

BUY LOCAL POLICY

A Western Australian Government
commitment to supporting
local businesses



July 2002

Buy Local Policy

VISION

Local businesses employing local people, creating new skills and generating economic growth in servicing the Western Australian Government's requirements.

A Western Australian Government policy administered by the State Supply Commission.

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The Minister for Housing and Works acknowledges the valuable contribution that the State Supply Commission, Regional Communities, Industry Associations, Chambers of Commerce and Industry and many government agencies including Regional Development Commissions, the Department of Industry and Technology and the Department of Housing and Works has made in the development of this Policy.

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FOREWORD



Hon Tom Stephens MLC

The *Buy Local Policy* aims to maximise supply opportunities for competitive local Western Australian businesses when bidding for State government contracts. The Policy supports other government initiatives to attract new investment, encourage employment creation and growth and to stimulate sustainable industry development within Western Australia.

Government agencies are required to evaluate all quotations and tenders with the intent of achieving a value for money outcome for government.

The policy requires Government agencies to design requests for quotation or tender to reflect local business capability and to recognise “local content” in bid evaluations. To achieve this, all requests for tender with an estimated contract price of \$750,000 and above must include a “local content” evaluation criterion. In addition, issues such as social, economic, environmental and regional development impacts must also be considered during the evaluation of bids.

The *Buy Local Policy* promotes a “buy local” approach to government buying. The Government remains committed to supporting local Western Australian industry and welcomes positive suggestions that will give local business improved opportunities to compete for State government work.

The State Supply Commission administers the *Buy Local Policy* on behalf of the State Government. I encourage you to seek assistance and advice on its application by contacting the Buy Local Policy Officer at the State Supply Commission.

A handwritten signature in black ink, appearing to read 'Tom Stephens', written in a cursive style.

**HON TOM STEPHENS MLC
MINISTER FOR WORKS AND SERVICES;
LOCAL GOVERNMENT; REGIONAL DEVELOPMENT;
KIMBERLEY, PILBARA AND GASCOYNE**

INTRODUCTION

The *Buy Local Policy* is an initiative aimed at recognising the contribution of local businesses in building a stronger Western Australian economy.

The Policy confirms the Western Australian Government's commitment to buying locally, and aims to maximise the participation of local and small businesses in the supply of goods, services, housing and works purchased or contracted by government agencies or their agents on behalf of the State Government.

The Government encourages the active participation of Western Australian businesses in government service delivery and requires government agencies to adopt practices to ensure this outcome.

The Policy covers all State government purchasing and contracting, including leasing, hire and disposals of goods, services, housing and works. It is applicable when government agencies seek verbal or written quotations or undertake a public tender process.

The Policy applies to all State government public authorities within the meaning of the State Supply Commission Act 1991, all state government trading enterprises and any other state government authority or entity, unless specifically exempted by State Cabinet.

Throughout this *Buy Local Policy* document the term "government agency" is used and refers to all of the above. This Policy does not apply to purchasing or contracting that Local Government's undertake.

All government agencies must adopt a philosophy of buying as close to home as possible. By aligning themselves with Western Australian local businesses, government agencies are making a direct contribution to the economic growth of Western Australia.

Government agency purchasing has the capacity to substantially impact on the commercial viability of Western Australian businesses and to create employment. Furthermore, it can enhance the development of these businesses and improve their ability to compete locally, nationally, and in the global marketplace.

For projects seeking Cabinet approval, a "*Buy Local*" statement must be included in the "*Impact on Small Business*" implementation requirement.

Ministerial commitment to the *Buy Local Policy* ensures its uniform adoption across all State government agencies.

The Policy also delivers on the Government's commitment to a national management approach for delivering opportunities for small businesses in government purchasing and contracting.

Key benefits

Government agencies

- *Recognition of Western Australian industry and regional development.*
- *Purchasing decisions based on best value for money considerations.*
- *Fostering competition by giving full, fair and reasonable opportunity to local businesses.*

Local Businesses

- *Increase in local contracting opportunities.*
- *Consistency of application by government agencies and private sector providers to Government.*
- *Where appropriate, the application of price preferences in all regionally based quotation and tender evaluations.*
- *Sustainable employment growth.*
- *Maximises industry development potential.*

The Policy operates within the State and Commonwealth Government Policies and Agreements framework including the *Australian and New Zealand Government Procurement Agreement* and *National Competition Policy*.

The *Buy Local Policy* is focused upon achieving a value for money outcome for government.

The consideration of a purchase or contract's whole-of-life costs and other social or economic benefits must outweigh the simple one-off purchase price view, or purchasing at the lowest initial cost. Buying locally, even with price preferences applied, can reduce purchase or contract whole-of-life costs for government.

The Policy incorporates government initiatives designed to promote competitive local business participation through:

- Planning and good practice measures in the development of procurement and contract management plans and the design of quotation and tender documentation;
- Bid evaluation based on achieving value for money for government;
- Monitoring and managing contracts, particularly where there are subcontracting arrangements in place, and
- Price preference measures for regional purchasing and Australian and New Zealand content against imported content.

Applying price preferences is only one component of the Policy. Government agencies must apply the intent of the *Buy Local Policy* to all purchases or contracts.

Research that the Industrial Supplies Office has published, *Impacts on New and Related Businesses in Australian Manufacturing Sector June 2001* [<http://www.iso.net.au/>], demonstrates that for every \$1 million of successful new or retained manufacturing business, the following effects flow on to the economy:

- \$317,900 worth of tax revenue is generated;
- \$1,626,000 worth of value-added is generated;
- \$211,700 in welfare benefits are saved; and
- 18 full-time jobs are created.

Of the 18 full-time jobs created, 5 are created as a direct result of the new or retained manufacturing business. The remaining 13 are created as an indirect result of flow-on effects.

POLICY

Government agencies must maximise the use of competitive local businesses in goods, services, housing and works purchased or contracted on behalf of government.

- **Industry Development**

Government agencies must consider local content in bids and the potential for local industry development and employment creation through government buying. Purchasing decisions must be undertaken in accordance with specific industry development initiatives.

- **Accountability**

Chief Executive Officers must implement arrangements for purchasing and contracting that facilitate supply relationships with local businesses.

- **Planning and Practice**

Government agencies must explore the capacity of local businesses to meet supply requirements. Benefits from purchasing locally are to be recognised in value for money assessment.

- **Government Preferences**

Purchasing decisions must be undertaken in accordance with specific initiatives of the Government that give preferential consideration to local businesses.

- **Private Sector Providers**

Government agencies in selecting private sector providers to deliver service outcomes on behalf of government must ensure that local business opportunities are maximised.

INDUSTRY DEVELOPMENT

Government agencies must consider local content in bids and the potential for industry development and employment creation through government buying.

State government purchasing, which exceeds \$5 billion per year, has a significant impact on the Western Australian economy. The Western Australian Government therefore has considerable purchasing power to stimulate industry development and employment growth within Western Australia.

The intent of the *Buy Local Policy* is to maximise opportunities for Western Australian businesses to bid for government work and when competitive win government work.

Applied consistently and with the intent to buy close to home, the Policy will:

- assist Western Australian businesses to remain competitive in the changing global “knowledge economy”;
- provide increased opportunities for local businesses (ie regional, small and medium enterprises) to bid competitively for government contracts;
- support improved government services and enhanced service access particularly in regional Western Australia;
- emphasise industry development as a key objective of government purchasing activity;
- deliver value for money outcomes for government and government agencies;
- enhance the ability of local businesses to access other markets through their track record in the government market; and
- maintain accountability standards and transparency in government purchasing.

The *Buy Local Policy* ensures that government procurement will focus on the best outcome for the State as a whole, considering price,

economic, environmental and social benefits, in addition to the requirements of individual departments.

It has the potential to produce major benefits for small business throughout Western Australia. Benefits include, facilitating the entry of small and medium businesses into the government supply market and facilitating their growth and development to becoming “export ready”.

Local Content

Where the Government makes large purchases, the *Buy Local Policy* will enable it to use its buying power to require successful suppliers to provide contractual commitments in relation to economic benefits to Western Australia.

Benefits such as using local suppliers and subcontractors, providing local employment, reporting on the use of local suppliers and subcontractors, headquartering in Western Australia, funding research, providing infrastructure and providing training opportunities.

Recognising local industry participation and development requires the degree of “local content” (value generated within Western Australia) within each bid to be considered in all quotation and tender evaluations.

Local content is defined as the proportion of the contract that is undertaken locally in Western Australia ie the majority of the contract outcomes must be managed and delivered from within Western Australia.

Local content includes the source of goods, materials and services offered and the degree to which local suppliers and subcontractors are used in the delivery of the purchase or contract outcomes.

Identifiable flow on effects such as industry development initiatives, skills development, job creation and innovation must also be considered.

When evaluating contracts where the contract point of delivery is in regional Western Australia, the portion of the contract that is undertaken locally means, undertaken within the prescribed distance from the purchase or contract point of delivery. In the event there is little or no “local content” offered from within the prescribed distance, then “local content” reverts to the portion of the contract undertaken within Western Australia.

Government agencies must include “local content” as a weighted selection criterion for all tenders with an estimated cost of \$750,000 and above. The “local content” selection criterion must have a minimum weighting of 20%.

Government agencies wishing to vary the weighting, or use an alternative strategy to assess local content in a specific purchase or contract, must obtain approval prior to the finalisation of the procurement plan, from the *Local Content Advisory Committee*. For advice contact the Department of Industry and Technology.

Government agencies should, for all tenders with an estimated cost of \$750,000 and above, discuss with the *Local Content Unit* within the Department of Industry and Technology, the approach taken to that section of a procurement plan that addresses maximising local content.

Government agencies are encouraged to adopt a similar approach for purchases or contracts with an estimated cost of less than \$750,000, especially those of a complex or sensitive contracting nature.

The intent is to select contractors that make commitments to supporting local Western Australian businesses in the delivery of the contract outcomes and whose offer also represents a value for money outcome for government.

WA Major Alliance for Industry Development Program

Through contracting for information and communication technologies, goods and services, the Western Australian Government proposes introducing a Western Australian Major Alliance for Industry Development (WA-MAID) Program.

Under the WA-MAID program, suppliers that accumulate a certain level of sales to the State Government will generate an obligation and will therefore be required to deliver a commensurate quantum of industry development outcomes in Western Australia. The nature of these outcomes will be the subject of an agreement between the supplier and the Western Australian Government. Management of the agreement will be undertaken by the Department of Industry and Technology.

ACCOUNTABILITY

Chief Executive Officers must implement arrangements for purchasing and contracting that facilitate supply relationships with local businesses.

The intent of the *Buy Local Policy* is to increase the participation of local businesses in government purchasing by maximising contracting opportunities. Chief Executive Officers must ensure that officers engaged in purchasing or contracting are adequately trained and skilled for the level of procurement they are required to undertake.

Decentralisation of Purchasing Autonomy

Chief Executive Officers must implement administrative arrangements for purchasing and contracting that facilitate supply relationships with local businesses.

Centralisation of purchasing functions in the Perth region reduces the incentive and ability of regionally based purchasing officers to buy their requirements at the local level.

Decentralisation of purchasing functions and responsibilities to officers located in regional areas can stimulate local competition and provide increased opportunities for local businesses.

Chief Executive Officers must maximise their endeavours to buy locally by reviewing levels of purchasing delegation to their regional branches to provide more opportunities for local businesses to bid for government work.

Government agencies with centralised purchasing in the Perth region must ensure that the requirements of the *Buy Local Policy* are applied. This is essential when purchasing or contracting on behalf of regional branches. Quotation and tender evaluation reports must demonstrate that bid evaluation is based on

achieving a value for money outcome. Issues such as freight costs, delivery times, maintenance support, industry development and other benefits from purchasing from regional businesses must be addressed.

The State Supply Commission, Department of Industry and Technology and Department of Housing and Works can assist government agencies to achieve this policy objective.

