



**VICTORIAN INDUSTRY PARTICIPATION POLICY (VIPP)
SUPPLIER GUIDELINES**

Policy Statement - the Victorian Industry Participation Policy (VIPP)

The Victorian Government is committed to ensuring that local small and medium enterprises (SMEs) are given a full and fair opportunity to compete for government contracts.

The *Victorian Industry Participation Policy Act 2003 (the VIPP Act)* provides for the development of the Victorian Industry Participation Policy (VIPP) and its implementation as a core consideration in certain procurement activities across Victorian government departments and agencies.

The Industry Capability Network (Victoria) Ltd (ICN) is engaged by the Victorian Government to provide services to both bidders for government projects, and to Victorian Government departments/agencies delivering these projects. As part of this role, ICN Victoria works under strict probity conditions to facilitate the operation of VIPP.

Objectives of VIPP

The main objectives of the Victorian Industry Participation Policy (VIPP) as set out in the VIPP Act, seek to:

- promote employment and business growth by expanding market opportunities for local SME industry;
- provide contractors with increased access to, and raised awareness of, local SME industry capability;
- expose local SMEs to world's best practice in workplace innovation, e-commerce and use of new technologies and materials; and
- develop SMEs international competitiveness and flexibility in responding to changing global markets by giving local industry a fair opportunity to compete against foreign suppliers.

VIPP is delivered by Victorian Government departments and agencies through a requirement that short-listed bidders for procurements and projects must prepare a VIPP Plan acknowledged and evaluated by ICN Victoria. VIPP Plans outline the bidder's commitments to achieving local content, employment and training through delivery of the contract.

Principles of VIPP

VIPP supports the fundamental procurement principles and the provision of financial assistance by the state including:

- the provision of open, clear and accountable tendering mechanisms and processes.
- value for money - as the primary consideration in purchasing and supply decisions

Value for money is defined as a balanced judgment of a range of financial and non-financial factors, taking into account the mix of quality, cost and resources; fitness for purpose; total cost of ownership; and risk (Victorian Government Purchasing Board).

Purpose of the Supplier Guideline

The VIPP – Supplier Guideline outlines the steps to be undertaken by businesses to bid for government work when the Victorian Industry Participation Policy (VIPP) has been applied. This document is one of two documents.

The second guide, the VIPP – Agency Guideline, outlines the steps for government agencies and public bodies to comply with VIPP.

Application of VIPP to Procurement Activities

VIPP must be applied to procurement activities that meet or exceed:

- \$3 million for procurement activities occurring in metropolitan Melbourne or across all of Victoria; and
- \$1 million for procurement activities occurring in regional Victoria.

- Projects valued at \$50 million or more are classified as VIPP Strategic Projects.

The following types of ‘procurement activities’ are seen to be VIPP-applicable:

- procurement of goods and services, regardless of the method of procurement (tenders, State Purchase Contracts and major events)
- construction activities
- delivery of major events and other government projects
- using a panel of suppliers to deliver goods or services
- grant recipients (funding to private, non-government and local government organisations for investment support, business development and community infrastructure) 1
- design contracts (planning and designing capital works or other large infrastructure projects)2.

VIPP requirements apply to all eligible projects

- Where contestable products and services are identified, bidders are required to submit a detailed plan (VIPP Plan for a Standard Project or Local Industry Development Plan (LIDP) for a Strategic Project that outlines the local content commitment and methodology to be applied to achieve the commitment.
- Where there are no contestable items, no plan is required; however, bidders are required to report the expected local content, even if the local content is zero (Refer to VIPP Monitoring Table Appendix A).

Australian Industry Participation and VIPP

The Commonwealth Government has an Australian Industry Participation (AIP) policy to promote local firms to supply goods and services into major projects. VIPP can supersede the Commonwealth’s AIP policy in some circumstances, particularly for Victorian projects that are implemented by the State Government.

Strategic Projects Framework

The VIPP Strategic Project status automatically applies to projects valued at \$50 million or above (excluding maintenance and operational costs associated with the project). Please note it also includes stand-alone maintenance projects. The Government sets a minimum local content requirement (where contestable items are identified) for VIPP Strategic Projects.

Bidders are required to submit a Local Industry Development Plan (LIDP) outlining how the mandated minimum local content requirement and other conditions will be applied and achieved. The LIDP will be used to assess competing bids during the tender process

How is ‘local content’ defined?

Under VIPP, the term ‘local content’ covers all suppliers producing Australian or New Zealand (ANZ) goods or services or when they have added ANZ value to imported items.

The ‘local content’ (ANZ value added activity) of a good or service is determined on a cost basis and is the part of a product or service left once the cost of the international component has been subtracted. It can be expressed by the following equation:

Local content = total cost of the good or service less international content

1 Note: grant recipients and design contractors go through a separate process, using an Interaction Reference Number. Please refer to the Grants and Design Contracts section below.

2 Note: grant recipients and design contractors go through a separate process, using an Interaction Reference Number. Please refer to the Grants and Design Contracts section below.

The content of a good or service may include but not be limited to; fees, tax, margins, profits, tariffs, insurances, freight, transport, engineering, planning, testing and analysis certification, commissioning, manufacturing or provision of service.

Australia and New Zealand are treated as a single market for government procurement under the Australia and New Zealand Government Procurement Agreement. All other jurisdictions are considered 'international'. Items imported into New Zealand as part of New Zealand-sourced goods and services are considered international content.

