusion in the Ministry's trades lists but this is not now done as it is considered that the procedure is well known and advertising is unnecessary. Firms are admitted to the lists only after careful enquiry as to their suitability to be employed as Ministry of Supply contractors.

5. The initiating of new trades lists and the review of existing lists is a responsibility of the Purchasing Branches acting in collaboration with the Production and Technical Branches. At present the approach for inclusion on a trades list normally comes from the firm but the Ministry may invite firms to make application.

6. On receipt of an application, the firm is asked to complete a questionnaire, seeking—

- (a) information relating to its capacity (in terms of plant, personnel employed and types of goods manufactured);
- (b) the names of its directors and principal shareholders (if a company) or partners (if a partnership);
- (c) the amount of capital invested; and
- (d) the names of bank and business referees.

7. On the return of the questionnaire, enquiries are made of the referees nominated by the firm. Its resources and capacity are also investigated by the Production and Technical Branches which assess the firm's technical status and suggest in what trades lists, if any, its name should be included. Final responsibility for inclusion in any trades list rests with the Contracts Branches which also take into consideration the financial status of the firm concerned.

8. If the result of the foregoing enquiries is satisfactory, the firm is advised that it will be included in the Ministry's trades lists for nominated items subject to its completion of a "Fair Wages" Declaration.

9. The Ministry's trades lists are open to all firms in the United Kingdom which are—

- (a) actual manufacturers (normally the Ministry does not deal with merchants or factors);
- (b) respectably constituted, technically competent and financially sound;
- (c) prepared to subscribe to the Fair Wages Resolution of the House of Commons;
- (d) enrolled on the King's Roll (i.e. they employ or are prepared to employ a percentage of disabled men).

ANNOTATION OF TRADES LISTS.

10. Separate lists are maintained for different items or groups of stores, the total number approximating 1,600 and covering more than 18,000 firms.

11. The details for each firm in a trades list include the following:—

- (a) Number of employees.
- (b) Whether contracts have been undertaken for the Ministry.
- (c) Whether inspection and testing facilities have Aeronautical Inspection Directorate approval.
- (d) Alien directors or executives.
- (e) Limitations on firm's capacity.
- (f) Ministry staff holding directorship.

REMOVAL OF FIRMS FROM TRADES LISTS.

12. Firms may be deleted from the Ministry's lists if they—

- (a) consistently fail to tender or tender at high prices. (The general rule is that firms who fail to respond on six consecutive occasions are removed);
- (b) prove unsatisfactory either technically or financially;
- (c) are convicted for a serious offence;
- (d) go into liquidation or bankruptcy;
- (e) do not comply with the "Fair Wages" clause.

13. The Ministry also maintains an ineligible list in the following categories:—

Category 1—Cases of major offences prosecuted to conviction.

Category 2—Cases of major offences not falling in Category 1, e.g. where the evidence is not sufficient to warrant criminal proceedings.

Category 3—Cases of financial weakness, unsatisfactory performance of contracts or minor offences

14. All purchasing authorities circulate details of firms included in their ineligible list to other Departments. Cases in Categories 1 and 2 notified by other Departments are normally added to the Ministry's list but with those in Category 3, regard is had to the Ministry's requirements and its own knowledge of the firm concerned.

SELECTION OF FIRMS INVITED TO TENDER.

15. All firms included in a trades list are not necessarily invited to tender on each occasion that tenders are invited. The list of firms selected on each occasion is approved by an officer not lower in rank than Contract Officer (i.e., the clerk in charge of a contracts section). Regard is had to the following factors in selecting the firms to be invited to tender:—

(a) recommendations made by Production and Technical Branches;

(b) firms which have satisfactorily completed recent contracts;

(c) results of previous invitations for a similar supply;

(d) the desirability on policy grounds of including firms in Development or Unemployment Areas;

and

(e) the need to cover an adequate field of tenderers.

16. The number of firms invited to tender on each occasion is dependent on the category and quantity of the goods being purchased but on an average, 12 to 20 firms would be approached.

APPENDIX B.

INFORMATION CONCERNING LISTS OF POTENTIAL SUPPLIERS MAINTAINED BY DEPARTMENTS REPRESENTED AT THE WORKING PARTY.

