

AIIA Victoria Policy Statement

Recommendations to Support Modernising Victoria's Digital Economy

May 2026

About the AIIA

The Australian Information Industry Association (AIIA) is the nation's peak body for those in the digital ecosystem, leading strategic policy and advocacy to shape a thriving digital sector. Through strong engagement with government, industry, and the broader community, the AIIA ensures the voice of its members informs decision-making on technology, innovation, and digital capability.

Membership provides direct access to influential networks, premium events, and opportunities to collaborate on initiatives with the sector's best and brightest to drive industry growth, improve productivity, and secure Australia's place as a global technology leader. AIIA members access real collaboration, real connections, and real outcomes.

Contents

Background	4
Executive Summary	6
Our Policy Recommendations	10
1. Lead the Nation in Applied AI and Digital Productivity	10
2. Modernise Whole-of-Government Procurement Thresholds	12
3. Strengthen Commercial Balance in Digital Procurement	15
4. Modernise Technology Funding for Continuous Improvement	16
5. Scale Collaborative Contracting and Better Partnering Across Government	18
6. Build Victoria’s Domestic Digital Skills Capability Through Procurement	19
7. Modernise the Supplier Code to Enable Professional Engagement	21
8. Adopt a Scalable Digital Workforce Model.....	23
9. Reduce the Cost of Government Procurement	25
10. Align Labour Hire Regulation with the Technology Sector	27
11. Align the Fair Jobs Code with Sector Risk and Workforce Reality	28
12. Refine Local Jobs First for SaaS and Cloud Procurement	29
Conclusion	32

Background

Victoria's digital economy continues to evolve at an unprecedented pace. Artificial intelligence, cloud computing, cyber security imperatives, data reform and platform technologies are reshaping industries, public services and workforce requirements. For Victoria to remain competitive, nationally and globally, government policy settings must keep pace with this rate of change.

In March 2025, the Australian Information Industry Association (AIIA) provided the Victorian Government with a comprehensive set of recommendations to modernise procurement, reduce red tape and improve government–industry collaboration in the technology sector. Since that time, AIIA representatives have engaged constructively with Ministers, Departments and senior officials across multiple forums to discuss these recommendations.

Despite constructive engagement, no formal implementation pathway has been announced. As Victoria approaches the 2026 State Election, the need for decisive action has become more urgent. Victoria faces ongoing fiscal pressures, productivity challenges and increasing demand on public services.

The State Government is one of Australia's largest technology procurers, with ICT expenditure of approximately \$3 billion annually. Even modest efficiency improvements would unlock significant savings without additional spending.

At the same time, industry confidence has been affected by perceptions that Victoria is a comparatively complex and costly jurisdiction in which to do business. Red tape, overlapping compliance regimes and procurement friction risk discouraging start-ups, SMEs and global investors from prioritising Victoria.

The Victorian Government has publicly acknowledged that red tape stifles innovation and slows growth. Achieving this objective now requires measurable implementation alongside continued engagement. A notable exception is data centres where the Victorian Government has in fact prioritised red tape reduction (streamlined approvals) that is making a real difference for investment in the state and shows the benefits of a positive agenda.

The recommendations contained in this paper are practical, low-cost and implementation ready. They do not require major structural reform or new funding. Rather, they focus on:

- modernising procurement thresholds
- improving relational contracting practices
- reducing transaction costs
- removing regulatory settings misaligned with the technology sector

- strengthening Victoria's domestic digital skills pipeline

This 2026 update reaffirms those recommendations and calls on all parties contesting the upcoming election to commit to a clear, time-bound implementation plan. Victoria has the opportunity to lead the nation in technology procurement reform. The AIIA and its members remain ready to partner with government to deliver these changes, but progress now requires action.

Executive Summary

Victoria faces increasing fiscal pressures, low productivity growth and rising demand for public services. In this environment, digital capability must be efficient, commercially balanced and aligned with measurable outcomes.

In 2025, the AIIA presented a practical reform agenda to modernise procurement, reduce red tape and strengthen government–industry collaboration. While engagement has occurred, implementation has not followed. As Victoria approaches the 2026 State Election, there is an opportunity for all parties to commit to measurable, time-bound reform.

This paper outlines a 12-point agenda designed to:

- Improve public sector productivity
- Reduce administrative and transaction costs
- Align regulatory settings with sector risk
- Strengthen Victoria’s domestic digital capability
- Attract investment and innovation
- Support long-term fiscal sustainability

These reforms are practical, proportionate and largely cost-neutral. They focus on modernising existing settings rather than creating new policy layers.

Modernising Procurement and Reducing Friction

Immediate efficiency gains can be achieved by:

- Updating Whole-of-Government procurement thresholds
- Scaling collaborative contracting and Better Partnering models
- Measuring and reducing transaction costs (“Effort to Transact”)
- Clarifying Supplier Code settings to enable professional engagement
- Introducing proportionate commercial flexibility in digital contracting

Together, these reforms reduce defensive pricing, shorten procurement cycles and improve value for money while maintaining probity and transparency.

Aligning Regulation with Demonstrated Risk

Procurement-linked regulatory settings should reflect workforce realities and sector risk.

The AIIA recommends:

- Introducing risk-based carve-outs within Labour Hire regulation
- Streamlining Fair Jobs Code application where duplication exists
- Refining Local Jobs First settings to reflect SaaS and cloud licence models

These changes maintain worker protections and policy integrity while reducing unnecessary administrative burden and improving competitiveness.

