



The British Chambers of Commerce believes that small businesses need greater access to public procurement. Contracting with SMEs will help drive greater competition and deliver more efficient, innovative and value for money services.

Summary

European, national and sub-national governments and agencies operate a range of different public procurement systems and processes for businesses to tender for public sector contracts. Increasingly, many involve online registration and tendering processes, such as the recently-expanded national online trading platform www.supply2.gov.uk.

Many businesses, particularly SMEs, find the public procurement process inaccessible, bureaucratic and opaque. This acts as a barrier to their willingness to enter the tendering process, and their desire to repeat the procurement experience once they have been through it.

There needs to be a simple tendering process in place that gives SMEs access to all public sector contract opportunities, adequate transparency, publicity and feedback on tenders and much better understanding between public procurers and SMEs.

Problem

The potential for electronic tendering websites, such as Supply2gov, to give more businesses access to contacts through up-to-date tender alerts is frustrated by out-of-date postings, tenders put up but rapidly withdrawn, prohibitively short application timescales, inconsistent and uncoordinated registration processes and contracts not advertised. These, alongside approved supplier lists for short-notice tenders, and additional accreditation criteria, (often resulting from government seeking to use

procurement as an alternative to regulation) act to restrict wider access to public contract tenders.

Existing business distrust of the procurement system is compounded by a lack of transparency from the public sector, with the size of contracts not made apparent from the start of the process, insufficient feedback for businesses that unsuccessfully tender, and little information on which businesses have won contracts.

While these issues can affect SMEs to a greater degree than larger companies, small firms also face specific problems in terms of accessing second or third tier contract opportunities, forming the right consortia to win contracts and disproportionate demands for information and credentials. Public sector understanding of how SMEs operate also remains poor, leading to opportunities for utilising SME innovation, efficiency and value for money being missed.

Evidence

- The UK public sector spends approximately £175 billion a year on procurement, equivalent to 13 per cent of GDP,¹ of which only 16% was won by SMEs in 2005-06.²
- 101,000 businesses were registered on Supply2gov in 2008.³ Between 2006 and 2008 over 93,000 tenders for businesses were advertised on the site.⁴

¹ PESA, HM Treasury 2008.

² Procurement Survey of Contracts Awarded to SMEs, DTI, 2005/06.

³ Press Release, BiP Solutions Ltd, September 2008.

⁴ Glover Report: November 2008.

- In the BCC's own monthly survey of 400 businesses, 50% of respondents said they had never considered tendering for public sector contracts and 41% cited the complicated nature of the process as the main reason why.

- The Liberal Democrats are committed to making government contracting easier so that small firms are not disadvantaged and also implementing the Glover Report recommendations in full.

Recent Government Policies

In November 2008 the Glover Report set out recommendations for reform to government. These included making all public sector contracts above £20,000 available for electronic tender by 2012, procurement criteria standardisation, more sub-contracting opportunities, and online publication of contract winners.

UK Government, through the Office of Government Commerce (OGC), is responsible for spreading best practice across the public sector and has been working with government departments to implement the Glover Review's recommendations. They announced that access to Supply2gov website would be free in August 2009 and aim to have a single website for all tenders in public sector goods and services from 2010.

The OGC, and the Department for Business, Innovation and Skills (DBIS) are committed to the principles of obtaining maximum value for money and increasing the competitiveness of the supply base. The website Supply2Gov also has a common government procurement card for low-value orders and is signed up to the prompt payment of contracts.

In Scotland public procurement advice and support is provided by the Scottish Procurement Directorate, and in Wales this is co-ordinated by ValueWales.

Opposition Positions

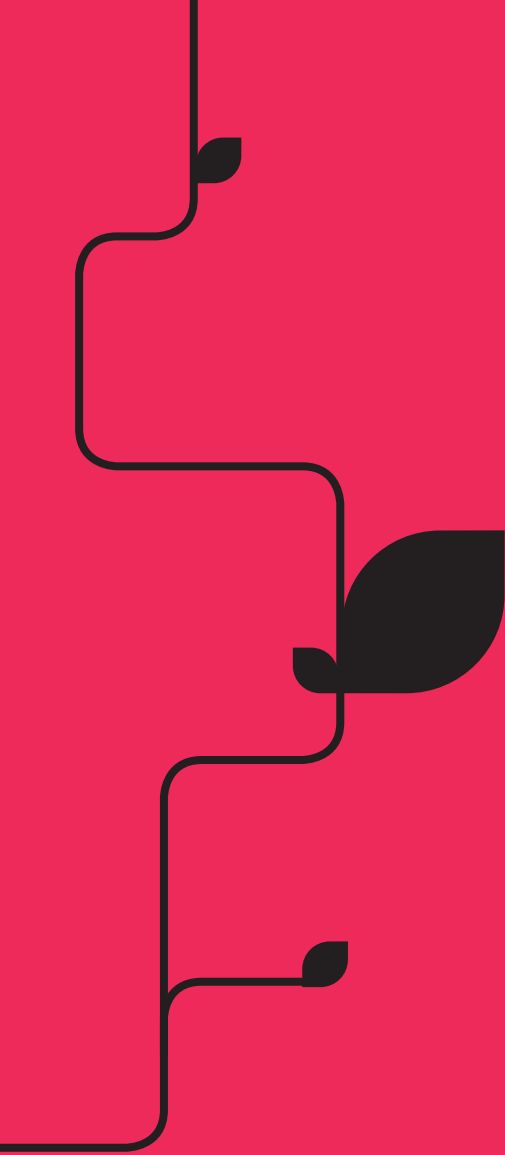
- The Conservatives have stated that they would abolish the rule requiring companies to provide three years of audited accounts when bidding for government contracts, introduce a single Pre Qualification Questionnaire (PQQ) for all contracts less than £50,000, require all government contracts over £10,000 to be published online and create a target for 25% of government contracts to be awarded to SMEs.

BCC Position

In order to enable public contracts to be open to a much wider range of companies, the accessibility of the system needs to be improved. To achieve this, the Government must implement the recommendations of the Glover Review as early as possible, ensuring that a single standard application procedure or PQQ is used and shared across the public sector. It must also give the Office of Government Commerce much greater powers to police the public procurement process based upon businesses' experiences and feedback.

Additional clarity and transparency needs to be built into the public procurement process, with all contracts and their size advertised online and quality feedback provided for all companies that unsuccessfully tender for public contracts. The public sector must report regularly on the share of government contracts awarded to SMEs.

Whilst companies should learn about the organisations they wish to win contracts with, a much better understanding between public procurers and SMEs is needed, to improve the process and remove disproportionate demands. To achieve this, procurers should spend time with SMEs earlier on in the procurement process, and increase awareness through making use of links to successful trading portals and relationship-building programmes in the private sector, such as those provided by Chambers of Commerce. For example, the BCC's Business Network Online already provides an online tender alert service for over 50,000 businesses, and has been piloted by Chambers in the North West and in Suffolk. A number of other Chambers also run sessions introducing public procurers and SMEs to each other and work to make more SMEs aware of tenders and how they should be approached.



APPLICABILITY

UK wide.

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