

**Senate Finance and Public Administration Legislation Committee**  
**ANSWERS TO QUESTIONS ON NOTICE**  
**ADDITIONAL ESTIMATES 2016-17**

Finance Portfolio  
28 February 2017

**Department/Agency:** Finance  
**Outcome/Program:** 2/2.5  
**Topic:** Procurement

**Senator:** Rhiannon  
**Question reference number:** F124  
**Type of question:** Written  
**Date set by the committee for the return of answer:** Thursday, 13 April 2017

**Number of pages:** 2

**Question:**

1. Please set out the procurement process that is activated when the Department of Finance is responsible for a large scale project?
  - a. Is there a template that includes economic criteria and weightings? Does it vary from project to project in terms of the application or inclusion of general economic criteria?
2. Is the overarching aim of the procurement process to obtain the best possible price? If so how do you define “best possible price”? Do you take into account:
  - a. Only economic impact through direct cost of procurement
  - b. Environmental impacts
  - c. Taxes that will be raised for the government
  - d. Impacts on human health
  - e. Other factors – if so please details
3. How are the above factors quantified and weighted in the procurement process?
4. If the project being tendered for involves large quantities of steel how is the tendering process conducted and how are standards determined, applied and verified/certified ?
5. Is the government aware of comments by BlueScope CEO Paul O’Malley reported in the Illawarra Mercury on 21 February 2017: “In relation to the procurement policy, what we’ve argued is if a government makes a decision to import and it’s purely done on price, then they should reflect the price of the domestic product and reduce it by the contribution domestic industry and its employees make in form of taxes, rates, payroll tax, that type of thing. If they’re all ignored they’re effectively importing steel and not comparing apples with apples and disadvantaging the local industry” ?
  - a. With regard to these comments does the government’s procurement policy allow for the price of the domestic product to take into account that employees pay taxes and rates?

**Answer:**

1. Procurement processes undertaken by the Department of Finance (Finance) are commensurate with the scale, scope and risk of the procurement activity in accordance with the Commonwealth Procurement Rules.

The consideration of the economic benefit of a procurement to the Australian economy as part of the value for money assessment is required for procurements above \$4 million for non-construction services and \$7.5 million for construction services.

Weighting for evaluation criteria including economic benefit is determined on a procurement-by-procurement basis as applicable to the goods and services being procured.

Guidance on the consideration of broader economic benefits in procurement can be found on the Finance website at: [www.finance.gov.au/sites/default/files/guidance-new-rules-10-30-and-10-31-16.pdf](http://www.finance.gov.au/sites/default/files/guidance-new-rules-10-30-and-10-31-16.pdf)

2. Achieving value for money is the core rule of the Commonwealth Procurement Rules. When conducting a procurement, officials must consider the relevant financial and non-financial costs and benefits of each submission. Refer paragraphs 4.4 to 4.6 of the Commonwealth Procurement Rules on the Finance website at: [www.finance.gov.au/procurement/procurement-policy-and-guidance/commonwealth-procurement-rules/march/value-for-money/](http://www.finance.gov.au/procurement/procurement-policy-and-guidance/commonwealth-procurement-rules/march/value-for-money/).

In addition to paragraph 4.4 of the Commonwealth Procurement Rules, paragraph 10.31 also requires officials to consider the economic benefit of a procurement to the Australian economy as part of the value for money assessment required for procurements above \$4 million for non-construction services and \$7.5 million for construction services.

Guidance on the consideration of broader economic benefits in procurement can be found on the Finance website at: [www.finance.gov.au/sites/default/files/guidance-new-rules-10-30-and-10-31-16.pdf](http://www.finance.gov.au/sites/default/files/guidance-new-rules-10-30-and-10-31-16.pdf)

3. Weighting and assessment for evaluation criteria and factors relating to value for money are determined on a procurement-by-procurement basis as applicable to the goods and services being procured.

4. The Commonwealth does not generally procure large quantities of steel directly from manufacturers.

Under the Commonwealth's devolved procurement framework, Commonwealth entities are responsible for undertaking their own procurement processes in order to meet their business needs.

Guidance on the application and verification of standards in procurement processes can be found on the Finance website at: [www.finance.gov.au/sites/default/files/guidance-new-rules-10-10-and-10-37-16.pdf](http://www.finance.gov.au/sites/default/files/guidance-new-rules-10-10-and-10-37-16.pdf)

5. Refer to answer to Question 2 above.