



Victorian Industry Participation Policy (VIPP)

- creating opportunities for local SMEs

The *Victorian Industry Participation Policy* (VIPP) specifically promotes greater access for small to medium enterprises (SMEs) to supply work to major projects. It encourages SMEs to tender for the purchase of goods and services and to be considered for significant projects, particularly in regional areas.

By making local content a primary consideration in its major project tenders, the Government is encouraging bidders for these large projects to increase their use of local suppliers. Since its establishment in 2001, the VIPP has led to \$480 million of import replacement – orders for local industry that would otherwise have gone overseas.

Following an extensive review of the VIPP in 2008, a number of changes were made to strengthen the policy. These were announced in the *2008 Victorian Industry and Manufacturing Statement, Building our Industries for the Future*.

To take advantage of these changes, SMEs across Victoria are strongly encouraged to register their capability with the Industry Capability Network (Victoria) Limited (ICN).

Changes to the VIPP are effective from 1 July 2009.

1. What does VIPP now apply to?

VIPP applies to all Victorian Government procurement and project activities above the threshold values of **\$3 million** or more in Metropolitan Melbourne and **\$1 million** or more in Regional Victoria, including:

- construction activities
- Major Projects
- Major Events
- public-private partnerships
- investment support grants
- business development grants
- community infrastructure grants

Whereas the VIPP previously had two sets of thresholds requiring separate documentation, these have now been streamlined. Changes apply to any project that goes to tender on or after 1 July 2009. Projects tendered before 1 July 2009 are unaffected.

2. What documentation will now be required and how will it be used?

- VIPP will be a primary selection criterion at short-listed stage in the tender evaluation process.
- All **short-listed bidders** will complete a **VIPP Plan** containing estimates of the levels of local content, local employment and skills/technology transfer that would arise if their bid were successful, and an outline of how they will implement these commitments.
- **VIPP Plans** for these projects require mandatory consultation and certification by the Industry Capability Network Victoria (ICN) or the Department of Innovation Industry & Regional Development (DIIRD).
- Where no short-listing occurs, the agency letting the tender will determine the point in the tendering process that VIPP will apply.
- Recipients of VIPP-applicable grants should complete VIPP Plans at a point in the application process determined by the funding agency.



3. What is the ICN's role with VIPP?

The Industry Capability Network Victoria (ICN) is a not-for-profit organisation funded by the Victorian Government to promote Australian Industry by increasing local participation in all major procurement activities. ICN facilitates the VIPP of behalf of the Victorian Government.

ICN also provides advice to government departments and to companies seeking to provide goods and services to government and its suppliers.

4. What are the new criteria for major projects to be declared 'of strategic significance' (i.e. Strategic Projects)?

Major projects that have whole-of-life costs of \$250 million or more can now be declared 'of strategic significance' if they:

- Contribute to the productive capability of Victoria and make a strategic contribution to our ongoing economic wellbeing
- Have potential to generate significant local industry participation, employment and skills/technology transfer during the project or procurement activity (design, construction etc)
- Have potential for building ongoing industry capability, skills and employment benefits
- Present a clear choice between using local and overseas suppliers.

5. What additional local content requirements will apply to Strategic Projects?

A declared Strategic Project will be subject to additional local content requirements, namely:

- A target of a minimum percentage of the procurement value (on a whole-of-life basis) to be comprised of local content
- Tenderers for Strategic Projects will be required, in consultation with ICN, to produce VIPP Plans in the form of detailed Local Industry Development Plans to be used to assess competing bids
- In the context of Strategic Projects, rail rolling stock projects will be subject to a minimum local content target of 40% on a whole of life basis and the VIPP commitments of tenderers will have a weighting of 10% in tender evaluation.

6. How does ICN help?

ICN provides a technical service to buyers and nominates competitive manufacturers of locally-made goods and services across all industry sectors and major projects.

Guidelines and assistance are available free from the ICN to help the business community find local suppliers and genuinely adhere to the VIPP's key principles. ICN can also help bidders prepare their VIPP Plan as part of their contract bid.

For government agencies, ICN provides:

- Advice on activities with potential for local industry involvement
- Guidance in the form of suitable VIPP clauses for use in documentation
- Nomination of potential metropolitan and regional tenderers
- Introduction to competitive suppliers
- Analysis of bidders' VIPP Plans
- Certification of post-tender changes and contract outcomes
- Advice and templates for monitoring VIPP compliance.



