



# Local Industry Policy

A Fair Go for Local Industry

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## Section 1: Overview – a fair go for local industry

The Queensland Government is committed to achieving five ambitions that address current and future challenges for Queensland under the *Towards Q2 – Tomorrows Queensland* initiative:

- Strong: creating a diverse economy powered by bright ideas
- Green: protecting our lifestyle and environment
- Smart: delivering world-class education and training
- Healthy: making Queenslanders Australia's healthiest people
- Fair: supporting a safe and caring community.

At the heart of the Queensland Government's ambitions is that Queensland is Australia's strongest economy, with infrastructure that anticipates growth. This includes a commitment to a 'Queensland first' philosophy and creating jobs for Queenslanders, jobs that are sustainable and which will assist in achieving a more highly skilled workforce in key industries and deliver on the Government's economic priorities.

The Government is also committed to providing support to a range of key industries to assist in creating a diversified manufacturing economy that is responsive to the changes in global supply chains for infrastructure and resource-based projects.

Government has an obligation to ensure that local industry is given a full, fair and reasonable opportunity to be considered for major work being undertaken in Queensland, in both the public and private sector. This can only be achieved through a proactive approach by all stakeholders.

The Queensland Government is steadfast in its determination to ensure that capable, competitive local industry is given every opportunity to participate in government-funded infrastructure and resource-based projects. Support for local industry participation in these projects will be provided in two ways:

- ensuring an ongoing commitment to this Local Industry Policy and expanding the arrangements to ensure local industry is given opportunities in infrastructure and resource-based projects and asset acquisitions where it is globally competitive, through a cooperative approach involving project proponents, industry and key service providers
- working with local industry to promote innovation, flexibility and best practice through the ongoing implementation of the Government's advanced manufacturing initiatives. These have been designed to ensure local industry has the capacity to meet the needs of project proponents and is globally competitive.

The objectives of this Policy are to:

- maximise employment and business growth in Queensland by expanding market opportunities for local industry
- provide agencies and Government Owned Corporations (GOCs) with access to a wide range of capable local industry in Queensland that can deliver value for money
- support regional and rural development in Queensland
- develop local industry's long-term international competitiveness, and flexibility in responding to changing global markets, by giving local industry a fair opportunity to compete against foreign suppliers of goods and services
- promote local industry's involvement in value-adding activities in Queensland
- drive technology transfer, research and development, innovation and improved productivity for local industry in Queensland, to enhance value for money.

Government is also committed to ensuring that its training and skills development programs are responsive to the needs of local industry to underpin supply capabilities. The Queensland Skills Plan outlines a framework for skills policy to ensure the vocational and education training sector meets the skills challenges of the 21st century, so that local industry has the highly skilled staff it needs and skilled job opportunities are available to Queenslanders.

## Section 2: Key initiatives

The central components of the Local Industry Policy are:

- commitment to local industry being given full, fair and reasonable opportunity to tender for infrastructure and resource-based project work
- support for use of Australian Standards in project specifications
- support for use of Australian design services where these are competitive with respect to cost, quality and timeliness
- requirement that project proponents develop Local Industry Participation Plans for:
  - Government-funded infrastructure and resource-based projects valued at more than \$5 million
  - Government-funded infrastructure and resource-based projects in regional and rural Queensland valued at more than \$2.5 million
  - major infrastructure or resource-based projects where the Government has provided a significant contribution
- encouragement for private sector infrastructure or resource-based project proponents to voluntarily apply the Policy to projects that are not formally subject to the provisions of the policy
- inclusion under the Policy of capital asset acquisitions by government agencies and GOCs (excluding Information and Communications Technology (ICT) goods and services) valued at more than \$5 million per contract or Standing Offer Arrangement
- all agencies and GOCs are requested to report annually on levels of local industry involvement in projects undertaken and prepare Local Industry Participation Plans for projects valued in excess of \$5 million (\$2.5 million in regional and rural Queensland)
- comprehensive criteria for developing Local Industry Participation Plans
- support for the manufacturing sector to promote innovation, flexibility and best practice to ensure local industry has the capability to meet the needs of project developers
- support for the role of the Industry Capability Network (Queensland) in working with project proponents and local industry
- integration of this approach with the State Procurement Policy, the Government's approach to private sector investment in infrastructure, and training and skills development programs.

