

LOCAL JOBS LOCAL CONTENT



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Creating Local Jobs through Government Contracts

A McGowan Labor Government is committed to ensuring that the money spent by the WA Government wherever possible is used to support local businesses and create new jobs for Western Australians.

The WA Government spends billions every year running our schools, hospitals, public transport system, building critical infrastructure and delivering services across the State.

Increasing the amount of local content and local jobs delivered as a result of government contracts will support the growth of industries such as manufacturing, construction and new technologies.

Local small and medium enterprises (SMEs) will be given a full and fair opportunity to compete for government contracts, while still achieving value for money. This will help diversify the State economy, drive local industry development and most importantly, create local jobs.

Introducing a process supported by legislation, all government agencies will be required to include local content as a key criterion in tender evaluation and other relevant procurement processes.

Known as the Western Australian Industry Participation Plan (WAIPP), A McGowan Labor Government will draw on the experience of the Victorian Government which implemented a similar policy in 2001.

The policy was enshrined in legislation, the Victorian Industry Participation Policy Act 2003 (the VIPP Act) in 2003.

In 2013-2014 alone, the Victorian Industry Participation Policy (VIPP) is credited for creating 1,282 new local jobs and retaining a further 5,103 existing jobs.¹ See *Victorian Experience at page 81 for more details.*

The WAIPP will be underpinned by legislation confirming and supporting the primacy and importance of the WAIPP as a critical tool to promote local industry and create jobs.

- ***A McGowan Labor Government will enact legislation to create the Western Australian Industry Participation Plan Act to create the opportunities for businesses, including local small and medium businesses, to compete for government contracts.***

¹Victorian Industry Participation Policy 2013-14 Annual Report p6

Principles of the WAIPP

The WAIPP will be built on four fundamental principles that will be applied at all stages through a government procurement process including:

- value for money;
- creation of local jobs and training opportunities;
- diversification and growth of the WA economy; and
- transparency in decision making.

Businesses tendering for government work will be required to submit Participation Plans for all projects and procurement that meet the WAIPP criteria.

The Participation Plan will include requirements to outline the likely number of local jobs that will be generated from the tender, what opportunities there will be for apprenticeships and training outcomes and the benefits for local business including the enhancement of skills and knowledge.

To ensure that there is confidence in the system both for the business community and the taxpayer, there must be a high degree of transparency and accountability in the process. This includes ensuring that value for money is a primary consideration in government purchasing and supply decisions.

- ***A McGowan Labor Government will apply the following principles through the government procurement process: value for money, creation of local jobs and training opportunities, diversification and growth of the WA economy and transparency in decision making.***

Western Australian Industry Participation Plan

- Promote the diversification of the Western Australian economy through generating employment and business growth by targeting government purchasing opportunities for local industry.
- Provide government appointed contractors with increased access to and raised awareness of local industry capability.
- Encourage local industry to adopt world's best practice in workplace innovation, e-commerce and the use of new technologies and materials.
- Encourage further opportunities for WA industry to develop import replacement capacity by giving local companies a fair opportunity to compete against foreign suppliers.

Delivering Local Jobs: The Role of ICN WA

The implementation of WAIPP will be supported by the Industry Capability Network WA (ICN WA).

The services of ICN WA will be available free of charge to businesses to support them in developing Participation Plans and in identifying areas to increase localisation. This will help local small and medium enterprises (SMEs) to identify opportunities to compete for government work and actively support them through the process.

Businesses tendering for government work will be required to submit Participation Plans for all projects and procurement that meet the WAIPP criteria. The Participation Plan will be certified and evaluated by the ICN WA and must outline the bidder's commitments to achieving local content and employment, training and innovation outcomes through delivery of the contract.

The mechanisms will be established by which local SMEs will be supported to complete Participation Plans in order to compete for government contracts.

- ***A McGowan Labor Government will invest \$1 million per annum to reinvigorate ICN WA to support WA businesses to compete for government contracts.***

The ICN already undertakes many of these functions for the Victorian Government and have been successfully administering the Victorian policy for 12 years.

