

Opportunities for and constraints to businesses relocating to regional Australia - Government Procurement Opportunities

Department of Infrastructure, Transport, Regional
Development and Communications

5 February 2021



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05 February 2021

Transmittal Letter: Opportunities for and constraints to businesses relocating to regional Australia

Dear 47F

Decentralisation project work order number 10020854 (the Contract).

In accordance with your instructions, EY ('we' or 'us') have prepared an analysis of Commonwealth Austender, Tenders NSW and Tenders VIC data, and the published government procurement policies for selected jurisdictions solely for the purpose set out in the Contract (the "Purpose").

Purpose of this Report and limitations

This presentation begins to expand on Parts 2a and 2b of the scope and to provide a summary of the relevant federal and state procurement policies, as well as procurement policies in Canada, New Zealand and South Africa. We have completed an initial identification of data sources that contain information on the value and location of awarded tenders, and analysed federal, NSW and Victorian government tenders to gain an overview of total value of goods and services procured from businesses with a reported location in a regional area, compared to metropolitan-based businesses. For completeness, this presentation includes the analysis of the federal analysis provided to you at a previous date.

There are significant limitations on the data available and benefit of the analysis. However, the analysis potentially provides a starting point for further discussions with procuring agencies about the drivers of procurement decisions and the potential opportunities. It could also be matched with a review of policies as envisaged in our original scope.

In addition, we have identified, summarised and compared the relevant procurement policies for federal, state and three OECD countries. This analysis shares insights on the various approaches taken to promote regional and rural businesses in the procurement process. This analysis has relied upon our desktop review, and our interpretation of the relevant policies. A more detailed review, or discussions with the various jurisdictions could provide further insights on the approaches, in particular the advantages and disadvantages of the approaches, which has not been included in our analysis.

Our Report was prepared on your specific instructions solely for the Purpose and should not be used or relied upon for any other purpose. While we believe the information included in our Report is substantially responsive to your request, we are not in a position to assess its sufficiency for your purposes.

While we may provide advice and recommendations to the Department, it is solely responsible for any decision to execute or implement any such advice or recommendation, the actual execution or implementation of any advice or recommendation thereof, the sufficiency of such advice or recommendation for the Department's purposes, and the results of such implementation. This report and its contents may not be quoted, referred to or shown to any other parties except as provided in the Contract. We accept no responsibility or liability to any person other than to the Department and accordingly if such other persons choose to rely upon any of the contents of this report they do so at their own risk.

Yours faithfully,

s47F

Partner



Contents

Table of contents

1	Introduction	
2	The market for goods and services procured in Australia	Page 4
2a	Methodology	Page 6
2b	Federal procurement	Page 7
2c	State procurement	Page 12
3	Procurement policies related to rural and regional business development	Page 19
	Appendices	Page 27
A	Full list of category names	Page 28
B	Summary of relevant procurement policies	Page 29

Introduction

- ▶ This presentation follows on from the report completed in Phase 1, which addressed the economic benefits of relocation to Regional Australia, sentiment of the Australian Business Sector towards relocation and a scan of initiatives and incentives towards relocation of businesses
- ▶ In this Phase 2 presentation, we seek to understand Australian and international government procurement opportunities, particularly in Parts 2a and 2b of the scope, which consist of the following:
 - ▶ *To assess and report on the current state of direct procurement (excluding grants and local government) from businesses in regional Australia, we aim to:*
 - ▶ *Develop an overview of the total value of goods and services procured by the Australian Government and state and territory governments, and*
 - ▶ *Assess the value of goods and services procured from regional suppliers.*
- ▶ We have completed the initial analysis of the Australian Government as well as NSW and VIC State
- ▶ Following our discussion on 29/11/2021, we have also completed an initial scan of policies in Australia including federal and five state governments, as well as 3 international countries
- ▶ The next steps would include:
 - ▶ Further analysis by comparisons between Australian, NSW and VIC tender data to identify opportunities for improvement
 - ▶ Interviewing relevant representatives to further understand trends (Part 2d in scope)

The market for goods and services procured in Australia

Methodology

- ▶ The following analysis has been conducted using public datasets sourced from AusTender and ABS, as well as datasets used for modelling in Phase 1
- ▶ Data from ABS containing matched postcodes with LGAs was used to match categorisations of LGAs into regional Australia and capital cities. In contrast to phase 1, Canberra was considered a capital city (Darwin remained 'regional'). This adjustment better reflects the intent of this analysis which is to understand where procurement is taking place in a decentralised way
- ▶ Data from AusTender contains postcodes of suppliers who have been awarded contracts, which was matched with datasets created above. Note this methodology has significant limitations. As just one example, a company may be headquartered in a metropolitan area but deliver services through a regionally located office with regional staff
- ▶ Data from AusTender, Tenders NSW and Tenders VIC also contains UNSPSC sub-categories reflecting the industry of the goods and services provided by suppliers. This was matched with parent categorisations from UNSPSC and used to analyse the major segments of industries and their fulfillment by regional suppliers
- ▶ This methodology broadly mirrors the approach taken by the ANAO in 2017:
<https://www.anao.gov.au/work/information/australian-government-procurement-contract-reporting>

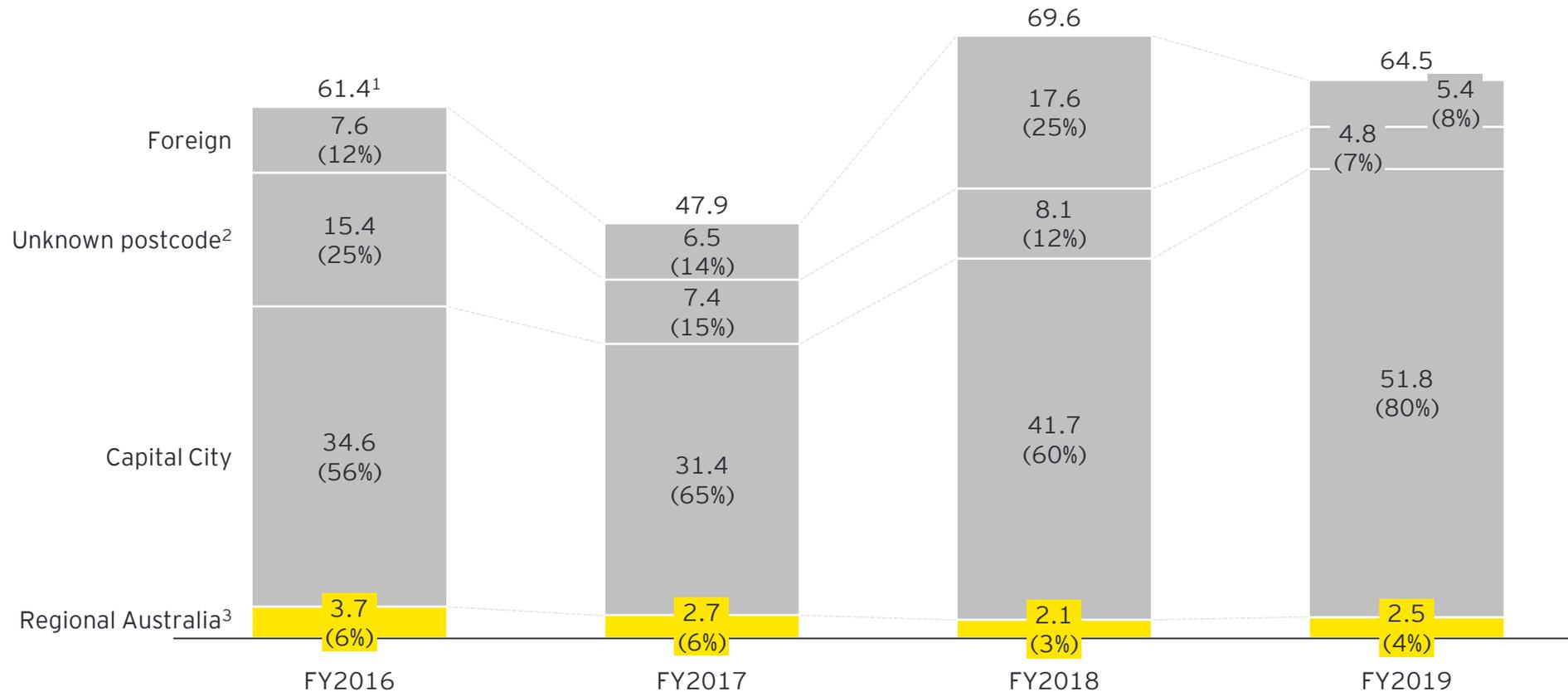
Federal Government procurement analysis

Share of contracts to regional suppliers are low (3% to 6%) between FY16-19. As the 'unknown' and foreign category has reduced, it has flowed to Capital Cities

Not regional
Regional

Awarded federal government contract value by supplier location

A\$b



1. Totals have been checked with the ANAO "Australian Government Procurement Contract Reporting Update" report (2020). Regional supplier totals are not equal however, due to different methodology in classifying Regional and Capital

2. May include suppliers with no postcodes stated or PO Box postcodes that are not categorised by LGA. The supplier location is also restricted by the postcode stipulated by the main contractor, with no information on whether the project was fulfilled regionally, or with subcontractors.