Department.	Are lists of potential suppliers maintained?	From what source are lists compiled?	Are lists dissected for different categories of supplies?	Approximate number listed in each category?	To what extent are firms investigated before being included on the lists?	On whose authority are names added to or deleted from the lists?	How many firms, &c., on the lists are invited (a) to quote for purchases under £200; (b) to tender when public tenders are invited?	Who selects the firms, &c., to be invited to quote or tender?
Postmaster-General's	Yes — Head Office and State Branches. Has operated for about 35 years	Trade directories, tenders and quotes received, "pink" pages of Telephone Directory, requests from suppliers	Yes. 480 groups covering 18,000 items	Maximum—105 Minimum—1 (Average—25)	Generally examined—but investigation superficial. New suppliers carefully investigated before placing first contracts	Added—Senior Procurement Officer, £1,738 maximum. Deleted Senior Procurement Officer (States) Controller (Procurement) (H.O.)	(a) In some cases all invited; in others selection made according to value and class of supplies. (b) All	Senior Procurement Officer, £2,228 maximum
Works	Yes — Head Office and State Branches. (Lists maintained by Sections within the Branches.)	Trade directories, tenders and quotes received, "pink" pages of Telephone Directory, requests from firms and knowledge of Procurement Officer. For works—close contact with Master Builders Association and similar bodies	Yes. Stores—by individual material categories. Works—dissection governed by type and nature of work. All categories associated with the building and construction industry	Varies accordingly to availability of supplies and class of material required	Stores — emphasis placed on quality, but where considered necessary manufacturing capacity and ability of firms checked. Works—extent of investigation depends on size and nature of requirements. Necessary that contractors have required skills and reasonable financial backing — financial standing investigated if substantial amounts involved	By officer responsible for operation of section, district or major works projects	(a) and (b) Not necessarily all—governed by such factors as ability to deliver, past performance, recent prices, quality, nature and extent of works, &c., involved	Responsible officers specializing in the several individual fields; original selection may be added to by Senior Supervising Officers
Supply	Yes—operated over last 30–40 years	Present suppliers, trade directories, applications from firms, response to advertised tenders	Yes. All categories	Maximum—30 Minimum—2 (Average—15)	No full investigation. Post investigation if under consideration for contract	Added on application. Deleted by Contracts Officer, £2,358 maximum	(a) All firms but has very few purchases under £200 other than by tender. (b) All firms	Generally all firms are invited but if for expediency a selection is made, the Contracts Officer would make it subject to review by the Contracts Board
Air	Yes — Head Office; local lists at stores depots (but only for supplies under £200)	Present suppliers, trade directories, requests by firms	Yes. A broad dissection according to vocabulary groupings	Maximum—15 Minimum—1	Seldom investigated; if at all, at order stage — Aeronautical Inspection Directorate asked to inspect	Added — Supply Clerk, £1,188 maximum. Deleted — Supply Clerk after discussion with Sub-section Leader, £1,408 maximum	(a) Varies — standardization limits field; can be from 1 to 8. (b) Arranged through Department of Supply	Subject to overall responsibility of Section Leader, £1,848 maximum. (a) Items previously purchased or similar nature; proprietary lines—Supply Clerk. (b) New Items

APPENDIX B.—continued.

Department.	Are lists of potential suppliers maintained?	From what source are lists compiled?	Are lists dissected for different categories of supplies?	Approximate number listed in each category?	To what extent are firms investigated before being included on the lists?	On whose authority are names added to or deleted from the lists?	How many firms, &c., on the lists are invited (a) to quote for purchases under £200; (b) to tender when public tenders are invited?	Who selects the firms, &c., to be invited to quote or tender?
<i>Air—continued.</i>								
Repatriation ..	Yes—State Branches (Central Office uses Victorian list)	Trade directories, tenders and quotes received, "pink" pages of Telephone Directory	Yes. Every category in standard stores vocabulary—dissected into procurement sub-categories and single items where necessary	Maximum—60 .. Minimum—1 (Average—12)	May be examined generally in certain cases. More detailed investigation if tender considered for acceptance	Secretary, Procurement and Contract Board (each State) varies from £1,298 maximum to £1,628 maximum	(a) and (b) All ..	—Supply Clerk in consultation with Sub-section Leader supplemented by specialist advice when necessary See answer to previous question
Territories ..	Yes ..	Trade directories, tenders and quotes received, "pink" pages of Telephone Directory	Yes ..	Maximum—35 .. Minimum—2	No investigation until a tender is considered for acceptance	Any officer may add to the List. Deletion by Official Representative only, £2,358 maximum	(a) Minimum 4 .. (b) All	Selection by Clerk, £1,188 maximum. Reviewed by Clerk, £1,848 maximum
Health ..	In Darwin—for Northern Territory only	Trade directories, tenders and quotes received	Yes ..	Maximum—100 .. Minimum—50	No investigations as a general rule	No deletions; additions by Purchasing Officer	Lists maintained in Darwin; figures not obtained	Usually Stores Purchasing Officer
C.S.S. and T.B. ..	Yes ..	Trade directories, tenders and quotes received, "pink" pages of Telephone Directory, requests by firms	Yes. Numerous categories covering a wide range of supplies	Maximum—100 .. Minimum—5 (Average—12)	No investigation unless a tender is considered for acceptance	Clerk in Charge, Provisioning Section, £1,518 maximum	(a) More than 3, usually about 6; varies according to the requirements. (b) All	Clerk in Charge, Provisioning Section £1,518 maximum

APPENDIX C.
INFORMATION CONCERNING THE EXTENT TO WHICH LISTS OF POTENTIAL SUPPLIERS ARE MAINTAINED BY DEPARTMENTS OTHER THAN THOSE REPRESENTED IN THE WORKING PARTY.

Department.	Is a list of potential suppliers maintained? If not, what is alternative method of selection for purchases under £200?	How are lists compiled and maintained?	Are lists used in conjunction with public tender system?	How many firms, &c., on list are invited (a) to quote for purchases under £200, (b) to tender when public tenders are invited?	If all suppliers on relevant lists not invited, on what basis and by whom is selection made?	Advantages and disadvantages of a list of potential suppliers.	Are names of new suppliers often added to the lists from response to public invitation to tender?
Civil Aviation	Yes—in Melbourne and most Regional supply offices. Used for direct distribution of invitations to tender concurrently with advertising; for selection of potential suppliers in an emergency; as basis of selection for invitations to quote	From tenders submitted, orders placed as result of quotations from firms, answers to questionnaires distributed by Department, trade journals	Yes	(a) Not all under £200 (b) All on relevant list, in addition to public invitation to tender (except urgent purchases—selective)	Depending on number of quotes required approaches made to previous satisfactory suppliers and firms known to hold required goods. Selection made by either Contracts Officer, £1,518 maximum and Assistant Contracts Officer, £1,188 maximum (Head Office); Senior Purchasing Officer, £1,518 maximum and Purchasing Officers, £1,188 maximum and £1,078 maximum (Regions)	Advantages; immediate indication of source of supply; knowledge that trades list exist enables firms to register. Disadvantages; difficult to categorise supplies and services and to design system to keep list up to date—must place reliance and supervision on Purchasing Officer. If all potential suppliers to be invited, great deal of seemingly unnecessary work in despatch of documents. Increase in size of lists—additional clerical work, reproduction and distribution problems. Increase in work load from investigations	Often, not to great extent
Shipping and Transport	Yes	From information gathered in the course of purchasing the Department's requirements	No—only in respect of supplies estimated to cost less than £200	(a) Three .. (b) All known interested suppliers	Last successful tenderer plus two selected at random by Purchasing Officer	Advantages; quick reference; from experience of suppliers, knowledge gained of prices, quality and efficiency; able to choose the best source of supply	Not often—Departmental requirements specialized over £200
Interior	Yes—but only where a large number of purchases is made	From previous tenders, trade journals, "Pink" Pages of Telephone Directory	Yes	(a) Not all .. (b) Not all ..	Dependent on type and value of material; where large numbers of potential suppliers, quotes restricted to several firms within reasonable distance. Selection made by Purchasing Officers	Advantages; ready reference to field of potential suppliers, saves time in ascertaining suitable source of supply	Yes

