



Department of  
**Primary Industries and  
Regional Development**

# Local Content Adviser Network Annual Report 2018-19



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# CONTENTS COI

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# MINISTER F

## Minister's Foreword

Local Content is a priority for the Western Australian (WA) Government - it provides great opportunity for regions to share in the massive annual procurement spend of the State Government. This can help strengthen and diversify local economies across our State.

The Local Content Adviser Network (LCAN) was established in 2018, as a multi-disciplinary network with Local Content Advisers based in the nine Regional Development Commissions in Western Australia, to drive opportunities for regional businesses to obtain a fair share of the State Government Tenders and Contracts.

The LCAN works with the Department of Jobs, Tourism, Science and Innovation (JTSI) and the Department of Finance (DoF) to maximise opportunities for regional business influence a positive change to regional procurement outcomes by State Government agencies.

The LCAN helps increase procurement outcomes for Small and Medium Size Enterprises (SMEs) and Aboriginal Businesses in regional, rural and remote communities. This is achieved through targeted engagement, tailored to meet specific regional needs and operating environments, and raising awareness of regional Government procurement opportunities.

This annual report represents the first full year of reported data and details the work of the LCAN over the 2018-19 financial year. It is a valuable tool to monitor and assess State Government performance in relation to its regional procurement and local content objectives.

A big thanks to the leadership of DPIRD, the Regional Development Commissions and the LCAN for their dedication and commitment to procurement reform in regional WA, including through the establishment of this annual report that now sets a benchmark for the State Government in relation to its procurement performance in regional WA.



**HON ALANNAH MACTIERNAN MLC**

**MINISTER FOR REGIONAL DEVELOPMENT; AGRICULTURE AND FOOD**

# OREWORD



## Local Content Adviser Network Manager's Summary

The Local Content Adviser Network (LCAN) is a multi-disciplinary network geographically dispersed across the nine regions defined under the Western Australian Regional Development Commission Act of 1993.

The State Government is committed to delivering stronger regional economies, creating jobs in the regions and sharing prosperity, and the 2017 'Plan for Jobs' places the LCAN at the frontline of delivering on these priorities across regional Western Australia.

The LCAN approach is based on a simple formula



**Regional Opportunities  
+ Regional Capability  
= Regional Success**

Our core responsibilities are to:

- Support regional suppliers and contractors to connect to government procurement opportunities;
- Encourage Government agencies to maximise supply and job opportunities for regional businesses on government projects;
- Influence and support the implementation and application of the WA Industry Participation Strategy, Buy Local Policy and Aboriginal Procurement Policy;
- Connect regional businesses to capacity and capability building initiatives; and
- Support local content outcomes through Royalty for Regions funding and programs.

Through our activities we are building partnerships with industry and regional businesses and from within Government that help to maximise local supplier, contractor, and job opportunities in the regions.

The LCAN's focus in 2018-19 has been to monitor and understand the impacts of single region contract spending across regional WA. This Annual Report 2018-19 outlines four key findings:

1. Multi-region contracts and how they potentially impact Local Content outcomes in the regions;
2. Potential causal relationships between procurement practice and regional business capability;
3. How different agencies apply different procurement logics, resulting in different outcomes across regions; and
4. How the Aboriginal Procurement Policy is landing within regional areas.

# SUMMARY

Our engagements and contract monitoring during 2018-19 revealed common issues impacting all regions, including but not limited to:

- A myriad of procurement processes across agencies which create challenges for business to navigate;
- No formalised procurement complaints process and limited feedback to business;
- Limited understanding of business capability and growth pathways in the regions; and
- Regional businesses gaining a very limited share of multi-region, state-wide and Panel contracts and Common Use Arrangements.

Over the next 12 months the LCAN is therefore focused on:

- Facilitating consultation in the regions on the re-drafted Buy Local Policy;
- Supporting implementation of all aspects of the Regional Sourcing Strategy;
- Commence multi-region and state-wide Local Content contract monitoring;
- Commence liaising with Agencies on an individual basis to better understand the logic and imperatives underpinning their approach to procurement;
- Work with the Department of Finance and JTSI on the collection of regional employment and other related Local Content data collected through WAIPS.

Our key reporting measures to track the State's progress is the annual increase in the value of Government contracts awarded to regional businesses, and the number of regional suppliers awarded contracts in Western Australia's regions.

Looking forward, the LCAN team will focus on continuing to engage regional businesses and our partners, and to build relationships which help to build business capability, and resilient and prosperous regional economies.

The challenges faced in improving Local Content outcomes in each region are unique, as well as brought about by the highly differentiated economic and business dynamics within each region. Notwithstanding, the LCAN will rise to these challenges by focusing our work on common themes across all regions and a whole-of-Government approach to Local Content in government procurement.

This LCAN Annual Report 2018-19 establishes single region contract outcome baselines across regional WA.

I would like to acknowledge and commend the significant effort of my team in the development of this Annual Report for 2018-19.

**Lewis Mavrantonis**

**Manager | LOCAL CONTENT ADVISER NETWORK**

# INTRODUCTI

## Introduction and Background

Since coming into Government in March 2017, the WA State Government has been working towards a robust approach to Local Content in the regions. The LCAN reporting was established in response to the WA Auditor General's 2017 Report on Local Content in Government Procurement. This Annual Report is a significant first; it represents the State Government's commitment to the prosperity and capability of regional businesses.

The impetus behind formation of the Network was the State's commitment to building and diversifying regional economies and creating jobs, and making sure businesses in regional WA receive a fair share of Government expenditure on works, and goods and services.

The Network began with the Department of Primary Industries and Regional Development (DPIRD's) appointment of a Local Content Manager and Project Officer in Perth. This was followed by the appointment of nine Local Content Advisers across regional WA; one in each of the nine Regional Development Commission areas. This team of 11 now forms the Local Content Adviser Network - known as the LCAN.

Once the Network formed, it began with undertaking reviews of State Government procurement. Following these reviews, the LCAN reporting and evaluation frameworks were established. The Network remains focused on the key findings of the Auditor General's 2017 report, which noted "inadequate Local Content data monitoring and reporting", and "no single collection point for local content data".

The absence of this critical information meant that ultimately the Western Australian Government was not able to ascertain how, or if, the Buy Local Policy was supporting regional economies. This report is in direct response to these findings. The intent of the Buy Local Policy is to sustain and, where possible, increase regional WA's share of Government spending through choosing local suppliers of goods and services, on balance with attaining value for money.

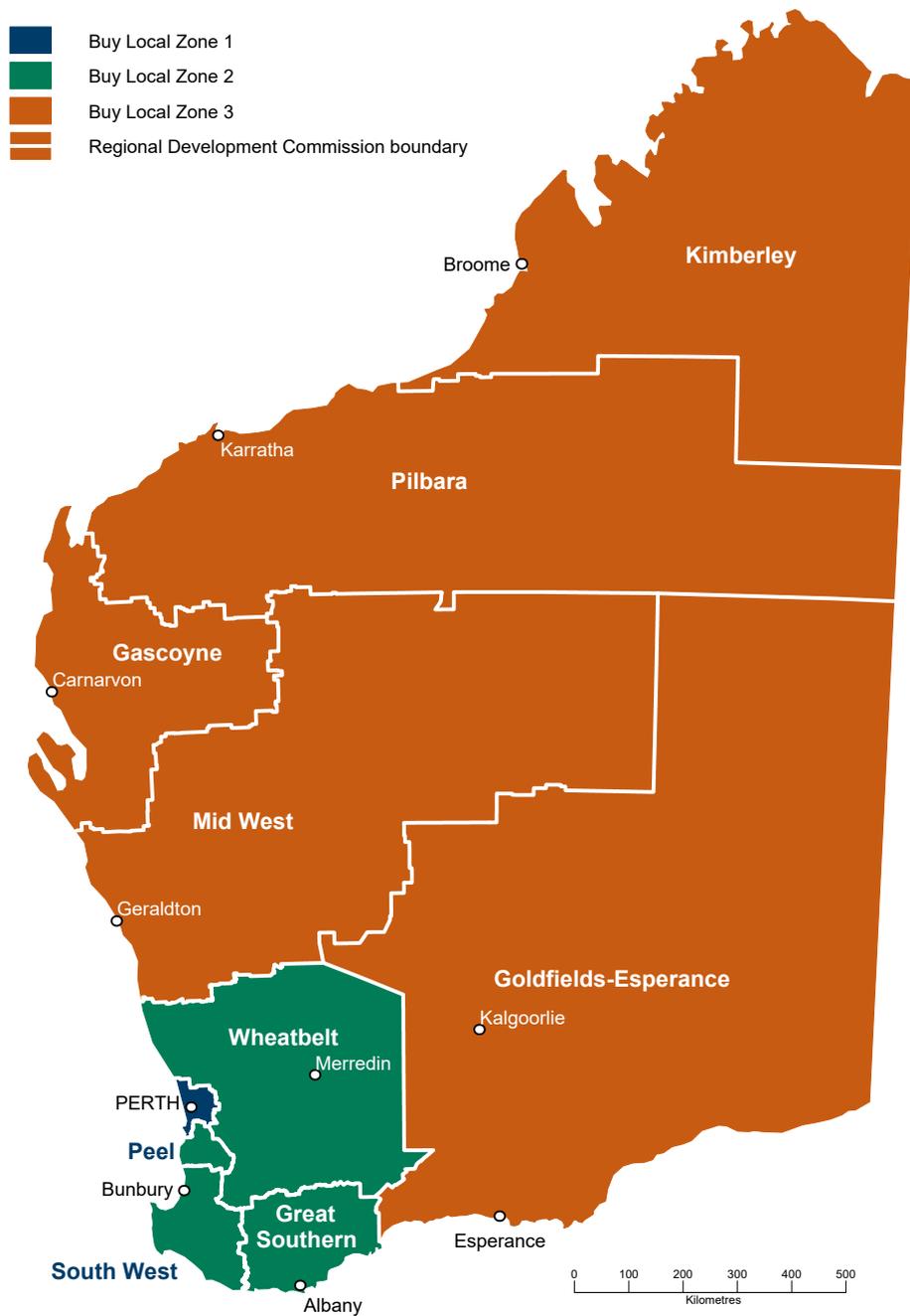
Therefore a primary task of the LCAN has been to establish an evidence base to inform our collective understanding of how, and how much, the Buy Local Policy is delivering positive economic impacts across regional WA. The Western Australian buy local zones are shown on the adjacent map and described on page 45.

The report presents the Network's activity in the regions, along with single region contract outcomes across regional WA. Data published in this report relies upon records maintained by the WA Department of Finance (DoF), along with contract monitoring conducted by the LCAN.

The LCAN looks forward to continuing to support the growth, development and prosperity of regional businesses as our core objective.

