

Chair's Preface

This important inquiry has explored the operation and effectiveness of the Commonwealth Procurement Rules (CPRs), set out the rules for government procurement as well as procurement related policies, as they relate to the participation of Australian companies and businesses. The inquiry has also explored the impact of Australia's international obligations arising from bilateral free trade agreements on procurement policies.

The committee has formed the view that government procurement policies, as part of the value-for-money assessment, should take into account the impact of the government's procurement decisions on communities and on the broader economy.

Throughout this inquiry, witnesses made clear to the committee that the value-for-money proposition is not only a matter of comparing prices, it is a matter of assessing the broader benefit, as well as the costs, of the available options. Hence the urgent need for a stronger methodology to assess whole-of-life costs within the value-for-money assessment part of the procurement decision-making process.

The committee has also formed the view that with the consideration of the broad economic benefits of procurement as part of a comprehensive value-for-money assessment, the effective application of the range of procurement-related policies, combined with scrutiny and accountability measures, procurement outcomes for Australian companies would be considerably improved without impacting on our international obligations.

For example, it may be that increased employment, enhancing the skills base of the economy and boosting tax revenue will vastly outweigh what might have been gained from an initial procurement decision based on price alone.

Further, the application of the non-discrimination principle was cited throughout the inquiry as having the potential for inadvertently discriminating against Australian manufacturers. The committee is strongly of the view that effective procurement policy must ensure that Australian firms have at least an equal opportunity to compete, tender and win contracts.

The committee is also gravely concerned for the future of the Australian Industry Participation (AIP) programs and policies – which include AIP Plans in government procurement, Enterprise Solutions Program, Supplier Advocates and the Buy Australia at Home and Abroad Initiative. These programs were cut in the 2014 Federal Budget. The committee calls for these programs to be continued.

These programs were introduced by the previous Labor Government to support Australian Industry and provide innovative solutions for government. The \$82.3 million cut from these programs in the present government's budget will act as a brake on Australia's economic growth and diversity.

The principles guiding that policy enshrined in the *Australian Jobs Act 2013* should continue to be followed, and government procurement decisions should be subject to

regular review, heightened scrutiny and transparency by the Australian National Audit Office.

The committee supports the intent of bilateral free trade agreements, yet notes that evidence suggested that the Australian Government could do more to ensure local industries and locally manufactured content is enabled to participate fully, is not discriminated against (inadvertently or otherwise) by fully capitalising on exemptions provided for in those agreements – as it was heard is the case in other countries.

Government procurement decisions may well be a significant determinant of the social and economic health of many Australian communities and regions. As a result, great care needs to be taken in the policy, practice and operation of the Commonwealth Government procurement rules if they are to operate in the interests of the Australian people.

Senator Kate Lundy
Chair