



Parliamentary Budget Office - Election Policy Costing

NSW Parliament • Parliament House, Macquarie Street Sydney NSW 2000

Referred By: Australian Labor Party
 Referred Date: 11/12/2014

Proposal No: A019
 Released Date: 23/03/2015

Proposal Title: **NSW LOCAL JOBS FIRST PLAN**

Lead Agency:

General Government Sector Impacts

	2014-15 \$'000	2015-16 \$'000	2016-17 \$'000	2017-18 \$'000	4 Year Total \$'000
Expenses (ex. depreciation)					-
Depreciation			150	150	300
Less: Offsets					-
Revenue					-
Net Operating Result:	-	-	(150)	(150)	(300)
Capital Expenditure		750			750
Capital Offsets					-
Capital Expenditure:	-	750	-	-	750
Net Lending/(Borrowing)	-	(750)	-	-	(750)
Net Financial Liabilities:	-	750	750	750	

Total State Sector Impacts

Net Financial Liabilities:	-	750	750	750
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Notes and costing assumptions used:

The policy proposes to apply a price preference for small and medium enterprises located in Australia and New Zealand demonstrating local content in their tender applications. The policy applies to all Government tenders to procure goods and services valued above \$750,000 from 1 July 2015.

To implement the policy requires a one-off capital cost of \$750,000 in 2015-16 to upgrade the etenders system, as advised by the Office of Finance and Services. There is also an increase in depreciation expenses of \$150,000 per annum from 2016 -17 onwards as a result of the increased capital expenditure.

The PBO is not able to precisely cost the policy due to insufficient information; however based on advice from NSW Treasury the costs of the policy may not be large.

NSW Treasury advises:

- The policy would not be applied to contracts valued above \$7.8 million because of obligations under Australia's Free Trade Agreement (The PBO calculates this may exclude approximately 65 per cent by value of tenders from the operation of this policy).
- Previous experience under a similar scheme which was operational between 2008-11, the Local Job's First Plan (LJFP) found one per cent of contracts were awarded to local suppliers as a result of the implementation of the price preference mechanism. (However, no data is available on the increase in prices or value of these contracts. On the assumption of a 10 per cent price increase, the costs of the policy with respect to increases in tender prices may be less than \$1 million per annum).

Costing Assumptions Continued:

- Administration of the LJFP added no more than 5 per cent to total tender development process costs. (Again, no data is available on development process costs as a percentage of total tender costs).

The costs of the proposed policy may be greater now if the degree of foreign competition with Government