

AIIA Victoria 2025 Policy Statement:

Recommendations to support a thriving and healthy digital economy for Victoria

**March 2025
Version 1.0**

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Background

The digital world is changing at a rate unlike any before. The goal of the Australian Information Industry Association (AIIA) is to work with the Victorian Government to assist it in adapting to this rate of change so that the State remains competitive both nationally and internationally.

In this policy statement, the AIIA presents a series of recommendations aimed at transforming Victoria's technology procurement, contracting and regulatory processes to better support its economy. These measures address inefficiencies, reduce red tape, and foster innovation in public and collaboration through private sector partnerships.

The Victorian Government is a large procurer of goods and services, including information technology, in the state economy. According to the Victorian Auditor-General's Office estimated the government's total ICT expenditure to be about \$3 billion per year and growing.¹ With Australian and State GDP at record lows and productivity lagging, Victoria needs to be a great place to do business in both the private and public sectors which is currently not the case. Victoria needs to go from being a perceived hard place to do business to one that embraces lower regulation and red tape right across its economy.

The AIIA agrees with the Victorian Government that red tape is a critical pain point that 'stifles innovation and slows growth', noting especially in the areas of procurement and government-ICT collaboration.² According to the 2024 AIIA Survey on the Digital State of the Nation (see relevant extract in the next page), respondents overwhelmingly suggested the government gain mature industry skills, increase industry engagement, improve ICT procurement process and reduce red tape.³ Without significant and ongoing reforms, the current system risks stagnation in an era of rapid technological change. This paper outlines actionable recommendations to modernise procurement practices, enhance efficiency, and ensure Victoria remains competitive in the digital economy.

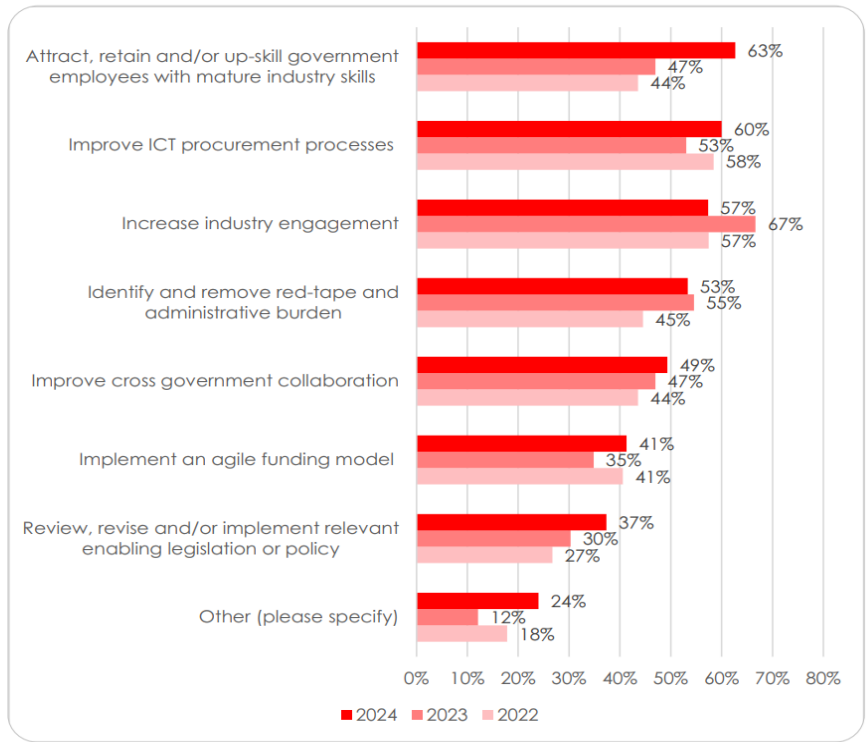
¹ Victorian Auditor-General's Office, [The Victorian Government ICT Dashboard: Independent assurance report to Parliament](#) p. 7 (June 2018).

² Victorian Government, [Economic Growth Statement – Action Two: Cut Red Tape](#) (10 December 2024)

³ AIIA, [2024 AIIA Survey on the Digital State of the Nation](#), p. 7 (July 2024).

What do you think governments could do to improve their understanding of and approach to ICT related opportunities and challenges?