Regional Purchasing Discretion

Common Use Contracts

Government agencies with branch offices in regional Western Australia that purchase goods, services, housing or works for delivery and use in the region have authority to buy locally, up to the value of \$50,000 per line item, even when a mandatory common use contract exists. However, if they do so, written quotations must be called in the region with at least one contractor from the mandatory common use contract being invited to bid. Regional price preferences must be applied if appropriate and the purchase must represent value for money.

This discretion to purchase outside a mandatory common use contract does not apply where a regional supplier, located within the prescribed distance, (excluding the Perth region) is available under the mandatory common use contract.

Government agencies under the jurisdiction of the *State Supply Commission Act 1991* may only purchase within their approved exemption level as approved by the State Supply Commission.

Special Circumstances

Chief Executive Officers must strongly support regional businesses in regions that are impacted upon by changes in Western Australian Government policy, such as the “Protecting our Old Growth Forests” Policy. *Refer to the Industry Assistance – Special Circumstances section of this Policy.*

Tender Evaluations

Quotation and tender evaluation reports must clearly demonstrate the application of the *Buy Local Policy* in the calling of the quotation or tender and in the assessment of the bids.

With respect to publicly tendered requirements (involving tenders with an estimated cost of \$50,000 or more), where a local business has been unsuccessful, supporting reasons justifying the decision must be included in the tender evaluation report. The Chief Executive Officer, or their delegate must approve the evaluation report prior to contract award.

Government agencies are encouraged to adopt a similar approach for purchases or contracts below \$50,000 where considered appropriate.

Following contract award, all tenderers must be provided with the name of the successful tenderer, the price accepted and make or model of goods or description of services purchased. Where a contract is awarded to a non-local business, a comprehensive debriefing must be offered to the unsuccessful tenderer(s). Only the unsuccessful tenderer's bid may be discussed and analysed against the selection criteria. Government agencies must publish all contractual awards, including sole source purchases, valued at \$10,000 and above on the Western Australian Government Contracting Information Bulletin Board.

Reporting on Buying Local

Chief Executive Officers must ensure that their agency has fully considered the participation of local businesses in their purchasing and contracting decisions.

Reporting is required in terms of the annual spend on goods, services, housing and works purchased as well as affirming compliance with the *Buy Local Policy*.

Reporting requirements will include the number and value of purchases or contracts awarded within each of the Regional Development Commissions boundaries and the number of contracts awarded locally as a direct result of applying price preferences.

Chief Executive Officers must establish procedures to record the number and value of contracts awarded annually by their agency. Records should provide the percentage of the spend which represents contracts awarded to local businesses, ie regional businesses, non-regional businesses and businesses located in other States and Territories of Australia and New Zealand.

The State Supply Commission will annually collect and publish information on the *Buy Local Policy*.

Local Purchasing Target

A minimum local purchasing target of 80% of all purchases and contracts awarded is considered achievable. Therefore the State Supply Commission will report on the basis of individual government agencies achieving an 80% local purchasing target where practicable.

Buy Local Outcomes

The State Supply Commission has responsibility for administering the *Buy Local Policy* and, reporting to State Cabinet on government agencies' compliance with it.

When considered necessary, the State Supply Commission will undertake random audits to measure compliance with the Policy by individual government agencies.

Government agencies and suppliers can seek advice and assistance in the application of the Policy from the *Buy Local Policy* Officer at the State Supply Commission by contacting (08) 9222 5700 or country free call on 1800 806 599.

Complaint Handling Process

Local businesses must be provided with every opportunity to supply the needs of government. Chief Executive Officers are responsible for ensuring that government purchasing policies are complied with and that they maximise contracting opportunities for local businesses.

If a tenderer is unhappy with the way a particular quotation or tendering process is conducted in respect to the application of the *Buy Local Policy*, they can lodge a formal complaint with the State Supply Commission. Tenderers must have attempted to resolve the problem directly with the agency concerned prior to contacting the State Supply Commission.

A formal complaint can be lodged by writing to the State Supply Commission or by using the complaint lodgement facility available on the Commission's website at www.ssc.wa.gov.au.

Refer to Attachment E, for contact details.

PLANNING AND PRACTICE

Government agencies must explore the capability of local businesses to meet supply requirements. Benefits from purchasing locally are to be recognised in value for money assessments.

Government agencies must implement purchasing procedures that demonstrate that local and small businesses are given the opportunity to meet the supply requirements of government. Ensuring open and effective competition helps government agencies to achieve value for money outcomes. It also provides suppliers with equal access to government business opportunities. It clearly illustrates the transparency and integrity of government purchasing.

Quotations and Tenders

Minimum monetary thresholds for quotations and public tenders have been established for government agencies under the jurisdiction of the *State Supply Commission Act 1991*. These quotation and tendering thresholds clearly illustrate the transparency and integrity of government purchasing.

Government agencies under the jurisdiction of the *State Supply Commission Act 1991* must purchase within their approved exemption level as approved by the State Supply Commission. Government agencies not under the jurisdiction of the *State Supply Commission Act 1991* are strongly encouraged to adopt these thresholds when calling quotations and public tenders.

Government agencies must:

- Ensure that buying practices, procedures and specifications do not disadvantage local businesses.
- Ensure that where quotations (purchases below \$50,000) are being sought for delivery or use in a specific regional town or in a region other than the Perth region,

local businesses within the region or specific town are invited to bid.

- Provide adequate notice (early tender advice on the Western Australian Government Contracting Information Bulletin Board of public tenders of \$50,000 and above) of supply opportunities. This will enable local businesses to develop competitive bids, either as direct contractors, through consortiums or subcontracting arrangements, and to meet any pre-qualification requirements. Where circumstances allow, government agencies are encouraged to adopt a similar approach for purchases or contracts below \$50,000.
- Ensure that procurement plans address local business capability and local content. This is of particular importance in the development of agency specific panel arrangements. Issues such as freight, delivery time, and ongoing maintenance costs, etc must be considered in value for money assessment of bids.
- Explore the capability of local businesses to meet requirements and ensure that quotations and tenders are designed to accommodate the capabilities of local businesses.
- Avoid bias in quotation and tender design and specifications. Quotations and tenders must be structured to encourage local businesses to bid.
- Provide adequate and consistent information to potential suppliers.

Value for Money Considerations

Value for money is a key Policy objective. It ensures that government agencies achieve the best possible outcome for the amount of money spent. This does not necessarily mean selecting the bid that offers the lowest initial price.

It involves a range of considerations that need to be addressed when developing the selection criteria for quotation and tender documentation.

Purchasing decisions must always be assessed on a value for money basis, giving full consideration to:

- the purchase or contract whole-of-life costs;
- compliance with specifications;
- supplier capability;
- the tenderer's commitment to supporting other local businesses through their subcontracting and materials supplier arrangements;
- net benefits to the State including the benefits of maintaining an ongoing, innovative and competitive local business environment;
- job creation potential;
- industry and regional development potential; and
- the advantages of dealing with local businesses.

Determining the purchase or contract whole-of-life costs requires government agencies to identify and consider, in the bid evaluation process, any additional costs such as freight, ongoing maintenance or operational costs and potential disposal costs. Estimates of ongoing costs such as maintenance, consumables, user training or support facilities should be requested in the quotation or tender documents.

In assessing value for money, it is important to consider the benefits of dealing with businesses whose principal place of conducting business is in Western Australia. The value added benefits of those businesses that manufacture or assemble products in this State, as distinct from simply distributing goods made elsewhere, should also be considered. Overall, the value for money assessment must deliver quality outcomes at competitive prices, while recognising the impact of procurement decisions on Western Australian industry and economic development.

Value for Money Selection Criteria

Government agencies must use selection criteria, and when appropriate, weightings, to assess value for money considerations in all written quotations and tenders. Specific consideration must be given to compliance with specifications, local content and local industry and economic development.

Weighted evaluation criteria, including "local content", must be considered when government agencies propose using the Quality Based System to evaluate bids for works consultancies.

Suggested options for evaluating bids against evaluation criteria on contract/project whole-of-life costing, local business capability and local content are listed in *Attachment A, Planning and Practice Checklist*.

Selection Criteria Weightings

Weightings to support local businesses should be applied to all quotation and tender selection criteria. Weightings should be considered on a case-by-case basis.

Notwithstanding, for all purchases with an estimated cost of \$750,000 and above a “local content” selection criterion must be included in all tender documentation.

This criterion must have a minimum weighting of 20%.

Government agencies should, for all tenders with an estimated cost of \$750,000 and above, discuss with the Local Content Unit within the Department of Industry and Technology, the approach taken to that section of a procurement plan that addresses maximising local content.

Government agencies wishing to vary the weighting, or use an alternative strategy to assess local content in a specific purchase or contract, must obtain approval prior to the finalisation of the procurement plan, from the *Local Content Advisory Committee* within the Department of Industry and Technology.

Additional guidance on establishing weightings is detailed in the State Supply Commission’s *Contract Process* guidelines available on the Commission Website at www.ssc.wa.gov.au.

Aboriginal Economic Development

One of the key objectives in the State Government’s Aboriginal Economic Development Strategy is to achieve a sustained increase in the level of supply of services to government by enterprises that employ, or are owned and operated by, Aboriginal residents of Western Australia. Any increased access to service contracts by Aboriginal owned and operated enterprises or by enterprises with a strategy for employing Aboriginal people provides increased employment and economic opportunities for Aboriginal Western Australians.

It is therefore important for government agencies to encourage bids from, and give priority to, tenderers who are Aboriginal (solely or in partnership) or have in place or are prepared to consider implementing employment strategies and programs for Aboriginal people. This is especially important in cases where Aboriginal people will be the principal end user of goods and services to be purchased, particularly if such contracts provide for or anticipate maintenance work to be carried out in situ.

For advice and assistance on Aboriginal employment strategies, contact the Western Australian Department of Training. For advice and information on Aboriginal business development contact the Department of Industry and Technology. For broader advice on the implementation and application of the “Statement of Commitment to a New and Just Relationship between the Government of Western Australia and Aboriginal Western Australians” contact the Department of Indigenous Affairs. *Refer Attachment E, Contact Details.*

Competitive Neutrality

When in direct competition with the private sector, bids from tertiary institutions and government organisations (Local, State, Territory or Commonwealth) must only be accepted where they have been:

- calculated on a full commercial basis (as per State Treasury Costing Guidelines);
- certified by the head of the bidding organisation that the bid has been calculated on a full commercial basis; and
- if appropriate, verified by an independent expert.

GOVERNMENT PREFERENCES

Purchasing decisions must be undertaken in accordance with specific initiatives of the Government that give preferential consideration to local businesses.

Under certain circumstances the Western Australian Government provides price preferences to Western Australian, Australian and New Zealand businesses when bidding for State government contracts. Preferences are aimed at generating employment and industry and economic development within Australia and New Zealand.

When evaluating bids on the basis of achieving a value for money outcome, price must be considered in conjunction with other selection criteria. Achieving a value for money outcome does not necessarily mean selecting the bid that offers the lowest initial price.

Preference Types

There are two types of price preferences in place to support Western Australian, Australian and New Zealand businesses.

The price preferences are:

- Imported Content Impost, and
- Regional Price Preferences.

Price preferences provide an enhanced opportunity when bidding for State government contracts - they are not subsidies. Businesses must submit their most competitive price irrespective of the potential application of the price preferences.

In addition to the price preferences offered there are measures for considering the following issues:

- Countertrade;
- Reverse Engineering; and
- Anti Dumping.

Imported Content Impost

Opportunities to compete for government business on the basis of value for money must be maximised.

Purchasing practices that are biased towards imported goods or services must be avoided. Quotation and tender specifications must not include a product brand, make or model name, unless it can be clearly demonstrated that the requirement must match existing materials or items. Technical specifications must not be based on a specific brand, make or model.

The *Buy Local Policy* provides for government agencies, when comparing bids, to apply a 20% price impost to the portion of a bid that comprises goods, services or items that have been imported into Australia from another country, excluding New Zealand.

The cost of the imported goods, services or items is referred to as imported content.

The “imported content” is calculated in dollar terms and is the estimated duty paid cost of the portion of the bid that is imported.

