

**SUBJECT:**       **Extension of the local SME policy to services associated with capital works**

To:               Director-General, Commerce & Works Directorate

Critical Date for consideration:       For information

**Purpose:**       **To brief you on the proposal to extend the default 5 per cent weighting for local SMEs in Goods & Services tenders to include services associated with capital works projects**

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**Key Points:**

- The ACT Government currently seeks to support local Small and Medium Enterprises (“SMEs”) through the imposition of a default 5 per cent weighting on goods and services tenders. This local SME policy has been developed by Economic Development Directorate (“EDD”), and sits within the context of its *Growth, Diversification and Jobs Business Development Strategy*.
- Shared Services Procurement (“SSP”) has been asked to extend the existing local SME policy beyond goods and services, to include services associated with capital works. Any change will need to be co-ordinated with EDD as the present owner of the local SME policy.
- Such an extension will require an explicit expansion of the scope of the policy to cover capital works. It is recommended that “services associated with capital works” be defined as all components of capital works projects which fall outside the scope of “building works”, as defined in section 5 of the Commonwealth *Building and Construction Industry Improvement Act 2005*. This is the approach adopted in the ACT Government’s *Compliance with Industrial Relations and Employment Obligations Strategy*.
- It is likely that any contracts which include both construction and services associated with capital works will have to be excluded from the scope of an expanded local SME policy, as allocating a 5 per cent weighted criteria to only some elements of a single contract is not practical. This means that the policy will not apply to, for example, such delivery models as a Design and Construct arrangement, but may apply to design consulting services procured prior to tendering for a Design and Construct contract.
- It will take some time to develop a standard which allows clear differentiation between those elements of a capital works project which include construction, and those which entail services alone. Once finalised this definition will need to be clearly communicated to all relevant project officers, as well as external

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stakeholders such as industry and the Construction, Forestry, Mining and Energy Union (“CFMEU”).

- Other ACT Government agencies may misunderstand any extension of the SME policy as meaning that services associated with capital works are not technically part of capital works projects, and therefore question the rationale for paying a 4 per cent management fee to SSP. Clear communication will be required to ensure that agencies understand the 4 per cent management fee continues to apply for services associated with capital works projects.
  - Similarly, agencies will need to be made aware that The Capital Framework process continues to apply to all services business cases associated with capital works projects, even where these projects do not entail a construction component.
- The rationale for extending the local SME policy to services associated with capital works would need to justify the additional red tape it entailed for government and tenderers alike. SSP has fielded a number of complaints that Government tenderers require businesses to jump through too many hoops. There is a risk that introducing another criterion for tenderers to address will result in further complaints, particularly if that criterion is not related to the requirements of a specific tender.
- There could be significant opposition to the introduction of an explicit preference for local SMEs for services associated with capital works from a range of industry groups, such as Consult Australia, whose members would be adversely affected by such a policy. In addition, it is expected that local construction firms and the Master Builders Association will question the rationale for introducing a 5 per cent weighting only on services associated with capital works, rather than including the construction component of these works projects. It will be necessary to develop a robust communication plan to explain the rationale for this decision once the policy is announced.
  - Dissatisfaction can also be expected from local SMEs when the ACT Government selects a delivery model for capital works projects which includes both services and construction, and therefore does not qualify for the 5 per cent local SME weighted criteria.
- Close coordination across ACT Government Directorates will be required if this is to become a Whole of Government policy. Currently, all goods and services tenders above \$200,000 are centralised within SSP, while the Goods & Services website on the Customer Portal has guidance on local SME participation for procurements under \$200,000. However, several Government Directorates and agencies conduct their own infrastructure procurements without SSP well above this threshold, including EDD, Community Services Directorate, the Land Development Agency and the Cultural Facilities Corporation.
  - Given this range of entities which conduct their own infrastructure procurements, a revision of the local SME policy introduced solely by

Commerce & Works Directorate would likely lead to an inconsistent approach to procurement between Government agencies. Industry would question why similar projects run by different entities adopt different approaches towards local SMEs.

- Careful planning will also be required to identify which other weighted criteria can be reduced to accommodate a 5 per cent weighting for local SMEs.
- The ACT Government's current approach to capital works procurement is effective in supporting local employment and skills development. Local presence is strongly emphasised in all capital works tenders, and non-SMEs which win ACT Government infrastructure tenders typically have a significant local workforce. Consequently, expansion of the local SME policy may have an effect on the numbers of SMEs tendering for or winning Government contracts, but is unlikely to significantly enhance local employment or skills development.
- It is also unlikely that extension of the local SME policy will lead to a significant number of new entrants to the market for services associated with capital works. Providers of services such as design and superintendence will continue to require prequalification to tender for ACT Government contracts. This obligation sets a threshold for entry into the market for capital works tenders, including assessment of financial viability with examination of the previous three years' financial statements, insurances, and examination of securities, retentions or bank guarantees. SSP does not expect the introduction of a 5 per cent weighted criterion for services associated with capital works to induce a meaningful number of additional businesses to enter this market.
- SSP is currently looking to develop clear definitions to ensure no organisations are incorrectly designated as local SMEs, when they are in fact subsidiaries of larger or non-local businesses. Nevertheless, it is likely that SSP will have to largely rely on companies to self-identify as local SMEs, and voluntarily declare any change in this status. This likely to be a bigger problem in the capital works area than for goods and services, as many infrastructure firms offer a wide range of services through different branches in different cities.
  - Expanding the local SME policy to infrastructure projects may encourage proliferation of "exotic" corporate structures, so as to enable organisations which would not currently qualify for the proposed 5 per cent weighting to achieve local SME status.
- The current local SME policy includes a provision for non-local SMEs to earn a percentage of the weighted 5 per cent criteria by committing to sub-contracting some of the work for a project to local SMEs. SSP will have to largely rely on companies which are not local SMEs to honestly state what percentage of work they will sub-contract to local SMEs, and follow through on these commitments, as the administrative costs of verifying every business would be prohibitive.
- Any policy which explicitly advantages businesses from the local region would appear to be in conflict with the ACT's obligations under various economic

agreements, such as the *National Competition Policy* and Australia-New Zealand Free Trade Agreement (“ANZFTA”).

- It is anticipated that other jurisdictions will place greater emphasis on this potential inconsistency if the local SME policy is extended into the area of capital works, as infrastructure procurements are typically more high-profile than those for goods and services and often have a higher value. The construction market is also tightening, which would make this policy even more contentious at present.

**Recommendations:**

- It is recommended that you note the above information in assessing the proposed extension of the local SME policy to cover services associated with capital works.

George Tomlins  
Executive Director  
Shared Services Procurement

February 2014

Noted / Approved / Not approved / Please discuss

**SUBJECT:**       **Extension of the local SME policy to services associated with capital works**

To:               Director-General, Commerce & Works Directorate

Critical Date for consideration:       For information

**Purpose:**       **To brief you on options for enhancing opportunities for local SMEs in ACT Government capital works projects**

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**Key Points:**

- You have requested an outline of potential options for enhancing opportunities available to local Small and Medium Enterprises (“SMEs”) to participate ACT Government capital works projects, particularly in the area of services associated with capital works.
- There are two policy options which could help to achieve this goal. The first of these is an extension of the existing local SME policy for goods and services tenders to cover services associated with capital works, which imposes a default 5 per cent weighting for local SMEs. The second option is the introduction of a Local Industry Participation Plan (“IPP”), which would cover all ACT Government capital works projects above a specified threshold.
- It is recommended that “services associated with capital works” be defined as all components of capital works projects which fall outside the scope of “building works”, as defined in section 5 of the Commonwealth *Building and Construction Industry Improvement Act 2005*. This is the approach adopted in the ACT Government’s *Compliance with Industrial Relations and Employment Obligations Strategy*.

Existing local SME policy

- The ACT Government currently seeks to support local Small and Medium Enterprises (“SMEs”) through the imposition of a default 5 per cent weighting on goods and services tenders. This local SME policy has been developed by Economic Development Directorate (“EDD”), and sits within the context of its *Growth, Diversification and Jobs Business Development Strategy*. Any change will need to be co-ordinated with EDD as the present owner of the local SME policy.
- The existing local SME policy could be expanded to cover an additional range of services, including services associated with capital works as defined in the *Building and Construction Industry Improvement Act 2005*.

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- It is likely that any contracts which include both construction and services associated with capital works will have to be excluded from the scope of an expanded local SME policy, as allocating a 5 per cent weighted criteria to only some elements of a single contract is not practical. This means that the policy will not apply to, for example, such delivery models as a Design and Construct arrangement, but may apply to design consulting services procured in a Design plus Construct delivery model.
- It will take some time to develop a standard which allows clear differentiation between those elements of a capital works project which include construction, and those which entail services alone. Once finalised this definition will need to be clearly communicated to all relevant project officers, as well as external industry stakeholders.
- The rationale for extending the local SME policy to services associated with capital works would need to justify the additional red tape it entailed for government and tenderers alike. SSP has fielded a number of complaints that Government tenderers require businesses to jump through too many hoops. There is a risk that introducing another criterion for tenderers to address will result in further complaints, particularly if that criterion is not related to the requirements of a specific tender.
- There could be significant opposition to the introduction of an explicit preference for local SMEs for services associated with capital works from a range of industry groups, such as Consult Australia, whose members would be adversely affected by such a policy. In addition, it is expected that local construction firms and the Master Builders Association will question the rationale for introducing a 5 per cent weighting only on services associated with capital works, rather than including the construction component of these works projects. It will be necessary to develop a robust communication plan to explain the rationale for this decision once the policy is announced.
  - Dissatisfaction can also be expected from local SMEs when the ACT Government selects a delivery model for capital works projects which includes both services and construction, and therefore does not qualify for the 5 per cent local SME weighted criteria.
- Other ACT Government agencies may misunderstand any extension of the SME policy as meaning that services associated with capital works are not technically part of capital works projects, and therefore question the rationale for paying a 4 per cent management fee to SSP. Clear communication will be required to ensure that agencies understand the 4 per cent management fee continues to apply for services associated with capital works projects.
  - Similarly, agencies will need to be made aware that The Capital Framework process continues to apply to all services business cases associated with capital works projects, even where these projects do not entail a construction component.

