

## Regional Price Preference

### Policy Objective

To promote the use of competitive local business in the procurement of goods and services, support local business and industry and to encourage employment of local people thereby generating economic growth within the Shire.

### Policy Statement

A price preference will apply to all quotations of \$10,000 or greater, and all tenders invited by the Shire of Broome.

There are two types of preference considerations under this Policy; a Regional Business Preference and a Regional Content Preference.

#### 2.1 Regional Business Preference

This preference enables businesses within the Prescribed Area to claim a price preference for their whole bid, regardless of the origin of the labour or materials, as all labour and materials are deemed to be regional content.

To qualify as a Regional Business, a business must meet the following conditions:

- (a) The business has been operating continuously out of a premise in the Prescribed Area for at least six (6) months prior to the closing date of quotations / tenders.
- (b) The Regional Business is required to provide written evidence as described within the request for quotation / tender submission which demonstrates compliance with 2.1 (a).

#### 2.2 Regional Content Preference

This preference enables businesses not located within the Prescribed Area to claim a price preference for the goods and/or services purchased from within the Prescribed Area.

Businesses wishing to claim the Regional Content Preference are required to provide written evidence as described within the request for quotation / tender documentation.

Businesses outside the Prescribed Area, who claim that they will use Regional Content in the delivery of the contract outcomes, may be required, as part of the contract conditions, to demonstrate that they have actually used them.

*Please note: Travel and accommodation costs associated with sending Staff/Sub Contractors from outside the Prescribed Area to work on a regional contract, are not considered regional content and are not eligible for the "Regional Content Preference".*

## 2.3 Percentage and Price Preference

The following Preference rates apply under this Policy:

- (a) 10% (up to a maximum price reduction of \$50,000) for goods and / or services; or
- (b) 5% (up to a maximum price reduction of \$50,000) for construction (building) services; or
- (c) 10% (up to a maximum price reduction of \$50,000) for goods and / or services (including construction (building services) if tenders / quotations are being sought for the first time for goods or services currently undertaken by Council.

## 2.4 Value for Money

Whilst price is a competitive consideration in the provision of goods and / or services via quotation / tender, it is only one aspect of the evaluation process. Value for Money principles, as described in the *Shire of Broome Purchasing Policy*, will be employed by assessing the price component in conjunction with the quotation / tender selection criteria and requirements.

## 2.5 Application of Policy

In accordance with *Local Government (Functions and General) Regulations 1996 WA* Regulation 24G, the Shire reserves the right not to apply the policy to a particular request for quotations / tender, provided this is identified in the request documentation.

# Explanatory Notes

## 3.1 Example of the Application of the Regional Price Preference Policy

### Example

Consider a scenario where the following three tenders, to supply goods or services, are received by a local government that has chosen a 10% rate of preference.

- Tender 1 is from a Regional Business (as defined by the Council in its policy)
- Tender 2 is from a metropolitan based business and uses goods and services sourced from the metropolitan area.
- Tender 3 is from a metropolitan based business that uses \$50,000 worth of goods and services supplied by Regional Content.

Tenders Received	Price	Price Eligible For Reduction	Price Reduction at 10% Rate of Preference	Adjusted Price for Evaluation Purposes
1	\$170,000	\$170,000	\$17,000	\$153,000
2	\$163,000	NIL	No preference	\$163,000
3	\$166,000	\$50,000	\$5,000	\$161,000

As can be seen from the table, in terms of price, the tender from the Regional Business (Tender 1) is the most advantageous once the preference has been applied.

## 3.2 Legislation

In February 2000, the *Local Government (Functions and General) Regulations 1996* were amended to allow non-metropolitan local governments to offer a price preference to regional suppliers when deciding which Tender to accept. A price preference can only be applied if a local government has adopted a regional price preference policy.

## Roles and Responsibilities

Employees will use a competitive market for their local quotations / tender requirements to encourage economic growth and local business partnerships where it is practical and reasonable to do so.

Employees will ensure that the application of a regional price preference is clearly identified within the quotation / tender documents to which the preference is to be applied and that this policy is made available to local suppliers.

## Performance Measures

Quotation and Tender Evaluation reports are to clearly identify the regional price preference applied.

## Definitions

**Prescribed Area** is the Shire of Broome.

**Regional Price Preference** is defined as the willingness to pay a higher price for the procurement of goods and / or services that are supplied by a Regional Business or contain Regional Content.

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