The ICT sector is urging the Australian Government to focus on attracting, retaining, and up-skilling its employees with strong industry skills to better navigate ICT opportunities and challenges. There is also a critical need to streamline ICT procurement and reduce administrative burdens to jumpstart technology business opportunities and accelerate growth. Notably, the sector places less emphasis on legislative changes, despite it being a primary focus of the Government, believing the existing laws are adequate to manage the misuse of ICT innovations.



AIIA, [2024 AIIA Survey on the Digital State of the Nation](#), p. 7 (July 2024).

Executive Summary

This policy recommendations paper, presents **key reforms to modernise Victoria's procurement processes, reduce red tape, and improve government-industry collaboration** in the technology sector. The recommendations aim to enhance efficiency, foster innovation, and ensure Victoria remains competitive in the digital economy.

Key Recommendations:

1. Update Procurement Thresholds:

- Introduce a progressive procurement framework with clear streamlined processes for lower-value transactions while ensuring transparency and competition for higher-value projects.
- Reducing bureaucratic delays from RFT to project start to improve agility and speed to deliver outcomes, lower costs, and encourage innovation.

2. Expand Vested Sourcing & Relational Contracting:

- Shift procurement from adversarial contract management to collaborative, outcome-driven partnerships.

3. Reduce the Cost to Transact:

- Capture data and analyse the financial burden on vendors responding to tenders.
- Introduce a new procurement document section to quantify transaction costs, enabling data-driven reforms to improve efficiency.

4. Update the Supplier Code of Conduct:

- Allow modest professional hospitality (e.g., up to \$100 per person) to improve engagement and trust between government and industry.
- This update would then align with practices in Queensland, NSW, and Commonwealth agencies where reasonable hospitality is permitted.

5. Exempt the Technology Sector from the Incompatible Labour Hire Authority Licensing Scheme:

- The highly paid and mobile technology workforce does not fit the intended scope of this labour hire regulation which is aimed at lower paid and seasonal workforces.
- Removing the technology sector from the scheme will encourage start-ups and innovation in Victoria and aligns with competitive states like SA.

6. Exempt the Technology Sector from the Incompatible Fair Jobs Code:

- The technology industry already maintains strong employment standards, making compliance with the Fair Jobs Code redundant.
- Exempting the sector will reduce administrative burdens and increase supplier diversity.

7. **Exempt Enterprise SaaS & Cloud Providers from the Incompatible Local Jobs First (LJF) Policy:**

- The SaaS and Cloud industry operates on global business models, where employment growth is not tied to individual contracts.
- Removing them from LJF requirements will attract more investment and technology innovation.

8. **Build Domestic Technology Skills through Social Procurement:**

- Mandate that 5% of roles on government technology projects above \$1M be filled by Victorian graduates to boost the local technology talent pipeline.

9. **Partner with Industry to Optimise Workforce Efficiency:**

- Complement full-time technology staff in government by leveraging private sector expertise as needed.
- This will reduce costs through increased efficiency, improve workforce flexibility, and ensure access to cutting-edge skills.

Strategic Benefits of AIIA recommendations:

- **Enhanced Efficiency:** Streamlined procurement reduces costs and accelerates project delivery and time to citizen benefit realisation.
- **Stronger Innovation & Competition:** Start-ups and SMEs will have greater opportunities to engage with government contracts.
- **Cost Optimisation:** Quantifying transaction costs will ensure public funds are allocated efficiently.
- **Economic Growth:** A more business-friendly environment will attract investment and strengthen Victoria's technology sector.
- **Alignment with the Silver Review:** Supports the Premier's independent review into operational efficiency, workforce reduction, and expenditure alignment.

By adopting these **recommendations, Victoria can lead the nation in technology procurement best practices, driving economic growth and digital transformation.**

Our Policy Recommendations

1. Set WoVG Procurement Thresholds

The AIIA proposes updating procurement thresholds to streamline processes for acquiring technology-related goods and services in Victoria. This recommendation includes creating the most progressive procurement framework among Australian States. Simplifying the process would reduce bureaucracy, accelerate service delivery, and save time and money for both taxpayers and vendors.

By emphasising agility and streamlining routine low-risk transactions, this policy seeks to enable the government to adapt quickly to technological advancements, reduce administrative overheads, and foster innovation in the public service.

