

Department of Finance

Response to Question on Notice

SENATE STANDING COMMITTEE ON FOREIGN AFFAIRS, DEFENCE AND TRADE

Impact of Defence training activities and facilities on rural and regional communities

21 March 2018

GENERAL COMMENTS

Nil

SPECIFIC QUESTIONS ON NOTICE

Question 1 (Proof Hansard page 13)

CHAIR: Why did we hit \$4 million and \$7.5 million? How were those thresholds determined?

Mr Hunt: I'm not sure.

CHAIR: Not as a result of trade agreements or anything like that?

Mr Hunt: This is before my time in this job, so—

CHAIR: Perhaps on notice—

Mr Hunt: Yes.

CHAIR: You've said that, over \$4 million, economic benefit can be considered.

Mr Hunt: Well, the economic benefit has to be considered over \$4 million.

CHAIR: I'm just curious as to why the lever was set at \$4 million.

Mr Hunt: I can take that on notice.

The Commonwealth Procurement Rules (CPRs) sets thresholds for when an open approach to market is generally required consistent with our international obligations. For non-construction goods and services procurements, the threshold is \$80,000 and for construction services the threshold is \$7.5 million. The process for this open approach to market is set out in Division 2 of the CPRs. For construction services the threshold requirement for an open approach to market and the requirement for an economic benefit assessment are aligned.

In the case of non-construction goods and services, the \$4 million threshold for an economic benefit test is set above the threshold for an open approach to market because this represents the point at which economic benefits should be able to be assessed, without imposing additional requirements and costs on potential suppliers and agencies, which would be the case for lower value procurements.