



Queensland Local Procurement Model Position Paper: Defining 'Local' Final Report

*Prepared on behalf of Queensland Local Content Leaders Network (QLCLN)
By SC Lennon & Associates*

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Executive Summary

This report defines ‘local’ in the context of a review of leading practice in local content and supply chain development, to maximise opportunities for economic development in Queensland’s regions. Drawing on a diversity of available reference and resource material to summarise alternative models of local content policy and program operation throughout Australia and overseas, it makes a number of recommendations, as follows:

Regional economic development is an important government policy objective and throughout Australia, both industry and governments are increasingly developing local content policies and engaging procurement processes to bring about positive regional economic development outcomes.

Local content policies, programs and models of procurement are an important regional policy tool to help establish and grow local supply chains and to develop regional economies for the benefit of industry, the local workforce and the community more broadly.

Building local business capability and capacity is a key input driving positive regional development outcomes. By focussing effort on building business (supply chain) capacity as part of local procurement policies, governments and businesses are contributing to a virtuous cycle of regional economic development.

The local procurement policies and programs that provide the strongest and most robust definitions of ‘local’ look at the contextual relationship between a project or operation and adjacent or impacted communities. It is considered that better-practice model is one which adopts the Queensland Government’s geographical procurement policy but with some modifications.

Zone 1 (the natural economic region) is region-specific and defined on a case-by-case basis. The geographic reach / size of the local area (Zone 1) is defined by the resident working population’s journey to work movements. This approach defines ‘local’ by firstly considering where the usual place of employment of the resident workforce is. The resident workforce is defined according to the city, town or LGA that the project proposal is located in, or in the case of local government procurement, it is defined by the working population that resides within that Council’s LGA boundaries.

To fully appreciate the extent of a natural economic region, journey to work data can also be used to show the origin of workers who hold a job in the local area concerned. Journey to work (workers) data shows the journey to work movements in the other direction to that described above, that is, it shows, for any geographic area concerned, such as a local government area, where local workers (those employed in the local area) travel from and how far they are travelling to access employment in that location. This shows the degree to which the local economy draws on the wider region to supply labour for its industries.

It is considered that, for any given area, assessing journey to work movements in both directions (to and from the local area concerned) provides a robust means of defining a project’s or location’s natural economic region or what could also be described as the economic community of interest. This is because, when mapped, the data typically reveals that in both directions, workers are moving within a relatively self-contained area.

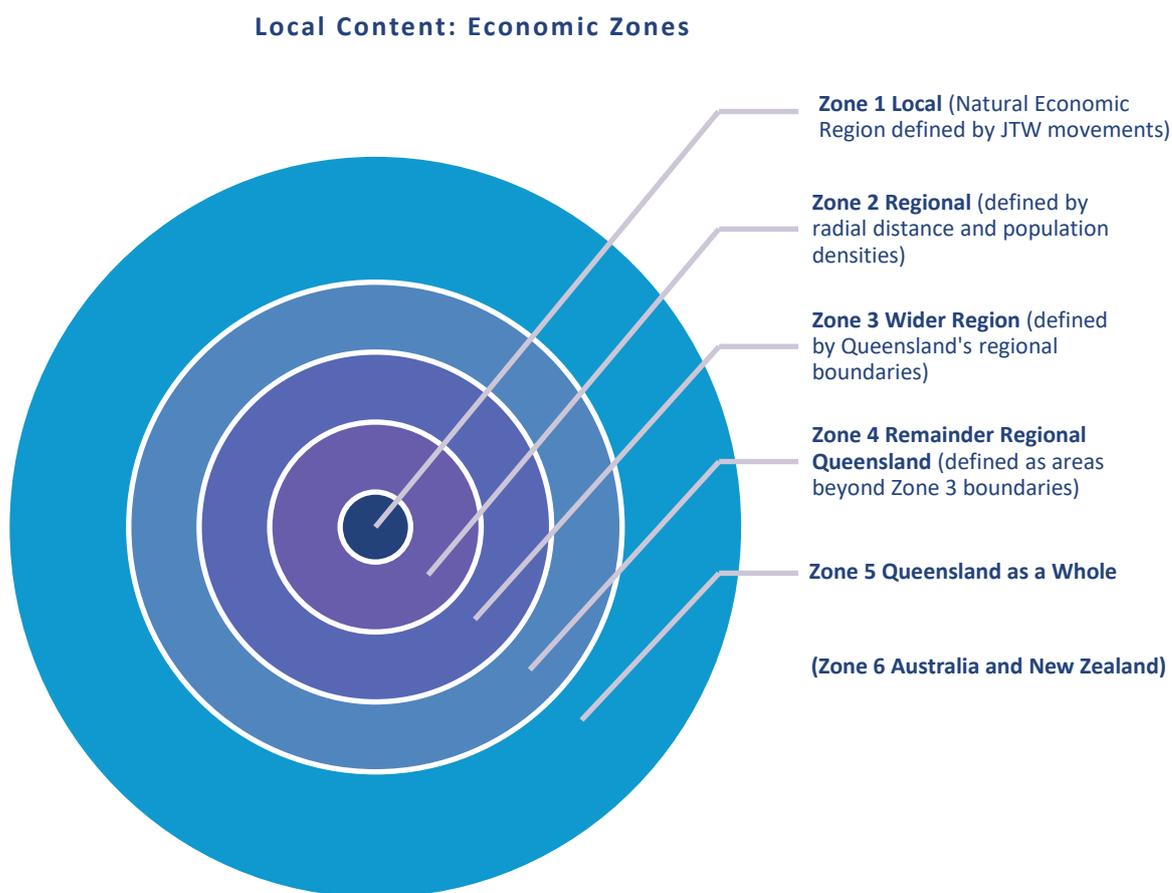
The extent of this geographic reach, in both directions, represents the natural economic region within which people travel to and from work for various businesses and other employers across a diversity of sectors. For companies that operate on multiple work fronts, this methodology would be applied to each project separately, thereby defining the natural economic region / ‘local’ area for each project separately.

Zone 2 (the ‘regional’ zone) would be defined by a radial distance with the geographic reach of the region concerned tailored in size / distance from the project, so that it would be smaller for more densely populated areas and larger for more sparsely populated areas.

Zone 3 (the wider region), is consistent with Queensland’s regional boundaries as used by the Queensland Government (i.e. South East Queensland; Darling Downs and South West; Wide Bay Burnett; Central Queensland; the Mackay-Isaac-Whitsunday Region; North Queensland; North West Queensland; and Far North Queensland).

Zone 4 is the remainder regional Queensland.

Zone 5 would be defined as Queensland as a whole, while **Zone 6** is Australia and New Zealand.



Source: SC Lennon & Associates

Articulating what qualifies as a ‘local business’, for the purpose of local procurement policy-making is also critical. A number of procurement policies place emphasis on a ‘local’ business having an established and significant physical presence or are locally owned as the overriding criteria. However, there is merit in supporting those businesses which do not necessarily have local ownership, but which nonetheless make a significant contribution to local economic activity and employment through the strength and depth of local supply chains.

A ‘significant contribution’ to local economic activity could therefore be considered to include: (i) those businesses which have a significant physical presence in the local area and businesses or projects where the majority of the workforce resides in the defined local area; and (ii) those businesses or contractors who are not owned locally but who provide goods, services and/or labour that are primarily produced or supplied within the local area.

1. Introduction

1.1 Background

Queensland Local Content Leaders Network commissioned SC Lennon & Associates to undertake research to inform a position paper, which clearly defines ‘local’ in the context of a review of leading practice in local content and supply chain development to maximise opportunities for economic development in Queensland’s regions.

Queensland Local Content Leaders Network (QLCLN) is a collaboration of industry groups, local government representatives and key industry partners who collaborate and advocate to ensure that local business conditions are maximised. As a network of practitioners, QLCLN recognises its role in helping to shape an accepted definition of local content from which to lobby government and industry for future adoption and implementation.

1.2 Scope

Drawing on a diversity of available reference and resource material, this report provides QLCLN with some insights into key elements of a better practice model of local procurement. It achieves this by providing four key outputs:

1. An underlying rationale for local content and supply chain development - **to support regional economic development** by maximising local spend in the regions from major private and public sector projects;
2. A literature review outlining key findings regarding alternative models of local content policy and program operation throughout Australia and overseas;
3. Working examples to illustrate a better-practice approach for determining ‘local’ in a geographic context (defined as the ‘natural economic region’ of a project or operation); and
4. A summary of other guiding considerations in the determination of ‘local’ and to support local preferencing.

Collectively, these outputs provide a solid basis for the future development of a local content guidance note or similar policy position paper.

1.3 Rationale - Local Content Policy and Regional Development

Regional economic development is an important government policy objective across all tiers. Throughout Australia, governments are increasingly engaging public procurement processes to bring about positive regional economic development outcomes.

The private sector too, which drives regional economic activity, recognises the merits of policies, programs and models of procurement, which help to develop local supply chains and grow regional economies for the benefit of industry, the local workforce and the community more broadly.

In Queensland, the resources sector leads the way in the development and application of local procurement policy which seeks to balance commercial and operational considerations with community needs and aspirations.

1.4 The Contribution of the Regions to National Prosperity

Policies aimed at regional economic development are justified by the important contribution Australia’s regions make to national prosperity. According to the Regional Australia Institute, regional Australia accounts for around 40 per cent of national economic output and Australia’s regional workforce accounts for one-third of national employment.

Regional Australia also exerts a stabilising effect on national economic performance through its collective economic diversity. For example, during the aftermath of the Global Financial Crisis of 2008, the economic growth of Australia’s metropolitan areas slowed considerably while regional Australia’s contribution to economic output actually increased as a proportion of the total. According to the Regional Australia Institute, in recent years, productivity in regional Australia – as measured by output per worker – has gained on Australia’s metropolitan areas across most industries.

Australia’s regions are also highly innovative. In an increasingly globalised economy, innovation and greater productivity are arguably the most pressing challenges facing Australia over the next few decades and without improvements in the capacity of Australia’s regions to produce, economic development and national prosperity could be compromised.

Collectively, Australia’s regions represent a diverse portfolio of economic activity and opportunity and the importance of regional Australia to the national economy means that realising the potential of the regions is critical to securing Australia’s future prosperity. This reinforces the importance of addressing Australia’s regional economic development objective.

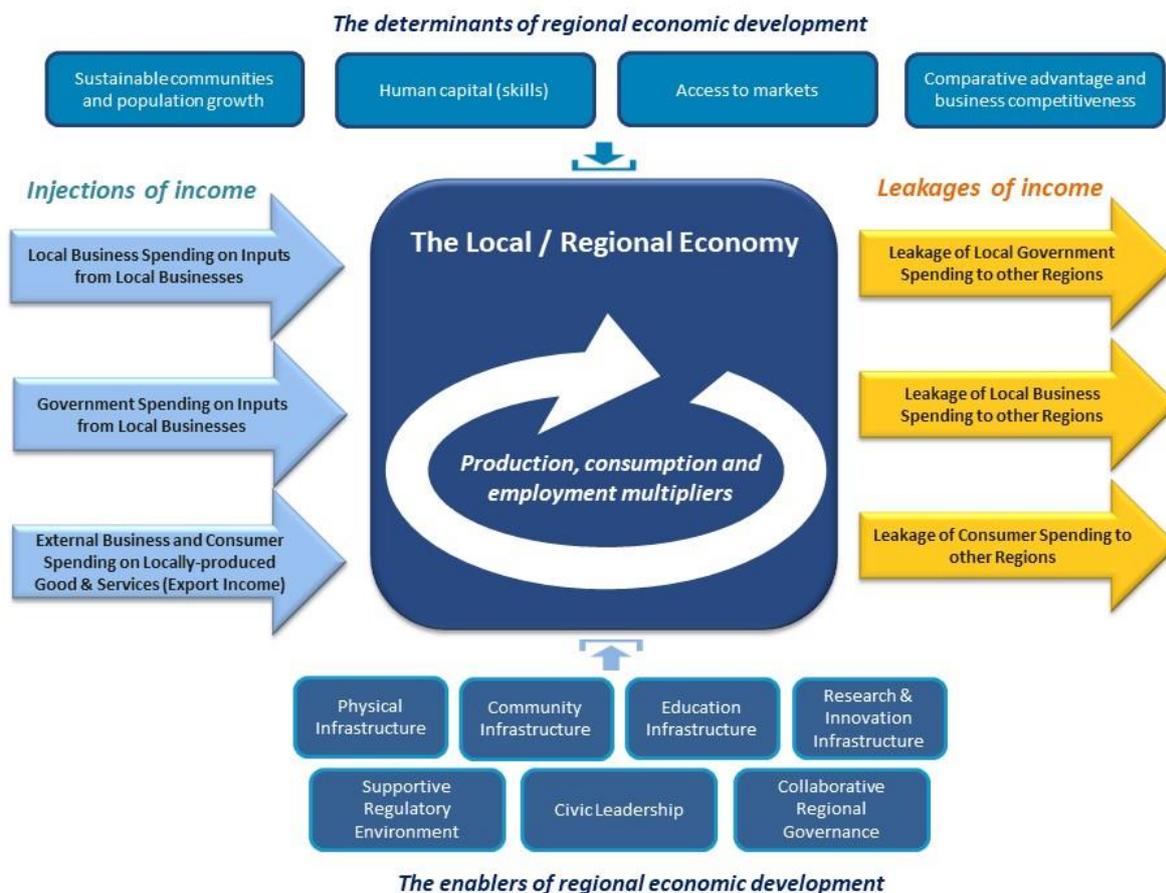
1.5 The Regional Economic Development Objective

‘Regional economic development’ refers to the continuous process of growing a local or regional economy’s level of income and capital (wealth) and distributing that wealth (through local expenditure and jobs) to the community. It is defined by the mutually-reinforcing and complementary relationship between improvements in economic activity, employment, community wellbeing, cultural diversity, a sense of ‘place’ and the environment.

Ultimately, economic development is about improving quality of life or, to capture the concept in a single word, it is about ‘prosperity’. As the injection of capital and expenditure drive regional economies, maximising regional spend from major private and public projects is paramount to securing investment and economic prosperity in Queensland’s regions. This is illustrated in Figure 1, which offers a conceptual model of a local / regional economy.

As shown in Figure 1 overleaf, if injections of income in the form of public and private sector investment and expenditure, consumer spending and income from inter-regional exports can be increased, and if leakages of income out of the region are minimised, the regional economy can grow through the flow-on effects of local production, consumption and employment multipliers.

Figure 1. A Conceptual Model of a Local / Regional Economy



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As far as the role of governments and regional development organisations is concerned, facilitating regional economic development requires a focus on the enablers of prosperity.

1.6 Addressing the ‘Enablers’ of Regional Economic Development

While business and industry ‘drives’ regional economic development, government agencies, regional development organisations and local government authorities can provide, support and influence the ‘enablers’ of regional economic development. These refer to the services, infrastructure and support mechanisms required to facilitate access to economic opportunity. The enablers provide the ‘pre-conditions’ for prosperous businesses and a healthy economy. They include:

- **Physical infrastructure**, including transport infrastructure (roads, rail, seaports and airports), communications, power and water and serviced employment land, which together are fundamental for providing access to markets and for facilitating productive business relationships and networks.
- **Research, education and innovation infrastructure** including spaces where research, knowledge and data can be connected with entrepreneurial ideas to grow high-value and innovative businesses, facilitating improvements in a region’s business capabilities and its human capital, enhancing the innovative and productive capacity of industry and the local workforce.

- **Community infrastructure**, which is an important enabler of economic development for the role it plays in facilitating social and economic interaction and exchange, and includes recreation, leisure and entertainment facilities, cultural facilities and community services and facilities.
- **Collaborative regional governance**, which underpins the other enablers, and defines the way in which government, regional agency, institutional and industry partnerships are structured and managed, and the processes employed to progress a region’s economic development agenda. This includes policies and programs for local procurement.

Together, the enablers of regional economic development, coupled with a strategic focus on activities which capitalise on local comparative and competitive advantage, underpin a region’s business development opportunities and its economic development potential.

1.7 Building Business Capacity to Grow Regional Economies

Efforts to develop local economies are most successful when they focus on building on local comparative and competitive strengths. Businesses can use a region’s comparative advantage to build a competitive advantage, which is developed through a combination of factors including knowledge, resources, skills and the ability to innovate.

A region’s comparative advantage can stem from various sources, such as its geographic location, climate, availability of natural resources, access to infrastructure or the skill profile of the local population. These underlying attributes influence the types of economic activity that are likely to be successful. They also have implications for economic development initiatives - including procurement policies and programs - which are generally more effective when they build on a region’s existing strengths and capabilities.

In fact, as demonstrated in Section 2 of this report, as well as seeking to define and promote engagement with ‘local’ suppliers, a number of local content policies and programs in operation throughout Australia place some emphasis on recognising and developing the capabilities and capacity of local businesses to engage with public and private procurement opportunities.

By focussing effort on building business capacity as part of a local procurement strategy, governments and businesses are both contributing to the virtuous cycle of regional economic development.

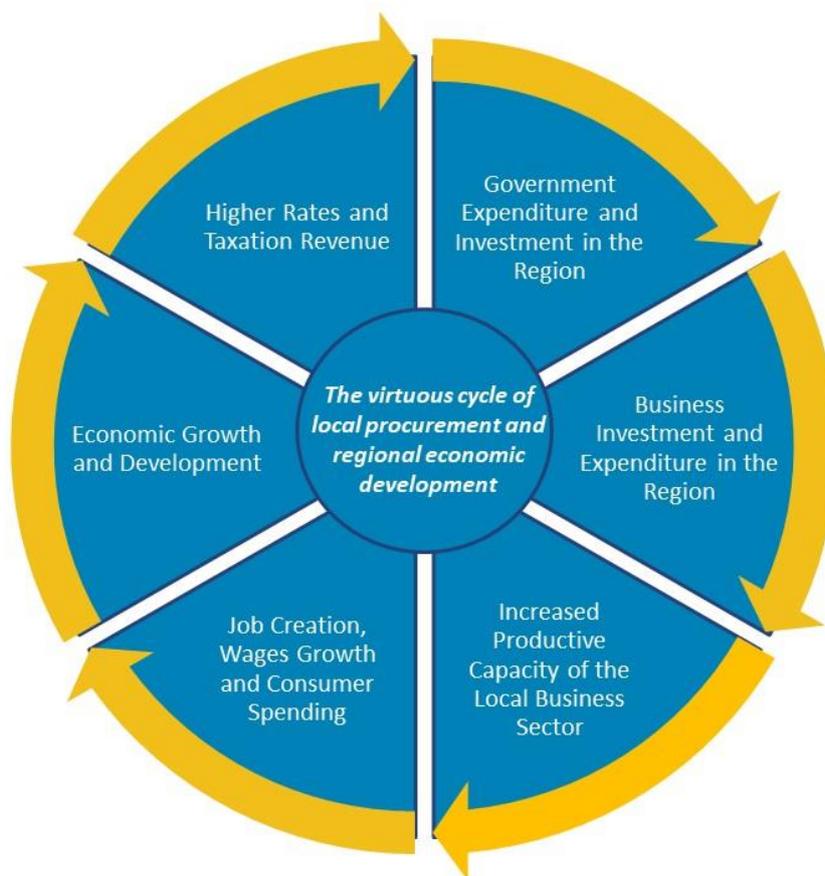
1.8 Local Procurement and the Virtuous Cycle of Regional Economic Development

As noted by the Regional Australia Institute (September 2018), the design and application of local content policy by Australian governments to help facilitate and promote regional economic development is consistent with international practice. Since the Global Financial Crisis, governments across the world have engaged procurement processes to promote or sustain economic growth at the national or regional levels.