To streamline the implementation of the WAIPP an online system will be developed with ICN WA. The system will support the process by which agencies can determine if their procurements meet the contestability requirements and provide the portal

by which suppliers can seek assistance, lodge and certify their Participation Plans.

The services of ICN WA will be available to clarify issues relating to the Participation Plan, including how to identify and source local suppliers. Government agencies will refer suppliers to the ICN WA for localisation assistance as it will be expected that the ICN WA maintains an extensive database of suppliers in Western Australia, Australia and New Zealand.

Participation Plans

- Establish the level of local, Australian and New Zealand value-added activities (level of local content).
- Establish the number of newly created and/or existing jobs retained.
- Establish the number of apprenticeships and traineeships.
- Estimate the growth benefit to the tendering company from the awarding of the contract and if the tender includes the creation of import replacement opportunities.
- Identify technology transfer outcomes or export opportunities that will be generated from the successful awarding of the contract.

The ICN WA will review the Participation Plans and prepare an assessment of the relative merits of each plan. This assessment is only provided to the Government agency’s tender panel for use in their final tender evaluation and selection of the successful tender.

- *A McGowan Labor Government will engage the ICN WA to provide services to both suppliers for government projects and to departments and public sector bodies in identifying and delivering locally sourced equipment and services to these projects.*

ICN WA services will be available at no cost in order to support suppliers in developing Participation Plans and in identifying areas to increase localisation.

Victorian Experience

“The successful bidders for contracts commenced in 2013-14 have committed to using 84.1 per cent local content on average, representing \$1.41 billion in orders for local industry, creating 1,282 new local jobs and retaining a further 5,103 existing jobs. The contracts are also expected to create 214 new, and retain 606 existing, apprenticeships/traineeships across Victoria. Details are below at Table 1.

The contracts covered a range of activities, including infrastructure works, purchase of medical equipment, construction of schools and supply of information technology equipment.

In 2013-14, there were 324 small to medium sized businesses reported to have prepared a VIPP plan in the course of bidding for government contracts.”

Number of Contracts Commenced	163
Total Contract Value	\$1.68 billion
New Job Creation	1,282
Retention of Existing Jobs	5,103
New Apprenticeship/Traineeship Creation	214
Retention of Existing Apprenticeships/Traineeships	606
Average % of Local Content Committed	84.1%

Victorian Industry Participation Policy 2013-14 Annual Report p6

Strategic Projects Framework

Under WA Labor's Plan for Jobs, the WA Government will have the capacity to declare a major project a project of strategic significance to the WA economy. These will be subjected to additional local content requirements to help drive additional economic activity and jobs.

Major projects that would be assessed include those worth over \$50 million in capital expenditure or \$250 million, as measured on a whole-of-life basis. Each of these would be considered on a case-by-case basis.

During 2013-14 there were eight projects declared as strategic under the VIPP across Victoria, totalling over \$11 billion. These eight projects committed to an average local content of more than 84 per cent, representing over \$9 billion in orders expected for local industry by 2020.¹

- ***A McGowan Labor Government will have the capacity to declare a project of strategic significance and place additional local content requirements to help drive additional economic activity and local jobs.***

Delivering Across Government

The WAIPP will be applied to relevant procurement activities by all WA Government agencies, as defined in the Financial Management Act 2006, which includes all Western Australian Government Departments and public sector bodies. For example, this definition incorporates all water and electricity corporations as established under the Water Corporations Act 1995 and Electricity Corporations Act 2005.

The WAIPP will be applied to procurement activities that meet or exceed:

- \$500,000 for procurement activities undertaken in the supply of new equipment, services or capital investments;
- \$3 million for procurement activities in construction or major projects in metropolitan Perth; and
- \$500,000 for procurement activities in construction or major projects in regional cities and the rest of Western Australia.

All WA Government agencies will be required to report on their application of the WAIPP annually including information on employment and training outcomes, as well as any other benefits that will establish jobs created, training benefits and the diversification of the Western Australian economy.

