

LOCAL JOBS FIRST

VICTORIAN INDUSTRY PARTICIPATION POLICY

ANNUAL REPORT 2017-18





◀ Asbestos Removal Program

Southmoor Primary School (pictured) was one of the first schools to benefit from the Permanent Modular School Buildings Program, which is a part of the Victorian School Asbestos Removal Program. Victoria has the largest capability in Australia in prefabricated construction technologies, with this now providing new, asbestos-free classrooms for Victorian schools with less disruption on school sites.

This is a Local Jobs First – VIPP Strategic Project and with minimum local content requirements set at 90 per cent, this project is creating opportunities for many local businesses, workers and apprentices.

(Photo credit: Victorian School Building Authority)

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Minister's Foreword



I am pleased to present the 2017-18 Local Jobs First – Victorian Industry Participation Policy (VIPP) Annual Report.

Since November 2014, our economy has grown by around 370,000 new jobs.

Through our infrastructure program alone, 75,000 new jobs will be created.

The Government is a major purchaser of goods and services in Victoria, and we are committed to using our investments to support local businesses, create new training opportunities, and create new local jobs.

Victoria has the oldest local procurement legislation of any jurisdiction in Australia. For years, it has helped us secure industry development outcomes through government procurement.

However, since coming to Government, we have made a number of important reforms to our local content policies. It was time that the legislation was updated.

Consequently, the Government put forward the *Victorian Industry Participation Policy (Local Jobs First) Amendment Bill 2018* to the Victorian Parliament, and the Bill received Royal Assent on 14 August 2018.

The *Local Jobs First Act 2003* enshrines the government's flagship industry development policies – the Victorian Industry Participation Policy (VIPP) and the Major Projects Skills Guarantee (MPSG), ensuring that local businesses are given a full and fair opportunity to compete for government projects and local apprentices, trainees and cadets get an opportunity to start or grow their career.

During 2017-18, local content requirements were set for 38 high value projects valued at over \$19 billion, with a requirement to deliver an average of 88 per cent local content. These projects provide real opportunities to leverage and grow local business and worker capabilities

across the manufacturing, construction and service sectors.

Also, 604 standard projects commenced with a total value of \$6.9 billion. Of these 388 contestable projects commenced valued at \$3.3 billion. 175 contestable VIPP Standard Projects valued at \$977 million were completed delivering an average of 89.8 per cent local content and more than 5,000 jobs and 758 apprentice and trainees, of which 109 projects were in regional Victoria.

Since November 2014, the Government has set minimum local content requirements on 93 major or strategic projects with a total value of \$56.9 billion, providing opportunities for hundreds of Victorian businesses and jobs for tens of thousands of Victorians.

The 2018-19 State Budget committed to further activities to help streamline the operation of the Local Jobs First policy.

This includes the establishment of a new Office of Industry Participation and Jobs within my department, and the expansion of the services offered to regional businesses by the Industry Capability Network Victoria.

A new Local Jobs First website has also been launched, providing clearer information and guidance to businesses and agencies about

the policy and the achievements of exceptional businesses across the state.

Soon the first Local Jobs First Commissioner will be appointed, whose job it will be to advocate for Victorian industry participation into Victorian Government projects and enforce compliance.

Our local content policies are creating local jobs, giving opportunities for local businesses, and growing our economy.

Now, these policies are the law in Victoria.



The Hon Ben Carroll MP
Minister for Industry and Employment

1. Local Jobs First – Victorian Industry Participation Policy

The Victorian Government is the largest procurer of goods, services, and construction works in the State. The government is committed to using its substantial procurement power to develop local industries, create jobs and boost economic activity across Victoria.

Local Jobs First – Victorian Industry Participation Policy (VIPP) ensures that Small and Medium Enterprises (SMEs) are given a full and fair opportunity to compete for government projects, such as the construction of hospitals, schools and road projects, the delivery of services or the provision of goods.

Local Jobs First – VIPP requires government departments and agencies to consider competitive local SMEs, when awarding projects valued at:

- \$1 million or more in regional Victoria, or
- \$3 million or more in metropolitan Melbourne, or for statewide activities.

Local Jobs First – VIPP is managed by the Department of Economic Development, Jobs, Transport and Resources (Department), including the legislative and policy frameworks and their application. This includes setting guidelines, templates and undertaking related policy work, coordinating the setting of local content requirements, and providing for the monitoring and reporting of outcomes and jobs driven policy.