The OECD reports that countries spend approximately 12 per cent of their GDP on public procurement. The thinking is that by focusing a government’s purchasing power on suppliers that are connected to local supply chains, a procurement can not only secure the supply of a good or service, but can also have a range of flow-on effects. These are often predicted to include an increase in the employment rate or an increase in local business capacity.

The role played by both government and private sector expenditure and investment in regions is demonstrated in Figure 2, which illustrates the virtuous cycle of local procurement and regional economic development.

Figure 2. The Virtuous Cycle of Local Procurement and Regional Economic Development



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As illustrated above, both public and private sector investment and expenditure in a region (enhanced through policies to promote local procurement) supports the greater productive capacity of those businesses that can take on supply contracts as well as those (such as local retailers and service providers) which benefit from the injection of expenditure by governments, businesses and their staff.

This leads to the creation of more jobs in the local economy (often cited as the ultimate regional development objective) along with wages growth and an increase in consumer spending. Increased investment and expenditure leads to economic growth and development. That means more rates and taxation revenue for local, State and Federal governments, which in turn leads to more investment and expenditure in the local economy.

As observed by the Regional Australia Institute, for decades governments have used procurement to pursue a variety of secondary but legitimate policy objectives including reducing inequality through affirmative action as well as training, sustainability and environmental goals.

Public procurement processes have also been used to pursue regional development goals, with this practice notably increasing since the Global Financial Crisis. Like addressing inequality or protecting the environment, regional development is a legitimate policy focus of governments at all levels.

1.9 Defining ‘Local’

A key consideration for those government authorities and large businesses (notably in the resources and construction sectors) that pursue local content policies and programs, is to clearly define and articulate what exactly is meant by ‘local’. This is something that governments, big business and suppliers have grappled with due to differences in definition and ways of effectively regulating and monitoring the application and effectiveness of local content policies.

Current policy efforts across jurisdictions have sought to address and resolve this challenge in various ways. For example, as demonstrated in the following chapter of this report, in Victoria, Ballarat City Council’s Industry Participation Program defines local businesses through a spatial lens and according to their location within the boundaries of six adjoining local government areas.

Similarly, the Queensland Government’s procurement strategy uses a kilometre distance measure to distinguish between local, regional and state suppliers. The North Queensland Stadium construction project, which is part of the Townsville City Deal, has introduced another indicator of ‘localness’ which is that the supplier has to have not only a shopfront in the identified local area, but also a history of trading from there.

This requirement is designed to prevent larger non-local companies simply setting up shop to qualify as local for contracting purposes. Similarly, in defining a significant local presence, BHP applies criteria including location and permanence (a history of operating in the local area) as well as ‘substantiveness’, in other words, the work conducted by a local business must substantively contribute to the enterprise’s primary business purpose and not be an auxiliary function such as HR for example.

Many of the approaches to local procurement focus on measures which are designed to build local economic capacity. Key criteria for defining a ‘local’ presence or contribution to economic activity in this regard includes businesses which have a significant physical presence in the local area and projects where the majority of the workforce resides in the local area.

An exception to this would be those businesses or contractors who are based outside of the local area but who source goods, services or labour that are primarily produced or supplied within the region concerned.

A variety of approaches are used across different jurisdictions to define local in an effort to, amongst other things, support local business and by extension, facilitate regional economic development. Chapter 2 of this report summarises key findings from a review of local content policies and programs in operation throughout Australia and overseas.

2. Local Content Policies and Programs – Key Findings

Appendix A summarises a cross-section of local procurement / local content policies, plans and strategies from Australian and international examples. The documented examples cover state and local governments as well as the mining, oil and gas and energy sectors.

2.1 Defining ‘Local’ Content

Across the procurement policies reviewed, definitions of local content vary from simple to complex and reflect the nature, scale and scope of the industry involved. For example, local government policies generally focus on the procurement of **local goods and services** while resource companies typically expand this definition to include **employment, training and development**.

In the case of IPIECA, the global oil and gas industry association for advancing environmental and social performance,¹ local content is broadly couched in terms of a project’s or business’s value chain within a host country. Under this definition, local content may include employment of nationals, goods and services procured from companies that are resident in the host country, partnerships with local entities, development of enabling infrastructure, the improvement of local skills and capacity of local businesses, or the improvement of local technological capabilities.

Members of Queensland Local Content Leaders’ Network (QLCLN) have adopted a similarly broad definition to that promoted by IPIECA, as outlined in QLCLN’s ‘joint statement of commitment’.

2.2 Definitions of ‘Local’ and ‘Local Business’

Across the documents reviewed, a range of parameters were used to define local and typically included:

- **Geography-based:** for example, small to medium-sized enterprises (SMEs) within a specified radius surrounding an operation or within a specified geographic location;
- **Ownership-based:** for example, a certain percentage of employees and/or the majority of shareholders are local; or
- **Input-based:** the bulk of inputs into a product are locally made.

The Queensland Government’s procurement strategy uses a zone system to distinguish between local, regional and state suppliers. Significantly, Zone 1 prioritises suppliers that maintain a workforce whose usual place of residence is located within a 125km radius of where the goods or services are to be supplied.

The Government of Western Australia also uses a zone-based procurement model. However, rather than defining ‘local’ in relation to a fixed project radius, the whole of the state of Western Australia is divided into three zones with the definition of local changing to reflect increasing remoteness and therefore, greater distances from the point of delivery of goods and services.

Other geographic definitions focus on local government boundaries. For example, Peabody Energy defines ‘local’ as the local government area of its operations while Ballarat City Council’s Industry Participation Policy defines local businesses according to their location within the boundaries of six adjoining local government areas (LGAs).

¹ IPIECA was originally known as the International Petroleum Industry Environmental Conservation Association.

In its document, *A Good Practice Guide for the Australian Mining, Oil and Gas Sectors*, The Centre for Social Responsibility in Mining (CSRSM) uses the term ‘local’ to refer to those communities which are adjacent to, or impacted by, a company’s operations. Under this definition, the area is generally narrower than the State or Territory in which the project is located, although it can cover multiple LGAs (for example, the Bowen Basin in Central Queensland, or the Pilbara region in Western Australia).

Rio Tinto is an example of a company that determines the geographic scope of ‘localness’ based on the area of operational impact and on a case-by-case basis (refer to examples in Appendix A).

In addition to setting geographic boundaries, governments and companies typically set further parameters for what constitutes a ‘local business’. In some usages the term is equated with ‘locally owned’, whereas at the other end of the spectrum, ‘local business’ is sometimes used simply to describe any business that maintains a permanent operational office within a given area.

C-Res requires a significant physical presence of an established business within an eligible geographic area. Looking at overseas examples, in the State of Los Angeles California, a small, local business is defined as one that is independently owned and operated, located in the county of Los Angeles, and not “*dominant in its field of operations*”.

Typically, companies use a range of further eligibility criteria as proof of localness, including:

- Business licencing and registration data;
- Percentage of local ownership;
- The proportion of local contractors and suppliers used;
- The residential location of the workforce; and
- Small business definitions such as employee numbers and business turnover caps.

In the case of the former Coal and Allied - Local Procurement Policy Implementation Plan, even if the supplier or contractor was not based in the Hunter Valley of New South Wales, they could still be considered local if the goods, services or labour provided was primarily produced or supplied within the local area.

The North Queensland Stadium construction, which is part of the Townsville City Deal, has introduced another indicator of ‘localness’ which is that the supplier has to have not only a shopfront in the identified local area, but also a history of trading from there. This requirement is designed to prevent larger non-local companies simply setting up shop to qualify as local for contracting purposes.

Similarly, in defining a significant local presence, BHP applies criteria including location and permanence (a history of operating in the local area) as well as ‘substantiveness’, in other words, the work conducted by a local business must substantively contribute to the enterprise’s primary business purpose and not be an auxiliary function such as HR for example.

At the other end of the spectrum are definitions that simply refer to local as being either an Australian or New Zealand business. The Queensland Resources Council’s Resources and Energy Sector Code of Practice for Local Content (the QRC Code) is an example of this.

2.3 Addressing Employment, Training and Workforce Development

As noted, local content policies, programs and models of procurement are an important regional policy tool to help establish and grow local supply chains and to support local workforce development. To this end, local content definitions can incorporate employment, training and workforce development requirements. Examples include the local content definitions provided by the Queensland Local Content Leaders Network (QLCLN) and within the Queensland Resources and Energy Sector Code of Practice for Local Content.

In Europe, the Norwegian Government’s former petroleum policy placed emphasis on employment creation and skills training. Until the 1990s, the Norwegian Government used the grant of licenses, along with additional agreements targeting training of Norwegian nationals to ensure local content. A local content plan was required to be submitted to the Ministry of Petroleum and Energy for approval before the grant of license and, as part of this, licensees were obligated to provide local training and engage a certain number of Norwegian personnel in their petroleum activities. Licensees had to enter into a training agreement after they had been granted a license.

Similarly, the Australian Pacific LNG Local Content Policy requires its suppliers to submit a supplier workforce development plan with a number of obligations, including:

- Identifying the skills required in the building, construction, equipment fabrication and supply, maintenance, operation, service provision and support to the project concerned;
- Arranging timely training and qualification arrangements to meet the needs of skills development to support all phases of the project;
- Providing training and qualification systems to meet the requirements of the Australian Qualification Framework; and
- Maximising the inclusion of qualified local employment to support all phases of the project.

In addition, suppliers must submit reports on employment, training and development detailing the types of skills developed, the number of courses delivered, and the number of people trained.

2.4 Local Procurement Models

In addition to adopting various combinations of geographic, ownership and input based definitions of ‘local’, as described in the examples above, as the basis for determining local procurement it is usual for governments and companies to apply a range of additional criteria to assist in the preferencing of local business in tender and purchasing arrangements.

Examples of these include:

- **Local content weightings** - For example, in the City of Gold Coast, when Gold Coast City Council issues tenders and receives quotes from a non-Gold Coast business, preferential factors are applied to local businesses on a sliding percentage scale.
- **Percentage based pricing advantages** - For example, the State of Indiana in the United States grants a 15% preference to small, independent businesses, and gives all other local businesses a preference of 1-5%, depending on the size of the contract. City of Gold Coast adopts a similar approach.

- **Local content targets** - For example, the City of Cleveland in the US sets goals for how much business it will drive to its certified local firms, and on bigger contracts, requirements for how many certified subcontractors will work on the project.
- **Contract disaggregation** - For example, the Tasmanian Government Buy Local Policy.
- **Preferencing Indigenous businesses** - Rio Tinto, for example, gives preference to local and regional Indigenous businesses that meet all other contract performance criteria.
- **Social Procurement** - For example, in addition to its Cleveland Area Small Business Purchasing Program, the City of Cleveland in the United States has a corresponding program targeting minority and female-owned businesses as well as a Local and Sustainable Purchasing Program. Businesses certified in these categories receive a bid preference that ranges from 2 to 5 per cent, and businesses certified in multiple categories can combine them up to a maximum 9 per cent bid discount.

There are a number of apparent limitations and lessons from the definitions of ‘local’ used in Australian and international procurement policies.

2.5 Limitations of and Learnings from the Definitions Used

The Need for a Clear and Consistent Definition of ‘Local’

The review of procurement policies and programs highlights the need for clear definitions of which businesses qualify as local. The Regional Australia Institute notes that too-broad definitions can leave the processes open to exploitation from larger companies who may create shell companies or lease premises in a targeted local area to benefit from a particular policy focus.

This is reflected in the review of US government procurement policies by the Institute for Self-Reliance. While many states and cities throughout the United States have local procurement policies on the books, many also have a watered-down definition of what constitutes ‘local’ and require only, for instance, a valid local business license or physical business address for a company to qualify for a local procurement program.

There were similar findings from a December 2017 audit of local content outcomes in relation to the Western Australian Government procurement policy. The audit concluded that the way the policy determines if a business is ‘local’ is so broad that companies can qualify as local despite being geographically distant.

In Australia, the Parliamentary Inquiry into mining and resources industry support for businesses in regional economies encapsulated this issue and how it affects local businesses. For example, in its submission, the Greater Whitsunday Alliance explained that under the definition of “local industry” used by most mining companies, local industry is most often formally defined as “Australian and New Zealand small and medium-sized enterprises”. Pursuing such a broad definition of “local industry” dilutes the direct benefits of the mining sector in Australia’s regional areas.

Cessnock City Council listed the definition of local as one of the greatest barriers to use of regional businesses. The Council suggested ‘local’ should be defined as the local government area of the project, and then expanded if local businesses cannot supply the needs of the project.

The Importance of Local Context

It is interesting to note that the Parliamentary Committee recommended the Queensland Government’s 2017 Local Procurement Strategy as a good definition of ‘local’ that should be applied by mining companies and governments at all levels to ensure local procurement can be meaningfully measured in the future.

However, the definition uses an arbitrary (125km) radius without allowing for regional nuances such as differences in population densities and local business numbers or capacity. Applying this definition homogeneously across Australia would yield very different results for local procurement outcomes, most notably in relation to mining operations and other major projects in Australia’s more remote areas.

Of the policies and programs reviewed, those that provide the strongest and most robust definitions of ‘local’ are those that look at the contextual relationship between a project or operation and adjacent or impacted communities. Rio Tinto Iron Ore (Pilbara), Rio Tinto Aluminium (Amrun Project - Cape York) and the former Coal and Allied (Hunter Valley) are examples of such local procurement policies.

Local Capacity is Key

This approach is promoted by the Centre for Social Responsibility in Mining (CSR) in its Good Practice Guide for Procuring from SMEs in Local Communities, where the term ‘local’ is used to refer to those communities which are adjacent to, or impacted by, a company’s operations. Furthermore, the Guide takes the position that ownership is not the critical factor in determining whether or not a business is local; rather, the key question to ask is whether a business contributes to building local economic capacity:

“A company that maintains a local branch office which is simply a conduit for bringing in goods and services from outside the region is not having this impact. On the other hand, a foreign-owned firm entering a consortium or taking ownership positions in local firms can be making an important contribution to local economic capacity. What form of local arrangement makes sense in a particular case will depend on the context, the nature of the business opportunities that are generated, local capacity and the aspirations of communities and host governments.”

In addition to what the review of Australian and international procurement policy and strategy examples reveal about the definitions of ‘local’ that are applied, there are also some broader learnings.

Broader Learnings

While a strong, consistent definition of ‘local’ is clearly critical, the review of procurement policies and programs has highlighted that a broader policy effort is required to achieve genuine local content outcomes for communities. For example, many of the local content programs reviewed, particularly from the resource sector, incorporated capacity building initiatives for local businesses to support them to participate in the supply chain.

In its review of US Government procurement policies, the Institute for Self-Reliance found that, in the places where these policies are truly working to support economic development, local procurement policies are most effective when they include firm definitions, well-developed goals, and clear tracking and reporting, and when they have buy-in across the local administration. The example of the City of Cleveland was highlighted where local contracting has its own department and the Director sits on the Mayor’s cabinet, and reports directly to the Mayor.

An audit report of Western Australia’s Local Content in Government Procurement (December 2017) found that, although agencies seek to, and largely do, comply with the policy, a lack of clarity in the policy itself, and a lack of guidance in how to apply it in some circumstances, leads to mistakes and inconsistencies. Furthermore, agency

monitoring and reporting of local content in government procurement was not adequate for them to be able to demonstrate whether their contracts were creating employment and sustaining business activity.

The findings from the US and Western Australia are also reflected in a briefing note on Public Procurement and Regional Development by the Regional Australia Institute (2018). In this paper, the Institute notes that, in general, procurement policies work best when they are part of a larger, considered place-based approach in which the capacity of suppliers and the longer-term capability of local markets is understood. Key considerations for designing effective procurement programs include:

- Identifying and designing for outcomes as opposed to indicators of administrative effort or outputs;
- Ensuring that the policy effort ‘fits the place’ and is responsive to context;
- Setting targets;
- Capacity building for suppliers;
- Leadership from the top and creation of an authorising environment;
- Building capacity within; and
- Conducting evaluations that contribute to the evidence base.

The report highlights the example of Ballarat City Council’s Industry Participation Policy, which includes local content targets but sits alongside capacity building efforts aimed at brokering stronger links between local supply chains and Council procurement opportunities.

Another example is the Building Local Industry policy in Western Australia. A Local Content Unit has been established within the Western Australia Department of Commerce to oversee and drive the government’s approach to promoting local industry participation. The unit works in a cooperative relationship with developers, local industry, other government agencies and the Industry Capabilities Network WA to maximise opportunities for Western Australian industry.

In brief, the use of procurement policies and programs to develop, sustain or catalyse regional economic development requires more than simply a clear definition of ‘local.’ The use of a local content policy alone does not automatically ensure a positive impact for local businesses and the local community.

Broader design considerations, including a mix of complementary policy tools, are required to maximise intended regional development outcomes.

2.6 A Better-practice Approach to Defining Local: the Natural Economic Region

A key consideration for governments and businesses that pursue local content policies and programs is to clearly define and articulate what is meant by ‘local.’ As demonstrated by the various models considered (refer to Appendix A), a range of parameters are typically used to define local and include:

1. **Geography-based**, for example, SMEs within a specified radius surrounding an operation or within a specified geographic location;
2. **Ownership-based**, for example, a certain percentage of employees are local; and
3. **Input-based**, for example, the bulk of inputs into a product are locally made.

The various models considered display strengths and limitations in how to define, articulate and consistently apply a definition of ‘local’ for the purposes of procurement policies which seek to support positive regional economic

development outcomes. Many of the policies and strategies reviewed define ‘local’ according to the boundaries of the local government authority concerned (whether for the purposes of Council procurement or the location of a major mining or construction project), or a collective of LGAs. However, local and regional economies do not operate along or within artificial geographic boundaries such as local government areas or the defined areas of regional development organisations.

A better-practice approach is one which takes into consideration local context. One way to do this is to define ‘local’ according to the area’s **‘natural economic region’**. This can be identified by using data from the Australian Bureau of Statistics (ABS) on the industry and employment profile of the local area concerned as defined by journey to work movements captured by the Census of Population and Housing. This data shows, for any region or locale, the locations where people who live in the area concerned travel to work as well as the origin (place of residence) of the local workforce (jobs held in the local area concerned).