# BUY LOCAL

## MAP OVERVIEW | ZONES ONE, TWO AND THREE



# DEFINITIONS

## DEFINITIONS

**Local Specific Area/s** means data pertaining to Local Content Area/s, being any of the nine RDC regions as defined under the Regional Development Commissions Act 1993

**LCA Specific Region Supplier** is a supplier located within the specific RDC region where the contract is to be undertaken, or located “within the prescribed distance from the purchase or contract point of delivery”

**Multi-region Contract** means those contracts or tenders awarded through which the goods and/or services are supplied in two or more of the nine LCA regions, which may include Perth as a region, but which is not Statewide

**Single Region Contract** means those contracts or tenders awarded through which the supply of the goods and/or services is restricted to a single LCA region

**Statewide Contract** means those contracts or tenders awarded through which the goods and/or services are supplied in all 10 regions, being all nine LCA regions AND Perth

**WA Regional Supplier** is a supplier not located within the specific RDC region where the contract is to be undertaken, but is located elsewhere in regional WA and not a supplier from the Perth Metro area







## **Annual Engagement Activity: 2018-19**

The LCAN team has been highly activated across regional WA in the first year of full mobilisation. The team focused on connecting with Agencies to introduce our presence and to build relationships with key stakeholders in Government and Industry. Local Content Advisor engagement activities are recorded each month and classified according to engagement activity types. Descriptions of some of Local Content Advisor Engagements are provided here.

### **Government Agency Engagement**

Engagement with Government to understand and identify opportunities for regional suppliers, provide feedback and influence policy and tenders; for example, meetings with Local Government, State Government Agencies and Government Trading Enterprise (GTEs) and Federal government in relation to the Local Content Program.

### **Industry Engagement**

Engagement with regional business and industry to promote, support and facilitate briefing sessions for up-coming projects that connect suppliers and contractors to the opportunities; for example, supplier forums on procurement, Chambers of Commerce and Industry (CCI) and business organisation events.

### **Tender Opportunity Promotion**

Broader communication promoting, supporting, facilitating briefing sessions for specific tenders; for example, identifying and notifying businesses of current tender opportunities, or promotion of supplier briefing sessions to stakeholders.

### **Building Capacity**

Facilitate activities that promote various assistance programs and connect stakeholders to capability initiatives and assisting regional business, industry and suppliers build capability to compete for government contracts; for example, one-on-one meetings with stakeholders regarding the benefits of registration with Tenders WA, WA Industry Link etc.



## **Aboriginal Business Opportunities**

Engagement activities associated with the development and growth of regional Aboriginal businesses, including connecting Aboriginal businesses to tendering opportunities; for example, supporting Aboriginal business development activities, including connection with Government agencies, grant opportunities professional support.

## **WA Industry Participation Strategy (WAIPS)**

In partnership with the Department of Jobs, Tourism, Science and Innovation, provide input into the development of WA Industry Participation Plans; for example, helping regional suppliers access and understand the WAIPS policy and documentation required.

## **Media/Publication**

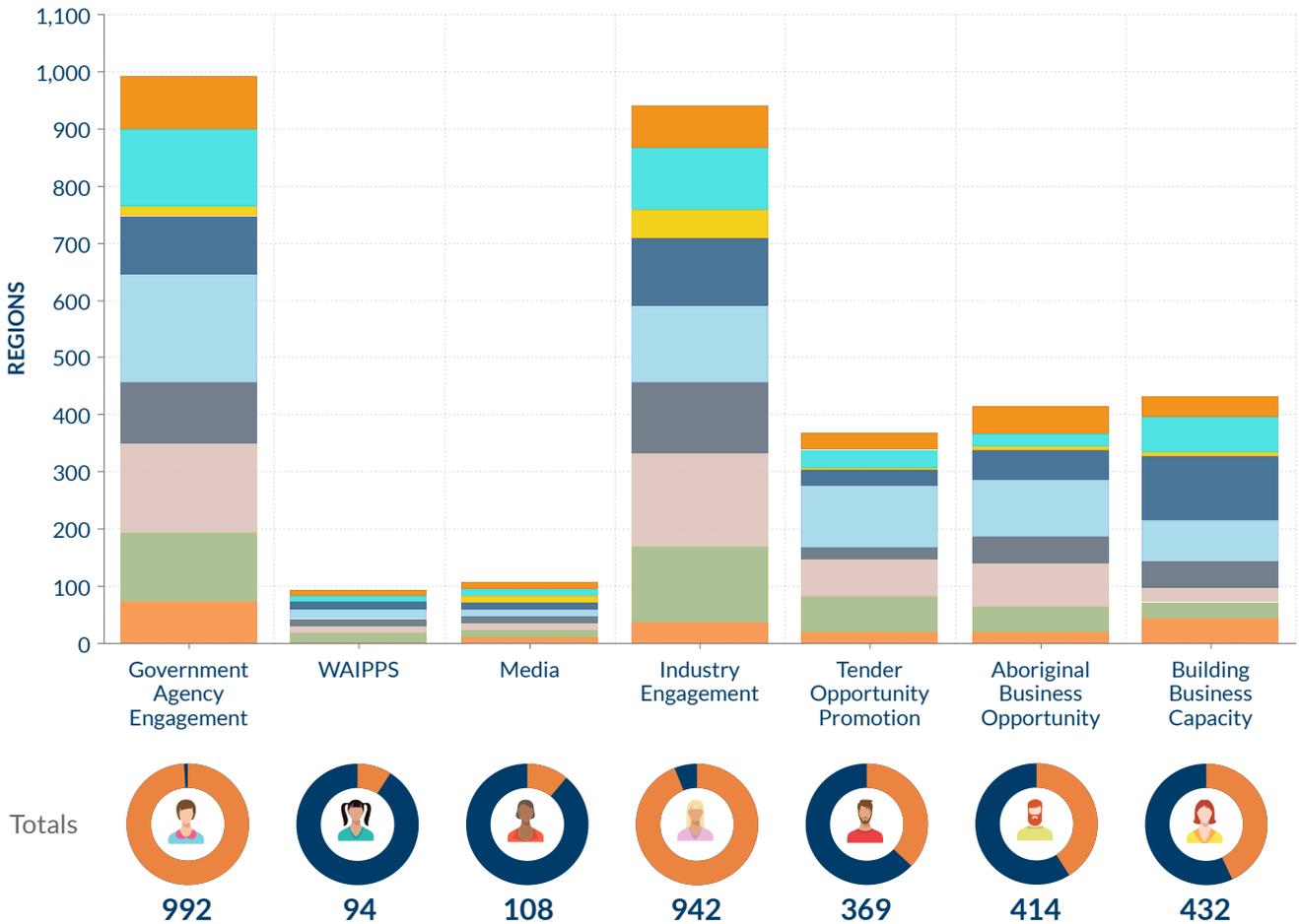
Media Statements, news articles, case studies, social media, and TV and radio reports and broadcasts. Responding to media enquiries about Local Content through the appropriate DPIRD channels and raising awareness of Local Content across the State.



# ACTIVITIES &

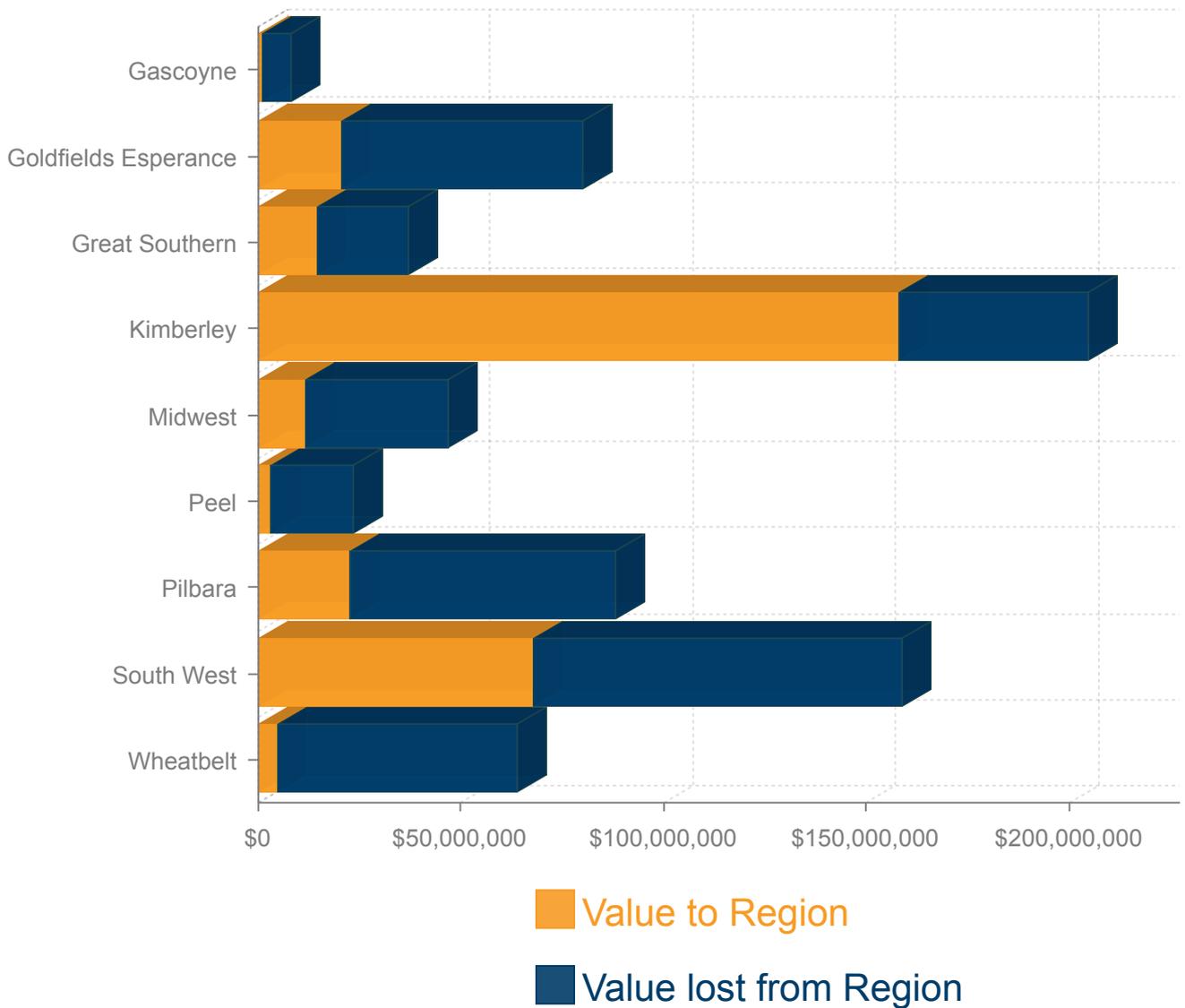


## LCA Engagements across Regional WA 2018-19



# OUTCOMES

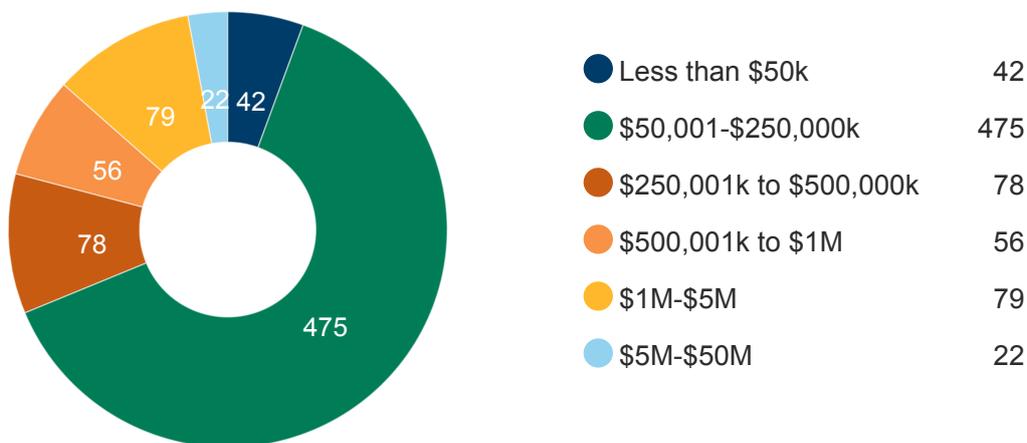
## Local Content Outcomes per Region 2018-19