Strengthening Domestic Capability and Workforce Sustainability

Victoria's procurement framework should support its workforce ambitions. The Victorian Digital Skills Compact (March 2026) formalises a shared commitment between government, employers and the education sector to build a more capable, diverse and future-ready digital workforce. As a Compact signatory, the AIIA is committed to working as a partner connecting across government, industry, TAFEs and the wider education sector to find practical and sustainable solutions. The recommendations in this paper directly reinforce and operationalise those Compact objectives through government's own procurement settings.

This includes:

- Embedding structured early-career participation in major technology procurements
- Aligning procurement with the Victorian Digital Skills Compact's alternative pathways pledge
- Adopting scalable digital workforce models aligned with VPS efficiency reform
- Shifting technology funding from episodic capital bids to an operational model that enables continuous improvement, including ongoing SaaS and cloud investment

These reforms build domestic capability, improve workforce sustainability and strengthen long-term productivity.

Driving Measurable Digital Productivity

Digital capability is not discretionary spend. It is the primary lever for productivity, cost control and service delivery reform.

Victoria should:

- Establish a Digital Productivity and Applied AI Acceleration Program
- Fast-track high-impact automation and AI use cases
- Introduce controlled innovation sandboxes and ensure successful AI proofs of concept are funded to production
- Align technology investment with measurable operational savings

Applied digital reform can reduce administrative overhead, improve service performance and strengthen fiscal sustainability.

Strategic Impact

If adopted, this agenda would:

- Improve efficiency and reduce procurement overhead
- Increase competition and SME participation
- Strengthen domestic digital capability

- Enhance commercial balance and market confidence
- Support Silver Review objectives for operational efficiency and expenditure alignment

Victoria has the opportunity to become one of Australia's most commercially practical and digitally capable jurisdictions. The Victorian Government's forward-leaning approach to data centre approvals demonstrates what is possible when policy settings are aligned with investment attraction. The same approach, applied across the broader digital economy, can position Victoria as the leading jurisdiction for technology procurement, AI deployment and digital infrastructure investment.

Government Takeaway: 5 Immediate Actions

Victoria can deliver productivity gains and reduce costs without new spending by implementing the following:

1. Modernise ICT Procurement Thresholds

Update thresholds to align process with risk and value. When: 6-12 months. Outcome: Faster procurement, lower administrative burden and more SME participation.

2. Sustain Commercial Flexibility in Contracting

The AIIA welcomes DGS's upcoming proposed eServices contract updates, which should improve risk allocation and introduce flexibility in key terms to support innovation and fair risk sharing. A joint supplier-buyer working group is recommended to strengthen contracting practices, with implementation over 6 months to deliver lower costs, faster negotiations, improved risk sharing and increased competition.

3. Pilot Continuous Technology Funding

Reallocate 1-3% of departmental OPEX to ongoing digital sustainment and optimisation. When: Pilot within 12 months. Outcome: Lower long-term costs, reduced capital pressure and improved system resilience.

4. Scale Applied AI for Productivity

Move from pilots to production through a Digital Productivity and AI Acceleration Program. When: Design in 6 months; rollout 12-24 months. Outcome: Measurable efficiency gains, reduced administrative workload and better citizen services.

5. Align Regulation with Sector Risk

Introduce risk-based settings across Labour Hire, Fair Jobs Code and Local Jobs First. When: 6-12 months. Outcome: Reduced compliance burden, improved competitiveness and stronger supplier participation.

These actions represent the highest-impact and most immediately implementable reforms. The 2026 election presents a clear opportunity to commit to implementation. The AIIA and its members stand ready to partner with government to deliver these reforms.

Our Policy Recommendations

1. Lead the Nation in Applied AI and Digital Productivity

Victoria faces a structural productivity challenge.

Digital technology, particularly applied artificial intelligence, automation, advanced analytics and cloud-enabled platforms, offers one of the most significant opportunities to improve service delivery efficiency, reduce operating costs and increase economic competitiveness.

However, real productivity gains come not from strategy statements, but from structured adoption and scaled implementation. Critically, the current wave of AI development is transitioning from generative AI, which assists humans with discrete tasks, to agentic AI: autonomous systems that can reason, plan, and execute complex, multi-step workflows with minimal human intervention. This is not an incremental improvement. It represents a fundamental shift in how organisations can operate, and governments that build for this transition now will secure lasting productivity advantages over those that do not.

Victoria should position itself as the national leader in applied AI and digital productivity.

From Digital Projects to Productivity Outcomes

Technology investment should not be viewed solely as capital transformation projects. It should be measured by:

1. Productivity improvement
2. Cost reduction
3. Service quality enhancement
4. Risk reduction
5. Workforce augmentation

Applied AI and automation can deliver measurable gains across case management, regulatory processing, procurement analytics, asset management, cyber threat detection and service centre optimisation.

A structured productivity investment strategy would embed continuous improvement rather than episodic transformation. Initial implementation should focus on high-volume, rules-based workflows where automation benefits are immediate and measurable.

The Agentic AI Shift

Emerging enterprise research identifies a pivotal transition underway across advanced economies: the shift from isolated AI assistants and disconnected automation tools to coordinated, agentic AI systems. Unlike traditional automation, agentic AI can understand

intent, plan a course of action, and autonomously execute multi-step workflows across integrated enterprise systems, operating continuously, escalating to humans only where judgement or authority is required.