The estimated duty paid cost must include the cost of any services related to importing the good, service or items (eg overseas freight and insurance, software in computer tenders, consultancy or engineering effort), or any charges of overseas origin together with customs clearing charges.

In the case of services purchased separately or in isolation, the imported content impost is not applied.

Government agencies must include the imported content questionnaire in all quotation and tender documentation when applicable. All tenderers are required to complete the questionnaire. *Refer to Appendix B, Price Preference Questionnaire.*

Regional Price Preferences

Regional price preferences are applied within prescribed distances from a purchase or contract point of delivery and operate within a framework of regional zones covering Western Australia. Refer to the following section, "Prescribed Distances and Regional Zones".

The two regional price preferences available are:

- (a) **Regional Business Preference** - Supports regional businesses by providing eligible regional businesses, that are located within a prescribed distance from a regional purchase or contract point of delivery, with a price preference that is applied to the total cost of the bid.
- (b) **Regional Content Preference** - Provides a price preference, under certain circumstances, to all Western Australian businesses that purchase services or materials for use in regional contracts, from regional businesses. The regional content preference is only applied to the cost of the services or materials that will be purchased, and used in the delivery of the contract outcomes, from businesses that are located within the prescribed distance. This cost is referred to as regional content.

The regional price preferences are only applied when competition, in the final analysis of bids, is between Western Australian businesses.

The reason for this is that the Western Australian Government is signatory to the *Australian and New Zealand Government Procurement Agreement*. All parties to the agreement have agreed not to discriminate, in the form of preference arrangements, against bids from other States or Territories in Australia or New Zealand.

Therefore, when bids received from businesses that are located in other states or territories of Australia or New Zealand are being considered in the final analysis of bids, the regional price preferences cannot be applied.

Regional Business Preference

The regional business preference is applied to the total cost of a bid and is only available to eligible regional businesses that bid, manage/deliver the majority of the contract outcomes from their regional business location.

To be eligible to claim the regional business preference, a regional business must:

- Maintain a permanent operational office within the prescribed distance.
- Have had its office established and its business conducted from the office for at least six (6) months prior to bids being sought, and
- Be either registered or licensed to operate within Western Australia.

When comparing bids received from eligible regional businesses that are located within the prescribed distance, with bids from businesses that are located outside the prescribed distance, including the Perth region, the cost of the bids from the regional businesses located within the prescribed distance is reduced, for evaluation purposes only, by the following:

Goods and Services Purchases or Contracts

⇒ 10% calculated against the total cost of a bid to a maximum of \$50,000.

Housing and Works Purchases or Contracts

⇒ 5% calculated against the total cost of a bid to a maximum of \$50,000.

A regional business is deemed to have bid from its regional business location when the business name and location submitted in the quotation or tender submission (the bid), is located within the prescribed distance. If a bid is received from a consortium or joint venture then the bid must be received from the eligible regionally based business participant in order to receive the regional business preference.

The intent is to ensure that the regional business preference is only applied to bids received from bona-fide regional businesses.

Regional Content Preference

Western Australian businesses that are located outside a prescribed distance from a purchase or contract point of delivery, including the Perth region, can claim a regional content preference when bidding on goods and services or housing and works purchases or contracts for delivery to a regional area in Western Australia.

In these cases the regional content preference is only applied to the cost of the services or materials that will be purchased, and used in the delivery of the contract outcomes, from businesses that are located within the prescribed distance. This cost is referred to as regional content.

When comparing bids, the cost of the regional content claimed is reduced, for evaluation purposes only, by the following:

Goods and Services Purchases or Contracts

⇒ 10% calculated against the cost of the regional content claimed to a maximum of \$50,000.

Housing and Works Purchases or Contracts

⇒ 5% calculated against the cost of the regional content claimed to a maximum of \$50,000.

Housing and Works

Eligible regional businesses that are located within the prescribed distance from a purchase or contract point of delivery can also claim a regional content preference when they bid on housing and works purchases or contracts.

In these cases the regional content preference is applied to the cost of the portion of the bid (services and materials) that will be purchased, and used in the delivery of the contract outcomes, from businesses that are located within the prescribed distance and, the cost of any services the regional business will provide using their permanent employees.

This means that eligible regional businesses located within the prescribed distance can claim both the regional business preference and the regional content preference when bidding for regional housing and works purchases or contracts.

Eligible regional businesses that are located within the prescribed distance cannot claim the regional content preference when bidding on goods and services purchases or contracts.

Government agencies must include the appropriate price preference questionnaire in all quotation and tender documentation when applicable. All tenderers are required to complete the questionnaire. *Refer to Appendix B, Price Preference Questionnaire.*

Exceptions - Regional Content Preference

Costs associated with the following are not eligible for the regional content preference.

- All costs associated with travel, accommodation and meals for workers. This includes, travel, accommodation and meal costs associated with sending people from outside a prescribed distance to work on a regional contract and all ongoing travel, accommodation and meal costs associated with the delivery of the contract outcome.
- Costs associated with materials supplied by government agencies or the contract principal (principal supplied materials).
- Costs associated with goods and services supplied by State government utilities, eg water and electricity.
- Costs associated with wear and tear on plant and equipment (eg repairs, new tyres etc).

Prescribed Distances and Regional Zones

Regional price preferences are applied within prescribed distances from a purchase or contract point of delivery and operate within a framework of regional zones covering Western Australia.

The boundaries between the zones follow the regional boundaries identified in the *Regional Development Commissions Act 1993*, as amended. *Refer to the following maps A, B and C.*

The zones determine which prescribed distance will be applicable to a particular contract, based on the purchase or contract point of delivery.

The prescribed distance in zone two is 200km and 400km in zone three. There is no prescribed distance in zone one (Perth region) as regional price preferences are not applied to purchases or contracts in zone one.

The prescribed distance is established by drawing a circle with a radius equal to the appropriate prescribed distance from the purchase or contract point of delivery. Any regional business located within the prescribed distance (excluding the Perth region), that meets the regional business eligibility criteria, is considered to be a regional business for that particular purchase or contract. These eligible regional businesses are entitled to claim the regional business preference. Western Australian businesses located outside the prescribed distance can only claim the regional content preference when applicable.

In circumstances where a prescribed distance extends into either zone two or three the prescribed distance does not change. Eligible regional businesses within either zone two or three can claim the regional business preferences provided they are within the prescribed distance.

For contracts with multiple delivery points in regional Western Australia, the prescribed distance is calculated from each of the delivery points. Contracts such as regional road maintenance or construction which may extend over long distances, the prescribed distance is calculated from any point along the specific road.

Government agencies must clearly define the contract delivery point(s) and the prescribed distance in the quotation or tender documentation and the price preference questionnaire. *Refer to Attachment B, Price Preference Questionnaire.*

The zones and prescribed distances are:

Zone 1 Perth Region (Map C)

Regional price preferences only apply to purchases or contracts where the purchase or contract point of delivery is outside zone one (Perth region).

Businesses located within zone one can only claim the regional content preference. They cannot claim the regional business preference, even when a prescribed distance extends into zone one. Similarly, the regional content preference cannot be applied to materials or services purchased from businesses located in zone one.

Zone 2 Prescribed Distance 200km (Map B)

In zone two, regional price preferences apply to eligible businesses located within 200 km (prescribed distance) from the purchase or contract point of delivery.

Zone 3 Prescribed Distance 400km (Map A)

In zone three, regional price preferences apply to eligible businesses located within 400km (prescribed distance) from the purchase or contract point of delivery.

Where necessary, government agencies may extend the zone three, 400km prescribed distance to incorporate the next nearest town, or towns where more than one town are of similar distance from the point of delivery where they would not otherwise be included.

Maps - Regional Zones

The following maps show the three zones used in determining the appropriate prescribed distance when applying regional price preferences for a particular purchase or contract.

The zone boundaries follow those identified in the *Regional Development Commissions Act 1993* as amended.

Details of the regional boundaries can be viewed on the Department of Local Government and Regional Development website, <http://www.dlgrd.wa.gov.au/default.htm>, in the *Regional Resources Portal*, http://www.regional.wa.gov.au/reg_resource.asp.

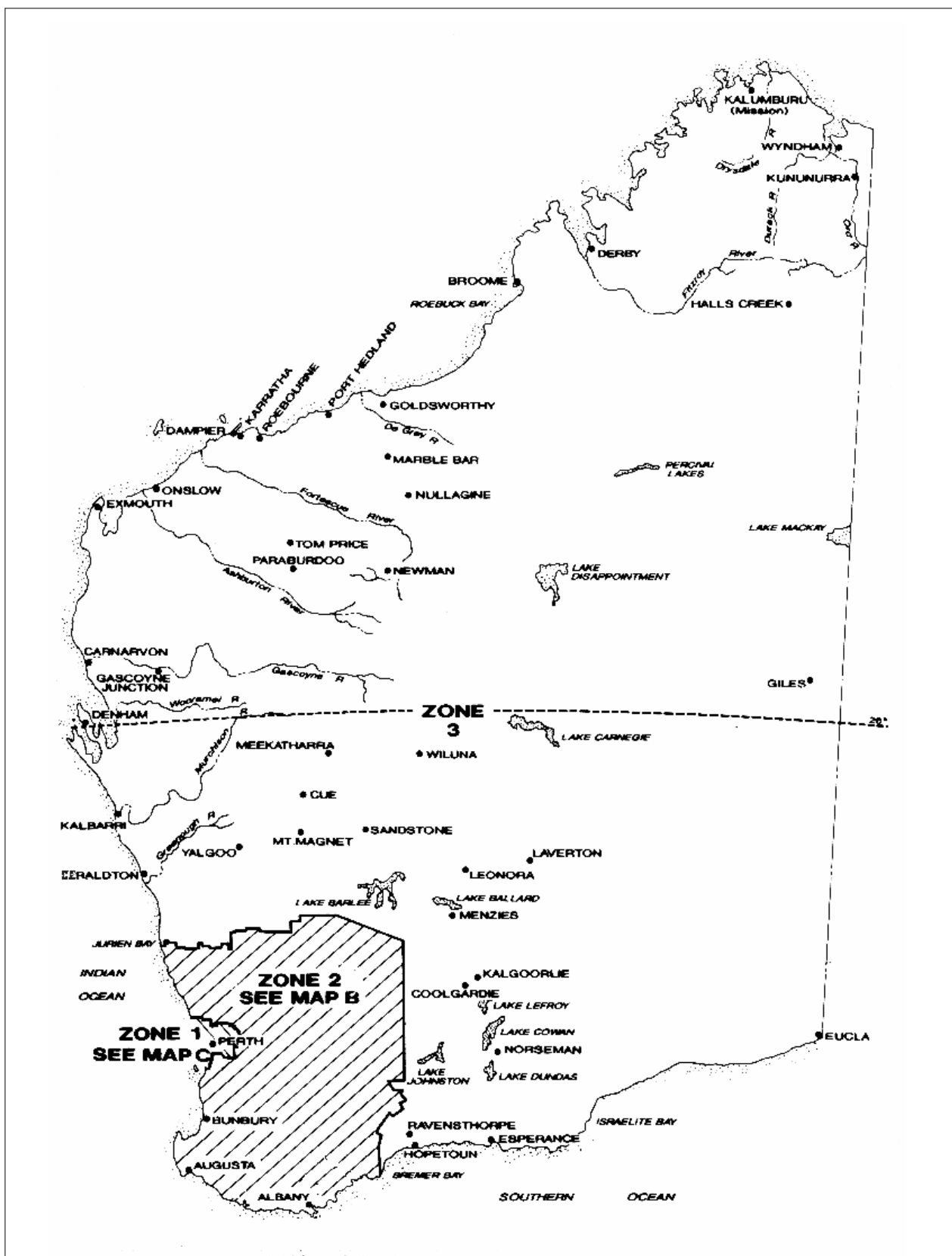
Zone three comprises the:

- Kimberley region;
- Pilbara region;
- Gascoyne region;
- Mid West region, and
- Goldfields-Esperance region.