# ACTIVITIES &



## Raw number of Single Region Contracts Awarded across all regions by spend range



## Range of Contracts awarded through DoF Contract Award Reports 2018-19

Spend Range	Number of contracts awarded in range	Total Value of Contracts in range	Average Contract value
Under \$50,000	42	\$ 1,286,967	\$ 30,642
\$50,001 - \$250,000	475	\$ 59,934,323	\$ 126,177
\$250,001 - \$500,000	78	\$ 29,259,716	\$ 375,124
\$500,001 - \$1 million	56	\$ 39,787,551	\$ 710,491
\$1 - \$5 million	79	\$ 175,222,683	\$ 2,218,008
\$5 - \$50 million	22	\$ 334,041,353	\$ 15,836,697
Over \$50 million	1	\$ 60,067,757	\$ 60,067,757
<b>Totals</b>	<b>753</b>	<b>\$699,600,350</b>	

# OUTCOMES



## Number of Single Region Contracts Awarded 2018-2019

Suppliers Awarded <sup>1</sup>						
Regions	LCA Specific Region Suppliers	Other WA Regional Suppliers	WA Metro Suppliers	ANZ/Inter	Total Suppliers	LCA Specific Region % of Suppliers
Gascoyne	8	8	5	0	21	38%
Goldfields Esperance	42	8	45	2	97	43%
Great Southern	53	11	18	3	85	62%
Kimberley	101	2	31	10	144	70%
MidWest	33	4	34	4	75	44%
Peel	9	4	19	0	32	28%
Pilbara	61	4	59	4	128	48%
South West	103	3	56	6	168	61%
Wheatbelt	22	9	43	1	75	29%
<b>Totals</b>	<b>432</b>	<b>53</b>	<b>310</b>	<b>30</b>	<b>825</b>	
Percentages	52%	6%	38%	4%	100%	<b>52%</b>

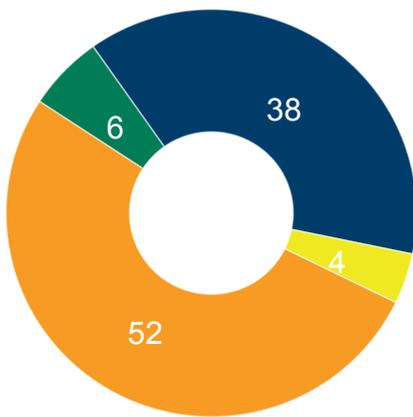
<sup>1</sup>The number of suppliers is not equal to the number of contracts awarded because contracts can be awarded to one or more suppliers.

# ACTIVITIES &



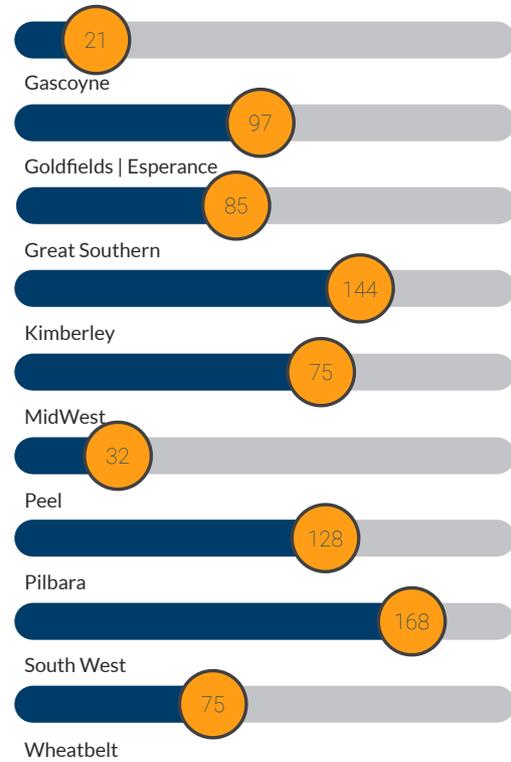
## Local Suppliers Awarded in 2018-19

### Suppliers Awarded Across All Regions

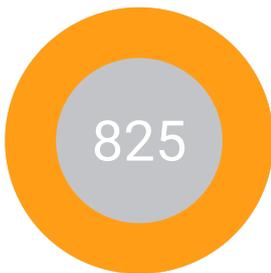


- LCA Specific Region Suppliers 52.0%
- Other WA Regional Suppliers 6.0%
- WA Metro Suppliers 38.0%
- ANZ/ Inter 4.0%

### Total Local Suppliers Awarded per Region



## Percentage of Single Region Contracts awarded to Local Suppliers Across all of Regional WA 2018-19



Total Suppliers



# OUTCOMES



## Value of Single Region Contracts awarded 2018-2019

Value of Tenders Awarded shown on TendersWA						
Regions	% of all Regional Contracts	LCA Specific Region Supplier Contracts	Other WA Regional Supplier Contracts	WA Metro Supplier	ANZ Inter Contracts	Total
Gascoyne	1.2%	\$959,322	\$4,557,140	\$2,574,253	\$0	\$8,090,715
Goldfields Esperance	11.5%	\$20,349,085	\$7,094,718	\$51,018,557	\$1,672,960	\$80,135,320
Great Southern	5.3%	\$14,681,360	\$1,214,040	\$17,543,027	\$3,843,423	\$37,281,850
Kimberley	29.2%	\$157,862,193	\$241,003	\$44,708,517	\$1,759,634	\$204,571,347
MidWest	5.1%	\$11,614,312	\$487,403	\$23,226,099	\$64,350	\$35,392,164
Peel	3.3%	\$2,859,693	\$17,412,808	\$2,997,974	\$0	\$23,270,475
Pilbara	12.6%	\$22,461,274	\$1,261,244	\$63,588,511	\$879,849	\$88,190,878
South West	22.7%	\$67,835,793	\$4,761,921	\$64,549,919	\$21,699,243	\$158,846,876
Wheatbelt	9.1%	\$4,601,156	\$9,225,432	\$49,871,586	\$122,551	\$63,820,724
<b>Totals</b>		\$303,224,188	\$46,255,709	\$320,078,443	\$30,042,010	\$699,600,350
	100%					
<b>%</b>		43.3%	6.6%	45.8%	4.3%	

# OUTCOMES

## LCA Specific Region Supplier Contract Value % per Region

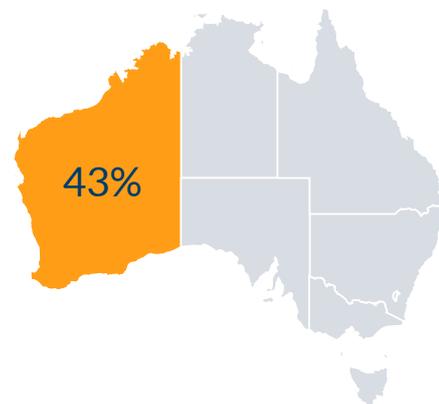
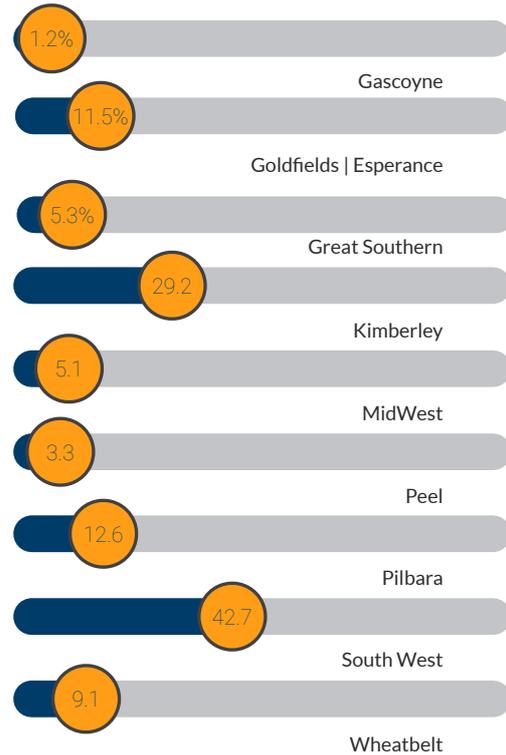


Gascoyne	4.2%
Goldfields Esperance	9.3%
Great Southern	14.4%
Kimberley	28.2%
MidWest	12.0%
Peel	4.5%
Pilbara	9.3%
South West	15.6%
Wheatbelt	2.6%

TOTAL   
**\$699,600,350**

**Total Value of Contracts Monitored**

## Percentage Share of Annual Single Region Contract Spending



Percentage of LCA Specific Region Supplier Value across all of Regional WA

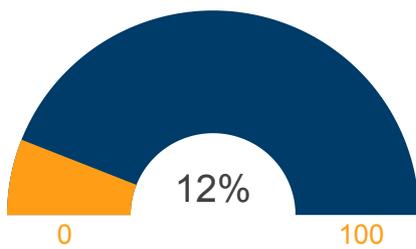


# GASCOYNE

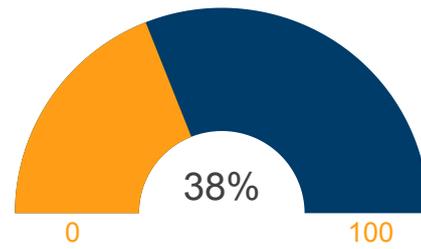
## Dashboard | Gascoyne | Local Content Outcomes



