

3.10 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.

Policy

For the purposes of this policy, a regionally based business is to have office and/or workshop premises (*LIA or Shop Front*) and/or staff housed (*Residentially not in a Camp*) located within the district of the Shire of East Pilbara.

A regional price preference will apply to all Request for Tenders (RFT) and formal Request for Quotations (RFQ) invited by the Shire of East Pilbara for the supply of goods and services and/or construction (building) services, unless Council resolves that this policy will not apply to a particular RFT or RFQ.

Where no submission is received from a Shire of East Pilbara based business, for a RFT or formal RFQ submissions from businesses based within the City of Karratha, the Shire of Ashburton and the Town of 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 RFT or formal RFQ or submission, price is only one of the factors to be assessed when Council is to decide which of the suppliers it thinks would be the most advantageous to it

Example of the Application of the Regional Price Preference Policy

Example 1

Consider a scenario when the following 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 forevaluation purposes
Submission 1	\$100,000	\$10,000 (10% of \$100,000)	\$90,000 (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 = \$60,000. However the maximum price reduction is limited to \$50,000	\$1,150,000 ((\$1,200,000 less \$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

References:	<i>Local Government (Functions and General) Regulations 1996</i>		
Authorised by:	Council		
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Responsible Officer	Manager Governance, Risk and Procurement		
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