Zone two comprises the:

- Wheatbelt region;
- Peel region;
- South West region, and
- Great Southern region.

Zones One, Two and Three

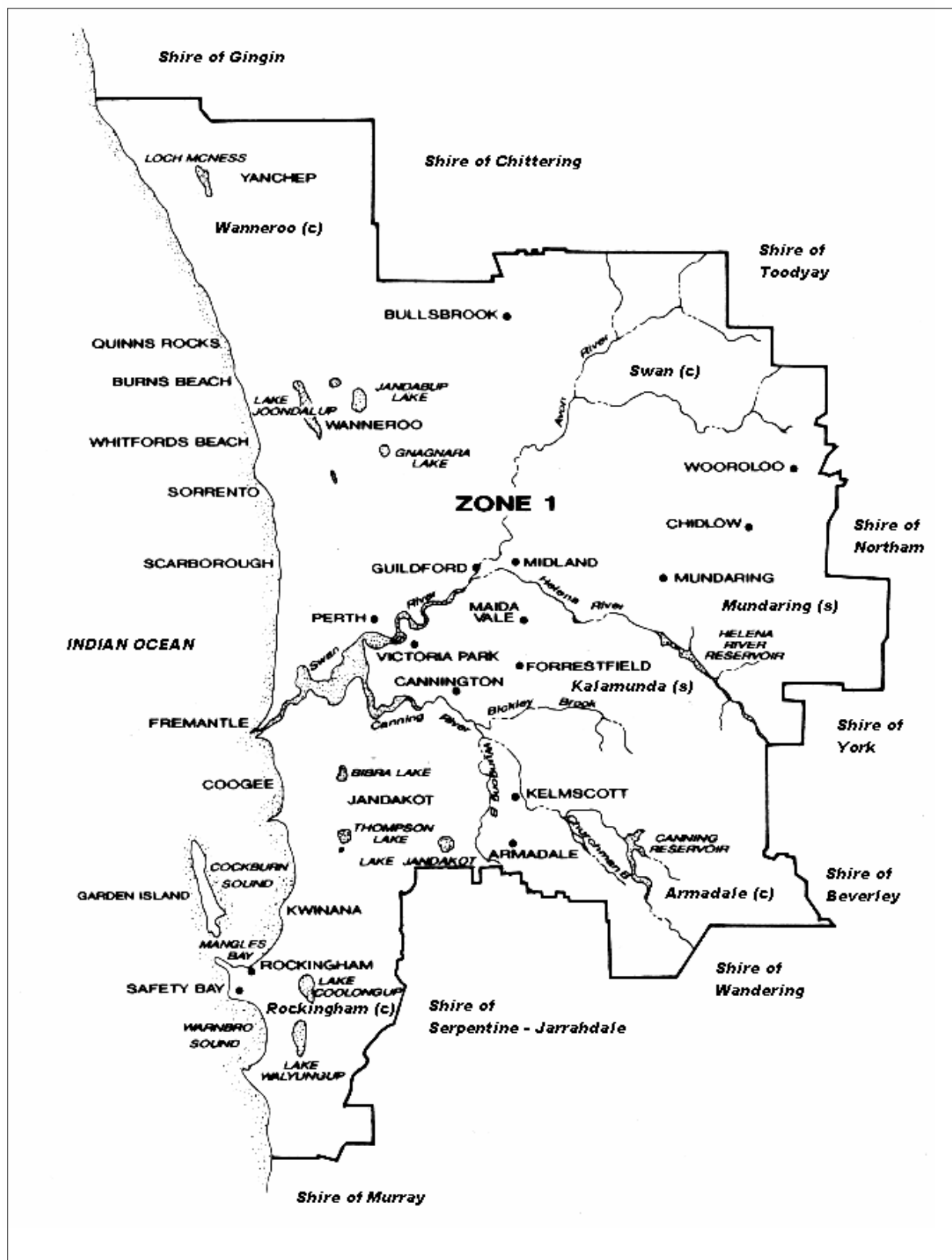


Zones One and Two



Map C

Zone One (Perth Region)



Quotation and Tender Provisions

To encourage maximum participation by local businesses, government agencies must include provisions within quotation and tender documentation that specifically accommodate claims for regional price preferences by Western Australian businesses.

A price preference questionnaire (*Refer to Attachment B*) must be included in all quotation and tender documentation where the final purchase or contract point of delivery is in regional Western Australia. The price preference questionnaire does not need to be included in quotation and tender documentation where the final purchase or contract point of delivery is in zone 1 (Perth region).

Government agency Chief Executive Officers are accountable for ensuring that full consideration of local business participation has been undertaken.

Refer to Attachment B for details of the price preference questionnaires.

Chief Executive Officers must ensure that contracts are adequately monitored and managed to ensure that businesses deliver their contractual commitments to buy local.

Appropriate provisions for breach of contract (failure to meet buy local commitments and obligations) must be clearly defined in quotation and tender documentation and agreed as part of the special conditions of contract.

For example, when a business wins a regional contract as a direct result of the application of the regional content preference, inclusion of a condition of contract along the following lines should be considered:

The Contractor warrants that the level of regional business content nominated in its tender will be met in full. Failure to achieve this level of regional content will render the Contractor liable for damages of up to the value of the price preference provided, at the sole discretion of the principal.

Government agencies should seek legal advice in relation to appropriate provisions for breach of contract during the procurement planning phase of the purchase, prior to seeking quotations or tenders.

When to Apply Preferences

Price preferences are only considered during the final evaluation following evaluation of bids for compliance with other selection criteria (eg conformance to technical specifications, business capability, qualitative criteria, benefits of dealing with a local business etc)

Stage 1	Compliance Check <ul style="list-style-type: none">• Reject non-compliant bids
Stage 2	Qualitative Evaluation <ul style="list-style-type: none">• Rank bids
Stage 3	Consider Price Preferences <ul style="list-style-type: none">• Determine eligibility• Apply price preferences if appropriate
Stage 4	Make Value for Money Decision <ul style="list-style-type: none">• Recommended supplier

When compliant bids are received from businesses located in other states or territories of Australia or New Zealand and those bids are being considered in the final analysis, following the evaluation of the qualitative criteria, then the regional business preference and the regional content preference cannot be applied.

In circumstances where bids received from businesses located in other states or territories of Australia or New Zealand are either non-compliant or are not being considered in the final analysis then regional price preference can be applied.

The reason for not applying regional price preferences, when bids received from businesses located in other states or territories of Australia or New Zealand are being considered in the final analysis, is that the Western Australian Government is signatory to the *Australian and New Zealand Government Procurement Agreement (ANZGPA)*.

All parties to the ANZGPA have agreed not to discriminate, in the form of preference arrangements, against bids received from businesses located in other States or Territories in Australia or New Zealand. *Refer to Attachment D, Glossary of Terms.*

Opportunities to compete for government business on the basis of value for money must be maximised, and purchasing practices that are biased towards imported goods or services must be avoided.

Chief Executive Officers Price Preferences Discretion

Chief Executive Officers may under this policy increase the capping of the price preference (ie the maximum value of \$50,000) on an individual purchase or contract transaction. The effect of this is to provide additional support for local regional businesses, where it can be demonstrated that awarding the contract to a regional business will provide a measurable economic benefit.

The potential to increase the price preference capping must be considered during the procurement planning process and, if increased, the revised capping must be referred to in the tender documentation.

For further advice, Chief Executive Officers should contact the State Supply Commission.

Claiming Regional Price Preferences

To receive a regional price preference and to ensure preferences are applied correctly, Western Australian businesses must complete the price preference questionnaire contained within relevant quotation or tender documentation. Regional price preference questionnaires are only included in quotation or tender documentation where the purchase or contract point of delivery is in regional Western Australia.

Regional businesses must clearly state their full business location and postal address. The regional business preference is only available to regional businesses that bid, manage/deliver the majority of the contract outcomes from their regional business location. *Refer Attachment D, for the definition of local/regional business.*

Businesses, that claim they will use regional businesses (regional content) in the delivery of the contract outcomes must be required, as part of the contract conditions, to demonstrate that they have actually used them.

In the event a tenderer nominates a local supplier or subcontractors that subsequently is not available, the government agency or their agent must agree, in writing, with the proposed alternative arrangements. Alternative arrangements should reflect, where possible, the tenderers initial level of commitment to using local suppliers and subcontractors. Contract cost variations must not be agreed as part of any proposed alternative local supply or subcontracting arrangements.

Price Preference Questionnaires

(For inclusion in quotation and tender documentation)

There are three (3) standard price preference questionnaires:

- Goods and Services Contracts;
- Housing and Works Contracts, and
- Imported Content.

The price preference questionnaires for goods and services or housing and works purchases or contracts must be included in all quotation and tender documentation where the purchase or contract point of delivery is in regional Western Australia.

When seeking verbal quotations (purchases or contracts below \$5,000) potential suppliers should be asked to provide information similar to that requested in the price preference questionnaires.

The price preference questionnaires for goods and services or housing and works purchases or contracts do not need to be included in quotation and tender documents where the purchase or contract point of delivery is in the zone one (Perth region).

Government agencies must clearly define the contract delivery point(s) and the prescribed distance in the quotation or tender documentation and the price preference questionnaire.

The price preference questionnaire for imported content must be included in all quotation and tender documents.

Refer to Attachment B, price preference questionnaires.

Examples on how the preferences are applied can be found in *Attachment C*.

Countertrade

“Countertrade” is an umbrella term for a range of commercial mechanisms covering reciprocal trade. These are designed to deliver economic benefits to the importing country, such as the export of goods and services, technology transfer and inward investment.

A government agency intending to purchase goods, services or works where the imported content exceeds or is likely to exceed \$5 million in value must invite potential suppliers to submit countertrade proposals to enhance their bids, and must consider these proposals in the value for money assessment of bids.

To address this, government agencies should insert the following clause in their request for tender documentation:

“The Government of Western Australia has a countertrade policy which applies to contracts where the tendered price includes imported components with an estimated value in excess of AUD \$5 million. Tenderers are therefore invited to enhance their offers by indicating a willingness to enter into a countertrade agreement should their offer be successful. Commitment to this will form a part of the overall tender evaluation.”

The Department of Industry and Technology must be consulted in the assessment of bids that involve countertrade issues.

For assistance on countertrade issues contact the Department of Industry and Technology.

Anti-Dumping

A government agency must not purchase goods that are determined as dumped by the Commonwealth Minister for Customs.

Goods offered at a price suspected of being below cost price, might be dumped.

In such cases, government agencies should consider seeking advice from the Commonwealth Minister for Customs about the possibility that the goods could be determined as dumped.

Anti-dumping measures are covered in Commonwealth legislation and as a minimum, government agencies must include tender clauses that address anti-dumping. The following clause should be inserted in all quotation and tender documentation for the purchase of goods:

"Dumped goods (ie goods from overseas that are imported into Australia at less than their normal value, causing or threatening to cause material injury to an Australian industry producing like goods, or materially hindering the establishment of such an industry) are not acceptable.

Where a tender involving the supply of goods from overseas has been accepted and the goods are subsequently determined by the Commonwealth Minister for Customs as dumped, the government agency shall terminate the contract. Any consequential costs or losses of the contractor must be borne and paid for by the contractor.

In addition, any extra costs incurred by the government agency will constitute a debt recoverable from the contractor.

Where it is reasonably suspected that any goods subject to a contract constitute dumped goods, the contract shall be suspended to enable the suspicion to be confirmed or dismissed under the Commonwealth Customs legislation.

Any costs or losses incurred by the government agency as a result of any suspension under this clause must be borne and paid for by the contractor."

In the event that any goods subject to a contract are determined under the Customs legislation to constitute dumped goods, the government agency must:

- (c) give notice to the contractor to terminate the contract. Any extra costs incurred shall constitute a debt recoverable from the contractor;
- (d) require the contractor to pay any dumping duty imposed under the Customs Tariff (Anti-Dumping) Act, subject to the Commission agreeing that the goods can be accepted.

For more information on dumped goods contact the Department of Industry and Technology.