New 10 per cent weighting for local content

The Government has introduced a minimum 10 per cent formal weighting system for local content in the evaluation of VIPP applicable projects, effective from 1 September 2016.

This gives local content a greater profile and explicit weighting in government procurement evaluation processes.

Key Term definition

Local Covers Victoria, Australia or New Zealand, in accordance with the Australia-New Zealand Government Procurement Agreement

International All jurisdictions other than local. Items imported into New Zealand as part of New Zealand sourced goods and services are considered as international content.

Content including but not limited to fees, tax, margins, profits, tariffs, insurances, freight, transport, engineering, planning, testing and analysis, certification, commissioning, manufacturing or provision of service.

Australia New Zealand Government Procurement Agreement (ANZGPA) The local content is in accordance with the *Australia New Zealand Government Procurement Agreement (ANZGPA)* entered into by Australian State and Federal Governments and New Zealand in 1991. The objective of ANZGPA is to maximise opportunities for competitive ANZ suppliers to supply into government procurement and to reduce costs of doing business for both government and industry and applies to all Australian (and new Zealand) local industry participation policies.

VIPP and GST

VIPP monetary thresholds exclude GST in line with departmental / agency budget practices.

VIPP Roles and Responsibilities

Government Departments/Agencies/Contractor Managers/VIPP Administrators

The term '**Agency**' is used throughout this document to describe a Victorian Government departments or public sector bodies subject to the policy. The term Agency will also occasionally apply where a Government department has outsourced the responsibility of project delivery in its entirety to a private organisation (e.g. a principal contractor in a construction project).

The '**contract manager**' is the person within the Agency responsible for managing the procurement activity and therefore the VIPP process.

Suppliers/Bidders

Suppliers and bidders are terms used interchangeably in this document to describe providers of a service or good to be procured.

Suppliers shortlisted for VIPP-applicable procurement must prepare a VIPP or LIDP plan when requested by the agency. The VIPP or LIDP plan must be submitted to ICN and an acknowledgement letter issued, before being included as part of the supplier's bid documentation to the agency. The supplier must maintain records of their VIPP

deliverables against VIPP commitments they have made so they can report on outcomes to agencies and seek post-contract verification of results.

Industry Capability Network Victoria (ICN)

The Industry Capability Network (Victoria) is a not-for-profit organisation funded by the Victorian Government whose primary aim is to maximise opportunities for Victorian Industry.

ICN plays a key role in liaising with government agencies and bidders in VIPP applicable projects and procurements.

Its responsibilities include: managing the VIPP Management Centre portal where tenders are registered, identifying local products and services that meet the contract requirements, acknowledging and evaluating bidders' local content commitments and reviews outcomes of Victorian industry involvement.

ICN also undertakes post-contract verifications on whether or not contractors have achieved the local content commitments as specified in VIPP plans or LIDPs. ICN also publishes a forward plan developed by the Department of Economic Development, Jobs, Transport and Resources (DEDJTR). The forward plan lists expected VIPP Strategic Projects and is published to ensure local suppliers have an opportunity to register interest in upcoming government projects. ICN uses ICN Gateway to enable local suppliers to register capability and interest in supplying into these upcoming government procurement projects. To register your capability or an expression of interest, visit <https://gateway.icn.org.au>

VIPP Management Centre (VMC)

The VIPP Management Centre (VMC) is the online system developed to manage the application of VIPP by bidders and Government agencies and can be accessed at www.icnvic.org.au/vipp

Functions of VMC for suppliers / bidders include:

1. Register/edit bidder details
2. Create VIPP Plans
3. Submit VIPP Plans to ICN for localisation assistance.
4. Submit VIPP Plans to ICN for acknowledgement
5. Access previously submitted VIPP Plans
6. Correspond with ICN staff via the communication center.

Steps to apply VIPP to different government procurement activities?

The following steps apply to all VIPP Standard and VIPP Strategic Projects, except for panels, grants and design contracts. There are different processes for applying VIPP to panels, grants and design contracts as outlined on pages [13-15](#).

Standard VIPP

The following steps apply to procurement activities that satisfy the VIPP thresholds:

- \$3 million for procurement activities occurring in metropolitan Melbourne or across all of Victoria; and
- \$1 million for procurement activities occurring in regional Victoria Steps to comply with Standard VIPP Projects

Step One – Tender issued

1. The request for tender documentation will notify prospective bidders:
 - if the project must apply VIPP, and when an ICN acknowledged VIPP Plan will need to be submitted or

- where a VIPP plan is not required, bidders will need to provide an estimate of local content in their proposal.
2. VIPP encourages bidders to engage local SMEs to supply into government projects where they are competitive over the life of a project.
 3. The request for tender identifies contestable items for bidders to consider sourcing in the proposal for the procurement activity.