During 2018-19 an Office of Industry Participation and Jobs will be established, further integrating the department's functions and supporting the Minister to deliver the strengthened Local Jobs First legislative and policy requirements.

A Local Jobs First Commissioner will also be appointed to advocate for Victorian businesses and workers and facilitate compliance with Local Jobs First commitments.

Industry Capability Network (Victoria) – supporting implementation of Local Jobs First

The Industry Capability Network (Victoria) Ltd (ICN) is a not-for-profit organisation that supports the department with implementation of Local Jobs First – VIPP, and assists both Victorian public sector bodies and bidders to comply with its conditions.

It plays a key role in liaising with government agencies and bidders on Local Jobs First – VIPP applicable projects, providing support to industry to complete the required VIPP Plan or Local Industry Development Plan (LIDP), and provides the link between principal contractors and local suppliers.

The ICN engages with local SMEs in a number of ways, including face-to-face engagements and by providing an online portal for the registration of projects by government agencies and an online platform for suppliers to register their interest in supplying into Local Jobs First projects.

Following additional Victorian Government funding support, ICN services will grow in 2018-19 to help connect more businesses in regional Victoria with government project opportunities and assist businesses to monitor and report on local content and job outcomes through ICN Analytics.

▼ Moorabbin Oval Redevelopment

The redevelopment of Moorabbin Oval and its surrounding facilities will deliver a state-of-the-art facility that benefits high-performance sport.

As a result of a commitment to using 91 per cent local content under Local Jobs First – VIPP around 30 Victorian businesses are contributing to this project – supporting 170 jobs, including 11 apprentices and trainees.

(Photo credit: St. Kilda Football Club)



2. Local Jobs First Act 2003

The Local Jobs First Act 2003, formerly known as the Victorian Industry Participation Policy Act 2003, is now the longest standing and strongest industry participation legislation in Australia.

The Act:

- enshrines Victoria's signature industry participation and jobs policies, Victorian Industry Participation Policy (VIPP) and Major Projects Skills Guarantee (MPSG), into legislation
- mandates minimum local content on high value Strategic Projects, including 90 per cent on construction projects and 80 per cent on services projects or operations activities
- mandates the use of local apprentices, trainees and cadets on high value construction projects
- establishes a Local Jobs First Commissioner, to advocate for Victorian businesses and workers and oversee compliance of Local Jobs First commitments
- establishes a compliance framework, so that Government and industry can be confident that the promised industry development and job commitments are delivered.

The legislation continues the requirement for annual reporting, including that all Victorian public sector bodies, as defined by the *Financial Management Act 1994*, are required to report on their implementation of Local Jobs First – VIPP in two ways:

- a consolidated report on Local Jobs First – VIPP implementation as part of agencies' normal annual reporting arrangements
- a detailed report to the responsible Minister to enable the Minister to report annually to Parliament on the outcomes of Local Jobs First – VIPP across government.

This Annual Report refers to the outcomes as they relate to VIPP activities for 2017-18. It reflects the available data provided by departments and agencies for the financial year.

For further details refer to localjobsfirst.vic.gov.au

3. Local Jobs First – outcomes in 2017-18

VIPP Standard Projects

VIPP Standard Projects are all other projects that meet the minimum value thresholds – \$1 million or more for projects based in regional Victoria, and \$3 million or more in metropolitan Melbourne or with statewide significance.

These projects require tenderers to complete VIPP Plans that outline the expected local content to be achieved.

During 2017-18, 604 standard projects commenced with a total value of \$6.9 billion. Of these 388 contestable projects commenced valued at \$3.3 billion.

During 2017-18, 175 contestable VIPP Standard Projects valued at \$977 million were completed delivering an average of 89.8 per cent local content and more than 5,000 jobs and 758 apprentices and trainees, of which 109 projects were in regional Victoria.

In addition, 49 non-contestable VIPP Standard Projects valued at \$634 million were completed, of which 23 were based in regional Victoria.

Route 96 tram

The Route 96 tram is being upgraded, to improve access to trams and safety for customers, and also tram reliability, capacity and efficiency.