Reverse Engineering

Reverse engineering is the local manufacture of spares and replacement parts for equipment sourced overseas and is intended to result in the stimulation of local industry by import replacement and cost savings to government.

Government agencies are encouraged to adopt the practice of reverse engineering where it can be implemented efficiently and effectively without infringing the intellectual property rights of any person or organisation.

Potential suppliers should be invited to submit reverse engineering proposals to enhance their bids. Proposals should be considered in the value for money assessment of bids.

For assistance on reverse engineering, contact the Department of Industry and Technology.

For assistance on intellectual property issues contact the Intellectual Property Support Program, Department of Industry and Technology on (08) 9222 5517.

PRIVATE SECTOR PROVIDERS

Government agencies in selecting private sector providers to deliver service outcomes on behalf of government must ensure that local business opportunities are maximised

A Private Sector Provider is an entity that is engaged by a government agency to undertake work on its behalf.

In the case of management type contracts, this may include, delivering service outcomes on behalf of a government agency or purchasing goods, services, housing or works on behalf of a government agency. These purchases are all on a cost reimbursable basis. The provider assumes the responsibility for expending public monies on behalf of the government agency and receives a fee for their service. In these cases the provider is required to apply the requirements of the *Buy Local Policy* when seeking quotations or calling public tenders on behalf of the government agency.

In the case of fixed cost or agreed variable cost (costs based on hourly rates) contracts, where the provider agrees to deliver specific contract outcomes, for the fixed cost or agreed cost, the provider may establish supply and subcontracting arrangements with other businesses as part of their strategy to meet their contractual commitments. In these cases the contract conditions must ensure that the provider meets their commitment to buying locally in the delivery of the contract outcomes.

Government agencies, in selecting private sector providers to deliver *service outcomes on their behalf* or to deliver a *specific contract outcome for a fixed cost*, must align their selection processes to those tenderers who demonstrate, in their bid, that they will maximise local content in the delivery of the contract requirements or contract outcomes.

Contractors are required to participate with the government in maximising local content in

goods, services, housing and works supplied, or purchased on behalf of government.

Where the estimated procurement cost exceeds \$750,000, a “local content” selection criterion with a minimum 20% weighting must be included in tender documents. This local content selection criterion, must be used to evaluate a tenderers commitment to using local suppliers and subcontractors in the delivery of the contract outcomes. This can be demonstrated by requiring tenderers to declare, in their bid, their proposed subcontracting and materials supply arrangements, including estimated costs.

In the event a tenderer nominates a local supplier or subcontractors that subsequently is not available, the government agency or their agent must agree, in writing, with the proposed alternative arrangements. Alternative arrangements should reflect, where possible, the tenderers initial level of commitment to using local suppliers and subcontractors.

Contract cost variations must not be agreed as part of any proposed alternative local supply or subcontracting arrangements. *Refer to the Industry Development Section of this Policy.*

Government agencies and their agents can achieve this by:

- Establishing a positive commitment to the intent of the *Buy Local Policy* in quotation and tender documents;
- Using the local content selection criterion to measure tenderers commitment to buying locally;

- Ensuring that a tenderers commitment to buying locally is recognised in the bid evaluation, particularly when there is a likelihood that tenderers will subcontract out some of the service provision or supply of materials;
- Including buy local obligations and commitments, together with agreed performance indicators in contracts;
- Ensuring Aboriginal employment and business outcomes are optimised where appropriate;
- Obtaining regular buy local progress reports from private sector providers against stated contract outcomes, reports should include the contractors “Local Content” commitments such as their use of local suppliers and subcontractors in delivering the contract outcomes;
- Facilitating ongoing relationships with private sector providers to achieve buy local commitment;
- Actively monitoring and managing the ongoing requirement, commitments and obligations of private sector providers to maximise local business participation;
- Ensuring that appropriate provisions for breach of contract are clearly defined and understood and included in contracts; and
- Ensuring transparency in quotation, tendering and contract management practices.

The intent is to ensure than a tenderers commitment to using other local businesses in delivering the purchase or contract outcomes is recognised in the value for money assessment of bids.

INDUSTRY ASSISTANCE - SPECIAL CIRCUMSTANCES

South West Industry Assistance Scheme

The State government's *Protecting Our Old Growth Forests Policy* recognised special measures would have to be provided to assist industry and communities to adjust to the new policy settings. These special measures include:

- The development of the *Investment and Industry Attraction Strategy*, with additional funding allocated to attract new industries to the South West and assist existing business to grow and diversify.
- The provision of funding for delivery of the *Warren Blackwood Action Plan*, a package of infrastructure, training and marketing activities for the region.
- Assistance to the furniture industry for promotion and marketing interstate and overseas.
- Business exit assistance and workers assistance for the restructure of the timber industry.
- Capital works and recurrent funding for the provision of services in existing and new national parks.
- Financial and personal counselling services.

Information on the *Protecting Our Old Growth Forests Policy* and the *Investment and Industry Attraction Strategy* is available on the Department of Industry and Resources website www.doir.wa.gov.au under the business and industry section.

To complement the Government's implementation of the *Protecting Our Old Growth Forests Policy*, Government agencies must adopt the following initiatives when purchasing or contracting for the supply of

goods, services, housing or works that will be delivered to or used in the following Shires:

- Boyup Brook
- Bridgetown-Greenbushes
- Collie
- Donnybrook-Balingup,
- Harvey
- Manjimup
- Nannup
- Serpentine-Jarrahdale, and the locality of Dwellingup.

Government agencies must:

- Apply the Regional Business Preference, available to eligible regional businesses, at a higher percentage for those businesses that are located within the prescribed distance and also within the Shire in which the goods, services, housing or works being purchased will be delivered or used. The increased Regional Business Preference percentages to be applied are:
 - Goods and Services purchases or contracts – 15%, and
 - Housing and Works purchases or contracts – 10%.

The Regional Content Preferences of 10% for goods and services and 5% for housing and works remain unchanged.

- Ensure that prior to making any purchase or awarding a contract, the Chief Executive Officer or their delegate approves the purchase or contract when the purchases or contract is to be awarded to a supplier that is located outside the Shires listed.

- Undertake research to identify regional businesses that are located within the shires listed above and with the potential to meet the supply requirements of the agency.
- Ensure that quotations and tenders are designed (including the size of the requirement) to accommodate the capabilities of businesses that are located within the Shires listed above.
- Invite all businesses that have been identified as potential suppliers for a specific requirement, and that are also located within the Shires listed above, to bid on quotations where the estimated cost per line item is less than \$50,000.
- Actively encourage all businesses that have been identified as potential suppliers for a specific requirement, and are also located within the Shires listed above, to bid on all public tenders (where the estimated cost per line item is \$50,000 or above),
- Consider using the discretion available to Chief Executive Officers to increase the capping of the price preference (eg. the maximum value of \$50,000) on an individual purchase or contract transaction when calling tenders in regions that are impacted upon by changes in State government policy. *Refer to the Government Preference section of this Policy.*

These special requirements must be implemented by Government agencies until 30 June 2005.

In addition Chief Executive Officers must:

- Consider greater decentralisation of purchasing functions and responsibilities to officers located in regional locations.
- Maximise endeavours, in regional locations, to buy locally by reviewing levels of purchasing delegation to the regional branches.
- Consider using the regional purchasing discretion available to government agencies with offices in regional locations to buy locally, up to the value of \$50,000 per line item, even when a mandatory whole of government common use contract exists.

ATTACHMENT A

Planning & Practice Checklist

Selection Criteria

The use of appropriate, well-defined selection criteria enables tenderers to focus their submissions, thereby assisting government agencies to accurately assess the value for money benefits of each offer. Selection criteria should address the following broad areas:

- Contractual and technical compliance.
- Purchase or contract whole of life cycle costs rather than initial price.
- The capability of tenderers to fulfil the specified requirements – legal, financial, experience etc.
- Quality and quality management systems where appropriate.
- The technical merit of the goods or services offered.
- The benefits from dealing with local businesses; freight costs, delivery, maintenance, etc.
- Environmental management, supply of recycled/recyclable products and waste reduction.
- Workplace practices, apprenticeship and training programs, Occupational Health Safety and Welfare, Equal Employment Opportunity commitment, industrial relations record.
- Local content.
- Industry development.

Recognising local industry participation and development requires local content to be considered in all quotation and tender evaluations. Government agencies must include “local content” as a weighted selection criterion in all tenders with an estimated cost of \$750,000 and over. The “local content” selection criterion must have a minimum weighting of 20%. Government agencies wishing to vary the weighting, or use an alternative strategy to assess local content in a specific purchase or contract, must obtain prior approval from the Local Content Advisory Committee within the Department of Industry and Technology. Government agencies should, for all tenders with an estimated cost of \$750,000 and above, discuss with the Local Content Unit within the Department of Industry and Technology, the approach taken to that section of a procurement plan that addresses maximising local content.

Local Content is defined as the proportion of the contract that is undertaken locally in Western Australia ie the majority of the contract outcomes must be managed and delivered from within Western Australia. Local content includes the source of goods, materials and services offered and the degree to which local suppliers and subcontractors are used in the delivery of the purchase or contract outcomes. Identifiable flow on effects of each bid such as industry development initiatives, skills development, job creation and innovation must also be considered.

When evaluating contracts where the contract point of delivery is in regional Western Australia, the proportion of the contract that is undertaken locally means undertaken within the prescribed distance. In the event there is little or no “local content” offered from within the prescribed distance, then “local content” reverts to the proportion of the contract that is undertaken in Western Australia. Additional information on the development of appropriate selection criteria is detailed in the State Supply Commission’s *Contract Process* guidelines available on the Commission’s website www.ssc.wa.gov.au.

To ensure that local content and the benefits from using local businesses are recognised in assessments of value for money, the following selection criteria must be considered for inclusion in all quotation and tender documentation.

Criteria	Demonstrated By
CONTRACT WHOLE OF LIFE CYCLE COSTS	<ul style="list-style-type: none"> • Quoted or tendered price. • Pricing arrangements offered, firm or variable, cost of management/renegotiation. • Freight costs. • Delivery costs (product/service availability - cost of delay). • Installation costs. • Commissioning/start-up costs. • Maintenance costs (routine and emergency). • Operating costs – consumables. • Operator/user training costs. • Equipment downtime costs. • Inspection and expediting costs. • Communication costs. • Stock holding eg availability of spares. • Achievability of price offered, is it sustainable? Does it appear too low? • Disposal costs/return. • Currency fluctuation costs.
CAPABILITY	<ul style="list-style-type: none"> • Capability of the tenderer to fulfil the specified requirements. • Past performance, reputation (clients, suppliers and subcontractors). • Knowledge of local environmental conditions. • Ability to meet specified time frames. • Prompt availability of technical back-up support. • Ease of regular communications and reporting. • Ease of site visits to determine size and capability of business. • Financial viability to fulfil contract including capitalisation, security of payment for contract chain, credit and retainer capacity. • Local manufacturing base. • Local maintenance resource. • After hours arrangements for urgent repair or replacement. • Evidence of quality program, industry participation and ongoing R&D commitment. • Workplace practices, apprenticeship and training programs, occupational health safety and welfare, equal employment commitment and industrial relations record. • Ability and willingness to provide employment pathways for Aboriginal people. • Environmental management including recycling and waste reduction.
LOCAL CONTENT	<p>Local Content</p> <ul style="list-style-type: none"> • Locally manufactured/produced goods, materials, services. • Distributor/reseller of goods, materials and services sourced from outside WA. • Commitment to utilising local materials and service suppliers. • Commitment to utilising locally based subcontractors. <p>Industry Development Potential</p> <ul style="list-style-type: none"> • Job creation. • Skills development. • Innovation.

Contract Process

The following diagram outlines the Buying Wisely contract process and highlights the planning considerations that government agencies must consider in their purchasing practices and decisions. This will ensure that the *Buy Local Policy* outcomes are achieved.