- The current local SME policy includes a provision for non-local SMEs to earn a percentage of the weighted 5 per cent criteria by committing to sub-contracting some of the work for a project to local SMEs. SSP will have to largely rely on companies which are not local SMEs to honestly state what percentage of work they will sub-contract to local SMEs, and follow through on these commitments, as the administrative costs of verifying every business would be prohibitive.
- Any policy which explicitly advantages businesses from the local region may be in conflict with the ACT's obligations under various economic agreements, such as the *National Competition Policy* and Australia-New Zealand Free Trade Agreement ("ANZFTA").
  - It is anticipated that other jurisdictions will place greater emphasis on this potential inconsistency if the local SME policy is extended into the area of capital works, as infrastructure procurements are typically more high-profile than those for goods and services and often have a higher value. The construction market is also tightening, which would make this policy even more contentious at present. However, legal advice indicates that the 5 per cent local SME policy is reasonable, and can be seen as comparable to the IPP plans introduced by other jurisdictions.

#### Industry Participation Policy ("IPP")

- An IPP policy for capital works projects would likely have the following features:
  - An IPP would be required of all tenderers for ACT Government capital works projects with a total value over a specified threshold, regardless of the contract form;
  - There may be different levels of detail required of each IPP, with higher-value projects requiring a greater level of detail;
  - Tenderers would be required to set out the extent to which local industry will be engaged in the project, with particular concentration on the degree of involvement of local SMEs;
  - The IPP would be written into the conditions of contract, so that a breach of the agreed IPP would constitute a breach of contract; and
  - The weight attached to the IPP in the tender evaluation process would be between 5 per cent and 10 per cent.
- Because it would apply to all projects over the relevant threshold, a local IPP policy would cover projects which include both design and construction (and would consequently be excluded from an extension of the local SME policy). The ACT Government is moving towards greater use of Design and Construct contract models, which may make the IPP approach especially effective in years to come.
- The threshold for projects at which the IPP requirement would kick in would need to be developed in consultation with other ACT Government agencies, as well as

industry. An appropriate starting point for discussion may be the total estimated value above which projects must be submitted for consideration by the Government Procurement Board, which is currently \$5 million for most procurements.

- IPPs have been introduced by a number of other Australian jurisdictions with the goal of promoting local industry, such as South Australia, New South Wales, and the Northern Territory. Industry is consequently familiar with the concept, and its introduction would not require as extensive a familiarisation drive as an entirely foreign policy.
- A significant advantage of the IPP model is its likelihood of compliance with the ACT's international procurement obligations under treaties such as the ANZGPA. IPPs introduced by states such as South Australia have been found to be compliant with such obligations.
- A local IPP would nevertheless impose additional red tape on the ACT Government. Assessment of each IPP in the tender evaluation process would add significantly to the time burden on project officers, and will necessitate additional training to ensure they are adequately able to evaluate competing plans. Furthermore, ensuring successful tenderers comply with each IPP would add a potentially significant burden to project officers. It is consequently likely that the introduction of an IPP will not be resource-neutral.
  - An appropriate model may be the introduction of the Active Certification Policy, which required a position at the SOG-B level devoted full-time to its implementation for 12 months as well as drawing upon other resources as required (such as the ACT Government Solicitor).
- Tenderers will also have to devote additional time to preparing an IPP, which may attract negative feedback.
- Work will also be required to develop tangible consequences for any breach of the IPP by a successful tenderer, even though they are written into the conditions of contract.

#### Common issues

- Close coordination across ACT Government Directorates will be required if either approach is to become a Whole of Government policy. Currently, all goods and services tenders above \$200,000 are centralised within SSP, while the Goods & Services website on the Customer Portal has guidance on local SME participation for procurements under \$200,000. However, several Government Directorates and agencies conduct their own infrastructure procurements without SSP well above this threshold, including EDD, Community Services Directorate, Capital Metro Agency, and the Land Development Agency.

- Given this range of entities which conduct their own infrastructure procurements, expansion of the local SME policy or introduction of an IPP driven solely by Commerce & Works Directorate would likely lead to an inconsistent approach to procurement between Government agencies. Industry would question why similar projects run by different entities adopt different approaches towards local SMEs.
- Goods and Services Branch is currently looking to develop clear definitions to ensure no organisations are incorrectly designated as local SMEs, when they are in fact subsidiaries of larger or non-local businesses. Nevertheless, it is likely that SSP will have to largely rely on companies to self-identify as local SMEs, and voluntarily declare any change in this status. This likely to be a bigger problem in the capital works area than for goods and services, as many infrastructure firms offer a wide range of services through different branches in different cities.
  - Introducing a policy which explicitly favours local SMEs in infrastructure projects may encourage a proliferation of “exotic” corporate structures, so as to enable organisations which would not currently qualify as “local” or as “SMEs” to achieve local SME status.
- The ACT Government’s current approach to capital works procurement is effective in supporting local employment and skills development. Local presence is strongly emphasised in all capital works tenders, both consultancies and construction, and non-SMEs which win ACT Government infrastructure tenders typically have a significant local workforce. Consequently, the introduction of either option proposed here is unlikely to significantly enhance local employment or skills development.
- It is also not anticipated that either option will lead to a significant number of new entrants to the market for services associated with capital works. Providers of services such as design and superintendence will continue to require prequalification to tender for ACT Government contracts. This obligation sets a threshold for entry into the market for capital works tenders, including assessment of financial viability with examination of the previous three years’ financial statements, insurances, and examination of past performance.

#### **Recommendations:**

- It is recommended that you note the above information.

George Tomlins  
Executive Director  
Shared Services Procurement

March 2014

Noted / Approved / Not approved / Please discuss

**SUBJECT:       OPTIONS PAPER – SUPPORT FOR LOCAL CAPITAL WORKS INDUSTRY**

To:               Director-General, Commerce & Works

Critical Date for consideration:       As soon as possible

**Purpose:       To provide you with the attached options paper outlining potential means of enhancing access of local SMEs to Government tenders for services associated with capital works**

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**Key Points:**

- Shared Services Procurement has prepared an options paper outlining potential means of providing greater support to local SMEs in tendering for ACT Government contracts for services associated with capital works. This paper is at Attachment A.
- This options paper has been referred to in previous briefs to the Treasurer regarding the Government's response the Master Builders Association's recently-released *Procurement Policy* document.

**Recommendations:**

- It is recommended that you note the information in the attached options paper.

George Tomlins  
 Executive Director  
 Shared Services Procurement

June 2014

Noted / Approved / Not approved / Please discuss  
 Megan Smithies     /     /2014



**ACT**  
Government

Chief Minister, Treasury and  
Economic Development

**Options paper: An Industry Participation Policy for the  
ACT capital works industry**

**Outlining potential means of encouraging greater involvement of local  
SMEs in ACT Government infrastructure projects**

## Executive summary

This paper provides an outline of potential options for the introduction of an Industry Participation Policy (“IPP”) in the ACT to support the local capital works industry. It first summarises current procurement practices in the ACT and other Australian jurisdictions, before sketching out four models for the Industry Participation Plan which would underpin any IPP. It then explores the prospects for coordinating an IPP across government and the resources required to implement it, before examining the anticipated impact of any such policy and its reception by local industry and other jurisdictions.

The paper recommends that Commerce and Works Directorate commence a process of consultation with other Government directories and agencies to refine the ultimate objective of any IPP. The proposed model for this consultation process envisions a mandatory IPP for capital works procurements over \$5 million which is targeted at the SEROC region, but is not included as a weighted criterion in tender evaluations. It concentrates specifically on supporting local SMEs, but recommends exploring means of categorising SMEs based on their broader contribution to the local economy rather than the location of their head office.

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## **1. Introduction**

This paper outlines potential models for an ACT Industry Participation Policy (“IPP”), designed to support the local capital works industry through providing enhanced opportunities for participation in major government procurements.

## **2. Current procurement practice**

### **2.1 The ACT**

The ACT Government currently seeks to support local Small and Medium Enterprises (“SMEs”) through the application of a default 5 per cent weighting on goods and services tenders. This local SME policy sits within the context of Economic Development Directorate’s *Growth, Diversification and Jobs* Business Development Strategy, and has been developed and implemented by Shared Services Procurement (“SSP”). There is no policy which explicitly favours local industry in the tender evaluation process for infrastructure projects.

### **2.2 Other jurisdictions**

Some form of IPP has been adopted by the Commonwealth and every Australian state and territory, except for New South Wales and the Northern Territory. Industry is consequently familiar with the concept, and its introduction would not require an extensive familiarisation process. A table outlining each of these IPPs is at Attachment A.

Of those jurisdictions which do not have an IPP, NSW seeks to support local SMEs through such institutions as the Small Business Commissioner, while the NT has a range of policies which concentrate on indigenous employment and skills development rather than local industry *per se*.

## **3. Structure of an IPP**

### **3.1 Scope of the policy**

For the sake of simplicity, an ACT IPP could apply to both capital works and goods and services tenders (as in most other Australian jurisdictions). However, if the intent is to focus solely on capital works projects – given that the Territory already has a policy for goods and services procurements – the IPP could be restricted only to infrastructure procurements.

An IPP will be most effective if it encompasses both the services and construction elements of capital works projects. It is very difficult to target an IPP solely at one section or the other, as an increasing number of Government contracts for infrastructure procurement include both services and construction in a single contract. The Territory is moving towards greater use of Design and Construct contract models such as GC-21. Separating the design and construction components of a contract which includes both elements is not achievable in practice, meaning an IPP must target both to achieve optimum efficacy. Should the Government decide to target either component

individually, some time would be needed to develop and implement a standard allowing clear differentiation between those elements of a capital works project which include construction and those which entail services alone.

It is also expected that the local capital works industry would respond negatively to an IPP which targeted either services or construction exclusively. For example, local construction firms and the ACT Master Builders Association (“MBA”) would likely question the rationale for excluding the construction component of infrastructure projects from a capital works IPP, as such a policy would have little commercial benefit for them. Conversely, should an IPP seek to promote the construction rather than services component of capital works projects, industry groups including Consult Australia are likely to express dissatisfaction for the same reason. It would be necessary to develop a robust communication plan to explain the rationale for such a policy decision.

### **3.2 Potential Models for an IPP**

IPPs may concentrate specifically on supporting SMEs, or target other aspects of the local economy such as jobs or skills development. The cornerstone of any IPP is an Industry Participation Plan (“Plan”), in which tenderers set out how they will achieve the stated goals of the IPP. The structure of any given Plan, as well as its role in the procurement process, varies according to the nature of the IPP from which it is derived.

There are four potential models for an ACT IPP, each of which employs a different type of Plan. All four options can be expected to afford greater opportunities for local industry in tendering for Government capital works projects. The key features of each policy are summarised in the table at Attachment B.

