

**DEFINITIONS****Acceptance**

Certification that the goods or services provided by the contractor meet the requirements of the contract. In Complex and strategic procurements the contractor will usually be required to provide a Supplies Acceptance Certificate and other supporting evidence to facilitate the acceptance process by Defence.

**Accountability**

Accountability means that officials are responsible for the actions and decisions that they take in relation to procurement and for the resulting outcomes.

**Accreditation**

Recognition and approval by an approved accreditation agency.

**Alliance Contract**

A legally enforceable contractual arrangement aimed at sharing risk between Alliance participants and creating mutually beneficial relationships.

**Annual Procurement Plan (APP)**

A document through which Defence provides a short summary of the strategic procurement outlook for the coming year and information on significant procurements they plan to undertake.

**ASDEFCON (Complex Materiel)**

A Request for Tender and contracting template designed to assist drafters to prepare Requests for Tender and contracts for low to medium risk procurements of minor and complex capital equipment and systems. ASDEFCON (Complex Materiel) consists of two volumes, each addressing a different level of complexity.

**ASDEFCON (Services)**

ASDEFCON (Services) is designed to be used to engage consultants, professional service providers and other contractors to provide services to Defence. The template is to be used where the services to be procured are straightforward, low risk, low value and of short to medium duration.

**ASDEFCON (Standing Offer for Goods)**

ASDEFCON (Standing Offer for Goods) is designed for use when establishing a standing offer arrangement with a supplier or a panel of suppliers for low value, low risk procurements of goods up to an aggregate value of \$5 million. It should not be used to acquire spare parts for equipment required as part of a project that has established its own arrangements for the acquisition of spare parts.

**ASDEFCON (Strategic Materiel)**

ASDEFCON (Strategic Materiel) is for acquiring high risk, software intensive systems including major platforms.

**ASDEFCON (Support)**

ASDEFCON (Support) is designed to assist a drafter to prepare a Request for Tender and a contract for use in the procurement of support and maintenance activities for a system or item of equipment that is 'in use'.

### **AusTender**

The central web-based facility for the publication of Australian Government procurement information, including business opportunities, annual procurement plans and contract awarded.

### **Base Date**

The specified date from which a tender price is valid and the date for calculation of contract price and price variation.

### **Best Practice**

A cooperative and integrated approach to managing, organising and improving operations during all stages of the procurement process. It involves the adoption of consistent standards, policies and procedures, and benchmarking. Best practice is an ever-evolving goal whose performance indicators move higher as it is acknowledged that someone elsewhere is doing it better.

### **Chief Executive's Instructions**

Directions issued by the Chief Executive (the Secretary of Defence and the CEO DMO) under the authority of Section 52 of the Financial Management and Accountability Act 1997 (FMA Act), and FMA Regulations.

### **Commercial-off-the-shelf**

Goods or services that are immediately available in the market place.

### **Commonwealth Procurement Guidelines (CPGs)**

The CPGs represent the policy framework under which Commonwealth Departments and Agencies govern and undertake their own procurement. The CPGs establish the procurement policy framework within which agencies determine their own specific procurement practices.

### **Commonwealth Representative**

The position responsible for managing a contract on behalf of Defence. Often also referred to as the Project or Contract Authority.

### **Company**

An association, such as a corporation, formed by a group of people with a common purpose, such as the acquisition of profit by means of commercial enterprise. (Macquarie dictionary)

### **Complex Procurement**

A procurement category where the overall level of risk and complexity is assessed as medium to high after a risk assessment commensurate with the size and complexity of the procurement has been conducted.

### **Consequence**

Consequence is the outcome of an event or situation expressed qualitatively or quantitatively, being a loss, injury, disadvantage or gain. Three levels of consequence are employed for selection of the appropriate quality management requirements. They are:

- low (small or minimal impact, manageable with routine procedures);
- moderate (significant impact, requiring some functional/ performance compromise but manageable with some effort); and
- high (extreme or very serious impact, inappropriate performance, potentially very large financial and operational costs and delays requiring containment/ contingency planning and close monitoring).

### **Conditions of Participation**

Minimum conditions that potential suppliers must meet in order to participate in a procurement process or for submissions to be considered.

### **Contract**

A contract is an agreement made between two or more parties and includes legal rights and obligations that are enforceable in law.

### **Contract Approver**

Contract Approver is the third step in the procurement delegation process and this delegate can approve the entering into of a contract on behalf of the Commonwealth.