**GASCOYNE LCA SUPPLIERS:**  
% of Value of contracts awarded



**GASCOYNE LCA SUPPLIERS:**  
% of contracts awarded

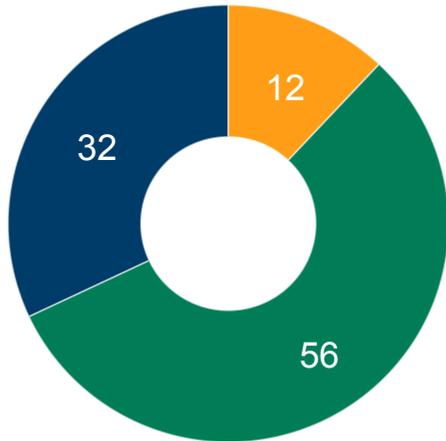


## Value of Contracts awarded in region for 2018-2019 by spending bands

	Under \$50,000	\$50,001-\$250,000	\$250,001 - \$500,000	\$500,001 - 1Million	\$1 - 5 Million
Number of Contracts	1	13	3	2	2
Value of Contracts	\$ 13,335	\$ 1,691,852	\$ 993,815	\$ 1,645,550	\$ 3,746,163
Value for LCA Specific Suppliers	\$ 13,335	\$ 605,167	\$ 340,820	\$0	\$0
% in band for LCA Specific Suppliers	100%	36%	34%	0%	0%

# GASCOYNE

Gascoyne Local Specific and other Suppliers % of Value of contracts awarded



- Gascoyne 12.0%
- Other WA Regional Supplier 56.0%
- Perth Metro & Other 32.0%

## Top Priority Issue For Gascoyne

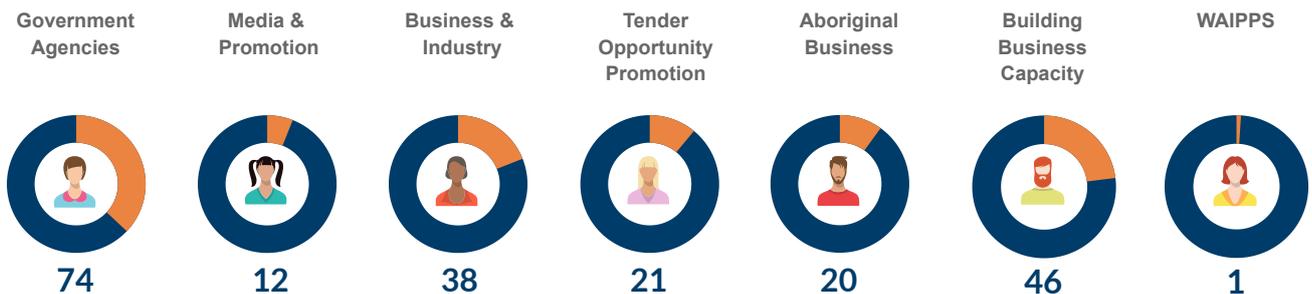
### ISSUE | ACTION

Local Content outcomes for the Gascoyne were impacted by insufficient State Government local purchasing delegations, with purchasing decisions being made in either Perth or Geraldton. This has resulted in local Gascoyne businesses not obtaining work locally, however suppliers from other areas of regional WA obtained almost 57% of value of contracts in the Gascoyne.

The Gascoyne Local Content Advisor has been assisting with work on the Regional Sourcing Strategy which will see the introduction of contract 'look-ahead' reporting by Agencies; the 'look-ahead' will help Local Content Advisors anticipate works and services up to 12 months ahead of release.

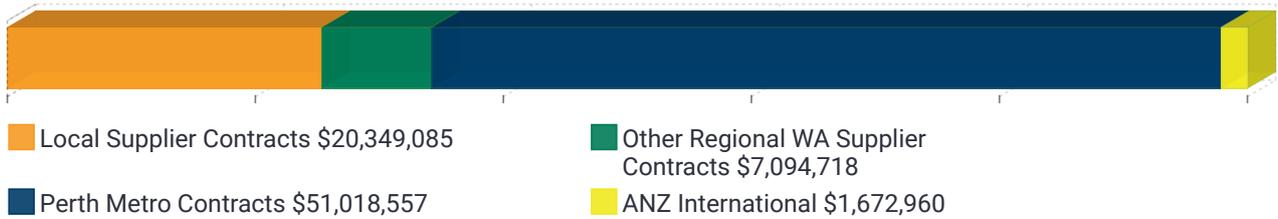
The Gascoyne received 1% of total value of combined single region contracts across regional WA. Outside of this percentage there were several multi-region contracts shared between Gascoyne and the Midwest region where works were spread across boundaries; it should be noted that the value of those contracts were included in the Midwest single region contract data.

## LCA Engagements in the Gascoyne

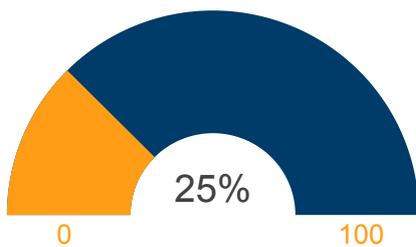


# GOLDFIELDS

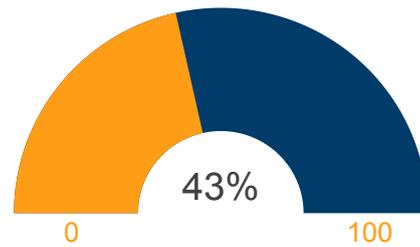
## Dashboard | Goldfields Esperance | Local Content Outcomes



**GOLDFIELDS LCA SUPPLIERS:**  
% of Value of contracts awarded



**GOLDFIELD LCA SUPPLIERS:**  
% of contracts awarded

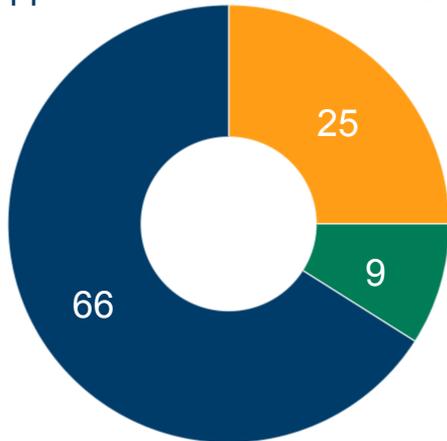


### Value of Contracts awarded in region for 2018-2019 by spending bands

	Under \$50,000	\$50,001-\$250,000	\$250,001 - \$500,000	\$500,001 - 1Million	\$1 - 5 Million	\$5 - 50 Million
Number of Contracts	5	56	6	6	15	3
Value of Contracts	\$ 171,619	\$ 7,554,699	\$ 2,045,649	\$ 4,203,770	\$ 31,838,166	\$ 34,321,417
Value for LCA Specific Suppliers	\$ 157,319	\$ 3,159,894	\$ 571,384	\$ 2,207,676	\$ 14,252,812	\$ 0
% in band for LCA Specific Suppliers	92%	42%	28%	52%	45%	0%

# ESPERANCE

Goldfields/Esperance LCA and other Suppliers % of contracts awarded



- Goldfields Esperance 25.0%
- Other WA Regional Suppliers 9.0%
- Perth Metro & Other 66.0%

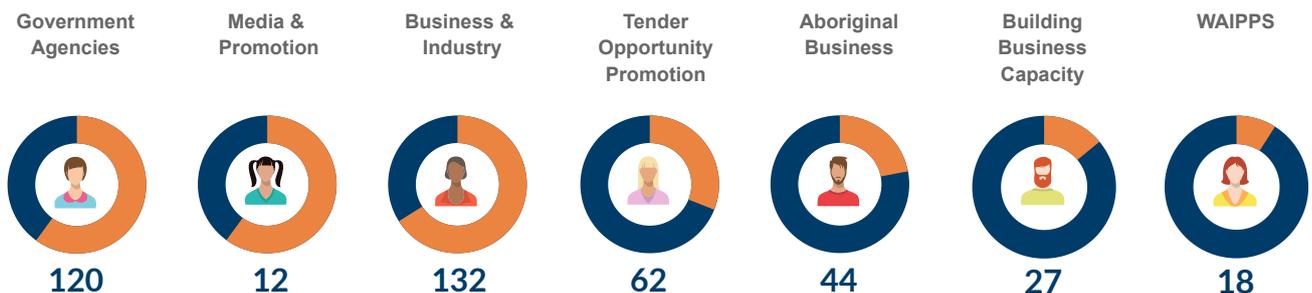
## Top Priority Issue For Goldfields Esperance

### ISSUE | ACTION

Goldfields Esperance suppliers obtained 43% of contracts in the region, with a more or less even spread of contracts being won by local suppliers for contracts up to \$5 million in value. Suppliers in the region were awarded 25% of the value of all contracts, with no local suppliers being awarded contracts over \$5 million in value, therefore impacting local content results for the region overall.

The Local Content Advisor for Goldfields is focused on relationships and also Aboriginal Business capability in the region. Aboriginal Businesses from the Goldfields region obtained a majority of the contracting work on the State Barrier Fence maintenance, Repairs and Replacement contract. However, because the contract spanned multiple regions, the value of those contracts has not been included in the Goldfields Esperance data, which is restricted to single region contracts.

## LCA Engagements in the Goldfields Esperance

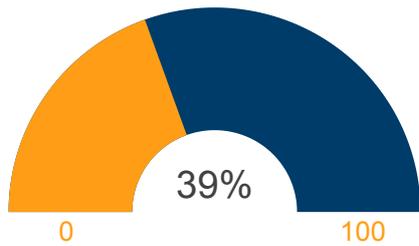


# GREAT SOUT

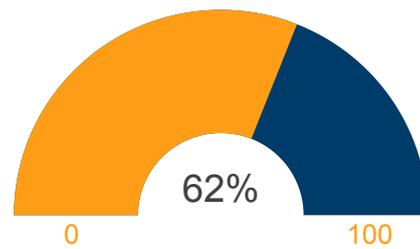
## Dashboard | Great Southern | Local Content Outcomes



**GREAT SOUTHERN LCA SUPPLIERS:**  
% of Value of contracts awarded



**GREAT SOUTHERN LCA SUPPLIERS:**  
% of contracts awarded

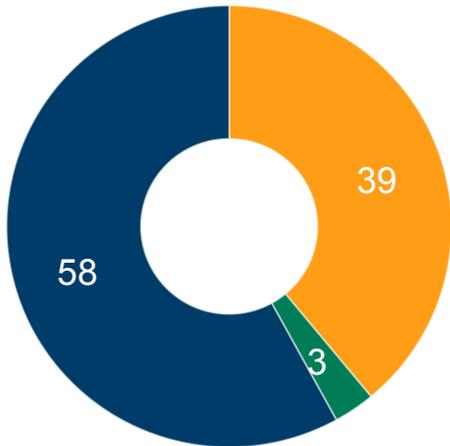


## Value of Contracts awarded in region for 2018-2019 by spending bands

	Under \$50,000	\$50,001-\$250,000	\$250,001 - \$500,000	\$500,001 - 1Million	\$1 - 5 Million	\$5 - 50 Million
Number of Contracts	4	43	3	3	5	2
Value of Contracts	\$ 68,835	\$ 5,803,435	\$ 1,221,124	\$ 2,020,363	\$ 9,223,501	\$ 18,944,592
Value for LCA Specific Suppliers	\$ 12,905	\$ 3,036,835	\$ 337,756	\$ 1,926,075	\$ 4,010,646	\$ 5,357,143
% in band for LCA Specific Suppliers	19%	52%	28%	95%	43%	28%

# HERN GREAT

Great Southern LCA and other Suppliers  
% of Value of contracts awarded



- Great Southern 39.0%
- Other WA Regional Suppliers 3.0%
- Perth Metro & Other 58.0%

## Top Priority Issue For Great Southern

### ISSUE | ACTION

The Great Southern region attained one of the highest percentages of Local Content Specific Region contract values at almost 40%. Suppliers in the region were awarded 95% of the value of contract between \$500,000 and \$1 million, but only 19% of the value of contracts under \$50,000.

