



South Australian Industry Participation Policy

Procedural Guidelines Supplement – Northern Economic Plan Region

October 2016

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

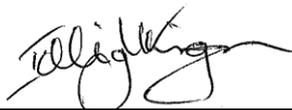
SA IPP Procedural Guidelines – Northern Adelaide Supplement

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Introduction

This supplement provides guidance for the application of the Industry Participation Policy in the northern Adelaide Economic Plan region of South Australia, following the release of the Northern Economic Plan and wider Government commitments. This document needs to be read in conjunction with the South Australian Industry Participation Policy, Procedural Guidelines and other supporting documentation.

This supplement has been updated in October 2016 to reflect changes in the starting threshold for the Policy from \$22,000 to \$33,000.

The South Australian Industry Participation Policy (the Policy) is designed to measure the economic benefit to the State from labour, capital and supply inputs as part of the tender evaluation process or through direct negotiation.

In January 2016, The Premier of South Australia, Minister for Employment; Aboriginal Affairs & Reconciliation; Manufacturing & Innovation; Automotive Transformation; Science & Information Economy, and the Mayors from the Cities of Playford, Port Adelaide Enfield and Salisbury, signed a Memorandum of Understanding that commits each party to implementing all aspects of the Northern Economic Plan (NEP).

The Office of the Industry Advocate will play an integral role in supporting each party to apply industry participation requirements to all expenditure above \$33,000 to ensure the economic benefit to northern Adelaide is maximised.

To this end, a suite of documents and templates specific to procurement activity by the South Australian Government within the boundaries of the Northern Economic Plan region have been developed.

Industry participation *(from p57 of the NEP)*

There are opportunities for people to gain work and local businesses to win work from the substantial amount spent by state and local governments as they invest in the community. Public procurement is a very effective way for governments to support local industry development, innovation and the long-term health of the regional economy.

The State Government has recently increased the weighting it places on local jobs when awarding tenders in northern Adelaide to a **minimum of 20%**. The new rules will apply to all contracts worth \$220,000 or more and includes the Northern Connector Expressway, the Food Park, school and public housing upgrades and the Gawler East Collector Link Road.

Goals *(from the NEP)*

Jobs of the future

Our aim is to grow employment in northern Adelaide by 15,000 to reach 165,000 by 2025.

Collaboration and partnership

To reach our goal of creating jobs we have established a new partnership model that combines the resources of State and local governments, businesses and communities.

This *Procedural Guidelines Supplement – Northern Economic Plan Region* has been prepared to assist project proponents, tenderers and contractors to apply the South Australian Industry Participation Policy (SA IPP) and develop Employment Contribution Tests (ECT), IPP Plans and Reports as required by the Policy.

1. Approach for the Northern Economic Plan Region

The scope of the policy application for the Northern Economic Plan (NEP) Region has not changed from the SA IPP; however the existing framework for Regional application of the SA IPP has been applied to a discrete area within the boundaries of Metropolitan Adelaide, specifically the Local Government boundaries of the Cities of Port Adelaide Enfield, Playford and Salisbury.

The Industry Participation Policy applies to procurements in the NEP Region in the same way it does for the remainder of the State with the following exceptions:

1. Procurements within the boundaries of the NEP Region will apply a **minimum 20%** weighting for the IPP component of the tender evaluation;
2. Tailored templates have been developed for both the Employment Contribution Test (ECT) and Industry Participation Plan and are to be used for **all** State Government procurements that fall within the boundaries of the NEP region.

2. Northern Economic Plan Region

The NEP Region is defined as the council boundaries of the Cities of Port Adelaide Enfield, Salisbury and Playford (please refer to figure 1).

3. Employment Contribution Test

A tailored template has been developed to be used for all procurements between \$33,000 and \$4 million within the boundaries of the NEP region. This template measures the labour hours for the project performed by residents of the NEP region in addition to residents of South Australia.

Responsible Government Agencies (RGA) are required to include the Employment Contribution Test Template – Northern Economic Plan Region in their approach to market documentation for procurements within the NEP Region. The assessment of the ECT will remain the responsibility of the RGA.

3.1. Between \$33,000 and \$220,000

For procurements between \$33,000 and \$220,000, the RGA will make an assessment of the tenders received based on their predetermined assessment criteria. Once this shortlisting has occurred should there be two or more tenders that meet the needs of the RGA, represent good value, the result of the ECT will determine the winner (i.e. the tenderer with the highest ECT score).