### **Contract Signatory**

Contract Signatory is the final step in the procurement process, which binds the Commonwealth to making a payment of public money.

### **Coordinated procurement contracting arrangements**

The Government may decide on a case-by-case basis that for certain property or services improved value for money will be achieved through aggregation of government demand and negotiating whole of government procurement contracts. These processes are known as coordinated procurement arrangements.

### **Correctly rendered invoice**

An invoice which is:

- Rendered in accordance with all of the requirements of the written contract (note that written contracts will often specify that the invoice must be a tax invoice and/or that certain information must be included in the invoice and/or the format of the invoice).
- For amounts that are correctly calculated and due for payment and payable under the terms of the written contract (note that many written contracts will specify that payment is not required until the agency is satisfied with the goods or services).

### **Cost reimbursement basis**

All costs incurred paid for by Defence.

### **Counsellor Defence Materiel (CONDMAT)**

The acquisition and logistics headquarters for overseas purchases, based Washington and London.

### **Covered Procurement**

A procurement, other than one specifically exempt, where the value of the property or service being procured exceeds the relevant procurement threshold. Covered procurements must comply with the Mandatory Procurement Thresholds

### **Deadline for Submissions**

The precise time and date by which submissions must be received in response to an approach to the market.

### **Deed of Standing Offer**

Standing Offer deeds set out the terms and conditions, including indicative pricing, under which a supplier agrees to supply Defence for a specific period.

### **Defence**

Unless otherwise stated references to Defence apply to both Defence and DMO.

### **Defence Instructions (General)**

Defence Instructions (General) are issued jointly by the Secretary of the Department of Defence and the Chief of the Defence Force on a variety of matters including procurement matters.

### **Defence Purchasing Card**

The Defence Purchasing Card is a payment mechanism that can be used as an alternative to other methods of payment, such as cheque, direct credit and petty cash.

### **Delivery**

The physical movement of supplies into Defence's possession.

### **Direct Sourcing**

Direct sourcing refers to a procurement process in which Defence invites a potential supplier or suppliers of its choice to make a submission. Direct sourcing may include a competitive process, for example obtaining quotes. For Covered Procurements, direct sourcing is permitted only under certain circumstances.

### **Dumping**

Where goods are exported to Australia at a price which is below the normal market value of those goods in the exporter's domestic market and, as a result, causes or threatens material injury to Australian industry.

### **Effective Date**

Means the date upon which a contract is signed by both parties, or if signed on different days, the date of the last signature.

### **Efficiency and Effectiveness**

Efficiency and Effectiveness requires openness in the procurement process, encouragement of effective competition through procurement methods suited to market circumstances, and a framework of procurement laws, policies and practices that is transparent and available to the public.

### **Ethics**

In the context of procurement, behaviour which ensures that the purchasing officer and the Department are trusted and respected by those with whom they deal. It also ensures that business is conducted by all parties efficiently, in a fair and reasonable manner, and with integrity.

### **Evaluation Criteria**

The criteria which are used to evaluate the compliance and/or relative ranking of submissions. All evaluation criteria must be clearly stated in the request documentation.

### **Exempt**

A procurement or class of procurement which is exempt from the Mandatory Procurement Procedures set out in Division 2 of the CPGs. Such a procurement is not a Covered Procurement irrespective of the value of the property or services being procured. Exempt procurements remain subject to other requirements of the CPGs, including the core principle of value for money.

### **Finance Circulars**

Issued by the Department of Finance and Administration to provide information on new or changed policies or practices.

### **Financial Management and Accountability Act 1997**

Provides the framework for financial management for the Commonwealth.

### **Financial Viability**

In the context of Defence contracting, the term means the ability of the supplier, if it was awarded the contract, to satisfactorily perform the contract to completion, on schedule, and without any diminution to the contract requirements.

### **Gazettal**

Reporting of contracts on AusTender via either ROMAN, SDSS, or the Card Management System (CMS).

### **Hedging**

Any arrangement that attempts to reduce foreign exchange risk.

### **Insurance**

A contract where a person (called the insurer) agrees, in return for money paid to them by another person (called the premium), to indemnify that second person against loss resulting to that second person on the happening of certain detrimental or costly events.