This transition carries profound implications for the public sector. Government operations are rich in repetitive, rules-based, high-volume workflows, exactly the environment where agentic AI delivers its greatest impact. Permitting, service requests, procurement processing, compliance monitoring, incident triage, and citizen inquiries are all candidates for autonomous AI-driven resolution. The productivity gains available are not marginal: early enterprise deployments are demonstrating resolution rates exceeding 90% for routine requests, with response times reduced from days to seconds. Critically, these gains extend beyond internal efficiency. Faster resolution, more consistent service and reduced administrative burden translate directly into better outcomes for the citizens and businesses interacting with government.

From POC to Production

Victoria's challenge is not running more AI pilots, it is scaling the ones that work. Scattered proofs of concept consume disproportionate resources without delivering sustained value. The priority should be building the conditions, connected data, common governance frameworks, and enterprise platform foundations, that enable proven use cases to move rapidly from pilot to production across agencies.

Platform Strategy and Data Connectivity

Agentic AI cannot function in a fragmented technology environment. Connected, real-time data across enterprise systems is the critical prerequisite. Without it, AI agents lack the contextual awareness to execute complex workflows reliably. Victoria should adopt an enterprise platform approach, providing common data access, reusable workflow automation, and shared governance capabilities across the VPS, so departments can deploy AI solutions rapidly without each rebuilding foundational infrastructure independently.

Governance as an Enabler

Governance frameworks do not impede AI adoption, they accelerate it. Organisations that build clear accountability structures and human-in-the-loop oversight consistently outperform those that treat governance as an afterthought. Victoria's AI governance framework should be designed as an enabler of rapid, responsible adoption, not a compliance overlay applied after deployment.

Workforce Augmentation, Not Replacement

The case for agentic AI in government is not workforce reduction, it is workforce redeployment. Agentic systems can absorb high-volume, repetitive tasks, freeing public servants to focus on judgment-intensive work: complex case management, policy

development, and service design. In the context of Victoria’s fiscal constraints and the Silver Review efficiency objectives, this distinction matters enormously.

- Pilot AI use cases across departments, each with a defined pathway to production from point of approval, breaking the cycle of perpetual proofs of concept
- Adopt an explicit “agentic AI readiness” framework that moves beyond task-level automation to support autonomous, multi-step workflow execution across integrated government systems
- Adopt an enterprise platform strategy to accelerate adoption and common governance standards and skill sets across the VPS
- Invest in data connectivity and integration infrastructure as a precondition for agentic AI deployment, recognising that fragmented data environments are the primary barrier to realising AI productivity gains at scale
- Establish AI governance and assurance frameworks leveraging leading edge digital tools
- Partner with Victorian universities and industry on applied research

This program should focus on practical, measurable use cases that deliver operational savings or service improvements within 12–24 months.

Benefits

- Measurable service delivery improvements and reduced operating costs
- Workforce augmentation rather than expansion, aligned with Silver Review objectives
- Attraction of digital and AI investment and domestic capability growth
- Long-term fiscal sustainability through applied productivity reform

The 2026 election presents an opportunity to commit to practical, measurable digital productivity reform, positioning Victoria as the national leader in responsible AI adoption.

2. Modernise Whole-of-Government Procurement Thresholds

The AIIA proposes updating procurement thresholds to streamline processes for acquiring technology-related goods and services in Victoria. This reform aligns Victoria with contemporary national best practice. Simplifying the process would reduce bureaucracy, accelerate service delivery, and save time and money for both taxpayers and vendors.

In an environment of fiscal constraint and rising demand for digital services, procurement agility is no longer optional. Modernising thresholds is one of the simplest and lowest-cost reforms available to accelerate delivery, reduce administrative overhead and improve return on public expenditure.

All other major Australian jurisdictions operate value-based procurement thresholds that streamline low-risk, lower-value transactions while reserving more complex and layered processes for higher-value procurements. The Commonwealth, NSW and Queensland governments have progressively modernised their ICT procurement frameworks to enable direct sourcing, panel utilisation and marketplace models for low- and mid-tier projects. Victoria should align with, and aim to lead this national best practice.

These proposed thresholds proportionately scale process complexity to procurement risk and value. They do not weaken transparency, competition or probity requirements. Rather, they ensure that low-value, low-risk procurements are not subjected to unnecessarily burdensome processes that delay outcomes and increase transaction costs for both government and industry.

All procurements under the revised thresholds would remain subject to existing probity, record-keeping, value-for-money and conflict-of-interest requirements under Victorian Government Purchasing Board (VGPB) policies.

Benefits

- Streamlines low-risk procurements, reducing time and cost for both government and industry.
- Maintains competition and probity safeguards for higher-value and higher-risk projects.
- Improves SME and start-up participation by lowering administrative barriers.
- Accelerates project commencement and benefit realisation for Victorians.
- Reduces transaction costs across the procurement lifecycle.
- Aligns Victoria with contemporary national procurement practice.

Recommendation

The Victorian Government should update Whole-of-Government ICT procurement thresholds to proportionately align process complexity with procurement value and risk. This reform should:

- Be incorporated into VGPB guidance and Digital Marketplace / eServices processes
- Apply to technology-related procurements across departments and agencies
- Retain all existing probity, value-for-money and conflict-of-interest safeguards
- Require documented approval for any departures from the threshold framework

Implementation should be led by the Department of Government Services, in consultation with the Victorian Government Purchasing Board and the Department of Treasury and Finance.