One contract worthy of note for the region was for the provision of food and Groceries for the Great Southern, which totalled \$12,500,000 but was split between suppliers; the local suppliers were awarded contracts, however in excess of \$7 million was awarded to various Perth suppliers, representing almost 20% of total procurement in the region for the year.

The region's construction and building businesses are competitive and showing strength, however the region does not appear to be winning as many contracts in civil construction.

## LCA Engagements in the Great Southern

Government Agencies



156

Media & Promotion



12

Business & Industry



162

Tender Opportunity Promotion



64

Aboriginal Business



76

Building Business Capacity



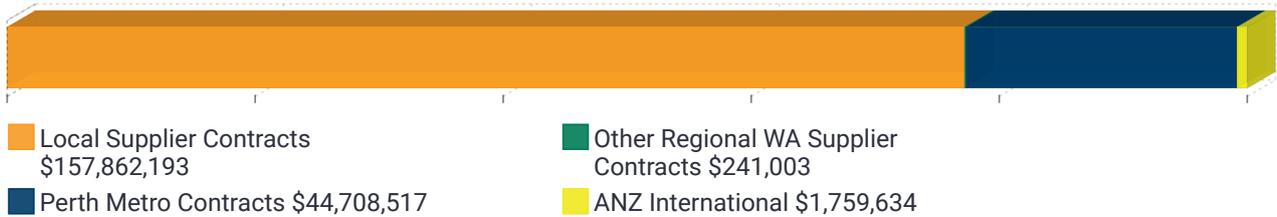
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WAIPPS

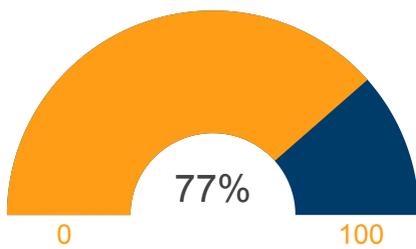


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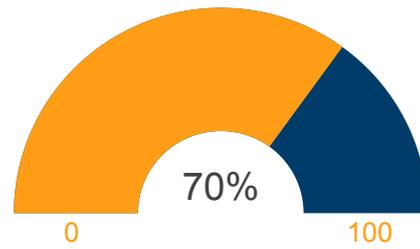
## Dashboard | Kimberley | Local Content Outcomes



**KIMBERLEY LCA SUPPLIERS:**  
% of Value of contracts awarded



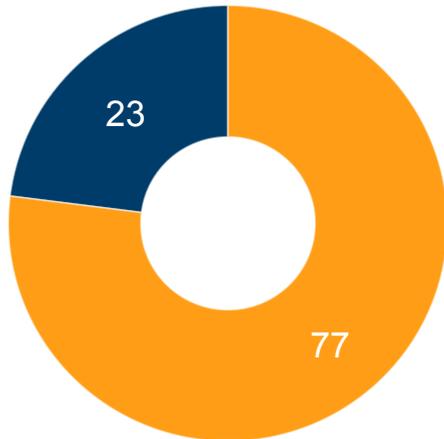
**REGIONAL SUPPLIERS:**  
% of contracts awarded



### Value of Contracts awarded in region for 2018-2019 by spending bands

	Under \$50,000	\$50,001- \$250,000	\$250,001 \$500,000	\$500,001 - 1Million	\$1 - 5 Million	\$5 - 50 Million	Over \$50 Million
Number of Contracts	5	80	21	15	19	3	1
Value of Contracts	\$196,065	\$10,421,663	\$8,390,556	\$11,522,655	\$40,037,650	\$73,935,002	\$60,067,757
Value for LCA Specific Suppliers	\$95,460	\$6,545,722	\$5,866,980	\$9,510,196	\$32,055,394	\$43,720,684	\$60,067,757
% in band for LCA Specific Suppliers	49%	63%	70%	82%	80%	59%	100%

Kimberley LCA and other Suppliers % of contracts awarded



- Kimberley 77.0%
- Other WA Regional Suppliers 0.0%
- Perth Metro & Other 23.0%

## Top Priority Issue For Kimberley

### ISSUE | ACTION

In the reporting period two very large contracts were awarded in the region which should be treated as statistical outliers; these contracts totalled \$97,195,757 and assisted the Kimberley in attaining the highest local content percentage outcome of all regions at 77.2%. When excluded from the data, procurement in the region totals \$107,375,590 and the percentage of single region contract spending in the Kimberley as a proportion of State spending overall drops from 29.2% to 17.8%. However, the local content outcome for the Kimberley remains the highest of all regions at 52%.

A noted issue for the region is the composition of tenders, such as where local supply conditions and constraints and the availability of supplies and materials locally are not properly considered; this places local suppliers at a disadvantage in cases where their local knowledge should be an advantage.

A further issue noted has been the packaging of works into single large tenders with particular scopes of work which cannot be supplied locally, thus preventing local businesses from delivering those contracts due to not being able to deliver certain aspects of the works. Aboriginal Businesses in this region performed strongly and assisted the State with meeting Aboriginal Procurement targets.

## LCA Engagements in the Kimberley

Government Agencies



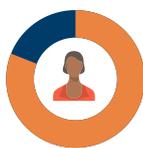
107

Media & Promotion



12

Business & Industry



126

Tender Opportunity Promotion



21

Aboriginal Business



48

Building Business Capacity



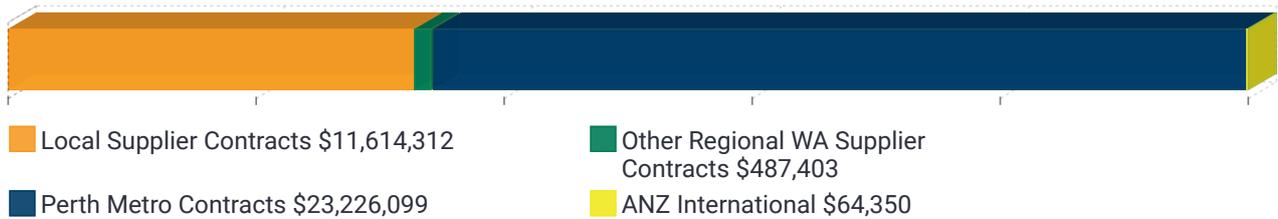
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WAIPPS

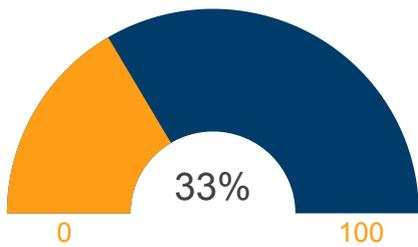


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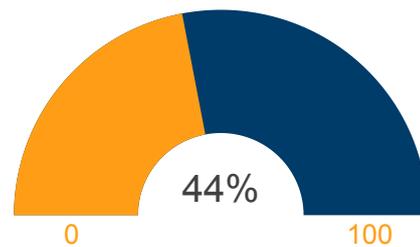
## Dashboard | **Midwest** | Local Content Outcomes



**MIDWEST LCA SUPPLIERS:**  
% of Value of contracts awarded



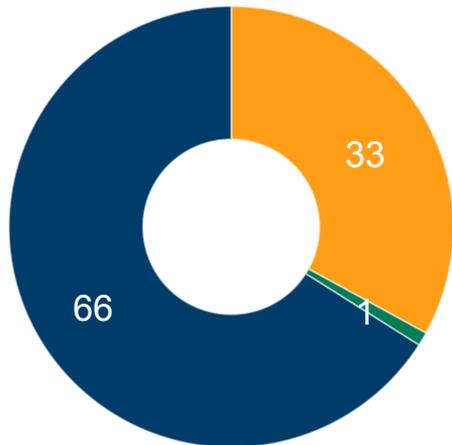
**MIDWEST LCA SUPPLIERS:**  
% of contracts awarded



### Value of Contracts awarded in region for 2018-2019 by spending bands

	Under \$50,000	\$50,001-\$250,000	\$250,001 - \$500,000	\$500,001 - 1Million	\$1 - 5 Million	\$5 - 50 Million
Number of Contracts	0	47	10	8	4	2
Value of Contracts	\$0	\$6,387,893	\$4,180,980	\$4,270,500	\$7,287,078	\$13,265,713
Value for LCA Specific Suppliers	\$0	\$3,326,887	\$805,904	\$2,005,257	\$5,476,265	\$0
% in band for LCA Specific Suppliers	0%	52%	19%	47%	75%	0%

Midwest LCA and other Suppliers % of Value of contracts awarded



- Midwest 33.0%
- Other WA Regional Suppliers 1.0%
- Perth Metro & Other 66.0%

## Top Priority Issue For Midwest

### ISSUE | ACTION

Midwest businesses obtained 75% of the value of contracts worth between \$1 million and \$5 million in the region, but did not fare so well in the category of contracts worth between \$250,000 and \$500,000, at only 19% of contract value in the category.

Between them the Square Kilometre Array and the Kalbarri Skywalk totalled \$13,265,713 in contract value, representing 37% of the spending in the region for the year. Those contracts went to contractors from Perth Metro.

Businesses in the Midwest also obtained work in the Gascoyne; however, it was noted that reduced spending across both the Midwest and Gascoyne regions has resulted in negative impacts on local SMEs and the potential loss of businesses locally due to irregular or 'lumpy' spending. The introduction of the Regional Sourcing Strategy may assist businesses by providing a 'look-ahead' of procurement in the regions.