#### **3.2.1 Option One**

The first model of IPP is designed to support industry within a particular jurisdiction, without concentrating exclusively on SMEs. Plans require tenderers to outline how they will use local businesses throughout the project, and what benefit they will bring to various aspects of the local economy. SMEs are often recognised as priorities under such IPPs, but emphasis is typically also placed on goals including employment, skills development, community support, indigenous development and economic growth. This makes them particularly suitable when a government’s priority is economic growth more broadly, rather than SMEs specifically. Plans prepared under such a model may or may not be included as a weighted criterion in tender evaluations.

This type of framework is adopted by Western Australia, Queensland and Tasmania.

#### **3.2.2 Option Two**

The second model concentrates specifically on promoting local SMEs, requiring tenderers to outline how they propose to contract with such businesses. However, the resulting Plans are not used as a weighted criterion in the tender evaluation process. Underlying this approach is the belief that obliging tenderers to consider how to include local SMEs in major projects helps smaller businesses raise awareness of their availability and competitiveness, overcoming information asymmetries in

the market which may mean head contractors are otherwise only aware of larger and well-known firms.

Although it may not guarantee as much work for local SMEs as a model which incorporates the Plan as a weighted criterion in tender evaluation, this model of IPP is less distorting to the free operation of market forces and could be just as beneficial in the long term as information gaps about different suppliers diminish.

This approach is taken by the Commonwealth, Tasmania, and South Australia (for qualifying procurements of less than \$10 million).

### 3.2.3 Option Three

The third model is similar to option two, but goes a step further by incorporating the Plan as a weighted criterion in the tender evaluation process. This approach explicitly advantages local SMEs over other businesses, as well as favouring those tenderers which assign significant sub-packages of work to local SMEs to a lesser extent. IPPs based along such lines may consequently be expected to lead to more work for local SMEs. However, a mandatory weighting could make achieving best value for money more difficult by reducing the weight given to other factors such as cost. It can also be difficult to determine in advance how much work on a project awarded to a non-local-SME will be completed by local SMEs, and therefore determine what weight their Plan will be given during tender evaluation.

Victoria and South Australia (for procurements over \$10 million) have adopted this type of policy.

### 3.2.4 Option Four

The final model does away with the requirement for firms to complete a Plan at all, awarding a default weighting to all tenderers which qualify as local SMEs. As compared to other models, a default weighting reduces red tape for industry when tendering directly for government contracts. It may also be easier for an evaluation panel to assess the merits of competing proposals when a default weighting is to be applied. Nevertheless, this simplicity is largely lost when local SMEs are to act as subcontractors to a head contractor which is not a local SME, due to the complexity of determining what portion of the default weighting should be awarded to the lead tenderer. Default weightings also provide more limited opportunities to achieve objectives such as local skills development than do full IPPs.

This model is currently adopted only by the ACT for goods and services procurements.

## 3.3 Common elements of all models

Regardless of which type of Plan is adopted, there are a number of remaining variables which will shape the nature of any IPP.

### 3.3.1 Thresholds

The threshold value at which the IPP would kick in would need to be developed in consultation with other ACT Government agencies as well as industry. An appropriate starting point for discussion

may be the total estimated value above which projects must be submitted for consideration by the ACT Government Procurement Board, which is currently \$5 million for most procurements.

It will also need to be determined whether a Plan is required of all tenderers for projects above the IPP threshold, all shortlisted tenderers, or just the preferred tenderer. It may be that different requirements are imposed on projects of different values.

### 3.3.2 Enforcement

The importance of strong and credible enforcement mechanisms in achieving the objectives of an IPP has been emphasised in independent advice procured by Capital Metro Agency (“CMA”) to inform development of its own IPP (see section 4.2). Drawing on experience with major infrastructure projects, including the North-West Rail Link and South-East Light Rail in New South Wales as well as Crossrail and London2012 in the United Kingdom, CMA concludes that both robust contractual provisions and strong, active monitoring of contractor compliance are required.

The commitments made in successful tenderers’ Plans should be written into the terms of any contract with the Territory, in order to ensure these obligations are legally binding. Work will also be required to develop tangible consequences for any breach of the Plan by a successful tenderer, even where they are written into the conditions of contract. Compliance with these obligations must be closely monitored. The simplest and least onerous way of achieving this would be through a regular program of audits. There may also be scope for contracts with head contractors to include incentives for meeting the targets set out in their Plans, possibly through conditional payment schedules which reserve some per cent of total payments until these commitments are met. Without such measures there is a risk that contractors would avoid at least some of their obligations under the IPP, diminishing its ability to achieve its stated objectives.

### 3.3.3 Definition of local

Every other Australian jurisdiction except for Western Australia defines “local” as the entirety of Australia and New Zealand, in order to ensure compliance with various national and international commitments. For example, all Australian jurisdictions have signed the 2001 *Australian Industry Participation National Framework* (“AIPNF”), in which they commit to procurement processes “free of interstate preferences” and which do “not use State/Territory purchasing preference arrangements”.<sup>1</sup> Each state and territory has also signed the *Australia-New Zealand Government Procurement Agreement* (“ANZGPA”), which forms part of the *Australia-New Zealand Closer Economic Relations Free Trade Agreement*. The ANZGPA obliges signatories to provide “no less favourable” treatment to suppliers from anywhere within Australia and New Zealand than it does to those based in its own territory.<sup>2</sup>

Although it defines “local” exclusively as within Western Australia, the WA framework avoids breaching the AIPNF or ANZGPA by not including the IPP as a weighted criterion in tender evaluations. By concentrating on promoting economic development more broadly rather than local

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<sup>1</sup> *Australian Industry Participation National Framework* (April 2001) p. 3-4

<sup>2</sup> *Australia-New Zealand Government Procurement Agreement* (Revised September 2007), section 2(c)

SMEs specifically, this approach does not provide less favourable treatment to non-local suppliers under the terms of these agreements.

Any IPP which explicitly advantages businesses from the SEROC region may be in conflict with the ACT's obligations under these same agreements. <sup>s 42</sup>

It would be advisable to seek definitive legal advice from GSO before introducing a definition of "local" in any IPP which does not include all of Australia and New Zealand.

### 3.3.4 Reporting and business structures

Introducing a policy which explicitly favours local SMEs in infrastructure projects may encourage a proliferation of "exotic" corporate structures, so as to enable organisations which would not currently qualify as "local" or as "SMEs" to achieve local SME status. Goods and Services Branch in SSP has developed a clear definition of what constitutes a local SME for the purposes of the ACT's existing policy relating to goods and services, which is laid out in the ACT Government's Procurement Circular PC26.<sup>3</sup> Nevertheless, it is likely that SSP will have to largely rely on companies to self-identify as local SMEs, and voluntarily declare any change in this status. It could be difficult to ensure no organisations are incorrectly designated as local SMEs, when they are in fact subsidiaries of larger or non-local businesses.

This is likely to be a bigger problem in the capital works area than for goods and services, as many infrastructure firms offer a wide range of services through different branches in different cities with complicated parent/subsidiary corporate structures.

## 4. Coordination across Government

### 4.1 Whole of Government

Close coordination across the ACT Government will be required if any capital works IPP introduced by Commerce and Works Directorate ("CWD") is to become a Whole of Government policy. Currently, all goods and services tenders above \$200,000 are centralised within SSP, while the Goods and Services website on the Customer Portal has guidance on local SME participation for procurements under \$200,000. However, several directorates and agencies conduct their own infrastructure procurements well above this threshold without SSP involvement, including Community Services Directorate, Property Group, CMA, and the Land Development Agency. Given the range of entities which conduct their own infrastructure procurements, the introduction of an

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<sup>3</sup> ACT Government, *Procurement Circular PC26: Support for Regional Small and Medium Enterprises (SMEs)* (May 2014) p. 2

IPP driven solely by CWD would risk an inconsistent approach to procurement between Government agencies.

#### **4.2 Capital Metro Agency**

Separately to this options paper, CMA is currently working on a Local IPP to underpin its procurement activities. This policy will be designed to promote economic development throughout the Canberra region, and is likely to have a particular concentration on youth employment and skills development. It will not concentrate specifically on SMEs. SSP is involved in ongoing consultation with CMA regarding the specific goals and shape of its IPP policy, which have not been finalised at this point. It may be possible to align the objectives of any Territory-wide IPP with those of CMA, with each policy adopting slightly different means of achieving complementary goals.

### **5. Required Resourcing**

Introduction of any new industry policy to support local SMEs would add a layer of process to ACT Government capital works tenders. Assessment of each Plan in the tender evaluation process would add to the time burden on project officers, and will necessitate additional training to ensure they are able to evaluate competing plans. Furthermore, ensuring successful tenderers comply with their Plan would be a potentially significant burden on project officers, regardless of which model is adopted. As outlined in section 3.3.2, enforcement mechanisms will also be required to ensure the policy is successful.

It is consequently likely that the introduction of an IPP will not be resource-neutral. An appropriate model may be the introduction of the Active Certification Policy, which required a position at the SOG-B level devoted full-time to its implementation for 12 months as well as drawing upon other resources as required (such as the ACTGS).

### **6. Anticipated Impact**

It can be expected that a well-designed IPP will allow local providers to gain an advantage in securing work on Government capital works projects in the Territory. Such a policy is consequently likely to have a beneficial impact on the area(s) of the local economy which it targets.

Introduction of an IPP may encourage a number of new or existing local businesses – and especially SMEs – to enter the capital works market, and the market for services associated with capital works in particular. Such new providers will continue to require prequalification to tender for many ACT Government contracts above specified thresholds, such as those for design and superintendence. This obligation sets a threshold for entry into the market for capital works tenders, including assessment of financial viability with examination of the previous three years' financial statements, insurances, and examination of past performance. An IPP concentrated on local SMEs may provide the necessary impetus to unlock any latent pool of companies or individuals with the capacity to meet these requirements.

Nevertheless, an IPP which concentrates solely on local SMEs is necessarily limited in scope. In particular, by concentrating exclusively on the location of a company's head office, it may not fully capture the extent to which the local offices of interstate or international businesses contribute to local employment, skills development or growth.

There may be an opportunity for an ACT IPP to build upon the success of the Government's current approach to capital works procurement, which has proven effective in supporting local employment and skills development. Local presence is strongly emphasised in all capital works tenders, both consultancies and construction. Contractors which win ACT Government infrastructure tenders and are not local SMEs typically have a local workforce and engage local subcontractors, or relocate to the Territory for the duration of the contract and utilise local hospitality and other services. The economic benefit of such capital works activity is not fully captured solely by assessing head office location. IPPs which concentrate on such broader indicators of economic contribution have been adopted by Western Australia, Queensland and Tasmania, and may represent a more effective model if the Government's priority is enhancing local employment or skills development.