This approach adopts the Queensland Government’s geographical procurement policy but with some modifications. It defines ‘local’ (Zone 1 as per the Queensland Government’s procurement policy) not by an arbitrary radial distance from the project concerned but rather in terms of where the usual place of employment of working residents is, coupled with information of the geographic source (origin) of the local workforce, that is, for jobs held in the local area.

Zone 1 (the natural economic region) is region-specific and defined on a case-by-case basis. The geographic reach / size of the local area (Zone 1) is defined by the resident working population’s journey to work movements. This approach defines ‘local’ by firstly considering where the usual place of employment of the resident workforce is. The resident workforce is defined according to the city, town or LGA that the project proposal is located in, or in the case of local government procurement, it is defined by the working population that resides within that Council’s LGA boundaries.

To fully appreciate the extent of a natural economic region, journey to work data can also be used to show the origin of workers who hold a job in the local area concerned. Journey to work (workers) data shows the journey to work movements in the other direction to that described above, that is, it shows, for any geographic area concerned, such as a local government area, where local workers (those employed in the local area) travel from and how far they are travelling to access employment in that location. This shows the degree to which the local economy draws on the wider region to supply labour for its industries.

It is considered that, for any given area, assessing journey to work movements in both directions (to and from the local area concerned) provides a robust means of defining a project’s or location’s natural economic region or what could also be described as the economic community of interest. This is because, when mapped, the data typically reveals that in both directions, workers are moving within a relatively self-contained area.

The extent of this geographic reach, in both directions, represents the natural economic region within which people travel to and from work for various businesses and other employers across a diversity of sectors. For companies that operate on multiple work fronts, this methodology would be applied to each project separately, thereby defining the natural economic region / ‘local’ area for each project separately.

Zone 2 (the ‘regional’ zone) would be defined by a radial distance with the geographic reach of the region concerned tailored in size / distance from the project, so that it would be smaller for more densely populated areas and larger for more sparsely populated areas.

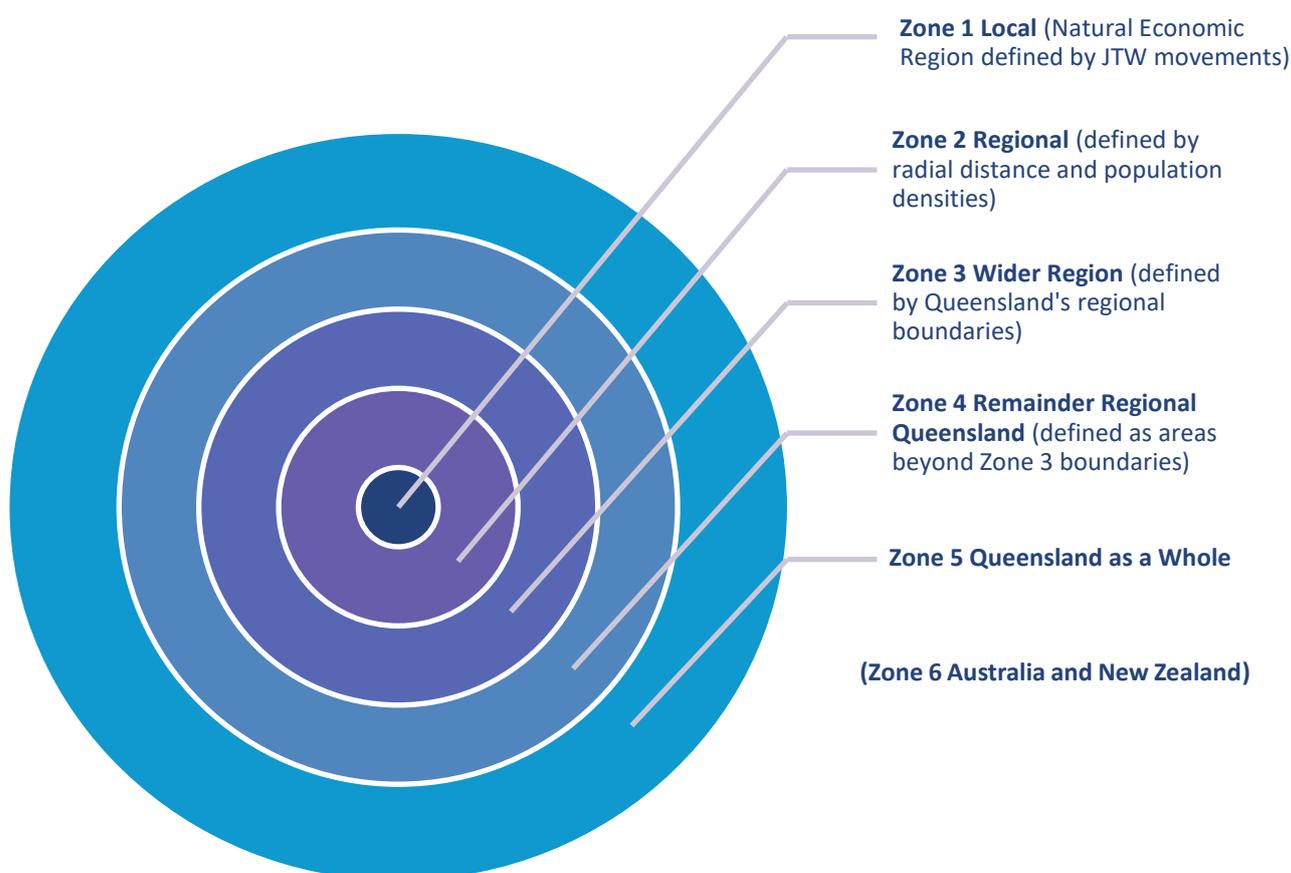
Zone 3 (the wider region), is consistent with Queensland’s regional boundaries as used by the Queensland Government, i.e. South East Queensland; Darling Downs and South West; Wide Bay Burnett; Central Queensland; the Mackay-Isaac-Whitsunday Region; North Queensland; North West Queensland; and Far North Queensland.

Zone 4 is the remainder regional Queensland.

Zone 5 would be defined as Queensland as a whole, while **Zone 6** is Australia and New Zealand.

Figure 3 illustrates how the Zones could work conceptually.

Figure 3. Local Content: Economic Zones



Source: SC Lennon & Associates

Articulating what qualifies as a ‘local business’, for the purpose of local procurement policy-making is also critical. As shown in Appendix A, a number of procurement policies place emphasis on a ‘local’ business having an established and significant physical presence or being locally owned as the overriding criteria.

However, there is merit in supporting those businesses which do not necessarily have local ownership, but which nonetheless make a significant contribution to local economic activity and employment through the strength and depth of local supply chains.

This would include those businesses or contractors who are based outside of the local area but who source goods, services or labour that are primarily produced or supplied within the region concerned. For example, a national labour hire or equipment hire company which is headquartered in Brisbane or Sydney, but which has branches throughout Australia may qualify as a local supplier through its branch offices if certain criteria are met.

A branch office of a national operation may qualify as local if, for example, it can demonstrate:

- Permanency of a trading location in the local area concerned;
- Permanency of the majority of staff and their families in the local area concerned;
- It does not provide unfair competitive advantage over other ‘true’ locally owned businesses; and
- It provides goods and / or services that would otherwise have to be sourced outside of the immediate local area.

A ‘significant contribution’ to local economic activity could therefore be considered to include: (i) those businesses which have a significant physical presence in the local area and businesses or projects where the majority of the workforce resides in the defined local area; and (ii) those businesses or contractors who are not owned locally but who provide goods, services and/or labour that are primarily produced or supplied within the local area.

Application of the use of journey to work data to define an area’s natural economic region of economic community of interest (that is, its local zone / Zone 1) is further explained using illustrative examples in the following section of this report.

3. The Natural Economic Region – Illustrative Examples

As discussed in Section 2 of this report, despite the well-intentioned efforts of governments across jurisdictions to facilitate and promote regional economic development, local and regional economies do not operate along or within artificial geographic boundaries such as local government areas (LGAs) or the defined areas of regional development organisations.

As described in the previous section of this report, a better-practice approach, one which takes into consideration local context, would be to define ‘local’ according to the area’s ‘natural economic region’ as defined by ABS Census data on journey to work movements and not by an arbitrary radial distance or the LGA boundary.

Illustrative examples are provided below to help explain the approach to defining ‘local’ using meaningful data on the local economy concerned. Other supporting data sources (besides journey to work movements of the resident working population and workers travelling into the area concerned) are also referred to, in order to demonstrate the relevance and reliability of utilising journey to work data as the basis for determining the natural economic region.

3.1 Data Sources and Definitions

Australian Bureau of Statistics, *economy id.* and *REMPPLAN*

Data used to inform the approach for defining ‘local’ is sourced from the Australian Bureau of Statistics (ABS) – Census of Population and Housing, 2016 utilising the publicly-available demographic and economic profiling services of *.id the population experts* and *REMPPLAN*. Between these two sources, the majority of Queensland local government areas have been mapped and profiled and can be accessed online via <https://economy.id.com.au/> and <https://www.rempln.com.au/>. The data is analysed and presented by local government area and by wider region (e.g. for a Regional Development Australia area or selected Regional Organisations of Councils).

In addition to the above sources, data can be sourced directly from the Community Profiles section of the Australian Bureau of Statistics’ website (<https://www.abs.gov.au/>) however, the ABS Community Profiles do not include data mapping facilities as per the two abovementioned sources.

Journey to Work Data

Journey to Work (JTW) data is recorded in the Australian Bureau of Statistics’ Census of Population and Housing and shows the origin (place of residence) and destination (place of employment) of all workers, that is, people who identify as being employed. Journey to Work (residents) data shows where an area’s resident workers (those residents who have a job) travel to work and how far they are travelling to access employment in a given geographic area.

As discussed earlier in this report, the Journey to Work method is an appropriate way to define the ‘Zone 1’ ‘local’ area because it is the geographic area where people who live in the area concerned work, thereby defining a local economic community of interest. It defines ‘local’ in terms of where the usual place of employment of the resident workforce is, what is described as the area’s ‘natural economic region’. The resident workforce is defined according to the city, town or LGA that the project proposal is located in, or in the case of local government procurement, it is defined by the working population that resides within that Council’s LGA boundaries.

Journey to Work (workers) data shows the journey to work movements in the other direction, that is, where local workers (those employed in a given local area) travel from and how far they are travelling to access employment in that location. This shows the degree to which the local economy draws on the wider region to supply labour for its industries.

It is considered that, for any given area, assessing journey to work movements in both directions (to and from the local area concerned) provides a robust means of defining a project’s or location’s natural economic region or economic community of interest. This is because, when mapped, the data typically reveals that in both directions, workers are moving within a relatively self-contained area. As discussed earlier, the extent of this geographic reach, in both directions, represents the natural economic region within which people travel to and from work for various businesses and other employers across a diversity of sectors. This is illustrated by the examples provided in Section 3.2.

Defining a ‘natural economic region’ using the journey to work data as a proxy works on the assumption that the workers concerned are employed in a range of businesses in a mix of industries (as well as other government, non-government and community-based organisations) which is indicative of their being a degree of local business capacity in the economic region or community of interest concerned. In other words, a significant number of those workers will typically be working in the business / industrial sector which is indicative of local ‘business capacity’.

By profiling local workforce dynamics by industry sector and by occupation, the ABS Journey to Work data, coupled with information profiling the skills / qualifications base of the local labour force (from the ABS Census) can also be used as an indicator of local workforce capacity.² Understanding workforce capacity is important for evaluating the proportion of skilled employees who may be able to be sourced from the local area / surrounding region and to identify and workforce / skills gaps.

Counts of Australian Businesses (Business Register Data)

As discussed above, building local business capability and capacity is a key input driving positive regional development outcomes. By focussing effort on building business (supply chain) capacity as part of local procurement policies, governments and businesses are contributing to a virtuous cycle of regional economic development as described in Section 1.8.

This begins with an understanding of existing business capabilities and capacity. To acquire a complete profile of the nature, depth and strength of business capabilities in any local area would require primary research to audit all existing businesses and their individual capabilities. However, for the purpose of reinforcing the concept of the natural economic region as a means of defining ‘local’ for procurement, one can acquire a high-level indicative profile of local business capabilities and capacity by referring to the Australian Bureau of Statistics’ Counts of Australian Businesses for any geographic area, down to the LGA level.

The ABS Counts of Australian Businesses presents a register of the number of businesses in a given geographic area based on snapshots of actively trading businesses as at June 30th each year (the latest available being 30th June 2018), taken from the ABS Business Register.

This published data, available via the ABS website, contains counts of businesses categorised by size, according to employment numbers and turnover range. In providing illustrative examples of natural economic regions (see next

² For any geographic area, information on the education and skills qualifications of the local labour force can be sourced directly from the ABS Census data, as well as from other sources which report this information including the Queensland Government Statisticians Office, or subscription-based data services such as economy.id and REMPLAN.

section), once defined, the ABS Business Register data can be used to provide an indicative profile of local business capabilities in the areas concerned.

By showing that there is a local business and industry capability, the Business Register data reinforces the validity of the method used to define a natural economic region using journey to work data as a proxy.

3.2 Illustrative Examples of Natural Economic Regions

Illustrative examples of a local zone (Zone 1), applying the journey to work method for defining an area’s natural economic region, are presented below. These illustrative examples are provided for hypothetical projects located in the following three Queensland local government areas:

- Toowoomba Regional Council LGA;
- Isaac Regional Council LGA; and
- Noosa Shire Council LGA.

These geographic locations have been selected to illustrate the method’s application across a variety of regional and remote locations, differing population sizes and densities and levels of infrastructure. It is acknowledged that many other locations could also be considered for the purpose of this report. These examples show for each, the concentrations of locations where employed people living in the area concerned work and where those who hold a job in the local area concerned travel from to work in that job. This is representative of the area’s (natural) economic region as it shows:

- The extent / geographic reach of locations of employment for the resident workforce (and therefore, where those businesses that employ the resident workforce are located – both in the immediate area and in surrounding localities); and
- The extent to which the local area draws on the wider region to supply labour (workers) for its businesses / industries.

This information is therefore indicative of the economic region’s local business capabilities / economic capacity. The nature of this ‘local capacity’ is tested and reinforced by consideration of the ABS Business Register data for the defined economic community of interest, which presents a profile of the number and size of businesses by industry sector in the defined natural economic region.

Example 1: Toowoomba Regional Council Area

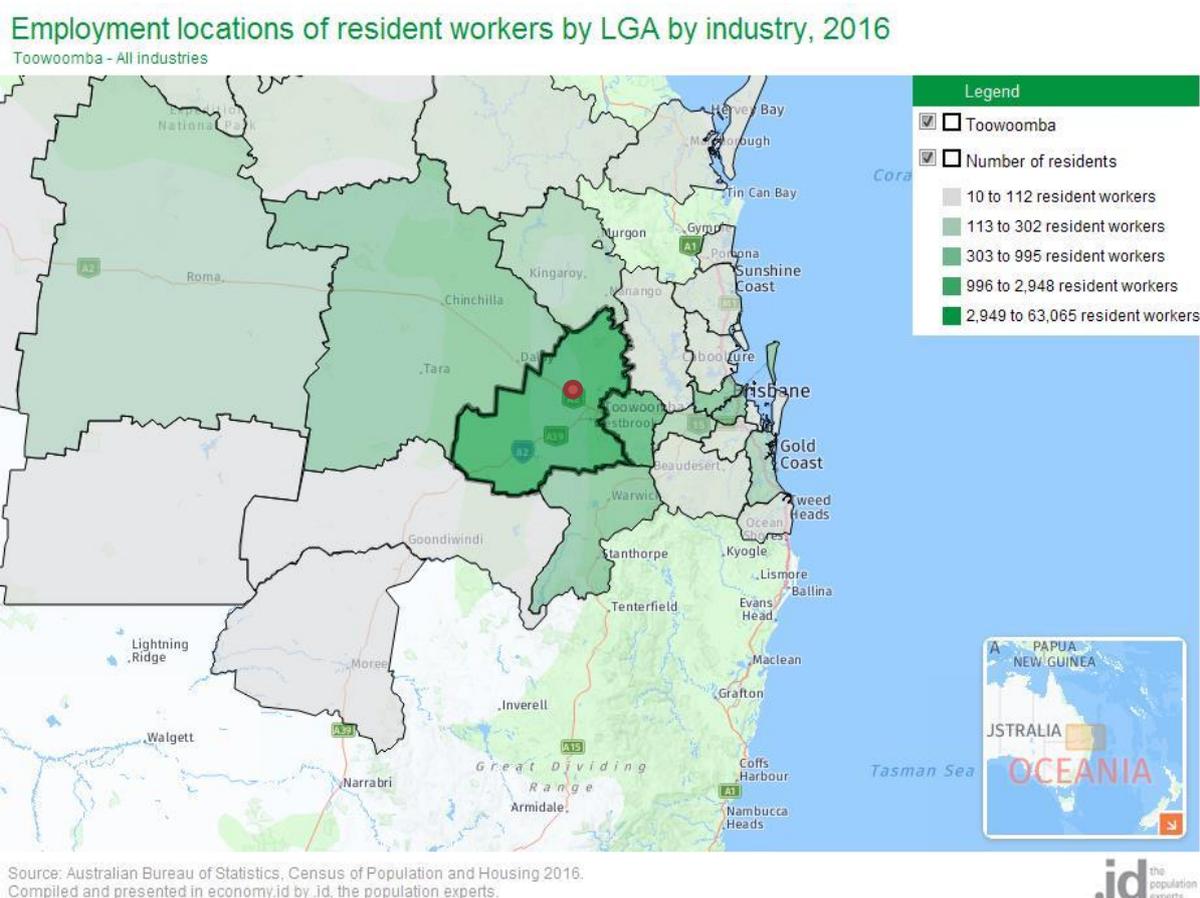
Assuming a project which seeks to employ local procurement practices is located in the Toowoomba Regional Council area, how the natural economic region for that project might be defined is illustrated in Figure 4, which shows the Toowoomba Regional Council LGA boundary in relation to where resident workers (Toowoomba residents) are employed.

In this case, the ‘natural economic region’ (Local Zone 1) could be considered to be all the darker shaded area in the Toowoomba Regional Council area as well as the area to the immediate west (in the Western Downs LGA) and the Lockyer Valley LGA to the immediate east. Although the map shows some Toowoomba residents work in the Southern Downs LGA to the south, this is only a very small number (just 300 workers or 0.4% of the Toowoomba LGA’s resident workers). Hence, Southern Downs is not regarded to be part of the project’s natural economic region.

There is no hard and fast rule as to what proportion of an area’s resident workers employed in neighbouring areas should be considered part of the natural economic region and in each case subjective judgement calls will need to be made.

