Local procurement: a cautionary tale from the rail industry

Bus Industry Confederation
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BIC
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moving people

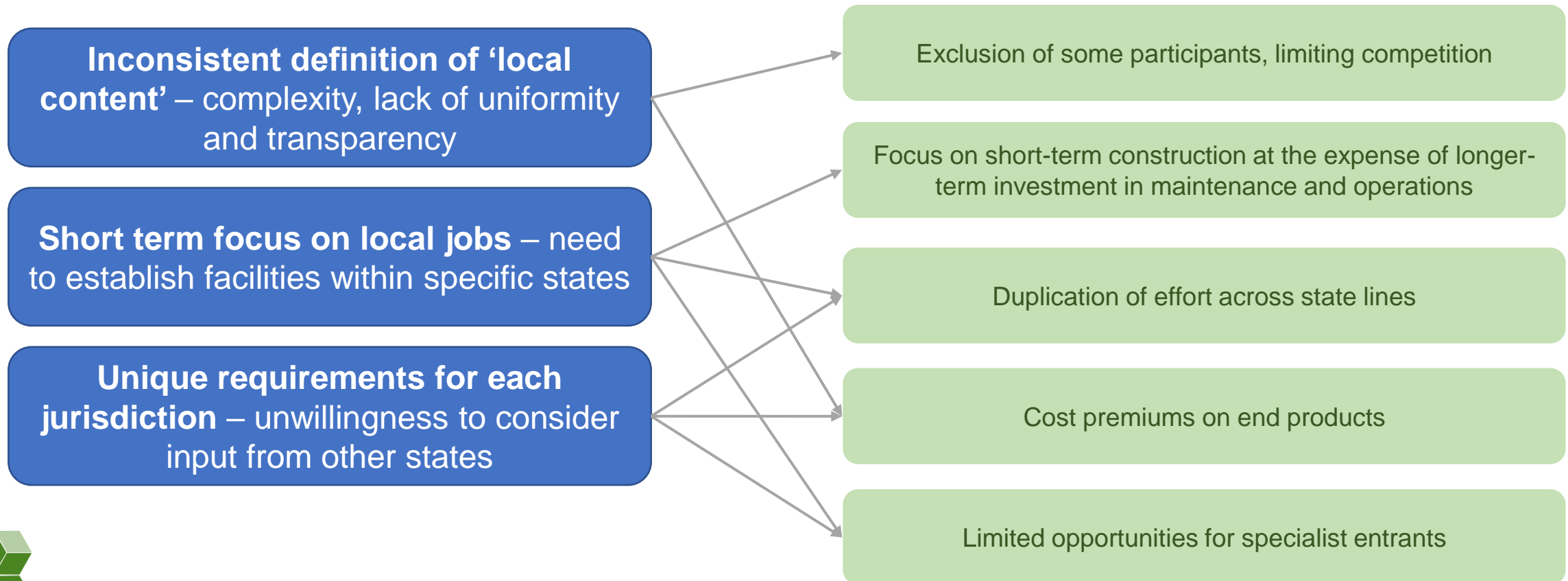# NineSquared undertook a review of local content policies in the rail industry

What are local content policies?

- **Requirements** – what needs to be fulfilled in relation to procuring project inputs/services from domestic sources. They can relate to manufacture or assembly of products, input materials or personnel

- **Objectives** – typically focused on job creation, providing opportunities to disenfranchised groups or promoting a strategic industry

- **Intentions** – boost domestic market production and provide local economic benefits through increased consumer spending, employment and investment

- **History** – major area of focus for the rail industry, but have a history of application

The review found a number of 'sore points' in LCPs across the industry

What are the impacts of local content policies on the rail industry?

Inconsistent definition of 'local content' – complexity, lack of uniformity and transparency

Short term focus on local jobs – need to establish facilities within specific states

Unique requirements for each jurisdiction – unwillingness to consider input from other states

Exclusion of some participants, limiting competition

Focus on short-term construction at the expense of longer-term investment in maintenance and operations

Duplication of effort across state lines

Cost premiums on end products

Limited opportunities for specialist entrants

Similar experiences may start to impact the bus industry as technology advances

How can the bus industry avoid similar pitfalls?

- Focus on inter-operability
- Outcomes specifications
- Market awareness
- Cross-jurisdictional collaboration