This is a Local Jobs First – VIPP project with local content requirements set at 91 per cent benefitting many Victorian businesses, workers, apprentices and trainees.

(Photo credit: Public Transport Victoria)



VIPP Strategic Projects – new and ongoing

VIPP Strategic Projects are projects valued at \$50 million or more or as otherwise determined to be strategic by government. These projects have minimum local content requirements and other conditions set by government on a case-by-case basis to drive economic activity and job outcomes.

Shortlisted bidders must complete an LIDP that details local content, job and other commitments, along with any other industry engagement activities, and demonstrates how these commitments will be met.

As at 30 June 2018, a total of 93 VIPP Strategic Projects had commenced since November 2014, with a combined value of \$56.9 billion. These projects are expected to deliver an average of 87.5 per cent local content and support tens of thousands of jobs.

In 2017-18, the government set minimum local content requirements for 38 projects, with a collective value of \$19 billion.

Table 1 sets out the projects that have had local content commitments set during 2017-18, those that had commenced in previous years and where delivery is ongoing, and those that were completed during 2017-18, along with the local content requirements and outcomes.

Table 1: Local Jobs First – VIPP Strategic Projects – status at 30 June 2018

Project	Minimum local content requirement %
COMMENCED IN 2017-18	
Asbestos Removal Program	
<i>Permanent modular school buildings</i>	90
<i>Asbestos removal and reinstatement</i>	95
Ballarat GovHub	91
Boneo Water Recycling Plant - Stage 4	
<i>Design and construction</i>	82
<i>Operations and maintenance</i>	88
Chisholm Frankston Redevelopment - Stage 1	93
Dame Phyllis Frost Centre Expansion	92
Digital Health IT Managed Services	80
Drysdale Bypass Project	96
Fulham Correctional Centre Expansion	92
Gippsland Hi-Tech Precinct	91
Growth Areas School Project	91
Latrobe Creative Precinct Project	90
Level Crossing Removal Project – Southern Program Alliance	93
M80 Ring Road Upgrade – Princes Freeway to Western Highway	97
Maintenance of Freeway ITS Assets and Communications Network Project	
<i>Communications Network</i>	70
<i>ITS Assets</i>	96
Melbourne Metro Rail Project – Independent Reviewer	85
Melbourne Metro Rail Project – Rail Infrastructure Alliance	96
Melbourne Metropolitan Train Network (MR4)	84
Melbourne Metropolitan Tram Network (MR4)	83
Melbourne Park Redevelopment - Stage 3	
<i>Design</i>	90
Metropolitan Bus Project	
<i>Bus assets</i>	60
<i>Bus operations</i>	86
Metropolitan Road Assets Maintenance Services	98
Mordialloc Freeway	96
New Youth Justice Centre	90
Northern Hospital Stage 2 – Inpatient Expansion	90
Parkville and Malmsbury Youth Justice Expansion	92
Penguin Parade Visitor Centre Redevelopment	89
Plenty Road Upgrade – Stage 2 (South Morang)	97

Project	Minimum local content requirement %
Police Assistance Line (PAL) and Online Reporting (OLR)	98
Police Aviation Capability Program	85
Public Housing Renewal Program – Stage 1	91
Route 96 Accessible Tram Stop Upgrade	91
Safe System Road Infrastructure Project (SSRIP) – Pedestrian and Bicyclists Package	95
Victorian Heart Hospital	
<i>Architectural Design</i>	99
<i>Engineering Services</i>	98
<i>Construction</i>	90
Victorian Rail Infrastructure Program Technical and Financial Advisory Services	
<i>Technical Services</i>	96
<i>Commercial and Financial Advisory Services</i>	98
Victorian Renewable Energy Auction (VRET or VREAS)	
<i>Facilities</i>	64
<i>Steel</i>	90
<i>Operations</i>	90
VLocity 2018 Trains	65
Western Water Engineering Services	92
X'Trapolis 2018 Metropolitan Trains	44
ONGOING IN 2017-18	
Ballarat Line Upgrade	
<i>Construction</i>	92
<i>Signalling</i>	65
Casey Hospital Expansion	85
Chandler Highway Upgrade	92
CityLink–Tullamarine Widening – Bulla Road to Airport	
<i>Design and Construction</i>	95
<i>Integrated Transport Systems</i>	80
Craigieburn Sewerage Transfer Hub	80
Epping Main Sewer	91
Flinders Street Station Redevelopment – Heritage Works	87
Goulburn Valley Health Redevelopment – Shepparton	85
High Capacity Metro Trains (HCMT)	
<i>Fleet manufacture</i>	60
<i>Fleet maintenance</i>	82
<i>Train Maintenance Depot construction</i>	87