Step Two – registering with ICN and preparing a VIPP Plan

4. Once notified, bidders must register their organisation's details on the ICN's VIPP Management Centre, unless previously registered, located at icnvic.org.au/vipp
5. The VIPP Plan is completed by logging into the ICN's VIPP Management Centre and selecting the relevant tender. If the tender is not listed, click 'Can't find tender'.
6. The bidder must then begin to complete their online VIPP Plan, which requires information on:
 - expected level of ANZ value-added (local content)
 - expected employment levels for new and retained full-time equivalent (Annualized Employee Equivalent, AEE), employment opportunities (jobs) to be created locally as a result of the contract
 - expected number of new and retained apprentice/ trainee positions created locally as a result of the contract
 - how the plan will be implemented and expected outcomes achieved.
7. Further information on navigating the VIPP Management Centre and preparing a VIPP Plan is provided in the How to prepare a VIPP Plan presentation, which can be downloaded at www.vic.gov.au/vipp
8. VIPP Plans generally take between one to six working days to prepare depending upon the complexity of the project, nature of the contestable items or experience with VIPP by the bidding supplier.
9. ICN can assist shortlisted bidders to identify competitive local suppliers to include in their VIPP Plan by choosing 'Assistance' mode within the VIPP Management Centre. Advice on local capabilities will only be provided by ICN if Assistance mode is selected.

ICN has a register of local suppliers and knowledge of the capabilities within the market to assist bidders to identify possible local suppliers to include in their project proposal.

Step Three – submitting a VIPP Plan to ICN

10. All fields within the online VIPP Plan must be completed before it can be submitted.
11. The VIPP Plan must be in 'Acknowledgement' mode, for it to be submitted to ICN for acknowledgement once completed. VIPP Plans cannot be issued with an acknowledgement letter while in 'Assistance' mode.
12. If a VIPP Plan is submitted after the date specified by the Agency, an acknowledgement letter (non-complaint) will be issued to the bidder.
13. Extensions may be sought under certain circumstances by contacting the tendering Agency in writing (electronic or hardcopy) and requesting an extension. Bidders should outline why an extension is required.

Requests for extensions cannot be granted by ICN, extensions must be approved by the tendering Agency only.
14. The Agency will notify ICN and all shortlisted bidders on whether an extension has been allowed, and if allowed, will advise on the revised due date for all VIPP Plans. The contract manager will then revise the timeline on the VIPP Management Centre as appropriate.

Suppliers to allow time for ICN to acknowledge VIPP Plans

15. ICN will review each bidder's VIPP Plan to determine if sufficient information has been provided in order for ICN to appropriately evaluate the VIPP Plan
16. ICN will provide an acknowledgement letter to respective shortlisted bidders that have provided satisfactory VIPP Plans. This can take two to three working days.
17. ICN will also issue the Agency with a VIPP Plan risk assessment evaluation report, which assesses the achievability of the commitments made in each of the VIPP Plans submitted by all shortlisted bidders.

Step Four – submit VIPP Plan and acknowledgement letter to the Agency

18. Once the ICN acknowledgement letter has been received, notified bidders must submit their VIPP Plans and acknowledgement letter to the Agency's tender panel.
19. VIPP Plans and acknowledgement letter may be submitted in hard copy or electronically to the tender evaluation panel.
20. Only notified bidders with VIPP Plans and ICN acknowledgement letter may be considered by the tender evaluation panel when selecting the successful applicant. VIPP is a key selection criterion in choosing the preferred supplier.
21. The ICN will inform a bidder and the agency in writing, if the bidder's VIPP plan has been rejected due to being incomplete or non-compliant and no acknowledgement letter will be provided. A tender is not complete without an ICN acknowledgement letter. This would mean the end of the procurement process for the bidder.

Step Five – preferred bidder selected and contract awarded

22. Note that from 1 September 2016 a 10 percent weighting will be applied to the assessment of VIPP Plans. The 10 percent local content weighting will assess the level of local content committed and the ICN risk assessment evaluation report of the achievability of the local content commitments.
23. The preferred bidder will be notified by the tender evaluation panel of their success.
24. Commitments under the VIPP Plan will be incorporated into the contract, as a reportable condition.
25. Suitable measures to manage any issues raised by ICN in its VIPP Plan risk assessment evaluation report should be negotiated with the contract manager prior to finalisation. This step is essential given the successful bidder will need to demonstrate VIPP outcomes against the agreed VIPP Plan. Bidders may need to resubmit their VIPP Plan to ICN for acknowledgment and evaluation, with appropriate amendments, through the VIPP Management Centre.
26. The supplier must comply with the VIPP agreements reached in their VIPP plan and contract negotiations.

Step Six – contract variation (if applicable)

27. If a variation to the contract occurs during the course of the project, which effects a change in the nature of the contestable items in the project, then a revised VIPP Plan may need to be prepared, which must be acknowledged by ICN.

This means, there are substantial new contestable items to consider within the procurement activity, or there are a number of contestable items no longer required.

28. The contract manager will notify the project manager within the successful bidder organisation that a new VIPP Plan is required that reflects changes to the scope of activities and therefore the contestable items.
29. The supplier must then follow steps three to five, to prepare and submit a new VIPP Plan for consideration by ICN and the contract manager.

Step Seven – post-contract review

30. The purpose of post-contract review is to demonstrate the VIPP outcomes that have been achieved through the project. The outcomes achieved are compared to those expected in the original VIPP Plan.
31. The post-contract review process is required for all VIPP-applicable projects once a project has been implemented.
32. Post-contract review commences upon practical completion of the project, where works have been finished. Further administrative or regulatory processes that may need to be followed prior to the contract being formally seen as complete are not relevant in terms of preparing post-contract review documentation.
33. Once a project has been completed in practical terms, the successful supplier must submit the following information to the contract manager:
 - a completed VIPP monitoring table, which largely reflects the information provided in the VIPP Plan (Appendix A)
 - a statutory declaration – signed by the company Director, Chief Executive or Chief Financial Officer, and must state that the information provided in the VIPP monitoring table is true and correct (Appendix A).
34. The Agency in turn provides the completed VIPP monitoring table and signed statutory declaration to ICN for review.