## Section 3: Introduction

There is a continuing trend among project proponents to source a large proportion of design services, fabrication and manufactured products overseas. Many of these proponents are set up to take advantage of global supply chains which may not provide an opportunity for local industries to bid for key elements of project work. This trend, combined with the implementation of bilateral and multilateral trade arrangements, means the Queensland marketplace for infrastructure, resource projects and capital assets is becoming increasingly competitive and complex for local suppliers.

In the past, governments could take for granted that facilitating major projects would guarantee a major flow-on in terms of jobs and local industry participation. This will not necessarily be the case for many projects and capital assets acquisitions in the future. Many key major projects are undertaken by global firms which frequently have their own proven and tested global supply chain arrangements. This can result in a wide range of both goods and services being imported even when competitive local capability exists.

Government has an obligation to ensure that local industry is given full, fair and reasonable opportunity to be considered for major work being undertaken in Queensland, in both the public and private sector. The Local Industry Policy adopts a general threshold project value of \$5 million for the purposes of defining major work.

Full, fair and reasonable opportunity can only be achieved through a proactive approach where, on one hand, proponents are encouraged to seek out capable local industry, and on the other hand, local industry is assisted to become internationally competitive - to be ready to take advantage of opportunities to participate in global supply chains for local and international projects.

Providing effective support for Queensland industry in this way also underpins key aspects of the Government's economic priorities - growing a strong economy, creating jobs and building Queensland's regions.

To help achieve regional growth, a special arrangement which introduces a lower threshold value of \$2.5 million for government-funded projects in regional and rural areas will apply.

A strong and diversified industry base in Queensland will assist in creating secure and sustainable jobs, many in areas that require high levels of skills. This will be achieved whilst meeting the Queensland Government's obligations under the Australia New Zealand Government Procurement Agreement, the Australia United States Free Trade Agreement and the Australian Industry Participation Framework.

The Local Industry Policy is consistent with and complements the State Procurement Policy.

## **Section 4: Local industry participation**

The Queensland Government is committed to supporting competitive local industry and to ensuring that local industry is provided with full, fair and reasonable opportunity to tender for work on infrastructure and resource-based projects and major procurements in Queensland.

Accordingly the Government expects that project proponents, and their developers and operators will:

- recognise that involving local industry in projects and capital asset acquisitions provides economic benefits to all parties and is crucial to the long-term development of a strategic manufacturing and service industry capability that underpins a strong and diversified Queensland economy
- ensure that Queensland and Australian suppliers, contractors and manufacturers are given full, fair and reasonable opportunity to tender and participate in all stages of projects and acquisitions subject to this Policy
- use Australian Standards and Codes in the formulation of specifications, tenders and the letting of contracts (where ever it is practicable to do so)
- seek to maximise levels of goods and services, including design services, from local companies where they are competitive
- seek to incorporate this Policy into contracts entered into with third parties for the supply of goods and services.

Private sector project proponents, who are not formally subject to the provisions of the Policy, will be encouraged to apply the principles espoused in the Policy to their projects on a voluntary basis as good corporate citizens.

While this Policy places an obligation on project proponents to provide local industry with tendering opportunities, there is also a responsibility on local suppliers to take steps to ensure that they are achieving best practice and pursue international competitiveness.

The Department of Employment, Economic Development and Innovation (DEEDI) provides support programs to develop local industry capability to meet the requirements of project proponents.

The Department will also continue to work to achieve a cooperative relationship between developers, local industry and the Industry Capability Network (Queensland).

For the purposes of this Policy, local industry is formally defined as Queensland and Australian small and medium-sized enterprises (SMEs) in the manufacturing or service sector and New Zealand suppliers of goods or services.

## **Section 5: Infrastructure, resource-based projects and asset purchases funded by Government**

While local content is frequently thought of in the context of major resource projects and infrastructure associated with the resources sector, it is also important that local industry be given full, fair and reasonable consideration in relation to other types of major infrastructure projects and procurements.

As part of this Policy, the Government requires that government agencies (including departments, statutory authorities and special purpose vehicles) and GOCs, including their subsidiaries, where they are the proponents of any infrastructure or other projects funded by the State Government with a value greater than \$5 million, including projects funded by government grants, will be required to develop Local Industry Participation Plans.

Projects above this value put out to tender will also be required to have local content as one of the general tender evaluation criteria.

This requirement will also apply to government-funded projects by agencies and GOCs with a value greater than \$2.5 million in regional and rural Queensland.