3. Phase 2 postcodes corresponding to the list of regional areas modelled in Phase 1, as well postcodes from Canberra as an adjustment

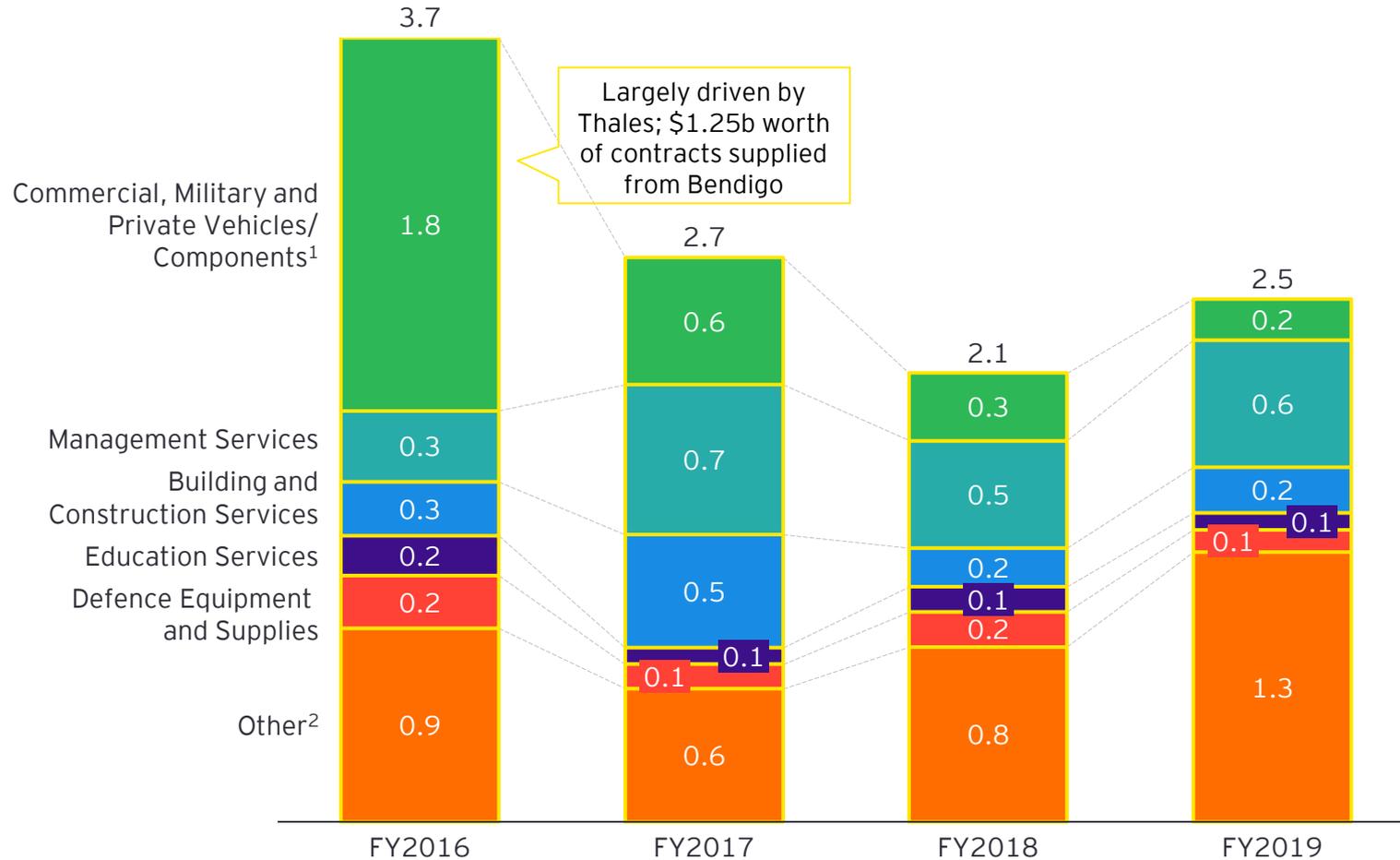


'Regional' procurement is dominated by a small number of sectors, with one large defence contract materially impacting the trend

Regional

Federal contract values awarded to regional suppliers by industry, FY16-19

A\$b



Insights

- ▶ A drop off of \$1.0b occurred between FY2016 and FY2017, which can be mostly attributed to drops in awarded contracts in Commercial/Military/Personal Vehicles, particularly, a number of contracts awarded to Thales worth \$1.25b in FY2016.
- ▶ Awarded value has been steady since FY2017, reaching \$2.5b in FY2019, driven by increases in Management Services, Building and Construction Services and Other categories
- ▶ Largest drivers of the 'other' category in FY2019 include \$0.3b of Environmental Services and \$0.2b in Engineering Services.
- ▶ Low values in building and construction may be due to the funding approach for many large projects funded by agreement with the States and Territories.
- ▶ Note that the lumpiness across years may be due to the fact that values are of awarded contracts, not necessarily when funds are spent.

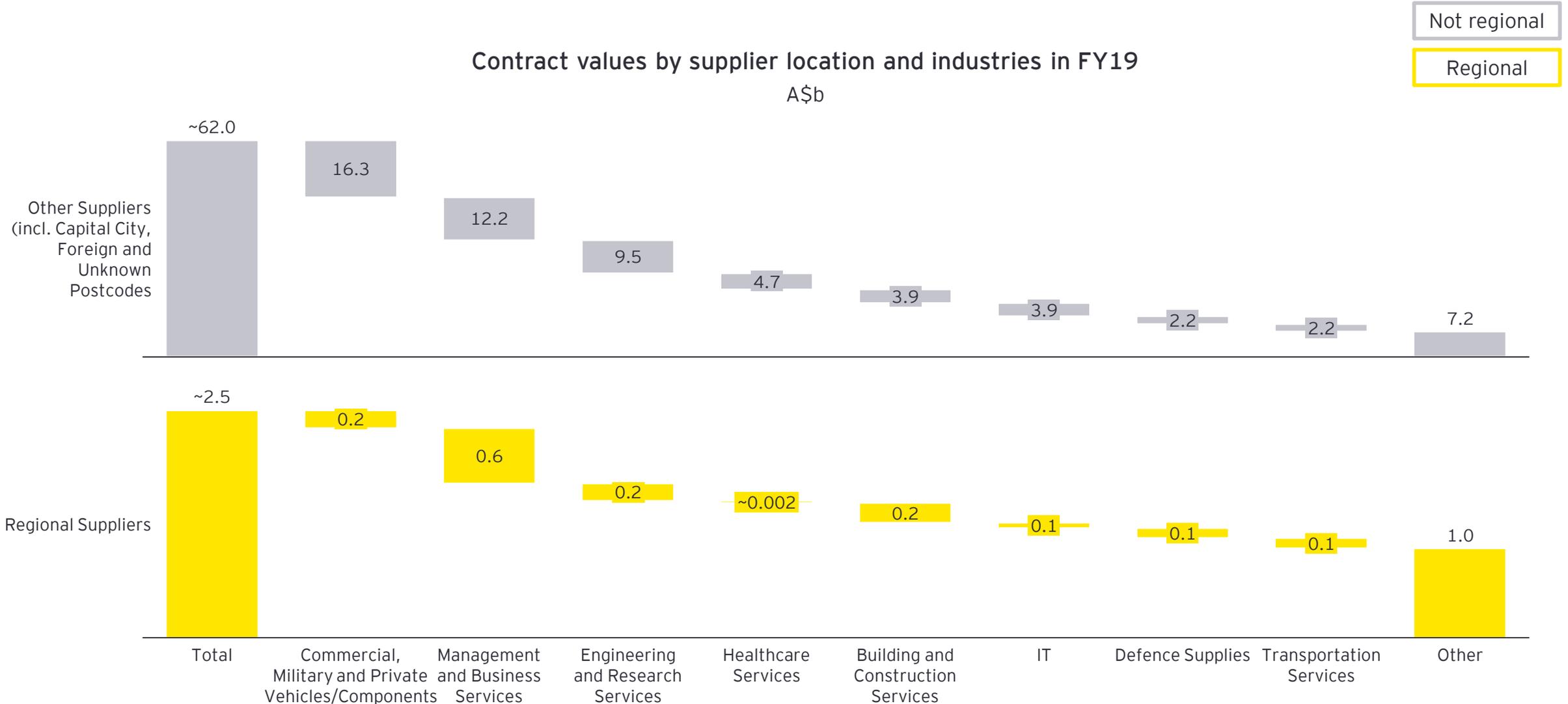
Source: AusTender, UNSPSC

1. Includes military vehicles and components, whereas Defence Equipment and Supplies involves munitions

2. Full list of industries and long-form names can be found in the appendix



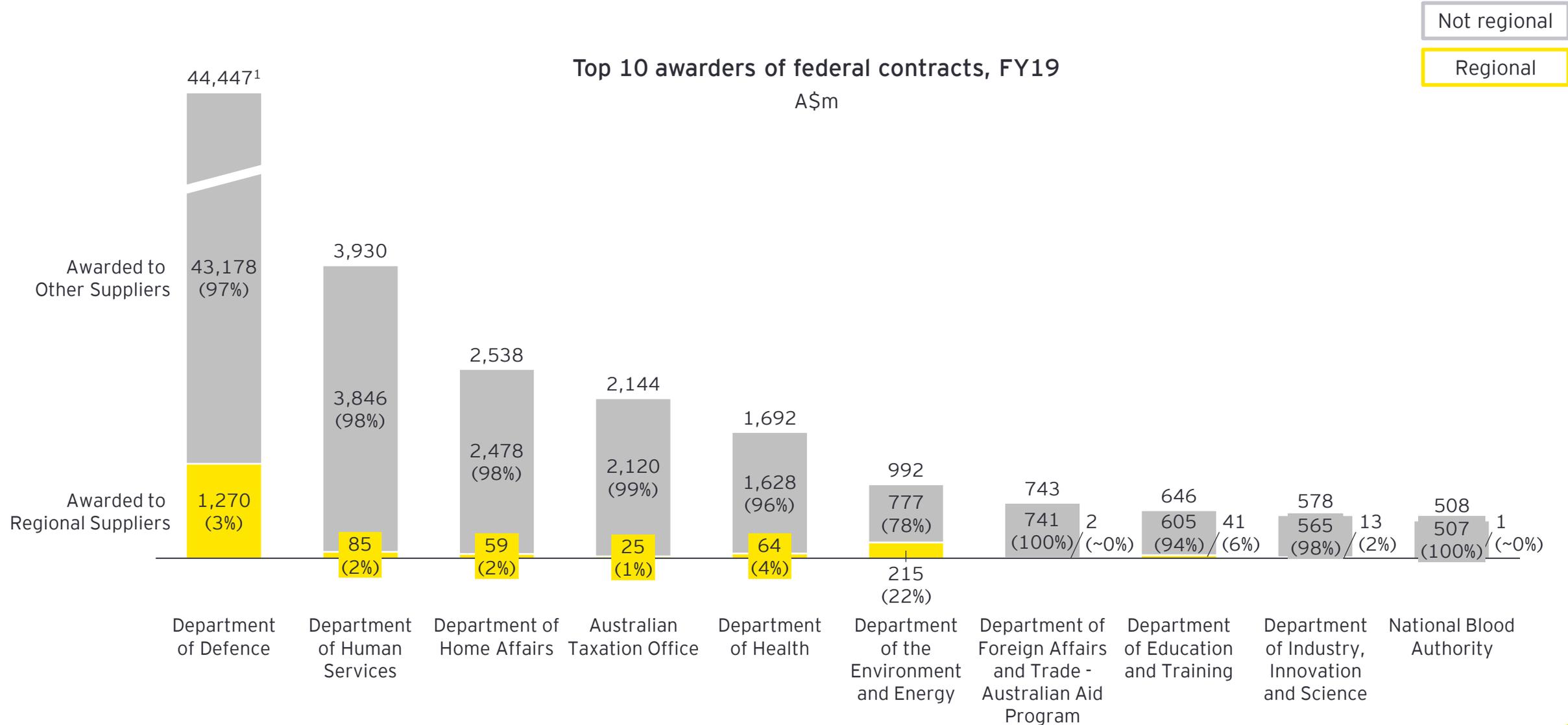
Comparing the values between capital cities and regional highlights that regional procurement may be more fragmented - with 'other' making up 40% of regional procurement in FY19