APPENDIX C.—continued.

Department.	Is a list of potential suppliers maintained? If not, what is alternative method of selection for purchases under £200?	How are lists compiled and maintained?	Are lists used in conjunction with public tender system?	How many firms, &c., on list are invited (a) to quote for purchases under £200, (b) to tender when public tenders are invited?	If all suppliers on relevant lists not invited, on what basis and by whom is selection made?	Advantages and disadvantages of a list of potential suppliers.	Are names of new suppliers often added to the lists from response to public invitation to tender?
Army	Yes	List maintained on a day-to-day basis from past orders, experience requests by suppliers, trade journals, recommendations from other Departments. No guarantee lists up to date (additional work would be involved)	No—only in respect of purchases estimated to cost less than £200	(a) Not all (b) Not applicable—arranged through Department of Supply	When suppliers exceed 4-rotation basis, previous supplier usually included. Selection made by Ordering Officer for particular type of item	Advantages: speed and economy, protection of officers from patronage, opportunity for suppliers to be registered. Disadvantages: incompleteness of record, need to observe full routine when limited number of suppliers and when proprietary lines or fixed price lines	Not applicable
Defence	From information supplied voluntarily by firms, enquiries of other Departments	No—only in respect of supplies estimated to cost less than £100. (Purchases over £100 not covered by contract are processed through Department of Supply)	For supplies estimated to cost up to £100— (a) At least 3 (Defence Signals Branch—known suppliers) (b) Not applicable	Central Staff from previous experience of standard of work, speed of delivery, &c. Defence Signals Branch; selection made jointly by Procurement and Ordering Officers from knowledge of capabilities of firms	Advantages: Central Staff speed of locating likely suppliers and possible offer of alternative product superior to one sought. Defence Signals Branch; highly competitive quotes, known standard of workmanship, ability to meet delivery date, ability to get uneconomic jobs arranged when firms not interested in quoting	Central Staff—No. Defence Signals Branch—Yes
National Development	Yes	From trade catalogues, magazines, "Pink" Pages of Telephone Directories, brochures, information gained by Technical Officers. No defined procedure for keeping up to date	No—only in respect of purchases estimated to cost less than £200	(a) Not all (b) Not all	On basis of past experience of prices and services given; rotation system followed as closely as possible. Selection made by Purchasing Officers; scientific equipment approved in some cases by technically qualified officers	Advantages: saves time in locating source of supply, provides means of ensuring suppliers not overlooked, safeguard against patronage. Consider advantages outweigh disadvantages such as work of establishing and maintaining lists	Not applicable—tenders arranged through Department of Supply or C.S.S. and T.B.
Social Services	From known sources of supply, reference to other Departments, business directories, telephone directories, application from firms	No—only in respect of purchases estimated to cost less than £200	(a) At least 3 under £100; £100-£200 more than 3 (b) Not applicable, purchases arranged through C.S.S. and T.B. or other Departmental Contract Boards	Selected on past prices quality and satisfactory performance. Selection by Purchasing Officer, approved by Stores Committee or senior officer	Advantages: ready source of suppliers willing to quote (sometimes lower than contract prices), saving in time and money. No disadvantage	Yes—occasionally

APPENDIX C.—continued.

Department.	Is a list of potential suppliers maintained? If not, what is alternative method of selection for purchases under £200?	How are lists compiled and maintained?	Are lists used in conjunction with public tender system?	How many firms, &c., on list are invited (a) to quote for purchases under £200, (b) to tender when public tenders are invited?	If all suppliers on relevant lists not invited, on what basis and by whom is selection made?	Advantages and disadvantages of a list of potential suppliers.	Are names of new suppliers often added to the lists from response to public invitation to tender?
Attorney-General's (Patent Office)	Yes	By adding satisfactory suppliers	No—only in respect of purchases estimated to cost less than £200	(a) Not all—but all suitable suppliers (b) None	Orders placed with known suppliers—most purchases standard items, standard prices. Quotes obtained from known suppliers selected by Publication Officer, £1,423 max. Law Books only obtainable from limited sources	Advantages: keeps suppliers competitive, ensures prompt delivery, high standard of goods	No. Very rare for Patent Office to invite tenders
Trade (Melbourne Office)	Yes	From knowledge of experienced Technical Officers and usage over long period	Yes	(a) Not all (b) Not all	Selected on basis of ability, by Technical Officers—approved by Director or Assistant Director	Advantages: ready means of access to sources of supply, available resources, &c. Particularly valuable for urgent purchases. No disadvantages	Yes, occasionally
Navy	No formal lists	Not applicable	Not applicable	Not applicable but in cases of Naval and Air stores where the number of suppliers not greatly in excess of 3, all are asked to quote	Not applicable but interested satisfactory firms circulated. Victualling stores selection by Victualling Store Officer or Assistant Victualling Store Officer; medical stores by Medical Store Officer	Advantages: facilitates obtaining of supplies. Disadvantages: inviting all known suppliers very time-consuming; for victualling stores duplicates available information; for relatively small volume of purchases of weapons, medical and dental stores—unnecessary	Not frequently
Immigration	No. Vast majority of supplies purchased under contracts—either Commonwealth, C.S.S. and T.B. or State	Not applicable	Not applicable	Not applicable	Not applicable	As supplies obtained under Commonwealth and State contracts no advantage seen in institution of Trades Lists at present	Not applicable
Labour and National Service	No. Majority of purchases are under £25	Not applicable	Not applicable	Not applicable. (Before purchases under £200 are made at least 3 quotes obtained.)	Not applicable	Not applicable	Not applicable

