

## Public Consultation on Defining an Australian Business for Commonwealth Procurement: Prioritizing Australian Businesses and Encouraging Strategic Partnerships

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### Executive Summary

This submission outlines my opinions and thoughts on defining an 'Australian business' for Commonwealth procurement purposes. As a small [REDACTED] Australian business operating in the Defence industry, I have experienced firsthand the challenges of competing in a procurement landscape dominated by large, foreign-owned corporations. However, this submission takes a holistic approach, recognising the broader importance of supporting all Australian businesses while highlighting the unique value of [REDACTED] enterprises.

My goal/vision/aspiration/wish would be to ensure that Australian businesses, particularly those 100% Australian-owned, are given preference in government procurement processes. By leveraging the Commonwealth Procurement Rules (CPRs) and definitions, we can create a framework that supports the growth of Australian companies, fosters foreign investment through partnerships, and enhances Australia's economic resilience and strategic sovereign capabilities.

### Introduction

As a small [REDACTED] Australian business, I have witnessed the challenges many Australian businesses face in competing against large, foreign-owned corporations. Small businesses like mine are critical to Australia's economic resilience, employing approximately 43% of the workforce and contributing nearly 58% to the country's economic output.

While [REDACTED] businesses bring unique value and expertise, particularly in the Defence sector, this submission recognises the importance of supporting all Australian businesses. The Australian Government must prioritise Australian businesses in procurement processes, ensuring that 100% Australian-owned companies are given preference. This approach supports local economic growth, enhances Australia's sovereign capabilities, and promotes national security.

By favouring Australian businesses and giving them the confidence to invest in our companies and employ veterans, the government can ensure that economic benefits stay within the country, supporting local jobs (including veterans) and other industries. This will allow the ADF to continue harnessing the skills of our veterans and growing a diverse and resilient workforce and supply chain.

### Prioritising Australian Businesses

The government must prioritise Australian businesses in procurement processes to:

- **Support Local Economic Growth:** Ensure economic benefits stay within Australia, supporting local jobs and industries.

- **Enhance Sovereign Capabilities:** Leverage the expertise and commitment of Australian businesses to strengthen Australia's sovereign capabilities, particularly in critical sectors like Defence.
- **Promote National Security:** Maintain Australia's national security and sovereignty by supporting businesses that understand the country's security needs and are committed to protecting its interests.

### **Recognising the Value of Veteran-Owned Businesses and Veterans**

Veteran-owned businesses are crucial for maintaining Australia's national security and sovereignty. They bring expertise and commitment unmatched by foreign-owned companies. By prioritising Australian businesses, particularly those that are veteran-owned, the government can:

- **Harness Unique Expertise:** Leverage the operational knowledge and commitment to national security that these businesses bring whilst strengthening Australia's sovereign capabilities.
- **Support Transitioning Service Personnel:** Provide opportunities for service personnel transitioning out of the ADF and into civilian life, allowing the ADF to continue harnessing their skills and knowledge and giving them a purpose in life.
- **Promote National Security:** Maintain Australia's national security and sovereignty by supporting businesses that understand the country's security needs and are committed to protecting its interests. This, in turn, will grow national pride throughout the community and will develop the future men and women of our ADF.

In conclusion, the Australian Government must prioritise Australian businesses, particularly those 100% Australian-owned, in procurement processes to support local economic growth, enhance sovereign capabilities, and promote national security. This approach is crucial for maintaining Australia's financial resilience and ensuring the country remains competitive in the global economy and strategically changing landscape.

### **Recommendations**

#### **1. Defining an Australian Business:**

- **Incorporation and Significant Presence:** The definition of an Australian business should require that a company be incorporated in Australia and demonstrate a significant operational presence within the country. This should be measured through key metrics, such as the number of Australian employees, the location of its principal place of business, and the percentage of its revenue generated within Australia.

#### **2. Prioritising Australian Businesses:**

- **Commonwealth Procurement Rules:** The Commonwealth Procurement Rules should be amended to prioritise 100% Australian-owned businesses in procurement processes. This would ensure Australian companies are preferred, support local economic growth, and enhance Australia's sovereign capabilities.

### 3. Encouraging Strategic Partnerships:

- **Foreign Partnerships:** Foreign companies should be encouraged to partner with Australian businesses, particularly small and veteran-owned enterprises, through joint ventures, consortiums, or subcontracting arrangements, with the Australian company having to be the Prime/Lead organisation. This approach ensures that Australian businesses benefit from foreign investment and grow.

