

## **Standing Committee on Finance and Public Administration**

### **ANSWER TO QUESTION ON NOTICE**

**Finance and Administration Portfolio**

**Department of Finance and Administration**

**Budget Estimates Hearing – May 2007**

**Question: F27**

**Outcome 1, Output: 1.2.1 Financial Framework (Procurement)**

**Topic: Duration of panels**

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**Senator Murray asked:**

Dr Watt, I am a bit concerned at the potential – maybe it does not exist in practice – for panels to last longer than the cycle of a government, which is three years, a triennial period. Could I ask you on notice, perhaps, to think about that and to come back to us with whether you think that needs to be reviewed? I would have thought it should be subject to a finance minister's direction if there is an open-ended possibility. I cannot see a circumstance where a panel would not need to be refreshed every three years but it might need some further thoughts. Could you think about it.

**Answer:**

There is no standing term for panel arrangements within the Government's procurement policy framework. No review of the duration of panels is proposed.

It is not necessary for the parliamentary period to be a determinant when considering an appropriate term for panels. Contractual terms and conditions can adequately provide for changes that arise both within government and as a consequence of any change of government. Examples of such clauses are those outlining termination provisions.

Transaction costs to establish a panel arrangement are significant for both agencies and panel suppliers and the duration of the panel should take this into account. There are instances where it would be appropriate for a panel to have a duration of more than three years where the agency and suppliers invest significant resources into the establishment and management of the panel. Many panels have an initial term of three years, with either one two-year or two one-year extension options, for example, legal services panels. The exercise of such an extension option for a panel arrangement may well be an appropriate value for money decision. That is, the agency determines whether exercising the extension option or approaching the market will provide the best value for money outcome.

Agencies are responsible for determining the appropriate duration of a panel. Factors such as the strength and maturity of the market, complexity of the panel arrangement, and issues specific to the property or services being purchased (such as anticipated advancements in technology) are likely to be considered.