Source: AusTender



Defence is by far the largest procuring agency by contract award in both capital cities and regions



State Government procurement analysis

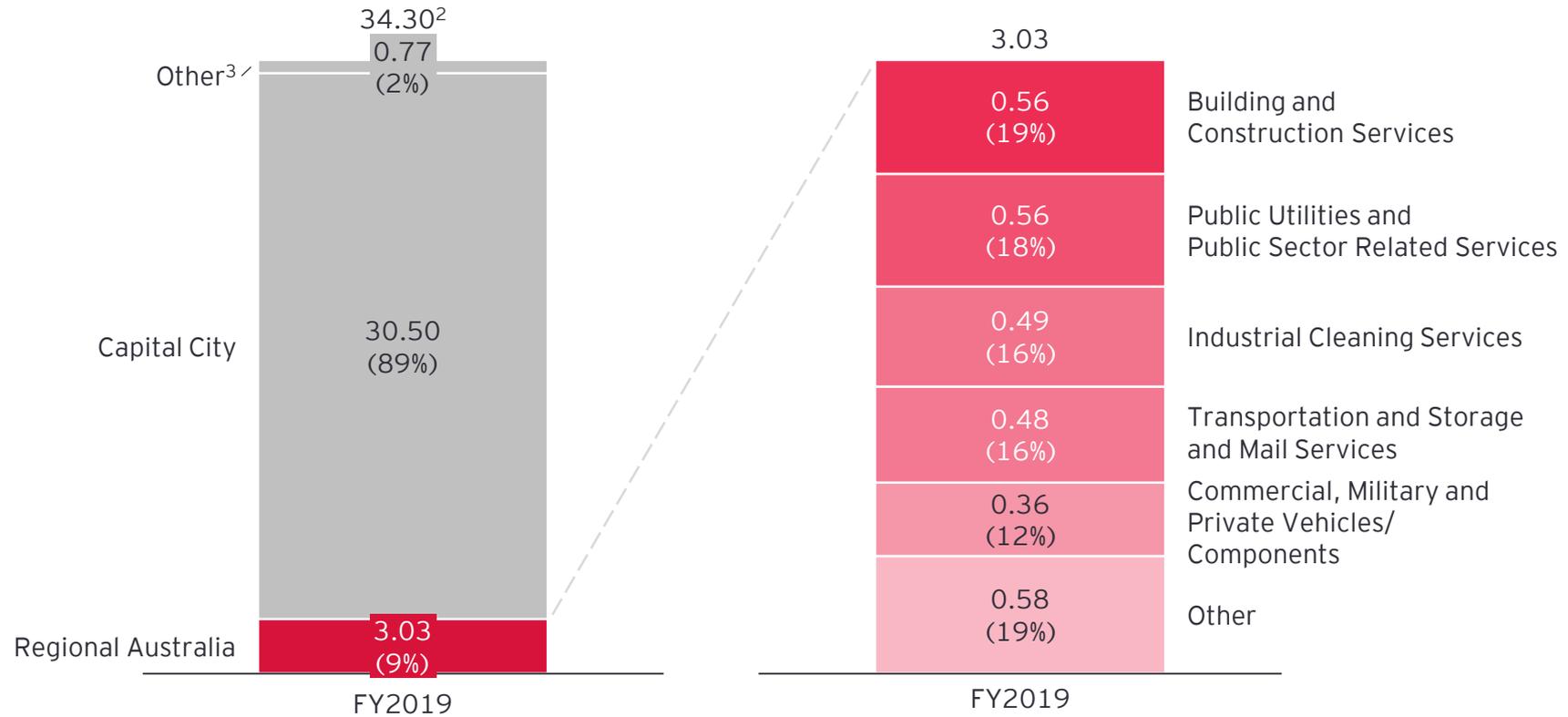
Regional suppliers have 9% share of total contract values in NSW, with much of that share driven by construction, utilities, industrial cleaning, transportation and vehicular contracts



Not regional
Regional

Awarded NSW government contract value by supplier location, FY19¹

A\$b



1. Contract data was sourced from Tenders NSW, which may not be exhaustive. Contracts <\$150k in value were excluded. Note that Newcastle and Wollongong are included as regional areas based on Phase 1 classifications

2. Unable to ascertain aggregate awarded totals from NSW govt.; however, Buy NSW has stipulated that ~\$34b was spent in FY19 in procurement

3. May include suppliers that are foreign, have unspecified postcodes, or PO Box postcodes that are not categorised by LGA



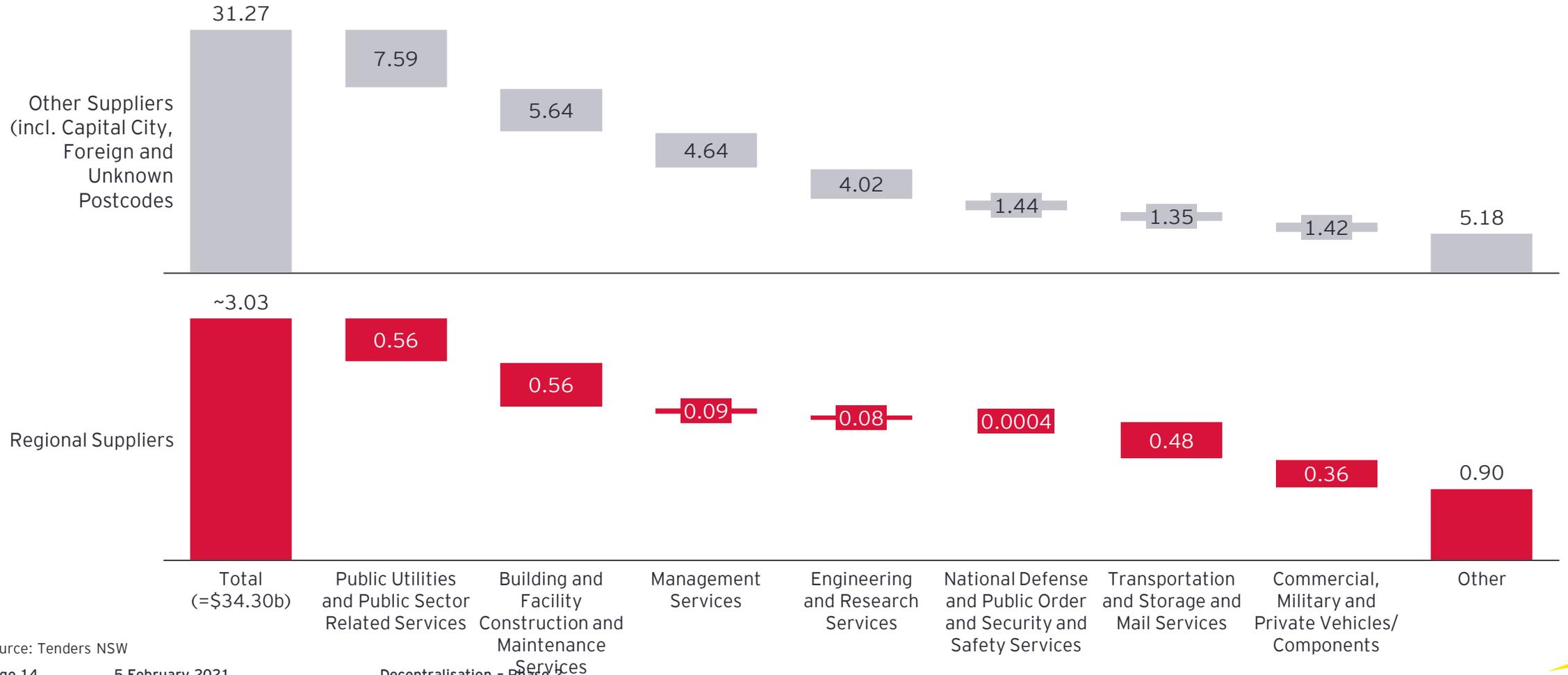
Regional procurement by the NSW govt. is fragmented, with ~30% of value falling under the 'other' category