Procurement Threshold Recommendations:

Small Procurements	Medum Procurements	Large Procurements
<p>Up to \$50k - buyer seeks one or more direct written quotes when no MSA, SPC or Panel arrangement is in place.</p> <p>Between \$50k and \$150k - buyer seeks three or more direct written quotes from a Pre-Qualified Supplier/s via existing MSA, SPC or Panel arrangements or by running a Better Partnering Workshop</p>	<p>Between \$150k and \$600k - buyer seeks five or more direct written quotes when no MSA, SPC or Panel arrangement is in place.</p> <p>Between \$600k and \$1m - buyer seeks at least five written quotes from Pre-Qualified Suppliers via existing MSA, SPC or Panel arrangements or by running a Better Partnering Workshop</p>	<p>Between \$1m and \$5m - buyer may run a public RFT process via Digital Marketplace / eServices Register</p> <p>Between \$5m and 10m - buyer may run a public RFT + RFQ process via Digital Marketplace / eServices Register</p> <p>Between \$10m and \$20m - buyer may run a public RFP + RFT + RFQ process via Digital Marketplace / eServices Register</p> <p>Over \$20m - buyer may run a public RFI + RFP + RFT + RFQ process via Digital Marketplace / eServices Register</p>
<p>Benefits: common low risk and low value transactional procurements are streamlined, saving the taxpayer and industry significant time and money and enabling a more agile government that can quickly adapt to the rate of change.</p>	<p>Benefits: mid-sized procurements will still be competitive while mitigating risk by allowing the government to draw on pre-approved and local vendors and save both sides from having to go through long costly processes.</p>	<p>Benefits: the larger and more complex a procurement is, the more the process grows, ensuring the government gets the best value for money while minimising risk.</p>

By emphasising agility and streamlining routine low-risk transactions, this recommendation seeks to enable the government to adapt quickly to technological advancements, reduce administrative overheads, and foster innovation in the public service.

2. Expand Vested Sourcing and Relational Contract Management

Victoria is encouraged to continue to explore and adopt the Vested Methodology for procurement in key departments, piloting more agile "end-to-end" deals. This method, designed for complex and strategic relationships and shifts contract management away from traditional adversarial contracts that prioritise risk mitigation over collaboration. Instead, it fosters partnership, trust, mutual accountability, and adaptability, which are essential for dealing with uncertainties in technology projects.

Recent pilots within Victoria in better ways to partner and Vested Sourcing are demonstrating the potential for significant improvements in efficiency and relationship management.⁴ Lessons learned from these pilots would guide future projects and establish a model for sustainable, scalable practices. The AIIA emphasises adopting global best practices in procurement and contract management to position Victoria as a leader in innovative governance.⁵

Recommendations:

The Victorian Government should expand its use of Vested Sourcing and relational contracting methodologies to manage procurement for complex and strategic projects. This approach should include:

- Upskilling procurement officers with cutting-edge methodologies such as Sourcing Business Model Theory and the Vested Methodology, emphasising partnerships over adversarial relationships.
- Further piloting the Vested Methodology in high-impact departments to test and showcase its efficacy and scalability, using lessons to refine broader implementation.

These recommendations draw heavily on methodologies from institutions like the University of Tennessee⁶, which emphasises long-term value creation, transparency, and trust. Contracts should focus on outcomes and shared vision for the State, optimising costs and risks through flexible, relationship-oriented models.

The five principles or tenets of vested outsourcing are:

1. Focus on outcomes, not transactions;
2. Focus on the what not the how;
3. Clearly defined and measurable desired outcomes;
4. Pricing model with incentives that optimise for cost/service trade-offs; and
5. A governance structure with insight, rather than oversight.

⁴ Pilots are ongoing and outcomes are yet to be formally announced by departments and agencies.

⁵ Kate Vitasek, [Vested: How P&G, McDonald's, and Microsoft are Redefining Winning in Business Relationships](#) (January 2012).

⁶ University of Tennessee and Georgia College & State University, [Vested outsourcing: A flexible framework for collaborative outsourcing](#), Strategic Outsourcing An International Journal 5(1) (February 2012).

Benefits:

- **Improved Efficiency and Outcomes:** Promotes collaboration and mutual accountability, ensuring better outcomes for government projects.
- **Enhanced Risk Mitigation:** Flexible contracting models improve adaptability to changing circumstances, reducing risks in long-term, complex projects.
- **Leadership in Innovation:** Positions Victoria as Australia's leader in adopting world-class procurement practices, attracting global interest and investment.

