

My Interventions on the Public Procurement Motion (2)

Sir John Redwood (Wokingham) (Con):

It is difficult to come up with a good system that has the right balance, because the taxpayer's interest is very much in favour of economies of scale and availability, while the small business struggles to meet the possible volumes of a successful bid for a contract and to satisfy all the criteria that the large company finds easy to manage. I am grateful for the fact that the Minister and the Government generally have been thinking rather more about how small business and the self-employed can make a bigger contribution and how contracts can be broken down into more manageable sizes, both in primary legislation and now in the detail.

John Spellar:

The right hon. Gentleman is absolutely right on that, but very often the primes get the contract and subcontract to the SMEs and put on a huge on-cost and profit margin. Those SMEs are therefore never able to grow properly, and they are stifled, because Whitehall prefers to deal with very large conglomerates.

Sir John Redwood:

There will be that bias. Sometimes it is right, and it is always understandable, but Ministers and, above all, the senior officials implementing this new policy will have to bear that in mind. They will have to try to correct for the ease of going for a large company solution, where all the boxes will be filled impeccably and all the right things will be ticked, although that can lead to a contract disaster, because getting the electronic responses right is not the same as delivering the right good at the right price in all the right ways.

I have another worry. We are in an era of exciting and rapid change. Technology is changing even more quickly than over much of our lifetimes so far, as the Prime Minister was mentioning in his remarks this morning. None of us can be sure what opportunities artificial intelligence will produce in wider digitalisation, but we know that digitalisation will make an increasing contribution to, and have an impact on, service provision. So much of government is about the provision of personal services and administrative services, and so much of that can benefit from the intelligent application of these exciting new technologies, but they need careful handling.

The big problem in public procurement is when the innovators are moving so quickly that the invitation to bid is about things that are out of date; they are what the system has been used to handling and the state feels comfortable with. The state can define the old products and old services perfectly well, because it has experience of them, whereas maybe what is needed in certain

cases is the innovative product or service. I remember innovating in industry in the past. Often, we had to be willing to license a competitor of our own breakthrough, to give people comfort that there would be some competitive check on costs and availability. Such things are complicated to model and to build in to big procurement systems, such as the state. It means that the state tends to lag and the private sector makes much more rapid advances, because people take more risk and are prepared to change what they wish to procure when they see something better. In the case of the state things have to go through many committees and many memos, and it is probably easier not to bother or to wait a few years until something has happened.

I do not have any easy answers. I understand that the Government and the Minister have the best of intentions, and they have come up with rules that they think are more flexible, but the proof of this pudding will be in the eating. I just emphasise that we need a system that is flexible enough to understand that sometimes it does not know what it wants, or does not know what is available, or that something that is available might be better than the thing people thought they wanted.

My final observation is that we have lost a lot of the self-employed in recent years for one reason or another, but the issues over tax status are part of the problem, with the toughening of the rules over IR35. I worry that a lot of self-employed people will struggle to get any work from the Government, because it is much easier for those procuring just to say, "It's too much hassle; we would be to blame if this person were taking liberties with the tax system, and although they say they are compliant and self-employed, we aren't so sure." Of course, someone can become genuinely self-employed only if they win enough independent contracts. If a big part of procurement is not allowing them to win state contracts, it is much more difficult for them to become genuinely self-employed.

Sarah Champion:

The right hon. Member makes a very good point. The self-employed have been telling me about the amount of administration they have to do even to be in the running. Also, they do not tend to find out about contracts. I hope that the regulations will extend their promotion and the length of time, and that the Government try to break down those contracts into smaller chunks, so that small British businesses can genuinely be in with a chance.

Sir John Redwood:

I entirely agree. That is where the more transparent and simpler system will be very good, and we should give that a good trial. I am concerned about someone who is genuinely self-employed struggling to prove that they are sufficiently self-employed, and whether the state would want to take less risk on that. Again, I would like the Minister to put a stronger case to the Treasury that, perhaps, to have more successful self-employed people working for the state under contract, we need to review how we enforce and police their tax status.