



Accessing the World's Largest Procurement Market

The Australia – United States Free Trade Agreement (AUSFTA)

Accessing the World's Largest Procurement Market



The Free Trade Agreement with the United States will, for the first time, open up the largest government procurement market in the world to Australian exporters. The Agreement sets out new rules, procedures and transparency requirements for government purchasing which will give Australian businesses non-discriminatory access to the \$200 billion US Federal Government procurement market and 28 key US State Government procurement markets.

The Agreement will ensure bids from Australian companies for contracts with these US governments are considered in

the same way as those from American businesses. Coupled with other reductions in trade barriers secured under the Agreement, this opens up new export opportunities for Australian firms and offers existing exporters the potential to significantly expand their activities in the United States. US businesses will also retain the right to bid for Australian government contracts, but the Agreement ensures protections can continue for small and medium Australian businesses, which are of particular importance to our regional communities.



Australian Government

Department of Foreign Affairs and Trade

“This Agreement is fundamentally and hugely important for Australia. It will make things just so much easier for companies like us.”

- Peter Farrell, Executive Chairman, Resmed



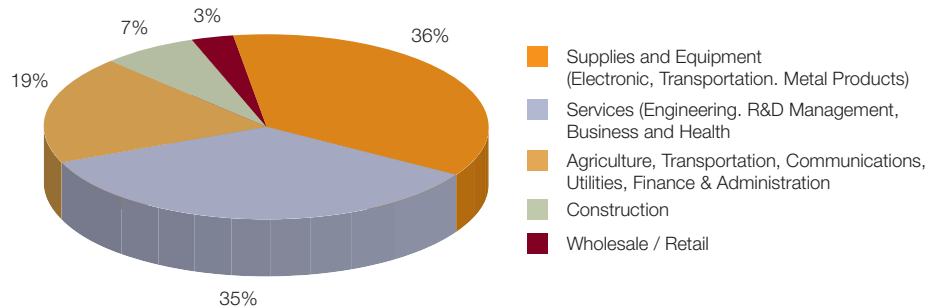
New Market Access...

United States governments are the largest purchasers in the world, acquiring a broad range of goods and services to meet the diverse needs of their numerous agencies. The potential procurement market which will be available to Australian businesses at the US

Federal Government level is currently valued at more than A\$200 billion – representing a lucrative new market for a wide range of Australian exporters of goods and services.



United States Federal Procurement by Category



Source: 'Selling to the US Government', United States Federal Government, Office of Government Contracting

The Agreement presents opportunities for Australian businesses to broaden their export market by including US governments as potential new customers. The Agreement will provide access to 79 US federal departments and most of their subsidiary agencies. It will also open up access to the lucrative state government market, with 28 US States - including the large procuring governments of California, Florida, New York, Pennsylvania and Texas - signed up to the Agreement at the time of US Congressional ratification. The US has also committed to encourage additional States to open up their markets, with special provision for them to be included in the Agreement by executive order.

For Australian suppliers of hardware, software and professional IT services in particular, the US procurement market holds major export potential. In recent years the US Federal Government has spent around A\$60 billion annually on information technology.

...removing the barriers...

“Australian companies will have greater exposure to such growing markets as information technology, telecommunications, biotech and high value-added services, all of which will boost Australian innovation.”

Mr Mark Bethwaite, Managing Director, Australian Business Limited

Until now, Australia has been locked out of the United States government procurement market. If Australian companies wanted to sell to US federal or state governments they were required to establish and manufacture their products in the United States or a country that has status as a designated supplier.

As a result of the non-discrimination provisions of the government procurement Chapter of the AUSFTA, Australia will now be listed as a **“designated”** country under the *US Trade Agreements Act*. This will allow Australian companies to bid directly on US government procurement contracts.

The Agreement also requires the US to provide Australia with a waiver on the 6 per cent penalty imposed on foreign goods under the *Buy America Act*. This waiver applies to US federal government contracts valued at over US\$58,550, state government contracts valued over US\$477,000, and federal and state construction contracts worth more than US\$6,725,000. For the first time, Australian firms bidding for contracts in the US will be placed on the same competitive footing as US bidders and those companies from other “designated” countries.

The Agreement will also ban “offsets”, which means procurement contracts cannot build in restrictions such as local content, technology transfer and export performance requirements. Australia has, however, ensured the right to maintain domestic procurement policies that assist small and medium enterprises and those which provide economic and social assistance to indigenous persons. These protections are of particular importance to regional communities.

Both the United States and Australia have also exempted the procurement of items that are crucial to their national security such as military equipment, systems and essential supplies. In doing so, Australia will be able to retain the Australian Industry Involvement Program for defence procurement.

...unprecedented opportunities.

The Agreement allows Australian firms and products to be listed on the US Federal Government’s General Services Administration (GSA) schedule. These schedules contain lists of approved suppliers and their products for the use of an estimated 235,000 government ‘customers’. Inclusion on these schedules can also open up opportunities for Australian businesses beyond simply selling to the US Federal Government, as they are also used by state government and local government agencies as a form of ‘preferred suppliers’ list.

Modelling of the Agreement by the Centre for International Economics (CIE) notes the impact of improved access to the United States procurement market will depend significantly on how business responds to the new opportunities. Based on the experience of Canadian suppliers, the CIE has forecast access to the US Federal Government procurement market could be worth up to \$200 million per year for Australian exporters. The CIE also predicted the best opportunities for Australian exporters are likely to be concentrated in the \$25 billion GSA contract market, which is the easiest to break into and offers the greatest security of work.

“[The AUSFTA] requires individuals and companies to actively seek out the enormous opportunities available from being able to compete on a level playing field in United States markets, particularly in respect to the US Government’s annual purchasing program of some \$200 billion each year.”

Mr Hugh Morgan, President, Business Council of Australia.



To find out more contact DFAT's AUSFTA Taskforce

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Information on the market access gains in the US government procurement market can be found in Chapter 15 of the Agreement. Additional information on the definition of government procurement is contained in Chapter One, and Chapter 22 sets out provisions relating to the management of confidential information and essential security interests.

Visit our website: www.dfat.gov.au for the text of the Agreement and other related information

If you would like to know more about the practical aspects of exporting to the United States please contact Austrade on **13 28 78**

or visit www.austrade.gov.au



Australian Government

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