## **7. Anticipated Reception**

### **7.1 Local industry**

The ACT construction industry has indicated its support for some form of IPP. Recommendation 2.1.1 of the recent Joint Industry Submission *Call to Action* proposed introducing a requirement for tenderers to "demonstrate how they will utilise local companies" for larger projects, which is to be "taken into account in the tender evaluation process".<sup>4</sup> In practice this may look similar to an IPP along the lines of option one, which does not concentrate specifically on SMEs and limits its geographic scope to the ACT region.

In its recently released *Procurement Policy* document, the ACT Master Builders Association ("MBA") has also called for greater support for local industry. Proposal number five of this paper calls for the introduction of 'a local content or local industry weighting ... to capital works and infrastructure projects in the ACT', with particular emphasis on supporting local SMEs.<sup>5</sup> This proposal is very similar to an IPP based on option four, which introduces a weighted criterion in tender evaluation based explicitly on local SMEs.

Depending on which model of IPP is chosen, opposition can be expected from some industry groups. For example, introduction of a weighted criterion for local SMEs in the tender evaluation process (as in options three and four) is likely to be viewed unfavourably by industry groups such as Consult Australia, whose members are not primarily local SMEs and would therefore be adversely affected by such a policy.

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<sup>4</sup> Canberra Business Council et al, *Call to Action: A Joint Industry Submission to the ACT Government for Regulatory and Process Reform in the Best Interests of Canberra* (February 2014) p. 9-10

<sup>5</sup> Master Builders Association of the ACT, *Procurement Policy* (May 2014) p. 5

## 7.2 Other jurisdictions

There appears to be continuing support for IPPs amongst other Australian jurisdictions. This was most recently illustrated by the commitment of the Tasmanian Liberal Party to significantly strengthen that state's IPP during its election campaign, with Plans to be made mandatory for all Government procurements over \$5 million. Introduction of an IPP in the ACT is consequently not expected to cause disquiet amongst other jurisdictions.

However, should the ACT adopt an IPP in which Plans are included as a weighted criterion in tender evaluations (as in options three and four), as well as restrict the definition of "local" to a geographic area such as SEROC, other jurisdictions could be expected to point out the potential inconsistency between this IPP and the ACT's national and international commitments. Although this is the approach currently taken by the Territory for goods and services tenders, infrastructure procurements typically have a higher profile and often a higher value. In an environment where the construction market is tightening significantly, introducing such an IPP could be contentious.

It is also worth noting that in its recently released draft report on Public Infrastructure, the Australian Productivity Commission calls for the eradication of IPPs from all government infrastructure projects.<sup>6</sup> The draft report cites the then-Department of Industry, Innovation, Science, Research and Tertiary Education as arguing in 2013 that the full cost of preparing a Plan for major Commonwealth projects was between \$50,000 and \$150,000.<sup>7</sup> Much of this expenditure is seen as "nuisance costs", with very little evidence to suggest IPPs are effective in promoting greater local SME involvement in capital works projects. The Productivity Commission recommends that governments encourage contractors to make use of the existing Industry Capability Network to reduce informational barriers to participation in government capital works procurements for local SMEs, rather than impose binding IPPs.

## 8. Conclusion and Recommendations

This paper has outlined four potential models for an IPP, should one be introduced in the ACT. Which model is right for the Territory depends upon the specific outcomes which the Government wants to achieve. The experience of other Australian jurisdictions demonstrates that IPPs can be tailored to suit a range of different objectives, as long as they precisely target a clearly defined aspect of the local economy. Consequently, there are three principal recommendations for future action:

1. It is recommended that CWD begin a consultation process with other directorates and agencies to precisely determine the specific objectives of any IPP. This process will help identify which sectors of the ACT economy may be boosted by an IPP, and consequently assist in refining its final shape. It may be possible to leverage this discussion off Capital Metro Agency's ongoing consultations with Government directorates and agencies. Once a

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<sup>6</sup> Australian Government Productivity Commission, *Public Infrastructure* [draft report] (March 2014) p. 387-89

<sup>7</sup> Department of Industry, Innovation, Science, Research and Tertiary Education, *Decision Regulation Impact Statement: Strengthening Australian Industry Participation* (17 February 2013) p. 38

consolidated Government position has been agreed, the Territory will be in a stronger position to consult with industry about the eventual structure of an IPP.

2. It is recommended that, as a starting point for this consultation process, **CWD should adopt a model along the lines of option two as its preferred framework for any IPP.** Such a model would require tenderers to include a mandatory Plan outlining how local SMEs are to be used for all government procurements above specified thresholds, but which would not be included as a weighted criterion in tender evaluation. 'Local' would be defined as the SEROC region, as in the ACT's existing local SME policy, and the threshold for capital works procurements above which the IPP would apply could be set at \$5 million.

This model represents a strong starting point for consultation due to its balance between the requirement to promote local industry while also ensuring maximum simplicity for government and contractors alike. Local firms – and particularly SMEs – are likely to benefit from the enhanced visibility afforded by a mandatory IPP, which may be particularly useful in unlocking entry barriers to sub-contractual work on major procurements. Economic development in the Territory will also be enhanced by a particular focus on SMEs, as they provide a significant contribution to the ACT economy and face higher barriers to participation in major procurements than larger firms. This approach would also allow business to develop familiarity with the concept of an IPP, and the differences between the ACT's model and the similar frameworks adopted by the Commonwealth, Tasmania and South Australia.

3. Finally, it is recommended that **CWD consider potential means of categorising SMEs based on the degree to which they are invested in the ACT economy**, rather than solely on whether their head office is in the SEROC region. This may allow for more precise targeting of particular areas of the local economy identified as a particular priority of any IPP. It is also broadly in line with the recommendations of local industry to concentrate on economic development in the Territory, as outlined in the *Call to Action* Joint Industry Submission and the MBA's *Procurement Policy*.

Any industry policy designed to support the local economy will inevitably be highly complex, with a range of factors which need to be carefully worked through to ensure optimum efficacy. Clear communication with internal and external stakeholders throughout the implementation process will be essential, as there is likely to be a range of both positive and negative responses from affected parties.

## Attachment A: IPP Policies across Australian Jurisdictions

Jurisdiction	SME specific	Mandatory	Threshold value	Weighted criterion	Definition of 'local'
Commonwealth	Yes	No (discretion of Department of Industry)	\$20m	No (mandatory but not weighted)	Australia + NZ
Victoria	Yes	Yes	\$3m (Melbourne / statewide); \$1m (regional)	Yes (weighting variable: must be 'meaningful')	Australia + NZ
South Australia	Yes	Optional: Mandatory (standard): Mandatory (tailored):	> \$4m (metro) / \$1m (regional) \$10m - \$50m \$50m +	Yes (between 5% - 10%)	Australia + NZ
Western Australia	No	Yes	\$20m, or with capital expenditure of \$1m +	No (mandatory but not weighted)	WA only
Queensland	No	Yes	\$5m (metro); \$2.5m (regional)	Yes (variable)	Australia + NZ
Tasmania (current)	No	No (discretionary)	Discretionary	No (mandatory but not weighted)	Australia + NZ
Tasmania (proposed)	No	Yes	\$5m; private projects with \$500k of government funding	No (exact policy TBD)	Australia + NZ
ACT (G&S policy)	Yes	Yes: no IPP required	All goods & services tenders	Yes (default 5%)	SEROC region

## Attachment B: Potential Models for an ACT IPP Policy

**Option One:** An IPP designed to support ACT industry in a broad capacity, which would bolster local SMEs as an indirect consequence of promoting employment, skills development and growth in the Territory;

**Option Two:** An IPP which obliges successful tenderers to explore opportunities to subcontract to local SMEs, but which is not included as a weighted criterion in the tender evaluation process;

**Option Three:** An IPP which concentrates specifically on promoting local SMEs, and is included as a weighted criterion in the tender evaluation process; and

**Option Four:** A default weighting for local SMEs in all tenders, which can be understood as an “IPP-lite” model in which tenderers are not required to prepare a full IPP but are allocated a weighting based solely upon size and geographic location.

Option	SME specific	Mandatory	Threshold value	Weighted criterion	Definition of 'local'
One	No	Yes or No	Variable	Yes or No	ACT region (SERO)
Two	Yes	Yes	Variable: may be optional for lower values	No	Variable
Three	Yes	Yes	Variable: may be optional for lower values	Yes (variable)	Variable
Four	Yes	Yes: no IPP required	Variable: typically lower than other options	Yes (default value)	Variable



### Options Paper for Consultation with Stakeholders – ACT 'Industry Advocate'

The ACT Government is considering implementing a Local Industry Participation Policy (LIPP) to ensure that local industry is given full consideration when Government undertakes procurement and construction activities. The LIPP needs to comply with the requirements of the Government Procurement chapters of the Free Trade Agreements to which the Territory is a signatory. This means that there needs to be a level playing field, with all tenderers treated equally. The LIPP gives weight to the extent to which tenderers will contribute to the Canberra-region economy ~~will be assessed~~ (in terms of employment, training, supply chain, etc.).

It is intended that the new LIPP will cover capital works as well as goods and services, thereby replacing and expanding on the current SME procurement policy for goods and services. Under the current policy, there is a 5 per cent weighting for regional SMES in the procurement of goods and services with a value of \$200,000 or more. It is proposed that the LIPP be weighted at 10 per cent.

Out of scope

Out of scope

Out of scope

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**From:** Purser, Dave  
**Sent:** Wednesday, 20 July 2016 1:33 PM  
**To:** Embleton, Ilsa; Bain, Glenn; Frost, Michelle; Pearse, Jan  
**Subject:** RE: ACT Industry Participation Policy (re-draft) [SEC=UNCLASSIFIED]

Hi Ilsa,

The re-draft looks great, much tighter and more industry focused.

Following the meeting this morning I owe you some clarifications to enable amendments to the doc for submission to Strat Board this afternoon.

1. Definition of Local – While I discussed definitions around local business and local presence, I think we agreed that would be unnecessary and that the IPP simply include a definition for local, that being CBRJO, with a rider acknowledging our obligation to ANZGPA and other treaties. I'm thus suggesting the following:

*'Local – CBRJO; recognising constraints on application arising from the ACT's participation in inter-jurisdictional procurement and trade agreements.'*

2. Kate requested some words around PCW being responsible for the data to monitor and assess the policy.

*'Procurement and Capital Works will be responsible for capturing and reporting the data required to effectively assess the impact of the ACT IPP.'*

Kate also requested a proposal to support a Data Project to present to David Nicol. I'll send that to her separately.

