



AUSTRALIAN MADE

PRODUCT OF AUSTRALIA

AUSTRALIAN GROWN

AUSTRALIAN SEAFOOD

A U S T R A L I A N

Submission to

**Senate Finance and Public Administration
References Committee**

**Inquiry into
Commonwealth Procurement Procedures**

**Australian Made Campaign Ltd
January 2014**

SUMMARY

Australian Made Campaign Limited (AMCL) welcomes the opportunity to make this submission on Commonwealth procurement procedures.

The public sector in Australia is a significant consumer of goods within the Australian economy and AMCL recognises that the expenditure of taxpayers' money needs to be in the best interests of those taxpayers.

Government procurement policies must take a 'whole of life' approach to evaluating tenders which will take into account the significant benefits to government and to the economy generally of purchasing locally manufactured products.

These policies must also take into account and compensate for the systemic barriers faced by Australian manufacturers in tendering.

Finally, certain types of products should, for reasons of national pride, always be sourced locally. For example, the flag on our Parliament House should always be Aussie made.

BACKGROUND – AUSTRALIAN MADE, AUSTRALIAN GROWN CAMPAIGN

AMCL is the not-for-profit public company set up in 1999 (by the Australian chamber of commerce network) to administer the Australian Made, Australian Grown (AMAG) logo.

AMCL's objective as set out in its Constitution is to "promote manufacturing, trade, commerce and industrial resources in Australia through the use of the Australian Made, Australian Grown Logo".

The AMAG logo is a registered certification trade mark governed by a Code of Practice which is agreed by the federal industry department and approved by the ACCC. It was launched in 1986 by the Hawke Government.

The AMAG logo is the best known and most trusted country of origin symbol in Australia. It is recognised by 98% of Australian consumers and gives the vast majority (88%) strong confidence that a product is Australian. (*Roy Morgan Research, 2012*)

AMCL administers the logo in accordance with a Deed of Assignment and accompanying Management Deed with the federal Government and reports annually to DIISRTE on its operations.

AMCL's core funding is derived from licence fees paid by companies to use the logo. It receives no financial support from Government for its core operations, although DIISRTE currently provides some grant funding enabling AMCL to support the Government's 'Buying Australian at Home and Abroad' program.

Over 1800 companies, large and small, are currently licensed to use the AMAG logo on about 10,000 products sold here and around the world.

GOVERNMENT PROCUREMENT POLICY

The public sector in Australia is a significant consumer of goods within the Australian economy. AMCL recognises that the expenditure of taxpayers' money needs to be in the best interests of those taxpayers. For Government procurement this of course goes way beyond just price and is clarified, to some extent, in the Commonwealth Procurement Rules (CPRs) released in July 2012.

Further principles for Government procurement:

- (i) Government procurement, particularly of capital equipment, should, wherever possible, be seen in a strategic context - an investment by the community in the future capacity and competitiveness of industry in Australia.
- (ii) In large scale procurements or expenditures, Government should be a demanding customer, in terms of quality, price, delivery times, etc, with the overriding objective being that the winning tenderer will be a more competitive, capable organisation at the end of the contract than before.
- (iii) Government must take a long-term approach to procurement which will take into account 'whole of life' costs for the products purchased, rather than just the upfront cost. Such an approach will take into consideration the availability and cost of maintenance and support, conformity with quality standards and the spillover economic and social benefits associated with local manufacturing.

The economic and social benefits of maintaining a strong and robust manufacturing sector in Australia were quantified by the Industry Capability Network in its March 2012 report "Economic Impacts of New and Retained Business in the Australian Manufacturing Industry" as follows:

For every \$1.0 million of new or retained output in Australia's manufacturing industry:

- approximately \$1.2M worth of gross value added is generated in the economy (value-added includes wages, salaries, taxes paid and profits);
 - 10 full-time equivalent (FTE) jobs are supported;
 - \$101,800 worth of welfare payments are saved (welfare refers to payments made by Social Security in order to assist and sustain unemployed persons); and
 - \$365,000 worth of tax revenue is raised.
- (iv) AMCL supports the points made by the AI Group in its submission to this Inquiry on the barriers facing Australian businesses in accessing Government procurement and major projects.
 - (v) The Government's procurement rules should also recognise the revenue that flows to Government through taxes, fees, excises etc, when the manufacture of the product takes place in Australia.

By way of example:

Australian manufacturer Australian Paper lost a contract for the supply of envelopes to Centrelink during 2013 by \$8,256, a margin less than 1% of the winning tender (\$843,744).

Australian Paper estimates the Government lost tax and excise revenue of approx \$173,760 on the production of the 240 tonnes of paper that would have gone into the envelopes had the Australian product been selected.

The net 'cost' to the Government was thus in the order of \$165,000. This is not taking account of any secondary, or multiplier, effects throughout the economy resulting from the manufacturing process taking place in Australia rather than overseas.

The difficulty in accessing the relevant information in such instances is recognised, but the procurement rules should include such a consideration or an agreed margin as a de facto measure.

It may be that where the tender margin between a cheaper imported product and an Australian made equivalent is below a certain level, say 15%, then the decision to purchase the imported product over the equivalent Australian product needs to be specifically justified.

- (vi) The procurement guidelines should also recognise the need to treat certain purchases as being in a special category of 'national pride'. This would include defence materiel as well as items used at official venues or ceremonial occasions where the context needs to reflect all things 'Australian'. Examples are:
- Australian flags , particularly those being used in an official or ceremonial context;
 - equipment used at official venues, such as the furniture and crockery for Parliament House or the PM's residence;
 - official gifts;
 - uniforms worn by our defence personnel.