

21 December 2018



Submission on Draft Procurement Connected Policy Guidelines

Dear Officials,

As noted in our earlier submission dated 15th June 2018 on “Increasing the Integrity of Commonwealth Procurement Policies”, we support the Federal Government’s efforts to implement the recommendations of the Black Economy Taskforce and ensure that the Australian government’s supply chain is not being undermined by illegal activities, including failure meet tax obligations. ANZLF welcomes the opportunity to comment on the consultation document “Draft Procurement Connected Policy Guidelines” and would like to make the following observations.

Background

The Australia New Zealand Leadership Forum (ANZLF) is a business-led organisation that brings business and government together to help Australia and New Zealand prosper. The trans-Tasman government procurement market is an important one for many businesses on both sides of the Tasman and it is a particularly important one for many small and medium-sized enterprises.

Our Feedback

Our earlier submission recommended that any new requirements for tendering companies should be simple, straight-forward and not unnecessarily add to the burden of obligations that must be met by companies seeking to apply for government contracts. Overall, the proposed new policy seems reasonable in light of the stated purpose and objectives, but we have concerns about some of the details.

In our earlier submission we sought assurances that Treasury has considered the specific obligations of the Australia New Zealand Government Procurement Agreement. The draft policy guidelines give no indication that this has been done. We would appreciate receiving confirmation that Australia has considered all of its international obligations, including those set out in the Australia New Zealand Government Procurement Agreement.

We welcome the greater clarity set out in the draft guidelines about the requirements for international suppliers, including from New Zealand. We understand that any New Zealand business which tenders for an Australian government contract would be required to obtain a statement of tax record (STR) from the ATO to be considered for the contract. If the STR it is not valid when the contract is awarded, they will be required to reapply. For an Australian business, the STR is valid for 12 months but for a New Zealand/foreign business the STR will only be valid for 6 months. A key question will be how long it takes for the procurement contract to be considered, negotiated and executed. If that is longer than 6 months, which is often the case, that would put New Zealand businesses at a disadvantage as they will have to reapply (perhaps multiple times) for an STR until the contract is finalised. This will be burdensome and inevitably entail additional costs. We submit that the STR for a New Zealand business should be valid for 12 months, the same as Australian companies, as otherwise there will be unnecessary compliance costs incurred for no real benefit. Their tax position is unlikely to change within 12 months.

We also note that Footnote 4 in the policy proposal states that “From 1 July 2020 and subject to further consultation, the STR criterion in 6(b) may be extended”. In line with our earlier submission, we recommend that any “updated” requirements are simple and straight-forward and do not unnecessarily add to the burden of obligations that must be met by companies applying for government contracts.

Thank you for the opportunity to share our views. We wish you all a very happy Christmas.

Yours sincerely,



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