The method presented herein is to be used as a guide only. Other factors will influence the geographic extent of the natural economic region and include such considerations as local / regional transport networks, geography and topography and its influence over journey to work and freight movements, land use planning considerations such as current and planned residential areas (including designated growth areas) and industrial land, the residential location of the existing workforce (for existing projects and infrastructure), anticipated future workforce locations, areas covered by Native Title, areas served by major infrastructure such as district / base hospitals, historical and socio-cultural connections across township, LGA and regional boundaries and economic connections through regional chambers of commerce and other industry linkages.

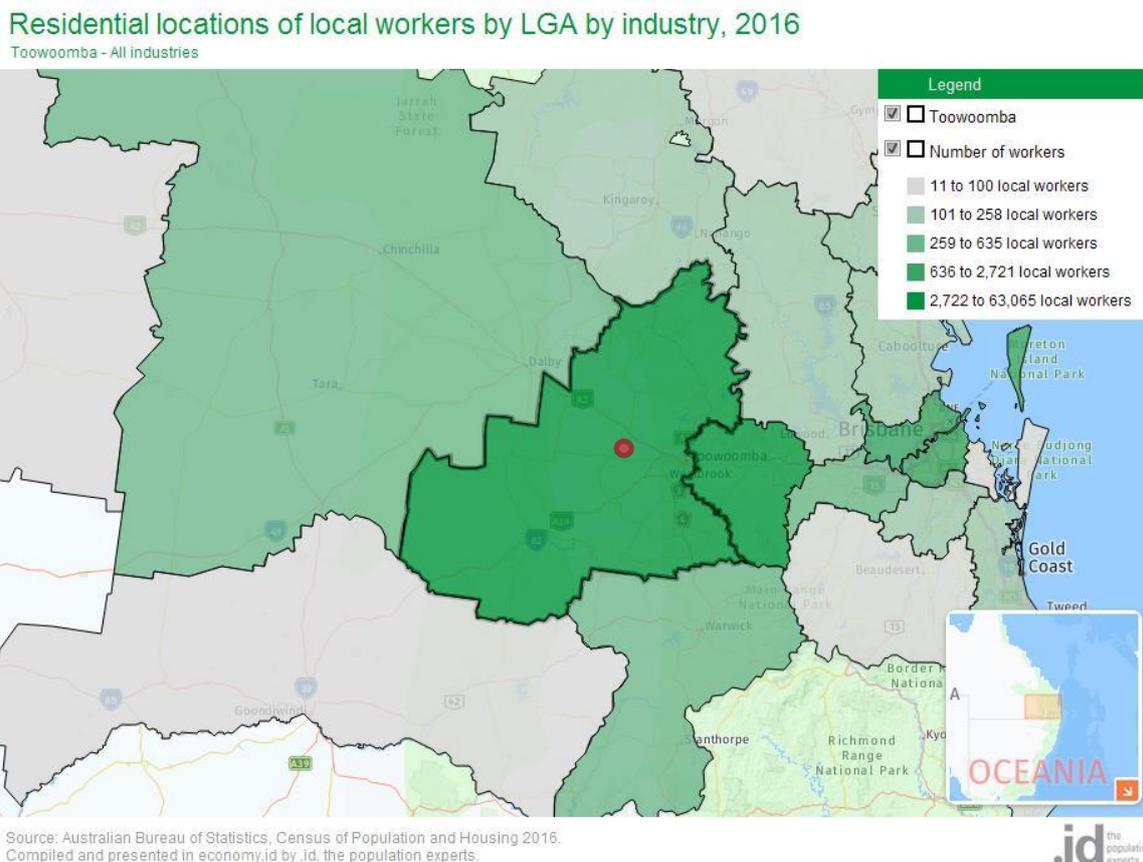
Figure 4. An Illustrative Example of a Natural Economic Region: Toowoomba - Employment Locations (Destination) of Resident Workers by LGA



Source: SC Lennon & Associates using <https://economy.id.com.au/toowoomba/residents-place-of-work-industry>

Figure 5 overleaf illustrates the origin of workers who have a job in the Toowoomba LGA. Perhaps not surprisingly, workers are travelling to work in Toowoomba from their homes within the local area (LGA) or from neighbouring LGAs. It shows that the movement of workers to jobs located in Toowoomba reinforces the definition of the natural economic region, as the majority of people who have a job in the Toowoomba LGA live in Toowoomba, followed by the neighbouring Lockyer Valley Regional Council area.

Figure 5. An Illustrative Example of a Natural Economic Region: Toowoomba - Residential Locations (Origin) of Workers in Toowoomba by LGA



Source: SC Lennon & Associates using <https://economy.id.com.au/toowoomba/workers-place-of-residence-industry>

With the exception of drive-in drive-out and fly-in fly-out regions, or regions that are within commuting distance of a major population centre (see for example, a small number of workers in Toowoomba travel from Brisbane), an assessment of journey to work patterns in both directions provides a robust means of defining the natural economic region.

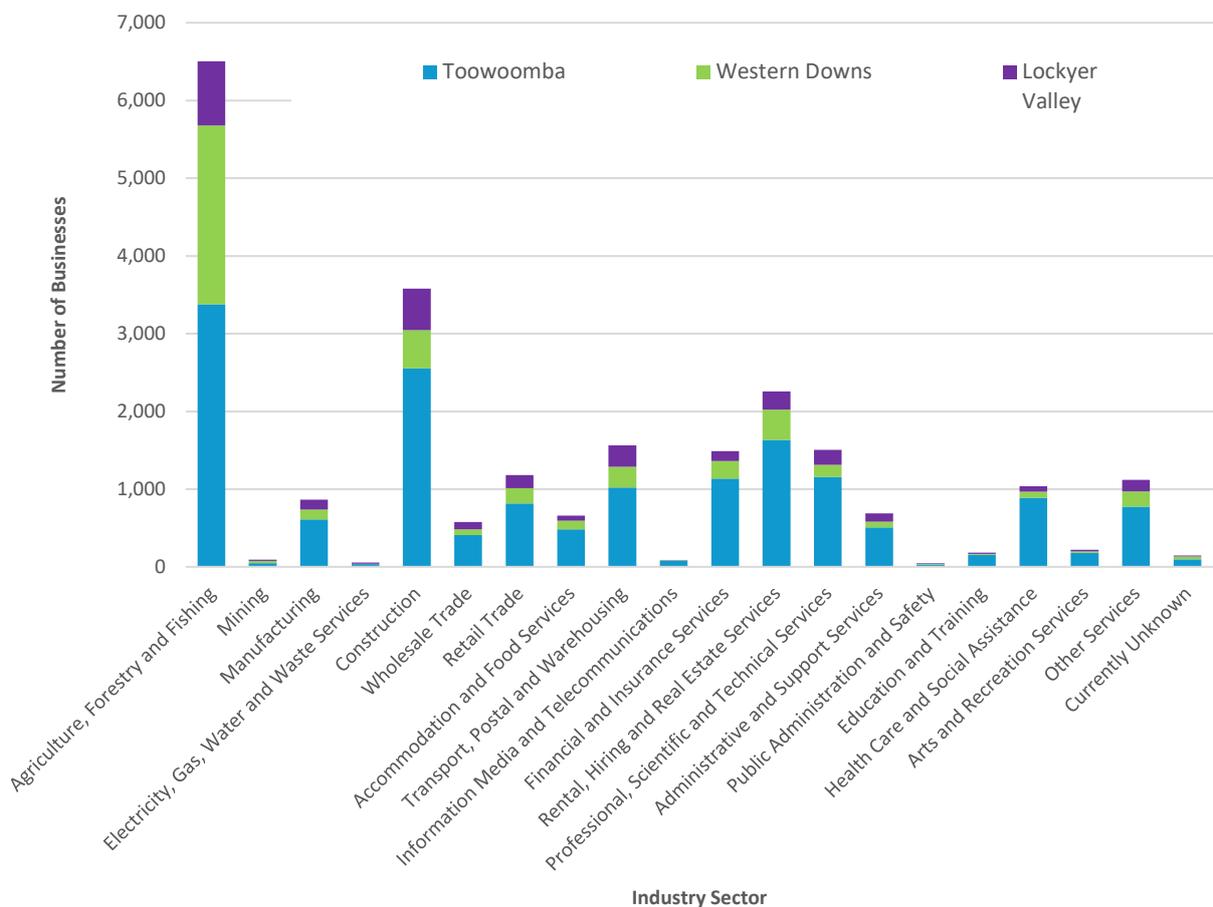
In other words, looking at movements of jobs into the local area concerned supports the argument that ‘local’ is more appropriately defined by an analysis of data on the local business and employment profile and how, through journey to work movements, these define a natural economic region or economic community of interest, as opposed to an arbitrary radial distance or an artificial LGA boundary.

Business Register data supports this region-specific method for defining ‘local’ as it provides a high-level indication of the ‘business capacity’ of the region (and the sub-regions / LGAs within it) by showing number of businesses by business size (jobs and turnover) by industry sector.

In other words, once a procurement officer, for example, has determined the natural economic region using the JTW data as described above, he/she can assess the potential capacity of business and industry in the ‘local’ area defined using the Business Register data to determine the likelihood of receiving expressions of interest from ‘local’ businesses in Zone 1, or if they may need to consider looking further afield to Zone 2 and beyond.

Figure 6 illustrates the business by industry profile of the defined natural economic region for a Toowoomba project as described above. It shows that the majority of businesses are located in the immediate (Toowoomba Regional Council) area. It also shows the significant number of businesses in neighbouring LGAs which are part of the natural economic region, including for example, agricultural operations in the Western Downs LGA and construction businesses in the Western Downs and Lockyer Valley LGAs.

Figure 6. Number of Businesses by Industry, Defined Natural Economic Region - Toowoomba RC, Western Downs RC and Lockyer Valley RC, June 2018



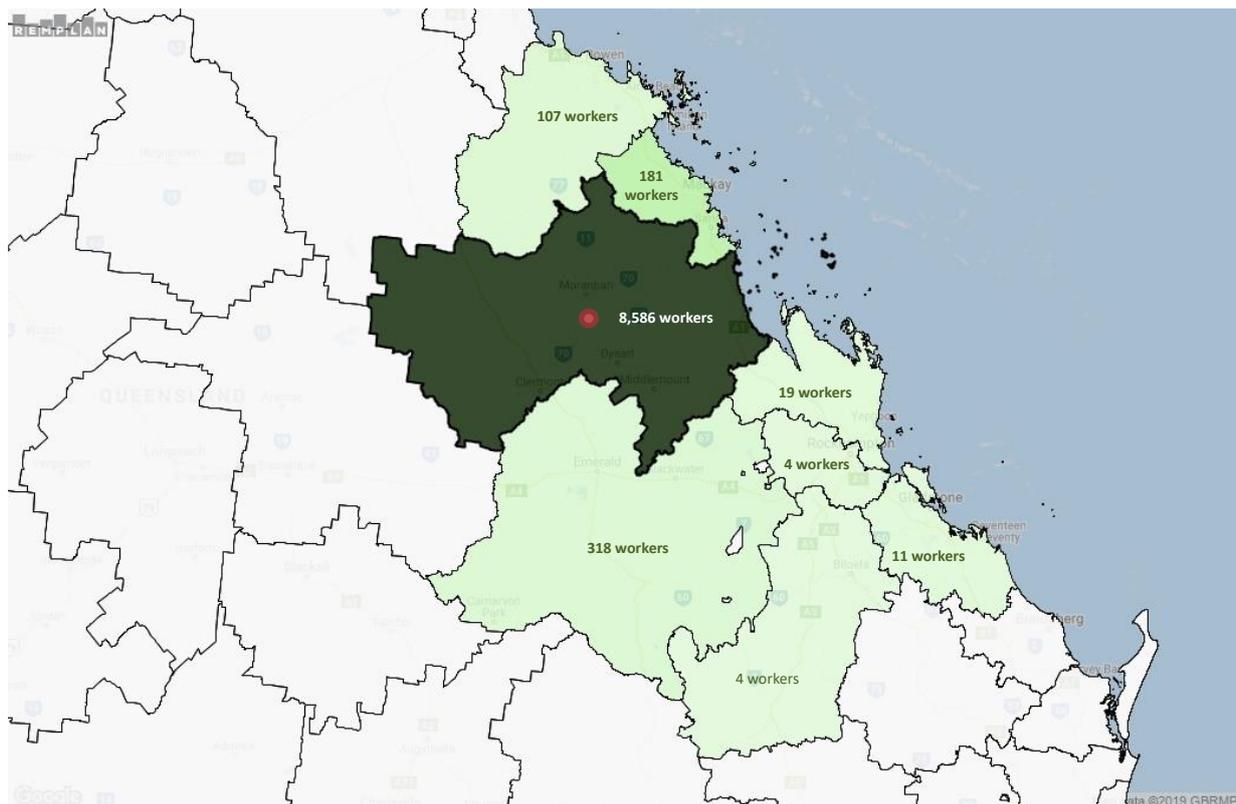
Source: SC Lennon & Associates using ABS Counts of Australian Businesses, including Entries and Exits, June 2014 to June 2018, cat. 8165.0

This information provides a starting point to assess potential business capacity (or otherwise) by industry sector in the local (Zone 1) area. In any local procurement exercise further investigations would need to be made to understand the exact nature and extent of local supplier capacity to meet a project’s specific needs. If, through further investigations, it is determined that local capacity may not meet procurement needs, this may point to the need to consider looking further afield to Zone 2 and beyond.

Example 2: Isaac Regional Council Area

Assuming a project which seeks to employ local procurement practices is located in the Isaac Regional Council area, how the natural economic region for that project might be defined is illustrated in Figure 7, which shows the Isaac Regional Council LGA boundary in relation to where resident workers (Isaac RC residents) are employed. (Unlike the economy.id mapping software, the REMPLAN maps show employment densities according to the shading on the map, with the number of Isaac residents working in each LGA labelled on the map).

Figure 7. An Illustrative Example of a Natural Economic Region: Isaac - Employment Locations (Destination) of Resident Workers by LGA



Source: SC Lennon & Associates using <https://www.economyprofile.com.au/isaac/industries/employment>

In this case, the ‘natural economic region’ (Local Zone 1) could be considered to be all the darker shaded area in the Isaac Regional Council area (where 8,586 Isaac Regional Council residents also work), as well as the area to the immediate south (in the Central Highlands LGA where 318 Isaac residents travel to work) and the Mackay and Whitsunday LGAs to the north where together, 289 Isaac Regional Council residents travel to work. As can be seen on the map, only a very small number residents from the Isaac LGA travel to work in Livingstone Shire to the immediate east (19 people), Rockhampton (4), Banana Shire to the south (4) and Gladstone (11 people).

Figure 8 overleaf illustrates the origin of workers who have a job in the Isaac LGA, whether they live in Isaac or elsewhere. Perhaps not surprisingly, a large number of people are travelling to work in the Isaac Regional Council area from their homes within the local area (LGA) or from neighbouring LGAs including the Mackay and Whitsunday Regional Council areas to the immediate north, Livingstone and Rockhampton to the east and Central Highlands to the immediate south.

The map shows that the movement of workers to jobs located in the Isaac RC area reinforces the definition of the natural economic region (being the Isaac, Central Highlands, Mackay and Whitsunday LGAs), as the majority of people who have a job in the Isaac LGA live in Isaac, followed by the neighbouring Mackay Regional Council area

(5,519 workers), then Central Highlands (877) and Whitsundays (696). The fly-in-fly-out and drive-in-drive-out nature of employment in the Isaac Regional Council area’s mining industry is reflected in the large number of workers also travelling into the area from Livingstone Shire (560 workers) and Rockhampton (597 workers) in the east.

Figure 8. An Illustrative Example of a Natural Economic Region: Isaac - Residential Locations (Origin) of Workers in Isaac by LGA



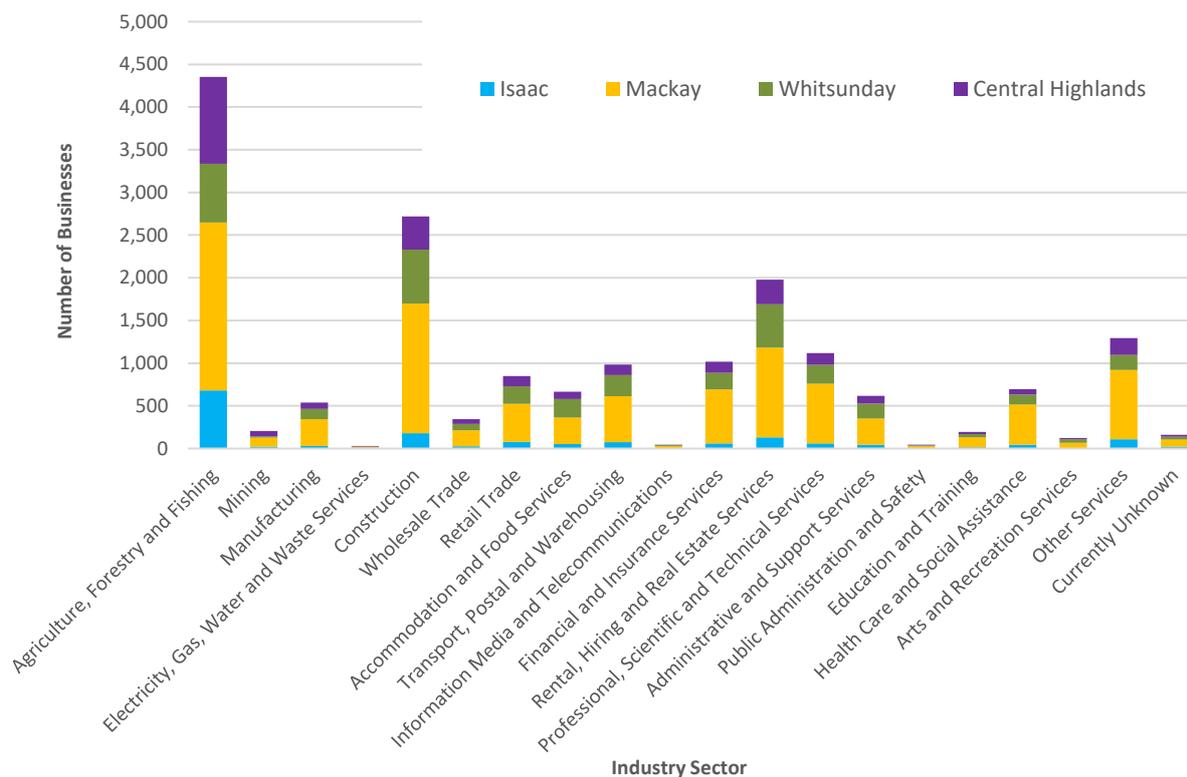
Source: SC Lennon & Associates using <https://www.economyprofile.com.au/isaac/industries/employment>

It is acknowledged that the Isaac Regional Council area also has a notable number of fly-in-fly-out workers travelling from as far afield as the Sunshine Coast (3% of people working in the Isaac RC area), Brisbane (3%), Townsville (2%) and the Gold Coast (2%). For drive-in-drive-out and fly-in-fly-out regions, measuring the natural economic region (Local Zone 1) by journey to work movements potentially complicates things (no matter which approach to defining local is used), but that could simply be acknowledged in those cases and more weight therefore placed on population densities to determine the geographic extent of each zone.

