



Government of Western Australia

REGIONAL



BUYING



COMPACT



Goods & Services and Construction

FOREWORD



This Regional Buying Compact illustrates the State Government's commitment to regional Western Australia by giving regional suppliers an enhanced opportunity to successfully bid for government contracts.

It will compel government agencies to give a level of financial preference to "local" suppliers in regional areas and will educate those suppliers on how to take advantage of the preferences available.

In essence, the Regional Buying Compact has simplified and increased regional purchasing preferences. The definition of a regional supplier has been tightened and more incentive is provided for businesses operating in regional areas to access government contracts. It covers all goods, services and construction including housing and works.

The Regional Buying Compact will benefit regional Western Australia and marks yet another milestone in the ongoing improvement of government purchasing.

I commend this document to government agencies, suppliers and the entire Western Australian community.

A handwritten signature in cursive script, reading "Mike Board".

MIKE BOARD JP MLA
HON MINISTER FOR WORKS; SERVICES

KEY MESSAGE

The Regional Buying Compact supports regional communities by providing a preference to suppliers using local goods, services and materials.

What it means for Suppliers

- A 10% preference will be provided for the local content of your bid
- All buying by government agencies is now covered
- All government agencies will provide the preference

What it means to Agencies

- Government is committed to supporting regional suppliers and small business
- A simplified preference framework and comprehensive coverage for ease of application
- Buying decisions should continue to be based on value for money principles

REGIONAL BUYING COMPACT



PURPOSE & SCOPE

The Regional Buying Compact promotes economic development through the use of Government buying in regional areas.

The Compact:

- is applicable to all public authorities, including government departments, agencies and trading concerns;
- covers all buying including goods and services sourced and used; and
- covers all construction, including housing and public buildings.

OBJECTIVES

To increase the level and range of buying sourced in regional areas as a means to:

- promote economic activity;
- increase employment opportunities; and
- facilitate small business participation in the Government buying process.

PRICE PREFERENCE

A preference is applicable to regionally based contractors and suppliers, with a permanent office and staff located within a prescribed distance.

Goods and Services

A 10% price preference, to a maximum of \$50,000, applies to goods and services sourced and used in the prescribed distance (Refer to Example 1).

Construction, including Housing and Public Buildings

A 5% price preference, to a maximum of \$50,000, applies to all construction conducted in the prescribed distance (Refer to Example 2).

Competitive Tendering and Contracting (CTC)

A 10% price preference, to a maximum of \$500,000, applies to goods and services sourced and used and all construction conducted in the prescribed distance (Refer to Example 3). The CTC (outsourcing) preference applies on a once off basis and when the contract is renewed the standard preference applies.

Local Content Preference

The above preferences also apply to contractors based outside the prescribed distance, who use goods, materials or services, in regional contracts (except housing projects) which are sourced from within the prescribed distance. The preference applies to the value of the goods, materials or services sourced and used (Refer to Examples 2 & 3).

Local Purchasing Discretion

Government agencies in regional areas have authority to buy locally, up to the value of \$50,000 per line item, even when a central (common use) contract exists. Quotations need to be called and the purchase should represent value for money.

This discretion applies, provided that the common use contract has not been awarded to a regional supplier.

In other words, where a regional supplier is available under a common use contract the local buying discretion does not apply and the central contract must be used.

REGIONAL BUYING COMPACT



PRINCIPLES

Competition

Government agencies will use a competitive market for their regional requirements and encourage the development of suppliers and local industry.

Regional suppliers with the capacity to compete should be provided with the opportunity to bid for work in regional areas.

Packaging of Work

Agencies have a direct interest in looking for opportunities to develop the market and encourage new suppliers and products.

Agencies should encourage opportunities to expand the local market by packaging requirements in appropriately sized contracts to suit market capacity and encourage competition.

Value for Money

Buying decisions should be based on the total cost of the product over its service life, considering factors such as quality, service standards, timely delivery, local back-up, benefits, risks, social impact and industry development potential.

The preference is applied to applicable bids and the adjusted price becomes the base for value for money comparisons.

There is provision under the State Supply Commission "Value for Money" policy for agencies to seek budget adjustments, if necessary, in order to accept regional bids.

Devolution

Agencies are encouraged to devolve authority for buying decisions to regional areas where goods and services are used and construction activities are being conducted.

Social Implications

Agencies will ensure the social impact and consequences of buying decisions are explored and assessed in each buying decision. In particular they will assess:

- the impact of contract decisions on local businesses;
- possible flow-on effects to State or regional economies; and
- any social ramifications for local communities.