This reform can be implemented through updated VGPB guidance within 6–12 months.

Procurement Threshold Examples (Technology-Related Procurements)

Small Procurements

Up to \$150k - Buyer seeks one or more written quotes where no MSA, SPC or Panel arrangement is in place.

\$150k – \$300k - Buyer seeks three or more written quotes from Pre-Qualified Suppliers via existing MSA, SPC or Panel arrangements, or conducts a Better Partnering Workshop prior to engagement.

Medium Procurements

\$200k – \$600k - Buyer seeks five or more written quotes where no MSA, SPC or Panel arrangement is in place.

\$600k – \$1m - Buyer seeks at least five written quotes from Pre-Qualified Suppliers via existing MSA, SPC or Panel arrangements, or conducts a Better Partnering Workshop.*

Large Procurements

\$1m – \$5m - Buyer may conduct a public RFT process via Digital Marketplace / eServices Register.

\$5m – \$10m - Buyer may conduct a public RFT + RFQ process via Digital Marketplace / eServices Register.

\$10m – \$20m - Buyer may conduct a public RFP + RFT + RFQ process via Digital Marketplace / eServices Register.

Over \$20m - Buyer may conduct a public RFI + RFP + RFT + RFQ process via Digital Marketplace / eServices Register.

3. Strengthen Commercial Balance in Digital Procurement

Victoria's digital transformation objectives require procurement frameworks that are commercially balanced, proportionate and practical for modern technology delivery.

Industry feedback regarding the current eServices framework has highlighted concern that risk allocation settings and contractual rigidity can discourage participation, increase defensive pricing and slow negotiation cycles, particularly for complex, multi-year digital programs.

Over recent months, the AIIA has been working constructively with the Department of Government Services to address these concerns. DGS has engaged in good faith and active work is well advanced in revising key commercial settings within the eServices framework, including on liability, indemnity scope and failure-to-perform provisions. DGS has shared proposed drafting changes. While they are subject to Executive approval, these changes reflect a collaborative approach and the kind of industry-government partnership that delivers lasting reform. The AIIA looks forward to working with DGS in the roll out of the eServices contract update with its members and Government buyers.

The proposed contract reforms reflect a shared recognition that commercial settings should allocate risk proportionately to the party best placed to manage it, without weakening probity or governance. In modern digital environments, risks such as data privacy, cybersecurity and system resilience operate under shared responsibility models. Suppliers manage technical controls, while the State manages access configuration, policy frameworks and user governance. Liability settings should reflect that shared reality.

The AIIA considers these contract reforms the first critical stage of embedding the principles of the reform into actual procurements that will lead to consistent improved outcomes for all parties. The AIIA recommends that a working group is established with the Victorian Government to consistently monitor and measure procurement outcomes with its stakeholders and suppliers to ensure consistency, transparency and long-term commercial confidence across government and industry.

Recommendation

The Victorian Government should formalise and embed commercially balanced settings within the eServices and Digital Marketplace frameworks to ensure proportionate risk allocation and improved market participation.

The first step is contract reform, and it will help to:

- Align data privacy and cybersecurity liability with shared responsibility principles, reflecting the respective control obligations of suppliers and government

- Enable proportionate liability caps and defined super caps at the Ordering Document level for specific risk categories
- Ensure failure-to-perform provisions include consultation and notification steps before remedial obligations are triggered

AIIA proposes that a standing industry-government digital contracting working group with defined governance, quarterly cadence and annual reporting is established. This forum can increase transparency in procurement guidance to improve mutual understanding of evaluation and negotiation frameworks.

Implementation should be led by the Department of Government Services in consultation with the Department of Treasury and Finance and the Victorian Government Purchasing Board. These reforms represent a strong first step, with the next phase focused on consistent implementation across procurements.

Benefits

- Increased competition and supplier participation
- Reduced defensive pricing and risk premiums
- Faster negotiation cycles and reduced time to contract
- Improved access to global technology providers and innovation
- More sustainable and transparent risk allocation across government

Strategic Positioning

Victoria has demonstrated willingness to engage with industry on commercial reform. The task now is to translate that engagement into durable framework settings that give vendors, agencies and legal teams the certainty they need. Balanced contracts lead to better outcomes, lower cost and greater innovation.

4. Modernise Technology Funding for Continuous Improvement

Victoria's current technology funding model is predominantly capital-project driven. Departments seek episodic funding through discrete business cases for system upgrades, replacements and digital transformation initiatives.

While capital discipline is essential, a project-centric model can create structural inefficiencies. Essential system sustainment and incremental optimisation are frequently deferred or reframed as large transformation programs to secure funding approval. This can delay risk remediation, inflate business cases and inhibit continuous improvement.

Pilot an Operational Technology Allocation Model

The Victorian Government should pilot an operational technology allocation model within a selected department or portfolio.

Under this model:

- Between 1–3% of total departmental operating expenditure would be allocated annually to ongoing technology sustainment, optimisation and risk reduction
- The allocation would be contestable within the department, subject to defined performance criteria and able to be exceeded where circumstances justify
- Funding would prioritise legacy system remediation, cyber resilience, incremental upgrades and automation initiatives
- Departments would assume direct accountability for portfolio-level technology efficiency and risk management

This model strengthens, rather than reduces, central oversight through defined reporting, Treasury visibility and performance benchmarking

Recommendation

The Victorian Government should pilot an operational technology allocation model within a high digital-intensity department, allocating between 1–3% of overall departmental expenditure toward continuous technology sustainment and improvement.