In the case of the Isaac Regional Council area, the significant number of workers moving between the Isaac, Central Highlands, Mackay and Whitsunday LGAs supports the conclusion drawn from the preceding analysis of journey to work movements in the other direction out of the Isaac LGA, that this is the most appropriately defined natural economic region for a project or activity located in the Isaac Regional Council area. While the significant number of people travelling into the area from the east could support a case for the Livingstone and Rockhampton LGAs to also be considered part of the Isaac RC area’s natural economic region, other factors also need to be considered. For example, the size, capacity and relative self-sufficiency of the greater Rockhampton regional economy may not warrant those areas being included as part of the Isaac RC area’s natural economic region.

Figure 9 illustrates the business by industry profile of the defined natural economic region for a project in the Isaac RC area. Not surprisingly, it shows that the majority of businesses are located in the neighbouring Mackay Regional Council area.

Figure 9. Number of Businesses by Industry, Defined Natural Economic Region - Isaac RC, Central Highlands RC, Mackay RC and Whitsunday RC, June 2018



Source: SC Lennon & Associates using ABS Counts of Australian Businesses, including Entries and Exits, June 2014 to June 2018, cat. 8165.0

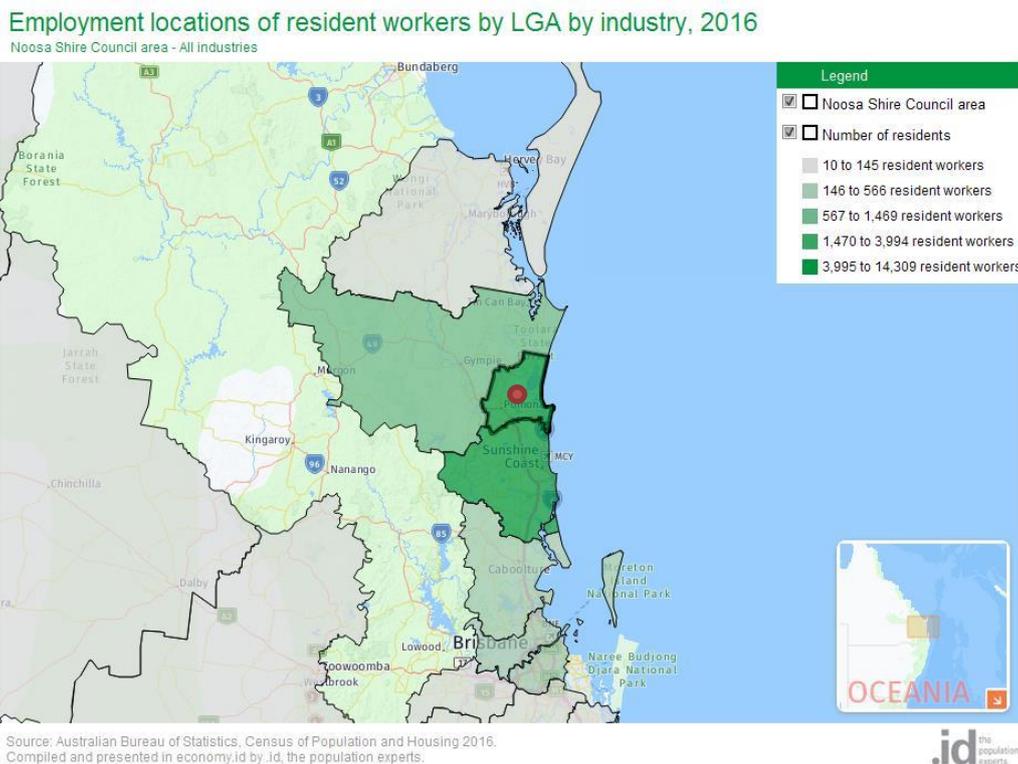
As explained for the previous example, this information from the ABS Business Register provides a starting point to assess potential business capacity (or otherwise) by industry sector in the local (Zone 1) area. In any local procurement exercise further investigations would need to be made to understand the exact nature and extent of local supplier capacity to meet a project’s specific needs. If, through further investigations, it is determined that local capacity may not meet procurement needs, this may point to the need to consider looking further afield to Zone 2 and beyond.

Example 3: Noosa Shire Council Area

Assuming a project which seeks to employ local procurement practices is located in the Noosa Shire Council area, how the natural economic region for that project might be defined is illustrated in Figure 10, which shows the Noosa LGA boundary in relation to where resident workers (Noosa Shire residents) are employed. In this case, the ‘natural economic region’ (Local Zone 1) could be considered to be all the darker shaded area in the Noosa Shire Council area (where 65% of residents work) as well as the area to the immediate south in the Sunshine Coast LGA, which includes Maroochydore and Caloundra and where 18% of Noosa’s employed residents work and the Gympie Regional Council LGA to the immediate north.

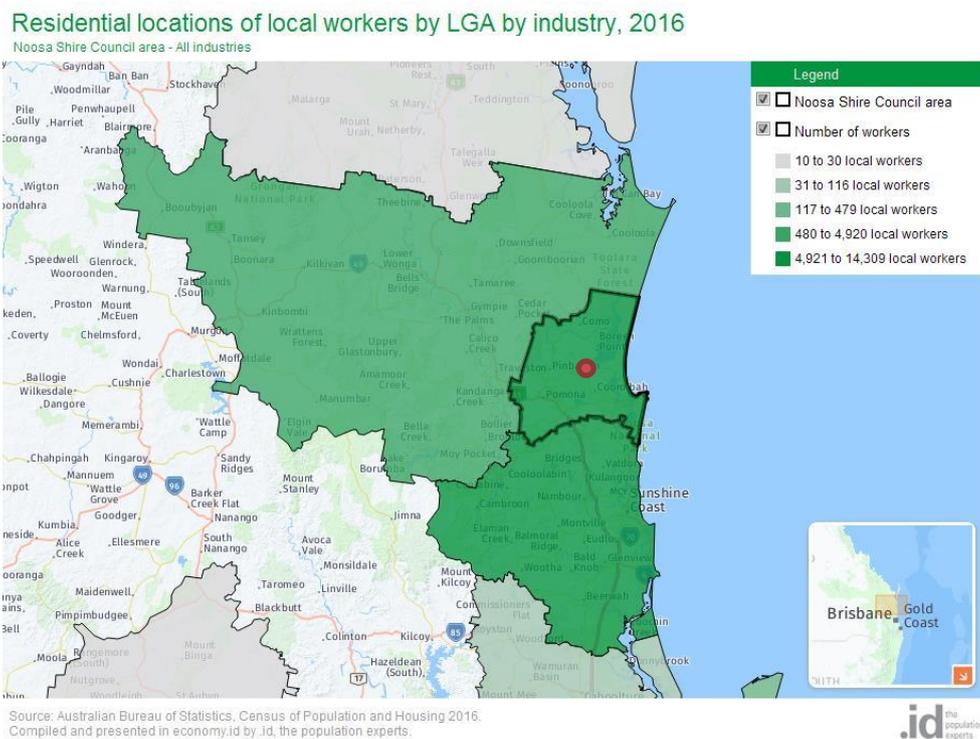
Figure 11 illustrates the origin of workers who have a job in the Noosa local government area. It shows that workers are travelling to work in the Noosa Shire Council area from their homes within the local area (LGA) or from the two neighbouring LGAs of the Sunshine Coast to the south and Gympie to the north. It shows that the movement of workers to jobs located in the Noosa Shire Council area reinforces the definition of the natural economic region (being the Noosa, Sunshine Coast and Gympie LGAs), as the large majority (70%) of people who have a job in the Noosa LGA live in Noosa, followed by the Sunshine Coast (25%) and then Gympie (2%).

Figure 10. An Illustrative Example of a Natural Economic Region: Noosa - Employment Locations (Destination) of Resident Workers by LGA



Source: SC Lennon & Associates using <https://economy.id.com.au/noosa/residents-place-of-work-industry>

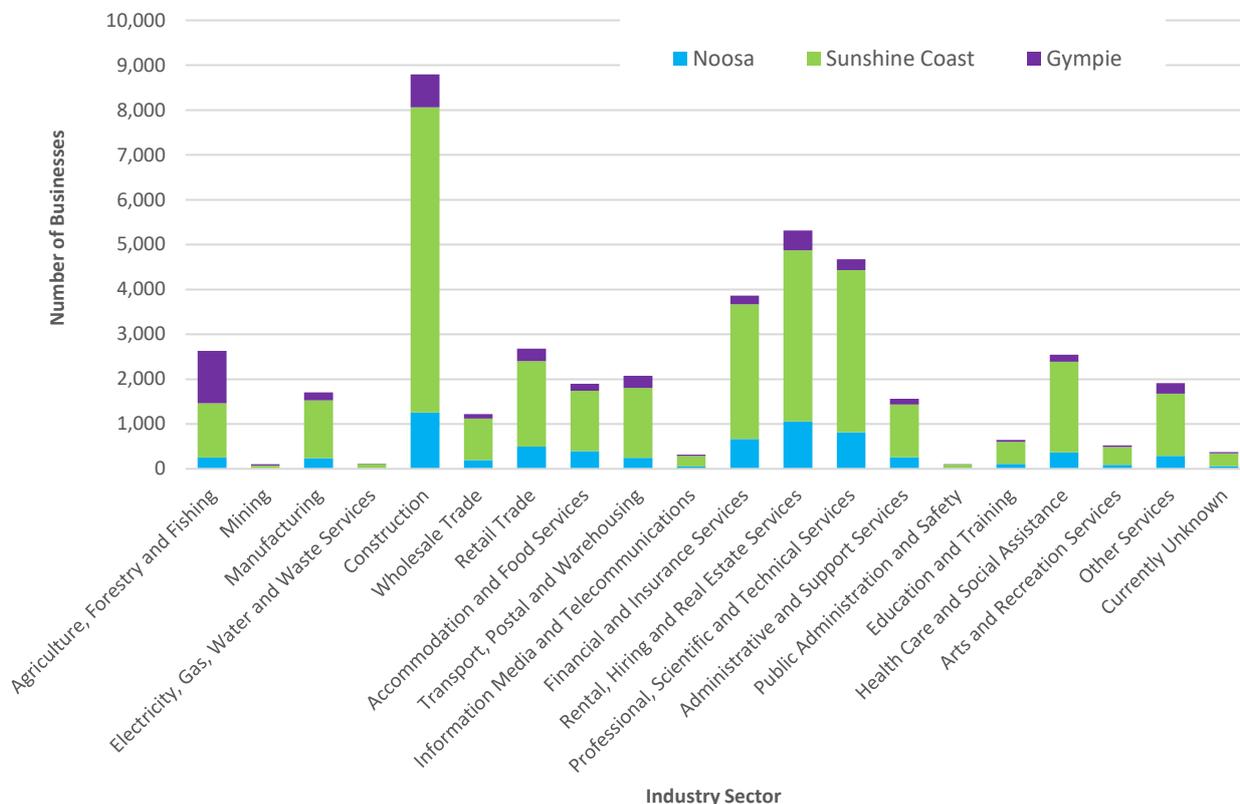
Figure 11. An Illustrative Example of a Natural Economic Region: Noosa - Residential Locations (Origin) of Workers in Noosa by LGA



Source: SC Lennon & Associates using <https://economy.id.com.au/noosa/workers-place-of-residence-industry>

Figure 12 illustrates the business by industry profile of the defined natural economic region for a project in the Noosa Shire LGA. Not surprisingly, it shows that the majority of businesses are located in the neighbouring Sunshine Coast LGA, particularly in the construction, manufacturing, retail and services sectors.

Figure 12. Number of Businesses by Industry, Defined Natural Economic Region – Noosa SC, Sunshine Coast RC and Gympie RC, June 2018



Source: SC Lennon & Associates using ABS Counts of Australian Businesses, including Entries and Exits, June 2014 to June 2018, cat. 8165.0

As explained earlier, in all three illustrative examples presented above, applying this methodology, the second tier local zone or ‘regional’ zone (Zone 2) would be defined by a radial distance but, like the WA Government’s procurement model, the geographic reach of the region concerned would be tailored in size / distance from the project, in that it would be smaller for more densely populated areas and larger for more sparsely populated areas.

Subsequent zones (say, Zones 3, 4, 5 and 6), would be defined as:

- The defined ‘region’ as used by the Queensland Government (i.e. South East Queensland, Darling Downs and South West, Wide Bay Burnett, Central Queensland, Mackay-Isaac-Whitsunday Region, North Queensland, North West Queensland and Far North Queensland);
- Remainder regional Queensland;
- Queensland as a whole; and then
- Australia and New Zealand.

3.3 Further Guiding Considerations and Concluding Comments

Determining ‘Local’ in a Geographic Context

Geographic determination of ‘local’ is the first step in developing a procurement policy that focuses on contributing to economic development through building stronger links between a project / operation and local supply chains. Proponents should be required to determine, and justify, a ‘local’ (Zone 1) geographic catchment that looks at the contextual relationship between a project or operation and adjacent or impacted communities.

The method proposed in this paper, using ABS journey to work data to determine a natural economic region, is one way to account for the contextual relationship between a project or operation and adjacent or impacted communities.

However, as demonstrated in the case study examples, illustrating / mapping the natural economic region / economic community of interest using the journey to work data is just a starting point, not a prescription for determining local. Other knowledge and information sources can be used and contribute to a more robust understanding of the contextual relationship between a project / operation and adjacent communities.

Such additional considerations could include, for example:

- Topography and natural features;
- The residential location(s) of the existing workforce (for existing projects and infrastructure);
- Anticipated future workforce locations;
- Scope and quality of regional and inter-regional transport and logistics infrastructure and its influence over journey to work and freight movements;
- Land use planning considerations such as current and planned residential areas (including designated growth areas), industrial land and areas covered by Native Title;
- Areas served by major infrastructure such as district / base hospitals or other major facilities;
- Historical and socio-cultural connections across township, LGA and regional boundaries;
- The size and capacity of economies in neighbouring or nearby localities (if large and relatively self-sufficient, they may not warrant being included as part of the natural economic region of the area concerned); and
- Industry / economic connections defined by the presence and membership base of regional organisations or bodies (e.g. Regional Organisations of Councils (ROCs), Regional Development Australia Committee regions (RDAs), chambers of commerce, business associations and other industry linkages).

Regardless of the method and data sources used, a reasonable, evidenced based argument and justification should be an underpinning principle for the geographic determination of ‘local’.

Defining a ‘Local Business’

In addition to setting geographic boundaries, proponents should set further parameters for what constitutes a ‘local business’. Ownership is not the critical factor in determining whether or not a business is local, rather, the key question to ask is whether a business contributes to building local economic capacity. A definition of a ‘local business’ could therefore be considered to include:

- (i) Those businesses which have a significant physical presence in the local area and businesses or projects where the majority of the workforce resides in the defined local area; and
- (ii) Those businesses or contractors who are not owned locally but who provide goods, services and/or labour that are primarily produced or supplied within the local area.

A range of further eligibility criteria as proof of ‘localness’ may be considered. For example:

- Permanence (a history of operating in the local area).
- ‘Substantiveness’ or primacy - the work conducted by a local business must substantively contribute to the enterprise’s primary business purpose and not be an auxiliary function such as HR, for example.
- Percentage of local ownership.
- The proportion of local contractors and suppliers used.
- Small business definitions such as employee numbers and business turnover caps.

Other tools to support local preferencing can also be considered.

Other Tools to Support Local Preferencing

In addition to adopting various combinations of geographic, ownership and input based definitions (as outlined above), proponents may also consider a range of additional criteria to assist in the preferencing of local businesses in tender and purchasing arrangements.

Examples of other policy levers to further encourage and advantage local businesses include:

- **Local content weightings** - For example, when a Council issues tenders and receives quotes from non-local businesses, preferential factors can be applied to local businesses on a sliding percentage scale.
- **Percentage based pricing advantages** - For example, a Council or major project proponent can offer percentage preference weighting to small, independent businesses (say 10% or 15%), and give all other local businesses a smaller preference weighting of say, up to 5%, depending on the size of the contract.
- **Local content targets** - This approach involves setting goals for how much business will be sourced from registered, certified local firms / subcontractors.
- **Contract disaggregation** - This approach is designed to ensure that purchasing documentation does not disadvantage or exclude local businesses from competing successfully by disaggregating procurements so that smaller businesses can compete more effectively.
- **Capacity-building for potential suppliers** - Capacity-building initiatives focused on helping smaller local businesses to engage with project tender and procurement processes is often critical in enabling successful local content outcomes. Programs can include support for pre-qualification and navigating complex procurement processes. Experience shows that by working with businesses to improve their capacity, this enables them to tender not only directly with a project in question, but also with other projects and companies in the area, potentially improving regional economic development outcomes.
- **Preferencing Indigenous businesses** - This approach gives preference to local and regional Indigenous businesses that meet all other contract performance criteria.
- **Social Procurement** - Here, businesses supporting equity target groups receive a bid preference / weighting. Preference would be directed to, for example, employment of women, people with a disability, Aboriginal and Torres Strait Islander People and the long-term unemployed.

4. Conclusion and Recommendations

The research and analysis, which has been undertaken to define ‘local’ in the context of a leading practice in local content and supply chain development to maximise opportunities for economic development in Queensland’s regions, informs the following concluding points:

- In the context of policies and strategies designed to promote and enable prosperity in Queensland’s regions, ‘regional’ economic development is synonymous with enhancing ‘local’ capacity, and can best be described as the involvement of people in employment, business, asset and wealth creation in the communities and regions where they live.
- Regional economic development is an important government policy objective and throughout Australia, both industry and governments are increasingly developing local content policies and engaging procurement processes to bring about positive regional economic development outcomes.
- Local content policies, programs and models of procurement are an important regional policy tool to help establish and grow local supply chains and to develop regional economies for the benefit of industry, the local workforce and the community more broadly.
- Building local business capability and capacity is a key input driving positive regional development outcomes. By focussing effort on building business (supply chain) capacity as part of a local procurement policy, governments and businesses are contributing to a virtuous cycle of regional economic development.
- A key consideration for governments and businesses that pursue local content policies and programs, therefore, is to clearly define and articulate what is meant by ‘local’.
- A range of parameters are typically used to define local and include: (1) geography-based, for example, businesses (typically SMEs) within a specified radius surrounding an operation or within a specified geographic location; (2) ownership-based, for example, a certain percentage of employees are local; and (3) input-based, for example, the bulk of inputs into a product are locally made.
- The various models considered display strengths and limitations in how to define, articulate and consistently apply a definition of ‘local’ for the purposes of procurement policies which seek to support positive regional economic development outcomes. For example:
 - The Queensland Government’s Local Procurement Strategy uses a zone-based model, and this is often cited as offering a good definition of ‘local’ that should be applied by industry and governments at all levels to ensure local procurement can be meaningfully measured. However, the Queensland Government’s definition uses an arbitrary (125km) radius without allowing for regional nuances such as differences in population densities and local business numbers or capacity. Applying this definition homogeneously across Australia would yield very different results for local procurement outcomes, most notably in relation to mining operations and major infrastructure construction projects in Australia’s more remote locations.
 - The Western Australian Government uses a similar zone-based approach to the Queensland model but rather than defining ‘local’ in relation to a fixed project radius, the whole of the state of Western Australia is divided into three zones with the definition of local changing to reflect increasing remoteness and therefore, greater distances from the point of delivery of goods and services. This provides for greater

flexibility in determining the geographic reach of the ‘local’ area based on population densities and **local business capabilities and capacities**.