Let me know if there was anything else you were waiting on.

Glenn/George, given time constraints I'm forwarding above directly, happy for you to suggest any changes to my wording prior to Ilsa closing off.

Regards,

Dave

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**From:** Embleton, Ilsa  
**Sent:** Tuesday, 19 July 2016 12:16 PM  
**To:** Bain, Glenn; Purser, Dave; Frost, Michelle; Pearse, Jan  
**Subject:** ACT Industry Participation Policy (re-draft)  
**Importance:** High

Dear Glenn and Dave

Please find attached the re-draft of the ACT Industry Participation Policy taking into consideration industry's feedback. We received a total of eight submissions from the CBC industry consultation. Submissions were made from CBC, ACTCOSS, ACT Chapter of Australian Institute of Architects, CollabIT, CIT, e-Government Cluster and two individual businesses.

I apologise for the late circulation but we only just received CBC's submission this morning.

See you tomorrow at 10am.

Kind Regards

Ilsa

Ilsa Embleton

Manager, Innovation

Innovate Canberra | Chief Minister, Treasury and Economic Development Directorate | ACT Government , 1

Constitution Ave, Canberra City | GPO Box 158 Canberra ACT 2601 Ph 02 6207 8864 | Fax 02 6207 0033

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**ACT**  
Government

Chief Minister, Treasury and  
Economic Development

TRIM: BM 16/2199

**To:** Minister for Economic Development

**Subject:** Canberra Region Local Industry Participation Policy

### Critical date and reason

1. In order to release the Canberra Region Local Industry Participation Policy (LIPP) and deliver on local industry interests before caretaker functions commence on **9 September 2016**.

### Recommendations

2. That you agree that as Minister responsible for procurement policy to release the Canberra Region Local Industry Participation Policy (LIPP).

**AGREED/NOT AGREED/PLEASE DISCUSS**

Andrew Barr MLA .....

1.9.16

### Supporting Reasoning

3. On 11 July 2016, you agreed that as Minister for Economic Development responsible for procurement policy to sign off on the LIPP noting that consultation with directorates would occur through the Strategic Board process.
4. On 27 July 2016, Local Industry Advocate, Ms Kate Lundy, presented the LIPP to Strategic Board and the Strategic Board agreed to the LIPP.
5. The LIPP paper at Attachment A provides an overview of the principles and objectives of the LIPP and guidance for both government (Territory Entities) and businesses (respondents) in applying the LIPP to relevant procurement projects.
6. The LIPP will be implemented from 1 January 2017 for new procurements. Prior to this date, an education program for industry and government will be introduced.
7. Draft companion guidelines for businesses at Attachment B regarding the implementation of the LIPP will be provided to industry for consultation at the same time this policy is released. DRAFT companion guidelines for Territory Entities at Attachment C will be provided for consultation at the same time.

### Consultation and Communication

8. The Local Industry Advocate, Ms Kate Lundy, has had oversight on the development of the LIPP.
9. Directorates through the Strategic Board process have been consulted on the LIPP.


10. On 1 July 2016, Ms Lundy presented the draft LIPP and sought views and input from representatives of the local business community at an industry consultation forum hosted by the Canberra Business Chamber. Twenty-eight representatives of the business community, including representative organisations, attended this forum. CMTEDD received eight formal submissions.
11. Ms Lundy has consulted separately with CollabIT, ACT Council of Social Services (ACT COSS) and the Masters Building Association of ACT (MBA). Due to the unique nature of specific sectors and the different procurement opportunities presented by government, additional sector specific guidance notes will be developed for the Community Services, ICT and Building and Construction sectors. These sector specific guidance notes will be developed in consultation with industry stakeholders prior to 1 January 2017.
12. The Government Solicitors' Office has provided guidance to ensure the LIPP is consistent with the Territory's national and international obligations including the Australian and New Zealand Government Procurement Agreement (ANGPA).
13. A media release has been prepared at Attachment D.

#### **Financial**

14. Nil Response.

#### **Management of Other Risks**

15. There is a level of risk on the timing of the LIPP. If the LIPP is not released, there is a risk to the reputation of Government on delivery of local industry interests.
16. The Government will be moving into caretaker functions on 9 September and any major policy announcement would need to be made in advance of that.

  
30/8/16.  
Director-General: David Dawes

Executive Clearance: Ian Cox, Executive Director, Innovate Canberra

Date: 26 August 2016

Action Officer: Ilsa Embleton

Phone: x78864



# **Canberra Region Local Industry Participation Policy**

# Agenda



**ACT**  
Government

Chief Minister, Treasury and  
Economic Development

- What is the LIPP?
- “Canberra Region”?
- When does the LIPP apply?
- LIPP Requirements
- Economic Contribution Test
- Local Industry Participation Plan
- Evaluation
- Discussion

# What is the LIPP?



**ACT**  
Government

Chief Minister, Treasury and  
Economic Development

- The ACT Government is committed to ensuring competitive local businesses are given every opportunity to compete for government contracts.
- This will encourage competitive local businesses to grow and develop their capabilities, and ultimately support more local jobs.
- The LIPP also supports local businesses playing a stronger role in larger government procurement as prime contractors. We see major procurements as a means to develop this capability locally, as well as participating as partners, collaborators, joint-ventures and subcontractors.

# LIPP Principles



**ACT**  
Government  
Chief Minister, Treasury and  
Economic Development

- The objective of the LIPP is to ensure that competitive local businesses, including SMEs, are given every opportunity to respond to procurement opportunities offered by the ACT Government.

The LIPP is based on the following principles:

- A Territory Entity must pursue value for money in undertaking its procurement activities.
- No discrimination: Consistent with national and international agreements and procurement policies, providing unbiased and equal access to government procurement opportunities to all respondents.
- Enhancing opportunities for local businesses

# LIPP Benefits



**ACT**  
Government

Chief Minister, Treasury and  
Economic Development

- increasing market awareness of local industry capability.
- stimulating business innovation.
- supporting improvement in business capability.
- retention and expansion of economic activity in the Canberra Region.
- value-adding in important capability building areas such as apprenticeships and other workforce up-skilling outcomes.

# “Canberra Region”?



**ACT**  
Government

Chief Minister, Treasury and  
Economic Development

- Australian Capital Territory and the
- Bega Valley,
- Eurobodalla,
- Goulburn-Mulwaree,
- Hilltops,
- Queanbeyan-Palerang,
- Snowy Monaro,
- Upper Lachlan,
- Yass Valley shires

# Where does the LIPP apply?



**ACT**  
Government  
Chief Minister, Treasury and  
Economic Development

The LIPP applies to procurements of the ACT Government covered by the Government Procurement Act . For clarity, it includes the following activities:

- procurement of works (infrastructure and construction), goods and services by Territory Entities;
- Public Private Partnership (PPP) projects; and
- Federally-funded infrastructure and construction projects managed by the ACT Government.

The LIPP applies from 1 January 2017 for all new procurements.

# Planning & Communication



**ACT**  
Government

Chief Minister, Treasury and  
Economic Development

- Annual Procurement Plans
  - Available via Tenders ACT
- Early communication with Industry bodies
  - Eg Canberra Business Chamber, MBA, CollabIT, ACTCOSS
- Advance Notice of Tenders
  - Call Tender Schedule
- Pre-procurement (Industry) briefings
- Feedback

# LIPP Requirements



**ACT**  
Government

Chief Minister, Treasury and  
Economic Development

Category	Procurement requirement	LIPP requirement
Contract value is <\$25,000	Minimum of 1 oral quote	None
Contract value is between \$25,000 and \$200,000	A minimum of 3 written quotes must be sought	Where possible: (1) one quote must be sought from a respondent located in the Canberra Region; and (2) one quote must be sought from an SME.
Contract value is \$200,000 or more and under \$5 million	Public tender	Economic Contribution Test Default 10% weighting
Contract value is \$5 million or more	Public tender	Local Industry Participation Plan Default 10% weighting.

# Economic Contribution Test (ECT)



**ACT**  
Government  
Chief Minister, Treasury and  
Economic Development

How its proposal and business contribute to economic benefit of the Canberra Region through the following:

- current business presence in the Canberra Region, including relevant capital investment history and/or new commitments.
- how the respondent will identify and consider products and capabilities provided by local businesses.
- the estimated number of labour hours associated with the primary contract and the labour hours of local subcontractors within the primary contract.
- additional undertakings by the respondent to benefit the Canberra Region economy. (e.g., partnerships with universities, region headquartering, training investments).
- approach to workforce skilling and local skills transfer (eg., through supply chain or local subcontractors).

# Local Industry Participation Plan (Local IP Plan)



**ACT**  
Government  
Chief Minister, Treasury and  
Economic Development

Outlines the respondent's level of commitment to using local content and/or local businesses and how the respondent's proposal and business contributes positively to the economic benefits of the Canberra Region.

- the number of newly created and existing local jobs retained, including apprenticeships/traineeships directly linked to the contract.
- estimate of the level of local value-added activities (local content).
- how the respondent will identify and consider products and capabilities provided by local businesses including joint-ventures, partnerships, collaborations with local industry.
- the value of capital investment in the Canberra Region directly linked to the contract.
- past performance of the respondent in meeting Local IP Plan commitments.
- additional undertakings by the business that support economic growth in the Canberra region
- approach to workforce skilling and local skills transfer (eg., through supply chain or local subcontractors).

# Compliance & Reporting



**ACT**  
Government

Chief Minister, Treasury and  
Economic Development

- Territory entities - as part of annual report
- ECT – compliance assessed at end of contract as part of performance reporting
- Local IP Plan -
  - regular report during the contract
  - a final report at end of contract
  - Enforced by contract conditions

# Updated PCW Documents



**ACT**  
Government

Chief Minister, Treasury and  
Economic Development

- PPM & Evaluation Plan
- ECT & Local IP Plan (sector - specific templates)
- Standard RFx
- Standard contracts

# Example criterion (ECT)



Tenderers must complete and submit an Economic Contribution Test (ECT). The ECT requires Tenderers to provide information on how both their tender and business contribute to the economic benefit of the Canberra Region by providing the following information:

- Current business presence in the Canberra Region, including relevant capital investment history and/or new commitments;
- How the Tenderer will identify and consider products and capabilities provided by local businesses;
- The estimated number of labour hours associated with the head contract and the labour hours of local subcontractors within the head contract;
- Additional undertakings by the Tenderer to benefit the Canberra Region economy; and
- Approach to workforce skilling and local skills (eg, through supply chain or local subcontractors).

