



# South Australian Industry Participation Policy

## Frequently Asked Questions

October 2016

*Measuring Economic Benefit from  
Procurement through Labour, Capital  
Investment and Supply Inputs*

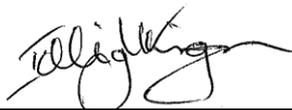
# SA IPP Frequently Asked Questions

## DOCUMENT CONTROL

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## What is the Industry Participation Policy?

Local participation in government contracting is critical to the Government of South Australia. The Government wants procurement to generate economic activity, work, investment and innovation in the state economy. The Industry Participation Policy (IPP) aims to ensure South Australian businesses are given full, fair and reasonable opportunity to be considered for contracts being undertaken in South Australia resulting from Government expenditure. The full policy can be found at the following link: [www.industryadvocate.sa.gov.au](http://www.industryadvocate.sa.gov.au).

## What are my obligations under the policy?

Tenderers are obligated to complete an Employment Contribution Test, Declaration of Intent, Standard IPP Plan or a Tailored IPP Plan as required by the Responsible Government Agency. Please see Table 1 in the Industry Participation Policy Procedural Guidelines.

## Who is the Industry Participation Advocate?

The Industry Participation Advocate (IPA) is Mr Ian Nightingale. His role was created to ensure local businesses leverage maximum opportunities from the almost \$4 billion of contracts let annually by the Government of South Australia and through its portfolio of building and construction projects.

The Industry Participation Advocate leads a dedicated team who form the Office of the Industry Advocate (OIA). The OIA investigates and reports on new ways to drive local investment, develop strong value chains from the State's portfolio of major projects, support the development of an advanced services sector and leverage opportunities for innovation.

## What is the Office of the Industry Advocate and what is its role?

The Office of the Industry Advocate (OIA) is an independent unit who reports to the Minister for Small Business and the Treasurer and is administered by the Department of State Development. The OIA is responsible for IPP reforms, administering the IPP and providing advice to agencies and industry on their requirements under the IPP. In addition to this, the role of the OIA is to:

- Ensure local businesses are not disadvantaged and that the benefits of buying locally are taken into account when assessing the relative value of applications from local businesses.
- Engage with industry leaders, industry representative bodies, unions, universities and other professional organisations to identify and overcome impediments to South Australian businesses accessing work from government contracts.
- Explore opportunities to drive local investment, develop value chains from the State's portfolio of major projects, support the development of an advanced services sector and leverage opportunities for innovation.
- Encourage local businesses and industry associations to build and maintain the skills and capabilities needed to successfully compete for government contracts.
- Research initiatives in other jurisdictions aimed at encouraging a greater number and diversity of local businesses to effectively engage and participate in procurement processes.
- Liaise with the Commonwealth and other state governments to investigate changes to national and state procurement procedures that will reduce impediments local businesses face in winning tenders interstate.

To ensure proper application of the IPP, and to assess its impact, the Office of the Industry Advocate will report annually to State Cabinet.

## Am I required to contact and engage with the Office of the Industry Advocate?

Government agencies are required to engage with the Office of the Industry Advocate from the Acquisition Planning stage of a procurement. Government agencies are required to provide completed IPP Plans to the Office of the Industry Advocate for assessment.

For tenderers, the requirements for contacting and working with the Office of the Industry Advocate vary depending on the size of the contract or project:

- For contracts (or projects) requiring an Employment Contribution Test, you are only required to contact the Office of the Industry Advocate if you are experiencing difficulty in completing the Test.
- For contracts (or projects) requiring a Standard IPP Plan, you are encouraged to contact the Office of the Industry Advocate during the tender preparation stage. Successful tenderers are required to engage with the Office of the Industry Advocate following contract award.
- For contracts (or projects) requiring a Tailored IPP Plan, tenderers are encouraged to contact the Office of the Industry Advocate during the tender preparation stage. Successful tenderers are required to engage with the Office of the Industry Advocate throughout the life of the contract.

## Are the threshold values GST inclusive or exclusive, and based on quoted price or tender value?

All IPP threshold values are GST inclusive. The threshold values refer to the total price you are quoting in your tender response including all options and all possible extensions offered.

## What is the Employment Contribution Test?

The Employment Contribution Test (or ECT) is a simple test that asks how many labour hours will be used by the head contractor to complete the work being tendered for. Where the head contractor needs to engage sub-contractors to complete the work, the total number of labour hours associated with all sub-contracts will also need to be provided (note that this does not include Fly-in Fly-out labour).