This pilot should:

- Require publication of a departmental technology roadmap
- Introduce measurable legacy risk indicators (cyber exposure, system availability, technical debt metrics)
- Track reduction in reactive capital funding bids
- Measure productivity improvements and administrative burden reduction
- Be subject to Treasury oversight and annual review

Implementation should be led by the Department of Treasury and Finance in consultation with the Department of Government Services.

The pilot could commence within 12 months, with formal evaluation after two budget cycles.

Benefits

- Encourages continuous improvement
- Reduces repeated capital submission cycles
- Strengthens departmental accountability
- Improves legacy system management

- Aligns digital funding with modern operating models
- Supports long-term fiscal sustainability

Strategic Positioning

Digital capability is an ongoing operational function, not a one-off capital asset. Gone are the days of build then maintenance mode, AI-era technology requires continuous investment in capability, productivity and resilience. Modern funding architecture should incentivise disciplined lifecycle management, continuous improvement and proactive risk reduction.

In a fiscally constrained environment, smarter funding structure can unlock efficiency without increasing total expenditure.

5. Scale Collaborative Contracting and Better Partnering Across Government

Victoria has already begun piloting more collaborative, outcome-focused procurement models. Early experience demonstrates that Vested Sourcing, relational contracting and structured Better Partnering approaches can materially improve performance, transparency and delivery outcomes in complex technology programs.

These models move procurement away from adversarial contracting that prioritises risk transfer over outcomes. Victoria Police's long-term strategic technology partnership provides practical evidence that such models can operate successfully within Victorian probity and governance frameworks.

The opportunity now is to move from pilot to structured expansion.

Recommendation

The Victorian Government should formally scale collaborative contracting and Better Partnering methodologies across complex ICT and digital transformation programs.

This reform should:

- Apply Vested Sourcing, relational contracting and structured Better Partnering as standard approaches for programs exceeding \$10 million and 18 months in duration
- Establish a Better Partnering Centre of Practice within the Department of Government Services to develop guidance, training and implementation support
- Require formal evaluation of existing pilots and publish de-identified performance outcomes

- Incorporate collaborative governance and outcome-based performance models into Digital Marketplace and eServices guidance

A structured rollout could commence within 12 months, prioritising all ICT and digital transformation programs exceeding \$10 million and 18 months in duration, and high ICT-expenditure departments as designated by the Department of Government Services.

Implementation should be led by the Department of Government Services in consultation with the Victorian Government Purchasing Board and relevant portfolio departments.

The Five Core Principles of Vested and Relational Models

- Focus on outcomes, not transactions
- Focus on the “what,” not the “how”
- Clearly defined and measurable desired outcomes
- Pricing models that optimise cost-service trade-offs through incentives
- Governance structures built on insight and joint accountability rather than compliance oversight alone

Benefits

- Improved project performance and reduced lifecycle cost
- Greater adaptability in long-term technology programs
- Reduced disputes and contract renegotiations
- Stronger industry-government partnerships
- Attraction of high-quality strategic technology partners
- Positioning Victoria as a leading jurisdiction in modern commercial governance

Strategic Positioning

Victoria has already demonstrated that collaborative contracting models work. The next step is to institutionalise and scale them. By embedding a culture of collaborative delivery, Victoria can match the complexity of modern digital transformation while maintaining strong governance and probity standards.

6. Build Victoria’s Domestic Digital Skills Capability Through Procurement

Victoria has publicly committed to expanding alternative pathways into digital careers, including through the Victorian Digital Skills Compact’s alternative pathways pledge. The Compact, signed in March 2026, is a shared agreement between government, employers and the education sector that commits signatories to ensuring at least 20% of digital

entry-level hires in Victoria will come from alternative pathways by 2035. As a Compact signatory, the AIIA is committed to working as a partner connecting across government, industry, TAFEs and the wider education sector to find practical and sustainable solutions, and to elevating the profile and opportunities for the digital and technology workforce across all sectors and industries.

However, current procurement settings often require senior-only resourcing profiles or extensive experience thresholds across all roles. This can unintentionally restrict vendors from including graduates **and** alternative pathway candidates in delivery teams.

There is currently a misalignment between workforce policy ambition and procurement execution.

Aligning procurement settings with workforce objectives creates a capability bargain: government reduces structural barriers within procurement, and industry delivers measurable workforce uplift.

As the largest purchaser of technology services in the State, the Victorian Government is uniquely positioned to align procurement settings with its own workforce development commitments.

Recommendation

For technology services and implementation projects exceeding \$1 million, the Victorian Government should incorporate structured early-career participation requirements into procurement settings.

This reform should:

- Require vendors to allocate an average minimum of 5% of service-based delivery roles to Victorian graduates, alternative pathway candidates or recognised training program participants
- Apply to service components of contracts only (excluding licence-only procurements)
- Allow averaging across the project lifecycle rather than mandating fixed team composition at all times
- Permit flexibility in role types, supervision models and project phases
- Be supported by a simple reporting template enabling agencies to track participation outcomes

Implementation should be led by the Department of Government Services in consultation with Skills Victoria. This can be piloted within selected departments or programs prior to broader rollout.

Updated procurement guidance can be issued within 6–12 months.

Aligning Procurement with the Victorian Digital Skills Compact's Alternative Pathways Pledge

If the Victorian Government expects industry to meet the Victorian Digital Skills Compact's alternative pathways commitment, procurement frameworks must structurally enable participation. Embedding modest early-career participation requirements within major public technology contracts ensures workforce policy translates into measurable public-sector impact.

