



Information Guide:

Evaluating Tailored Industry Participation Plans

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1. Introduction

This Information Guide has been developed to assist procurement team members within the SA Public Sector to successfully complete the task of evaluating Tailored Industry Participation Plans (TIPPs). It is a resource you can refer back to at a future date, particularly if you are involved in evaluating TIPPs on an infrequent basis.

The role of the Industry Participation Plan scores in the procurement process, when applied as the policy requires, creates an incentive for proponents to identify and recruit local staff, local suppliers and partners where possible. This is consistent with thrust of creating opportunity for the State and measuring the economic contribution without requiring local content.

This material will assist in completing the important task of considering a bidder's planned economic contribution to South Australia in a consistent, balanced and transparent way.

Tailored Industry Participation Plans are an important part of the procurement projects undertaken within the South Australian Government. These plans provide an opportunity to ensure that the overall economic contribution arising from the contracts that the State Government awards every year is maximised in terms of employment outcomes, investment, growing our skilled workforce as well as contributing to disadvantaged community sectors. These commitments also support growth in regional areas of the State.

By using this information guide, procurement and evaluation team members should be able to:

1. Demonstrate a working knowledge of the requirements for Tailored Industry Participation Plans along with the concept of economic contribution to South Australia arising from investment, employment and supply inputs associated with South Australian Government procurements.
2. Evaluate Tailored Industry Participation Plans submitted by bidders using a robust and reproducible methodology.
3. Provide clear and consistent advice to the supply market on Tailored Industry Participation Plans and best to meet the State's objectives
4. Demonstrates a working knowledge of the South Australian Industry Participation Policy (SAIPP) and the SAIPP Procedural Guidelines as they relate to the application of Tailored Industry Participation Plans.

Assistance is also available from the Office of the Industry Advocate in understanding the requirements of the SA Industry Participation Policy and the evaluation of Tailored Industry Participation Plans.

2. Key Requirements for Tailored Industry Participation Plans (TIPPs)

All contracts (including panel contracts) over \$50 million must have a TIPP with a minimum weighting of 15% in the overall evaluation plan. Agencies can also elect to require a TIPP for any procurement, irrespective of the value.

Agencies also have the opportunity to require a TIPP for any procurement (regardless of value or category of spend) or increase the weighting above 15% if there is an opportunity for expanded economic benefit to the State or to secure commitments from the market in relation to Aboriginal employment, support for the regions or the purchase of locally made steel for example. A minimum weighting of 20% must be used where the procurement relates to the purchase of structural/reinforcing steel and fabrication of structural steelwork.

Care should be taken when designing your acquisition plan and approach to market to avoid any unintended barriers to maximising economic and social contribution to SA. These barriers can include product specifications that can only be met by an overseas supplier or creating packages of work that are so large that only a large multinational firm can reasonably meet your requirements. Even before the procurement project starts, engagement with the supply market, including those within South Australia, will ensure that suppliers understand your likely requirements in advance and how value to the State can be maximised through the TIPPs that are eventually submitted as part of the tender process.

Completion of a TIPP is mandatory and the absence of a TIPP in a tender response should result in the bid being set aside.

3. Why are TIPPs important?

The South Australian Government spends over \$11 billion a year on purchasing goods, services and construction activities. This spending underpins the provision of most public services in South Australia, has a significant impact on employment, business activity and investment in the state and also generates substantial social and environmental benefits.

Given this value, there is a significant economic and social opportunity for the State if it can leverage this spend to contribute to the South Australian economy.

Tailored Industry Participation Plans, which cover higher value procurements, provide detail on how suppliers are going to directly contribute to South Australia's economy and social fabric.

When evaluating a TIPP, evaluation teams have a responsibility to consider each supplier's contribution to the State and through an evaluation process, capture this opportunity in the contracts that are awarded. Evaluating TIPPs is more important than simply completing a checklist. It is an activity that has a direct impact on the South Australian economy and benefits arising from the State's many contracts.

It also important to the supply market. Suppliers invest significant time and effort in developing their plans and their commitments in order to best meet the State Government's needs. The feedback provided to suppliers on their TIPP as part of the tender de-brief process provides an opportunity to improve the quality of TIPP over time and in turn the value they deliver to the State. Equally, through the management of contracts, care should be taken by Agencies to ensure that all of the benefits captured in a TIPP are delivered in full and on time.

4. General Scoring Principles for TIPP

In scoring and evaluating TIPP there are some general principles that evaluation teams should consider. These include:

Impact and Likelihood - similar to assessing risks, consider both the impact (economic and/or social) and likelihood or probability of delivery – higher scores should be awarded to responses with the greatest impact and certainty of delivery.