# Evaluation



**ACT**  
Government

Chief Minister, Treasury and  
Economic Development

## Infrastructure

- Comparative Assessment using Risk Rating Table (0-10)
- Workshop some early submissions (with LIA & Innovate Canberra)
- Develop knowledge about sector averages



**ACT**  
Government

Chief Minister, Treasury and  
Economic Development

# DISCUSSION

# Buying Goods and Services

## for the ACT Government

&gt;

Support

Home	About purchasing	Buying options	Existing contracts
SMS Procurement Reform	Social Suppliers	Documents	Managing a contract
Support	home	Procurement	Buying
	About Purchasing	Policy Related Issues	Portal

About purchasing   Approaching the market   Purchasing principles

Policy related issues

## Policy related issues in purchasing

Several policy related issues need to be considered when undertaking a purchase as outlined below.

### Local Industry Participation Policy

The ACT Government has implemented the [Canberra Region Local Industry Participation Policy \(LIPP\)](#) to ensure competitive local businesses are given every opportunity to compete to bid for government contracts. From 1 January 2017, new ACT Government procurements will apply the LIPP. In summary the LIPP requirements at each procurement threshold are as follows:

Threshold	Procurement Requirement	LIPP Requirement	Who ensures the Requirements are met?
Procurement value is <\$25,000	Minimum of 1 quote	None	Directorate Officer
Procurement value is between \$25,000 and \$200,000	A minimum of 3 written quotes must be sought (unless an exemption is obtained)	Where possible: (1) one quote must be sought from a respondent located in the Canberra Region; and (2) one quote must be sought from an SME.	Directorate Officer
Procurement value is \$200,000 or more and under \$5 million	Public tender (unless an exemption is obtained)	Economic Contribution Test must be completed / submitted. Assessment of the same will be allocated a default 10% weighting in evaluation process.	Procurement and Capital Works(1)
Procurement	Public tender	Submission of a Local IP Plan is	Procurement

value is \$5 million	(unless an exemption is obtained)	mandatory. Assessment of the same will be allocated a default 10% weighting in evaluation process.	and Capital Works(1)
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1. For procurements over \$200,000, the procurement officer assigned to your project will assist prepare the required documentation. For information about what is an Economic Contributions Test and a Local IP Plan please see the [Policy](#) .

A [checklist](#) is available to guide officers as to what steps they could take to determine whether a business is an SME or located in the Canberra region. It is up to officers to give their best efforts to obtain quotes from SMEs and local businesses. It also may be useful to view the [social procurement and indigenous procurement](#) supplier lists for possible SME suppliers.

An SME is defined as a business that has fewer than 200 full time employees or equivalent (FTEs). This is different to ACT Government's old definition of a Regional SME, which was a combination of an SME and a business located in the Canberra Region.

A business located within the Canberra Region is a business that is registered or has an office in the ACT or a set of surrounding NSW Shire Councils including; Bega Valley, Eurobodalla, Goulburn Mulwaree, Hilltops, Queanbeyan-Palerang, Snowy Monaro, Upper Lachlan, Yass Valley, ([refer to CBRJO](#)).

#### **What is the Canberra Region?**

The Canberra Region was formed from a Memorandum of Understanding between the ACT and NSW where the ACT will work with surrounding regional NSW councils in order to achieve shared social and economic outcomes. It is administered by the Canberra Region Joint Organisation. The region includes ACT and a number of NSW councils.





Good Morning

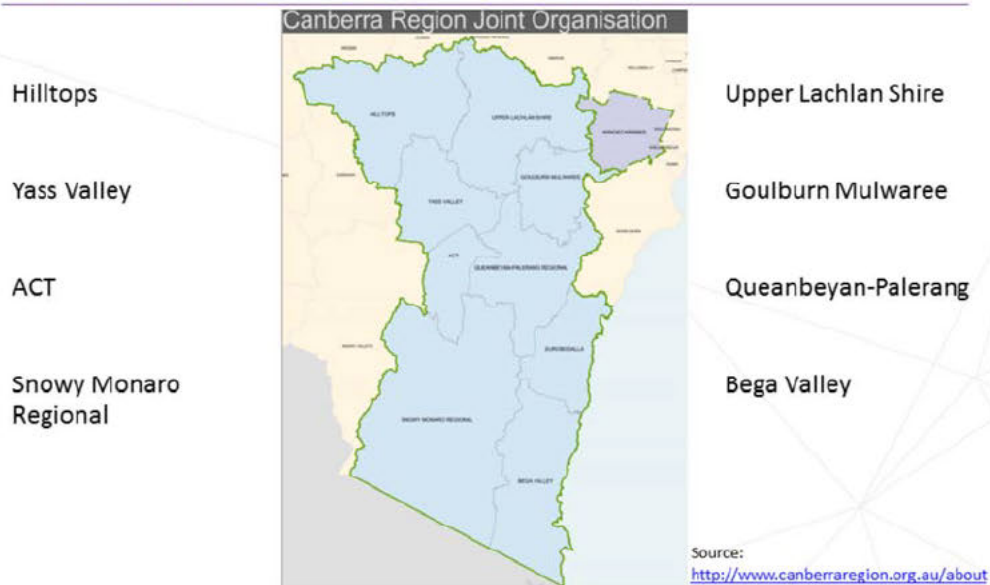
#### Acknowledgement of Country

Before I start, I too would like to acknowledge that we are meeting on country for which the members and elders of the local Indigenous community have been custodians for many thousands of years. We recognise their living culture and unique role in the life of this region.

Today I would like go over a brief outline of the ACT Government's Local Industry Participation Policy. How it applied at different procurement thresholds and the documentation and processes we've produced to implement it. I'll finish up with a few of the current challenges we are facing and fielding as many questions as possible.

Preface with the disclaimer that we come from the Goods and Services Procurement side, so the documents and processes we'll be discussing are for goods and services procurements. while things like infrastructure and civil constructions are in a slightly different business environment and so implements the policy slightly differently.

## CANBERRA REGION LIPP CATCHMENT



As we know the Policy defines local business as businesses that are located in the Canberra Region, which is the area of the Canberra Region Joint Organisation.

We consider a business is located in the Canberra Region when it has registered its ABN in the area or it has a physical business address in the Region such as an office or a warehouse.

## LOCAL INDUSTRY PARTICIPATION THRESHOLDS

- **Under \$25k**

No explicit Local Industry Participation requirements

- **Between \$25k and \$200k**

One quote from a local business and one quote from an SME

- **Between \$200k and \$5m**

Economic Contribution Test (ECT) weighted a minimum of 10%

- **Above \$5m**

Local Industry Participation Plan (Local IP Plan) weighted a minimum of 10%



The LIPP set up different requirements in line with procurement thresholds that reflect the amount of economic contribution possible at that value.

Under \$25k procurements tend to be locally sourced or SME sourced products.

Between \$25k and \$200k the procurement threshold requirement is to seek three quotes, and so with LIPP one of those quotes is from a local business and one quote from a SME. This posed a challenge for officers to know how to find and check for Local businesses and SMEs before seeking the quote as opposed the SME Consideration where businesses self identified as a Regional SME as they returned their quote.

Any procurement over \$200k should go through a Tender process in some form and so Economic Contribution Tests and Local Industry Participation Plans have been developed to fit within that framework.

Procurements over \$5m would also go to the Government Procurement Board for approval and review and so this signifies the substantial level of economic contribution possible and so the greater effort required from tenderers to win the contract and demonstrate how they are participating in the economy.

## LIPP – RETURNABLE SCHEDULES

### Quick Points:

- Use ECT or Local IP Plan based on contract value if there are multiple contracts.
- Industry are learning how to answer the questions as we are learning how to ask and evaluate them. There will be some variation in the quality of responses as we both learn.

WFF (Project WFF Number)

Attachment 2 – Returnable Schedules

### Economic Contribution Text

Your organisation will need to describe your economic contribution to the Canberra Region and ensure it can verify the information submitted. Where possible information should be quantified and declared a \$ value in your statement.

Please complete the tables below.

### PART A: REGIONAL EMPLOYMENT

#### 1. Presence in the Canberra Region

What is your organisation's physical presence in the Canberra Region?	Head Office	Branch Office	Sole Trader / Home Office	Warehouse / Depot	Other	Nil
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Principal place of business address						

#### 2. Employment (labour)

The purpose of this section is to measure the potential economic benefit to the Canberra Region through the use of regionally sourced labour throughout the proposed contract term.

Describe how many residents of the Canberra Region does your organisation directly employ (by FTE)?	How many of the residents of the Canberra Region your organisation directly employs (by FTE) will be involved in delivering the proposed contract?
Insert response here	Insert response here

	Estimated labour costs from inside the Canberra Region (see Guidance Note 2)	Total estimated labour costs required (including Canberra Region and all other labour sources)
Estimated total labour costs required to deliver the proposed contract	Insert response \$..... (\$57,000)	Insert response \$..... (\$57,000)

Guidance Note 2: this should include the organisation's own labour as well as all sub-contractors from within the Canberra Region.

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Version 2.0, May 2017



As I mentioned procurements over \$200k go through a Tender process and so the LIPP documentation has been built into what the tenderers submit as part of their response.

I'm conscious of the time and so we won't step through the documents themselves however we do have some take away copies available if anyone is interested.

Tenderers are requested to respond to questions under 4 categories of Regional employment, local suppliers, Regional skills development and regional investment. The questions ask tenderers to describe what their economic contribution will be as they deliver the contract. These descriptions are supported by requesting dollar values and costs to establish the quantity of contribution.

## EVALUATION WORKSHEET

•ECT or Local IP Plan assessed by each procurement project's evaluation team.

•The evaluation teams will be using an evaluation worksheet that provides some guidance and structure towards consistent assessment/scoring.

•Once evaluation is complete you would send through the results to the MARS team via the button in the worksheet.

•The data gathered will then from the evidence to determine the effectiveness/ineffectiveness of the policy.

