



**Government
of South Australia**

Department of the Premier and Cabinet Circular

PCO33 - Industry Participation Policy

Effective 6 November 2015

DPC CIRCULAR – INDUSTRY PARTICIPATION POLICY

Amendments to the South Australian Industry Participation Policy have been approved by Cabinet to commence on 6 November 2015.

Summary

This Circular relates to the application of the South Australian Industry Participation Policy (IPP) which is applicable by all agencies to all Government procurements above \$22,000 and to private projects receiving significant Government support, as detailed below.

This policy directly contributes to the seven key priority areas of Government, with a particular focus on:

- **Growing advanced manufacturing**
- **Realising the benefits of the mining boom for all South Australians.**

The policy is also consistent with the following targets in South Australia's Strategic Plan:

- **Target 35 - Economic growth:** Exceed the national economic growth rate over the period to 2020.
- **Target 38 - Business investment:** Exceed Australia's ratio of business investment as a percentage of the economy by 2014 and maintain thereafter.
- **Target 47 – Jobs:** Increase employment by 2% each year from 2010 to 2016.

Policy

Agencies are advised that Cabinet has approved amendments to the South Australian Industry Participation Policy, which guides industry participation in government contracting and significant private projects. This update encompasses all previous versions of the policy and takes those initiatives further. The objective of the policy remains the same: *'to ensure that capable South Australian small and medium enterprises are given full, fair and reasonable opportunity to tender and participate in significant public and private sector projects'*.

The IPP is a generic policy that sets out the process and requirements for Industry Participation and applies to Government of South Australia contracts with a value over \$22,000, and private sector projects where significant Government support or endorsement is required.

The policy details the steps that Responsible Government Agencies are required to follow during the tender preparation, documentation, and tender implementation phases to ensure appropriate opportunities for local industry participation.

Other key features of the policy include:

- A tiered structure to ensure that the costs of compliance are appropriate to the opportunity for local industry participation and to minimise red tape requirements for business and government.
- The requirement for agencies to seek at least one quote from a local business when seeking three quotes for contracts between \$22,000 and up to \$220,000. This is one case where the term 'local' should be given a more localised definition than that of any Australian and New Zealand supplier.
- An Employment Contribution Test (ECT) applies to all procurements between \$22,000 and \$4 million (\$1 million in Regional South Australia). The ECT requires that

Responsible Government Agencies (RGA) first determine if the goods and/or services to be procured are available within the State or Region. If so, all tenderers for the procurement will be required to provide the number of labour hours associated with the primary contract and any sub-contracts.

- Industry participation is made critical to the award criteria of contracts above \$220,000 with the minimum weighting set at 15%.

The Office of the Industry Advocate

To build on the IPP that was implemented in July 2012, the OIA was created in February 2013 led by an Industry Participation Advocate (IPA). In September 2013, the Government agreed the IPA will be involved when acquisition plans are developed by Responsible Government Agencies for all contracts subject to the IPP to ensure the economic contribution to the state from the procurement can be maximised through design of appropriate specifications and IPP Plans. Also, the role of the IPA was strengthened to allow it to:

- Request meetings with government buyers on behalf of local companies.
- Review acquisition plans and tender documentation in key contracts to assess any unnecessary impediments to local companies bidding.
- Review tender awards to evaluate if assessment criteria has been applied.
- Review contracts and assess if IPP Plans are being applied well by the prime contractor.
- Review tenders post award and, when necessary, the making of recommendations to the relevant agency Chief Executive or Minister for improving industry participation going forward.

Policy Application

The Industry Participation Policy has effect on all Government expenditure for the following activities:

- Government of South Australia procurement of goods and services including infrastructure and construction.
- Public Private Partnership projects.
- Federally-funded infrastructure and construction projects managed by the Government of South Australia.
- Private sector projects receiving significant Government of South Australia support, (over \$2.5 million cash and in-kind).

The tiered requirements for Government procurement are outlined in the following table.

Category	Tender Requirement	Reporting Requirement
	<i>Note that the IPP Requirements below are to include sub-contracting arrangements where they are proposed/exist</i>	
Below \$22,000	No specific requirements	No reporting requirements
Government procurement where tender value is between \$22,000 and \$220,000	Where RGA seeks at least 3 quotes, one must be from an SA business where possible. ECT to be completed. No weighting but ECT used to differentiate bids that represent good value and meet needs of Government. <i>See section 5.2 of these Guidelines</i>	Contractor No reporting requirements RGA Annual reporting on contracting activity including ECT details