Conditional Supplier Responses - treat conditional responses cautiously – a response from a supplier committing to 100 new jobs if they secure 95% of the spend on a panel is unlikely to occur in a competitive panel and there is a low chance that the commitment will be delivered. Conditional responses are often characterised by language included in plans along the lines of “if ...” “then ...”

Consider all the benefits - Consider all of the commitments in a TIPP not just direct economic contribution – TIPP that cover a broad range of initiatives across employment, investment, supply chains and social procurement will have a greater overall impact and should be scored highly.

Measurable Commitments - look for measurable and defined commitments (which should be scored more highly) over generalised or non-specific commitments.

Old and New – when assessing a TIPP, the focus should be on total contribution to the State (economic and social), not on whether this contribution is existing (for example an incumbent supplier) or new – new jobs or new programs promised by a potential supplier.

Fair and balanced – As with any evaluation process, in evaluating a TIPP, take care to ensure that the scoring you make is fair and balanced (ie free from bias, preference or conflict of interest). Remember that at the end of the procurement, advice will need to be provided to unsuccessful bidders on the reasons why their bid was not successful. Take the time before you finalise your evaluation scoring to make sure that your scores are justifiable and defensible and will stand up to the scrutiny that an unsuccessful supplier will apply during the tender de-brief process.

5. Labour, Supply Chain and Investment

The Labour, Supply Chain and Investment components of the TIPP are normally assessed first as part of process to evaluate TIPP. In this section of the Plan, suppliers will normally include very specific and measurable commitments regarding the investments they plan to make as

Direct Benefit to the State

5.1 Assessing commitments – Labour

When assessing TIPP, Labour relates to the measurement of the potential economic benefit to the State through the employment of people.

This includes employees of the contracted supplier, contractors and labour hire resources associated with the contract. It may also involve labour commitments made within the supply chain, including for local manufacturing.

Put simply, it relates to Head Count or the number of people employed in relation to a given contract.

Questions to consider when evaluating...

What percentage of the labour included in the bid comes from SA, including sub-contractors and labour hire?

Above 90% will deliver a very strong outcome, below 30% is a very low outcome.

What confidence do you have that the labour included in the bid will be delivered to plan?

High confidence can come from a contract where the labour is physically required in SA (eg paving for a footpath located in Adelaide can only be laid in Adelaide). Service contracts are at greater risk of resource substitution.

What is the 'economic value' of the labour resources included in the TIPP?

If there is a mix of SA and interstate labour, consider the relative cost of the resources. For example, more senior roles such as Managers and Directors will have a greater cost or economic value to more junior resources. Avoid just counting FTE and look at head count and cost.

How do I validate the labour included in a TIPP?

Cross check the TIPP to the project plan or resource schedule or at the very least where a breakdown of labour inputs is not provided, look at the labour hours vs the total bid value.

5.2 Assessing commitments – Supply Chain

Supply Chain relates to the measurement of the potential economic benefit to the State through the sourcing of goods or services.

This includes raw materials, technology, manufacturing inputs and services.

As an example, think of all the materials you need to build a new school classroom – windows, bricks, doors, cladding, electrical cable, plumbing, lighting, solar panels, furniture etc.

Questions to consider when evaluating...

For goods contracts or where inputs like raw materials for a construction contract are identified, where are they being sourced from?

Make sure you consider the whole supply chain, not just the first source listed in a bid. For example, solar panels may be sourced from a local distributor but are actually manufactured overseas. Give greater weight in your evaluation to inputs that have the majority of the supply chain within South Australia.

What sort of supply chain inputs should I consider?

Higher weighting should be given to bids with greater detail about all of the supply chain inputs they include in their bid such as local distribution and delivery partners.

Is supply chain risk a consideration?

Yes, greater evaluation weighting should be considered where the supply chain has multiple distribution partners. Multi-dimensional supply chains are more resilient and result in more businesses having a share of the value of contracts.

What about supply chain development and enablement included in a TIPP?

Higher scores should be considered where a bidder not only utilises local supply chains but actively works with local suppliers to develop and build those supply chains through certification programs or incentives for developing local capacity and capability.

5.3 Assessing commitments – Investment

Investment relates to the measurement of the potential economic benefit to the State through the expenditure on plant, equipment and assets. It could also relate to research and development or grants. The dollar value of the investment made by a bidder should be assessed based on the depreciated value or like for like of the investment.

Examples include purchases of new earthmoving equipment for a road maintenance contract, a new printing press for a printing contract or the building of a new corporate office to house the supplier's operations in SA.

Questions to consider when evaluating...