For tenderers and industry, ICN provides:

- Advice on how companies can best access major projects
- Explanation of VIPP requirements
- Advice on activities with potential for local industry involvement
- Advice on how to complete VIPP Plans
- Introduction to competitive suppliers
- Certification and sign-off of VIPP Plans, post-tender changes and contract outcomes
- Advice and templates for monitoring VIPP activities.

7. Do the recent changes to VIPP contravene our international obligations?

The VIPP is not a protectionist policy and is entirely consistent with our international obligations. The VIPP meets Free Trade Agreement and international treaty obligations by developing a clear policy framework focussing on the encouragement of greater participation in major public sector projects by SMEs, and the inclusion of the whole-of-Australia and New Zealand in the definition of 'local'.

8. How is VIPP used in tender selection and contract negotiation?

- **The VIPP is assessed as a primary selection criterion for short-listed bidders alongside fit-for-purpose criteria.** The extent of the weighting of VIPP within a tender evaluation should be determined by the agency with regard for the nature of the project. In general, the objective of the VIPP is that it should be influential in the tender selection process, well beyond a check for basic compliance, although not to the extent that it distorts tender selection based on value-for-money principles. In cases where there is a clear choice between local and imported contents, the VIPP should play a more important role in tender evaluation.
- **Additional use of VIPP as an assessment mechanism.** Following tender evaluation, including assessment of bidders' VIPP commitments, where two or more tenderers still remain comparable, the VIPP will be used as a tiebreaker, with the bidder with the stronger VIPP commitments being awarded the tender.
- **Use of VIPP as a condition of contract.** The winning tenderer's VIPP commitments are to be negotiated and included as a condition of contract against which they must report over the life of the project.

9. What happens if a tenderer does not submit VIPP data or submits non-compliant data?

Where VIPP data is either not submitted, or is found to not reflect a genuine attempt to identify opportunities for local industry participation, the tender should be deemed non-compliant.

10. How does local industry get fair consideration when tenders specify the use of foreign products or services?

Agencies must ensure that tender and design specifications are drawn up such that they do not exclude local suppliers from having full and fair opportunity to tender for projects. Where such specifications lead to the exclusion of local products or suppliers, the VIPP requires that there be a valid justification for this, including evidence that comparable local products or suppliers do not exist, or are not of the necessary technical or performance standard.

Agencies should consult with DIIRD or ICN prior to the approval of a design specification that excludes local suppliers from participation. Bidders are also encouraged to consult the government agency, as well as DIIRD or ICN, on how best to incorporate achievable local supplier participation levels into the design.



Summary of changes

11. What are the changes to the VIPP announced in the 2008 Victorian Industry and Manufacturing Statement: Building our Industries for the Future?

| | <u>Before 1st July 2009</u> | <u>On and after 1st July 2009</u> |
|--|---|---|
| Thresholds and Documentation | <ul style="list-style-type: none"> • \$3 million or more in Metropolitan Melbourne and \$1 million or more in Regional Victoria – VIPP Statement • \$10 million or more in Metropolitan Melbourne and \$2.5 million or more in Regional Victoria – VIPP Implementation Plan | <ul style="list-style-type: none"> • \$3 million or more in Metropolitan Melbourne and \$1 million or more in Regional Victoria – VIPP Plan • No other thresholds |
| Role of VIPP in tender evaluation | VIPP was used in a two envelope system whereby it was only considered in tender evaluation as a tiebreaker in the event of comparable tenders | VIPP becomes an evaluation criterion in tender selection once tenders are short-listed stage and if appropriate also used as a tie-breaker |
| ICN's role | <ul style="list-style-type: none"> • Certification of VIPP Implementation Plan by short-listed bidders | <ul style="list-style-type: none"> • Certification of VIPP commitments by shortlisted tenderers in VIPP Plan • Comparative assessment of VIPP Plans which is provided to the agency letting the tender as guidance in evaluating VIPP as part of tender selection. • Recertification of VIPP Plan in the event of any post-tender negotiation affecting VIPP commitments • Certification of post-contract outcomes • Certification of achievements by suppliers at end of contract. |
| Strategic Projects | Did not address | Major projects above \$250m as measured on a whole-of-life basis, and that meet certain criteria, will be declared of 'strategic significance' to the Victorian economy and will be subjected to additional local content requirements. |