3. Reducing the cost to transact

The typical procurement processes in Victoria present several challenges that significantly impact both vendors and the government:

High Costs for Vendors to Respond

- Vendors face considerable costs when responding to tenders, and panels, with the preparation of detailed proposals, periodic reporting, additional compliance and the allocation of internal resources to meet government expectations.
- These costs can deter smaller firms, start-ups, and SMEs from participating in tenders, as they often lack the financial and operational capacity to compete with larger, more established vendors.
- Over time, this reduces competition, limits innovation, and creates a less diverse supplier ecosystem for the government to engage with.

Lack of Transparency on Transaction Costs

- The government currently has limited visibility into how much it costs vendors to participate in procurement activities and their likelihood to reinvest in a similar procurement in the future.
- Without this data, inefficiencies—such as overly complex processes or excessive administrative requirements—remain unaddressed, increasing the burden on vendors unnecessarily.

Inefficient Resource Allocation

- Procurement processes that require extensive time and effort from vendors often result in delays, as both parties navigate unnecessary complexity.
- The government risks wasting its own valuable resources on lengthy tender cycles that could be streamlined to achieve faster, more efficient project delivery.

Barriers to Innovation

- High participation costs disproportionately affect innovative start-ups and smaller companies that could offer fresh ideas and cutting-edge solutions.
- This leads to an over-reliance on larger, established vendors, limiting the government's access to emerging technologies and approaches.
- Without data on transaction costs, it's difficult for the government to evaluate whether procurement activities deliver optimal value for money.
- This lack of insight prevents the government from implementing targeted reforms to improve efficiency and ROI.

By not addressing these issues, the government risks perpetuating inefficiencies that hinder its ability to deliver timely, cost-effective, and innovative public services.⁷ Addressing these

⁷ IPA, [Ease of Doing Business Report](#) (August 2024). According to the report Victoria is ranked last in Australia for business-friendliness due to high taxation, excessive red tape, and regulatory burdens.

challenges through a "Reducing the Cost to Transact" policy would enable evidence-based improvements, foster a more competitive supplier landscape, and ensure better outcomes for all stakeholders.

Recommendations:

The AIIA recommends capturing and analysing data on the costs associated with procurement activities exceeding \$1 million. Adding a new section, "Effort to Transact," to tender documents would quantify transaction costs for vendors and the government. This approach would provide insights into inefficiencies and guide evidence-based policy refinements. **The ATO currently uses a similar method to foster internal improvements on how they engage with taxpayers.**⁸ Simplifying processes based on these insights would reduce costs for both parties, enable faster procurement cycles, and deliver better outcomes for stakeholders.

Procurement officers should begin capturing data and reporting to the Victorian Government Purchasing Board (VGPB) regarding the total cost for parties participating in these procurements. This will enable the government to measure and understand what the true cost of each larger RFX process is, Government can then determine what is working and what is not using evidence. By gathering this data, the government will better understand the return on investment for procurement activities and be able to highlight areas of success as well as areas of significant waste and non-value add. The solution to this is to add a simple mechanism (**Part F – Effort to Transact**), into the current process that will allow this data to be captured, with reporting to follow, and evidence-based decisions to be made with the information.

Standard Victorian Government procurement tends to include the following standard documents:

- Part A – Tender Overview & Details (Summary Report)
- Part B – Proposed Contract
- Part C – Technical Specification (Statement of Requirements)
- Part D – Response Form
- Part E – Pricing
- Part F – Effort to Transact (NEW)**

This new RFX document will be a simple Excel spreadsheet template that vendors and government will submit to the VGPB as part of the response process. It will have fields for input on the cost to respond in measures such as time and money. This information will not contain the vendors' names, they can opt-out, and data will be averaged across the responses with the outliers on the low and high ends being averaged in further to the median to avoid exaggeration on either end. The output of this process will provide a value on how much each RFX process was estimated to have cost both the government and the industry with a goal of using this information to continue to reduce the cost to transact. A reasonable measure before each procurement would cost the collective industry no less than 10 per cent of the value of the deal. Using the new procurement thresholds in recommendation 1 would facilitate this.

⁸ Australian Taxation Office, [myTax Feedback Survey](#).

Benefits:

- **Cost Savings:** Quantifying and analysing transaction costs identifies inefficiencies, allowing resources to be redirected to high-impact initiatives.
- **Data-Driven Improvements:** Capturing data on procurement costs provides insights that guide evidence-based policy refinements, ensuring better return on investment.
- **Improved Stakeholder Experience:** Simplified processes foster stronger collaboration and satisfaction among vendors and government teams.