Government Procurement Agreement

In accordance with the Australia and New Zealand Government Procurement Agreement, all States and Territories have agreed not to discriminate against items produced anywhere in Australia or New Zealand (ANZ). Therefore the preference available under this Compact cannot be applied where an ANZ offer is received, except where:

- the ANZ offer is not valid for some reason or does not meet the specification; or
- part of the tender evaluation involves comparing a regional bid with one from elsewhere in this State.



MESSAGES FOR AGENCIES

Chief Executives are accountable for the conduct of the buying function in their agency.

Chief Executives will ensure that Government policies are complied with and that they fully support local industries and regional economic development.

The Government expects Chief Executives to focus on the industry development potential of Government buying by:

- Actively seeking out opportunities for local industry when undertaking major buying in regional areas.
- Ensuring that buying practices, procedures and specifications do not disadvantage local suppliers.
- Structuring tenders on a regional basis, where possible, to encourage regional suppliers to participate in government buying. Where this is not possible, agencies are required to encourage contractors to use local distributors and agents within the delivery chain.
- Providing industry with advance notice of major purchases.
- Promoting a "Buy Local" first philosophy throughout the organisation.
- Providing feedback to local suppliers to improve their competitiveness.

MONITORING

The State Supply Commission will administer and monitor the effectiveness of this Regional Buying Compact and the Commission also has the responsibility for monitoring agency compliance with this Compact.

MESSAGES FOR SUPPLIERS

Government is committed to supporting regional communities, local industry and small businesses.

Suppliers are encouraged to competitively seek government work by:

- Actively promoting their goods and services to government buyers.
- Offering their most competitive price first time.
- Stating the eligible regional content in their bids and the dollar preference claimed.
- Supplying quality goods and services.
- Seeking information about proposed Government buying.
- Forming joint ventures/consortia to be competitive for larger projects.
- Attempting to resolve problems/complaints with the agency concerned before seeking third party intervention.

GRIEVANCES

If a supplier has concerns with the application of this Compact, it should attempt to resolve the issue with the agency first. If this fails, the grievance can be investigated independently by the State Supply Commission.

REGIONAL BUYING COMPACT



FURTHER INFORMATION

Supporting information and assistance is available to help suppliers and Government buyers to interpret and use the Regional Buying Compact.

Helpline

Country Callers 1800 806 599

City Callers 9222 5758

Suppliers

Brochures are available for suppliers providing information on their rights and obligations and details of Government buying practices, eg how to sell to Government.

Claiming the Preference

To receive any policy preference, suppliers must clearly state the eligible regional content of their bids and the dollar preference claimed.

Government Buyers

Brochures are available for regional buyers on Buy Local, Buy Australia and the Government Purchasing Charter which provide guidance on rights and obligations. Information can also be obtained on general tender processes and practices.



DEFINITIONS

Goods

“goods” include tangible, quantifiable material requirements usually capable of being moved or transported that are purchased, rented, leased or hired by a public authority. Only goods directly acquired by government agencies are included in this definition. Goods acquired by any service contractor are not directly acquired and are therefore excluded, except where the goods are acquired by a private sector provider for a government agency (refer to supply policy 1.13).

Services or provision of services

“services” or “provision of services” means any task, consultancy, work or advice to be performed or provided that is procured by a government agency. Included are services such as management consultancies, outsourcing, maintenance contract/agreement, cleaning, waste removal, equipment repairs, external auditors, utilities, and services acquired by a private sector provider for a government agency (refer to supply policy 1.13).

Excluded are payments made directly to employees, superannuation and pension payments, statutory or involuntary payments and grants, subsidies and transfer payments.

Construction (including works)

For the purposes of this policy a work (construction) is defined as:

- the carrying out of any improvement on or over any area of land, lake, river or ocean, and any services related to that activity.

This includes the construction of buildings, housing and other public infrastructure as well as related services such as architectural, surveying, facilities management and general maintenance.

Regional Contractor/Supplier

To qualify as a regional contractor, a supplier must meet the following conditions:

- have had a permanent office and permanent staff in the local area for a period of six (6) months prior to bids being sought, and
- be either registered or licensed in Western Australia.

Prescribed Distances

Zone 2 - Prescribed Distance 200 km

In country areas from Jurien to Bremer Bay - Zone 2 (refer to Map B) policy provisions apply to suppliers located within 200 km of the point of delivery, the provision of the service or construction activity.

Zone 3 - Prescribed Distance 400 km

In Zone 3 (refer to Map A), policy provisions apply to suppliers located within 400 km of the point of delivery, the provision of the service or construction activity. Where necessary, this distance may be extended to incorporate the nearest town, where this would not otherwise be included.

The policy applies outside the metropolitan area (Zone 1) as shown on the Map C.



EXAMPLE 1

Application to a Goods and Services contract with a Regional Bidder

A tender for the supply of goods and services within a prescribed distance attracts the following bids and the regional preference is applied as outlined.