How does the investment included in a TIPP relate to the contract?

Consider to what extent the investment in an asset is directly linked to the contract as opposed to a scheduled replacement of an asset. Higher scores should be awarded where there is clearer direct link between contract and investment.

Is the dollar value of the investment important?

Yes. Higher scores should be awarded where suppliers are proposing a greater level (dollar value) of investment.

Should we consider where the investment is being made (linking to the criteria related to Supply Chain)?

Yes, where investments can be feasibly made in South Australia or with SA companies, these should be assessed higher than those where investment dollars are flowing interstate or overseas.

Is the longevity of an investment worth considering?

Clearly investments that have a long term impact on SA represent greater economic impact than more transient investments. For example, a five year commitment to a research program will have a greater benefit than a one off purchase of ICT equipment.

Indirect benefit to the State

6. Assessing commitments – Social Procurement

Section 4.6 of the South Australian Industry Participation Policy contemplates how the Government of South Australia may, from time to time, seek to use procurement to drive other socio-economic objectives such as encouraging greater workforce participation or skill development opportunities for particular groups. Often this will be on a case-by-case basis and may entail an increased weighting or Tailored Industry Participation plan requirements to support the objectives of the procurement.

Leveraging the contracts established by Government to support SA is much more than simply the dollars that are spent with suppliers.

The term ‘Social Procurement’ is where organisations use their buying power to generate social value above and beyond the value of the goods, services, or construction being procured.

‘Social Value’ is the value derived by the broader South Australian community in areas such as improved employment outcomes for disadvantaged groups, a cleaner and greener environment or the progression of reconciliation with Aboriginal people and communities. Clearly the social value generated through procurement is of benefit to all and yet the opportunity to deliver this value through procurement is not always maximised or in some cases, not even considered.

In designing your approach to market, highlight as part of your market approach documents and TIPP, that you are seeking social procurement initiatives from suppliers.

Also ensure that your procurement strategy is not inadvertently acting as a barrier to social procurement. For example, making sure that the work offered through the contract is not bundled up to the extent that this may preclude a small or medium Aboriginal business from being engaged.

Questions to consider when evaluating...

Has the proponent demonstrated that social sustainable and ethical business practices will be actioned directly and by suppliers in associated supply chains?

Look for evidence procurement decisions recognise social outcomes to the State in both the design and evaluation of tenders and quotes. In addition to this will social enterprises that are unsuccessful in the procurement process be provided constructive feedback to improve chances of winning future work. Has there been an indication that contract conditions and procurement requirements will accommodate social outcomes or are modified to support social outcomes and remove barriers to social enterprise participation.

6.1 Assessing commitments – Aboriginal workforce

Aboriginal workforce relates to the measurement of the potential economic benefit to the State through the employment of Aboriginal people and the engagement of Aboriginal businesses.

Assistance is available from the Office of the Industry Advocate to identify and engage with Aboriginal businesses in South Australia, including through the Aboriginal Business Directory (<https://industryadvocate.sa.gov.au/aboriginal-business-register/>).

Questions to consider when evaluating...

What percentage of labour proposed for the project is related to Aboriginal workers or contractors?

2% to 5% Aboriginal labour component (or more) should be scored more highly when assessing a TIPP. For projects involving Aboriginal communities, a higher labour component (10% to 30+%) is expected.

How do I validate that Aboriginal labour will be used as part of the contract?

When assessing the TIPP, look for Aboriginal businesses who are registered with Industry Advocate's Aboriginal Business Register and/or Supply Nation.

Do I need to consider the issue of 'black cladding' when assessing TIPP commitments related to the Aboriginal workforce?

'Black cladding' is a term used to describe where a business is marketed as an Aboriginal business but is actually majority owned and managed by non-Aboriginal people. It can be an issue but the best advice is to use the Aboriginal Business Directory (<https://industryadvocate.sa.gov.au/aboriginal-business-register/>) or determine if they are Supply Nation certified.

Should I just focus on the number of Aboriginal people that will be employed?

The number of Aboriginal people employed is important but look for value adds which will support a higher evaluation score. This could include commitments to not only employ Aboriginal people but provide training and development.

6.2 Assessing commitments – Apprentices and Trainees

Apprentices and Trainees relates to the measurement of the potential economic benefit to the State through the employment of Apprentices and Trainees by contracted suppliers. They are the future skilled workers that the economy relies on.

Apprentices and Trainees can be engaged or employed directly by a contracted supplier or through third parties such as sub-contractors or labour hire organisations.

Questions to consider when evaluating...

What the main points I should consider when assessing TIPP commitments related to Apprentices and Trainees?