4. Update the Supplier Code of Conduct

AIIA suggests the Victorian Government update the Supplier Code of Conduct to align with other jurisdictions and to enable vendors to provide a modest amount of hospitality to public servants when engaging with industry for example during delivery workshops and planning sessions.

Based upon a survey of 207 Australian Businesses (168 product-related / 68 service-related), the conclusion was: ***“Overall these results indicate that closer relationships with trading partners are associated with higher levels of performance”***. In addition, a longitudinal study focused on identifying whether good performance leads to better relationships or vice versa, by Chad Autry and Susan Golicic found in their words: ***“relationship strength is significantly related to (Supply Chain) performance”***.⁹

Recommendation:

To promote even healthier relationships between government and industry, the AIIA suggests revising the Supplier Code of Conduct further to continue to encourage reciprocal engagement between buyers and suppliers with the following updates:

- Allowing basic professional in circumstances such as catch-up coffees, morning tea during meetings, working lunches, refreshments during workshops, meals during round table discussions and up to a value of \$100 per person without needing to register it.

Other Government policies:

- **Queensland:** hospitality can be accepted up to \$120 per person (including meals and beverages). [Link](#)
- **New South Wales:** hospitality can be accepted up to \$50 per person (including meals and beverages). [Link](#)
- **Commonwealth:** hospitality can be accepted up to \$100 per person (including meals and beverages). [Link](#)
- **Western Australia:** allows “acceptable hospitality expenses” across departments but does not specify a per-person monetary limit. [Link](#)

The AIIA recommends setting the Victorian reporting threshold at \$100.

Benefits:

- **Stronger Partnerships:** Encourages meaningful engagement between suppliers and government, promoting trust and mutual understanding.
- **Improved Performance:** Research links better relationships to higher supply chain performance, enhancing project outcomes.
- **Economic Boost:** Increased vendor-government interactions generate activity for the local CBD hospitality sector and around other government offices in regional areas.

⁹ University of Tennessee, [Evaluating Buyer-Supplier Relationship-Performance Spirals: A Longitudinal Study](#), Journal of Operations Management (March 2010).

5. Exempt the Technology Sector from the Incompatible Labour Hire Authority Licencing Scheme

The AIIA maintains that the technology sector should be excluded from Victoria's Labour Hire Authority (LHA) Licensing Scheme. The scheme, designed to protect vulnerable workers (such as fruit pickers and meat packers) from exploitation, inadvertently places unnecessary burdens on the highly skilled and well-compensated technology workforce and makes it harder for start-ups to set up in Victoria as opposed to NSW, WA, TAS, NT and SA *which do not require special licensing (SA repealed their Labour Hire Licensing Act 2017 (SA) in 2020).*

High Compensation and Mobility

- The technology industry is the second highest paid sector (behind mining) in Australia, with employees commanding competitive salaries and benefiting from robust employment conditions.¹⁰
- Technology workers are highly mobile and often sought after internationally, creating a competitive environment that inherently minimises worker exploitation.

Risk of Offshoring and Outsourcing

- The additional regulatory hurdles imposed by the LHA Licensing Scheme may incentivise companies to outsource or offshore operations to avoid compliance complexities.
- Start-ups and small technology firms, already operating on tight budgets, face significant barriers to market entry due to the administrative and financial costs of compliance.

Impeding Innovation

- The technology sector thrives on rapid innovation and adaptability. Excessive regulation slows down processes, increases operational costs, and discourages investment in local talent and businesses.
- Removing the technology sector from the scheme would create a more conducive environment for entrepreneurship and technological growth in Victoria.

Recommendation:

The Victorian Government should exclude the technology sector from the Labour Hire Authority Licensing Scheme to support its unique workforce dynamics and growth potential.

Benefits:

- Encourages Innovation: Reduces barriers that discourage technology start-ups and SMEs, fostering a more innovative ecosystem.
- Supports Competitiveness: Avoids pushing businesses to offshore operations due to excessive regulation, protecting local jobs.
- Reduces Costs: Eliminates compliance burdens for technology companies, allowing resources to be allocated to innovation and growth.

¹⁰ 9News, [The 10 highest-paying industries in Australia](#) (16 August 2024).

By excluding the technology industry from the LHA Licensing Scheme, the government can alleviate unnecessary burdens, safeguard local jobs, and encourage start-ups and SMEs to thrive in a competitive, fast-paced global market.