CONTRACT PROCESS	LOCAL BUSINESS ALIGNMENT
<div data-bbox="199 533 454 694"> <p>Contract Planning (Pre-tender)</p> </div> <div data-bbox="172 712 480 1709"> <p>Plan the Purchase</p> </div> <div data-bbox="172 1765 480 1946"> <p>Develop Request for Tender or Quotation</p> </div>	<ul style="list-style-type: none"> • Identify the need. • Develop a business case and consider the impact on local businesses. • Know your market. Explore the capability of local businesses to meet supply requirements. Seek the assistance of the Department of Industry and Technology, the Department of Housing and Works, Small Business Development Corporation, Business Enterprise Centres, Regional Development Commissions, industry associations and the ISOWA. • Provide adequate notice (early tender advice on the WA Government Contracting Information Bulletin Board) of major supply opportunities (public tenders of \$50,000 or more). Where time permits, a similar approach for contracts below \$50,000 is also appropriate. • Involve local business/associations in the total contract, including planning, design and operational support (Major Contracts). • Consider potential for countertrade and reverse engineering opportunities. • Consider appropriate risk management measures. • Package purchases in contracts of size and scope consistent with the supply capacity of local businesses (unless this is demonstrably inconsistent with principles of value for money in government purchasing). • For purchases of value greater than \$750,000, the procurement plan in all cases must address regional skills and economic development (relates only to regional contracts). • For purchases of value greater than \$5 million, review countertrade opportunities in consultation with the Department of Industry and Technology. • Consider options to address quotation and tender design and contract delivery/outcome issues that may directly or indirectly discriminate against people with disabilities. <ul style="list-style-type: none"> • Develop value for money selection criteria that include local industry/supplier development objectives. • Develop buy local reporting requirements for private sector providers. • Develop appropriate provisions for breach of contract (failure to deliver buy local commitments).

CONTRACT PROCESS	LOCAL BUSINESS ALIGNMENT
<p><i>Contract Formation (Tender)</i></p> <div data-bbox="173 398 480 667"> <p>Invite and Receive Tenders or Quotations</p> </div> <div data-bbox="173 685 480 1135"> <p>Evaluate Offers</p> <p>Negotiate and Apply Due Diligence</p> <p>Finalise and Award Contract</p> </div>	<ul style="list-style-type: none"> • Ensure that local businesses are provided with information on tender opportunities for large contracts (advertised on the WA Government Contracting Information Bulletin Board) and are given sufficient notice to form consortia bids or explore subcontracting arrangements. • Seek tenders and quotations from local businesses. • Adopt appropriate risk management measures to suit contract need (avoid over-specification of securities such as financial capability, insurances and guarantees). • Ensure that benefits of purchasing from local businesses are recognised in assessments of value for money and assess tenders against State local-industry development objectives. • Rank bids. • Apply price preferences to bids when appropriate. • Assess countertrade proposals. • Discontinue negotiations towards contract award where the supply of dumped goods is proposed or suspected (seek advice from Department of industry and Technology). • Document justification if contract has not been awarded to a local business and obtain Chief Executive Officer sign-off before contract award. • Debrief unsuccessful tenderers on request.
<p><i>Contract Management</i></p> <div data-bbox="186 1285 480 1424"> <p>Manage the Transition</p> </div> <div data-bbox="186 1442 480 1650"> <p>Contract Operation</p> </div> <div data-bbox="186 1668 480 1740"> <p>Complete, Extend or Renew the Contract</p> </div> <div data-bbox="186 1758 480 1928"> <p>Review and Evaluate the Contract</p> </div>	<ul style="list-style-type: none"> • Appraise the local contractor on any industrial relations implications arising from the contract. • Provide adequate information for the local contractor on the government agencies overall goals and objectives. • Develop the accountability and management reporting systems with the local contractor's involvement. • Monitor contract payments and financial controls to ensure local contractors' liabilities are well managed. • Monitor contract commitments to the Buy Local Policy and other supply policy principles. • Ensure that the local contractor understands the government agencies rights in exercising the determination to extend a contract. • Ensure that the review methodology is based upon defined performance standards that are fair and equitable to the local contractor. • Assess "lessons learnt" and opportunities for future improvements in local contractor management.

ATTACHMENT B

Price Preference Questionnaires

(For inclusion in Quotation and Tender documentation)

There are three (3) standard price preference questionnaires:

- Goods and Services Contracts;
- Housing and Works Contracts, and
- Imported Content.

The price preference questionnaires for goods and services or housing and works purchases or contracts must be included in all quotation and tender documentation where the purchase or contract point of delivery is in regional Western Australia.

Price preference questionnaires do not need to be included in quotation and tender documents where the purchase or contract point of delivery is in zone one (Perth region).

When seeking verbal quotations (purchases or contracts below \$5,000) potential suppliers should be asked to provide information similar to that requested in the price preference questionnaires.

Government agencies must clearly define the contract delivery point(s) and the prescribed distance in the quotation or tender documentation and the price preference questionnaire.

The imported content questionnaires must be included in all quotation and tender documents.

Price Preference Questionnaire - Goods and Services

The Western Australian Government provides price preferences to Western Australian businesses when they are in competition with other Western Australian businesses for government contracts where the purchase or contract point of delivery is in regional Western Australia.

Price preferences are not applied when compliant bids received from businesses located in Western Australia are being directly compared, in the final bid analysis, with compliant bids received from businesses located in other States or Territories of Australia or New Zealand.

Details regarding the regional price preferences and how they are applied are documented in the Government’s *Buy Local Policy*, which is available from the State Supply Commission.

Regional Business Preference - Goods and Services

Eligible regional businesses located within the prescribed distance from the purchase or contract point of delivery that bid, manage/deliver the majority of the contract outcomes from their regional business location are eligible to claim the regional business preference.

The contract delivery point(s) for this contract is/are:

The Prescribed Distance for this contract is: _____ km.

An eligible regional business is one that can answer, “yes” to the first five questions listed below.

Government agencies, when comparing bids received from regional businesses located within the prescribed distance, with bids received from Western Australian businesses located outside the prescribed distance, including the Perth region, will reduce the price of the bids received from the regional businesses located within the prescribed distance, for evaluation purposes only, by 10% of the total bid cost calculated to a maximum of \$50,000 for goods and services not related to housing and works projects. The preference is calculated by the government agency assessing the bids. Eligible regional businesses must show the total cost of their bid.

To receive the regional business preference and to ensure the preference is applied correctly where appropriate, regional businesses must complete the following questionnaire.

Regional Business Preference – (WA businesses located within the prescribed distance)			
	Please tick appropriate box:	YES	NO
1	Is your business located within the prescribed distance from the purchase or contract point of delivery shown above (excluding zone one, the Perth region)?	<input type="checkbox"/>	<input type="checkbox"/>
2	Does your business maintain a permanent operational office within the prescribed distance?	<input type="checkbox"/>	<input type="checkbox"/>
3	Has your business maintained and conducted business from this office for the past six (6) months or more prior to the date this tender/quotation was called?	<input type="checkbox"/>	<input type="checkbox"/>
4	Will your business manage/deliver the majority of the contract outcomes from the business location described above?	<input type="checkbox"/>	<input type="checkbox"/>
5	The regional business preference is only available to eligible regional businesses that bid from their regional business location. Have you bid from your business location described above?	<input type="checkbox"/>	<input type="checkbox"/>
6	What is the total cost of your bid?	<div>\$ <input type="text"/></div>	

Regional Content Preference - Goods and Services

A regional content preference is available to Western Australian businesses located outside the prescribed distance, including businesses located in the Perth region, that use goods, materials or services in regional contracts that are purchased from businesses located within the prescribed distance. The preference applies to the cost of goods, materials or services purchased and used in the delivery of the contract outcomes.

Estimated costs associated with wear and tear on plant and equipment, principal supplied materials, goods and services supplied by government utilities and all costs associated with travel, accommodation and meals for workers are not eligible for the regional content preference. This includes, travel, accommodation and meal costs associated with sending people from outside a prescribed distance to work on a regional contract and all ongoing travel, accommodation and meal costs associated with the delivery of the contract outcome.

In comparing compliant bids received from Western Australian businesses located outside the prescribed distance, including the Perth region, with compliant bids received from Western Australian businesses located inside the prescribed distance the cost of the declared regional content must be reduced, for evaluation purposes only, by 10% calculated to a maximum of \$50,000. The preference is calculated by the government agency assessing the bids.

Tenderers must show the actual cost of their regional content.

Regional Content Preference – (WA businesses located outside the prescribed distance)

Please tick appropriate box:

YES

NO

- 1 Does your business intend purchasing goods and services for use in this contract from regional businesses that are located within the prescribed distance from the purchase or contract point of delivery (excluding zone one, the Perth region)?

☐☐

Regional Content – Verification

- 2 List details of the goods and services, including proposed subcontracting arrangements, your company intends purchasing for use on this contract from regional businesses which are located within the prescribed distance from the purchase or contract point of delivery. Include the value of the goods and services (attach additional list if required).

Goods/Service Description	Suppliers/Contractors Name and Address	Cost \$

Total Cost of Regional Content:

\$

Price Preference Questionnaire - Housing and Works

The Western Australian Government provides price preferences to Western Australian businesses when they are in competition with other Western Australian businesses for government contracts where the purchase or contract point of delivery is in regional Western Australia.

Price preferences are not applied when compliant bids received from businesses located in Western Australia are being directly compared, in the final bid analysis, with compliant bids received from businesses located in other States or Territories of Australia or New Zealand.

Details regarding the regional price preferences and how they are applied are documented in the Government's *Buy Local Policy*, which is available from the State Supply Commission.

Regional Business Preference - Housing and Works

Eligible regional businesses located within the prescribed distance from the purchase or contract point of delivery that bid, manage/deliver the majority of the contract outcomes from their regional business location are eligible to claim the regional business preference.

The contract delivery point(s) for this contract is/are:

The Prescribed Distance for this contract is: _____ km.

An eligible regional business is one that can answer, "yes" to the first five questions listed below.

Government agencies, when comparing bids received from regional businesses located within the prescribed distance, with bids received from Western Australian businesses located outside the prescribed distance, including the Perth region, will reduce the price of the bids from the regional businesses located within the prescribed distance, for evaluation purposes only, by 5% of the total bid cost calculated to a maximum of \$50,000. The preference is calculated by the government agency assessing the bids. Eligible regional businesses must show the total cost of their bid.

To receive the regional business preference and to ensure the preference is applied correctly where appropriate, regional businesses must complete the following questionnaire.

Regional Business Preference – (WA businesses located within the prescribed distance)

	Please tick appropriate box:	YES	NO
1	Is your business located within the prescribed distance from the purchase or contract point of delivery shown above (excluding zone one, the Perth region)?	<input type="checkbox"/>	<input type="checkbox"/>
2	Does your business maintain a permanent operational office within the prescribed distance?	<input type="checkbox"/>	<input type="checkbox"/>
3	Has your business maintained and conducted business from this office for the past six (6) months or more prior to the date this tender/quotation was called?	<input type="checkbox"/>	<input type="checkbox"/>
4	Will your business manage/deliver the majority of the contract outcomes from the business location described above?	<input type="checkbox"/>	<input type="checkbox"/>
5	The regional business preference is only available to eligible regional businesses that bid from their regional business location. Have you bid from your business location described above?	<input type="checkbox"/>	<input type="checkbox"/>
6	What is the total cost of your bid?	<input type="text" value="\$"/>	

Regional Content Preference - Housing and Works

A regional content preference is available to all Western Australian businesses, including businesses located in the Perth region and businesses located inside or outside the prescribed distance that use goods, materials or services in regional contracts that are purchased from businesses located within the prescribed distance. The preference applies to the cost of goods, materials or services purchased and used in the delivery of the contract outcomes.

Estimated costs associated with wear and tear on plant and equipment, principal supplied materials, goods and services supplied by government utilities and all costs associated with travel, accommodation and meals for workers are not eligible for the regional content preference. This includes, travel, accommodation and meal costs associated with sending people from outside a prescribed distance to work on a regional contract and all ongoing travel, accommodation and meal costs associated with the delivery of the contract outcome.