The (ECT) applies to all procurements between \$33,000 and \$4 million (\$1 million in Regional South Australia). Where there are two or more bids that meet the needs of Government and they represent good value, the ECT is used to determine the winner (the one with the highest score in this test).

For procurements between \$220,000 and \$4 million (\$1 million in Regional South Australia), the ECT will apply in the same manner as is required for procurements between \$33,000 and \$220,000 however in this higher value range, the ECT will be given a minimum 15% weighting as a component of the overall evaluation criteria.

The Regional Employment Contribution Test considers the labour hours to be performed in the same Region as contract delivery, in addition to labour hours performed within the State (note that this does not include Fly-in Fly-out labour). The intention being that businesses that are able to provide greater employment opportunities within the Region will receive a higher score than those that need to bring people in from outside of the Region to undertake the work.

## What reporting requirements are there against the Employment Contribution Test?

There are no reporting requirements for contractors against their ECT commitments.

Responsible Government Agencies will be required to report on ECT outcomes for their agency in conjunction with reporting on IPP Plan outcomes on an annual basis.

## How do I know if I need to complete an Employment Contribution Test?

The Responsible Government Agency will include information about the ECT, including the test itself, in their tender documentation. If you are tendering and are unsure whether the ECT applies, please clarify with the nominated contact person for the tender.

The Office of the Industry Advocate is available to assist tenderers in completing the ECT if required.

### **If an evaluation for contracts between \$220,000 and \$4 million does not use a weighted award criteria (i.e. Comparative Price evaluation) does the 15% apply?**

Yes. The score from the Employment Contribution Test is to be incorporated into the overall evaluation plan in the same way it would for a higher value contract that requires an IPP Plan. As a minimum, the ECT must be regarded as a mandatory requirement when hurdles are being used, this needs to be included and considered as part of the award decision in choosing between more than one bid.

### **Does the Employment Contribution Test need to be included in a Direct Negotiations?**

No. The Employment Contribution Test is a decision tool designed to differentiate 2 or more very similar tenders. If there is only one tenderer, there is no need to complete an ECT.

### **What if the tenderer will use a combination of local and interstate labour?**

The intention of the Employment Contribution Test is not to include Fly-In Fly-out labour hours. The tenderer is asked to initially identify the total labour hours to deliver the contract and then identify how many of those hours will be South Australian (or Regional) based.

### **How is South Australian labour hours determined?**

“South Australian labour” for the purpose of the Industry Participation Policy (incorporating the Employment Contribution Test and Industry Participation Plans) is labour performed in South Australia/Region by a person who has their **principal place of residence** in the State/Region.

### **What projects require IPP Plans?**

Unless specifically requested in the tender documents, the IPP Plan requirement applies to the following projects:

- South Australian Government procurement of goods and services including infrastructure and construction;
  - with a quoted value of \$4 million dollars and over in metropolitan Adelaide; or
  - with a quoted value of \$1 million dollars and over in regional South Australia.
- Public/private partnerships
- Federally funded infrastructure and construction projects managed by the South Australian Government.
- Private sector projects receiving \$2.5 million and over in cash and/or in kind support from the South Australian Government.

Please note that Agencies may request an ECT or IPP Plan as part of the tender response for contracts outside of the values above based on a determination of the potential economic and social benefit for South Australia or to a specific region, resulting from the procurement. In which case, any instructions in the tender documents supersede the guidelines above. If you are unsure, contact the Office of the Industry Advocate. **This determination is not to be taken as an indication of price.**

### **What happens if project activity is in both regional and metropolitan areas?**

For projects with activity in both regional and metropolitan areas, the test is where the majority of the activity will be carried out. If the majority of project activity is carried out in regional areas then the regional \$1 million threshold applies. If the majority of work will be carried out in metropolitan Adelaide then the metropolitan \$4 million threshold applies. If you are unsure, contact the Office of the Industry Advocate.

### **What happens if the project is being funded partly by the South Australian Government and partly by another state or federal government department?**

The IPP applies to projects with single or multiple funding sources. It is only when the South Australian Government funding contribution exceeds the relevant threshold that triggers the requirement for IPP documentation. If in doubt, contact the Office of the Industry Advocate.

## How does the IPP apply to panel contracts?

A Declaration of Intent is generally required from a supplier prior to them being considered for appointment onto a panel contract. However where a panel contract is to have a limited number of suppliers and expected volumes for use are above \$50 million (across all suppliers) then a Tailored IPP plan will be developed by the OIA in conjunction with the lead agency and will be completed by the supplier/s prior to appointment.