Awarded contract values by NSW govt., by supplier location and industries, FY19

A\$b

Not regional
Regional



Source: Tenders NSW



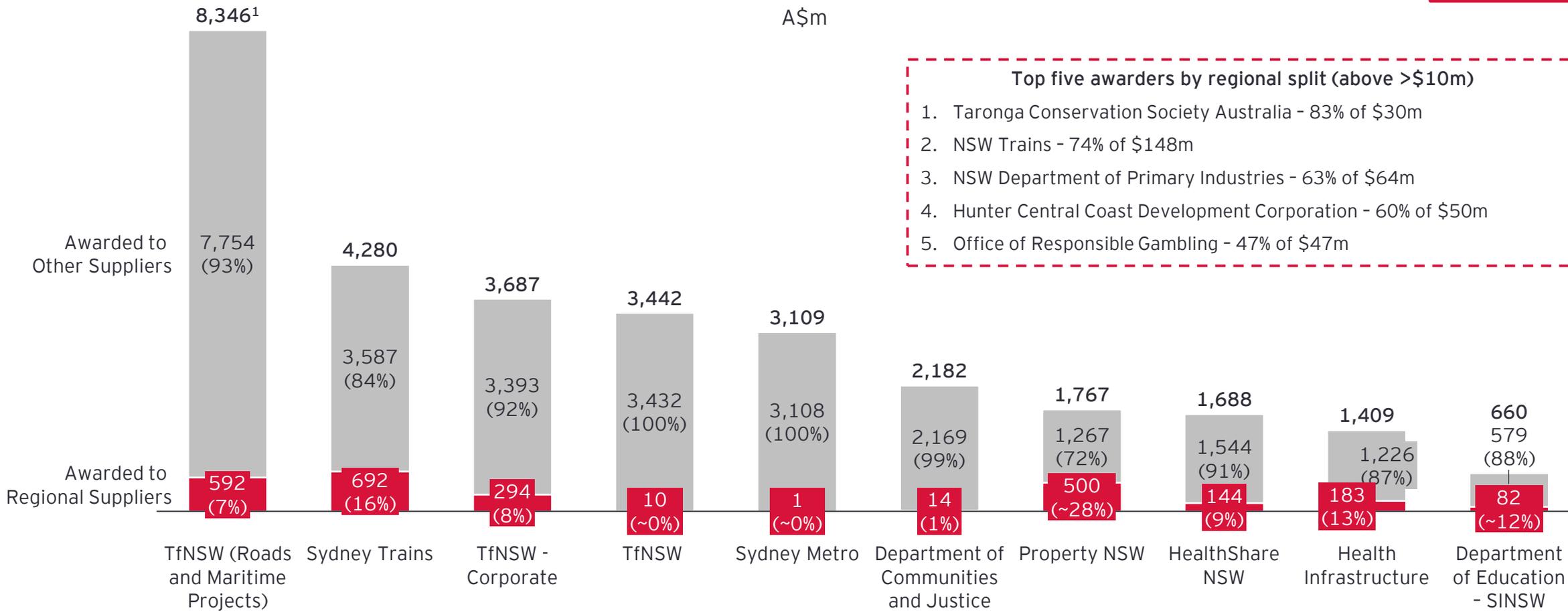
Transport for NSW (TfNSW) and various associated divisions account for the 5 largest awarders of govt. contracts in FY19, but with low proportions being regionally supplied (~0%-8%)



Top 10 awarders of NSW govt. contracts, FY19

A\$m

Not regional
Regional



Source: Tenders NSW



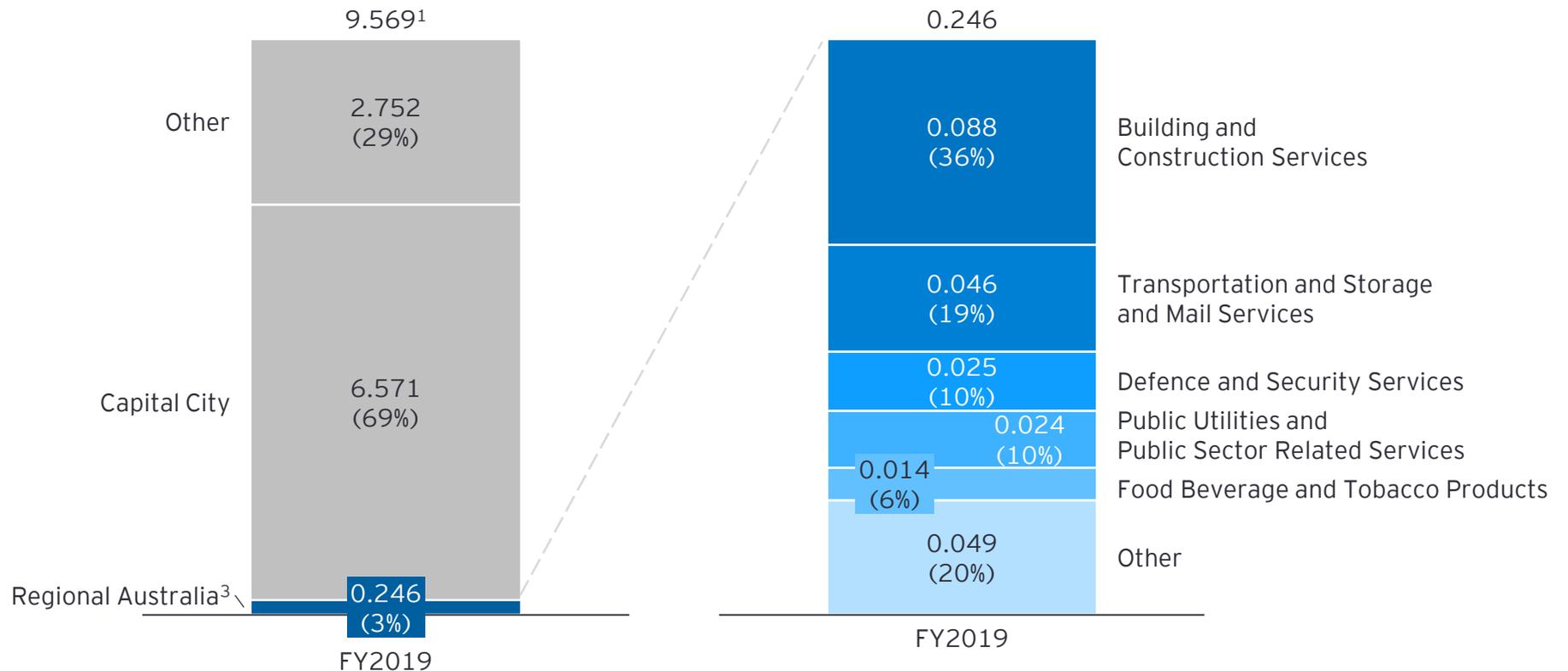
Regional suppliers had a 3% share of total contract values in VIC in FY19, with much of that share driven by construction, transportation and defence services



Not regional
Regional

Awarded VIC state government contract value by supplier location, FY19

A\$b



1. Contract data was sourced from Tenders VIC, which may not be exhaustive. Figure cannot be corroborated with Vic Govt. reporting, however, a value of ~\$2.6b of awarded contracts in non-construction goods and services was stated in the *VGBO Annual Report 2018/2019*



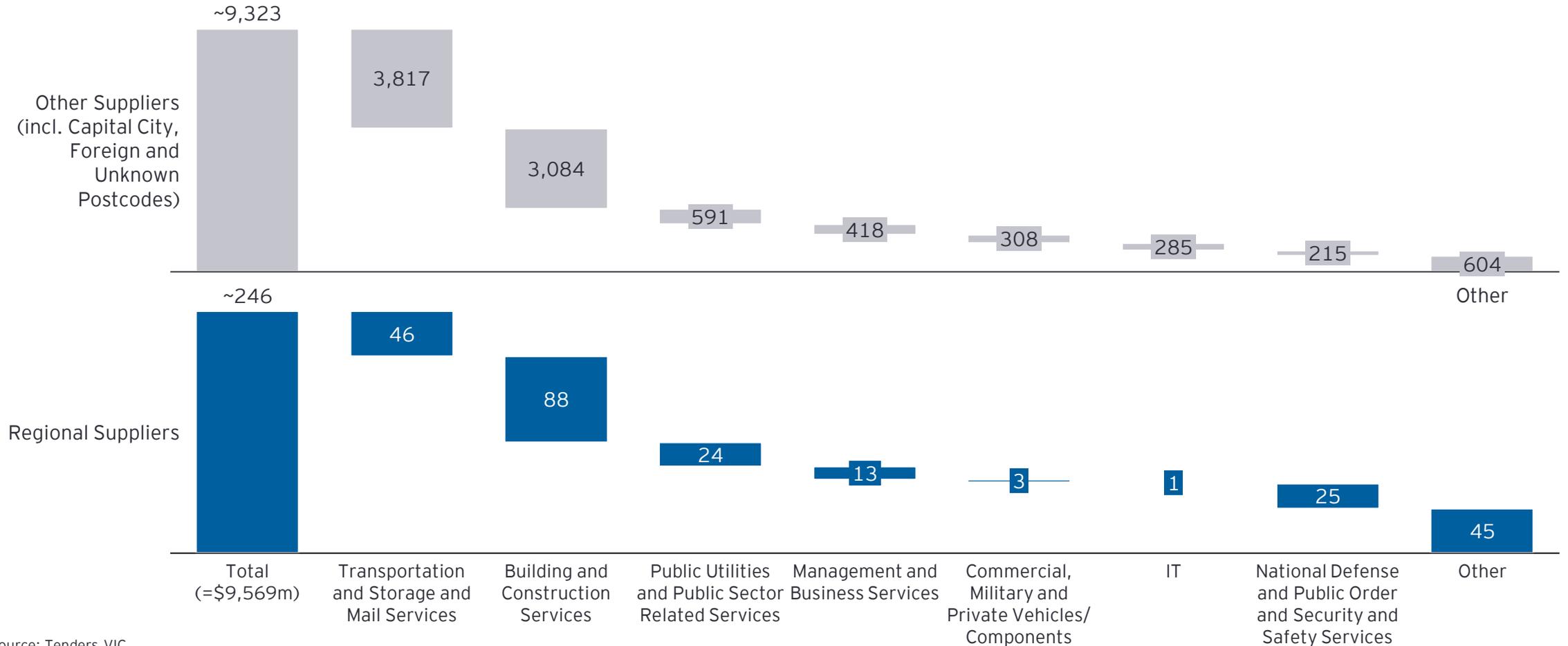
Regional supply is more concentrated in VIC, with ~50% being driven by suppliers for utilities and construction services related contracts



