Canberra BUSINESS CHAMBER

16 December 2025

Senator the Hon Katy Gallagher
Minister for Finance
Parliament House
Canberra ACT 2600

BY EMAIL

Dear Senator Gallagher,

Clarification and Implementation of the 2025 Amendments to the Commonwealth Procurement Rules

I am writing in relation to the updated *Commonwealth Procurement Rules 2025* (CPRs), which came into effect on 17 November 2025. We have an active group of SME members with interests in Commonwealth procurement, and this letter has been prepared on behalf of that group. We would appreciate the opportunity to meet you in the New Year to discuss the issues outlined below.

The Chamber commends the Australian Government's continued commitment to strengthening the participation of Australian businesses, particularly small and medium enterprises (SMEs), in Commonwealth procurement. The reforms demonstrate a clear intention by your Government to prioritise Australian industry, expand competitive capability and promote greater inclusion in government supply chains.

SMEs made up approximately 97.2 per cent of all Australian businesses and contributed nearly $590 billion of value added to the national economy in 2022-23, equating to about one-third of Australia's GDP according to the Australian Small Business and Family Enterprise Ombudsman 2024. As the backbone of the Australian economy, SMEs generate employment, foster innovation and underpin regional development. Increasing the participation of SMEs in Commonwealth procurement delivers broad economic benefit as well as better value for money and increased competition in Government contracting.

The Chamber particularly welcomes:

(i) the increase in the non-construction procurement threshold for non-corporate Commonwealth entities (NCEs) from $80,000 to $125,000 (CPR paragraph 9.7(a)),

(ii) the requirement that, for procurements below the threshold not from a standing offer only Australian businesses be invited to tender; and

(iii) the requirement that for procurement below $125,000 only SMEs be invited from the Management Advisory Services Panel, the People

Panel, or any standing offer managed by the Digital Transformation Agency.

These measures represent genuine progress towards removing barriers to entry for Australian Businesses and SMEs, and creating a stronger and more resilient domestic supply base.

Based on extensive feedback form our member base, without accompanying operational enhancements, consistency in practice across agencies, and transparency in reporting, the full benefits of these policies will not be realised for either the Government or for the SMEs / Australian Businesses they are designed to support. To that end, the Chamber proposes a set of practical measures (set out in Attachment A) to strengthen uniform implementation and ensure measurable outcomes.

We also seek clarification on the following key operational points:

(i) How will the new SME threshold rules be administered by non-corporate Commonwealth entities. Is it correct that they will update their own Accountable Authority Instructions (AAIs) or equivalent administrative guidance under your powers in section 105B(1) of the *Public Governance, Performance and Accountability Act 2013* to ensure all agencies apply the revised thresholds and SME participation rules uniformly from 17 November 2025? Is it possible to ensure that AAIs do not seek to add impediments to the CPRs?

(ii) While these amendments represent meaningful progress, the Chamber remains concerned that the absence of broader application—particularly the exclusion of Defence's extensive standing offer and panel arrangements, which together represent one of the largest procurement footprints in the Commonwealth—significantly limits the practical impact for SMEs. The differing treatment of below-threshold procurements under CPRs 5.4 and 5.5 establishes clear-cut obligations for NCEs to prioritise Australian businesses in general procurements and SMEs for certain whole-of-government panels. However, without extending comparable SME-focused requirements to the high-volume Defence panels and other major standing offers, the reforms risk leaving substantial segments of the procurement landscape untouched. Ensuring that the Commonwealth's largest buyers adopt consistent SME-enabling settings is critical if the intent of the 2025 CPRs is to be fully realised across the economy.

(iii) What reporting mechanisms will be implemented, either by individual agencies or through AusTender, to enable the tracking and evaluation of the reforms' impact on SME participation and Australian business outcomes. Will these be incorporated into existing CPR compliance reporting or established as a separate, transparent performance framework under Finance? Is it possible to report on the number of

SMEs available and approached for each tender, as well as the reasons for not approaching more?