Suppliers may be asked to provide additional explanation as to any discrepancies between the expected outcomes from the agreed VIPP Plan to the outcomes reported in the monitoring table.

35. The information provided in the monitoring table will inform the annual reporting on VIPP outcomes from supplier activities by the Agency.

While post-contract review is only required upon project completion, suppliers may be required to provide the Agency with updates that demonstrate the VIPP Plan is being implemented as agreed.

Step 1	Tender Issued (An Agency requests prospective suppliers to prepare proposals for a given procurement activity)	
Step 2	Bidders Notified (Bidders are notified of VIPP requirements and next steps)	
	Yes	No
Step 3	Register with ICN and prepare a VIPP Plan (VIPP plans to be prepared through the ICN's VIPP Management Centre)	Provide an estimate of ANZ value added local content for the proposal and adhere to the principles of VIPP
Step 4	Submit the VIPP Plan to ICN for Localisation Assistance (Optional) (VIPP plans to be submitted through the ICN's VIPP Management Centre)	
Step 5	Submit the VIPP Plan to ICN for Acknowledgement (VIPP plans to be submitted through the ICN's VIPP Management Centre)	
Suppliers to allow for:	ICN to review and acknowledge the VIPP Plan	
	ICN to prepare a VIPP Plan Risk Assessment Evaluation Report for the Agency	
Step 6	Submit VIPP Plan and acknowledgement Letter to the Agency (The Tender Panel must consider the VIPP Plan and ICN Risk Assessment Evaluation Report in selecting the preferred supplier)	
Step 7	Post-contract Review/ Monitoring and Reporting (Supplier to complete Monitoring Table and Statutory Declaration at practical completion to demonstrate VIPP outcomes)	

Figure 1: VIPP Tender Process for Supplier

Strategic Projects and VIPP

The VIPP framework provides for projects valued at \$50 million or more, excluding any maintenance or operational costs, to be classified as a VIPP Strategic Projects. VIPP Strategic Projects have mandated minimum local content requirements and may include other mandated conditions.

The key differences between a VIPP Standard project and a VIPP Strategic Project are:

- mandated minimum local content requirements;
- may include 'other' mandated conditions
- the completion of Local Industry Development Plans (LIDP) being a more detailed VIPP Plan
- the requirement to work in good faith with ICN to develop LIDP requirements

The Agency will advise bidders if a project has been classified a VIPP Strategic Project.

Steps to comply with Strategic Projects

Step One – Expression of Interest document issued

1. An Expression of Interest (EOI) may be issued for the Strategic Project.

The EOI will provide early notification to suppliers that the project is determined as a VIPP Strategic Project, noting that there will be minimum local content requirements and may include other mandated conditions that will be outlined in the request for tender documents.

Step Two –tender issued

2. Tender documents will indicate:
 - the minimum local content requirements and/ or any other conditions for the project
 - the contestable items
 - the request for bidders to register their details with ICN through the VIPP Management Centre, at www.icnvic.org.au/vipp
 - that notified bidders will need to complete the LIDP included in the tender documents.

Step Three – preparing a LIDP

3. The LIDP is a more detailed version of a VIPP Plan, reflecting the size and complexity of Strategic Projects.
4. Bidders must provide detailed information on:
 - expected level of ANZ value-added (local content), which is the cost of Australian and New Zealand goods or service, less the cost of the imported components, which must be above the mandated minimum local content level
 - expected employment levels for new and retained full-time equivalent employment opportunities (jobs) to be created locally as a result of the contract
 - expected number of new and retained apprentice/ trainee positions created locally as a result of the contract
 - any additional VIPP conditions required for the specific Strategic Project, such as procurement plans for key strategic items
 - how the plan will be implemented and expected outcomes achieved.
5. Bidders must contact ICN for assistance to prepare and complete their LIDP.

6. ICN will assist bidders identify companies that have capability to supply in accordance with product/service specifications, including standard contact details, location, \$ turnover and employee numbers. Furthermore, ICN will provide guidance on how to complete the LIDP.

Step Four – submitting a LIDP to ICN

7. A completed LIDP must be submitted (uploaded) to ICN through the VIPP Management Centre.
8. In order to receive ICN acknowledgement, the status of a LIDP must be in 'Acknowledgement mode'
9. If a LIDP is submitted after the due date provided by the Agency to ICN, an Acknowledgement letter (non-compliant) will be issued to the bidder.
10. Extensions may be sought under certain circumstances by contacting the tendering Agency as per normal processes, outlining why an extension is required. If approved, the contract manager will adjust the timelines on the VIPP Management Centre as appropriate.

Suppliers to allow time for ICN acknowledgement of LIDP

11. ICN will review each LIDP to determine if sufficient information has been provided in order for ICN to appropriately perform its evaluation of the LIDP
12. ICN will provide an acknowledgment letter to respective shortlisted bidders that have provided a satisfactory LIDP.
 - Following submission of the tender documents ICN will prepare an LIDP Risk Assessment Evaluation report and provide this to the Agency for use in the evaluation of the tender. The report provides an assessment of the achievability of the commitments made in each of the LIDP.