Department.	Is a list of potential suppliers maintained? If not, what is alternative method of selection for purchases under £200?	How are lists compiled and maintained?	Are lists used in conjunction with public tender system?	How many firms, &c., on list are invited (a) to quote for purchases under £200, (b) to tender when public tenders are invited?	If all suppliers on relevant lists not invited, on what basis and by whom is selection made?	Advantages and disadvantages of a list of potential suppliers.	Are names of new suppliers often added to the lists from response to public invitation to tender?
External Affairs	Not in formal sense. Lists have been built up in Australia and overseas posts. Has under consideration establishment of formal trades lists	Sources of supply are noted as ascertained	In the main only in respect of supplies estimated to cost less than £200	(a) Not all — but all suitable suppliers .. (b) None ..	Experience as to quality and performance or from independent advice. Selection by delegate of the Minister (under T.R. 48 (2)); minimum classification, £2,098	Sees advantages in use by overseas posts	Not in position to comment
Prime Minister's	No. Bulk of supplies purchased through Government Printing Office or under Commonwealth contracts	Not applicable	Not applicable	Not applicable. (Occasionally necessary to choose suppliers and ask for quotes)	Not applicable ..	Not applicable ..	Not applicable
Primary Industry	No. Bulk of goods purchased through Government Printing Office or C.S.S. and T.B.	Not applicable	Not applicable	Not applicable	Not applicable ..	Not answered ..	Not applicable
Customs and Excise	No. Procedures prescribed in Treasury Regulations used	Not applicable	Not applicable	Not applicable	Not applicable ..	Canberra — List would facilitate selection of firms to quote. Other States — No advantages	Not applicable

DEPARTMENT OF THE TREASURY.

STATEMENT BY THE TREASURY REPRESENTATIVE IN RELATION TO PARAGRAPH 31 (i), CHAPTER VII.,
OF THE COMMITTEE'S REPORT.

In supporting the view that the "particular monetary limit" should be £200, the Treasury representative considered that the proposition for an increase, on the basis of a small selection only from the lists, was no different from that already put to the Committee at its inquiry into the need for an increase in the present statutory limit. The Committee rejected that proposition.

The view was expressed at the Committee's hearing and in the Treasury document TR17, paragraph 24, that reasons of considerable substance are needed to justify any significant increase in the value of purchases withdrawn from public tender. If a figure of £1,000, which was suggested to the Working Party, were to be applied, there would be released from the requirements of public tendering at least another £5,000,000 worth of supplies—a 50 per cent. increase on the present figures. Treasury shares the Committee's concern (paragraph 28, Chapter VII.) that there is already too little control by statutory provisions below the existing limit, and is most apprehensive of the possible effect of releasing a further £5,000,000 into this area.

Under the present arrangements in the area between £200 and £1,000, senior officers are exercising control in some Departments and for some classes of supplies, by approving on the recommendation of a Contract Board or some other responsible officer, that tenders shall not be invited. The Treasury representative does not agree that this power should be given to less senior officers (purchasing officers) to be used alone at their discretion which would be the immediate effect under the proposition if the monetary limit were set at £1,000.

It has been stated by some departmental representatives that certificates of inexpediency create additional work in the preparation of submissions and in the processing of those submissions. While it is not denied that cases may arise where urgency is a factor, this is not generally the case, and where present it should be adequately met by departmental administration.

Figures presented by the Public Service Board at the Committee's enquiry show that the Department of Works issued 440 certificates of inexpediency in a selected three-monthly period for supplies costing between £200 and £1,000. When it is considered that this Department has some 35 officers authorized to approve certificates of inexpediency and that the period covered 60-odd working days, it is difficult to see that any great hardship is being imposed. In the same period the Postmaster-General's Department issued 114 certificates, i.e., less than two a day, and the Department has authorizations for seven officers. Other Departments represented at the Working Party (except Supply) issued on the average less than one every two days. The Department of Supply issued 421 in the same period, but makes no complaint of excessive work load.

The certificate of inexpediency provision provides flexibility in administration of the tender system, at the same time placing responsibility with a senior officer for the issue of the certificates. No definite evidence has been presented that it creates undue work-load in any Department under the present statutory provisions.