In comparing compliant bids received from Western Australian businesses, including the Perth region, with compliant bids received from other Western Australian businesses the cost of the declared regional content will be reduced, for evaluation purposes only by 5% calculated to a maximum of \$50,000. The preference is calculated by the government agency assessing the bids.

Tenderers must show the actual cost of their regional content.

Regional Content Preference – (all WA businesses)

Please tick appropriate box:

YES

NO

- 1 Does your business intend purchasing goods and services for use in this contract from regional businesses that are located within the prescribed distance from the purchase or contract point of delivery (excluding zone one, the Perth region)?

☐☐

Regional Content – Verification

- 2 List details of the goods and services, including proposed subcontracting arrangements, your company intends purchasing for use on this contract from regional businesses which are located within the prescribed distance from the purchase or contract point of delivery. Include the value of the goods and services (attach additional list if required).

Goods/Service Description	Suppliers/Contractors Name and Address	Cost \$

Total Cost of Regional Content:

\$

Imported Content Questionnaire

The Western Australian Government’s *Buy Local Policy* provides for government agencies, when comparing bids, to apply a 20% price impost to the portion of a bid that comprises good, service or items that have been sourced from overseas, excluding New Zealand.

The cost of the good, service or items that have been sourced from overseas is referred to as imported content.

The “imported content” is calculated in dollar terms and is the estimated duty paid cost of the portion of the bid sourced from overseas.

The estimated duty paid cost must include the cost of any services related to importing the good, service or items (eg overseas freight and insurance, software in computer tenders, consultancy or engineering effort), or any charges of overseas origin together with customs clearing charges.

The imported content impost is not applied in the case of services purchased separately or in isolation.

All tenderers are required to complete the imported content questionnaire. Tenderers that believe there is no imported content in their bid must enter “Nil” or “Not Applicable” on the questionnaire.

Imported Content

Suppliers are required to declare the cost of any portion of their bid that comprises goods, services or items that have been sourced from another country, excluding New Zealand. Please list details of any goods, services or items included in your bid that have been sourced from another country, excluding New Zealand. (Attach additional list if required).

Goods/Service/Items Description	Country of Origin	Cost \$

Total Cost of Imported Content:

\$

ATTACHMENT C

Examples - Application of Price Preferences

Government agencies must ensure that relevant price preferences are applied during the bid evaluation at the final analysis of bids. The preferences are designed to enhance opportunities for local businesses and to maximise local content within bids.

The following formula is provided to assist in comparing bids involving price preferences.

$$\text{BID} = \text{PRICE} + \text{IMPORT} - \text{REGIONAL}$$

WHERE

PRICE = Tendered price

IMPORT = Dollar value of imported content X 20%.

REGIONAL = *Goods and Services Purchases or Contracts.*

Dollar value of total regional bid X 10%.

Dollar value of regional content portion of non-regional bid X 10%.

Housing and Works Purchases or Contracts

Dollar value of total regional bid X 5%.

Dollar value of regional content portion of regional bid X 5%.

Dollar value of regional content portion of non-regional bid X 5%.

Note:

Regional = 0 when competing with bids from other States of Australia or New Zealand.

Regional Price Preferences are capped as follows:

Goods and Services Purchases or Contracts.

- Regional Businesses Preference, available to eligible regional businesses - \$50,000.
- Regional Content Preference, available to non-regional businesses - \$50,000.

Housing and Works Purchases or Contracts.

- Regional Businesses Preference, available to eligible regional businesses - \$50,000.
- Regional Content Preference, available to eligible regional businesses - \$50,000.
- Regional Content Preference, available to non-regional businesses - \$50,000.

If bids are equal after the application of the price preference, the bid with the highest proportion of regional/local content should be awarded the contract, subject to all other issues being equal (price and value for money considerations).

Example 1

Goods and Services Contract

A quotation for the supply and delivery of goods and services is called for delivery into Port Hedland (Zone 3, prescribed distance 400 kms).

Compliant bids are received from an eligible regional business located within the prescribed distance, and two WA businesses located outside the prescribed distance.

There is no imported content.

Bid A of \$22,000 is received from a WA business located outside the prescribed distance (Perth region) which will use regional business located within the prescribed distance (400 kms from Port Hedland) to supply goods and services valued at \$5,000, for use in the contract.

The value of this portion of the bid (\$5,000) represents regional content. The 10% regional content preference is applied to this portion of the bid comprising the regional content.

Bid B of \$23,000 is received from an eligible regional business located within the prescribed distance (Karratha which is approximately 240 km from Port Hedland).

The 10% regional business preference is applied to the total bid as the business is located within the prescribed distance (400 kms from Port Hedland).

Bid C of \$24,000 is received from a WA business located outside the prescribed distance (Northam, zone 2, prescribed distance 200 kms). Although this bid is from a regional business, the business is located outside the prescribed distance of 400 kms.

The only preference applicable is the regional content preference. In this case, this bid will use regional businesses located within the prescribed distance (400 ms from Port Hedland), valued at \$18,000, for use in the contract. The 10% regional content preference is applied to the portion of the bid comprising the regional content.

The preferences are applied as follows:

Bids Received	Preferences	Adjusted Price for Comparative Evaluation Only
Bid A \$22,000 WA business located <u>outside</u> the prescribed distance. (including the Perth region)	Regional Content Preference 10% of \$5,000 = \$500	Bid = Price + Import – Regional = \$22,000 + \$0 - \$ 500 = \$21,500
Bid B \$23,000 WA regional business located <u>within</u> the prescribed distance.	Regional Business Preference 10% of \$23,000 = \$2,300	Bid = Price + Import – Regional = \$23,000 + \$0 - \$2,300 = \$20,700
Bid C \$24,000 WA regional business located <u>outside</u> the prescribed distance	Regional Content Preference 10% of \$18,000 = \$1,800	Bid = Price + Import – Regional = \$24,000 + \$0 - \$1,800 = \$22,200

Bid B is the lowest adjusted price for comparative evaluation. If successful, price paid = \$ 23,000.

Example 2

Goods and Services Contract

A quotation for the supply and delivery of goods and services is called for delivery into Northam (Zone 2, prescribed distance 200 kms). Compliant bids are received from a regional business located within the prescribed distance, and a WA business located outside the prescribed distance.

Both bids have imported content.

Bid A of \$32,000 is received from a WA business located outside the prescribed distance (Perth region) which will use regional business located within the prescribed distance, (200 kms from Northam) to supply goods and services valued at \$10,000 for use in the contract.

The value of this portion of the bid (\$10,000) represents regional content.

The bid also comprises \$5,000 of imported content.

The 10% regional content preference is applied to that portion of the bid comprising the regional content and a 20% impost is applied to the value of the imported content.

Bid B of \$33,500 is received from an eligible regional business located within the prescribed distance (Northam).

The bid comprises \$15,000 of imported content.

The 10% regional business preference is applied to the total bid as the business is located within the prescribed distance (200 kms from Northam).

A 20% impost is applied to the value of the imported content.

The preferences are applied as follows:-

Bids Received	Preferences	Adjusted Price for Comparative Evaluation Only
Bid A \$32,000 WA business located <u>outside</u> the prescribed distance. (including the Perth region)	Imported Content Impost 20% of \$5,000 = \$1000 Regional Content Preference 10% of \$10,000 = \$1,000	Bid = Price + Import – Regional = \$32,000 + \$1000 – \$1,000 = \$32,000
Bid B \$33,500 WA regional business located <u>within</u> the prescribed distance.	Imported Content Impost 20% of \$15,000 = \$3,000 Regional Business Preference 10% of \$33,500 = \$3,350	Bid = Price + Import – Regional = \$33,500 + \$3000 - \$3,350 = \$33,150

Bid A is the lowest adjusted price for comparative evaluation only. If successful, price paid = \$ 32,000

Example 3

Housing and Works Contract

A tender for a housing and works contract is called in Geraldton (Zone 3, prescribed distance 400 kms). Compliant bids are received from a regional business located within the prescribed distance and a WA businesses located outside the prescribed distance. Both bids claim regional content.

There is no imported content.

Bid A of \$990,000 is received from a WA business located outside the prescribed distance (Perth region) which will use a regional business located within the prescribed distance (400 kms from Geraldton) valued at \$490,000, in the delivery of the contract outcomes.

The value of this portion of the bid (\$490,000) represents regional content.

The 5% regional content preference is applied to the portion of this bid comprising the regional content.

Bid B of \$1,000,000 is received from an eligible regional business located within the contract prescribed distance.

The 5% regional business preference applies to the total bid as the business is located within the contract prescribe distance (400 kms from Geraldton).

Additionally, this regional business will use other business located within the prescribed distance in the delivery of the contract to the value at \$500,000. The value of this portion of the bid (\$500,000) represents regional content. A regional content preference of 5% is applied to the portion of this bid comprising the regional content.

The regional content preference is only available to regional businesses located within the prescribed distance when they bid on housing and works contracts. It is not available to regional businesses when bidding on goods and services contracts.

The preferences are applied as follows:

Bids Received	Preferences	Adjusted Price for Comparative Evaluation Only
Bid A \$990,000 WA business located <u>outside</u> the prescribed distance. (Perth region)	Regional Content Preference Less 5% of \$490,000 = \$24,500	Bid = Price + Import – Regional = \$990,000 + \$0 - \$24,500 = \$965,500
Bid B \$1,000,000 WA regional business located <u>within</u> the prescribed distance.	Regional Business Preference Less 5% of \$1,000,000 = \$50,000 Regional Content Preference Less 5% of \$500,000 = \$25,000	Bid = Price + Import – Regional = \$1,000,000 + \$0 – \$75,000 = \$925,000

Bid B is the lowest adjusted price for comparative evaluation. If successful, price paid = \$1,000,000.

Example 4

Goods and Services Contract

A tender for the supply of goods and services is called for delivery into regional Western Australia. Compliant bids received from a WA business located outside the prescribed distance and a business located in another State. There are no bid from regional business located within the prescribed distance.

There is imported content.

Bid A of \$650,000 is received from a WA business located outside the prescribed distance (Perth region) for this contract. However the business will use regional business located within the prescribed distance to supply goods and services valued at \$400,000 for use in the contract. The value of this portion of the bid (\$400,000) represents regional content.

The bid also comprises \$70,000 of imported content.

The 10% regional content preference cannot be applied due to the *Australian and New Zealand Government Procurement Agreement* (ANZGPA).

A 20% impost is applied to the value (\$70,000) of the imported content.

Bid B of \$650,000 is received from a business located in another State (ANZ business) which will use regional business located within the prescribed distance to supply goods and services valued at \$290,000 for use in the contract. The value of this portion of the bid (\$290,000) represents regional content.

The bid also comprises \$125,000 of imported content.

The 10% regional content preference cannot be applied due to the ANZGPA.

A 20% impost is applied to the value (\$125,000) of the imported content.

The preferences are applied as follows:

Bids Received	Preferences	Adjusted Price for Comparative Evaluation Only
Bid A \$650,000 WA business located <u>outside</u> the prescribed distance. (Perth region)	Imported Content Impost 20% of \$70,000 = \$14,000 Regional Content Preference Not applicable ANZGPA	Bid = Price + Import – Regional = \$650,000 + \$14,000 - \$0 = \$664,000
Bid B \$650,000 ANZ business located in another State.	Imported Content Impost 20% of \$125,000 = \$25,000 Regional Content Preference Not applicable ANZGPA	Bid = Price + Import – Regional = \$650,00 + \$25,000 – \$0 = \$675,000

Bid A is the lowest adjusted price for comparative evaluation. If successful, price paid = \$650,000

Example 5

Goods and Services Contract

A quotation for the supply of goods and services is called for delivery into regional Western Australia. Compliant bids received from a regional business located within the prescribed distance and a business located in another State.

There is imported content.

Bid A of \$20,000 is received from a business located in another State. The business will not be using any regional business located within the prescribed distance to supply goods and services for use in the contract.

The imported content contained within Bid A is \$10,000.

A 20% impost is applied to the value (\$10,000) of the imported content.