Step Five – submit LIDP to the Agency for evaluation

13. Notified bidders will submit their LIDP and ICN acknowledgement letters to the Agency's tender evaluation panel.
14. Only shortlisted bidders with an ICN acknowledged LIDP may be considered by the tender evaluation panel when selecting the preferred supplier. The LIDP will be used to assess competing bids.
15. A 10 percent local content weighting, among other criteria, will be applied to the evaluation of LIDPs.

Value for money remains the key criterion in selecting successful bidders, and covers the life of a project. The Victorian Government Purchasing Board (VGPB) describes value for money as: *"A balanced judgement of a range of financial and non-financial factors, taking into account the mix of quality, cost and resources; fitness for purpose; total cost of ownership; and risk"*.³

Step Six – contract awarded

16. The contract manager for the Strategic Project will notify ICN of the successful bidder/s once the contract has been agreed and signed.
17. Commitments under the LIDP will be incorporated into the contract, and will be required to be reported on at contract completion.

Step Seven – contract variation (if applicable)

18. All Strategic Projects will have local content requirements and VIPP conditions applied through a LIDP. Accordingly, any variation that makes a change to the ability of the project to comply with its VIPP commitments will require a revised LIDP.

³ Victorian Government Purchasing Board All Procurement Policies, 2012:25, <http://www.procurement.vic.gov.au/Buyers/Policies-Guides-and-Tools>

19. The need for a revised LIDP will be decided between the Agency, ICN and DEDJTR.
20. The contracting Agency will notify the contracted supplier and ICN in writing (hardcopy or electronic) that a revised LIDP is required.
21. If a revised LIDP is required, this must be prepared in collaboration with ICN as per steps four to six.

Step Eight – post-contract review

22. The purpose of post-contract review is to demonstrate the outcomes that have been achieved through the project. The outcomes achieved are compared to those expected in the original LIDP.
23. The post-contract review process is required for all VIPP-applicable projects once a project has been implemented, including Strategic Projects.
24. Post-contract review commences upon practical completion of the project, where works have been finished. Further administrative or regulatory processes that may need to be followed prior to the contract being formally seen as complete are not relevant in terms of preparing post-contract review documentation.
25. Once a project has been completed in practical terms, the successful supplier must submit the following information to the contract manger:
 - a completed LIDP monitoring table – similar to the VIPP monitoring table provided at Appendix A, and will largely reflect the information provided in the LIDP
 - a statutory declaration – signed by a company Director, Chief Executive or Chief Financial Officer, and must state that the information provided in the LIDP monitoring table is true and correct (Appendix A).
26. The Agency in turn provides the completed monitoring table and signed statutory declaration to ICN for review.

Suppliers may be asked to provide additional explanation as to any discrepancies between the expected outcomes from the agreed LIDP to the outcomes reported in the monitoring table.
27. The information provided in the monitoring table will inform the annual reporting on VIPP outcomes from supplier activities by the Agency.

While post-contract verification is required upon project completion, suppliers may be required to provide the Agency with regular updates that demonstrate the LIDP Plan is being implemented. The Agency will advise suppliers if this is required.

Step 1	EOI Issued (where applicable)
Step 2	Tender issued
Step 3	Prepare a Local Industry Development Plan (LIDP) (must engage in good faith with ICN to develop their LIDP and identify the opportunities for local businesses)
Step 4	Submitting LIDP to ICN for Acknowledgement (Once completed, the prospective bidder must submit their LIIDP to ICN through the VIPP Management Centre)
Suppliers to allow for:	ICN Acknowledgement of LIDP
	ICN to provide a LIDP Risk Assessment Evaluation Report to the Agency (Only relevant to Agencies)
Step 5	Submit LIDP to the Agency (The Tender Evaluation Panel must consider the LIDP and ICN LIDP Risk Assessment Evaluation Report in selecting the preferred supplier)
Step 6	Contract Awarded (VIPP commitments, as per the LIDP, incorporated into the agreed contract, including monitoring and reporting)
Step 7	Contract Variation (A revised LIDP may be required)

Figure 2: Strategic Project LIDP Process for Supplier

Panel Contracts

An agency may appoint a panel of suppliers from which individual suppliers are selected by agencies to provide particular goods or services for the term of the contract.

A Panel Contract is subject to VIPP if the total value of the contract satisfies the VIPP thresholds of:

- \$3 million in Melbourne metro or statewide
- \$1 million in regional areas or
- the VIPP Strategic Project threshold of \$50 million.

Where the total value of the Panel Contract satisfies the VIPP thresholds, the project must be registered with ICN for an assessment to determine if there are any contestable items.

Where contestable items are identified, Panel Suppliers will be notified of the list of contestable items and required to complete a Statement of Intent letter noting their commitment to apply VIPP including, where required, the completion of a VIPP or LIDP plan.

A VIPP or LIDP plan will only be required when an individual panel member enters into a contract with an agency and only when the individual contract value satisfies the VIPP thresholds.

Where the individual panel contract satisfies the \$50 million threshold the application of the VIPP Strategic Project framework will apply. Refer to the VIPP Strategic Project (Page 9)

10 per cent weighting

The 10 per cent weighting consideration does not apply at the establishment of the panel.

Statement of Intent

As a condition of contract for appointment to a panel, all bidders will be required to complete a Statement of Intent.

The Statement of Intent confirms the panel member's commitment to adhere to the VIPP requirements and seeks an outline of how panel suppliers will ensure competitive local suppliers will be given the opportunity to participate in government work.