In addition, capital asset acquisitions by all government agencies and GOCs valued at more than \$5 million per contract or Standing Offer Arrangement being put out to tender (excluding ICT products and services) will be required to prepare a Local Industry Participation Plan and have local industry participation as one of the general tender evaluation criteria.

The Local Industry Policy requirements for ICT products and services are outlined in the ICT SME Participation Scheme. The ICT SME Participation Scheme is a requirement for Queensland Government procurement of ICT products and services. Compliance with the scheme is required as outlined in Information Standard 13.

Where the purchase covered by the Policy involves a capital asset, the Significant Procurement Plans already used by government agencies and GOCs will be expanded to incorporate the necessary elements of Local Industry Participation Plans to ensure that full, fair and reasonable opportunity to tender is provided to local industry.

The Policy also requires that the proponents of major private sector projects will prepare Local Industry Participation Plans where their projects involve a significant financial contribution by government (as defined in the Guidelines), or where the Policy obligations are made a condition of the Environmental Impact Statement process.

In making decisions on its projects, Government agencies and GOCs need to consider the Policy's requirement that local industry is given full, fair and reasonable opportunity to be considered for major work being undertaken in Queensland, as one aspect of securing value for money in expending government funds.

All agencies and GOCs should also give emphasis to the Policy for projects valued at less than \$5 million that are of strategic significance to Queensland. The same emphasis should apply to the projects of Government departments and GOCs valued at less than \$2.5 million in regional and rural Queensland.

The objective of corporatisation is to enable GOCs to be commercially successful in the conduct of their activities. This seeks to focus the GOCs on operating commercially as independent entities responsible for their own performance in the conduct of their business.

It is however still important that GOCs are able to respond to government priorities and indicate to shareholding Ministers in their Annual Statements of Corporate Intent how opportunities for local industry involvement in the provision of goods and services will be maximised.

## Section 6: Local industry participation plans

Local Industry Participation Plans are designed to support the involvement of local industry in procurement subject to the provisions of the Local Industry Policy. Each Plan should list capable local suppliers that will be invited to tender and will detail the level of local industry participation expected in projects and the benefits that would flow to Queensland in industry development, technology transfer, job creation and skills development.

The Office of Advanced Manufacturing, within DEEDI, supports the Industry Capability Network (Queensland) to provide fully subsidised services to support project proponents (government agencies, GOCs and private sector developers) to develop and implement their Local Industry Participation Plans (see Section 9).

Local Industry Participation Plans developed by project proponents are required to address the following issues and demonstrate how the project proponent will:

- ensure that local industry is provided with information in an equitable and timely manner
- ensure appropriate design and procurement strategies to provide equitable access for local industry
- provide local industry with the opportunity to supply under the same terms, standards and conditions as existing supply chain partners
- award contracts on the basis of the most competitive proposal, which should include due consideration of direct and indirect cost factors such as reliability, maintainability, servicing and procurement administration costs
- include performance measurement, reporting and feedback mechanisms.

The criteria below, based on the objectives of this Policy in section 1, will be used to evaluate project proponents' Local Industry Participation Plans. Project proponents should address those criteria applicable to their specific project in their Plans. Other opportunities to deliver on the objectives of the Local Industry Policy should also be incorporated in Local Industry Participation Plans.

The Plans should also address in quantifiable and qualitative terms the economic benefits to Queensland arising from activities proposed in the Local Industry Participation Plans and address how the proposed project will actively support the key criteria.

Key criteria:

1. development of long-term, internationally competitive local manufacturing and services industry sectors in Queensland
2. employment, training and skill development
3. support for regional and rural development
4. promotion of value-adding activities
5. opportunities for participation by local industry
6. support for other industry development activities, such as new investment, innovation and research and development

Implementation and reporting requirements

The Office of Advanced Manufacturing within DEEDI is responsible for oversight of the Policy's implementation.

The preparation of Local Industry Participation Plans will be undertaken in concert with the development of the project and must be registered by project proponents with the Chair of the Local Industry Committee at least 30 days in advance of the procurement process commencing. The Office of Advanced Manufacturing will actively monitor Local Industry Participation Plans. The Plans should be sent by email to [lip@deedi.qld.gov.au](mailto:lip@deedi.qld.gov.au).

Agencies and GOCs are required to submit a report on the outcome of each Local Industry Participation Plan to the chair of the Local Industry Committee on an annual basis. These reports are required by 15 July each year for the preceding financial year on:

- completed projects and procurement
- projects and procurements in progress where tenders have been let and construction or implementation has commenced but the project is not completed.

