

1.6. Local Preference Policy

Councils often have a significant role in local and regional economic development. This may include consideration of local supply issues and Aboriginal and young people's employment participation policies.

The implementation of local preference policies is not necessarily inconsistent with the principles of National Competition Policy. However, the use of local preference in the evaluation of tenders and awarding of contracts possesses inherent risks in terms of anti-competitiveness and the maintenance of defensibility, accountability and probity.

Where a council wants to consider local preference as a factor in the supply of goods and services or the disposal of property, it should develop and adopt a local preference policy. This policy should be based on sound reasoning and outline the circumstances in which the council would bring this policy into effect. For example, where an additional cost would be incurred by the council in implementing its local preference policy, the maximum amount or percentage of that additional cost should be specified and the particular circumstances in which the amount should also be acceptable to the local community.

The policy, as well as a statement indicating the basis for its use, should be provided to any potential tenderers prior to their decision to submit a tender. Such a policy should be included in the tender documents and identified in the evaluation criteria.

When reporting the result of a tender evaluation process, the application of the policy should be clearly referred to and details provided regarding any additional costs to be incurred by the council if it accepts a tender, other than the lowest tender, as a result of the implementation of the policy.

Councils should also consider seeking legal opinion regarding their proposed local preference policy to ensure the policy does not breach either the *Trade Practices Act 1974* (Cth), the *Fair Trading Act 1987* (NSW), or various international trade agreements.