Awarded contract values by VIC gov., by supplier location and industries, FY19

A\$m

Not regional
Regional



Source: Tenders VIC

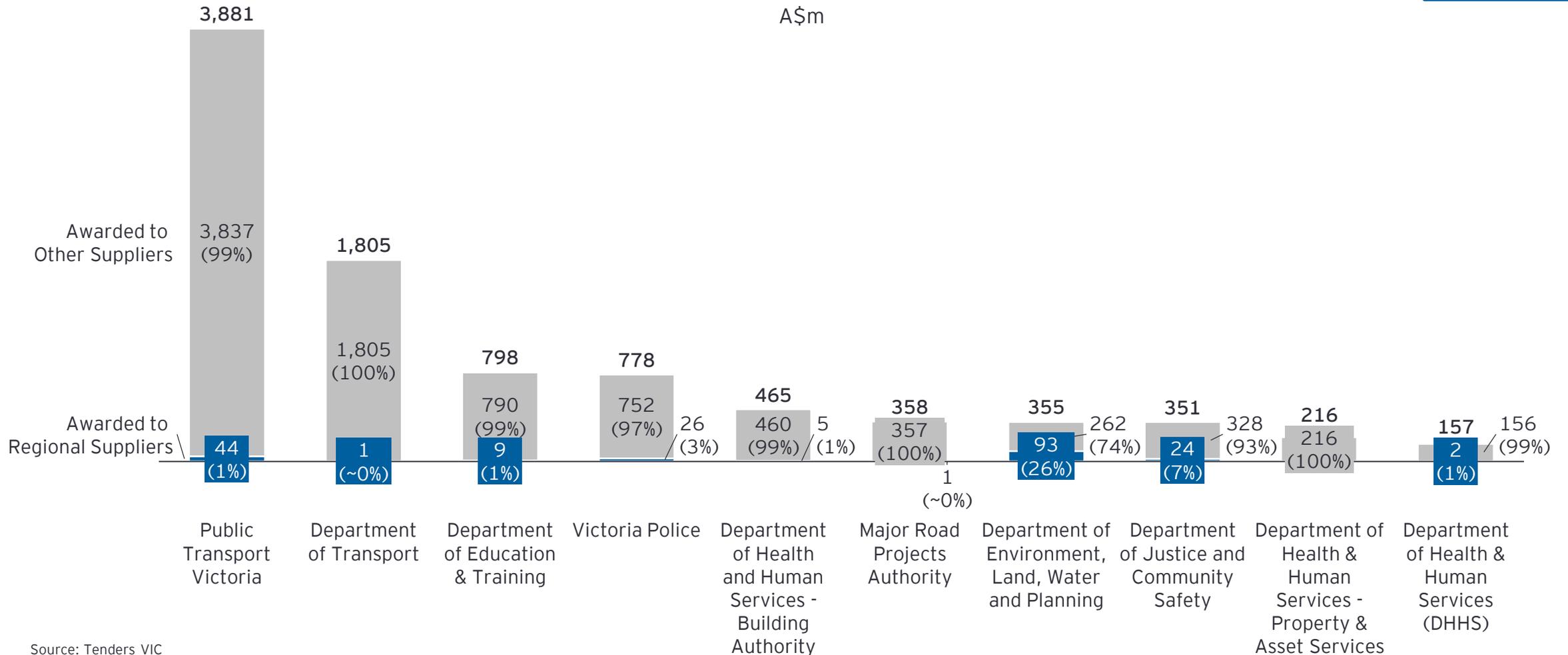


The two largest procuring agencies in FY19 were Public Transport Victoria and Department of Transport, followed by Department of Education & Training and Victoria Police



Not regional
Regional

Top 10 awarders of VIC govt. contracts, FY19
A\$m



Source: Tenders VIC



Procurement policies related to rural and regional business development

Introduction and approach

- ▶ The following section provides an overview of the procurement policies used by Australian federal and state government's and those of selected OECD governments to support rural and regional business development
- ▶ We have conducted a desktop review of the published government procurement policies, as they relate to supporting regional and rural businesses, for: Federal Australia, NSW, Victoria Queensland, Western Australia, South Australia, Tasmania and Northern Territory will be included in the following iteration. The ACT is excluded from the review as it is a metropolitan territory
- ▶ In addition we have reviewed the policies for Canada, New Zealand and South Africa to provide an international comparison
- ▶ This section provides includes:
 - ▶ A summary of the policies
 - ▶ An overview of the various broader policy considerations impacting regional businesses
 - ▶ An overview of the specific policies supporting rural and regional businesses
 - ▶ A case study on the Western Australia Buy Local Policy 2020; and
 - ▶ A summary of the mechanisms suggested by the policies and guidelines which can support regional and remote businesses through the procurement process.
- ▶ Detailed summaries of the relevant policies, as they relate to supporting regional and rural businesses, are provided in Appendix B

Value for money is normally the primary goal of procurement, however some policies allow for non-monetary benefits to be recognised as 'value'

From our review of the procurement policies, we have identified a number of common themes and considerations relating to procurement policies and how they support rural and regional businesses. These are outlined below.

Value for Money	The primary tenant of procurement in each jurisdiction is that the procurement should represent value for money. However, value for money is consistently defined to include factors outside of the price. Where investment in a regional area is considered as a non-price factor, this gives scope for governments to support regional businesses. For Queensland, WA and Canada, these additional factors specifically include the contribution of the supplier to the local/regional economy.
Procurement to support government initiatives	Many jurisdictions view procurement as an opportunity to support economic development, social outcomes, sustainability and other government objectives. In particular, New Zealand requires procurements to be structured and include requirements relating to their identified priority outcomes.
Interaction with SMEs	The basis of the majority of policies was the support of small and medium enterprises (SMEs), of which many are located in regional areas. Only one policy reviewed (WA) had an element that may directly incentive the decentralisation of a workforce.
Interaction with Aboriginal procurement policies	As the majority of indigenous communities are within regional communities, policies that promote the procurement from Aboriginal suppliers will impact regional areas. Note that these policies have not been included in our review.
Acknowledgement of trade rules	It is commonly acknowledged in policies that decisions must comply with existing free trade agreements. In particular, agencies cannot discriminate against suppliers due to their location however agencies can recognise the additional value from having a local supplier.

Governments have made allowances within procurement processes to support regional businesses

There are a number of different strategies used within the procurement process to explicitly support regional businesses. These include direct support, such as exemptions to procurement rules, while others are more indirect aimed at supporting regional suppliers. These are outlined below and a comparison by jurisdiction is provided on the following page.

Direct	Short term modification to support local businesses	NSW and WA made short-term modifications to the procurement policies to support local businesses in response to the 2019/20 Bushfires and Floods and COVID-19 respectively. This included requirement services to be procured from the region (NSW) and increasing minimum thresholds in the procurement process (WA).
	Prioritisation of local suppliers	Local suppliers may be given priority in the purchasing of some goods. For example, in NSW, an agency must first consider purchasing from a regional supplier for procurement in regional areas. Agencies can also purchase directly from suppliers (up to specified values) even when the good or service is available on a whole-of-government arrangement (NSW, Queensland and WA).
	Monetary adjustments to evaluation	For evaluation purposes, WA makes explicit adjustments to the tendered price to increase the competitiveness of bids from regional businesses or who are using regional content. Conversely, tenders that are including imported content are given a penalty. Note that the price discounts are not applied where offers from interstate or New Zealand are included in the final analysis of tenders.
	Weighting to local benefits	In setting the evaluation criteria for some tenders, all jurisdictions allow some weight to be given to the economic, environmental and/or social benefits derived from the tender. Agencies in Australia, NSW, Victoria and Canada may include the social benefits derived from supporting regional businesses within this boarder criteria. Queensland and South Australia require explicit evaluation of the local benefits. New Zealand recommends that agencies include a specific criteria which recognise the benefits of involving regional businesses.
Indirect	Industry participation strategy/plan	In some cases suppliers are required to include a strategy/plan of how they will engage with local businesses as part of the tender. Often the requirement to provide this plan is contingent on the size of the contract. The strategy can be included as part of the evaluation criteria. Jurisdictions with this requirement include: Australia, Victoria, South Australia and Canada.
	Minimum number of local suppliers	To promote the opportunities for regional business to supply to government, Queensland and South Australia required agencies to seek a minimum number of local (and state for Queensland) suppliers to participate in the procurement.
	Support to participate in the processes	Many of the jurisdictions have guidelines that included indirect mechanisms to support regional businesses. These include initiatives aimed at ensuring that these businesses are given a full, fair and reasonable opportunity to participate in procurements and to build the capability of regional businesses. Examples include NSW, Queensland, and New Zealand. Many of these initiatives are requirements for WA.

An initial desktop scan shows variability in types of procurement strategies across jurisdictions¹

Strategy	AUS	NSW	VIC	QLD	WA	SA	NT	TAS	CA	NZ	ZA
Regional policy		✓		✓	✓					✓	
Short term modification to support local businesses		✓			✓			✓			
Prioritisation of local suppliers		✓		✓	✓			✓			
Monetary adjustments to evaluation					✓						
Weighting to local benefits	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Industry participation strategy	✓		✓	✓	✓	✓	✓	✓	✓		✓
Minimum number of local suppliers				✓		✓					
Support to participate in the processes		✓		✓	✓		✓			✓	

✓ - Identified

Blank indicates that the procurement strategy has not yet been identified (through the desktop research)

WA has the most extensive policies related to regional business development

Case Study: Western Australia Buy Local Policy 2020

The policy reflects the WA government's intention of maximising the participation of WA based businesses in supplying to agencies. It specifies a number of requirements for Agencies, which can be summarised across four categories:

1. Supporting regional businesses through the tender process
2. Building capacity in regional areas
3. Prioritising sourcing from regional businesses
4. Adjusting tender evaluations to support regional areas

The policy is also the only policy reviewed which included a requirement which may support decentralisation.