- The North Queensland Stadium construction project, which is part of the Townsville City Deal, has introduced another indicator of ‘localness’ which is that the supplier has to have not only a shopfront in the identified local area, but also a history of trading from there. This adds value to local content policy by helping to prevent larger non-local companies from simply setting up shop for a particular project to qualify as local for contracting purposes.
- Similarly, in defining a significant local presence, BHP applies criteria including location and permanence (a history of operating in the local area) as well as ‘substantiveness’, in other words, the work conducted by a local business must substantively contribute to the enterprise’s primary business purpose and not be an auxiliary function such as HR for example.
- Of the policies and programs reviewed, those that provide the strongest and most robust definitions of ‘local’ are the ones that look at the contextual relationship between a project or operation and adjacent or impacted communities.
- Many of the policies and strategies reviewed define ‘local’ according to the boundaries of the local government authority concerned (whether for the purposes of Council procurement or the location of a major mining or construction project) or a collective of LGAs. For local government procurement, this approach can provide a clearer nexus between the operation of the Council (as the local government authority) as the location of the city’s or shire’s ‘local’ businesses, as opposed to arbitrary concentric distances from the LGA’s geographic centre.
- Despite the well-intentioned efforts of governments across jurisdictions to facilitate and promote regional economic development, local and regional economies do not operate along or within artificial geographic boundaries such as local government areas or the defined areas of regional development organisations. An alternative and better-practice model might be one which adopts the Queensland Government’s procurement policy but with some modifications.
- **Zone 1** (the natural economic region) is region-specific and defined on a case-by-case basis. The geographic reach / size of the local area (Zone 1) is defined by the resident working population’s journey to work movements. This approach defines ‘local’ by firstly considering where the usual place of employment of the resident workforce is. The resident workforce is defined according to the city, town or LGA that the project proposal is located in, or in the case of local government procurement, it is defined by the working population that resides within that Council’s LGA boundaries.
- To fully appreciate the extent of a natural economic region, journey to work data can also be used to show the origin of workers who hold a job in the local area concerned. Journey to work (workers) data shows the journey to work movements in the other direction to that described above, that is, it shows, for any geographic area concerned, such as a local government area, where local workers (those employed in the local area) travel from and how far they are travelling to access employment in that location. This shows the degree to which the local economy draws on the wider region to supply labour for its industries.
- It is considered that, for any given area, assessing journey to work movements in both directions (to and from the local area concerned) provides a robust means of defining a project’s or location’s natural economic region or what could also be described as the economic community of interest. This is because, when

mapped, the data typically reveals that in both directions, workers are moving within a relatively self-contained area.

- The extent of this geographic reach, in both directions, represents the natural economic region within which people travel to and from work for various businesses and other employers across a diversity of sectors. For companies that operate on multiple work fronts, this methodology would be applied to each project separately, thereby defining the natural economic region / ‘local’ area for each project separately.
- The second tier local zone or ‘regional’ zone (**Zone 2**) would be defined by a radial distance with the geographic reach of the region concerned tailored in size / distance from the project, so that it would be smaller for more densely populated areas and larger for more sparsely populated areas.
- Subsequent zones (Zones 3, 4, 5 and 6), would be defined as:
 - **Zone 3:** The defined ‘wider region’, as used by the Queensland Government (i.e. South East Queensland; Darling Downs and South West; Wide Bay Burnett; Central Queensland; the Mackay-Isaac-Whitsunday Region; North Queensland; North West Queensland; and Far North Queensland (which includes the Torres Strait Region));
 - **Zone 4:** Remainder regional Queensland;
 - **Zone 5:** Queensland as a whole; and then
 - **Zone 6:** Australia and New Zealand.
- Having a clear and consistent means for defining a ‘local’ area aids in articulating what qualifies as a ‘**local business**’ for the purpose of local procurement policy-making. As has been shown, a number of procurement policies and strategies place emphasis on a ‘local’ business having an established and significant local physical presence as the overriding criteria.
- However, there is merit in supporting those businesses which do not necessarily have local ownership, but which nonetheless make a meaningful contribution to local economic activity and employment through the strength and depth of local supply chains.
- A significant contribution to economic activity could therefore be considered to include:
 - i. Those businesses which have a significant physical presence in the local area and businesses or projects where the majority of the workforce resides in the defined local area; and
 - ii. Those businesses or contractors who are not owned locally but who provide goods, services or labour that are primarily produced or supplied within the local area.
- This approach recognises the importance of local supply chains in building local business capacity.
- While strong, consistent definitions of ‘local’ and ‘local business’ is critical, the review of procurement policies and programs has highlights that a broader policy effort is required to achieve genuine local content outcomes (and positive regional development outcomes) for communities.
- The use of a local content policy alone does not automatically ensure a positive social and economic impact for local businesses and the community, and broader strategic design considerations, including a mix of complementary policy tools, are ultimately required to maximise positive regional development outcomes.

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Appendix A – Summary of Selected Local Content Policies and Programs

Australian Examples

Policy or Program Source	Definition of ‘Local’ / Local Content	Local Procurement Model	Comments
<p>Queensland Government, <i>Strong and Sustainable Resource Communities Act, 2017</i></p>	<p>The <i>Strong and Sustainable Resource Communities Act, 2017</i> (The Act) defines ‘local’ as a nearby regional community. For a large resource project, this means a town, the name of which is published on the Department’s website under section 13:</p> <p>a) any part of which is within:</p> <p>(i) a 125km radius of the main access to the project; or</p> <p>(ii) a greater or lesser radius decided by the Coordinator-General and notified in writing by the Coordinator-General to the owner of the project; and</p> <p>b) that has a population of more than:</p> <p>(i) 200 people; or</p> <p>(ii) a smaller population decided by the Coordinator-General and notified in writing by the Coordinator-General to the owner of the project.</p>	<p>In defining ‘local’ as a nearby regional community using relatively broad criteria, the Coordinator General’s Office is afforded discretion in what is considered local according to circumstance.</p>	<ul style="list-style-type: none"> • The focus of the <i>Strong and Sustainable Resource Communities Act, 2017</i> is on: <ul style="list-style-type: none"> ➤ Employment creation / workforce development; and ➤ Large resource projects. • The Coordinator General’s Office is afforded a degree of discretion in defining a local / nearby regional community on a case-by-case basis.

Policy or Program Source	Definition of ‘Local’ / Local Content	Local Procurement Model	Comments
<p>Queensland Government, <i>Backing Queensland Jobs – Queensland Government Procurement Strategy (2017)</i></p>	<p>The Queensland Government’s procurement strategy proposes four new levels of ‘local’, which sits under the existing Commonwealth definition of ‘Australia and New Zealand’ as set out under the Australian Industry Participation National Framework.</p> <p>The four local zones are:</p> <ul style="list-style-type: none"> • Local Zone 1 – the vicinity of the mine – includes suppliers within a 125km radius of the place where goods and services are to be supplied; • Local Zone 2 – the local region; • Local Zone 3 – the State; and • Local Zone 4 – Australia. 	<p>The Queensland Government’s procurement policy puts the creation of Queensland jobs as a first priority. It looks to use government funds to prioritise Queensland businesses, support local jobs in regional Queensland and achieve more positive outcomes on behalf of taxpayers.</p> <p>A zone-based model, it prioritises ‘local’ suppliers (Zone 1) then defaults to subsequent zones if a local supplier cannot be found.</p> <p>For example, if a supplier cannot be found within Zone 1, then suppliers within the ‘local region’ (Zone 2) should be considered; if suppliers cannot be found within Zone 1 or Zone 2, then suppliers within all of the State will be considered, and so on.</p>	<p>The Queensland Government’s zone-based model articulates a logical prioritisation of zones from local to national, consistent with its stated objective to <i>“prioritise Queensland businesses, support local jobs in regional Queensland and achieve more positive outcomes on behalf of taxpayers”</i>.</p> <p>However, the definition of ‘local’ (Zone 1) uses an arbitrary (125km) radius without allowing for regional nuances such as differences in population densities and local business numbers or capacity.</p>

Policy or Program Source	Definition of ‘Local’ / Local Content	Local Procurement Model	Comments
<p>City of Gold Coast ‘Buy Local’ Procurement Policy</p>	<p>The City of Gold Coast ‘Buy Local’ Procurement Policy defines a local content hierarchy for the City as follows:</p> <ol style="list-style-type: none"> 1. Gold Coast business (that has its head office on the Gold Coast). 2. Branch office on the Gold Coast directly employing a minimum of 10 full-time equivalents (FTEs) . 3. Branch office on the Gold Coast, established for a minimum of six months, directly employing less than 10 FTEs . 4. Adjacent local government (Logan, Scenic Rim, Redland or Tweed Shire) business. 5. Queensland business. 6. Interstate business. 7. Overseas business. 	<p>The City of Gold Coast ensures that local procurement recognises and factors local supply in determining the winning offer through application of the ‘Buy Local’ preferential factors, local content weightings and local pricing advantage:</p> <ul style="list-style-type: none"> • For contracts worth less than \$250,000, the City will only seek quotes from local businesses in the first instance or for contracts worth more than \$250,000 the City will invite public tenders. • Only when the local business cannot supply, are deemed not capable, or do not provide value for money, can suppliers from outside of the Gold Coast area be invited to quote and the ‘Buy Local’ preferential factors are then applied. • When quotes/tenders are issued and /or received from a non-Gold Coast business, preferential factors are applied to local businesses (only), at the next stage of the tender process. • Where a local business is the best priced then that business is awarded the contract. The local pricing advantage is applied only to a Gold Coast business or a business with a branch office employing a minimum of 10 full-time staff. 	<p>The City of Gold Coast ‘Buy Local’ procurement policy places emphasis on ‘local’ according to the City’s and adjacent local government boundaries as priority zones (in that order). ‘Local’ therefore, is defined in large part by LGA boundaries. This is not an uncommon practice for local government authorities.</p> <p>Defining local according to LGA boundaries arguably provides a clearer nexus between the operation of Council (as the local government authority) as the location of Gold Coast City businesses, as opposed to arbitrary concentric distances from the city’s geographic centre.</p> <p>Gold Coast City Council’s ‘Buy Local’ procurement policy also places some emphasis (for branch offices with fewer than 10 FTE staff) on the length of time those businesses have been operating from a location in the Gold Coast City Council area.</p>
	<p>Note: The local pricing advantage is applied only to a Gold Coast business or a business with a branch office employing a minimum of 10 full-time staff (as described in 1. and 2. above).</p>		

Policy or Program Source	Definition of ‘Local’ / Local Content	Local Procurement Model	Comments
<p>Western Australia Local Content in Government Procurement Audit Report 25 (December 2017)</p>	<p>The Western Australia Government’s Buy Local Policy defines local content as the proportion of the contract that is undertaken locally in Western Australia (WA) and includes:</p> <ul style="list-style-type: none"> • the source of goods, materials and services; and • the degree to which local suppliers and subcontractors are used. <p>The Policy applies a system of zones to determine whether a business or content is local:</p> <ul style="list-style-type: none"> • Zone 1 is the Perth Region. • Zone 2 is the Wheatbelt, Peel, South West and Great Southern. In Zone 2, ‘local’ means within 200 kilometres of the point of delivery. • Zone 3 is the rest of the State. In Zone 3, ‘local’ means within 400 kilometres of the point of delivery. <p>Local businesses are those that have local office addresses within these zones that are not just postal addresses, regardless of whether they have offices elsewhere.</p> <p>If there is little or no local content offered within these distances, then ‘local content’ means content from within WA, and if not within WA then within Australia.</p>	<p>Tenders are adjusted with a formula that weights local content in the assessment.</p> <p>The system also applies price preferences for regional content and regional businesses and imposes additional costs on imported content. These adjustments are used to compare tender bids only and have no effect on the amount actually paid.</p>	<p>The audit report itself concludes that agency monitoring and reporting of local content in government procurement is not adequate for them to be able to demonstrate whether their contracts are creating employment and sustaining business activity. The lack of clear responsibility for policy oversight, monitoring and compliance reporting, makes assessing its effectiveness more difficult.</p> <p>The Policy helps regional businesses compete for regional contracts against metropolitan suppliers but does little to help WA companies win contracts against interstate and international competition. This is because constitutional protections of interstate trade and some free trade agreements override it.</p> <p>Although agencies seek to, and largely do, comply with the Policy, a lack of clarity in the Policy itself, and a lack of guidance in how to apply it in some circumstances, leads to mistakes and inconsistencies. The way the Policy determines if a business is ‘local’ is so broad that companies can qualify as local despite being geographically distant. There is little monitoring of, and no effective consequences for, companies failing to meet their local content tender commitments. This means using the Policy does not automatically ensure a positive impact for the local community.</p>

Policy or Program Source	Definition of ‘Local’ / Local Content	Local Procurement Model	Comments
<p>WA Government – Building Local Industry Policy</p>	<p>The WA Government’s Building Local Industry Policy focuses on Western Australian businesses.</p>	<p>A Local Content Unit has been established within the WA Department of Commerce to oversee and drive the government’s approach to promoting local industry participation.</p> <p>Through the Minister, the unit will report annually on its achievements in relation to increased local content and job opportunities.</p>	<p>The unit works in a cooperative relationship with developers, local industry, other government agencies and the ICNWA to maximise opportunities for Western Australian industry.</p>
<p>South Australian Industry Participation Policy March 2018</p>	<p>No definition for ‘local’ provided.</p>		<p>The Policy operates within the context of relevant national and international agreements and procurement policies to which Australia is a signatory, including free trade agreements and the Australia and New Zealand Government Procurement Agreement (ANZGPA).</p> <p>Consistent with these agreements, the Policy does not mandate local content levels or provide unfair price preferences for local suppliers. It is a policy that focuses on capital investment, labour, supply chain opportunities and the associated economic contribution to the State of South Australia.</p>

Policy or Program Source	Definition of ‘Local’ / Local Content	Local Procurement Model	Comments
<p>Tasmanian Government – Buy Local Policy: A Guide For Government Agencies</p>	<p>A Tasmanian business is defined as “a business operating in Tasmania that has a permanent office or presence in Tasmania and which employs Tasmanian workers”.</p>	<p>In summary, the Policy requires agencies to:</p> <ul style="list-style-type: none"> • Undertake an assessment of the impact of the procurement on local suppliers (Treasurer’s Instructions 1119 and 1225); • Approach Tasmanian businesses for a quote or tender, where local capability exists (Treasurer’s Instructions 1106, 1107, 1206 and 1207); • Disaggregate substantial procurement opportunities (Treasurer’s Instructions 1119 and 1225); • Adopt a local benefits test for all procurements with a value of \$50 000 or more (Treasurer’s Instructions 1119 and 1225); and • Ensure that, for high value procurements, a Tasmanian Industry Participation Plan is prepared (Treasurer’s Instructions 1119 and 1225). <p>For procurements valued at \$250,000 or more, agencies must seek at least two tenders from Tasmanian businesses, where local capability exists.</p>	<p>The policy includes tips for Government buyers in supporting local business. The guidance supports a proactive approach to reaching out to and supporting local business. For example, Government buyers should:</p> <ul style="list-style-type: none"> • Actively seek bids from all capable local businesses, particularly from those that have previously requested the opportunity to compete for agency business; • Ensure that purchasing documentation does not disadvantage or exclude local businesses from competing successfully including considering disaggregation of procurements so smaller businesses can compete more effectively; • Send RFT documentation directly to identified local businesses at the time a tender is advertised; and • Encourage and create good relationships with local businesses and industry bodies.

Policy or Program Source	Definition of ‘Local’ / Local Content	Local Procurement Model	Comments
<p>NSW Government Small and Medium Enterprise and Regional Procurement Policy</p>	<p>No explicit definition of Local</p>	<p>The NSW Government policy is designed to increase participation of SMEs and regional businesses in government procurement of goods and services, excluding construction procurement, through a range of initiatives, including:</p> <ul style="list-style-type: none"> • Giving SMEs a voice through a new feedback tool; • Making it easier to buy from small businesses for values up to \$50,000; • Making it easier to buy from SMEs for values up to \$250,000; • Making it easier to engage SMEs to do proof-of-concept testing or outcome-based trials valued up to \$1,000,000; and • Considering SME participation in all procurements valued above \$3 million through a new evaluation criteria. 	