An agency may request a Tailored IPP plan even when the expected value is lower than \$50 million as it may streamline application of this policy rather than applying it to every purchase made. This request will be considered by the OIA on its merits.

Where a panel is established and there is no Tailored IPP plan, the ECT and Standard IPP plans will apply to the individual purchases made off the panel when above the relevant value. If there are cases of the ECT not being practical, the OIA may consider requests from agencies for an exemption.

## Do I need to complete an Employment Contribution Test and an Industry Participation Plan?

A procurement may call for one or the other, but never both. An ECT is required for certain procurements between \$33,000 up to \$4 million (\$1 million in Regional South Australia). An IPP Plan is required for procurements above \$4 million (\$1 million in Regional South Australia).

Please note that Agencies may request an ECT or IPP Plan as part of the tender response for contracts outside of the values above based on a determination of the potential economic and social benefit for South Australia or to a specific region, resulting from the procurement. In which case, any instructions in the tender documents supersede the guidelines above. If you are unsure, contact the Office of the Industry Advocate. **This determination is not to be taken as an indication of price.**

## How will Industry Participation Plans be evaluated?

IPP Plans will be assessed against a standard set of criteria. The OIA currently assesses all IPP Plans in parallel to the agency's tender evaluation activities. Some agencies have indicated a preference to mark the IPP Plans for their procurements in-house. The OIA will be working with these agencies to train relevant staff in the assessment process and, once competent; will take on a support role for these agencies as required.

For those agencies that have not elected to participate in this training, the OIA will continue to assess the plans on the Agency's behalf.

The IPP Plan assessment criteria will vary depending on the nature of the contract, typically it will include:

- The number of South Australian labour hours directly linked to the contract
- The value of capital investment in South Australia directly linked to the contract
- The approach outlined to consider local SME involvement in the contract through supply-chain opportunities

the IPP Plan will have a **minimum 15%** weighting in the tender evaluation process.

## What happens if permissions have been granted to negotiate a purchase with a single supplier?

The Agency will make a determination about what IPP documentation will be required for the negotiation, based on an assessment of potential economic and social benefit for South Australia or to a specific region, resulting from the procurement. **This determination is not to be taken as an indication of price.**

## How is the Government going to make sure all agencies are committed to the Industry Participation Policy requirements?

To ensure agencies recognise that procurement is a critical economic lever available to the State Government and embrace the policy directives, the Chief Executive Performance Agreements with the Premier now include baseline and performance measures.

## What if a tenderer does not meet its IPP commitments?

An IPP Plan is a condition of tender when the project or contract falls into the scope of the policy or as directed by the tender documentation. If a tenderer does not submit a plan, their tender submission may not be able to be considered. Once a business has been selected for a contract, there may be circumstances where the relevant government agency may determine that a contractor is not complying with its IPP Plan. The agency will determine whether or not there is a valid reason for the non-compliance. If there is not a valid reason, it may decide that a breach of contract has occurred and impose remedies as it sees fit. A business' performance in meeting IPP Plan commitments will be taken into account when awarding future government contracts.

## How does local industry get fair consideration when some tenders specify the use of foreign products or standards?

Government agencies must ensure that tender and design specifications do not deliberately or inadvertently exclude local suppliers from having full, fair and reasonable opportunity to tender for projects.

## What is considered Regional and what is considered Metropolitan?

Whether a project is classified as 'Metropolitan' or 'Regional' for IPP purposes is relative to the location where the project or contract activity takes place. The term 'Metropolitan' refers to the State Government regions of Western Adelaide, Northern Adelaide, Eastern Adelaide and Southern Adelaide. A map of these regions can be found at [South Australian Government Regions](#). 'Regional' refers to any other parts of South Australia.

## Who can assist me in understanding the policy?

The Office of the Industry Advocate (OIA) is the Government of South Australia's key unit to maximise local industry participation in State Government projects. The OIA can assist tenderers, project proponents and government agencies to understand their obligations under the policy and give advice about its application.

## How do I learn more about the Policy?

Contact the Office of the Industry Advocate for a copy of the policy or policy guidelines via:

**Email:** [ويا@sa.gov.au](mailto:ويا@sa.gov.au)

**Telephone:** 08 8226 8956

**Visit:** [www.industryadvocate.sa.gov.au](http://www.industryadvocate.sa.gov.au)