

10 SEPTEMBER 2009

Victorian Industry Participation Policy (VIPPP) Amendments

Executive Summary:

Amendments to VIPPP mean that:

- They now apply to all Victorian Government associated procurement and construction projects over \$1m in regional Victoria and over \$3m in metro Melbourne.
- All shortlisted tenderers are required to provide a VIPPP plan, which must identify the level of local content, the number of jobs (created and retained), training, skills development and technology transfer that result from a successful tender.
- VIPPP commitments will be assessed by the relevant government associated principal as a primary criterion of the tender process.
- Unless shortlisted tenderers' VIPPP plans are certified by the Industry Capability Network (**ICN**), their tenders are to be rejected.
- VIPPP plan commitments are to be incorporated into contract terms.
- On completion, contractors must provide the relevant government

associated principal with a final report certified by ICN specifying the VIPPP outcomes (as set out in the VIPPP plan).

Background – 2001 to 30 June 2009:

The Victorian Government introduced VIPPP in 2001, applying to construction activities, Major Projects Victoria, major events, Public Private Partnerships, and to investment support, business development, and community infrastructure grants.

VIPPP seeks to accelerate economic growth by expanding market opportunities for local SMEs. Large bidders are encouraged to include SMEs in their tender responses to Victorian Government procurement activities. VIPPP objectives include:

- expanding market opportunities for SMEs, thus boosting growth and employment; and
- achieving cultural change in local business, that local suppliers can be world class and therefore develop the industry's international competitiveness.



A two tier system had existed. Responses to RFTs for projects exceeding \$3m and sited in Metropolitan Melbourne or Regional Victoria projects exceeding \$1m, required a 'VIPP Statement' (**VS**). Metropolitan Melbourne projects exceeding \$10m, or Regional Victoria projects exceeding \$2.5m, required an Implementation Plan (**IP**); a more detailed version of a VS. Both detailed commitments a bidder intended to make to meet the VIPP. Agencies resorted either to the VS or IP, as relevant, under the 'two envelope system' where they would only be considered as a tiebreaker in the event of comparable tenders.

Key amendments effective 1 July 2009:

- VSs and the two tier threshold system have been abandoned. Metropolitan Melbourne projects exceeding \$3m and Regional Victorian projects exceeding \$1m will require an IP. An IP becomes an evaluation and selection criterion in tender selection at the short-listed stage. Preferred bidder's VIPP commitments will be negotiated as reportable conditions of the contract. Contracts will include the agreed VIPP commitments, methodology for implementation, implementation timetable, regular monitoring, reporting and review processes for the life of the project. No prescribed level of local content is required (see below Strategic Projects).
- If an IP is not provided or found to be non-compliant, the tender is non compliant. Where no shortlisting is required, agencies are still encouraged to apply VIPP.
- IPs and post-contract certification of VIPP outcomes (that is, achievements of SMEs used in tenders), must be certified by the ICN, which will also provide a short statement on the IP's merits to agencies conducting tenders. These may be subject to independent

audit. ICN is a Victorian Government funded company promoting Australian Industry by increasing their involvement in major government procurement activities. ICN will provide a comparative assessment of shortlisted bidders' IPs to assist evaluation. ICN must recertify an IP in the event of any post-tender negotiations affecting VIPP commitments.

Introduction of a 'Strategic Projects' (**SP**) category, being projects of significance to the Victorian Economy with a value exceeding \$250m, as measured on a whole of life basis. SPs require a minimum percentage of the procurement value (on a whole of life basis), to be comprised by local content (goods and services that have value added activities based in Victoria, Australia or New Zealand). Bidders submit a 'Local Industry Development Plan' (**LID**), developed in consultation with ICN, which will be used to assess competing bids. An LID is an in-depth version of an IP, reflecting the complexity of SPs. SPs involving rail rolling stock will be subject to minimum local content targets of 40%, and tenderers' VIPP commitments will have a weighting of 10% in the evaluation process.

Where VIPP outcomes reported do not meet the levels committed to in the contract, the agency must identify the reasons for this failure. The agency may determine that this represents a breach of contract and impose such remedies as it sees fit.

ICN will aim to certify IPs within three days of lodgement. Tenderers are encouraged to consult with ICN when developing their IPs.

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For further information please contact:

John Hutchings, Managing
 Partner
 Phone (direct) **+61 3 9608 2245**
 Mobile **+61 418 149 446**
 Email j.hutchings@cornwalls.com.au

Peter Macnish, Special Counsel
 Phone (direct) **+61 3 9608 2229**
 Mobile **+61 417 378 949**
 Email p.macnish@cornwalls.com.au