Policy or Program Source	Definition of ‘Local’ / Local Content	Local Procurement Model	Comments
<p>Victorian Government – Creating Opportunities for Local Businesses - Local Jobs First</p>	<p>Local - ‘The term ‘local’ means all suppliers producing Victorian, Australian or New Zealand goods or services or when they have added value to imported items.</p> <p>Local Content - The term ‘local content’ covers all suppliers producing Australian or New Zealand (ANZ) goods or services or when they have added value to imported items. Under Section 3(1) of the <i>Local Jobs First Act 2003</i>, local content means goods that are produced by local industry, or services that are supplied by local industry or construction activities carried out by local industry.</p> <p>Local Industry - Under Section 3(1) of the <i>Local Jobs First Act 2003</i>, local industry means industry and other businesses based in Australia or New Zealand.</p>	<p>The policy must be applied by all Victorian Government departments and agencies for any type of project with a value of:</p> <ul style="list-style-type: none"> • \$1 million or more in regional Victoria, or • \$3 million or more in metropolitan Melbourne or for state-wide activities. <p>Local Jobs First may also be voluntarily applied by government departments or agencies to projects below the \$1 million or \$3 million thresholds.</p>	<p>The <i>Local Jobs First Act 2003</i> also establishes a Local Jobs First Commissioner who will balance advocacy, facilitation and compliance functions, working closely with industry and departments to create opportunities for small and medium sized businesses on government projects.</p>

Policy or Program Source	Definition of ‘Local’ / Local Content	Local Procurement Model	Comments
<p>City of Ballarat Ballarat Industry Participation Program</p>	<p>Local Content is defined as labour, materials, plant and supervision which are sourced from within the following municipalities:</p> <ul style="list-style-type: none"> • Ararat Rural City Council; • Ballarat City Council; • Golden Plains Shire Council; • Hepburn Shire Council; • Moorabool Shire Council; and • Pyrenees Shire Council. 	<p>Ballarat City Council is committed to buying from local businesses where such purchases may be justified on ‘best value for money’ grounds. Wherever practicable, Council will fully examine the benefits available through purchasing goods, services or works from suppliers/contractors within the Ballarat region. Council will also seek from prospective suppliers/contractors where applicable what economic contribution they will make to the Ballarat region. All quotes should allow a ten percent (10%) evaluation allowance for local businesses.</p> <p>Purchases \$25,000 to \$124,999: Council will endeavour to obtain a minimum of one of the three quotes for purchases between \$25,000 and \$124,999 from a local supplier. In the event that this is not possible, the purchasing officer will advise Council’s Economic Development Unit so that supply gaps can be tracked and matched with future business opportunities.</p> <p>Purchases over\$125,000: For purchases \$125,000 and above, Council requires that a public tender process is undertaken. All ‘Request for Tender’ documents must include a Local Content Statement. This allows tenderers to accurately calculate the local content of their tender. The Tender Evaluation Criteria Matrix will include a mandatory weighting of ten (10) percent for local content.</p>	<p>The City’s procurement policy has a strong social dimension. The City of Ballarat supports social procurement when engaging local suppliers, contractors and/or service providers and would seek Ministerial Exemption when the required works provide value for money to Council and would be advantageous to any of the following:</p> <ul style="list-style-type: none"> • Employment of disadvantage groups; • Employment of Apprentices; • Employment of recognised Youth Traineeships; • Employment of youth labour; and • Benefits to local community.

Policy or Program Source	Definition of ‘Local’ / Local Content	Local Procurement Model	Comments
<p>Canberra Region Local Industry Participation Policy</p>	<p>‘Local’ means located within the Canberra Region, recognising constraints on application arising from the Territory’s participation in inter-jurisdictional procurement and trade agreements.</p> <p>The Policy applies to the Canberra Region, the area comprising the Australian Capital Territory and the NSW Member Councils including Bega Valley, Eurododalla, Goulburn-Mulwaree, Hilltops, Quanbeyan-Palerang, Snowy Monaro, Upper Lachlan and Yass Valley.</p>	<p>Under the Local Industry Participation Policy (LIPP), and depending on the value of the procurement, ACT Government departments and entities must consider local capability and take into account the broader economic benefits for the Canberra Region when determining the best available procurement outcome.</p> <p>Organisations bidding for ACT Government procurements will be required to submit an Economic Contribution Test or Industry Participation Plan with their bids to demonstrate the potential economic benefit for the Canberra Region.</p> <p>For higher value procurements, the successful bidder will need to report on local industry participation outcomes as part of the contract terms.</p>	<p>There are different reporting requirements for successful respondents under the ECT and Local Industry Participation Plans.</p> <p>The LIPP is subject to 6 monthly reviews.</p>

Policy or Program Source	Definition of ‘Local’ / Local Content	Local Procurement Model	Comments
<p>Northern Territory – Buy Local Plan</p>	<p>Although there is no explicit definition of ‘local’ within the policy, all tenders are subject to a Local Content Test by government agencies.</p> <p>Using the tenderer’s proposed local content as an input, the test seeks to determine the resulting local benefits that will be provided to the Territory economy and community if the tenderer is awarded the contract.</p> <p>Typically the Local Content Test will include:</p> <ul style="list-style-type: none"> • Employment; • Up-skilling (including apprenticeships, formal and informal training); • Local industry participation (as contractors and part of the supply chain); • Local industry development initiatives; • Aboriginal development initiatives; and • Regional development initiatives. 	<p>Nine key actions underpin the plan. They are:</p> <ol style="list-style-type: none"> 1. Amend NT Government policies, procedures and practices to strengthen the consideration of local benefit factors that occurs at agency planning stage. 2. A local content test in all government quotes and tenders, worth a minimum of 30% in tender evaluations. 3. Improve consistency and quality in the assessment of local content during tender evaluations. 4. Enhance the consideration of local benefits across all tender evaluation criteria, not just the standalone local content test. 5. Inviting at least one quote from a Territory enterprise for tier 1 and 2 procurements. 6. A Buy Local Industry Advocate to provide an independent advocacy function to government on behalf of local industry. 7. Standard NT Government contractual terms and conditions to incorporate the successful tenderer’s local benefit commitments. 8. A robust contract management framework to improve NT Government and supplier relationships and contractual compliance. 9. Focus on NT Government capability development across the end-to-end procurement process, including to industry where relevant. 	<p>The policy has a focus on procurement capability development, both internal and external to government.</p> <p>The policy also incorporates measures to ensuring that local content commitments are monitored and the benefits evaluated.</p>

Policy or Program Source	Definition of ‘Local’ / Local Content	Local Procurement Model	Comments
<p>Centre for Social Responsibility in Mining (2010), <i>Procuring from SMEs in Local Communities: A Good Practice Guide for the Australian Mining, Oil and Gas Sectors</i></p>	<p>This Good Practice Guide, prepared by the Centre for Social Responsibility in Mining, is primarily aimed at corporate professionals working in the Australian resources sector in procurement / supply chain, community relations and contract management roles.</p> <p>The Guide uses the term ‘local’ to refer to those communities which are adjacent to, or impacted by, a company’s operations. Under this definition, the area is generally narrower than the State or Territory in which the project is located, although it can cover multiple Local Government Areas (for example, the Bowen Basin in Central Queensland, or the Pilbara region in Western Australia).</p>	<p>The issue of what constitutes a ‘local business’ has been the subject of considerable debate over the years. In some usages the term is equated with ‘locally-owned’, whereas at the other extreme, it is sometimes used simply to describe any business that maintains a permanent operational office within a given area.</p>	<p>The position taken in the Guide is that ownership is not the critical factor; rather, the key question to ask is whether a business contributes to building local economic capacity. A company that maintains a local branch office which is simply a conduit for bringing in goods and services from outside the region is not having this impact.</p> <p>On the other hand, a foreign-owned firm entering a consortium or taking ownership positions in local firms can be making an important contribution to local economic capacity.</p> <p>What form of local arrangement makes sense in a particular case will depend on the context, the nature of the business opportunities that are generated, local capacity and the aspirations of communities and host governments.</p>

Policy or Program Source	Definition of ‘Local’ / Local Content	Local Procurement Model	Comments
<p>Queensland Local Content Leaders’ Network Joint Statement of Commitment (2016)</p>	<p>Queensland Local Content Leaders’ Network Joint Statement of Commitment defines local content as the full, fair and reasonable economic contribution made to the local communities by industry investment in local goods and services, employment and training, social and community development initiatives, and local industry capability development programs.</p>		<p>QLCLN’s definition of local places emphasis on contributing to key elements of regional economic development including building local business capacity, training and employment creation as well as community capacity-building. These objectives are consistent with the definition of regional economic development as described in the body of this report (refer to page 2).</p>
<p>Queensland Resources and Energy Sector Code of Practice for Local Content (2013) and QRC Code Effectiveness Report (2016)</p>	<p>Local industry is defined as either an Australian or New Zealand business. Resources and energy companies may adopt a more regionally-focused definition to align with local content strategies.</p> <p>Local content refers to local engagement, including employment, training and development, contracting and procurement of people, goods and services.</p>	<p>The code is of particular relevance to those significant investment projects proceeding through the Queensland Government’s Environmental Impact Statement (EIS) processes (Coordinator-General or Department of Environment and Heritage Protection). These agencies, in approving resources and energy projects, will seek commitments from proponents that they will adhere to this code.</p> <p>As a consequence, Queensland-operating resources and energy companies adopting the code will not be required to complete and submit to the State Government, a Queensland Local Industry Participation Plan (LIPP).</p>	<p>The definition of ‘local’ is very broad in that it refers to Australia and New Zealand, though an allowance is made for resources companies to define for themselves a more ‘regionally-focussed’ definition of ‘local’ consistent with their respective local content strategies. This leaves a lot open to interpretation.</p>

Policy or Program Source	Definition of ‘Local’ / Local Content	Local Procurement Model	Comments
<p>Australian Pacific LNG Local Content Policy</p> <p>https://www.dsdmip.qld.gov.au/resources/plan/cg/simp/local-content-policy-upstream-downstream.pdf</p>	<p>Local content is generally taken to encompass employment, procurement, training and development and contracting of people, goods and services who are considered by Australian Pacific LNG (APLNG) to be nationals / national companies operating within Australia, including the immediate area where the project is located.</p> <p>It implicitly includes any services or maintenance element that may form part of materials purchase.</p>	<p>Supplier Local Content Plan Obligations: Suppliers are required to:</p> <ul style="list-style-type: none"> • Adopt the ‘full’, ‘fair’ and ‘reasonable’ principles outlined in this policy and incorporate them into their own local content plan. • Provide local industry with the opportunity to supply under the same terms, standards and conditions as existing supply chain partners. • Award contracts and purchase orders on the basis of the best overall evaluated proposal, which includes ‘due consideration’ of direct and indirect cost factors such as reliability, maintainability, servicing, whole-of-life support, procurement administration costs, etc. • Include performance measurement against local content plan, reporting and feedback mechanisms as part of supplier and sub-supplier arrangements. <p>Supplier Workforce Development Plan Obligations: The workforce development plan will:</p> <ul style="list-style-type: none"> • Identify the skills required in the building, construction, equipment and services fabrication and supply, maintenance, operation and support to the project. 	<p>The geographic scope of local content is broad, being nationals / national companies operating within Australia. This is narrowed under the Supplier</p>

Policy or Program Source	Definition of ‘Local’ / Local Content	Local Procurement Model	Comments
<p>Australian Pacific LNG Local Content Policy <i>(cont’d)</i></p>		<ul style="list-style-type: none"> • Arrange timely training and qualification arrangements to meet the needs of skills development to support all phases of the project. • Provide training and qualification systems to meet the requirements of the Australian Qualification Framework. • Maximise the inclusion of qualified local employment to support all phases of the project. • Suppliers must submit reports on employment, training and development detailing the types of skills developed, the number of courses delivered and the number of people trained. 	

Policy or Program Source	Definition of ‘Local’ / Local Content	Local Procurement Model	Comments
<p>Rio Tinto Iron Ore Local Procurement Programme</p>	<p>The Rio Tinto Iron Ore Local Procurement Programme includes the following definitions:</p> <p>Pilbara Aboriginal businesses – a business in which a Pilbara Aboriginal person or entity has the requisite minimum ownership interest. (Currently minimum 25% ownership required). From March 2021, minimum 50% ownership required.</p> <p>Pilbara local businesses – a business in which a person residing or a corporation headquartered in the Pilbara has a minimum 50% ownership interest, and which either is headquartered in the Pilbara or derives at least 50% of its total revenue stream from the Pilbara, and in each case at least 50% of its workforce resides in the Pilbara region.</p> <p>Western Australian (WA) businesses – a business in which a person residing or a corporation headquartered in WA has a minimum 50% ownership interest, and which is either headquartered in WA or derives at least 50% of its total revenue stream from WA, and in each case at least 50% of its workforce resides in WA.</p> <p>National businesses – Minimum ownership of at least 51% by a person or a corporation headquartered in Australia.</p>	<p>As part of the tender process, Rio Tinto considers a range of assessment criteria, including safety, technical and commercial criteria.</p> <p>Rio Tinto states that, <i>“If all criteria are as equally competitive, we prefer to award to a local supplier, in the following order:</i></p> <ol style="list-style-type: none"> 1. <i>Pilbara Aboriginal businesses (PAB)</i> 2. <i>Pilbara local businesses</i> 3. <i>Western Australian (WA) businesses</i> 4. <i>National businesses.”</i> 	<p>‘Ownership’ is as determined by Rio Tinto Iron Ore, consistent with applicable agreements between Rio Tinto Iron Ore and Pilbara Aboriginal people.</p>

Policy or Program Source	Definition of ‘Local’ / Local Content	Local Procurement Model	Comments
<p>Rio Tinto Amrun Project</p>	<p>Geographical classifications of ‘local’ are described as follows:</p> <ul style="list-style-type: none"> • Community: All businesses based within the footprint of Rio Tinto’s mining lease – the Aurukun, Weipa, Napuranum Mapoon and Northern Peninsula Area Regional Council Local Government Areas (LGAs). • Regional: All businesses based within the Far North Queensland LGAs of Cairns, Cassowary Coast, Cook, Croydon, Etheridge, Hopevale, Kowanyama, Lockhart River, Northern Peninsula Area, Pormpuraaw, Tablelands, Torres, Torres Strait Island, Wujal Wujal and Yarrabah in addition to those defined in community content. • State: All businesses based within a Queensland LGA. 	<p>Procurement awards will be made in consideration of local and Indigenous businesses’ competitive position in response to, but not limited to:</p> <ul style="list-style-type: none"> • Technical capability: <ul style="list-style-type: none"> ○ value; ○ quality; ○ quantity; ○ health, safety and environmental compliance; and ○ ability to meet required standards. • Commercial capacity, related to governance procedures, financial and risk management; • Past performance, proven track record to deliver similar scopes of work on time and on budget; and • Local and Indigenous Participation – including procurement and employment. <p>Where project bids have been assessed as being commercially, technically capable and comparable in relation to decision making criteria mentioned above, preference will be given as follows:</p> <ul style="list-style-type: none"> • Community and regionally based Indigenous businesses; • Community businesses; then • Regional businesses. 	

Policy or Program Source	Definition of ‘Local’ / Local Content	Local Procurement Model	Comments
<p><i>Coal and Allied - Local Procurement Policy Implementation Plan (Local Procurement Policy released by Rio Tinto prior to divestment of Coal and Allied in 2017)</i></p>	<p>For the purposes of the Local Procurement Policy, the definition of ‘local’ is the existing geographic area – five local government areas for Coal and Allied (Singleton, Muswellbrook, Cessnock, Maitland and Upper Hunter).</p> <p>If the supplier or contractor is not based in the Hunter Valley, they can still be considered ‘local’ if the goods, services or labour provided is primarily produced or supplied within the local area.</p> <p>With respect to this:</p> <ol style="list-style-type: none"> 1. The business should have a branch/office with a street address in the local area; and 2. The supplier should have a current local business license (or registered with the appropriate local governing body). 	<p>This definition of ‘local’ is aligned with the primary residential location Coal and Allied’s employees and the area that is covered by The Coal and Allied Community and Aboriginal Development Funds.</p> <p>Individual sites may choose to focus on suppliers located within a smaller geographic area in proximity to their site (for example, Singleton, Cessnock and Maitland for MTW).</p>	<p>Coal and Allied’s definition of ‘local’ according to defined local government boundaries in the Hunter Region is consistent with a practice typically used by local government authorities in their procurement policies.</p> <p>Defining local according to five LGA boundaries arguably provides some certainty for suppliers, as opposed to arbitrary concentric distances from the mine site’s or region’s geographic centre.</p> <p>Coal and Allied’s local content policy allows for some flexibility in the definition of local by permitting suppliers to identify as ‘local’ even if they are not situated in the region, so long as the majority of goods and services provided is primarily produced or supplied in the local area. This allows for some flexibility in that it may encourage large procurements to be disaggregated into smaller components for which local providers or SMEs have more capacity to supply.</p>

Policy or Program Source	Definition of ‘Local’ / Local Content	Local Procurement Model	Comments
<p>C-Res Local Buying Program</p> <p><i>Operating Guidelines for Minerals Australia (July 2018)</i></p>	<p>The definition of small business used by C-Res is that used by the Australian Taxation Office, being an enterprise with 20 or fewer employees. C-Res does not include apprentices, contractors or casual employees in that number.</p> <p>Regarding local content objectives, the business must have a significant physical presence in the areas as outlined in an appendix that summarises eligible regions associated with BHP Minerals Australia’s operations (operational footprint) by State (geographic eligibility).</p>	<p>When small business expands beyond the program’s definition of ‘small business’ they are grandfathered out of the C-Res program by negotiating directly with BHP for transitional payment terms.</p>	<p>The Resource Industry Network supports the work of the Local Buying Program and Foundation but has noted the program’s limitations: most businesses have more than 20 employees and do not receive their work directly from BHP, but rather as downline contractors for Tier 1 and 2 contractors. Only 10 per cent of the Resource Industry Network’s members fit within C-Res’ parameters.</p> <p>Despite the success of C-Res, BHP still has approximately 80 per cent of its expenditure through Tier 1 and Tier 2 suppliers. Its subcontractors have no access to C-Res.</p>

Policy or Program Source	Definition of ‘Local’ / Local Content	Local Procurement Model	Comments
<p>CAPCOAL COMPLEX Socio-Economic Assessment Toolbox Report 2019-2021</p>	<p>Anglo American defines local supplier as a supplier of goods or services that maintains a workforce whose usual place of residency (i.e. where they normally live, sleep and eat) is located within a 125 kilometre radius of where the good or service is supplied.</p> <p>If a capable local supplier does not exist within the 125 kilometre radius, the radius should be extended progressively to the local region, then Queensland, then outside of Queensland, until a suitable supplier is identified.</p> <p>The current local supplier definition is being reviewed by Anglo American to align with the Queensland Government policy.</p>		<p>This is the same definition of local as the Queensland Government’s procurement policy.</p>

Policy or Program Source	Definition of ‘Local’ / Local Content	Local Procurement Model	Comments
<p><i>Keep it in the regions: mining and resources industry support for businesses in regional economies (Parliament of the Commonwealth of Australia, November 2018)</i></p>	<p>Definitions of ‘local’:</p> <p>3.95 A further barrier to the procurement process for SMEs was the broad definition of the term ‘local’ by large mining companies.</p> <p>3.96 In its submission, the Greater Whitsunday Alliance explained the issue and how it effects local businesses: Broadly, the mining sector commits to local industry participation strategies, plans and or policies. However, under the definition of “local industry” in the strategies, plans and policies the local industry is most often formally defined as “Australian and New Zealand small and medium-sized enterprises (SMEs)”. By pursuing such a broad definition of “local industry” dilutes the direct benefits of the mining sector in regional areas.</p> <p>3.97 Mayor Williamson stated that most large mining companies define ‘local’ as ‘Australia and New Zealand’ when referring to procurement from SMEs.</p>		<p>3.132 The Resource Industry Network made recommendations about how the government can support local businesses in regional areas, including: change the definition of ‘local’ to reflect ‘what “the pub test” or a “reasonable person” might consider to be local’.</p> <p>3.148 The Committee was concerned that the focus on small and Indigenous businesses (particularly the very restrictive definitions of small business being used) allows many larger small businesses, and regional medium sized businesses, to fall through the cracks.</p> <p>3.153 The Committee was concerned to hear that, in some cases ‘local procurement’ was being defined as including any Australian and New Zealand business, for instance, in the Queensland Resources Council’s Resources and Energy Sector Code of Practice for Local Content (the QRC Code).</p>