6. Omit the Technology Sector from the Incompatible Fair Jobs Code

The AIIA also recommends exempting the technology sector from the Fair Jobs Code. The code, aimed at promoting fair and equitable employment standards, may unintentionally hinder growth and supplier diversity within the technology sector.

Current Employment Standards

- Similar to the concerns with the LHA Licensing Scheme, the technology sector already offers the some of the most (if not the most) equitable and competitive employment conditions in the Australian economy.
- The technology workforce is typically well-educated, highly skilled, and less vulnerable to exploitative practices compared to other industries.

Supplier Diversity Challenges

- Enforcing the Fair Jobs Code disproportionately impacts smaller technology firms and new market entrants. Compliance discourages participation, reducing the diversity of suppliers available to the government.
- This limitation could lead to an over-reliance on larger, established vendors, stifling competition and innovation.

Risk of Competitive Disadvantage

- The technology sector operates in a highly globalised and competitive landscape. Imposing additional compliance requirements could place Victorian businesses at a disadvantage compared to those in other States or countries with more flexible regulations.

As far as the technology sector is concerned, the Fair Jobs Code imposes an administrative burden and lack of flexibility which increases costs, while making limited difference to the health of technology workforce as they already work in some of the best conditions as far as industries are concerned.

Recommendation:

The government should exempt the technology sector from the Fair Jobs Code to maintain flexibility, encourage supplier diversity, and reduce compliance burdens.

Benefits

- Promotes Supplier Diversity: Enables more start-ups and smaller providers to compete, fostering innovation and reducing dependency on large vendors.
- Maintains Competitiveness: Avoids placing Victorian businesses at a disadvantage in a globalised market.
- Supports Sector Standards: Acknowledges that technology employees already benefit from competitive wages and conditions.

7. Exempt Enterprise SaaS and Cloud providers from the Incompatible Local Jobs First Policy

The Local Jobs First (LJF) policy was originally designed to prioritise local employment and supplier engagement, particularly in capital-intensive industries like construction and manufacturing. While effective in these sectors, the policy's application to Software as a Service (SaaS) and Cloud providers does not align with the operational realities of the technology industry which largely sources its SaaS and Cloud offerings from multinational companies.

Mismatch with Operational Models

- SaaS and Cloud providers typically build infrastructure and develop software services upfront, incurring significant capital investment before entering contracts. Unlike construction projects, their delivery does not require large-scale hiring for each new contract.
- Often, these companies have already staffed teams locally to support their operations, which means no additional jobs are directly created upon securing a government project.

Barrier to Efficient Service Delivery

- Requiring SaaS and Cloud providers to comply with the LJF policy may force companies to create redundant roles or report irrelevant metrics, adding unnecessary cost and complexity without creating real economic benefit.
- The policy may inadvertently deter global cloud providers from investing in Victoria (falling further behind NSW as the top choice)¹¹, as it imposes administrative burdens unrelated to the sector's practices.

Unintended Consequences for Innovation

- Technology companies may prioritise other States or markets with more aligned procurement policies, reducing Victoria's access to world-class SaaS and Cloud services.
- Start-ups and smaller providers may face significant challenges meeting LJF requirements, reducing competition and innovation.

Recommendation

Exempt SaaS and Cloud providers from the Local Jobs First policy, recognising the unique nature of their business models and their contribution to Victoria's economy through pre-established local investment and operations.

Proposed Approach:

- Create a distinct category for technology service providers under the LJF framework, exempting Enterprise SaaS and Cloud providers from job-creation metrics while maintaining transparency and accountability in other areas, such as service quality and local presence.

¹¹ DT Economics and AIIA, [Securing Australia's Cloud Potential](#) p. 14 (December 2024).

- Introduce a simplified compliance mechanism that evaluates the economic contribution of SaaS and Cloud providers through existing infrastructure, workforce presence, and ongoing investment in Victoria.

Benefits:

- Supports sector growth by encouraging global and local SaaS and Cloud providers to invest in Victoria, strengthening the State's position as a leader in the digital economy.
- Promotes efficiency by reducing administrative burdens for providers, enabling faster delivery of services and solutions to government projects.
- Aligns policy with industry practices ensuring that policies designed for construction and manufacturing do not hinder the growth of technology sectors that operate on entirely different business models.
- Drives Long-Term Investment by focusing on local presence and infrastructure, rather than short-term job creation, the exemption ensures ongoing economic contributions from the technology industry.