The Compact commits signatories to co-investing in skilling initiatives, partnering across business, TAFEs and the wider education sector, and elevating the profile and opportunities for the digital and technology workforce across all sectors and industries. Procurement settings that structurally embed early-career participation directly reinforce these Compact objectives, giving government a lever to demonstrate leadership through its own purchasing behaviour rather than through voluntary industry commitment alone.

Flexible Implementation

To ensure quality and practicality:

- Vendors remain responsible for supervision and performance
- Participation can be averaged across the project lifecycle
- Roles can include technical, delivery, analytical and support functions
- Alternative pathway definitions can align with Skills Victoria guidance

Benefits

- Aligns procurement with the Victorian Digital Skills Compact's alternative pathways pledge
- Boosts Victoria's domestic IT capability
- Creates meaningful career entry pathways
- Strengthens long-term workforce sustainability
- Positions government as a leader in digital capability development

7. Modernise the Supplier Code to Enable Professional Engagement

The current application of the Victorian Supplier Code of Conduct has created uncertainty regarding modest, professional hospitality during legitimate business engagement.

In practice, overly cautious interpretation has discouraged routine and constructive interaction between government and industry in circumstances where collaboration, co-design and trust are essential to effective digital delivery. Within the technology sector, the current settings are often informally referred to as the **"industry disengagement"**

policy,” reflecting the perception that they inhibit normal professional engagement rather than strengthening integrity.

Clear, proportionate guidance can enable appropriate engagement while maintaining strict safeguards against improper influence.

As Victoria seeks to modernise procurement and encourage relational and collaborative contracting models, policy settings should enable appropriate professional engagement while maintaining clear integrity safeguards.

Other Australian jurisdictions provide clearer and more practical guidance in this area:

- **Queensland** – permits hospitality up to \$120 per person (including meals and beverages) under its Gifts and Benefits framework
- **New South Wales** – permits hospitality up to \$50 per person under its Gifts, Benefits and Hospitality Policy
- **Commonwealth** – permits hospitality up to \$100 per person under the Commonwealth Fraud and Corruption Control Framework and associated agency policies
- **Western Australia** – allows acceptable hospitality within departmental policies, without a fixed statewide per-person monetary threshold

Aligning Victoria’s approach with contemporary interstate practice would remove ambiguity while preserving transparency and integrity.

Recommendation

The Victorian Government should update the Supplier Code of Conduct to provide clear, proportionate guidance permitting modest professional hospitality in defined business contexts.

This reform should:

- Permit hospitality up to \$100 per person in legitimate business settings
- Exclude any hospitality during active procurement processes involving the supplier
- Explicitly prohibit hospitality linked to procurement decision-making
- Require simple disclosure above a defined lower threshold or through annual aggregated reporting
- Establish a pre-approved category for invitations to recognised industry events (such as roundtables, delivery workshops and the iAwards)

All existing conflict-of-interest, anti-corruption and probity safeguards must remain fully in force.

Implementation should be led by the Department of Government Services in consultation with the Victorian Government Purchasing Board.

Updated guidance can be issued within 6 months through amendment to the Supplier Code and associated procurement policies.

Benefits

- Provides certainty to public servants and suppliers
- Encourages transparent, professional engagement
- Supports relational and collaborative delivery models
- Aligns Victoria with other major jurisdictions
- Maintains strong integrity safeguards
- Supports the local hospitality providers

8. Adopt a Scalable Digital Workforce Model

Digital delivery demand within government is inherently cyclical. Major transformation programs require concentrated specialist capability for defined periods, followed by lower intensity during stabilisation and sustainment phases.

Expanding permanent technology full-time equivalent (FTE) roles during peak demand periods can create structural cost pressure and underutilisation once project intensity declines. In a fiscally constrained environment, workforce models must balance capability, flexibility and expenditure discipline.

The independent review of the Victorian Public Service led by Helen Silver AO emphasised operational efficiency, workforce sustainability and expenditure alignment. Technology workforce strategy should reflect these objectives.

A Structured Scalable Workforce Model

The Victorian Government should adopt a disciplined, scalable digital workforce model that distinguishes between:

- Core strategic capability retained within government (architecture, policy, governance, cyber oversight and vendor management); and
- Surge and specialist capability accessed through structured partnerships with the local technology industry.

This approach enables government to:

- Access contemporary specialist skills when required
- Scale workforce capacity in line with program intensity
- Reduce long-term fixed employment overhead
- Avoid skill obsolescence in rapidly evolving technical domains

The objective is workforce optimisation, not workforce substitution.

Recommendation

The Victorian Government should implement a scalable digital workforce model aligned with VPS efficiency reform.

This reform should:

- Introduce disciplined governance around expansion of permanent digital FTE roles pending full implementation of the VPS review recommendations
- Prioritise structured industry partnership models using industry for project-based digital delivery and specialist surge capacity
- Require regular assessment of workforce utilisation, cost efficiency and capability mix within major departments
- Develop standard partnership frameworks with industry to ensure consistency, probity and value-for-money in scalable engagements

Implementation should be led by the Department of Government Services in consultation with the Department of Treasury and Finance and the Victorian Public Sector Commission.

An initial utilisation and capability review could be completed within 12 months.

