



**SENATOR THE HON MATHIAS CORMANN**  
**Minister for Finance**

REF:C14/332

Dr Dennis Jensen MP  
Chair  
Standing Committee on Petitions  
PO Box 6021  
Parliament House  
CANBERRA ACT 2600

Dear Dr Jensen

Thank you for your letter of 2 January 2014, reference number 814/1277, alerting us to the submission to the Standing Committee on Petitions regarding Australian Government procurement of paper and paper products from Australian manufacturers.

The Government is of course very sympathetic to the goal of increasing the use of paper products made in Australia by Commonwealth agencies and parliamentary offices. However, it is very important that objective, rules-based criteria are used in all government procurement processes, which are required to achieve value for money through non-discriminatory, competitive, open, transparent, efficient and publicly-accountable processes.

The petitioners propose a 'true value for money' proposal and pilot project. The proposal is incompatible with the Commonwealth Procurement Rules (CPRs), which reflect Australia's Free Trade Agreement (FTA) obligations. Importantly, our FTAs include obligations on the Government to open our procurement market to suppliers from FTA partners, while providing reciprocal access for Australian suppliers.

The CPRs are not intended to target specific categories of goods or services, nor specific industries. The CPRs require procuring officials to treat suppliers equitably and not discriminate in relation to the degree of foreign affiliation or ownership, location, or the origin of the goods and services being procured.

Achieving value for money is the core principle of the CPRs, however price is not the sole determining factor in assessing value for money. A comparative analysis of the relevant financial and non-financial costs and benefits inform a value for money assessment. These factors include fitness for purpose, environmental impact and whole of life costs.

From a practical perspective, the 'true value for money' proposal would require procuring officials to consider many uncertain variables in each procurement evaluation which would demand very specific expertise and impose significant compliance costs.

After reviewing the proposal presented to the Committee, and in light of the information provided above, I cannot support the proposal. I trust that the petitioners understand the rationale behind this decision.

Kind regards

Mathias Cormann  
**Minister for Finance**

4 April 2014