



## **Australian Government**

Australian Government response to the Senate Finance and Public  
Administration References Committee report:

Supporting the development of sovereign capability in the Australian  
tech sector

DECEMBER 2025

## Introduction

The Government welcomes the opportunity to respond to the Senate Finance and Public Administration References Committee report titled *Supporting the development of sovereign capability in the Australian tech sector* (the Report).

The Report and its five recommendations cover a range of issues including definitions for sovereign capability, increasing support to small and medium enterprises (SMEs), issues around conflict of interest declaration by suppliers to government, as well as specific government initiatives and programs.

The Report also includes additional comments from Senator David Pocock, which include two further recommendations relating to the definition of sovereign Australian SMEs, and the consideration of economic benefit to the Australian economy for Government procurements. The Government **notes** these recommendations.

The Government is committed to prioritising Australian businesses in Australian Government procurement. In October 2025, the Government released updated Commonwealth Procurement Rules (CPRs), effective 17 November 2025, requiring that non-corporate Commonwealth entities (NCEs) must prioritise Australian businesses for procurements below the relevant procurement thresholds. To further support the opportunities available to Australian businesses, the Government has raised the goods and services procurement threshold for NCEs from \$80,000 to \$125,000. The updates also require that, when procuring from certain panels, NCEs must first invite only SMEs to make a submission. This will provide Australian businesses with access to approximately 31,000 Australian government contracts, valued at almost \$2 billion.

In March 2025, following extensive public consultation, the Government released the definition of an Australian business, for use in the context of Australian government procurement. This definition will facilitate the prioritisation of Australian business in relevant procurements and will ensure greater transparency around the procurement contracts awarded to local firms. AusTender, the Australian Government's central procurement information system for the publication of Australian Government business opportunities, annual procurement plans and contracts awarded, will be updated to allow reporting that will capture data around awarding of contracts to Australian businesses, including reasoning as to when an Australian business may not have been engaged.

Further to this, the Supplier Portal has come online from October 2025, allowing suppliers to self-identify as an Australian business, Indigenous business, and/or an SME (amongst other identifiers) where they meet the relevant definitions.

The CPRs define an SME as 'an Australian or New Zealand firm with fewer than 200 full-time equivalent employees'. This definition was further strengthened by the Government in July 2024 to ensure that measures targeted at supporting SMEs target genuine, independent SMEs and not a small or medium sized business supported by the resources of a larger organisation. SME procurement targets were increased from 1 July 2024, as was the threshold for which entities can procure directly from SMEs.

In July 2024 the Government reduced the threshold for procurements that require an economic benefit assessment from \$4 million to \$1 million. To support this change, guidance

for public officials on the consideration of broader economic benefits in procurement has been updated and strengthened. This work also builds on the industry sector scans completed by the Department of Industry, Science and Resources (DISR) under the Buy Australian Plan that identified common and sector specific procurement barriers facing industry. This work had regard to Senator Pocock's additional recommendations.

The July 2024 updated CPRs also restated the Government's commitment for procurements to demonstrate the highest standards of ethics, probity and integrity, including in relation to the suppliers the Government seeks to work with. To support this, the Government introduced the Commonwealth Supplier Code of Conduct (Code). The Code outlines the Commonwealth's minimum expectations of suppliers and their subcontractors while under contract with the Commonwealth.

The Government announced in the 2024-25 Budget it will invest \$22.7 billion over a decade in a Future Made in Australia agenda to maximise the economic and industrial benefits of the international move to net zero and secure Australia's place in a changing global economic and strategic landscape. The Future Made in Australia agenda is designed to create more secure, well-paid jobs and encourage and facilitate private sector investment required to make the most of this structural shift.

As part of this agenda, the Government has legislated the *Future Made in Australia Act 2024*, which establishes a National Interest Framework, sector assessment process and community benefit principles to guide decision making in relation to significant public investment in the national interest.

In December 2025, the Government released the National AI Plan, setting out the Government's ambition to position Australia as a leader in responsible, inclusive and innovative AI development and adoption. To achieve this vision, the Plan is anchored in three goals: capturing the opportunities of AI; spreading benefits widely; and keeping Australians safe. Building sovereign capability in AI is essential to ensure Australia can shape technology in line with our national interests and values. By investing in local skills, infrastructure and innovation, the Government is strengthening Australia's resilience and reducing strategic dependencies, ensuring Australians benefit from technological progress.