Bid B of \$20,000 is received from a regional business located within the prescribed distance.

The imported content contained within Bid B is \$5,000.

The 10% regional business preference cannot be applied due to the ANZGPA.

A 20% impost is applied to the value (\$5,000) of the imported content.

The preferences are applied as follows:-

Bids Received	Preferences	Adjusted Price for Comparative Evaluation Only
Bid A \$20,000 ANZ business located in another State.	Imported Content Impost 20% of \$10,000=\$2000 Regional Content Preference Not applicable ANZGPA	Bid = Price + Import – Regional = \$20,00 + \$2,000 – \$0 = \$22,000
Bid B \$20,000 WA regional business located <u>within</u> the prescribed distance.	Regional Business Preference Not applicable ANZGPA Imported Content Impost 20% of \$5,000 = \$1000	Bid = Price + Import – Regional = \$20,000 + \$1000 - \$0 = \$21,000

Bid B is the lowest adjusted price for comparative evaluation. If successful, price paid = \$20,000

ATTACHMENT D

Glossary of Terms

Australian and New Zealand Government Procurement Agreement (ANZGPA)

The ANZGPA is an agreement between the Commonwealth, State and Territory Governments of Australia and New Zealand. The objectives of the agreement are to create and maintain a single government procurement market to maximise opportunities for competitive Australian and New Zealand businesses and to reduce costs of doing business for both government and industry.

All parties to the ANZGPA have agreed not to discriminate against bids from other states and territories in Australia or New Zealand in the form of purchasing preference arrangements.

The ANZGPA requires that all Australian and New Zealand businesses be given equal consideration and opportunity to contract or supply to the Australian Commonwealth, State and Territory Governments.

ANZ Bid

Refers to a bid received from a business in another State or territory of Australia or New Zealand. This relates to the origin of the bid and not the origin of the product.

Compliant Bid

A bid that meets the minimum requirements specified in the quotation or tender documentation and is being considered in the final analysis of bids prior to recommending a supplier.

Prescribed Distance

Regional price preferences are applied within specific “prescribed distances” from a purchase or contract point of delivery and operate within a framework of regional zones covering Western Australia. The zones determine which prescribed distance will be applicable to a particular contract, based on the purchase or contract point of delivery. The

prescribed distance is established by drawing a circle with a radius equal to the appropriate prescribed distance from the purchase or contract point of delivery.

Only eligible regional businesses located within the prescribed distance (excluding the Perth region) are able to claim the regional business preference. Only materials and services supplied by regional businesses located within the prescribed distance (excluding the Perth region) are considered to be regional content.

Chief Executive Officer

The term Chief Executive Officer has been used throughout this document as a general term to refer to all heads of government agencies. (*Refer Glossary of Terms, Government Agency*).

Goods

Goods include tangible, quantifiable material items usually capable of being moved or transported that are purchased, rented, leased or hired by a government agency, their agent or by a private sector provider on behalf of a government agency.

Government Agency

The term refers to all state public authorities within the meaning of the *State Supply Commission Act 1991*, all state government trading enterprises and any other government authority or entity.

Government Trading Enterprise (GTE)

A government entity that is engaged mainly in the production of goods and services for sale in the market and whose objective is to recover at least a significant proportion of operating costs through charges for their goods and services.

Imported Content Impost

Provides an incentive for local businesses by applying a 20% impost on the value of the imported content within a bid.

Local Business

An entity is regarded as a local business if:

- A compliant bid is received from a Western Australian location and the majority of the contract value is to be performed within the State; and
- If no category (a) bids are received, then local transfers to bids from the rest of Australia and New Zealand when such bids are in competition with overseas locations.

To be eligible to claim the regional business preference, a regional business must:

- maintain a permanent operational office within the prescribed distance;
- have had its office established and business conducted from the office for at least six (6) months prior to bids being sought; and
- be either registered or licensed to operate within Western Australia.

In addition, the regional business preference is only available to regional businesses that bid and manage/deliver the majority of the contract outcomes from their regional business location.

A regional business is deemed to have bid from their regional business location when the business name and location submitted in the quotation or tender submission (the bid), is located within the prescribed distance.

If a bid is received from a consortium (joint venture) then the bid must be received from the eligible regionally based business participant in order to receive the regional business preference.

A regional business that relocates its business office within the six (6) months prior to bids being sought can still be eligible to claim the

regional business preference, provided, the old and new locations are both within the prescribed distance and the business can demonstrate reasonable continuity of business activity.

The intent is to ensure that the regional business preference is only applied to bids received from bona-fide regional businesses.

Local Purchase

A local purchase is determined by the location of the contract. For example, where there is a requirement to purchase goods, services, housing or works for delivery and use in the Perth region a local purchase occurs when the purchase is from a business located within Western Australia.

- In the event there are no compliant bids received from business located within Western Australia then a local purchase occurs when the purchase is from any business located in other States or Territories of Australia or New Zealand.
- In the event compliant bids received from business located within Western Australia are not successful and the purchase is from a business located in other States or Territories of Australia or New Zealand then a local purchase has not occurred.

Where there is a requirement to purchase goods, services, housing or works for delivery and use in regional Western Australia a local purchase occurs when the purchase is from a business located within the prescribed distance.

- In the event there are no compliant bids received from businesses located within the prescribed distance then a local purchase occurs when the purchase is from a business located outside the prescribed distance but within Western Australia.
- In the event there are no compliant bids received from businesses located within either the prescribed distance or the remainder of Western Australia then a

local purchase occurs when the purchase is from any business located in other States or Territories of Australia or New Zealand.

- In the event compliant bids received from business located within the prescribed distance are not successful and the purchase is from a business located outside the prescribed distance or in another State or Territory of Australia or New Zealand then a local purchase has not occurred.

Local Content

Local content is defined as the proportion of the contract that is undertaken locally in Western Australia ie the majority of the contract outcomes must be managed and delivered from within Western Australia. Local content includes the source of goods, materials and services offered and the degree to which local suppliers and subcontractors are used in the delivery of the purchase or contract outcomes. Identifiable flow on effects such as industry development initiatives, skills development, job creation and innovation must also be considered.

When evaluating contracts, where the contract point of delivery is in regional Western Australia, the proportion of the contract that is undertaken locally means, undertaken within the prescribed distance from the purchase or contract point of delivery.

In the event there is little or no “local content” offered from within the prescribed distance, then “local content” reverts to the proportion of the contract that is undertaken in Western Australia.

Local Regional Business

Refers to a regional business that is located within the specified prescribed distance.

Non-Regional Business

Refers to a Western Australian business that is located outside the specified prescribed distance.

Non-Regional Bid

A non-regional bid is a bid received from a Western Australian business that is located outside the specified prescribed distance from the contract point of delivery, including zone one (Perth region).

Principal Supplied Materials

Refers to materials supplied to a contractor by the government agency that is principal to the contract eg Main Roads Western Australia supplying road making/maintenance materials at a nominal or no cost to a contractor as part of the contract conditions.

Purchase or Contract

Refers to all government purchasing, contracting, leasing, renting, hiring or disposal by a government agency. (*Refer Glossary of Terms, Government Agency*).

Purchase or Contract Point of Delivery

Refers to the place where the majority of the purchase or contract outcomes will be delivered/managed and used, not where the contract was called or where the quotation or tender documents must be submitted.

For example if a contract is called by an agency’s Kalgoorlie regional office for goods, services, housing or work to be delivered or carried out in Kalgoorlie, then the purchase or contract point of delivery is Kalgoorlie. If the agency’s head office in Perth calls a contract to be delivered or carried out in Kalgoorlie then the purchase or contract point of delivery is Kalgoorlie.

Regional Bid

A regional bid is a bid received from an eligible regional business that is located within the specified prescribed distance. (*Refer Glossary of Terms for Local Business*).

Regional Business Preferences

These preferences enables eligible regional businesses, located within the prescribed distance to claim a price preference for their whole bid, regardless of the origin of the labour or materials.

Regional Price Preferences

Regional price preferences are only applied to regionally based purchases or contracts when Western Australian businesses are in direct competition with other Western Australian businesses. Regional price preferences provide an enhanced opportunity when bidding for government contracts, they are not a subsidy. Businesses must submit their most competitive price irrespective of the application of the price preferences as part of the assessment process.

Regional Content

Regional content refers to the portion of a bid, where good or service that will be used in delivering the purchase or contract outcomes have been purchased from regional businesses located within the prescribed distance (excluding the Perth region).

Regional Content Preference

This preference provides an incentive for, non-regional businesses to purchase goods, services and construction from within the prescribed distance in regional Western Australia (excluding the Perth region). This preference applies only to the cost of the portion of the bid that represents regional content.

Services

Services include any combination of intellectual effort, labour and materials required to perform any task, consultancy or advice or work being procured by a government agency. Excluded are payments made directly to employees, superannuation and pension payments, statutory or involuntary payments, and grants, subsidies and transfer payments. (*Refer Glossary of Terms, for Government Agency*).

Value for Money

This is a key Policy objective to ensure that when purchasing goods and services, government agencies achieve the best possible outcome for every dollar spent by assessing the costs and benefits to

government and the community, rather than simply selecting the lowest purchase price.

Value for money involves a range of considerations that need to be addressed when developing the selection criteria for tender and quotation documentation, and may include:

- whole of life cycle costs;
- contractual and technical compliance;
- the capability of the tenderer to fulfil the specified requirements; legal, financial, experience etc;
- local content;
- the technical merit of the goods or services offered;
- socio-economic impact - net benefits to the State, industry, regional development;
- environmental management, supply of recycled/recyclable products and waste reduction;
- workplace practices, apprenticeship and training program, OHS & W, EEO commitment, industrial relations record; and
- an assessment of the risks or constraints associated with each offer.

Western Australian Government Contracting Information Bulletin Board.

The bulletin board is the central source of information on Western Australian public sector tenders and awarded contracts. The bulletin board is managed by the Department of Industry and Technology and can be accessed at <http://ets.gem.wa.gov.au/wa/bb/home.do>.

Works

Works includes the carrying out of any improvement on or over any area of land, lake, river or ocean, and any services performed in conjunction with the activity.

This includes the construction of buildings (including public housing) and other public infrastructure, as well as services performed in conjunction with the development.

ATTACHMENT E

List of Useful Contacts

Information and Awareness

The State Supply Commission has responsibility for administering the *Buy Local Policy* and reporting to Cabinet on its effectiveness and compliance. The Commission will provide advice and assistance in the application of the Policy to ensure all government agencies apply it appropriately and consistently. Specific advice on implementation issues, application of the price preferences and seeking regional preferences is available by contacting the State Supply Commission directly.

STATE SUPPLY COMMISSION

5th Floor, Dumas House
2 Havelock Street
WEST PERTH WA 6005
Phone: 08 9222 5700
Country Callers: 1800 806 599
Fax: 08 9222 5750
Email: buywisely@ssc.wa.gov.au
Website: www.ssc.wa.gov.au

Regional Contracting Service

The Department of Housing and Works maintains 14 regional offices to assist government agencies in sourcing materials and services from local communities. Regional businesses may also seek assistance from the Department of Housing and Works on selling to government. Regional businesses are encouraged to contact the respective regional office in their region.

DEPARTMENT OF HOUSING AND WORKS

Perth

99 Plain Street
EAST PERTH WA 6004
Phone: 08 9222 4666
Toll Free: 1800 093 325
Fax: 9221 1388
Website: www.dhw.wa.gov.au

SOUTH WEST REGION

Bunbury

8th floor Bunbury Tower
61 Victoria Street
BUNBURY WA 6230
Phone: 08 9721 2266
Fax: 08 9791 3058
Email: bunbury@dhw.wa.gov.au

Albany

104 Aberdeen Street
ALBANY WA 6330
Phone: 08 9841 7011
Fax: 08 9841 7201
Email: albany@dhw.wa.gov.au

GOLDFIELDS REGION

Kalgoorlie

1st floor, 220 Hannan Street
KALGOORLIE WA 6430
Phone: 08 9021 2944
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STATE SUPPLY COMMISSION

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