(iv) According to the ANAO there have been repeated instances of Departments breaching the CPRs with no ramifications. SMEs and Australian Businesses have no recourse for CPR breaches other than filing a complaint to the same Department. The *Government Procurement (Judicial Review) Act 2018* does not apply to procurements from Standing Offers, which is around 81 per cent of all procurements over the last 3 years. Amending the definition of a 'Covered Procurement' so that Division 2 does not need to apply will mean that procurements from Standing Offers will now be subject to GPJR reviews. Additionally, the GPJR only applies to around 13 of the CPRs, and amending this to apply to all mandatory CPRs would provide even greater protection for SMEs and Australian Businesses. An amendment to this legislation would allow SMEs and Australian businesses to have recourse when Departments fail to give effect to your Government's initiatives.

The Chamber believes the operational measures proposed in Attachment A, covering consistent AAIs, standardised AusTender reporting, and clear implementation timelines, would enable the Government's procurement reforms to reach their full potential, delivering measurable benefits for both Government buyers and Australian SMEs.

We thank you and the Department of Finance for your leadership in modernising the procurement framework and for your continued engagement with the small business sector. We look forward to supporting the successful roll-out of the new CPRs across the ACT and nationally.

Our Commonwealth Procurement Group would like to request a meeting with you, ideally early in the New Year to discuss these matters further. We have always appreciated your willingness to engage with the business community and look forward to hearing from you regarding this request.

In the meantime, I wish you all the best for a Happy Christmas and New Year.

Yours sincerely

Greg Harford
Chief Executive

Attachment A — Proposed Operational Enhancements to Maximise SME Participation under the 2025 CPRs

To ensure the revised CPRs achieve their policy intent in practice, the Chamber recommends the following practical enhancements.

1. Uniform Application via Model AAIs

Issue model Accountable Authority Instructions (AAIs) for all non-corporate Commonwealth entities that:

a. require that AAIs do not seek to add impediments to the implementation of the CPRs;
b. require that only Australian businesses be invited to bid for below-threshold non-panel procurements (between $10k and $125k, with any exceptions under CPR 5.4(c) recorded;
c. require that MAS, People and DTA panel call-offs under A$125,000 invite **only SMEs**, with exceptions under CPR 5.5(c) documented;
d. clarify the A$7.5 million construction threshold (CPR 9.7(c)) and its interaction with the Australian business rules; and
e. AAIs should be issued under section 20A of the *PGPA Act* and aligned with the Minister's rule-making power under section 105B(1).

2. Transparency and Reporting through AusTender

a. Record the number of suppliers available, how many were approached and why not all were approached.
b. Add data fields in AusTender for Australian business (Y/N), SME (Y/N), Indigenous or women-owned status, and reason for any exception.
c. Require quarterly public reporting of SME participation (by number and value) against the CPR targets of 25 per cent for contracts up to A$1 billion and 40 per cent for contracts up to A$20 million.
d. Capture and publish median days-to-pay SMEs and any interest paid for late payments, consistent with RMG 417.

3. Design Procurements so SMEs can win

a. Encourage disaggregation of large procurements (CPR 5.6(d)).
b. Avoid the requirement that Government or large business experience is required, because this hurts SMEs who have supported other SMEs, or who have people with the right skills and experiences, but are prevented from applying it. (CPR 10.15).
c. For panels, ensure fair rotation and multiple invitations (CPR 9.14).
d. Use Annual Procurement Plans (CPR 7.8-7.9) to flag upcoming SME-suitable opportunities.

4. Supplier Feedback and Capability Improvement

a. Adopt standardised debrief templates providing unique and specific feedback within minimum timeliness (CPR 7.17) to support SME learning and reduce disputes.

5. Implementation and Accountability Timetable

a. Publish a 90-day implementation checklist for agencies (training, template updates, system changes).
b. Undertake a baseline report on SME and Australian business participation (Nov 2025–Nov 2026) and a 24-month review to assess effectiveness using AusTender and Supplier Portal data.
c. Implement reforms to the GPJR Act to give suppliers a pathway to hold Departments to account for breaching the CPRs, and make it a no cost jurisdiction if that what it takes.