1 Supporting regional businesses through the tender process

- ▶ Agencies must implement purchasing procedures that demonstrate that regional SMEs are given an opportunity to meet their supply requirements. This could include attendance at pre-procurement briefings in regional centres, early tender advice and/or participation in annual regional communication forums
- ▶ The procurement process should not disadvantage regional businesses
- ▶ The evaluation criteria for regional tenders should ensure that regional considerations are given a high priority
- ▶ Agencies should provide debriefings to unsuccessful bidders when requested

2 Building capacity in regional areas

- ▶ Training for agencies and regional suppliers should be made available in major regional centres to assist regional businesses and regional based procurement officers to apply procurement policies and procedures

WA includes an explicit adjustments to its procurement process

Case Study: Western Australia Buy Local Policy 2020

3 Prioritising sourcing from regional businesses

- ▶ Where practical all procurement activities for purchases within the regions should be undertaken as near as possible to the point of contract delivery
- ▶ Agencies must ensure that where quotations are being sought, businesses within that region or specific town are invited to bid
- ▶ Government agencies that service small towns are encouraged to aggregate their activities, where possible, to ensure the overall procurement size is of scale to attract and retain skilled businesses and individuals within their community
- ▶ For items less than \$50,000 purchasing directly from local regional businesses should be encouraged
- ▶ Where there is adequate competition, agencies should consider restricting quotations to regional businesses within the prescribed distance
- ▶ For Common Use Agreements agencies in regional WA should use a regional supplier

4 Adjusting tender evaluations to support regional areas

- ▶ For evaluation purposes, adjustments may be made to the tendered price:
 - ▶ **Regional business preference** - Businesses with an office within a certain distance from the contract location may have their entire tendered price evaluates as though it was reduced
 - ▶ **Regional content preference** - Businesses that purchase materials or services from local businesses (including local sub-contractors) may have their tendered price evaluated as though it was reduced
 - ▶ **Imported content impost** - A bid that includes goods, services or other items that are sourced directly from overseas will be evaluated as those the portion of the price relating to the imported content has increased by 20%
- ▶ The first two adjustments are not applied where offers from interstate or New Zealand are included in the final analysis of tenders.

Procurement processes can be designed so that regional businesses are not disadvantaged

Guidelines and policies for NSW, Queensland and New Zealand recognise that regional businesses and SMEs are at a disadvantage to large organisations when undertaking the tendering process. Common recommendations to support regional businesses participate in tenders include:

Giving suppliers sufficient notice

- ▶ Engaging early with regional suppliers
- ▶ Release a forward looking procurement plan
- ▶ Identify upcoming opportunities for regional suppliers
- ▶ Advertise widely and locally

Structure tenders to promote participation

- ▶ Look for links between the agency's procurement activities and regional development plans
- ▶ Consider alternative approaches to market which may provide opportunities for regional business to take part. This may include breaking the engagement into multiple smaller parts
- ▶ Be open to sub-contracting arrangements
- ▶ Provide appropriate weighting in evaluation criteria to the benefits involving regional businesses can offer
- ▶ Ensure suppliers have sufficient time to respond and consider the timing of the tenders
- ▶ Consider payment terms

Simply the tender requirements

- ▶ Limit the length and complexity of the tender process
- ▶ Do not 'over specify' the requirement
- ▶ Keep requested documentation to reasonable levels
- ▶ Include minimum insurance requirements

Build capacity of suppliers

- ▶ Debrief unsuccessful suppliers
- ▶ Refer suppliers to capability development services or initiatives
- ▶ Hold training for suppliers
- ▶ Proactively manage contracts with regional suppliers

Appendices

Appendix A: Full list of category names

Commercial and Military and Private Vehicles and their Accessories and Components	Travel and Food and Lodging and Entertainment Services	Farming and Fishing and Forestry and Wildlife Machinery and Accessories
Management and Business Professionals and Administrative Services	Medical Equipment and Accessories and Supplies	Building and Construction Machinery and Accessories
Engineering and Research and Technology Based Services	Structures and Building and Construction and Manufacturing Components and Supplies	Mining and Well Drilling Machinery and Accessories
Healthcare Services	Published Products	Resin and Rosin and Rubber and Foam and Film and Elastomeric Materials
Building and Construction and Maintenance Services	Food and Beverage Products	Personal and Domestic Services
Information Technology Broadcasting and Telecommunications	Power Generation and Distribution Machinery and Accessories	Service Industry Machinery and Equipment and Supplies
Defence and Law Enforcement and Security and Safety Equipment and Supplies	Furniture and Furnishings	Timepieces and Jewellery and Gemstone Products
Transportation and Storage and Mail Services	Printing and Photographic and Audio and Visual Equipment and Supplies	
Politics and Civic Affairs Services	Industrial Cleaning Services	
Education and Training Services	Electrical Systems and Lighting and Components and Accessories and Supplies	
Environmental Services	Material Handling and Conditioning and Storage Machinery and their Accessories and Supplies	
Fuels and Fuel Additives and Lubricants and Anti corrosive Materials	Mineral and Textile and Inedible Plant and Animal Materials	
National Defence and Public Order and Security and Safety Services	Industrial Manufacturing and Processing Machinery and Accessories	
Farming and Fishing and Forestry and Wildlife Contracting Services	Sports and Recreational Equipment and Supplies and Accessories	
Drugs and Pharmaceutical Products	Domestic Appliances and Supplies and Consumer Electronic Products	
Public Utilities and Public Sector Related Services	Mining and oil and gas services	
Editorial and Design and Graphic and Fine Art Services	Distribution and Conditioning Systems and Equipment and Components	
Financial and Insurance Services	Cleaning Equipment and Supplies	
Electronic Components and Supplies	Industrial Production and Manufacturing Services	
Apparel and Luggage and Personal Care Products	Musical Instruments and Games and Toys and Arts and Crafts and Educational Equipment and Materials and Accessories and Supplies	
Chemicals including Bio Chemicals and Gas Materials	Paper Materials and Products	
Manufacturing Components and Supplies	Organisations and Clubs	
Laboratory and Measuring and Observing and Testing Equipment	Tools and General Machinery	
Office Equipment and Accessories and Supplies	Live Plant and Animal Material and Accessories and Supplies	

Source: AusTender, UNSPSC

Appendix B: Summary of relevant Australian procurement policies

Summary of relevant policies

- ▶ The core rule of the Commonwealth Procurement Rules (CPR) is to achieve value for money. However, price is not the sole factor when assessing value for money. Officials must consider the relevant financial and non-financial costs and benefits of each submission. For SMEs, officials should consider, in the context of value for money, the SMEs capabilities and their commitment to local or regional markets
- ▶ For significant procurements (over \$4 million or \$7.5 million for construction services), CPR require officials to consider the economic benefit of a procurement to the Australian economy in the context of determining value for money. These requirements operate within the context of Australia's trade agreements
- ▶ The domestic economic benefits include making better use of Australian resources that would otherwise be under-utilised, otherwise increase productivity, or provide broader benefits that support the development and sustainability of industry capabilities
- ▶ Examples of how a supplier can provide economic benefits include: employing workers in Australia; and contributing to positive social outcomes in Australian communities, such as engaging unemployed people
- ▶ Successful tenderers for Commonwealth Government procurements of \$20 million or more may be required to prepare and implement an Australian Industry Participation (AIP) plan. The AIP plan outlines how they supplier will provide Australian Industry with full, fair and reasonable opportunity to participate in the project

Resources

- ▶ [Department of Finance, 2020, Commonwealth Procurement Rules - 14 December 2020](#)
- ▶ [Department of Finance, 2020, Consideration of broader economic benefits in procurement](#)
- ▶ [Department of Industry, Science, Energy and Resources, Commonwealth Government procurement](#)

Appendix B: Summary of relevant NSW procurement policies

Summary of relevant policies

NSW Government Procurement Policy Framework

- ▶ The overarching consideration for government procurement is ensuring best value for money in the procurement of goods, services and construction. Value for money requires a balanced assessment of the range of financial and non-financial factors such as: quality, cost, fitness for purpose, capability, capacity, risk, total cost of ownership or other relevant factors. Value for money includes an assessment of whether government-wise procurement policies are being met
- ▶ A secondary objective of the procurement framework is that procurement supports economic development, social outcomes and sustainability. In particular, that the government uses procurement to support small and medium sized businesses, Aboriginal-owned businesses, regional businesses, disability employment organisations and social enterprises. Sustainable procurement extends the assessment of value for money beyond the sourcing process, considering benefits and risks to the organisation, the community, the economy and impacts on the environment

NSW Government Small and Medium Enterprise and Regional Procurement Policy

- ▶ The objective of this policy is to increase SME and local businesses participation in supplying to government, whilst maintaining the overarching requirement to achieve value for money. Key policies include:
- ▶ **SME or Regional First** - if the government agency is permitted to directly purchase goods and/or services the agency must first consider purchasing from a regional supplier for procurement in a regional area, or if not in a regional area, then from an SME. This applies to all direct procurements, including from prequalification schemes and panels, up to a maximum value of \$250,000
- ▶ **SME and sustainability criteria** - for all procurements valued above \$3 million, agencies must include a non-price evaluation criteria of at least 15% which considers how the suppliers will support the government's economic, ethical, environment and social priorities, of which a minimum of 10% must be allocated to SME participation, consistent with relevant exemptions in International Procurement Agreements. For procurements valued at less than \$3 million, agencies are encouraged to include a no-price evaluation criteria. The supplier commitments should be incorporated into the contract and compliance monitored
- ▶ **Purchasing exemptions** - agencies can purchase goods or services valued up to \$50,000 directly from a small business (or \$10,000 from any supplier), even where those goods or services are available on a whole-of-government arrangement. Agencies are encouraged to purchase from local small businesses

Appendix B: Summary of relevant NSW procurement policies

Summary of relevant policies

NSW Government Small and Medium Enterprise and Regional Procurement Policy (ctd)

- ▶ There are a number of additional initiatives to build capacity for suppliers and buyers and better connect suppliers with government buyers. Those which specifically impact regional suppliers are:
 - ▶ **NSW Procurement Business Advice** - a specialist procurement advisory service for SMEs & Aboriginal businesses, with 50% of services dedicated to regional NSW
 - ▶ **Enhanced briefings and feedback** - Agencies must provide pre- and post-tender briefings when reasonably requested by SMEs and regional suppliers to clarify requirements and provide feedback on unsuccessful bids
 - ▶ **Advanced notice of opportunities** - agencies should provide as much advance notice as possible of upcoming procurements, particularly to enable local businesses to participate
- ▶ In addition, there are specific initiatives to connect regional suppliers to government opportunities
- ▶ The policy outlines a number of initiatives to make supplying to government easy for SMEs including standardised contracts, E-invoicing, reasonable insurance requirements, limiting the length and complexity of tender responses and payment timeframes
- ▶ There is also a number of initiatives to give suppliers a voice and enable transparency