3.2. Between \$220,000 and \$4 million

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 have a **minimum weighting of 20%** as a component of the overall evaluation criteria; however this weighting can be increased following a merit assessment outlined in section 7 of the Industry Participation Policy Procedural Guidelines.

3.3. Between \$4 million and \$50 million

Tenders within the scope of the policy and within the boundaries of the NEP region with a value of \$4 million and above, but less than \$50 million, will require tenderers to prepare a South Australian Tailored IPP Plan – Northern Economic Plan Region.

The purpose of an IPP Plan is to facilitate the agency's assessment of the potential economic contribution from the procurement, as required by the Industry Participation Policy.

Submission of an IPP Plan for contracts in the NEP Region between \$4 million and \$50 million is required for tender evaluation. If the required IPP Plan is not included in the tender response, should the reserved rights and probity requirements of the tender allow it, the OIA will support providing the tenderer an opportunity to provide the plan or to rectify any obvious errors or omissions post tender close, within a timeframe decided upon by the RGA.

Please note that an RGA may request an IPP Plan as part of the tender response outside of the thresholds above based on a determination of the potential economic and social benefit for South Australia, or to a specific region, resulting from the procurement. **This determination is in no way an indication of price.**

The IPP Plan weighting is a **minimum of 20%**; however this weighting can be increased following a merit assessment outlined in section 7 of the IPP Procedural Guidelines.

3.4. Above \$50 million

Tenderers for contracts of \$50 million and over will be required to complete a Tailored IPP Plan. This Plan will include a detailed methodology to identify and consider South Australian based SME participation and information on additional economic benefits for the South Australian economy. It should also set out opportunities to involve local SMEs in value-add research, design work and advanced services should the tenderer be awarded the contract.

The IPP Plan weighting for procurements above \$50 million are the same as for those below \$50 million, however it is expected that a merit assessment (see section 7 of the IPP Procedural Guidelines) is completed for all procurements in this price range to determine the appropriateness of the minimum weightings.

3.5. Other Activities

For contracts where there is no fixed lump sum, such as standing order contracts or schedule of rates contracts the relevant IPP requirement will be selected based on the RGA's estimated contract cost and/or the potential economic contribution to the State or region from the procurement. A Tailored IPP Plan may be developed by the OIA in conjunction with the RGA.

3.5.1. Direct Negotiation

The policy applies to direct negotiations (single source and selective) subject to the requirement to have an IPP plan. That is, the tenderer will still be required to submit a plan and it will become part of the contract (see section 6.5) which they will be required to report against (see section 6.6).

3.5.2. 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. Cases of emergency may require an exemption after the event.

3.5.3. Grants and Public Private Partnerships

Where an organisation or business receives a grant over \$2.5 million (in cash or in-kind), or the State Government is involvement in a Public Private Partnership, the organisation or business will commit to meeting the objectives of the South Australian Industry Participation Policy and will procure works in a manner that will generate economic activity, build capacity of the South Australian workforce and grow the State’s economy. In consultation with Industry Participation Advocate, the organisation or business will be required to establish Industry Participation Plans for all contracts above \$4 million associated with the project.

Table 1: Industry Participation Policy Requirements

This table provides an overview of the Industry Participation requirements and incorporates requirements specific to the Northern Economic Plan Region based on the expected value of the tender. This table is to be used as a guide only and needs to be read in conjunction with the relevant sections of these guidelines.

Note that an RGA may request an IPP Plan as part of the tender response outside of the thresholds listed in the table based on a determination of the potential economic and social benefit for South Australia, or to a specific region, resulting from the procurement. **This determination is in no way an indication of price.**