- ***A McGowan Labor Government will require all government agencies to apply the Western Australian Industry Participation Plan to their procurements process and report annually on their success in creating jobs and supporting the local economy through this process.***

¹Victorian Industry Participation Policy 2013-14 Annual Report, p4

Aboriginal Procurement Policy

A McGowan Labor Government is committed to supporting Aboriginal owned businesses and driving jobs growth for Aboriginal communities.

The Aboriginal Procurement Policy will result in the State Government increasing the number of contracts awarded to Aboriginal businesses focused on developing entrepreneurship and business opportunities for the Aboriginal community.

The WA Government has previously had a policy for increasing opportunities for Aboriginal owned businesses called the 'Open and Fair Procurement Policy'. This policy has encouraged a small number of contracts but at the very small end of tenders.

The Commonwealth Government has now adopted a much stronger procurement policy of three per cent of all government contracts be awarded to Aboriginal businesses by 2020. A WA Labor Government will follow this example by setting a percentage target of actual contracts awarded as opposed to value.

- ***A McGowan Labor Government will adopt the Aboriginal Procurement Policy of awarding three per cent of all government contracts to Aboriginal owned businesses by 2020.***

An Aboriginal owned business is one that must be at least 50 per cent owned by an Aboriginal person. Supply Nation can be used to confirm ownership. Supply Nation was established in 2009 and has a registration and certification process that confirms Aboriginal ownership. Supply Nation is used by the Commonwealth Government in the implementation of its Aboriginal Procurement Policy.

The Aboriginal Procurement Policy will provide real opportunities for Aboriginal owned businesses to develop and expand.

METRONET: A Project of Strategic Significance

METRONET is an integrated and coordinated transport system that will solve Perth's long term congestion problems and create thousands of jobs. It will connect Perth suburbs with an integrated network of rail lines and lay down the foundation for Perth's transport system for decades to come.

Unlike the chaotic, start-stop transport planning of the Liberal Government, METRONET is a continuous build, creating sustained job growth for a local workforce.

- ***A McGowan Labor Government will drive job creation through a continuous infrastructure development such as METRONET.***

METRONET will be enshrined in legislation to ensure a long term commitment to its delivery with a special purpose account established to guarantee responsible funding of the project.

The certainty provided by METRONET will ensure businesses have the confidence to make investments, create jobs and employ trainees and apprentices.

Under the Western Australian Industry Participation Plan (WAIPP), METRONET will be declared a project of strategic significance. This will place additional local content requirements on the project and help drive additional economic activity and local jobs.

Businesses will be supported by ICN WA to identify opportunities to tender for work as part of the continuous build of METRONET. The services of ICN WA will be offered free of charge giving small businesses every opportunity to compete for work.

- ***A McGowan Labor Government will seek to maximise the amount of local content in the construction of METRONET by declaring it a project of strategic significance.***

A McGowan Labor Government will also ensure that the awarding of contracts by the State Government maximises the number of trainees and apprentices. Business cases for each stage of METRONET will outline how many jobs, including apprenticeships and traineeships, the investment will create.

- ***A McGowan Labor Government will create jobs for trainees and apprentices at every stage of the METRONET build.***

The Perth CBD to Mandurah rail line (71kms) stimulated more than 6,000 jobs in Western Australia over the five years it was built. It also injected almost \$700 million directly into the Western Australian economy.¹

METRONET will require civil construction work, earthworks, rail-track work, and the construction of new stations, bridges, grade separation, principal shared pathways, overhead power systems, signalling systems, ballasts and sleepers. As with most infrastructure projects, jobs will be created directly with or in associated supply during construction phases.

Western Australia needs this kind of integrated, coordinated planning to build the infrastructure we need to keep growing the economy and creating jobs.