Project	Minimum local content requirement %
Joan Kirner Women's and Children's Hospital	85
Level Crossing Removal Project – Melton Highway	93
Level Crossing Removal Project – North Eastern Program Alliance	89
Level Crossing Removal Project – North Western Program Alliance	89
Level Crossing Removal Project – Package 3 – Caulfield to Dandenong	
<i>Construction</i>	92
<i>Signalling</i>	50
Level Crossing Removal Project – Package 5 - Thompsons Road Duplication and Grade Separation Stage 1	92
Level Crossing Removal Project – Western Program Alliance	93
M80 Ring Road Upgrade – Sunshine Avenue to Calder Freeway	95
Macalister Irrigation District Phase 1B – Southern Tinamba Modernisation Project	
<i>Pipe manufacture</i>	70
<i>Installation</i>	97
Melbourne Convention and Exhibition Centre Expansion	60
Melbourne Metro Rail Project – Early Works	88
Melbourne Metro Rail Project – Core Package (Tunnels and Stations)	88
Melbourne Metro Rail Project Rail Systems Alliance – Control Systems & Signalling	65
Melbourne Park Redevelopment Stage 2 – Rod Laver Arena Refurbishment	82
Melbourne Trams Procurement [#]	25
Melbourne Underground Rail Loop – Fire and Life Safety Upgrade Stage 2	70
Mernda Rail Extension Project	92
Murray River Crossing Echuca–Moama Bridge	
<i>Murray Valley Hwy/Warren Street Roundabout</i>	94
<i>Warren St upgrade</i>	92
<i>Main Bridge Crossing (Design & Construction)</i>	93
New Schools Public Private Partnership	90
O'Herns Road-Hume Freeway Interchange	96
Orygen Youth Health Redevelopment	90
Personal Alert Victoria Project	85
Princes Highway East Duplication Stages 1 and 2	95
Princes Highway East Duplication Stage 3	91

[#] Commenced prior to November 2014.

Project	Minimum local content requirement %
Princes Highway West Duplication Section 2 – Armytage to Warncoort	95
Princes Highway West Duplication Section 3 – Warncoort to Colac	96
Safe System Road Infrastructure Project (SSRIP)	
<i>Wire rope safety and guardrails</i>	95
<i>Installation and preparatory road works</i>	97
Shepparton Law Courts Redevelopment	85
South–West Loddon Rural Pipeline Project	
<i>Building infrastructure</i>	88
<i>Main trunk systems</i>	87
<i>Distribution lateral pipelines</i>	86
State Library of Victoria Redevelopment, construction works	80
Streamlining Hoddle Street	95
Thompsons Road Duplication Project – Stage 2	91
Ticketing Services Retender	70
Victoria Police Centre	82
West Gate Tunnel Project (formerly known as Western Distributor Project)	
<i>Project</i>	89
<i>LUMS</i>	82
Western Highway Duplication – Section 2B – Buangor to Ararat	95
Western Suburbs Road Package – Outer Suburban Arterial Road Program	
<i>Construction</i>	92
<i>Maintenance</i>	93
<i>Road Infrastructure Independent Reviewer</i>	96
Western Treatment Plant (Stage 2 Augmentation Project)	80
Yan Yean Road Upgrade Project	95

VIPP Strategic Projects – completed

Seven VIPP Strategic Projects were completed during 2017-18, with a total value of \$967 million.

These projects delivered an average of 92.8 per cent local content, exceeding the 91.2 per cent minimum local content requirement, and supported 2,975 local jobs and 211 apprentices and trainees.

Table 2 sets out the Strategic Projects that have been completed, along with the local content commitments and actual achievements.