The Government provides the following response to the Committee's recommendations.

## Response to Recommendations

### ***Recommendation 1***

The committee recommends that the Australian Government develop a clear and operational definition of sovereign capability as part of the broader Future Made in Australia agenda that can be used to inform future procurement decisions.

**Response:** The Government **supports in principle** this recommendation.

The Government is committed to ensuring that Australian businesses have opportunities to participate in government procurement, and that the procurement framework delivers value for money for the Australian public. Competition in procurement is a key part of achieving these objectives.

In March 2025, the Government released the definition of an Australian business, for use in the context of the Commonwealth procurement framework. The definition comprises three elements: Australian ownership, Australian tax residency and principal place of business being in Australia.

In October 2025, the Government gave effect to the Australian business definition through the introduction of revised CPRs, effective from 17 November 2025. These changes delivered on the Government's commitment to bring Australian businesses to the front of the queue for Australian Government procurement. These changes mandate that NCEs:

- invite only Australian businesses to make submissions for below threshold procurements, with the exception of procurements from panels; and
- invite only SMEs to make submissions for procurements below \$125,000 from the Management Advisory Panel, People Panel and standing offers managed by the Digital Transformation Agency.

The National Interest Framework, established under the *Future Made in Australia Act 2024*, includes an economic resilience and security stream relating to sectors where some level of domestic capability is a necessary or efficient way to deliver the economic resilience and security of Australia. The Explanatory Memorandum for the *Future Made in Australia Act 2024* makes clear that key terms in the Framework should be interpreted in the context of each assessment against the Framework.

There are some programs within Government that consider sovereign capability in the context of industrial base. The Department of Defence has undertaken work on what industrial capability needs to reside in Australia to deliver outcomes for the Australian Defence Force. The Government released the Defence Industry Development Strategy (DIDS) in February 2024, which articulates the strategic direction for defence industry policy and actions to develop the sovereign defence industrial base in priority areas to meet national security needs. The DIDS also provides a definition for a sovereign defence industrial base.

The Government has materially delivered on all measures under the Buy Australian Plan to build domestic industry capability and help businesses and industry sectors grow through the Government's purchasing power.

### ***Recommendation 2***

The committee recommends that the Australian Government consider:

- increasing the procurement targets for non-corporate Commonwealth entities to source at least 20 per cent of procurement by value from SMEs and 35 per cent of contracts, by value, with a value of up to \$20 million from SMEs set out in the Commonwealth Procurement Rules.
- reviewing the Commonwealth Procurement Rules with a view to ensure that official procurement guidance to officials is aligned with the broader Future Made in Australia package.

**Response:** The Government **supports** this recommendation.

The Government is using its significant purchasing power to further increase the opportunities for SMEs securing Commonwealth contracts.

The Government has already gone further than the Committee's recommendation to strengthen SME procurement, with updates to the CPRs that increase the targets for SME procurement. From 1 July 2024, the Government committed to non-corporate Commonwealth entities (NCEs) procuring at least 25 per cent of contracts by value (up from 20 per cent), for contracts with a value of up to \$1 billion, and the target for contracts by value, with a value of up to \$20 million increased from 35 per cent to 40 per cent. Commonwealth entities are required to sustain their efforts to provide more opportunities to, and source more goods and services from, SMEs to meet the revised targets.

In October 2025, the Government released updates to the CPRs, further demonstrating its commitment to supporting SMEs in government procurement. From 17 November 2025, the CPRs require that only SMEs are invited to make submissions for procurements below \$125,000 from the Management Advisory Services Panel, People Panel and certain standing offers managed by the Digital Transformation Agency.

The Future Made in Australia agenda will encourage and facilitate private sector investment in Australia, building a stronger, more diversified and more resilient economy. As Government continues to implement aspects of the Future Made in Australia package, Australia's government procurement trade obligations (such as non-discrimination provisions for relevant procurements) have been and will continue to be taken into account into any such changes to the CPRs or guidance that is provided to officials.

***Recommendation 3***

The committee recommends that the Australian Government scales the Business Research and Innovation Initiative to increase opportunities for emerging sovereign Australian tech companies to showcase their capabilities to government officials by solving public-sector problems in a ‘sandbox’ environment outside of standard procurement processes, with a particular focus on providing opportunities to firms with between two and 20 full-time equivalent employees.