Policy or Program Source	Definition of ‘Local’ / Local Content	Local Procurement Model	Comments
<p><i>Keep it in the regions: mining and resources industry support for businesses in regional economies (Parliament of the Commonwealth of Australia, November 2018)</i></p> <p><i>(cont’d)</i></p>	<p>3.98 This was echoed by Cessnock City Council which listed the definition of local as one of the greatest barriers to use of regional businesses. The Council suggested ‘local’ should be defined as the local government area of the project, and then expanded if local businesses cannot supply the needs of the project.</p>		<p>3.154 This leads to difficulties in reporting and enumerating levels of actual local procurement and fails to act as incentive to procure goods and services from regional businesses.</p>
	<p>3.99 Ms Porter from C-Res stated that its definition of local is ‘our BHP footprint’ and conceded that the definition of local is loosely applied.</p>		<p>3.155 The Committee believes a consistent definition of ‘local’ should be applied by mining companies and governments at all levels to ensure local procurement can be meaningfully measured in future. The Queensland Government’s 2017 Local Procurement Strategy, which defines four concentric zones for local procurement, provides a good model.</p>
	<p>3.100 Mr Scanlan pointed out that even under the federal government’s Industry Participation Plans, local is defined widely enough to include small businesses from Australia and New Zealand. He went to say that he would like a ‘true regional geographic’ definition of local procurement.</p>		<p>3.167 The Committee strongly suggests the Minerals Council of Australia and the Australian Petroleum Production and Exploration Association adopt meaningful local content codes nationally. The codes should define ‘local procurement’ to mean procuring goods and services from businesses permanently based in regional, rural and remote areas near to mine sites.</p>
	<p>3.101 The Resource Industry Network said the Queensland Government’s 2017 procurement strategy, Backing Queensland Jobs, is a model that should be followed by the mining industry.</p>		

Policy or Program Source	Definition of ‘Local’ / Local Content	Local Procurement Model	Comments
<p><i>Keep it in the regions: mining and resources industry support for businesses in regional economies (Parliament of the Commonwealth of Australia, November 2018)</i></p> <p><i>(cont’d)</i></p>	<p>3.102 Mayor Long said under Western Australian law, a company becomes a ‘local contractor’ if they establish an office in a regional area and stay there for six months. This has led to the practice of large companies establishing offices in regional areas to take advantage of future work as a ‘local contractor’. He said the French company Sodexo has done this in the Pilbara.</p> <p>3.103 Mr Sundeep Singh of BHP said about 10 per cent of its procurement spending is with ‘true local’ businesses in Australia and it is working to increase this number.</p> <p>3.104 Anglo American stated that it is currently redefining its definition of local to align with the Queensland Procurement Policy’s local zones.</p> <p>3.105 Peabody Energy defines ‘local’ as the local government area of its operations. Due to its decentralised procurement model, Peabody has high levels of local procurement spending.</p>		

International Examples

Policy or Program Source	Definition of ‘Local’ / Local Content	Local Procurement Model	Comments
<p>USA Overview</p> <p>Institute for Self-Reliance https://ilsr.org/rule/local-purchasing-preferences/</p>	<p>While many states and cities have local procurement policies on the books, many have a watered-down definition of what constitutes ‘local’.</p> <p>For example, there’s a big difference between a multinational company that happens to have a location in the area, and a company that’s headquartered locally.</p> <p>Many local procurement policies, however, don’t distinguish between these two, and require only, for instance, a valid local business license or physical business address for a company to qualify for a local procurement program.</p>	<p>Procurement policies are prevalent across the US, particularly at a state government level. Looking beyond state governments, large numbers of counties, cities, and towns have procurement policies of their own.</p> <p>These policies vary considerably. Some apply broadly, while others focus on construction contracts, or on goods and services, and others only in certain narrow situations. Some are absolute preferences, or more commonly, percentage preferences. These say that if a company meets certain qualifications, it doesn’t have to have the lowest bid to win a contract, just be within a certain percentage, usually 5 percent, but as high as 15 percent, of the lowest bid.</p> <p>Preferences may also be based on local or minority ownership. A 2014 survey by the National Association of State Purchasing Officials found that, of respondents, 19 states have a certification program for small businesses, and 32 have a certification for minority-owned businesses. Thirty-seven states have also enacted “reciprocal laws.” These require public contracting agencies, in determining the lowest responsible bidder, to add a percent increase to each out-of-state bidder’s bid price equal to the percent of preference given to local bidders in the bidder’s home state.</p>	<p>In the places where these policies are truly working to support economic development, local procurement policies are most effective when they include firm definitions, well-developed goals, clear tracking and reporting, and when they have buy-in across the local administration.</p>

Policy or Program Source	Definition of ‘Local’ / Local Content	Local Procurement Model	Comments
<p>Cleveland</p>	<p>There are different requirements for ‘City of Cleveland Small Businesses’, which are those headquartered within the city, and ‘Regional Cleveland Small Businesses’, which are those headquartered within the county.</p> <p>The following excerpts from Title XV, Chapter 187 — Cleveland Area Business Code articulate Cleveland’s definition of ‘local’:</p> <p>187.01 Definitions of Terms:</p> <p>(f) “City of Cleveland Small Business” or “CCSB” means a CSB that has its principal office located physically within the municipal boundaries of the City.</p> <p>(i) “Cleveland Contracting Market” or “Contracting Market” means the geographic market area consisting of Cuyahoga County, Ohio, or the geographic market area identified in a disparity study or otherwise as provided in Section 187.28.</p> <p>(ee) “Regional Cleveland Area Small Business” or “RCSB” means a CSB that has its principal office located physically within the territorial boundaries of Cuyahoga County but outside the municipal boundaries of the City.</p>	<p>In Cleveland, local contracting gets its own department, the Office of Equal Opportunity (OEO).</p> <p>The OEO oversees a number of programs designed to reduce economic inequality in Cleveland. Among them are:</p> <ul style="list-style-type: none"> • Minority and Female-Owned Business Enterprise Program • Cleveland Area Small Business Purchasing Program • Local and Sustainable Purchasing Program <p>Businesses certified in these categories receive a bid preference that ranges from 2 to 5 percent, and businesses certified in multiple categories can combine them up to a maximum 9 percent bid discount. If a company is certified, it doesn’t have to have the lowest bid in order to win the contract, just be within a certain percentage of the lowest bid.</p> <p>Cleveland sets goals for how much business it will drive to its certified firms, and on bigger contracts, requirements for how many certified subcontractors will work the job. For instance, on public improvement contracts, the goal is to have 30 percent of subcontractors be firms that are certified as small and local.</p>	<p>The Director of the OEO sits on the Mayor’s cabinet and reports directly to the Cleveland Mayor.</p> <p>The OEO also works with businesses to certify them, runs outreach programs to connect them to city contracting opportunities, and sponsors development programs.</p>

Policy or Program Source	Definition of ‘Local’ / Local Content	Local Procurement Model	Comments
Cleveland (cont’d)	<p>(hh) “Small Business Enterprise” or “SBE” means a Business Enterprise that meets the established economic criteria for a SBE and is owned, operated and controlled by one (1) or more persons who meet the economic criteria for SBE ownership established by the Director in the Regulations.</p> <p>187.03 Certification of Cleveland Area Small Businesses:</p> <p>(a) A Business Enterprise is eligible for certification as a Cleveland Area Small Business if:</p> <p>(1) It is a Small Business Enterprise;</p> <p>(2) It has its principal office located physically in the Cleveland Contracting Market; and</p> <p>(3) Its chief executive officer and highest-level managers maintain their offices and perform their managerial functions in the Cleveland Contracting Market.</p> <p>In addition, there are definitions for ‘local food’ and ‘local producer.’</p>		

Policy or Program Source	Definition of ‘Local’ / Local Content	Local Procurement Model	Comments
<p>Montgomery County, Md.</p>	<p>In Montgomery, ‘local’ is defined as businesses that are either located only in the county, or businesses with locations both inside and outside of the county, but for which the county-based location accounts for over 50 percent of the total number of employees, or over 50 percent of gross sales.</p>	<p>Montgomery County’s Local Small Business Reserve Program (LSBRP) designates certain solicitations only for LSBRP bidders and aims to direct 20 percent of county contracts under \$10 million to those firms.</p>	<p>Montgomery County’s local content policy is focussed on businesses that have a whole or at least 50 per cent majority presence (as measured by sales and employees) in the county.</p> <p>The focus is on SMEs.</p>
<p>San Diego</p>	<p>To qualify for the Small Local Business Enterprise (SLBE) Program, a business must have both a principal place of business and a significant employment presence in the city or in San Diego County.</p> <p>Drilling deeper into those definitions, the program describes “principal place of business” as a physical location through which the firm earns no less than half of its overall customers or sales dollars, and “significant employment presence” as no less than a quarter of the firm’s total number of employees living in the city or the county.</p>	<p>Small Local Business Enterprise Program: under the program, public works contracts valued at \$1 million and above include a mandatory subcontractor participation requirement for certified SLBEs, contracts valued between \$500,000 and \$1 million have a 5 percent bid discount for SLBEs, and contracts valued between \$250,000 and \$500,000 are only open to certified SLBEs.</p> <p>Other forms of contracts, such as those for goods and services, contain similar elements.</p>	<p>San Diego’s local content policy is focussed on businesses that have their principal place of residence in the county and a significant employment presence in the county using defined metrics.</p>
<p>Phoenix</p>	<p>Phoenix established its Local Small Business Enterprise Program, which created a database to register small and local businesses. The program defines ‘local’ as a firm with a principal place of business in the surrounding county.</p>	<p>In Phoenix, LSBEs have the first opportunity to submit quotes for all purchases of goods and services under \$50,000. If fewer than three locally-owned businesses submit a quote, the contract next goes to Arizona Small Business Enterprises, or those with a principal place of business within the state.</p>	<p>Phoenix uses a local / regional zone approach to defining local (with ‘local’ businesses afforded preference), which is similar to a number of jurisdictions.</p>

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California	<p>To be certified to receive the preference, a business:</p> <ul style="list-style-type: none"> • Must be independently owned and operated; • Cannot be dominant in its field of operation; • Must have its principal office located in California; • Must have its owners domiciled in California; and • Together with its affiliates, be either: <ul style="list-style-type: none"> ○ A business with 100 or fewer employees and average annual gross receipts of \$10 million or less over the previous three years, or; ○ A manufacturer with 100 or fewer employees. 	<p>California state law grants local, independently owned, small businesses a 5 percent preference when competing for state contracts. The law also sets for state agencies a goal of making at least 25 percent of their purchases with small businesses.</p> <p>The law gives certified small businesses a few additional benefits when doing business with the state. They are, for example, entitled to higher interest penalties than non-small business if the state is late paying an invoice. State agencies may also use a streamlined process for contracts of less than \$250,000 under which they may contract directly with a small business after receiving bids from two small businesses.</p> <p>Non-small business bidders may also receive a preference if they subcontract at least 25 percent of the work to local small businesses. However, small businesses always take precedence over these bidders in the awarding of contracts.</p>	<p>California’s local content policy emphasises support for independently-owned small business.</p>

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Madison, Wisconsin	<p>To facilitate the identification of local vendors, the City will provide an opportunity for vendors to identify themselves as local according to several criteria.</p> <p>First, they must have a physical address within the local area.</p> <p>In addition, a vendor may self-identify its:</p> <ul style="list-style-type: none"> • Portion of its employees working at facilities in the local area (minimum 50% to be considered local); • Portion of ownership vested in residents of the local area (minimum 50% to be considered local); and • Portion of business sourcing within the local area (minimum 15% to be considered local). Sourcing includes the local acquisition of supplies and raw materials or support services like contract employees, accounting, advertising, banking, printing, etc. <p>Only businesses that meet the minimum level for two of the three additional criteria are considered local. Resulting scores will result in a ranking of businesses, which is to say that some businesses on the list may be ranked as more local than others.</p>	<p>On purchases over \$5,000, the city of Madison, Wisconsin, grants local businesses a 1% price preference on bids and a 5% point preference on RFPs (request for proposal).</p> <p>To qualify as ‘local’, a business must meet at least two of three criteria involving the portion of its employees working at facilities in the local area (at least 50%), portion of ownership vested with local residents (at least 50%), and portion of sourcing within the local area (at least 15%).</p> <p>Businesses are ranked based on these factors so that some may be listed as more local than others.</p> <p>(On purchases under \$5,000, city staff are encouraged, but not required, to buy local.)</p>	<p>The criteria for defining a ‘local’ business emphasises a 50% minimum local workforce and local business ownership.</p> <p>It also places weight on the extent to which potential suppliers source a proportion of their own inputs locally, emphasising the importance of local supply chains.</p>

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Los Angeles	<p>A small, local business is defined as one that is independently owned and operated, located in the county of Los Angeles, and not “dominant in its field of operations.”</p>	<p>On contracts of \$100,000 or less, the city of Los Angeles grants a 10% preference to small, local businesses.</p> <p>Los Angeles County also grants small, local businesses a 5% preference on county contracts.</p>	<p>Los Angeles County’s local content policy emphasises support for small business that are not dominant in their field of operations.</p>
Indiana	<p>Small business is defined as a business that is independently owned and operated; is not dominant in its field of operation; and has the following criteria:</p> <ul style="list-style-type: none"> (1) A wholesale business is not a small business if its annual sales for its most recently completed fiscal year exceed \$4,000,000. (2) A construction business is not a small business if its average annual receipts for the preceding three fiscal years exceed \$4,000,000. (3) A retail business or business selling services is not a small business if its annual sales and receipts exceed \$500,000. (4) A manufacturing business is not a small business if it employs more than 100 persons. 	<p>Indiana grants a 15% preference to small, independent businesses, and gives all other local businesses a preference of 1% to 5%, depending on the size of the contract.</p>	<p>Indiana’s local content policy emphasises support for small business. It also emphasises support for small business that are not dominant in their field of operations.</p>

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<p>IPIECA, <i>Local content - A guidance document for the oil and gas industry.</i> Second Edition. World Bank</p>	<p>Definitions of local content vary greatly across, and within, host countries. ‘National content’, ‘Indigenous content’, ‘community content’, ‘shared value’, ‘in-country value’, ‘local participation’ and ‘industrial benefits’ are some of the different terms used, while there is also the concept of ‘supplier diversity’.</p>	<p>Local content is understood to be the local resources a project or business utilises or develops along its value chain while invested in a host country. This may include employment of nationals, goods and services procured from companies resident in the host country, partnerships with local entities, development of enabling infrastructure, the improvement of local skills and capacity of local businesses, or the improvement of local technological capabilities.</p>	<p>Variations in definitions can be recognised, at least in part, by identifying the intended beneficiary, and assessing what specifically is being sought.</p> <p>Resource developers have to manage the variations in country-specific definitions of local content.</p>

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<p>International Finance Corporation (IFC)</p> <p>A guide to getting started in local procurement (2011)</p>	<p>Depending on the priorities and business drivers for the local procurement policy, several criteria can be used to arrive at the appropriate definition of ‘local’.</p> <p>Some of the main ones are:</p> <ul style="list-style-type: none"> • Regulatory; • Geographic; • Ownership; • Size of enterprise; and • Under-represented groups. 	<p>Examples include:</p> <ul style="list-style-type: none"> • <i>Geography-based</i>: SMEs within a specified radius surrounding your operation or within a specified geographic location, possibly requiring certification from a third party. Alternatively, geography-based may depend on the SME having: <ul style="list-style-type: none"> - Local registration; - Local tax number; and - Local domicile. • <i>Input-based</i>: the bulk of inputs into the product are locally-made. • <i>Ownership-based</i>: a certain percentage of staff and/or the majority of shareholders are local. 	<p>The criteria used here goes beyond consideration of whether or not a business is ‘local’ or a small to medium-sized enterprise. For example, consideration of whether suppliers are members of ‘under-represented groups’ is not typically found elsewhere, with the exception perhaps of Indigenous procurement policies and programs.</p>

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<p>Newmont Ghana Local Procurement Policy and Action Plan (2010)</p>	<p>Local Company includes “local-local”, Ghana Owned, Participation and Registered Companies:</p> <ul style="list-style-type: none"> • Local-Local Company refers to a supplier that is: <ul style="list-style-type: none"> ○ Situated within the mine-take area or within the geographical area directly affected by the mine’s operations and which is greater than 50% Ghanaian owned and operated and which supplier has been duly vetted and approved as being a Local-Local Company; ○ Suppliers situated within a 25km radius of the procuring operation. • Ghanaian Owned Company is one that is majority, greater than 50% Ghanaian owned, either via a listing on the Ghana Stock Exchange, or equity placed with Ghana-based institutions and/or private investors. • Ghanaian Participation Company refers to a supplier that has an element of Ghanaian ownership but less than or equal to 50% Ghanaian owned. 	<p>The level of Ghanaian ownership will be important criteria for selection of bidders during the tender adjudication process. All other things being equal, a Ghanaian Owned Company will be given greater preference than for example a Ghanaian Participation Company and so on.</p> <p>Procurement status of companies will be prioritised in the following order:</p> <ol style="list-style-type: none"> 1. Local-Local Company; 2. Ghanaian Owned Company; 3. Ghanaian Participation Company; 4. Ghanaian Registered Company; and 5. International Company. 	<p>The Ghanaian procurement policy established a hierarchy of ‘local’ beginning with suppliers within very close proximity to the project operation (25km).</p>

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Norway – Petroleum	There is no definition of “local content” in Norwegian law.	<p>From the 1970s to the mid-1990s, the Norwegian Government used the grant of licenses, along with additional agreements targeting training of Norwegian nationals and technology transfer arrangements to ensure local content.</p> <ul style="list-style-type: none"> • A local content plan was required to be submitted to the Ministry of Petroleum and Energy for approval before the grant of license. • Licensees were obligated to provide local training and engage a certain number of Norwegian personnel in their petroleum activities. • Licensees had to enter into a training agreement after they had been granted a license. • Technical assistance agreements were entered into between Norwegian operators and experienced oil companies. • Licensees had to use Norwegian suppliers to procure goods and services for their petroleum activities • Operators were required to enter into research and development agreements with the Norwegian Ministry of Petroleum and Energy. • At least 50% of research and development activities undertaken in connection with any petroleum activities under a Petroleum License had to be performed in Norway. 	<p>The Norwegian policy places emphasis on employment creation / skills training and research & development.</p> <p>Norway became a member state of the European Economic Area (EEA) in 1994, which required it to update its petroleum law and local content requirements, and repeal some of its non-compliant local content provisions.</p>



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