Local Industry Participation Evaluation Worksheet - Tenderer Response			
<b>STEP 4 - Fill in all the LIGHT BLUE BOXES</b>			
CATEGORY SCORES	CATEGORY WEIGHTING	RAW SCORES	FINAL SCORES
REGIONAL EMPLOYMENT	45%		
LOCAL SUPPLIERS	25%		
REGIONAL SKILLS DEVELOPMENT	25%		
REGIONAL INVESTMENT	5%		
		FINAL SCORE (out of 10)	0.0
DELETE THIS TENDERER			
<b>Test Tenderer</b>			
<b>REGIONAL EMPLOYMENT</b> Enter in the Scores provided by the Tenderer and score the responses.			<b>Guidance Notes:</b>  when evaluating tenderer's LPP submissions. This will be updated as experience with LPP increases.  When evaluating Regional Employment you could consider, where most or the staff are engaged, whether they have adequate staff in the Canberra Region to complete the contract, are they utilising them? Whether the tenderer has a large local workforce. Then compare the labour costs claimed against the response to the open questions. Do they form a consistent believable statement or do you question what has been provided?
Open Question to Respondent	Officer Comments	Score out of 10	
Describe how many residents of the Canberra Region does your organisation directly employ (by FTE) employ to deliver the proposed contract?			
Estimated labour costs from inside the Canberra Region	Total estimated labour costs required (including Canberra Region and all other labour sources)		
Estimated total labour costs required to deliver the proposed contract?			
<b>LOCAL SUPPLIERS</b> Enter in the Scores provided by the Tenderer and score the responses.			Commercial arrangements can be many types of business relationships. The key is to judge "how connected the tenderer is in the Canberra Region economy?" Do they participate in local industry associations and conferences? Do they source suppliers locally? How much of their supply is local? Of the key goods/services sourced from the Canberra Region, are they likely to substantially contribute to the local supplier's revenue and thus the economy? Are the key
Open Question to Respondent	Officer Comments	Score out of 10	
Describe any existing and/or past commercial arrangements with other organisations in the Canberra Region?			
Estimated value of Goods/Services from:	Total estimated value of Goods/Services from inside and outside the		



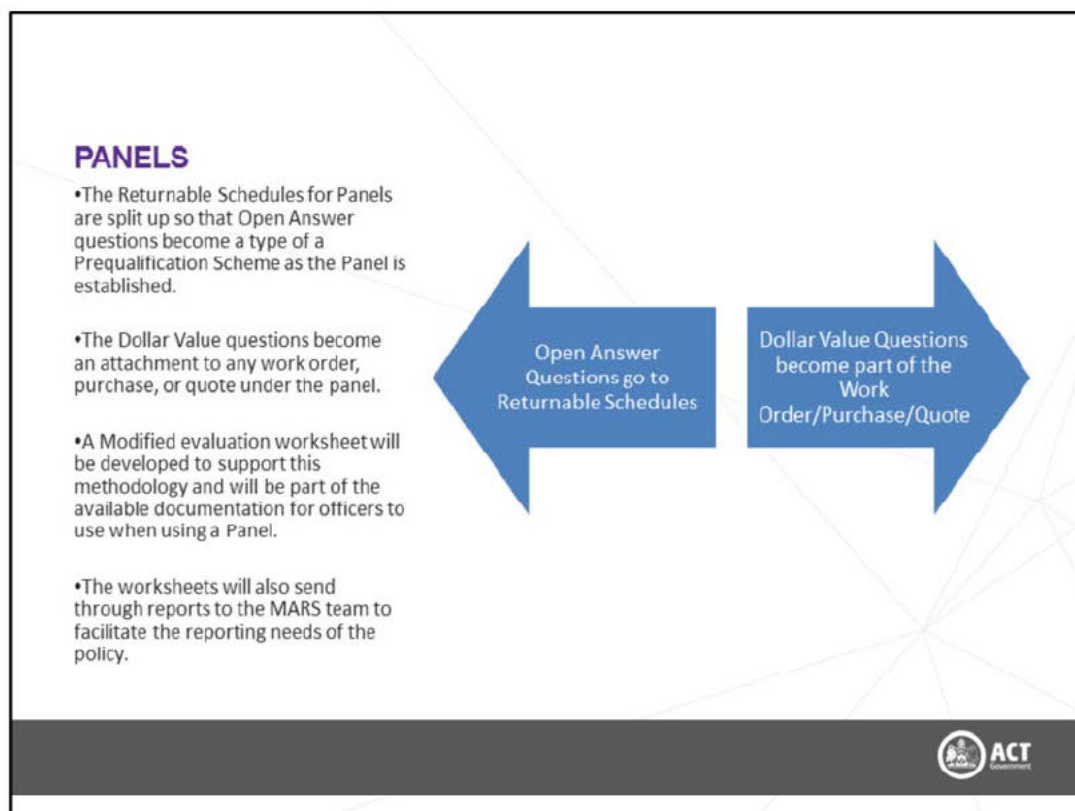
As tenders are received the tender evaluation team assesses the responses provided in the submission. The tender evaluation teams are comprised of government officers from the directorate funding the procurement.

One of our concerns is how to achieve consistency in scoring and evaluation across government when the different evaluation teams are assessing some material very subjectively. At the same time scoring primarily on values aren't flexible enough to meet the variety of types of procurements.

One way we're trying to address this we've used percentage of contract value as a base score which is then moderated by the score of the officer. So from this version of the evaluation sheet, we receive a score out of 10 and a dollar value of total contribution per tenderer.

The score goes into the tender evaluation and the dollar value can be aggregated to provide some figures for reporting purposes.

For reporting. The Directorates need to report on LIPP in their annual reports. The details of what exactly they report are still being developed. For under \$200k we could collect how many local and SME quotes were received, how many actually won the contract. For over \$200k we could measure compliance with the policy in the tender documentation that is released. We could conduct statistical analysis of the scores given and the aggregate contribution recorded.



As tenders are received the tender evaluation team assesses the responses provided in the submission. The tender evaluation teams are comprised of government officers from the directorate funding the procurement.

One of our concerns is how to achieve consistency in scoring and evaluation across government when the different evaluation teams are assessing some material very subjectively. At the same time scoring primarily on values aren't flexible enough to meet the variety of types of procurements.

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## QUESTIONS

### CANBERRA REGION LOCAL INDUSTRY PARTICIPATION POLICY



Questions?

We have copies of some of our documents if anyone is interested.

Attachment XX

TENDER EVALUATION PLAN  
FOLDER

1. TENDER EVALUATION PLAN

[Redacted]

2. TENDER EVALUATION TEAM

[Redacted]

Table 1

Tender Evaluation Team			
Name	[Redacted]	[Redacted]	[Redacted]
Position	[Redacted]	[Redacted]	[Redacted]
Agency			
Statement on TET composition	[Redacted]		

[illegible]

Specialist Advisers			
Name	[REDACTED]	[REDACTED]	[REDACTED]
Role	[REDACTED]	[REDACTED]	[REDACTED]
Agency			

Procurement Advisers		
Name		
Role		

Procurement Advisers		
Agency		

**4. CONFLICT OF INTEREST**

[REDACTED]

[REDACTED]

[REDACTED]

- [REDACTED]
- [REDACTED]

**5. LATE TENDERS**

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

**6. EVALUATION CONSIDERATIONS**

[REDACTED]

[REDACTED]

**7. CLARIFICATION OF TENDER**

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

**8. ASSESSMENT CRITERIA**

[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

Table 4

MANDATORY CRITERIA (Optional)	PASS /FAIL
[REDACTED]	
[REDACTED]	
WEIGHTED CRITERIA	Weighting (%)
[REDACTED]	
[REDACTED]	
[REDACTED]	
[REDACTED]	
<p>5) <b>Local Industry Participation</b> [for procurements with an estimated value exceeding \$200,000 inclusive of GST]</p> <p>To ensure local businesses are given full, fair and reasonable opportunity to compete for government contracts, the Canberra Region Local Industry Participation Policy (LIPP) applies to this project.</p> <p>The Territory will consider local capability and take into account the broader economic benefits for the geographical area comprising the Australian Capital Territory and NSW Member Councils including Bega</p>	10%

Valley, Eurobodalla, Goulburn-Mulwaree, Queanbeyan-Palerang, Snowy Monaro, Upper Lachlan and Yass Valley (**Canberra Region**) when determining the best available procurement outcome.

**NOTE:** Tenderers do not need to be based in the Canberra Region to submit a response to this Criterion.

-----  
**For procurements with an estimated value of \$200,000 or more and less than \$5 million inclusive of GST insert the following assessable criteria.**

Tenderers must complete and submit an Economic Contribution Test (ECT). The ECT requires Respondents to provide information on how both their Tender and business contribute to the economic benefit of the Canberra Region by addressing the following considerations:




- i) details of current business presence in the Canberra Region, including relevant capital investment history and/or new commitments;
- ii) how the Tenderer will identify and utilise products and capabilities provided by local businesses;
- iii) the estimated labour costs that will be incurred within the Canberra Region, compared against the total labour costs;
- iv) additional undertakings by the Tenderer to benefit the Canberra Region economy; and
- v) approach to workforce skilling and utilisation of local skills (e.g. through supply chain or local subcontractors).

-----  
**For procurements with an estimated value of \$5 million or more (inclusive of GST) insert the following assessable criteria.**

Tenderers must complete and submit a Local Industry Participation Plan. The Local Industry Participation Plan is a document that outlines the Tenderer's level of commitment to using local content and/or local businesses and how the Tenderer's Tender and business contributes positively to the economic benefits of the Canberra Region. Typically the Local IP Plan requires Respondents to provide information on how both their Tender and business contribute to the economic benefit of the Canberra Region by addressing the following considerations:

- i) Current business presence in the Canberra Region and/or any new commitment including relevant capital investment history;
- ii) The number of newly created and existing local jobs retained, including apprenticeships/traineeships directly linked to the contract;
- iii) Estimate of the level of local value-added activities (local content);
- iv) How the Tenderer will identify and consider products and capabilities provided by local businesses including joint ventures, partnerships, collaboration with local industry;
- v) The value of capital investment in the Canberra Region directly linked to the contract;

vi) Past performance of the Tenderer in meeting previous Local Industry Participation Plan commitments;	
vii) Additional undertakings by the business that support economic growth in the Canberra Region (e.g. partnerships with universities, regional headquartering, training investments); and	
viii) Approach to workforce skilling and local skills transfer (e.g. through supply chain or local subcontractors).	

NON WEIGHTED CRITERIA
<b>Price</b>  
<b>Innovations</b> 

## 9. EVALUATION METHODOLOGY

Tenders will be assessed using the methodology outlined below.

### Step 1 Compliance

- 
- 
- 
- 
- 
- 
- 
  - 
  - 
- 
- 
- 
  - 
  - 
  - 

[illegible]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

- ### **Step 2a   Local Industry Participation**

- Draft/Final (Version Control Number 1) – August 2017

using the **Economic Contribution Test (ECT) OR Local Industry Participation Plan (Local IP Plan)**.