PBD 2020-01 Support for bushfire affected communities

- ▶ NSW Government agencies must use local businesses within the communities impacted by the bushfires and floods wherever possible for clean-up, repair, rebuilding, remediation and enhancement works arising out of, in relation to or following the bushfires in calendar years 2019 and 2020 and floods occurring from January 2020 to March 2020. State Owned Corporations are encouraged to comply with this direction

Resources

- ▶ [NSW Government Procurement Policy Framework, October 2020](#)
- ▶ [SME and Regional Procurement Policy, June 2020](#)
- ▶ [Buy.nsw Value for money](#)
- ▶ [PBD 2020-01 Support for bushfire affected communities](#)

Appendix B: Summary of relevant Victorian procurement policies

Summary of relevant policies

Goods and services supply policies

- ▶ Organisations must ensure that all procurements provide value for money, taking into account the total benefits and costs over the life of the goods, service or works procured; environmental, social and economic factors; and any risks relating to the procurement

Social Procurement Framework

- ▶ Sustainable Victorian regions (Job readiness and employment for people in regions with entrenched disadvantage) is one of the seven objectives from the framework.
- ▶ Government departments and agencies are encouraged to consider how they can use place-based approaches to address entrenched disadvantage and support regional small and medium enterprises.
- ▶ Departments are:
 - ▶ Required to incorporate social procurement framework objectives and outcomes into regular procurement planning (for regional contracts under \$20m) or Complete a Social Procurement Plan during procurement planning (for regional contracts over \$20 million)
 - ▶ Required to use evaluation criteria (5 to 10 per cent weighting) to favour businesses whose practices support social and sustainable procurement objectives (for regional contracts between \$1 - \$20 million) or include performance standards or targets and contract requirements that pursue social and sustainable procurement objectives
 - ▶ Recommended to set supplier targets for employment and training for disadvantaged Victorians (for contracts over \$20 million)

Local Jobs First - Victorian Industry Participation Policy

- ▶ The Local Jobs First Policy ensures government supports Victorian businesses and workers by mandating that small and medium-sized enterprises (SMEs) are given full and fair opportunity to compete for government contracts of all sizes and types. The objectives of the policy includes promoting employment and business growth for local industry. However, the policy defines 'local' as being Australia and New Zealand. As such it does not explicitly promote regional businesses

Resources

- ▶ [Goods and services supply policies](#)
- ▶ [Social Procurement Framework](#)
- ▶ [Local Jobs First](#)

Appendix B: Summary of relevant QLD procurement policies

Summary of relevant policies

Queensland procurement policy

- ▶ 'Putting Queenslanders first when securing value for money' is the primary principle of the policy. Value for money considers the advance of the government's economic, environmental and social objectives for the long-term wellbeing of the community. When assessing value for money, agencies are mandated to address (amongst other factors) the local benefits test and the advancement of relevant government objectives and the outcomes being sort.
- ▶ To promote the advancement of economic, environment and social objectives, it is a requirement that Agencies:
 - ▶ Ensure that capable and competitive suppliers employing a local workforce, including Queensland suppliers and SMEs, are given a full, fair and reasonable opportunity to supply government
 - ▶ Conduct a local benefits test for all significant procurement where a weighting of up to 30 per cent may be applied
 - ▶ Ensure that at least one regional and one Queensland supplier, where possible, is invited to submit a tender or quote for a procurement
- ▶ The policy also supports regional and remote economies by allowing agencies to procure outside of whole-of-government supply arrangements for regional and remote locations
- ▶ In addition, the policy identifies a number of relevant targets and commitments including:
 - ▶ Prioritising 'Buy Queensland first' for food and beverages made, grown or produced in Queensland
 - ▶ Build regions by increasing the participation of Queensland suppliers and local workforces in procurement opportunities
 - ▶ Require the use of contractors and suppliers, including manufacturers, that employ local workforces, in significant Queensland Government infrastructure projects, worth \$100 million and above, wherever possible

Appendix B: Summary of relevant QLD procurement policies

Summary of relevant policies

QLD charter for local content

- ▶ The charter provides a framework for encouraging government agencies to apply best practice in local content procurement while minimising the compliance burden on agencies and contractors. The charter complements the Queensland Procurement Policy
- ▶ The principles of the charter are:
 - ▶ Local industries have full, fair and reasonable opportunity to participate
 - ▶ The principles of value for money are adopted from the Queensland Procurement Policy
 - ▶ Agencies work in partnership with regional communities to develop industry capability and capacity, and secure broader economic and societal benefits, as appropriate
 - ▶ Agencies build transparency into their content, policies and processes.
 - ▶ Agencies must comply with international obligations & free trade agreements

Local Industry Policy

- ▶ Certain projects must develop, implement and report on a Local Industry Participation Plan. Local is defined as Australia and New Zealand. However, a key criteria is the extent of support for regional and rural development.

Resources

- ▶ [Queensland Procurement Policy 2021 \(forgov.qld.gov.au\)](https://www.forgov.qld.gov.au)
- ▶ [Queensland charter for local content \(statedevelopment.qld.gov.au\)](https://www.statedevelopment.qld.gov.au)
- ▶ [Optimising opportunities for local suppliers](#)
- ▶ [Optimising opportunities for local suppliers](#)
- ▶ [Optimising opportunities for local suppliers](#)
- ▶ [Local Industry Policy](#)

Appendix B: Summary of relevant WA procurement policies

Summary of relevant policies

Western Australian Buy Local Policy 2020

- ▶ The policy reflects the WA government intention of maximising the participation of WA based businesses in supplying to agencies. The Government's aim is to provide WA based businesses with full, fair and reasonable opportunity, and with transparency and accountability in the tendering and contract award process. In addition, it's aim is to ensure that outcomes and captures and assessed to support ongoing procurement improvements
- ▶ The policy includes a number of procedural considerations to maximise the participation of rural businesses outlined below
- ▶ **Regional quotations, tenders and contract management**
 - ▶ Agencies must implement purchasing procedures that demonstrate that regional SMEs are given the opportunity to meet their supply requirements. This includes attendance at pre-procurement briefings at regional centres or participation in annual regional communication forums and ensuring that regional businesses are not disadvantaged by the process (for example, due to an inability to attend tender briefings in person)
 - ▶ The weighting of evaluation criteria in regional tenders should ensure that regional considerations are given a high priority. For example, by recognising "demonstrated regional capacity" and "demonstrated regional experience"
 - ▶ When requested, agencies should provide debriefings to unsuccessful bidders.
- ▶ **Regional training and development opportunities**
 - ▶ In order for the regional businesses and regional based procurement officers to be conversant with policies and processes, training for agencies and regional suppliers should be made available in major regional centres
- ▶ **Regional sourcing**
 - ▶ Where practical, all procurement activities for purchases within the regions should be undertaken as near as possible to the contract delivery
 - ▶ Agencies must ensure that where quotations are being sought, businesses within that region or specific town are invited to bid
 - ▶ Government agencies that service small towns are encouraged to aggregate their job task activities, where possible, to ensure the overall procurement size is of scale to attract and retain skilled businesses and individuals within their community
 - ▶ Purchasing directly from local regional businesses that reside in smaller regional towns should be encouraged for items less than \$50,000
 - ▶ Agencies should consider restricting quotations to regional businesses within the prescribed distance, where there is adequate competition

Appendix B: Summary of relevant WA procurement policies

Summary of relevant policies

Western Australian Buy Local Policy 2020

- ▶ The policy also specifies a number of price based considerations to increase the competitiveness of regional suppliers. These are outlined below. Note that the first two adjustments are not applied where offers from interstate or New Zealand are included in the final analysis of tenders
 - ▶ **Regional business preference** - businesses with an office within a certain distance from the contract location may have their entire tendered price evaluates as though it was reduced - typically by 5% up to a maximum of \$350,000 (inc. GST)
 - ▶ Office must be within the specified distance, staffed by at least one person who resides, registered/licenced to operate in WA and manage/deliver most of the contract from the regional location
 - ▶ **Regional content preference** - Businesses that purchase materials or services from 'local' businesses (including local subcontractors) may have their tendered price evaluated as though it was reduced - typically by 5% of price that is attributed to the local businesses up to a maximum of \$500,000 (inc. GST)
 - ▶ **Imported content impost** - A bid that includes goods, services or other items that are sourced directly from overseas will be evaluated as those the portion of the price relating to the imported content has increased by 20%
- ▶ For Common Use Agreements (CUA), agencies in regional WA should:
 - ▶ Maximise the use of a contractor's regional distributor or dealer network when buying from a CUA
 - ▶ Use a regional supplier if that supplier is on the CUA
 - ▶ Where appropriate, when obtaining quotations from suppliers on a CUA, apply the regional price preferences
 - ▶ Purchase outside of a CUA that is non-mandatory in the regions, when there are no regionally based suppliers on the CUA and there is capacity within the region
 - ▶ Avoid creating a mandatory panel from a non-mandatory CUA

It is noted that the policy is not mandatory for universities or local government authorities.