## LCA Engagements in the Midwest

Government Agencies



190

Media & Promotion



12

Business & Industry



135

Tender Opportunity Promotion



108

Aboriginal Business



99

Building Business Capacity



72

WAIPPS

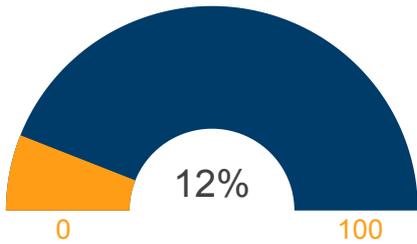


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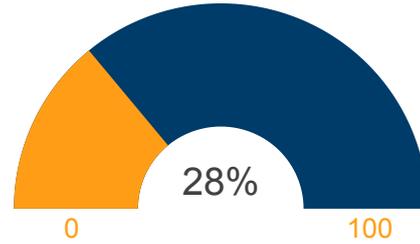
## Dashboard | Peel | Local Content Outcomes



**PEEL LCA SUPPLIERS:**  
% of Value of contracts awarded



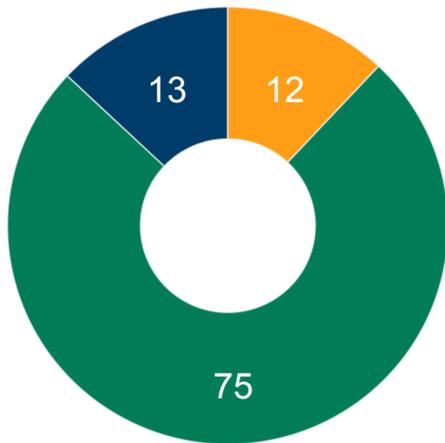
**PEEL LCA SUPPLIERS:**  
% of contracts awarded



### Value of Contracts awarded in region for 2018-2019 by spending bands

	Under \$50,000	\$50,001-\$250,000	\$250,001 - \$500,000	\$500,001 - 1Million	\$1 - 5 Million	\$5 - 50 Million
Number of Contracts	3	25	1	1	1	1
Value of Contracts	\$36,822	\$ 3,480,687	\$301,818	\$683,635	\$1,782,525	\$16,984,988
Value for LCA Specific Suppliers	0	\$1,077,168	\$0	\$0	\$1,782,525	\$0
% in band for LCA Specific Suppliers	0%	31%	0%	0%	100%	0%

Peel LCA and other Suppliers % of Value of contracts awarded



- Peel 12.0%
- Other WA Regional Suppliers 75.0%
- Perth Metro & Other 13.0%

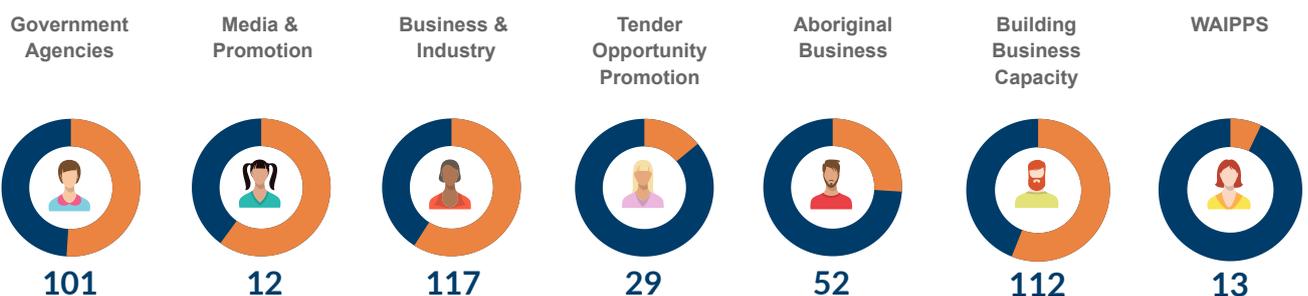
## Top Priority Issue For Peel

### ISSUE | ACTION

The Peel region attained one of the lowest Local Content percentages, with local businesses obtaining 12.3% of the value of contracts in the region during the year. The LCA team examined multi-region contracts to further understand the relatively low value of procurement in the Peel. From this examination, LCAN noted the frequent practice of ‘bundling’ Peel works and services with other regions – mostly Perth and occasionally South West and other regions.

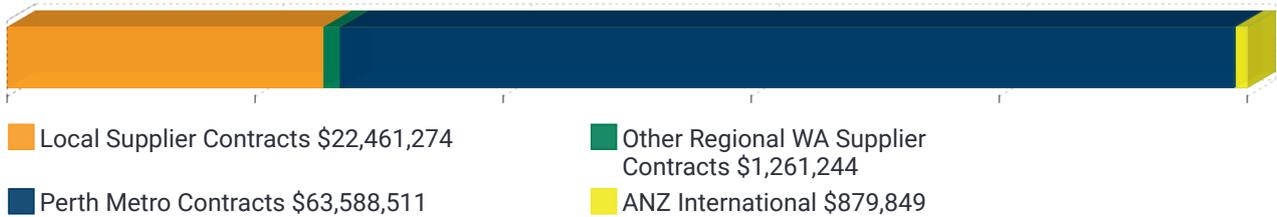
In the instances examined where Peel works and services were bundled, Peel businesses share of the contracts awarded was zero percent. The relative proximity to Perth appears to be playing out quite differently for Peel in terms of local content outcomes compared with the challenges and dynamics in other regions. Peel businesses were awarded 31% of contracts valued between \$50,001 and \$250,000, one contract worth \$1,782,525 and then no other contracts outside of these.

## LCA Engagements in the Peel

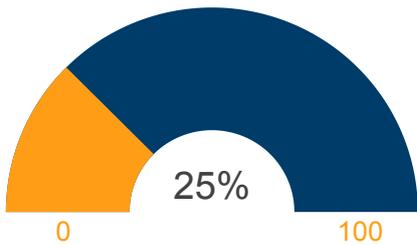


# PILBARA PILE

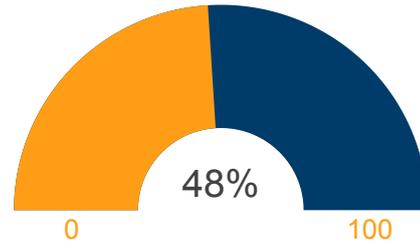
## Dashboard | Pilbara | Local Content Outcomes



**PILBARA LCA SUPPLIERS:**  
% of Value of contracts awarded



**PILBARA REGIONAL SUPPLIERS:**  
% of Value of contracts awarded

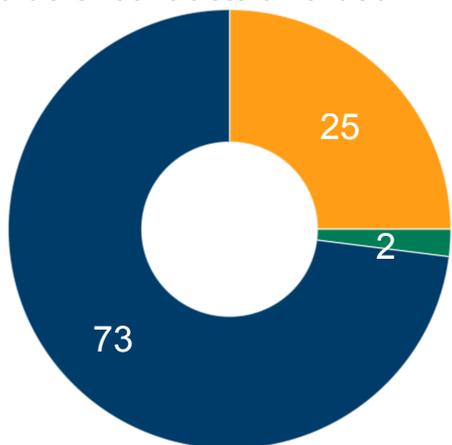


### Value of Contracts awarded in region for 2018-2019 by spending bands

	Under \$50,000	\$50,001-\$250,000	\$250,001 - \$500,000	\$500,001 - 1Million	\$1 - 5 Million	\$5 - 50 Million
Number of Contracts	7	83	11	9	12	2
Value of Contracts	\$281,807	\$9,913,893	\$3,875,180	\$6,277,535	\$29,775,616	\$38,066,847
Value for LCA Specific Suppliers	\$148,849	\$ 4,304,891	\$2,201,182	\$ 4,201,018	\$11,605,334	\$0
% in band for LCA Specific Suppliers	53%	43%	59%	67%	39%	0%

# BARA PILBARA

Pilbara LCA and other Suppliers % of Value of contracts awarded



- Pilbara 25.0%
- Other WA Regional Suppliers 2.0%
- Perth Metro & Other 73.0%

## Top Priority Issue For Pilbara

### ISSUE | ACTION

Businesses in the Pilbara were awarded an even spread of contracts across all contract categories, suggesting a diverse and capable business base in the region. Government procurement in the region is likely to be significantly lower than private sector procurement, with businesses tendering for Government works secondarily to other opportunities.

Aboriginal Businesses in this region performed strongly and assisted the State with meeting Aboriginal Procurement targets.

The challenge within and outside of the region is to encourage local and regional businesses to supply, and to increase the percentage of suppliers from other parts of WA to supply for the Pilbara. Suppliers from other areas of regional WA only represented 3% of supply overall, and Perth Metro businesses obtained 54% of the value of contracts in the Pilbara, with More than \$38 million in Civil works supplied by Perth businesses.

## LCA Engagements in the Pilbara

Government Agencies



18

Media & Promotion



12

Business & Industry



50

Tender Opportunity Promotion



4

Aboriginal Business



7

Building Business Capacity



7

WAIPPS



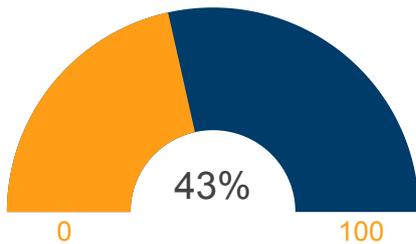
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# SOUTH WEST

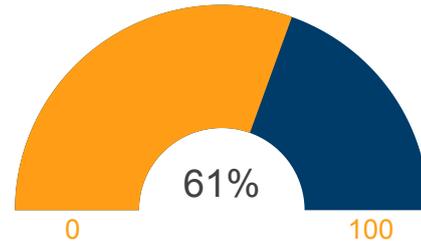
## Dashboard | South West | Local Content Outcomes



**SOUTH WEST LCA SUPPLIERS:**  
% of value of contracts awarded



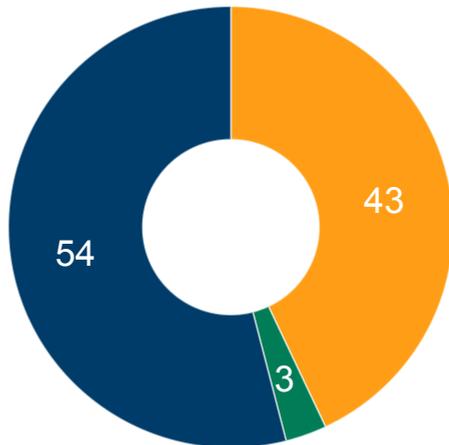
**SOUTH WEST LCA SUPPLIERS:**  
% of contracts awarded



### Value of Contracts awarded in region for 2018-2019 by spending bands

	Under \$50,000	\$50,001-\$250,000	\$250,001 - \$500,000	\$500,001 - 1Million	\$1 - 5 Million	\$5 - 50 Million
Number of Contracts	12	77	15	9	18	6
Value of Contracts	\$363,509	\$9,315,288	\$5,075,745	\$7,497,563	\$45,280,345	\$91,314,426
Value for LCA Specific Suppliers	\$260,809	\$4,207,578	\$2,182,044	\$4,023,414	\$33,161,948	\$24,000,000
% in band for LCA Specific Suppliers	72%	45%	43%	54%	73%	26%

South West LCA and other Suppliers % of Value of contracts awarded



- South West 43.0%
- Other WA Regional Suppliers 3.0%
- Perth Metro & Other 54.0%

## Top Priority Issue For South West

### ISSUE | ACTION

The South West region has recorded a positive series of local content results, with suppliers in the region being awarded 61% of contracts on offer during the year, and 43% of the value of the contracts on offer.