The Statement of Intent does not need to be submitted to ICN.

A standard template for a Statement of Intent is provided at Appendix C.

When a VIPP or LIDP plan is requested.

Where an individual panel member is contracted by an agency and the contract satisfies the VIPP thresholds, the panel member will be advised of their VIPP obligations. This may include the completion of a VIPP plan for VIPP Standard Projects or an LIDP plan for VIPP Strategic Projects. Refer to page 5 for standard VIPP Application process or page 9 for VIPP Strategic Projects

Step Two	When directed by an agency register with ICN and Prepare a VIPP Plan (VIPP plans to be prepared through the ICN's VIPP Management Centre) (refer to pages 5-9 for VIPP Standard and VIPP Strategic process)
Step Three	VIPP requirements will be detailed in contract
Step Four	Post-contract Verification (Monitoring Table to be completed and provided by the panel suppliers to the Agency to demonstrate VIPP outcomes)

Figure 2: VIPP Panel Contracts for Supplier

Grants and Design Contracts and VIPP

Grant recipients and design contracts are considered VIPP applicable procurements when they form part of a project expected to meet the VIPP monetary thresholds over its life. If the total value of the whole project meets or exceeds the VIPP thresholds then the grants and design process applies. This will require consultation with ICN to acquire an Interaction Reference Number (IRN). A VIPP Plan is not required.

The key difference in the VIPP process for grant recipients and design contracts is the requirement to consult with the ICN to acquire an Interaction Reference Number (IRN) rather than register and undergo the development of a VIPP plan. This is to better target VIPP towards areas of contestable procurement and reduce the compliance burden.

The application of VIPP to grants recipients and design contracts has been targeted to ensure local SMEs are able to access opportunities within the procurement activity once it commences, by making sure local firms are not designed out. Specifications for procurement activities should be function based, to meet technical requirements thereby ensuring competition that is more open.

The steps for complying with VIPP for grant recipients and design contracts are outlined below.

Steps to comply with VIPP for grants and design contracts

Step One – grant recipients or design contract awarded

1. The Agency contract manager will advise the grant recipient or design contractor that they must submit an Interaction Reference Number (IRN) form through the VIPP Management Centre. NOTE: For design contracts, this should occur before design has been finalised.
2. For grants, this should occur when the design has not been finalized, generally during grant application phase – should form part of the application process.
3. Grant recipients and design contractors do not need to log into the VIPP Management Centre. Instead, they go through the IRN process under Grants and Design at www.icnvc.org.au/vipp
4. The IRN Form requires grant recipients and design contractors to provide an indication on the nature of the project being designed or the grant activities to be undertaken, and the likely goods and services to be required.

Step Two – consultation with ICN

5. Once the IRN form is submitted, ICN will review the information and then contact the grant recipient or design contractor to discuss opportunities for local industry.
6. The grant recipient or design contractor must discuss with ICN how opportunities for local SMEs or contestable items will be provided for in the project. This may involve ICN contributing to, or reviewing draft designs or participating in particular project meetings.
7. Consultation with ICN can take between 30 minutes and a few hours, depending upon the nature of the contestable items in the procurement activity.

Step Three – Interaction Reference Number (IRN) issued

8. ICN will issue the grant recipient or design contractor with an Interaction Reference Number (IRN) and reference letter.
9. The letter will note any agreements made between ICN and the grant recipient or design contractor in their consultation past or in the future.

Step Four – Notify contract manager on IRN outcome

10. The grant recipient or design contractor will submit its IRN to the contract manager within the Agency to demonstrate they have consulted with ICN, and ICN is satisfied local industry will be considered in the design of the project.
11. The IRN letter does not need to be provided to the Agency. However, the designer should inform the contract manager where the opportunities are for local industry within the project.

Step One	Grant or Design Contract Awarded (Grant recipient or designer to submit an Interaction Reference Number form) NOTE: For design contracts, this should occur before design has been finalized – condition of design contract with State For grants, this should occur when the design has not been finalized, generally during grant application phase – should form part of the application process.
Step Two	Consultation with ICN (The grant recipient or design contractor to consult with ICN on possible opportunities for local businesses)
Step Three	IRN Issued (ICN issues an Interaction Reference Number (IRN) to demonstrate the consultation has been constructive and informative on local capabilities)
Step Four	Notify Agency of IRN (The grant recipient or design contractor to provide the Agency with the IRN and outline how local capabilities will be considered)

Figure 3: VIPP Grant Recipients and Design Contracts for Supplier

Monitoring and Reporting

Suppliers are required to report upon their implementation of their VIPP plan and demonstrate outcomes achieved at the practical completion of the project through a monitoring and reporting template, which is provided at Appendix A and available to download at www.vic.gov.au/vipp

Where a VIPP plan is not required but the project satisfies the VIPP thresholds, reporting of the expected and actual local content achieved is required even if the local content is zero.

The VIPP monitoring table (Appendix A), accompanied by a Statutory Declaration (Appendix B) must be provided to the respective contract manager within the tendering Agency upon the practical completion of the project. The Agency will then provide this information to ICN, so it can then verify the outcomes reported in the monitoring table against the agreed VIPP Plan.