### **Invitation to Register Interest (ITR)**

A request in which Defence outlines through a public advertisement its intention to acquire goods and services and invites suppliers to indicate their interest in meeting the requirement. At this stage the requirement may not be clearly defined but a general description should allow the supplier to assess their ability to supply. The cost to registrants in responding to an invitation to register is relatively low, compared with that of preparing a detailed tender and registrants who are clearly ineligible to supply can withdraw or be passed over before incurring the additional expense associated with further development of a formal offer at a later stage.

### **Likelihood**

Likelihood is used as a qualitative description of probability and frequency of an event occurring. Three levels of likelihood of occurrence are employed for selection of the appropriate quality or risk management requirements. They are:

- unlikely (less than 20% chance of occurrence);
- likely (20-50% chance of occurrence); and
- almost certain (more than 50% chance of occurrence).

### **Liquidated Damages**

An amount agreed between the parties to a contract as a genuine pre-estimate of damages to be recoverable from the party in the event of specified breaches of contract.

### **Memorandum of Understanding (MOU)**

A memorandum of understanding, or a memorandum of agreement, is a document setting out an agreement, usually between two Government agencies. This agreement is not a contract and is not legally binding.

### **Mandatory Procurement Procedures**

A set of rules and procedures, outlined in Division 2 of the CPGs, which must be followed when conducting a covered procurement.

### **Minimum content and format of submissions**

The criteria that a submission must meet to be eligible for further consideration in a procurement process. These include conditions of participation where relevant.

### **Mobilisation payments**

A mobilisation (or advance) payment is a payment made to the contractor early in the contract period prior to the delivery of any supplies or achievement of any milestones. A mobilisation payment provides the contractor with funding to assist it to procure items required in order for it to fulfill obligations under the contract.

### **Open Approach to the Market**

An approach to all potential suppliers, usually in the form of an advertisement, seeking submissions as to supplier's ability to provide certain property or services.

### **Ownership**

A legal right to possession of supplies.

### **Partnership**

Composed of individuals bound together by contract to continue in combination for some joint objective. It is essentially a private arrangement between the persons originally entering into the contract with one another, and each member has unlimited liability. A partnership may have up to 20 members, although there are several exceptions to this. A distinction should be drawn between partnership and co-ownership. A partnership generally involves and depends upon carrying on business in common and sharing of profits and losses; co-ownership does not necessarily involve this. A partner cannot transfer her or his interest and make the assignee a partner without the consent of the other parties to the partnership; a co-owner may. A partner is an agent of the partnership; a co-owner is not necessarily an agent of her or his co-owners.

### **Partnering**

A management strategy where the parties to a contract agree from the outset to focus on cooperation, problem solving and conflict avoidance procedures.

### **Predatory Pricing**

The policy of setting prices, the purpose of which is to weaken or eliminate competitors or to discourage and prevent entry of new sellers in a market.

### **Procurement Approval**

The delegation to approve the method of procurement which promotes value for money.

### **Procurement threshold**

A value above which a procurement, unless exempt, is considered to be a covered procurement.

### **Procurement value**

The maximum anticipated value of a contract, including options, extensions, renewals or other mechanisms that may be executed over the life of a contract. This value is used to determine whether a particular procurement is a Covered Procurement.

### **Property**

Every type of right, interest or thing which is legally capable of being owned. This includes, but is not restricted to, physical goods and real property as well as intangibles such as intellectual property, contract options and goodwill.

**Proposal Approval**

The delegation that approves a proposal to spend public moneys and is the first step in the procurement process.

**Public-private partnership**

A method of procurement that involves the use of private sector capital to fund an asset - that may not be ultimately owned by the public sector - which is used to deliver outcomes for an Australian Government agency. PPPs are used most frequently for major asset and infrastructure procurements.

**Published**

Listed electronically on AusTender in accordance with government policy, as stated in the Accountability and Transparency chapters of these CPGs.

**Purchasing Officer**

An individual whose responsibilities and authority may include planning procurement, supplier selection, negotiation, Contract or Purchase Order placement, supplier follow-up, measurement and control of supplier performance, and evaluation of new materials and processes.

**Purchase Order**

The Purchase Order is the most widely used form of contract and is often used to purchase commercially available goods and services where a firm price has been offered and the timescale for delivery is short. Standard Commonwealth terms and conditions are incorporated on a Purchase Order. Form SP20 is a Purchase Order which is available as a Webform on the Defence Intranet site.

**Qualification**

Recognition of successfully gaining a defined set of procurement competencies.