Suppliers obtained contracts across the all contract categories, but more promisingly obtained 73% of the value of contracts in the \$1 to \$5 million range, indicating strong small to medium business capability in the region.

The biggest challenge for local content over the medium term is a better understanding of the region's business capability and future potential, as well as lifting the capacity of business so they can win a larger share of contracts above \$5 million in value.

The Bunbury Outer Ring Road project is being heavily focused on in the region; it presents an ideal opportunity for local contractors and sub-contractors to increase their exposure to large projects and also learn to navigate large government infrastructure procurement processes.

## LCA Engagements in the South West

Government Agencies



134

Media & Promotion



12

Business & Industry



108

Tender Opportunity Promotion



31

Aboriginal Business



21

Building Business Capacity



62

WAIPPS

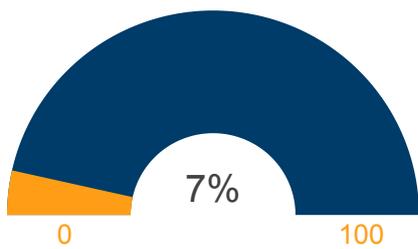


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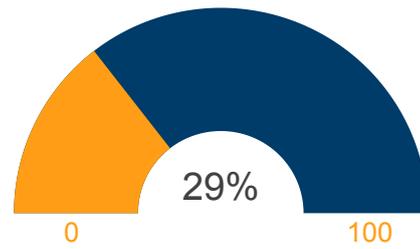
## Dashboard | Wheatbelt | Local Content Outcomes



**WHEATBELT LCA SUPPLIERS:**  
% of value of contracts awarded



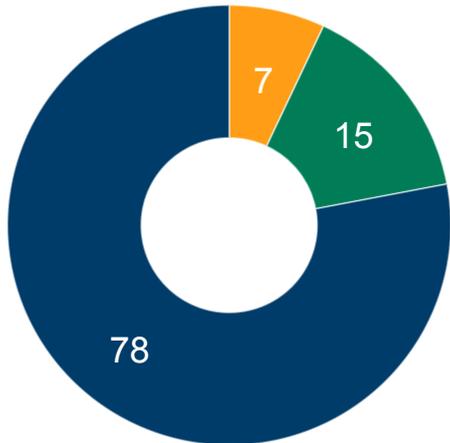
**WHEATBELT LCA SUPPLIERS:**  
% of contracts awarded



## Value of Contracts awarded in region for 2018-2019 by spending bands

	Under \$50,000	\$50,001-\$250,000	\$250,001 - \$500,000	\$500,001 - 1Million	\$1 - 5 Million	\$5 - 50 Million
Number of Contracts	5	51	8	3	3	3
Value of Contracts	\$ 154,975	\$5,342,636	\$3,197,128	\$1,665,980	\$6,251,639	\$47,208,368
Value for LCA Specific Suppliers	\$ 58,178	\$1,623,873	\$1,669,105	\$0	\$1,250,000	\$0
% in band for LCA Specific Suppliers	22%	30%	52%	0%	20%	0%

Wheatbelt LCA and other Suppliers  
% of Value of contracts awarded



- Wheatbelt 7.0%
- Other WA Regional Suppliers 15.0%
- Perth Metro & Other 78.0%

## Top Priority Issue For Wheatbelt

### ISSUE | ACTION

Local Businesses in the Wheatbelt performed well in the contract category of tenders valued between \$250,001 and \$500,000, obtaining 52% of the value of contracts in that range.

The Wheatbelt however faces many local content challenges such as geographic isolation, and materials supply and labour constraints. The most compelling issue in the Wheatbelt has been reported as a lack of Agencies understanding of the remoteness of the region and low business capacity and limited business diversity. Spending in the region is sporadic and may not offer SMEs enough work to sustain themselves and gain regular exposure to different types of works.

Local Content case studies will be conducted in the Wheatbelt in the medium term to assist the Local Content team with understanding business capacity and constraints in the region. The aim will be to lift the region's share of contracts valued under \$500,000.

Aboriginal Business in the region will also be a focus, with start-ups supported and tender opportunities promoted.

## LCA Engagements in the Wheatbelt

Government Agencies



92

Media & Promotion



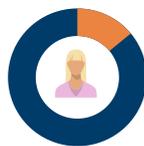
12

Business & Industry



74

Tender Opportunity Promotion



29

Aboriginal Business



47

Building Business Capacity



35

WAIPPS



10







## **Finding 1: Multi Region Procurement And Implications For Local Content In The Regions**

In 2018-19 a major focus for the LCAN was monitoring single region contracts in regional WA. The single region contracts monitored during the year totalled just under \$700 million. However, the LCAN did not monitor multi-region and Statewide contracts in the regions. The annual value of multi-region contracts is significant, and the share that regional businesses are obtaining warrants monitoring.

The LCAN reporting team conducted a data sampling of multi-region contracts awarded where the goods supply could have been provided by regional businesses. The total value of multi-region contracts sampled was around \$393 million.

Of the multi-region contracts sampled, results for contracts totalling \$116 million were posted on Tenders WA as 'unallocated'; meaning there were multiple successful tenderers, but a defined dollar value per supplier was not disclosed. Therefore, the award results for 'unallocated' contracts could not be broken down across the RDCs, or between Perth or the regions. The 'unallocated' portion of reported spending equates to almost 30% of the value of the contracts sampled. This lack of traceability of contract award information has been raised as a significant issue by the LCAN.

Of the remaining 70% of the contracts sampled, the value awarded to regional businesses equated to 0.04% of the total value.

A further significant issue of concern is the structuring of contracts for the Peel region. A significant number of contracts bundled packages of works in Peel with works for Perth. The LCAN team conducted analysis of a sample of combined 'Peel and Perth' multi region contracts valued at \$47 million. Results showed that no Peel businesses succeeding in being awarded any portion of the \$47 million worth of contracts.

As a result of the findings through sampling, the LCAN will commence monitoring multi-region contracts in 2019-2020 to ascertain the impacts of multi-region contract procurement practice within across Buy Local Zones 2 and 3.

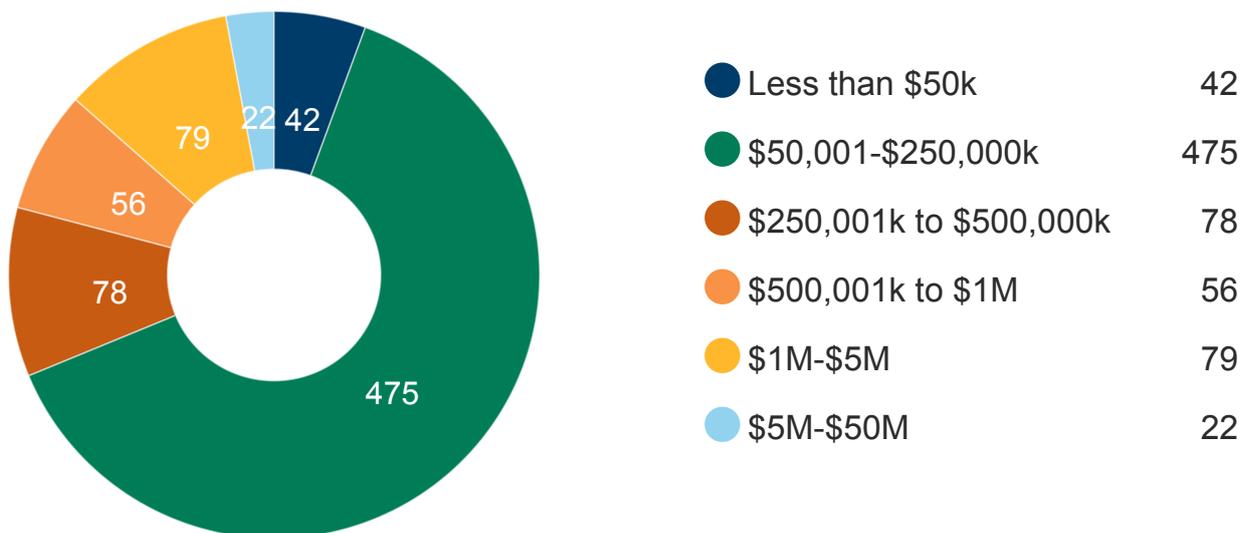
<sup>3</sup> Contracts where the supply was delivered across two or more regional areas, but NOT in the Perth metro area, selected at random from Department of Finance Contract award reports for 2018-19 FY.



## Finding 2: Potential Causal Relationship Between Procurement Practice And Business Capability Deficits In The Regions

The LCAN has noted business capability gaps across the regions as a common issue, with engagement activities in 2018-19 focused on supporting businesses to fill capability gaps. An aerial view of procurement practice in the regions may support a possible causal relationship between procurement and regional business capability deficits.

The LCAN has analysed single region contracts awarded and classed them into spending ranges, shown below.



Raw numbers show that 79% of contracts awarded in the regions were below \$500,000, 86% were below \$1 million, and contracts valued at \$5 million or below represented 97% of all contracts awarded within the regions. The contract value data suggests that businesses within regional WA are not receiving volume or routine exposure to larger value contracts, possibly contributing to capability deficits in regional WA.

While capability deficits across the regions may be attributed partly to ‘lumpy’ spending across the region’s year-on-year and other external variables, the net results of limited regional business exposure to higher value and more complex project work should be explored. The exception to this assumption is two large single region contracts awarded with the Kimberley region for a combined total in excess of \$ 97 million, which are noted as statistically anomalous.

# FINDINGS FIN

This possible causal relationship is also supported through analysis of each regions Local Content outcomes for the year; the Kimberley, the most geographically isolated region. Corresponding data presented in Regional Snapshots shows that the more geographically remote regions of Kimberley, Pilbara and Great Southern had higher average Local Content outcomes for contracts valued between \$50,000 and \$1 million.

More remote regions attained the higher local content percentages compared with those regions with relative proximity to Perth, indicating that a region's proximity to Perth increases the likelihood of larger more capable Metro businesses obtaining contracts in those areas, thereby depriving regional businesses of experience and capacity building opportunity. The lowest overall Local Content outcome across regions was in the range valued between \$5 and \$50 million, strongly suggesting that more needs to be done to encourage and support regional businesses to move into delivery of contracts valued above \$5 million.

## Range of Contracts awarded through DoF Contract Award Reports 2018-19

Spend Range	Number of contracts awarded in range	Total Value of Contracts in range	Average Contract value	Average LCA Specific % of Contract Value in range
Under \$50,000	42	\$ 1,286,967	\$ 30,642	58%
\$50,001 - \$250,000	475	\$ 59,934,323	\$ 126,177	46.5%
\$250,001 - \$500,000	78	\$ 29,259,716	\$ 375,124	47.8%
\$500,001 - \$1 million	56	\$ 39,787,551	\$ 710,491	60%
\$1 - \$5 million	79	\$ 175,222,683	\$ 2,218,008	59.1%
\$5 - \$50 million	22	\$ 334,041,353	\$ 15,836,697	21.9%
Over \$50 million	1	\$ 60,067,757	\$ 60,067,757	100%
<b>Totals</b>	<b>753</b>		<b>\$699,600,350</b>	



## Finding 3: Understanding the Impact of Agency Specific Procurement Logic

As part of LCAN's review of single region contract award results, we also grouped contracts according to Government Agency. This data was then used to indicate which agencies were most active in the regions and their spending habits within regions.