Further information on preparing a Statutory Declaration is provided by the Victorian Department of Justice and Regulation at www.justice.vic.gov.au/home/justice+system/legal+assistance/statutory+declarations/

The responsible Minister provides a VIPP Annual Report to the Parliament of Victoria based on the information provided in the VIPP Plans, LIDPs and VIPP monitoring tables. Information is presented in aggregate form to de-identify the data where possible, to ensure individual suppliers are not identifiable.

Compliance

An agency may determine whether consequences will apply if successful bidders/contractors do not deliver the local content outcomes committed to in their VIPP plan or LIDP.

Where VIPP outcomes do not meet the levels committed to in the contract, the contractor must outline the reasons for this (e.g. an unavoidable change of supplier or product that resulted in a drop of local content or employment).

Where no valid reason can be identified, the agency may determine that this represents a breach of contract that may trigger that agency's respective resolution process.

An audit and compliance programs will be implemented effective 1 September 2016 that will include annual random audits of contractors VIPP commitments.

Key VIPP Definitions

Agencies and Public Bodies

Victorian Government departments and public bodies⁴, as defined in the *Financial Management Act 1994*, are required to apply VIPP to eligible procurement activities. For the purposes of VIPP, the term 'Agency' is used to cover all Victorian government public sector bodies, which include, but are not limited to:

- departments
- statutory authorities
- administrative offices
- State owned companies
- police and emergency services
- regulatory agencies
- public health sector including hospitals and Health Purchasing Victoria
- water and land management authorities.

Within the Request for Tender documentation and contract clauses, the term 'State contracting party' is used to describe an Agency under VIPP. State contracting party is the legal term applied, as it is sufficiently broad to capture the full range of State entities to which VIPP is applied.

On occasion, project management firms may be authorised to manage a procurement process on behalf of an Agency. The Agency remains responsible for VIPP in these circumstances.⁵

Annualised Employee Equivalent

Annualised employee equivalent (AEE) is calculated by dividing the total number of ordinary working hours that an employee worked and was paid over the reporting period by the total number of full-time working hours paid per annum.

4 Agencies and public bodies are sometimes referred to as inner and outer agencies.

5 Project management firms are treated as third parties by ICN within the VIPP Management Centre, and must be registered with ICN by the Agency for a given tender.

In general, (the total number of full-time working hours will generally be 1976 hours per year, being 38 hours per week for 52 weeks per year, or equivalently 7.6 hours per day for 260 days). The employee's working hours include paid leave (e.g. sick leave, paternity leave, recreation leave, long service leave etc.) but NOT unpaid leave.

AEE replaces Full Time Equivalent (FTE) on the VIPP Plan and VIPP Monitoring Table.

Australian and New Zealand value-added (local content)

Under VIPP, the term 'local content' covers all suppliers producing Australian or New Zealand (ANZ) goods or services or when they have added ANZ value to imported items.

The 'local content' (ANZ value added activity) of a good or service is determined on a cost basis and is the part of a product or service left once the cost of the international component has been subtracted. It can be expressed by the following equation:

Local content = total cost of the good or service less international content

The content of a good or service may include but not be limited to; fees, tax, margins, profits, tariffs, insurances, freight, transport, engineering, planning, testing and analysis certification, commissioning, manufacturing or provision of service.

Australia and New Zealand are treated as a single market for government procurement under the Australia and New Zealand Government Procurement Agreement. All other jurisdictions are considered 'international'. Items imported into New Zealand as part of New Zealand-sourced goods and services are considered international content.

Contestable goods and services

Goods and services are considered a contestable item within a procurement activity, when there are competitive international suppliers and local suppliers. Focusing upon contestable items enables VIPP to ensure local suppliers are considered by bidders for government work and reduces the administrative burden when there are no competitive local suppliers. Competitive means the suppliers are able to offer comparable goods or services that meet the specifications provided in the tender documentation.

Contestable items can be goods or services employed at any stage of a procurement activity, including maintenance.

ICN has a comprehensive understanding of local industry capabilities. Using this information, ICN will provide guidance to Agencies on items likely to be contestable within a given procurement activity.

Focusing upon contestable items ensures local suppliers are given a genuine opportunity to compete with international suppliers for government work.

VIPP assists SME businesses access government contracts by ensuring bidders consider using local suppliers when submitting their proposal.

Contract Manager

The contract manager is the person within the Agency responsible for managing the procurement activity and therefore the VIPP process.

Interaction Reference Number (IRN)

Used in the application of the VIPP in grants and in design contracts to demonstrate compliance with the principles of VIPP and contact with ICN.

International

International covers all jurisdictions other than local. Items imported into New Zealand as part of New Zealand sourced goods and services are considered as international content.

Local

Covers Victoria, Australia or New Zealand, in accordance with the Australia-New Zealand Government Procurement Agreement.

Local Industry Development Plan (LIDP)

LIDP is a document prepared by the supplier as part of the tender submission for a VIPP Strategic Project. The LIDP outlines the supplier's commitment to address the minimum local content requirements and other VIPP tender conditions. The LIDP must have an ICN acknowledgement letter.

Procurement Activity/Tender

The Victorian Government purchases goods and services through a variety of methods. For the purposes of VIPP, Government purchasing is referred to as a procurement activity, and includes grants and design contracts. Tenders are one of many forms of government procurement. Tender is sometimes used to describe VIPP procurement activities in this document, particularly if referring to tender documentation.

Project

The term 'project' refers to the procurement of goods, services or construction works that may be limited to a single contract or may involve several contracts under a single broader project. For the purposes of determining the project value for VIPP purposes the values of the all the contracts under the project are to be included.

