

3. Policy (cont'd)

To date most of the companies involved in selling equipment to Government exceeding \$2M AUD per annum have sought to qualify under the Partnership Policy.

Offsets Policy

The Offsets Policy requires that any supplier to the Government will be required to Offset 30% of the Contract Value where the Contract exceeds \$2M AUD in any given 12 month period.

This only applies where the Local Content is less than 30% of the Contract Value. The Audit process for this is currently the responsibility of DAS Financial Services Branch.

Australian & New Zealand Manufactured Goods Preference Policy

This Policy gives preference to Goods manufactured in either of these two countries with a Local Content exceeding 30%. Adjustments are made to the Tender Prices of proposals that have higher imported content with a local content below the 30% threshold. However due to other issues including compatibility, conformity etc this Policy has often been ineffectual.

Industry Development Arrangements

These are covered in Section 2.3 of the Strategic Technology Management paper.

4. Defence Offsets, Accreditation and Security Clearance Requirements

Offsets

The Offsets Policy for Defence Contracts requires that there is a requirement to initiate as high as possible local content to the value of 30% or greater. This requirement also assists in the transfer of Technology and expertise to facilitate on-going support with an acceptable level of independence in relation to on-going support.

The level of Offset Liabilities outstanding by foreign companies is proving to be an embarrassment. To date the Liabilities exceed \$2B AUD. The prospect of these Liabilities ever being met are very remote. The new Partnership Policy and IDA initiatives are intended to ensure that these liabilities do not increase further.