The Local Industry Policy Guidelines provide additional information for the guidance of project proponents on implementing the Policy and the reporting requirements.

The Guidelines also provide the formats for Local Industry Participation Plans and the reports required for each Plan. The Local Industry Participation Plan Outcome Report template is available in electronic format to make it easier for project proponents to report.

The Policy and associated Guidelines are available at [www.deedi.qld.gov.au](http://www.deedi.qld.gov.au) and are available for public inspection, free of charge, at the offices of the department during standard office hours.

## **Section 7: A vision and framework for manufacturing**

The Queensland Government has a clear agenda for manufacturing industry development and is implementing a comprehensive range of advanced manufacturing initiatives through the Office of Advanced Manufacturing. These identify drivers which are central to the future growth of Queensland manufacturing and have introduced practical, sector-wide assistance in support of each driver.

These encompass:

- developing international competitiveness
- enhancing manufacturing's image and profile
- developing a leading-edge, highly skilled workforce
- growing manufacturing investment
- increasing innovation, research and development activities and technology adoption
- supporting regional and rural manufacturers
- embracing environmentally sustainable work practices.

The Office of Advanced Manufacturing is available to discuss with project proponents who are developing their Local Industry Participation Plans the support programs which may assist in meeting the objectives of this Policy, and how project proponents intend to provide local industry with full, fair and reasonable opportunity under the Plans.

### **The Role for Government**

The approach to manufacturing industry development reflects the Queensland Government's ambitions for Queensland as outlined in *Toward Q2- Tomorrow's Queensland*. It also reflects the principles and objectives of Queensland Government policies such as *the State Procurement Policy September 2010*, *Jobs First: Delivering Jobs for Queensland*, the *Blueprint for Queensland's LNG Industry*, the *Queensland Made Means Jobs* initiative and other policies.

The development of a viable and sustainable advanced manufacturing industry is central to achieving the Government's objectives for the Local Industry Policy.

The Government will also convene a Local Industry Committee to oversee effective whole-of-Government mechanisms to enhance the Policy's implementation. The Committee will be chaired by DEEDI and include representatives from the Department of Infrastructure and Planning, other key Government agencies with significant procurement programs, GOCs and the Industry Capability Network (Queensland).

The Committee will seek to develop and implement initiatives to ensure that local industry participation issues are taken into account at the earliest opportunity during procurement planning.

The Government's role is also to establish the priorities for the allocation of public resources based on return on investment and meeting the broad economic, social and environmental objectives. This will translate into strategies to:

- provide the policy and infrastructure for long-term and sustainable manufacturing industry development
- advance priority sectors in partnership with industry
- support regional and rural growth
- enhance the competitiveness of individual firms and supply chains.

To meet the challenges of the new economy and global markets, the ongoing implementation of initiatives launched under the Government's advanced manufacturing agenda is the vehicle for the continued development of the manufacturing sector.

## **Section 8: The Government's strategic approach**

Strategic priorities will be achieved by continuing the integrated industry support process, including:

- programs of the Office of Advanced Manufacturing to better facilitate development of this growing industry sector
- prioritisation of industry development support based on sound analytical assessment of opportunities for Queensland in the emerging business environment for manufacturing
- Centres of Enterprise to build the economic strength of Queensland's regions;
- a comprehensive and structured approach to industry development that addresses the underlying issues of productive efficiency, international competitiveness and sustainability over the long term
- targeted support for individual firms, supply chains, networks and acquisition of capital assets
- leveraging infrastructure and procurement policy frameworks to maximise industry productivity, profitability and competitiveness
- assisting the private sector to identify key market opportunities both within Australia and overseas.

The approach is founded on a close and constructive partnership between the Government, the private sector, industry groups, unions, research institutions and academia, to deliver initiatives that promote sustained economic and job growth in manufacturing and related services sectors.

## **Section 9: Role of the Industry Capability Network (Qld)**

The Industry Capability Network (Queensland) (ICN), is part of an Australia-wide network of offices that provide industrial capability information on Australian manufacturing and service companies. It is a business unit of QMI Solutions Limited (QMI). The Queensland Government funds its operations to provide fully subsidised services to assist project proponents to develop and implement their Local Industry Participation Plans.