Supplier/Bidders/Tenderer

The supplier, sometimes called a tenderer, is the bidding organisation (typically from the private sector or community organisation) that is responding to an invitation from the Victorian Government to undertake research or supply goods, services or capital works. Suppliers can also be a secondary organisation that is engaged to provide goods or services into the procurement activity.

For the purpose of this document, bidder is used to describe the organisation that, if successful, will be contracted to deliver the procurement activity for the Victorian Government. Bidders are competing for Government work. The term supplier is used to describe both the organisations that form part of the supply chain and the bidder. The supplier is the successful bidder.

Third parties and external project management companies

Any external company that manages an Agency's tender process is termed a 'Third Party'. If a Third Party is engaged by an Agency to manage the tender process, then it is the responsibility of the Agency to register the tender on the VIPP Management Centre. Once the tender is registered, the Agency can allocate the tender to a 'Third Party'. If the 'Third Party' has not previously been registered on the VIPP Management Centre, the Agency can create a 'Third Party' user's account. Third Parties cannot register a user account or add/remove tenders and only have access to manage tenders that they have been allocated.

Value for money

Refers to the acquisition of the appropriate quantity and quality of goods or services at the optimum combination of quality, quantity, risk, timeframes and cost for government on a whole-of-life basis.

VIPP Management Centre

The ICN hosts the VIPP Management Centre www.icn.vic.org.au/vipp, which is the online platform for agencies to register their tenders and shortlisted bidders to prepare an online VIPP Plan. The VIPP Management Centre also assists businesses and government agencies to manage their compliance with VIPP.

VIPP Plan

VIPP Plan is a document prepared by the supplier as part of the tender submission. The VIPP Plan outlines the supplier's level of commitment to using local content where possible and viable. If the VIPP is applicable to a government tender, VIPP Plans from shortlisted suppliers must have an ICN acknowledgement letter.

Appendix A

VIPP Monitoring Table

ANZ value-added activity

		VIPP Commitments		Progress	Secured VIPP Outcomes					
Item Description	Brand /manufacturer	Supplier	% of Local Content	% of Total Local Content	% of Local Content	% of Local Content (A)	% of Contact Content (B)	% of Total Local Content (C) = (A x B)	ICN Assistance (Y/N)	Comments
E.g. Item 1										
TOTAL ANZ value-added activity			Total Committed:			Total Secured:	100%			

Employment

New Jobs		Existing Jobs		Total Committed Jobs	Total Jobs Secured	Difference / Comments
Committed	Secured	Committed	Secured			

Apprentices/ trainees

New Apprentices/ trainees		Existing Apprentices/ trainees		Total Apprentices/ trainees Committed	Total Apprentices/ trainees Secured	Difference
Committed	Secured	Committed	Secured			

Appendix B

Statutory Declaration Template

State of Victoria Statutory Declaration

I, (Full name)
of [address]
[occupation] , do solemnly and sincerely declare that:-
[contracted company]

achieved the Victorian Industry Participation Policy objectives and outcomes relating to local content; employment; and apprentices/ trainees reflected in the VIPP Monitoring Table for

[name and tender number of procurement activity]

as submitted to [agency] on ____/____/____
[date]

I acknowledge that this declaration is true and correct, and I make it with the understanding and belief that a person who makes a false declaration is liable to the penalties of perjury.

Declared at

this day of 20

Signature of person making this declaration

[to be signed in front of an authorised witness]

Before me,

Signature of Authorised Witness

The authorised witness must print or stamp his or her name, address and title under section 107A of the Evidence (Miscellaneous Provisions) Act 1958 (as of 1 January 2010), (previously Evidence Act 1958), (eg. Justice of the Peace, Pharmacist, Police Officer, Court Registrar, Bank Manager, Medical Practitioner, Dentist)

Appendix C

Statement of Intent Template

I, [full name, job title] on behalf of [organisation] commit to the objectives and requirements of the *Victorian Industry Participation Policy Act 2003* (the VIPP Act), in undertaking the [project name and tender number] for the duration of the contract with [agency].

The VIPP Act objectives are:

- promoting employment and business growth by expanding market opportunities for local industry;
- providing contractors with increased access to, and raised awareness of, local industry capability;
- exposing local industry to world's best practice in workplace innovation, e-commerce and use of new technologies and materials; and
- developing local industry's international competitiveness and flexibility in responding to changing global markets by giving local industry a fair opportunity to compete against foreign suppliers.

Local industry will be able to engage in work undertaken during the course of the panel contract by:

- [describe how local industry will be engaged or made aware of opportunities to supply into activities undertaken by the bidder (prospective panel member) on behalf of the organisation they represent]
- [describe how ICN will be engaged to make local industry aware of opportunities to supply into activities undertaken by the bidder (prospective panel member) on behalf of the organisation they represent]
- Where applicable, a VIPP Plan or a Local Industry Development Plan (LIDP) will be completed outlining the local content commitments and how the local content commitments will be achieved.

[signature]

[full name]

_____/_____/_____

[date]

Contact Information

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+61 3 9864 6700

info@icnvic.org.au

Further information on ICN and its role regarding VIPP is available through the VIPP Management Centre at www.icnvic.org.au/vipp

Department of Economic Development, Jobs, Transport and Resources

13 22 15

vipp@ecodev.vic.gov.au

Further information on VIPP is available at vic.gov.au/vipp .