Bid A of \$9,500 is received from a metropolitan based firm which is using metropolitan based supplies and services, no preference applies.

Bid B of \$10,000 is received from a regionally based firm within the prescribed distance which is using local materials and services, the 10% preference applies to the total bid, which becomes \$9,000 for comparison purposes.

The preference is applied as follows:

TENDERS RECEIVED	PREFERENCE	TOTAL BID FOR EVALUATION ONLY
Bid A (Metropolitan Firm) \$9,500	No Preference is applicable	\$9,500
Bid B (Regional Firm) \$10,000	Less 10% of \$10,000 = \$1,000	\$9,000

Bid B is successful. Price paid \$10,000.



EXAMPLE 2

Application to a Construction contract with a Regional Bidder

A tender for a construction contract within a prescribed distance attracts the following bids and the regional preference is applied as outlined.

Bid A of \$490,000 is received from a metropolitan based firm with regional content of \$100,000, the 5% preference applies to the "Local Content" component of the bid, which becomes \$485,000 for comparison purposes.

Bid B of \$500,000 is received from a regionally based firm within the prescribed distance which is using local materials and services, the 5% preference applies to the total bid, which becomes \$475,000 for comparison purposes.

The preference is applied as follows:

TENDERS RECEIVED	PREFERENCE	TOTAL BID FOR EVALUATION ONLY
Bid A (Metropolitan Firm) \$490,000	Less 5% of \$100,000 = \$5,000	\$485,000
Bid B (Regional Firm) \$500,000	Less 5% of \$500,000 = \$25,000	\$475,000

Bid B is successful. Price paid \$500,000.

EXAMPLE 3

Application to Competitive Tendering Contracting (CTC) - Outsourcing WITHOUT a Regional Bidder

If Bid A of \$5 million is received from a metropolitan based firm which is using metropolitan materials and services, no preference applies.

If Bid B of \$5 million is received from a metropolitan based company with regional content of \$2 million, the 10% preference applies to the \$2 million "Local Content" component of the bid, which becomes \$4,800,000 for comparison purposes.

TENDERS RECEIVED	PREFERENCE	TOTAL BID FOR EVALUATION ONLY
Bid A (Metropolitan firm and materials) \$5m	No Preference is applicable	\$5m
Bid B (Metropolitan firm, regional materials) \$5m	Less 10% of \$2m = \$200,000	\$4,800,000

Bid B is successful. Price paid \$5 million.

Note: Example 2 demonstrates the principles involved where there is a regional bidder.