To ensure transparency and fiscal discipline, departments should publish annual reporting on digital workforce composition, including the proportion of permanent FTE, contracted specialist capability and program-based surge capacity. This data should inform forward workforce planning and expenditure alignment.

Benefits

- Aligns with Silver Review workforce efficiency objectives
- Improves fiscal sustainability and expenditure flexibility
- Enhances access to contemporary specialist expertise
- Reduces risk of long-term skill underutilisation
- Strengthens structured public-private collaboration

Strategic Positioning

Modern digital delivery requires flexible workforce models. By adopting a structured partnership approach, Victoria can maintain strong public-sector leadership while accessing industry capability efficiently and responsibly.

9. Reduce the Cost of Government Procurement

Victoria's procurement framework measures contract value, but not the full cost of participating in the process.

For complex technology procurements, significant transaction costs are borne by both government and industry through extended evaluation cycles, compliance requirements and multi-stage RFX processes. These costs are rarely measured and therefore rarely managed.

In a fiscally constrained environment, understanding and reducing the cost of how government buys is as important as the price it pays.

Without visibility of transaction cost, inefficiencies remain embedded, SME participation narrows and value-for-money assessments are incomplete.

Recommendation

The Victorian Government should introduce a formal mechanism to measure and report the transaction cost of significant procurement activities.

For all technology procurements exceeding \$1 million, a new section, *Part F: Effort to Transact*, should be added to standard RFX documentation.

This section would:

- Capture vendor-reported hours and estimated financial effort required to participate
- Capture internal government effort associated with running the procurement process
- Record procurement cycle duration and key process stages
- Be completed post-award to avoid influencing live procurement decisions
- Aggregate and anonymise data prior to reporting

Data should be consolidated annually and reported to the Victorian Government Purchasing Board (VGPB) to inform continuous process improvement.

Implementation should be led by the Department of Government Services in consultation with VGPB.

The initial objective should be to reduce the average measured "Effort to Transact" for technology procurements by at least 15% within 18–24 months.

Implementation Framework

Standard Victorian Government procurement documentation typically includes:

- Part A – Tender Overview
- Part B – Proposed Contract
- Part C – Technical Specifications
- Part D – Response Form
- Part E – Pricing

The addition of:

Part F – Effort to Transact

would consist of a simple template capturing:

- Estimated hours invested by vendors
- Estimated internal staffing effort
- External advisory costs where relevant
- Process duration
- Administrative burden indicators

The data would be consolidated and reported annually to inform continuous improvement.

Benefits

- Enables evidence-based procurement reform
- Reduces unnecessary administrative burden
- Improves SME and start-up participation
- Shortens procurement cycle times
- Strengthens value-for-money analysis
- Improves public sector efficiency without additional funding

Findings should inform future simplification of documentation layers, evaluation processes and threshold settings.

Strategic Positioning

Modern procurement systems measure performance. Victoria should measure not only what it buys, but how efficiently it buys.

Reducing the cost to transact is a practical, low-cost reform that can be implemented immediately and refined over time through evidence.

10. Align Labour Hire Regulation with the Technology Sector

The Victorian Labour Hire Authority (LHA) Licensing Scheme was introduced to address exploitation risks in vulnerable labour markets. However, its current application to the technology sector does not align with the structure, remuneration profile or workforce characteristics of the industry.

A more proportionate, risk-based approach is appropriate. Since the introduction of the scheme, there have been no material or systemic breaches identified within the technology sector that would justify its continued inclusion.

The technology sector comprises one of the highest-paid and most mobile workforces in Australia. Technology professionals are highly skilled, frequently employed on permanent contracts or specialist consulting arrangements, and operate in a nationally and globally competitive labour market.

There is no evidence that the licensing regime has delivered measurable worker protection benefits within the technology industry.

Interstate Competitiveness

Victoria should ensure its regulatory settings remain proportionate to demonstrated risk and do not unintentionally create barriers to SME participation or interstate competitiveness.

Recommendation

The Victorian Government should introduce a proportionate, risk-based carve-out within the Labour Hire Authority Licensing Scheme for the technology sector.

This reform should:

- Establish a streamlined pathway for professional services and high-skill ICT roles above a defined remuneration threshold
- Provide reduced compliance requirements for accredited firms meeting specified workplace compliance benchmarks
- Recognise existing Commonwealth Fair Work and workplace compliance obligations to avoid duplicative attestations
- Pilot the revised model for 12 months, with evaluation of impacts on SME participation, procurement cycle times and administrative burden

All existing worker protections under Commonwealth and State employment law would remain fully in force.

Implementation should be led by the Department of Government Services in consultation with the Labour Hire Authority and the Department of Treasury and Finance.

The pilot model could be introduced within 12 months, with formal review after the first year of operation.

Benefits

- Encourages innovation and entrepreneurship
- Supports SME participation in government procurement
- Improves interstate competitiveness
- Reduces administrative overhead
- Maintains strong worker protections under existing law

11. Align the Fair Jobs Code with Sector Risk and Workforce Reality

The Fair Jobs Code was introduced to promote responsible employment practices in government procurement. However, its current application to the technology sector creates duplication in an industry already subject to strong national workplace regulation and competitive labour market conditions.

There is no evidence of systemic non-compliance within the sector that would warrant identical regulatory treatment to higher-risk industries.

The technology workforce is highly skilled, well-remunerated and governed by existing Commonwealth employment law, workplace health and safety requirements, and anti-discrimination frameworks.

