

15 December 2015

Ms Anthea Harris
Lead Deputy Secretary
Strategy and Planning
Department of Economic Development, Jobs, Transport and
Resources
Level 12, 1 Spring Street,
MELBOURNE VIC 3000

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Dear Ms Harris,

Joint Submission to the Review of Victorian Industry Participation Policy Discussion Paper

The Committee for Geelong, Geelong Chamber of Commerce, Geelong Manufacturing Council, G21-Region Alliance, G21 Region Opportunities for Work (“GROW”) and Give Where You Live Foundation support the main objectives of the Victorian Industry Participation Policy (“VIPP”) set out in the *Victorian Industry Participation Policy Act 2003 (Vic)* (“the Act”) and we are pleased to provide our submission.

Every day we witness the impact unemployment has on our community. We are committed to promoting employment and business growth by expanding market opportunities for local industry in the region. We believe this will improve outcomes for the most disadvantaged areas of our region by providing them with opportunities for work.

We appreciate the opportunity to contribute a submission in this vital review and would welcome the chance to further contribute to the review, and potentially to act as a pilot region for testing and further developing industry participation models that work to effectively strengthen regional economic development and employment.

Please note that this submission is not confidential.

GROW (G21 Region Opportunities for Work)

GROW a joint initiative between Give Where You Live and the G21 - Region Alliance, is an innovative regional strategy which focuses on one of the key features of place-based disadvantage - unemployment. GROW aims to reduce unemployment in the G21 Region’s most disadvantaged areas over the next ten years using a collective impact approach, and partnering with community groups, business and governments.

GROW focuses on job creation through social and local procurement and innovative impact investment approaches, linked with demand-led employment brokerage. These are integrated with a shared measurement system that will track progress and allow us to evolve the model as we learn.

Twenty organisations representing many of the region's largest procurers and employers have recently signed a Compact. This Compact commits them to work actively and collaboratively with GROW to maximise the impact of their employment and procurement practice on addressing disadvantage and local and regional employment and economic development. Many more diverse NGOs and private and public sector organisations are also involved in different aspects of the Program. GROW provides a practical vehicle for the State Government to further develop Programs such as VIPP to strengthen the impact of investment and procurement in regions across Victoria.

Projects underway through the GROW program can contribute to defining and developing procurement and investment practice to maximise local and regional economic and employment impact. For example specific expertise being provided by consultants ArcBlue include the following activities:

- GROW is currently delivering a project in partnership with the Geelong Business Chamber and other stakeholders to model the economic and employment impact of changes to local/ regional procurement practice to the region, while identifying key industry 'categories' where there are opportunities to strengthen and support industry growth and support.
- GROW is actively developing best practice documentation, including specific clauses, and returnable schedules, and tools to evaluate and measure impact
- GROW is working with key projects as 'action learning pilots' to better understand, model and measure 'good practice' in this area
- GROW is developing on-going data collection and reporting models to track the economic and employment impact of changes in practice across Program participants
- GROW has a network of organisations meeting regularly to discuss and refine social procurement practice across the region.

Opportunities for VIPP

The achievement of the objectives of GROW needs the support of Programs such as VIPP to ensure that the benefits to the region through investment are maximised. VIPP provides a sound, structured, and mandated model to ensure that organisations competing for projects in Victoria are required (and incentivised) to think and plan to maximise local impact. However, currently the effectiveness of the VIPP in the G21 region is constrained by the definition of local industry in the Act meaning "industry and other businesses based in Australia or New Zealand" and the monetary threshold applied to Strategic Projects in Regional Victoria.

We understand the obligations of the State under relevant conventions, treaties and other international agreements to which Australia is a party. Notwithstanding this, we believe there is a critical opportunity now through the review of VIPP to strengthen the model (particularly where it is being applied to projects in regional Victoria) to incorporate the demonstration by potential bidders of how their approach to the project will also maximise local and regional benefit.

This does not mean favouring local suppliers per se. It simply means ensuring that **all** potential bidders are required and incentivised to think about and plan through a 'social procurement model' for maximising:

- Local/ regional employment, including apprenticeships, traineeships, placements etc
- The use of local/ regional subcontractors
- Purchasing goods, services, materials from local/ regional suppliers, including social enterprises
- Local/ regional expenditure on ancillary services
- Providing other local/ regional benefits, e.g: training, skill transfer, volunteering, community assets provision etc.

Experience suggests that where suppliers are asked to demonstrate the impact they can have locally/ regionally, they can and will innovate and often provide outstanding results.

These requirements are gradually being built into local procurement practice through the GROW Program already and are being embraced by a diverse range of participating organisations. VIPP provides an ideal structure to apply these principles more broadly, particularly at a major project level. VIPP has the benefit of being mandated and having infrastructure (processes, a VIPP Plan, further documentation and templates, governance and advisory expertise etc.) around it that can be relatively easily adapted to incorporate the regional/ local elements above. What is meant by local/ regional would need to be further defined, (possibly aligned to the new Regional Partnership regions (new RDV regional geography), but there are also other proven models available that provide for robust definitions that could be applied in the Victorian context.

It is our objective that that there be an opportunity in (G21) regional projects for the VIPP framework to be used to effectively maximise and measure specific (G21) regional economic benefit: to measure G21 regional outcomes, to build in G21 regional forward procurement strategies to support regional business participation and regional G21 employment, training and apprenticeship outcomes.

On (G21) regional projects GROW is currently working to encourage and measure regional (G21) economic (and social) benefit. However there is a disconnect, where we see in the media reports of the importance to Government of regional projects in creating regional jobs and boosting regional business, yet this is not reflected in the VIPP as of yet.

The timing is very good for this change. There has been considerable interest, including funding and support for the GROW Program from the Victorian State Government. The State is also actively pursuing social procurement more broadly through the incorporation of clauses in major programs such as the new billion-dollar investment in level crossings, an approach, which is now being considered for further roll-out across other projects. A Conference and masterclasses in social procurement are also being planned by the State Government for 2016.

Further Recommendations

Monetary Threshold - It is our view that the monetary threshold applied to Strategic Projects, with a project value of \$50 million or more, should be lowered for Strategic Projects in Regional Victoria. We propose a threshold of \$25 million to achieve the local employment and training levels expected by the VIPP. A \$25 million threshold could provide for example, more opportunities for local SME's on Strategic Projects in the G21 Region. Victoria. Generally speaking, the build cost and capital investment will be lower in regions.

Brokerage - There is a role for State funded locally based brokers with a brief to make the connections, linking regional suppliers and contractors with Prime Contractors and working with Government agencies. Brokers will be aware of the opportunities arising – the industry players, primes, contractors, and have the specific role to promote possibilities and opportunities for regional business.

State Government Application - Consideration should be given for the incorporation of this model for all state government procurement projects/ programs over certain thresholds, including routine spend, not just capital projects.

Capacity Development - Opportunities to better support businesses tendering for projects, e.g:

- Publish information about the projects that will be coming on line as soon as this is definite through local business/industry networks databases.
- Publish information about the project information sessions, located in the region the project is to occur.
- Brokers or regional officers tasked with the role of contacting and promoting local business networks about the information sessions etc.

G21 Region Pilot – the G21 region and the GROW Program would be very interested in acting a 'Pilot' to explore the most effective ways VIPP can be applied in a regional Victorian context.