The main reasons stated by the Working Party (paragraph 20 of the report) in support of the public tendering system are fully endorsed and the Treasury considers that those reasons apply equally as well to an area of purchasing over £200. Public tendering as a method of purchasing is preferred to the exclusive use of a form of trades lists procedure in Australia for the following reasons:—

- (a) it is to the advantage of all Departments to satisfy public interest and to have the best competition available in order to obtain the best price;
- (b) public tendering has inherent safeguards against favoritism and malpractice: this is not so with trades lists where these safeguards have to be added administratively and constantly supervised;
- (c) public advertisement of tenders as compared with trades lists involves, at the most, a matter of only a few days, delay in the closing date for tenders, and does not generally inconvenience a contracting authority;
- (d) a form of trades lists procedure for small contracts work was adopted by the Director of Works, Canberra, but after a trial period he decided that public invitation of tenders by advertisement in addition to the trades lists procedure was more advantageous to the Department and to small contractors;
- (e) trades lists for exclusive use over £200 will require more clerical work in preparation and maintenance of the lists, in supervision and the issue and management of a series of instructions.

The Department of Supply and the Commonwealth Stores Supply and Tender Board, which buy a wide and extensive variety of supplies for all Departments, can operate comfortably under the present monetary limit and statutory provisions. With the qualification that they want authority to certify to the inexpediency of calling tenders in appropriate cases, the Departments of Repatriation, Territories and Health also find that the present regulation provisions are satisfactory as far as they are concerned. It emerges, therefore, from the discussions of the Working Party that only two purchasing Departments, viz., Postmaster-General's Department and the Department of Works, which buy supplies over £200, fully support the exclusive use of a trades lists system above that figure.

PROPOSED AMENDMENT OF TREASURY REGULATION 52 TO PERMIT OF PURCHASES UP TO £1,000 BEING MADE WITHOUT THE INVITATION OF PUBLIC TENDERS.

The Department of Supply is in favour of the amount specified in Treasury Regulation 52 remaining at £200.

Its opposition to the proposed increase to £1,000 is based on its belief that, as a general principle, the public tender system, coupled with a provision that a senior officer may authorize the restriction of offers in appropriate specified circumstances, is the most efficient, economical and wholesome method of undertaking Government purchasing.

It considers that the public tender system has the following distinct advantages:—

- (i) As a result of encouraging competition it ensures that purchases are made at the most economical prices. It realizes that in certain circumstances—e.g., a manufacturer may not tender in competition with wholesalers—more favorable prices may be obtained by direct negotiation but considers that these cases can be covered by a proper application of inexpediency certificates.
- (ii) Public confidence in Government purchasing is engendered resulting in less time being taken in answering complaints from possible suppliers.
- (iii) All persons interested, including local manufacturers and importers, have equal opportunity of submitting offers.
- (iv) Safeguards against malpractice and partiality are inherent in a public tender system and charges of favoritism are therefore largely avoided.
- (v) New sources of supply are located. This is particularly important where there is an expanding and developing manufacturing capacity as there is in Australia.

Having regard to these advantages, the Department of Supply considers that, before it is decided that tenders shall not be invited publicly, it must be evident that competition for the supplies in question does not exist, or that reasons, such as standardization, development of defence potential, or extreme urgency, would make public invitations impracticable. In such cases the reasons should be properly documented and the appropriate certificate furnished by an officer so authorized by the Secretary, Department of the Treasury. The raising of the limit to £1,000 would remove the safeguards provided by this procedure in respect of a considerable volume of Government purchasing.

Orders placed at present up to £200 in value for supplies for the Defence Group, not including those placed under period contracts, amount to approximately £3,700,000 annually, all of which are placed without being publicly advertised. Raising the limit under Treasury Regulation 52 to £1,000 would result in additional orders up to approximately £2,000,000 annually becoming eligible for inclusion in the category of those placed without the invitation of tenders.

The Department of Supply considers that very substantial reasons must be advanced to justify the withdrawal of such a large volume of Government purchasing from the safeguards and price advantages which result from public tendering.

In its opinion it is open to considerable doubt as to whether any of the savings which it is claimed would result from the raising of the limit could be achieved. In regard to the time factor the essential purchasing processes are the same whether public tenders are invited or quotations sought from a selected group of suppliers, so the savings by the latter process would, if any, be negligible. The savings claimed in direct administrative costs are, in relation to the total value of orders placed in the £200 to £1,000 range, relatively small (less than 1 per cent.) and the more favorable prices resulting from full and open competition would more than compensate for this small saving in administrative costs.

The flexibility claimed to result from an increase to £1,000 can be equally as well provided by a proper application of the use of inexpediency certificates under the present arrangements. This latter procedure has the distinct advantage that the reasons for restricting tenders to a limited number of possible suppliers must be properly documented and approved by a senior officer.

WORKING PARTY ON TREASURY REGULATION 52.

VIEWS OF POSTMASTER-GENERAL'S DEPARTMENT ON MONETARY LIMIT.

The existing limit of £200 in respect of orders, which may be placed without invitation of tenders, was determined in 1923 in the light of prices and costs then current. This limit was satisfactory and operated effectively over the years up to the start of World War II. During this period it must be conceded that—

- (i) fair and reasonable prices were obtained;
- (ii) suppliers did not raise objections;
- (iii) generally the public interest was well served; and
- (iv) abuses and malpractices were not current.

2. In view of the great volume, and comparatively low value of order in the £200 to £1,000 range, it is considered that it would now be reasonable to raise the general limit under Treasury Regulation 52 (1.) to £1,000. In present circumstances and in the light of current prices this would do little more than restore the pre-war conditions, which applied satisfactorily and effectively, secured good results and were accepted by suppliers and the public. The retention of the existing figure as the monetary limit is equivalent to a decision, taken in retrospect, that £200 was excessive in the pre-war period and that the limit should have been something like £50 at that time.

