# Regional Price Preference Policy

## Objective

To maximize the use of competitive locally based businesses in the provision of goods or services purchased or contracted by the Shire of East Pilbara ("the Shire").

## Policy

For the purposes of this policy, a regionally based business is to have a bona fide office and/or workshop premises and/or staff housed (r*esidentially not in a Camp*) located within the District of the Shire of East Pilbara.

A regional price preference will apply to all Requests for Quotes and Tenders (RFx) invited by the Shire for the supply of goods and services and/or construction (building) services, unless Council resolves that this policy will not apply to a particular RFx.

Where no submission is received from a District of East Pilbara based business, for a RFx submissions from businesses based within the Districts of Karratha, of Ashburton or Port Hedland will be deemed to be regionally based for the purposes of this policy.

A price preference will apply to all tenders invited by the Shire of East Pilbara for the supply of goods and services and construction (building) services, unless Council resolves that this policy will not apply to a particular tender.

The following levels of preference will be applied under this policy:

1. Goods and Services – 10%, or to a maximum price reduction of $50,000
2. Construction (building) Services – 5%, or to a maximum price reduction of $50,000
3. Goods and Services, including Construction (building) Services – 10%, or to a maximum price reduction of $500,000, if the Council is seeking tenders for the provision of those goods or services for the first time, due to those goods or services having been, until then, undertaken by the Council.

The application of the preference levels listed in 1 and 2 above will only be in consideration of the value of those goods and services identified by the supplier as being from regional sources.

In considering any RFx submission, price is only one of the factors to be assessed when Council is to decide which of the suppliers it considers would be the most advantageous to achieving best value for money, in accordance with Council's Purchasing Policy.

*Example of the Application of the Regional Price Preference Policy*

*Example 1*

Consider a scenario when the following two (2) tenders to supply goods and services are received by a local government that has chosen a 10% rate of preference.

1. Submission 1 is from a regional supplier (as defined by Council in this policy).
2. Submission 2 is from a metropolitan based firm.

| Tenders Received | Price of Tender | Price Reduction at 10% rate of preference | Adjusted price used for evaluation purposes |
|---|---|---|---|
| Submission 1 | $100,000 | $10,000<br>(10% of $100,000) | $90,000<br>(100,000 less $10,000) |
| Submission 2 | $95,000 | No preference applicable | $95,000 |

As can be seen from the table above, in terms of price, the tender from the regional supplier (Submission1) is the most advantageous once the preference has been applied.

However, it is important to emphasise that price is only one of the criteria used to determine a successful submission. Nonetheless, when the tenders are assessed against all the RFT or RFQ criteria, the adjusted price is the one to be used. That is, the price following the application of any regional price preference.

Example 2

This example highlights how the maximum price reduction affects the assessment of tenders. The following scenario where tenders are called to supply construction (building) services by a local government that has chosen a 5% rate of preference.

1. Tender 1 is from a regional tenderer.
2. Tender 2 is from a metropolitan based firm.

| Tenders Received | Price of Tender | Price Reduction at 5% rate of preference | Reduced price used for evaluation purposes |
|---|---|---|---|
| Tender 1 | $1,200,000 | Less 5% of $1,200,000 =<br>$60,000. However the maximum price reduction is limited to $50,000 | $1,150,000<br>($1,200,000 less<br>$50,000) |
| Tender 2 | $1,145,000 | No preference applicable | $1,145,000 |

In this case, in terms of price alone, Tender 2 is the most advantageous.

## Annual Review

This policy will be reviewed on an annual basis to assess the financial impact on Council resources and the level of local purchasing. The Council may revise the percentage preference rates as a result of each Review, in accordance with the *Local Government (Functions and General) Regulations 1996*.

## Authorisation Details

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| **References:** | *Local Government (Functions and General) Regulations 1996* | | |
| **Authorised by:** | Council | | |
| **Date:** | 5 May 2006 | **Item No.** | 9.4.2 |
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| **Next Review** | Annually | | |
| **Responsible Directorate** | Executive Services | | |
| **Responsible Officer** | Manager Governance, Risk and Procurement | | |
| **File No.** | | | |