¹Gallop, MacTiernan; Media Statement, 12 September 2002

Local Manufacturing of Rail Carriages

A McGowan Labor Government will also develop a passenger rail rolling stock manufacturing strategy that will set out a long term plan for the manufacturing of passenger rail cars with guaranteed levels of local content. This strategy will secure existing maintenance jobs and potentially grow thousands of jobs in the manufacturing of rolling stock and associated supply chain.

Bombardier Transportation (BT) is the world's largest manufacturer of passenger rail rolling stock with manufacturing facilities in both Victoria (regional headquarters) and Queensland.

As part of the Victorian Government's 2015-16 May Budget, a plan to invest \$2 billion to kick-start a long-term plan for train and tram manufacturing in Victoria and grow jobs was announced. "The multi-billion investment will provide greater certainty to rolling stock manufacturers and suppliers, which employ up to 10,000 people in Victoria."¹

WA needs a long-term strategy to manufacture our own rolling stock growing local jobs and guaranteeing local supply.

- ***A McGowan Labor Government will develop a passenger rail rolling stock manufacturing strategy for Western Australia with guaranteed levels of local content.***

This strategy will enable companies to invest in facilities, new technologies and local jobs to meet the future needs of our public transport system for decades to come.

¹Daniel Andrews, Media Statement - \$2 Billion For Trains, Trams And Jobs In Victoria, 4 May 2015, <http://www.premier.vic.gov.au/2-billion-for-trains-trams-and-jobs-in-victoria>

The strategy will also detail the mechanisms by which a labour force will be skilled to fulfil the roles of mechanical fitters, electricians, mechanical and electrical engineers and associated administrative staff.

- ***A McGowan Labor Government will work with the TAFE sector to develop courses for apprentices and trainees in the rail rolling stock industry.***

Western Australia needs this kind of integrated, coordinated planning to build the infrastructure we need to keep growing the economy and creating jobs.

Skilled Jobs on Local Projects

A McGowan Labor Government is committed to ensuring that the State maximises the benefits from our resources sector, with the clear objective of using this critical industry to help build and diversify our State's future economy and create local skilled jobs.

We will enact a Skilled Local Jobs Bill to support jobs growth in industries complementary to the resource sector. This will allow industries such as Mining, Engineering, Technology and Services (METS) to grow and prosper. Promoting and supporting the WA METS industries will foster innovation and deliver jobs, training and qualifications for young Western Australians.

It is important that the State retains the economic value of the growth experienced by the resources sector over last ten years and that local workers and businesses experience correlating economic improvement in their industries.

The Western Australian Government has always had regulatory and economic tools at hand to ensure that benefits from resource projects flow through to local business and industries and result in the creation of local jobs. Under the Liberal Government, however, these tools were never used. In fact after eight years of the Liberal/National Alliance, no industry policy was ever created or contemplated.

WA Labor has always argued that greater economic benefits to the State can be achieved through legislation which encourages the use of local content and delivers a workable process through which local companies have the opportunity to tender and compete for work on resource projects.

In 2011 and again in 2012 WA Labor introduced the Skilled Local Jobs Bill into Parliament. The intent of the

legislation was to maximise local content, particularly in resource projects. The Liberal Government voted against the Bill on both occasions.

- ***A McGowan Labor Government will enact a Skilled Local Jobs Bill that will require a skilled work agreement to be implemented on all major resource projects in WA.***

Projects covered by the Bill include any mining, oil or gas proposal that has a build value exceeding \$200 million and involve the taking or the processing of a non-renewable resource. It also includes build value, the construction of road, rail, pipelines or ports that support the proposal, including the generation and/or transmission of electricity.

Under the Skilled Local Jobs Bill, projects which meet the build value criteria will require a skilled work agreement be negotiated with the relevant Minister. This includes those projects subject to a Government State Agreement under the Government Agreements Act 1979.

The requirements of the skilled work agreement will demonstrate how local businesses will have the equal opportunity to participate in all aspects of the project and to tender and compete for any aspect of the work. These requirements are consistent with the principles of full, fair and reasonable opportunity articulated in the Australian Industry Participation National Framework.

