

Senate Economics Legislation Committee
ANSWERS TO QUESTIONS ON NOTICE
Industry, Tourism and Resources Portfolio
Budget Estimates 2005-2006, 30-31 May 2005

AGENCY/DEPARTMENT: DEPARTMENT OF INDUSTRY, TOURISM AND RESOURCES
OUTCOME/OUTPUT: Outcome 1, Output 1.2
TOPIC: AUSTRALIA-UNITED STATES FREE TRADE AGREEMENT
REFERENCE: HANSARD 30/05/05, PAGE E104

QUESTION No.32

(Hansard 30/05/05, p.E104)

Senator Lundy asked about:

Has the Department received any complaints from Australian small businesses about access to the US market because of the US Government's Small Business Set Aside Program?

ANSWER

Under the Australia-US Free Trade Agreement (AUSFTA) new provisions for access to the Australian and US Government procurement markets have been established for procurements of general goods and services above the thresholds for federal entities of A\$81,800 and US\$58,550 respectively.

The two major benefits for Australian goods and services providers under the procurement provisions of the AUSFTA are as follows.

- Australia has been granted 'designated country' status under the US Trade Agreements Act, giving Australian suppliers access to the US Government procurement market for the first time. Prior to the conclusion of the AUSFTA, Australian companies wishing to sell to the US Federal Government had to establish operations in the US, or in a designated country, or establish partnering arrangements with US firms.
- Australian bidders are granted a waiver from the Buy America Act for contracts above the designated thresholds. The Buy America Act imposes a six per cent penalty on foreign goods (not services). The waiver will enable Australian suppliers, for the first time, to compete in the US procurement market on equal terms with suppliers from the US and from over 60 other designated countries.

Notwithstanding the general procurement provisions of the AUSFTA, both countries reserved their preference policies in respect of small businesses ('set asides'). Australia has similarly specifically reserved a right to continue with procurement policies that provide economic and social assistance to indigenous persons.

The practical effect of the small business set asides is that the US Federal Government sets a target of a minimum of 23 per cent of contracts by value being awarded to US small and medium sized enterprises (SMEs). The targets are applied to annual procurement values rather than to individual contracts. The agreed disciplines on assessment of tenders will be applied to individual procurement contracts – US Government agencies are required to assess bids on each contract above the threshold limits according to the provisions agreed in the AUSFTA, as are Australian Government agencies.