8. Building Domestic Technology Skills Through Social Procurement

The Victorian Government is the largest purchaser of technology services in the state, yet Victorian graduates rarely gain opportunities to work on government projects due to its preference for contract staff with at least three years of experience. Despite significant demand for skilled professionals and vendors expressing a strong interest in employing and using local graduates on government projects, systemic barriers largely prevent their inclusion in these initiatives. This gap represents a missed opportunity to harness fresh talent and foster a sustainable pipeline of technology professionals for the State.

By leveraging the government's Social Procurement Framework, a policy requiring vendors to utilise Victorian graduates (<3 years' experience) can address this challenge. Such a mandate would not only boost local employment but also align public spending with long-term workforce development goals.

Recommendation

For all technology projects exceeding \$1 million, vendor teams must include graduates of Victorian institutions as at least 5% of their workforce (this relates to services/implementation costs rather than SaaS and Cloud cost). This requirement will ensure that Victorian graduates are integrated into meaningful roles within public-sector digital initiatives and the State continues to invest in and grow its domestic capability. The supplier will supervise and ensure the quality of the work promised to the Government.

Key Policy Features:

Mandatory Graduate Involvement

- Vendors delivering fixed price government contracts above \$1 million must allocate a minimum of 5% of project roles to Victorian graduates. These roles can span technical, administrative, or managerial functions, ensuring diverse pathways for graduates.

Addressing the Gap

- The Victorian Government's Digital Strategy 2021-2026 identifies skills as central to growing digital capabilities and ensuring fair access to opportunities.¹²
- This policy responds to the current disconnect where graduates are overlooked for government projects despite vendors being eager to include and train them. It creates a structured mechanism for leveraging local talent.

Flexible Implementation

- Vendors can recruit graduates from Victorian universities, TAFEs, or other recognised Victorian institutions.
- Graduates may participate as full-time employees, contractors, or interns, depending on project requirements. Of note, the NSW Government recently expanded talent pipelines

¹² Victoria State Government, [Digitisation and new opportunities](#) (updated 25 February 2025).

and meet the 85,000 digital worker shortfall by recognising transferrable skills through its 20% Alternative Pathways Pledge.¹³

Benefits:

- **Creates Pathways for Graduates**
 - Provides meaningful opportunities for Victorian graduates to gain hands-on experience in high-value technology projects.
 - Fosters a culture where local talent is prioritised, ensuring that public-sector spending supports workforce development.
- **Leverages Government Influence**
 - As the largest buyer of technology services in the State, the Victorian Government is uniquely positioned to drive systemic change in workforce practices.
 - By mandating graduate involvement, the government ensures that public spending supports both immediate project goals and long-term economic development.
- **Aligns Vendor Interests with Policy Goals**
 - Many vendors already recognise the value of employing local graduates but lack structured incentives to do so. This policy bridges the gap, aligning vendor practices with government priorities.
- **Promotes Sustainable Growth**
 - Building a robust local talent pipeline reduces reliance on importing technology expertise and positions Victoria as a hub for digital innovation.
 - Graduates exposed to cutting-edge government projects will gain skills that directly benefit the State's economy and technology ecosystem.

Note: SaaS and Cloud procurements should be exempted from this as they are related to existing products rather than people/jobs.

¹³ NSW Government, [Alternative Pathways Pledge](#) (2 December 2024).

9. Partnering with the Technology Industry to Optimise Workforce Efficiency

The rapid evolution of technology and fluctuating project demands within the Victorian Government have led to an ongoing challenge: balancing the need for skilled technology professionals with the cost of maintaining full-time equivalent (FTE) staff during periods of low activity. Full-time government employees (FTEs) with technology expertise represent a significant overhead, especially when projects are completed, or there are delays in initiating new initiatives.

The government can optimise its resources by partnering with the technology industry to access skilled professionals on an as-needed basis. This approach aligns with best practices in workforce management, ensuring access to top-tier talent without the financial burden of maintaining a standing workforce during downtime.

Recommendation:

The Victorian Government should implement a hiring pause on full-time technology roles within the VPS and instead leverage partnerships with the local technology industry until the Silver review is completed, aimed at improve government workforce efficiency.¹⁴ By drawing on skilled industry professionals for specific projects, the government can reduce costs, improve flexibility, and ensure access to the latest expertise.