Each skilled work agreement will also need to identify how much work is being undertaken in WA, which region the services would be carried out in and the number and type of apprenticeships and trainee positions that would be required.

Types of services that would be covered by a skilled work agreement include engineering, procurement, construction or management services, design and drafting, manufacturing, fabrication information technology and robotics to name but a few. These add to the skill base that will contribute to the Western Australian economy well into the future.

A McGowan Labor Government is committed to ensuring that local content on current and future resource projects is maximised. We will leverage local jobs and industries from the expansion and future developments in our resource industry through the Skilled Local Jobs Bill.

The failure of the Liberal Government to support these principles was a missed opportunity during one of the greatest mining booms ever experienced in WA. The Liberal Government failed to use every lever available to help build and diversify our State's economy.

Australian Industry Participation National Framework

Full, Fair and Reasonable Opportunity

Project proponents are encouraged to maximise Australian industry participation in investment projects by providing industry full, fair and reasonable opportunity to participate.

Full: Australian industry has the same opportunity afforded to other global supply chain partners to participate in all aspects of an investment project (eg. design, engineering, project management, professional services, IT architecture);

Fair: Australian industry is provided the same opportunity as global suppliers to compete on investment projects on an equal and transparent basis, including being given reasonable time in which to tender; and

Reasonable: tenders are free from non-market burdens that might rule out Australian industry and are structured in such a way as to provide Australian industries the opportunity to participate in investment projects.

Project proponents are encouraged to utilise information flows that provide fair and reasonable opportunities for participation by Australian industry and to engage in deliberations on how Australian industry might be utilised throughout the duration of a project's development and implementation.

Extract, Australian Industry Participation National Framework, 2001

Putting WA Back on the Defence Industry Map

A McGowan Labor Government is committed to establishing a robust, government-led structure to work with local industry and advocate for a greater share of the defence dollar.

The WA Labor Gallop and Carpenter Governments identified the defence industry sector as a key pillar in diversifying the State's economy. They established a Defence Industry Advisory Board and created a Defence Industry Skills Unit.

The Liberal Government disbanded both the board and the skills unit in 2009. By 2015 it became clear that Western Australia was missing out to other States who took a much more forceful position when it came to securing skilled employment for their communities.

The average annual expenditure on defence capital investment is \$11.4 billion. An additional \$8.1 billion is also dedicated to defence sustainment annually. This scale of expenditure represents significant opportunity for Western Australian industry, particularly in the fields of steel fabrication and technology.

Recent examples of significant contracts being let in the defence sector include 1100 Hawkei protected vehicles worth \$1.3 billion, an in-service support contract for the operational maintenance of the Hawk Lead-in Fighter fleet valued at \$126 million, and a \$665 million contract to develop and deliver a new communications system for the Australian Army.

Very large capital projects for the provision of new naval major and minor combatants include Pacific Patrol Boats, the Offshore Patrol Vessels, Frigate replacement and new submarine builds. The Federal Government's recent Defence White Paper outlined an investment of around \$195 billion in defence capability over the next ten years. Almost a quarter

will be spent on key enablers of which the large majority of investment will be spent in Australia. This provides WA defence businesses with an opportunity to bid for a diverse range of capabilities and services.

Beyond the one-off opportunity represented by winning a contract to construct a new class of warship or submarine, successful defence industries benefit from the demand for ongoing maintenance and sustainment of the vessels once they enter service. The recent decision by the Federal Government to commit to a 'continuous build' program for both Frigates and the Offshore Patrol Vessels has made the contracts even more attractive, effectively providing certainty of demand for successful contractors far into the future.

The Liberal Government has belatedly announced it will form a Defence Shipbuilding Council to develop strategies to promote Western Australia's expertise in shipbuilding to the Prime Minister and Defence Minister. This move is feeble by comparison to competitor states. The Defence South Australia Advisory Board sets the standard and is chaired by former Chief of Defence Sir Angus Houston.

A McGowan Labor Government will appoint a Minister and draw upon a high-powered advisory board with strong military background. It will also include high level representation from local defence industry for whom it will advocate.

