

**Inquiry into Commonwealth Procurement Procedures**SUBMISSION TO THE SENATE STANDING COMMITTEE ON FINANCE AND  
PUBLIC ADMINISTRATION REFERENCES COMMITTEE

I am an Australian and the owner of an Australian Manufacturing business. The business owners I talk to do not expect preferential treatment, they just want a level playing field. If an Australian business is expected to meet certain standards, pay certain taxes and abide by certain laws; a foreign company who wishes to import should at least be required to do the same.

If the government cannot provide a level playing field for its own people, it could at least provide the mechanism to balance the game by providing some preference to cover the increased impost on local businesses, and if the government can't do this across the whole population, it could at least do it within the departments under its control.

The benefits and the imposts for local businesses are presented in the table below which puts a strong argument forward as to why government should always preference procurement from an Australian supplier versus a foreign supplier.

| <u>Comparison Matrix for Procurement from Australian vs. Foreign Producers</u> |  |   |
|--|--|---|
|  | <b>Australian Producer</b>   | <b>Foreign Producer</b>   |
| <b>Employment</b>  | Will employ locals and in terms of manufacturing, each direct job leads to up to <b>5 times more in indirect jobs</b> down the supply chain.<br>Australian employees also receive a great deal of their training while employed.   | Overseas producers will have a local importer/agency to handle sales and distribution. Services businesses have very little effect on increasing indirect employment.   |
| <b>Local Tax</b>   | <b>Local companies pay local taxes.</b>  | Some importers manipulate the categorization for their imported products so they pay much less duty than they should, some skip around GST, but as they operate overseas, they pay their own local taxes not ours.  |
| <b>Australian Standards &amp; Liability for Product</b>                        | Local companies are usually more closely monitored and have a greater knowledge of regulations and are most certainly compliant with Australian standards. If something goes wrong with the product, the local producer will be charged, this is strong encouragement to <b>ensure products meet regulations</b> and standards. The quality of Australian made products protects the health and safety of the people that buy and use the product. | Government resources aren't great enough to assess fully and thoroughly the products that enter the country. Products imported directly may even skip an importer who would be aware of the regulations. If something does go wrong with a product, usually the local importer will be the only party to be penalised. In the majority of cases, it is too difficult to successfully charge a foreign producer. Foreign producers are essentially exempt from producing products to meet our standards. |

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| <b>Environmental Protection</b>             | Australia has stringent environmental laws that are becoming increasingly tighter and for good reason; they are there to <b>protect the common natural resources</b> we all share. Extra business costs associated with maintaining compliance with these environmental laws are more costs Australian companies must bear. The carbon tax is a good example of policy that should protect the environment but hit local businesses only, not foreign companies. The encouragement becomes not to cut carbon emissions but move a company to a country without the tax and then import back into Australia | Many other low-cost countries are quite lax in terms of their environmental considerations in comparison to Australia. Although this does not affect the Australian environment directly, the same product produced in another country can lead to a much worse environmental outcome than if it was produced in Australia.             |
| <b>Workplace Health &amp; Safety</b>        | Australia also has stringent workplace safety laws. They are there to <b>protect the people in our community</b> from harm but are also becoming ever more difficult and expensive to comply with.   | Some of the workplace conditions of overseas workers range from the Australian level down to violating basic human rights. Although this does not affect Australian people directly, the same product produced in somewhere other than Australia will more likely be produced by a worker in poor working conditions than in Australia. |
| <b>Trade Balance</b>                        | Domestic sale of product will not directly affect the trade balance but each export sale will help <b>reduce our trade imbalance</b> ; a problem successive governments have struggled to control.   | Every import sale is worsening our trade deficit. Just to stabilise we'd need to at least balance the exports to imports, realistically we need to export more than we import to balance our trade.   |
| <b>Australian Dollar</b>                    | High Australian Dollar cuts back export sales and makes imported competition cheaper. Government does not control currency value, it is controlled by the market and open to manipulation by various external factors.   | High Australian dollar makes importing cheaper, governments in some countries control the currency value to increase exports, discourage imports and ensure employment for their people   |
| <b>Sourcing inputs from local suppliers</b> | A lot of Australia's economy is based on primary production, less so on value adding, but the local producers that do exist are more likely to source their supplies from Australian companies which are in turn more likely to <b>source Australian materials</b> . The higher up the value chain, the more local business will be supported.   | Due to the price of the Australian dollar and the cost of transport, few foreign companies would be buying Australian products, mostly they purchase primary resources, the lowest level on the value chain. The foreign ownership of primary resource production further cuts out the Australian economy.                              |

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| <b>SUMMARY</b> | <ul style="list-style-type: none"><li>• High Costs</li><li>• High standards and regulations</li><li>• Difficult to Export</li><li>• Cheap Competition</li><li>• Contributes to Employment</li><li>• Can balance trade</li></ul> | <ul style="list-style-type: none"><li>• Low costs</li><li>• Variable standards and regulations</li><li>• Cheap to import</li><li>• Jobs are overseas</li><li>• Imbalances trade</li></ul> |
|----------------|---|---|

Wherever possible, procurement procedures should preference Australian businesses in such a way that it covers the extra operating costs of being an Australian company because the direct and indirect benefits for Australia far outweigh the upfront price to buy Australian.