3. This higher limit would be appropriate having regard to changes in the price level and other factors, such as the extent of administrative effort involved and improved budgeting, better financial control and more precise estimating procedures which have been introduced in the Post Office during the past ten years, which ensures adequate control of expenditure under delegated authority.

4. The following advantages would result from raising the limit to £1,000:—

- (i) *Greater flexibility.*—The lifting of the level above which tenders must be invited would by no means exclude the calling of tenders below that limit. So far as the Post Office was concerned, the practice of inviting tenders for requirements under the determined monetary limit would continue, as at present, in those cases where it was considered that the calling of public tenders could result in some advantage to the Department.
- (ii) *Less time to process orders.*—There would be a reduction in the time taken to process orders due to the elimination of the time required for advertising. There would also be a saving in the clerical effort required to record, summarize and examine the offers received if the invitation to submit quotations is limited to a fair and adequate coverage of known satisfactory or approved suppliers.
- (iii) *Improved management.*—Senior officers would be able to devote more time to management, planning, and overall direction and control of activities and at the same time maintain adequate control of purchasing under delegation. The benefits arising in a Department using each year materials valued at more than £30,000,000 would be substantial.
- (iv) *Improved stock control.*—The speedier placing of orders would result in improved stock control, minimize shortages and enable stockholdings to be kept at minimum levels, with consequent savings in costs.
- (v) *Improved efficiency.*—The more streamlined procedures would facilitate the regular flow of supplies, and, in particular, of small “balancing” items, to the large field staff, thus assisting in achieving maximum efficiency.
- (vi) *Overall savings.*—As there is a large number of orders valued at less than £1,000 placed each year, the total overall savings would be considerable, without any real risk of the Department paying higher prices for supplies.

CERTIFICATE OF INEXPEDIENCY.

5. It has been suggested that, rather than increase the monetary limit, the situation could be met by greater use of the certificate of inexpediency. This is not favoured by the Post Office. It is considered that the certificate of inexpediency should be used only in exceptional circumstances and should not be used as a matter of routine for the large number of orders between £200 and £1,000 which could more appropriately be dealt with by quotation procedure. The certificate of inexpediency could then be used mainly where it was considered inexpedient or impracticable to invite public tenders for supplies in excess of £1,000.

6. The issue of certificates of inexpediency should never be the rule within any monetary limit; it should be the exception and reserved for exceptional cases, with full accompanying documentation. The Public Service Board, in its statement accompanying this report, has set out fully reasons underlying its opposition to greatly extended use of the certificate of inexpediency. The Post Office is in agreement with the views expressed.

INVITATION OF QUOTATIONS.

7. At present, it is prescribed that a minimum of three quotations must be obtained (whenever possible) when tenders are not invited. The Post Office strongly supports the view that this minimum should not be regarded as a maximum and that the objective is the selection, by competent officers, with a wide knowledge of the supply situation, of a well-judged and representative section of possible suppliers.

8. The same considerations would, of course, apply if the monetary limit were raised. The raising of this limit would be facilitated by the adoption of a formal modified trades lists system. If it is decided that the existing monetary limit could not be raised unless the required minimum number of quotations were increased, the Post Office suggests the following as an alternative:—

Value of Order.							Number of Quotations.	
							Minimum.	Maximum.
Up to £200	3	All on list
£200 to £500	5	All on list
Over £500	All on list	All on list

For orders of over £500, the maximum of “all on list” would apply whenever practicable; in other cases the discretion of the supply officer, with appropriate delegated authority, would be exercised.

GENERAL.

9. Generally, the Post Office does not support the view that the tender system necessarily gives lower prices in *all* cases. In fact, instances have occurred where the invitation of quotations, subsequent to the calling of tenders, has resulted in lower prices than those obtained by tender. Some of these were mentioned in evidence to the Public Accounts Committee and many other instances could be supplied if required.

10. The Post Office view is that the decision to call tenders or invite quotations, when the total level of the proposed order is below the prescribed monetary limit, which should be increased to at least £1,000, is best left to the experienced purchasing officer within the Department. He is able to make a decision in the light of all the circumstances of the case, and is guided by his detailed knowledge of the supply situation.

11. It has been stated that, because tender prices often cover a wide range, a similar range could not be obtained through selective quotations and thus the advantages of low prices would be lost in some cases. This argument is not valid, because, irrespective of whether tenders are called or quotations invited, it is the responsibility of the purchasing officers and/or the Tender Board to compare the prices with those paid for previous orders for the same type of materials. This in itself constitutes a valuable check.

PUBLIC SERVICE BOARD.

NOTES ON SUGGESTED FIGURE OF £1,000 AS THE MONETARY LIMIT IN TREASURY REGULATION 52.