Project proponents are strongly encouraged to utilise the services of ICN. These services comprise:

- assisting the project proponents with the development of their Local Industry Participation Plans by:
  - drafting the Plans to the satisfaction of the project proponents and in accordance with the Local Industry Policy
  - reviewing the Plans with the project proponents
  - explaining to major contractors, tenderers and successful sub-contractors their obligations under the project proponents' Plans
  - liaising with the project proponents on the Plans throughout the project.
- assisting project proponents with the implementation of their Local Industry Participation Plans by:
  - providing business matching services to:
    - identify the contestable work packages, in order to provide full, fair and reasonable opportunity for local industry to tender
    - review technologies and consortia for manufacturing under license for each contestable work package where appropriate
    - evaluate and confirm the capability and capacity of local industry suppliers which are suitable to tender for the contestable work packages
    - provide to project proponents a report of the appropriate details of local industry suppliers which are suitable to tender.
  - or, for projects with usually high levels of local industry participation:
    - provide project proponents with the opportunity for potential suppliers to register through the ICN's website against contestable work packages and/or other opportunities on proponents' projects
    - review project proponents' or their contractors' existing supplier lists and provide a report on local industry suppliers not on the project proponents' existing supplier lists who may be suitable to tender to those projects
- delivering information sessions on project opportunities.

Further information on the implementation and reporting requirements can be found in the Local Industry Policy Guidelines. The central aims of the process outlined in the Guidelines and Government support of ICN are to optimise local content by maximising participation by competitive and capable local industry and to provide assistance to minimise the compliance burden on project proponents and their contractors.

## **Section 10: Private sector involvement in public infrastructure and service delivery – Public Private Partnerships**

The Queensland Government accepts that in creating effective and efficient infrastructure in Queensland there is a role to be played by all sectors of the economy for the optimal delivery of infrastructure and services. The Government is committed to securing the best value for money in its acquisition of infrastructure and services through the responsible use of both public and private sector resources.

The Queensland Government fully recognises its responsibility and accountability for the delivery of services to the community. The Government recognises that through undertaking a rigorous examination of the social, economic and financial aspects of potential projects it will be in a position to secure the optimal delivery of infrastructure projects and related services through the use of innovative contractual relationships with the private sector.

Future potential projects are likely to be drawn from the infrastructure projects listed in:

- Agency and GOC forward programs in the Budget Capital Statement - Budget Paper No. 3
- the South-East Queensland Infrastructure Plan
- the Major Projects Map published by the Department of Infrastructure and Planning
- project proposals put forward by the private sector.

The South-East Queensland Infrastructure Plan to be implemented progressively details projects across the broad range of infrastructure required in the South-East region of the State. Some projects may have the potential to be provided in whole or part by the private sector, in line with the Government's prioritisation of individual project delivery.

Private sector involvement in the provision of a public infrastructure need or service should be encouraged in projects where it can be shown that the State will achieve a better value for money outcome, including the generation of new employment opportunities throughout Queensland. In undertaking projects in a contractual relationship with the private sector the Government will have regard for the development of industry, investment, recruitment, and skills development and transfer.

The Government's policy for private sector involvement in public infrastructure and service delivery is accommodated and integrated within the Local Industry Policy. Project proponents and DEEDI will ensure that the Local Industry Policy forms a key plank in consideration of private sector participation in key Government projects and infrastructure.

## **Section 11: Training and skills development**

A critical component of local content is the integration of training and skills development into infrastructure proposals. A core objective under the Government's advanced manufacturing initiatives is the development of a leading-edge, highly skilled workforce.

Queensland needs highly educated professionals, associate professionals, and trades people of the highest standard and managers who are equipped to lead enterprises to success.

The Government's Queensland Skills Plan outlines a new framework for skills policy to ensure the vocational and education training sector meets the skills challenges of the 21st century. Through the Queensland Skills Plan the Government is developing a new training system that is more responsive to the changing needs of Queensland's labour market.