Look for structured programs rather than ad hoc engagement, is there a pathway for disadvantaged candidates to secure an apprenticeship or traineeship and partnerships with Group Training Organisations (or similar). You can also look for connections with local schools to create pathways to becoming an apprentice or trainee.

Should I rate a directly employed apprentice higher than an apprentice engaged by a supplier through a third party?

In short, no. So long as the apprentice or trainee is engaged as a result of the contract that is what counts most.

Is reporting about apprentices and trainees important?

Yes, you should place greater value on the commitments made by a supplier who is willing to be transparent about their commitments to engage apprentices and trainees.

6.3 Assessing Commitments – Design and Specification

Design and specification can have impacts on a range of projects from major construction projects to ICT hardware purchases.

The SAIPP acknowledges that project or product design specifications should not be an obstacle to the South Australian supply of the required goods or services.

At the same design of technical specifications of products and project requirements should provide suppliers that have employed or invested in South Australia with an opportunity to win contracts and sub-contracts.

Design and specifications can have a direct influence on industry participation outcomes and economic contribution to the State

Building resilience in supply chains of projects can be supported during the design and purchasing phase of a contract.

To ensure that the specifications are clear and comprehensive but not discriminatory, RGA's will use generic technical specification and avoid proprietary brand names.

References to a specific brand or product should only be used in exceptional circumstances and followed by the words "or equivalent".

Questions to consider when evaluating...

What specific TIPP commitments should I be looking for in relation to Design and Specification?

- Does the proposed project scope have consideration for local and regional content or contribution in the delivery phase?
- Is there evidence the design and specification of products will have consideration of local content or local economic contribution in the determination of key design and construction decisions?
- Will the design and specifications used be performance based and avoid the use proprietary brand names?
- Will South Australian subcontractors and suppliers be able to put forward locally produced or manufactured equivalents during the delivery phase?

How do I measure the impacts of design and specification for ICT procurement?

- The proponent should indicate every effort has been made to avoid specifying actual brand technologies in their tender response.
- Consequently, the tender response should detail the specific qualities and requirements sought, and any appropriate available benchmarking methodologies that will be applied when comparing offerings, rather than names or types of technologies.
- For example in the Information and Communications Technology (ICT) sector, it has been common practice to describe technical specifications using certain brand names e.g. "Pentium 4 or equivalent" or "Intel or equivalent" when describing microprocessors.
- Alternatively specifications should indicate that each PC must be capable of competent performance in either a Windows XP Professional or an open source environment or equivalent.

6.4 Assessing TIPP commitments - Innovation, Entrepreneurs and Start-ups

The assessment of bid responses related to innovation, entrepreneurs and start-ups should take into account any commitments to the technology sector and priority industry sector, the use of new and emerging technology or software as well as the ability to commercialise these technologies in the broader SA market and beyond. Strategies proposed should identify direct actions for encouraging and incentivising how the private sector can collaborate and co-invest with Government to deliver on the State's growth and innovation objectives. The evaluation process adopted needs to determine how the innovative solutions proposed will be assessed on outcomes being put forward, rather than outputs.

Questions to consider when evaluating...

- Has the proponent been able to quantify the use of suppliers of the innovative products, processes, technologies and services based in SA that employ South Australians?
- Has the proponent identified novel solutions to address problems, challenges or gaps that are relevant to the project and associated sectors?
- Has proponent identified the potential to create new digital technology jobs associated with the project?
- Has the proponent identified the number of local innovative products, processes, technologies and services that has the potential for broad market up-take nationally and internationally?
- Has the proponent identified the potential impact to the South Australian economy through successful commercialisation and/or scale-up from businesses associated with the project?

6.5 Assessing TIPP commitments - Skills and Knowledge Transfer

The transfer of skills and knowledge within supply chains and the broader economy can act as an enabler for growth. In assessing this type of commitment, evaluators should be looking for programs that support knowledge transfer from a supplier through their respective supply chains, to training and educational institutions and to the emergent workforce (ie trainees and graduate roles and programs). The development of new skills and experience within the broader workforce should also be considered.

Questions to consider when evaluating

- Has the proponent presented a program of knowledge transfer to ensure the capabilities and capacity of South Australian sub-contractors and suppliers' is developed and retained to enhance their prospects for future opportunities?
- Is there evidence provided about how the proponent supports current employees as they transition to new roles within the organisation?
- Has the proponent demonstrated they have a skills transfer program to ensure South Australian employees (direct and indirect) will have the opportunity to build their capabilities and capacity to enhance their career opportunities?

- How will critical knowledge be captured and transferred to those subcontractors and suppliers who need it to perform?
- Is there evidence of a mechanism to create new roles and to increase employment opportunities for South Australian residents?