Category	Tender Requirement	Reporting Requirement
	<i>Note that the IPP Requirements below are to include sub-contracting arrangements where they are proposed/exist</i>	
Below \$33,000	No specific requirements	No reporting requirements
Government procurement where tender value is between \$33,000 and \$220,000 in the NEP Region	Where RGA seeks at least 3 quotes, one must be from an SA business where possible. ECT-NEP Region to be completed. No weighting but ECT used to differentiate bids that represent good value and meet needs of Government. <i>See section 3.1 of these Guidelines</i>	Contractor No reporting requirements RGA Annual reporting on contracting activity including ECT details
Government procurement where tender value is over \$220,000 but less than \$4 million in the NEP Region	ECT-NEP Region to be completed and forms a minimum 20% of overall evaluation. <i>See section 3.2 of these Guidelines</i>	Contractor No reporting requirements RGA Annual reporting on contracting activity including ECT details
Government procurement where tender value is equal to or greater than \$4 million but less than \$50 million in the NEP Region .	Submission of a Tailored IPP Plan – NEP Region is required for the tender to be considered compliant. IPP Plan has a minimum 20% weighting <i>See section 3.3 of these Guidelines</i>	Contractor Minimum of <u>annual</u> reporting against IPP commitments to the RGA RGA Annual reporting on contracting activity including IPP details

Category	Tender Requirement	Reporting Requirement
	<i>Note that the IPP Requirements below are to include sub-contracting arrangements where they are proposed/exist</i>	
Government procurement where tender value is \$50 million and over in the NEP Region	<p>Completing a Tailored IPP Plan is required. The OIA will work with the RGA to develop an IPP Plan template tailored to the contract or project.</p> <p>IPP Plan has a minimum 20% weighting</p> <p><i>See section 3.4 of these Guidelines</i></p>	<p>Contractor</p> <p>Minimum of <u>bi-annual</u> reporting against IPP commitments to the RGA</p> <p>RGA</p> <p>Annual reporting on contracting activity including IPP details</p>

4. Industry Participation Policy in the Procurement Process

There is no change to the involvement of the Office of the Industry Advocate in the procurement process for projects within the NEP Region. Please refer to section 6 of the IPP Procedural Guidelines for specific information.

However, please note the key points below:

For all procurements that are likely to require an Industry Participation Plan, agencies are required to involve the OIA from the initial acquisition planning phase.

The RGA must specify in the tender documentation the template they have deemed appropriate for the procurement.

5. Definitions

Full, Fair and Reasonable

In the term ‘full, fair and reasonable’ these words have the following meanings:

- **Full:** local SMEs have the same opportunity afforded to other global supply chain partners to participate in all aspects of a project from project design through to completion.
- **Fair:** local SMEs are provided the same opportunity as global suppliers to compete for contracts on an equal and transparent basis, including being given adequate time in which to tender.
- **Reasonable:** Subject to any explicit requirement of the head contract, tenders are free from technical requirements that might rule out local industry and are structured in such a way that they do not preclude local SMEs from the opportunity to participate in projects and compete for contracts.

When technical specifications are being prepared for contracts, care should be taken to use Australian standards, or standards regularly used in Australia, to ensure that local suppliers are not “designed out” of the contract.

Local labour: The employee’s principal place of residence is to be used to determine South Australian (or regional) labour. Fly-in fly-out arrangements are not to be included in the locational information.

Northern Economic Plan Region is the area contained within the Local Government boundaries of the Cities of Port Adelaide Enfield, Salisbury and Playford.

Responsible Government Agency (RGA)

RGAs include both the “public authorities” made or declared and the “prescribed public authorities” declared under the *State Procurement Act 2004* and accompanying regulations.

- For government procurement, the agency responsible for awarding the contract.
- For government support, the agency responsible for administering the support package.

Small and Medium Enterprises (SMEs)

Small and Medium Enterprises (SMEs) are defined by the Australian Bureau of Statistics (ABS) as businesses employing less than 200 people, or in accordance with the ABS Estimated Value of Agricultural Operations.

Value for money

Consistent with the State Procurement Board definition, value for money is achieved by formulating procurement decisions that achieve the best possible outcome in both financial and non-financial terms in a timely and efficient manner, commensurate with the nature of the purchase. Factors which may be considered in assessing value for money include:

- Fitness for purpose
- Service support and warranty
- Whole of life cost
- Quality
- Timeliness
- Efficiency and effectiveness
- Flexibility
- Intangible costs and benefits
- Price
- Contribution to Government priorities

6. Review

The OIA will review the Industry Participation Policy within five years of its implementation. These guidelines will be updated at least in concurrence with review of the Policy or more often as required.

