

**Senate Finance and Public Administration Legislation Committee**  
**ANSWERS TO QUESTIONS ON NOTICE**  
**SUPPLEMENTARY BUDGET ESTIMATES 2015-16**

Finance Portfolio  
20 October 2015

**Department/Agency:** Department of Finance  
**Outcome/Program:** 2/2.5  
**Topic:** Considerations in determining local procurement

**Senator:** Xenophon

**Question reference number:** F2

**Type of question:** Hansard Proof, F&PA Committee, Pages 13-14, 20 October 2015

**Date set by the committee for the return of answer:** Friday, 4 December 2015

**Number of pages:** 2

**Question:**

**Senator XENOPHON:** Do you not have a role in setting the parameters for procurement?

**Senator Cormann:** Not in relation to Defence procurement.

**Senator XENOPHON:** But the general principles of procurement are something that your department is involved in.

...

**Senator XENOPHON:** ... Perhaps I can put this on notice just to save time: in terms of value for money, what considerations are given in determining a local procurement? What weighting is given? How do you weigh up the price of a local bid compared to an overseas bid?

**Senator Cormann:** .... So what I suggest is that, if you want to pursue this much further, then you get those questions in outcome 2.

...

**Senator XENOPHON:** I cannot wait. Thank you.

**Answer:**

The Commonwealth Government operates a devolved procurement framework. The responsibility for spending public money rests with entities' Accountable Authority and their delegates. Questions relating to the individual procurement activities of entities should be referred to the relevant entity.

The Commonwealth Procurement Rules incorporate the relevant provisions from Australia's international agreements which limit the extent to which the Commonwealth Government can preference local suppliers. Without the use of local preferencing Australian suppliers are still well represented with 94% of Commonwealth procurement contracts in 2013-14 being awarded to suppliers in Australia.

National treatment and non-discrimination provisions require Australia and its procuring entities to treat goods, services and suppliers of other countries the same as domestic

suppliers. This obligation also requires procuring entities to provide treatment no less favourable than that given to domestic goods, services and suppliers. Preferencing or providing weighting to a supplier based on their location would be contrary to the national treatment and non-discrimination requirements in all of Australia's international agreements. This is reflected in paragraph 5.3 of the Commonwealth Procurement Rules.

Australia's international agreements enable certain procurement activities to be exempt from their application, including those relating to essential security. This is reflected in paragraph 2.6 of the Commonwealth Procurement Rules, which enables Accountable Authorities to exempt procurements in relation to *the maintenance and restoration of international peace and security, to protect human health, for the protection of essential security interests, or to protect national treasures of artistic, historic or archaeological value.*

The Secretary of Defence has determined that under Paragraph 2.6 of the Commonwealth Procurement Rules, certain categories of procurement are exempt from Division 2 as listed in Appendix A. These categories include ships (and therefore submarines). A list of defence exempt procurement activities is publicly available from the [Defence Policy Procurement Manual](#).