

## COR 020: REGIONAL PRICE PREFERENCE

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### Objective

To encourage the use of local businesses in goods and services purchased or contracted on behalf of the Shire of Esperance.

### Policy

This policy will apply to all quotations of \$75,000 value or greater unless Council resolves otherwise.

### Definitions:

**Prescribed Area:** means within the boundaries of the Shire of Esperance.

**Regional Price Preference:** involves assessing a tender as if the proposed tender price were discounted in accordance with this policy.

**Regional Tenderer:** means a supplier of goods or services who meets the Applicable Criteria set out in this policy.

### Levels of Price Preferences to be applied:

A price preference may be given to a Regional Tenderer by assessing their tender as if the price bids were reduced by;

1. Goods and Services

Up to 10% where the contract is for goods or services, up to a maximum price reduction of \$50,000;

2. Construction

Up to 5% where the contract is for construction (building) services, up to a maximum price reduction of \$50,000; or

3. Outsourcing

Up to 10% where the contract is for goods or services (including construction (building) services), up to a maximum price reduction of \$500,000, if the Shire 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 Shire.

### Applicable Criteria:

In order to be eligible for consideration under this policy for the whole bid, regardless of the origin of the labour or materials, a supplier within the Shire of Esperance (Prescribed Area) must meet the following criteria;

1. The supplier must have been operating a business continuously out of premises located within the Prescribed Area for at least 6 months before the time after which further offers cannot be submitted;
2. The supplier must have permanent staff based in the Prescribed Area: and
3. That bidding and management/delivery of the majority of the quotation/contract outcomes will be carried out from their business location in the Prescribed Area.

As an incentive for suppliers outside the Shire of Esperance (Prescribed Area) to purchase goods, services and construction from within Shire of Esperance (Prescribed Area) as part of their tender or quote. A preference will be applied to the value of goods, materials or services purchased and used from within the Shire of Esperance. For a supplier to be considered for this, they must provide the following information.

1. Must complete a preference questionnaire/response form that is distributed with each tender or quote.
2. Eligible businesses within the Prescribed Area must be clearly stated including their full business location and postal address

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

### Conditions

Suppliers who claim the regional price preference should indicate their intention to claim in their tender and identify on which criteria they wish to claim.

Price is only one factor the Shire considers when evaluating a tender. There is nothing contained within this policy that compels acceptance of the lowest price.

The tender or quote that is determined to offer the best value for money to the Shire will be the most likely to be accepted.

If, in the opinion of the Shire, a supplier has deliberately provided false or misleading information in order to benefit from this policy, their tender or quote may be disqualified.

### Roles and Responsibilities

Shire Employees will use a competitive market for their local requirements and encourage the development of suppliers and local industry. Local suppliers with the capacity to compete should be provided with the opportunity to bid for work with the Shire.

Employees are to ensure the application of a Regional Price Preference is clearly identified within tender documents to which the preference is to be applied and that this policy be available to businesses as part of the tender process.

Examples of Application

1. The following three tenders, to supply goods or services, are received by a local government that has chosen a 10% rate of price preference.
  - Tender 1 is from a regional tenderer (as defined by the Council in its policy).
  - Tender 2 is from a metropolitan based firm and uses goods and services sourced from the metropolitan area.
  - Tender 3 is from a metropolitan based firm but uses \$60,000 worth of goods and services sourced from the region defined in the local government’s regional price preference policy.

Tender Received	Tendered Price	Price Reduction	Adjusted price for evaluation
Tender 1	\$150,000	\$15,000 (10% of \$150,000)	\$135,000 (\$150,000 less \$15,000)
Tender 2	\$145,000	No preference available	\$145,000
Tender 3	\$148,000	\$6,000 (10% of \$60,000)	\$142,000 (\$148,000 less \$6,000)

As shown in the table above, Tender 1 (Regional Tenderer) is the most cost effective once the price preference has been applied.

1. This example determines how the maximum price reduction is applied in accordance with this policy.

The following two tenders, to supply construction (building) services, are received by a local government that has chosen a 5% rate of price preference.

- Tender 1 is from a regional tenderer
- Tender 2 is from a metropolitan based firm that sources materials from the metropolitan area

Tender Received	Tendered Price	Price Reduction	Adjusted price for evaluation
Tender 1	\$1,500,000	5% of \$1,500,000 = \$75,000. Maximum price reduction limited to \$50,000.	\$1,450,000 (\$1,500,000 less \$50,000)
Tender 2	\$1,445,000	No preference available	\$1,445,000

As shown in the table above, Tender 2 is the most cost effective once the price preference has been applied.

Note: price is only one criteria used to determine a successful tenderer, however the adjusted price, following the application of any preference, shall be used when evaluating tender criteria.

..... Policy Ends .....