7. Related Documents

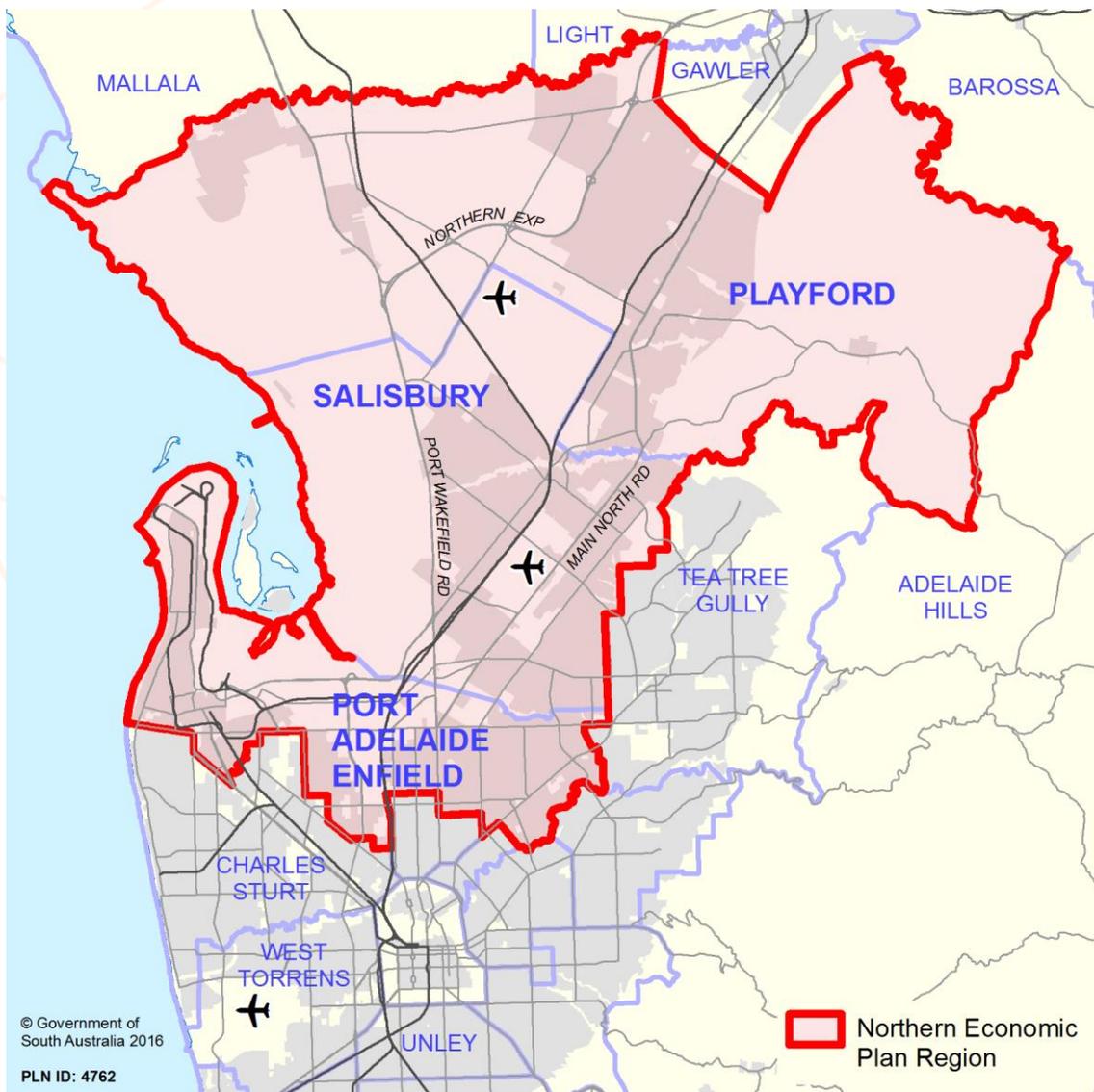
South Australian Industry Participation Policy

Employment Contribution Test – Northern Economic Plan Region

Industry Participation Plan – Northern Economic Plan Region

South Australian Industry Participation Policy Frequently Asked Questions

Figure 1: Northern Economic Plan Region



The Northern Economic Plan Region is defined as those areas within the Local Government boundaries of the Cities of:

- The City of Port Adelaide Enfield,
- The City of Salisbury, and
- The City of Playford.

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