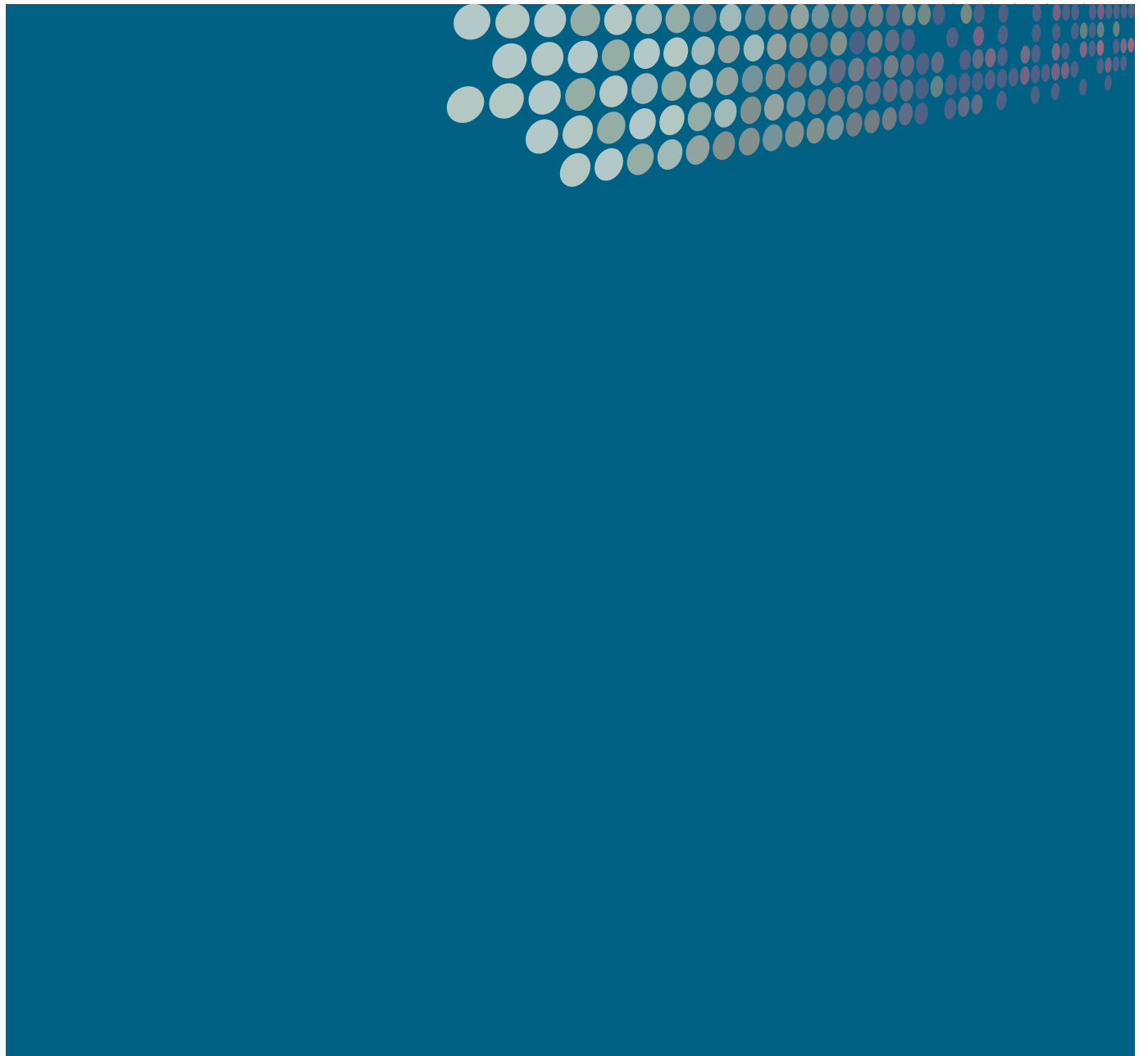
The Government will work with industry, employers and unions to ensure training provided by Queensland's vocational education and training system is better targeted to economic demands and the creation of a highly skilled workforce. It is introducing a range of strategies for working with industry, including partnership arrangements with project proponents, to ensure Queensland has a highly skilled trades workforce. It is implementing a new approach to providing vocational education and training to support individuals in achieving their maximum working potential, better linking qualifications and actual jobs.

The Department of Education and Training (DET) has responsibility for implementation of the Queensland Skills Plan which delivers on the Queensland Government's commitment to create one of the most flexible, modern and innovative vocational education and training systems in Australia. This will be achieved by working in partnership with industry, training providers, unions and the community. Innovative and local approaches to skill development, together with local employment, can provide flexibility, value for money and a quality outcome for project proponents.

For Government-funded projects in Queensland, the Government Building and Construction Contracts Structured Training and Employment Policies (the '10% Training Policy' and 'Indigenous Employment Policy') are supported by the Local Industry Policy.

Further support for skill development in a broader range of projects will be encouraged through the inclusion of training and skills development as criteria for Local Industry Participation Plans.

The Queensland Government's Local Industry Committee will integrate its activities with the Government's approach on private sector investment in infrastructure and will also work with DET to link skills profiles to the Government's capital works program and to planned major private sector projects.



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