6.6 Assessing Commitments - Sustainable Procurement

Sustainable procurement is all about considering the impact on communities and the environment as a result of the procurements we undertake. For example, the environmental effects from the manufacturing of the building materials or the emissions from the fleet vehicles we buy or the presence of modern slavery in our supply chains.

Sustainable procurement also looks at the total lifetime cost of ownership for a good or asset including disposal costs and the costs associated with any waste disposal so there is also a consideration in relation to the 'true' cost of a procurement.

Questions to consider when evaluating...

What specific TIPP commitments should I be looking for in relation to Sustainable Procurement?

Sustainable procurement commitments can come in many forms including:

- Recycling programs and commitments around end of life disposal
- Supply chain audits or certification to ensure ethical manufacturing practices
- Offset programs such as carbon offsets and environmental rehabilitation programs
- Modern Slavery prevention programs

How do I measure the value of sustainable procurement commitments?

Sometimes this is not easy as not all commitments will come with a dollar value attached. When you are evaluating, higher scores should be considered for commitments that have impact across the State, create local employment (eg local tree planting programs) and longer lasting (as opposed to transient) benefits. You also can consider non dollar related measures such as the number of Carbon Dioxide captured.

7. Other considerations

Based on past experience with TIPP, bidders are often well accustomed to providing responses for section related to employment and investment.

The best quality TIPP tend to include a broader range of commitments in addition to those related to employment and investment.

Remembering that the aim of TIPP is to secure the greatest level of economic benefit for SA. Logically, where TIPP include additional commitments for regional areas as well as the metro area or make specific provision for start-ups, then these additional commitments are going to underpin a higher level of economic contribution and benefit and should be evaluated as such.

Questions to consider...

Does a state-wide commitment rate higher than a metropolitan commitment?

Absolutely. Where a commitment specifically includes a reference to state-wide delivery or indeed additional commitments in regional areas above and beyond what has been offered in Adelaide, a higher rating should apply.

Innovation is something I often see in tender responses, how do I evaluate this in a TIPP?

It is true that suppliers may make a range of claims about how they will innovate service delivery. As with other criteria, place greater weight on those commitments that are most tangible. Look for innovation commitments with a specific investment component or employment commitment.

What about commitments that are aimed at the broader community?

Bidders will sometimes include commitments that are specifically focussed on community organisations or even charities. There can be a tendency to treat these as a peripheral commitment. In reality, if a tangible commitment such as support for a SA based charity or community organisation is included, then the value of this commitment should be reflected in your overall scoring.

8. Working with suppliers to improve TIPPs

Engagement with suppliers, including meetings with non-contracted suppliers, attending industry events or tender de-briefs, provides an opportunity to provide feedback on how tender responses can be improved. This includes responding to TIPPs.

Most suppliers value feedback and want to work to improve the quality of their tender responses.

This is often true in relation to Industry Participation Plans in that suppliers are often much more comfortable writing about their goods or services and less comfortable or experienced in responding to Government policy requirements (including TIPPs).

In relation to probity, provided you share advice about improving TIPPs in a consistent way across multiple suppliers, then no one supplier can be seen to benefit more than another.

In relation to what sort of feedback you can give, take the time to capture the comments made by evaluation teams about TIPPs – what commitments were clear and of value vs commitments that were not limited in their value or unclear as to what benefits they would actually deliver.

For higher value tenders, some suppliers may benefit from seeking professional advice in writing their tenders, particularly if they are a small or medium business or new market entrants.

Supplier de-briefs also offer an opportunity to provide 1 on 1 feedback to an unsuccessful bidder. Whilst feedback about the body of their tender response is important, do not forget to provide feedback about their TIPP response and where additional value could be delivered. Consider also how their response could be broadened to cover a range of commitments, not just employment or investment.

Key points to remember...

1. Always use an evidence-based approach to assessing TIPPs
2. Place greater value on tangible and measurable commitments over vague or ambiguous statements
3. Look out for any caveats or conditions in a TIPP that may limit the economic contribution to the State
4. Place greater value on TIPPs that cover a range of commitments rather than simple employment or investment alone.
5. Aim for consistency. Provide a common scoring guide across all procurements in your agency and provide a briefing to evaluation teams to minimise any variability.
6. Above all, remember that your evaluation of TIPPs forms is a core (not peripheral) component of the procurement process.

9. Where can I get some further help?

The Office of the Industry Advocate can provide general advice and assistance in relation to Industry Participation Policy.

They can be contacted on (08) 8226 8956 or via email oiia@sa.gov.au.