Key elements of the policy include:

- Flexible Engagement Models
- Scalable Workforce Solutions
- Evaluation and Continuous Improvement

Benefits:

- Significant savings by eliminating ongoing costs associated with maintaining FTE employees during project downtimes, such as salaries, benefits, and training.
- Reduced financial risks associated with underutilised resources, allowing funds to be redirected to priority projects and initiatives.
- Partnering with the technology industry ensures access to professionals who are up to date with the latest tools, methodologies, and practices.
- Draws on industry expertise for specialised roles that may not be cost-effective to develop and retain in-house.
- Enables the government to quickly respond to changing project demands and emerging technologies by scaling the workforce as needed.
- Avoids delays associated with the recruitment and onboarding of FTEs.
- Strengthens relationships between the government and the private technology sector, encouraging collaboration and innovation.
- Provides additional opportunities for local vendors and professionals, fostering growth within the State's technology industry.

¹⁴ Premier of Victoria, [Ensuring A Public Service Focused On What Matters To Families](#) (20 February 2025)

- Reduces the risk of skill obsolescence among government staff by relying on external experts whose knowledge remains current through diverse industry exposure.
- Avoids overstaffing during periods of reduced project activity.

By pausing new FTE hires in technology roles and leveraging the skills of the private technology industry, the Victorian Government can achieve substantial cost savings while maintaining access to world-class expertise. This flexible, scalable approach ensures the government remains agile, efficient, and prepared to address the rapidly changing demands of the digital landscape. Strengthening partnerships with the technology sector not only optimises workforce management but also supports the broader goal of fostering a thriving digital economy in Victoria.

Conclusion

The recommendations outlined in this paper present a pragmatic, low-cost pathway to modernising procurement practices, reduce inefficiencies, and foster collaboration between the Victorian Government and the technology industry. By addressing **long-standing procurement challenges**, such as burdensome red tape, outdated procurement thresholds, and unnecessary regulatory barriers, these proposals position Victoria to lead in the rapidly evolving digital economy.

Crucially, these recommendations require little to no additional funding to implement. Instead, they focus on removing unnecessary regulatory barriers, streamlining procurement processes, and updating outdated policies that stifle competition and efficiency. By acting now, the Victorian Government can deliver immediate benefits without significant financial outlay.

Adopting these recommendations will provide tangible benefits:

1. **Enhanced Efficiency:** Streamlining procurement processes will reduce administrative overhead and accelerate project delivery.
2. **Fostering Innovation:** Encouraging partnerships with industry and creating pathways for local graduates will inject fresh ideas into government projects and support sustainable talent development.
3. **Cost Optimisation:** Quantifying and reducing transaction costs, alongside adopting flexible workforce models, will allow the government to maximise the value of public spending.
4. **Economic Growth:** Exempting the technology sector from restrictive policies will enable start-ups and SMEs to thrive, attracting investment and strengthening Victoria's position as a digital leader.
5. **Silver Review alignment:** The recommendations outlined above are aligned with the focus of the Premier's recently announced independent review ([Link](#)) being undertaken by Helen Silver AO, namely:
 - Operational Efficiency
 - Workforce Reduction
 - Expenditure Alignment

Victoria has an opportunity to lead the nation in procurement reform, creating a more business-friendly environment that encourages investment, supports local start-ups, and drives digital transformation. The technology sector is ready to partner with the government to implement these changes. By taking immediate action, the government can unlock substantial economic benefits, enhance service delivery, and position Victoria as the premier destination for technology innovation in Australia.

The AIIA is keen for the Victorian government to benefit from these reforms immediately and to collaborate to build a smarter, more efficient Victoria together.

About the AIIA

The Australian Information Industry Association (AIIA) is Australia's peak representative body and advocacy group for those in the digital ecosystem representing represents around 90% of the over one million employed in the technology sector in Australia. We are a not-for-profit organisation to benefit members. Since 1978, the AIIA has pursued activities to stimulate and grow the digital ecosystem, to create a favourable business environment for our members and to contribute to Australia's economic prosperity.

We do this by delivering outstanding member value by:

- providing a strong voice of influence
- building a sense of community through events and education
- enabling a network for collaboration and inspiration; and
- developing compelling content and relevant and interesting information.

We represent the end-to-end digital ecosystem in Australia, including:

- multinational companies;
- large Australian technology, telecom and digital and cloud infrastructure companies; and
- many small and medium businesses, start-ups, universities and digital incubators.