Appendix B: Summary of relevant WA procurement policies

Summary of relevant policies

State Supply Commission

- ▶ A key principle of the State Supply Commission policies for procurement is that agencies must ensure that procurement of goods and services achieve the best value for money outcome. Assessing value for money includes the contribution to social and economic development in WA, and regional WA
- ▶ The sustainable procurement policy requires public authorities to apply sustainability principles at all stages of the procurement process when undertaking a procurement. Sustainable procurement is defined as procurement that has the most positive environmental, social and economic impacts possible over the entire life-cycle of a product or service, and that strives to minimise adverse impacts. Wherever possible, agencies should undertake procurement that has the most positive environmental, social and economic outcomes, while minimising adverse impacts. This includes undertaking procurement that includes supporting the use of local and/or emerging small businesses

Supporting Economic Recovery for Local Businesses Guideline

- ▶ The guideline outlines temporary changes to the thresholds that apply in the Open and Effective Competition policy, to reduce barriers to entry, expedite awarding government contracts and to maximise contracting opportunities for local businesses. In particular partially exempt public authorities can choose to issue a direct quote to a local business for procurements up to the value of \$250,000 (rather than \$50,000). The standard \$50,000 threshold applies for non-local businesses

Western Australia Industry Participation Strategy

- ▶ For procurement above certain values (and for certain Agencies), prospective suppliers must complete and submit a participation plan as part of their tender bid. The simple plan outlines local economic benefits while a full plan requires suppliers to demonstrate how they will generate local economic benefits and provide a full, fair and reasonable opportunity to local industry, should they be awarded the contract. The plans are used as part of the evaluation process

Resources

- ▶ [Western Australian Buy Local Policy 2020](#)
- ▶ [Regional businesses and working with regional businesses](#)
- ▶ [State Supply Commission policies](#)
- ▶ [Supporting Economic Recovery for Local Businesses Guideline](#)
- ▶ [Western Australian Industry Participation Strategy](#)

Appendix B: Summary of relevant SA procurement policies

Summary of relevant policies

Procurement Policy Framework

- ▶ Obtaining value for money is a the key principle. Achieving value for money involves determining the extent to which the proposed solutions will deliver the optimum combination of whole-of-life cost and quality (non-cost) factors including contribution to government priorities

Industry Participation Policy

- ▶ All procurements will consider opportunities for small, start-up and Aboriginal businesses operating in South Australia with a view to involving South Australian business in the opportunity through provision of a quote. Public authorities may also focus on a particular region if a contract is to be performed in or near that area for the express benefit of that area
- ▶ For contracts above \$33,000:
 - ▶ At least one quote from a South Australian supplier (or a supplier based in the region in the case of regional procurement) must be sort where possible
 - ▶ A metropolitan or regional Economic Contribution Test (ECT) must be completed
 - ▶ The ECT assesses the impact of employment and supply-chain on the South Australian economy. ECT applies to all procurements between \$33,000 and \$4 million (\$1 million in Regional South Australia)
 - ▶ A specific test is applied for regional contracts, considering employment opportunities within the region,
 - ▶ A minimum weighting (15%) should be applied to the industry participation (ECT) for contracts greater than \$220,000
- ▶ An Industry Participation Plan is required to procurements above \$4 million (\$1 million in Regional South Australia). The plan has a minimum 15% weighting

Note: Requirements may vary for not-for-profit sector

Resources

- ▶ [Procurement Policy Framework](#)
- ▶ [Simple Procurement Policy](#)
- ▶ [Industry Participation Policy](#)

Appendix B: Summary of relevant NT procurement policies

Summary of relevant policies

Procurement Principles

- ▶ Five key Procurement Principles guide procurement in NT, which consists of:
 1. **Value for territory** - whether economic, social, environmental or cultural
 2. **Ethical behaviour and fair dealing** - to promote probity, accountability and efficacy
 3. **Open and effective competition** - fosters a competitive and innovative business environment
 4. **Enhancing the capabilities of territory enterprises and industries** - support growth, development and sustainability of NT enterprises and industries
 5. **Environmental protection** - promotes protection of the environment through harm minimisation and sustainable practices

Buy local plan

- ▶ Agencies must allocate a minimum weighting of 30% to the local content test criteria, which typically includes considerations of employment, up-skilling, local industry participation, local industry development initiatives, Aboriginal development initiatives as well as regional development initiatives

Exemptions from public offer requirements

- ▶ Procurement activities for supplies to be delivered in a remote area from a legal entity which has a minimum of 30% of its full-time personnel who are Aboriginal are exempt from the public offer requirements

Resources

- ▶ [Procurement Rules](#)
- ▶ [Buy Local Plan](#)
- ▶ [Procurement Governance Policy](#)

Appendix B: Summary of relevant TAS procurement policies

Summary of relevant policies

Disaggregation

- ▶ Agencies must disaggregate all substantial procurement opportunities; however this is potentially exempted to benefit local suppliers
- ▶ The Accountable Authority is permitted to approve exemptions from requirements of disaggregation where benefits of aggregation outweigh potential negative impacts on local suppliers or the local economy

Pre-procurement Local Impact Assessments

- ▶ For work on roads and bridges at \$500,000 or more or other procurement processes valued at \$250,000 or more: agencies must prepare a formal pre-procurement local impact assessment to ensure Tasmanian suppliers are given every opportunity to participate in a procurement and be successful

Approaching Tasmanian Businesses

- ▶ For all competitive processes valued at \$100,000 or more, there must be at least two submissions sought from Tasmanian businesses where capability exists

Economic and Social Benefits Test

- ▶ For all competitive procurement processes valued at \$100,000 or more, there is a required weighting of 25% of the total procurement evaluation criteria on the following considerations: whether the supplier is a Tasmanian SME, has a Tasmanian workforce, will engage Tasmanian businesses as sub-contractors, has invested in the Tasmanian community and will source Tasmanian produced goods and services

Resources

- ▶ [Procurement Framework](#)
- ▶ [Buy Local Policy Announcement](#)
- ▶ [Communications Procurement](#)

Appendix B: Summary of relevant Canadian procurement policies

Summary of relevant policies

Contracting Policy

- ▶ The objective of government procurement contracting is to acquire goods and services, and carry out construction in a manner that enhances access, competition and fairness, and that results in best value or, if appropriate, the optimal balance of overall benefits to the Crown and the Canadian people. In particular (amongst other things), contracting should support long-term industrial and regional development and other appropriate national objectives, including aboriginal economic development; and comply with government's obligations under the trade agreements
- ▶ Where applicable, bid evaluation criteria must be established to address socio-economic factors in relation to the total cost of a contract
- ▶ There are specific policies for contracts with Aboriginal peoples and Aboriginal businesses

Industrial and Technological Benefits Policy

- ▶ Requires companies awarded defence procurement contracts to undertake business activity in Canada equal to the value of the contracts they have won. The policy applies on all defence and Canadian Coast Guard procurements over \$100 million that are not subject to trade agreements or for which a national security exception is invoked. Procurements valued between \$20-100 million are reviewed for the possible application of the policy
- ▶ Contractors that bid on a major defence contract must submit a 'Value Proposition'. One of the pillars in the value proposition is the extent that the contract supports the growth of contractors and suppliers in Canada, including small and medium business in all regions of the country

Resources

- ▶ [Contracting Policy](#)
- ▶ [Industrial and Technological Benefits Policy](#)

Appendix B: Summary of relevant New Zealand procurement policies

Summary of relevant policies

Government Procurement Rules

- ▶ Procurement aims to get the best public value from the good and services purchased, where public value is defined as getting the best possible result from the procurement, using resources effectively, economically and without waste, and taking into account the total costs and benefits of the procurement, and its contribution to the outcomes that are trying to be achieved. Agencies must consider and incorporate where appropriate, broader outcomes when purchasing goods and services. Broader outcomes can be environmental, social, economic or cultural
- ▶ Increasing New Zealand businesses' access to government procurement is considered a Priority Outcome. For 'designated contracts' (those in categories identified by Cabinet), agencies must structure and include requirements relating to the outcome in their procurement. For these contracts, agencies are required to seek opportunities to include New Zealand businesses in the procurement, including creating opportunities for local businesses and SMEs to participate in the procurement process. Agencies must monitor contracts to ensure that commitments made are delivered and reported on
 - ▶ There is specific guidance provided in how to remove barriers for New Zealand businesses and in supporting Māori, Pasifika, and regional businesses
- ▶ Agencies must treat suppliers from another country no less favourably than New Zealand suppliers

Appendix B: Summary of relevant New Zealand procurement policies

Summary of relevant policies

Supporting Māori, Pasifika, and regional businesses

- ▶ There is specific guidance provided on how agencies can demonstrate that they have helped Māori, Pasifika, and regional businesses participate in procurements. These include:
 - ▶ Identify upcoming opportunities for regional suppliers
 - ▶ Look for links between the agency's procurement activities and regional development plans
 - ▶ Engage early with regional suppliers
 - ▶ Refer regional suppliers to capability development services
 - ▶ Consider alternative approaches to market which may provide opportunities for regional business to take part
 - ▶ Monitor and record engagement with regional businesses
- ▶ Advertise widely and locally
- ▶ Provide appropriate weighting in evaluation criteria to the benefits involving regional businesses can offer
- ▶ Debrief unsuccessful suppliers
- ▶ Proactively manage contracts with regional suppliers to build their capability.

Resources

- ▶ [Government Procurement Rules](#)
- ▶ [Supporting Māori, Pasifika, and regional businesses](#)
- ▶ [Removing barriers for New Zealand Businesses](#)

Appendix B: Summary of relevant South African procurement policies

Summary of relevant policies

General Procurement Guidelines

- ▶ The essential pillar of procurement is Value for Money. Best value for money means the best available outcome when all relevant costs and benefits over the procurement cycle are considered

Preferential Procurement Policy Framework

- ▶ The framework specifies the evaluation system for tenders, utilising a points based system. For tenders up to R500,000, a maximum of 20 points is awarded to tenderers for contracting or subcontracting with Historically Disadvantaged Individuals and for achieving specified Reconstruction and Development Programme goals. The remaining 80 points is allocated to the lowest acceptable tender. For tenders above R500,000 the split changed to 90/10. The goals include (amongst other factors) the promotion of:
 - ▶ South African owned enterprises
 - ▶ Enterprises located in specific province for work to be done or services rendered in that province
 - ▶ Enterprises located in a specific municipal area for work to be done or services to be rendered in that municipal area
 - ▶ Enterprises located in rural areas

It is noted that the Preferential Procurement Policy Framework is currently under review with a November 2020 decision in the Supreme Court of Appeal finding that 2017 Preferential Procurement Regulations, in relation to the pre-qualification tender requirements, were invalid.

Resources

- ▶ [General Procurement Guidelines](#)
- ▶ [Preferential Procurement Regulations 2001](#)
- ▶ [Preferential Procurement Policy Framework Act 2000](#)
- ▶ [National Industrial Participation Programme](#)

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