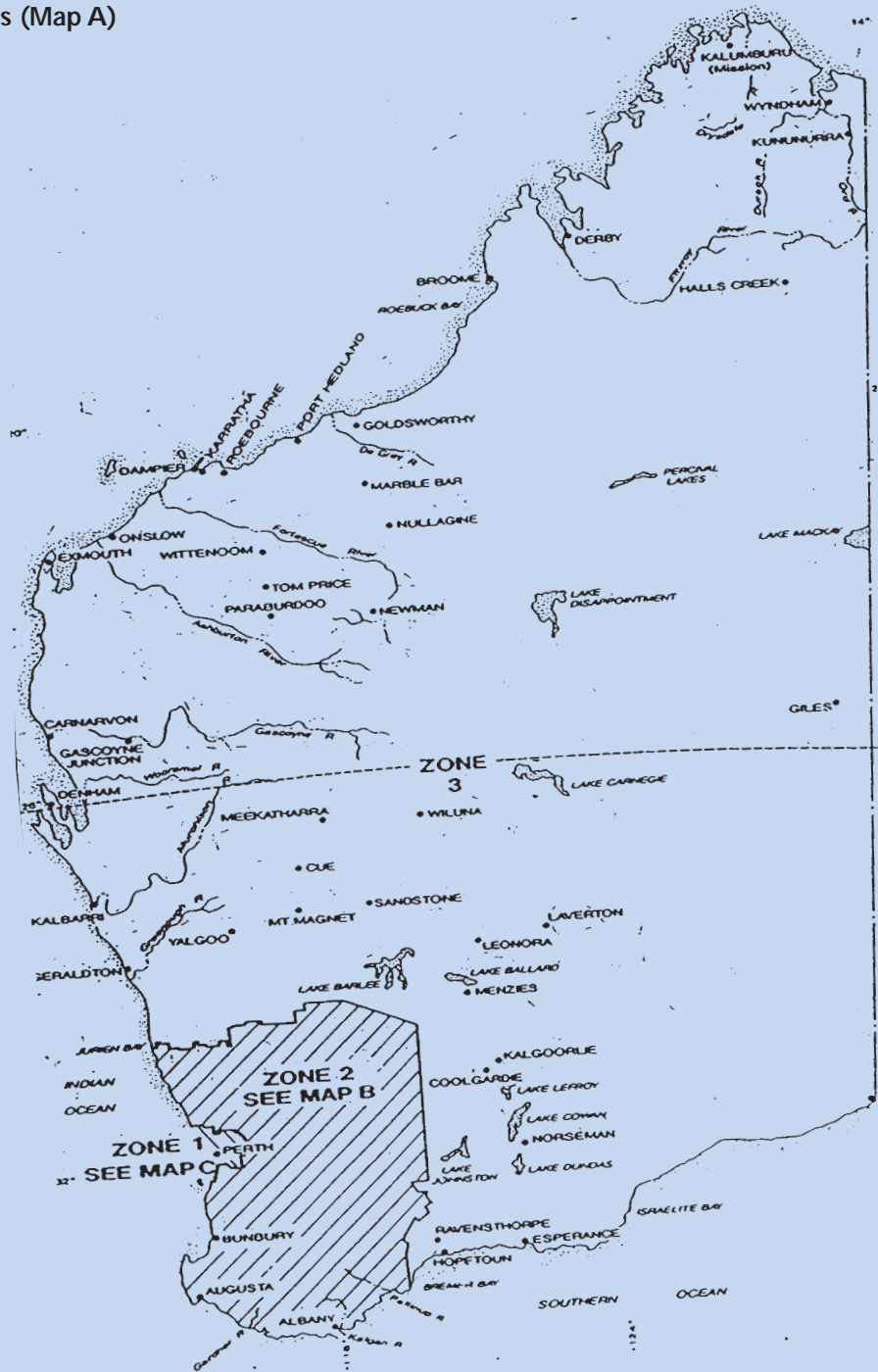
REGIONAL BUYING COMPACT



POLICY MAP ZONES

The following maps show the three zones used in applying the Regional Buying Compact. The zone boundaries follow those identified in the Regional Development Commissions Act 1993 as amended.

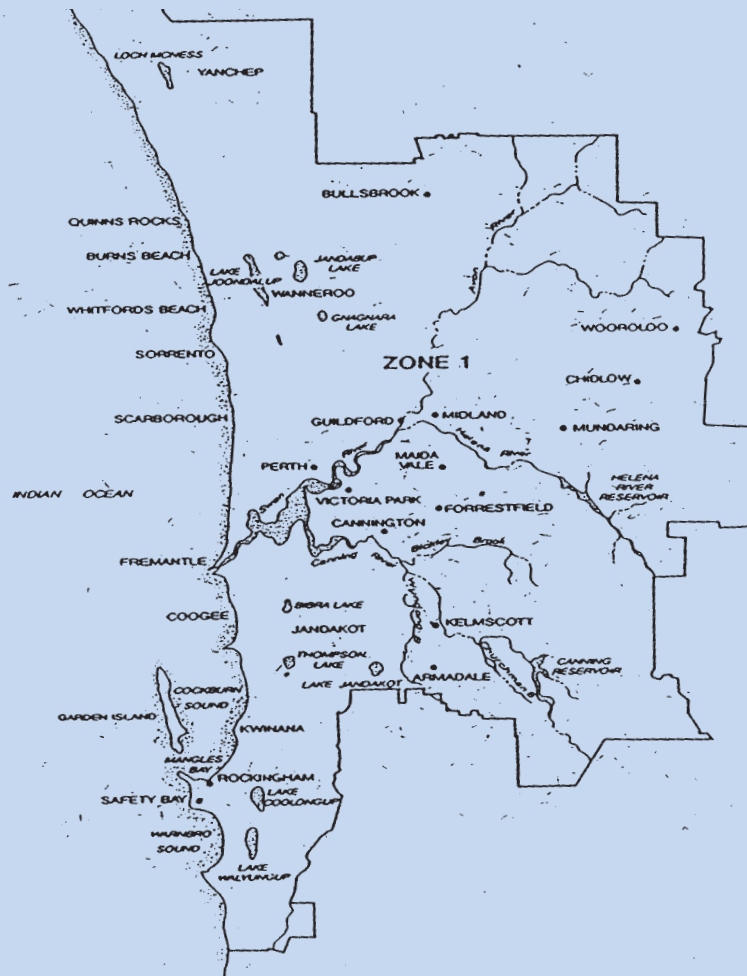
Regional Zones (Map A)



Zone 2 (Map B)



Zone 1 (Map C)
Metropolitan Area





HELPLINE

Country Callers 1800 806 599 City Callers 9222 5758

Printed on behalf of the Government of Western Australia by the

State Supply Commission

5th Floor Dumas House

2 Havelock Street, West Perth 6005

Facsimile: (08) 9222 5750

Email: buywisely@ssc.wa.gov.au <http://www.ssc.wa.gov.au>

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