

Property Plus
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Tender(ing) Procedure - Who Stands To Gain?

Local authorities are often the biggest businesses in their district and where and how they spend their money can have a significant influence on local economic activity.

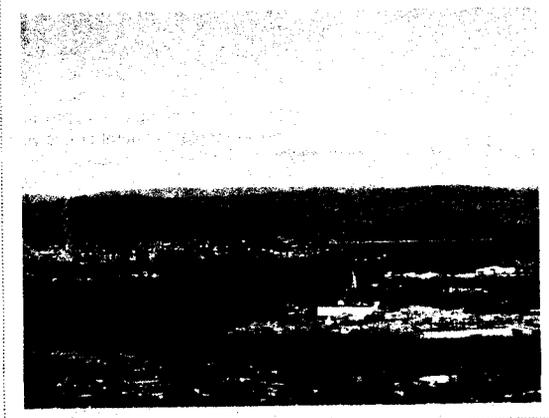
Many councils recognise this and have developed procurement policies and guidelines that ensure local suppliers and producers are given as many opportunities as possible to benefit from council tendering and purchasing decisions.

Under current government policy, all local authority procurement over \$50,000 is required to be publicly notified through the Government Electronic Tenders Service (GETS). Tenders are then evaluated against criteria similar to those at national government level, such as value for money and open and effective competition. This means that local firms are often competing for tenders with national and multinational companies. It is up to individual councils to decide the levels of procurement obtained locally and whether to support local suppliers and producers to compete for tenders more effectively against larger firms.

Over the past few years in Whangarei, tenders for a number of large scale local authority procurements have been awarded out-of-town. These include Toll Stadium, Whangarei Hospital's Mental Health Unit and the Police Station. Business owners in the area are becoming increasingly concerned at the amount of work going to larger, national and multinational companies. According to Neville Sander, General Manager of Kerr Construction, local businesses have the capacity for these projects but are losing out to larger firms. "Current local authority procurement practices are not supporting businesses in the area," he says. "Many local firms are not even getting the chance to submit tenders because the bigger companies have economies of scale in terms of resources and purchasing power that the smaller local firms just don't have."

Using local suppliers and producers is one of the options available to councils wanting to encourage economic development in the local community. It is generally thought that the benefits of local procurement policies are considerable, relative to costs. These benefits include:

- **Re-Circulation Of Money**
More money is kept in the community because locally-owned businesses and their employees often purchase from other local businesses and service providers.
- **Support Of Non-Profit Organisations**
Local business owners donate more to local charities than non-local owners.
- **Creation Of Character And Prosperity**
Whangarei's unique characteristics are what brings many people here and keeps them here. Our tourism businesses can also benefit.
- **Better Customer Service**
Local procurement means the availability of after sales service, shorter supply lines and delivery lead times and easier and cheaper communication



- **Employment**
Most new jobs and apprenticeships in Whangarei are provided by local businesses.
- **Investment In The Community**
Local businesses are owned by people who live in Whangarei, are less likely to leave, and are more invested in its future.
- **Building Capacity**
Local suppliers are encouraged to invest and build capability in order to compete for the supply of goods and services to local authorities in the future.
- **Rating Basis**
A strong local economy strengthens the rating basis and therefore provides support for improvements in local infrastructure such as water, roads and waste services.
- **Innovation And Change**

Regular opportunities to compete for the supply of goods and services to councils encourage businesses to innovate and undertake change.

- **Reduction Of Environmental Impact**
The use of local suppliers lessens the amount of goods that need to be transported into the area
- **Community Ownership**
The sense of community pride and ownership over locally managed projects is lost if work is tendered to an outside firm
- **Cost Savings**
Goods and services supplied close to the project can reduce development, maintenance and operational costs throughout its life.

Local Government New Zealand is an organisation providing policy, advice and training to the councils of New Zealand. Former president, Basil Morrison says the use of formal procurement policies is not widespread in New Zealand local government. "A local procurement policy is a policy that provides full and fair opportunities for local suppliers and producers of goods and services

that can contribute to the economic development of an area." An example of this is Stratford District Council's local procurement policy which clearly and specifically encourages local rate paying firms. The policy allows local providers a 5% bias of the lowest conforming tender price, up to a specified maximum value. In April this year, Gisborne District Council commissioned a report which recommended that local procurement policy give preference to local businesses within a margin of 1% of the best price offered.

According to Northland Master Builders Association president, Debra Ryan, Whangarei businesses also want transparent local authority procurement practices that support local firms. "The feedback from all the builders, subcontractors and retailers we've talked to indicates that this is something that needs to be addressed. It affects the whole community," she says and Neville Sander agrees. "We don't expect to be awarded tenders just because we're local," he says. "But we need a system that levels the playing field and recognises the contribution that local firms make to the Whangarei economy."