### 4. Local Content Requirements and Skills Transfer:

- **Mandatory Local Content:** Introducing mandatory local content requirements for foreign-owned companies bidding for procurement contracts is crucial to ensuring Australian businesses are given a fair chance to compete and grow. However, past attempts at implementing such policies have failed, primarily due to a lack of seriousness and commitment from key stakeholders, including Defence.

For this initiative to succeed, it is imperative that the government takes a firm stance and enforces strict penalties for non-compliance. The policy must be clear, concise, and unambiguous, with a specific percentage of bidding and procurement mandated to be Australian-owned. This will send a strong message to large foreign-owned companies that Australia is serious about supporting its local businesses and will not tolerate disregarding its policies. To ensure the effectiveness of this policy, it must be rigorously policed and monitored. This includes:

1. **Clear Guidelines:** Establish guidelines and criteria for what constitutes Australian-owned content, ensuring that foreign companies understand their obligations and the consequences of non-compliance.
2. **Regular Audits:** Conduct regular audits to verify compliance with local content requirements, focusing on transparency and accountability.
3. **Penalties for Non-Compliance:** Implementing harsh penalties for companies that fail to meet local content requirements, including financial penalties, exclusion from future procurement opportunities, and public disclosure of non-compliance.
4. **Support for Australian Businesses:** Providing support and resources to Australian businesses to help them compete effectively for procurement contracts, including training, mentorship, and access to capital.

By taking a firm and proactive approach to enforcing local content requirements, the government can ensure that Australian businesses are given a fair chance to compete and grow while promoting economic growth and job creation within Australia. This is not just a matter of policy; it is a matter of national interest and economic sovereignty.

- **Skills Transfer Programs:** Foreign companies should be encouraged to participate in skills transfer programs, where they train and upskill Australian workers and partners, contributing to long-term workforce development and innovation.

## 5. Supporting Australian Businesses in International Markets:

- **Export Markets:** Australian small businesses, particularly those in regional areas, can grow by tapping into export markets. Foreign partnerships should be structured to give Australian companies access to global markets, allowing them to expand their footprint internationally. Government support can help businesses scale and thrive in international markets through trade agreements, grants, and programs like Austrade.

## 6. Incentives for Foreign Companies:

- **Incentivising Local Investment:** Foreign companies must be incentivised to invest in the local economy by partnering with Australian SMEs. This can be achieved through a multifaceted approach beyond mere tax incentives. While tax incentives can be a powerful tool, they should be structured to reward foreign companies for developing long-term, meaningful partnerships with Australian businesses, particularly those that are veteran-owned or located in regional areas.

However, it is crucial to recognise that foreign companies already reap significant benefits from winning multi-million and billion-dollar contracts. They need not more financial incentives but a genuine commitment to contributing to the growth and development of Australian businesses. This can be achieved by fostering a culture of collaboration and mutual benefit, where foreign companies are encouraged to form partnerships that are not just transactional but transformative.

By partnering with Australian SMEs, foreign companies can access local expertise, market knowledge, and a deep understanding of the Australian business landscape. This can be a powerful catalyst for growth, innovation, and job creation, benefiting both the foreign company and the local economy.

## 7. Growing Australia's Primes:

- **Long-Term Strategy:** The ultimate goal is to allow Australian small businesses to grow into Prime contractors capable of competing for larger contracts both domestically and internationally. This requires a long-term mentorship, support, and capacity-building strategy from the government and foreign partners.

## 8. Favouring Veteran-Owned Businesses in Defence:

- **Prioritising Veteran-Owned Businesses:** In the Defence industry, the government should direct Defence to prioritise veteran-owned businesses when awarding contracts. Veteran-owned businesses are uniquely positioned to contribute to Defence projects, having both the operational knowledge and the commitment to national security from years of service.

## Conclusion

By prioritising 100% Australian-owned businesses and encouraging strategic partnerships with foreign companies, we can create a procurement framework that supports the growth of Australian companies, fosters foreign investment, and enhances Australia's economic resilience and sovereign capabilities. This approach ensures that Australian businesses are

given preference, supporting local economic growth and contributing to Australia's long-term prosperity.

**Consent to Publication**

*I consent to the publication of this submission, however, as my name and organisation details be withheld (de-identified).*