**Quality Assurance**

Quality Assurance is all those planned and systematic actions necessary to provide confidence that goods and services will satisfy the contracted requirements for quality.

**Quality and Environment Management System (QEMS)**

The Quality and Environment Management System provides current policies, procedures and practices electronically and links information together in the framework which facilitates comparison within and between Systems Project Offices. The systems aims to capture and share the best practices, to develop Quality Management Systems and improve organisational business practices

**Reporting Threshold**

The value above which a procurement contract is required to be reported on AusTender.

**Request Documentation**

Documentation provided to potential suppliers to enable them to understand and assess the requirements of Defence and to prepare submissions. This general term includes documentation for Requests For Proposals, open and select tender processes and direct sourcing.

**Requests For Proposal (RFP)**

A formal invitation seeking industry interest, used to encourage the offer of innovative solutions and indicative costs to meet desired outcomes in a broadly based project proposal. A Request for Proposal seeks information on potential suppliers and their capabilities or capacities to ascertain what solution exists to meet problems or needs.

**Request for Tender (RFT)**

An invitation to suppliers who satisfy the conditions of participation to submit a tender in accordance with the RFT documentation.

### **Risk**

The possibility of something happening that will have consequences for a project. It is measured in terms of consequences.

### **Risk Avoidance**

Evasion of risks by not proceeding with the project or ensuring that another party is responsible for them.

### **Risk Management**

The systematic application of management policies, procedures and practices to the tasks of identifying, analysing, assessing, treating and monitoring risk.

### **Select tender process**

A procurement procedure in which the procuring selects which potential suppliers are invited to submit tenders. For covered procurements, a select tender process may only be conducted in accordance with certain procedures and circumstances set out in Division 2 of the CPGs.

### **Simple Procurement**

A procurement category where the overall level of risk and complexity is assessed as low after a suitable risk assessment has been conducted. There is no monetary threshold for simple procurement.

### **Small to Medium Enterprises (SMEs)**

A SME is an Australian or New Zealand firm with fewer than 200 full time equivalent employees.

### **Standing Offer**

Is not a contract but a continuing offer by a supplier for a pre-determined length of time, usually at a pre-determined price. Standing Offers are used to enable Defence to buy goods and services over a specific period on set terms. However each time Defence uses the Standing Offer to order goods or services a discrete contract arises.

### **Statement of Work (SOW)**

A Statement of Work forms part of a contract, and is a statement of the requirement to be delivered under the contract.

### **Strategic Procurement**

A procurement category where the overall risk and complexity is high to extreme after a risk assessment commensurate with the size and complexity of the procurement has been conducted.

### **Submissions**

Includes any formally submitted response from a potential supplier to an approach to the market. Submissions include tenders, expressions of interest and applications for inclusion on a multi-use list.

### **Specification**

A description of the features of the property or services to be procured.

### **Supplier**

The person providing the contracted goods or services.

**Teaming**

The affiliation (not necessarily a formal arrangement) of companies brought together to be better able to meet a requirement. This arrangement is often established pre-contract.

**Tender**

A form of offer to supply goods or services, or both, usually submitted in response to a public or confined inquiry.

**Tender Evaluation Plan**

Records the method by which tenders for a requirement will be evaluated, including the evaluation criteria and the relevant probity requirements.

**Third Party Certification**

Third Party Certification is that conducted by an independent Joint Accreditation System of Australian and New Zealand (JAS-ANZ) accredited certification body.

**Time Limit**

The minimum time that Defence must allow potential suppliers to respond to an approach to the market.

**Trade Practices Act 1974**

Commonwealth legislation which prohibits certain kinds of restrictive trade practices such as agreements which have the purpose or effect of substantially lessening competition, boycotts, monopolistic practices, exclusive dealings, resale price maintenance and so on. Provisions in the Act also apply in contracts for the supply of goods by a corporation to a consumer conditions as to title, correspondence with description, merchantable quality and fitness for purpose. It applies generally to organisations engaged in overseas or interstate trade but may also apply to trade and commerce within or involving a Territory.

**Value For Money**

A procurement concept which requires objective consideration of all factors contributing to the utility, usability and usefulness of items offered for sale as inputs to a procurement decision, rather than automatic choice of the suitable item having the lowest purchase price.

**Whole-of-Life Costs**

Also known as life-cycle costs. The total costs of owning (or leasing), operating and maintaining an item over a specified period of time.