**Response:** The Government **notes** this recommendation.

As part of the 2024-25 Mid-Year Economic and Fiscal Outcome, the Government decided to close the pilot Business Research and Innovation Initiative (BRII) to future rounds. All remaining BRII rounds that are currently in train will continue to be delivered as planned and all existing commitments will be honoured. The Government continues to provide support for startups and innovative SMEs through the Industry Growth Program and is supporting sector specific innovation challenges through programs like the Critical Technologies Challenge Program.

***Recommendation 4***

The committee recommends that the Australian Government addresses conflicts of interest in procurement by mandating that all suppliers disclose their commercial relationships with any other suppliers that are working on the same project to which the procurement is related, be it above the line or below the line.

**Response:** The Government **supports** this recommendation.

The Government is committed to the highest standards of ethics, probity and integrity within the procurement framework.

The Commonwealth expects its suppliers to consistently act with integrity and accountability, and conduct themselves with high standards of ethics. The Government mandated the Commonwealth Supplier Code of Conduct (Code) in the 1 July 2024 update of the CPRs, with relevant entities required to incorporate the Code into all Commonwealth forms of contract. The Code outlines the Commonwealth's minimum expectations of suppliers and their subcontractors while under contract with the Commonwealth, covering ethical behaviour, including the declaration and management of conflicts of interest; corporate governance; business practices; and health, safety and employee welfare.

Furthermore, as part of the Government's initial response to the PricewaterhouseCoopers Australia breach of confidentiality, the Government committed to a range of measures to strengthen integrity when Government is engaging with the non-government sector, including strengthening of confidentiality and conflicts of interest arrangements across the Commonwealth. A review of these arrangements, including their use in consultation, engagement of external personnel or advice, procurements, grants and other forms of financial arrangements, concluded in December 2024. Guidance, incorporating the findings of the review to help entities manage confidentiality and conflicts of interest, was released in September 2025 and can be found on the [Finance website](https://www.finance.gov.au/government/managing-commonwealth-resources/managing-conflicts-interest-and-confidentiality-non-government-sector-rmg-208)<sup>1</sup>.

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***Recommendation 5***

The committee recommends that the Australian Government improve the integration of grant programs with procurement processes, giving sovereign Australian small and medium enterprises that have developed products through Australian Government grants the opportunity to supply those products to the Australian Government.

**Response:** The Government **supports in principle** this recommendation.

The Government continues to promote competition and value for money in procurement, as key elements of the Commonwealth procurement framework. Innovation is also encouraged and promoted not only in government procurement but through Commonwealth Grants. Grants are widely used to achieve government policy objectives, involving the payment of billions of dollars each year to the non-government sector. The Government provides grants to a broad range of stakeholders that benefit the public including through increased social services; expanded opportunities for businesses; emergency relief; and research and innovation.

Achieving value for money in procurement relies on the use of competitive procurement processes. Businesses that have developed products through government grants are able to supply these products to government through the usual competitive procurement processes.

As part of the 1 July 2024 update to the CPRs, the Government clarified the definition of an SME. The change ensures that measures targeted at supporting SMEs target genuine, independent SMEs and not a small or medium-sized business supported by the resources of a larger organisation.

The Australian Industry Participation Authority within the Department of Industry, Science, and Resources plays a key role in ensuring Australian businesses (including SMEs) have full, fair and reasonable opportunity to participate in Australian Government procurement contracts, grants and investments of \$20 million or more. More generally, the Government encourages innovation through procurement processes including through the use of requests for information to understand the capabilities that exist in the market, development of proof of concepts, procurement processes that are designed around the desired outcome without being specific on the product or service, and the ability to consider unsolicited proposals.

In addition, the Digital Transformation Agency provides standing offers (or panels) across cloud, hardware, software, telecommunications, data centres and ICT labour hire and consultancy services. These panels provide SMEs with more opportunities to compete for government contracts, reduce barriers to entry, simplify procurement processes, and increase transparency and accountability. The DTA regularly refreshes and upgrades its panels to allow for new sellers and digital capabilities. Recent examples, such as the opening of the Digital Marketplace Panel 2 and Cloud Marketplace Panel have created new opportunities for SMEs to provide their technology systems to the Government.