Category	Tender Requirement	Reporting Requirement
	<i>Note that the IPP Requirements below are to include sub-contracting arrangements where they are proposed/exist</i>	
Government procurement where tender value is over \$220,000 and under \$1 million in Regional South Australia or \$4 million in metropolitan Adelaide	ECT to be completed and forms a minimum 15% of overall evaluation. <i>See section 5.3 of these Guidelines</i>	Contractor No reporting requirements RGA Annual reporting on contracting activity including ECT details
Government procurement where tender value is equal to or greater than \$1 million in Regional South Australia or \$4 million in metropolitan Adelaide but less than \$50 million.	Submission of an IPP Plan is required for the tender to be considered compliant. IPP Plan has a minimum 15% weighting <i>See section 5.4 of these Guidelines</i>	Contractor Minimum of <u>annual</u> reporting against IPP commitments to the RGA RGA Annual reporting on contracting activity including IPP details
Government procurement where tender value is \$50 million and over.	Completing a Tailored IPP Plan is required. The OIA will work with the RGA to develop an IPP Plan template tailored to the contract or project. IPP Plan has a minimum 15% weighting <i>See section 5.5 of these Guidelines</i>	Contractor Minimum of <u>bi-annual</u> reporting against IPP commitments to the RGA RGA Annual reporting on contracting activity including IPP details
Panel contracts with low value procurements less than \$1 million in regional areas or \$4 million in metropolitan Adelaide	No Declaration of Intent or IPP plan required ECT will apply to competitive secondary procurement processes above \$22,000 but less than \$1 million in regional areas or \$4 million in metropolitan Adelaide unless otherwise exempted by OIA <i>See section 5.6 of these Guidelines</i>	Contractor No reporting requirements RGA Reporting requirements will be determined based on the IPP requirements for the specific panel
Panel Contracts with procurements equal to or greater than \$1 million in Regional South Australia or \$4 million in metropolitan Adelaide	A Declaration of Intent is required as part of the initial panel tender response. A Standard IPP Plan will then be required to be completed for any quotes that come from the panel membership that are equal to or greater than \$1 million in regional areas or \$4 million in metropolitan Adelaide ECT will apply to competitive secondary procurement processes above \$22,000 but less than \$1 million in regional areas or \$4 million in metropolitan Adelaide unless otherwise exempted by OIA <i>See section 5.6 of these Guidelines</i>	Contractor Reporting requirements will be determined based on the IPP requirements for the specific panel RGA Reporting requirements will be determined based on the IPP requirements for the specific panel
Panel Contracts with a limited number of suppliers and expected volumes for use are above \$50 million over the panel lifespan	Completing a Tailored IPP Plan is required <i>See section 5.6 of these Guidelines</i>	Contractor Reporting requirements will be determined based on the IPP requirements for the specific panel RGA Reporting requirements will be determined based on the IPP requirements for the specific panel

Category	Tender Requirement	Reporting Requirement
	<i>Note that the IPP Requirements below are to include sub-contracting arrangements where they are proposed/exist</i>	
Responding to an early approach to market (including, but not limited to, an Expression of Interest) for a contract or project that will likely be equal to or greater than \$1 million in Regional South Australia or \$4 million in metropolitan Adelaide	Agencies may require IPP documentation varying from a Declaration of Intent to a Tailored IPP Plan. The documentation issued by the agency will explain what is required	Contractor Reporting requirements will be determined based on the IPP requirements for the final approach to market RGA Reporting requirements will be determined based on the IPP requirements for the final approach to market
Grants / PPP	Agencies may require IPP documentation varying from a Declaration of Intent to a Tailored IPP Plan. The documentation issued by the agency will explain what is required	Contractor Reporting requirements will be determined based on the IPP requirements for submission RGA Reporting requirements will be determined based on the IPP requirements for the submission

The OIA is responsible for the implementation of the South Australian IPP. This role includes:

- assisting tenderers to develop South Australian IPP Plans by providing information about local supplier capability
- providing assistance to RGAs where required to determine compliance with the IPP and to assist in the evaluation and scoring of IPP Plans
- providing industry capability information to Responsible Government Agencies, tenderers and contractors
- promoting awareness of the South Australian IPP to government agencies and private sector proponents
- annually reporting to Cabinet on South Australian IPP outcomes

Templates for the Employment Contribution Tests and Industry Participation Policy (Standard) Plans are available on the OIA website.

The policy will not apply retrospectively to contracts commenced under earlier versions of the policy.

Reporting

Procurement Spend within the scope of the State Procurement Board

In consultation with the OIA, the State Procurement Board (the Board) introduced a contract register policy in August 2014 that requires agencies to record specific information on all procurements from \$22,000 and above. This policy incorporates information specific to the Industry Participation Policy.

In November 2014, the Board released an update to the Board Procurement Reporting Policy that requires agencies to report on the information being collected on the contract register.

The Board will provide the OIA with a copy of this information to satisfy the reporting requirements under the Industry Participation Policy.

Procurement Spend outside the scope of the State Procurement Board

The *State Procurement Act 2004* (the Act) has limited application in some areas of government expenditure and as such, not all procurement spend (and therefore IPP outcomes) is being collected and reported. As the Industry Participation Policy has no limitations in its application, RGAs are required to report to the OIA by 15 August after the end of each financial year, the information detailed in section 8.2.2 of the IPP Procedural Guidelines for all contracts above \$22,000 that are not captured by the Board Procurement Reporting Policy. This includes construction works contracts entered into by “prescribed authorities” as well as goods, services and construction works contracts entered into by “prescribed public authorities” when they are outside of the Board Procurement Reporting Policy.

Information

For information about the Industry Participation Policy, its implementation and application please contact:

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Copies of the Industry Participation Policy are available from:
www.industryadvocate.sa.gov.au