1. Savings in costs of advertising and associated administrative work (effort of preparing advertisement, dealing within Advertising Division, &c.).
2. Small savings in time of securing the supplies.
3. Other administrative savings—in some cases more detailed specifications required if advertised publicly, time and effort dealing with inquiries and tenders of unsatisfactory suppliers brought into the net by publicly advertising, &c.
4. Nothing sacrosanct about £200, should look objectively at whole field and in light of agreement that it is not feasible to advertise all Commonwealth requirements, consider what monetary limit would provide appropriate direction and reasonable flexibility for purchasing officers, always remembering that public tenders should be called if it is advantageous to do so, irrespective of value of purchase.
5. It does not follow that the best buy will result from public tendering. For example, better prices are secured by direct negotiations in many cases—e.g. tinned fruit, electrical goods, bitumen, certain imported grocery lines, earthenware, other lines where manufacturers generally operate through normal trade distribution channels and will not tender if tenders called publicly, trade rings, &c.
6. In deciding on the appropriate money limit in Regulation 52 we should have in mind all the various factors which influence a decision in this matter—
 - best price
 - public interest
 - widest practicable opportunity *within reasonable limits* to participate in Government supply business
 - the possibility of malpractice through collusion
 - the U.K. approach of very wide discretion for departmental purchasing officers
 - the desirability of providing the means for flexible and economical administration and the development of positive knowledgeable purchasing officers seeking for the Commonwealth the best value for money spent
 - the relative importance according to the value and the number of transactions involved which the area of purchasing between £200 and £1,000 bears to the total field of supply transactions.
 - safeguards for price and protection of the public interest which otherwise apply to this particular area of supply activity, two officers enter into each transaction, departmental internal checks, Commonwealth audit checks, the possibility of complaints from suppliers to senior departmental officers, to their Members of Parliament, &c.
 - a figure of £1,000 would not mean that every specific requirement between £200 and £1,000 would be dealt with under quotation procedure. Period contracts already apply to a high proportion, 54 per cent. of numbers of orders (£5,700,000 per annum), for requirements in this value range. Another 8 per cent. by number (£1,000,000 per annum) are at present covered by inexpediency certificates. This means that in respect of only 38 per cent. of the orders (£4,500,000 per annum) between £200–£1,000 it would be proposed to allow departmental purchasing officers to use their discretion as to whether to invite public tenders or to call quotes. (Total Commonwealth purchases above £200 approximate £153,000,000 per annum.)
7. I do not regard wider use of Certificates of Inexpediency as the answer to the problem. It could be argued, unjustifiably in my view, that the inexpediency approach should be applied to all the purchases now made under £200 on the basis of quotations. My views on this particular question are as follows:—
 - (i) Departments should be given discretionary authority to apply a simplified but adequately controlled purchasing routine based on written quotations in cases where the value does not exceed £1,000. The inexpediency procedure should be applied to the unusual type of cases, not to a relatively large number of run of the mill cases.
 - (ii) I consider that Certificates of Inexpediency should be regarded as very important instruments of authority to be used by senior officers with great care and discretion in particular circumstances and in relation to unusual cases which are of more significant value (i.e. exceeding £1,000) for which it is genuinely demonstrated that the use of public tenders is inexpedient or impracticable. It is suggested that they should be used for the following types of cases (these are quoted as examples—the list is not necessarily exhaustive):—
 - (a) higher value cases (e.g. over £1,000) which are really urgent.
 - (b) those where competition for supply is very limited (e.g. only one or two suppliers) and quotes are secured from all of these suppliers.

- (c) where it is known that prices based on public tenders are uneconomical.
 - (d) for reasons of national policy (e.g. certain Defence purposes).
 - (e) where recent experience has proved it is abortive to invite tenders publicly because of lack of satisfactory response to such invitations.
- (iii) I consider that the certificate of inexpediency procedure should require each case involved to be the subject of a properly documented statement of the circumstances showing the inexpediency or impracticability of calling public tenders, the decision on which is made at a senior level. It is considered that such procedure should not be applied to cases of lower value which could be catered for adequately by other administrative process.
- (iv) This question should also be viewed in its effect on the total p.s. effort—there is a general tendency in officers to be conservative and to fear possible criticism. In my view certificates of inexpediency *should* be used with very careful discrimination. However, the encouragement of a certain attitude, to develop purchasing officers who know their supplies and when, where, and how much to buy, to secure the best value, is important. This would be encouraged by the suggested approach to what are normal type purchases under £1,000—i.e., the application of a well-informed discretionary authority to this range of purchasing which, viewed in the general pattern, comprises a relatively large number of orders for relatively small value (28 per cent. in number for 3.5 per cent. of the value of purchases over £200). Note the following extract from the United Kingdom Treasury 1954 booklet on the principles of purchasing—

“The Contracts Division staff ought, nevertheless, to maintain a constant study of their own subject matter and of the industries with which they deal. There is thus a strong element of professional knowledge as well as of business aptitude in the makeup of a good ‘Contracts Officer’. (Note the meaning of the term contracts officer in the United Kingdom—equivalent to our term purchasing officer—their term is used in the sense of offer, acceptance, consideration, contract in all transactions large and small.)”.

8. Having in mind all the above factors I consider that needs would be met substantially by a figure of £1,000. Present figure of £200 has applied since 1923. Prices have increased 3–4 times since then. No evidence has been produced to show malpractice with the figure at £200. Increase to £1,000 would do little more than restore relativity with the situation which was established in 1923 when the monetary limit was increased to £200. £1,000 is a reasonable figure to introduce into the system at this stage. The major operational departments primarily affected support £1,000. Commonwealth Audit does not object to this figure.

9. It should be realized that, having in mind all the factors stated above, emphasis in all well informed and progressive procurement circles is on obtaining efficiency in purchasing and in producing positive and responsible purchasing officers—not merely order placers who operate on a system of rules but men who when given responsibility will act responsibly with discretion and exercise a well-balanced approach and make a well-judged selection from reliable sources of supply. The objective is to get maximum value by considering all the significant elements in a “buy” in each purchasing decision. The essence in Commonwealth Government procurement is to provide purchasing officers with flexibility up to a reasonable figure (£1,000) under which they can decide whether to call for quotes or whether to call tenders; and above £1,000, where it is proved to the satisfaction of the Secretary to the Treasury that circumstances warrant it, to give certain senior officers authority to dispense with public tendering (but these cases should be the exceptional ones and should be properly documented in departmental papers).