- ***A McGowan Labor Government will appoint a Minister for Defence Issues to champion the Western Australian defence industry drawing on the expertise of an advisory board.***

A professional team drawn from the Department of State Development will be created and will report directly to the Minister for Defence Issues. Under the banner of Defence West they will champion the interests of the Western Australian defence industry.

- ***A McGowan Labor Government will create Defence West to champion the interests of the Western Australian defence industry and create jobs and opportunities for Western Australians.***

Defence West, will actively campaign to win a greater share of the Australian defence spend. It will actively work with the Commonwealth's Centre for Defence Industry Capability (CDIC) to enhance WA's defence industry to be competitive and meet the contractual obligations required by the CDIC.

Defence West will also target other potential clients such as the US Navy, on behalf of the WA based defence industry. This will be achieved through attendance at established national and international trade shows and conferences, an annual trade show in WA, direct advocacy with Federal Ministers and defence executives and taking every opportunity to promote the WA defence industry sector across all media.

Defence West will have the explicit aim of extracting our fair share of the defence budget (and any other potential markets) for WA based industry and building jobs and opportunity within the sector.

Defence West will have the responsibility of ensuring defence industry requirements are included and promoted within the State Infrastructure Strategy.

It will also resume the role of attracting young Western Australians into engineering and manufacturing careers within the WA defence industry sector. To this end there will be a specific role within Defence West to promote careers in the industry in the State's school and TAFE systems.

Western Australia hosts the nation's greatest concentration of defence industry contractors, fabrication industries active in the offshore oil and gas sector and small to medium enterprises capable of supporting defence projects. The vast majority of these businesses lie within an arc focussed on the Australian Marine Complex and stretching from Fremantle, through Bibra Lake and down to Rockingham and the HMAS STIRLING.

Western Australian ship building companies have a track record in building patrol boats and state-of-the-art warships for the US Navy. Many other local companies regularly meet the demands of significant upgrade and maintenance contracts for the Navy. Smaller, but no less important contracts, are met in support of Special Forces, the RAAF and Singaporean Defence Forces. Beyond those companies already engaged with the defence sector, many industry players active in the offshore oil and gas and mining sectors have the capacity and skill sets necessary to meet defence needs.

A strong local defence industry can provide long term, reliable employment opportunities to offset the 'boom and bust' cycle of the resources sector. If WA succeeds in winning a fair share of the Australian defence dollar, local industry can then compete internationally for contracts to supply and support foreign navies creating new highly skilled jobs.

Freeing up Business

A McGowan Labor Government will target overly burdensome bureaucracy and poor and inefficient regulations that stifle jobs and investment by establishing a lead reform agency.

Western Australia is a high-cost jurisdiction to operate a small business in. Small businesses are disproportionately affected by over-regulation. In 2013 the Productivity Commission found that Western Australian wineries were required to meet 139 licence requirements, compared to 73 in Tasmania and 76 in the ACT, stating ‘regulation has a disproportionate effect on small businesses and can limit their ability to create jobs’.¹

The job of the agency will be to ensure all agencies of government are working to make regulation more efficient and effective.

- ***A McGowan Labor Government will free business from the burden of poor regulations and establish a lead reform agency to ensure that all agencies of government are focused on making regulations more efficient and effective.***

Targets for reform would be set and every part of government will have to meet key performance indicators. The targets and each agency’s performance would be published so that the business community could monitor reform and take advantage of new opportunities to grow and innovate their businesses.

- ***A McGowan Labor Government will commit to reforming regulation to encourage a diversified economy for a vibrant Western Australia by setting key performance indicators for government agencies.***

Regulatory reform will take an approach to reduce red tape by focusing on excessive and inappropriate regulation, costly regulatory instruments and costs of enforcement.

These initiatives are in line with a key recommendation of the Economic Regulation Authority.²

¹Regulator Engagement with Small Business - Productivity Commission Research Report September 2013, p296

²Microeconomic Reform (2014); Economic Regulation Authority WA; p11