Table 2: Completed Local Jobs First – VIPP Strategic Projects as at 30 June 2018

Project	Year completed	Local content committed %	Local content achieved %
Level Crossing Removal Project – Package 1 [#]	2016-17	93.9	95.8
Level Crossing Removal Project – Package 2	2016-17	94.7	95.7
Level Crossing Removal Project – Package 4	2016-17	94.8	97.3
Bendigo Hospital [#]	2017-18	90	90
Calder Highway (Ravenswood) Interchange	2017-18	95.1*	97.5
Latrobe Regional Hospital	2017-18	85	85.4
Monash Freeway Upgrade Stage 1	2017-18		
<i>Construction</i>		95	96.5
<i>LUMS</i>		88	89.9
Princes Highway West Duplication- Winchelsea to Armtage (Section 1)	2017-18	97.3	100
West Gate Distributor - Northern Section Stage 1	2017-18	94.6	95.5
Werribee Mercy Hospital Stage 1C	2017-18	85	87.9

* 96% required minimum

[#] Commenced prior to November 2014.

Contestability

Contestable projects include goods and services that are capable of being made or supplied competitively by local and international suppliers. Contestable projects require VIPP Plans or LIDPs that outline the local components and businesses that will be engaged, providing opportunities for local industry and workers.

In 2017-18, 734 projects underwent a contestability assessment by the ICN. Of these, 440 projects were found to be contestable.

A total of 1,277 VIPP Plans and 362 LIDPs were prepared by businesses in bidding for these projects.

The successful bidders for projects that commenced in 2017-18 have committed in their VIPP Plans or LIDPs to using an average of 93 per cent local content.

The other seven per cent were found to be international by nature, meaning the products or services were not available in the local market. Products and services not available in the local market included certain items of computer software, ICT equipment, medical equipment, medical consumables and specialised vehicles and hardware.

Design tenders and grants

Government grants and design tenders that meet monetary thresholds are also required to apply Local Jobs First – VIPP to ensure that procurement activities consider local businesses.

Recipients and successful design contractors must engage with the ICN to discuss opportunities for local SME inclusion on the project. An Interaction Reference Number confirming engagement is issued by the ICN and must be submitted by the grant recipient or design contractor to the funding government department or agency to demonstrate that local content was considered.

During 2017-18, a total of 77 grants or design procurements had VIPP incorporated in the contractual agreements. Of these, 32 were registered with the ICN with 87.5 per cent of the projects presenting opportunities for local businesses.

4. Local Jobs First – compliance

Engagement and awareness

The Victorian Government recognises the value of a strong compliance framework to support the achievement of industry participation and job commitments and outcomes.

The government is delivering on its commitment to strengthen Local Jobs First through stronger legislation, administrative structures and compliance activity.

Throughout 2017-18, the Department continued to deliver activities to increase awareness of Local Jobs First – VIPP, including to government departments and agencies, as well as to supplier forums.

With the significant increase in the number and type of VIPP applicable projects, the ICN reported a continuation of strong engagement activities with local SMEs, departments and agencies on the implementation of Local Jobs First – VIPP, including project contestability assessments and VIPP Plan and LIDP acknowledgements.

ICN Victoria also delivered 15 project related briefing sessions during the financial year including in Metropolitan Melbourne and regional locations such as Moe, Ballarat, Geelong, Bendigo and across the Latrobe Valley, connecting more Victorian businesses to government project opportunities.

Compliance reporting

There was improvement in reported compliance by agencies with Local Jobs First in 2017-18.

Overall agencies reported six non-compliant projects or grants, compared to 26 in 2016-17, 28 in 2015-16 and 125 in 2014-15.

During 2017-18 the Department commenced compliance audits of two completed Strategic Projects. Further projects will be audited to inform future improvements to the Local Jobs First policy, as well as procuring agency and supplier processes and systems in delivering VIPP obligations and commitments.

The *Local Jobs First Act 2003* establishes a Local Jobs First Commissioner whose role will balance advocacy, facilitation and compliance functions, working closely with government agencies and industry. The Act provides the Commissioner with specific compliance functions, as part of a robust and transparent compliance framework that is to commence in 2018-19.





▼ Mernda Rail

The Mernda Rail Extension project is a Local Jobs First – VIPP project with a minimum local content requirement of 92 per cent.

As part of the project, more than 100 young apprentices, cadets and trainees have worked on-site, many for whom this has been their first role in the industry.

The eight-kilometre new Mernda Rail will deliver better transport and facilities for locals – with three new stations, community and open spaces, better connections for pedestrians and cyclists and improved access.

Disclaimer

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