



LEGISLATIVE ASSEMBLY
FOR THE AUSTRALIAN CAPITAL TERRITORY

SELECT COMMITTEE ON ESTIMATES 2014-2015

Brendan Smyth MLA (Chair), Mary Porter MLA (Deputy-Chair),
Giulia Jones MLA, Yvette Berry MLA



**ANSWER TO QUESTION TAKEN ON NOTICE
DURING PUBLIC HEARINGS**

Asked by MRS JONES on 17 June 2014 : The Treasurer took on notice the following question(s):

[Ref: Hansard Transcript 17.6.2014 PAGE 12]

In relation to : Local Industry Procurement Policy

THE CHAIR: Okay, all right. Minister, on page 2 under your priorities it talks about embedding local industry procurement policy aimed at encouraging local content and involvement in the delivery of goods and services. How is the government going to go about that?

Mr Barr: We changed—obviously changed our policies in relation to a loading for local content. So there is a weighting associated in the assessment process, and that includes capacity to—for larger firms to utilise local subcontractors as part of that process. And through a number of initiatives in this budget obviously there is opportunity for locals to access a range of government projects and undertake the delivery of those for the territory.

THE CHAIR: All right. What definition of “local” is the government using?

Mr Barr: Capital region. So there is the city and the surrounding SEROC councils.

THE CHAIR: And definition of estimate?

Mr Barr: I think is in the ATO definitions, but I will confirm that if that is incorrect, but I am fairly certain that is the basis.

Mr Smyth would appreciate further information/definition concerning the weighting used in the assessment process.

Treasurer: The answer to the Member’s question is as follows:–

The local industry procurement policy is applicable for all ACT Government goods and services tenders with a value greater than \$25,000 (GST inclusive). It introduces a mandatory tender evaluation criterion with a default weighting of 5% for regional SMEs.

The mandatory evaluation criterion is applied in the following way:

- Where the tenderer is a regional SME, a default five per cent weighting is applied. This may be increased up to ten per cent, dependent on circumstances.

- Where the tenderer is not a regional SME but will be subcontracting to a regional SME, a weighting from one to five per cent is applied based on the proportion of the tendered price (value of work) to be undertaken by the subcontractor. For example, where 50 per cent of the tendered price will be undertaken by a subcontractor, a weighting of two and a half per cent would be applied. Where 80 per cent of the value of the tendered price will be undertaken by a subcontractor, a weighting of four per cent would be applied. Confirmation of an arrangement with nominated subcontractors, including an indication of the value of the work that will flow to the subcontractor, must be provided as part of the tender response.

For the purposes of the local industry procurement policy, an SME is defined as an enterprise which employs fewer than 200 full time equivalent ("FTE") employees including those in branches, franchises and closely linked entities such as parent and subsidiary companies. This definition is based upon the definition of SME employed by the Australian Bureau of Statistics.

Subsidiary companies which are individual legal entities but are majority owned by another company are not considered separate for the purposes of assessment as an SME. For example, a local subsidiary (25 employees) to a large (greater than 200 FTE) national company would not qualify as an SME, as the combination of the parent and the subsidiary exceeds 200 FTE employees.

A regional SME is an SME that has its registered business address or usual place of business located within the ACT or the geographic area encompassed by the South East Region of Councils (SEROC).

Approved for circulation to the Select Committee on Estimates 2014-2015

Signature:



Date: 30.6.14

By the Treasurer, Andrew Barr MLA