This clearer understanding of Agencies and their procurement will be used to inform LCA engagements and LCAN future actions. Within the LCAN's focus from 2019 onward are:

- Agencies with comparatively low percentages of local content outcomes;
- Agencies that consistently issue multi-regional contracts as opposed to Single Region contracts as a procurement preference, with potential negative impacts on regional businesses;
- Agencies active in the Peel region that commonly combine Peel and Perth works; and
- Agencies that exhibit inconsistencies in procurement practice across the regions.





## **Finding 4: The Aboriginal Procurement Policy and Aboriginal Business Capability in Regional WA**

Based on data on the Aboriginal Business Directory WA the number of registered Aboriginal businesses across the regions totalled 386 by July 2019. Irrespective, it is not possible for the LCAN to ascertain whether these businesses are actively trading, or merely registered but inactive. All regions outside of Pilbara and Kimberley are reporting deficits in Aboriginal business capability and procurement opportunity. To date the LCAN response has been:

- I. Placing a strong focus on growing Aboriginal businesses in the regions and assisting government agencies to achieve Aboriginal Procurement Policy targets;
- II. Supporting the development and growth of regional Aboriginal businesses and their needs beyond the start-up phase of registration on ABDWA and/or Supply Nation IBD;
- III. Working collaboratively alongside Government agencies to assist them to pre-identify Aboriginal procurement opportunities and gaps prior to embarking on entering into contracts and EOIs;
- IV. Providing local knowledge of the Aboriginal business landscape in each region; and
- V. Actively promoting the Regional Aboriginal Local Capability Fund (LCF) to Aboriginal business.

Review of Department of Finance reports of contracts awarded to Aboriginal Businesses shows that all contracts above \$1 million awarded to Aboriginal Businesses were awarded in the North West regions of the State (excluding Panel contracts). Of the 54 contracts valued between \$500,000 and \$1 million awarded, 36 were in the Northwest, nine were in Perth Metro, and the remaining nine were across other regional areas. These results are also mirrored in contract awarded results in the category of contracts under \$500,000 awarded during the year, indicating that development work on Aboriginal Business capability should be focused in the central and southern parts of the regional WA.



# SHORT TERM

## SHORT TERM 2019 - 2020



# LONG TERM

## MID TERM 1 - 3 YEARS



# RECOMMEN



## Recommendations

The LCAN is focused on helping to deliver on this State Government's priorities; sharing prosperity, creating jobs, and building economic diversity and strength across regional WA. This is our mantra, and we're achieving it through relationship building and through understanding the issues critical to the success and sustainability of regional businesses.

Looking forward, the LCAN recommends:

- Obtaining feedback from regional business and stakeholders on the new WA Buy Local Policy as one of the key drivers of Local Content outcomes;
- Better understanding the unique challenges for business in each region brought about by the highly differentiated dynamics across our State;
- Delivering on the recommendations made through the 2017 Auditor General's Report on Local Content in Government Procurement by addressing the absence of evidence guiding and informing policy and action;
- Working with our partners in Government to grow and improve the evidence base which supports policy and practice that is good for the regions.



# MAP ZONES



## **Zone 1 Perth Region**

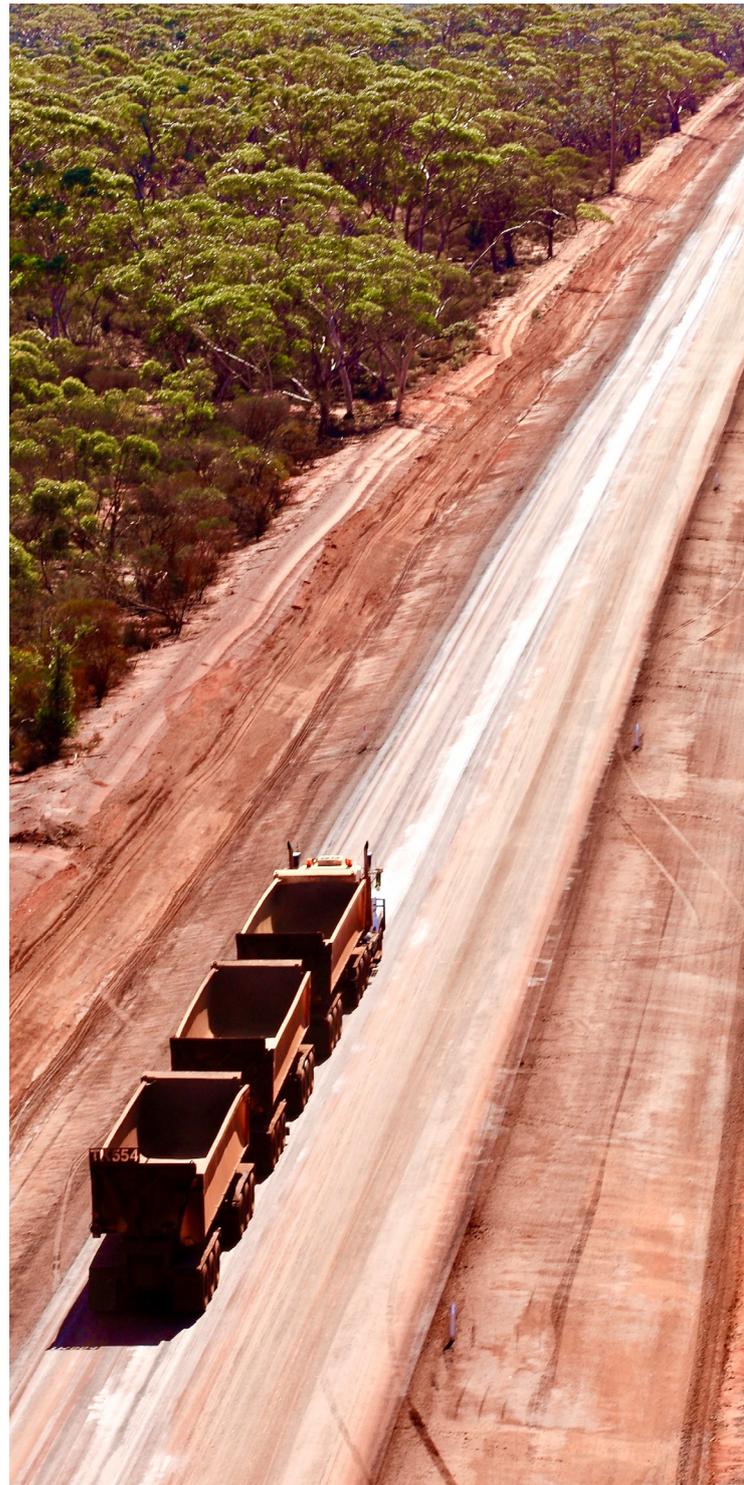
Regional price preferences only apply to purchases or contracts where the purchase or contract point of delivery is outside zone one (Perth region). Businesses located within zone one can only claim the regional content preference. They cannot claim the regional business preference, even when a prescribed distance extends into zone one. Similarly, the regional content preference cannot be applied to materials or services purchased from businesses located in zone one.

## **Zone 2 Prescribed Distance 200km**

In zone two, regional price preferences apply to eligible businesses located within 200 km (prescribed distance) from the purchase or contract point of delivery.

## **Zone 3 Prescribed Distance 400km**

In zone three, regional price preferences apply to eligible businesses located within 400km (prescribed distance) from the purchase or contract point of delivery. Where necessary, government agencies may extend the zone three, 400km prescribed distance to incorporate the next nearest town, or towns where more than one town are of similar distance from the point of delivery where they would not otherwise be included.



## LCAN DATA INTEGRITY STATEMENT

This report has been prepared by the Department of Primary Industries and Regional Development's Local Content Advisor Network (LCAN) team. The collation and summaries of data includes the following conventions and/or definitions:

1. Single Region Contract means those contracts or tenders awarded through which the supply of the goods and/or services is restricted to a single LCA region
2. Multi-region Contract means those contracts or tenders awarded through which the goods and/or services are supplied in two or more of the nine LCA regions, which may include Perth as a region, but which is not Statewide;
3. Statewide Contract means those contracts or tenders awarded through which the goods and/or services are supplied in all 10 regions, being all nine LCA regions AND Perth;
4. Local Specific Area/s means data pertaining to Local Content Area/s, being any of the nine RDC regions as defined under the Regional Development Commissions Act 1993
5. LCA Specific Region Supplier means where the contract point of delivery is in regional Western Australia, the portion of the contract that is undertaken locally means, undertaken by a business within the prescribed distance from the purchase or contract point of delivery
6. Multi-region Contract means those contracts or tenders awarded through which the goods and/or services are supplied in two or more of the nine LCA regions, which may include Perth as a region, but which is not Statewide
7. Regionally Specific Contracts is the aggregation of all Single region contracts or tenders as defined above

### DATA SOURCES:

All data including the Public Authority, the location of supply, and the value of contracts is obtained from the Department of Finance (DoF). The datasets included in the LCAN Annual Report may differ from datasets provided in any LCAN Interim Reports, due to Government agencies completing annual reporting of procurement outcomes to DoF after the close of the financial year; during this reconciliation process the value and details of contracts are subject to change, and contracts not previously reported are adduced. Therefor quarterly figures reported throughout the relevant year are updated by the LCAN team to reflect the FINAL annual figures, and those FINAL figures are published in the LCAN Annual Report.

LCAN data is cross checked against data provided by the Department of Finance (DOF) data analytics team. The value of some of the contracts awarded do not necessarily reflect actual supplier prices, and in some instances where multiple suppliers have been awarded on an single contract estimates of the suppliers' share of the total contract value have been applied where necessary.

# CONTENT DATA

## DATA EXCLUSIONS:

- 1) Contract values for contracts awarded for highly specialised or unique supply, where it is unlikely that an LCA Region Specific supplier could exist: e.g. the Statewide contract for the Supply of Volumetric Infusion Pumps and Administration sets; and
- 2) Common Use Arrangements (CUAs).



## References

Office of The Auditor General of Western Australia, WA Auditor General's Report Local Content in Government Procurement, Report 25, December 2017.

<sup>ii</sup>Ibid, p. 12.

<sup>iii</sup>WA Department of Finance, Who Buys What and How Report 2017-18, last refreshed on 21 March 2019, accessed 14/11/2019 at <https://www.wa.gov.au/government/publications/who-buys-what-and-how>

<sup>iv</sup>WA State Supply Commission, WA Buy Local Policy 2002, p. 6.



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