Regulatory Duplication and Administrative Burden

Technology suppliers are already subject to comprehensive national workplace regulation, including:

- Fair Work Act obligations
- National Employment Standards
- Workplace health and safety laws
- Anti-discrimination legislation
- Modern award and enterprise agreement frameworks

Requiring additional certification and attestations through procurement processes risks duplicating existing compliance mechanisms, increasing administrative burden, particularly for SMEs and start-ups, without delivering measurable additional workforce protection benefit.

Where duplication does not address demonstrated risk, regulatory refinement improves efficiency without weakening worker protections.

Recommendation

The Victorian Government should introduce a proportionate, risk-based application of the Fair Jobs Code for technology-related procurements.

This reform should:

- Establish a streamlined compliance pathway for professional services and high-skill ICT roles above a defined remuneration threshold
- Recognise existing Commonwealth workplace compliance and enterprise agreement obligations to avoid duplicative attestations
- Reduce certification requirements for accredited firms with demonstrated compliance histories
- Pilot the revised model for 12 months and evaluate impacts on SME participation, procurement efficiency and supplier diversity

All existing employment protections under Commonwealth and State law would remain fully in force.

Implementation should be led by the Department of Government Services in consultation with the Department of Treasury and Finance and relevant portfolio agencies.

The pilot model could be introduced within 12 months, with formal review following the first year of operation.

Benefits

- Promotes supplier diversity and competition
- Supports innovation and SME participation
- Reduces compliance cost without weakening workforce safeguards
- Aligns with public sector efficiency reform
- Improves procurement agility

12. Refine Local Jobs First for SaaS and Cloud Procurement

The Local Jobs First (LJF) policy was designed primarily for capital-intensive industries where local employment and supply chain participation can be directly influenced at the time of contract award.

Enterprise Software-as-a-Service (SaaS) and cloud products operate differently. These products are typically developed and deployed prior to procurement and licensed rather than custom-built for individual contracts. As a result, local content cannot be retrospectively embedded into licence costs for pre-built software.

Applying LJJ metrics to licence fees for pre-built products creates compliance requirements without generating additional Victorian employment outcomes.

Clarifying the Scope of Exemption

The AIIA recommends that the exemption apply specifically to Licence costs for pre-built software product only.

This exemption would **not** apply to:

- Implementation services
- Integration services
- Managed services
- Ongoing support roles
- Professional services

Where technology projects involve local services or workforce participation, existing LJJ objectives can continue to apply proportionately. The proposed reform is limited to licence components where employment outcomes cannot be directly influenced by the contract.

Regulatory Misalignment and Efficiency

Requiring LJJ reporting for pre-built licence components introduces administrative burden and procurement complexity without influencing employment outcomes. Where compliance settings cannot materially affect job creation, policy settings should be refined to maintain integrity while improving efficiency.

Investment and Competitiveness Considerations

The SaaS and cloud industry operates globally. Decisions about where to invest in infrastructure, workforce presence and partnerships are influenced by regulatory predictability and administrative efficiency.

If Victoria's procurement framework is perceived as misaligned with digital business models, providers may prioritise other jurisdictions for regional investment. AIIA member companies report that investment decisions are already being influenced by these settings.

By refining Local Jobs First settings to reflect contemporary technology procurement, Victoria can:

- Maintain policy integrity
- Reduce unnecessary administrative friction
- Encourage long-term digital infrastructure investment

- Improve access to world-class cloud and enterprise platforms

This reform maintains the integrity of Local Jobs First while ensuring its application reflects contemporary digital procurement models.

Recommendation

The Victorian Government should refine the application of Local Jobs First to exclude enterprise SaaS and cloud licence costs for pre-built software products.

This reform should:

- Apply strictly to licence components of pre-built enterprise SaaS and cloud products
- Require contractual separation of licence and service components within Ordering Documents
- Maintain full LJF application to implementation, integration, managed services and support roles
- Be incorporated into updated procurement guidance and Digital Marketplace documentation

Implementation should be led by the Department of Government Services in consultation with the Department of Jobs, Skills, Industry and Regions.

Updated guidance can be issued within 6–12 months.

Benefits

- Improves procurement realism and policy alignment
- Reduces unnecessary compliance cost
- Encourages digital infrastructure investment
- Maintains local workforce objectives where they are meaningful
- Aligns with broader public sector efficiency reform

Conclusion

Victoria faces a period of significant fiscal and productivity challenge.

With fiscal pressures mounting and productivity challenges persisting, the State cannot afford to double down on procurement inefficiency, regulatory misalignment or under-leveraged digital capability.

The reforms outlined in this paper are practical, proportionate and largely cost-neutral. They focus on modernising procurement, aligning regulatory settings with sector realities, strengthening domestic digital capability and unlocking productivity through applied technology.

Together, these recommendations would:

- Reduce administrative overhead and transaction costs
- Improve supplier participation and competition
- Strengthen workforce sustainability and domestic IT capability
- Align funding structures with continuous improvement
- Position Victoria as the most commercially practical and innovation-ready jurisdiction in Australia

Importantly, these reforms are consistent with the objectives of the independent review of the Victorian Public Service led by Helen Silver AO, supporting operational efficiency, workforce sustainability and expenditure alignment.

Victoria does not need new layers of policy. It requires disciplined modernisation of existing settings.

The 2026 election presents an opportunity for all parties to commit to measurable, time-bound reform.

The technology sector stands ready to partner with government to deliver a more productive, competitive and digitally capable Victoria.

The opportunity now is to commit to implementation.