Supplementary Note submitted by the Public Service Board Representative following Working Party discussion of Sub-paragraph (vii) of paragraph 31 of Public Accounts Committee Report on Treasury Regulation 52—“Whether all firms listed for particular requirements should be invited to quote or tender on each occasion”.

1. In the light of agreement reached in the Working Party, as expressed in paragraph 32 of its report, it is considered that the appropriate *minimum* number of quotations to be invited, if the monetary limit were raised to £1,000, should remain as at present prescribed in Regulation 47 (3.), i.e., “where there is no contract and the amount involved in a purchase exceeds £25 at least three representative quotations shall, whenever possible, be obtained unless tenders are publicly invited”.

2. If it is considered by the Public Accounts Committee that the figure of £200 could be raised to £1,000 only if the present minimum number of firms to be invited were increased, then it is suggested that the following basis should be used:—

Above £25 and up to £200—three (note that this is only a minimum—all firms listed must be considered).

Above £200 and up to £500—five (note that this is only a minimum all firms listed must be considered).

Above £500 and up to £1,000—all listed suppliers whenever practicable.

APPENDIX D.
Attachment 5.

DEPARTMENT OF WORKS.

VIEWS ON MONETARY LIMIT.

1. The Department generally supports the views of the Public Service Board and Postmaster-General's Department, and favours an increase to £1,000 of the monetary limit below which it would not be mandatory to invite public tenders.
 2. While it is recognized that Treasury Regulation 52 has application to a very wide field of Government purchasing, this Department, of course, is not only concerned with the procurement of materials, there being a much greater departmental expenditure in the works and services field.
 3. While the Department does not suggest a departure from the recognized principle of public invitation for tenders, special problems often are encountered in the "works" field, e.g. firms do not always respond to public advertisements, and it may be necessary to seek out firms and interest them in submitting offers. In other cases, it may be desirable to seek quotations from selected contractors, having regard to their known ability to complete works within the stipulated time, past performances, recent prices offered, quality of workmanship and the nature and extent of the works involved.
 4. The Department is expected to carry out its works programme to targets, and it is essential that it be free to use the "quotation from selected contractors" procedure where considered advantageous. The erection of, or minor modification to, a building, often is the first step, following which installation of equipment and occupation may take place—delays in the initial stages of construction could be costly and must therefore be avoided.
 5. Admittedly a number of senior personnel in the Department are vested with the authority under Regulation 52 (2.) to certify inexpediency but the present limit of £200 is unrealistic as it means that even for relatively minor jobs slightly exceeding this figure, the Department's Supervising Engineers and Architects in charge of districts or areas must still refer to higher authority if in their judgment (and they are the people who know) it is considered advantageous to invite quotations in lieu of calling tenders by public advertisement.
 6. In present circumstances it would not be envisaged that tenders would be called for projects under £200, but if the figure was increased to £1,000, provision could still be made for tenders to be invited by public advertisement, if it was considered advantageous to do so, and in any case, this would be the Department policy.
- However, for the reasons outlined in paras. 3 and 4, the Department could *not* agree to a proposal that all firms included on a "trades list" should be invited to submit offers in respect of transactions up to £1,000—it is essential that the Department be able to obtain selected quotation under certain circumstances.
7. It is noteworthy that other major Commonwealth constructing authorities such as the National Capital Development Commission (for whom this Department acts as agent) and the Snowy Mountains Authority are not governed by this Treasury Regulation. It is therefore apparent that the Government considers that greater freedom of action is necessary in the works field.
 8. In summary, the Department supports the proposal to raise the monetary limit in Treasury Regulation 52 from £200 to £1,000 in respect of works, stores, and services.

APPENDIX D.
Attachment 6.

COMMONWEALTH AUDIT OFFICE.

The Auditor-General considers that the comments he submitted to the Public Accounts Committee on 2nd April, 1959, still generally obtain.

On the question of the trades list system he feels that—within reason—it provides an adequate procedure particularly in its operation with tendering, as at present.

However, public advertising should continue for all classes of tendering (works, supplies and services) for the present, subject to later review as the trades list practice develops.

If the amendment of Treasury Regulation 47 is under consideration, it is suggested that there is no need to quote the number of tenders required. The Regulation might provide that departments should obtain an adequate number of tenders which could vary with the type of transaction. At present, three quotes are regarded in practice as the minimum.

The Auditor-General's representative requested that the following statement also be submitted:—

The views which I have supported as a member of the Working Party are my own and are not necessarily the official views of the Audit Office.

It is not the function of the Audit Office to formulate policy. However Audit would not be in disagreement with a move to extend the limit of £200 under Treasury Regulation 52. The increase might be to £500 or possibly to £1,000, but it is the considered opinion of the Auditor-General that the earlier proposal of the Public Service Board to increase the limit to £2,000 would not provide reasonably adequate safeguards in the expenditure of public moneys.

On the other hand, Audit would not express disagreement with the views of the Contract Board of the Department of Supply, because of its long experience in the procurement field.

DEPARTMENT OF HEALTH.

RE MONETARY LIMIT.

The Departmental representative expressed the view that if approach to the Executive Council is to be curtailed, or the granting of the inexpediency delegation limited as at present, the monetary limit should be increased above the present £200, whether or not a trades lists system is introduced.

If a trades lists system is introduced and the limit of £200 is raised, all registered suppliers should be approached, except in those cases where the departmental officers holding the Ministerial delegation to authorize the purchase of supplies, certifies that some should be excluded. The reasons should be evident from the documents and open to Audit inspection.

The Department believes that the introduction and operation of a formal trades lists system could be costly. There is a distinct possibility that more staff would be necessary without any compensating advantages in smaller Departments.