- 2) Tender's responses to the LIPP Weighted Assessment Criterion will be scored through the application of the LIPP Evaluation Worksheet.
- 3) The TET will for each of the sub-Criterion (categories):
  - i) firstly assess the written response provided a score (out of 10) using the scoring regime at **Section 10** of this TEP.
  - ii) a percentage figure for economic contribution will then be calculated from the local \$ spend over the total \$ spend declared by the Tenderer in its response.
  - iii) the LIPP Evaluation Worksheet will automatically apply a modifier ( $\pm 15\%$ ) for each sub-Criterion's percentage figure to calculate a final 'raw score.'
- 4) The following weightings will be applied to the four LIPP sub-criteria:
 

Regional Employment	<b>2.5%</b>
Local Suppliers	<b>2.5%</b>
Regional Skills Development	<b>2.5%</b>
Regional Investment	<b>2.5%</b>

(The information below in red text is to be removed from the final TEP).

**NOTE 1:** The above percentages may be adjusted to match the industry's ability to contribute to the Canberra Region economy. Select from the three default weightings provided in the LIPP Evaluation Worksheet or discuss with your manager to determine suitable weightings for the various sub-criteria.

**NOTE 2:** Each industry differs in its capability to contribute to the Canberra Region in terms of the LIPP categories of Regional Employment, Local Suppliers, Regional Skills Development and Regional Investment. Therefore the Territory can assign weighting to the categories to match the industry's capability, and thus gain a more accurate indication of the economic contribution of each Tenderer.  
Below are three default weighting presets.

<u>Standard</u>	<u>Each Category is weighted equally, use this unless the specifics of the procurement requires different weightings being set.</u>
<u>Sophisticated</u>	<u>The requested goods and services would be products that require qualifications, expertise and are complex to deliver. Examples could be developing new ICT systems, Health consumables, Audit Services etc.</u>
<u>Unsophisticated</u>	<u>The requested goods and services are basic products. Examples could be cleaning, mowing or food providers.</u>



**Step 3   Pricing Analysis**

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

**Step 4   Risk Assessment**

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

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[REDACTED]

**Step 5 Best and Final Offers (BAFO) (Optional, discuss with Manager whether a BAFO is suitable)**

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

**Step 6 Value for Money (VFM) Assessment**

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

**10. SCORING REGIME**





















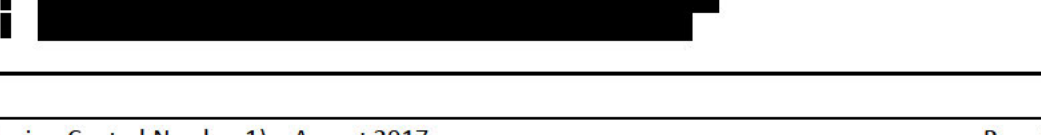

[REDACTED]

[REDACTED]

[REDACTED]



Table 5

Descriptor	Response	Rating
<i>Outstanding</i>		
<i>Excellent</i>		
<i>Very Good</i>		
<i>Good</i>		
<i>Adequate</i>		
<i>Reservations</i>		
<i>Poor</i>		
<i>Very Poor</i>		
<i>Inadequate</i>		
<i>Not Acceptable</i>		
<i>Not able to assess Response</i>		

[illegible]

[REDACTED]

## Local Industry Participation Evaluation Worksheet - Summary

Version

1.6

Version Date

Monday, 18 September 2017

**Ensure you have enabled macros for this worksheet**

### **INSTRUCTIONS FOR GnS OFFICERS - COMPLETE THE LIGHT BLUE BOXES**

**STEP 1** Enter in the **Project Details** and **Contract Value**. Select whether the Tenderers are submitting an **ECT or Local IP Plan?**

If appropriate for this project, adjust the **Category Weighting** from the dropdown menu.

**STEP 2** Click the "**Add a Tenderer**" Button and enter in a Tenderer's Name into the pop-up box.

**STEP 3** Repeat **STEP 2** until you have added all Tenderers to the workbook.

**STEP 4** Go to each **Tenderer's tab**, Facilitate the Tender Evaluation Team's evaluation by filling in all the **LIGHT BLUE BOXES**.

**STEP 5** Once the Evaluation Report is signed by the Delegate, the GnS Officer returns to this **LIPP Evaluation Summary tab** notes the **Successful Tenderer** and clicks the "**Send Results to GnS for Reporting**". After one moment a "Results sent successfully" box is shown.

### **STEP 1**

PROJECT DETAILS		CONTRACT VALUE	CATEGORIES	CATEGORY WEIGHTING	If appropriate Category Weighting can be adjusted to tailor the evaluation to the Categories tenderers can best participate in the economy. Select from the dropdown menu below. See <a href="#">FAQ</a>
Project Number (5 digits only)			REGIONAL EMPLOYMENT	2.50%	
		Exp Contribution	LOCAL SUPPLIERS	2.50%	
Tender Name		\$0.00	REGIONAL SKILLS DEVELOPMENT	2.50%	
		\$0.00	REGIONAL INVESTMENT	2.50%	
ECT or Local IP Plan?	ECT		FINAL PERCENTAGE (out of 10%)	10.00%	

### **STEP 2 & STEP 3**

**ADD A TENDERER**

### **STEP 4**

Go to each **Tenderer's tab** and complete the evaluation.

### **STEP 5**

**Send Results to GnS for Reporting**

Default

TENDERER NAME	REGIONAL EMPLOYMENT	LOCAL SUPPLIERS	REGIONAL SKILLS DEVELOPMENT	REGIONAL INVESTMENT	FINAL SCORE	
Example Respondent Name	0.0	0.0	0.0	0.0	0	
TENDERER NAME	REGIONAL EMPLOYMENT	LOCAL SUPPLIERS	REGIONAL SKILLS DEVELOPMENT	REGIONAL INVESTMENT	FINAL CONTRIBUTION	SUCCESSFUL TENDERER
Example Respondent Name	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	

COMMENTS

## Local Industry Participation Evaluation Worksheet - Tenderer Response

### STEP 4 - Fill in all the LIGHT BLUE BOXES

CATEGORY SCORES	CATEGORY WEIGHTING	RAW SCORES	FINAL SCORES
REGIONAL EMPLOYMENT	2.5%	0.00	0.00
LOCAL SUPPLIERS	2.5%	0.00	0.00
REGIONAL SKILLS DEVELOPMENT	2.5%	0.00	0.00
REGIONAL INVESTMENT	2.5%	0.00	0.00
FINAL SCORE (out of 10)			0.0

#### INSTRUCTIONS

Fill in all the LIGHT BLUE BOXES by entering in the \$values provided by the Tenderer and score the responses the Tender open question responses out of 10 from the Scoring Methodology located at the bottom of the sheet.

Go to Next Tenderer - The Evaluation Sheet then auto-calculates the final score and populates the Summary.

### Example Respondent Name

REGIONAL EMPLOYMENT			Guidance Notes
Entering in the \$values provided by the Tenderer and score the responses.			<p>This column contains some guidance for Officers when evaluating tenderer's LIPP submissions. This will be updated as experience with LIPP increases.</p> <p>When evaluating Regional Employment you could consider; where most of the staff are engaged, whether they have adequate staff in the Canberra Region to complete the contract, are they utilising them? Whether the tenderer has a large local workforce. Then compare the labour costs claimed against the response to the open questions. Do they form a consistent believable statement or do you question what has been provided?</p>
Open Question to Respondent	Officer Comments	Score out of 10	
Describe how many residents of the Canberra Region does your organisation directly employ (by FTE) / employ to deliver the proposed contract?			
	Estimated labour costs from inside the Canberra Region	Total estimated labour costs required (including Canberra Region and all other labour sources)	
Estimated total labour costs required to deliver the proposed contract?			
Open Question to Respondent	Officer Comments	Score out of 10	
Provide further details of employment created and retained?			
LOCAL SUPPLIERS			<p>Commercial arrangements can be many types of business relationships. The key is to judge "how connected the tenderer is in the Canberra Region economy?" Do they participate in local industry associations and conferences? Do they source suppliers locally? How much of their supply is local? Of the key Good(s)/Service(s) sourced from the Canberra Region, are they likely to substantially contribute to the local supplier's revenue and thus the economy? Are the key Good(s)/Service(s) sophisticated or technical and thus assisting contribution to the Region's knowledge?</p>
Entering in the \$values provided by the Tenderer and score the responses.			
Open Question to Respondent	Officer Comments	Score out of 10	
Describe any existing and/or past commercial arrangements with other organisations in the Canberra Region?			
	Estimated value of Goods/Services from inside the Canberra Region	Total estimated value of Goods/Services from inside and outside the Canberra Region	
List key Good(s)/Service(s) to be sourced from inside the Canberra Region	Estimated GST inclusive value	Supply Source (Supplier's Trading Name)	
ADD A ROW			
Open Question to Respondent	Officer Comments	Score out of 10	
Describe any existing and/or past commercial arrangements with other organisations in the Canberra Region?			



**STEP 5 - Return to LIPP Evaluation Summary tab once all Tenderers are evaluated.**

**SCORING METHODOLOGY** Refer to Evaluation Plan

# FAQ

## **What is Category Weighting?**

Different industries are more able to contribute to the Canberra Region in certain categories over others. Therefore the Tender Evaluation Team can weight the categories to match the industry's ability. Below are three default weighting presets.

**Default** Each Category is weighted equally, use this unless the specifics of the procurement requires a different weighting being set.

**Sophisticated** Goods and Services would be products that require qualifications, expertise and are complex to deliver. Examples could be developing new ICT systems, Health consumables, Audit Services etc.

**Unsophisticated** Goods and Services are basic products. Examples could be Cleaning, Mowing or food providers

## **How to Add/Delete a Tenderer?**

1) Add a Tenderer by clicking on the "Add a Tenderer" Button

2) Delete a Tenderer by clicking the "Delete This Tenderer" Button on the Tenderer's evaluation sheet.

## **How to Evaluate Using this Sheet?**

Fill in all the LIGHT BLUE BOXES by entering in the \$values provided by the Tenderer and score the responses the Tender open question responses out of 10 from the Scoring Methodology located at the bottom of the sheet.

**DONE!** - The Evaluation Sheet then auto-calculates the final score and populates the Summary tables.

## How is the score Calculated?


	REGIONAL EMPLOYMENT	LOCAL SUPPLIERS	REGIONAL SKILLS DEVELOPMENT	REGIONAL INVESTMENT
Default	2.5%	2.5%	2.5%	2.5%
Sophisticated Good(s)/Service(s)	4%	1%	3%	2%
Unsophisticated Good(s)/Service(s)	4%	3%	2%	1%

ECT	Economic Contribution Test, between \$200k and \$5m
Local IP Plan	Local Industry Participation Plan, for over \$5m